

ATT Welcome, December 2015

Welcomes

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The solution to tax avoidance

It was interesting reading Chris Jones's President's page in last month's Tax Adviser on the challenge faced by ATT and CIOT in trying to protect the reputation of the tax profession and how we might try to achieve that.

I have worked in financial advice and wealth management for the best part of my working life (35 years!) and have seen huge changes. I also see similarities between the challenge the financial advice and wealth management industry encountered and that now facing the tax profession.

The financial services industry has been rocked by a lot of bad publicity over the years. First were the misselling scandals of the 1980s and 1990s. Then came the unethical behaviour of some major organisations and senior staff, plus the collapse of many unregulated investments and the lengthy court cases that are still to determine blame.

If our tax profession cannot find a suitable solution that is acceptable to the public and the government, I believe that, just like the financial services industry, it may be taken out of our hands and we will end up being regulated.

We have had a form of regulation since the Financial Services Act 1986 which eventually developed into a register of all personnel who give financial advice and a register of all those in the industry who are accountable for the failings to meet the regulatory requirements within each firm. There have been various basic levels of qualification that we needed to hold; but, in the early days, the level was basic and known as the Financial Planning Certificate (FPC). Put in perspective, I obtained my FPC with about one day's study.

So what happened on 31 December 2012 and how has that affected the day-to-day life of someone like me who provides financial advice?

Since that date, if you want to offer advice in the financial services industry and be on the Financial Conduct Authority's register as a CF30 (CF stands for Controlled Function) you need to have attained a prescribed qualification of Level 4 standard.

So what about all those people in their late 50s and early 60s with more than 30 years' experience? They all had to go back to studying and attain the new higher standard.

Level 4 cannot be obtained with a day's study, but takes months and possibly years of disciplined dedication. The ATT exam is Level 4, so you can see the level of standard that is now a minimum requirement to provide advice in the financial services industry.

What I found fascinating was that people like me who were well qualified still had to prove that their knowledge was up to date. There was a huge amount of kicking and screaming from those who felt they had the knowledge and experience but, unless they complied with the new standard, they were no longer allowed to give advice.

Every qualification within the industry and connected professions was mapped out, and gaps in up-to-date knowledge were identified and then the individual had to go through a personal gap-filling exercise.

About 26,000 practitioners finally completed this to the acceptable standard.

I had obtained most of my qualifications several years before 31 December 2012, so I had to input into a database my qualifications and the dates I obtained my passes, and the syllabus I studied was mapped against an up-to-date syllabus of the new Level 4 standard. The exercise was enormous and the industry said it was impossible, but here we are: it has all been completed.

Then I had to produce a report showing that I had completed recent study to fill all my knowledge gaps. This included downloading the reading I had done and completing statements as to what I had learned to provide evidence of my learning achievement. I needed to take a full week off work to complete this exercise!

I then received my Statement of Professional Standing (SPS) which is a certificate that everyone who provides financial advice and is on the FCA register must renew each year. To do this we have to prove we have kept our knowledge up to date by achieving the required CPD hours and sign a statement to declare compliance with the principles and code of practice for approved persons.

The tax profession has to come up with an acceptable solution to tackling tax avoidance and protect both the consumer and the reputation of the profession; otherwise I feel we will be embarking on a similar journey to the one I have just completed in the financial services industry.