Improving standards in the tax advice market
Comments from the Association of Consulting Actuaries (ACA)

ACA

ASSOCIATION OF CONSULTING ACTUARIES

PRESS RELEASE: IMMEDIATE

ACA warns of inadvertent damage to pension advice market

16 June 2021 - The Association of Consulting Actuaries (ACA) has welcomed HMRC's initiative to improve standards in the "tax advice" market but made it clear in its response to an HMRC consultation that this should not be at the expense of inadvertently damaging the pension advice market or the provision of high-quality information to scheme members.

ACA Chair, Patrick Bloomfield, commented:

"HMRC is looking to find an extremely wide definition of "tax advice". This is understandable as it means promoters of tax avoidance schemes cannot hide behind a label of offering "guidance" rather than "tax advice". However, given the complexity of pensions tax rules, such a definition could inadvertently capture a wide element of the industry helping the day-to-day delivery of pension schemes. This could significantly inconvenience scheme members and bring pensions professionals into regulations primarily designed with traditional tax advisers and their clients in mind."

ACA Pensions Tax Committee Vice-Chair, Tim Sexton, added:

"ACA is also concerned it could become difficult to communicate with trustees, employers or members effectively without encroaching on a wide view of tax advice. Any policy regulating tax advice should not interrupt the high quality advice given by pension professionals, interfere with the good running of pension schemes, or interfere with the Pension Regulator's aim that pension schemes give members as full as possible information to understand their rights and options."

In its latest consultation, HMRC has proposed using professional indemnity insurance (PII) as a tool which might remove some advisers from the market, and then provide fallback for compensation to customers who suffer from badly given tax advice.

The ACA has suggested that if HMRC intends to make PII cover mandatory across the very diverse range of advisers who comment on tax matters to clients then the policy should:

- focus on protecting personal customers and small business customers (rather than larger businesses which already tend to have strong procurement processes).

- avoid duplicating equivalent requirements already imposed by professional bodies or statutory regulators, and construct simple coverage requirements for smaller unaffiliated tax agents serving individuals and small businesses.
- target providing appropriate protection for shortcomings by an adviser rather than imposing a uniform amount and design of PII across the whole market.

For further comment:

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About the Association of Consulting Actuaries (ACA)

Members of the ACA provide advice to thousands of pension schemes, including most of the country's largest schemes. Members of the Association are all qualified actuaries and all actuarial advice given is subject to the Actuaries' Code. Advice given to clients is independent and impartial. ACA members include the scheme actuaries to schemes covering the majority of members of private sector defined benefit pension schemes. The ACA is the representative body for UK consulting actuaries, whilst the Institute and Faculty of Actuaries is the professional body.