

# Consultation Response

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

May 2024

# AIA Response: Raising standards in the tax advice market: strengthening the regulatory framework and improving registration

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AIA welcomes this opportunity to respond to the 'Raising standards in the tax advice market: strengthening the regulatory framework and improving registration' published by HMRC on 6 March 2024.

This consultation discusses the government's intention to raise standards in the tax advice market through a strengthened regulatory framework. It sets out the three possible approaches to strengthening the framework: mandatory membership of a recognised professional body, joint HM Revenue and Customs (HMRC) – industry enforcement, and regulation by a separate statutory government body. The consultation also explores approaches to strengthen the controls on access to HMRC's services for tax practitioners.

This document sets out AIA's response to the questions posed by the consultation and provides further clarity and guidance on how AIA upholds standards of tax advice issued by its members in practice and acts in the public interest. AIA's response builds upon previous responses made to HMRC's consultations regarding raising standards in the tax advice market.

The response is informed by opinions surveyed of AIA's population of Members in Practice. Any move to raise standards in the tax advice market is broadly welcomed by AIA Members in Practice, however any changes should be introduced in an efficient way with minimal regulatory burden or cost, both to the public and tax practitioners. AIA would argue that introducing some of the measures outlined within the consultation should increase the overall quality of tax advice received by taxpayers and therefore provide greater assurance to HMRC that decisions are made using correct information.

Good agents help to improve tax compliance by providing quality advice on tax law and ensuring that clients can only claim their appropriate reliefs and consequently pay the correct tax. Good tax agents help to protect the public interest by reducing resourcing costs for HMRC, allowing for an efficient and targeted taxation system.

There should also be further consideration given to introducing legal protection for professional titles, such as 'tax practitioner' and 'accountant,' within any strategy for encouraging good tax agents.

There is a wider public interest argument in place for expansion of the role of professional bodies within the remit of improving 'good agents' and how they can add value.

The government should work to promote the effectiveness of good agents by recognising that additional safeguards and public interest concerns are met by consumers undertaking the services of a regulated individual to conduct their tax affairs, with proper recourse to advice if things go wrong and an independent complaints system.

It is clear that the simplest and most robust way of protecting the public interest is to ensure that any individual providing tax advice as a service is a member of a recognised professional body. All options set out within the consultation require careful consideration against the public interest – ensuring a continuation of the availability of tax advice to members of the public whilst recognising the benefits of greater scrutiny over the competence of tax agents to bear down on bad behaviour and agents.

It must be recognised that any option that increases the burden and cost of regulation may result in tax agents leaving the regulated sector and acting with a lower level of scrutiny which would not result in a net benefit position.

AIA notes that many taxpayers rely on tax practitioners to provide quality advice and services, helping them pay the right tax at the right time and access the tax reliefs they're entitled to and welcomes HMRC's initial comments that 'most tax practitioners who provide tax advice and services are competent and adhere to professional standards'. It is clear, however, that there are issues raised within both the market and the consultation document which require addressing.

AIA agrees that any regulatory action implemented by the government should:

- Be proportionate to the harms observed and the benefits expected to minimise extra costs and burdens for the taxpayer, tax practitioners and their clients, and professional bodies
- Provide additional ways to monitor and enforce minimum standards for tax practitioners accessing HMRC systems and services
- Remove substandard and unscrupulous tax practitioners from the market by either improving their capability or ensuring they exit the market. It should do this by providing clarity on the standards required, support to meet those standards, and increasing the likelihood that error and misconduct are identified and dealt with appropriately; and
- Provide confidence in the quality of tax advice and services that clients receive from tax practitioners and ensure that support is available to clients when they want to resolve issues that arise due to actions taken by their tax practitioner

Of the three options presented by the consultation document, AIA is broadly supportive of Approach 1 as the option which could be implemented with the least delay and at the lowest initial overall cost. AIA also notes that the consultation does not suggest whether regulation of the tax advice market is the only way of raising standards or whether there are other measures alongside regulation are needed.

Overall, the proposals outlined within the consultation could help improve trust and confidence in the tax system, reduce pressure on HMRC services and protect taxpayers. AIA will work closely with HMRC and other professional bodies to ensure any regulatory changes are applied proportionately, efficiently, and fairly. It should be stressed, however, that AIA's support for Approach 1 is contingent on further detail being presented as this approach is develop.

AIA has some concern that the overall model of regulation or oversight of the professional body supervisors and recognition of professional bodies is not outlined in detail within the consultation, so it is therefore difficult to prepare a complete response. In addition, there needs to be further discussion on an implementation timeline to ascertain resourcing and an achievable approach across both professional bodies and HMRC. AIA would stress that the requirements for approval as a recognised body would need to be high and is prepared to work with HMRC to discuss how this would work in practice. Any monitoring of professional bodies should be both proportionate and cost effective whilst recognising the frameworks in place by professional bodies to monitor and supervise members and the independent disciplinary actions available to take against members whose work or conduct falls short of what is expected and required.

AIA would also highlight that there is insufficient consideration given to the cost associated with monitoring and supervision and that professional bodies may be required to make significant investment into new systems, training, and expertise to enable them to expand current frameworks to take on new responsibilities relating to scrutinising tax work.

AIA is generally supportive of mandatory registration for all tax practitioners. A register is an initial step necessary to identify the population which need to be regulated and with increasing digitalisation and

electronic interaction with HMRC this should be simple to achieve. Following the identification of all tax practitioners have been identified then it could be argued that further action can be taken to raise standards amongst unaffiliated agents which require demonstration of standards applicable to affiliated agents to avoid two-tier regulation.

AIA does not consider that it would be correct to exclude other professionals engaged in tax practitioner work from mandatory registration and regulation. This could be viewed as a significant weakness in the system, building loopholes into the framework and undermining fairness.

AIA would also draw attention to ongoing reforms to audit and Anti-Money Laundering supervision which are yet to conclude and may affect the implementation of further regulation of tax practitioners. It will be vital to ensure that these reforms do not create additional regulatory burden or a regulatory approach which is unnecessarily split across different regulators to create a confused and inefficient landscape.

AIA believes that a significant transitional period or legacy system will be required should any of the approaches outlined in the consultation be adopted. HMRC should undertake further work to understand how professional bodies would implement Approach 1 and investigate how unaffiliated agents would – or would not – be regulated by professional bodies. AIA will work closely with HMRC and other professional bodies to ensure any regulatory changes are applied proportionately, efficiently, and fairly.

## AIA response to specific consultation questions

**Question 1: Do you agree the limitations in the partial framework across the tax advice market contribute to issues observed? Select all that apply.**

- no requirements of technical competence to practice
- no general deterrents for dishonest practitioners operating in the market
- disjointed monitoring of tax practitioners
- variations in the action taken against substandard and unscrupulous tax practitioners
- clients being unable to easily assess the competence of a tax practitioner

AIA believes that all the factors listed above may contribute to poor practice or behaviour. However, it is a clear issue – including the accountancy sector – that anyone can set up as a tax practitioner without any minimum requirement in relation to technical competence and that this can take place either on setting up a business and entering the market or maintaining competence on an ongoing basis as no checks are undertaken on unaffiliated tax practitioners. Where clients are relying on tax practitioners to deal with their tax affairs competently then it is essential that tax practitioners must meet minimum standards of qualification and practical experience before being recognised to practice.

There are also insufficient deterrents for dishonest practitioners operating in the market. AIA would support the frequent publication of powers currently in place which would increase deterrence of poor practice in the marketplace and reduce the scope for ‘dishonest practitioners’. However, it remains vital that enforcement action against dishonest agents or those exhibiting with poor work should result in action being taken or their removal from the market. Professional bodies have robust disciplinary measures in place to hold members to account but there is no equivalent in relation to unaffiliated agents and therefore a level playing field is not present. Furthermore, removal from membership of a professional body does not subsequently prevent an individual from continuing to work as an unaffiliated agent which is a clear public interest issue.

**Question 2: Are there other components of a regulatory framework that would support the delivery of these objectives?**

In addition to the components that make up a regulatory framework, which AIA believes are appropriate, the overall framework should comply with established principles of good regulation<sup>1</sup>:

- **Transparent** – rules should be comprehensible, and the objectives should be stated.
- **Accountable** – regulation should have criteria against which its effectiveness can be judged and those responsible can be held to account for its effectiveness.
- **Proportionate** – regulation should be the appropriate response for the issue concerned. This involves having regard to the possible disadvantages of regulation and alternatives (e.g., doing nothing or providing education).
- **Consistent** – regulation should be consistent not only in itself but also with other regulation, so that regulation collectively is ‘joined up’ and results in consistent outcomes.
- **Targeted** – regulation should focus on the problem it seeks to address with a goals-based approach and minimise side effects. Enforcement should be based on risk. Regulation should be subject to systematic review and modified or eliminated if appropriate.

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<sup>1</sup> <https://publications.parliament.uk/pa/ld200304/ldselect/ldconst/68/6810.htm>

**Question 3: Is there anything else that the government should consider?**

**Protection of term/title**

The titles 'tax accountant' and 'tax adviser' – or 'accountant' – are not protected, which means that anyone can call themselves a tax accountant or tax adviser. This can cause confusion and misunderstanding among consumers, who would expect someone providing tax advice and services for to have a level of qualification in tax.

Without protection of the term any future regulatory change is necessarily undermined by the public being provided services by unqualified practitioners with the expectation that qualified individuals provide advice. Addressing this gap would bring consistency to the protection of titles of various other professionals who provide tax services, particularly in the legal sector.

**Consideration and consistency with other changes to regulatory frameworks**

HM Treasury recently consulted on reforming the UK's AML supervisory framework, although the outcome of that consultation is still unclear, it proposed four possible models for supervision including the creation of an independent supervisor.

AIA considers that there should be a clear consistency in approach between these two consultations as they have a direct bearing on the monitoring and supervision activity undertaken by professional bodies.

**Technological change**

Accountants and tax practitioners are increasingly being affected by the introduction of AI and other tools in automating work and conducting client interaction. HMRC should consider whether the reliance placed on software and these tools may affect interaction between clients and practitioners and what this means for ongoing regulation of the sector.

**Question 4: Do you think the government should mandate the approach to registration for tax practitioners who wish to interact with HMRC?**

Yes.

**Question 5: What are your views on the intention to apply the requirement to all tax practitioners who interact in any way with HMRC in a professional capacity?**

AIA agrees that this a useful initial step towards ensuring tax practitioners meet existing basic standards before being able to interact with HMRC on behalf of clients. However, any changes to agent registration must reflect the needs of firms of all sizes, particularly small and micro entities which are often disproportionately affected by regulatory change, and AIA would be happy to work with HMRC to ensure that this process is implemented smoothly regarding small firms.

It is important to note here that interaction with HMRC is a simple term for what may in effect have significant importance to individual taxpayers and their agents in day-to-day life and in running businesses/ensuring compliance with personal liabilities. AIA has had members who have been unable to act on behalf of clients due to their agent codes being withdrawn in error which has caused inefficiency and added stress to an already busy year-end process.

**Question 6: HMRC currently applies several checks at the point of registration including: whether**

**the tax practitioner has outstanding debt and/or, returns with HMRC, and the status of their AML supervision. Are there additional checks that the government should consider for tax practitioners at the point of registration with HMRC?**

HMRC should consider reviewing details about professional body membership and could conduct searches on the disciplinary outcomes of professional bodies.

If the agent is not a member of a professional body, then HMRC could also consider requesting information similar to that obtained by professional bodies, including:

- financial integrity and reliability
- convictions or civil liabilities
- reputation and character; and
- related investigations and disciplinary procedures (from any professional body)

HMRC could also consider:

- whether the agent holds Professional Indemnity Insurance (PII)
- Financial crime and intelligence checks
- Open-source intelligence searches
- Company website checks
- A requirement for criminal record checks for authorisations of beneficial owners, officers, and managers similar to those required under Regulation 26 of the MLR
- Implementing annual renewal checks and confirmations/re-registrations

**Question 7: Are there specific criteria or checks HMRC should apply if:**

- **an individual, who has previously registered a company with HMRC as a tax practitioner, and attempts to register a new company?**
- **a tax practitioner operating as a sole trader becomes incorporated?**

HMRC should consider carefully how to mitigate the risk of firms dispensing with company histories on merger or following a change of company structure. It would be useful to investigate whether data held by HMRC can be checked against data held by other agencies, including Companies House, which may be able to provide further assurance that agents cannot avoid detection through systematic loopholes.

**Question 8: Which approach do you think would best meet the objectives set out in chapter 4?**

If the scope of intervention to raise standards is limited to only tax practitioners interacting with HMRC in a professional capacity, rather than all tax practitioners in the tax advice market, then it will be difficult to meet the positive objective of raising standards and removing unscrupulous tax practitioners from the market. All approaches listed would risk to some extent being manipulated by those wanting to continue to operate outside of a regulatory regime for distinct reasons and classed as 'bad actors'. For example, a taxpayer could submit their own tax return on advice of a practitioner with an aggressive tax planning product designed by the practitioner without that professional interacting with HMRC.

The market for tax services goes far beyond the sub-set of practitioners who interact with HMRC via its systems, and it is important not to disregard the impact of the actions of this wider population. AIA would argue that if regulation of a tax regime is to be classed as effective, then there must be a level

playing field that standardises an approach to all individuals providing tax services. The proposals outlined within the consultation to omit two significant groups of tax practitioners from the regime; tax practitioners who do not interact with HMRC and those providing tax advice and services within the regulated professions undermines the future regulation of the regime and provides unnecessary loopholes.

In addition, AIA would not support a proposal to exclude regulated professions such as legal services, insolvency, audit, licensed conveyancers, and independent financial advisers from the regime as this would lead to further unfairness in the market.

AIA supports the regulatory model of mandatory professional body membership (Approach 1) as the approach that best meets the objectives set out in the consultation, but only if this approach is appropriately designed and in close consultation with professional bodies. However, due to high entry requirements and standard of qualification at present AIA does not anticipate significant numbers of unaffiliated tax practitioners would qualify for membership without undertaking additional training.

**Question 9: What are your views of the merits and problems of the 3 potential approaches described in this chapter?**

**Approach 1**

AIA supports supervision of the tax profession by professional bodies and recognises the structure this could give to ongoing regulation and monitoring. Approach 1 would conceivably minimise extra costs as a whole and burdens to tax practitioners currently meeting expected standards.

Approach 1 could lead to an increase in the professionalisation of the tax advice market without imposing significant additional costs. Any new framework could be built upon activity already being carried out by professional bodies to monitor the activities of their members and firms, such as mandating compliance with Professional Conduct in Relation to Taxation (PCRT), codes of ethics and rules and regulations. Members are subject to independent disciplinary action where the standard of work or conduct falls short of expectations. This will feasibly help to limit additional costs.

Although the consultation acknowledges the need for a transitional period and a legacy scheme, it does not take account of the fact that the training requirements professional bodies may require an unaffiliated tax practitioner to cease trading. At present it will not be possible for AIA to reduce entry requirements which apply to all members specialising in lots of different areas of work.

See also response to Question 18.

**Approach 2**

AIA would argue that HMRC holding both a supervisory role and being responsible for administering the tax system may create a clear conflict of interest, and that this poses a concern. In addition, it could be argued that due to its structure and monitoring HMRC regulation may be likely to be lighter touch than professional body regulation which could be interpreted as a significant threat to standards overall and would be unlikely to result in a general raising of professional standards. This would create dual recognition and could lead to professional bodies contemplating a reduction in standards to meet HMRC.

AIA would note that HMRC could have a key role in future regulation related to intelligence and information sharing concerning tax practitioners identified as failing to meet minimum required standards and sharing this information with professional bodies. There would also be a role in facilitating and legacy period for potentially unaffiliated tax practitioners should Approach 1 be



mandated.

### Approach 3

AIA believes that Approach 3, the creation of a new independent regulator, would incur the most cost, and be the most time consuming and difficult approach to implement.

An independent regulator would struggle to maintain the standards which professional bodies already have in place as it would lack the inherent structure and information to undertake this work with currently supervised practitioners, which is underpinned through a day-to-day with qualified members. There are also intelligence and information sharing issues which may arise with a third-party regulator as professional bodies would be required to share information which could lead to gaps unless controls are in place which may increase regulatory burden for professional bodies. AIA would argue that Approach 3 would be the more costly option and that it could negatively impact on professional body membership if there was no requirement for membership and recognition could be granted to the same level for non-qualified practitioners. AIA would also question whether an independent regulator would be able to produce ongoing continuing professional development in a structured way as is currently undertaken by professional bodies and how this would like to members' learning records. Approach 3 would also have issues with retention and hiring of specialist staff and therefore is a risky option because there will be a requirement for a new regulator to hire professionals with a tax background with regulatory expertise, which may be difficult.

#### **Question 10: Are there any other approaches to raising standards the government should consider?**

Members of professional bodies subscribing to PCRT are bound to a disciplinary framework which includes penalties for non-compliance and independent implementation of sanctions. HMRC should consider whether responses to non-compliance with the Agent Standard could be enhanced to provide an additional deterrent to bad agents.

#### **Question 11: Do you think membership with a professional body raises and maintains standards of tax practitioners?**

Yes.

AIA has high standards of entry and ongoing requirements for both ordinary members in business and Members in Practice. Any professional body qualifying as a supervisor under Approach 1 should meet the same high standard to avoid regulatory arbitrage and these standards should therefore be set at the highest available level, following consultation with professional bodies to establish entry criteria and ongoing monitoring, and to which AIA would be happy to continue to adhere.

All AIA members are required to:

- pass professional exams (recognised by the Financial Reporting Council) and practical training requirements;
- maintain continuing professional development (CPD); and
- adhere to and be accountable to AIA's Constitution (Articles, Bye-Laws, Regulations, and Code of Ethics), AML Guidance for the Accountancy Sector (for AML-supervised members) and Professional Conduct in Relation to Taxation (PCRT).

There are also additional requirements for AIA members who are providing services to the public and

who hold a Practising Certificate. They are required to:

- comply with AIA's Public Practice Regulations and Anti-Money Laundering regulations (including AMLGAS sector guidance)
- maintain adequate PII and adhere to client money regulations; and
- submit an annual return and comply with any monitoring and supervision activity undertaken by AIA.

Where AIA members (whether in public practice or in business) fail to meet the standards expected for ethical conduct and technical competence, they may be subject to regulatory and/or disciplinary action which may lead to sanctions which could include fines and exclusion – the outcomes of which are made public.

**Question 12: What is your view of the capacity and capability of professional bodies to undertake greater supervision of tax practitioners?**

There needs to be greater detail supplied relating to this question before a definite answer can be provided and this will involve in-depth conversation with professional bodies. AIA's current Monitoring and Supervision activity may be enhanced and expanded to include additional areas of scrutiny, but this may require additional resource / significant investment in making changes which may be passed on to members and subsequently clients.

Whilst there are currently some areas of overlap in monitoring of members (i.e. AML supervision) the Government should seek to understand in more depth the actions professional bodies currently undertake to monitor members and firms.

**Question 13: What more could the professional bodies do to uphold and raise standards for their members?**

See response to Question 11.

**Question 14: What additional costs may professional bodies face if strengthening their supervisory processes?**

Professional bodies may face significant additional costs related to the monitoring of tax practitioners as this would require an expansion in scope of monitoring and supervision. It would also require technical skills which may in turn require additional training requirements and resourcing. There would be an expectation that these additional costs would be passed on to members who would be negatively affected by increased monitoring and regulatory burden in addition to increased costs. It is difficult to accurately estimate additional costs as professional bodies may also be required to amend existing systems, software, and framework etc which may have a significant lead time in addition to monetary cost.

**Question 15: What is the best way to ensure current and new professional bodies maintain high standards?**

AIA welcomes the suggestion that there would no expectation on professional bodies with sufficiently high standards and supervision of their members to increase these requirements. AIA considers that all professional bodies qualifying as supervisors under Approach 1 should be held to the same standards

(for entry and ongoing requirements) and these standards should be set at an appropriately high level.

AIA also welcomes the fact that there is no appetite for professional bodies to lower their standards and requirements to admit unaffiliated tax practitioners to become members. Lowering standards to admit unaffiliated tax practitioners is not in the public interest nor in the interest of existing members.

However, AIA notes that the proposed model for Approaches 1 and 2 would include a role for an independent body to determine which professional bodies would meet criteria included in legislation for being becoming recognised; this could be undertaken by an existing department similarly to applications for AML supervisory status.

AIA also considers that the costs of oversight of any recognised professional bodies should be proportionate to the problems in the marketplace. The consultation document acknowledges that most tax practitioners who provide tax advice and services are competent and adhere to professional standards so there it could be considered that extensive oversight of professional bodies would not be proportionate. It is easy to expect additional costs in creating and maintaining an oversight body which may be levied on the professional bodies and subsequently passed to practitioners and inevitably the client/customer.

In addition, see the response to Question 18.

**Question 16: What role could the professional bodies play in supporting the clients of their members?**

AIA undertakes significant, regular, and active, monitoring of members through a Quality Assurance and Monitoring scheme using a risk-based approach. It is possible that this could be amended and expanded to include tax practitioner activity. Monitoring and supervision activity checks the compliance of members with AIA's rules and regulatory requirements, including AML activity.

AIA acts as an enforcement regulator in the public interest to remove the benefits of non-compliance when firms and members are identified as being non-compliant with regulatory requirements. Where members are found liable of committing serious misconduct or acting contrary to the Code of Ethics or regulatory requirements an independent complaints process ensures that where things do go wrong the public (clients) have access to redress. [www.aiaworldwide.com/about-us/acting-in-the-public-interest](http://www.aiaworldwide.com/about-us/acting-in-the-public-interest). Findings and disciplinary outcomes are published online and AIA shares intelligence with other professional bodies relating to complaints and non-compliance. A clear Sanctions Handbook and framework is available which ensures a structured review of complaints and standardised outcomes.

**Question 17: Should government consider strengthening customer support options beyond the current complaints processes offered by professional bodies?**

No.

If mandatory membership of a professional body was required as outlined in Approach 1 this would mean additional customer support options would not be required.

All members of AIA in public practice are required to hold appropriate Professional Indemnity Insurance (PII). If all firms were required to have PII in place (not just professional body members) this would strengthen customer support options.

**Question 18: What role should HMRC/the government play under approach 1: mandatory membership of a recognised professional body?**

AIA believes that the Government should play a role in determining the criteria for the initial approval and ongoing recognition of professional bodies to regulate members engaging in tax practitioner work. This would ensure a transparent recognition framework like other areas of recognition including under Schedule 1 of the Money Laundering Regulations 2017. However, AIA does not believe that this necessarily follows that there should be an independent oversight body created to oversee the work of recognising professional bodies without further analysis and consultation.

AIA would also stress that HMRC should undertake more work in consultation with professional bodies to understand what would be expected of professional body as regulators for tax practitioners. AIA would also highlight that HMRC is well placed to share information and intelligence so that professional bodies can target regulatory action to areas of greatest risk and AIA looks forward to working with HMRC closely in the future to explore these areas.

**Question 19: Do you agree that the requirement should only apply to those who interact with HMRC?**

No.

AIA believes that it is important that this requirement should apply to the whole market and not a proportion of it. There is a real weakness that if all practitioners are in scope of the proposed changes, then it will become increasingly difficult to adequately tackle tax avoidance promoters by some of these individuals or business may not prepare tax returns. The government should avoid designing loopholes into the system at an early stage such as considering controls where individuals may submit their private tax return following advice from an agent that is unregulated.

**Question 20: Do you agree that the requirement should only apply to controlling or principals of firms?**

No.

Any action to restrict the outlined requirement to the controlling individual or the principals of firms increases the risk that firms may utilise members of professional bodies to provide reassurance of standard without undertaking specific tax work – or supervising the work performed by employees, for example. Registration of the firm with professional bodies will enable greater insight into monitoring and supervision activity.

**Question 21: Are there any other regulated professions that should be excluded from this requirement?**

No. AIA does not consider that regulated professions providing relevant tax advice and associated services should be excluded from the requirements as this will undermine the proposed system. In addition, AIA Members in Practice are already extensively regulated for several different areas and under the oversight of a number of regulatory bodies including the Office for Professional Body Anti Money Laundering Supervision (OPBAS). Therefore, those providing tax advice and services should all be subject to the same requirements; the Government could require existing regulators of other professions to undertake comparable levels of regulation (including holding tax practitioners to the same standards, comparable type of and regularity of monitoring etc.)

**Question 22: How can the government ensure members of regulated professions have high standards in relation to their work providing tax advice or services?**

See response to Question 21. Any minimum standards the Government considers necessary should apply to all market participants, regardless of whether a profession is regulated.

All tax practitioners should be held to the same standards and subject to the same level and extent of monitoring and the same enforcement action with the same level of sanctions for similar breaches.

**Question 23: What are your views of the proposed exclusions?**

Excluding members of regulated professions from scope would result in significant unfairness in the market which would be contrary to the public interest and the outcomes envisaged by this consultation. Further work needs to be undertaken to assess the nature of tax practitioner work undertaken by sectors outside of accountancy and what this means for wider regulation of this work.

**Question 24: Do you think the following tax practitioners should be in scope of the requirement to become a member of a professional body member? Select all practitioner types you think should be in scope.**

**Overseas/offshore practitioners**

To level the playfield and increase public confidence Overseas or Offshore practitioners should be subject to comparable regulation as their UK-based counterparts or be subjected to mandatory professional body membership if not already holding membership with a UK-controlled body.

**Charities interacting with HMRC on behalf of taxpayers and tax practitioners providing pro-bono services**

AIA agrees that charities interacting with HMRC on behalf of taxpayers should be out of scope because of the specialist role they play in assisting certain individuals navigate a complex tax system. AIA would also highlight that individuals providing pro-bono services only should be out of scope.

**Question 25: What could be the consequences of introducing a legal definition of a provider of tax advice and services?**

**Question 26: What gaps or issues can you see arising because of this definition?**

The Government could consider whether attention should be given to the definition in terms of the location in which any business is carried out (i.e. in a third country or overseas jurisdiction) and whether this may affect the regulation of the tax practitioners and which companies may fall into scope.

**Question 27: How could unaffiliated tax practitioners be transitioned into professional body membership?**

Due to the unprotected nature of the term accountant, there exist various entry requirements for accountancy professional bodies, and some may not have as stringent controls on entry as required by AIA. As previously outlined AIA would not be prepared to lower its entry requirements without considerable reason. Consequently, it would not be expected as things currently stand that a substantial number of unaffiliated tax practitioners would consider joining AIA due to substantial qualification and training requirements undertaking a qualification regulated by the Financial Reporting Council (FRC). AIA's Recognised Professional Qualification is benchmarked to a Level 7 (Masters)

qualification and includes a wide spread of modules including audit and assurance, ethics and professional practice, financial and management accounting etc which an unqualified and unaffiliated tax practitioner would be required to take based on any previous qualifications. There is also a requirement to complete Practical Training with an Approved Training Office. Any AIA member engaging in public practice must also be in possession of a practising certificate which has additional requirements.

**Question 28: Should a legacy scheme be adopted?**

Maybe, although it is difficult to provide a definite answer at this stage due to other variables in the consultation proposals. Whilst any legacy scheme would undoubtedly allow presently unaffiliated tax practitioners to operate whilst seeking professional body membership – should that option be taken forward and a legacy scheme introduced – there is no guarantee of acceptance by a professional body / successful completion of a qualification etc. If a legacy scheme was engineered taking into account experience of unaffiliated tax practitioners, this would work to undermine the standard of professional qualifications and is not something that AIA would support.

**Question 29: Do you agree a transition period of 3 years would give sufficient time for the market to adapt to the introduction of mandatory professional body members?**

No, however this depends particularly on the entry requirements and specific regulations of various professional bodies.

Any transitional arrangement should consider the time and resources required by professional bodies to change regulations, achieve agreement through approved, put new processes in place to admit additional members and amend any existing strategy. This may take at least two years. Arrangements must also consider, if any entry route is not permitted, that unaffiliated agents will be required to qualify / train with a professional body which on average may take three years (including for AIA's Recognised Professional Qualification). This does not include additional experience required for granting an AIA Practising Certificate which is currently roughly 2 years.

As a base point AIA believes the initial period required for transitional arrangements should be approximately five years, however more information should be sought by the Government on what arrangements are required and how these would be implemented to maintain the standard of professional body membership.

**Question 30: What future developments would need to be accounted for in implementing mandatory professional body membership?**

The development of technology, including AI, is increasingly fast paced and it is important that any proposed regulatory regime takes this into consideration.

An additional key challenge for AIA firms operating as small or micro entities is being adequately resourced regarding qualified employees and maintaining these employees. There have been several recent studies, and increased focus, on the attractiveness of the profession and increasing regulatory burden is a clear driver to falling recruitment and retention of staff.

Future developments affecting the implementation of any changes including implementation of the Audit, Reporting and Governance Authority (ARGA) and outcome of the HMT AML supervisory framework review. In addition, future change, or creation of professional bodies in the marketplace should be considered as this may affect how HMRC interacts with professional bodies and may place

additional pressure on entry requirements or standards.

## About AIA

The Association of International Accountants (AIA) was founded in the UK in 1928 as a professional accountancy body and promotes the concept of 'international accounting' to create a global network of accountants.

AIA is recognised by the UK government as a recognised qualifying body for statutory auditors under the Companies Act 2006, across the European Union under the mutual recognition of professional qualifications directive and as a prescribed body under the Companies (Auditing and Accounting) Act 2014 in Ireland. AIA also has supervisory status for its members in the UK under the Money Laundering Regulations 2017. AIA is a Commonwealth Accredited Organisation. AIA is a member of the European Federation of Accountants and Auditors (EFAA) for SMEs and SMPs.

AIA believes in creating a global accountancy profession and supports the International Federation of Accountants (IFAC) in their vision of a global accountancy profession recognised as a valued leader in the development of strong and sustainable organisations, financial markets, and economies. AIA has adopted IFAC's Code of Ethics for professional accountants and incorporates IFAC's International Education Standards (IES) into its qualifications and policies.

AIA has members working throughout the whole spectrum of the accountancy profession. Many of our members are at the top of the accountancy industry, from senior management to director level. Conversely, significant numbers of our members work in small and medium sized businesses (SMEs) and we strive to champion the importance of SMEs and their needs.

## Further Information

The above replies represent our comments upon this consultation document. We hope that our comments will be helpful and seen as constructive. AIA will be pleased to learn of feedback, and to assist further in this discussion process if requested.

If you require any further information, please contact:

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