



ForrestBrown®  
R&D tax credit consultancy

aat

# What you should know **before** appointing an accountant or tax adviser

How to protect your financial interests

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# Foreword



AAT is a professional body with almost 140,000 members including over 5,000 AAT licensed accountants who provide tax and accountancy services to more than 500,000 individuals and small businesses across the UK.

We have been campaigning for compulsory professional body membership for more than a decade. Membership ensures that consumers and small businesses only receive advice from those who are appropriately qualified, undertake regular CPD, hold adequate insurance, are subject to monitoring, review, complaints, and disciplinary processes and more.

Why? Because that's the best way to protect consumers and small businesses, save the taxpayer money, help the British economy, and enhance the credibility and reputation of the accountancy and tax advice professions.



R&D tax credit consultancy

ForrestBrown is a specialist R&D tax consultancy. Formed in 2013 and a member firm of a professional body since inception, professional standards have always been at the heart of our culture.

As a member firm of the Chartered Institute of Taxation (CIOT), we helped to form the CIOT/ATT professional standards working group which produced guidance on professional conduct in R&D tax advice.

We believe that reputable advisers, alongside professional bodies and HMRC, have an active role to play in raising awareness of professional standards and protecting more businesses from poor advice.

As well as supporting compulsory professional body membership for R&D tax advisers, we have actively campaigned for greater awareness of the risks of poor advice. Businesses can and should choose a tax adviser wisely. The right choice can make a big difference.

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**Find your accountable  
accountant now**

# What you should know about accountants

Accountants are expected to be reliable and trustworthy. For example, when you apply for a new passport, ‘accountant’ heads the list of professions that the Government accepts to verify your identity.

The trouble is, not all accountants are the same.

## Not all accountants are accountable.

The surprising fact is that anyone can call themselves an accountant – without taking an appropriate qualification or meeting any objective standards.

Around one-third of all accountants practising in the UK are not members of a professional body.

**“If I go and see a doctor, I need to know that the doctor is, in fact, a doctor. Most people in the general public have absolutely no knowledge that the accountant down the street is completely unqualified and has no Professional Indemnity insurance.”**

**Gary Ashford**  
Chartered Institute of Taxation

### One third of high street accountants are unregulated. Here’s what this means:

	Unregulated accountant	Professional body member
Must hold an appropriate professional qualification	✗	✓
Required to keep their knowledge up to date (even in a financial crisis following a pandemic)	✗	✓
Subject to any ethical code, supervision or monitoring	✗	✓
Obligated to hold insurance to cover their customers when things go wrong	✗	✓

# What you should know about tax advisers

Let's start with general accountancy services. Two-thirds of complaints to HMRC about tax are about the one-third of accountants and advisers who are unregulated.

Unregulated accountants and agents are more likely to promote tax evasion and money laundering activities, whilst their mistakes and errors can leave many taxpayers with large and unnecessary fines and penalties.

Most people are simply unaware of these facts – and the risks they could be exposing themselves to by using an unregulated accountant or adviser.

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**“If small business owners aren't aware that people without appropriate qualifications or recognition can operate as an accountant or tax agent, there is an inherent risk of inappropriate advice.”**

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**Philip King**  
Interim Small Business Commissioner

An independent survey of over 1,000 individuals and business owners found that:

**6 out of 10**

people had no idea accountants could practise without a qualification.<sup>1</sup>

**59%**

believe continuing professional development should be compulsory.

**57%**

believe membership of a professional body should be compulsory.

**63%**

believe being appropriately qualified should be compulsory.

<sup>1</sup> The research for AAT was carried out online by Opinion Matters from 19–24 February 2021 amongst a sample of 1,028 people/businesses that have used an accountant or tax adviser.

# What you should know about tax advisers

A similar picture emerges in the specialist field of R&D tax advice. The generous nature of the Government's tax incentives for R&D makes this an attractive market for advisers to enter.

What most businesses aren't aware of is that anyone can call themselves an R&D tax specialist, even if they lack any relevant training, skills or experience.

Some advisers, like ForrestBrown, are members of professional bodies and subject to Professional conduct in relation to taxation (PCRT). Many others aren't – and the consequences for businesses who fall foul of bad advice can be damaging.

**A survey of more than 2000 business owners<sup>2</sup> found that:**

## 90%

of business decision-makers did not know that R&D tax advice is unregulated.

## 43%

Over two-fifths (43%) of respondents incorrectly thought HMRC was responsible for regulation.

## 24%

Nearly a quarter who have engaged with an adviser cited convenience as the most important factor in choosing an R&D tax adviser – illustrating a lack of due diligence on their behalf.

<sup>2</sup> Research carried out by YouGov plc. The total sample size was 2,004 senior decision makers. Fieldwork was undertaken between 6–15 October 2020. The survey was carried out online. <https://forrestbrown.co.uk/news/yougov-r-and-d-relief-survey-report/>

# Real-life examples of costly mistakes

Employing an unregulated accountant can appear to be a money-saver. But businesses can pay dearly through missed opportunities, fines and even fraud.

Seven out of ten AAT members say their clients have suffered trauma and loss at the hands of unregulated accountants. Here are some of the stories they shared with us.

## 77%

of AAT accountants said they had witnessed malpractice by unregulated agents.

## 68%

said unregulated accountants had caused their clients harm.<sup>3</sup>

## 44%

said the situation had worsened in the pandemic.

### Client facing bankruptcy over made-up figures

One client employed an unregulated accountant who had no understanding of VAT. They made up VAT figures and left that client on the verge of bankruptcy.

Another example is a client who was asked to pay his Corporation Tax to the “accountant” before going on holiday, even though it was not due. She made a payment of £1,200 instead of £12,000 and kept the difference. She later admitted she had money issues and paid it back over 12 months.

**Fellow Member of AAT, working in practice**

<sup>3</sup> Opt-in survey of AAT members conducted by Redactive. 239 AAT members responded to the survey, which was conducted between 18 March and 15 April 2021.

# Real-life examples of costly mistakes

## £2 million black hole covered up

I saw an unqualified accountant who lost control of the finance function in a business. As a result, the business ended up with a £2 million deficit that was covered up.

**Member of AAT, working in practice**

## Facing eviction because of bad advice

A self-employed client left me for another firm that offered to reduce their tax bills annual fees.

Three years later, the client returned to me. The unregulated accountant couldn't help with their queries, weren't knowledgeable about tax fundamentals, and were unscrupulous.

HMRC was investigating the client. They were accused of fraud over adjustments that the unregulated accountant had recommended for personal home renovations. The accountant advised that HMRC would never know as the client was a construction business.

Because of the amount of tax evasion and the penalties involved, they were at risk of losing their home.

Previously when I acted for them, they were a very genuine couple who worked really hard. There had been no hint of them undertaking such illegal or risky practices.

**Fellow Member of AAT, working in practice**

## Failure to register for VAT led to £40,000 bill

A client was not told they needed to register for VAT by their previous advisor. After five years, HMRC found out. The unregulated accountant just buried their head in the sand. The client believed the unregulated accountant was dealing with the issue, but they weren't. HMRC then threatened the client with formal proceedings due to lack of response and cooperation. They sought our services and we had to revisit and rework his accounts covering the five years.

The client ended up with a VAT and tax bill of over £40,000. He had to use his mortgage deposit to settle the tax account, which meant two more years in overcrowded rental accommodation with a young child.

**Fellow Member of AAT, working in practice**

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**“The public needs to know that it is dealing with professionally qualified individuals who are up to date and have committed to the standards and ethics expected of them.”**

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**Mark Walley**  
CEO, STEP

# Real-life examples of costly mistakes

When errors are made in tax advice, the results can be expensive, stressful and very time-consuming. Professionally qualified tax advisers can help you steer clear of danger. Risk takes many forms, especially in R&D tax advice. With so few R&D tax advisers being members of professional bodies, real-life examples of poor advice are worryingly common.

## HMRC seek over £100,000 in underpaid tax

This company had claimed R&D tax relief for several accounting periods. Their unregulated agent inflated the company's claim to a very high value, with little justification. When HMRC opened an enquiry, the adviser was unable to defend their work.

The errors identified led the tax authority to look at historical claims too. The company is now working with ForrestBrown's team to reach a resolution to the ongoing enquiry cases.

## Agent fails to answer basic questions about £500,000 R&D claim

When HMRC opened an enquiry into an R&D claim prepared by this unregulated agent, the adviser was entirely unable to help. The adviser on their case was actually a freelancer and had left figures that could not be verified, no supporting documentation and project descriptions that bore little resemblance to the actual R&D work carried out.

With HMRC's patience at an end, the company faced a substantial bill to repay what had been claimed.

## R&D agent refuses to share claim documentation with client

When this company received an enquiry from HMRC into their R&D tax relief claims, they quickly became concerned at the lack of responsiveness from the unregulated R&D agent. The agent missed HMRC deadlines and failed to answer all of the questions posed.

The company requested copies of the documentation filed with HMRC from their R&D agent. The request was denied several times, causing substantial delays in progressing the enquiry.

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**“To the person in the street, it can be very difficult to tell if someone has the appropriate experience or qualification. I support requiring tax agents to be members of professional bodies.”**

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**Stephen Herring**  
Former Head of Taxation, Institute of Directors

# AAT and ForrestBrown champion consumers

The Government is concerned by the mounting evidence of tax avoidance, unethical and even illegal behaviour by unregulated accountants and tax advisers. As a result, it is looking at ways to raise standards and protect consumers. 2020 saw the launch of a significant Government consultation into raising standards in the tax advice market.

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**“There needs to be a bond of trust between business and adviser and we encourage founders to check that accountants are members of certified and regulated bodies so trust can flourish.”**

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**Emma Jones** CBE  
Founder, Enterprise Nation

This consultation is ongoing, with the latest review looking at whether to require firms providing tax advice to hold professional indemnity insurance (PII).

Members of professional bodies are already required to hold PII, but they are also held to high standards of professional conduct via their memberships. Simply requiring unregulated tax advisers and accountants to hold PII will do nothing to address the causes of incompetence, poor advice and in some cases, dishonesty.

In his Budget 2021 address, Chancellor Rishi Sunak also announced a broad consultation on private-sector R&D investment in the UK.

The R&D tax relief consultation explores how this investment is supported or otherwise affected by the R&D tax relief incentives, and where changes may be appropriate, citing specifically the behaviours of some R&D agents in the market.

Along with AAT, ForrestBrown believes that professional body membership should be compulsory for anyone providing paid-for tax and accountancy services.

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**“The lack of regulation in the tax profession means there is limited or no consumer protection. I strongly support the idea that the practice of tax should be regulated.”**

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**George Bull**  
Partner, RSM UK

# How to look after your interests

From reading this interactive guide, you can see that buying accountancy or tax services on price alone is fraught with incredible risk.

According to research carried out by YouGov<sup>4</sup>, over a quarter of businesses choose an R&D tax adviser based on convenience, with price also ranking worryingly high on the agenda.

So, how can you look after your interests while the Government considers whether or not to provide consumers with more protection?

It will take time for the law to be changed to protect consumers. In the meantime, be an aware buyer:

Here are the essential questions we recommend you ask your accountant or tax adviser:

**Are they appropriately qualified?** Members of the tax and accountancy professional bodies will have passed numerous exams.

**Do they undertake regular CPD?** Professional body members are required to carry out CPD to keep their knowledge up to date. They must ensure that they have relevant expertise before they offer you any advice.

**Do they hold PII?** It is a requirement of membership for professional firms to hold PII, which protects you as their client if something goes wrong.

**Are they subject to a formal disciplinary procedure in the event of complaints?** If you are unhappy with the service provided to you by a member of a professional body, the body will step in to address your concerns.

**Are they signed up to PCRT?** This is a strict code of professional conduct that all professional body members are subject to. It informs the firm's training, behaviours and internal processes, as well as their marketing communications and how they charge fees. It ensures that professional body members cannot encourage tax evasion or money laundering.

Can they provide evidence of the above?



**If your accountant or tax adviser is a member of a recognised professional body, the answer to all these questions is 'yes'.**

<sup>4</sup> Research carried out by YouGov plc. The total sample size was 2,004 senior decision makers. Fieldwork was undertaken between 6–15 October 2020. The survey was carried out online. <https://forrestbrown.co.uk/news/yougov-r-and-d-relief-survey-report/>

# Find your accountable accountant **now**

It's critical that businesses and consumers are able to find a skilled professional that is fit for purpose.

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Find your match now, using our licensed member directory

▶ [Check the directory](#)

AAT provides two types of license to businesses – **AAT Licensed Bookkeeper** and **AAT Licensed Accountant** – both of which should be renewed annually.

You can find AAT licensed companies in our **online directory**.

## ForrestBrown®

R&D tax credit consultancy

Professional standards have always been at the heart of ForrestBrown's culture.

Want to know how to protect your business by choosing the right R&D tax adviser?

▶ [Find out how](#)

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**40**  
CHANGING  
LIVES FOR  
40 YEARS