

May 18 2023

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International Ethics Standards Board for Accountants

International Federation of Accountants

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**KICPA's Comments on IESBA's Exposure Draft on Proposed Revisions to the Code  
Addressing Tax Planning and Related Services**

Dear Ken Siong,

We, at the Korean Institute of Certified Public Accountants (KICPA), strongly support the International Ethics Standards Board for Accountants (IESBA) for its commitment to developing high-quality professional ethics standards to raise the bar for ethical conduct expected from professional accountants and to serve the public interest. We are also very pleased to have opportunity to provide our comments on IESBA Exposure Draft, "Tax Planning". Please see below for our comments on the ED.

In general, the KICPA agrees with the proposed revisions to the Code as described in the ED, except for the following additional aspects that we ask you to consider in developing the final version of the Code.

We agree with the need for the PA to act in the public interest, considering that TP services offered to the client may have adverse consequences on the relevant jurisdiction's tax base. However, it is also important for the PA to use expertise to support the client's position in a tax-efficient manner. The KICPA expects the revised Code to find a right balance between the two.

Cross-border transactions generally involve a high level of uncertainty in TP. And

as described in the explanatory memorandum, the generally accepted threshold for TP may vary by jurisdiction, which makes it even more challenging to determine that there is a credible basis when cross-border transactions with varying levels of thresholds are involved. As the ED doesn't provide additional guidance or considerations regarding the cross-border transaction, we ask to provide such additional relevant guidance on establishing a credible basis, in the Code or in the explanatory memorandum / relevant examples.

The PA's disagreement with the client often happens when the legislative intent behind tax laws or interpretation thereof is unclear or uncertain. There are also jurisdictions like Korea where there is no official process to make full disclosure of the arrangement to the relevant tax authorities and where the only available option is to raise inquiries to obtain response or to rely on an advance ruling process. Therefore, we agree with the proposed requirement for the PA to "consider" advising the client to take specific actions described in paragraph R380.20, given such a process may be inappropriate in some circumstances. Instead, the KICPA suggests that the ED should set forth an inquiry & response process as an alternative to the disclosure of the arrangement to the relevant tax authorities, for the jurisdictions that share similar legislative environments with Korea. We also propose that the ED should add a requirement (to paragraph R380.20) to communicate with those charged with governance in case of disagreement with the client, considering the importance of the supervisory role played by those charged with governance.

The proposed revisions do not contain any application material or guidance to define the "stand-back" test results that will require the PA to decide not to provide recommendation or advice on the TP arrangement that the client would like to pursue (paragraph R380.13). Therefore, we suggest that examples or application materials should be added to address it.

It may not be appropriate in some circumstances to require the PA to inform the client and explain "the basis for the accountant's conclusion", when the PA decides not to recommend or advise on a TP arrangement that the client would like to pursue (paragraph R380.13). Therefore, we suggest that the ED should consider lowering the level of the PA's obligation to explain the basis for the conclusion, by making it part of application guidance, instead of requirements.

The provisions in section 380 also apply when the PA refers a client to a third-party provider (paragraph 380.22 A1). If a third party is in charge of providing the service, the PA may have limited access to client information required to perform the following procedures. Therefore, we suggest that the level of the following requirements should be mitigated.

- Determining that there is a credible basis;
- Performing a “stand-back” test.

We hope that you find our comments useful for the IESBA's project aimed to improve the Code's aspects concerning Tax Planning. Please contact us at [dyou@kicpa.kr](mailto:dyou@kicpa.kr) for any further question regarding our comments.

Thank you.

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