ATT welcome

Welcomes

06 May 2021

Time for a good re-wiring

The recent publication of the consultation on raising standards in the tax advice market and the potential requirement for all tax advisers to hold professional indemnity insurance (PII) reminds us yet again of the importance of PII.

Our own members in practice have had to have PII in place for years and it provides safeguards for clients and members. It is good to see it considered as a requirement for all advisers, even where they are not a professional body member.

The PII market remains challenging for members and we continue to hear of problems experienced by you. Many have experienced large increases in premiums or challenges in obtaining renewal quotes where particular types of work are undertaken. The insurers certainly view some areas of work as being riskier than others, including work for high net worth individuals or famous individuals.

Time and again, we are aware of the importance of the work of insurance brokers in assisting members in obtaining compliant cover and securing quotes in a difficult market. While the ATT [and CIOT] cannot recommend particular brokers or insurance policies, members are reminded that there are two insurers who have confirmed they provide compliant policies for members and the relevant details are available on the ATT website at bit.ly/3mMLSu4 and on the CIOT website at bit.ly/3e6D3qR.

And I wish to thank Jane Mellor, Professional Standards Manager, for providing this insight in relation to the recent announcements regarding the potential requirement to hold adequate PII.

The UK’s Tax Day on 23 March saw the launch of various consultations. I confess that I do not usually pay more than a passing glance to the documents – but this time one struck a chord with me. It was entitled: ‘The tax administration framework:

Supporting a 21 st century tax system’. I read it as a quasi-admission that the Taxes Management Act 1970 was no longer fit for purpose in the 21 st century because, in the past 50 years, we have seen other pieces of legislation bolted on or shoehorned into TMA 1970. For example, the document acknowledges (page 10) the difficulty with imposing automatic penalties and how the issue of penalty notices has come under intense scrutiny.

I recall my first article for Tax Adviser magazine, titled ‘Garbage in, Gospel Out’ (it seems a lifetime ago). My concern was HMRC’s reliance (and dare I say it, some of us in practice) on computerisation and that the computer is never wrong, unless of course it is fed on a diet of bad data.

I look at TMA 1970 as an old house that needs a good re-wiring. Ok, it does not do the best job and probably is not the most efficient, but it sort of works most of the time. Some extra wiring has been added over the years and it has all become a bit disorganised and tangled up. Now is a good time to update the wiring – rip out the old and replace with the new – but only if the new is fit for purpose.

We have been living with Making Tax Digital for VAT for a few years now, and we know this is being extended to include all VAT registered businesses. In due course, MTD for Income Tax and Corporation Tax will be rolled out. I suppose it will only be a matter of time before the issue of penalty notices for non-compliance, along with the associated appeal notices in response. Wouldn’t it be a wonderful tax system if everything were ‘either or’, and there were no indistinct areas that could lead to dispute?

I believe that we, as tax practitioners, need to be involved in the conversation to ensure that the new TMA is fit for purpose. To ensure that there not just be a few years, but a reasonable number of years before something new needs to be bolted on.

It seems that 1921 was a significant year. On 3 May 1921, the Government of Ireland Act 1920 was passed, dividing the island of Ireland into Northern Ireland and Southern Ireland. The following month, on 10 June, the late Prince Philip, the Duke of Edinburgh was born. I read that he lived through the election of 18 presidents to the White House in Washington DC, which really does put into perspective what he saw during his lifetime.

One other point comes to mind. Those of us who are supervised by ATT or CIOT for Anti Money Laundering, watch out for the request to renew your subscription.
Stay safe, and I look forward to meeting you (where possible) in the coming months.

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