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Lord Sikka
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Dear Lord Sikka,

At the Grand Committee debate on the Financial Services Bill on 3 March, I made a commitment to write in response to a question you raised on tax avoidance schemes. Specifically, you asked if any accountancy firm has been investigated, fined or disciplined by the Institute of Chartered Accountants or any other accountancy trade association as a result of court judgments that found specific tax avoidance schemes to be unlawful.

I would like to take this opportunity to reassure you that the Government has taken strong action to tackle tax avoidance and those who promote it, introducing a number of anti-avoidance regimes that have helped reduce the avoidance tax gap from £3.7bn in 2005/06 to £1.7bn in 2018/19. HMRC has a range of regimes to tackle tax avoidance:

- Promoters of Tax Avoidance Schemes (POTAS) – attempts to change the promoter's behaviour (e.g. complying with the requirements of a conduct notice) and includes sanctions for not complying with the regime;
- Enablers regime – strengthens HMRC's tools for tackling those who profit from enabling others to avoid tax and imposes a penalty directly on the promoter (and any other enabler) for promoting and enabling tax avoidance; and
- Disclosure of Tax Avoidance Schemes (DOTAS) and Disclosure of VAT and Other Indirect Tax Avoidance Schemes (DASVOIT) – places a number of obligations on the promoter and includes penalties for not meeting those obligations.

Due to taxpayer confidentiality, HMRC cannot comment on individual cases, but will investigate any allegations of wrongdoing brought to their attention.

Neither HM Treasury nor HMRC holds a record of disciplinary action taken by tax professional bodies against their members. However, there are examples where this has occurred, such as in the case of the Tax Disciplinary Board vs David Hannah.

The Professional Conduct in Relation to Taxation (PCRT) is a set of standards developed by seven of the accountancy/tax professional bodies. It sets out the principles and standards of behaviour that all the members of the seven bodies have to follow in their tax work. It covers principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour. There is also a section that covers standards for tax planning. The [HMRC standard for agents](#), which applies to all paid agents whether a member of a professional body or not, also broadly aligns with the principles in the PCRT.

Since the strengthening of the PCRT in 2017, requiring members of professional bodies not to advise or promote the use of avoidance schemes, HMRC have referred fewer than five promoters to their respective professional bodies for breaches so that they can be investigated for professional sanction.

The Government is also legislating in the upcoming Finance Bill to strengthen anti-avoidance regimes to tackle promoters. It will consult on a further package of measures, including giving taxpayers more information on the products sold to them by promoters, the power to close down promoters and disqualify directors, and ensuring that promoters face quicker and more significant financial consequences.

In addition, the Government ran a call for evidence in Summer 2020 on how to improve standards in the market for tax advice more generally. The summary of responses and next steps were published in November 2020. As part of this the Government will be consulting on introducing a potential requirement for tax advisers to hold professional indemnity insurance.

I am copying this letter to all those who spoke in the Committee debate on Wednesday 3rd March, and I am placing a copy of this letter in the Library.

Best wishes,



BARONESS PENN