

Compilation of Significant ED Comments

Note: This Agenda Item has been prepared for information only. A comprehensive summary of the significant comments received on the Exposure Draft (ED) of [Proposed Revisions to The Code Addressing Tax Planning And Related Services](#), and the Task Force’s related analysis of significant issues and proposals are presented in **Agenda Item 9-A**.

Proposed Consequential and Conforming Amendments

13. Do you agree with the proposed consequential and conforming amendments to Section 321 as described in Section VII.M above?

No	Respondent	Respondent Comments
1	Accountancy Europe	<p>We have some doubts as to whether including second opinions under the aegis of Section 321 of the Code is the best solution.</p> <p>For a PA to provide a credible second opinion for a tax planning arrangement the requirements of R380.9 would apply. The second PA providing the second opinion would also normally need to consider the reasons why a second opinion is being sought. In such circumstances, it would be normal - arguably essential - for the PA providing a second opinion to be in contact with the accountant or other service provider responsible for the original advice. Indeed, many PAs would make specific reference for the need of this in their engagement letter.</p> <p>Consequently, it could be preferable to require that second opinions on tax arrangements follow the full requirements detailed in this proposed amendment to the Code and to include second opinions in the description of tax planning and related services in 380.5 A2.</p>
2	Accounting Professional & Ethical Standards Board Limited	<p>APESB agrees with the proposed consequential amendments to Section 321.</p> <p>A stakeholder who attended the APESB Roundtable noted that the existing provisions in section 321 are appropriate when a client is “opinion shopping.” However, the stakeholder believed that when a client seeks a legitimate second opinion to support or get further comfort on a transaction, it would be inappropriate to require the professional accountant to review the original opinion and interact with the initial accountant or other advisers as there should be independence of advisors.</p> <p>The stakeholder believed it would taint the second adviser, particularly if the first adviser is seen as someone of “greater” standing in the profession and the community (i.e., intimidation threat). Accordingly, the stakeholder believed</p>

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		that the accountant should determine if the client had previously received a negative opinion on the proposed transaction.
3	BDO International	<p>BDO agrees with the proposed consequential and conforming amendments to Section 321.</p> <p>In practice, a PA would not necessarily know that the client is engaging a firm for a second opinion. In addition to these conforming amendments, BDO recommends that the IESBA clarifies the PAs responsibility in establishing whether the client is in fact seeking a second opinion.</p>
4	Hong Kong Institute of CPA	<p>We generally agree with the proposed consequential and conforming amendment. However, we consider prima facie Section 321 covers only the provision of a second opinion to an entity that is not an existing client. That may not always be the situation in relation to providing a second opinion on a particular TP arrangement, which could be requested by an existing client.</p> <p>We also have other comments on the proposed consequential and conforming amendments:</p> <ul style="list-style-type: none"> • Section 320 Professional Appointments: Given the nature of the engagement where there might not be a “deliverable” by the PA, we suggest the IESBA to consider if further guidance in Section 320 for TP engagements’ client and engagement acceptance is necessary. For instance, as part of the client and engagement acceptance, the PA should communicate clearly to the client the circumstances under which he/she may not be able to recommend a TP arrangement to avoid being held for breach of engagement contract before accepting the engagement. • Consequential impact of Section 380 on the profession: Currently, there are tax professionals who may not be members of a professional accounting organization (e.g., The Taxation Institute of Hong Kong). Section 380 would only require members of the professional accounting organization to comply with the Code but would not be extended to such other tax professionals. The IESBA is encouraged to reach out to regulators to express the importance of consistency in engagement performance and adhering to the high ethical values in the Code including those tax professionals who may not be members of the professional accounting organization.

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5	Independent Regulatory Board for Auditors	<p>We suggest that clarity on what “other service provider” means be provided, as this term is considered too vague. When a second opinion is sought on other matters, the initial opinion is provided by either the “existing” or “predecessor” accountant; and the glossary contains definitions for both. Based on the fact that the respective definitions for an “existing accountant” and a “predecessor accountant” include the carrying out of tax services for a client, the insertion of “other service provider” is not necessary, unless further clarity is provided with regard to a possible inclusion of a legal tax professional, for instance.</p>
6	Institute of Financial Accountants	<p>Care should be taken to always ensure that amendments to the Code are necessary and do not detract from important massaging. It is proposed to add the term ‘service provider’ to Section 321, although the term is not defined and does not appear in the existing Code. It appears that this proposed change is not as a result of the proposed revisions specifically relating to tax planning and related services, but rather to address an existing problem – that there is no definition of ‘accountant’.</p> <p>The only other amendment to Section 321 is to include within second opinions the application of ‘laws and regulations, such as tax laws and regulations’. If the application of laws and regulations is not thought to be included within ‘other standards and principles’, then the words ‘laws and regulations’ may be added to the text but, as drafted, the text would be unduly complex and so lacking in clarity.</p>
7	Mo Chartered Accountants (Zimbabwe)	<p>The second opinion needs to be based on exactly the same facts as the original opinion. We believe the PA ought to be aware from the onset that they are providing a second opinion without being privy to the opinion already completed. The PA should be allowed to communicate with the predecessor and should any ethical matters arise these need to be considered before undertaking the engagement. Second opinions tend to undermine the work of the original service provider and should only be used in limited circumstances or for the public interest or when required by law and regulation.</p>
8	PKF (Durban)	<p>Yes, I agree, as, in my view, it merely extended the second opinions section to tax matters. Clarity is however sought on the term "other service provider" as this term is considered too vague. When a second opinion is sought on other matters the initial opinion is provided by the "existing accountant" or "predecessor account"</p> <p>The glossary contains definitions for both the existing terms as follows:</p>

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		<p>Existing accountant - A professional accountant in public practice currently holding an audit appointment or carrying out accounting, tax, consulting or similar professional services for a client".</p> <p>"Predecessor accountant" - A professional accountant in public practice who most recently held an audit appointment or carried out accounting, tax, consulting or similar professional services for a client where there is no existing accountant".</p> <p>Based on the above and the fact that the 2 current definitions "existing accountant" and "predecessor accountant" include the carrying out of tax services for a client, I do not consider it necessary for the insertion of the wording "other service provider" unless further clarity is provided in this regard to include a legal tax professional for example.</p>
9	Public Accountants and Auditors Board Zimbabwe	<p>The PAAB agrees with the IESBA proposal to develop an appropriate linkage to Section 321 addressing second opinions in the context of PAPPs by adding a few conforming amendments to section 321 for a PA in business' point of view as they might need this second opinion for certainty of the initial opinion given. However, from a PA in public practice's perspective, providing a second opinion may create inconsistencies and ethical dilemmas which may affect their professional behaviour.</p>