

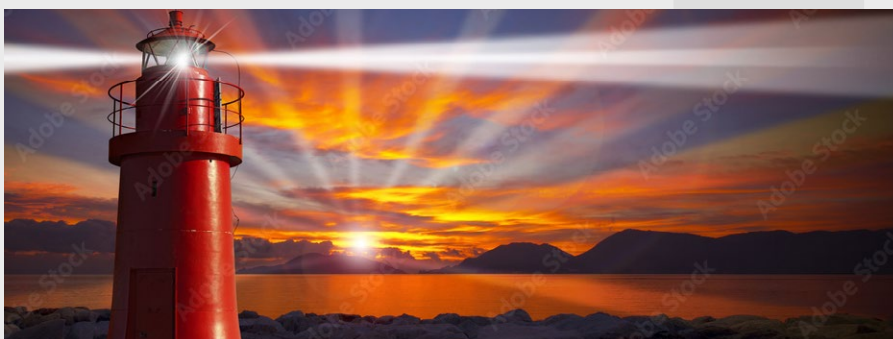
ADVANCING THE PUBLIC INTEREST: A NEW GLOBAL ETHICAL BENCHMARK FOR TAX PLANNING

INTRODUCTION

In response to significant public concerns about tax avoidance and the role played by consultants, increased public scrutiny and ethical considerations, the International Ethics Standards Board for Accountants® (IESBA®) has developed new ethics standards to specifically address the topic of tax planning. These standards strengthen the **ethical framework** guiding the judgments and decisions of professional accountants when providing tax planning services or performing tax planning activities. The framework is principles-based and establishes a global ethical benchmark applicable to all tax planning services or activities. It requires due consideration of the public interest as well as the potential reputational, commercial, and wider economic consequences of a tax planning arrangement. These new standards represent the culmination of extensive research, stakeholder engagement and public consultation by the IESBA.

This publication provides an overview of the IESBA's Final Pronouncement - Revisions to the Code Addressing Tax Planning and Related Services, the first comprehensive suite of global standards on ethical considerations in tax planning, incorporated in the IESBA Code of Ethics.

The new standards, which will strengthen the ethical framework that guides professional accountants providing tax planning services, will be effective from July 1, 2025, with early adoption permitted.



TAX SCANDALS AND THE GENESIS OF THE TAX PLANNING STANDARDS

Public outrage to revelations in recent years of certain tax planning arrangements via leaks such as the Pandora Papers, Paradise Papers, and Luanda Leaks – among others – shows that public acceptance of tax avoidance is at an all-time low around the world. To ensure due recognition of these public interest concerns, key principles in the standards—such as establishing a credible basis and the “stand back consideration”—aim to ensure that tax planning arrangements are both compliant with laws and regulations and embody the highest ethical standards, including professional integrity.

ABOUT IESBA

International Ethics Standards
Board for Accountants®

Handbook of the
International Code of Ethics
for Professional Accountants
including
International Independence Standards

2023 Edition

The IESBA is an independent global standard-setting board that serves the public interest by setting high-quality, international ethics (including independence) standards as a cornerstone to ethical behavior in business and organizations, and to public trust in financial and non-financial information that is fundamental to the proper functioning and sustainability of organizations, financial markets and economies worldwide.

The IESBA Code has been adopted or is used in more than 130 jurisdictions around the world, either through legislation or local professional bodies.

KEY ELEMENTS OF THE ETHICAL FRAMEWORK

Scope and Applicability

- Addresses a wide range of tax planning activities and services
- Applies to both professional accountants in public practice (Section 380) and in business (Section 280) The IESBA strongly encourages other tax advisers to adopt and use the framework in their tax planning work.
- Applies to related services or activities as described in the standards but not to services or activities generally referred to as tax compliance or tax preparation
- Covers individual and corporate clients (whether or not public interest entities)
- Does not deal with tax evasion

A Common Description of Tax Planning

- Describes the nature of tax planning services or activities and provides illustrations

Professional Accountants' Role in the Public Interest

- Describes how professional accountants act in the public interest through using their expertise and experience to assist clients and employing organizations in meeting their tax planning goals, thereby facilitating compliance with tax laws and regulations and contributing to the effective functioning of tax systems

Responsibilities of Professional Accountants and Clients or Employing Organizations

- Outlines the respective responsibilities of professional accountants and clients or management and, where applicable, those charged with governance

Credible Basis

- Requires professional accountants to determine that there is a credible basis for the tax planning arrangement, ensuring not only compliance with the letter but also the spirit of the relevant tax laws and regulations

Overall Assessment of the Tax Planning Arrangement

- Requires a "stand back consideration" aligned to the public interest, through consideration of the reputational, commercial, and wider economic consequences that could arise from how stakeholders might view the tax planning arrangement

Navigating the "Gray Zone"

- Describes the gray zone as circumstances of uncertainty as to whether a proposed tax planning arrangement will be in compliance with the relevant tax laws and regulations
- Explains that the gray zone makes it more challenging to establish a credible basis, and so might create risks of unethical behavior
- Provides guidance to assist professional accountants in identifying and navigating the gray zone

Applying the Conceptual Framework

- Recognizes that providing tax planning services or performing tax planning activities, whether or not in the gray zone, might create threats to compliance with the fundamental principles
- Provides guidance on identifying, evaluating and addressing such threats

Dealing with Disagreements

- Guides professional accountants in dealing with disagreements with the client or responsible individuals within the employing organization regarding the tax planning arrangement

Communication and Documentation

- Highlights the need for clear and transparent communication with clients or management and, where applicable, those charged with governance regarding tax planning recommendations or advice
- Encourages documentation and emphasizes how important it can be

The Heroes of Our Story: Professional Accountants

Within the pages of the standards lie the principles and tools that will guide you, the professional accountant, to navigate the maze of tax laws and regulations with confidence and foresight. You are the steward of ethical tax planning, the architect of strategies that not only comply with the law but uphold the public interest.

KEY DESIRED OUTCOMES

Putting ethics at the heart of tax planning advice

- Reinforcing adherence to the fundamental principles of integrity, objectivity, professional competence and due care, professional behavior, and confidentiality

Aligning tax planning with the public interest

- Stimulating tax professionals to consider the broader impact of their advice, beyond pure legal compliance

Charting a safe, ethical passage through complex or uncertain situations

- Providing an ethical compass to navigate complex tax planning challenges and where the legality of tax planning is unclear

Promoting sustainability

- Ethical approaches to tax planning are inherently sustainable, promoting long-term business health

Fostering trust in tax systems

- Rebuilding trust by ensuring the actions of tax advisers meet public expectations for ethical conduct, responsibility and accountability

One comprehensive global baseline

- Promoting a globally consistent ethical approach to tax planning, supporting the social contract between businesses, individuals, governments, and society, and ensuring that all taxpayers contribute fairly to the public finances

Transforming Challenges into Opportunities

As the financial landscapes shift and tax laws become more intricate, the role of professional accountants has never been more crucial. The new standards are not merely a response to complexity; they are a clarion call to elevate the practice of tax planning to new heights of ethical conduct and professional excellence.



Effective Date and Transitional Provision

The new standards will be effective from July 1, 2025.

For tax planning services or activities commenced before then, these may be completed under the extant Code provisions.

