1 Correction of errors

(1) In section 118 of TMA 1970 (interpretation), in subsection (6), for "carelessly" substitute "deliberately".

(2) After section 97 of FA 2007 (penalties for errors), insert—

"97A Correction of errors

Schedule 24A contains provision—

(a) imposing a duty to take reasonable steps to secure the correction of errors in certain documents sent to HMRC, and

(b) conferring on HMRC the power to issue correction notices."

(3) In Schedule 24 to FA 2007 (penalties for errors)—

(a) in paragraph 3, omit sub-paragraph (2);

(b) after paragraph 3C (errors relating to transfer pricing records) insert—

"Errors subject to correction notices

3D P is not liable to a penalty under paragraph 1 for a careless inaccuracy (within the meaning of paragraph 3) if—

(a) P has not been issued with a correction notice under Part 2 of Schedule 24A in the period of 6 years ending with the day on which P would, but for this paragraph, have become liable to the penalty, and

(b) P has taken reasonable steps to secure that the inaccuracy is corrected in accordance with a correction notice under Part 2 of Schedule 24A before the deadline specified by the notice.".

(4) After that Schedule insert—

"SCHEDULE 24A Section 97A

CORRECTION OF ERRORS

PART 1

DUTY TO CORRECT

1 (1) Sub-paragraph (2) applies if—

(a) a person (P) gives HMRC a document of a kind listed in the Table in paragraph 1(4) of Schedule 24,

(b) the document contains an inaccuracy in relation to which Condition 1 in paragraph 1(2) of that Schedule is satisfied,

(c) P becomes aware of the inaccuracy at some later time (including by virtue of a correction notice under Part 2 of this Schedule), and

(d) at that time, the inaccuracy may be corrected (by an assessment to tax or otherwise).

(2) P must take reasonable steps to secure that the inaccuracy is corrected.

(3) Those reasonable steps are—

(a) if P may correct the inaccuracy, to correct the inaccuracy, or

(b) in any other case, to inform HMRC.

(4) If P does not comply with sub-paragraph (2), the inaccuracy is to be treated as deliberate on P's part for the purposes of Schedule 24.

PART 2

CORRECTION NOTICES

2 (1) HMRC may issue a person (P) with a correction notice if—

(a) P has given HMRC a document of a kind listed in the Table in paragraph 1(4) of Schedule 24 (penalties for errors),

(b) HMRC have reason to suspect that the document contains an inaccuracy in relation to which Condition 1 in paragraph 1(2) of that Schedule is satisfied, and

(c) the inaccuracy, if existing, may be corrected (by an assessment to tax or otherwise).

(2) A "correction notice" is a notice which—

(a) specifies the inaccuracy or kind of inaccuracy which HMRC have reason suspect the document contains, and

(b) requires P, before a deadline specified in the notice, to—

(i) take reasonable steps (within the meaning of paragraph 1(3)) to secure that the specified inaccuracy, or any inaccuracy of the specified kind, is corrected, or

(ii) explain why the document does not contain the specified inaccuracy or any inaccuracy of the specified kind.

(3) If P does not comply with sub-paragraph (2), it is to be presumed that the inaccuracy was careless, within the meaning of paragraph 3 of Schedule 24, for the purpose of that Schedule unless—

(a) it was deliberate on P's part for the purposes of that Schedule (including by virtue of Part 1 of this Schedule), or

(b) P satisfies HMRC or (on an appeal notified to the tribunal) the tribunal that P took reasonable care to avoid the inaccuracy.

PART 3

INTERPRETATION

3 Expressions used in this Schedule and Schedule 24 have the same meaning here as they have in that Schedule."