

# Raising standards in the tax advice market

## Frequently asked questions

### ➤ Is this really such a big problem?

Absolutely. Not only is it putting taxpayers at serious financial risk, it is also harming the economy. 42% of small businesses have lost money due to poor accounting,<sup>1</sup> and 45% (or £16bn) of the tax gap is comprised of taxpayer error and failure to take reasonable care.<sup>2</sup>

### ➤ Won't compulsory membership impact organisations who offer free tax advice, many who cannot afford to pay member fees?

This proposal would only be mandated for those providing paid-for services. As such, this would not affect any not-for-profit organisations or advice given by family.

### ➤ Wouldn't this cause a 'race to the bottom' where professional bodies lower their standards in order to attract those currently unregulated into their membership?

HMRC, in consultation with the profession, could set minimum membership and oversight requirements for professional bodies to comply with. This would prevent professional bodies from lowering their standards and ensure consistency across the sector.

### ➤ What would stop an expelled member of one body moving to another?

Most professional bodies already communicate with one another about members who have had their membership removed due to malpractice or unacceptable behaviour through the FCA's Shared Intelligence Service. Under the preferred solution, professional bodies would commit to share member exclusions with other professional bodies and HMRC to further ensure bad actors cannot simply switch bodies.

### ➤ Wouldn't this create a 'cartel' of the existing recognised professional bodies?

This proposal would be open to any professional body so long as they demonstrate their members can deliver the same standards and requirements set by government. There are a number of professional bodies across the sector that already operate in the UK, regulating members across different levels of accountancy and tax (such as chartered, licensed accountants, tax advisers and bookkeepers).

### ➤ Some unregulated tax advisers could have what might be perceived as sufficient tax knowledge and expertise, such as former tax inspectors. Would they be compelled to take a qualification just to satisfy this requirement?

Not necessarily. Professional bodies could develop an alternative route into regulation for those advisers able to demonstrate that their experience and competencies are of a sufficient standard without necessarily needing a qualification.

### ➤ How could we trust that a professional body will be robust in regulating the profession? Who would police them?

Arrangements could be put in place to identify which professional bodies are suitable for meeting a compulsory membership requirement. If a professional body was deemed not to be adequately enforcing standards or performing poorly in its oversight function, action could be taken to remove the body's recognised status. Professional bodies would be required to publish the outcomes of every disciplinary investigation (which AAT already does) as well as receive data from those bodies on the volume of complaints received and what action was taken.

<sup>1</sup> Research for AAT, carried out online by Opinion Matters between 7–13 March 2023 amongst a panel resulting in

1,011 people who employ an accountant/tax advisers

<sup>2</sup> 'Measuring tax gaps 2023 edition: tax gap estimates for 2021 to 2022', HMRC, 22 June 2023