

Professional Conduct in Relation to Taxation (PCRT)

Raising standards across the tax profession

Report from the PCRT professional bodies

February 2020

Produced by:



Introduction

Professional Conduct in Relation to Taxation (PCRT) sets out the Fundamental Principles and Standards of Tax Planning behaviours that all members, affiliates and students of our organisations must follow. Our ethical guidance was introduced in 1995 and has been regularly reviewed and revised since then. The latest revision of content incorporated the Standards for Tax Planning which went live on 1 March 2017. Two years later saw a major structural revision following feedback from users.

The Professional Bodies that subscribe to PCRT each have a suite of standards, of which PCRT is a part. PCRT does not stand in isolation, and members who are in breach of it are also likely to be in breach of other regulatory requirements.

This report aims to give a brief overview of the use of PCRT by the seven professional bodies and their members, covering the period from March 2017 when the Standards for Tax Planning were introduced.

All the professional bodies have made it clear to their memberships that compliance with the PCRT Fundamental Principles and Standards for Tax Planning is mandatory.

Background

PCRT is intended to guide members in their behaviour, to assist them and to ensure that they undertake work effectively and appropriately.

Our members operate in a complex business and financial environment and a core purpose of the tax system is to fund public services and to ensure the good health of our economy and society. All members thus have a responsibility to serve their clients' interests whilst upholding the profession's reputation and the need to take account of the wider public interest. PCRT can therefore provide a powerful tool in retaining public confidence in the work that our members undertake.

Members of our organisations are encouraged to place ethical leadership at the heart of their professional responsibilities, to shape the culture and values of their organisations, and to have ethics at the core of business and tax practices.

The role of PCRT

PCRT supports our members by describing the standards of behaviour that clients can expect when seeking advice on their tax affairs.

The professional bodies also use the guidance if concerns are raised about members. When deciding whether to investigate a complaint or act on information received, the professional bodies will consider the PCRT Fundamental Principles and Standards of Tax Planning to assess whether the professional practice has been appropriate, and whether disciplinary action needs to be taken. We are clear with our members that a failure to comply with PCRT is a serious matter and could put their membership of the professional body at risk.

There is also a series of supplementary help sheets:

- **PCRT Help sheet A** – [Submission of tax information and 'tax filings'](#)
- **PCRT Help sheet B** – [Tax Advice](#)
- **PCRT Help sheet C** – [Dealing with errors](#)
- **PCRT Help sheet D** – [Request for data by HMRC](#)
- **PCRT Help sheet E** – [Members' Personal Tax Affairs](#)

The help sheets provide guidance to our members in applying the Fundamental Principles and Standards of Tax Planning in their day to day professional activities and underpin their professional conduct. The help

sheets also assist members to exercise their professional judgement and to resist any undue pressure to act in an unethical manner that they may receive from employers or clients.

The restructuring of PCRT, effective from 1 March 2019, was undertaken to bring further clarity between the mandatory elements and the best practice guidance and included a new user focused digital presentation. Whilst the Fundamental Principles and Standards of Tax Planning were not changed as part of this review, the PCRT Bodies significantly updated and amended the supporting help sheets and it was agreed that these would be kept under regular review.

How many individuals across the professional bodies does PCRT apply to?

Membership numbers are as follows:

PCRT Body	Number of members worldwide
Association of Accounting Technicians (AAT)	137,500 members
Association of Chartered Certified Accountants (ACCA)	219,000 members and 527,000 students
Association of Taxation Technicians (ATT)	Over 9,000 members and 5,000 students
Chartered Institute of Taxation (CIOT)	Over 19,000 members, 5,000 students 1,000 Advanced Diploma in International Taxation ('ADIT') holders and 3,000 students
Institute of Chartered Accountants in England and Wales (ICAEW)	181,500 chartered accountants and students
Institute of Chartered Accountants of Scotland (ICAS)	over 22,000 members
The Society of Trust and Estate Practitioners (STEP)	Over 21,000 members

PCRT applies to all members providing advice on UK tax matters regardless of whether they are principals in their firms, employees, or subcontractors. It also applies regardless of their membership of other professional organisations, including statutory regulators, or where in the world they work and reside.

PCRT is not only applicable to our members in professional practice. For clarity, the Fundamental Principles and Standards of Tax Planning apply to all members who practise in tax including:

- Employees attending to the tax affairs of their employer or of a client, and
- Those dealing with the tax affairs of themselves or others such as family, friends, charities etc. whether or not for payment, and
- Those working in HMRC or other public sector bodies or government departments.

The Fundamental Principles and Standards of Tax Planning apply to dealings with all devolved tax authorities within the UK. A member who is based overseas or who is acting for a client who is subject to the tax jurisdiction of another country could be subject to different legal obligations under the tax law and/or general law of that country. Subject to that caveat, a member must apply the Fundamental Principles and Standards of Tax Planning to professional activities with non UK aspects¹.

¹ See PCRT paragraph 3.1

How do our members use PCRT?

We continue to promote this guidance to our members to ensure that they are aware of PCRT, its Fundamental Principles and Standards for Tax Planning. Our members support tax compliance and compliant taxpayer behaviour, make complex tax systems workable for businesses and individuals, and reduce the risk of unexpected tax costs for all taxpayers.

Our members use PCRT:

- As a reference point for professional standards which enables them to make informed choices
- To demonstrate the required standards to their clients and employers
- To explain to clients why some planning arrangements cannot be undertaken
- To support fellow professionals in making the right decisions
- To demonstrate their own commitment to ethical practice

In addition, many firms have their own internal policies and codes of conduct which support PCRT and reflect the regulatory environment and the expectations of wider society within which our members work.

How do we use PCRT?

The Professional Bodies have all introduced an extensive engagement programme to actively promote the revised PCRT in a range of forums: at our roadshows, tax updates, webinars, and in our member communications. PCRT is discussed widely, so that our members are kept aware of its contents and mindful of our requirements in their daily practice. Our role as Professional Bodies includes the promotion of ethical conduct to our members and to all those who interact with them; we consider the Fundamental Principles and Standards of Tax Planning defined in PCRT help us achieve that goal. Where investigations are undertaken under the PCRT, disciplinary action will be taken when appropriate.

In relation to cases where an adviser's conduct is called into question, we have long used the PCRT as a basis for assessing whether a member may have breached our professional rules and will continue to do so. Disciplinary investigations take time and there will usually be a time lag between the making of any changes to the PCRT and any investigations made under it. As a result, we would not expect many cases as yet that rely on a breach of the PCRT Standards where the underlying conduct occurred after 1 March 2017, the date when the Standards of Tax Planning were introduced.

Further, for the majority of the Professional Bodies, where there is an external investigation underway, whether that be by HMRC, the courts or tribunals, regulator or the police, detailed consideration of a matter pending the outcome of that investigation may be adjourned – this approach is often adopted to ensure that any investigation by the Professional Body does not prejudice the external investigation. In these cases, we will usually be able to rely on the findings of facts and circumstances by those external bodies.

It should also be noted that each of the Professional Bodies has entered into a Memorandum of Understanding with HMRC, which provides for HMRC reporting to the relevant body any alleged misconduct by any of our members. The MOU governs the disclosure of information by HMRC. A report from HMRC is expected to lead to the Professional Body instigating its procedures for the handling of a complaint.

What evidence about its effectiveness do the Professional Bodies currently hold?

There has been significant change in the approach to tax planning over the last decade. Because the aftermath from aggressive tax avoidance is still being dealt with in the courts, however, there is a temptation to overlook this radical change. Both behaviours and the legislative framework today are very different, for example, with the general anti-abuse rule, targeted anti avoidance rules around new measures, the banking code, and the diverted profits tax, as well as a range of specific measures addressed at individual taxpayers (such as reporting requirements and a wider range of penalties for non-compliance).

In 2018, HMRC updated their Standard for Agents to incorporate a summary of the main elements of PCRT². Their guidance is also clear that if agents meet the PCRT Fundamental Principles and Standards of Tax Planning, then HMRC does not envisage that its much briefer summary of certain important principles places any further requirements on agents. HMRC's report, 'Measuring tax gaps 2019'³ shows a significant reduction in the tax gap that is attributable to tax avoidance. This is a welcome development which we support. We would expect, although we cannot confirm, that the changes to the PCRT have helped to support this reduction.

This is also supported by comments in the House of Commons Treasury Committee report 'Disputing Tax', published in July 2019⁴; which examined HMRC's tackling of tax avoidance and evasion. The report states, at para 29, that most professional advisers have withdrawn from mass marketed schemes and evidence given by HMRC's then Interim Deputy Director noted that 'You still get some small firms of promoters, onshore, that will push schemes.' The PCRT Professional Bodies welcome the positive references to PCRT in this report; we will support the Government and HMRC in implementing any changes following the Government's response to the Treasury Committee report and associated action to tackle those who still promote inappropriate schemes.

Conclusion

The Professional Bodies believe that the most recent revision of PCRT has been beneficial for their members, resulting in the following:

- A better articulation of the existing principles around integrity and ethical behaviour
- Focusing attention on reputational risks involved with tax planning
- A better awareness of the new standards, with professional bodies actively promoting these in their courses and updates
- Anecdotal evidence suggests that members are far more conscious of the need to be mindful that tax planning is conducted within the spirit of the law.

In summary, the new standards are proving helpful in deterring poor conduct and promoting standards in tax planning. However, we will continue to monitor the effect of the changes to help ensure that high standards are maintained in the provision of tax services.

² <https://www.gov.uk/government/publications/hmrc-the-standard-for-agents/hmrc-the-standard-for-agents>

³ <https://www.gov.uk/government/statistics/measuring-tax-gaps>

⁴ <https://publications.parliament.uk/pa/cm201719/cmselect/cmtreasy/1914/1914.pdf>

PCRT is jointly produced by:

- Association of Accounting Technicians (AAT)
- Association of Chartered Certified Accountants (ACCA)
- Association of Taxation Technicians (ATT)
- Chartered Institute of Taxation (CIOT)
- Institute of Chartered Accountants in England and Wales (ICAEW)
- Institute of Chartered Accountants of Scotland (ICAS)
- The Society of Trust and Estate Practitioners (STEP)

PCRT has evolved since its introduction in 1995 to take account of changing practices. Additionally, PCRT should be used alongside each organisation's existing Codes of Practice/Conduct, taking into account good practice guidance. HMRC have incorporated a summary of PCRT into their own Standards for Tax Agents (published 4 January 2018).

While every care has been taken in the preparation of this report the PCRT Bodies do not undertake a duty of care or otherwise for any loss or damage occasioned by reliance on this report.

