30 Monck Street
London
SW1P 2AP

T: 020 7340 0551
E: info@att.org.uk
W: www.att.org.uk

REFORM OF BEHAVIOURAL PENALTIES

Response by Association of Taxation Technicians

1 Introduction

1.1 The Association of Taxation Technicians (ATT) is pleased to have the opportunity to respond to HMRC's consultation on 'Reform of behavioural penalties'[1] (the Consultation).

1.2 The primary charitable objective of the ATT is to promote the education and study of tax administration and practice. We place a strong emphasis on the practicalities of the tax system. Our work in this area draws heavily on the experience of our members who assist thousands of businesses and individuals to comply with their taxation obligations. This response is written with that background.

1.3 We acknowledge that the tax system is built on the principles of 'fairness, trust and compliance', but we have gone further in developing our own ten principles[2] for the tax system which we employ when commenting on and evaluating tax policy and processes. Where appropriate our response draws on these principles.

1.4 We welcome that the Consultation is taking place at Stage 1 of the consultation process and appreciate the engagement by HMRC through the online launch and two workshops, to further explore the reforming opportunities. Should the decision be taken to progress any of the proposals further, we look forward to the opportunity provided within Stage 2, to consider the options and comment on the detailed policy design.

1.5 In this response, we have provided an executive summary in Section 2, made some general observations in Section 3, and provided detailed responses to the Consultation questions in Sections 4-10.

2 Executive Summary

2.1 We consider that there are opportunities to simplify the current penalty regimes by:

- eliminating the minimum 10% penalties currently applied to inaccuracies disclosed after three years and to failures to notify disclosed after 12 months, in cases of non-deliberate behaviour;
- aligning onshore and offshore penalties; and

[1] Reform of behavioural penalties - GOV.UK
[2] The ATT's principles for the tax system | The Association of Taxation Technicians

- replacing suspended penalties for careless errors and omissions with a 'Must Improve' letter.

2.2 We appreciate and support HMRC considering new and improved ways to modernise and simplify the penalty system, but we are not in support of the alternative legislative process put forward in the Consultation. We have concerns that:

- the transitional costs of introducing new legislation;
- moving to new processes for administering and dealing with the penalties; and
- educating taxpayers on any new sanctions or safeguards

would mean that the delivery costs would outweigh any opportunities for simplification. Whilst they would introduce a new misdeclaration/failure to notify penalty and a civil evasion penalty, we do not believe that these changes are radically different from the existing penalty systems to justify the overhaul.

3 General Observations

3.1 We agree that penalties should be applied:

- to encourage taxpayers to comply with their obligations;
- to act as a sanction for those who do not; and
- to reassure the compliant majority that they will not be disadvantaged by those who do not abide by the rules[3].

3.2 The Powers Review between 2005 and 2012 thought that penalties should influence behaviour, and be effective and fair. This concept was considered further in February 2015 when HMRC published 'HMRC Penalties: A Discussion Document'[4] which recognised five broad principles that should underpin any new penalty regime. We agree with those principles and repeat them here:

> 1. The penalty regime should be designed from the customer perspective, primarily to encourage compliance and prevent non-compliance. Penalties are not to be applied with the objective of raising revenues.
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> 2. Penalties should be proportionate to the offence and may take into account past behaviour.
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> 3. Penalties must be applied fairly, ensuring that compliant customers are (and are seen to be) in a better position than the non-compliant.
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> 4. Penalties must provide a credible threat. If there is a penalty, we must have the operational capability and capacity to raise it accurately, and if we raise it, we must be able to collect it in a cost-efficient manner.
>
> 5. Customers should see a consistent and standardised approach. Variations will be those necessary to take into account customer behaviours and particular taxes.

3.3 We recognise that the challenge in reforming (and simplifying) the penalty system is to ensure that the right balance is achieved across all five principles, while appreciating and acknowledging that there may be conflicts.

[3] 1.9 page 5 - HMRC Penalties: A discussion document
[4] HMRC Penalties: a discussion document

3.4 We fully advocate a modern tax administration system which seeks to prioritise informing and educating taxpayers of their tax obligations over penalising them, either financially or otherwise.

3.5 We support penalty systems which provide consistent graduated responses to taxpayer behaviour, ranging from providing extensive opportunities to voluntarily correct mistakes up to the pursuit of criminal sanctions for cases of serious fraud or evasion.

3.6 We note that the current statutory requirements for record retention are not aligned with HMRC's time limits for raising assessments. This misalignment can result in situations where taxpayers have lawfully destroyed their accounting records before a compliance check or enquiry is initiated. Many taxpayers (especially the unrepresented) are unaware that the burden of proof rests with them when determining the correct amount of tax due. In the absence of supporting records, HMRC may be required to estimate or extrapolate liabilities, which can lead to increased disputes and a higher risk of cases progressing to tribunal. We recommend aligning the statutory record-keeping requirements with HMRC's assessment time limits to ensure that relevant documentation remains available throughout the potential assessment period. In addition, these provisions should be extended to cover circumstances where an assessment is under appeal, requiring that records be retained until the appeal process has been fully concluded.

3.7 One of our principal concerns with behavioural penalties is the inherently subjective nature of assessing penalty reductions, which often results in inconsistent treatment by HMRC staff when determining a taxpayer's underlying behaviour and the criteria used in reaching such conclusions. Although HMRC provides detailed guidance to compliance officers through its Compliance Handbook, feedback from our members suggests that these guidelines are applied inconsistently, leading to variability in outcomes. Such inconsistency risks undermining taxpayer confidence in HMRC's ability to ensure fair and equitable treatment—an obligation enshrined in HMRC's Charter standards. [5]

4 Question 1: What are your views on removing the minimum 10% penalties for:

1. inaccuracies disclosed after 3 years?

2. failures to notify disclosed after 12 months for non-deliberate behaviour?

4.1 Feedback from our members indicates that the imposition of a minimum penalty can act as a deterrent for some taxpayers who would otherwise rectify their tax obligations. We therefore support the removal of the minimum 10% penalties currently applied to inaccuracies disclosed after three years and to failures to notify disclosed after 12 months, in cases of non-deliberate behaviour.

4.2 Where a taxpayer becomes aware—whether through enhanced HMRC guidance, professional advice, or other means—of an inaccuracy in a return or a failure to notify a source of income or gain, and subsequently takes prompt and proactive steps to correct the issue, they should be eligible for full penalty mitigation, irrespective of the original timing of the error. It should also be noted that the timing of the discovery could mean that there are multiple years that need correcting, and again taxpayers should be eligible for the full penalty mitigation. While such disclosures may be made outside the standard time limits, the application of commercial rates of interest ensures that HMRC is not placed at a financial disadvantage.

[5] The HMRC Charter - GOV.UK

4.3 HMRC's Compliance Handbook (at CH82465[6] and CH73360[7] respectively), explains how the penalty reduction is limited in both these cases by 'restricting the difference between the minimum and maximum penalty percentages (the 'maximum reduction') by 10% to reflect the time that taxpayers have taken to begin telling HMRC about an inaccuracy'. This is undertaken before any further reductions are calculated for the quality of the telling, helping, and giving[8].

4.4 Determining the maximum penalty reduction is inherently a subjective exercise, relying on the compliance officer's assessment of the full circumstances. However, this discretion is currently constrained by HMRC guidance, which imposes the minimum penalty of 10%. Notably, this minimum penalty is not set out in legislation but has evolved as part of HMRC's internal compliance practices. As such, its removal would not require any legislative change—only an update to the guidance issued to compliance officers.

5 Question 2: What are your views on the ways in which HMRC could:

1. **simplify penalty reductions for unprompted disclosure**
2. **simplify penalty reductions for the quality of disclosure?**

5.1 We agree that the current penalty system incorporating multiple penalty ranges across 'prompted' and 'unprompted' disclosures can be complex and difficult for taxpayers to understand, and for HMRC to administer. We would therefore support any changes which sought to simplify the system, whilst retaining the principles referred to at 3.2.

5.2 The Consultation has suggested[9] that a new framework could be created for calculating any reduction in a penalty based on the type and quality of disclosure (out of a 100% weighting) , as follows:

- The type of disclosure – given a weight of either 0% (prompted) or 30% (unprompted).
- 'Telling' and 'helping' – covering the taxpayer's admission and extent of the disclosure, explanation of why it occurred, and the help, assistance and information given to quantify the size of discrepancy or quantity of unpaid tax. This could be given a weight of 0% to 40%.
- 'Giving access' – covering how positively the taxpayer responds to requests for information and allows access to relevant documents. This could be given a weight of 0% to 30%.

5.3 This model appears to draw heavily on aspects of the simpler, historic penalty regimes that applied prior to the introduction of Schedule 24 Finance Act 2007[10], where mitigating circumstances for disclosure, cooperation and size & gravity could reduce a penalty from a maximum of 100% to potentially no penalty. This earlier system did not take account of taxpayer behaviour when calculating the penalty.

5.4 Although we have acknowledged the constraints of behavioural penalties (see 4.5 above), we consider that it is important to distinguish between those making a genuine mistake from those who are effectively going out of their way to evade tax.

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[6] CH82465 - Penalties for Inaccuracies: Calculating the Penalty: Penalty reductions for quality of disclosure: Timing of the disclosure - HMRC internal manual - GOV.UK

[7] CH73360 - Penalties for Failure to Notify: Calculating the penalty: Penalty reductions for quality of disclosure: Timing of the disclosure - HMRC internal manual - GOV.UK

[8] The more a taxpayer tells, helps and gives access to HMRC, the more the penalty will be reduced for disclosure.

[9] Chapter 3 - Reform of behavioural penalties - GOV.UK

[10] Finance Act 2007

5.5 We are broadly in support of combining the type of disclosure so that there is one set of headline rates where the type of disclosure is considered alongside the quality of disclosure.

5.6 Although we support, in principle, the simplification of the penalty regime as outlined at 5.2 and the amalgamation of the existing penalty reductions for 'telling' and 'helping' into one rate, we consider that the rates should be as follows (our revisions in **bold**):

- the type of disclosure – given a weight of either 0% (prompted) or **20%** (unprompted).
- 'telling' and 'helping' – covering the taxpayer's admission and extent of the disclosure, explanation of why it occurred, and the help, assistance and information given to quantify the size of discrepancy or quantity of unpaid tax. This could be given a weight of 0% to **50%.**
- 'giving access' – covering how positively the taxpayer responds to requests for information and allows access to relevant documents. This could be given a weight of 0% to 30%.

5.7 We believe that increasing the reductions available for the 'telling' and 'helping' components of the penalty reduction could significantly accelerate the compliance process. By providing stronger incentives for early and meaningful cooperation, this approach would encourage more taxpayers to engage proactively, share accurate information, and assist in resolving matters efficiently. This would not only support faster case resolution but also promote a more collaborative and constructive compliance environment.

5.8 While incorporating the type of disclosure into the penalty reduction calculation may narrow the gap between 'prompted' and 'unprompted' disclosures, it will still remain essential for HMRC to provide clear communications and guidance on how these terms are defined. Significant confusion persists among taxpayers and agents—particularly in cases where HMRC has employed its 'one-to-many' letter campaigns and the impact that these have on whether a disclosure is 'prompted' or 'unprompted'.

5.9 45% of the tax gap in 2022/23 is attributed to taxpayers 'failing to take reasonable care' or making 'errors'.[11] Therefore, whether a correction is 'prompted' or 'unprompted' it is likely that taxpayers are going to need some further education. We encourage HMRC to invest in more 'upstream' compliance work and targeted guidance to support taxpayers in submitting accurate returns. This would help demonstrate HMRC's commitment to taxpayers getting the tax filing right, rather than raising revenue through penalties - in line with the first principle at 3.2. Additionally, we recommend that HMRC collaborate with external stakeholders, including professional bodies, to raise awareness of common errors and promote understanding of how such mistakes can be identified and corrected.

6 Question 3: With reference to the existing inaccuracy and failure to notify penalty ranges, what would you consider to be proportionate and appropriate penalty rates for both deliberate behaviour and repeated instances of deliberate behaviour? Which factors should be considered when applying these?

6.1 We support action which would simplify the existing tax penalty regimes and consider that the proposals within Section 5 could go some way to achieving this.

6.2 We do not support the introduction of higher inaccuracy and failure to notify penalties for those who repeatedly intentionally conceal or underreport to HMRC, as we consider that HMRC already has sufficient powers and policies for dealing with this cohort. As such, we consider that the current penalty

[11] 7. Tax gaps: Illustrative tax gap by behaviour - GOV.UK

ranges are proportionate and appropriate. Introducing new penalty instances and rates could further complicate an already complex penalty system.

6.3 We see merit in combining the existing categories of 'deliberate but not concealed' and 'deliberate and concealed' into a single behavioural classification. In our view, when a taxpayer takes intentional steps to defraud the Exchequer—whether or not those steps involve an element of concealment—the core behaviour is one of deliberate non-compliance. While concealment may indicate a greater degree of planning or intent to mislead, the fundamental act of deliberately understating or omitting a tax liability remains the same. We therefore consider it appropriate for the associated sanctions to be aligned, ensuring consistency in how deliberate behaviour is treated and avoiding unnecessary complexity in the penalty system.

6.4 During the workshops held on 13 & 19 May, HMRC indicated that the penalty rates for 'deliberate' and 'deliberate and concealed' behaviour could be increased, possibly to the same level as category 2 offshore penalties, and that there could be a new higher tier of penalty rates for repeated deliberate non-compliance at the same level as category 3 offshore penalties. These higher rates for repeated deliberate non-compliance could then be 'reset' later.

6.5 We acknowledge the rationale behind offshore penalty categorisations—namely, that some authorities offer greater transparency and cooperation in international tax matters than others. However, we believe the current system of categorising countries, along with the potential for authorities to shift between categories, has introduced unnecessary complexity and a proliferation of penalty rates. In our view, it would be preferable to remove the categorisations altogether, rather than develop existing penalties to incorporate offshore categorisation penalties.

6.6 Rather than look to increase civil penalties for repeated deliberate action, HMRC already have a criminal investigation policy[12] which it should fully utilise. The policy sets out the kind of circumstances in which HMRC will consider starting a criminal, rather than a civil investigation. This includes (items relevant to this Consultation):

- where deliberate concealment, deception, conspiracy, or corruption is suspected
- where the perpetrator has committed previous offences or there is a repeated course of unlawful conduct or previous civil action

6.7 HMRC already has a criminal investigation policy in place to address cases involving deliberate concealment and repeated instances of non-compliance that have previously been dealt with through civil action. We believe HMRC should be encouraged to apply this policy consistently and robustly in all cases where the criteria are met. Doing so would reinforce the seriousness of deliberate and persistent non-compliance and help maintain public confidence in the fairness and effectiveness of the tax system.

6.8 We recognise the substantial costs associated with preparing a criminal prosecution case for referral to the prosecuting authorities. However, the Public Accounts Committee (PAC), in its March 2025 report, highlighted a notable decline in the number of criminal prosecutions for tax evasion. A more targeted and proportionate application of HMRC's criminal investigation policy could help address deliberate non-compliance while also responding to the PAC's concerns regarding the deterrence and enforcement of tax fraud.

[12] HMRC's criminal investigation policy - GOV.UK

7 Question 4: How could penalties for offshore non-compliance be simplified whilst still acting as an effective deterrent?

7.1 The ATT supports the requirement for taxpayers to declare all their income and gains to HMRC, as required by law, irrespective of the jurisdiction in which the income or gains were generated.

7.2 Section 80 Finance Act 2019[13] introduced section 36A Taxes Management Act 1970[14] to extend the assessment time limit for non-deliberate offshore tax non-compliance from six years to 12 years after the end of the relevant tax year. It did not change the assessment time limit for deliberate behaviour which remained at 20 years.

7.3 The 12 year limit was introduced because HMRC believed that it could take much longer to establish the facts concerning offshore transactions, particularly where complex offshore structures were involved. The extended time limit only applies for Income Tax (IT), Capital Gains Tax (CGT), and Inheritance Tax (IHT) involving offshore matters or offshore transfers.

7.4 Since its introduction there have been several offshore reforms which have aided HMRC's ability to receive information in relation to offshore matters and transfers, including:

- The automatic exchange of information
- The Common Reporting Standard
- The civil sanctions for offshore evaders
- The criminal offence for offshore evasion
- The Requirement to Correct
- The Cryptoassets Reporting Framework (CARF)
- The reporting rules for digital platforms

7.5 Considering HMRC's enhanced capability to access information from overseas authorities and its strengthened powers to sanction serious non-compliance, we support the removal of the 12-year time limit for offshore matters. At the same time, we recognise the importance of retaining the existing 20-year limit for cases involving deliberate taxpayer behaviour. Abolishing the 12-year limit would bring greater alignment between the treatment of onshore and offshore non-compliance and contribute to a more streamlined and coherent penalty regime.

7.6 The period for which taxpayers are required to keep records is not aligned with HMRC's assessment time limits. This disconnect can often mean that accounting records have been destroyed before a compliance check has been instigated. Many taxpayers fail to appreciate that the burden of proof when establishing the correct tax due lies with them, and without records to prove the figures, HMRC may often need to estimate or extrapolate liabilities, increasing the likelihood of further disputes or tribunal appeals. We would recommend that the statutory record keeping time limits are aligned to HMRC's assessment time limits to avoid instances where financial records are no longer available. These provisions should also be extended where an assessment is under appeal so that the records supporting the underlying appeal must be retained until the appeal process is complete.

7.7 Further complexity to the offshore penalty landscape was added by the introduction of the offshore asset moves penalties[15] and asset-based penalties[16]. Feedback by members suggest that these penalties

[13] Finance Act 2019
[14] Taxes Management Act 1970
[15] Schedule 21, Finance Act 2015
[16] Schedule 22, Finance Act 2016

are rarely charged in practice and are complicated for taxpayers and agents to understand. We would support a review of the continued appropriateness of these sanctions.

8 Question 5: How could HMRC simplify penalty suspension while retaining an effective prompt to taxpayers to address the source of the inaccuracy?

8.1 Compliance work is both expensive and time consuming for taxpayers, agents and HMRC, and action designed to support taxpayers to deliver accurate returns to HMRC is preferrable to enquires into inaccurate returns. We support the policy objective for suspended penalties as set out in the Compliance Handbook at CH83115[9] to 'turn a sanction into an incentive to comply voluntarily'.

8.2 We believe that, within the existing penalty framework, the suspension of penalties can be an effective tool for promoting improved taxpayer accuracy and future compliance. This is contingent upon the suspension conditions being aligned with SMART objectives (Specific, Measurable, Achievable, Relevant, and Time-bound), actively monitored, and appropriately enforced. Where conditions are not met, HMRC should follow up accordingly and ensure that the suspended penalties are reinstated for collection.

8.3 The feedback that we receive from our members on penalty suspensions is not that they find the process burdensome, complex, or an outmoded way of encouraging and supporting future compliance, but rather that HMRC compliance officers demonstrate a lack of consistency in the application of suspended penalties, and inconsistency in negotiating the suspension of penalties, sometimes resulting in taxpayers not being given the option to suspend a penalty. Where there are suspensions feedback is that there is little or no follow-up.

8.4 The latest tax gap figures[17] show that small business account for 60% of the tax gap, and that behaviourally 45% is a result of 'a failure to take reasonable care' and 'errors'. Given that closing the tax gap is one of HMRC's three strategic priorities set by the Government in Budget 2024[18], it is logical to explore measures that support taxpayers in filing accurate returns. While 'upstream' education and tailored guidance play a vital role in preventing errors before a return is submitted, there is also a need for effective interventions post-submission. In this context, the suspension of penalties—linked to targeted and measurable SMART conditions—could serve as a constructive tool to improve future compliance and filing accuracy among small businesses, and taxpayers in general.

8.5 The Compliance Handbook advice to compliance officers[19] is that they '**must** consider suspension for **every penalty for a careless inaccuracy**' [our emphasis]. The feedback that we receive is that this is not the case in practice, and that compliance officers regularly advise that the circumstances of the case do not merit suspension.

8.6 If the ability to suspend penalties remains at the discretion of compliance officers who fail to action their own guidance, then it is unlikely that taxpayers who have made errors and mistakes will be given the opportunity to improve the quality of their tax filing obligations by complying with the SMART conditions attached to a penalty suspension. This is a missed opportunity.

8.7 For any suspension to be effective, careful consideration must be given to ensuring that the associated SMART conditions are appropriate and proportionate. HMRC must also follow up to confirm that the

[17] 1. Tax gaps: Summary - GOV.UK
[18] Autumn Budget 2024 – HC 295
[19] CH83131 - Penalties for inaccuracies: how to process the penalty: suspension of a penalty: circumstances in which you might suspend a penalty: overview - HMRC internal manual - GOV.UK

taxpayer is meeting these conditions, as effective monitoring is essential to achieving meaningful improvements in compliance.

8.8 We consider that there is merit in exploring simplifying the penalty suspension process and achieving the policy aim of incentivising taxpayers who currently make careless errors to correctly comply with their filing obligations by developing the 'caution' letter referred to in the Consultation to a 'Must Improve' letter with no financial penalty.

8.9 In this scenario, rather than immediately imposing a penalty, HMRC would issue a 'Must Improve' letter to the taxpayer, outlining suggested actions to prevent recurrence of the careless behaviour that led to the inaccuracy—similar in spirit to SMART conditions. These recommendations should be indicative rather than prescriptive, allowing taxpayers to adapt the guidance to their specific circumstances. The letter could also clarify that future, similar inaccuracies — particularly where the taxpayer has not acted on the suggested improvements — may be treated as deliberate, potentially attracting higher penalties. To support this approach, legislation could be amended to extend the definition of 'deliberate' behaviour penalties to also include instances where a taxpayer has previously received a 'Must Improve' letter. This would shift the emphasis from punitive measures to a more constructive, compliance-focused approach.

8.10 The Consultation raises the possibility of making the suspension of 'careless' penalties mandatory, acknowledging that while such errors are not 'innocent,' they also fall significantly short of deliberate behaviour. We recognise the rationale for mandatory suspension and this would address concerns that have been raised about compliance officers not following their own guidance, however , there could be some unintended consequences. Specifically, mandatory suspension could discourage taxpayers from coming forward with disclosures during the suspension period, due to fear that doing so may trigger the release of a suspended penalty. There is also a risk of confusion among taxpayers making disclosures unrelated to the suspended issue, who may not fully understand that such disclosures could nonetheless result in the suspended penalty becoming payable. We also appreciate that if there were no suspension, mandatory or otherwise, then the penalty would be payable.

9 Question 6: What do you see as the opportunities and challenges of this approach? How does it compare with potential simplification to existing penalties, as outlined in Chapter 3?

9.1 Whilst we appreciate and support HMRC considering new and improved ways to modernise and simplify its penalty systems, we are not in support of the alternative legislative process put forward in the Consultation. We have concerns that:

- the transitional costs of introducing new legislation;
- moving to new processes for administering and dealing with the penalties; and
- educating taxpayers on any new sanctions or safeguards

would mean that the delivery costs could outweigh any potential opportunities for simplification.

9.2 The proposed model introduces two new features: a misdeclaration/failure to notify penalty and a civil evasion penalty. However, neither of these are a radical departure from the existing penalty systems.

9.3 The suggested penalties for 'deliberate non-compliance' under the proposed civil evasion regime — ranging from 50% to 150% — are significant. While the Consultation notes that these penalties would be reserved for a smaller subset of cases where the taxpayer has consciously sought to reduce their tax liability or avoid payment altogether, we remain concerned about the current application of the 'deliberate' classification. Our members' feedback is that the definition of deliberate non-compliance is

often subject to inconsistent and subjective interpretation by compliance officers. We are not fully persuaded that staff training alone will be sufficient to ensure that these substantial penalties would be applied only in genuinely appropriate cases.

10 Question 7: What is your view on HMRC's use of tougher non-financial sanctions to deter and respond to deliberate and repeated non-compliance and to promote future compliance?

10.1 We agree that taxpayers who make genuine mistakes should be supported so that they can get things right in the future, and that those who deliberately seek to underreport their taxes or claim relief or expense that they are not entitled to should face tougher sanctions.

10.2 We also support HMRC looking to utilise both financial and non-financial sanctions to deter and respond to deliberate and repeated non-compliance to foster and promote future compliance and create trust in the system.

10.3 We have not seen any empirical evidence demonstrating the effectiveness of the current use of 'tax conditionality' in improving taxpayer compliance. We would encourage HMRC to publish any available data to help inform and shape future engagement in this area. While we have not reviewed supporting data, we acknowledge that non-financial levers — such as linking access to certain public sector licences with the completion of a tax check — may help close elements of the tax gap by increasing awareness of tax obligations among applicants and reinforcing compliance as a prerequisite to trade.

10.4 We do not support the introduction of a driving disqualification as a sanction for tax-related offences, as it does not appear proportionate or appropriate in the context of tax compliance. Even under bankruptcy legislation, individuals are permitted to retain essential "tools of the trade" — including vehicles — recognising the importance of enabling them to continue earning a livelihood. Applying disqualification in tax cases, such as for a taxi driver found to be deliberately and repeatedly non-compliant, would remove their ability to work and generate income. This could have unintended consequences, including pushing individuals toward participation in the hidden economy — an area of the tax gap that has already necessitated non-financial conditionality measures. We believe enforcement efforts should aim to promote sustainable compliance, not inadvertently undermine it.

10.5 We are also not in support of HMRC applying for taxpayers to have their passports taken away, as HMRC already have a criminal investigation policy[20] which would seem the right and appropriate method for dealing with those deliberate and repeated non-compliance cases which would warrant such actions.

10.6 We consider that if the Government does take forward plans to increase non-financial sanctions for tax related offences, especially if this was to include disqualifying taxpayers from driving or taking away their passport, then this action MUST be undertaken after first obtaining the tribunals agreement with full right of representation and appeal. This is imperative if HMRC is to retain taxpayer trust, and demonstrate that their actions are open, transparent, and accountable.

11 Contact details

11.1 We would be pleased to join in any discussion relating to this consultation. Should you wish to discuss any aspect of this response, please contact our technical officer, Steven Pinhey on spinhey@att.org.uk

12 Acknowledgement of submission

[20] HMRC's criminal investigation policy - GOV.UK

12.1 We would be grateful if you could acknowledge safe receipt of this submission and ensure that the Association of Taxation Technicians is included in the List of Respondents when any outcome of the consultation is published.

The Association of Taxation Technicians

13 Notes

13.1 The Association is a charity and the leading professional body for those providing UK tax compliance services. Our primary charitable objective is to promote education and the study of tax administration and practice. One of our key aims is to provide an appropriate qualification for individuals who undertake tax compliance work. Drawing on our members' practical experience and knowledge, we contribute to consultations on the development of the UK tax system and seek to ensure that, for the general public, it is workable and as fair as possible.

13.2 Our members are qualified by examination and practical experience. They commit to the highest standards of professional conduct and ensure that their tax knowledge is constantly kept up to date. Members may be found in private practice, commerce and industry, government, and academia.

13.3 The Association has more than 10,000 members and Fellows together with over 7,000 students. Members and Fellows use the practising title of 'Taxation Technician' or 'Taxation Technician (Fellow)' and the designatory letters 'ATT' and 'ATT (Fellow)' respectively.