



## Response to HMRC's consultation on *Raising standards in the tax advice market – strengthening the regulatory framework and improving registration*

The Institute and Faculty of Actuaries (IFoA) is a royal chartered, not-for-profit, professional body. We represent and regulate over 32,000 actuaries worldwide, and oversee their education at all stages of qualification and development throughout their careers.

The IFoA welcomes the opportunity to respond to HMRC's tax advice consultation.

As the UK Royal Charter professional body for actuaries, and being directly affected by the proposals in the consultation, our response naturally focuses on the proposals in section 8 relating to the 'Members of regulated professions' and, in particular, the proposed requirements for membership of a regulated professional body (with the IFoA being one of the bodies included)

We very much support an approach that recognises and links with the existing robust regulation of IFoA members, which is proportionate and avoids duplication or unnecessary additional burdens on such professionals.

We would be happy to discuss with HMRC how this could operate in practice.

Our detailed responses to the relevant subset of consultation questions are shown below. If you have any questions on the response, please contact David Gordon ([David.gordon@actuaries.org.uk](mailto:David.gordon@actuaries.org.uk)) in the first instance.

Yours faithfully

**Neil Buckley**  
Lay Chair, IFoA Regulatory Board

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## Appendix - Response to consultation questions

### Question 8: Which approach do you think would best meet the objectives set out in chapter 4?

- **approach 1: mandatory membership of a recognised professional body**
- **approach 2: joint HMRC-industry enforcement**
- **approach 3: regulation by a government body**

**Please give reasons for your answer.**

#### Approach 1

We agree with HMRC's analysis that mandating membership of a recognised professional body would be a proportionate and pragmatic way to address the issues, particularly in relation to individuals such as actuaries who provide tax advice incidental to their overall services to clients.

In relation to the IFoA, members are subject to its existing robust regulation. This includes a rigorous programme of learning in order to achieve qualification, high professional standards (including an ethical code of conduct and more specific practice standards), and a misconduct-based disciplinary scheme (with a range of different sanctions including fines and removal).

The IFoA has some experience of its membership being mandated in legislation, for example in relation to Scheme Actuaries to Defined Benefit pension schemes. In that example, pensions legislation prescribes that an individual must be a Fellow of the IFoA in order to hold the role of Scheme Actuary. The IFoA gives effect to that by operating a Practising Certificates (PC) system which assesses the competency of individuals to carry out the Scheme Actuary role and requires them to hold a PC before taking on an appointment. It also sets specific standards for individuals in that role.

We believe it would be disproportionate and create unnecessary duplication to implement approach 2 in relation to actuaries. This would entail the IFoA taking on responsibilities in relation to its own members, with HMRC establishing a regime to regulate actuaries who are not part of the IFoA.

Likewise, given the limited scope of the tax advisory work carried out by most actuaries it would be disproportionate in terms of cost and work to introduce an additional regulatory framework as envisaged by approach 3.

### Question 14: What additional costs may professional bodies face if strengthening their supervisory processes?

Assuming the Government proceeds with approach 1, subject to the exclusion of certain highly regulated professional bodies including the IFoA, we believe there is the potential to proceed without significant additional costs to us. However, this depends on the conditions attached by the Government in its implementation of these proposals.

Any incremental requirements placed on such professions has the potential to increase regulatory costs due to the development of additional standards and processes, and the potential need to engage with additional oversight processes. The costs borne by us would ultimately need to be borne by the membership. This enhances the risk that some individuals would resign their membership thereby reducing the volume of regulated professionals in the market.

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

- **yes**
- **no**
- **maybe**
- **don't know**

**Please give reasons for your answer.**

Subject to further discussion, we believe either approach could be operated by the IFoA.

The regulation of our members is typically carried out at the individual level. IFoA members can work in many different roles in different types of entity and are accountable to the IFoA under the Actuaries Code and other regulation. The controllers or principals of their respective firms will not however necessarily be IFoA members.

We do have some experience of regulating actuarial firms that provide limited investment advice through the Designated Professional Bodies (DPB) licensing scheme. This is set out in the Financial Services and Markets Act and allows certain recognised professional bodies to license firms to carry out this activity as an alternative to full Financial Conduct Authority (FCA) authorisation. Our DPB Licensing scheme is subject to the oversight of the FCA.

We would welcome further discussion with HMRC over how this might operate in practice.

**Question 22: How can the government ensure members of regulated professions have high standards in relation to their work providing tax advice or services?**

It is important to protect the public interest that excluded professionals are members of bodies with a robust regulatory system and that there is a minimum expectation set for professional bodies recognised in the system. The consultation describes minimum standards such as having in place a rigorous code of conduct and independent complaints process, which we would see as appropriate,

The consultation refers to oversight of the professional bodies and sets out a range of ways in which that might operate. We agree that some oversight is appropriate but feel strongly that this should be proportionate and risk-based, particularly for those bodies, such as the IFoA, who are unlikely to have large numbers of members involved in this work. We would also be concerned if that oversight was very prescriptive and interfered unduly in its wider role regulating its members.

We also feel that it is important not to duplicate existing oversight – for example, the IFoA's regulatory role is already subject to the independent oversight of the Financial Reporting Council (FRC) through a Memorandum of Understanding. We believe other professional bodies will be in a similar position.

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

We very much support the proposed exclusion relating to members of the Institute and Faculty of Actuaries. This recognises and links with the existing robust regulation of IFoA members, which is proportionate and avoids duplication or unnecessary additional burdens on such professionals. Further details are provided in our response to Q8, above.

Actuaries work in many sectors of the economy and may comment on tax matters as part of their work, although we believe regardless of sector in the vast majority of cases this will be incidental to their overall actuarial advice. Tax matters may be mentioned in order to provide complete advice.

In relation to pension schemes, examples of potential tax advice may include: information / advice to individuals (or to their employer) about their own pension arrangements, and individual lifetime and annual tax allowances; or advice on the appropriate level and structure of employer contributions, and potential surplus repayments.

Many actuaries work for insurers (or provide advice to insurers) and may comment or advise or take account of the current and potential future tax status of various insurance entities as part of their work. As outlined in our response to Q8 above, regardless of their sector, we believe it is appropriate to exclude IFoA members due to the robust level of regulation associated with membership and the limited degree of tax advice. This therefore provides a proportionate means for the Government to meet its objectives.