Members in Practice and professional indemnity insurance

General Features

03 March 2021

There has been a minor change to the Member in Practice definition which clarifies which members are within the scope of the Professional Indemnity Insurance Regulations. This change will be applied from 1 April 2021.

Currently, the CIOT and ATT Professional Rules and Practice Guidelines (www.tax.org.uk/prpg and www.att.org.uk/prpg) define a Member in Practice as 'a member (including students) who provides taxation services on a full-time or part-time basis as:

- a sole practitioner;
- a partner in a partnership;
- a member of a limited liability partnership;
- a proprietor of an unincorporated body; or
- a director of, or an employee of, a company providing taxation services in which they have a financial interest which represents 5% or more of the equity capital.'

The 5% of equity capital rule has caused some confusion with members and the decision has been taken to remove that clause along with the reference to employees.

This has implications as regards members' professional indemnity insurance (PII) obligations (www.tax.org.uk/PIIregs and www.att.org.uk/PIIregs). Every CIOT or ATT Member in Practice is required to ensure that 'PII is effected and maintained in respect of their firm' and that the PII cover complies with the CIOT and ATT's PII regulations. This change means that employees with 5% or more of the equity capital will no longer have to ensure PII is in place. Directors, however, will have to ensure the company has a compliant PII policy, irrespective of whether they are a

shareholder or not.

We do not envisage this will have an impact on many members and their firms but the new rule will be applied from 1 April 2021. If a member has any concerns as to whether they now come within the definition of a Member in Practice or whether PII is required, they should email the Professional Standards team (standards@ciot.org.uk or standards@att.org. uk).