



## **Raising standards in the tax advice market – strengthening the regulatory framework and improving registration**

### **1. Introduction**

This response is submitted by the Professional Conduct in Relation to Taxation (PCRT) group. The PCRT group is formed collectively of representatives of the Association of Accounting Technicians, the Association of Chartered Certified Accountants, the Association of Taxation Technicians, Chartered Institute of Taxation, the Institute of Chartered Accountants of Scotland, the Institute of Chartered Accountants in England and Wales and the Society of Trust and Estate Practitioners.

PCRT is a co-authored code setting out the principles and standards of behaviour that all members, affiliates and students of the PCRT bodies must follow in their tax work.

PCRT sets out the high ethical standards which form the core of the tripartite relationship between tax adviser, client and HMRC. It supports the key role members play in helping clients comply with their tax obligations and their broader responsibilities to society. The guidance in the PCRT is based on five fundamental principles:

1. Integrity
2. Objectivity
3. Professional competence and due care
4. Confidentiality
5. Professional behaviour

All the PCRT bodies are committed to high technical and ethical standards that must be met, in order to obtain membership through examination study and practical experience.

The PCRT bodies work collaboratively and have worked together to produce this joint high level response to HMRC's consultation on [Raising standards in the tax advice market: strengthening the regulatory framework and improving registration](https://www.gov.uk/government/consultations/raising-standards-in-the-tax-advice-market-strengthening-the-regulatory-framework-and-improving-registration)<sup>1</sup>

Each PCRT group body has submitted their full individual responses. We have not sought to answer the individual consultation questions in this document but are providing comments on some of the areas of agreement between the bodies, given our mutual interest in this consultation.

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<sup>1</sup> <https://www.gov.uk/government/consultations/raising-standards-in-the-tax-advice-market-strengthening-the-regulatory-framework-and-improving-registration>

## 2. Consultation Response

- 2.1 We welcome the recognition that most tax practitioners who provide tax advice and services are competent and adhere to professional standards. Adherence to professional standards by tax practitioners gives added protection to members of the public using their services.
- 2.2 We accept there is a small minority of tax practitioners across the tax services market who lack competence and can be unprofessional and/or unscrupulous. Action is needed to address the conduct of these practitioners but there will be no “one size fits all” solution to the wide-ranging problems outlined in the consultation document. Although we understand that a large majority of such instances relate to practitioners who are unaffiliated to a professional body, where the poor conduct is by a professional body member, existing gateways should be used to report the practitioner to their professional body for appropriate action to be taken.
- 2.3 The consultation outlines three possible regulatory approaches but doesn’t examine whether such approaches would solve all the problems in the market and whether there are other options which could be implemented that might achieve the policy objectives. Given the wide variety of issues to be addressed, a range of approaches are needed to address them and to have the desired effect of raising standards in the tax advice market. We have focused our comments in this note on the proposals set out in the consultation paper:
- Mandatory registration of tax practitioners
  - Which of the approaches to regulation is preferable of the following options:
    - Approach 1 – Mandatory professional body membership
    - Approach 2 – Joint HMRC-industry enforcement (a ‘hybrid model’)
    - Approach 3 – Regulation by a government body
- 2.4 We agree that mandatory registration is a sensible first step. We all undertake a considerable number of checks in order to ensure firms and members are appropriately registered for our AML supervision schemes and practice licences (where required), so have considerable experience to share with HMRC on appropriate and proportionate checks and the operation of registration schemes.
- 2.5 Out of the three approaches suggested in relation to regulation of the tax services market, we agree that approach 1 is the best approach, but only if it is appropriately designed and scoped. Any chosen approach must be in the public interest and there must be parity between all individuals and firms providing tax advice and services. Approach 1 builds on work we have done to drive high industry standards through developing and embedding PCRT within our membership. PCRT sets a high bar for standards and using existing mechanisms for monitoring and enforcement would likely be the lowest cost option and would be the least disruptive for the those who already meet high standards.
- 2.6 HMRC’s expectations in relation to what regulation needs to include and oversight arrangements for Recognised Professional Bodies are subject to clarification and further consultation. We would welcome being part of the discussions on the details and any emerging thinking as to any potential oversight body for the recognised professional bodies under approach 1.

- 2.7 The potential costs of any increased oversight/regulation for the professional bodies and ultimately our members and the taxpayers they advise need to be quantified. This is a critical question, that needs to be addressed, as the increased costs need to be proportionate to the identified shortcomings in the existing market otherwise there is a risk that tax advice becomes unaffordable for many taxpayers. We would encourage not only initial cost estimates but also commitments to ongoing monitoring of administrative burdens and ensuring that regulation and the associated costs remain proportionate to the harms being tackled in the tax advice market.
- 2.8 As a group we consider the outcome of the consultation on [Reforming anti-money laundering and counter-terrorism financing supervision](https://www.gov.uk/government/consultations/reforming-anti-money-laundering-and-counter-terrorism-financing-supervision)<sup>2</sup> is fundamental to any decision on a model for wider regulation. If professional body anti-money laundering (AML) supervision continues under the OPBAS+ model then regulation of tax advisers by professional bodies could fit within it, avoid duplication and draw from similar risk profiles. However, if AML supervision responsibilities are removed from professional bodies on the basis that AML regulation can be better performed in another way, then it would appear inconsistent to give professional bodies an extended remit to regulate tax professionals in the wider tax advice market.

### **3. Conclusion**

The PCRT bodies take this opportunity to thank HMRC for the time spent discussing the consultation on raising standards. We welcome collaborative working and look forward to hearing from HMRC on the next steps.

**7 June 2024**

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<sup>2</sup> <https://www.gov.uk/government/consultations/reforming-anti-money-laundering-and-counter-terrorism-financing-supervision>