



# Establishing the future relationship between the tax agent community and HM Revenue & Customs

## **Consultation document**

Publication date: 31 May 2011

Closing date for comments: 16 September 2011

<b>Subject of this consultation:</b>	The practical implementation of HM Revenue & Customs' (HMRC's) strategy for engaging with tax agents in the future, focusing in particular on the relationship with paid, professional tax agents.
<b>Scope of this consultation:</b>	HMRC seeks views on the proposals and options set out in this document and the scope and pace of any changes in the period of the current spending review through to April 2015 and beyond.
<b>Who should read this:</b>	HMRC would like to receive responses from all tax agents, their representative bodies, those from the voluntary sector and individuals who are engaged in offering support and advice to those complying with their tax obligations - as well as individuals or businesses who use the services of a tax agent.
<b>Duration:</b>	31 May 2011 - 16 September 2011
<b>How to respond:</b>	By email: <a href="mailto:agent.consultation@hmrc.gsi.gov.uk">agent.consultation@hmrc.gsi.gov.uk</a> By post: Agent Strategy Team, HMRC Business Customer & Strategy, Floor 7N, South West Bush House, Strand, London WC2B 4RD.
<b>Additional ways to be involved:</b>	HMRC will be inviting tax agents, their representative bodies and other interested parties to meet with the Agent Strategy Team at venues across the UK to consider the issues raised in the document in more detail.
<b>Enquiries:</b>	Please address any enquiries about the content or scope of the consultation, requests for hard copies and information about consultation events to: Valerie Barton Tel 020 7438 6383 email: <a href="mailto:valerie.barton@hmrc.gsi.gov.uk">valerie.barton@hmrc.gsi.gov.uk</a> Lesley Agnew Tel 0141 285 4247 email: <a href="mailto:lesley.agnew@hmrc.gsi.gov.uk">lesley.agnew@hmrc.gsi.gov.uk</a>
<b>After the consultation:</b>	HMRC will work with a Joint Tax Agent Strategy Steering Group, using the responses to this document to inform implementation of the strategy. It is anticipated that HMRC will publish a formal response document in autumn 2011.
<b>Getting to this stage:</b>	Discussions with representatives of the tax agent community and individuals engaged in providing tax advice and support have been ongoing since summer 2010 with a view to defining the future relationship between the tax agent community and HMRC.

**Previous  
engagement:**

HMRC's understanding of the tax agent community has been informed by in-depth research using external professionals. Summaries of this research including the usage and attitude survey of 1,500 practitioners conducted in spring 2009 can be found at:

<http://www.hmrc.gov.uk/research/reports.htm> (report numbers 118 to 123, 126 and 127).

Additionally, HMRC representatives regularly engage with the agent community through a number of committees and forums and attend various professional events to seek views and feedback on service provision.

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**On request this document can be produced in Welsh and alternative formats including large print, audio and Braille formats**

# Foreword

HMRC welcomes the opportunity to start a dialogue with the agent community on its future relationship with professional agents.

Our partnership with tax agents - paid and unpaid - is essential for successful tax administration in the UK. We recognise the contribution that agents make to the smooth running of the tax system by providing support to many people and businesses in dealing with their tax affairs. As the Organisation for Economic Co-operation and Development (OECD) study into the role of tax intermediaries (2008) stated 'tax advisors play a vital role in all tax systems, helping their clients understand and comply with tax obligations'. Without tax agents, customers would need to understand the tax and benefits legislation applicable to their circumstances and be able to compute their liabilities correctly. For many, the motivation or ability to identify the relevant rules and legislation would be too great and they would need to find alternative support or run the risk of failing in their obligations.

In addition to paid tax agents, there are agents who provide their time and expertise on a voluntary basis, often to those who would be unable to pay for these services. They play an increasingly vital role in delivering support in our communities. There are also many individuals who support friends or family members who would otherwise find themselves unable to meet their tax obligations. HMRC wants to make its engagement with all agents and their clients as easy as possible, so as to reduce the costs for the customer and their representative, as well as reducing the costs HMRC would incur in dealing with those customers directly.

This consultation document articulates the longer term vision for HMRC's work with tax agents. It sets out the outcomes HMRC aims to deliver by 2015 and seeks views on proposals and options for change and the impacts these will have on the tax agent community. Whilst the main thrust of the proposals is aimed at those tax agents in business to support their clients, we are also seeking views from the wider agent community on the design of future services.

I look forward to this consultation document starting the discussion that will lead to an enhanced and valued relationship in the coming years.

**Melanie Dawes**  
**Director General Business Tax**  
**HM Revenue & Customs**

# Executive summary

## Establishing the future relationship between the tax agent community and HMRC

Tax agents play a vital role in the delivery of the tax system which could not function effectively without them. They provide invaluable support to many taxpayers to help them comply with their tax obligations. The term 'tax agent' is not defined for the purposes of engagement with HMRC and tax agents include those in business to provide services, those who act in a voluntary capacity and those who support others as a friend or family member.

HMRC currently requires a very limited amount of information beyond the explicit consent of the customer in order for an agent to act on their behalf. As a result many of HMRC's processes do not at present distinguish or positively reflect the appointment of a professional tax agent. For example, professional tax agents are subject to the same security processes as an individual and do not benefit from a business-based relationship with HMRC. Additionally, HMRC is currently unable to identify and target support to the minority of agents who fall below the high professional standards expected by the tax agent community.

Working with representatives of the tax agent community, HMRC has looked at the relationship HMRC, tax agents and their clients should aspire to over the coming years. Those discussions have identified some principles which should govern the relationship between agents and HMRC as well as two main areas for development: agent self serve - underpinned by enrolment to provide secure access to new online services, and understanding the total engagement of individual agents to target relevant support and in some cases improve standards.

HMRC has developed a strategy that seeks to differentiate services between agents in business and those who support individuals, family and friends on an unpaid basis, and to engage with agents in a more informed way. The strategy does not seek to change the relationship between the client, agent or HMRC but rather to improve the quality of service for all agents, reduce costs for both agents and HMRC and make it easier for customers to accurately comply with obligations. The strategy envisages:

- secure enrolment and segmentation of tax agents to differentiate between those who are in business and those in the voluntary sector or acting on behalf of friends and family
- reducing time and cost for all parties by making it easier for all agents to access the services they need and by increasing their ability to self serve on behalf of clients where appropriate
- tailoring HMRC's support services to paid, professional agents to reflect the compliance risks inherent in their client portfolio
- providing additional support for agents whose own standards are below those expected in the professional community
- tackling more effectively those few agents who are found to be acting dishonestly

This consultation document sets out proposals and options for implementing the first four bullets above, and seeks views on the scope, pace and practicality of any changes. As announced in Budget 2011, there will be a separate consultation later this year on legislative changes relating to the final bullet above.

HMRC believes that these proposals will bring significant time and cost benefits to agents as well as supporting its aims to improve voluntary compliance and to operate more efficiently. HMRC would welcome views from across the agent community to inform the development of future services over the period of the current spending review to April 2015 and beyond.

# 1. Introduction

## The role of the tax agent

Tax agents play a vital role in the delivery of the tax system which could not function without them. They provide invaluable support to many taxpayers to help them comply with their tax obligations. Without their expertise, individuals and business would need to develop their own capability to meet their obligations and to keep abreast of changing legislation and processes. Tax agents include those in business to provide services, those who act in a voluntary capacity and those who support others as a friend or family member. In the absence of tax agents, tax compliance costs would increase and resources would be diverted by business from other economic activities.

The role of a tax agent can encompass many aspects of an individual's personal wealth or those of a business, as such the knowledge and insight gained by a tax agent can often be used across a number of different legislative requirements for example direct tax, VAT and payroll - to make compliance more cost effective for the client and HMRC.

HMRC's customers are heavily reliant on the advice and support that is provided by their tax agent. The customer can be reassured that they will pay the right amount of tax where this advice and support is accurate, based on complete information relating to a transaction and followed by the customer. However, where the customer fails in their obligations or receives poor advice from a tax agent, they potentially open themselves to enquiry, penalties and other sanctions.

For the inexperienced customer the appointment of an agent for the first time can be a daunting process. HMRC does not define competence requirements for tax agents in their relations with the department. When appointing an agent, a client will generally look for one with suitable experience to deal with the task, taking advice from contacts, friends or family.

## Engagement with HMRC

Over the past 15 years there have been significant changes in the way that tax agents engage with HMRC:

- the local basis for administering tax and developing longstanding professional relationships has largely been replaced by a service operating on a national basis from many fewer locations and segmented by tax and process
- the ongoing contact that agents and their clients have with specific named offices or individuals within HMRC has ceased or significantly decreased
- for some complex areas of legislation or geographical need there remains a longer term connection between the agent and HMRC but this has reduced
- many services such as contact centre access and debt management are now delivered outside of traditional office hours
- an increasing number of obligations are met through online submission of forms



- HMRC concentrates its relationship managed service on some of the largest business within the UK and the relationship with HMRC is managed directly with the business, with the tax agent fulfilling an advisory role

HMRC has introduced these changes to improve services, take account of changing customer needs and make the administration of tax in the UK more efficient and more consistent at a national level.

We know that agents have experienced differing levels of service as a result of these changes and some are disappointed that the previous local relationships that enabled a smooth exchange of information and resolution of an issue no longer exist. Some agents also take the view that these changes have also been accompanied by poorer levels of service generally and a reduction in the technical knowledge of HMRC staff. Whilst HMRC is seeking to improve services and the quality of its work it is acknowledged that at some periods and in some areas performance has not been good enough and this has added to costs for the customer and also for HMRC.

Improvements in the way HMRC manages large areas of business such as using the National Insurance and PAYE Service (NPS) to improve the accuracy of PAYE codes, streaming correspondence to better match the right expertise with the complexity of work, examining our forms and letters to reduce the quantity we send and make sure they all serve the right purpose will all improve the overall service proposition for customers generally.

However, HMRC fully recognises that it must continually review the service it provides to customers to ensure it meets customer needs. To respond to the specific needs of the agent community, HMRC has introduced Agent Account Managers (AAMs), dedicated agent lines and a series of toolkits to help agents identify and avoid common errors seen by HMRC in tax returns. It has reinvigorated the Working Together network, which is a partnership with tax agents which aims to better understand the needs of agents as a customer group and to work with them to identify and resolve operational issues that affect the productivity of the tax agent community and HMRC. It increasingly holds joint learning events and collaboratively develops guidance and factsheets with the tax agent community. Each of these initiatives is designed to correctly match HMRC resources with the specific needs of the tax agent community to achieve an efficient engagement model.

## **The future relationship between HMRC and agents**

Whilst HMRC will continue to seek improvements in the services it provides and the quality of its own staff performance it is right to look at the relationship HMRC, tax agents and their clients should aspire to over the coming years to see whether advances can be made that will reinforce the professional nature of the relationship and increase efficiency. In looking at the relationship, HMRC seeks to develop a strategy that will improve the quality of service for all parties and make it easier to accurately comply with obligations.

HMRC has recently engaged in informal discussions with a number of representatives and members of the tax agent community to examine HMRC's purpose and role in engaging with the agent community and to consider what relationship should exist

between the tax agent community and HMRC in administering a modern and transparent tax system. Those discussions have identified two main areas for development: self serve and understanding agent engagement. They have also identified the following principles, which should govern the relationship between paid agents and HMRC:

- Tax agents play a unique role in the administration of the tax system, which could not function at an acceptable cost without them. Because of that unique role and the required relationship of mutual and professional trust, HMRC deals with agents differently from the way it deals with other customers.
- The way it does so should be transparently set out in an agent strategy.
- The client has the right to choose their agent and the strategy must reflect the duty of care the agent owes to their client along with the duty of care HMRC has towards customers generally and to the Exchequer.
- The relationship should be based on mutual trust and respect the professionalism of tax agents and HMRC representatives.
- HMRC should provide a service for agents that recognises their intermediary role and which should aim to be less costly and time consuming than the current service allows.
- The service should be simple, easy to use and place control in the hands of those using it, leaving HMRC to concentrate on the security and risk elements of the transactions.
- The maintenance and improvement of a tax agent's professional standards is a key objective for the tax agent community, HMRC and the public generally, as is the maintenance and improvement of HMRC's service delivery and technical standards.
- To help maintain standards, the Association of Chartered Certified Accountants, Association of Taxation Technicians, Chartered Institute of Taxation, Institute of Chartered Accountants in England and Wales, Institute of Chartered Accountants of Scotland, Institute of Indirect Taxation and Society of Trust and Estate Practitioners have jointly developed and published guidance to their members - 'Professional conduct in relation to taxation'.
- The strategy does not seek to regulate the profession or change the relationship between the agent and the client. HMRC sees value in the current self regulation role undertaken by a number of professional bodies on behalf of their members. However, there could be value in all tax agent firms operating in the UK being expected to meet or exceed a minimum level of competence and professional conduct.
- As only HMRC holds data on how tax agents and their clients comply with tax obligations, it is for HMRC to monitor performance of this using risk based principles.
- Where shortcomings are identified, the first step will always be for HMRC to discuss those with the agent direct to determine whether a problem does exist, and what might be done to remedy it.
- There is no place in the tax system for dishonest tax agents.

## The agent strategy

HMRC has developed an agent strategy in line with these principles, and based upon regular feedback from tax agents in the UK and the experiences of other tax administrations from around the world, notably New Zealand, Australia, USA and South Africa. The strategy envisages:

- secure enrolment and segmentation of tax agents to differentiate between those who are in business and those in the voluntary sector or acting on behalf of friends and family
- reducing time and cost for all parties by making it easier for all agents to access the services they need and by increasing their ability to self serve on behalf of clients where appropriate
- tailoring HMRC's support services to paid, professional agents to reflect the compliance risks inherent in their client portfolio
- providing additional support for agents whose own standards are below those expected
- tackling more effectively those few agents who are found to be acting dishonestly.

This consultation document sets out proposals for implementing the first four bullets above and seeks views on the scope, pace and practicality of the changes. As announced in Budget 2011, there will be a separate consultation later this year on legislative changes relating to the final bullet.

## 2. Defining the agent community

Many of our customers find dealing with tax and benefits complex or time consuming, something they are simply unable to do themselves, or something they are concerned they will get wrong. These customers are spread across the entire spectrum of taxes, credits, benefits and duties and will use a wide range of tax agents to assist them in complying with all or part of their obligations.

### Scope

HMRC recognises that agents act on behalf of the following customers:

- 1 million corporates
- 2.3 million unincorporated SMEs
- 3.9 million individual customers for Income Tax Self Assessment
- 3.2 million tax credit customers
- 5.8 million individuals outside of Self Assessment

The term 'tax agent' is not defined for the purposes of engagement with HMRC and only in limited roles, where they are authorised to sign a return on behalf of a client, do they assume responsibility for the correctness of a return they submit on behalf of a client. HMRC's charter explicitly respects the right of any individual or business to appoint an agent to act on their behalf. The proposals outlined in this document seek to support that commitment.

HMRC data suggests that there are approximately 43,000 firms in business providing support and advice to taxpayers. HMRC also works with 'families and friends' who act for an individual taxpayer and with various voluntary sector organisations who support those who would otherwise find it difficult to comply with their obligations. Together, these amount to up to a further 80,000 'agents' who are authorised to act on behalf of another person.

Beyond this there are a significant number of organisations and individuals, such as Citizens' Advice Bureau, who provide support and advice to individuals and businesses which does not require a formal recognition of their status as an agent. The proposals in this consultation do not seek to change the nature of their role or relationship with HMRC.

A relatively small number of global accountancy firms represent the largest businesses and deal with international as well as domestic issues. The majority of large business customers will use one of the global top 20 accountancy firms as their tax agent, although this market is dominated by the 'big four', all of whom have UK fee income, across their range of services, exceeding £1.3 billion per annum. Large businesses generally use agents to add expertise and external experience or fulfil statutory requirements such as audit with a view to meeting their obligations and increasing certainty for their tax affairs.

## Security and qualification

For an agent to act for an individual or business HMRC requires a very limited amount of information beyond the explicit consent of the customer to substantiate the role. As a result HMRC has to operate a number of internal risk based measures to protect HMRC, the customer and the agent against fraud.

Where an agent provides information electronically on behalf of a client they do so through an electronic facility, which is maintained by the Government Gateway and accessed by the use of confidential identifiers and passwords. These confidential credentials are held by the agent and protected by their own internal security measures.

Within the UK there is no requirement for a tax agent to hold a formal qualification, be a member of a professional body or to work to a prescribed level of competence in order to be recognised by HMRC. The majority of practising tax agents, more than 70 per cent, do hold a recognised accountancy or tax based qualification and through membership of a professional body subscribe to professional oversight both of their technical competence and business practice.

## Conduct

Complaints about conduct are taken very seriously by the professional bodies and where appropriate continuing membership of the body will be refused. However, while this can resolve the complaint it does not in itself prevent the individual continuing to act as an agent for the purposes of dealing with HMRC. Tax agents who are not members of a recognised body are not subject to independent governance.

The main accountancy and tax bodies provide their members with guidance setting out what is expected of them in a jointly agreed text 'Professional conduct in relation to taxation'. This has been provided to HMRC and is updated from time to time, most recently in 2010-11. The bodies that publish jointly agreed guidance are the Association of Chartered Certified Accountants, Association of Taxation Technicians, Chartered Institute of Taxation, Institute of Chartered Accountants in England and Wales, Institute of Chartered Accountants of Scotland, Institute of Indirect Taxation and the Society of Trust and Estate Practitioners. Other bodies set out their own guidance, while some, such as the Law Society, have different methods of regulating their members.

The vast majority of agents are well qualified, technically able and competent in the role they undertake for their clients. However, the minority of agents may knowingly or unknowingly fall below the high professional standards expected by the tax agent community.

## Money laundering

Tax agents are subject to the Money Laundering Regulations 2007 and are therefore for this purpose subject to independent supervision. The main professional bodies have been appointed as supervisors by HM Treasury. They monitor the performance of their members as part of their standard auditing function. HMRC is the default supervisor for those businesses that are not members of the appointed professional bodies. These businesses are required to register with HMRC and may be subject to supervisory checks.

The HMRC Money Laundering Regulations register does not discriminate between tax agents and those offering a range of external accountancy services, not all of which would be treated as 'agents'. Between them these two groups comprise some 12,000 businesses. These tend to be sole practitioners and often have a small customer base. Although some people within these businesses are suitably qualified there are a disproportionate number of unqualified tax agents that are subject to HMRC supervision. Registration incurs an annual fee which is used entirely to meet the cost of supervising the regulations.

## Voluntary sector

The role that the voluntary sector plays in supporting our customers is an increasingly important one. HMRC has recognised this in recent years through the operation of a grant funding programme. The programme funds voluntary organisations providing help and support in communities across the UK.

We also recognise that the process to enable HMRC to recognise such organisations and for them to obtain information from HMRC and resolve fairly simple issues can be complicated and not commensurate with the cost to the organisation or the risk to HMRC in any one case.

Whilst HMRC has an absolute duty to act professionally and protect the confidential information it holds on its customers, the current authorisation process does not recognise the true and often temporary nature of the relationship between the voluntary body and the individual. The current system is seen as simply adding cost and time for all involved. So alongside the proposals in this document for the paid community, HMRC has already started testing different secure ways of easing access for those groups to better meet their needs.

### **Basic facts about the paid agent community**

- Approximately 70 per cent of paid agents are a member of one of the main member bodies in the UK
- Around 80 per cent hold a formal qualification
- Some 20,000 of agent firms have a single owner/principal
- On average even the smallest firms have typically around 300 clients. The SME and individual agent market accounts for more than £2.4 billion in annual accountancy fees
- HMRC incurs costs approaching £200 million per annum in providing services for and supporting agents
- In addition to the main seven bodies in the UK (listed in Annex B) there are many bodies and associations who provide training, professional support and qualification to those working within the accounting and tax adviser profession
- HMRC currently provides £2 million per annum grant funding to voluntary organisations providing vital support to some of our customers. In 2009-10 approximately 1.4 million people received support through that grant programme.

## 3. The case for change

### Agents' views of HMRC

Tax agents assist their clients to fulfil their tax obligations and have a significant influence on the way their clients choose to comply. Their experience of HMRC services is mixed - some welcome the advances made in the provision of online services and dedicated agent services such as the agent dedicated telephone helpline. For others there is dissatisfaction with the quality of service for some of their basic transactional needs which adds to client and HMRC costs: this can lead to non-chargeable time, or more seriously can damage the agent/client relationship.

HMRC acknowledges that it must continue to improve its performance, and has carried out a structured series of research projects into the agent community and measures customer experience for this group on a quarterly basis. The results of that research and published customer experience trends can be accessed at: <http://www.hmrc.gov.uk/research/reports.htm> (report numbers 118 to 123; 126 and 127).

### The current process for engagement

Many of HMRC's processes do not at present distinguish or positively reflect the appointment of an agent to act on another's behalf. As a result tax agents are subject to the same security processes as an individual and do not benefit from a business-based relationship with HMRC. The role of the agent is provided for in a number of online services where the agent can submit information on behalf of a client and receive correspondence and output as the nominee. However, this relationship does not recognise the professional nature of their role nor does it benefit from trust or control being placed in the hands of the professional agent.

Most tax returns are submitted to HMRC electronically. However, for many other transactions, in the absence of online or self serve capability, agents currently transmit information to HMRC by letter or telephone call, and that information is then actioned by a member of HMRC staff. Although the vast majority of these transactions are completed with the right outcome they incur a cost for all parties, add time to the transaction, and in some cases information is misinterpreted or inaccurately recorded.

Although HMRC can improve the level of service it provides to customers through their appointed agent the functional nature of most transactions will not be changed and there will continue to be a frictional cost associated with agents submitting information for HMRC staff to action. HMRC believes that significant time can be saved for both agents and HMRC if agents are put in a position where they can control and execute a number of basic transactions on behalf of their clients.



## Controlling the process

The introduction of Self Assessment in the late 1990s was the first time that control of the data that determined an individual's tax liability for the year was handed to the individual or their agent. Over 10 years later Self Assessment online filing is undertaken by more than 70 per cent of the Self Assessment population and the greater proportion of those are returns submitted by an agent. HMRC is supported in its interrogation of these returns by increasingly sophisticated risk assessment processes and post-return enquiries, with agents being required to maintain the original client-approved information to support the submission of the return.

HMRC sees opportunities to reduce cost and error for all parties by widening the scope of the basic transactions that nominated agents can control. This model is one now widely adopted by industry and citizens and allows information to be provided once and to determine an immediate outcome so that the user has certainty.

Such a process will require safeguards to ensure the agent is who they say they are, is authorised to act and can provide information that is validated by the client. HMRC believes that existing legislation and the commercial arrangement that exists between the agent and their client will meet this need. One specific transaction that HMRC believes would benefit from such a change is the requirement for clients to authorise an agent to act for each head of duty for which the agent is appointed. HMRC would be interested in exploring whether the authorisation process could be undertaken through self authorisation by the agent with the authority being retained by the agent as part of the 'letter of engagement' process.

HMRC's research with other tax bodies around the world indicates that significant time savings, and therefore cost savings, can be achieved for Government and tax agents through moving to a self serve model. This model offers the ability to undertake certain transactions on behalf of a client and retain evidence of the authority to act for the client that is subject to later audit. HMRC will be exploring this model further with other tax administrations and will also seek information through the next phase of international tax benchmarking work underway during 2011.

HMRC also recognises the important role that the voluntary sector and friends and family play in supporting our customers. Improving accessibility for them will increase HMRC's capacity to support customers. HMRC has already started to test different approaches to authorising those groups, with the aim of making it easier for them to act on behalf of customers. The pilots are designed to provide the level of access they will need to transact with HMRC easily, whilst ensuring security of customer information.

## Role of the agent in minimising tax risk

Despite recognising that agents have an important role in the effective administration of the tax system, HMRC's current processes do not always recognise the agent as a key link in the chain between itself and the customer, nor is the range of an agent's engagement with HMRC reflected in the way business is undertaken. As a result it is not possible for HMRC to recognise good agents and give credit for their work, nor to identify and provide tailored support to agents acting on behalf of clients who may have particular compliance issues, nor to identify the few agents whose own performance is poor.

HMRC believes that credit should be given to good agents for the work they do, for example, by trusting them to represent their clients with less involvement from HMRC on basic transactions than at present. Similarly where an agent has a good track record with HMRC this should be reflected in the way HMRC engages in tax enquiries affecting their clients.

HMRC recognises that having an agent does not guarantee a client's compliance with their tax obligations. Clients may provide their agent with incorrect information, either knowingly, through carelessness, or through a basic lack of knowledge or understanding. However, where an agent deals with a client portfolio which has (or appears to HMRC to have) particular compliance risks or issues, HMRC believes that it should be able to target its support services to the agent in order to help them to mitigate those risks and improve clients' compliance.

In a very few cases, clients' non-compliance may reflect an agent's own performance being below the standard expected by and of the professional community. In these cases HMRC believes that there should be a dialogue to understand if improvements can be made, and what support may be needed by the agent.

## How HMRC engages with agents

Undertaking business with any agent is a decision for HMRC. HMRC currently engages with agents on a consent basis, governed by section 18(2)(h) of the Commissioners of Revenue and Customs Act (CRCA) 2005.

As indicated above, HMRC believes that it should tailor its services to agents on the basis of perceived risks and, as such, HMRC does not propose to seek regulation of agents by a new body or as part of the statutory functions of HMRC.

## 4. Implementing the agent strategy - proposals and options

The agent strategy is based on a number of separate and phased activities:

- recognising the need to improve the basic service and transforming the agent experience by placing control in the hands of the agent through self serve
- implementation on a staged basis - stepping through from some simple transactions to those requiring higher levels of confidence or trust
- recognising the need for appropriate enrolment and security as part of self serve
- gathering evidence of agents' client portfolio performance and the impact of poor performance on individual cases
- working together with the agent community to design the service and safeguards to maximise the cost reduction opportunity for all parties whilst minimising the risk of fraud

HMRC believes that these proposals will bring significant benefits to agents as well as supporting HMRC's aims to improve voluntary compliance and to operate more efficiently. This consultation process is an initial stage of engagement to explore ideas as to how the strategy should be implemented.

Each of the proposed activities is outlined below and gives rise to a number of questions where HMRC would welcome views on acceptability, pace and potential areas of difficulty. In particular, HMRC will need to ensure that, in looking at agents' engagement with HMRC, relevant and up to date information is used and there are safeguards for agents to challenge the correctness of the information gathered, the validity of the conclusions drawn and any resolution proposed.

### **1. The provision of a self serve facility for tax agents: A. Enrolment**

At present HMRC does not recognise an agent firm as a specific entity. Our services record their ability to act for a single client when viewing that client but there is little detail that would allow HMRC to know with absolute certainty with whom it is doing business. This leads to a request for an agent to clear security questions every time they contact HMRC and to provide information on a nominated bank account for repayments to be made on each submitted return.

HMRC is also aware that some tax agent firms operate a number of different agent identities, perhaps to segment their clients or to reflect previous changes in a firm's constitution. This can result in clients being allocated to an incorrect code within the firm, leading to delays and additional cost for both agents and HMRC.

In order to address these issues, HMRC proposes to introduce a new, secure enrolment process. HMRC considers that enrolment should apply to all paid agents to ensure it can distinguish between those agents in business and others. HMRC also needs assurance that the agent is a genuine business before allowing access to the self serve options outlined in the next section. Enrolment could be extended to those organisations in the voluntary sector which carry out a similar level of transactional engagement with HMRC.

In order to minimise administrative burdens for both agents and HMRC, it is proposed that single firms or organisations would enrol rather than specified individuals within a firm. HMRC would be keen to understand the potential for multi-office/location firms to seek separate enrolments, rather than enrolment at single firm level, for example the need for firms to track the work of individual members of staff.

It will be important to ensure that enrolment details remain up to date. Whilst this could be achieved through an annual re-enrolment process, HMRC wishes to minimise burdens for all parties. HMRC therefore proposes that this is achieved by requiring agents to update their enrolment details promptly when there are significant changes to the enrolment data.

### **Anticipated agent benefits**

HMRC believes that a new enrolment process would bring significant benefits for agents. Recognising an agent as a separate entity would allow HMRC to develop a process of 'shared secrets' for security purposes. This would make it easier for agents to deal with HMRC, reducing the time spent in establishing their credentials in each case.

The proposed enrolment process would also allow HMRC to cleanse the existing agent records to ensure they were aligned to the agent's view of their client portfolio. This would reduce the time currently spent in correcting client allocations.

The provision of a designated bank account for refunds with a control process for change would obviate the need for bank account details to be submitted on each tax return. It would also radically change the opportunity for repayment fraud and reduce the time taken for repayments to be made.

A secure enrolment process would also enable HMRC to provide enrolled agents with access to a greater range of self serve options, further reducing the time that agents currently spend engaging with HMRC. These self serve options are described later in this chapter.

## Options for implementation

The range of information provided at enrolment must be sufficient to confirm the firm's identity and leave no doubt that the tax agent is carrying on a business to provide tax advice. HMRC would welcome views on the 'data set', which could potentially include:

- business name and address
- contact telephone number
- business email address
- details of a designated bank account for the receipt of repayments on behalf of clients (if applicable)
- details of the business owner(s)/principals and their professional body membership details
- the relevant HMRC unique identifier(s) of the agent for their own tax affairs and confirmation that they have met their relevant tax obligations to file returns and meet liabilities

The enrolment process could be introduced in several ways:

- It could be mandatory or optional. As indicated above, HMRC's proposal is that all paid agents should enrol.
- It could be rolled out at a set point in the year or staggered over a set period of time.
- It could be introduced on an incremental basis, for example by applying it to:
  - all new agent businesses
  - existing agents seeking authorisation to act on behalf of a new client
  - those seeking access to self serve options

The effectiveness of the enrolment process could be assessed by monitoring administrative burden savings achieved as a result of agents not having to clear security questions every time they contact HMRC.

HMRC would welcome comments on the following aspects of self serve: enrolment:

- To which types of agent should the new enrolment process apply and why?
- How should enrolment apply to multi-office/location agent firms?
- Is the proposed 'data set' reasonable to provide?
- Are there other elements of data that you believe would further substantiate the identity of a tax agent business?
- The enrolment process could be introduced in several ways. How should it be rolled out, and over what timescale/at what point in the year?
- Should re-enrolment be an annual requirement for all? If not, how should HMRC ensure that agents provide updates to the information when there are significant changes?
- In addition to administrative burden savings, what other performance indicators should be used to assess the effectiveness of the proposed enrolment process?

## **1. The provision of a self serve facility for tax agents:**

### **B. Online options**

A significant level of current contact between HMRC and tax agents arises from the exchange of basic information to keep clients' records up to date and meet obligations. In many cases agents currently transmit information to HMRC by letter or telephone call, and that information is then actioned by a member of HMRC staff. Although the vast majority of these transactions are completed with the right outcome they incur a cost for all parties, add time to the transaction, and in some cases information is misinterpreted or inaccurately recorded.

Self Assessment already provides tax agents with the ability to file a return and calculate the tax due without HMRC being involved. For the majority this means that agents can determine an immediate outcome, providing certainty about the tax or repayment due to their clients.

This self serve model is one now widely adopted by industry and citizens and there are other transactions where HMRC can see an opportunity for successfully enrolled paid agents to take control of basic transactions to reduce cost and error for all parties. The provision of self serve facilities will need to be secure and all parties will require assurance that users have the appropriate security precautions in place to restrict access to those who are legitimately required to operate the system, this will

likely include a requirement that connecting IT systems are maintained to an agreed level of protection.

Whilst aimed predominantly at those tax agents in business, HMRC is clear that there are some organisations within the voluntary sector who will be able to generate efficiencies for both their operations and for HMRC if they are able to access the same self serve functionality. HMRC will ensure that the design accommodates their organisational structure and reflects their needs.

### **Anticipated agent benefits**

HMRC believes that significant time can be saved for both agents and HMRC if agents are put in a position where they can control and execute a number of basic transactions on behalf of their clients:

- information could be input once and directly onto HMRC's systems
- it would be accurately recorded, reducing the time spent in correcting errors resulting from HMRC processing
- agents would spend less time contacting HMRC to check that information submitted has been received and acted upon

### **Options for implementation**

The self serve options available to enrolled agents could include:

- Self authorisation (the ability to notify HMRC systems that agent A is acting for client B without the need for HMRC to receive a signed authority). The authority would be retained by the agent for inspection in the same way as copies of signed Self Assessment returns are retained.
- Ability to generate and amend notices of coding and manage end of year reconciliation for those outside of Self Assessment.
- The facility to see payments and liabilities across all heads of duty, for a single client in one presentation of the information.
- Online education modules to augment professional training on legislation changes and processes.
- Track and trace facilities for paper repayment claims and correspondence.
- The ability to lodge correspondence and returns/forms that are not fully online via an electronic work area.

Tax agents would be able to undertake business with HMRC without using the self serve facility and HMRC is keen to explore whether it is necessary or appropriate to limit access to self serve facilities in order to provide additional security. Possible approaches could include limiting access for certain types of agent or for agents below a certain size threshold unless they can demonstrate that they have security arrangements which are satisfactory to HMRC.



Maintaining taxpayer confidentiality will remain a key role for HMRC and important for customers. Any system would need to include safeguards to ensure that an agent's self authorisation could quickly be notified to or validated by a customer; and that, where a customer chose to change their nominated agent, the previous agent was also notified of the change following self authorisation by the new agent.

The design of the system will incorporate robust security measures which will be at a higher level than the 'credentials' system used for submitting and viewing information currently. The design principles will additionally require that individual agent or client access accounts can be 'switched off' quickly should unusual activity be monitored or certain parameters be exceeded. This would protect both customers and the wider HMRC system. HMRC envisages that principals of firms or a nominated individual would be contacted at the point of 'switch off' to ask that they undertake an audit of recent activity to satisfy themselves that no fraudulent activity is being perpetrated before the facility is reinstated.

HMRC does not wish to change the existing industry model for determining liability in the event of fraud or loss suffered by a client. However HMRC envisages that use of the self serve facility would require a self declaration that an agreed level of security is adopted by a firm. This might include:

- an approved standard of IT security compliance. This could take the form of a recognised industry standard for IT security
- an agreed series of office based processes for the safe retention of credentials

### **Piloting the approach**

HMRC would like to prove the self serve online concept through a small scale pilot inviting a few security-aware and HMRC trusted agents to take part. The pilot would be focused on the ability to self serve PAYE coding notices.

On successful proof, HMRC would plan to scale up to a wider number of services with at least 100 agents to provide robust evidence of the cost savings for agents and HMRC before full implementation.

The effectiveness of the above pilot could be assessed by monitoring the following:

- administrative burden savings achieved by the agents as a result of the new system
- HMRC time spent on dealing with requests addressed through the new systems and process
- IT cost involved in prototyping and implementing the systems required for the pilot



HMRC would welcome comments on the following aspects of self serve: online

- Are the self service options identified those that agents would find most relevant or are there other transactions that should be included?
- What safeguards should HMRC apply if agents are able to self-authorise to act on behalf of a client?
- Would tax agents welcome the degree of control indicated and does this alter the potential relationship between agents and their clients should errors be made?
- At what industry level should security requirements be set for office and IT processes?
- Would you anticipate that your professional body can monitor/check the IT security and other requirements for HMRC to allow self service as part of the professional body assurance processes for members?
- If you think it necessary or appropriate to restrict self serve access, what criteria, safeguards and transitional arrangements should be applied?
- Are there any other aspects of the proposed self serve pilot that you think that should be monitored or evaluated?

## 2. Understanding an agent's engagement with HMRC

HMRC sees that establishing a new relationship carrying rights and responsibilities for both tax agents and HMRC is essential to realising the agent strategy. The strategy does not seek to change the relationship between the client, agent or HMRC which remains the same as that currently observed.

At present HMRC does not have a single view of the total engagement that an individual tax agent or firm has with HMRC. As a result it is not possible to provide tailored guidance and support to agents working with clients in particular business sectors or across different tax regimes. Whilst this information is held by HMRC, it is fragmented and is not brought together to inform communication or engagement.

The strategy proposes that HMRC will create an 'agent view' for each enrolled agent that will bring together details of them and their client portfolio into a consistent and coherent picture to support communication and engagement. As part of developing that 'agent view' HMRC proposes to include the compliance performance of an agent's clients. This would provide the foundation for HMRC to target technical updates, support services and compliance campaigns to those agents with the most relevant client portfolios.

The vast majority of agents are well qualified, technically able and competent in the role they undertake for their clients. However, the minority of agents may knowingly or unknowingly fall below the high professional standards expected by the tax agent community. The 'agent view' will support HMRC in identifying those agents whose total engagement is significantly outside of the average performance for agents with a similar client portfolio.

### **What will HMRC do with the data?**

HMRC expects that this data will help to identify agents with high standards in their field, agents who need help to improve their standard of work, and the very few agents who act dishonestly. HMRC will need to apply significant care to ensure that relevant and up to date information is collated and is keen to hear views on the safeguards needed, for example, for agents to challenge the correctness of the information gathered, the validity of the conclusions drawn and the resolution proposed.

Such a process will need to include steps to reflect the membership of a professional body, both in terms of governance exercised and support offered, but overall the intention of performance monitoring will be to protect the exchequer from tax loss and provide a level of protection to the unaware taxpayer/customer.

HMRC will use existing Agent Account Managers (AAMs) and joint learning products to help and support the agent community. AAMs would support agents to identify any deficiencies in their processes based on an analysis of this information and where appropriate work collaboratively to provide education materials and a programme for improvements to be made.

### **Anticipated agent benefits**

HMRC believes that agents will benefit from the application of the 'agent view' in several ways:

- communications to agents from HMRC will be tailored to provide technical updates and other information that is relevant to their client portfolio
- HMRC support services will better targeted towards those agents who may need specialist support for example to address perceived issues for their client portfolio or common errors seen by HMRC within particular sectors or client groups
- agents whose client portfolio performance is within norms for similar groups will receive less contact from, and thus spend less time dealing with, HMRC.

## The role of the agent

Tax agents can exert considerable influence on the compliance of their clients and are central to the submission of information on behalf of their client. Agents regularly support clients whose record keeping is poor and whose compliance with statutory obligations is weak.

For HMRC and the customer a professional tax services sector would provide confidence that the right obligations are being met and the correct liabilities accounted for. The tax agent market as a whole is unregulated by HMRC or any other independent body in relation to tax advice and performance, with the majority of agents being self regulated through each of their members' bodies. The main bodies have jointly developed and published guidance to their members - 'Professional conduct in relation to taxation' which sets out the expected standards members will adhere to.

As part of the 'agent view', HMRC would be able to determine those agents whose clients' performance falls outside the norm. In designing HMRC's response, care will be needed to reflect the responsibility of the client and the role of the agent in supporting the client in meeting their obligations. The majority of agents will operate well governed processes that will support clients to meet their obligations accurately and correctly and it is not in anyone's interests to change those processes.

## Supporting agents to improve client performance

HMRC recognises that, whilst the agent can verify the information that is provided by their clients, they are not in a position to confirm that their client has acted in a compliant manner or provided all of the information required to ensure the accuracy of a return or claim. Nor is an agent able to understand in all cases how their client performance reflects wider sector performance.

HMRC can look at wider sector performance and use this information to identify individual agent firms who may need support to improve client performance or indeed their own. HMRC is keen to explore how a distinction can be made between the responsibilities of the customer and the role of the agent with a view to improving standards across the full range of customers and, where needed, the agent community. This is particularly important in recognising the behavioural attitudes of the wider business market.

The information used to create the 'agent view' could include filing and payment profiles of client portfolios, as well as the level and type of cases selected by HMRC through its risk assessment processes. While this might be the trigger for an appropriate discussion, HMRC does not want to create a situation where the compliance of clients is the determining factor in the 'agent view' as that may result in less compliant clients being refused access to agent services and their compliance falling further.

In the longer term, HMRC envisage that the information could be collated in 'real time' to add to the data collected from returns and claims and assist in identifying patterns outside of sector trends and norms. This will positively benefit those agents whose

clients are within compliance norms and allow agents to focus on those clients whose compliance is poor. It would seem appropriate that this information would be available to the individual agents but more dialogue will be needed in this area to understand confidentiality and commerciality issues from the perspective of the agent, customer and HMRC.

The overall effectiveness of the agent view could be assessed by monitoring like for like compliance performance of represented taxpayers. This will enable HMRC to establish the extent to which the agent strategy achieves its objective of minimising tax at risk.

### **Future regulation of the tax agent profession**

HMRC believes that structured self governance of the tax agent market is the correct model for a future relationship. Identification of agents by HMRC whose level of performance falls below that which we would expect from a competent agent should help to provide the appropriate and necessary assurance that (taken as a whole) the customer could have confidence in the quality of work undertaken by the tax agent community. However, in looking at the future relationship, HMRC has examined the frameworks that operate around the world.

The UK tax agent market is (as far as HMRC can establish) unique in that it is not regulated to conduct tax business. Many practitioners are regulated for the financial advice they provide, for their audit practice or for supervisory roles they undertake, such as money laundering, but no regulation exists for their role in creating and submitting tax computations, claims and returns. In many other countries' jurisdictions tax agents are required to demonstrate a relevant level of competence through qualification and/or being members of their relevant institute or professional body. These arrangements help to maintain high professional standards through the monitoring of agents' performance and the provision of support for those whose performance fall below an acceptable level. Membership of a body also provides a route for clients to seek recourse in perceived cases of misconduct or underperformance. Whilst the UK does not require membership of an oversight body or any level of qualification to act as a tax agent, over 70 per cent of practicing agents would qualify against these criteria.

Without establishing the understanding of an individual firm's performance it is not possible to deduce whether there is a risk of poor performance in any sector of the market. Those who choose not to undertake formal examination or become members of a recognised body may have very clear reasons for doing so and may be able to meet their competence and ongoing professional development needs through other routes. Ultimately the professional credibility of any tax agent will be determined by their ability to attract business. However, HMRC has an interest in ensuring that the market works to an appropriate level of professional competence and that consumers are protected, and would be keen to understand why some agents do not acquire qualifications or join a recognised body.

As part of this consultation, HMRC is keen to explore the scope for all tax agents to hold a relevant qualification to provide tax advice and complete returns and claims on behalf of their clients - as well as considering the options for meeting ongoing professional development and governance needs, usually provided by a recognised institute or professional body.

Clearly it would not be right to introduce such a requirement without notice. So HMRC would envisage that - should this be taken up as an option - any requirement would be completed over a period of time to allow those without qualifications to acquire them. HMRC would be interested to seek views on what an acceptable timescale to obtain a qualification would be.

There is currently a process for monitoring of agents provided by the Money Laundering Regulations 2007. Tax agents are required to put processes in place to prevent abuse of the financial system by criminals, to identify suspicious activity and to report it. The professional bodies are charged with the supervision of their members to perform checks as part of their routine audits to maintain the professional standards expected within that organisation. Failure by a member to meet with the expected standard can result in expulsion.

As the default supervisor for the Money Laundering Regulations, HMRC is obliged to register and supervise those tax agents that are not members of professional bodies. This includes anyone that has resigned or been expelled from such a body but wishes to continue to practise as a tax agent. Businesses that are supervised by HMRC which fail to comply with the regulations may be subject to an unlimited financial penalty or prosecution.

### **Refusing to deal with an agent**

HMRC deals with agents through consent and in a relationship of trust. In a small number of cases, the agent's behaviour can be such that HMRC can no longer deal with them on these terms, for example where an agent has a record of behaving in an unprofessional manner, verbally abusing HMRC staff, and at the extreme, where an agent acts dishonestly in a more structured way.

HMRC has exercised this judgement on the authority of the Commissioners of HMRC very infrequently, but in the most serious of cases it has withdrawn permission for an agent to do business on behalf of their clients with the department. These decisions are supported by a notification to each of the agent's clients to explain the position and advise that a new agent will need to be appointed or they will need to comply with their obligations direct. The standard to be applied for any decision not to recognise an agent must be 'necessary, relevant and proportionate'. HMRC will publish procedural guidance on this in the light of recent developments to ensure that the process is understood and rights to representation are clear.

HMRC recognises the serious impact of their refusing to deal with an agent and is keen to explore what further actions could be taken where an agent has acted unprofessionally, but not dishonestly. For example, this could involve formal disclosure of misconduct of those agents who are affiliated to a professional body, in accordance with section 20(3) CRCA 2005. HMRC has worked with the professional bodies to clarify such disclosures, as discussed in chapter 4 of 'Working with tax agents: the next stage' (December 2009). HMRC would welcome views on the potential for such action to be determined once identified and options for suspending action or rescinding sanctions once the issues had been satisfactorily addressed.

HMRC will undertake a separate consultation over the summer on changes to legislation to strengthen HMRC's ability to deal with dishonest tax agents.

HMRC would welcome comments on the following aspects of agent engagement:

- What client and agent performance indicators would you suggest are used to inform HMRC's 'agent view' and what should an acceptable level of performance be in each case?
- What would be appropriate safeguards, and how should an agent be able to challenge HMRC's views?
- Would it be appropriate for HMRC to seek confirmation that a tax agent firm should hold and maintain a formal qualification (through individual members of staff) before allowing them to act in relation to tax matters?
- Should HMRC recognise a less onerous standard of qualification with a proportionately reduced ability to transact with HMRC e.g. a recognised classification of 'bookkeeper' to enable the holder to submit self assessment returns but not access a self serve facility?
- What would be an appropriate and reasonable period of time for currently unqualified tax agents to obtain a relevant tax qualification and what should the transitional arrangements be?
- What advantages or disadvantages would membership of a recognised institute or body provide for HMRC and customers/clients?
- What action/sanctions could be applied to those who act unprofessionally other than HMRC refusing to deal with them?
- In the most serious cases how should HMRC best address their responsibility to take action against an agent by refusing to deal with them? Should that decision be informed by an independent panel?

## 5. Taxes Impact Assessment

### What is the problem under consideration? Why is intervention necessary?

HMRC acknowledges that tax agents are essential to the UK tax system and play a significant part in the processes of compliance and administration. Without their expertise individuals and business would need to develop their own capability to meet their tax obligations and HMRC would incur the costs and risks that would be inherent in dealing directly with the customer.

Within the agent community there is a range of skills and knowledge, governance through membership bodies, qualifications and attitudes to compliance. The vast majority of agents are well qualified, technically able and competent in the role they undertake for their clients. However, the minority of agents may knowingly or unknowingly fall below the high professional standards expected by the tax agent community.

In recent years HMRC has introduced significant changes in the way it engages with tax agents in order to improve services, take account of changing customer needs and make the administration of tax in the UK more efficient and more consistent at a national level. HMRC is aware that agents have experienced differing levels of service as a result of these changes and in looking at its relationship with the tax agent community, HMRC is seeking to develop an agent strategy that will improve the quality of service for all parties and make it easier to accurately comply with obligations.

### What are the objectives and the intended effects?

The objective of the agent strategy is to transform HMRC's relationship with tax agents through a number of separate and phased activities:

- recognising the need to improve the basic service and transforming the agent experience by placing control in the hands of the agent through 'self serve'
- implementation on a staged basis - stepping through from some simple transactions to those requiring higher levels of confidence or trust
- recognising the need for appropriate enrolment and security as part of self serve
- gathering evidence of agent client portfolio performance and the impact of poor performance on individual cases
- working together with the agent community to design the service and safeguards to maximise the cost reduction opportunity for all parties whilst minimising the risk of fraud

In addition, HMRC aims to make it easier and cheaper for voluntary sector organisations and friends and family acting on behalf of our customers to do business with us.



The scope of the agent community affected by the proposed changes is described in [chapter 2](#). The intended effects of the strategy are:

- to deliver differentiated services better tailored to tax agent needs to achieve cost reduction, improved voluntary compliance and customer experience
- to increase tax revenues collected by improving HMRC's ability to identify customer error/risk and address them through better tailored support to agents.

## What options have been considered?

[Chapter 4](#) of this document sets out proposals and options for implementing the agent strategy, and the questions around them. The responses to the consultation will inform the scope and pace of any future changes, and HMRC's assessment of their impacts.

## Specific impacts

The following impacts have been considered:

### Exchequer impact

As consultation is in progress and the details of many aspects of the proposals have still to be settled it would be premature to give detailed revenue projections until the proposals are further advanced.

There is expected to be a positive fiscal impact based on improved levels of voluntary compliance through:

- the creation and take up of risk based toolkits to assist those preparing accounts with identifying and mitigating common risks
- a programme of joint learning based on compliance issues for agents and HMRC staff
- targeted support and education for those agents whose engagement with HMRC is identified as falling outside the norm for agents with comparable client portfolios

Determining the true fiscal impact of these changes is difficult and is currently subject to a number of assumptions around service take up rates by agents and the extent of the influence on agent performance and activity. The final impact will be determined by responses to this consultation and development of the full agent strategy business case.

### Economic impact

As consultation is in progress and the details of many aspects of the proposals have still to be settled it is difficult to determine the true economic impact of these changes.



The final impact will be determined by responses to this consultation and development of the full agent strategy business case.

### Impact on businesses and civil society groups

The creation of a secure enrolment process will ensure HMRC 'knows the agent' and monitoring agent engagement will provide reassurance to those they are authorised to represent. In addition, putting paid agents in a position to control basic transactions on behalf of their clients through self serve will make it quicker, easier and cheaper to transact with HMRC on behalf of clients.

There will be '**one-off**' costs to businesses of complying with these changes, for example, agents and the businesses they represent familiarising themselves with new rules, guidance, training of staff, changes to internal processes etc, and HMRC is assuming that agents are likely to bear these costs directly.

HMRC anticipates that what agents may have to do differently to comply with these changes and any resulting new obligations will have '**ongoing**' cost implications. Some of these costs and savings may be absorbed by the agent or could in turn impact on the businesses they represent in terms of higher or lower fees. It is not possible to accurately quantify the one-off or ongoing impacts at this stage but HMRC welcomes responses that could help inform estimation of the costs and benefits.

In common with improvements seen in other countries, HMRC anticipates an increased improvement in agent experience of up to 10 per cent over the period from 2011-2015.

### Impact on individuals and households

The creation of a secure enrolment process will ensure HMRC 'knows the agent' and monitoring agent engagement will provide reassurance to those they are authorised to represent. In addition, putting paid agents in a position to control basic transactions on behalf of their clients through self serve will make it quicker, easier and cheaper to transact with HMRC on behalf of clients.

There will be '**one-off**' costs to these changes, for example, agents and the individuals they represent familiarising themselves with new rules, guidance, training of staff, changes to internal processes etc, and HMRC is assuming that agents are likely to bear these costs directly.

HMRC anticipates that what agents may have to do differently to comply with these changes and any resulting new obligations will have '**ongoing**' cost implications. Some of these costs and savings may be absorbed by the agent or could in turn impact on the individuals they represent in terms of higher or lower fees.

It is not possible to accurately quantify the one-off or ongoing impacts at this stage but HMRC welcomes responses that could help inform estimation of the costs and benefits.

In common with improvements seen in other countries, HMRC anticipates an increased improvement in agent experience of up to 10 per cent over the period from 2011-2015.

## Equalities impacts

The process of Equality Impact Assessment screening has been started and will continue throughout the course of this consultation and the implementation of any subsequent changes. At this stage no impacts on the equality of protected groups<sup>1</sup> have been identified.

HMRC welcomes responses that will inform the Equality Impact Assessment screening process.

## Impact on HMRC or other public sector delivery organisations

There will be a reliance on cross-functional and cross-business working within HMRC and it is anticipated that fewer HMRC staff will need to work in current transactional contact areas dealing with agent authorisation, calls or correspondence. As consultation is in progress and the details of many aspects of the proposals have still to be settled, it would be premature to give detailed projections of any staff savings until the proposals are further advanced.

The ability to engage with tax agents in the paid agent community will provide opportunities for HMRC staff to work in a relationship management environment. There is an expectation that interpersonal, negotiation and technical skills will need to be developed to deliver this type of engagement but this is not expected to be outwith the existing products available to develop HMRC staff. In addition HMRC will require an appropriate level of programme and project management skills within HMRC to manage and deliver these changes.

## Competition assessment

It will be necessary to ensure that any changes do not restrict a taxpayer's right to choose their own representation, nor discriminate for or against qualified or unqualified tax agents, or for or against foreign providers so as to amount to a restriction of trade. Under European Law<sup>2</sup> cross-border services (including accountancy) are regulated to the home state. European Law requires any form of full registration to be necessary and demonstrably related to the regulation of the practice of the accountancy profession and the rules must not go beyond what is necessary to achieve these objectives.

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<sup>1</sup> Racial Group; Gender; Transsexual / Transgender; Disability; Carers; Age; Sexual Orientation; Religion or Belief; Marital Status / Civil Partnership; Political Opinion (Northern Ireland only)

<sup>2</sup> Restrictions on the cross-border provision of services are prohibited by article 49 of the Treaty of Nice, albeit subject to exceptions.

## Small firms impact test

To exempt small businesses would be to exempt a large majority of agents from any proposed changes. During consultation HMRC will be inviting tax agents, their representative bodies and other interested parties, to meet with the Agent Strategy Team at venues across the UK, to consider the issues raised in this document in more detail. Some of these events will be specifically aimed at smaller businesses and HMRC welcomes their views.

## Other impacts

HMRC has considered whether these proposals will have any impact on the following:

- Legal Aid
- sustainable development
- carbon assessment
- wider environment
- health
- human rights
- rural issues
- privacy

and, at this stage, concludes that they do not impact.

HMRC would welcome comments on the assessment of impacts in the Taxes Impact Assessment.

- What changes do you expect to make as a result of the proposals in this consultation document?
- Do you have any views on the potential 'one-off' costs involved in making the changes?
- What are your views on the anticipated 'ongoing' costs of the proposed changes and the impact of this on those you represent?
- Do you consider that these proposals would have a disproportionate impact on smaller agent businesses, for example, those with less than 20 employees? How could these impacts be addressed?
- Do you consider that these proposals would have a disproportionate impact on unqualified or unaffiliated agents? How could these impacts be addressed?

## 6. Summary of consultation questions

HMRC would welcome comments on the following aspects of self serve: [Enrolment](#) (pages 19 to 22):

- To which types of agent should the new enrolment process apply and why?
- How should enrolment apply to multi-office/location agent firms?
- Is the proposed 'data set' reasonable to provide?
- Are there other elements of data that you believe would further substantiate the identity of a tax agent business?
- The enrolment process could be introduced in several ways. How should it be rolled out, and over what timescale/at what point in the year?
- Should re-enrolment be an annual requirement for all? If not, how should HMRC ensure that agents provide updates to the information when there are significant changes?
- In addition to administrative burden savings, what other performance indicators should be used to assess the effectiveness of the proposed enrolment process?

HMRC would welcome comments on the following aspects of self serve: [Online options](#) (pages 22 to 25):

- Are the self service options identified those that agents would find most relevant or are there other transactions that should be included?
- What safeguards should HMRC apply if agents are able to self-authorise to act on behalf of a client?
- Would tax agents welcome the degree of control indicated and does this alter the potential relationship between agents and their clients should errors be made?
- At what industry level should security requirements be set for office and IT processes?
- Would you anticipate that your professional body can monitor/check the IT security and other requirements for HMRC to allow self service as part of the professional body assurance processes for members?
- If you think it necessary or appropriate to restrict self serve access, what criteria, safeguards and transitional arrangements should be applied?

- Are there any other aspects of the proposed self serve pilot that you think that should be monitored or evaluated?

[HMRC would welcome comments on the following aspects of understanding an agent's engagement with HMRC \(pages 25 to 30\):](#)

- What client and agent performance indicators would you suggest are used to inform HMRC's 'agent view' and what should an acceptable level of performance be in each case?
- What would be appropriate safeguards, and how should an agent be able to challenge HMRC's views?
- Would it be appropriate for HMRC to seek confirmation that a tax agent firm should hold and maintain a formal qualification (through individual members of staff) before allowing them to act in relation to tax matters?
- Should HMRC recognise a less onerous standard of qualification with a proportionately reduced ability to transact with HMRC for example a recognised classification of 'bookkeeper' to enable the holder to submit Self Assessment tax returns but not access a self serve facility?
- What would be an appropriate and reasonable period of time for currently unqualified tax agents to obtain a relevant tax qualification and what should the transitional arrangements be?
- What advantages or disadvantages would membership of a recognised institute or body provide for HMRC and customers/clients?
- What action/sanctions could be applied to those who act unprofessionally other than HMRC refusing to deal with them?
- In the most serious cases how should HMRC best address their responsibility to take action against an agent by refusing to deal with them? Should that decision be informed by an independent panel?

[HMRC would welcome comments on the assessment of impacts in the Taxes Impact Assessment \(pages 31 to 35\):](#)

- What changes do you expect to make as a result of the proposals in this consultation document?
- Do you have any views on the potential 'one-off' costs involved in making the changes?

- What are your views on the anticipated 'ongoing' costs of the proposed changes and the impact of this on those you represent?
- Do you consider that these proposals would have a disproportionate impact on smaller agent businesses, for example, those with less than 20 employees? How could these impacts be addressed?
- Do you consider that these proposals would have a disproportionate impact on unqualified or unaffiliated agents? How could these impacts be addressed?

## 7. The consultation process

Brian Redford in HMRC is leading this consultation, which is being conducted in line with the Tax Consultation Framework. There are five stages to tax policy development:

- Stage 1 Setting out objectives and identifying options.
- Stage 2 Determining the best option and developing a framework for implementation including detailed policy design.
- Stage 3 Drafting legislation to effect the proposed change.
- Stage 4 Implementing and monitoring the change.
- Stage 5 Reviewing and evaluating the change.

This consultation is taking place during stage 1 of the process. The purpose of the consultation is to seek views on the policy design and any suitable possible alternatives, before consulting later on specific proposals for reform.

### How to respond

A summary of the questions in this consultation is included at chapter 6.

Responses should be sent by 16 September 2011, by email to: [agent.consultation@hmrc.gsi.gov.uk](mailto:agent.consultation@hmrc.gsi.gov.uk) or by post to:

Agent Strategy Team  
HMRC  
Business Customer & Strategy  
Floor 7N  
South West Bush House  
Strand  
London WC2B 4RD

All responses will be acknowledged, but it will not be possible to give substantive replies to individual representations.

When responding please say if you are a business, individual or representative body. In the case of representative bodies please provide information on the number and nature of people you represent.

Paper copies of this document or copies in Welsh and alternative formats (large print, audio and Braille) may be obtained free of charge from the above address. This document can also be accessed from the HMRC website at: <http://www.hmrc.gov.uk/consultations/index.htm>.

## Confidentiality

Information provided in response to this consultation, including personal information, may be published or disclosed in accordance with the access to information regimes. These are primarily the Freedom of Information Act 2000 (FOIA), the Data Protection Act 1998 (DPA) and the Environmental Information Regulations 2004.

If you want the information that you provide to be treated as confidential, please be aware that, under the FOIA, there is a statutory Code of Practice with which public authorities must comply and which deals with, amongst other things, obligations of confidence. In view of this it would be helpful if you could explain to us why you regard the information you have provided as confidential. If we receive a request for disclosure of the information we will take full account of your explanation, but we cannot give an assurance that confidentiality can be maintained in all circumstances. An automatic confidentiality disclaimer generated by your IT system will not, of itself, be regarded as binding on HMRC.

HMRC will process your personal data in accordance with the DPA and in the majority of circumstances this will mean that your personal data will not be disclosed to third parties.

## The consultation Code of Practice

This consultation is being conducted in accordance with the Code of Practice on consultation. A copy of the Code of Practice criteria and a contact for any comments on the consultation process can be found in Annex A.

To ensure that people are able to contribute as fully as possible to this consultation HMRC will be inviting tax agents, their representative bodies and other interested parties to meet with the Agent Strategy Team at venues across the UK during June and July 2011, to consider the issues raised in the document in more detail.



# Annex A: The Code of Practice on consultation

## About the consultation process

This consultation is being conducted in accordance with the Code of Practice on consultation.

The consultation criteria:

1. When to consult - formal consultation should take place at a stage when there is scope to influence the policy outcome.
2. Duration of consultation exercises - consultations should normally last for at least 12 weeks with consideration given to longer timescales where feasible and sensible.
3. Clarity of scope and impact - consultation documents should be clear about the consultation process, what is being proposed, the scope to influence and the expected costs and benefits of the proposals.
4. Accessibility of consultation exercise - consultation exercises should be designed to be accessible to, and clearly targeted at, those people the exercise is intended to reach.
5. The burden of consultation - keeping the burden of consultation to a minimum is essential if consultations are to be effective and if consultees' buy-in to the process is to be obtained.
6. Responsiveness of consultation exercises - consultation responses should be analysed carefully and clear feedback should be provided to participants following the consultation.
7. Capacity to consult - officials running consultations should seek guidance in how to run an effective consultation exercise and share what they have learned from the experience.

If you feel that this consultation does not satisfy these criteria, or if you have any complaints or comments about the process, please contact:

Richard Bowyer  
Consultation Co-ordinator  
Better Regulation and Policy Team  
HM Revenue & Customs  
Room 3E13  
100 Parliament Street  
London  
SWA 2BQ

Tel 020 7147 0062 or email [hmrc-consultation.co-ordinator@hmrc.gsi.gov.uk](mailto:hmrc-consultation.co-ordinator@hmrc.gsi.gov.uk)

## Annex B: List of stakeholders consulted

In developing this consultation document, HMRC has worked closely with and is grateful for the advice received from the following agent representative bodies on the Joint Tax Agent Strategy Steering Group:

Association of Accounting Technicians (AAT)  
Association of Chartered Certified Accountants (ACCA)  
Association of Tax Technicians (ATT)  
Chartered Accountants Ireland (CAI)  
Chartered Institute of Taxation (CIOT)  
Institute of Chartered Accountants England and Wales (ICAEW)  
Institute of Chartered Accountants Scotland (ICAS)

HMRC is keen to hear views from all tax agents, their representative bodies, those from the voluntary sector and individuals who are engaged in offering support and advice to those complying with their tax obligations - as well as individuals or businesses who use the services of a tax agent.