

Should tax preparers be registered in Canada?

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In the tax profession, there are a number of issues that bug me. For example, the absence of a tax specialist designation in Canada to help the public distinguish between non-tax specialists and tax specialists bugs me. I first wrote about this issue in our July 11, 2011 [blog](#). The fact is that I've held this view for well over a decade... it's important to ensure that the public is better served.

Another issue bugs me. Why is it that many professions are regulated, like cosmetology, but tax return preparation is not? Notwithstanding that Moodys' professional services do not really include Canadian tax compliance (we prefer to work with the client's existing tax preparers), the tax preparation industry is a large one and is unregulated. Anyone who wants to prepare tax returns for a fee in Canada is free to do so. Over the years, I've seen some very poorly prepared tax returns that were ticking time bombs for the client / taxpayer. In other cases, the professional preparer simply made errors. In many cases, I believe, the tax laws have simply become too complex for the average tax preparer to understand unless they are a tax specialist. Thank goodness for good tax software. Unfortunately, though, tax software is not fool-proof and requires the astuteness of the operator to ensure that there are no errors.

One would argue, however, that a shrewd consumer will always be able to determine a tax preparer's qualifications to handle their needs, and therefore, regulation is not needed. I don't buy that logic. In many cases, I've seen sophisticated people simply select the cheapest service provider thinking that the tax preparer is on equal footing with other more qualified but more expensive providers.

I can only guess, since I don't have the statistics at my fingertips, that untrained tax preparers cost the Canadian government tremendous amounts of inefficiencies. This is in addition to the cost to the consumer in the form of missed tax deduction and credits, not to mention the cost of errors and the time and money subsequently expended to resolve, including the potential assessment of penalties and arrears interest by the Canada Revenue Agency ("CRA"). Further, I believe that the non-regulation of the tax preparation industry in Canada makes it easier for inappropriate aggressive tax avoidance to occur (like certain charitable tax shelters).

In the US, the government obviously believes that regulation of the tax preparation industry is important. Today, a paid preparer of US tax returns must register for a "[PTIN](#)." Similar registration requirements exist in Australia. The [UK also appears interested](#) in exploring an enrollment or certification system for tax preparers.

At the 2010 STEP National Conference, The Department of Finance was asked whether or not a US style tax preparer registration system was looming for Canada. The answer provided made it seem like the Government of Canada was not interested. However, at a recent tax conference that I was a speaker at, I participated in a Roundtable Q&A session with the CRA. One of the questions dealt with "tax intermediaries." Based upon the answer provided, it is obvious that the CRA is watching the US, Australia and UK experience closely and might be interested in a similar registration system for Canada.

Stay tuned... I don't think we've seen the end of this story. Hopefully we see a positive result soon.