Agent Standards: Budget 2025 and Finance Bill Update

General Features

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Budget 2025 and the Finance Bill (published on 4 December 2025) have seen several measures announced by the government that will affect tax agents and advisers. This article provides a short summary of those measures and the engagement CIOT and ATT have had with HMRC.

Since the publication of the draft Finance Bill in July 2025, CIOT and ATT have engaged strongly with HMRC on all the agent-related measures. This gave us the time and opportunity to raise our key concerns, particularly around definitions, the scope of the provisions, and potential unintended consequences. We are grateful to the HMRC teams for their willingness to engage and listen to us. The legislation has improved as a result of the open and frank discussions that have taken place, although some concerns remain.

The CIOT and ATT are planning to hold a webinar to update members on these proposals and will publish guidance for members in due course. Members are encouraged to look out for further information and details in future editions of *Tax Adviser* and on our websites.

Regulation of tax agents

The government announced at Budget 2025 their decision not to regulate tax advisers. This provides welcome clarity on a question that has been hanging since the previous government consulted on the matter last year.

We also welcome the opportunity to work collaboratively with HMRC going forward to address the unacceptable behaviour of the small number of bad actors in the market.

Mandatory registration of tax advisers

The government is introducing a legal requirement for tax advisers that interact with HMRC on behalf of their clients to register with HMRC and meet minimum standards. The government has also committed to investing £36 million to modernise existing registration services. The Finance Bill introduces the new legislation for this measure in Part 7: Tax Advisers.

CIOT and ATT, and their members, had significant concerns (see www.tax.org.uk/ref1553 and tinyurl.com/3pynr7mh) including but not limited to:

- the eligibility criteria set out in the previous draft legislation (published in July 2025);
- the lack of safeguards for good actors where there are breaches in the eligibility criteria;
- proposed HMRC powers crossing over into HMRC regulation of the market;
- the wide ranging powers which would sit with individual HMRC officers; and
- the timescale for implementation.

In addition to submitting comments on the draft Finance Bill, CIOT and ATT have met with HMRC on a one-to-one basis and attended ‘deep dive’ workshops alongside other professional bodies and key stakeholders. Between these meetings we have

had a regular chain of communication with HMRC, gathering feedback on a confidential basis and regularly providing this to HMRC.

Following this engagement with HMRC, we are pleased that HMRC have made several changes to the agent registration legislation. Some concerns remain, however, particularly around what was previously named ‘Condition B’ (the condition that tax advisers meet any standards expected of them in their dealings with HMRC).

One key change is that the conditions around tax compliance for ‘senior managers’ have been reworked. The Finance Bill includes a requirement for a ‘relevant individual’ to be identified, and any breach in their tax compliance could potentially lead to the suspension of the wider agent firm’s registration. However, the revised draft legislation also includes the safeguard that the suspension decision now sits with an authorised HMRC officer and is subject to a notification period before taking effect – including up to 60 days where the breach relates to the tax compliance of a ‘relevant individual’.

The definition of a ‘relevant individual’ is different to that of the ‘senior manager’ used in the previous draft. HMRC have confirmed that the policy intention is that a ‘relevant individual’ is the mind and management in a firm impacting the overall tax direction of the firm. We are still in discussions with HMRC over the revised definition, as there remain concerns that it may still be interpreted more widely than that.

Although Condition B, which required the agent and senior managers to meet HMRC standards, has been removed from the agent registration conditions, a revised form of this is included in clause 229 of the Finance Bill, which provides the reasons that an authorised officer can suspend an agent. Members have expressed concern over this. We met with HMRC in late December to discuss these concerns and will follow this up in our Finance Bill briefings.

The policy paper (see tinyurl.com/3xbnsd2e) published at Budget 2025 announced that the operational start date has been changed to 1 May 2026, with at least a three-month transition period. However, CIOT and ATT remain concerned about the very short lead in time for agents to get to grips with this new legislation and prepare.

In terms of practical implementation, we have had a confidential first look at the new agent registration process and are urging HMRC to engage with us further on this as soon as possible. For existing agents, we expect there to be some type of transitional process, and we are similarly pressing HMRC to discuss this with us at the earliest opportunity. HMRC have announced that they will publish guidance in early 2026. We have stressed to HMRC the importance of issuing guidance to agents to help them navigate the legislation, and we hope HMRC will engage collaboratively on the drafting that guidance.

Conduct of tax advisers

The government is introducing a new penalty (see tinyurl.com/y29ts9bb) to tackle tax advisers who deliberately facilitate non-compliance in their clients' tax affairs. The Finance Bill does this by amending the tax agent dishonest conduct provision in FA 2012 Sch 38, which is renamed 'Tax advisers: sanctionable conduct'. HMRC will have the power to issue tax advisers with file access and conduct notices where they have a reasonable suspicion that the adviser has deliberately facilitated non-compliance in their clients' tax affairs, and to charge penalties based on the potential loss of tax revenue that has arisen due to the adviser's action. This measure comes into force on 1 April 2026 and will apply to acts and omissions on or after that date.

CIOT (see www.tax.org.uk/ref1554) and ATT (see tinyurl.com/myvamwew) had concerns about the wide definition of the type of conduct that could potentially fall within the scope of the measure, despite the government's assurance that the measure does 'not target tax advisers who make genuine one-off accidental errors or differences of legal interpretation' (see tinyurl.com/28ru2fep) and that guidance will make this clear.

As a result of our engagement with HMRC, changes were made to the draft legislation which has been published as Schedule 21 of the Finance Bill. A person engages in sanctionable conduct if 'in the course of acting as a tax adviser, the person does something with the intention of bringing about a loss of tax revenue'. A loss of tax revenue includes accounting for less tax than a client is 'required to account for by law'. However, concerns remain about whether 'intention' in the definition of 'sanctionable conduct' makes it clear enough that differences of legal interpretation are out of scope (that is that there is no explicit requirement that the

adviser must know that what they are doing is wrong), potentially creating uncertainty for tax advisers about the breadth of the measure. We are expecting HMRC to share draft guidance with us shortly.

Promoters of Marketed Tax Avoidance

Following concerns raised by CIOT (see www.tax.org.uk/ref1549), ATT (tinyurl.com/yye2k47v) and other stakeholders, the government has chosen not to introduce a criminal offence of failing to notify tax avoidance arrangements to HMRC under the Disclosure of Tax Avoidance Scheme (DOTAS) rules at this time.

The CIOT reiterated its concerns when we gave evidence to the House of Lords Finance Bill committee on the measure in October (see tinyurl.com/hst3859w). We also wrote an open letter to the Exchequer Secretary to the Treasury, Dan Tomlinson (see tinyurl.com/2hbv4n3f). We argued that the proposal was poorly targeted, imposing potentially unworkable conditions on tax agents, whilst many of the 'bad actors' who were the target of the measures are based offshore, and so would be out of reach and able to continue their abuse of the system.

Instead, the government has decided to introduce an outright ban on the promotion of tax avoidance arrangements that have no realistic prospect of success (see tinyurl.com/ywvekz5m). This will be part of a new Universal Stop Regulations measure in the Finance Bill. A breach of this measure would attract a range of sanctions, including publication, financial penalties and criminal prosecution.

The CIOT and ATT support the government's continuing efforts to tackle the small number of promoters still active in the tax avoidance market, whilst at the same time we want to ensure that the measure does not undermine or disrupt the good work of the vast majority of tax advisers. Our engagement with HMRC on this measure will continue during the passage of the Finance Bill through Parliament.

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