HMRC consultation on raising standards in the tax advice market

General Features



24 April 2024

HMRC have issued a consultation document on raising standards in the tax advice market. Their preferred option is to put in place mandatory membership of a recognised professional body. The outcome of this consultation could have far ranging consequences for both CIOT and ATT members.

On Budget day, HMRC published a consultation document relating to their intention to raise standards in the tax advice market, ‘Raising standards in the tax market: strengthening the regulatory framework and improving registration’ (see tinyurl.com/3uha9r3a).

HMRC recognise in the consultation that most tax practitioners are competent and adhere to professional standards. They also recognise that many practitioners belong to established professional bodies and are subject to their oversight. It is, however, a fact that not all tax practitioners meet high professional standards and there can be limited ‘levers’ to address these failings.

The consultation sets out three possible approaches to strengthening the framework within which tax advisers operate in order to improve standards:

- Option 1: mandatory membership of a recognised professional body;
- Option 2: joint HMRC and industry enforcement; and
- Option 3: regulation by a separate statutory government body.

The CIOT and ATT have been in discussion with HMRC for several years about steps that could be taken to raise standards in the tax advice market. In previous responses to consultations and calls for evidence, both bodies have been clear that if regulation is required the government should build on the work undertaken by the professional bodies. However, there are several practical considerations to be looked at in terms of how this might work, both for those who are already members of professional bodies and those agents who are currently unaffiliated to a professional body.

The consultation indicates that at present HMRC propose to focus on bringing within the scope of regulation only those who interact directly with them, and that all such agents must register with them. How this differs from current agent registration requirements needs to be explored as part of the consultation.

The consultation seeks views on which professions or practitioners should be in scope. This includes accountants, those providing payroll services, bookkeepers, repayment agents and R&D specialists, but not those in some other professions such as barristers, solicitors and financial advisers, where their activities are already subject to statutory regulation. Those acting for friends and families look likely to be outside the scope. Other advisers are still under consideration, such as charities and those providing pro bono advice, where there are important questions about how to balance any regulatory burdens with ensuring reliable and high quality, professional advice.

The consultation sets out that regulation would apply at a firm level, rather than in relation to individual members. Therefore, regulation is likely to follow current anti-money laundering (AML) supervision, so the CIOT and ATT’s scope as potential recognised professional body regulators would broadly be as regulator for those firms that are within scope for AML supervision by the CIOT and ATT. Other CIOT and ATT members would more likely fall to be regulated by their or their firm’s current AML supervisor.

The consultation recognises that time will be needed to ensure professional bodies can build the capacity for taking on new members without reducing the standards for current members. It is envisaged that a period of at least three years would be needed for this transition.

Members who wish to contribute comments can email them to the CIOT and ATT at standards@tax.org.uk. The consultation closes on 29 May 2024, so we would welcome comments as early as possible in May.

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