



**Chartered
Institute of
Taxation.**

Compulsory Professional Indemnity Insurance Regulations

Effective from 1 January 2023

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With effect from 1 January 2023 (“the Specified Date”) the following regulations apply.

In these regulations words in the singular include the plural and words in the plural include the singular.

1. Definitions

The following definitions apply for the purposes of these regulations.

‘**ADIT**’ affiliate means an individual who has passed the ADIT exams and has subscribed to become an ADIT Affiliate.

‘**ATT**’ means Association of Taxation Technicians.

‘**CIOT**’ means Chartered Institute of Taxation.

‘**Council**’ means the governing body of the **CIOT** or **ATT** as appropriate.

‘**Director**’ means a director (executive or non-executive) who is on the board of directors of a company providing **taxation services** and registered at Companies House. For the avoidance of doubt, it does not include members who hold the title ‘Director’ but who are not registered at Companies House.

‘**Firm**’ means a sole practitioner; a partnership; a limited liability partnership or a body corporate or unincorporated which provides **taxation services**.

‘**Gross fee income**’ should ordinarily be the aggregate of professional fees, net of VAT, disbursements and all other income earned in respect of, and in the course of, business during the accounting year immediately preceding the year in question.

‘**HMRC**’ means Her Majesty’s Revenue and Customs. All references in this document to **HMRC** also apply to devolved tax authorities.

‘**Member**’ means a member of the **CIOT** or the **ATT** and for these purposes includes students and **ADIT** Affiliates.

‘**Member in practice**’ is a **member** who provides **taxation services** on a full-time or part-time basis as a sole practitioner, a member of a partnership, a member of a limited liability partnership, a proprietor of an unincorporated body, or a **director** (registered at Companies House) of a company providing **taxation services**.

‘Principal’ means a sole practitioner, partner, member of a limited liability partnership or **director** (registered at Companies House) in a **firm** providing **taxation services**.

‘Pro bono work’ means, for the purposes of these regulations and related guidance, professional work undertaken voluntarily and without payment (although all reasonable expenses may be reimbursed). Pro bono work in this context does **not** include services provided by a **firm** at no charge as part of a business development or other commercial initiative.

‘Taxation Disciplinary Board’ means the independent body set up to run the complaints and disciplinary scheme for the **CIOT** and **ATT**.

‘Taxation services’ are services in relation to taxation and include the preparation and submission of tax returns, advice on tax planning, representation and defence of taxpayers before authorities and courts and the provision of overall advice, including the implementation of such advice, in the area of taxation and the complementary accounting and legal service, which are provided, as a chartered tax adviser or as a taxation technician, with the intention that another person, body or organisation should rely on such services. For the avoidance of doubt taxation includes direct taxes, indirect taxes, NIC and any welfare or other benefits administered by **HMRC** (or any further tax or benefits related measures introduced under future legislation).

‘Territorial scope’ of these regulations is the UK. The regulations apply to members in practice based in the UK and members in practice based in any other country providing services to clients based in the UK.

2. Compliance

- 2.1 Every **member in practice** within the **territorial scope** of these regulations shall ensure that their **firm** holds professional indemnity insurance in accordance with paragraph 4.1 below.

3. Exemptions

- 3.1 A **member** who carries out **pro bono work** is exempt from the requirement to hold professional indemnity insurance cover for that work but is required to consider whether PII would be beneficial for the protection of the recipient of the services and the member. The member must be transparent with those they provide services to where no cover is in place.
- 3.2 A **member** who works on a subcontract basis (whether on a self-employed basis or through a limited company) providing **taxation services** must ensure their **firm** holds professional indemnity insurance unless they have written confirmation from the contracting firm that:
- it has named the subcontractor on its own professional indemnity policy; and

- the insurer has waived its right to subrogation in relation to the subcontractor.

3.3 A **member** who is an employee is not required to take out PII cover in their own name whilst working in that role.

3.4 A retired member is exempt from the requirement to hold professional indemnity insurance (with the exception of meeting the PII run off requirements as set out in paragraphs 7.1 and 7.2 below). If the retired member undertakes **pro bono work** they should comply with the requirements set out in 3.1.

3.5 Where a **firm** is based outside the UK and cannot obtain PII cover for the work undertaken for UK based clients which meets the requirements under paragraph 4.1 below, they are exempt from the full requirements but must obtain the nearest equivalent cover in the territory where they are based. They must be transparent with their clients about the level of PII in place.

4. Requirements for Professional Indemnity Insurance cover

4.1 Subject to the exemptions set out in paragraphs 3.1 to 3.5 above the insurance required to satisfy the obligations of paragraph 2.1 above means insurance which:

- a. is either:
 - i. underwritten by an insurer for the time being authorised by law to carry on in the UK insurance business in respect of the specified risks referred to in this paragraph; or
 - ii. if not so authorised is an insurance arrangement recognised and approved by a member of the Consultative Committee of Accountancy Bodies, The Law Society or The Bar Council.
- b. covers all civil liability, including costs and expenses, incurred in connection with the provision of or the offering of **taxation services**;
- c. meets the required limit of liability set out in paragraph 5 below;
- d. save in the case of sole practitioners, is not avoidable by reason of any misrepresentation or non-disclosure or any other act or default of the insured; and
- e. in respect of which all premiums have been paid as and when they fall due.

5. Required Limit of Liability

5.1 Except where the exemptions in paragraphs 3.1 to 3.5 apply or where paragraph 5.2 applies, the annual minimum limit of indemnity for each and every claim is £1 million.

5.2 Where the **firm's gross fee income** is less than £400,000, the required annual minimum limit of indemnity for each and every claim is the greater of:

- 2.5 x the **gross fee income**; and
- £100,000.

5.3 The insurance policy may include an excess provided that this excess does not exceed £30,000 per **principal**. Where a **firm** has subsidiary **firms** or associated **firms** and holds a group PII policy the excess may be calculated on a group basis. Before agreeing the level of excess, if any, to be included in the policy the **firm** must satisfy itself that it would be able to meet the cost of the excess element of any claims which might arise.

6. Cover not available

6.1 Where a **member in practice** is unable to obtain professional indemnity insurance complying with the regulations they must notify the **CIOT** or the **ATT** as soon as the situation arises by contacting the Head of Professional Standards for the **CIOT** and **ATT** (standards@tax.org.uk or standards@att.org.uk).

7. Continuity following cessation

7.1 **Members** must ensure that professional indemnity insurance is in place for a period of not less than six years after they cease to be a **member in practice**.

7.2 If a **member** has sold their **firm** they do not need to obtain cover if there is explicit agreement set out in the purchase agreement that the purchaser will provide the professional indemnity cover for the seller's business for a period of not less than six years after they cease to be a **member in practice**. Such professional indemnity insurance shall be on terms satisfying the requirements of the professional indemnity insurance regulations as applied to their **firm** during the year immediately preceding such cessation.

8. Compliance with Professional Indemnity Insurance Regulations

- 8.1 All **members** shall be obliged to provide to the **CIOT** or the **ATT** as and when required to do so by or under the authority of the relevant **Council** such evidence that may be sufficient to satisfy the **CIOT** or the **ATT** as to compliance by such **member** with their obligations under these regulations.
- 8.2 Each **member** required to hold professional indemnity insurance cover must, on request, provide the **CIOT** or the **ATT** with their professional indemnity insurance certificate and a copy of the insurance policy.
- 8.3 Failure to comply with the professional indemnity insurance regulations may result in disciplinary action being taken against the **member** by way of referring the matter to the **Taxation Disciplinary Board**.