

16 May 2023

Mr. Ken Siong  
Program and Senior Director, International Ethics Standards Board for Accountants (IESBA)  
International Federation of Accountants  
529 Fifth Avenue,  
New York, 10017 USA

**RE: International Ethics Standards Board for Accountants' ("IESBA") exposure draft,  
"Proposed Revisions to the Code Addressing Tax Planning and Related Services"**

**Dear Mr. Ken Siong,**

The Saudi Organization for Chartered and Professional Accountants (SOCPA) welcomes this opportunity to offer its comments on the ED-"Proposed Revisions to the Code Addressing Tax Planning and Related Services". Our interest in these proposed revisions comes from SOCPA's continuous efforts to provide sufficient technical and ethical guidance to accounting Professional Accountants (PAs). We believe that the proposed revisions cover one of the most important services that PAs provide whether in the public practice or in business.

We are supportive of the IESBA's initiative to address the ethical implications for professional behaviour when PAs are involved in developing TP and related arrangements. We support this initiative since TP and related services represent one of the services that PAs' professional practice is needed for, and arising concerns have been expressed regarding professionals' (including PAs) roles in enabling some individuals and institutions to engage in tax avoidance or evasion schemes.

Although we support this initiative to provide the ethical guidance on TP and related services, we share some concerns with regard to the proposed changes which may help the IESBA's objective to protect the public interest as much as the profession's role and reputation. Hereby, we provide an overview of our major concerns in relation to the proposed changes, which will be explained in more details in our comments on the matters presented in "the Request for Specific Comments" sections:

- Expanding the volume of the Code by developing additional two sections which may have unintended effects.
- Expanding PAs' responsibilities to an extent which may impose certain threats to the profession's role and reputation.
- Diverging from the Code's style where the discussion of the ethical guidance is consistently structured and linked to the basic principles and conceptual framework, which may impact the coherent approach in the Code. However, this may alert that the Code's structure may need to be reviewed on the basis of the services being provided by PAs along with the profession's ethical principles. This could suggest that the Code identifies the accounting services and defines the ethical principles for them, where whoever (including Artificial Intelligence (AI)) provides these services is required to comply with.
- Developing new concepts (e.g. "tax-efficiency", "credible basis") where PAs' subjective analysis is demanded may result in unneeded complexity pertinent to difficulties in understanding and applying such concepts. This may raise a broader concern of what are the references used by PAs to provide the consultation and advisory services that can go along with the Code.

The full details of our responses to the questions included in the ED are attached in the Appendix to this letter.

Please feel free to contact Dr. Abdulrahman Alrazeen at (razeena@socpa.org.sa) for any clarification or further information.

Sincerely,

**Dr. Ahmad Almeghames**  
**SOCPA Chief Executive Officer**



## Appendix

### International Ethics Standards Board for Accountants' ("IESBA") exposure draft, "Proposed Revisions to the Code Addressing Tax Planning and Related Services"

#### *Proposed New Sections 380 and 280*

#### 1. Do you agree with the IESBA's approach to addressing TP by creating two new Sections 380 and 280 in the Code as described in Section VI of this memorandum?

##### SOCPA Comments:

In principle, we agree with the proposed approach to emphasise on ethics pertinent to TP and similar services that are needed by those who hold interest in accountants' practices. However, we have some concerns about expanding the ethical guidelines on certain accounting issues (e.g. TP services), that can be summarised as follows:

- developing separate sections to provide a practical guidance in relation to TP services seems to diverge from the IFAC's endeavours into making the professional and ethical pronouncements more stable, relevant and proportionate (such as IAASB's complexity, understandability, scalability and proportionality (CUSP) project).
- stressing the ethical requirement regarding securing compliance with laws and regulations about specific topic (such as taxes) may convey unintended message to, for instance, tax authoritative parties or those who seek TP services, about PAs' responsibilities which may result in expanding PAs' responsibilities (widening the expectation gap) to an extent where the profession's reputation may be significantly impacted. The proposed changes seem perplexing since they highlighted PAs' ethical role to protect the "public interest" while at the same time they made certain attempts to show that management and Those Charged with Governance (TCWG) have the ultimate responsibility to follow the tax laws and regulations, and courts have the authority to determine whether such a tax planning arrangement meets the tax laws and regulations.
- detailing certain procedures in order to deal with threats arising from providing TP services, and confirming compliance with the basic principles of the Code does not go along with the IFAC's effort to increase alignment between the International Standards on Auditing (ISAs) (specifically Related Services and Quality Management standards) and the Code requirements. For instance, some of the procedures highlighted to assure having the right competency in order to provide the service, or to document the professional procedures taken by Professional Accountants in Public Practice (PAPP) have already been explained in details in ISRS and ISQMs.
- introducing new additional concepts such as "tax-efficiency", "credible basis" and "stand back test" may add to the complexity associated with the ethical guidance proposed in relation to TP and related services since these concepts endure highly subjective practices which may have unintended application of the proposed guidelines where PAs' responsibilities are expanded.

#### *Description of Tax Planning and Related Services*

#### 2. Do you agree with IESBA's description of TP as detailed in Section VII.A above?

**SOCPA Comments:**

In general, we agree with the IESBA's description of the TP services; the definition of TP that the IESBA has proposed provides a clear and meaningful description of the TP. However, we have a concern about the new key term "tax-efficiency" used in the definition. We cannot find a meaningful reason to add such term that may impose some complexities to rightfully interpret and translate the term. It is understood that using the "tax-minimization" term may sound negative, but it may be more truthful and direct to explain the "TP" practice or service without having the unneeded extra effort to introduce the new term; this includes the burden associated with translating the term. We support the guidance proposed in section 280.5 A2 and section 380.5 A2 to explain the types of services considered part of TP, and deem it very helpful in understanding those services that the proposed ethical guidance shall apply to. The other part that we found puzzling in the proposed changes is that the ED attempted to justify the suggested changes by the fact that some wealthy individuals and corporations have been found to exploit tax laws and regulations with the help of professionals (including the PAs) to unethically minimize their taxes. However, from an ethical perspective, the ED drafting did not clearly differentiate between TP services and tax avoidance or tax evasions (unlawful tax minimization).

We think that the proposed changes should provide more considerations in the Code to differentiate between compliance with tax laws and regulations (which courts are expected to decide and what NOCLAR requirements in the Code should have already covered) and compliance with the proposed changes. This is because we feel that the understanding of such concepts is still in need of improvement while it represents the essence of the proposed changes. While the Code is there to guide PAs to act in an ethical manner, it may also be used by those users of PAs' service or regulators to hold PAs responsible. Thus, the objectives of the proposed changes as well as the meaning of "ethical practice of TP" as opposed to "unethical TP" should be crystal clear in order to avoid making profession around the world bearing overwhelming responsibilities.

***Role of the PA in Acting in the Public Interest***

**3. Do you agree with IESBA's proposals as explained in Section VII.B above regarding the role of the PA in acting in the public interest in the context of TP?**

**SOCPA Comments:**

We generally agree with the IESBA's proposed changes making the effort to exhibit the PAs' role to act in the public interest since that represents part of the IESBA's objectives to make the proposals. However, as noted in our comment on the previous question, it is still puzzling whether the TP services based on the new proposed definition and changes to the Code are different than simply providing tax advises in accordance with relevant tax laws and regulations. We felt that Section VII.B confirmed that IESBA chose not to define or describe the public interest in terms of TP's ethical guidance. Instead, it chose to describe it from PAs perspective that serving the public interest is for PAs to contribute their knowledge, skills and experience to assist clients or employers to meet their TP goals while complying with tax laws and regulations. Thus, while the proposed changes are trying to emphasise on the idea that unethical TP is different than the idea of tax evasion (unlawful tax advisory), they still depict a picture of PAs' role in serving the public interest through ensuring tax payers' compliance with tax laws and regulations. Likewise, it was highlighted that non-compliance with tax laws and

regulations is only to be determined by courts or other appropriate adjudicative body. Therefore, we think that these thin differences between those concepts should be made clear enough in the proposed ethical guidance.

***Basis for Recommending or Otherwise Advising on a Tax Planning Arrangement***

- 4. Do you agree with the IESBA's proposals regarding the thought process for PAs to determine that there is a credible basis in laws and regulations for recommending or otherwise advising on a TP arrangement to a client or an employing organization, as described in Section VII.E above?**

**SOCPA Comments:**

We agree with the IESBA's proposals to introduce a tool that PAs can utilize while determining whether to recommend or otherwise advise on TP arrangement. However, we have some concerns regarding the high subjectivity associated with the suggested tool (threshold) "credible basis in tax laws and regulations" because, for instance, the actions listed in sections (380.11 A2 & 280.11 A2) can be seen in a simpler way as merely requiring PAs to make sure that they are conducting the TP arrangement with "due diligence". Therefore, we recommend that IESBA utilizes the "due diligence" principle to explain the threshold based on which PAs should determine their decision to provide the TP arrangement. The reason behind recommendation is to avoid adding new subjective concepts to the Code, especially as some PAs are still expressing some challenges to rightfully comprehend and implement the Codes' conceptual framework.

- 5. Are you aware of any other considerations, including jurisdiction-specific considerations, that may impact the proper application of the proposed provisions?**

**SOCPA Comments:**

We think the IESBA's proposals could encourage a better role by PAs in providing Zakat ("religious duty similar in substance to tax but the beneficiaries are specified by Islamic principles") planning (ZP) because the core element of compliance with Zakat laws is ethical more than legal. Those required to pay Zakat (individuals or corporations) have a religious obligation to pay Zakat (ethical commitment to consider the right of underprivileged people in their accumulated wealth). Thus, we believe that the proposed changes to improve ethical requirement with regard to TP services would have positive impact on services related to Zakat (including ZP). We also believe the same principles in the draft can be applied equally to other government's fees and levies.

***Consideration of the Overall Tax Planning Recommendation or Advice***

- 6. Do you agree with the proposals regarding the stand-back test, as described in Section VII.F above?**

**SOCPA Comments:**

We agree with the IESBA's aim to emphasize on protecting the profession's role and reputation. However, we could not agree that employing the "stand back test" would serve this purpose. Although the IESBA's proposals indicated that such test does not mean PAs should carry out



broad research on the reputational, commercial and economic consequences of such TP arrangement, the identification of the test focused on "understanding" the wider consequences of the TP arrangement. From our point of view, although the use of such test looks as a forward move to serve the global initiative and the new investors' expectations, requiring such practice may raise expectations for PAs' role and responsibilities which may end up hurting the profession's role and reputation. In addition, employing the new subjective concept "stand back test" might also add more complexity to the Code's ethical guidance. We think that providing more emphasis on the concept of "due diligence" to serve and protect the "public interest" may meet the same goal of securing the profession's role and reputation while limiting the risk of unintended expectations and complexities resulting from the use of new concepts provoking more subjective practices.

### ***Describing the Gray Zone and Applying the Conceptual Framework to Navigate the Gray Zone***

- 7. Do you agree with the IESBA's proposals as outlined in Section VII.G above describing the gray zone of uncertainty and its relationship to determining that there is a credible basis for the TP arrangement?**

SOCPA Comments:

We agree with the IESBA's intent to cover "Gray Zones" which PAs may face in practice. However, we think that paragraphs (280.15, 280.16, 380.15 & 380.16) do not provide a unique topic that should be highlighted under a separate "title" or section. Alternatively, we think that the idea of "uncertainty" associated with such TP arrangement should be moved to be part of the discussion provided in paragraphs (280.11 & 380.11) or the immediate sections after since they are highly pertinent to the application of "credible basis" idea. Since the main concern with "uncertainty" or "Gray Zones" is that PAs would experience significant difficulties to implement the "credible basis" concept, it would make sense to move the section to be close to the discussion of "credible basis" idea to increase the understandability of the issue.

- 8. In relation to the application of the CF as outlined in Section VII.H above, is the proposed guidance on:**
- (a) The types of threats that might be created in the gray zone;**
  - (b) The factors that are relevant in evaluating the level of such threats;**
  - (c) The examples of actions that might eliminate threats created by circumstances of uncertainty; and**
  - (d) The examples of actions that might be safeguards to address such threats; sufficiently clear and appropriate?**

SOCPA Comments:

Taking into consideration our answers to the previous questions, we agree with the discussion introduced in paragraphs (280.17 & 380.17 and its related application materials) because it coherently comes along with the Code's approach. In particular, the IESBA's proposals in relation to TP broadly diverge from this approach by which the code is designed. The code

approach is to consistently show the conceptual framework application is consistently shown wherever an ethical challenge (arising threats) is discussed.

### *Disagreement with Management*

9. **Do you agree with the proposals outlined in Section VII.I above which set out the various actions PAs should take in the case of disagreement with the client or with the PA's immediate superior or other responsible individual within the employing organization regarding a TP arrangement?**

SOCPA Comments:

We agree with the IESBA's proposed guidance because this issue is one of the challenges that PAs could face in practice and the proposed guidance may significantly help PAs to secure their ethical stance. However, although IESBA's proposals consider the practical challenges associated with the options available to Professional Accountants in Business (PAIB) in case of a disagreement with management, there are constraints that PAs could face within an employing organization which may limit their ability to escalate or communicate their views to the right level of management. In our opinion, more considerable procedures are needed to help PAIB meet the ethical considerations provided in the proposed changes.

### *Documentation*

10. (a) **Do you agree with the IESBA's proposals regarding documentation as outlined in Section VII.J above?**

SOCPA Comments:

We agree with the IESBA's proposals with regard to documentation. Further, additional reference to the relevant documentation requirements in the Code and relevant professional standards can serve the IFAC's purpose of aligning the efforts made by the different boards, and this specifically applies to the proposed guidance related to PAPP.

- (d) **Translations – Recognizing that many respondents may intend to translate the final changes for adoption in their own environments, the IESBA welcomes comment on potential translation issues respondents may note in reviewing the proposals.**

SOCPA Comments:

As expressed in our responses to previous questions, we believe that introducing new additional concepts (in particular, "tax-efficiency", "credible basis" and "stand back test") are expected to pose some translation challenges in order to convey the same condensed meaning that they bear.