

New Zealand Society of Accountants

ETHICAL GUIDELINE 2

GUIDELINE ON ETHICS IN TAX PRACTICE

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Introduction

The aim of this Guideline is to give guidance in cases where members may be in doubt about their responsibilities in carrying out taxation compliance and/or consulting services for a client. Guidance is not and cannot be all embracing and it will be for members to use their own judgement in applying the spirit of the Guideline to circumstances in which they find themselves at any given time.

Development of the Fundamental Principles

- 1 Chartered accountants rendering professional tax services are entitled to put forward the best position in favour of their client provided they can render the service with professional competence, it does not in any way impair their standard of integrity and objectivity, and is in their opinion consistent with the law. They may resolve doubt in favour of the client if in their judgement there is reasonable support for their position.
- 2 Chartered accountants should not hold out to clients the assurance that the tax return they prepare and the tax advice they offer are beyond challenge. Instead, they should ensure that their clients are aware of the limitations attaching to tax advice and services so that they do not misinterpret an expression of opinion as an assertion of fact.
- 3 Chartered accountants who undertake or assist in the preparation of a tax return should advise their client that the responsibility for the content of the return rests primarily with the client. The accountant should take the necessary steps to ensure that the tax return is properly prepared based on the information received from the client.
- 4 Tax advice or opinions of material consequence given to a client should be recorded, either in the form of a letter to the client or in a memorandum for the files. The letter or memorandum should be supported by properly documented work papers that clearly indicate the following information:
 - (a) the financial statements and information supplied by the client upon which the accountant is rendering professional tax services;
 - (b) that the scope of the professional tax services has been defined and planned, and the work of any assistants has been supervised and reviewed.

In compiling and filing workpapers, chartered accountants are recommended to:

- (a) clearly separate:
 - (i) factual information and documentation from opinions and advisory matter;
 - (ii) compliance matters and supporting workpapers from consulting matters and related material; and

- (iii) items prepared by the accountant and any assistance from items provided by the client; and
 - (b) identify and clearly label items which may allow a claim of legal privilege.
- 5 Chartered accountants must not associate themselves with any return or communication which they have reason to believe:
- (a) contains a false or misleading statement;
 - (b) contains statements or information furnished recklessly by the client or without any real knowledge of whether they are true or false; or
 - (c) omits or obscures information required to be submitted and such omission or obscurity would mislead the revenue authorities.
- 6 An accountant may prepare tax returns involving the use of estimates if such use is generally acceptable or if it is impractical under the circumstances to obtain exact data. When estimates are used, they should be presented as such in a manner so as to avoid the implication of greater accuracy than exists. The accountant should be satisfied that estimated amounts are reasonable under the circumstances.
- 7 In preparing a tax return, accountants ordinarily may rely on information furnished by their client provided that the information appears reasonable. Although the examination or review of documents or other evidence in support of the client's information is not required, the accountant should encourage clients to provide such supporting data, where appropriate.
- In addition, the accountant:
- (a) should make use of the client's returns for prior years whenever feasible;
 - (b) is required to make reasonable inquiries where the information presented appears to be incorrect or incomplete;
 - (c) is encouraged to make reference to the books and records of the business operations.
- 8 Where chartered accountants are associated with the preparation of tax returns from unaudited financial statements prepared by them they must comply with the requirements of SES-2 *Compilation of Financial Information*.
- 9 The responsibilities of chartered accountants when they learn of a material error or omission in a client's tax return of a prior year (with which they may or may not have been associated), or of the failure of a client to file a required tax return, are as follows:
- (a) They should promptly advise their client of the error or omission and recommend that the client make disclosure to the revenue authorities. Normally, accountants are not obligated to inform the revenue authorities, nor may they do so without their client's permission.
 - (b) If the client does not correct the error:
 - (i) the accountant should inform the client that he/she cannot act for him/her in connection with that return or other related information submitted to the authorities;
 - (ii) the accountant should consider whether continued association with the client in any capacity is consistent with his/her professional responsibilities;
 - (iii) and if the accountant concludes that he/she can continue with the professional relationships with the client, he/she should take all reasonable steps to assure himself/herself that the error is not repeated in subsequent tax returns.

IMPORTANT NOTE:

The NZICA Code of Ethics (effective from 15 June 2019) ("revised Code of Ethics") replaces the NZICA Code of Ethics (application 07/2017) ("extant Code of Ethics"). Consequently, any references to provisions of the extant Code of Ethics in this Professional Standard should be read as references to the equivalent provisions in the revised Code of Ethics [noted in square brackets – for ease of reference]. Where the text of this Professional Standard is not consistent with the revised Code of Ethics, the revised Code of Ethics shall override the text of this Professional Standard.