

# Association of Accounting Technician's response to the HMRC discussion paper on Anti-Money Laundering Supervision fees

**The Association of Accounting Technicians (AAT) is pleased to have the opportunity to respond to this discussion paper.**

## Introduction

AAT is pleased to note that HMRC acknowledges from the outset that the Money Laundering, Terrorist Financing and Transfer of Funds Regulations 2017 ("MLR 2017") placed additional requirements and therefore costs on HMRC and other supervisors such as AAT.

AAT is also pleased that HMRC intends to take a, "...more robust approach to tackling non-compliance with the regulations" than has previously been the case.

HMRC states it aims to, "...treat businesses fairly and keep fees simple, and as low as possible, while meeting the increased costs of supervisory activity". Likewise, AAT seeks to do the same for its members in this area although AAT and the other professional body supervisors also face the additional compulsory fees for OPBAS regulation for which HMRC is, in AAT's view, inappropriately exempt.

The discussion paper states HMRC fees enable it to cover the costs of carrying out its role as the supervisors of around 27,000 businesses in seven business sectors including, "accountancy service providers who aren't supervised by a professional body". These costs could therefore be reduced if all accountancy service providers were required to be supervised by a professional body as AAT and others have long recommended.

## Option One:

### **Q1. Do you think the current fees model is a reasonable way of charging businesses to cover our costs?**

The current model appears reasonable but if HMRC is either a) not covering its costs b) not taking sufficient action to meet the legal obligations as an AML supervisor or c) a combination of the two, then the current model is unsustainable and should be replaced with one that enables HMRC to meet those basic objectives.

It is not clear from the discussion paper whether HMRC is currently failing to cover costs, simply that costs have increased. Similarly, there is no acknowledgement that its performance in this area needs to significantly improve. However the discussion paper does state that *'the overall income derived from fees will ultimately need to increase by around 80% to 100%'* this would seem to suggest that the current model, for one or both of the reasons raised above, is evidently unsustainable. A clearer statement of intent and reasoning would have been helpful.

Option one does have the merit of consistency and the fact the current model has been in operation for some time suggests it is widely understood. If change is necessary, then this option would appear to be the most reasonable.

That said, it is essential that HMRC considers that some individuals and businesses in the various sectors they regulate, may decide to become completely unregulated if faced with a fee that they consider disproportionate, thus defeating the objective of increased AML compliance and a reduction in offences.



### Option Two:

**Q2. Do you think this method of calculating fees is a reasonable way of charging businesses to cover our costs? Q3. Are you content with the method of calculating turnover above or can you suggest any better methods? Q4. Would you be willing and able to provide details of your businesses turnover using the above definitions to allow HMRC to calculate your fee?**

This option may produce some unfair results i.e. those with high fixed costs could have a high turnover but low profits whereas some with a lower turnover but higher profits would end up paying less.

If this option was to be introduced, a higher exemption than £20,000 would be helpful. Perhaps it would be better set at £27,000, the UK average wage, and if linked it would rise a little every year, be future proofed and thus avoid either eroding in value or having to be reassessed every few years.

The fact that HMRC is asking whether individuals and organisations would be willing and able to provide details of their businesses turnover to allow HMRC to calculate the fee, suggests that existing powers may not be sufficient. Relying on consent may be acceptable in most cases but not all, and would therefore likely lead to further problems.

Taking all of the above into consideration, AAT suggests that Option Two should not be pursued.

### Option Three:

**Q5. Do you think a scaling premises fee is a reasonable way of charging businesses for supervision? Q6. If you have many premises, are you concerned this approach would be too complex if there is a different fee for premises in each tier?**

HMRC acknowledges the key problem with Option Three in its own question (Question 6), it is simply too complex, especially when compared to Option One.

Again, AAT suggests that Option Three not be pursued either.

**Q7. Do you agree that an administration fee for late payment should be introduced? Q8. Which method of charging for this late administration fee do you think HMRC should introduce and what level do you think would be appropriate?**

AAT agrees that those that pay on time should not subsidise those that don't. However, unlike other areas of fees and charges where a late payment penalty would be perfectly acceptable, in this instance it means that individuals/businesses are operating unsupervised through the period for which they are late in making a payment.

AAT reminds its licensed members (who make up AAT's AML supervisory population) if they have not paid on time but in addition if the period becomes unacceptable, these members will lose their membership.

It is a real concern as to how an individual or business may be operating if it has failed to renew its license as the public will not be protected throughout this period. A late payment fee implies there is a level of acceptability in operating without a license which AAT does not believe to be justified.

**Q9 Do you think it is right to charge the fee for this work only to those who have fit and proper persons instead of accounting for it through the normal registration fees? Q10. Do you think this is the best way to charge this fee? If not, please tell us what you think would be better.**

If HMRC is going to re-test everyone every five years, then there would not appear to be any sound basis for singling this fee out. However, the risk-based element of HMRC's re-testing suggests there is in fact a good reason for charging a specific fee. Failure to do so would essentially mean that those who pose a lower risk are effectively subsidising those who pose a higher risk. As a result, AAT supports this proposal and agrees that this is probably the best way to charge this fee.



**Q11. Are you planning any changes in your business model for the future that you think HMRC should be aware of when planning our future fees structure?**

**Q12. Which is your preferred option for charging for supervision or would you prefer to continue with the current method but with an increased fee?**

As stated above, Option One would be the preferred option given that it would appear that a change is necessary.

**Q13. Do you have any other comments that you think we should know about when considering the fees structure?**

HMRC must be mindful of the potential increase in wholly unregulated accountants, estate agents, money service businesses and so on if they raise the supervisory fees are raised by too great an amount.

AAT has repeatedly warned of the likely unintended consequence of OPBAS regulation, a matter acknowledged by the FCA in related consultation documents, in that this will potentially burden some or all of the professional body supervisors with substantial additional costs which in turn are likely to be passed on to their respective members. When faced with these increases some members will take the view that such regulation is no longer affordable or proportionate and will instead seek to become regulated by HMRC as the default regulator. This is likely to lead to an increase in those HMRC has to supervise.

Of course, if HMRC itself decides to substantially increase its fees then many of these individuals are likely to take the rational, if misguided, decision to simply operate below the radar. This will significantly increase the risk of wrong doing, result in their compliance with AML regulations becoming unmonitored and likely inadequate, and more widely could be very damaging indeed for the consumer.

### **About AAT**

AAT is a professional accountancy body with approximately 50,000 full and fellow members and over 90,000 student and affiliate members worldwide. Of the full and fellow members, there are more than 4,250 licensed accountants who provide accountancy and taxation services to over 400,000 British businesses.

AAT is a registered charity whose objectives are to advance public education and promote the study of the practice, theory and techniques of accountancy and the prevention of crime and promotion of the sound administration of the law.

### **Further information**

If you have any queries, require any further information or would like to discuss any of the above points in more detail, please contact Phil Hall, AAT Head of Public Affairs & Public Policy:

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