



IS YOUR ACCOUNTANT A REAL ACCOUNTANT?

In the UK, ‘accountant’ isn’t a legally protected title, explains We Are Pi founder Angelique Wright

HMRC is on a mission to fill the tax gap (the difference between the amount of tax it expects to collect and what is actually paid). Its analysis indicates that the largest component of this gap is represented by non-compliant small businesses.

I have been running my accountancy practice for more than 20 years and wish to share with you some of the horror stories we have experienced. I hope it will cause you to reflect on your taxes, including where you get your tax advice, what can go wrong and what actions you can take if this process of reflection leads you to feeling uncomfortable.

Getting tax advice

Let’s start with an interesting statistic. HMRC tells us that around one third of all tax practitioners are believed to be unregulated or not a member of a professional body. It also tells us that these practitioners generate around two thirds of agent-related complaints reported to HMRC. It does not necessarily follow that your tax affairs get extra attention if you use such a practitioner, but one wonders why HMRC assembles

this statistic if it were not to have some effect on its approach.

We have just entered a challenging new era in accessing a tax practitioner. You may have read about HMRC’s Making Tax Digital (MTD), the new approach to small businesses that have low levels of turnover (e.g. currently under £50k but destined to get lower over the next two years). In summary, it requires quarterly submission of your profits in a prescribed digital form. HMRC estimates that one million of these businesses have no accountant or tax adviser today. Some may feel equipped to handle this new regime, but based on our experience of new client requests, many do not. It is self-evident that finding a quality adviser is going to be challenging.

It has often struck me that small businesses do not apply the same level of due diligence to choosing an accountant that they routinely apply to choosing other suppliers of goods and services. I encourage you to be diligent.

Among the things I suggest you do is ask for a random selection of references from existing clients and obtain agreement on performance targets to include response times and the like.

COMMON HORROR STORIES

- **LATE FILINGS AND MOUNTING PENALTIES**
We have seen clients spend years worrying while returns were filed late again and again, with penalties continuing to build.
- **VAT REGISTRATION ERRORS**
Late VAT registrations are actioned up to three years late. In some cases, advisers knew registration was overdue yet reported an incorrect date to HMRC. Late registrations and penalties causing severe financial difficulties to business owners.
- **PAYROLL AND PAYE FAILURES**
Payroll left unprocessed and or returns not filed. In other cases, dividend distributions were recorded as salary despite no PAYE scheme being registered with HMRC. In one example, a PAYE scheme was closed partway through the year for no clear reason.
- **WEAK BOOKKEEPING AND INCOMPLETE ACCOUNTS**
Bookkeeping records not reviewed or corrected for errors, or finance agreements and assets being misclassified.
Accounts do not match the supporting notes. In some cases, the notes state there are no assets even though the figures show otherwise.
One sole trader was asked by his adviser to text the total sales and costs, then used the figures from the text to file his figures with HMRC.
In another case, a company director was asked to complete a monthly cost spreadsheet but could not get clarification on what to include. At year-end, the accounts were prepared without that information and showed only one figure for sales. No costs were claimed.
- **MISSED TAX PLANNING ADVICE**
Most concerning are advisers avoiding requests for basic business advice; a lack of professional knowledge should be a key alert to a business owner.

In short, taxes may be unavoidable, but unnecessary stress caused by those in whom you put your trust, large penalties and expensive surprises should not be part of the package.

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