

It's time to make tax advice ***accountable***

Policy briefing

Raising standards in the tax advice market:

the need for enhanced professional standards, consistent oversight, and greater protection for consumers.

We want tax advice to be **accountable**.

➤ AAT supports HM Government's ambition to raise standards in the tax advice market.

➤ Thousands of taxpayers and businesses are being harmed by poor quality tax advice coming from unaffiliated tax practitioners.

➤ Whilst some practitioners are already members of a professional body, the unaffiliated minority are responsible for a significant share of poor-quality advice in the market.

➤ Poor-quality advice can lead to fines from HMRC for consumers and reputational damage to the wider profession.

➤ This market urgently needs enhanced professional standards, consistent oversight, and a greater protection for consumers.

➤ The most effective and efficient solution to regulating the tax advice market is by mandating membership of a professional body for all paid-for tax advisers.

HMRC on the tax advice market:



Most tax practitioners are competent and adhere to professional standards. Many belong to established professional bodies and are subject to their oversight. However, some tax practitioners do not meet professional standards, providing substandard advice and services, [...]

In contrast to most other developed countries and other business sectors, there is no statutory regulation of the market.¹



HMRC are considering three regulatory approaches to raise professional standards in the tax advice market.



Learn more about the options being considered by HMRC as part of its public consultation on raising standards in the tax advice market – head to www.gov.uk and search 'tax advice standards.'

¹ HMRC (2024); *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>

What's the *problem*?

Thousands of consumers and businesses are being harmed by poor quality tax advice coming from unaffiliated tax practitioners.

A third of people who call themselves accountants and tax advisers are not members of a professional body. That's a problem because:

- Unaffiliated tax practitioners are not subject to regulatory oversight.
- They have no requirements to adhere to professional standards of conduct and ethics.
- There are limited safeguards in place for clients when things go wrong.



We have several new clients whose accounts are a total mess due to DIY bookkeepers.



Many of those providing tax advice are unqualified:

- Anyone can call themselves an accountant or tax adviser, even without having an appropriate qualification.
- Clients don't always realise they are receiving advice from an unqualified source.



1 in 2 small businesses have had to hire a qualified accountant to fix the mistakes caused by an unqualified accountant.²

Consumers are not getting what they expect from the tax advice market:

- People looking for tax advice generally believe the market and its practitioners are regulated (like many other finance professionals are).
- 68% of AAT members say unregulated accountants had caused their clients harm.³



6 out of 10 people had no idea accountants can practice without a qualification.⁴



Mind the 'tax gap'

HMRC estimates that poor quality tax advice is responsible for £16 billion of the annual 'tax gap'— the difference between what HMRC should be collecting on paper every year and what it actually does.

It means Government must find the shortfall elsewhere.

Source:
HMRC (2023): Measuring tax gaps
2023 edition: tax gap estimates for 2021 to 2022. www.gov.uk/government/statistics/measuring-tax-gaps

2 Research for AAT, carried out online by Opinion Matters between 7–13 March 2023 amongst a panel of 1,011 people who employ an accountant/ tax advisers. 51% of respondents said they have had to hire a qualified accountant to fix the mistakes caused by an unqualified accountant.

3 Opt-in survey of AAT members conducted by Redactive between 18 March and 15 April 2021 (239 AAT members responded)

4 Research for AAT carried out online by Opinion Matters from 19–24 February 2021 amongst a sample of 1,028 people/businesses that have used an accountant or tax advise

How do we **solve** it?

The tax advice market urgently needs enhanced professional standards, consistent oversight and greater protection for consumers.

What needs to change:

1. Enhanced professional standards

Consistent standards of technical competence, professional conduct and ethics need to be established for all tax practitioners. The regulatory framework needs to be strengthened to ensure these standards are adhered to on an ongoing basis. Tax agents who do not meet these standards due to a lack of technical or professional competence or ethical misconduct will be forced to address their shortfalls in order to continue practicing. Substandard practitioners should have reasonable time, support, and access to learning resources, to improve.

2. Consistent oversight, improved monitoring and effective enforcement

Unaffiliated tax practitioners either have little or no monitoring of their practice. Consistent oversight is needed to ensure a level playing field for all people working in the tax advice market. Monitoring processes can provide assurance to the public that minimum standards are being met when they seek out tax advice and services. If practitioners do not meet the minimum standards to practice, consistent oversight will ensure compliance action is taken where necessary and followed up.

3. Greater protection for consumers

The public and business clients are being let down by the unregulated tax advice market. A fairer deal is needed. This includes education campaigns to improve customer awareness of the professional oversight provided by professional member bodies, what qualifications might mean for the quality of the advice they receive, and better guidance on how to choose a tax agent and how they can seek redress against their tax agent. It would also include establishing routes for clients to settle disputes with their tax agent or implementing a redress scheme to provide compensation for issues arising from substandard or problematic tax advice or services.

||
It's time to finally remove those unqualified practices that are giving professional qualified accountants a bad reputation.

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AAT member, March 2024

Did you know?

Most accountants **are also tax advisers?**

85% of AAT licenced members provide some kind of paid-for tax advisory services alongside other accountancy and consultancy services.

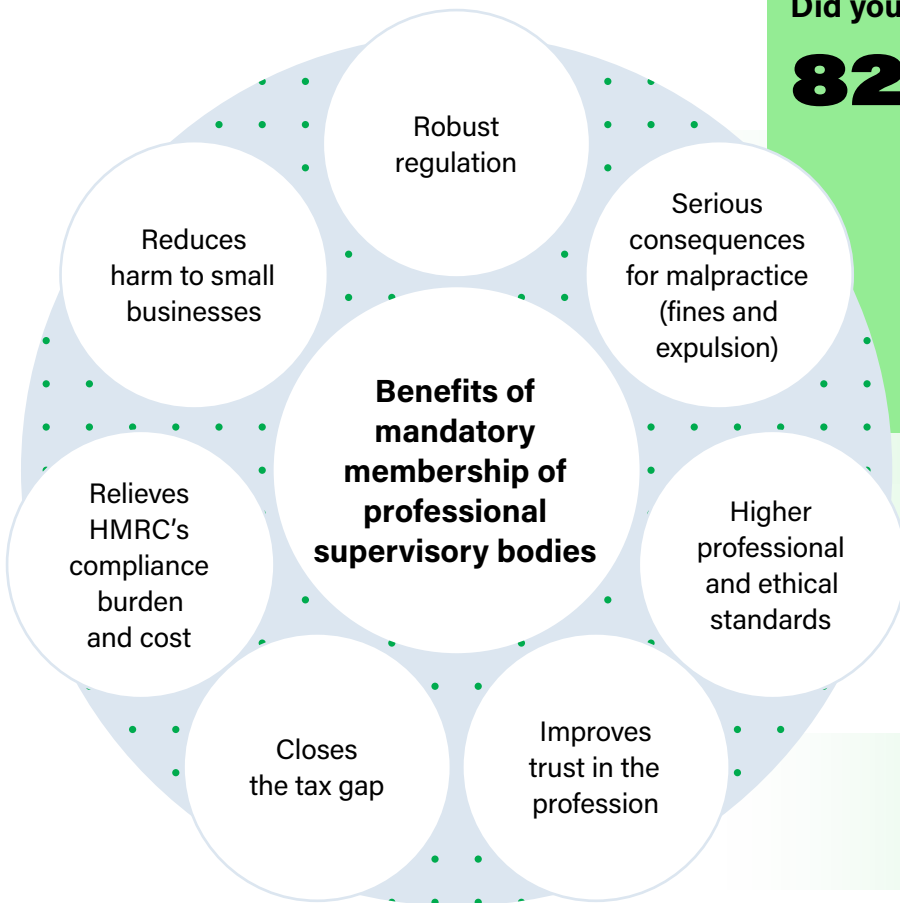
Source: AAT membership data (2024) - 'Proportion of AAT professional licensed members offering one or more tax services'

What's the **best** option?

AAT supports the Government's ambition to raise standards in the tax advice market. HMRC are considering three regulatory approaches to do this. **The best option available is to mandate membership of professional bodies for all paid-for tax advisers.**

	Summary	Cost and feasibility of proposed options	Feasibility rating	Public cost
Option 1 Mandatory membership of professional bodies	<p>Recognised professional bodies monitoring and enforcing standards of their members and raising those standards where necessary.</p> <p>Tax practitioners would be required to hold membership of a recognised professional body in order provide paid-for tax advice and services.</p>	<ul style="list-style-type: none"> - is reliant on developing an existing model - would require a period of transition for the bodies to develop mechanisms to 'onboard' those tax advisers who are currently unregulated - will take time for those tax agents to demonstrate/attain necessary standards of professionalism - costs would be borne by the professional bodies - no public investment required 	Feasible	Low cost
Option 2 Joint HMRC-industry enforcement	<p>HMRC and industry would monitor and raise standards of the market.</p> <p>Unaffiliated tax practitioners would have to be supervised by HMRC and professional body members would be subject to the supervisory requirements of their professional body.</p>	<ul style="list-style-type: none"> - partial reliance on existing model but would require development of completely new HMRC supervisory framework for unregulated tax advisers - unrealistic to expect HMRC's already-stretched resources to be readily able to cope - establishment would require public investment 	Unrealistic	High cost
Option 3 Regulation by a government body	<p>The government body would set, monitor, enforce and raise standards in the market.</p> <p>A new independent regulator or an existing regulator with an expanded remit would supervise tax practitioners.</p>	<ul style="list-style-type: none"> - requires development of a completely new, tailored model - option is partially dependent upon existing role of professional bodies recognised for supervision - significant lead time needed to develop new regulatory body - significant public investment required 	Possible	High cost

What are the **benefits** of reform?



Did you know?

82% of MPs believe anyone giving paid-for tax and accountancy services should be appropriately qualified

Source: YouGov (2022) - independent research commissioned by AAT. House of Commons representative sample of one hundred MPs weighted for party, gender, electoral cohort, geographic variance. Fieldwork undertaken 7-30 June 2022.

Only mandatory membership and supervision can provide consumers with assurance that anyone providing paid-for tax advice and services is:

- ✔ **appropriately qualified**
- ✔ regulated by an established professional body which offers a route of redress for accountancy and tax agent clients
- ✔ **required to meet professional and ethical standards**
- ✔ required to keep their knowledge on changes in tax legislation and practice up-to-date (Continuing Professional Development)
- ✔ required to hold appropriate levels of **professional indemnity insurance cover** as protection should things go wrong.

|| **One client employed an unregulated accountant who had no understanding of VAT. They made up VAT figures and left that client on the verge of bankruptcy.**

|| **AAT member, 2022**

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,⁵ and 45% (or £16bn) of the tax gap is comprised of taxpayer error and failure to take reasonable care.⁶

» **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.

⁵ 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

⁶ 'Measuring tax gaps 2023 edition: tax gap estimates for 2021 to 2022', HMRC, 22 June 2023

About us

The Association of Accounting Technicians (AAT) is the collective voice of more than 120,000 accounting technicians and bookkeepers, as well as those studying to join us.

Since we were formed in 1980, AAT has been driving high professional standards and championing responsible business in accountancy.

We are passionate about expanding access to quality accountancy education.

As the country's largest provider of accountancy qualifications: we are experts in education, skills and training.

Learn more

You can learn more about AAT's campaign to make the tax advice market accountable: aat.org.uk/accountable

Media contact

For press enquiries, or to request an interview with an AAT spokesperson about any of our campaigns, please contact:

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