

PASA Consultation Response

Response to the HMRC Consultation – Raising standards in the tax advice market – strengthening the regulatory framework and improving registration

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Acknowledgments

PASA is grateful to the author of the response.

Paul Sturgess (Board Director) PASA

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About PASA

The Pensions Administration Standards Association (PASA) was created to provide an independent infrastructure to set, develop, guide and assess administration standards.

PASA acts as a focal point and engages with industry and government to create protocols for understanding good administration - but also appreciates there's no one size fits all. PASA develops evidential Accreditation practices allowing benchmarking across and between the industry regardless of how the administration is being delivered.

As well as raising the profile of pension administration generally, PASA focuses on three core activities:

1. **Defining good standards of pensions administration relevant to all providers, whether in-house, third party or insurers**
2. **Publishing Guidance to support those standards**
3. **Being an independent Accreditation body, assessing the achievement of good standards by schemes**

There's no organisation providing such services across schemes, yet there's a demand for evidence of service quality from scheme trustees, sponsors, administrators, insurers, savers and regulators.

1 Summary

The HMRC consultation asks for views on two proposals:

1. mandating registration with HMRC for tax practitioners who wish to interact with HMRC on behalf of their clients, and the requirements that HMRC should establish to enable registration
2. options for strengthening the regulatory framework for either all tax practitioners or those interacting with HMRC:
 - approach 1: mandatory membership of a recognised professional body that supervises their professional standards
 - approach 2: joint HMRC-industry enforcement of tax practitioner standards
 - approach 3: regulation of tax practitioners by a government body

When we talk about tax practitioners in this consultation, we mean any professional providing tax advice and services.

PASA is responding to this consultation to flag a concern pension administrators will inadvertently be included in the scope of these proposals. This would have implications for our members including third party administrators, pension providers and in-house pension schemes. Pensions administrators do not provide tax advice but interact with HMRC in carrying out non-advisory administrative functions e.g. collecting and paying tax on pensioner payroll.

2 Consultation questions and responses

Responses have only been provided to questions which are relevant to pensions administration.

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

Consideration should be given to how the HMRC proposals interact with other government departments such as the FCA and in particular The Pensions Regulator (TPR) which regulates pensions schemes themselves. There is a risk of regulatory bodies overlapping each other.

Despite the stated intention to exclude:

“...professionals who are regulated in accordance with the Pensions Regulator, Prudential Regulatory Authority, Financial Conduct Authority, Insolvency Service, Institute and Faculty of Actuaries (“IFoA”), and the Funeral Planning Authority”

Under current proposals some non-tax practitioners are likely to be in scope unintentionally. An example of this would be pensions administrators who run payroll services to pay pensioners without giving tax advice. Exemptions should be made for such organisations.

The precise wording of any exemption will be critical to the industry to avoid a compliance issue.

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

As stated above, the scope is too wide as pensions administrators will be caught within the scope when they are not giving tax advice but merely carrying out a non-advisory administrative function e.g. collecting and paying tax on pensioner payroll.

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

Yes, however there are many reasons for interaction with HMRC and some are merely administrative in nature rather than giving true tax advice. The requirements should be refined further to ensure such activities are not included within the proposals.

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

No. Controlling minds or principles could be too far removed from actual tax advice so it should perhaps consider designated staff as applies for AML purposes.

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

Pensions administrators and business process outsourcers.

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

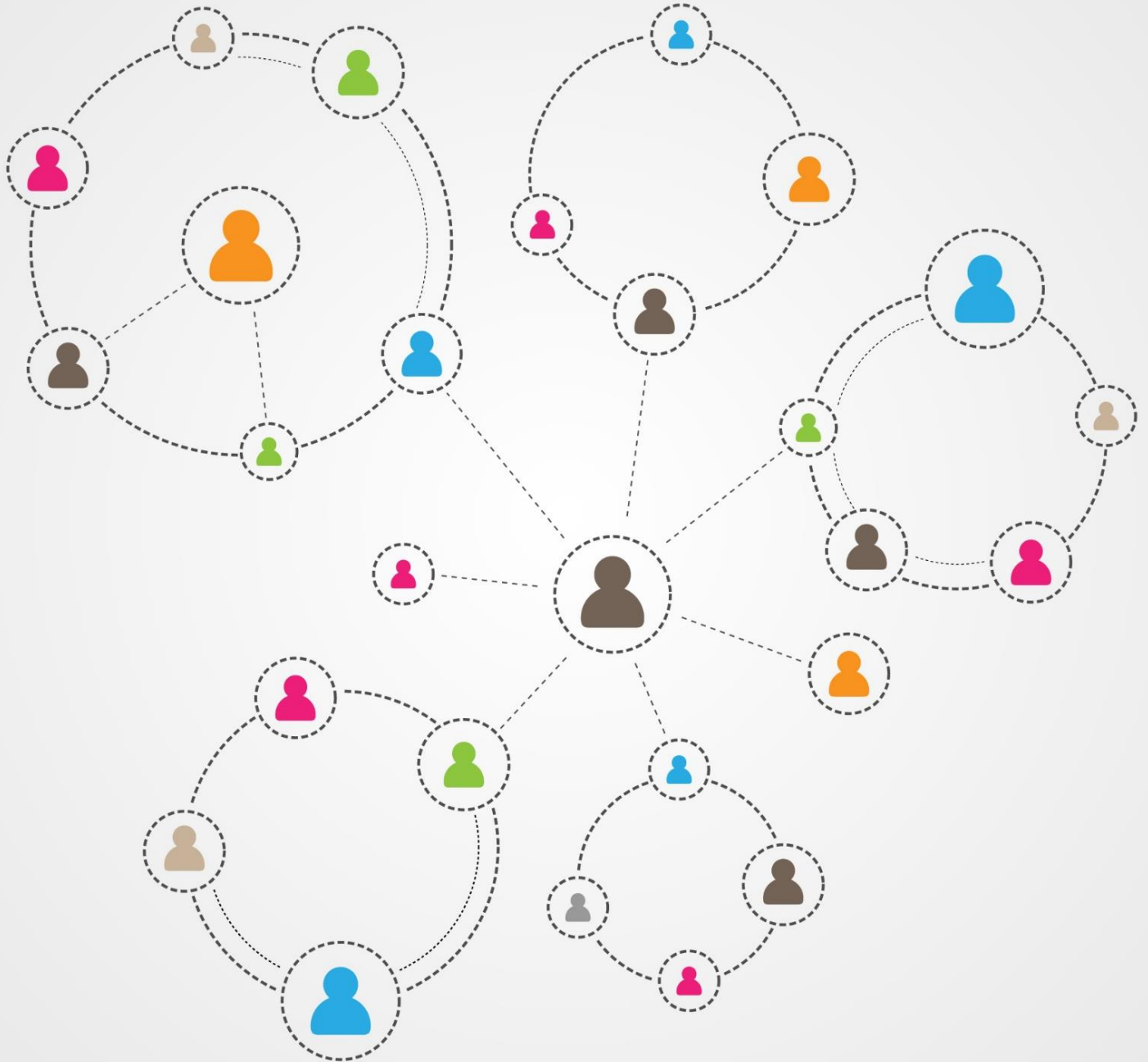
These should be considered further to take account of pensions administration.

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

Administrative services should be outside of scope.

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

It's difficult to answer until the legal definition proposal is completed . If judged heavy it could lead to some administrative service providers withdrawing form service provision due to additional costs on slim margin businesses.



info@pasa-uk.com

www.pasa-uk.com