Lichfield District Council

Tax Evasion Policy

September 2025

Approved by:	**Audit Committee**
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Author/owner:	Director - Finance, Regulation and Enforcement (Section 151)
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Location:	Intranet and Website

1. Introduction and Purpose of Policy

1.1 This Statement sets out Lichfield District Council's (the Council's) policy in relation to tax evasion. It has the full support of both the Leadership Team and elected members through the Audit Committee.

1.2 Part 3 of the Criminal Finances Act 2017 created a corporate criminal offence where a corporate entity fails to prevent the facilitation of tax evasion by its employees, agents and contractual associates.

1.3 The Council has a zero tolerance approach to all forms of tax evasion, whether under UK law or under the law of any foreign country. Employees of the Council, its agents and contractual associates must not undertake any transactions which:

(a) Cause the Council to commit a tax evasion offence; or

(b) Facilitate a tax evasion offence by a third party.

1.4 The Council is committed to acting professionally, fairly and with integrity in all its dealings and relationships wherever we operate and implementing and enforcing effective systems to counter tax evasion facilitation. At all times, Council business should be conducted in a manner such that the opportunity for, and incidence of, tax evasion is prevented.

1.5 Governance and internal control procedures are already in place to meet the statutory requirements; and there is no suggestion that the Council tolerates tax evasion, or that employees engage in such behaviour. However, adopting an express corporate policy will help the Council defend any allegation that it has facilitated tax evasion.

1.6 This Policy Statement is intended to compliment the Council's suite of counter fraud related policies, notably the Counter Fraud and Corruption Policy Statement, Strategy & Guidance Notes which sets out what actions the Council proposes to take over the medium-term future to continue to develop its resilience to fraud, corruption and other financial irregularity and the key responsibilities with regard to fraud prevention, what to do if fraud or financial irregularity is suspected and the action that will be taken by management

2. Scope of policy

2.1 This policy applies to all of the Council's activities. For partners, joint ventures and suppliers, it will seek to promote the adoption of policies consistent with the principles set out in this policy.

2.2 Responsibility to control the risk of tax evasion occurring resides at all levels of the organisation. It does not rest solely within assurance functions, but in all service areas and corporate functions.

2.3 This policy covers all workers, including all levels and grades, those permanently employed, temporary agency / casual employees, contractors, non-executives, agents, Members, volunteers and consultants.

3. Policy details

3.1 What is Tax Evasion?

Tax evasion is the illegal non-payment or under-payment of taxes, usually as the result of making a false declaration (or no declaration) of taxes due to the relevant tax authorities, which results in legal penalties if the perpetrator is caught.

Tax evasion involves all forms of tax, including income tax, corporation tax, VAT, national insurance, Business Rates and Council tax. This list is not exhaustive.

Tax avoidance, by contrast, is seeking to minimise the payment of taxes without deliberate deception. This is often legitimate but is sometimes contrary to the spirit of the law, e.g. involving the exploitation of loopholes.

Importantly the corporate criminal offence of facilitation only applies to tax evasion. The third party must be found guilty of tax evasion before the Council can be found to have facilitated it.

3.2 Examples of Tax Evasion

It is not possible to give examples covering every possible scenario, however, some 'red flag' indicators are detailed below to give a flavour of the scope of the legislation:

- *You become aware, in the course of your work, that a third party has made or intends to make a false statement relating to tax; has failed to disclose income or gains to, or to register with, HMRC; has delivered or intends to deliver a false document relating to tax; or has set up or intends to set up a structure to try to hide income, gains or assets from a tax authority.*
- *You become aware, in the course of your work that a third party has deliberately failed to register for VAT (or the equivalent tax in any relevant non-UK jurisdiction) or failed to account for VAT.*
- *A third party requests payment in cash and/or refuses to provide an invoice or receipt for a payment made.*
- *You become aware, in the course of your work that a third party working as an employee asks to be treated as a self-employed contractor, but without any material changes to their working conditions.*

3.3 The Criminal Finances Act 2017

Under the Criminal Finances Act 2017, a separate criminal offence is automatically committed by a corporate entity where the tax evasion is facilitated by a person acting in the capacity of an "associated person" to that body. For the offence to be prosecuted, the associated person must deliberately and dishonestly take action to facilitate the tax evasion by the taxpayer. If the associated person accidentally, ignorantly, or negligently facilitates the tax evasion, then the corporate offence will not have been committed. The Council does not have to have deliberately or dishonestly facilitated the tax evasion itself; it is the fact that the associated person has done so, creates the liability for the Council.

Specifically, employees, workers, agents and associates must not knowingly do anything that helps someone else evade tax.

It is a defence to the corporate criminal offence of facilitating tax evasion if the Council can prove that it has in place such prevention procedures as it is reasonable to expect in the circumstances. Government guidance suggests an appropriate set of prevention measures which gives due recognition to the following:

- risk assessment;
- the proportionality of risk-based prevention procedures;
- top level commitment;
- due diligence;
- communication (including training);
- monitoring and review.

The Council must ensure a policy on prevention is brought to the attention of all workers. This policy is, therefore, published on the intranet.

3.4 Penalties

As an employer, if the Council fails to prevent its employees, workers, agents or service providers facilitating tax evasion, the Council can face both criminal sanctions including an unlimited fine, and associated reputational damage. The Council must therefore take its legal responsibilities seriously.

3.5 Policy Statement - Tax Evasion

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- Cause the Council to commit a tax evasion offence; or
- Facilitate a tax evasion offence by a third party.

3.6 Objective of this policy

This policy provides a coherent and consistent framework to enable the Council's employees (and other "associated persons") to understand and implement arrangements enabling compliance. In conjunction with related policies and key documents it will also enable employees to identify and effectively report a potential breach.

The Council requires that all relevant persons:

- Act honestly and with integrity at all times and to safeguard the Council's resources for which they are responsible.
- Comply with the spirit, as well as the letter, of the laws and regulations of all jurisdictions in which.

3.7 The Council's commitment to action

The Council commits to:

- Setting out a clear anti-tax evasion facilitation policy and keeping it up to date
- Making all workers aware of their responsibilities to adhere strictly to this policy at all times
- Raising awareness of the risks of tax evasion with workers so that they can recognise and avoid occurrences of potential tax evasion by themselves and others
- Undertaking a risk assessment to identify those areas of the Council's business where risk is considered to be highest
- Targeted training of individuals and service areas where the perceived risk is higher
- Promoting good ethical behaviour by employees in all of its forms
- Encouraging its workers to be vigilant and to report any suspicions of tax evasion, providing them with suitable channels of communication and ensuring sensitive information is treated appropriately
- Investigating instances of alleged tax evasion
- Referring investigations to the Police where it is appropriate to do so
- Taking firm and vigorous action against any individual(s) involved in tax evasion, or the facilitation of it
- Providing information to all employees on how to report breaches and suspected breaches of this policy
- Including appropriate clauses in contracts to prevent tax evasion.

The Council seeks to maintain relevant procedures, including top-level commitment to tackling tax evasion and effective communication, including training. Heads of service have an additional responsibility (beyond

that of the employees own) for ensuring this policy is communicated effectively to employees and frequently refreshed throughout their department along with other good practice regarding ethical behaviour.

3.8 Tax Evasion is not tolerated

It is unacceptable to:

- Engage in any form of facilitating tax evasion (including foreign tax evasion);
- Aid, abet, counsel or procure the commission of a tax evasion offence by another person;
- Fail to promptly report any request from any third party to facilitate the fraudulent evasion of tax by another person;
- Engage in any other activity that might lead to a breach of this policy;
- Threaten or retaliate against another individual who has refused to commit a tax evasion offence or who has raised concerns under this policy;
- Commit an offence under the law of any part of the UK consisting of being knowingly concerned in, or taking steps with a view to, the fraudulent evasion of tax.

3.9 Staff responsibilities

The prevention, detection and reporting of all forms of financial irregularity, including suspected tax evasion, are the responsibility of all those working for the organisation or under its control ("associated persons"). All workers are required to avoid activity that breaches this policy.

As individuals you must:

- Ensure that you read, understand and comply with this policy.
- Raise concerns as soon as possible if you believe or suspect that a conflict with this policy has occurred, or may occur in the future.

As well as the possibility of civil legal action and criminal prosecution, workers that breach this policy will face disciplinary action, which could result in dismissal for gross misconduct or other sanctions available based on their contract or appointment.

3.10 Raising a concern

The Council is committed to ensuring that there is a safe, reliable, and confidential way of reporting any suspicious activity, and wants each and every worker to know how they can raise concerns.

All have a responsibility to help detect, prevent and report instances of tax evasion. If you have a concern regarding a suspected instance of tax evasion, please speak up – your information and assistance will help. The sooner it is brought to attention, the sooner it can be resolved.

There are multiple channels to help raise concerns. Please refer to the Council's Whistleblowing Policy and determine the favoured course of action. Preferably the disclosure will be made and resolved internally (e.g. to a line manager or head of service). Secondly, where such disclosure would not be appropriate, concerns can be raised with the Shared Head of Audit. Raising concerns in these ways may be more likely to be considered reasonable than making disclosures publicly (e.g. to the media).

Concerns can be raised anonymously. In the event that an incident of suspected wrong doing is reported, the Council will act as soon as possible to evaluate the situation. It has clearly defined procedures for investigating fraud, misconduct and non-compliance issues and these will be followed in an investigation of this kind. This is easier and quicker if concerns raised are not anonymous.

Workers who raise concerns or report wrongdoing could understandably be worried about the repercussions. The Council aims to encourage openness and will support anyone who raises a genuine concern in good faith under this policy, even if they turn out to be mistaken. The Public Interest Disclosure Act 1998 (PIDA) protects individuals who make certain disclosures of information in the public interest. Our Whistleblowing Policy complies with PIDA. The Council is committed to ensuring nobody suffers detrimental treatment through the reporting of a concern in good faith.

3.11 Other relevant policies

Other relevant policies include:

- Counter Fraud and Corruption Policy Statement, Strategy & Guidance Notes.
- Whistleblowing Policy.
- Anti- Money Laundering Policy.

Useful links

- Criminal Finances Act 2017, Part 3 – Corporate Offences of Failure to Prevent Facilitation of Tax Evasion
- HM Revenue & Customs

Policy review

The Director - Finance, Regulation and Enforcement (Section 151) and the Council's Audit Committee will ensure the continuous review and amendment of this policy document, to ensure that it remains compliant with good practice and legislative requirements.

4. How it relates to/underpins our strategic ambitions

4.1 Our ambition and social value objectives are fully aligned with the Lichfield District 2050 strategy. The strategy seeks to meet both **confident and prosperous** part of the strategy by 2050.

a) **Confident communities** are places that are inclusive, resilient, and self-assured, where people take pride in their living environment, respecting and supporting one another regardless of background. A confident community is a cohesive, healthy, safe, prosperous, and happy place. It collectively tackles disadvantage, exclusion and powerlessness and strives to provide a high quality of life for everyone that lives there.

b) A **prosperous community** is one with economic wellbeing, where traditional and new business sectors succeed side by side and where innovation is commonplace and improves opportunity for all people and all areas of a place.

4.2 This will be achieved by the suite of robust counter fraud policies and procedures which allows for regular review and reporting of fraud matters in an open and transparent manner. This allows both residents and staff the ability to report concerns having the confidence that these reports are taken seriously and will be acted upon.

5. Related policies and procedures

The council is committed to developing and delivering services in a way that ensures it treats people fairly and promotes equality of opportunity and social cohesion within the wider community.

This policy aims to give the fairest outcomes to everyone regardless of race, gender reassignment, age, disability, pregnancy and maternity, religion or belief, sex or sexual orientation, marital or civil partnerships status and/or disability.

This policy has been subject to an Equality Impact Assessment to ensure that there is no discrimination in the way that it has been designed, developed or how it will be delivered and that, wherever possible, equality is promoted.