

Do I need a practising certificate?

This factsheet examines the requirements for holding an ACCA practising certificate. It considers those areas of work where a practising certificate is required, but also the limited range of services that may be provided by a student or a member who does not hold a practising certificate. This factsheet provides examples, but does not address all possible circumstances, and members and students should contact ACCA if they are unsure about the requirements in a given situation.

This document has no regulatory status. It is issued for guidance purposes only. Nothing contained in this document should be taken as constituting the amendment or adaptation of the ACCA Rulebook. In the event of any conflict between the content of this document and the content of the *ACCA Rulebook*, the latter shall at all times take precedence.

ACCA's Global Practising Regulations 2003 (GPRs) require any member who is a principal in an accountancy practice to hold an ACCA practising certificate. This is the case even if the member holds a local licence for the region in which he or she practises. In other words, any member working in public practice, other than an employee or subcontractor (either of whom must be appropriately supervised), must hold an ACCA practising certificate.

An ACCA student is not permitted to engage in public practice. Throughout the remainder of this factsheet, any reference to 'a member' or 'members' is deemed to apply equally to 'a student' or 'students' respectively, except that a student may not apply for an ACCA practising certificate.

Meaning of public practice

The definition of public practice in the GPRs is reproduced below.

ACCA's definition of public practice work extends beyond audit and other regulated work, to incorporate all types of work generally associated with an accountancy practice, but excluding book-keeping services. For example, public practice work will include:

- Producing accounts that a third party relies on
- Preparing personal or corporate tax returns (even where the client submits them directly to the tax authorities)
- Preparing a report or certificate concerning a person's financial affairs that will be seen by a third party (including, for example, confirmation to a potential lender of a person's income).

In undertaking such work, a member will need to hold an ACCA practising certificate.

The definition of book-keeping services is set out in the Membership Regulations 1996. These services are restricted to the recording of basic accounting data. This includes:

- The preparation of accounting records to trial balance stage
- Maintaining clients' records in respect of payroll and employment taxes
- Maintaining basic sales tax records such as VAT.

For the avoidance of doubt, the taking of decisions usually reserved for management, or the provision of advice to clients, would be indicative of services beyond basic book-keeping.

4 Meaning of public practice

(1) Activities

Subject to regulation 4(3), public practice, which may be carried on by an individual or a firm (the 'practitioner'), means:

- (a) accepting an appointment as an auditor; and/or
- (b) signing or producing any accounts or report or certificate or tax return concerning any person's financial affairs, whether an individual sole-trader, an unincorporated body or a firm, in circumstances where reliance is likely to be placed on such accounts or report or certificate or tax return by any other person (the 'third party'), or doing any other thing which may lead the third party to believe that the accounts or report or certificate or tax return concerning the financial affairs of such a person have been prepared, approved or reviewed by the practitioner; and/or
- (c) holding oneself or itself out, or allowing oneself or itself to be held out, as being available to undertake the activities referred to in (a) and (b) above (and allowing oneself to be known as a, or a firm of 'Chartered Certified Accountant(s)', 'Certified Accountant(s)', 'Chartered Accountant(s)', 'Accountant(s)' or 'Auditor(s)' or any similar description or designation standing for any such description in the context of the practitioner's business shall be regarded as an example of such a holding out); and/or
- (d) holding oneself out, or allowing oneself to be held out, as a sole proprietor, partner or director of a firm, or designated member or member of a limited liability partnership, where public practice is carried on.

Book-keeping services, as defined in paragraphs 8(2)(a)(i) to 8(2)(a)(iii) of the Membership Regulations 1996, do not constitute public practice.

Common issues

Problems can arise where members undertake work that falls on the fringes of the definition of public practice. The *ACCA Rulebook* cannot prescribe precisely what will or will not fall outside the definition of public practice. The principle that is paramount is that, as an ACCA member without a practising certificate, you must not provide (or offer or appear to be offering) public practice services. However, offering basic book-keeping services is permitted.

Basic book-keeping is restricted to the recording of data. In other words, it is the maintenance of financial records, whether those records are

- books of prime entry and ledgers leading to the production of a trial balance,
- reconciliations and other schedules that control the processing of accounting data, or
- records for the purpose of maintaining a payroll or compiling a VAT return (or similar sales tax return).

It is easier to state those activities that you are not permitted to provide without holding a practising certificate, because they go beyond basic book-keeping, than to state the complete range of activities that are permitted within the term 'basic book-keeping'. The GPRs are quite clear in prohibiting the production of accounts, reports, certificates or tax returns where reliance is likely to be placed on them by a third party. In addition, the 'badges' of public practice might be said to include:

- Exercising judgement in areas usually reserved for management
- Providing advice to your clients
- Adding value to, or enhancing the credibility of, a report or other document through your involvement in its preparation or submission.

Preparation of accounting records to trial balance stage

In the context of maintaining a client's books of prime entry and ledgers, as already stated, this may lead to the production of a trial balance (either using computer software or manually). However, if you are an ACCA member without a practising certificate, you must not provide advice or interpretation based on that trial balance.

Book-keeping software will often enable the user to generate reports without any further processing of the data, and without the need to exercise additional professional skills or judgement. In such cases, book-keeping services may extend to the generation of such reports but, of course, advice or comment based on those reports must not be offered.

Where data has to be further processed in order to produce reports for management, this is only permitted under certain circumstances. For example with regard to the preparation of management accounts, where the management accounts are to be used solely by your client for internal purposes, the conversion of the trial balance into management accounts (or other management information) falls outside the definition of public practice. However, where the management accounts are to be passed to a third party, most commonly a bank, this is public practice work, regardless of whether the third party is aware of your involvement.

In practice, the book-keeper is unlikely to be in a position to prevent a client submitting management accounts to a bank (or other third party). Therefore, an activity that may be deemed to be a book-keeping activity at the time the report was generated may subsequently be regarded as a public practice activity because the client forwards the report to a third party. As an ACCA member, you are required to comply with ACCA's Code of Ethics and Conduct. In the context of this discussion, this means that you must try to

dissuade your client from forwarding to a third party management accounts that you have prepared. If your client ignores your wishes, you should consider resigning from the engagement.

If you intend to continue to provide book-keeping services, you must recognise that it is possible to 'drift' into difficult situations. Therefore, you must minimise the risk that you will inadvertently start to perform (or be pressurised to perform) public practice services. For example, your engagement letter with the client might state that any reports produced will be for the use of the client only, and the reports themselves might carry a statement that they are not to be provided to third parties.

Payroll services

When considering the payroll services you may provide without holding a practising certificate, it is necessary to remember the principle that book-keeping services do not extend beyond the recording of basic accounting data in order to maintain the necessary financial records. Therefore, calculating statutory and voluntary deductions from gross wages and salaries and summarising the results would meet this principle. (Voluntary deductions must be authorised in writing.) The same principles apply to payments to subcontractors and others where payments are subject to deductions at source.

However, preparing certain employment (and subcontractor) tax returns may be indicative of public practice. Where the information required to produce a periodic return may be obtained by simply generating a standard software report, the generation of the report (for the use of the client) would be considered to be a basic book-keeping service. Such a report should then be passed to the client (or the client's accountant) to transfer the relevant figures onto a return for the taxation authority. It would be for the client or their accountant to consider the reasonableness of the figures being used.

Only ACCA members with practising certificates are permitted to provide taxation advice. For example, to recommend tax-efficient remuneration methods to a client would be considered to be a public practice activity. You will also require an ACCA practising certificate in order to act as a tax agent on behalf of your client.

VAT and other sales taxes

Advice concerning the VAT rates attaching to certain supplies, the benefits of voluntary VAT registration or the advantages and disadvantages of different VAT schemes would be deemed to be public practice. In addition, to make decisions concerning the way in which output tax will be declared or input tax will be claimed would be to make management decisions, and beyond the range of services considered to be basic book-keeping.

However, an ACCA member without a practising certificate would be allowed to generate certain reports relating to sales taxes arising out of the recording of basic accounting data. Such reports may be generated by the accounting software used, and may include summarised figures suitable for inclusion on, say, a quarterly return. Alternatively, figures may be summarised manually for inclusion on a quarterly return. As a routine exercise, this would be deemed to be basic book-keeping.

In subsequently transferring the summarised figures onto a VAT return and submitting the return to the tax authority, an assessment must be made that the figures appear reasonable. Such an assessment may only be made by the client or an accountant authorised to exercise such professional judgement. Therefore, you do not require an ACCA practising certificate in order to be able to transcribe figures from a management report onto a statutory return, so long as it is clear that your client has considered the management report and approved the figures that have been incorporated into the return prior to its submission.

Honorary work exemption

It is, of course, not uncommon for members to be asked to help out friends, family or local charities by preparing accounts etc. Members are free to help out in this way providing all of the conditions for what constitutes 'honorary' work are met. It is important to bear in mind that the honorary work exemption exists purely to allow members to use their skills to make a contribution to their local communities or to assist family, friends and local charities as a favour. It should not be viewed as an entry route into public practice. To that end, it is not appropriate to produce business stationery in connection with such work which purports to be that of a practising firm.

Global Practising Regulation 4(3) states that the activities set out in regulation 4(1)(b) (reproduced near the start of this factsheet) shall not constitute public practice where the work is honorary, and certain prescribed conditions are satisfied. Members are reminded that they should only undertake work that they are competent to perform.

Advertising book-keeping services

In all cases, as a member without a practising certificate, you must not hold yourself out as being in public practice. This principle should be applied with integrity, and if there is any possibility that a particular course of action may be misconstrued, you must take steps to clarify the position. With this in mind, a member without a practising certificate may advertise their book-keeping services or seek work in ways that are legal and that do not reflect adversely on the individual, ACCA or the accountancy profession. The promotion of book-keeping services is not the primary subject of this guidance. However, more information may be found in Membership Regulation 8(2) and in the ACCA Code of Ethics and Conduct.

Supervision for money laundering in the UK

Members in the UK who provide accountancy services (within the terms of the Money Laundering Regulations 2007) which fall outside the meaning of public practice (for example book-keeping) will, nevertheless, be subject to supervision regarding compliance with the anti-money laundering provisions under the Money Laundering Regulations 2007. In such cases, members may consider obtaining an ACCA practising certificate in order to be supervised by ACCA. Alternatively, members must register with HM Revenue and Customs or another body recognised for such purposes. Members outside the UK should check what obligations, if any, they have in this regard.

For the avoidance of misunderstanding, ACCA students in the UK who provide book-keeping services will also be subject to supervision for compliance with the Money Laundering Regulations 2007. In such cases, ACCA students must seek registration for supervision from HM Revenue and Customs or another body recognised for such purposes.

Further information

It is in members' interests to familiarise themselves with the GPRs to ensure that they comply with them. The GPRs are contained in the *ACCA Rulebook* which can be viewed at www.accaglobal.com/members/professional_standards/rules_standards

If you are a member without an ACCA practising certificate, you must assess carefully whether your work falls within the definition of public practice. You are encouraged to contact ACCA's Technical Advisory Service in your region if you have any doubts, and having discussed the circumstances frankly, you must act with integrity to take the appropriate action. In some cases, members may wish to hold practising certificates as a 'protective' measure. Others may wish to do so despite the fact that the work they undertake falls outside the definition of public practice because they wish to describe themselves (or their firms) as 'Chartered Certified Accountants' or use a similar description.

Application forms and further information on ACCA's practising certificates can be viewed on the ACCA website at www.accaglobal.com/members/professional_standards/prac_info

Appendix 1 to this factsheet provides answers to some frequently asked questions, and appendix 2 sets out some case studies that help to demonstrate the principles involved. Additionally, if you wish to clarify your specific situation, you may contact:

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fax: +44 (0)141 534 4237
email: authorisation@accaglobal.com

Appendix 1: Frequently asked questions

The questions and answers set out below all relate to the activities of an ACCA student or an ACCA member who does not hold a practising certificate. In each case, the individual wishes to offer services directly to the public.

Q1 Can I prepare a VAT (or other sales tax) return for a fee?

A1 Perhaps. If the figures to be inserted into the return are generated as a by-product of the accounting system, or a manual system exists whereby the relevant figures are readily available to incorporate into the return, your client will be in a position to approve the figures prior to them being transferred onto the return. In this case, your client accepts full responsibility for the return, and your role is simply to record the basic data. However, if the preparation of the VAT return would require you to make decisions (eg in the form of the optimum VAT scheme to use), or if you are required to advise your client during the course of preparing the return, this would be public practice work, and you should decline such an assignment. In any event, you should take great care not to stray into the area of providing VAT advice to your client at any time.

Q2 Can I advertise my ability to do VAT (or other sales tax) work to the general public?

A2 Yes, provided that the advertising does not give the impression that you are able to provide any services requiring a practising certificate, and it meets the requirements of Membership Regulation 8(2)(d) to (f) and the ACCA Code of Ethics and Conduct. Any advertising must not make any reference to the fact that you are an ACCA student or member.

Q3 Can I register with the taxation authority as an agent for my client?

A3 No. This would suggest that you are permitted to provide a wider range of services than just book-keeping.

Q4 Can I suggest to my client that a particular VAT scheme (or similar) may be beneficial to my client (eg cash accounting scheme or flat rate scheme)?

A4 No. If you happen to notice that your client could arrange their VAT affairs more favourably, you should refer the client to their accountant.

Q5 Can I write to the taxation authority on behalf of my client on headed note paper that refers to my book-keeping services?

A5 No. To do so would be acting as tax agent, and would suggest that you were undertaking public practice work.

Q6 Can I attend a meeting with the taxation authority and my client when the tax inspector is carrying out a routine visit?

A6 No. This would not be permitted in relation to any inspection visit, be it in relation to business profits, sales tax or employment tax, as to do so would be with the intention of representing your client (and so acting as an advocate). Neither should it be necessary, as your client will be able to answer any questions that might arise from a routine visit.

Q7 Can I attend a meeting with the taxation authority and my client relating to VAT (or other sales tax) work other than a routine visit by the inspector?

A7 No. This would not be permitted for the reasons stated above. In such a situation, your client would be expected to have another accountant acting as agent. If you were to attend such a meeting, there would be an assumption that you would also be providing a range of public practice services to your client.

Q8 Can I submit a VAT (or other sales tax) return to the taxation authority after it has been signed or otherwise approved by my client?

A8 Perhaps. In the case of a paper return, on the assumption that it has been prepared and signed in accordance with the guidance in this factsheet, merely posting or delivering the return is not, in itself, a public practice activity. However, it should not be accompanied by any covering letter from you, which may suggest that you are, in fact, acting as tax agent.

In the case of electronic submission of a return, if you would be required to register with the taxation authority in order to be able to submit returns on behalf of your clients, this would not be permitted, as to do so would suggest that you are acting as tax agent, and therefore in public practice.

Q9 Can I sign the VAT (or other sales tax) return after my client has approved the figures on the return? (For example, my client may approve the figures on the return by email.)

A9 No. This would usually be done as the taxpayer's agent or representative. Clearly, this falls within the meaning of public practice as defined by Global Practising Regulation 4.

Q10 Can I write to my clients on headed paper which refers to my book-keeping services?

A10 Yes, provided that the description of the services is not misleading, such that the clients might deduce that you are able to provide general accountancy services. No reference to ACCA may be made on the headed paper.

Appendix 2: Case studies

- 1 Alan intends to start practising, but does not intend to undertake regulated work such as audit work. Does he need to hold a practising certificate?**

Yes. Alan will require a practising certificate to be able to perform or offer any services beyond basic book-keeping. Public practice includes unregulated work involving the production of any accounts or reports or certificates or tax returns on which a third party is likely to rely.

- 2 Brian prepares a personal tax return on behalf of a client, and impresses upon the client that the return is the client's responsibility. The client acknowledges that fact, and indicates his approval of the contents of the tax return by signing it. Is Brian in public practice?**

Yes. The preparation of any personal or corporate tax return for a client is always public practice work, even where the client submits it directly to the tax authorities. The client's formal approval of the return is not relevant in this context.

- 3 Christine does not hold a practising certificate, as she wishes to undertake only book-keeping services, and avoid the need for professional indemnity insurance. She visits one client on a monthly basis to process data and perform basic reconciliations and controls. Every quarter, she produces management accounts for the business. During a brief period of cash flow difficulty, the client – a sole practitioner – approaches his bank for an extension of the overdraft facility. In order to obtain this, he urgently requires a letter from an accountant to confirm that recent profits have been at a level similar to recent years. He asks Christine for such a letter.**

The preparation of management accounts usually falls outside the definition of public practice where they are used solely by the client for internal purposes. However, where management accounts are to be passed to a third party, most commonly a bank, this is public practice work. Therefore, Christine must make it clear to the client that the management accounts that she has prepared are for the client's own purposes, and not for the use of third parties.

However, there is no suggestion in this case that Christine's management accounts will be provided to the bank. Instead, we are told that there is a 'brief period of cash flow difficulty', and all that is required is a letter from Christine confirming the recent profitability of the business. However, any communication with third parties concerning a client's financial affairs falls within the definition of public practice. In general, providing the requested letter confirming the client's profitability would require a practising certificate.

If Christine continues to supply only book-keeping services to her clients, and avoids the need to hold a practicing certificate, she will also avoid the need to hold professional indemnity insurance. However, it is worth noting that, while not mandatory, it would nevertheless be advisable to hold professional indemnity insurance.

- 4 Janet has provided book-keeping services for her client since the client started trading as an electrician five years ago. The client is now planning a well-deserved holiday with his family, but has realised that his passport has expired. In order to renew his passport, he is required to submit a photograph to the passport office, which must be certified as a true likeness. The client has asked Janet to sign the back of the photograph and certify that it is a true likeness. Is Janet permitted to do this without holding a practising certificate?**

Yes. Where a member simply confirms the identity of the applicant, this falls outside the definition of public practice, because confirming the client's identity does not, in itself, concern the financial affairs of the client. It is also acceptable for Janet to use her designatory letters when signing the back of the photograph, as she will not be using them in the context of her business, but simply as someone who is well-placed to provide the required certification.

- 5 David does not hold a practising certificate. He was unsure about the distinction between book-keeping services and public practice, but now has a clear understanding, having discussed the subject with ACCA's Technical Advisory Service. David will provide book-keeping services but, having recently qualified as a Chartered Certified Accountant, he is keen to use his designatory letters after his name whenever possible. Before he obtains his practising certificate, David decides to advertise in the local press under the headline 'David Edwards ACCA, Book-keeping services'.**

David should not give the impression to clients or third parties that he is able to carry on activities for which a practising certificate is required. Global Practising Regulation 4 clearly states that a member should not describe himself or herself as a 'Chartered Certified Accountant', or use any similar description or designation. Therefore, David must not use his designatory letters in connection with his book-keeping work.

- 6 Frances trained as a Chartered Certified Accountant within a three partner firm. She was always considered a model student, and the partners (who are all Chartered Certified Accountants) have always suggested that she would be groomed for partnership in due course. Having recently qualified, Frances is soon to apply for her practising certificate. In the meantime, the other partners would like to make her a junior partner, in order to demonstrate their commitment to her, while retaining 75% of the voting rights among the firm's Chartered Certified Accountants holding practising certificates.**

Frances may not become (or be held out to be) a partner in a firm which carries on public practice before she is granted her practising certificate. The control exercised by the other partners is irrelevant.

By way of extending this case study, Frances may be invited to be the partner responsible for the firm's payroll bureau, on the understanding that the work that she would undertake would fall completely outside the definition of public practice. Nevertheless, as a partner in that firm, she would still require a practising certificate.