



Understanding the characteristics of unaffiliated tax agents

Research findings

Prepared for:



HM Revenue
& Customs



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1. Executive Summary

Research background

HMRC commissioned Kantar to undertake mixed methods research to explore the characteristics of unaffiliated tax agents. Tax agents are third party intermediaries who include accountants, bookkeepers and tax advisers, as well as informal representatives such as friends, family and the voluntary sector. HMRC has published a standard¹ which applies to all professional agents, but it does not regulate the sector. Professional bodies also set out principles for professional competence and behaviour. The Professional Conduct in Relation to Taxation (PCRT), for example, is prepared jointly by seven professional bodies and associations. The independent review of the loan charge² in 2019, prompted government to address standards to improve taxpayers' trust in the advice they receive. Following a public call for evidence³, reforms were suggested including raising awareness of the HMRC standard and considering the introduction of mandatory professional indemnity insurance for tax advisers. The latter was subject to public consultation, which ran from 23 March 2021 to 15 June 2021⁴, along with a consideration of the definition of tax advice.

This study aimed to provide HMRC with in-depth insight into paid agents who were not members of a professional body. The research objectives were met through a mixed-method approach. A survey of 301 unaffiliated agents profiled their characteristics, and the characteristics of the markets they served. Follow up qualitative interviews with 35 unaffiliated agents explored behaviours, attitudes and perceptions in more depth.

Characteristics of the population

Broad majorities of the unaffiliated agent population were similar on certain characteristics, but they were also quite different on others. Overall, they tended to be older (69% were aged 55 or over), and highly experienced (64% had at least 21 years of experience in the industry). Seventy percent of unaffiliated agents said they were a sole trader, and a further five percent had one employee (but operated a business where the legal entity was not a sole trader).

The population was split in other ways. For example, an equal proportion of unaffiliated agents said they were a bookkeeper (41%) or an accountant (41%). They held a range of qualification levels, including eighteen percent who had a professional qualification and twenty-nine percent who said they had no qualifications. Unaffiliated agents most frequently worked with clients in the construction sector (40%). Twenty percent mainly worked with clients in the wholesale or retail sector, and sixteen percent of agents said their clients' sector varied too much to say.

Different typologies of unaffiliated agents emerged from the data:

- (Close to) retirees: were older and close to retirement; they tended to be very experienced, and mostly highly qualified.
- Ambitious expansionists: tended to be younger and were keen to expand their business or progress their career, if not immediately, at some point in the future.

¹ <https://www.gov.uk/government/publications/hmrc-the-standard-for-agents/hmrc-the-standard-for-agents>

² https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/854387/Independent_Loan_Charge_Review_-_final_report.pdf

³ https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/934614/Raising_standards_in_the_tax_advice_market_-_summary_of_responses_and_next_steps.pdf

⁴ <https://www.gov.uk/government/consultations/raising-standards-in-the-tax-advice-market>

- Confident by-proxy: did straightforward, repetitive work and were mostly bookkeepers; they were confident in the quality of their work, but as it was checked most of the time, did not necessarily feel fully accountable.
- Practice makes perfects: had learnt on the job, predominantly gaining their knowledge through practice and experience; they saw little need for formal upskilling.

Client base and services provided

Filing returns (86%) and dealing with client queries (84%) were the services most often provided by unaffiliated agents. Eighty percent dealt with VAT to some extent, while self assessment was the area of tax most often dealt with as a main focus (43%). Overall, fifty percent of unaffiliated agents said at least three-quarters of their clients were local, that is, located in the same town or area. Fifty-one percent of unaffiliated agents typically retained clients for more than ten years.

Professional standards

Unaffiliated agents expressed confidence in the services they provided clients, specifically that they maintained good quality and acted professionally. Key factors contributed to this level of confidence:

- positive feedback from clients;
- no concerns raised by HMRC;
- keeping up to date with changes related to tax;
- their overall experience; and
- the fact that there was often an extra level of quality assurance (from peers, colleagues or associates).

Unaffiliated agents tended to take on work they felt comfortable with to minimise any risk, for example, only taking on work that related to their area(s) of expertise.

Four percent of unaffiliated agents said they followed the PCRT (i.e., guidance produced jointly by seven professional bodies) and eighteen percent said they followed HMRC's standard for agents. The qualitative interviews suggested that where formal standards were not followed, unaffiliated agents applied their own standards, some of which were consistent with the HMRC standard. Informal standards, like an employers' code of conduct, often broadly aligned with professional body standards. Unaffiliated agents considered honesty, integrity and experience to be markers of a good quality service. They thought that compliant behaviours were driven by accuracy, following guidelines, and following legislation.

There was a perception among unaffiliated agents that 'professional standards' were set through HMRC regulation and legislation. Most assumed that because they were working within these 'rules', they were working to a professional standard.

The majority of unaffiliated agents maintained or updated their professional knowledge at least once a year (79%). Overall, sixty-five percent said they used at least one HMRC source to update their knowledge. HMRC sources were also frequently used to resolve a tax query or to get general information, particularly the general HMRC web pages (78%).

Professional indemnity insurance

Attitudes towards professional indemnity insurance (PII) were influenced by a range of factors. Unaffiliated agents confident about the quality of their work felt that PII was not important to their business, as did those who felt that the risk of making a mistake was mitigated through dealing with low amounts of money. Unaffiliated agents with a small client base tended to see PII as less valuable as they felt they could sufficiently manage any disagreements. However, those with more clients or who dealt with more complex issues recognised the importance of being protected. Unaffiliated agents with a higher aversion to risk placed more importance on insurance in general, including PII.

Forty-two percent of unaffiliated agents within the sample had PII, which they generally took out to protect themselves and/or their clients in case they made an error. Sixty-one percent had cover of less than £2 million, and only two percent had ever made a claim. Awareness of their policy arrangements tended to be low, as they rarely had to engage with it.

Unaffiliated agents without PII had generally not considered the possibility of a client seeking compensation due to poor service. They felt they would be able to satisfactorily explain to the client that advice had been provided in good faith, after which time they would come to an amicable resolution. For these agents, the perceived lack of need, and therefore a perception of unjustified cost were the main barriers to getting PII.

Attitudes towards professional body membership

Generally, views of unaffiliated agents towards professional bodies were positive. They acknowledged the role they had in setting standards and enabling agents to keep up to date with changes in the sector. However, there was also some low-level unawareness of who they were and what they did.

Thirty percent of unaffiliated agents within the sample said that they had been a member of a professional body at one time but had since ended their membership. The reasons for ending a membership, not being a member and not having considered becoming a member tended to fall within the same themes. The strongest of these was that they saw no clear benefit to membership. Most agents tended to feel it was not for them. A general perception among bookkeepers was that membership was more appropriate for accountants, due to the straightforward tasks bookkeepers undertake. Similarly, accountants felt it was for 'other' accountants, based on the complexity of the services they provided and the clients they served.

There were also other factors at play. Overall, seventy-three percent of unaffiliated agents said they would not consider becoming a member. The most frequently mentioned reason was age or retirement, by fifty-six percent, which reflected the older profile of the population. The perceived lack of eligibility was a relatively frequently mentioned reason for non-membership, by twenty-three percent of unaffiliated agents overall. Prohibitive cost was mentioned by fourteen percent in the survey. They were reluctant to take on this cost when they could get information relevant to their job for free.

Among the twenty-six percent of unaffiliated agents who would consider it, forty-five percent said it was due to the opportunity it offered to continue professional development. But overall, the barriers resonated more strongly.

Interaction with clients and HMRC

Unaffiliated agents generally saw themselves as a bridge between their clients and HMRC. They most often identified their role as being part of a 'straightforward business relationship'. Forty-four percent gave a rating of five (completely saw themselves in the role) and a further twenty percent gave a rating of four (somewhat saw themselves in the role). The majority of agents interacted with clients monthly or less often. Twenty-six percent had monthly contact, while a further thirty-eight percent interacted less frequently. Similarly, the majority of unaffiliated agents interacted with HMRC monthly or less often. Twenty-three percent had monthly contact, while a further eighteen percent interacted every few months. Sixty-one percent of unaffiliated agents frequently used one of the telephone channels to contact HMRC. Among all telephone lines called, the Agent Dedicated Line (ADL) was most often used, by thirty-eight percent of unaffiliated agents overall.

2. Introduction

2.1 Research context

HM Revenue and Customs (HMRC) aims to ensure all customers pay the right amount of tax, by making it easy for the majority who want to meet their liabilities, minimising error and deterring deliberate non-compliance. Tax agents are paid third party intermediaries who include accountants, bookkeepers and tax advisers, as well as informal representatives such as friends, family members and the voluntary sector. Agents have a huge influence on tax efficiency and compliance and HMRC's agents' strategy recognises their role in helping customers meet their obligations.

HMRC sets out the standards for agents⁵ but does not regulate the sector. The commercial tax services market is instead self-regulating. Most tax agents (63%)⁶ are members of a professional body who guide industry standards. For example, seven professional bodies jointly prepare the Professional Conduct in Relation to Taxation (PCRT). Key principles of the PCRT include integrity, competence, due care and professional behaviour, which are also reflected in HMRC's standard. Furthermore, HMRC expects agents to act lawfully and ethically, including disclosing facts fairly (where required), principles that are implicit and explicit within the PCRT. This helps to ensure transparency and that customers get good quality tax advice.

The independent review of the loan charge in 2019⁷ prompted government to examine standards in the tax advice market. The response⁸ to a call for evidence in relation to raising standards, suggested improving awareness of HMRC's standard and considering the introduction of mandatory professional indemnity insurance for tax advisers. The latter was subject to public consultation⁹ alongside the definition of tax advice.

2.2 Research objectives

This study, conducted by Kantar, aimed to provide HMRC with in-depth insight into the behaviours and attitudes of agents who were not members of a professional body. It considered the key barriers and potential drivers of affiliation, and otherwise examined a range of issues. It also sought to contextualise the findings by exploring how unaffiliated agents serve their clients and the general standards they apply to their work.

The research objectives were to:

- i. build descriptive profiles of unaffiliated agents and the markets they serve;
- ii. provide an in-depth understanding of unaffiliated agents' reasons for not having professional membership, the perceived benefits and barriers to affiliation, and
- iii. identify the factors which could potentially encourage agents to affiliate.

⁵ <https://www.gov.uk/government/publications/hmrc-the-standard-for-agents/hmrc-the-standard-for-agents>

⁶ https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/933105/HMRC_research_report_585_ISBA_customer_survey_2019.pdf

⁷ https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/854387/Independent_Loan_Charge_Review_-_final_report.pdf

⁸ <https://www.gov.uk/government/consultations/call-for-evidence-raising-standards-in-the-tax-advice-market>

⁹ <https://www.gov.uk/government/consultations/raising-standards-in-the-tax-advice-market>

2.3 Methodology

The research objectives were met through a mixed-method approach. A survey of unaffiliated agents profiled their characteristics, and the characteristics of the markets they served. Follow up qualitative research explored agents' behaviours, attitudes and perceptions in more depth.

2.3.1 Quantitative research

The sampling frame for the survey was generated from participants of the 2019 Individuals, Small Business and Agents (ISBA) Customer Survey, who had agreed to take part in future research. The ISBA sample is drawn from both the Inter-Departmental Business Register (IDBR) and HMRC's self assessment records, so offered good coverage of the market. Unaffiliated agents were readily identifiable in the data as there was a specific question on it in the ISBA survey.

The sample was limited, so all available records were issued to maximise the number of interviews. Unaffiliated agents were notified of the survey by post in a letter that explained the purpose of the research.

The questionnaire was developed by Kantar in collaboration with HMRC. The questionnaire and contact mechanisms were tested in a small-scale pilot survey. No changes were made to the questionnaire following the pilot. Fieldwork ran from 16 November to 8 December 2020 using computer-assisted telephone interviewing (CATI). The average interview length was 19 minutes. Interviews were conducted with the same participant as in the ISBA survey. A short set of screening questions established whether or not the agent was still unaffiliated.

In total 301 interviews were conducted, with a 73% response rate from an issued sample of 457 (once invalid telephone numbers and ineligible cases were taken into account).

2.3.2 Qualitative research

The qualitative research comprised 35 interviews. Respondents from the survey were followed up to explore their responses in depth. Fieldwork ran from 20 January to 9 February 2021 and interviews lasted approximately 45 minutes each. Participants were sampled to achieve wide variation in characteristics across the population, so that a full range of views were captured.

2.4 Analysis

This report outlines the findings from the research, which focused on agents who were not members of a professional body. Throughout this report, this group is referred to as 'unaffiliated agents', but sometimes simply 'agents' for brevity.

2.4.1 Quantitative analysis

Survey data is unweighted. Subgroup analysis has been conducted, but differences between subgroups are only reported when they are both statistically significant and relevant to the survey objectives. Additional analytical conventions include:

- Statistical significance judged at the 95% confidence level.
- Results with a base size of fewer than 50 respondents are not generally included. Where they are, they should be interpreted with caution - the finding should be viewed as indicative.
- Percentages for single-response questions may not always add up to exactly 100% because of rounding.
- Where respondents have given multiple responses to a question, the sum of the individual responses may be greater than 100%.

- Where there was not an option in the questionnaire for respondents to refuse to answer a question, responses have been coded as “don’t know”.

2.4.2 Qualitative analysis

All interviews were digitally recorded with participant consent. Qualitative data was thematically organised and analysed using a ‘matrix mapping’ approach. This involved summarising all recorded material into a framework, allowing for systematic thematic analysis. This process allowed researchers to draw out the diversity of opinions expressed by individual participants, as well as identifying common themes across interviews.

Qualitative research is not, nor does it aim to be representative, but rather, seeks to understand the why’s and how’s of processes and perceptions.

Throughout the report, verbatim respondent quotes are used to illustrate findings. To provide additional detail, respondent quotes are classified using the type of agent they were and their age. For example: “*Quote.*” (Bookkeeper, aged 25).

3. Profile of the agents' population

3.1 Key characteristics of the population

The population of unaffiliated agents was diverse. Broad majorities were similar on certain characteristics, but they were also quite different on others. This chapter explores some of those characteristics.

When interpreting these findings, it is important to consider the limitations of the research. There was no known database of agents who were not members of a professional body, and no feasible way to derive one. Survey participants, and by extension participants in the follow up qualitative interviews, were drawn from those who participated in the 2019 Individuals, Small Businesses and Agents (ISBA) Customer Survey. Consequently, the sample generated in this research likely underrepresented certain types of unaffiliated agents, namely those who operate somewhat off HMRC's radar. It would be difficult to reach this subpopulation in any type of research. For example, promoters of tax avoidance schemes are likely not covered in this research. These findings should therefore not be generalised to the whole population of unaffiliated agents.

However, to assure the quality of the sample, the profile of unaffiliated agents generated in this research was compared with ISBA survey data. The sample profile matched ISBA data well on key measures such as type of agent and size of business (number of employees). But the analysis showed a slight discrepancy by number of clients, where a higher proportion of the sample from this research had 50 or more clients. This should also be borne in mind when interpreting the findings.

3.1.1 Descriptive profile of agent typologies

The following typologies were developed using data from the qualitative interviews. The purpose of this analysis was to better conceptualise different segments of the unaffiliated agents' population, to aid interpretation of the findings. Key differentiators were used to approximate the typologies in the survey data so that they matched the descriptions generated from the qualitative data. The full definitions are in Appendix B. This report highlights key quantitative and qualitative findings by typology. However, for the reasons set out above under section 3.1, these typologies do not necessarily reflect the unaffiliated agent's population as a whole.

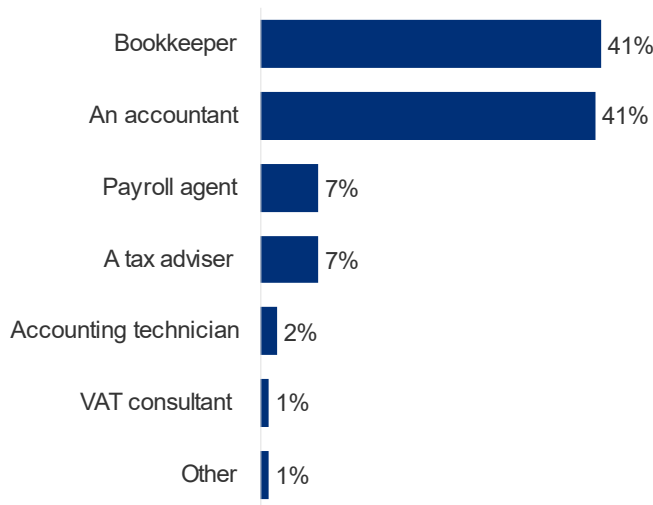
(Close to) retirees	These agents had 'been there done that'. They were older and close to retirement, if not already semi-retired. They tended to be very experienced, and mostly highly qualified, though some joined the profession when qualifications were not always necessary.
Ambitious expansionists	These agents were keen to expand their business or progress their career, even if they might not be in a position to do so at that moment in time. They were ambitious and were often at the start of their career. They were most likely to consider professional body membership, particularly if they thought it would be helpful for networking or marketing purposes.
Confident by-proxy	These agents did straightforward, repetitive work. They were mostly bookkeepers, who were confident in their skills and the quality of their work. But their work was likely to be checked – either by peers (colleagues or associates) or their client's accountant – so did not necessarily consider themselves fully accountable for the work they produced.

Practice makes perfects	These agents had learnt on the job, predominantly gaining their knowledge through practice and experience. They did not feel they needed qualifications for their everyday work and were therefore more resistant to formal upskilling.
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3.1.2 Other key demographics that define agents

In the survey, unaffiliated agents were asked how they would define their role in handling clients' tax affairs, as shown in Figure 3.1. Overall, forty-one percent said they were a bookkeeper and the same proportion, forty-one percent, called themselves an accountant. Seven percent of agents in the sample said they were a payroll agent, while seven percent said they were a tax adviser.

Figure 3.1 Type of agent



Source: TYPEAGENT So first of all, how would you define your role in handling clients' tax affairs. Would it be as...?
 Base: All unaffiliated agents (n=301)

Agent type was one of the defining characteristics used to derive the typologies in the survey data. Therefore, by definition there were differences in type of agent by typology. '(Close to) retirees' were more likely to be accountants (60%). Fewer 'ambitious expansionists' were accountants (31%), but there were more payroll agents among this group than in the overall population (14%). All agents in the 'confident by-proxy' typology were bookkeepers (100%). 'Practice makes perfects' were also more likely to be accountants (62%), and tax advisers were also overrepresented in this group (14%).

Unaffiliated agents more likely to define themselves as a bookkeeper were those who:

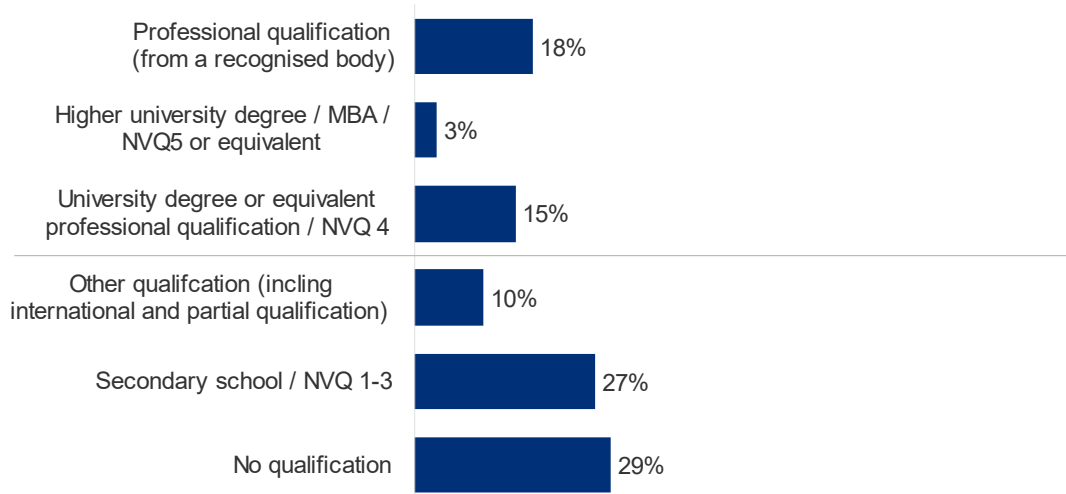
- mainly dealt with VAT or PAYE (79%, 55% respectively);
- were self-employed (52%); and
- had between one and nine clients (76%).

Unaffiliated agents more likely to define their role as an accountant were those who:

- mainly dealt with self assessment (65%);
- held PII (50%); and
- were aged 65 or older (52%).

Qualifications were also explored in the survey. Unaffiliated agents were given the opportunity to select multiple qualifications from the list provided. However, Figure 3.2 only shows multiple responses where professional qualification, higher university or university degree were selected. The proportions for 'other' qualification, secondary school and no qualification are of unaffiliated agents who did not also have one of the higher qualifications.

Figure 3.2 Qualifications held



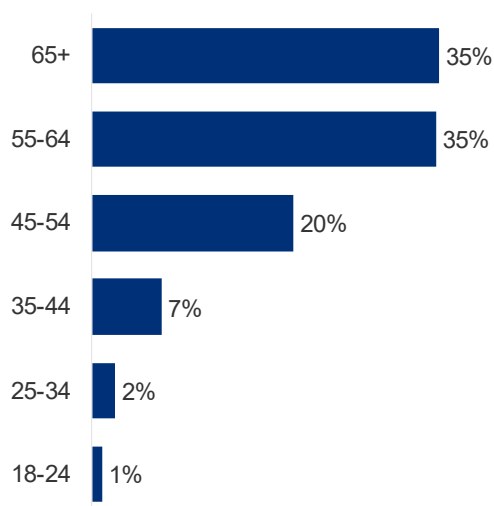
Source: CURRENTQUALIFICATION What professional qualifications do you hold, if any?
 Base: All unaffiliated agents (n=301)

Qualification was also one of the defining characteristics used to derive the agent typologies in the survey data. As such there were distinct differences by typology. '(Close to) retirees' were most likely to have a professional qualification (51%) or a university degree (49%). The qualification profile of 'ambitious expansionists' was similar to the overall population. Unaffiliated agents in the 'confident by-proxy' typology were most likely to have no qualification (56%) or a secondary school (or equivalent) qualification (44%). 'Practice makes perfects' were more likely to have a secondary school (41%) or 'other' qualification (20%).

Figure 3.3 shows that the population of unaffiliated agents skewed towards older people. Sixty-nine percent of agents were aged 55 or over, including 35% who were aged 65 or over. Additional analysis done on research published in 2015 on the overall tax agent population,¹⁰ suggested a similar age skew, albeit not quite to the same extent (61% of unaffiliated sole trader agents were aged over 55).

¹⁰ https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/396175/Report348.pdf

Figure 3.3 Age profile

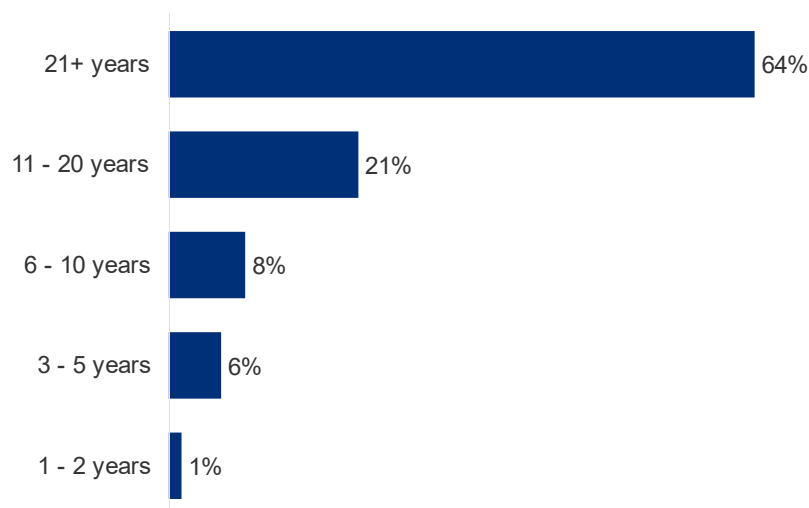


Source: AGE Which of the following age groups do you fall into?
Base: All unaffiliated agents (n=301)

Accountants tended to be older (45% were 65 or over), as were unaffiliated agents who mainly dealt with self assessment (47% were 65 or over). Full time and part time employees tended to be younger, where twenty-five percent were aged under 45 (10% overall).

Reflecting the age profile, agents tended to be highly experienced. Figure 3.4 shows that sixty-four percent had at least 21 years of experience in the industry.

Figure 3.4 Years of industry experience



Source: INDUSTRYEXPERIENCE Overall, how long have you worked in this field?
Base: All unaffiliated agents (n=301)

Among the subgroups of unaffiliated agents who were more experienced were those who:

- were accountants (83% had 21 or more years of experience);
- mainly dealt with self assessment (75% had 21 or more years of experience); and
- were previously members of a professional body (78% had 21 or more years of experience).

Unaffiliated agents who were bookkeepers tended to have less experience but were still experienced overall. Thirty-one percent had worked in the field for between 11 and 20 years and fifty percent had

done so for more than 20 years. Unaffiliated agents who would consider becoming a member of a professional body tended to be less experienced. They were more likely to have been working in the industry for between one and five years (18%).

3.2 Overview of business and working practices

The survey also captured a range of measures related to the unaffiliated agent's business and their working practices.

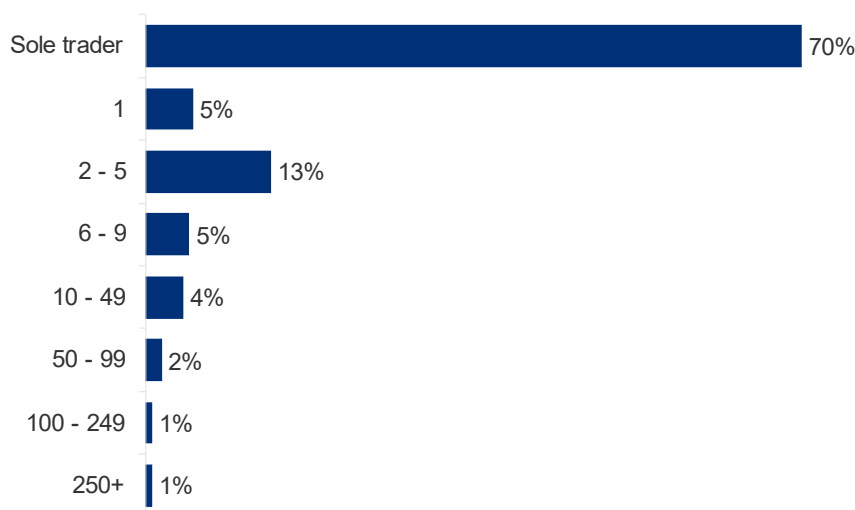
Figure 3.5 shows that seventy percent of agents said they were a sole trader. A further five percent said they had one employee, which included themselves, but they operated as a limited liability company or a legal entity other than sole trader. Most of the other agents were working in a small business.

Unaffiliated agents more likely to be a sole trader were those who:

- were bookkeepers (90%);
- did not hold PII (85%);
- were aged 65 or over (80%) or semi-retired (87%); and
- had between one and five clients (92%).

Agents in the 'confident by-proxy' typology were also more likely to be a sole trader (96%).

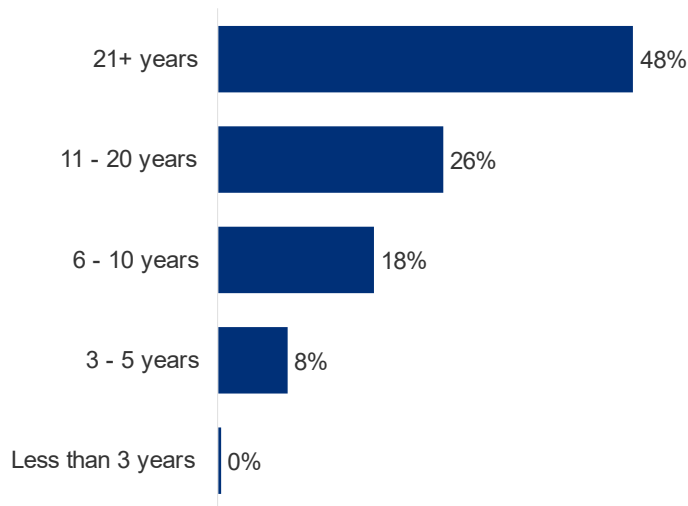
Figure 3.5 Size of business



Source: SIZEBUSINESS Approximately how many people, including yourself, does the business employ?
Base: All unaffiliated agents (n=301)

Figure 3.6 shows the age range of unaffiliated agent's businesses. Like the agents themselves, businesses tended to have been trading for a considerable length of time. Forty-eight percent of unaffiliated agent's businesses had been trading for at least 21 years.

Figure 3.6 Age of business



Source: AGEBUSINESS For how long has this business been trading?
Base: All unaffiliated agents (n=301)

Unaffiliated agents with the longest running businesses were those who:

- were accountants (63% had been trading for 21 or more years);
- aged 65 or over (63% had been trading for 21 or more years); and
- mainly dealt with self assessment (62% had been trading for 21 or more years).

Agents in the ‘(close to) retirees’ and ‘practice makes perfects’ typologies were also in businesses that had been trading for a long time (60% and 62% respectively had been trading for at least 21 years).

Unaffiliated agents in the survey were asked how they represented clients in relation to their tax affairs. Figure 3.7 shows the ranges of services that they offered their clients. Filing returns (86%) and dealing with client queries (84%) were the services most often provided by unaffiliated agents, though most other services included in the survey question were performed by a majority.

Figure 3.7 Services provided by agents

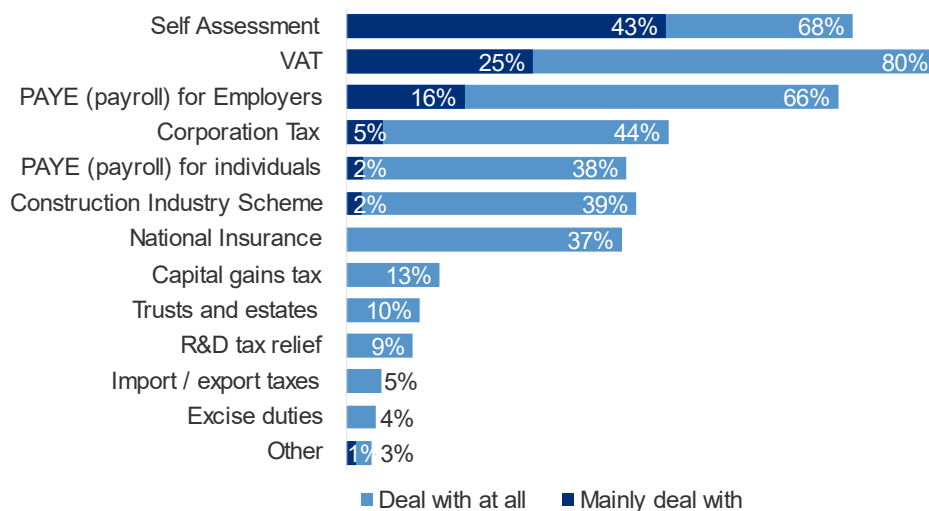


Source: SERVICESPROVIDED And in which of the following ways do you represent clients in relation to their tax affairs?
Base: All unaffiliated agents (n=301)

Overall, accountants offered a wider range of services than other types of unaffiliated agent, and almost all filed returns (98%) or prepared accounts (98%). Bookkeepers were less likely to offer each of these services, but like accountants the most commonly performed services were filing returns (72%) and preparing accounts (70%).

Figure 3.8 shows the types of UK taxes and duties the unaffiliated agent's business dealt with on behalf of clients and the main tax they dealt with. Eighty percent dealt with VAT to some extent, while self assessment was the area of tax most often dealt with as a main focus (43%).

Figure 3.8 Main tax dealt with and taxes dealt with overall



Source: TAXESDEALTWITH Which types of UK taxes and duties does your business deal with on behalf of your clients?
 TAXESDEALTWITHMAIN And which is the main one you deal with?
 Base: All unaffiliated agents (n=301)

Looking at findings by typology, '(close to) retirees' worked with a range of 'main' taxes similar to the profile for agents overall. Fewer 'ambitious expansionists' mainly worked on self assessment (30%), and more mainly worked on payroll (24%), as payroll agents were overrepresented in this group. Unaffiliated agents in the 'confident by-proxy' typology were more likely to mainly deal with VAT (50%) and less likely to mainly deal with self assessment (19%). 'Practice makes perfects' were most likely to mainly deal with self assessment (67%).

Other unaffiliated agents who were more likely to mainly deal with self assessment were those who:

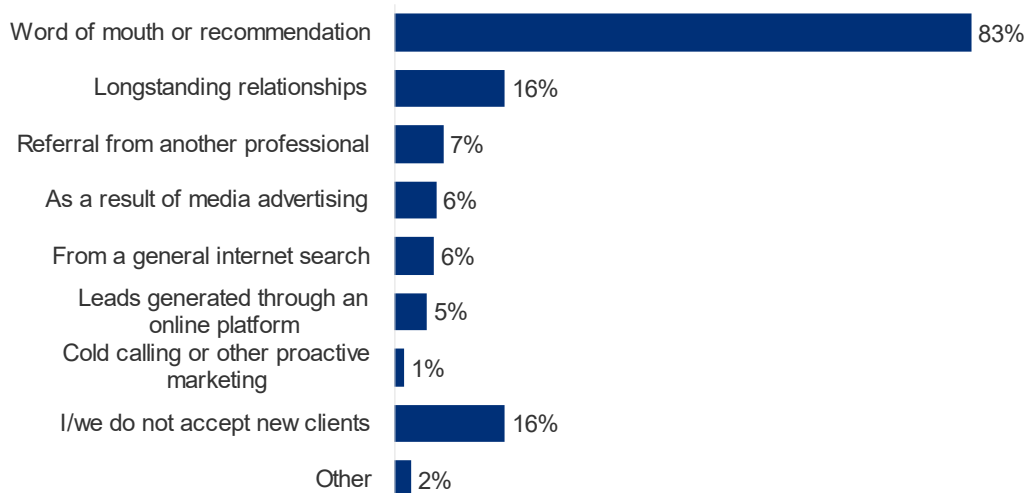
- were accountants (70%);
- were aged 65 or over (58%); and
- had 50 or more clients (64%).

Unaffiliated agents who were bookkeepers were more likely to mainly deal with VAT (48%), as were agents that had between one and nine clients (41%). Those who were not accountants or bookkeepers were more likely to mainly deal with PAYE for employers (35%).

3.3 Overview of client base

Unaffiliated agents were asked how their business found new clients, or how clients found them. The overwhelmingly common response was word of mouth (83%), although 16% said they do not take on new clients at all, as shown in Figure 3.9.

Figure 3.9 How agents find new clients



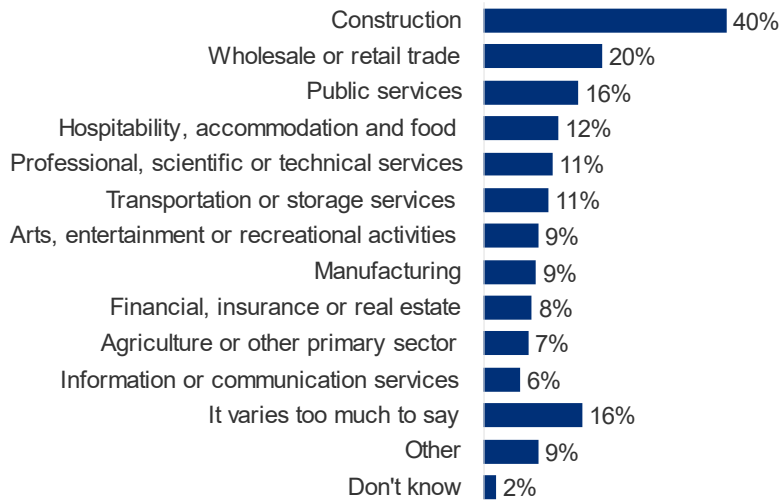
Source: GETCLIENT In general, how does your business find new clients or how do they find you?
Base: All unaffiliated agents (n=301)

Unaffiliated agents who had ten or more clients were more likely to get them through word of mouth (93%). Several subgroups were less likely to take on new clients, including those who:

- were bookkeepers (24%);
- did not hold PII (23%);
- were semi-retired (31%); and
- had between one and nine clients (30%).

Figure 3.10 lists the range of sectors unaffiliated agents' clients mainly work in. The most frequently mentioned sector was construction, by forty percent of agents. Twenty percent mainly worked with clients in the wholesale or retail sector, and sixteen percent mainly worked with organisations involved in public services. Sixteen percent of agents said it varied too much to say. While there were slight differences by subgroup, there were no clear patterns that suggested certain groups were more or less likely to have clients in certain sectors.

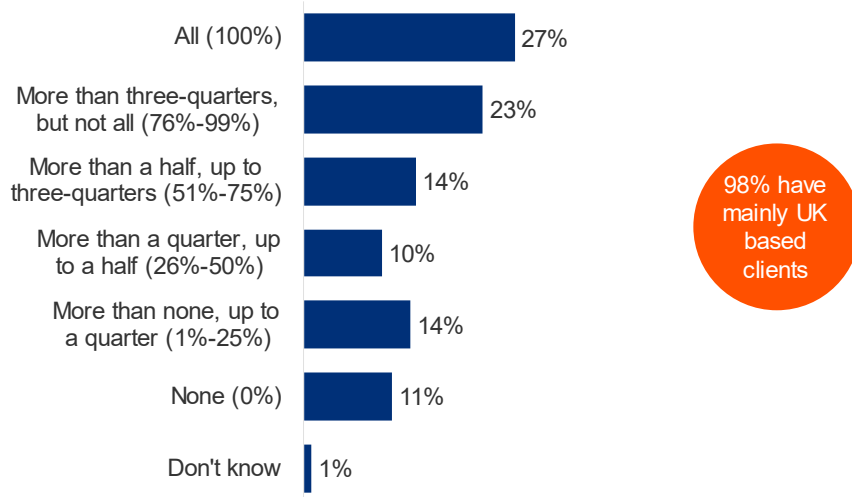
Figure 3.10 Sectors agent's clients mainly work in



Source: SECTORCLIENTBASE Which sector or sectors do your clients mainly work in?
 Base: All unaffiliated agents (n=301)

Unaffiliated agents were asked what proportion of their clients were local to them, that is, located in the same town or area. Figure 3.11 shows that for twenty-seven percent of agents, all of their clients were local. Overall, fifty percent said at least three-quarters of their clients were local. Eleven percent of agents said none of their clients were located in the same town or area. Almost all agents (98%) have mainly UK base clients.

Figure 3.11 Proportion of 'local' clients



Source: CLIENTLOCALE What proportion of your clients would you say are local to you – by that I mean their main location is in the town or area in which you yourself are based?
 Base: All unaffiliated agents (n=301)

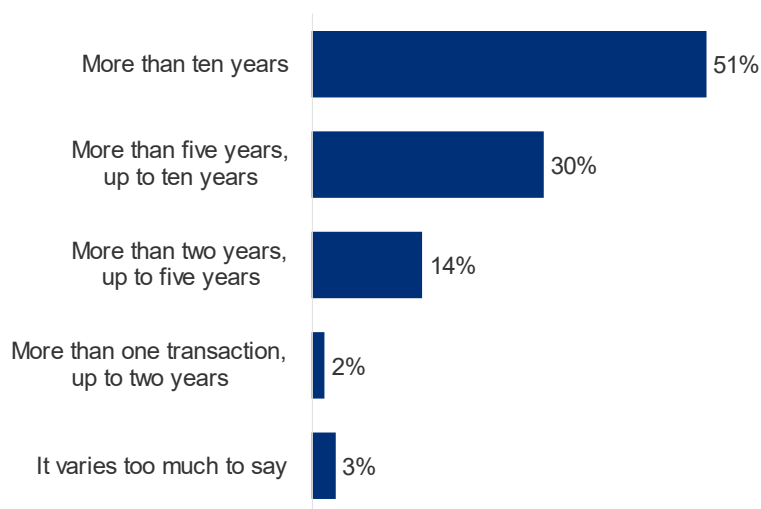
Unaffiliated agents who were more likely to only have local clients were those who:

- were bookkeepers (42%);
- were semi-retired (42%); and
- had between one and nine clients (50%).

Agents in the 'confident by-proxy' typology were also more likely to have 100% local clients (42%).

Finally, in this chapter, in the survey unaffiliated agents were asked how long their clients remained with their business. Figure 3.12 shows that fifty-one percent of agents typically retained clients for more than ten years.

Figure 3.12 Length of time clients remain with the business



Source: TIMECLIENTBASE Typically, how long do your clients remain with your business?
Base: All unaffiliated agents (n=301)

Unaffiliated agents who were aged 65 or over were more likely to have retained clients for more than 10 years (69%), as were agents in the 'practice make perfect' typology (66%). Unaffiliated agents who were aged between 18 and 44 were more likely to have retained clients for five years or less (55%).

There are a limited number of data tables in the appendix of this report, which further describe the profile of agents and their client base.

4. Professional standards

4.1 How agents measured the quality of their work

In the qualitative interviews, unaffiliated agents expressed confidence in the services they provided clients. They felt they were of good quality and compliant with HMRC guidelines (or legislation). There were overarching reasons for this:

- **Positive feedback from clients:** They tended to apply a client-centric approach to their work, some had retained clients for a long period of time.

"I give as good a service as any of them. I've had most of my clients for a lifetime, so I'm not losing them for any wrong reason." (Accountant, aged 76)

- **Own research:** They tended to keep up to date with changes in tax and services (relevant to the area they worked in) using various sources.

"I'm old fashioned so I take pride in my work, I was brought up to take pride, so I have to do a lot of reading to make sure I'm up to date with current procedures and changes. I do a lot of reading and research." (Bookkeeper, aged 73)

- **Experience:** They relied on their career history, knowledge of the sector, organisations' experience and overall professionalism.
- **Quality assurance:** In many instances another professional checked their work, for example, the client's accountant or auditor.

An additional factor influencing the quality of work and their confidence was the 'ask' from the client. Unaffiliated agents tended to take on work they felt comfortable with to minimise any risk, for example, only taking work that related to their area(s) of expertise or refusing to take on clients whose tax affairs were not 'in order'.

"I don't put myself in positions where I'm going to be unsure of what I'm doing and therefore risk not following proper procedure or just doing something wrong. I just don't put myself in that position." (Bookkeeper, aged 25)

"I had the opportunity to take on more clients and I said no because I don't feel confident. This is not just me, the firm of accountants I work for with four partners and a lot of expertise, there are jobs now we just won't touch because the tax law is so complicated." (Accountant, aged 56)

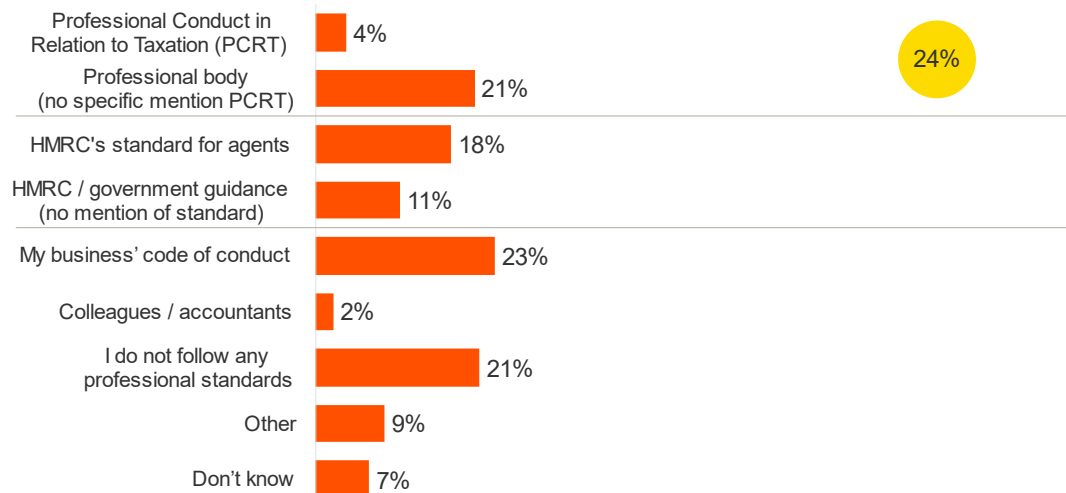
4.2 Awareness and adherence to professional standards

Both the survey and the qualitative interviews explored perceptions and awareness of 'standards', both formal and informal, including the Professional Conduct in Relation to Tax (PCRT) and HMRC's standard for agents.

4.2.1 Awareness and adherence to formal or informal professional standards

Figure 4.1 shows the different 'standards' unaffiliated agents said they followed in their day-to-day work. Overall, there was low awareness and conscious adherence to the PCRT (4%), but 21% referred to a specific professional body, which might indicate that they followed the principles of the PCRT without knowing it by name. Eighteen percent of unaffiliated agents said they followed HMRC's standard, while twenty-three percent named their businesses' code of conduct.

Figure 4.1 Professional standards followed by agents (multiple responses allowed)



Source: WHATSTANDARD What professional standards, if any, do you follow?
 Base: All unaffiliated agents (n=301)

Unaffiliated agents more likely to say they followed the HMRC standard were those who held PII (27%) or had 50 or more clients (26%). Among those more likely to say they did not follow any professional standards were unaffiliated agents who:

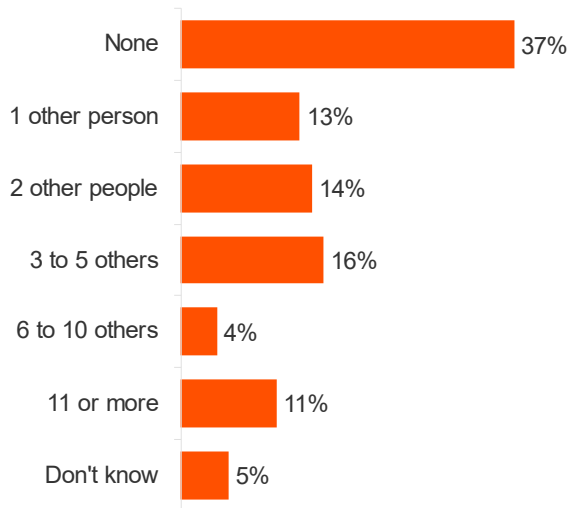
- were bookkeepers (34%);
- had between one and nine clients (35%); and
- had never been a member of a professional body and had not considered it (35%).

Unaffiliated agents in the ‘confidence by-proxy’ typology were more likely to say they did not follow any standards (39%).

Findings from the qualitative interviews backed up the survey. Few unaffiliated agents said they worked to formal written standards. However, in many cases they suggested they worked to a standard that resembled a formal standard, describing their professionalism and diligence. Informal standards, like their employers’ code of conduct, broadly aligned with the principles of the PCRT. Unaffiliated agents that used to be a member of a professional body were familiar with those standards, and generally worked in accordance with them.

In the survey, unaffiliated agents were asked how many of their colleagues were members of a professional body. While seventy-five percent of agents were sole traders or had no other colleagues, Figure 4.2 shows how the results were distributed for the remaining twenty-five percent who worked with others. Sixty-three percent of unaffiliated agents worked with a colleague who was a member of a professional body.

Figure 4.2 Number of colleagues who are members of a professional body

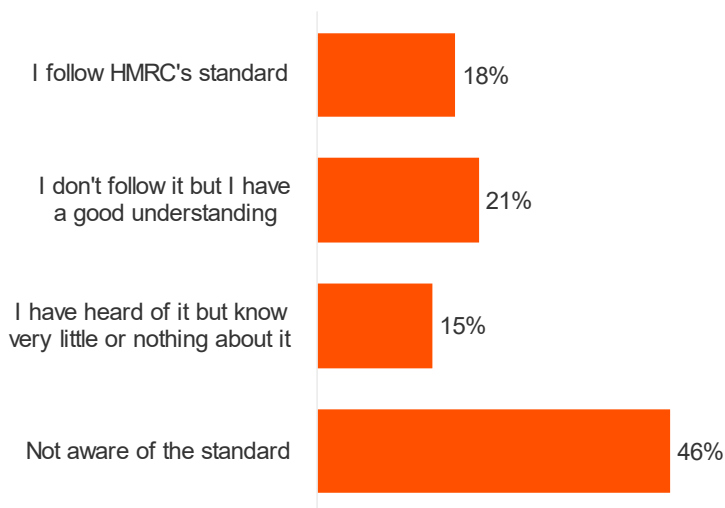


Source: PEERAFFILIATION As far as you know, how many colleagues that work in the same business as you, are members of a professional body? Is it...
 Base: All unaffiliated agents that work with colleagues (n=76)

4.2.2 Awareness and perceptions of HMRC's Standard for Agents

In the survey, unaffiliated agents who said they did not follow HMRC's standard were asked about their general awareness of it. Figure 4.3 illustrates those results. In addition to the eighteen percent of unaffiliated agents who said they followed it, twenty-one percent said they had a good understanding of it. Forty-six percent of unaffiliated agents said they were not aware of it at all.

Figure 4.3 Awareness of HMRC's Standard for Agents



Source: HMRCSANDARD HMRC has published a 'standard' for Agents that sets out what they expect of all individuals and businesses involved in professionally representing or advising taxpayers. Are you aware of HMRC's Standard for Agents?
 Base: All unaffiliated agents (n=301)

Unaffiliated agents more likely to say they had a good understanding of HMRC's standard were those who mainly dealt with self assessment (30%) and who were semi-retired (35%).

Agents more likely to not be aware of the standard were those who:

- were bookkeepers (56%);
- mainly dealt with VAT (62%); and
- had between one and nine clients (57%).

4.2.3 Perception of standards and how they applied them to their work

Despite roughly half of unaffiliated agents expressing some awareness of HMRC's standard in the survey, in the qualitative interviews, proven knowledge was low. That is when probed, few were thinking of the actual standard, and were instead referring to general HMRC requirements or legislation.

However, while awareness of HMRC's standard for agents, and formal professional standards in general, was low, agents believed they were working to a high standard. In the qualitative interviews, unaffiliated agents who were unaware of professional standards assumed it was a generic term for 'ethics' and 'ways of working'. They described working to their 'own standard' which they felt contributed to a good quality service for their clients because it was personalised and based on their professional experience.

Despite relatively low awareness of HMRC's standard for agents and the PCRT, most described working in accordance with their principles. In the qualitative interviews, unaffiliated agents considered honesty, integrity and experience to be markers of a good quality service. They thought that compliant behaviours were driven by accuracy, following guidelines and following legislation.

There was a perception that 'professional standards' were set through HMRC rules, regulation and legislation. Almost all participants mentioned following legislation and working to HMRC guidelines, this was particularly important to tax advisers due to the changing nature of tax. Most assumed this meant they were working to a professional standard.

No sign of concern by HMRC or complaints from clients about their work reassured agents in the '(close to) retirees' and the 'practice makes perfect' typologies that they were working to a good standard. The 'ambitious expansionists' were motivated to provide good quality to broaden their client base.

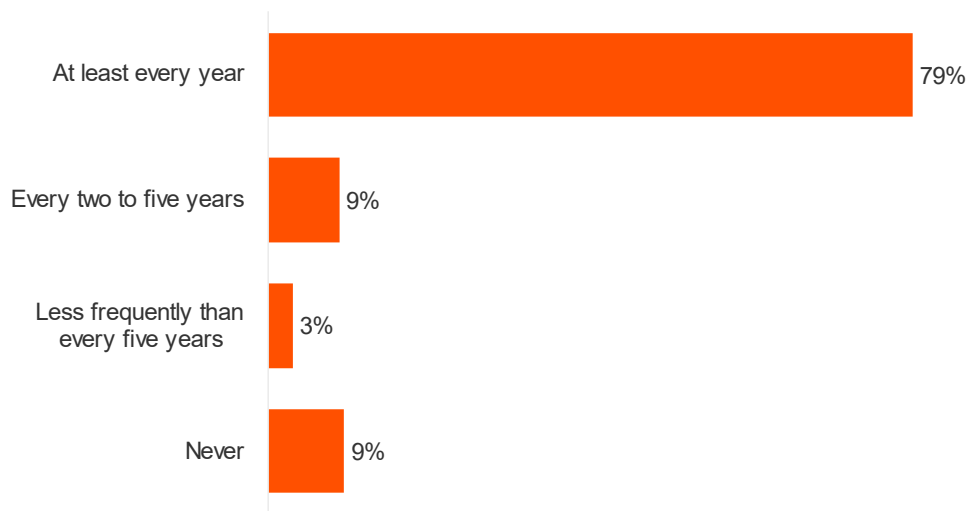
The '(close to) retirees' and 'practice makes perfect' agents who had previously been a member of a professional body felt that standards and quality came from on the job training, practice and career experience.

The 'confident by-proxy' agents generally felt that they followed HMRC guidelines and provided a thorough service. However, they often relied on accountants or auditors to check their work and flag any errors. They felt that their work was generally low risk and because they had confidence in their systems of working, felt that if mistakes were made, they could be easily rectified, for example, by calling HMRC.

4.3 Maintaining professional knowledge

The majority of unaffiliated agents maintained or updated their professional knowledge at least once a year, as shown in Figure 4.4. Regularly updating knowledge was one indicator of good service agents pointed to in the qualitative interviews.

Figure 4.4 Frequency agents maintain and update their professional knowledge



Source: DEVELOPMENTUPDATE How often do you seek to maintain and update your professional knowledge?
Base: All unaffiliated agents (n=301)

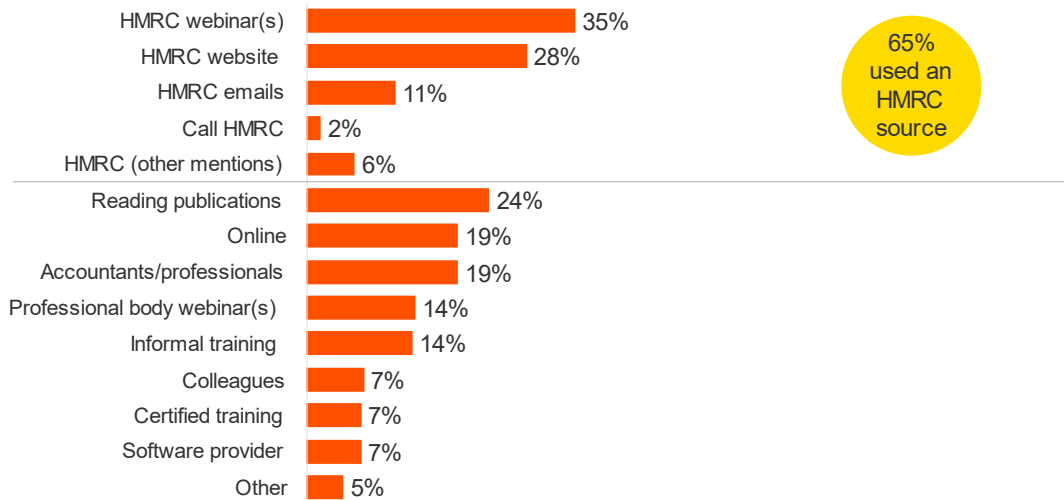
Unaffiliated agents more likely to update their knowledge every year were those who:

- mainly dealt with self assessment (86%);
- were accountants (89%);
- held PII (90%); and
- served three or more sectors (89%).

Agents who were bookkeepers were more likely to never update their knowledge (18%).

Unaffiliated agents used a range of active and passive sources to maintain and update their professional knowledge, as shown in Figure 4.5. Overall, sixty-five percent said they used at least one HMRC source. The two most frequently mentioned sources were HMRC webinars (35%) and the HMRC website (28%). HMRC sources were used consistently across the different subgroups. In the qualitative interviews, unaffiliated agents thought highly of HMRC guidance and communication, which they felt was helpful and relevant.

Figure 4.5 Ways agents maintain and update their knowledge (multiple responses allowed)



Source: DEVELOPMENTTYPE And how do you maintain and update your professional knowledge?
 Base: All unaffiliated agents who update their knowledge (n=272)

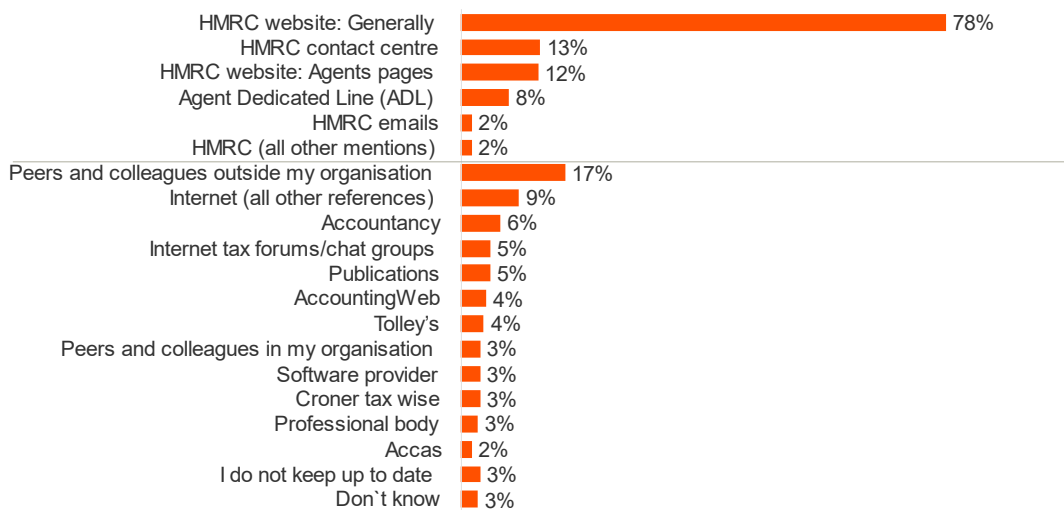
Reading publications was also mentioned relatively frequently (24%), though more often by unaffiliated agents in the '(close to) retirees' typology (40%).

4.4 Source of tax guidance used to solve a tax query

Unaffiliated agents were asked which sources of guidance they had used in the last 12 months to resolve a tax query or get general information. Figure 4.6 shows that HMRC sources were used frequently, particularly the HMRC general web pages (78%), but also the contact centre (13%) and Agent Dedicated Line (12%).

"If you looked up something and you think hmm, I don't understand that, you could ring them and they'd explain it to you." (Bookkeeper, aged 57)

Figure 4.6 Source of information used to resolve a tax query



Source: TAXKNOWLEDGE Thinking about the different sources of tax guidance you are aware of, in the last 12 months which, if any, have you used to solve a tax query or to get general information?
 Base: All unaffiliated agents (n=301)

5. Professional indemnity insurance (PII)

5.1 General perceptions of PII

The qualitative interviews found that attitudes towards professional indemnity insurance (PII) were influenced by a range of factors linked to unaffiliated agents' working practices. Participants who had reason to feel confident about the quality of their work (for example, '(close to) retirees' who never had claims against them or agents in the 'confident by-proxy' typology whose work was more often checked by associates) felt that PII was not important to their business. Unaffiliated agents who felt that the risk of making a mistake was mitigated through dealing with low amounts of money, also tended to have this view.

"Professional indemnity insurance is something you really should have, but if you're really careful about how you practice and work, then you don't really need it." (Bookkeeper, aged 25)

The nature of the relationships unaffiliated agents had with clients also contributed to perceptions. Agents with a small client base, with whom they communicated regularly, tended to see PII as less valuable. However, those with more clients or who dealt with more complex issues recognised the importance of being protected.

"It's not so important now as all our clients are small. When we had limited companies and bigger clients and staff it was important then, but not so much now." (Accountant, aged 70)

Agents with a higher aversion to risk placed more importance on insurance, in any context. Regardless of their activities or clients, these agents could not dismiss the possibility of making mistakes. In general, they felt insurance was appropriate and specifically that PII was necessary for protection.

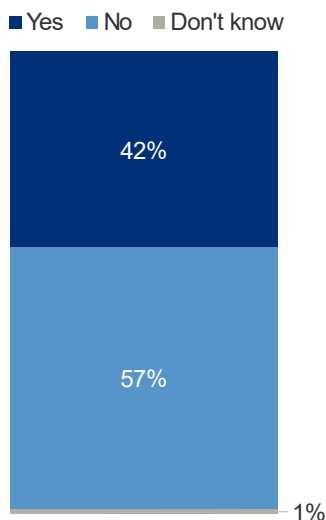
"I think any insurance is vital in life... life insurance, house insurance is something I always find important." (Accountant, aged 48)

5.2 Experience of agents who have PII

5.2.1 Overview of PII arrangements

In the survey, forty-two percent of agents said they had PII, as indicated in Figure 5.1.

Figure 5.1 Whether hold PII or not



Source: HOLDPII Do you hold professional indemnity insurance?
Base: All unaffiliated agents (n=301)

The reported prevalence of PII was higher among unaffiliated agents who:

- were accountants (52%);
- were full or part time employees (72%); and
- served three or more sectors (56%).

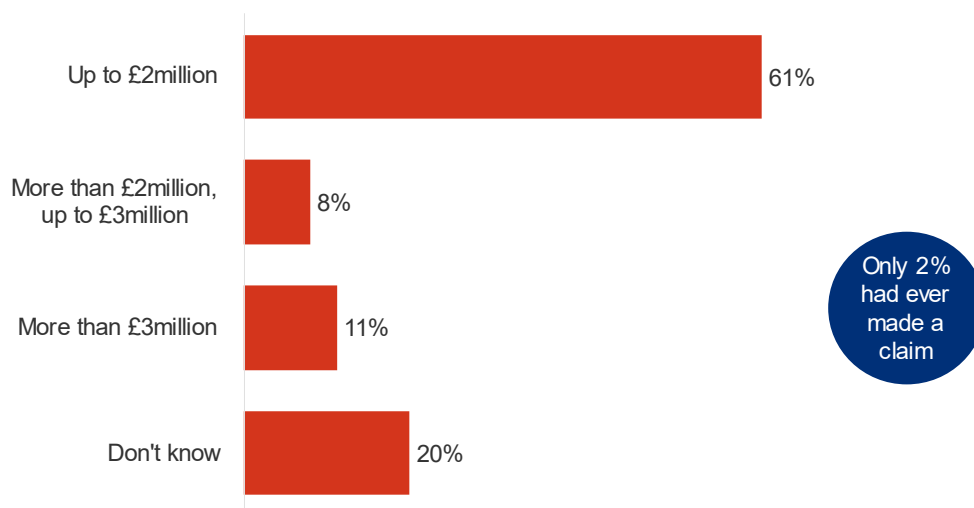
It was lower among agents who

- were bookkeepers (24%);
- were semi-retired (20%); and
- had between one and nine clients (17%).

PII was also held by fewer in the 'confident by-proxy' typology (22%).

The survey captured information on the level of PII coverage and incidence of making a claim, as shown in Figure 5.2. Sixty-one percent of agents that had PII had coverage of up to £2 million. Very few, just two percent, of unaffiliated agents had ever made a claim.

Figure 5.2 Level of PII coverage and claiming incidence



Source: PII COVER What is your business' level of professional indemnity insurance cover? PII CLAIM Has your business ever claimed against its professional indemnity insurance?
Base: All unaffiliated agents with PII (n=127)

The nature of PII arrangements were explored in the qualitative interviews. As agents rarely had to engage with PII, there was low awareness of their policy details. Sometimes others in the business, for example partners or senior colleagues looked after PII. For those who remembered it, the process of selecting and obtaining insurance was not perceived to be problematic. The process was sometimes made easier by an intermediary. In some cases, it was taken out with other protection or liability insurance.

Insured unaffiliated agents generally considered the cost of the policy to be reasonable, although it was difficult to assess value for money as they had never had to claim on it.

5.2.2 Reasons for having PII

Unaffiliated agents said they had PII to protect themselves and/or their clients in case they made an error. In the survey, fifty-eight percent of agents that had PII said it was to protect their business. This was reiterated in the qualitative interviews, though in some cases having PII was a long-standing arrangement that they had never thought to revise. Some agents who did not have PII thought it would be necessary if they had bigger clients or dealt with more complex issues.

"Now I'm by myself I feel it's important. It's only me and it's all down on my shoulders, I'm responsible so it's better to have it." (Bookkeeper, aged 53)

The other frequently mentioned reason for having PII was to protect clients (20% of agents mentioned it in the survey). In the qualitative interviews, unaffiliated agents restated that it would offer financial support to clients if they lost money. Although, some agents questioned whether clients were actually aware of it as most did not advertise it and had never discussed it with their clients. However, there was a general sense that it would be important to clients, particularly those who valued reassurance.

"I feel it covers me but it also covers my clients, so it is important. If I did make a mistake and it impacted on the customer it gives me some protection financially. I did it for my own peace of mind." (Bookkeeper, aged 61)

5.3 Experience of agents who do not have PII

5.3.1 Arrangements among those uninsured

In the qualitative interviews, unaffiliated agents who did not have PII were asked how they mitigated the risk to their business. These agents had generally not considered the possibility of a client seeking compensation due to poor service. They felt they would be able to satisfactorily manage any situation by discussing the issue and explaining that advice had been provided in good faith, after which time they would come to an amicable resolution.

"I work very closely with my clients. I don't do anything without them knowing or without their ok". (Bookkeeper, aged 51)

Uninsured unaffiliated agents felt that the way they worked, and in some cases their modest role, broadly prevented clients from losing large sums of money or blaming them for mistakes. Agents tended to believe that they would not be held accountable or that the compensation amount would not be significant enough to cause them a problem. However, they thought they would be able to accept the consequences should the situation arise.

"Any claim that they made would not be vast and I'd cover it myself... I do not have a client who's going to sue me for a million pounds!" (Accountant, aged 73)

5.3.2 Barriers to getting PII

For those who did not have PII, perceived lack of need appeared to be the key barrier. In the survey eighty percent of unaffiliated agents said it was not required or was of no benefit to the business. In the qualitative interviews, many agents said their work was routinely checked by either the client, an accountant or other associates which lessened the risk of error.

"There's very little that I do that doesn't run through an accountant's hands before it becomes official... I don't even say I'll put your VAT through for you. I always explain that I will help your accountant so I don't see the need for me to be separately insured." (Bookkeeper, aged 66)

In addition, the extent of services provided, and general practice of following regulations and professional norms meant that unaffiliated agents felt critical mistakes were unlikely. And, where applicable the personal nature of the agent-client relationship and having a limited number of clients minimised the risk of disputes.

"I don't do anything to make them lose money...I'm literally a record keeper not an adviser." (Bookkeeper, aged 51)

However, some felt PII could be beneficial to increase the quality and security of services.

"If I was to do the tax return or the final submission filing I would definitely go for it, because then you become responsible." (Bookkeeper, aged 73)

While unaffiliated agents generally felt they would be compelled to take out PII should it be mandated, there were concerns about the cost. In the survey thirteen percent said it was too costly for themselves and/or their clients. In the qualitative interviews, agents further expressed concern about the prohibitive and unjustified cost, especially if they felt it was likely compensation would not be significant. If PII became mandatory, unaffiliated agents would be careful to look at the options, in particular, they would want to make sure that the cost was appropriate.

"If that's how it was [HMRC mandating it] it would be essential, I'd have to have that." (Accountant, aged 50)

As it was not generally perceived to be required, PII was seen as an unnecessary cost, which would end up being passed on to clients. This could have negative effects, especially on small businesses. Those with other options (for example, retirement or stopping practicing) might consider doing so to avoid it.

"If onerous financial obligations were imposed on me then I would just walk away." (Accountant, aged 73)

"I wouldn't think it was a fair cost for me to carry." (Bookkeeper, aged 66)

There was also some perceived negative consequences for the industry, for example that PII could make 'other' agents more complacent as they knew they would be covered if a mistake was made, or that it might cause an increase in litigation if targeted by legal professionals.

"We're turning into a society that's consumed by litigation, compensation for this and that. If everyone had to have it there'll probably be more people trying to say there's something wrong." (Bookkeeper, aged 53)

6. Attitudes to and appetite for professional body affiliation

This chapter explores attitudes towards professional bodies. The survey attempted to collect reasons for not being affiliated from a range of angles to fully understand the barriers. However, the reasons expressed in the survey for ending a membership, not being a member and not having considered becoming a member tended to fall within the same themes. Nonetheless, these findings are reported separately in this chapter for completeness.

6.1 Agents' perceptions of professional bodies

6.1.1 Awareness of what they do and their role in the industry

Unaffiliated agents' perceptions of professional bodies were explored in the qualitative interviews. Overall, views were positive. They acknowledged the role professional bodies have in regulating standards. They also felt membership enabled agents to keep up to date with changes in the sector, whether to tax itself or HMRC services. Some unaffiliated agents saw value in membership outside of these functional purposes, specifically that it could be used in marketing materials to increase credibility and affirm quality assurance.

They're there to help people get a foothold in the industry, they're also there to provide regulation for the industry. (Bookkeeper, aged 25)

However, there was also evidence of at least some unawareness or uncertainty surrounding professional bodies and their role.

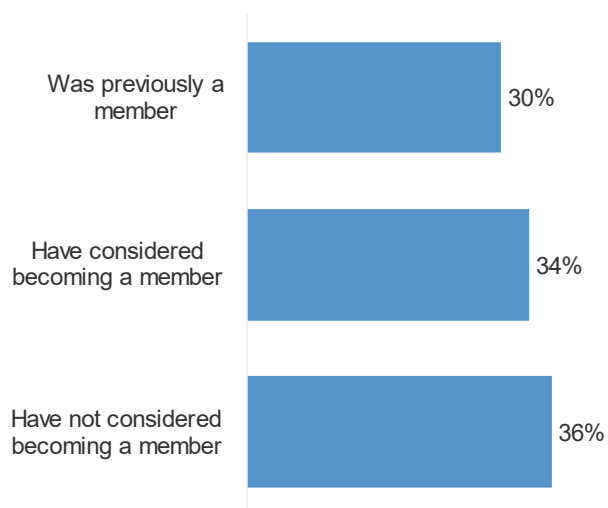
*"I haven't joined a professional body as I'm not sure what they do exactly"
(Bookkeeper, aged 62)*

6.1.2 Experience of professional body membership

In the survey, thirty percent of agents said that they had been a member of a professional body at one time but had since ended their membership, as shown in Figure 6.1.

In addition to the thirty percent that had been members previously, thirty-four percent of agents had considered becoming a member at some point in their career. Unaffiliated agents aged between 18 and 44 were more likely to have considered becoming a member (52%). Thirty-six percent of unaffiliated agents had never considered becoming a member of a professional body, which was higher among agents with between one and nine clients (47%).

Figure 6.1 Past experience of and consideration for membership



Source: WHEREVERMEMBER Have you ever been a member of a professional body, and decided to end your membership at some point? CONSIDEREDMEMBERSHIP Have you ever considered becoming a member of a professional body?
Base: All unaffiliated agents (n=301)

Lapsed membership was higher among unaffiliated agents who:

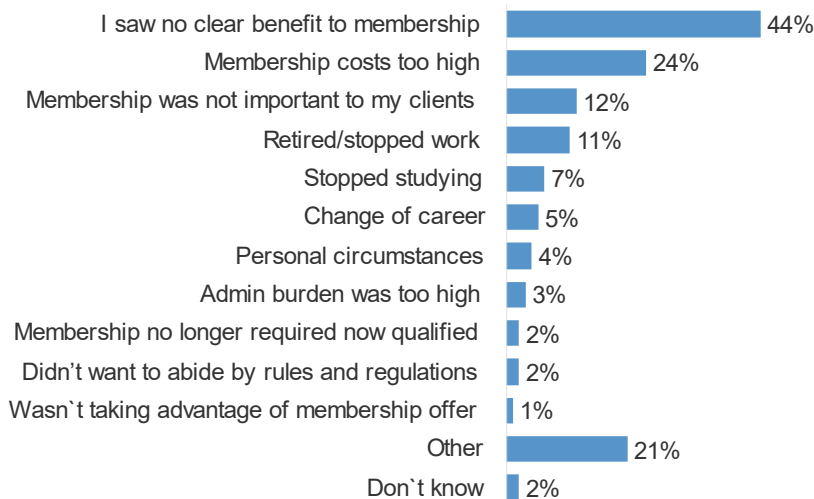
- were accountants (44%);
- had more than 50 clients (37%);
- had a professional qualification (72%); and
- said they followed the PCRT professional standard (50%).

Past membership was lower among agents who:

- were bookkeepers (20%);
- had between one and nine clients (21%);
- said they followed no professional standard (11%); and
- served just one sector (21%).

The survey asked unaffiliated agents who had previously been affiliated why they had *ended their membership*. Figure 6.2 shows the spontaneous responses given (which as Figure 6.3 will show, tended to mirror reasons for not currently being a member).

Figure 6.2 Reasons for ending membership (multiple responses allowed)



Source: WHYENDMEMBERSHIP Why did you end your membership?
 Base: All unaffiliated agents who were previous members (n=91)

The most frequently mentioned reason for ending a professional body membership was not being able to see a clear benefit, by forty-four percent of agents. Unaffiliated agents were asked to expand on their reasons in the qualitative interviews. It turned out that past members tended to let their membership lapse rather than actively cancel it, often due to a change in their circumstances or a general feeling that they no longer benefited.

"I didn't need it and it kind of just lapsed. I didn't have to ring them and after a couple of years had gone by you just think why would I bother" (Bookkeeper, aged 61)

A change to employment status could also prompt agents to reconsider membership, for example, if they got a new job or became self-employed. A circumstantial lifestyle change might have had the same effect, where agents reassessed their priorities including their membership.

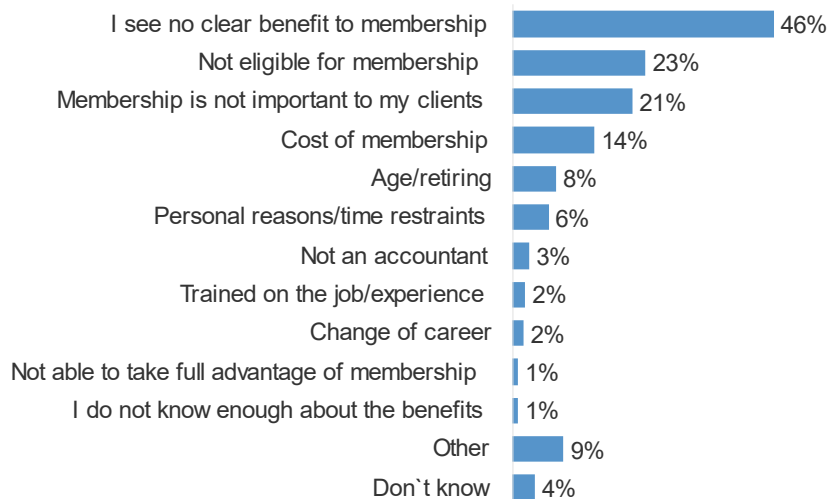
"[I was just starting out with a small child and 2-3 clients] I was never to be a full time qualified accountant, I never saw that as a next step, it was always to fit in around my lifestyle." (Bookkeeper, aged 51)

In the survey, cost of membership was mentioned more often as a reason for ending a membership (24%), than as a reason for not being a member (14%, see Figure 6.3). In the qualitative interviews some felt that they were not getting value for money from their membership, particularly if they were personally responsible for the cost after they had previously been covered by their employer.

6.2 Reasons for not being a member of a professional body

Barriers to becoming a member of a professional body were explored in both the survey and qualitative research. The survey captured spontaneous reasons for *not being a member*, shown in Figure 6.3, which were unpacked in the follow-up depth interviews.

Figure 6.3 Reasons for not being a member of a professional body (multiple responses allowed)



Source: REASONSFORNONAFFILIATION: You said earlier that you were not personally a member of a professional body. Why is that?

Base: All unaffiliated agents (n=301)

Similar to the reasons for ending membership, 46% of unaffiliated agents said they saw no clear benefit to being a member, which was higher among bookkeepers (56%) and those who said they followed the HMRC standard for agents (60%). In the qualitative interviews, while most participants viewed professional bodies positively, they tended to feel membership was just not for them. A general perception among bookkeepers was that membership was more appropriate for accountants, due to the straightforward nature of tasks bookkeepers undertake.

"Accountants take on more responsibility insofar as they do give advice to their clients, clients take them on for that professional knowledge, that they're legally doing everything correctly" (Bookkeeper, aged 51)

Similarly though, accountants felt it was for 'other' accountants, based on the straightforwardness of the services they provided. Some felt it was more for individuals in larger organisations where they were more likely to deal with complex tax affairs, and therefore, had more need for professional development.

"Once you've got your qualifications, you need to keep up to date; professional bodies have a means of ensuring you do that. It is advantageous for most people, just wasn't for me" (Accountant, aged 72)

Lack of eligibility was also relatively frequently mentioned as a reason for non-membership, by 23% of unaffiliated agents overall. Accountants were more likely to link not being eligible for membership with not being a member (33%). In the qualitative interviews, agents perceived 'eligibility' to mean they did not have, or were unwilling to get the necessary professional qualifications.

Twenty-one percent of unaffiliated agents said membership was not important to their clients, and that was the reason they were not a member. This was more frequently mentioned by agents who said they followed the HMRC standard (38%).

The qualitative research shed light on other external factors cited as reasons for not being a member. Prohibitive cost was mentioned by fourteen percent in the survey. In the follow up interviews, agents were reluctant to take on this cost, which they would have to pass on to their clients, when they could get information relevant to their job for free. Membership 'levels' were also felt to be inflexible, where unaffiliated agents could not find the right type of membership, one that reflected their individual circumstances and requirements.

"As a management accountant [previous job]... [the company] offered it... but when you are older and do not want to work to the same level you still have to pay the same" (Accountant, aged 69)

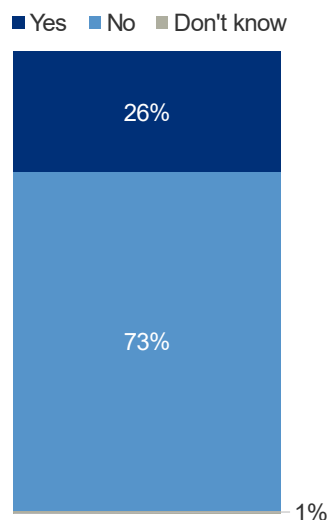
In the qualitative interviews, unaffiliated agents highlighted a range of other personal factors discouraging them from becoming a member. In these instances, they could not justify the time and cost of maintaining membership obligations. Eight percent of agents mentioned age as a barrier to membership. '(Close to) retirees' and others nearing retirement felt membership was unnecessary due to the point they were in their career. Where ambition for the business was low, there was a feeling that membership was of little or no professional benefit. However, if unaffiliated agents were to grow their business in the future, some felt membership could be useful in marketing materials.

6.3 Appetite for professional body membership

6.3.1 Whether agents would ever consider becoming a member

Unaffiliated agents were asked if they thought they would ever consider becoming a member of a professional body in the future. Figure 6.4 shows that twenty-six percent of agents would.

Figure 6.4 Consideration towards becoming a member in future



Source: CONSIDERMEMBERSHIPFUTURE Do you think you would ever consider becoming a member of a professional body in the future?
Base: All unaffiliated agents (n=301)

There was some difference in the appetite for membership by subgroup. Unaffiliated agents more likely to consider becoming a member included those who:

- held PII (35%);
- were aged between 18 and 44 (74%);
- will be doing similar work in five years (41%); and
- were employees (41%).

Agents in the 'ambitious expansionist' typology were also more likely to consider becoming a member of a professional body in the future (49%).

Among the subgroups of unaffiliated agent less likely to consider membership were those who did not hold PII (19%) and were semi-retired (5%). By agent typology, '(close to) retirees', 'confident by-proxy' and 'practice makes perfects' were all less likely to consider membership (16%, 17% and 13% respectively).

6.3.2 Perceived benefits of membership

Unaffiliated agents who would consider membership were asked for their reasons why, as shown in Figure 6.5.

Figure 6.5 Reasons agents would consider becoming a member



Source: MEMBERSHIPBENEFITSCONCERNS Why is that?
Base: All unaffiliated agents who would consider becoming a member (n=78)

Among the twenty-six percent of unaffiliated agents who would consider membership, forty-five percent said it was due to the opportunity it offered to continue professional development. These reasons were further explored in the qualitative interviews. 'Ambitious expansionists', who were more likely to consider membership overall, were compelled by the thought that it might help them to expand their business, either in the services they provided or in employing others. Agents believed that membership might also encourage or expedite career progression.

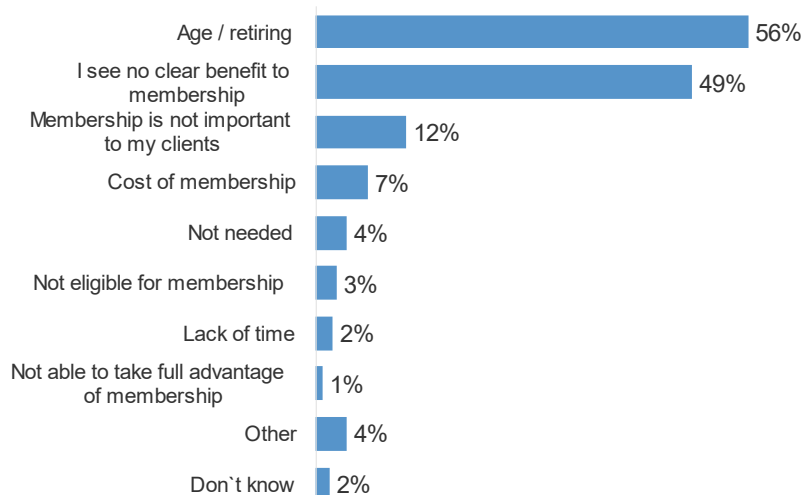
"If I was looking to expand what I do and cover other areas [of tax] then yes I could see that there were benefits" (Bookkeeper, aged 61)

In the survey, twenty-eight percent of unaffiliated agents thought that clients might value membership. The qualitative interviews revealed that agents were indeed open to it if requested by clients. However, this was felt to be unlikely as their existing clients never had, and those who were previously members were rarely asked about it.

6.3.3 Barriers to becoming a member (why would they not consider it)

Unaffiliated agents recognised the value of professional bodies to the industry, but the 'barriers' to becoming a member tended to resonate more strongly. Figure 6.6 shows the reasons unaffiliated agents would not consider becoming a member of a professional body.

Figure 6.6 Reasons agents would not consider becoming a member



Source: MEMBERSHIPBENEFITSCONCERNS Why is that?
Base: All unaffiliated agents who would not consider becoming a member (n=221)

Overall, seventy-three percent of unaffiliated agents said they would not consider becoming a member. The most frequently mentioned reason was age or retirement, by fifty-six percent, which reflected the older profile of the population. The qualitative interviews found that '(close to) retirees' would consider stopping working if membership became mandatory.

In line with reasons for ending membership and not currently being a member, seeing no clear benefit also strongly resonated as a reason for not considering membership (by 49% of agents who would not consider membership). Not being important to clients (12%) and cost (7%) were also mentioned relatively frequently, consistent with the range of barriers identified in other measures.

7. Interaction with clients and HMRC

7.1 Agents' perceptions of their role

Unaffiliated agents generally saw themselves as a bridge between their clients and HMRC. The precise nature of their role depended on the type of agent they were and the services they offered (see section 3.2 for further detail on services). In typical relationships, unaffiliated agents submitted returns to HMRC on their clients' behalf, advised and supported clients using HMRC guidance and helped to resolve clients' problems when dealing with tax.

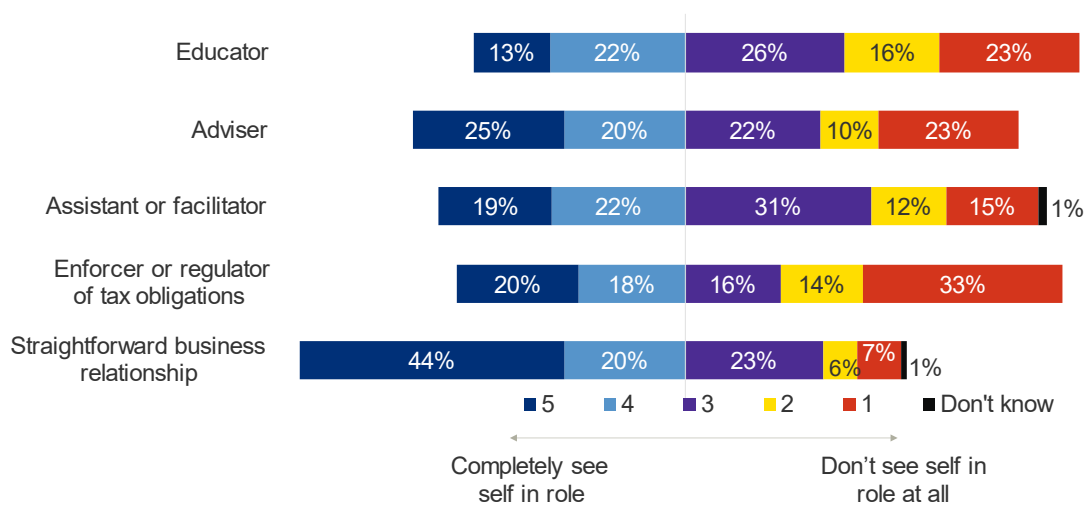
"I try to work with HMRC - that's what I do, if I receive a verification from HMRC I try to respond to it or if clients have an issue with tax I will call HMRC on behalf of them" (Accountant, aged 33)

Unaffiliated agents also acknowledged the role they had in supporting compliant behaviours, in particular, ensuring clients respected HMRC requirements and paid the right amount of tax.

"I will try to make sure in the fields that I'm dealing with that I'm aware of everything that is relevant ...so that everything that I do is hopefully in line with what HMRC said and the companies don't get in trouble" (Bookkeeper, aged 51)

In the survey unaffiliated agents were asked to rate the extent to which they saw themselves in certain client related roles. Figure 7.1 shows the findings for these five functions, where five meant they completely saw themselves in the role, and one meant they did not see themselves in the role at all.

Figure 7.1 Extent to which agents see themselves as an...



Source: CLIENTRELATIONSHIP Thinking about your client relationships and the role you have, to what extent do you see yourself as each of the following?
Base: All unaffiliated agents (n=301)

Unaffiliated agents most often identified their role as being part of a 'straightforward business relationship'. Forty-four percent gave a rating of five (completely saw themselves in the role) and a further twenty percent gave a rating of four. Fewer than half of agents rated each of the remaining roles four or five. Being an 'enforcer or regulator of tax obligations' resonated least with agents. Thirty-three percent gave a rating of one (did not see themselves in the role at all) and a further fourteen percent gave a rating of two. The role of 'educator' was also less meaningful, where thirty-nine percent rated it one or two.

Differences between subgroups of unaffiliated agents occurred more often when agents thought of themselves as an ‘adviser’. Overall, twenty-five percent of unaffiliated agents rated it five, but this was higher among those who:

- mainly dealt with self assessment (38%);
- were accountants (42%); and
- had more than 250 clients (53%).

There were also differences in the extent to which unaffiliated agents saw themselves as an ‘enforcer or regulator of tax obligations’. This role did not resonate among unaffiliated agents, and even less so among different subgroups of agent. Overall, thirty three percent of agents rated it one, but this was higher among those who:

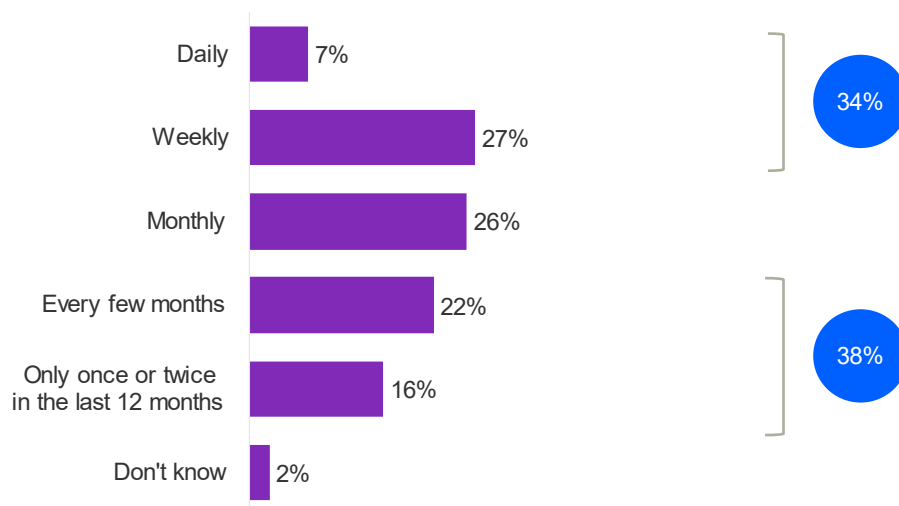
- mainly dealt with VAT (45%);
- were bookkeepers (51%); and
- had between one and nine clients (48%).

Unaffiliated agents in the ‘confident by-proxy’ typology were more likely to rate each role one (did not see themselves in the role at all): ‘educator’ (35%), ‘adviser’ (41%), ‘assistant’ (24%) and ‘enforcer’ (52%). There was no difference in how they viewed their role as part of a ‘straightforward business relationship’ compared with other types of unaffiliated agent.

7.2 Interaction with clients

The frequency with which unaffiliated agents interact with their clients can also define the nature of their relationships. Figure 7.2 shows how often they had contact with their clients.

Figure 7.2 Frequency of interaction with clients



Source: CLIENTINTERACTION On average, how often do you have contact with each of your clients? Would you say you have contact with each of them...
 Base: All unaffiliated agents (n=301)

The majority of unaffiliated agents interacted with clients monthly or less often. Twenty-six percent had monthly contact, while a further thirty-eight percent interacted less frequently. Among unaffiliated agents with the least amount of client contact were those who:

- mainly dealt with self assessment (65% had contact every few months or less);
- were accountants (54% had contact every few months or less); and
- had more than 250 clients (70% had contact every few months or less).

Unaffiliated agents in the ‘practice make perfect’ typology also interacted with clients less frequently, where sixty percent had contact every few months or less often.

At the opposite end of the range of relationships, thirty-four percent of unaffiliated agents interacted with their clients at least weekly, including seven percent who had daily client interaction. Among agents that had the most frequent contact with clients were those who:

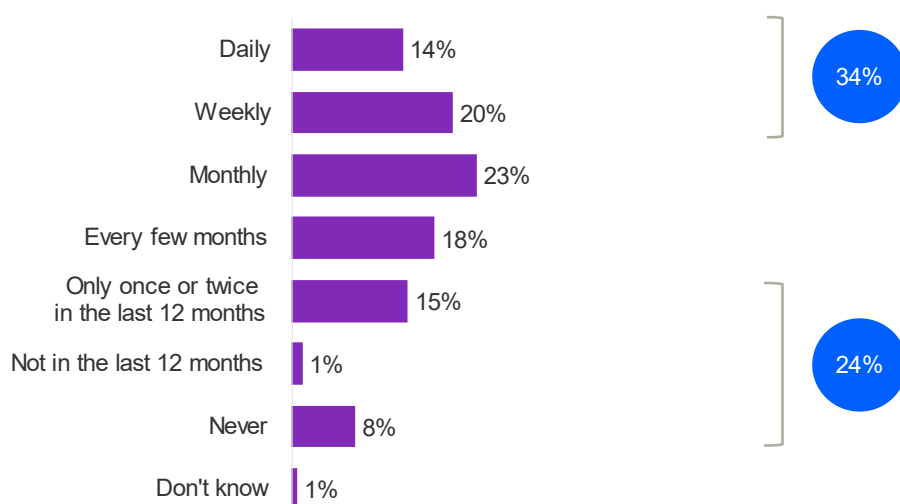
- mainly dealt with VAT (66% had contact at least weekly);
- were bookkeepers (58% had contact at least weekly); and
- had between one and nine clients (61% had contact at least weekly).

7.3 Interaction with HMRC

7.3.1 Frequency of contact

Unaffiliated agents deal with HMRC on behalf of their clients. Figure 7.3 shows how often they had contact with HMRC.

Figure 7.3 Frequency of interaction with HMRC



Source: ENGAGEMENTHMRC While handling clients' tax affairs, how often would you say that you have had contact with HMRC in the last 12 months?

Base: All unaffiliated agents (n=301)

The majority of agents interacted with HMRC monthly or less often. Twenty-three percent had monthly contact, while a further eighteen percent interacted every few months. Twenty-four percent contacted HMRC on behalf of clients at most once or twice in the last year, including eight percent who never had.

Subgroups with high client interaction tended to have less frequent HMRC interaction, and vice versa. Among agents with the least amount of contact with HMRC were those who:

- were bookkeepers (35% had contact twice a year or less);
- had between one and nine clients (42% had contact twice a year or less); and
- do not follow any professional standards (44% had contact twice a year or less).

Agents in the ‘confident by-proxy’ typology tended to interact with HMRC less frequently, including 19% who had never had contact.

Thirty-four percent of unaffiliated agents interacted with HMRC at least weekly, including fourteen percent who had daily interaction. Among agents that had the most frequent contact with HMRC were those who:

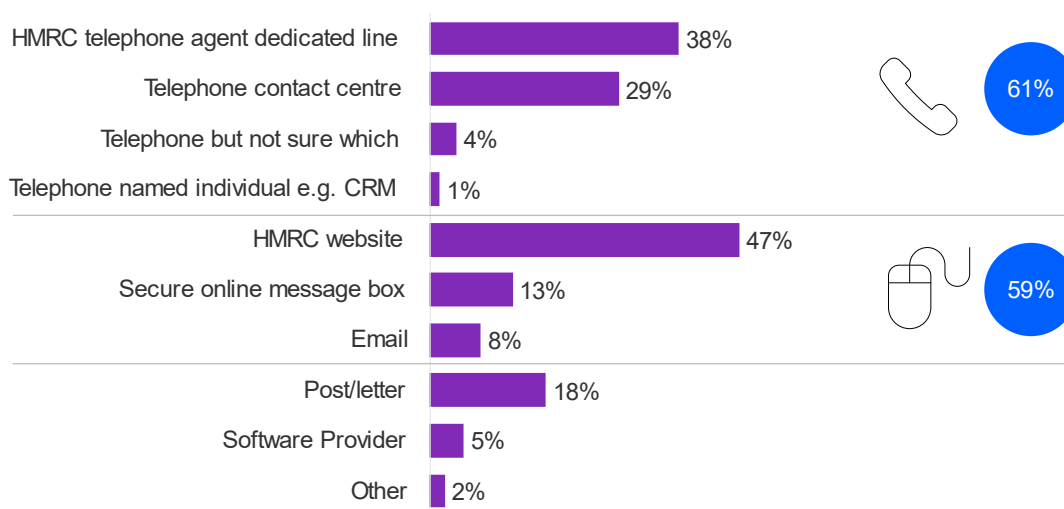
- were accountants (53% had contact at least weekly);
- had more than 250 clients (80% had contact at least weekly);
- held PII (52% had contact at least weekly); and
- served three or more sectors (52% had contact at least weekly).

Unaffiliated agents in the ‘practice makes perfect’ typology interacted with HMRC more frequently. Forty-seven percent had at least weekly contact.

7.3.2 Channels of contact

The survey captured the various channels unaffiliated agents used to contact HMRC. Figure 7.4 shows the channels used most frequently.

Figure 7.4 Channels used to contact HMRC (multiple responses allowed)



Source: CHANNELHMRC In the last 12 months, which channel of contact have you used most often to contact HMRC when dealing with clients' tax affairs?

Base: All unaffiliated agents who contact HMRC (n=271)

Sixty-one percent of agents frequently used one of the telephone channels to contact HMRC. Among all telephone lines called, the Agent Dedicated Line (ADL) was most often used, by thirty-eight percent of agents overall. The ADL was used more frequently among agents who:

- mainly dealt with self assessment (55%);
- were accountants (49%); and
- had more than 250 clients (55%).

Twenty nine percent of agents called the telephone contact centre, which was higher among agents who:

- mainly dealt with PAYE (46%);
- had less than ten years of industry experience (50%); and
- said they followed the HMRC standard for agents (44%).

Overall, fifty-nine percent of agents used one of the digital channels frequently. HMRC's website was the most often used digital channel, by forty-seven percent of agents. Agents who mainly dealt with VAT or who had between one and nine clients were more likely to use the HMRC website (61%, 58% respectively).

8. Conclusions

Relatively few unaffiliated agents said they followed formal standards set by either professional bodies or HMRC. There was a strong perception that standards were effectively set through HMRC regulation and legislation, and because they were working within these 'rules', they were working to a high standard. In the same vein, they tended to think compliant behaviours were demonstrated through accuracy, following guidelines, and following legislation.

The overall population of unaffiliated agents was diverse, but they were universally confident, and in some cases passionate about the work they did. Where they did not apply the technical requirements of a formal standard, they had their own standard or followed their employers code of conduct. In these instances, the standard they worked to did bare some consistency with the PCRT and/or HMRC's standard. They considered honesty and integrity to be markers of quality and evidenced this, in part through lack of concern raised by HMRC.

While not members, views of unaffiliated agents towards professional bodies were generally positive. They acknowledged the role they had in setting standards and providing training and upskilling the industry. But overall, the barriers to membership resonated more strongly.

The reasons for ending a membership, not being a member and not having considered becoming a member were similar. The strongest was that they saw no clear benefit to membership. Most feel it just was not for them. There was a general perception that membership was more appropriate for 'other' agents based on the complexity of the services they provided and the clients they served.

The majority of unaffiliated agents said they would not consider becoming a member. The most frequently mentioned reason was age or retirement, which reflected the older profile of the population. The perceived lack of eligibility, which tended to centre around not having, or being unwilling, to get the required qualifications, was also a relatively frequently mentioned reason for non-membership. In addition, a small number were reluctant to take on the cost when they could get information relevant to their job for free.

Unaffiliated agents confident about the quality of their work felt that PII was not important. Some could rationalise this view if they felt the risk of making a mistake was mitigated through dealing with low amounts of money. Unaffiliated agents with a small client base also saw PII as less valuable as they felt they could sufficiently manage any disagreements, largely because of the nature and closeness of their relationships. However, those with more clients or who dealt with more complex issues recognised the importance of being protected.

Uninsured unaffiliated agents had not given much thought to the possibility of a client seeking compensation due to poor service they had provided. Again, they trusted they could come to an amicable resolution, if any problem arose. The perceived lack of need, and therefore a perception of unjustified cost were the main barriers to getting PII.

Appendix A: Additional data tables

Gender

	<i>Total</i>	<i>Typology</i>				<i>Type of agent</i>		
	<i>All agents</i>	<i>(Close to retirees)</i>	<i>Ambitious expansion-ists</i>	<i>Confident by-proxy</i>	<i>Practice makes perfect</i>	<i>Account-ant</i>	<i>Book-keeper</i>	<i>Other</i>
Male	46%	67%	30%	22%	62%	68%	22%	49%
Female	54%	33%	70%	78%	38%	32%	78%	51%
Unweighted Base	301	63	97	54	87	122	124	55

Which of the following best describes your working status?

	<i>Total</i>	<i>Typology</i>				<i>Type of agent</i>		
	<i>All agents</i>	<i>(Close to retirees)</i>	<i>Ambitious expansion-ists</i>	<i>Confident by-proxy</i>	<i>Practice makes perfect</i>	<i>Account-ant</i>	<i>Book-keeper</i>	<i>Other</i>
Full-time employee (30+ hours per week)	22%	6%	44%	0%	21%	19%	10%	55%
Part-time employee (< 30 hours per week)	5%	5%	4%	6%	7%	4%	4%	11%
Self-employed	55%	60%	51%	70%	46%	55%	69%	24%
Semi-retired	18%	29%	1%	24%	26%	22%	18%	11%
Other	0%	0%	0%	0%	0%	0%	0%	0%
Don't know	0%	0%	0%	0%	0%	0%	0%	0%
Unweighted Base	301	63	97	54	87	122	124	55

Thinking ahead to five years from now, which of the following is more likely...?

	<i>Total</i>	<i>Typology</i>				<i>Type of agent</i>		
	<i>All agents</i>	<i>(Close to retirees)</i>	<i>Ambitious expansion-ists</i>	<i>Confident by-proxy</i>	<i>Practice makes perfect</i>	<i>Account-ant</i>	<i>Book-keeper</i>	<i>Other</i>
I'll be doing the same or a similar type of work as I am now	50%	37%	87%	35%	30%	53%	48%	51%
I'll be working in a completely different field	3%	3%	7%	0%	1%	1%	5%	5%
I will not be working at all or I will be retired	46%	60%	6%	65%	69%	46%	48%	44%
Don't know	0%	0%	0%	0%	0%	0%	0%	0%
Unweighted Base	301	63	97	54	87	122	124	55

What is your ethnic group?

	Total	Typology				Type of agent		
	<i>All agents</i>	<i>(Close to) retirees</i>	<i>Ambitious expansionists</i>	<i>Confident by-proxy</i>	<i>Practice makes perfect</i>	<i>Accountant</i>	<i>Book-keeper</i>	<i>Other</i>
White	91%	90%	88%	94%	94%	91%	93%	91%
Mixed / Multiple ethnic groups	1%	3%	1%	0%	1%	3%	0%	2%
Asian / Asian British	5%	5%	8%	2%	5%	6%	4%	8%
Black / African / Caribbean / Black British	1%	0%	1%	2%	0%	0%	2%	0%
Chinese	1%	0%	1%	2%	0%	1%	1%	0%
Arab	0%	2%	0%	0%	0%	0%	1%	0%
Other	0%	0%	0%	0%	0%	0%	0%	0%
Refused	0%	0%	0%	0%	0%	0%	0%	0%
Unweighted Base	292	59	95	54	84	117	122	53

What was your business' turnover for the last full financial year?

	Total	Typology				Type of agent		
	<i>All agents</i>	<i>(Close to) retirees</i>	<i>Ambitious expansionists</i>	<i>Confident by-proxy</i>	<i>Practice makes perfect</i>	<i>Accountant</i>	<i>Book-keeper</i>	<i>Other</i>
Up to £10,000	25%	30%	18%	44%	17%	14%	40%	15%
Over £10,000 but not more than £60,000	45%	51%	38%	44%	48%	49%	49%	25%
Over £60,000 but not more than £85,000	5%	5%	1%	6%	8%	9%	2%	0%
Over £85,000 but not more than £150,000	6%	2%	7%	0%	11%	8%	3%	7%
Over £150,000 but not more than £250,000	4%	3%	7%	0%	5%	6%	0%	11%
Over £250,000 but not more than £500,000	4%	0%	7%	2%	3%	4%	2%	5%
Over £500,000 but not more than £660,000	1%	2%	3%	0%	0%	1%	0%	5%
Over £660,000 but not more than £1million	0%	0%	0%	0%	1%	1%	0%	0%
Over £1million but not more than £2million	1%	2%	3%	0%	0%	2%	1%	2%
Over £2million but not more than £5million	1%	0%	2%	0%	0%	0%	0%	4%
Over £5million but not more than £10million	0%	0%	0%	0%	1%	0%	0%	2%
Over £10million	1%	0%	4%	0%	0%	1%	0%	5%
Refused	2%	5%	2%	0%	1%	4%	0%	2%
Don't know	4%	2%	7%	4%	3%	2%	2%	16%
Unweighted Base	301	63	97	54	87	122	124	55

Is your business...

	Total	Typology				Type of agent		
	All agents	(Close to retirees)	Ambitious expansion-ists	Confident by-proxy	Practice makes perfect	Account-ant	Book-keeper	Other
A sole trader	70%	78%	55%	96%	64%	66%	90%	35%
A partnership	6%	10%	5%	2%	7%	10%	2%	5%
A limited liability partnership (LLP)	2%	0%	7%	0%	0%	2%	0%	9%
A private limited company (LTD)	22%	13%	33%	2%	29%	23%	8%	51%
A public limited company (PLC)	0%	0%	0%	0%	0%	0%	0%	0%
Other	0%	0%	0%	0%	0%	0%	0%	0%
Don't know	0%	0%	0%	0%	0%	0%	0%	0%
Unweighted Base	301	63	97	54	87	122	124	55

Approximately how many clients does your business have in total?

	Total	Typology				Type of agent		
	All agents	(Close to retirees)	Ambitious expansion-ists	Confident by-proxy	Practice makes perfect	Account-ant	Book-keeper	Other
1 - 9	36%	37%	37%	65%	17%	17%	67%	9%
10 - 49	26%	29%	20%	20%	34%	25%	23%	33%
50 - 99	10%	17%	5%	9%	11%	16%	5%	9%
100 - 249	14%	8%	22%	6%	14%	23%	4%	15%
250 - 499	7%	3%	5%	0%	15%	10%	1%	13%
500+	7%	5%	10%	0%	8%	7%	0%	20%
Don't know	1%	2%	1%	0%	0%	1%	0%	2%
Unweighted Base	301	63	97	54	87	122	124	55

Which of the following describes your main types of client?

	<i>Total</i>	<i>Typology</i>				<i>Type of agent</i>		
	All agents	(Close to retirees)	Ambitious expansion-ists	Confident by-proxy	Practice makes perfect	Account-ant	Book-keeper	Other
Private individuals	55%	51%	48%	50%	68%	63%	43%	64%
Sole traders - that's self-employed people with no employees	69%	75%	64%	52%	82%	84%	56%	67%
Small businesses, those with turnovers of less than £10m	83%	83%	84%	89%	78%	83%	85%	76%
Mid-sized businesses, those with turnovers of £10m to £200m	5%	0%	8%	4%	6%	1%	2%	20%
Large businesses, those with turnovers of £200m or more	2%	0%	3%	0%	2%	2%	0%	5%
It varies	0%	0%	1%	0%	0%	0%	0%	2%
Other	2%	3%	1%	0%	2%	2%	2%	2%
Don't know	0%	0%	0%	0%	0%	0%	0%	0%
Unweighted Base	301	63	97	54	87	122	124	55

Appendix B: Further technical description

Definitions used to derive the agents' typologies in the survey data

Agent typologies were developed using data from the qualitative interviews. Key differentiators were used to approximate the typologies in the survey data so that they matched the descriptions. The process of defining typologies in the survey data was iterative, and qualitative in nature. It did not rely on complex multi-variate analysis.

If the agent met the criteria for more than one typology, they were assigned the highest one, according to how they are listed in this table.

Typology	Qualitative description	Definition in survey data
(Close to) retirees	These agents had 'been there done that'. They were older and close to retirement, if not already semi-retired. They tended to be very experienced, and mostly highly qualified, though some joined the profession when qualifications were not always necessary.	Age = 55+ and Qualification = professional body or university
Ambitious expansionists	These agents were keen to expand their business or progress their career, even if they might not be in a position to do so at that moment in time. They were ambitious and were often at the start of their career. They were most likely to consider professional body membership, particularly if they thought it would be helpful for networking or marketing purposes.	Age = 18 - 64 and Plans in 5 years = same or similar work and Qualification = professional body or university or 'other' (not just secondary school) and Employment status = employee or self-employed
Confident by-proxy	These agents did straightforward, repetitive work. They were mostly bookkeepers, who were confident in their skills and the quality of their work. But their work was likely to be checked – either by peers (colleagues or associates) or their client's accountant – so did not necessarily consider themselves fully accountable for the work they produced.	Agent type = bookkeeper and Qualification = Just secondary school or no qualification
Practice makes perfects	These agents had learnt on the job, predominantly gaining their knowledge through practice and experience. They did not feel they needed qualifications for their everyday work and were therefore more resistant to formal upskilling.	All remaining unaffiliated agents