

1. Background to SPA

SPA is a wholly independent society of small practitioners holding a qualification issued by a recognised professional accountancy Institute. It was formed in early 1996 and currently there are some 1800 principals in 1400 member practices. Our members provide accountancy and taxation services to an estimated 175,000 private businesses and approaching 500,000 individuals.

The Society's stated policy is to promote and improve the relationship between members and their Institutes by providing constructive criticism together with practical proposals for improvements. Further to provide commentary and proposals to other authorities influencing our practising environment.

SPA has previously made submissions on small businesses limited company activities to the DTI on Audit Exemption levels, to the Accountancy Standards Board on Financial Reporting Standards for Small Entities (FRSSE), to the DTI on Modern Company Law 'Developing the Framework'. Also to the Chancellor of the Exchequer concerning individual tax payers on 'Advancing Self Assessment Tax Return Filing Dates', and to HM Revenue and Customs on 'Payments, Repayments and Debt', 'Income Shifting' and 'Interest – Working Towards a Harmonised Regime'.

2. Response to Consultation Paper

Modernising Powers, Deterrents and Safeguards

Working with Tax Agents

2.1. A Flawed Concept

Our view is that the concept of the proposed further regulation - tax agent registration, pre-return assurance work and practice risk assessment - is flawed in that this would appear to be taking a sledge hammer to crack a nut that had already been opened.

2.2. Existing Powers and Sanctions Already Sufficient

We maintain that HMRC already has sufficient powers and information to enable it to recognise and take action against the very small minority of tax agents who either ignorantly or wittingly prepare and submit inaccurate tax returns on behalf of their clients, as tax agents will either:

- belong to a recognised and regulated professional body, or
- have to register for Money Laundering with HMRC

2.3 Inaccurate and Incompetent Work

Where HMRC identifies inaccurate work this will automatically be brought to the agent's attention in the amendment process: it is thought reasonable that, if HMRC judges an agent to be incompetent through repeated inaccuracy, HMRC advise the agent that their work is unacceptable and that they will not accept further returns from them unless evidence of technical training is provided.

Additionally, in those cases where the agent belonged to a regulated professional body, we would support the disclosure of their unacceptable work to such bodies; self-regulated maintenance of high technical and ethical standards is paramount to the repute of professional bodies – and bad apples need to be removed from the barrel.

2.4. Costs – High; Benefits – Few

We are concerned that, should HMRC choose to pursue this further all embracing regulatory approach, it will result in a vast amount of wasted 'make work' and associated wasted cost. At the very least we would expect a cost and benefit analysis both to HMRC and, more importantly, agents to be presented alongside any proposals that may result from this consultation.

2.5 Equality of Approach – An Uneven Playing Field

As a professional accountancy organisation we remain concerned that, whilst HMRC potentially seeks to punish practitioners direct for their occasional error, there is inequality in the recompense to practitioners for errors made by HMRC staff.

In such instances where error is accepted by HMRC, we maintain that practitioners should be allowed to bill HMRC direct for the wasted effort caused, and not be made first to bill affected – and irritated – clients before claiming recompense on their behalf.

Client relationships may be damaged by HMRC error, and a standard letter of apology, acknowledging HMRC's fault, would maintain the generally good relationship between all three parties.

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Chairman, The Society of Professional Accountants

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