Raising standards in the tax advice market: government response

General Features

07 January 2021

HMRC have published a summary of responses received to their comprehensive call for evidence on raising standards in the tax advice market and also the government's proposed next steps. While the proposed next steps do not go as far as some might have expected, or wished, the proposals do include some welcome measures.

In October's edition of Technical Newsdesk, we reported on CIOT, ATT and LITRG's responses to HMRC's call for evidence on raising standards in the tax advice market. It is encouraging to see that the government's recently published Summary of responses and next steps (which can be found at tinyurl.com/y3s62dt7) makes the point that 'the majority of tax advisers are technically competent and adhere to high professional standards'. However, it goes on to say 'the market for tax advice does not always work as well as it should. Some tax advisers are incompetent, and others do not work to the high standards expected of them, either by their professional bodies, or if they are not a member of a professional body, by HMRC's standard for agents.'

The Summary of responses identifies four areas where the government plans to take action to 'improve standards and trust in the tax advice market'.

1. Raise awareness of the Standard and review HMRC powers to enforce the Standard

The 'Standard' referred to is HMRC's Standard for tax agents, sometimes referred to as 'Professional Conduct in relation to Taxation (PCRT) lite' as it is not as comprehensive as PCRT (the set of rules which sets out the principles and standards of behaviour that all members and students of the CIOT and ATT must follow in their tax work: www.tax.org.uk/PCRT). In particular, the Standard does not include any

reference to the fundamental principles of confidentiality or professional behaviour. Respondents to the call for evidence gave a clear message that awareness of the Standard was low and more needed to be done to promote it. How HMRC can or should be able to enforce compliance with the Standard remains unclear and we understand that this is an area HMRC are exploring further.

2. Consult on requirement for professional indemnity insurance (PII)

A key focus of the call for evidence was consumer protection. While most, if not all, professional bodies require members to hold PII, some unaffiliated tax advisers are uninsured, leaving their clients unprotected when things go wrong. The proposal that all tax advisers should have PII cover is a welcome development. There will be a consultation in due course which will explore the viability of such an initiative. The insurance market is already quite challenging for members, with fewer insurers offering cover, premiums rising and more restrictions being put in place. It will be interesting to see how the market responds to the idea.

3. Work collaboratively with professional bodies

The CIOT and ATT do, and will continue to, work collaboratively with HMRC on raising standards. We are keen to see HMRC make more use of their power to refer our members who are not complying with PCRT (including the standards for tax planning) to the Taxation Disciplinary Board (the independent body that is responsible for running the complaints and disciplinary scheme for the CIOT and the ATT). In doing so, this helps to maintain high professional standards and protects the reputation of the profession.

4. Tackle high costs to consumers of claiming tax refunds

We support HMRC’s plan to review options to tackle this. It is an important consumer protection issue. It is essential that the client can and does understand the terms of engagement with the adviser making the claim on their behalf. For example, how much will the adviser be paid? What happens if the claim is faulty and part or all of the refund has to be repaid – will any element of the fee be repaid?