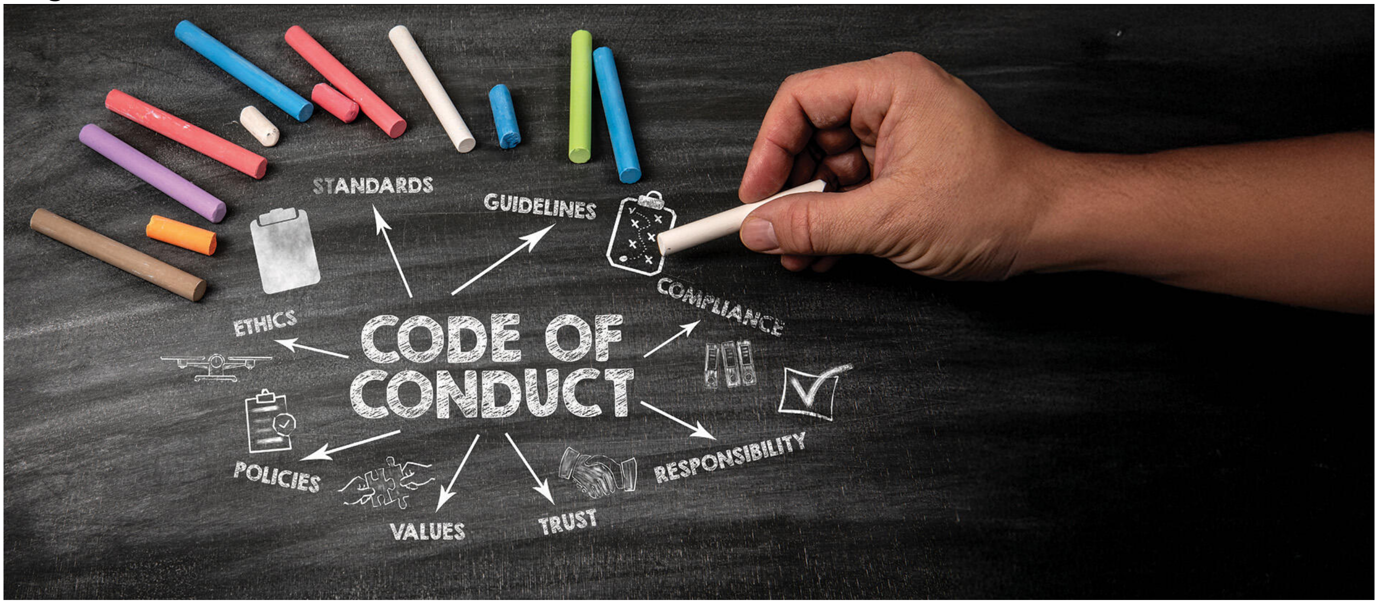
Professional conduct: changes to Tax Planning

Professional standards

August 2026



21 July 2026

The revised PCRT relating to Tax Planning introduces significant changes to the standards for tax planning, requiring firms to strengthen procedures and professional judgement.

Key Points

What is the issue?

PCRT relating to Tax Planning has been substantially revised, with greater emphasis on ethical behaviour, professional judgement, transparency and documenting tax planning decisions. The changes are also relevant when considering HMRC's Standard for Agents and the Registration of Tax Adviser regime.

What does it mean to me?

Tax advisers should review not only the revised Standards for Tax Planning, but the wider PCRT framework. Firms may need to update their engagement procedures, staff training, processes for client communications and recording documentation on file.

What can I take away?

Advisers should be able to demonstrate how decisions were reached through clear, contemporaneous documentation and robust internal procedures.

Members of the seven professional bodies that make up Professional Conduct in Relation to Taxation (PCRT), including CIOT and ATT, will be aware of the significant changes to the guidance on tax planning that took effect on 1 January 2026. However, many firms may not fully realise the practical implications of these changes. The revisions affect not only how tax planning advice is assessed, but also the procedures, governance and records that firms should maintain to demonstrate compliance.

The changes were introduced to bring PCRT more closely into line with the International Ethics Standards Board for Accountants (IESBA) Tax Planning Code. However, the implications go well beyond a simple update to the standards on tax planning. They reinforce the importance of professional judgement, transparency and documentation, placing greater emphasis on the public interest and the reputation of the profession. The updated version of PCRT with its Helpsheets is at: tinyurl.com/y4wrjyes. This article highlights the key changes and what they mean in practice for advisers.

What has changed?

Although the changes were made to align PCRT more closely with the IESBA Tax Planning Code, the two are not identical. The IESBA applies only to tax planning and associated services. PCRT is considerably broader, applying to all tax work undertaken by members. This distinction is important. Advisers should not assume that the revised requirements are relevant only when designing or implementing tax planning arrangements. The principles of professional judgement, ethical behaviour and appropriate documentation apply across the full range of tax services.

Equally important is the need to view PCRT as a whole. Too often, practitioners focus solely on the Standards for Tax Planning and overlook the wider framework, including the five Fundamental Principles, the section on the ethical use of AI, the Helpsheets and topical guidance. The revised standards reinforce that these elements are intended to work together.

The wider context

Before considering the specific changes to the Standards for Tax Planning, it is worth remembering that PCRT is much more than a set of rules on tax planning. The foreword and introduction provide the ethical and professional framework within which members are expected to operate.

The foreword reminds members that, while they must act in their clients' interests, they must also uphold the reputation of the profession and take account of wider public interest. It also makes clear that failure to comply with PCRT may expose members to disciplinary action and highlights HMRC's Standard for Agents, as discussed below.

The introduction confirms that PCRT does not override legal professional privilege or any legal, regulatory or statutory obligations. Where practitioners are uncertain about their obligations, they should seek appropriate legal advice. It also provides some useful guidance on professional responsibilities that arise between members, clients and HMRC.

The Fundamental Principles

The ethical foundation of PCRT remains the five Fundamental Principles:

- integrity;
- objectivity;
- professional competence;
- confidentiality; and
- professional behaviour.

These principles apply to all tax work, not just tax planning. They reinforce that the work of tax practitioners must be trusted not only by clients but also by HMRC and society more generally. Advisers are therefore expected to balance their duty to act in their clients' interests with their wider responsibilities to the public and to the reputation of the profession. The 2026 revisions place particular emphasis on three of these principles: objectivity, professional competence and due care. The principal changes are considered below.

Objectivity

The revised PCRT places greater emphasis on the need for advisers to avoid undue influence from or reliance upon individuals, organisations, technology or other factors. This reflects the increasing use of artificial intelligence in professional practice, but the principle applies more widely. Firms should also consider whether significant reliance on referral sources, outsourcing providers or other commercial relationships could compromise, or appear to compromise, their professional judgement.

A further change is the requirement to inform clients of any professional or business relationship with a third-party provider of tax planning arrangements. This complements the wider emphasis on transparency, including existing requirements to disclose commissions and other financial interests, and reinforces the need for clients to understand any relationships that may be relevant to the advice they receive.

Professional competence and due care

The revised PCRT reinforces the expectation that advisers maintain current knowledge and provide advice based on up-to-date legislation, technical guidance and professional standards. A notable addition is expectation that members should have 'an inquiring mind' and exercise professional judgement when considering the facts and circumstances of an engagement. Rather than focusing on the specific instruction received, advisers should consider the wider context, including the client's commercial and non-tax objectives.

The revised guidance also confirms that PCRT applies when providing a second opinion on a tax planning engagement. In addition, where a member is giving a significant opinion on the tax treatment of a transaction, PCRT suggests that obtaining a second opinion may be appropriate.

These changes reinforce the need for advisers to look beyond the immediate technical issue and ensure their advice reflects the client’s overall circumstances, rather than simply answering the question that has been asked.

Professional behaviour

The revised PCRT places greater emphasis on the need for members to act in the public interest and avoid conduct that could bring either themselves or the profession into disrepute. This reinforces the expectation that professional behaviour extends beyond technical compliance with the tax legislation.

The Standards for Tax Planning

While the Fundamental Principles provide the ethical framework for all tax work, the Standards for Tax Planning set out how those principles should be applied in practice. This is where many of the most significant changes have been made and where firms are likely to see the greatest practical impact.

The standards are built around five key themes: providing client-specific advice, ensuring that tax planning is lawful, promoting transparency and disclosure, advising on tax planning arrangements, and exercising professional judgement supported by appropriate documentation. The key changes, and their practical implications, are outlined below.

Tax planning must be based on a realistic assessment of the facts and on a credible view of the law (together forming a credible basis).

1. Client-specific

The first standard has a new requirement stating that there is a need to understand the engagement, the client, the relevant facts and the applicable law before providing advice. The revised PCRT confirms that the obligations of the adviser are governed by the engagement letter. It is important therefore that the engagement letter clearly defines the scope of the retainer, identifies the client, and explain what the adviser will and will not do. Where wider commercial or legal risks arise that fall outside the scope of the engagement, the standard states that members should either advise on those risks or recommend that the client obtains appropriate specialist advice. The standard makes it clear that generic advice poses risks and that any assumptions on which advice is based should be stated.

The revised guidance also highlights the importance of identifying the assumptions on which advice is based. Advisers should consider advising that, if the underlying facts or circumstances change, the advice may need to be revisited. Setting out the relevant facts and assumptions also gives clients the opportunity to confirm that they are accurate, helping to ensure that the advice remains appropriate.

2. Lawful

The revised standard includes a new requirement for members to advise clients to comply with the relevant tax legislation and to draw their attention to anti-avoidance provisions and other rules that may limit or prohibit particular tax planning arrangements. There is also a new obligation on members to understand the relevant law, explain any material uncertainties to the client, and revisit their advice if circumstances change during the engagement. In practice, firms should ensure that both their analysis of the relevant legislation and any advice given to clients on areas of uncertainty are recorded in writing at the time.

A significant new requirement is contained in para 3.8. Where a member concludes that a tax planning arrangement that a client wishes to pursue does not have a ‘credible basis’, the member must explain to the client the reasons for that conclusion, the potential consequences of proceeding, and advise the client not to proceed.

If the client nevertheless wishes to proceed, PCRT requires the adviser to recommend that the advice is shared internally within the client’s organisation, and to consider whether fuller disclosure to HMRC or the client’s external auditors may be appropriate. Depending on the client’s response, the member should also consider whether it remains appropriate to continue acting. Where the member is employed by the client, rather than acting as an external adviser, PCRT states that they should consider whether they can continue in their role. Further guidance is available in Helpsheet C2.

The revised guidance provides a clearer framework for practitioners who face pressure from clients to support planning they do not believe is appropriate. Where advisers are uncertain how to proceed, they should seek advice from senior colleagues, their firm’s ethics partner, their professional body or, where appropriate, obtain legal advice.

From a practical perspective, advisers should document the analysis that underpins their assessment of whether an arrangement has a credible basis, regardless of the conclusion reached. It is easy to focus on why planning was rejected, but recording why planning was considered acceptable can be equally important. A contemporaneous record of the reasoning provides evidence that the necessary analysis was undertaken if the advice is later questioned.

Where advice is given to the client, particularly following discussions or meetings, it is also good practice to confirm that advice in writing. Doing so helps to ensure that both adviser and client have a clear understanding of the position and provides a record that the requirements of para 3.8 have been met.

3. Disclosure and transparency

The third standard reinforces the principle that tax advice must never rely for its effectiveness on HMRC not having all the relevant facts. Any disclosure made to HMRC should fairly represent the client's circumstances.

The revised guidance also recognises that, in some cases, it may be appropriate to recommend fuller disclosure than is strictly required by law. Whether to do so is a matter of professional judgement and should always be discussed with the client and supported by their informed consent.

In practice, firms should keep a clear record of the professional judgement exercised, the advice given to the client, and the client's agreement before making any additional disclosure.

4. Advising on tax planning arrangements

The fourth standard reiterates that members must not create, encourage or promote tax planning arrangements that are highly artificial or contrived, or which seek to exploit shortcomings in the legislation.

The revised guidance also places greater emphasis on situations where there is genuine and reasonable uncertainty as to whether proposed planning complies with the standard. Importantly, PCRT now states that the member *must*, rather than *should*, discuss the issue with the client (or management, where appropriate), document the reasons and evidence supporting their conclusion, and advise the client of any uncertainties, risks and relevant disclosure obligations.

It is recommended that practitioners ensure that both their analysis of the proposed planning (and conclusions drawn) and the advice given to the client are recorded in writing contemporaneously so that there is no ambiguity over the advice given.

5. Professional judgement and documentation

The final standard brings together many of the themes running throughout the revised PCRT. In addition to recording the reasons for professional judgements on a timely basis, there is a new requirement on members to consider the reputational, commercial and wider economic consequences of how any proposed tax planning arrangements might be viewed. Where an adviser decides not to recommend an arrangement, the standard requires that the member inform the client and explain the reasons for that decision clearly to the client.

Throughout the revised standards, there is a clear expectation that professional judgement should be supported by appropriate documentation. In practice, it is advisable that members keep a contemporaneous written record of the analysis undertaken, the conclusions reached, and the advice provided to the client, whether or not the planning is ultimately recommended. Where advice is given orally, it is good practice to confirm it to the client in writing to avoid misunderstandings.

PCRT states that notes made ‘on a timely basis’ are likely to be ‘the most convincing way of demonstrating compliance’, benefiting not only the member and the client, but also addressing wider public concerns. Contemporaneous file notes are an important means of demonstrating that professional judgement has been exercised appropriately and that the requirements of PCRT have been met.

HMRC’s Standard for Agents

Alongside the revised PCRT Standards for Tax Planning, practitioners should also familiarise themselves with HMRC’s Standard for Agents, published in February 2026 (see tinyurl.com/3stahm8w). These form part of PCRT and set out HMRC’s expectations of tax agents and advisers, endorse the approach taken in PCRT, and place particular emphasis on the principles of integrity, professional competence and due care, and professional behaviour.

The HMRC Standards also confirm that it does not override legal professional privilege or the obligations imposed by professional bodies. However, they have taken on added significance following the introduction of the Registration of Tax Adviser Regime, under which HMRC has made clear that it will take action where Registered Tax Advisers fail to meet the standards expected of them.

Although HMRC states that it will seek to resolve issues with agents wherever possible, it also makes clear that it has a range of enforcement powers where concerns cannot be resolved or the behaviour is sufficiently serious. These include restricting access to HMRC's agent services, issuing dishonest tax agent conduct notices, notifying professional bodies and, where appropriate, pursuing criminal investigations.

In conclusion

PCRT as a whole is important and worth reviewing, rather than merely reviewing the update to the Standards for Tax Planning. It reinforces the importance of ethical behaviour, professional judgement and transparency across all tax work, while placing greater emphasis on documenting the reasoning behind the advice given to clients.

Firms and individuals would be well advised to review the revised PCRT in its entirety, revisit the accompanying Helpsheets, and ensure that their engagement procedures, internal policies, staff training and file review processes reflect the updated standards. Investing time in these areas will not only help firms meet their professional obligations but also place them in a stronger position should their advice or decision-making later come under scrutiny. The revised PCRT is not simply about understanding the rules. It is about embedding them into day-to-day practice through sound professional judgement, robust procedures and good documentation.