



Professional Ethics Executive Committee

Open meeting agenda

May 9-10, 2023

Virtual



Open meeting agenda — May 9-10, 2023

Professional Ethics Division

Professional Ethics Executive Committee

Meeting link: <https://aicpa.zoom.us/j/93600749575>

Meeting ID: 936 0074 9575

Observers must register: www.aicpa.org/peecmeeting

May 9

10:00–10:05 ET	Welcome Mr. Lynch will welcome the committee members and discuss administrative matters.	
10:05–10:50	IESBA convergence: Public interest entities The task force seeks approval to expose a new definition of publicly traded entity and a revised definition of public interest entity.	Agenda items 1A–1B
10:50–11:20	Simultaneous employment or association with an attest client The task force will provide an overview of recent activities and seek input on direction.	Agenda item 2
11:20–11:40	Private equity investment in firms The task force will request approval of the project charge.	Agenda item 3
11:40–12:00	IESBA strategy and work plan The subgroup will provide preliminary thoughts and seek input.	Agenda items 4A–4B
12:00–1:00	Break before afternoon session	
1:00–1:10	IESBA update The committee will receive an update on the sustainability and use of experts projects.	Agenda items 5A–5C

1:10–1:40	Engagements subject to SSAEs The task force will provide an overview of recent activities and request approval of the charge.	Agenda item 6
1:40–1:50	Project update Staff will report on projects that are expected to begin during the second half of the year.	
1:50–2:50	IESBA tax planning and related services The working group will provide preliminary thoughts and seek input.	Agenda items 7A–7B
May 10		
10:00–11:00	Fundamental overview of digital assets The committee will receive an overview of the digital assets.	
	Future meeting dates August 9–10, 2023 November 8–9, 2023	

IESBA convergence: Public interest entities

Task force members

Lisa Snyder (chair), Cathy Allen, Greg Collins, Nancy Miller, Andrew Prather, Katherine Savage

Observers

Alina Kalachnyuk, Brandon Mercer

AICPA staff

Jennifer Clayton, Ellen Gorla

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Jason Brodmerkel, Mary Foelster, Ahava Goldman, Sue Hicks, Kim Kushmerick, Melinda Nolan, Brian Wilson

Recommendations

IESBA's new PIE definition contains three mandatory categories of PIEs. The IESBA code includes more restrictive independence requirements for financial statement audits and reviews of PIEs than does the AICPA code. These three mandatory categories are already heavily regulated in the United States by the SEC, PCAOB, NAIC, and FDIC and these regulators have established appropriate independence requirements for the entities that they oversee.

The task force recommends a new definition for PTE and a revised definition of PIE be included in the code. The revised definition of PIE will include the IESBA mandatory categories but defer to the relevant regulators for purposes of the specific independence requirements. This approach eliminates the need to add a separate set of independence standards to the code.

Task force activities

At the February 2023 PEEC meeting, the task force presented a proposed exposure draft with a new definition of publicly traded entity and a revision to an existing definition of public interest entity.¹ PEEC discussed the proposal and requested revisions to clarify to which attest services the public interest entities definition should apply. This seems a necessary clarification given that IESBA's PIE requirements currently apply only to financial statement audit and review clients. PEEC also discussed whether this scope would best be conveyed to members in the definition, in an interpretation, or in nonauthoritative material.

The task force incorporated changes accordingly.

Through further reflection and deliberation, the task force has further refined two proposed

¹ See the PIE material in the [February 2023 PEEC meeting agenda](#). See the [meeting minutes related to PIE](#).

categories and eliminated two categories previously presented to PEEC.

Insurance companies

The category capturing entities that provide insurance to the public (category c.) was initially refined to include entities that are subject to the NAIC Annual Financial Reporting Model Regulation ([Model Audit Rule, or MAR](#)) whose auditor is required to follow independence requirements included in Section 7 (Qualifications of Independent Certified Public Accountant) of the Model Audit Rule. This refinement would have included any insurer who has more than 1,000 policy holders and more than \$1 million in direct premiums or assumed premiums pursuant to contracts and treaties of reinsurance (or both).

However, the NAIC has recognized a heightened risk for insurers with annual direct premiums and assumed premiums of over \$500 million. When that threshold is reached, several requirements in the MAR are triggered specific to the makeup of the insurer's audit committee, internal audit function requirements, and reporting of management to the insurance commissioner of the insurers' internal control over financial reporting. Therefore, category c. should include only those entities that meet this heightened risk threshold.

This refinement places significant importance on the size of the entity, which is a factor IESBA recommends considering during the refinement process. This is also similar to the refinement proposed for entities that take deposits from the public in category b.

Current data indicates that companies in public groups and nonpublic companies with greater than \$500 million in annual direct premiums and assumed premiums represent approximately 45 percent of all insurers and 95 percent of total gross premiums as of December 31, 2021. Accordingly, using this threshold approximately 45 percent of all insurers will be included in categories a. and c.

Section 15 of the MAR on internal audit function requirements applies to insurers with \$500 million or greater in annual direct written and assumed premiums, and groups of insurers that have annual direct written and assumed premiums of \$1 billion or greater. If this additional threshold for groups of insurers was added to the proposed threshold for individual insurers, some smaller insurers that are part of a group of insurers that would not otherwise be picked up by the \$500 million threshold would be considered PIEs. The NAIC did not provide statistics on the number of insurers and gross premiums for these group insurers.

Investment companies

Further refinement is also being proposed to the category that captures an investment company or similar product that is registered with the SEC (category d.). Originally, this refinement would have captured investment companies that are registered and available to the public but also similar products registered with the SEC.

Category d is now refined to capture only investment companies that are registered with the SEC pursuant to the Investment Company Act of 1940. The category does not include insurance company products since they are captured in category c. Only entities with broad public interest are treated as PIEs (for example, mutual funds that are available to the public) whereas entities such as nontraded real estate investment trusts (REIT) are not treated as PIEs.

Benefit plans

The February 2023 agenda papers previously included employee benefit plans that are required to file Form 11-K, as follows:

An employee benefit plan that is required to file Form 11-K with the SEC under Section 15(d) of the Exchange Act.

These plans have a company stock fund component, that allows participants to invest in the sponsor company's publicly traded stock. Auditors of these plans must comply with the SEC issuer independence rules. Like other employee benefit plans, the interest in the financial condition of the benefit plan filing a Form 11-K is limited to plan participants as opposed to the broader public interest, which is a factor IESBA recommends considering during the refinement process.

The task force eliminated this category because the public interest consideration is in the financial condition of the plan sponsor rather than the plan itself and the plan sponsor would already be captured under category a.

General category

The February 2023 agenda papers previously included a general category. Building off the extant definition of PIE, this new general category captured any other entities required by regulation or law to have an audit conducted in compliance with the same independence requirements that apply to an audit of an issuer.

Any entity, ***other than those set forth in a. – e. above***, for which an audit is required by regulation or legislation to be conducted in compliance with the same independence requirements that apply to an audit of ***an issuer, as defined in Section 10A(f) of the Securities Act of 1934***. ~~listed entities (for example, requirements of the SEC, the PCAOB, or other similar regulators or standard setters).~~

Including this category could pull in entities that are not intended to be treated as PIEs. Any additional categories added as PIEs should be subject to committee deliberation and public exposure so that there is agreement about when an entity's financial condition has broad public interest. The task force, therefore eliminated this category.

Application of extant definition of PIE

Not-for-profit and governmental entities that have bond debt — either through issuance or

conduit debt — are explicitly excluded as PIEs in the proposed definition.

Though not explicitly excluded from the extant definition, such entities will not be considered PIEs because the bonds are traded through brokerage accounts rather than on a recognized stock exchange. As well, they are not marketed under the regulations of a recognized stock exchange or other equivalent body.

Enforceability

The committee is asked whether the “compliance requirement” in the last paragraph of the proposed PIE definition should remain in the definition or if it should be moved to a new interpretation under the Independence rule.

If the committee believes this requirement should be moved to a new independence interpretation instead, the task force recommends the committee consider the following:

1.200.007 Public Interest Entities

.01 When an entity meets the definition of a public interest entity and a member performs for that entity a financial statement audit or review subject to the regulatory requirements described in a.-d. in the definition, the members should comply with the applicable independence requirements as required by the “Governmental Bodies, Commissions, or Other Regulatory Agencies” interpretation [1.400.050] of the “Acts Discreditable Rule” [1.400.001].

Questions for the committee

1. Does the committee agree that not-for-profit and governmental entities that have bond debt (either through issuance or through conduit debt) are not PIEs under the current definition?
2. Does the committee agree with the refinements to the insurance category or does the committee believe the group threshold should also be included?
3. Does the committee agree with the refinement to the investment company category?
4. Does the committee agree with eliminating employee benefit plans that file Form 11-K and general categories?
5. Does the committee believe the “compliance requirement” should be moved to an interpretation in the code?
6. Does the committee approve exposure of the proposed revision and addition as presented in agenda item 1B?
7. Does the committee agree that the exposure period should extend to September 15, 2023?
8. Does the committee agree with the proposed effective date for financial statement audit and review services for periods beginning on or after December 15, 2024, with early adoption permitted?

Action needed

The committee is asked to approve for exposure the proposed revision and addition in agenda item 1B. Given the complexity of the topic, staff recommends comments be requested by September 15, 2023.

New IESBA materials

Since the February 2023 PEEC meeting, IESBA has issued [PIE Q&As](#) and a [Public Interest Entity Database](#).

Materials presented

Agenda item 1B: Proposed new definition of publicly traded entity and revised definition of public interest entity

Proposed new definition of publicly traded entity and revised definition of public interest entity

Invitation to comment

MONTH DAY, 2023

Are you interested in the ethics of accounting? If so, we want to hear your thoughts on this ethics exposure draft. Your comments are integral to the standard-setting process, and you don't need to be an AICPA member to participate.

This proposal is part of the AICPA's Professional Ethics Executive Committee (PEEC) project to converge with the International Ethics Standards Board for Accountants (IESBA) revisions to their definition of listed entity and public interest entity.

This exposure draft explains the proposed revisions to the AICPA Code of Professional Conduct and includes the full text of the guidance under consideration.

At the conclusion of the exposure period, PEEC will evaluate the comments and determine whether to publish the new definition and revised definition.

Again, your comments are an important part of the standards-setting process — please take this opportunity to provide feedback. We must receive your response by September 15, 2023. All written replies to this exposure draft will become part of the public record of the AICPA and will be available at www.aicpa.org/peecprojects.

Please email your comments to ethics-exposedraft@aicpa.org.

Sincerely,

Brian S. Lynch, Chair
Professional Ethics Executive Committee

Toni Lee-Andrews, Director, CPA, PFS, CGMA
Professional Ethics Division

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Explanation of the new definition and revised definition

The Professional Ethics Executive Committee (PEEC) is exposing for comment a new definition and a revision to a definition:

- New definition of “publicly traded entity” (ET sec. 0.400.43)
- Revised definition of “public interest entity” (ET sec. 0.400.41)

This project is part of our ongoing efforts to converge the AICPA Code of Professional Conduct (code) with that of the International Ethics Standards Board for Accountants (IESBA).

If adopted as final, the new and revised definitions will be applicable to members in public practice.

Overview

1. IESBA revised their [Definitions of Listed Entity and Public Interest Entity](#). The IESBA code includes separate and, in many cases, more restrictive independence provisions for public interest entities (PIEs). For example, the IESBA code prohibits members from providing non-assurance – or nonattest – services to a PIE audit or review client if that service might create a self-review threat. In contrast, the AICPA code does not contain separate independence provisions for PIEs. IESBA’s new PIE definition contains three mandatory categories of PIEs:

- a. A publicly traded entity
- b. An entity one of whose main functions is to take deposits from the public
- c. An entity one of whose main functions is to provide insurance to the public

It also contains a general category described as an entity specified as such by law, regulation, or professional standards to meet the purpose described in paragraph 400.10.¹

2. IESBA’s application guidance explains that bodies responsible for setting ethics standards

¹ Paragraph 400.10 states “*Stakeholders have heightened expectations regarding the independence of a firm performing an audit engagement for a public interest entity because of the significance of the public interest in the financial condition of the entity. The purpose of the requirements and application material for public interest entities as described in paragraph 400.8 is to meet these expectations, thereby enhancing stakeholders’ confidence in the entity’s financial statements that can be used when assessing the entity’s financial condition.*”

are expected to refine these categories more explicitly to align with their jurisdictions. The application guidance also

- a. indicates that bodies responsible for setting ethics standards are expected to add categories but are not expected to remove any.
 - b. encourages firms to consider whether to treat additional entities as PIEs.
3. The application guidance provides ethics standard-setting bodies with a list of factors to consider when determining whether an entity should be considered a PIE because there is significant public interest in the entity's financial condition.

These are the factors provided for ethics standard-setting bodies to consider:

- a. Nature of the business or activities, such as the holding of assets in a fiduciary capacity for a large number of stakeholders taking on financial obligations to the public as part of the entity's primary business. Examples might include financial institutions, such as banks and insurance companies, and pension funds.
- b. Whether the entity is subject to regulatory supervision designed to provide confidence that the entity will meet its financial obligations.
- c. Size of the entity.
- d. Importance of the entity to the sector in which it operates including how easily replaceable it is in the event of financial failure.
- e. Number and nature of stakeholders including investors, customers, creditors and employees.
- f. Potential systemic impact on other sectors and the economy as a whole in the event of financial failure of the entity.

Current regulation in the United States

4. The three mandatory categories covered by the new IESBA PIE definition are already heavily regulated in the United States by the SEC, PCAOB, FDIC, and the National Association of Insurance Commissioners (NAIC). These regulators have established appropriate independence requirements for the entities they oversee.
5. As such this proposal includes the mandatory categories in the definition of PIE but defers to the relevant regulators for purposes of the specific independence requirements. Adding a separate set of independence standards to the code for PIEs would add significant complexity to the code, which could also result in inconsistencies between the code and the

rules of a particular regulator.

6. Firms that voluntarily join the [IFAC Forum of Firms](#) have committed to comply with the IESBA code, as a condition of their membership, and therefore must also apply the IESBA PIE requirements to all financial statement audit and review engagements performed for a PIE. In cases in which the IESBA PIE rules are more restrictive than the relevant U.S. regulator referred to in the categories of the proposed PIE definition, such firms would need to apply the more restrictive IESBA PIE requirements. A member who does not belong to a firm that is part of the Forum of Firms would continue to comply with the AICPA and applicable regulators' rules.

Mandatory Category 1: Publicly traded entity (SEC and PCAOB)

7. The first mandatory category of PIE is "publicly traded entity." IESBA adopted the following definition of publicly traded entity to help users understand what would be included in this category:

An entity that issues financial instruments that are transferrable and traded through a publicly accessible market mechanism, including through listing on a stock exchange.

A listed entity as defined by relevant securities law or regulation is an example of a publicly traded entity.

8. The new IESBA definition includes not only entities whose shares, stock or debt are traded on formal exchanges but also those entities trading on second-tier markets or over-the-counter (OTC) trading platforms.
9. The IESBA definition of "publicly traded entity" is appropriate to use in the AICPA PIE definition. However, IESBA's example of "listed entity" is eliminated because the common term for this type of entity in the United States is "issuer."²
10. The SEC independence rules apply to auditors of issuers and certain non-issuers. The SEC independence rules that apply to issuer audits are in many respects considered to be substantially similar to IESBA's independence requirements for PIEs. This conclusion is

² The term "issuer" means an issuer (as defined in Section 3 of the Securities Exchange Act of 1934), the securities of which are registered under Section 12 of that Act, or that is required to file reports under Section 15(d) of that Act, or that files or has filed a registration statement that has not yet become effective under the Securities Act of 1933, and that it has not withdrawn.

supported by IESBA's [benchmarking report](#).

11. Accordingly, this proposal refines this PIE category to extend only to those entities whose auditors are subject to the SEC **issuer** independence rules.

SEC independence rules that apply to issuer and non-issuer audits	Additional SEC independence rules that apply to issuer audits ³
<ul style="list-style-type: none"> • General standard of auditor independence (Rule 2-01(b)) • Financial relationships (Rule 2-01(c)(1)) • Employment relationships (Rule 2-01(c)(2)(i)-(iii)(A) and (c)(2)(iv)) • Business relationships (Rule 2-01(c)(3)) • Non-audit services (Rule 2-01(c)(4)) • Contingent fees/commissions (Rule 2-01(c)(5)) 	<ul style="list-style-type: none"> • Employment cooling-off for former members of the audit engagement team (Rule 2-01(c)(2)(iii)(B)-(C)) • Partner rotation (Rule 2-01(c)(6)) • Audit committee administration of the engagement (that is, audit committee pre-approval) (Rule 2-01(c)(7)) • Audit partner compensation (Rule 2-01(c)(8))

12. The AICPA's proposed new definition of "publicly traded entity" includes financial instruments of certain non-issuers such as governmental bonds and certain entities listed on the OTC trading platforms.
13. However, the refined scope in the revised definition of "public interest entity" clarifies that inclusion of such financial instruments in the definition of PIE depends on whether auditors of these entities are subject to SEC issuer independence rules.
14. Issuers, publicly available mutual funds, and entities listed on the OTC trading platforms are considered PIEs if their auditors are subject to SEC issuer independence rules. Entities are not considered PIEs if their auditors are not subject to issuer independence rules.
15. This aligns with IESBA's goal for the new definition to not only include entities having shares, stock, or debt traded on formal exchanges but to also include entities that trade on second-tier markets or OTC trading platforms.

³ PCAOB also has certain independence rules that apply to issuer audit clients (for example, PCAOB Rules 3523, 3524, and 3525)

Mandatory Category 2: Deposits from the public (FDIC)

16. PEEC is refining this category to include entities that meet the annual audit requirement imposed by Sections 363.1(a) and 363.2(a) of Part 363 of the FDIC's regulations.
17. The FDIC audit requirement becomes applicable when the financial institution has more than \$500 million in assets and requires that the auditor be subject to SEC issuer independence rules. This refinement places significant importance on the size of the entity, which is a factor IESBA recommends considering during the refinement process.
18. Credit unions are not captured by this refinement as they are not subject to SEC issuer independence rules. However, they are regulated by the National Credit Union Administration (NCUA) which protects the interest of credit union members.
19. Auditors of credit unions are subject to AICPA independence rules. PEEC considered whether to include credit unions as a category under the PIE definition and concluded that they do not offer deposits to the public but rather, to their members. In addition, the regulator (NCUA) has deliberated and determined the appropriate independence standards auditors of credit unions should follow.
20. Accordingly, PEEC's decision to exclude credit unions places significant importance on the nature of the stakeholders (that is, members, not the public) and that these entities are subject to the supervision of a regulator, which are factors IESBA recommends considering during the refinement process.

Mandatory Category 3: Insurance to the public (NAIC)

21. PEEC is refining this category to include only entities that are
 - a. subject to the NAIC Annual Financial Reporting Model Regulation adopted by the respective state insurance department ([Model Audit Rule or MAR](#)) and
 - b. meet or exceed \$500 million in direct and assumed premiums.
22. Current data indicates that companies in public groups and nonpublic companies with greater than \$500 million in annual direct premiums and assumed premiums represent approximately 45 percent of all insurers and 95 percent of total gross premiums as of December 31, 2021. With this threshold, categories a. and c will include approximately 45 percent of all insurers.

23. Section 7 of the Model Audit Rule has independence requirements for auditors of insurers that are subject to that rule. These independence requirements are comparable to those of the SEC issuer independence rules as they contain provisions related to the following:

- Partner rotation
- Prohibited non-audit services
- Cooling off period for employment
- Audit committee preapproval
- Good standing with the standards of the profession

24. The NAIC has recognized a heightened risk for insurers with direct premiums and assumed premiums over \$500 million. When that threshold is reached, several requirements in MAR are triggered that are related to the insurer. These requirements are as follows:

	MAR section	Requirement
Audit committee	Section 14h	Supermajority (75% or more) of the members of the audit committee shall be independent ⁴
Internal audit function requirements	Section 15 ⁵	Establish an internal audit function which is organizationally independent and reports to the audit committee regularly
Management's report of internal control over financial reporting	Section 17	Management has to prepare and file a report with the insurance commissioner of the insurer's internal control over financial reporting

⁴ In order to be considered independent, a member of the audit committee may not, other than in his or her capacity as a member of the audit committee, the board of directors, or any other board committee, accept any consulting, advisory or other compensatory fee from the entity or be an affiliated person of the entity or any subsidiary thereof.

⁵ Individual insurers are subject to this requirement if they have annual direct written and assumed premiums of \$500 million or greater. In addition, when the insurer is a member of a group of insurers, the group will be subject to this requirement if the group has annual direct written and assumed premiums of \$1 billion or greater.

25. Other identified insurance entities that do not have uniform application of MAR-specific requirements or regulations vary by state and include the following:

- a. Health maintenance organizations, managed care organizations, health care entities
- b. Warranty companies
- c. Captives
- d. Risk retention groups

26. These entities are not included in the refined PIE category as there is not uniform application of MAR. However, PEEC acknowledges regulators in the states, through either the departments of health or departments of insurance, determine the appropriate independence rules the auditors of these other entity types are required to follow.

Additional recommended categories

27. IESBA's application guidance indicates that ethics standard-setting bodies are expected to add categories. The application guidance identifies the following possible categories:

- a. Pension funds
- b. Collective investment vehicles
- c. Private entities with large numbers of stakeholders (other than investors)
- d. Not-for-profit organizations or governmental entities
- e. Public utilities

28. PEEC's consideration of additional categories for possible inclusion in the PIE definition are described in the following sections.

New Category: Investment companies

29. PEEC is proposing a new category to capture investment companies (including mutual funds) that are registered with the SEC pursuant to the Investment Company Act of 1940 (the 1940 Act) except those that are insurance company products. By limiting this category to only 1940 Act investment companies that are not products of an insurance company, PEEC is treating only those investment companies that have significant public interest as a PIE (for example, a mutual fund that is available to the public). Entities such as non-traded real estate investment trusts (REIT) would not be considered a PIE under this category.

30. Insurance company products (that is, products that use separate accounts such as variable annuity, variable life products, indexed linked annuity, buffered linked annuity) are already being factored into the PEEC's consideration of a PIE in category c. Therefore, insurance company products are excluded from this new category.

Other categories considered

Pension Funds

31. PEEC considered various types of employee benefit plans in the United States, which include plans subject to Title 1 of ERISA, governmental employee benefit plans, church plans, and other plans established and maintained solely for the purpose of complying with applicable workers' compensation, unemployment compensation, or disability insurance laws.
32. The population of employee benefit plan types is broad and includes significant variation in legal structure, governance, regulatory oversight, and type of arrangements covered (that is, limited to certain pension arrangements as opposed to other post-employment benefits such as health insurance). In considering this category, the PEEC noted that the interest in the financial condition of the plan is generally limited to the plan participants as opposed to the broader public interest which is a factor IESBA recommends considering when determining whether additional categories should be included as PIEs.
33. Plans subject to Title 1 of ERISA are required to file a Form 5500 with the Department of Labor (DOL) along with other documents to be filed with the IRS and Pension Benefit Guaranty Corporation (PBGC). ERISA established participation, vesting, and minimum funding standards along with trust requirements.
34. Plans with more than 100 eligible participants are required to have a financial statement audit performed by an independent qualified public accountant. The DOL is the regulator of these plans and recently updated their independence rules, which in some respects are more restrictive than the AICPA and SEC independence rules (for example, scope of financial relationships restrictions) but in other respects, are not as extensive as the SEC's issuer independence rules.
35. These plans regulated by the DOL are subject to regulatory supervision designed to provide confidence that the entity will meet its financial obligations. Governmental employee benefit plans or public pension plans are primarily regulated under state statutes, local ordinances, and state constitutions and the laws vary widely from jurisdiction to jurisdiction. Though public pension plans have no guarantor of plan benefits, states generally have constitutional or statutory provisions that dictate how pension plans are to be funded, protected, managed, or governed.

36. PEEC separately considered whether to specifically include employee benefit plans that are required to file Form 11-K with the SEC as an additional category under the PIE definition. These plans have a company stock fund component, where participants can invest in the sponsor company's publicly traded stock and auditors must comply with the SEC issuer independence rules. These plans are subject to Title 1 of ERISA and are regulated by the DOL.
37. Like other employee benefit plans, significant interest in the financial condition of benefit plans filing Form 11-K is limited to the plan participants as opposed to the broader public interest. In addition, PEEC believes consideration of the public interest is focused on the financial condition of the plan sponsor rather than the plan itself, and the plan sponsor is already being captured under category a. of the proposed PIE definition.
38. Because of the significant variation in legal structure, governance, participant versus broad public interest and robust regulatory oversight, PEEC concluded that pension funds (including 11-K filers) should not be included in the definition of PIEs.

Non-issuer broker-dealers and certain funds

39. The definition of PIE excludes certain entities whose auditors are subject only to the non-issuer requirements of the SEC independence rules (see chart in paragraph 11 above) such as:
- a. non-issuer broker-dealers registered with the SEC
 - b. private funds that are advised by an investment advisor registered with the SEC where the advisor chooses to rely on the audit of the fund to meet the exemption under SEC Rule 206(4)-2, Custody of funds or securities of clients by investment advisers, under the Investment Advisers Act of 1940 (the custody rule).
40. PEEC considered whether to include these types of entities as additional categories under the PIE definition as they are subject to SEC independence rules and non-issuer broker-dealers are also subject to certain PCAOB independence rules.
41. Because the SEC has not required the auditors of non-issuer broker-dealers or these private funds to be subject to the SEC issuer independence requirements under Rule 2-01⁶, PEEC concluded it is not appropriate to treat these entities as PIEs and subject their auditors to more restrictive independence requirements. The public's interests are protected by the

⁶ In August 2003 the SEC issued a [Q&A](#) that clarified "...for brokers and dealers or investment advisors that are not issuers as defined in the Act, the auditors would not be subject to the rotation requirements, or the compensation requirements of the Commission's independence rules..."

existing independence standards required for auditors of these entities.

Not-for-profit and governmental entities

42. In 2018 the U.S. Government Accountability Office (GAO) strengthened the independence standards that apply to auditors of entities subject to the Yellow Book (that is, *Government Auditing Standards*).
43. The GAO's revised independence standards are in some respects more restrictive than those of the AICPA (for example, the preparation of accounting records and financial statement preparation services are considered to create significant threats to independence).
44. PEEC acknowledges that not-for-profit entities and governments that expend \$750,000 or more of federal assistance require an audit subject to the Yellow Book. Also, some state laws require compliance with the Yellow Book regardless of federal dollars received, but requirements are not consistent by state.
45. Because of the enhanced independence requirements established by the GAO and the fact that they did not believe it was necessary to adopt the more restrictive SEC issuer independence rules, combined with the application of these requirements on certain sized entities and significant variation in state requirements, PEEC concluded it is not appropriate to treat not-for-profit and governmental entities as PIEs.

Firm provision

46. IESBA's application guidance also encourages firms to consider whether to treat additional entities as PIEs.
47. These are the additional factors IESBA provided for firms to consider in their evaluation:
 - a. Whether the entity is likely to become a PIE in the near future
 - b. Whether in similar circumstances, a predecessor firm has applied independence requirements for PIEs to the entity
 - c. Whether in similar circumstance, the firm has applied independence requirements for PIEs to other entities
 - d. Whether the entity has been specified as not being a PIE by law, regulation, or professional standards
 - e. Whether the entity or other stakeholders required the firm to apply independence requirements for PIEs to the entity and, if so, whether there are any reasons for not meeting this request

- f. The entity's corporate governance arrangements, for example, whether those charged with governance are distinct from the owners or management
48. The proposed PIE definition removes the language which encourages this consideration by the firm. PEEC believes deletion is appropriate because typically the request to apply enhanced independence requirements is driven by the financial statement audit or review client rather than the firm. While these requests are not common occurrences in the United States, they do come about, for example, when the entity is expecting to file an initial public offering. In such cases, the member may apply the SEC issuer independence requirements and treat the client as a PIE as described under category a. of the proposed definition. PEEC believes the code, with or without this language, allows a member to apply enhanced independence requirements and treat the client as a PIE, where appropriate.
49. This exposure draft poses questions related to these circumstances to determine what nonauthoritative guidance might be needed to assist a member when this occurs. The questions will also address any transparency issues as described in the following section.

Transparency requirement

50. IESBA's standard also includes a transparency requirement where the firm shall publicly disclose that the firm has applied the independence requirements for public interest entities in performing an audit of the financial statements of an entity.
51. Because the requirement doesn't stipulate where the disclosure is made, the International Auditing and Assurance Standards Board (IAASB) has a project underway to determine where the disclosure should be made.
52. Based on the regulatory requirements applicable to each of the entities captured by the proposed PIE definition, PEEC is not incorporating the transparency requirement into the code. The transparency requirement will be achieved through the regulations requiring disclosure of the applicable independence standards in the auditor's report (or in the case of the NAIC, through a letter attached to the auditor's report).

Effective date

53. PEEC recommends that the proposed revisions be effective for periods beginning on or after December 15, 2024, with early implementation allowed. This date aligns with IESBA's effective date.

Request for comments

54. PEEC welcomes comments on all aspects of the proposed revised definition and the new definition. In addition, PEEC is seeking feedback on the following specific aspects of this proposal.

- a. Do you agree with the decision to defer to the relevant regulators for purposes of the specific independence requirements applicable to each PIE category? If not, please explain why.
- b. Do you agree with the refinement to the “publicly traded entity” category to include only those entities whose auditors are subject to Regulation SX, SEC Rule 2-01?
- c. Do you agree with the refinement to the “deposits from the public” category to include only those entities that meet the annual audit requirement imposed by Sections 363.1(a) and 363.2(a) of Part 363 of the FDIC’s regulations (12 CFR 363 – “Annual Independent Audits and Reporting Requirements”)?
- d. Do you agree with the refinement to the “insurance to the public” category to include only those entities that are subject to the NAIC Model Audit Rule and meet or exceed \$500 million in annual direct written and assumed premiums?
- e. Do you agree with the “investment company” category PEEC is proposing to include in the definition of PIE? If not, please explain why.
- f. Do you believe other entities should be included as PIEs and subject to the more restrictive independence requirements consistent with those for IESBA PIEs?
 - i. If so, which entities and why?
 - ii. If so, should the AICPA code incorporate a second set of more restrictive independence standards (that is, consistent with IESBA PIEs), applicable to these other entities? If not, please explain an alternative approach.
- g. Is the definition of “publicly traded entity” clear? If not, please explain how it should be clarified.
- h. Are you aware of situations where a member would treat an engagement subject to the AICPA Statements on Auditing Standards, Statements on Standards for Accounting and Review Services, or Statements on Standards for Attestation Engagements as a PIE that doesn’t otherwise meet the definition of a PIE?
 - i. If so, describe such situations and which independence standards are typically applied.
 - ii. Do you believe it would be helpful to have guidance related to such situations? If so, should that guidance be authoritative, that is, included in the code, or non-authoritative guidance in the form of a FAQ?

- iii. Do you believe in such situations the member should be required to disclose that the independence requirements for public interest entities have been applied? If so, how do you believe such disclosure should be achieved when the regulator's transparency requirement is not applicable?
- i. Do you agree that the effective date provides adequate time to implement the proposals? If you disagree, please explain why.

DRAFT

Terms defined in the AICPA Code of Professional Conduct are italicized in this document. If you'd like to see the definitions, you can find them in "Definitions" ([ET sec. 0.400](#))

Text of proposed new definition "publicly traded entity"

0.400 Definitions

.43 Publicly traded entity. An entity that issues financial instruments that are transferrable and traded through a publicly accessible market mechanism, including through listing on a stock exchange.

Additions appear in ***boldface italic***. Deletions appear in ~~strikethrough~~.

Terms defined in the AICPA Code of Professional Conduct are italicized in this document. If you'd like to see the definitions, you can find them in "Definitions" ([ET sec. 0.400](#))

Text of proposed revised definition "public interest entity"

0.400 Definitions

.41 Public interest entity~~ies~~. ***An entity is a public interest entity when it falls within any of the All of the following categories:***

- a. ~~All listed entities, including entities that are outside the United States whose shares, stock, or debt are quoted or listed on a recognized stock exchange or marketed under the regulations of a recognized stock exchange or other equivalent body. A~~ ***publicly traded entity whose auditor is subject to Regulation S-X, SEC Rule 2-01, "Qualifications of Accountants"***
- b. ***An entity one of whose main functions is to take deposits from the public and that meets the annual audit requirement imposed by Sections 363.1(a) and 363.2(a) of Part 363 of the FDIC's regulations (12 CFR 363 – "Annual Independent Audits and Reporting Requirements")***
- c. ***An entity one of whose main functions is to provide insurance to the public that is subject to the NAIC Annual Financial Reporting Model Regulation (Model Audit Rule) and meets or exceeds \$500 million in annual direct written and assumed premiums***
- d. ***An investment company, other than an insurance company product, that is registered with the SEC pursuant to the Investment Company Act of 1940***
- b. ~~Any entity for which an audit is required by regulation or legislation to be conducted in compliance with the same independence requirements that apply to an audit of listed entities (for example, requirements of the SEC, the PCAOB, or other similar regulators or standard setters).~~

~~Members may wish to consider whether additional entities should also be treated as public interest entities because they have a large number and wide range of stakeholders. Factors to be considered may include~~

- ~~the nature of the business, such as the holding of assets in a fiduciary capacity for a large number of stakeholders;~~
- ~~size; and~~
- ~~number of employees.~~

When a member performs a financial statement audit or review subject to the regulatory requirements described in a.-d., a member should comply with the applicable independence requirements as required by “Governmental Bodies, Commissions, or Other Regulatory Agencies” interpretation [1.400.050] of the “Acts Discreditable Rule” [1.400.001] refer to the independence regulations of applicable authoritative regulatory bodies when a member performs attest services and is required to be independent of the attest client under such regulations. [Prior reference: paragraph .20 of ET section 100-1]

Acknowledgments

Professional Ethics Executive Committee

Brian S. Lynch, Chair

Catherine Allen

Claire Blanton

Jack A. Bonner, Jr.

Thomas Campbell

Robert E. Denham

Anna Dourdourekas

Anika Heard

Jennifer Kary

Clare Levison

G. Alan Long

Nancy Miller

Randy Milligan

Donald Murphy

Kenneth Omoruyi

Katherine Savage

Lisa Snyder

Daniel Vuckovich

Jimmy Williams

Mike Womble

Public Interest Entities Task Force

Lisa Snyder, Chair

Catherine Allen

Greg Collins

Nancy Miller

Andrew Prather

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AICPA staff

Jennifer Clayton, Associate Director – Professional Ethics

Ellen Gorla, Associate Director – Professional Ethics

Many thanks

The Professional Ethics Division and PEEC are grateful for the input we received from observers and stakeholders while drafting these proposed changes to the Code of Professional Conduct.

Simultaneous employment or association with an attest client

Task force members

Cathy Allen (chair), Andy Bonner, Jason Evans, Jeff Lewis, Nancy Miller, Dan Vuckovich

Observers

Jim, Dalkin, Robin Donaldson, Nicole Anderson McLean, Brandon Mercer, Bella Rivshin

AICPA staff

Jennifer Kappler

Task force charge

To consider whether to add an exception to the “Simultaneous Employment or Association With an Attest Client” interpretation ([ET sec. 1.275.005](#)) for individuals employed by the armed services and whether other modifications to the subtopic “Current Employment or Association with an Attest Client” ([ET sec. 1.275](#)) are warranted.

Reason for agenda item

To inform the committee of recent task force activities and obtain approval for issuing a survey and conducting roundtable discussions with stakeholders.

Task force activities

PEEC previously approved a “Temporary Enforcement Policy” ([ET sec. 0.600.030](#)) to address the conflict between the “Simultaneous Employment or Association with an Attest Client” interpretation and certain state statutes governing employment. The task force is now focused on whether there should be other modifications to the “Simultaneous Employment or Association with an Attest Client” interpretation.

Potential frameworks

At the February 2023 PEEC meeting, the committee approved the task force’s exploration of a covered member approach to potential revisions of the “Simultaneous Employment or Association with an Attest Client” interpretation. The task force recently concluded that limiting the prohibition to covered members does not effectively address potential significant threats, will not be widely accepted by stakeholders and will rely too heavily on member judgment in applying the conceptual framework.

The task force is currently exploring the following framework as a foundation for potential revisions to the interpretation. Under this approach, a covered member would be prohibited from employment at the attest client. Additionally, a partner or professional employee would be prohibited from being employed in a key position. One of the topics the task force plans to explore in the survey and roundtables is whether taking on management responsibilities should be explicitly included as a prohibition or whether this activity should be listed as a factor for

evaluating the significance of the threat. Though the term *management responsibility* is not defined within the code, it is described in the “Management Responsibilities” interpretation ([ET sec. 1.295.030](#)). One concern is that a management role at the attest client may not include management responsibilities that result in a significant threat, for example, the lead yoga instructor at the fitness center who schedules the other trainers.

Covered member	≠	Employee
Partner or professional employee	≠	an employee in a key position [or in any role where the individual takes on management responsibilities or performs prohibited <u>nonattest</u> services]
Other employment relationships = Apply Conceptual Framework		
Exceptions: Adjunct faculty, Governmental Org., USERRA and similar		

The task force has also preliminarily concluded that no modifications to the current interpretation regarding association with an attest client should be proposed. This would include maintaining the prohibition on serving as a director, an officer, a promoter, or an underwriter.

Outreach efforts

The task force has approved division staff’s request to contact AICPA expert panels, advisory groups, and other stakeholders to gauge their interest in participating in educational efforts, a poll or survey, and potential roundtable discussions. Staff held four meetings with representatives of these groups, and two more are scheduled before the expected issue date of the survey. Additionally, staff and the task force chair have an upcoming meeting with the National Association of State Boards of Accountancy (NASBA) to obtain their feedback and comments on the task force’s direction.

Response to outreach

Group	Response
State societies	11 confirmed participants
Advisory groups/committees	Yes – Private Company Practice Section, Regulatory/legislative affairs (Uniform Accountancy Act committee representative & 3 additional participants), Technical Issues Committee Pending – Audit and attest standards
Expert panels	Yes – Employee benefit plan, Insurance, Healthcare Pending – Not-for-Profit, Investment, and State and Local Government
Quality centers	Yes – Employee benefit plan audit quality center Pending – Governmental audit quality center
Peer review	4 participants: reviewers and oversight members
Firm representatives	4 individual firm representatives
Industry representatives	3 individual industry representatives

Questions for the committee

1. Does the committee approve exploration of the framework outlined above as a foundation for potential revisions to the interpretation?
2. Does the committee approve a survey of stakeholders to obtain feedback on potential modifications to the prohibition of certain employment relationships?
3. Assuming the answer to question 2 is yes, would the committee prefer to perform a fatal

flaw review of the survey questions via email or defer to the task force's judgment?

4. Does the committee approve the task force's request to conduct roundtable discussions with stakeholders?
5. Assuming the answers to questions 2 and 4 are yes, besides the committee members and representatives of the groups identified by outreach efforts, are there any other contacts the committee would like included in the survey and roundtable invitations?

Private equity investments in firms

Task force members

Anna Dourdourekas (co-chair), Lisa Snyder (co-chair), Cathy Allen, Bob Denham, Jennifer Elder, Kelly Hnatt

AICPA staff

Jim Brackens, Joan Farris, Ellen Gorla, Toni Lee-Andrews, Michael Schertzinger

Reason for agenda item

To request approval of the task force charge.

Proposed task force charge

Determine if the increase in private equity investments in public accounting firms creates a need to revise the code or issue nonauthoritative guidance. The task force will evaluate the current provisions in the code including the “Alternative Practice Structures” interpretations (ET sec. [1.220.020](#) and [1.810.050](#)) under the “Independence Rule” and the “Form of Organization Rule,” respectively, to determine if they are appropriate and sufficient.

Task force activities

Division staff has met with independence leadership at firms who have gone through a private equity transaction, and with an attorney who specializes in these transactions. The task force discussed the information gathered and the applicability of the current Alternative Practice Structures interpretations in the code to the private equity structure. At future meetings, the task force will discuss the project plan, including priorities and preliminary views on which items will be standards setting versus member enrichment initiatives.

The project comprises the scopes in the following sections.

Scope 1: Evaluate the current “Alternative Practice Structure” interpretation under the “Independence Rule” for applicability to private equity structures

The task force discussed terminology used in the “Alternative Practice Structures” interpretation such as direct superior, indirect superior, other public company entities, significant influence, and control. The task force considered whether those terms could be applied for determining independence in a private equity structure.

The task force also discussed whether the current interpretation should be amended to provide a framework for private equity structures and future alternative practice structures.

The task force recommends further discussion and analysis regarding the current interpretation.

Scope 2: Evaluate the “Alternative Practice Structures” interpretation under the “Form of Organization Rule” for applicability to private equity structures

The task force recommends it consider ownership and governance factors unique to private equity structures that could affect compliance with the “Alternative Practice Structures” interpretation under the “Form of Organization Rule” and [Appendix B](#).

Scope 3: Consider what nonauthoritative guidance would assist members in private equity structures to comply with the “Independence Rule” and its related interpretations

The task force recommends it consider nonauthoritative guidance, such as the following:

- Creating a model diagram that depicts relationships and scenarios within the private equity structure
- Developing Questions & Answers
- Developing a tool for evaluating and monitoring independence in the private equity environment

Questions for the committee

1. Does the committee have any concerns with or comments on the proposed charge?
2. Are there any other items the committee would like the task force to include in its charge?

[Action needed](#)

The committee is asked to approve the task force charge.

IESBA strategy and work plan

Planning subgroup members

Brian Lynch (outgoing chair), Anna Dourdourekas (incoming chair), Bob Denham, Randy Milligan, Lisa Snyder, Mike Womble

AICPA staff

Ellen Gorla, Iryna Klepcha, Toni Lee-Andrews

Reason for agenda item

To provide the committee with preliminary thoughts on the consultation paper and to solicit input for inclusion in the comment letter.

Planning subgroup charge

To draft a comment letter for the Proposed IESBA [Strategy and Work Plan 2024–2027 consultation paper](#).

Status

IESBA issued its consultation paper on April 5, 2023, with comments due by July 7, 2023. The consultation paper seeks stakeholder input on what key trends, developments, or issues IESBA should consider as it begins the process of developing its Strategy and Work Plan (SWP) 2024–2027.

Action needed

The committee is asked to provide input for the subgroup to consider, including in the comment letter.

Materials presented

Agenda item 4B: Proposed IESBA Strategy and Work Plan 2024–2027 consultation paper

CONSULTATION PAPER

Comments are due by July 7, 2023

PROPOSED IESBA STRATEGY AND WORK PLAN, 2024 – 2027

TOWARDS A MORE SUSTAINABLE FUTURE: ADVANCING THE CENTRALITY OF ETHICS

APRIL 2023

IESBA

International
Ethics Standards
Board for Accountants®

About the IESBA

The International Ethics Standards Board for Accountants (IESBA) is an independent global standard-setting board. The IESBA's mission is to serve the public interest by setting ethics standards, including auditor independence requirements, which seek to raise the bar for ethical conduct and practice for all professional accountants through a robust, globally operable International Code of Ethics for Professional Accountants (including International Independence Standards) (the Code).

The IESBA believes a single set of high-quality ethics standards enhances the quality and consistency of services provided by professional accountants, thus contributing to public trust and confidence in the accountancy profession. The IESBA sets its standards in the public interest with advice from the IESBA Consultative Advisory Group (CAG) and under the oversight of the Public Interest Oversight Board (PIOB).

About this Consultation

The IESBA is undertaking this consultation to obtain views from stakeholders on its proposed strategy and work plan (SWP) for 2024-2027. The feedback from stakeholders will enable the IESBA to finalize its future strategy and work plan in support of its public interest mandate.

This Consultation Paper has taken into account the feedback from the IESBA's April 2022 Strategy Survey, input from the IESBA CAG and other stakeholders, outputs or matters identified from current or recently completed projects or initiatives, and developments in the external environment. In developing the Consultation Paper, the IESBA has engaged in close coordination with the International Auditing and Assurance Standards Board (IAASB).

This Consultation Paper is structured as follows:

Section I: Request for Comments

Section II: Proposed Strategy 2024 – 2027

Section III: Proposed Work Plan 2024 – 2027



The IESBA will consider the responses to the Consultation Paper in Q3 2023 with a view to approving the final SWP in December 2023.

REQUEST FOR COMMENTS

This Consultation Paper, *Proposed IESBA Strategy and Work Plan, 2024-2027*, was developed and approved by the International Ethics Standards Board for Accountants (IESBA).

The proposals in this Consultation Paper may be modified in light of comments received before being issued in final form.

Comments are requested by July 7, 2023.

Respondents are asked to submit their comments electronically through the IESBA website, using the “[Submit a Comment](#)” link. Please submit comments in both a PDF and Word file. First-time users must register to use this feature. All comments will be considered a matter of public record and be posted on our website. Although the IESBA prefers that comments are submitted via its website, comments can also be sent to Geoff Kwan, IESBA Director at geoffkwan@ethicsboard.org.

This publication may be downloaded from the IESBA website: www.ethicsboard.org. The approved text is published in the English language.

SUMMARY – PROPOSED STRATEGY AND WORK PLAN 2024–2027

Proposed Strategy 2024-2027

pp.7-16

The IESBA's Vision

pp.7

To achieve global recognition and acceptance of its ethics (including independence) standards as being 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.

Proposed Strategic Drivers

pp.7-11

- Environmental drivers
 - Rapidly Growing Market and Public Demand for Sustainability Information
 - The Expanding Roles of Professional Accountants in Business
 - Trust Crisis and Other Repercussions from Recurring High-profile Corporate Failures
 - Ongoing Impact of Technological Transformations
- Operational drivers
 - Heightened Stakeholder Expectations for Greater Timeliness
 - The Imperatives of Quality and Global Acceptance of the IESBA's Standards
 - Global Operability of the IESBA's Standards
 - Further Increasing Global Adoption of the Code and Supporting Its Effective Implementation

Proposed Strategic Themes

pp.11-16

- Enhancing trust in sustainability reporting and assurance
- Strengthening the Code or responding in other ways in areas beyond sustainability reporting and assurance
- Further enhancing the diversity of stakeholder perspectives and the global operability and acceptance of the IESBA's standards
- Widening the influence of the IESBA's standards through a continued focus on adoption and implementation

Proposed Work Plan 2024 - 2027

pp.16-23

Projects/Work Streams Commenced before 2024 (Table A)

pp.17-18

- Sustainability
 - Work Stream 1: Independence
 - Work Stream 2: Ethics
- Use of Experts
- Collective Investment Vehicles, Pension Funds and Investment Company Complexes
- Post-Implementation Review – Non-Compliance with Laws and Regulations (NOCLAR)

Potential New Topics Identified (Table B)

pp.18-21

- Role of CFOs and Other Senior PAIBs
- Business Relationships
- Definitions and Descriptions of Terms
- Audit Firm – Audit Client Relationship
- Custody of Data
- Communication with Those Charged with Governance

Pre-committed Work Streams to Commence during or after Q1 2024 (Table C)

pp.21-22

- Post-Implementation Review – Long Association Phase 2
- Post-Implementation Review – Restructured Code
- Post-Implementation Review – Non-Assurance Services and Fees
- Post-Implementation Review – Definition of Public Interest Entity

SECTION I: REQUEST FOR COMMENTS

1. The IESBA seeks stakeholders' comments on the following:

Strategic Drivers, Themes and Actions	
1.	Do you agree with the IESBA's <i>Proposed Strategic Drivers</i> (see pp.9-13)?
2.	Do you agree with the IESBA's <i>Proposed Strategic Themes and Proposed Strategic Actions</i> (see pp.13-18)?
Proposed Work Plan for 2024 – 2027	
3.	Do you support the IESBA considering the topics set out in Table B as potential work streams (see pp.22-24)? If so, please also share your views on any specific issues or questions you believe the IESBA should consider under these topics. If not, please explain your reasons.
4.	Do you believe the IESBA should accelerate or defer any particular ongoing, potential or pre-committed work stream(s) set out in Tables A, B and C? Please explain your reasons.
5.	Are there other topics the IESBA should consider as potential new work streams? If so, please indicate whether these topics are more important than the topics identified in Table B (see pp.22-24), and the needs and interests that would be served by undertaking work on such topic(s).
Additional Information	
6.	The IESBA's proposed Strategy and Work Plan emphasizes the importance of close coordination with its sister Board, the IAASB. Do you have views or suggestions as to how coordination between the IESBA and IAASB could be enhanced to better serve the public interest?
7.	Do you have comments on any other matters addressed in this Consultation Paper or any significant matters not covered that you believe the IESBA should consider in finalizing the SWP 2024-2027?

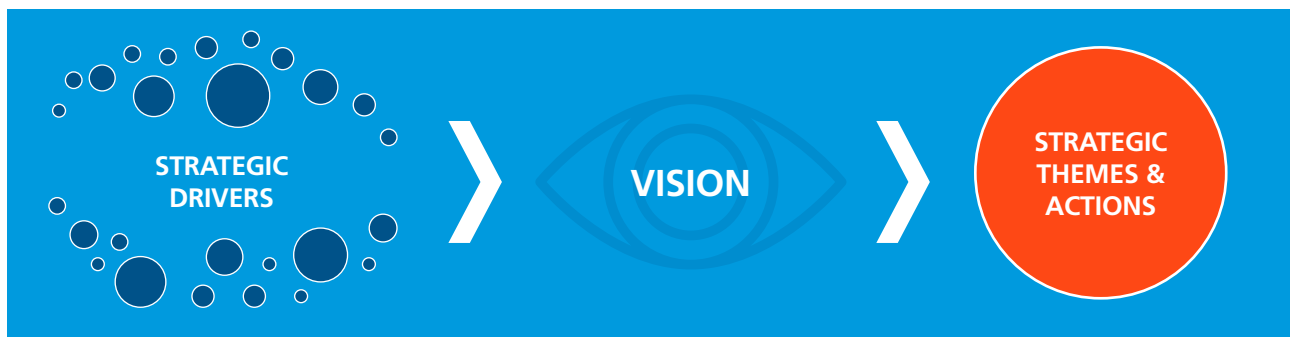
SECTION II: PROPOSED STRATEGY 2024 – 2027

Vision

2. The IESBA's vision is:

To achieve global recognition and acceptance of its ethics (including independence) standards as being 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.

3. This strategic vision will support the IESBA's continued mission to serve the public interest by setting ethics standards, including auditor independence requirements, that seek to raise the bar for ethical conduct and practice for all professional accountants (PAs). It recognizes the high level of public expectations regarding ethical behavior by PAs in light of the wide-ranging roles they play in corporate reporting, assurance and other professional activities, and the confidence businesses, governments and other organizations place in the accountancy profession.
4. In addition, by not limiting the use of the standards exclusively to the accountancy profession, the IESBA's vision is to make the standards available for use by other professions whose members perform the same types of professional activities or services as PAs, especially in relation to sustainability assurance. The IESBA believes that doing so serves the broader public interest in having professionals who perform similar types of work adhere to the same high bar of ethical behavior, regardless of whether they are from the accountancy profession.
5. Whilst the IESBA promulgates the international ethics (including independence) standards, it recognizes that the responsibilities to regulate and supervise the use of its standards and enforce them rest with the relevant regulatory or professional bodies in different jurisdictions.
6. The IESBA's vision is shaped by the strategic drivers and will be achieved through the successful delivery of the actions identified under each of the four strategic themes.



Proposed Strategic Drivers

7. The IESBA has identified a number of strategic drivers that create significant opportunities and challenges to achieving its vision over this strategy period. These strategic drivers can be grouped into two broad categories:
 - (a) Environmental drivers relating to market trends or developments that impact the need for, and relevance of, the IESBA's standards; and
 - (b) Operational drivers that impact the IESBA's responsiveness to strategic developments as well as the quality, global acceptance and operability, and adoption and effective implementation of its standards.

Environmental Drivers

Rapidly Growing Market and Public Demand for Sustainability Information

8. Market and public demand for sustainability information has risen substantially and rapidly in recent years. Such information is increasingly used to support capital allocation or other decisions by investors, customers, current or potential employees, government agencies and other stakeholders. As demand for sustainability information continues to expand rapidly not only in relation to environmental matters but also in relation to social and governance ones, there is a pressing public interest need to ensure that such information is reliable and comparable, and therefore subject to assurance.
9. In response to this growing trend, regulators in a number of major jurisdictions have prioritized, as a matter of urgency, the development of new regulations governing sustainability reporting and assurance.¹ In this regard, the International Organization of Securities Commissions (IOSCO) has publicly recognized the work of both the IESBA and IAASB as important in meeting the need for robust standards applicable to all providers of sustainability assurance to foster independent, high-quality engagements and consistent practices.² In particular, IOSCO welcomed the two Boards' plans to develop high-quality, global assurance and ethics (including independence) standards that are profession-agnostic and can support limited, and ultimately, reasonable assurance of sustainability information. In addition, in its report *Supervisory and Regulatory Approaches to Climate-related Risks*, the Financial Stability Board (FSB) also singled out the work of the IESBA and IAASB as relevant to the development of third-party assurance of climate-related public disclosures by corporates.³
10. The Public Interest Oversight Board (PIOB) has also welcomed the IESBA's consideration of developing fit-for-purpose ethics (including independence) standards that could be used by any professionals, whether or not from the accountancy profession, who provide assurance on sustainability reporting. The PIOB has recognized that it is in the public interest that all assurance providers adhere to the same high bar of ethical behavior and independence when engaged to perform sustainability assurance engagements.⁴

The Expanding Roles of Professional Accountants in Business

11. The role of PAs in business (PAIBs) has evolved over time driven by the changing needs of investors and customers, regulatory and technological changes, and the exponential growth in information which can present both opportunities and challenges. In particular, the role of the Chief Financial Officer (CFO) has expanded from being a guardian of a company's financial health to encompassing strategy, enterprise risk management, performance management, and communicating the organization's value proposition to stakeholders.
12. Whilst the CFO's role and responsibilities continue to be reshaped by new technology, the CFO is increasingly at the confluence of how their organization is responding to the rapid growth in market demand for sustainability information. This dynamic is impacting CFOs (and the broader finance function) in ways they have not necessarily been trained or equipped to manage. Specifically, in addition to supporting their organizations in responding to strategic developments in sustainable finance, CFOs increasingly need to understand and work across other disciplines, manage and coordinate the sustainability data supply chain, integrate financial and non-financial information into long term plans, and engage with experts and other professionals beyond those involved in traditional financial reporting, amongst many other new demands and pressures. These developments give rise to a need for a fresh look at whether the Code continues to be relevant and appropriate in guiding PAIBs' mindset and behaviors in this fast-changing environment.

¹ Some recent examples of jurisdictional developments include:

- The European Union's (EU) agreement on its new Corporate Sustainability Reporting Directive (CSRD).
- The United States Securities and Exchange Commission's (US SEC) proposed rules to require issuers to provide climate-related disclosures.
- The UK Financial Conduct Authority's (FCA) new climate-related disclosure requirements for standard listed issuers as well as for asset managers and FCA-regulated asset owners.
- The New Zealand External Reporting Board's (XRB) public consultation on its climate-related disclosure framework.

² In September 2022, IOSCO issued a [statement of support](#) for the work of the IAASB and IESBA to develop profession-agnostic global standards to support assurance of sustainability information.

³ <https://www.fsb.org/2022/10/supervisory-and-regulatory-approaches-to-climate-related-risks-final-report/>

⁴ [January 2023 PIOB's Public Interest Issues: IESBA Projects](#), page 2

13. The expansion of the role of CFOs is not unique to the private sector but is also occurring in the public sector where PAIBs in finance and other equivalent roles are also impacted by technology disruption and the demand for greater transparency in governments' performance in sustainability-related matters.

Trust Crisis and Other Repercussions from Recurring High-profile Corporate Failures

14. Recurring headlines about collapses of large public companies due to fraud as well as other financial scandals across the globe have had dramatic impacts on investors, workers, customers, the supply and credit chains, and the broader economic and social systems. These events not only damage public trust in the accountancy profession but also call into question the role of auditors as guardians of public trust in entities' financial statements. Some of these events have raised questions about not only the quality of the audits but also the independence of the auditors. In addition, there continues to be heightened regulatory scrutiny not only on aspects of the performance of an audit, such as the exercise of professional skepticism and professional judgment, but also on broader considerations relating to auditor independence, audit firm culture and the audit firm multi-disciplinary business model.
15. These corporate failures also raise ethical questions regarding the role of PAIBs, including those who are CFOs, notwithstanding that the work and activities of PAIBs are not subject to the same level of independent regulatory oversight as auditors. In this regard, the issue of "greenwashing" has raised questions about the ethical behavior of those who prepare and report sustainability information, and those who are in a management or oversight roles, including CFOs and directors.

Ongoing Impact of Technological Transformations

16. The technology landscape continues to evolve rapidly, transforming the way we live and disrupting organizational norms and processes. The impact of technology, such as automation and cybersecurity, is also pervasive throughout the accountancy profession as PAs interact with data in a variety of roles, for example, as creators, users, stewards, advisors, and assurance providers. Whilst the digital transformation journey better enables PAs to meet the new demands and expectations of their clients and employing organizations in a digital age, the transformations also create ethical questions and challenges that can be complex, with implications for stakeholders' trust in PAs' work.
17. Against this backdrop, the IESBA has taken strategic action to respond to the developments in technology. In April 2023, the IESBA will issue, subject to the PIOB's approval, revisions to the Code, including the International Independence Standards, under its Technology Project. Further, in November 2022, the IESBA released its Technology Working Group's (TWG) [Phase 2 Report](#) detailing the outcomes of the TWG's fact-finding work, including recommendations for further enhancements to the Code and the development of additional non-authoritative guidance for PAs.⁵ Some of these recommendations seek to respond to a number of the ethical questions and challenges arising from the ongoing digital transformations.

Operational Drivers

Heightened Stakeholder Expectations for Greater Timeliness

18. One of the objectives of the Monitoring Group's (MG) July 2020 recommendations, [Strengthening the International Audit and Ethics Standard-Setting System](#) (MG Recommendations) is to foster the development of timely, high-quality standards that respond to an accelerating pace of change.⁶ The MG's expectation for the IESBA to be more timely in its standard-setting work has been echoed within the broader regulatory community where there have been calls for the IESBA to move quickly to address market developments of significant public interest.
19. Recognizing such expectations, the IESBA has taken action to respond quickly to the strategic developments in sustainability reporting and assurance. It established a sustainability work stream in Q1 2022 and [publicly committed](#) in June 2022 to readying global ethics (including independence) standards timely to respond to those developments.

⁵ In this regard, pursuant to its Technology Working Group's Phase 1 Report, the IESBA has facilitated the development of a number of [non-authoritative guidance materials](#) since 2021 (<https://www.ethicsboard.org/focus-areas/technology-ethics-independence-considerations>).

⁶ To ensure responsiveness to the public interest, the MG calls for both the IESBA and IAASB to develop their standards in accordance with the principles of the Public Interest Framework set out in the MG Recommendations.

The IESBA has since been working closely with IOSCO, the IAASB and the International Sustainability Standards Board (ISSB) to ensure a coordinated approach to the development of the global standards infrastructure needed to support transparent, relevant and trustworthy sustainability reporting. In addition, in response to rising stakeholder concerns about greenwashing, the IESBA issued in October 2022 a [Staff publication](#) highlighting the relevance and applicability of the Code in combatting greenwashing.⁷ In December 2022, the IESBA approved a [project](#) to develop ethics, including independence, standards addressing sustainability reporting and assurance, as well as a [related project](#) addressing the use of experts.

The Imperatives of Quality and Global Acceptance of the IESBA's Standards

20. A key ingredient to the quality of the IESBA's standards is input from a diverse range of stakeholders. Whilst the IESBA engages routinely with many stakeholder communities, including regulators and oversight bodies, national standard setters (NSS), international and regional policy-making organizations, preparers, professional accountancy organizations (PAOs) and accounting firms, it has faced a continuing challenge of obtaining a comparatively similar level of input to its projects and initiatives from users of financial and non-financial information, particularly investors and those charged with governance (TCWG). In this regard, the PIOB has continued to encourage the IESBA to pursue efforts to reach out to the investor and corporate governance communities to inform its standard-setting work.
21. The IESBA also acknowledges the importance of an effective enforcement regime as part of the broader reporting ecosystem. The IESBA therefore recognizes the need to work closely with regulators, oversight bodies and other stakeholders to promote effective and consistent enforcement of its standards.
22. The IESBA's Sustainability work stream has highlighted a further imperative in terms of the need to reach out to the community of assurance providers outside the accountancy profession. This is necessary given that a large number of sustainability assurance engagements are already being performed by providers who are independent of the profession,⁸ and the fact that the market for sustainability assurance work has already been opened, or is expected to be opened soon, to all providers (whether or not from the accountancy profession) in a number of major jurisdictions.⁹ The aim of such outreach would be to understand the ethical frameworks the independent providers use in supporting their assurance work and to seek their input to the IESBA's development of profession-agnostic ethics (including independence) standards for sustainability assurance that will be understandable and usable by them. Such input will be important to the global acceptance of the IESBA's sustainability-related standards by assurance providers outside the accountancy profession.

Global Operability of the IESBA's Standards

23. An important factor that the IESBA takes into account in developing its standards is global operability. Global operability entails considerations of not only practicality and whether the standards will be capable of being applied in jurisdictions with different legal and regulatory frameworks, but also whether the standards will be capable of being used seamlessly with international reporting and assurance standards.
24. In this regard, stakeholders, as well as the PIOB, have continued to emphasize the importance of the IESBA and IAASB coordinating their work closely to address topics of mutual interest. Such coordination has already been taking place at a strategic and technical level, and the IESBA and IAASB continue to dedicate efforts to strengthen it so that their standards mutually support each other and are interoperable. This imperative also extends to the IESBA's coordination with the ISSB in relation to sustainability reporting and assurance, given the importance of ensuring global consistency in the use of common concepts, terms and definitions in the IESBA's and ISSB's standards in that area.

⁷ The IESBA has also responded timely to other major global developments in ways other than through standard-setting. In particular, in response to the COVID-19 pandemic, the IESBA collaborated with a number of national standard setters and regulators to produce a series of [staff publications](#) that provide guidance to PAs on dealing with ethics and independence issues arising from the pandemic. In addition, in October 2022, the IESBA released the Staff Alert, [The Ukraine Conflict: Key Ethics and Independence Considerations](#). This non-authoritative guidance highlights a number of important provisions in the Code with which PAs must comply in carrying out their work as they navigate the unprecedented challenges and risks arising from the ongoing Russia-Ukraine war.

⁸ For example, [research](#) published by the Center for Audit Quality in April 2021 indicated that out of the population of S&P 100 companies considered, over 80% had assurance or verification of their Environmental, Social and Governance (ESG) information provided by engineering or consulting firms that were not CPA firms.

⁹ For example, in the EU under the CSRD and in the US under proposed rules being developed by the US SEC.

25. There is also an ongoing need for the IESBA to work closely with standard setters at the jurisdictional level to ensure that the IESBA's standards will be operable across jurisdictions.

Further Increasing Global Adoption of the Code and Supporting Its Effective Implementation

26. To date, 130 jurisdictions have adopted or used the Code, including 17 of the G20 countries.¹⁰ However, not all of these jurisdictions have adopted or are using the latest version of the Code. It is therefore imperative that the IESBA continue to dedicate a focus on supporting jurisdictions adopt or use the latest additions and revisions to the Code, working closely with NSS and the International Federation of Accountants (IFAC) in particular.
27. Noting the volume and frequency of changes to the Code in recent years, some stakeholders have called on the IESBA to temper the pace of standard-setting and focus more on developing non-authoritative material (NAM) to assist users in understanding the new provisions and applying them consistently. The IESBA acknowledges those concerns. The capacity of the market to assimilate new or revised IESBA standards is an important factor amongst others that the IESBA considers in determining the number and prioritization of its standard-setting projects and in setting effective dates for final standards. The feedback concerning a continuing market need for implementation support resources also highlights that effective implementation of the IESBA's standards is a matter of strategic importance.

Proposed Strategic Themes

28. Based on the identified strategic drivers, the IESBA has developed four strategic themes to guide its actions in support of its strategic vision:
- Enhancing trust in sustainability reporting and assurance
 - Strengthening the Code or responding in other ways in areas beyond sustainability reporting and assurance
 - Further enhancing the diversity of stakeholder perspectives and the global operability and acceptance of the IESBA's standards
 - Widening the influence of the IESBA's standards through a continued focus on adoption and implementation
29. The table below illustrates how these strategic themes connect to the strategic drivers, which in turn influence the IESBA's strategic vision.

STRATEGIC VISION	STRATEGIC THEMES	STRATEGIC DRIVERS
	Enhancing trust in sustainability reporting and assurance	<ul style="list-style-type: none"> • Rapidly Growing Market Demand for Sustainability Information • Heightened Stakeholder Expectations for Greater Timeliness
	Strengthening the Code or responding in other ways in areas beyond sustainability reporting and assurance	<ul style="list-style-type: none"> • The Expanding Roles of Professional Accountants in Business • Ongoing Impact of Technological Transformations • Heightened Stakeholder Expectations for Greater Timeliness • Trust Crisis and Other Repercussions from Recurring High-profile Corporate Failures
	Further enhancing the diversity of stakeholder perspectives and the global operability and acceptance of the IESBA's standards	<ul style="list-style-type: none"> • The Imperatives of Quality and Global Acceptance of the IESBA's Standards • Global Operability of the IESBA's Standards
	Widening the influence of the IESBA's standards through a continued focus on adoption and implementation	<ul style="list-style-type: none"> • Further Increasing Global Adoption of the Code and Supporting Its Effective Implementation

¹⁰ See [2020-2021 Report on IESBA Accomplishments](#), page 14

Enhancing Trust in Sustainability Reporting and Assurance

30. Given the significant and rapidly growing market demand for sustainability information, the IESBA has agreed to take timely action to develop fit-for-purpose, globally applicable ethics (including independence) standards as a critical part of the infrastructure needed to support transparent, relevant and trustworthy sustainability reporting. This recognizes the essential role ethics and independence play in the production, reporting and assurance of sustainability information, and the major role of PAs in this regard. This strategic commitment will complement the sustainability reporting and assurance standards being developed by the ISSB and the IAASB, respectively.
31. As noted in the discussion of the strategic drivers above, a number of major jurisdictions have opened or are expected to open the market for sustainability assurance services to all providers, whether from or outside the accountancy profession. In this regard, as noted above, the IESBA approved a new [sustainability project](#) in December 2022 to develop profession-agnostic ethics and independence standards for sustainability assurance as well as ethics standards for sustainability reporting.

Strengthening the Code or Responding in Other Ways in Areas Beyond Sustainability Reporting and Assurance

32. As the accountancy profession evolves in response to developments such as disruptive technology and sustainability reporting, and in light of recurring major corporate failures around the world, new ethics or independence questions or challenges may arise that impact public trust in the work of PAs.
33. In addition, whilst significant changes have been made to the Code in recent years, regulators and oversight bodies have called on the IESBA to continue to maintain a focus on strengthening the International Independence Standards. The IESBA has also identified through its recent standard-setting work certain topics or areas where the Code could be further strengthened or enhanced.
34. Further, it is necessary for the IESBA to monitor emerging issues or developments in the external environment that may warrant standard-setting or other actions.

Further Enhancing the Diversity of Stakeholder Perspectives and the Global Operability and Acceptance of the IESBA's standards

35. A rich array of perspectives from its stakeholder community serves the IESBA's goal of developing high-quality standards that are responsive to the public interest. In this regard, the IESBA will seek to enhance the level of input from parts of its stakeholder community it has not historically heard from to any significant extent, particularly investors and TCWG. Additionally, in the context of sustainability assurance, it will be important for the IESBA to engage with assurance service providers that are outside the accountancy profession if it is to achieve the goal of developing profession-agnostic ethics, including independence, standards that are widely accepted.
36. Under this strategic theme, coordination with other global standard setters, including the IAASB, ISSB and the International Public Sector Accounting Standards Board (IPSASB), will be important to develop globally interoperable standards that support trustworthy financial and non-financial reporting. It will also remain key for the IESBA to work closely with NSS to achieve globally operable standards and minimize standards fragmentation.
37. It will also be important for the IESBA to engage proactively with the global regulatory and oversight community to seek its input throughout the life-cycle of standard-setting projects. Given its constituencies, the support of that community will contribute to achieving wider global acceptance of the IESBA's standards.

Widening the Influence of the IESBA's Standards Through a Continued Focus on Adoption and Implementation

38. The Code provides a robust set of standards that govern and guide the ethical behavior of PAs, including the independence of auditors. Therefore, it is in the public interest to increase the extent of adoption of the latest enhancements to the Code across jurisdictions. Equally, it is in the public interest that the Code, with all its latest enhancements, is implemented effectively by PAs and firms.
39. The IESBA's standards play an essential complementary role vis-à-vis the reporting and assurance standards within the financial and non-financial information supply chains. As an illustration, the diagram below highlights the overarching and complementary nature of the IESBA's standards next to the ISSB's reporting standards and the IAASB's assurance standards within the sustainability information supply chain.

SUSTAINABILITY STANDARDS INFRASTRUCTURE



Proposed Strategic Actions

Theme: Enhancing Trust in Sustainability Reporting and Assurance

40. The IESBA's proposed strategic actions for this theme include the following:
- In relation to sustainability information:
 - Developing fit-for-purpose ethics standards to support sustainability reporting by PAIBs and PAs in public practice (PAPPs).
 - Developing fit-for-purpose, profession-agnostic ethics (including independence) standards to support sustainability assurance.
 - Obtaining the support or endorsement of its new standards addressing sustainability reporting and assurance, as well as the related but a broader standard addressing the use of experts, from global regulators and oversight bodies and other key jurisdictional bodies.

Theme: Strengthening the Code or Responding in Other Ways in Areas Beyond Sustainability Reporting and Assurance

41. The IESBA's proposed strategic actions under this theme include the following:

- Progressing and completing ongoing projects in a timely manner (see Section III, Proposed Work Plan 2024 – 2027).
- With regards to new projects to commence during the new strategy period (see Section III, Proposed Work Plan 2024 – 2027):
 - Developing project plans to address the identified public interest issues.
 - Progressing the new projects in a timely manner and in accordance with the Work Plan.
- Maintaining an ongoing monitoring function on technology developments and considering how to best address public interest issues identified.
- Monitoring emerging issues or developments outside of sustainability and technology through the IESBA's Emerging Issues and Outreach Committee (EIOC) and responding appropriately to identified public interest issues through enhancements to the Code or other actions such as the development of NAMs in accordance with its general guidelines.

Theme: Further Enhancing the Diversity of Stakeholder Perspectives and the Global Operability and Acceptance of the IESBA's standards

42. The IESBA's proposed strategic actions under this theme include the following:

- Proactively engaging with a broad range of stakeholders, including investors, regulators and oversight bodies, the corporate governance community, preparers, NSS, PAOs, accounting firms and the academic community. The IESBA will dedicate a special focus on engagement with the investor and corporate governance communities. The IESBA will also continue to engage with small and medium practices (SMPs) to guide its considerations of proportionality in developing the standards, among other matters of relevance to the SMP community.
- Proactively engaging with assurance providers independent of the accountancy profession to seek their input to the IESBA's development of profession-agnostic standards for sustainability assurance, and to promote the understanding, acceptance and use of those standards by those independent assurance providers.
- Pursuing coordination with the IAASB and ISSB to ensure that the new IESBA standards addressing sustainability reporting and assurance and the use of experts align with those of the IAASB and ISSB in an interoperable manner (see also Section "Coordination with the IAASB" below).
- Coordinating closely with the IAASB on matters of mutual interest with respect to other projects and work streams (see also Section "Coordination with the IAASB" below).

Theme: Widening the Influence of the IESBA's Standards Through a Continued Focus on Adoption and Implementation

43. The IESBA's proposed strategic actions under this theme include the following:

- Engaging in outreach around the world to raise awareness of the importance of ethics to the proper functioning and sustainability of financial markets and economies, and to promote further adoption of the Code, including its most recent enhancements, as well as adoption of the IESBA's new standards addressing sustainability reporting and assurance and the use of experts.
- Collaborating with IFAC to document the latest status of adoption of the IESBA's standards.
- Working with IFAC and other stakeholders to encourage more support for timely and accurate translations of the IESBA's standards and publications.
- Developing or facilitating the development of NAM to support the adoption and effective implementation of new or revised standards.
- Conducting post-implementation reviews to assess how effectively the implementation of the IESBA's recently issued standards meets the original objectives for developing them, and to identify any need for further enhancements.

Coordination with the IAASB

- 44.** The IESBA recognizes the strategic importance of working closely with the IAASB in the planning and delivery of its strategy and work program. At a broad level, the public interest concerns of their common stakeholders, such as trust in the work of auditors and in sustainability reporting and assurance, are relevant to both Boards. These broad concerns can in turn be disaggregated into concerns about specific aspects of audit quality, auditor independence, or ethical behavior. Whilst the IESBA and IAASB are independent Boards with separate remits, they need to consider these common matters in a coordinated manner in order to develop global standards that are fully interoperable and mutually reinforcing.
- 45.** Over the last few years, the two Boards have demonstrated a high level of coordination on a number of key projects at Board, Task Force and staff levels. These projects include:
- The IAASB's Quality Management projects
 - The IESBA's Quality Management-related Conforming Amendments and Objectivity of an Engagement Quality Reviewer and Other Appropriate Reviewers projects
 - The IAASB's Group Audits project
 - The IESBA's Engagement Team – Group Audits Independence project
 - The IESBA's Definitions of Listed Entity and Public Interest Entity project
 - The IAASB's Listed Entity and Public Interest Entity project
 - The IESBA's Role and Mindset project
- 46.** At the strategic level, the two Boards have coordinated the development of their SWPs. Drawing on a number of similar strategic drivers, the IESBA has developed its proposed strategic themes to align broadly with the IAASB's strategic objectives. Such strategic alignment allows both Boards to better identify opportunities for coordination and synergy, whether in their technical projects or on other activities such as stakeholder outreach.
- 47.** At the technical level, the IESBA will continue to coordinate closely with the IAASB with regards to their ongoing projects, pre-committed and new work streams. Going forward, the two Boards will place greater focus on identifying matters of mutual interest at the initial information-gathering stage in their work streams in order that any technical coordination can commence at an early stage.
- 48.** The two Boards will also coordinate closely at an operational level. Such operational coordination is useful in improving the efficiency of their work processes and in the use of shared resources. In this regard, the implementation of the MG recommendations over the next few years provides an opportunity for the two Boards to implement common processes that are more streamlined, efficient and effective.

SECTION III: PROPOSED WORK PLAN 2024 – 2027

Key Considerations in Establishing and Delivering the Work Plan

Establishing the Work Plan

49. In establishing its Work Plan for 2024 – 2027, the IESBA agreed to:
- (a) Continue its ongoing projects, work streams and other activities at the commencement of the new strategy period (See Table A below); and
 - (b) Commence the pre-committed work streams during the new strategy period (See Table C below).
50. In determining the potential new topics for its Work Plan (see Table B below), the IESBA has considered the following, amongst other matters:
- Responses to the [Strategy Survey 2022](#), including feedback from the IESBA Consultative Advisory Group (CAG).
 - The scope and timelines for the Sustainability and Use of Experts projects, including the staff and volunteer resources allocated to the projects.
 - Recommendations from the TWG Phase 2 Report.
 - The Benchmarking Working Group's (BWG) Phase 1 Report, [Comparison of IESBA and US SEC/PCAOB Independence Frameworks](#).
 - The level of importance of each potential topic based on a number of key considerations, including the public interest benefits of addressing the topic, the relevance of the topic at a global level, the degree of urgency in responding to the identified issues, and the feasibility of undertaking the work within anticipated timelines and resources.
 - Discussions with the IAASB on addressing common strategic drivers and other matters of mutual interest.
 - The potential impact of transitioning to the new Board operating model post-MG reforms on matters such as available resources, the number of projects that can be undertaken concurrently, and project life cycle (see Section below "A New Board Operating Model").
51. When considering the length of each project and work stream, the Board has taken into account a number of factors that affect timelines, including:
- The nature, complexity and definition of the scope of the particular topic or matter being addressed.
 - The level of fact-finding, including stakeholder consultation, needed to establish an evidential basis for standard setting.
 - Board and agenda capacity.
 - The length of time required to complete the standard-setting due process, which may be between 12 to 36 months, depending on the nature, scope and complexity of the project.
 - The need for coordination with other standard-setting boards, in particular the IAASB and ISSB.

Delivering the Work Plan

52. To successfully meet the deliverables of the proposed Work Plan and to deliver high-quality standards that will address the identified public interest issues in a timely manner, the IESBA will draw on its full capacity, including plenary board meetings, a full-time Chair and 17 volunteer Board members (transitioning to a Board of 16 members post-MG reforms), and support from technical advisors as well as a team of technical and administrative staff.

A New Board Operating Model

53. The MG Recommendations aim to support and enhance the development of high-quality ethics and auditing standards by the IESBA and IAASB, respectively, through the achievement of a multi-stakeholder Board structure, reinforcement of public interest considerations within the standards development process, and enhanced responsiveness to an accelerating pace of change. Under this new model, the standard-setting activities of both Boards will be undertaken in accordance with the Public Interest Framework (PIF). The PIF sets out how development and oversight of these standards are responsive to the public interest. The MG recommendations also reinforce the importance of close coordination between the IESBA and the IAASB on topics within their respective strategic work plans that are of mutual interest.
54. The two Boards will begin transitioning to the new Board operating model from Q1 2024 to operationalize the MG recommendations. Under the new model, the Boards will focus on strategic matters to ensure public interest issues are addressed whilst the technical discussions and drafting of the standards will largely fall under the expanded role of the technical staff. To accommodate this new role, the Boards will progressively increase their technical staff complements, including securing secondees. In addition, the two Boards will also revise their due process to optimize efficiency whilst maintaining the robustness of the standard-setting process.
55. During the transition period, the IESBA will continue to monitor its available resources and will adjust the timelines of its projects and work streams as needed.

Efficiency in Working Processes

56. The IESBA recognizes the importance of taking stock of its working processes as part of good governance. Accordingly, the IESBA is committed to regularly reviewing its working processes and other governance matters at both Board and Staff levels to identify opportunities for improvement and to ensure that it stays on track to achieving its strategic vision through its four strategic themes.

Flexibility and Agility

57. Throughout the strategy period, the deliverables and milestones within the Work Plan may change due to factors such as changes in project scopes, stakeholder feedback, changes in resources available, and improved working processes as well as the need to be responsive to environmental developments.
58. Whilst committed to delivering its Work Plan, the IESBA will remain flexible and agile by revising its priorities to address urgent or unexpected issues in order to stay on track to achieving its vision.

Project and Work Streams Commenced Before 2024

59. The IESBA anticipates that a number of projects and work streams will be carried forward to the new strategy period and completed during that period (see Table A). Refer to Appendix 1 for a description of these projects and work streams. Refer also to the IESBA's [project webpage](#) for more information about each project or work stream, including status and timeline.

Table A	
Ongoing Projects and Work Streams	Anticipated Status Q1 2024
Sustainability <ul style="list-style-type: none"> • Work Stream 1 – Independence • Work Stream 2 – Ethics 	Exposure draft
Use of Experts	Exposure draft
Collective Investment Vehicles, Pension Funds & Investment Company Complexes	Information gathering
Post-Implementation Review – NOCLAR	Information gathering

Sustainability

- 60. The IESBA approved the [Sustainability project](#) in December 2022. This project is divided into two work streams, one focusing on the development of profession-agnostic independence standards for sustainability assurance, and the other focusing on the development of ethics standards for sustainability reporting and assurance.
- 61. The IESBA is targeting approval of an exposure draft by Q4 2023.

Use of External Experts

- 62. The IESBA approved the [Use of Experts project](#) in December 2022. This project will address ethics and independence issues relating to the use of experts in audit, sustainability and other assurance engagements, and the use of experts in the preparation of financial and non-financial information and in the provision of other services.
- 63. The IESBA is targeting approval of an exposure draft by Q4 2023.

Collective Investment Vehicles (CIVs), Pension Funds and Investment Company Complexes

- 64. The IESBA anticipates commencing the information gathering stage of this work stream in Q4 2023.
- 65. The IESBA will review CIV and pension fund arrangements and their relationships with trustees, managers and advisors to ensure that the independence provisions and the application of the “related entity” definition in the Code remain fit for purpose with respect to these arrangements.
- 66. The IESBA will also review investment company complexes and consider whether the Code should be enhanced to address these structures, such as establishing new terms and definitions, and clarifying which entities or arrangements within such a complex should be considered as related entities of an audit client.

Post-Implementation Review – NOCLAR

- 67. The IESBA released the final pronouncement, [Responding to Non-Compliance with Laws and Regulations](#) (NOCLAR) in July 2016. The NOCLAR standard became effective in July 2017.
- 68. The IESBA will commence laying the groundwork for the NOCLAR post-implementation review in Q4 2023 and will establish the scope of, and approach to, the review.

Potential New Topics Identified

- 69. Table B below contains a list of topics that the IESBA has identified as potential work streams during the new strategy period. Refer to Appendix 1 for a fuller description of these topics.
- 70. The IESBA will consider feedback from stakeholders on the Consultation Paper when determining whether and, if so, which of these topics will be included in the SWP.
- 71. The IESBA will also consider factors including its ongoing assessment of priorities to achieve its vision (including any new topics identified from existing projects or work streams), as well as the need to allow time for adoption and implementation of its standards. When considering staff and Board capacity, the IESBA will take into account, among other things, the pre-committed work streams under Table C below as well as other activities such as rollout of new standards.

72. Whether any work streams will result in standard-setting projects will depend on due fact finding and consultation with stakeholders and establishing an evidential basis for standard-setting work. In some circumstances, the IESBA might determine that the most appropriate way to address identified issues would be through means other than developing new or revised standards, for example, by commissioning non-authoritative guidance material.

Table B
Potential Work Streams Under Consideration
Role of CFOs and Other Senior PAIBs
Business Relationships
Audit Firm – Audit Client Relationship
Definitions and Descriptions of Terms
Custody of Data
Communication with Those Charged with Governance

Role of CFOs and Other Senior PAIBs

73. Under this potential work stream, the IESBA would gather information on the evolving roles of CFOs, including those in equivalent positions within the public sector, and other senior PAIBs to identify and understand the ethics issues and challenges faced by these PAIBs.
74. This potential work stream may also involve the consideration of whether Parts 1 and 2 of the Code need further enhancement to support PAIBs in addressing these ethics issues, taking into account the revisions already made under recent projects, such as the Role and Mindset and Technology projects, as well as issues that are being addressed under the Sustainability and Use of Experts projects.
75. This potential work stream will be undertaken in collaboration with stakeholders such as IFAC’s PAIB Advisory Group and PAOs with a strong PAIB membership base.

Business Relationships

76. Section 520¹¹ of the Code addresses threats to independence arising from business relationships an audit firm, network firms and audit team members might have with an audit client or its management, with the provisions focused on “close business relationships.”
77. Under this potential work stream, the IESBA would review the different types of relationships that firms, network firms and audit team members might have with audit clients and their management and consider whether Section 520 sufficiently addresses the independence issues that may arise from these relationships. In undertaking this review, the IESBA will take into account the revisions already made under the Technology Project. As part of this potential work stream, the IESBA may also consider whether materiality and significance should be retained as criteria for exceptions to certain business relationships as well as loans and guarantee arrangements under Section 511 of the Code.¹²
78. As the IESBA explores these business relationships in a broader context, the IESBA may also consider whether the provisions in Parts 1 and 3 of the Code remain relevant in addressing the ethics implications of business relationships.

¹¹ Section 520, *Business Relationships*

¹² Section 511, *Loans and Guarantees*

Audit Firm – Audit Client Relationship

79. Under this potential work stream, the IESBA would consider whether it continues to remain appropriate to use the term “audit client” in the International Independence Standards as opposed to the “audited entity” or the “entity subject to audit.” This recognizes that the ultimate beneficiary client is not the entity itself or its management but the entity’s owners or shareholders.
80. During its Fees project completed in December 2020, the IESBA acknowledged that the inherent risk related to the audit client payer model is part of the broader topic of the “audit firm–audit client” relationship and that it is not exclusively a fee-related issue. Accordingly, the IESBA determined that the matter of the inherent threats arising from the client relationship was outside the remit of the Fees project. As part of this potential work stream, the IESBA would examine more broadly the “audit firm–audit client” relationship and explore whether the Code in its entirety continues to provide a framework that addresses the potential ethical impact arising from such client relationship. Some of the issues identified under this potential work stream may also have implications on how the IESBA may address the topic of business relationships.

Definitions and Descriptions of Terms

81. There are differences between the definitions of some terms in the Code and the definitions of the same terms in the IAASB standards. Under this potential work stream, the IESBA would seek to align the definitions of the terms used in the Code with the corresponding IAASB definitions to the greatest extent possible. As many users apply both the IAASB standards and the Code simultaneously, the alignment of terms and definitions will eliminate ambiguity and improve the interoperability of the two Boards’ standards, making it easier for adoption and implementation, including translation.
82. A second component of this potential work stream may include a review of how certain terms are currently defined in the Code, such as “employee” and “engagement period.” In addition, this work stream will also review whether the terms “professional accountant in public practice” and “professional accountant in business” in the Code require clarification.

Custody of Data

83. Data is the foundation of all financial and non-financial reporting. It impacts both PAPPs and PAIBs in all their professional activities. If data is lost, misappropriated, misused, improperly manipulated or subject to unauthorized access, there may be significant consequences to an employing organization or client.
84. Under this potential work stream, the IESBA would investigate the ethics implications of a PA’s custody of financial or non-financial data belonging to clients, customers, or other third parties, taking into account the recent revisions to the Code under the Technology project. There may also be a consideration of whether the Code sufficiently addresses these issues, including whether there is a need to establish a new section in Part 3 of the Code to capture the ethics considerations relating to the custody of data, similar to how Section 350 of the Code addresses custody of client assets.¹³

Communication With Those Charged With Governance

85. When PAs use external experts or consultants in relying on technology, communication with TCWG could help to further strengthen the concepts of transparency and accountability for PAs to minimize their potential “over-reliance” on such experts or consultants. This concept is not unique to technology but is also relevant to other areas, such as tax planning as well as sustainability reporting. There is therefore an opportunity to incorporate provisions addressing such communication into the Code more generally so that it can be considered under all circumstances.

¹³ Section 350, *Custody of Client Assets*

86. Under this potential work stream, the IESBA would consider whether there would be merit in adding new provisions relating to “communication with those charged with governance” in Sections 200 and 300 to stimulate meaningful communication with TCWG by PAs about risks and exposures that might affect the PAs’ compliance with the fundamental principles, and, where applicable, independence requirements. The IESBA will also take into account the outputs of its Use of Experts project.

Pre-committed Work Streams to Commence during or after Q1 2024

87. Table C below contains a list of work streams that the IESBA has pre-committed to undertaking as part of the current SWP or as a result of recently completed projects. These pre-commitments will only commence during or after Q1, 2024. Refer to Appendix 1 for a description of these work streams and Appendix 2 for the rationale for the IESBA’s initial assessment of demand on resources.

Table C Pre-committed Work Streams	Anticipated Demand on Resources	Possible Commencement
Post-Implementation Review – Long Association Phase 2	Medium	Q4 2024
Post-Implementation Review – Restructured Code	Medium	Q1 2025
Post-Implementation Review – Non-Assurance Services and Fees	High	Q4 2027
Post-Implementation Review – Definition of Public Interest Entity	Medium	Q4 2027

Post-Implementation Review – Long Association Phase 2

88. In January 2017, the IESBA released the Close-off Document, [Changes to the Code Addressing the Long Association of Personnel with an Audit or Assurance Client](#) (Long Association close-off document).
89. Phase 1 of the post-implementation review was completed in December 2021 with the Board determining not to extend or vary the “jurisdictional provision.”¹⁴ Phase 2 will review how effectively the other revised long association provisions in the Code are being implemented in practice (taking into account legislative or regulatory developments relating to other regimes around the world intended to address long association, such as mandatory firm rotation and mandatory retendering).

Post-Implementation Review – Restructured Code

90. The restructured Code became effective in June 2019. This post-implementation review will assess whether its implementation around the world is effectively meeting the objectives of the project, focusing on the broader issues of usability, translatability and application.
91. To achieve synergies, the IESBA anticipates undertaking the Long Association Phase 2 post-implementation review in conjunction with the post-implementation review of the restructured Code.

Post-Implementation Review – Non-Assurance Services and Fees

92. The IESBA released the final pronouncements, [Revisions to the Non-Assurance Service Provisions of the Code](#) (NAS provisions) and [Revisions to the Fee-Related Provisions of the Code](#) (Fees provisions), in April 2021. The NAS and Fees provisions became effective in December 2022.

¹⁴ Section 540, *Long Association of Personnel (Including Partner Rotation) With an Audit Client*, paragraph 540.19

93. These post-implementation reviews will, amongst other matters, assess the status of adoption and implementation of the revised NAS and Fees provisions across jurisdictions, any key issues relating to the understandability of the provisions and the Board's rationale for those provisions, the application of the provisions at the local level and any other implementation issues.

Post-Implementation Review – Definition of Public Interest Entity

94. The IESBA released the final pronouncement, [*Revisions to the Definitions of Listed Entity and Public Interest Entity in the Code*](#) (PIE revisions), in April 2022. The PIE revisions will become effective in December 2024.
95. The post-implementation review will, amongst other matters, assess the status of adoption and implementation of the revised PIE provisions across jurisdictions, any key issues relating to the understandability of the provisions and the Board's rationale for those provisions, refining the definition at the local level and any other implementation issues.
96. To achieve synergies and to gain a holistic understanding of the full impact of these revised provisions, the IESBA anticipates undertaking the NAS and Fees post-implementation reviews in conjunction with the post-implementation review of the PIE revisions.

Other Activities

97. In addition to the standard-setting projects and work streams set out in Tables A, B and C above, the following activities will also continue during this strategy period with dedicated Board and Staff resources as well as Board plenary time as needed.

Environmental Scans

98. The IESBA will continue to monitor relevant external developments through its EIOC with a view to determining whether there is a need for any changes to the Code, the commissioning of IESBA Staff publications, or other actions. The EIOC will advise the Board on (a) any emerging issues that may warrant attention outside of the normal strategic planning process, and (b) the scope and focus of, and approach to, outreach to stakeholders. The IESBA anticipates semi-annual discussions on the relevant matters flowing from this work stream throughout the strategy period.
99. The IESBA will also continue to monitor the changing technology landscape and its ethics impact on the financial and non-financial information reporting ecosystems and the accountancy profession, and determine the need for further information gathering or other action.

Outreach

100. The IESBA will mobilize its Board members, technical advisors and Staff to pursue a proactive and extensive stakeholder outreach agenda to reinforce the centrality of ethics to public trust in business and organizations, raise awareness about the IESBA's work and socialize its standard-setting proposals and thought leadership, promote the Code and its adoption and effective implementation worldwide, and engage with stakeholders on other matters of mutual interest.

Development of NAMs

- 101.** The IESBA will continue commissioning Staff publications and other implementation resources that address technical matters or explain new or revised standards, such as Bases for Conclusions, Q&As, staff alerts, fact sheets and global webinars.
- 102.** The IESBA will also seek to facilitate the development of other NAMs through partnership with other stakeholders such as IFAC, NSS and PAOs.

Indicative Milestones and Deliverables

- 103.** Appendix 3 presents an illustrative work plan indicating possible milestones for Tables A and C. The IESBA plans to conduct a review of the progress of its work streams and update its work plan as needed, including to reflect any new work streams it determines to prioritize, in Q4 2024. Descriptions of Projects and Work Streams

Descriptions of Projects and Work Streams

Project and Work Streams Commenced Before 2024

Sustainability

In early 2022, the IESBA established a Sustainability Working Group to guide its standard-setting actions in relation to sustainability reporting and assurance. The IESBA expressed a firm commitment to take timely action to develop fit-for-purpose, globally applicable ethics and independence standards as a critical part of the infrastructure needed to support transparent, relevant and trustworthy sustainability reporting.

In October 2022, the IESBA issued a [staff publication](#) to highlight the relevance and applicability of the Code to several ethics challenges arising from PAs' involvement in sustainability reporting and assurance, especially circumstances related to greenwashing.

In December 2022, the IESBA approved its Sustainability project to develop:

- (a) Profession-agnostic independence standards for use by all sustainability assurance practitioners (i.e., PAs and other professionals performing sustainability assurance engagements).
- (b) Specific ethics provisions relevant to sustainability reporting and assurance.

This project is divided into two work streams, one focusing on the independence issues relating to sustainability assurance and the other focusing on the ethics considerations for both sustainability reporting and assurance.

The IESBA is targeting approval of an exposure draft by Q4 2023.

Use of Experts

A number of stakeholders as well as the PIOB have asked the IESBA to consider whether external experts used in audit engagements should be subject to independence requirements. This question has also arisen in the IESBA's deliberations in other projects, including its recently completed Engagement Team – Group Audits project. Further, the IESBA recognizes that there is a need to consider the ethics and independence implications of using experts in relation to sustainability reporting and assurance as well as in supporting the work of PAIBs in employing organizations and PAPPs in providing other professional services.

In December 2022, the Board approved its Use of Experts project to address:

- The ethics and independence considerations with respect to the use of external experts in audit, sustainability and other assurance engagements.
- The ethics considerations with respect to the use of experts in the preparation and presentation of financial and non-financial information as well as the provision of other services.

This project will be progressed in parallel with the two Sustainability work streams. The IESBA is targeting approval of an exposure draft by Q4 2023.

Collective Investment Vehicles, Pension Funds and Investment Company Complexes

The IESBA had included collective investment vehicles (CIVs) and post-employment benefits (PEBs) in the proposed list of mandatory public interest entity (PIE) categories set out in the exposure draft, [Proposed Revisions to the Definitions of Listed Entity and Public Interest Entity in the Code](#) (PIE ED). Having reflected on the feedback from respondents to the PIE ED, the IESBA agreed to remove CIVs and PEBs from the mandatory list. In reaching this conclusion, the IESBA acknowledged that these types of arrangements are much more diverse in structure, governance and size than deposit-taking institutions and insurers. The IESBA determined that the inclusion of these categories in the list of mandatory PIE categories may inadvertently impose a disproportionate burden on local regulators and NSS to determine what should be scoped in or out. In reaching this conclusion, and with the PIOB's concurrence, the IESBA agreed to conduct a holistic review of CIVs and PEBs.

The IESBA will review CIV and pension funds arrangements and their relationships with trustees, managers and advisors, acknowledging that a better understanding of these arrangements is important to ensure that the independence provisions and the application of the “related entity” definition in the International Independence Standards remain fit for purpose, given the potential significant adverse impact on the public in the event of financial failures amongst CIVs and PEBs.

The IESBA will also consider whether the Code should be enhanced to address investment company complexes, such as whether a new definition should be established in the Code and which entities or arrangements within such a complex should be considered as related entities of an audit client. As part of its review, the IESBA will take into account the United States Securities and Exchange Commission (US SEC) rules on its treatment of investment company complexes, as highlighted in the BWG Phase 1 Report.

Given the complexity of these arrangements or structures and the degree of variation across jurisdictions, the IESBA will proceed cautiously before determining whether there is a need to revise the Code. In the first instance, the IESBA will conduct the necessary research and outreach with key stakeholders to fully understand the issues.

Post-Implementation Review – NOCLAR

The IESBA released the final pronouncement, [Responding to Non-Compliance with Laws and Regulations](#) (NOCLAR), in July 2016. The NOCLAR standard became effective in July 2017.

The NOCLAR standard introduced an ethical framework to guide PAs, including auditors, in deciding how best to act in the public interest when they become aware of NOCLAR or suspected NOCLAR. Amongst other matters, the standard provides a clear pathway for auditors and other PAs to disclose identified or suspected NOCLAR to appropriate authorities in certain situations without being constrained by the ethical duty of confidentiality. The standard also places renewed emphasis on the role of senior-level PAIBs in promoting a culture of compliance with laws and regulations and prevention of NOCLAR within their organizations.

Potential New Topics Identified

Role of CFOs and Other Senior PAIBs

The expectations on, and work performed by, PAIBs continue to evolve in response to significant trends, such as:¹⁵

- A recognition that financial reporting no longer delivers all the information required by investors, capital markets and other stakeholders.
- The unprecedented increase in regulatory and compliance requirements as well as business risks stemming from issues such as climate change, cybercrime, fraud and corruption, which in turn have increased uncertainty and complexity in decision-making.
- The increase in pressure by organizations to deliver greater value at a lower cost. Investments in new technology are also driving new ways to create value.

¹⁵ <https://www.ifac.org/knowledge-gateway/preparing-future-ready-professionals/publications/future-fit-accountants-roles-next-decade>

Amidst these trends, the role of CFOs and the financial function within organizations is rapidly changing and expanding beyond just managing the balance sheet.¹⁶ The CFO's remit now extends into strategy, enterprise risk management, performance management, and communicating the organization's story to the outside. New technology has also created both new challenges and opportunities for CFOs and the finance function.

Additionally, market demand for sustainability information requires CFOs to expand their focus on non-financial information. One of the key roles of the CFO and finance function is to establish clear links between financial and non-financial metrics in order to drive financial value linked to revenue and operating margins. With their expanded roles, the CFO must help to deliver trust and confidence in the governance of the organization, the quality of its data and reporting, as well as providing ethical leadership and a constructive challenge mindset.

Under this potential work stream, the IESBA would gather information into the evolving roles of CFOs, including those in equivalent positions within the public sector, and other PAIBs in senior roles, including identifying and understanding the ethics issues and challenges these PAIBs may face due to their changing roles.

The IESBA will consider whether Parts 1 and 2 of the Code need further enhancement to support senior PAIBs in addressing these ethical issues and challenges, taking into account the revisions already made under recent projects, such as the Role and Mindset and Technology projects, as well as those issues that are being addressed under the Sustainability and Use of Experts projects. Part 2 of the Code already contains some provisions that are focused on senior PAIBs, such as those in the NOCLAR standard.¹⁷

Business Relationships

Section 520¹⁸ of the Code addresses threats to independence arising from business relationships that an audit firm, network firms and audit team members might have with an audit client or its management, with the provisions focused on "close business relationships." However, the Code does not define the term "business relationship." Whilst the concept of "close business relationship" in Section 520 focuses on a "mutuality of interests" such as joint ventures and combining services or products with those of an audit client, there is a view that "business relationship" is a broader concept, i.e., consisting of any commercial arrangement.

Some respondents to the Strategy Survey have observed a growing number of activities between firms and their audit clients that involve different business relationships, noting that issues relating to these relationships arise quite often and can be complicated. Similarly, the TWG also noted in its Phase 2 Report that the accountancy profession is seeing the rise in strategic and commercial relationships between accounting firms and technology companies.

In its response to the Strategy Survey, IOSCO also recommended that the IESBA consider whether materiality and significance should be removed as criteria for exceptions to the prohibition of a close business relationship under Section 520 as well as the prohibition of making or guaranteeing a loan to an audit client under Section 511. In this regard, the IESBA noted the findings from its BWG Phase 1 report that highlighted differences between the requirements in the Code and the US SEC rules with respect to such business and financial relationships.

Under this potential work stream, the IESBA would initially gather information on developments in business arrangements between firms and their clients, including further research into the technology-related business arrangements noted in the TWG Phase 2 Report. The IESBA will also conduct a holistic review of Section 520 to determine whether the Code continues to be relevant in addressing the independence considerations relating to these arrangements, including whether there is a need to develop a definition for the term "business relationship." As part of this potential work stream, the IESBA may also consider whether materiality and significance should be retained as criteria for exceptions to certain business relationships (Section 520) as well as loans and guarantee arrangements (Section 511). As the IESBA gains an understanding of these business relationships in a broader context, the IESBA may also consider whether the provisions in Parts 1 and 3 of the Code continue to remain relevant in addressing the ethics implications of these relationships.

¹⁶ <https://www.ifac.org/knowledge-gateway/preparing-future-ready-professionals/publications/vision-cfo-finance-function>

¹⁷ Section 260, *Responding to Non-Compliance with Laws and Regulations*

¹⁸ Section 520, *Business Relationships*

Audit Firm – Audit Client Relationship

Under this potential work stream, the IESBA would consider whether it continues to remain appropriate for the Code to use the term “audit client” in the International Independence Standards as opposed to the “audited entity” or “entity subject to audit.” This recognizes that the ultimate beneficiary client is not the entity itself or its management but the entity’s owners or shareholders.

As part of its [Fees](#) project, the IESBA concluded that the Code should recognize the inherent self-interest threat in the audit client payer model whereby the party responsible for the subject of an examination directly pays the examiner. The IESBA, however, agreed with the view that the inherent risk related to the audit client payer model is part of the broader topic of the “audit firm–audit client” relationship, and that it is not exclusively a fee-related issue. Accordingly, the IESBA determined that this matter of the inherent threats arising from the client relationship was outside the remit of the Fees project. As part of this potential work stream, the IESBA would examine more broadly the “audit firm-audit client” relationship and explore whether the Code in its entirety continues to provide a framework that addresses the potential ethical impact arising from such client relationship. Some of the issues identified under this potential work stream may also have implications on how the IESBA may address the topic of business relationships.

Definitions and Descriptions of Terms

There are differences between the definitions of some terms in the Code and the definitions of the same terms in the IAASB standards. These terms include financial statements; firm; independence; review engagement; and special purpose financial statements.

Under this potential work stream, the IESBA would seek to align the definitions of terms used in the Code with the corresponding IAASB definitions to the greatest extent possible. As many users apply both the IAASB standards and the Code simultaneously, the alignment of terms and definitions will eliminate ambiguity, improve the interoperability of the IESBA’s and IAASB’s standards, and make it easier for adoption and implementation, including facilitating translations. Respondents to the Strategy Survey were supportive of this alignment exercise.

A second component of this work stream may include a review of how certain terms are currently defined in the Code, including:

- **Audit team** – Whether the definition of “audit team” should be broadened to include individuals within the firm who may be in a position to influence the conduct or outcome of an audit by removing references to individuals in a position to “directly influence” the outcome of an engagement. It has been argued that such a broadening of the definition would better reflect the complexity of organization and influence within audit firms. There is also a view that such a change would address the risk that an ability to influence is seen purely as a structural consideration (related to the position of an individual in a firm), instead of driving the assessment through a consideration that captures all those who have the ability to influence and are relevant to the engagement.
- **Employee** – Whether the term “employee” should include individuals who may act in the capacity of an employee, such as a contractor of an audit client, instead of only covering actual employees of an audit client.
- **Engagement Period** – Whether it remains appropriate to limit the concept of “engagement period” to the date the audit report is issued as the auditor has further responsibilities under auditing standards, such as addressing the effect on the opinion of matters that come to the auditor’s attention after the conclusion of the audit.
- **Firm** – Whether the term “firm” is too narrowly defined and whether a firm could have non-member employees, as well as clarifying the responsibility of PAs for employees who are not PAs.
- **Network Firm** – Whether the concept of a “network firm” should place more focus on the exercise of judgment instead of being circumscribed by a list of examples of situations that might indicate the existence of a network. There is also a view that borders between associations and networks are increasingly diffuse, and there is therefore a need to consider any potential Code implications that might impact the definition of a network firm. It has also been noted that whilst the

definition of “network firm” is sufficiently broad in the Code, the definition of “firm” is potentially narrow in its references to structures known to exist today and that this might become limiting for the future.

- **Professional Accountant** – Whether the definition of “professional accountant” should include retired or inactive PAs.

In addition, this work stream may also include a review of whether the terms “professional accountant in public practice” and “professional accountant in business” in the Code require further clarification. The IESBA’s Applicability project, finalized in 2017, addressed the applicability of Part 2 of the Code to PAPPs. As part of this project, there were suggestions as to whether the definitions of a PAPP and a PAIB should be revised.

The Code defines a PAPP to be a PA, irrespective of functional classification, in a firm that provides professional services. It has been brought to the IESBA’s attention that there is no clear limitation in the definition of a PAPP to those who actually provide professional services. The extant definition, however, appears to include any PAs in a firm that provides professional services. This could be interpreted to include PAs in roles other than providing professional services, such as in finance or IT. Conversely, the Code defines a PAIB to include any PAs employed or engaged in a variety of areas, including service. If it is intended that a firm providing professional services is in a “service” industry, then prima facie any PAs working in that service organization, including those providing professional services, are also PAIBs.

Custody of Data

Data is the foundation of all financial and non-financial reporting, and impacts both PAPPs and PAIBs. As highlighted in the TWG Phase 2 Report, holding data is becoming increasingly common and important, given that most organizations are flooded with data, and services provided by firms and activities carried out by PAs are increasingly performed digitally. If data is lost, misappropriated, misused, improperly manipulated or subject to unauthorized access (including, for example, a breach of privacy), there is, at the very least, a reputational loss, if not financial and legal consequences, to the organization or firm.

As part of its Technology project, the IESBA introduced new provisions to Subsection 606¹⁹ of the Code clarifying the circumstances under which the storing or hosting of data are examples of IT systems services that will result in the assumption of a management responsibility. The IESBA also strengthened the Code in relation to confidentiality by including new provisions on maintaining the confidentiality of information acquired in the course of professional or business relationships, and seeking consent to use or disclose confidential information.

Under this potential work stream, the IESBA would further investigate the ethics implications of a PA’s custody or holding of financial or non-financial data belonging to clients, customers, or other third parties. There may also be a consideration of whether the Code sufficiently addresses these issues, including whether there is a need to establish a new section in Part 3 to capture the ethics considerations relating to the custody of data, along the lines of Section 350 of the Code relating to custody of client assets.

Communication With Those Charged With Governance

The IESBA’s NAS and Fees projects have enhanced the provisions in the International Independence Standards relating to communication with TCWG on the provision of NAS and fees-related matters, particularly with respect to a PIE audit client. In addition, the revisions arising from the Technology project have further strengthened the Code’s requirement for PAs to

make a client, an employing organization, or other users of the accountant’s professional activities or services aware of the limitations inherent in the activities and explain the implications of those limitations.

As highlighted in the TWG Phase 2 Report, there is potential “over-reliance” on an expert or consultant that a PA uses to develop or implement technology, or to provide advice on a technology-related issue (e.g., cybersecurity risks). The revisions arising from the Technology project provide guidance to PAs when using the output of technology. However, when PAs use experts or consultants in relying on technology, communication with TCWG could help to further strengthen the concepts of transparency and accountability for PAs to minimize their potential “over-reliance” on such experts or consultants.

¹⁹ Subsection 606, *Information Technology Systems Services*

For example, communication with TCWG could include the nature and scope of a technology expert's service, and the plan for managing and monitoring the system in the future if the expert's service is a limited-term engagement. For PAIBs in particular, strengthening such communication could be helpful given the increasing inter-disciplinary interactions and multi-disciplinary teams involved when developing or implementing technology. This is because such communication can make it explicit to TCWG where the responsibility for the oversight of the development, implementation, or use of technology lies (i.e., it could range from PAs to IT professionals, such as data scientists, technologists, and engineers).

Nevertheless, the concepts of transparency and accountability for PAs to minimize their potential “over-reliance” on such experts or consultants are not unique to technology (i.e., they also apply in tax planning, sustainability reporting, etc.). There is therefore an opportunity to incorporate provisions addressing such communication into the Code more generally so that it can be considered under all circumstances.

Under this potential work stream, the IESBA would consider whether there would be merit in adding new provisions relating to communication with those charged with governance in Sections 200 and 300 to stimulate meaningful communication with TCWG by PAs about risks and exposures that might affect the PAs' compliance with the fundamental principles, and, where applicable, independence requirements. For auditors, this work stream will consider the interaction with requirements already contained in ISA 260 (Revised), *Communication with Those Charged With Governance*. The IESBA will also take into account the outputs of its Use of Experts project.

Pre-committed Work Streams to Commence during or after Q1 2024

Post-Implementation Review – Long Association Phase 2

In January 2017, the IESBA released the Close-off Document, [*Changes to the Code Addressing the Long Association of Personnel with an Audit or Assurance Client*](#) (Long Association close-off document).

The final Long Association provisions contain a number of substantive improvements, including a strengthened partner rotation regime for audits of PIEs as well as a “jurisdictional provision” (paragraph R540.19)²⁰ as a transitional measure. This jurisdictional provision is effective only for audits of financial statements for periods beginning prior to December 15, 2023. The jurisdictional provision is intended to facilitate the transition to the required cooling-off period of five consecutive years for engagement partners in those jurisdictions where the legislative body or regulator (or organization authorized or recognized by such legislative body or regulator) has specified a cooling-off period of less than five consecutive years.

The post-implementation review of the Long Association provisions is to be carried out in two phases. At its December 2021 meeting, the IESBA finalized its Phase 1 review and agreed that it should take no action to extend or otherwise vary the jurisdictional provision. Accordingly, the jurisdictional provision will no longer be available for audits of financial statements for periods beginning on or after December 15, 2023.

Phase 2 will review how effectively the other revised long association provisions in the Code are being implemented in practice (taking into account legislative or regulatory developments relating to other regimes around the world intended to address long association, such as mandatory firm rotation and mandatory retendering). This phase, originally due to commence in Q2 2023, has been rescheduled as a pre-committed work stream for the Work Plan 2024 – 2027.

Post-Implementation Review – Restructured Code

In restructuring the Code, the IESBA aimed to enhance its understandability and usability, thereby facilitating its adoption, effective implementation, consistent application, and enforcement. The project, which was completed in December 2017, involved extensive restructuring and redrafting of the Code. The restructured Code became effective in June 2019.

²⁰ The jurisdictional provision refers to paragraph R540.19 of the restructured Code:

“Where a legislative or regulatory body (or organization authorized or recognized by such legislative or regulatory body) has established a cooling-off period for an engagement partner of less than five consecutive years, the higher of that period or three years may be substituted for the cooling-off period of five consecutive years specified in paragraphs R540.11, R540.14 and R540.16(a) provided that the applicable time-on period does not exceed seven years.”

The post-implementation review of the restructured Code will assess whether its implementation around the world is effectively meeting the objectives of the project. This implementation review will focus only on broader issues of usability, translatability and application, and not on the substantive changes to various sections that are now included in the restructured Code.

The IESBA had planned for this work stream to commence in Q2 2023 to allow sufficient time for the restructured Code to bed down and for jurisdictions and firms of all sizes to gather sufficient experience in implementing it. This work stream has been rescheduled as a pre-committed work stream for the Work Plan 2024 – 2027.

To achieve synergies, the IESBA anticipates undertaking the Long Association post-implementation review in conjunction with the post-implementation review of the restructured Code.

Post-Implementation Review – Non-Assurance Services and Fees

The IESBA released the final pronouncements, [Revisions to the Non-Assurance Service Provisions of the Code](#) (NAS provisions) and [Revisions to the Fee-Related Provisions of the Code](#) (Fees provisions), in April 2021. The NAS and Fees provisions became effective in December 2022.

The revised NAS provisions contain substantive revisions that enhance the International Independence Standards by clarifying and addressing the circumstances in which firms and network firms may or may not provide a NAS to an audit or assurance client. The revised provisions include new requirements that expressly prohibit firms and network firms from providing certain types of NAS to their audit clients, especially when they are PIEs.

The revisions to the fee-related provisions of the Code include a prohibition on firms allowing the audit fee to be influenced by the provision of services other than audit to the audit client; in the case of PIEs, a requirement to cease to act as an auditor if the fee dependency on the audit client continues beyond a specified period; communication of fee-related information to TCWG and to the public to assist their judgments about the firm's independence; and enhanced guidance on identifying, evaluating and addressing threats to independence.

These post-implementation reviews will, amongst other matters, assess the status of adoption and implementation of the revised NAS and Fees provisions across jurisdictions, and identify any key issues relating to the understandability of the provisions and the Board's rationale for those provisions, their application at the local level, and any other implementation matters.

Post-Implementation Review – Definition of Public Interest Entity

The IESBA released the final pronouncement, [Revisions to the Definitions of Listed Entity and Public Interest Entity in the Code](#) (PIE revisions), in April 2022. The PIE revisions will become effective in December 2024.

The PIE revisions include an expanded definition of "public interest entity" in the Code by specifying a broader list of PIE categories, including a new category "publicly traded entity" to replace the category "listed entity." The revised provisions also recognize the essential role local bodies responsible for the adoption of the Code play in delineating the specific entities that should be scoped in as PIEs in their jurisdictions. The revised provisions encourage the local bodies to properly refine the PIE categories in the expanded definition and add any other categories relevant to their environments. Further, the revisions introduce a transparency requirement for firms to publicly disclose the application of independence requirements for PIEs where they have done so.

This post-implementation review will, amongst other matters, assess the status of adoption and implementation of the revised PIE provisions across jurisdictions, any key issues relating to the understandability of the provisions and the Board's rationale for those provisions, refining the definition at the local level, and any other implementation matters.

To achieve synergies and to gain a holistic understanding of the full impact of these revised provisions, the NAS and Fees post-implementation reviews will be undertaken in conjunction with the post-implementation review of the revised PIE definition.

Rationale For Anticipated Demand on Resources

The following tables provide the rationale for the IESBA's initial assessment of the level of resources needed for the pre-committed work streams (Table C).

Table C Pre-committed Work Streams	Anticipated Demand on Resources	Rationale
Post-Implementation Review – Long Association Phase 2	Medium	Average amount of research anticipated to understand how Section 540 has been implemented in jurisdictions and its interaction with local regimes (such as mandatory firm rotation and mandatory re-tendering) to address the threats created by long association.
Post-Implementation Review – Restructured Code	Medium	Average amount of research anticipated to understand how effectively jurisdictions have implemented the restructured Code, any further challenges concerning the understandability of the provisions, and any practical challenges concerning the usability and translatability of the restructured Code.
Post-Implementation Review – NAS and Fees	High	Significant effort anticipated in understanding how the revisions have been adopted and implemented at a local level, and any practical challenges firms have encountered in operationalizing the revised provisions.
Post-Implementation Review – Definition of PIE	Medium	Average amount of research anticipated to gain an understanding of how jurisdictions have implemented the PIE revisions at a local level, including any additional PIE categories.

APPENDIX 3

Summary Illustrative IESBA Work Plan 2024-2027

This *illustrative* work plan is only intended to indicate at a broad level possible milestones or deliverables for various projects and work streams based on considerations at the time this SWP is finalized. It will be updated with additional new work streams, subject to stakeholders' feedback on the potential new topics identified and other matters set out in this consultation paper. The diagram below illustrates the overarching and complementary nature of the IESBA's standards next to reporting and assurance standards within the sustainability information supply chain.

Work Stream	Anticipated Demand on Resources	Milestones			
		2024	2025	2026	2027
Current Project					
Sustainability – Independence	H	Final pronouncement	Rollout		
Sustainability – Ethics	H	Final pronouncement	Rollout		
Use of External Experts	H	Final pronouncement	Rollout		
CIVs & Pension Funds	H	Fact finding	ED	Final pronouncement & rollout	
PIR – NOCLAR	M	Fact finding	WG recommendation		
Pre-Committed Work Streams					
PIR – Long Association Phase 2	M	Fact finding	WG recommendation		
PIR – Restructured Code	M		Fact finding	WG recommendation	
PIR – NAS and Fees	H				Fact finding
PIR – PIE	M				Fact finding
Other Activities					
EIOC	L	Discussion	Discussion	Discussion	Discussion
Outreach	M	Ongoing	Ongoing	Ongoing	Ongoing
NAM	L	Ongoing	Ongoing	Ongoing	Ongoing

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IESBA update

Reason for agenda item

To provide project summaries for IESBA's key projects and task forces.

Division staff welcomes input on any of the projects.

Materials presented

- Agenda item 5B: Sustainability
- Agenda item 5C: Use of experts

Sustainability

Project description

The project has two goals:

- To develop ethics and independence standards for use by all sustainability assurance providers, which includes professional accountants and non-professional accountants (i.e., assurance providers who are not professional accountants)
- To revise the IESBA code to address ethics issues related to sustainability reporting

Work will be performed in two workstreams, which are outlined in sub-sections under the “Project update” section on the next page:

- Workstream 1: Independence in sustainability assurance engagements
- Workstream 2: Ethics in sustainability reporting and assurance

Coordination

In addition to coordinating its work internally with the Use of Experts Task Force, IESBA is coordinating development of these standards with the International Auditing and Assurance Standards Board (IAASB) and the International Sustainability Standards Board (ISSB). The International Organization of Securities Commissions (IOSCO) March 2023 [Report on International Work to Develop a Global Assurance Framework for Sustainability-related Corporate Reporting](#) acknowledges being actively engaged with IESBA and the IAASB.

At its March meeting, IESBA also supported establishing a reference group of stakeholders outside the accounting profession to be a sounding board for informing development of “profession-agnostic” ethics and independence standards for sustainability assurance engagements.

Status

IESBA approved the project’s proposal in December 2022. Through roundtables held in March and April 2023, the board has gathered input from a broad range of stakeholders on ethics and independence requirements in sustainability assurance and reporting. Other providers who are not accountants have been included in roundtables. The roundtables will help develop the exposure draft. IESBA’s June 2023 meeting will include a summary of the feedback from the roundtables and a preliminary draft of exposure draft revisions.

Given the pace in which the AICPA Professional Ethics Division expects these revisions to happen, two groups will assist PEEC and AICPA staff in monitoring this project:

- PEEC members or those designated by PEEC members
- Other stakeholders, internal and external to the Association, that have experience or interest in sustainability reporting and assurance

Project update

Workstream 1: Independence in sustainability assurance engagements

IESBA's proposed standard will provide independence requirements for professional accountants and other providers who are not accountants. Workstream 1 will consider the following:

- Which independence standards are applicable based on specific scenarios. For example:
 - When the assurance on sustainability information is with the financial information
 - When assurance on the information is prepared in accordance with a general-purpose framework, such as International Sustainability Standards Board (ISSB) standards— and
 - When assurance is on information not prepared in accordance with a general-purpose framework
- What constitutes management responsibility and whether there is a need for examples of management responsibilities for sustainability-related activities
- Whether certain activities or services should be permissible rather than prohibited in a sustainability assurance engagement
- New terminology and revisions to existing terminology to ensure sustainability engagements are addressed appropriately
- How the revised International Standard on Quality Management (ISQM) standards are dealt with in International Standard on Sustainability Assurance (ISSA) 5000 when considering extending the code to other providers who are not accountants.
- New examples of factors for evaluating the extent of public interest in the sustainability aspect of an entity
- The appropriate independence period for sustainability-related information
- How ISSA 5000 addresses group sustainability engagements

At its March meeting, IESBA provided feedback on the task force's preliminary views on key definitions and the scope in which revisions would apply.

As a reminder, the IESBA code has two sets of independence provisions

- 4A provisions apply to financial statement audits and reviews and have significantly more requirements than 4B. The provisions are more consistent with the AICPA Code of Professional Conduct for these engagements.
- 4B provisions apply to other assurance engagements. Sustainability engagements currently fall under part 4B.

Due to the public interest nature of sustainability reports, IESBA believes that the requirements in part 4A should apply to certain sustainability assurance engagements that are of heightened public interest.

At IESBA's March 2023 meeting and after feedback from IESBA during that meeting, the task force presented the scope of the revisions as being applicable to sustainability assurance engagements for which

1. a. assurance is provided on sustainability information reported in accordance with a general-purpose reporting framework and
- b. the sustainability information is publicly available to support decision-making by investors or other stakeholders, or is required to be provided in accordance with law or regulations, *or*
2. a sustainability assurance engagement is specified as such by national law or regulations.

For any sustainability assurance engagements not meeting these criteria, part 4B will apply.

Workstream 2: Ethics in sustainability reporting and assurance

IESBA's proposed standard related to this workstream will provide ethics requirements related to sustainability reporting and assurance. Because sustainability information tends to involve less quantitative factors (e.g., human rights and other social factors), this may require different skills and mindsets from professional accountants and IESBA will consider whether the fundamental principles, the conceptual framework, and mindset requirements in the IESBA code are still appropriate for the various services that could be provided related to sustainability.

As outlined in the project proposal, this consideration will involve providing guidance to address threats that may arise when undertaking sustainability-related tasks and activities, and appropriate safeguards. Such guidance may include addressing

- the potential for misleading sustainability information (i.e., greenwashing).
- risks that a professional accountant will accept information without performing appropriate procedures when the information is prepared by a sustainability expert or via a sustainability-related technology.
- pressures to act unethically when faced with unrealistic goals or targets.
- identification and mitigation of conflicts of interest issues.
- guidance to assist preparers of sustainability information in exercising discretion and professional judgement, especially when a general-purpose framework is not available.

Workstream 2 will also review requirements in part 2 of the IESBA code that are not in part 3, and whether they apply to sustainability reports. This consideration will include

- whether ethics responsibilities should vary based on the role and seniority of a professional accountant in business.
- whether a new section should be added to part 3 to provide guidance for professional accountants that are engaged to assist their clients in sustainability-related tasks and activities.
- how to address situations when the preparation of sustainability information is carried out by other providers who are not accountants.

During IESBA's March 2023 meeting, the task force recommended that the scope of its work focus on ethics requirements for sustainability assurance providers (professional accountants and other providers who are not accountants), and ethics requirements for sustainability reporting for professional accountants only.

IESBA considered whether it should address ethics standards for sustainability reporting to preparers outside the accounting profession in its initial proposed revisions or in a second phase of the project. IESBA also considered the definition of several new terms proposed by workstream 2.

Project output

At its March 2023 meeting, IESBA considered possible approaches to making the revisions being developed by workstreams 1 and 2. The task force presented IESBA with various

approaches for proposing revisions as summarized in the following subsections.

Option 1: Revisions would be integrated in parts 1–4 using the new terminology or definitions for “sustainability assurance provider” and “sustainability assurance engagement.”

Option 2A: A new part 5 (5A – ethics; 5B – independence) and updated parts 1, 3, and 4A, where the various parts would be applicable as outlined here.



Option 2B: A new part 5 (5A – ethics; 5B – independence) and updated parts 1, 3, and 4A, where the various parts would be applicable as outlined here.



Option 3: A standalone code for ethics and independence requirements for all sustainability assurance practitioners.

IESBA will use the roundtables to further direct consideration of ethics and independence requirements for sustainability assurance and reporting, including whether requirements related to reporting should be “profession-agnostic,” and its decision on the approach to take when making these revisions.

Timeline

The workstreams are moving at an accelerated pace so the project outputs will be available at the same time as the new sustainability-related standards the IAASB and the ISSB are developing.

The current project timeline is as follows:

June 2023	First read of proposals to IESBA
September 2023	Discussion of proposals with IESBA and IESBA Consultative Advisory Group (CAG)
December 2023	Discussion with IESBA and approval of exposure draft (expected comment period is 90 days)
June 2024	Task force to update IESBA, including an overview of key comments from exposure draft respondents
September 2024	IESBA's full review of exposure draft responses and first read of revisions
December 2024	IESBA's approval of final revisions

Use of experts

Project description

IESBA initiated this project to develop revisions to the IESBA code that will address the ethics and independence issues that can arise when experts work alongside professional accountants in business (PAIBs) and professional accountants in public practice (PAPPs). The following ethics and independence considerations are included:

- Use of an external expert in audit and assurance engagements (ethics and independence)
- Involvement of an expert (both internal or external to the employing organization or firm) in the preparation and presentation of financial and nonfinancial information, including sustainability information, and other activities (ethics)
- Involvement of an expert in the provision of other services, such as tax planning and technology-related activities (ethics)

Status

IESBA believes it is in the public interest for the use of experts revisions to be effective at the same time as the IAASB's sustainability assurance standard. This project will progress in tandem with the sustainability project but is not limited to experts used in sustainability reporting and assurance.

Project update

Involvement of external experts is growing in the profession, especially in areas such as estimates, technology, and sustainability. This is likely to result in a need for ethics guidance on identified issues, especially if IESBA expands its code to cover sustainability assurance providers who are not professional accountants (PAs).

With these considerations in mind, IESBA approved the Use of Experts project at its December 2022 meeting.

At the March 2023 meeting, the task force presented an example ethical framework for all experts. The framework would require a PA to

- consider how the expert will be used and define the scope of the expert's work;
- identify facts and circumstances that might create threats for a PA when undertaking a professional activity incorporating the work of experts; and
- evaluate whether the use of experts is appropriate, especially around competence and

objectivity.

IESBA also discussed independence considerations when using an external expert and presented a decision tree that PAs could use when assessing expert independence. Currently the AICPA code does not require experts be independent of attest clients. As such, if this is pursued, PEEC will need to initiate a convergence project.

IESBA held four global roundtables in March and April 2023 to gather information about how involved parties are using experts for sustainability engagements, including the nature of external experts' work and contribution to audit and assurance reports. The task force will present a summary of stakeholder feedback from the roundtables at the June 2023 IESBA meeting.

Timeline

IESBA is prioritizing the experts project and the current timeline is as follows:

June 2023	Discussion of Issues with IESBA
September 2023	First read of proposals with IESBA and IESBA Consultative Advisory Group (CAG)
December 2023	Approval of exposure draft

Engagements subject to SSAEs

Task force members

Nancy Miller (chair), Claire Blanton, Michael Brand, Alina Kalachnyuk, Randy Milligan

Observers

Hanna Baillie, Sarah Doran, Wendy Garrett

AICPA staff

Emily Daly, Ellen Gorla, Melissa Powell

Reason for agenda item

To request approval of the task force charge.

Proposed task force charge

Consider revisions to or nonauthoritative guidance for the “Independence Standards for Engagements Performed in Accordance with Statements on Standards for Attestation Engagements” subtopic ([ET sec. 1.297](#)).

Task force activities

The task force met to consider its charge as discussed herein. At future meetings, the task force will discuss the project plan, including priorities and preliminary views on which items will be standards setting versus member enrichment initiatives.

The project comprises the scopes in the following sections.

Scope 1: Consider whether the modified independence requirements in “Agreed-Upon Procedure Engagements Performed in Accordance with SSAEs” interpretation are appropriate when the AUP report is not restricted in use.

[Statement on Standards for Attestation Engagements No. 19](#) , *Agreed Upon Procedures Engagements*, was issued in December 2019 and allows the practitioner to issue a general-use report in an agreed-upon procedures engagement (AUP).

The modified independence requirements outlined in the “Agreed-Upon Procedure Engagements Performed in Accordance with SSAEs” interpretation were created and later confirmed after considering the following two factors:

1. AUPs are fundamentally different than other engagements subject to the SSAEs because they provide no assurance.
2. AUP reports are restricted in use.

Given these factors, the task force recommends considering whether the modified independence requirements in the “Agreed-Upon Procedure Engagements Performed in Accordance with SSAEs” interpretation remain appropriate when the AUP report is not restricted in use.

Scope 2: Consider whether threats to independence exist when the practitioner assists in developing the criteria for an engagement subject to the SSAEs.

The SSAEs require that either the responsible party or engaging party (if the engaging party is not the responsible party) take responsibility for determining that the criteria used to measure or evaluate the underlying subject matter against are suitable and appropriate for the purpose of the engagement.

Practitioners are often asked to assist the client in developing suitable criteria. Considering the practitioner’s reporting responsibilities under the SSAEs, a self-review threat may exist. Therefore, the task force recommends that it consider the independence implications when practitioners assist in developing the criteria that are used in an engagement subject to the SSAEs.

Scope 3: Consider what independence interpretations use financial statement factors and determine what guidance should be provided when the attest engagement is not a financial statement attest engagement.

Many interpretations under the “Independence Rule” ([ET sec. 1.200.001](#)) use financial statement factors in the requirements. However, engagements subject to the SSAEs may not include such factors and instead the subject matter of the SSAE engagement may be non-financial information.

The task force recommends that it evaluate how all independence interpretations would apply to engagements subject to the SSAEs that include only non-financial information.

Scope 4: Consider whether the nonattest services exception described in the “Engagements, Other Than AUPs, Performed in Accordance with SSAEs” interpretation appropriately considers prohibited nonattest services for an engagement subject to the SSAEs.

For engagements, other than AUPs, paragraph .03 of the “Engagements, Other Than AUPs, Performed in Accordance with SSAEs” interpretation reads as follows:

.03 When providing nonattest services that would otherwise *impair independence* under the *interpretations* of the “Nonattest Services” subtopic [1.295], *threats* would be at an *acceptable level* and *independence* would not be *impaired* if the following safeguards are met:

- a. Nonattest services do not relate to the specific subject matter of the SSAE engagement.

- b. The “General Requirements for Performing Nonattest Services” interpretation [1.295.040] of the “Independence Rule” [1.200.001] are met when providing the nonattest service.

The requirements do not seem clear about whether prohibited nonattest services that create threats other than self-review and management participation are still prohibited for SSAE engagements. For example, certain expert witness services described in the “Forensic Accounting” interpretation ([ET sec. 1.295.140](#)) create an advocacy threat that cannot be reduced to an acceptable level.

It is not clear whether the intent in paragraph .03 was to permit otherwise prohibited services only when the threat to independence relates to self-review applicable only to the financial statement attest engagement. Therefore, the task force recommends that it review the “Nonattest Services” subtopic to evaluate whether paragraph .03 appropriately considers prohibited nonattest services for engagements, other than AUPs, subject to the SSAEs.

Scope 5: Consider the adequacy of code’s definition of “client” and “attest client” for members who are applying the SSAEs, as the SSAEs do not define “client” and whether independence with respect to the “responsible party” remains appropriate.

The “Application of the Independence Rule to Engagements Performed in Accordance With Statements on Standards for Attestation Engagements” interpretation ([ET sec. 1.297.010](#)) indicates that the covered member needs to be independent with respect to the responsible party, as defined in the SSAEs.

The SSAEs define responsible party as follows:

The party(ies) responsible for the subject matter. If the nature of the subject matter is such that no such party exists, a party who has a reasonable basis for making a written assertion about the subject matter may be deemed to be the responsible party.

The code defines client and attest client as follows:

Client. Any person or entity, other than the member’s employer that engages a member or member’s firm to perform professional services (engaging entity) and also, a person or entity with respect to which a member or member’s firm performs professional services (subject entity). When the engaging entity and the subject entity are different, while there is only one engagement, they are separate clients.

Attest client. A person or entity with respect to which an attest engagement is performed.

If the person or entity that engages a member or member’s firm (member) to perform professional services (engaging entity) is not also the attest client, the member should refer to the “Client Affiliate” interpretation [1.224.010] to determine whether the engaging entity is

an affiliate from which the member should be independent. However, because threats to the member's compliance with the "Integrity and Objectivity Rule" [1.100.001] and the "Conflict of Interest for Members in Public Practice" interpretation [1.110.010] may still exist with respect to the engaging entity, members should comply with this rule and interpretation.

The task force recommends that it consider whether the code's current definitions for "client" and "attest client" would be appropriate when applying requirements in an SSAE engagement, and whether independence with respect to the "responsible party" as defined in the SSAEs remains appropriate and clear for the subtopic.

Scope 6: Consider updating the "Application of the Independence Rule to Engagements Performed in Accordance With Statements on Standards for Attestation Engagements" interpretation for SSAE No. 18 which moved compilations out of the SSAEs.

[SSAE No. 18](#), *Attestation Standards: Clarification and Recodification*, was issued to clarify the attestation standards and in the process, the standards related to compilations were moved out of the SSAEs. These compilations are now addressed in the Statements on Standards for Accounting and Review Services (SSARS).

Practitioners have historically been allowed to apply the modified independence requirements for SSAEs to these compilations as indicated in paragraph .01 of the "Application of the Independence Rule to Engagements Performed in Accordance With Statements on Standards for Attestation Engagements" interpretation. Given the revisions in SSAE No. 18, the task force recommends it consider what revisions may be necessary to the code.

Scope 7: Consider nonauthoritative guidance for applying independence requirements in a direct engagement

SSAE No. 21, *Direct Examination Engagements*, was issued in September 2020 and sets forth the requirements for direct examination engagements. After deliberations within the committee and with the ASB in 2019 and in prior years, Questions & Answers (Q&As) related to these engagements were drafted and discussed with the committee. However, these Q&As were never published (refer to the May 2019 committee meeting [agenda](#) and [minutes](#)).

Now that these standards have been put into practice a few years, the task force recommends that it consider what independence guidance may be necessary for practitioners performing direct engagements.

Scope 8: Monitor IESBA's Sustainability Project

IESBA approved a project proposal that considers profession agnostic (applicable to PAs/CPAs and non-PAs/CPAs) requirements for independence in sustainability assurance and ethics in sustainability assurance and reporting. Refer to agenda item 5B in the committee materials for an update on this IESBA project.

Sustainability assurance engagements are being conducted primarily under international assurance standards, and those standards are the equivalent of reviews and examination engagements under the SSAEs. Currently, the AICPA independence requirements for reviews and examinations are more stringent than IESBA's requirements for such engagements. However, IESBA is considering whether sustainability assurance engagements should have more stringent independence requirements such as those applicable to audits and reviews of financial statements.

The task force recommends monitoring IESBA's sustainability project to evaluate whether revisions to the code for SSAEs are necessary for convergence.

Scope 9: Monitor SEC activities

In its [proposal](#) for climate-related disclosures, the SEC discusses certain minimum standards, including minimum independence requirements, for attestation service providers that it believes will further assist in providing accuracy and consistency in these disclosures. These minimum standards were not part of its proposal but there is indication that these standards may be considered as the assurance landscape continues to evolve. For this reason, the task force recommends monitoring SEC activities to evaluate whether there are any implications to the code or if there is a need for additional independence guidance.

Questions for the committee

1. Does the committee have any concerns with or comments on the proposed charge?
2. Are there any other items the committee would like the task force to include in its charge?

Action needed

The committee is asked to approve the task force charge.

IESBA tax planning and related services

Working group members

Brian Lynch (chair), Cathy Allen, Arthur Auerbach, Conrad Davis, Kip Dellinger, James Newhard, Roby Sawyers, Gerard H. Schreiber Jr., Joseph J. Tapajna, Blake Vickers

AICPA staff

Ellen Gorla, Henry Grzes, John Wiley

Working group charge

To draft a comment letter to IESBA for the Tax Planning and Related Services exposure draft. The letter will be a joint comment letter from PEEC and the Tax Executive Committee.

Status

IESBA issued an exposure draft and comments are due by May 18, 2023.

Reason for agenda item

To provide the committee with an overview of the points that will be covered in the comment letter and to solicit committee input.

Action needed

The committee is asked to provide input for the working group to consider, including in the joint comment letter.

Materials presented

Agenda item 7B: Proposed Revisions to the Code Addressing Tax Planning and Related Services

Exposure Draft
February 2023
Comments due: May 18, 2023

*International Ethics Standards Board
for Accountants®*

Proposed Revisions to the Code Addressing Tax Planning and Related Services



**International
Ethics Standards
Board for Accountants®**



About the IESBA

The [International Ethics Standards Board for Accountants®](#) (IESBA®) is an independent global standard-setting board. The IESBA's mission is to serve the public interest by setting ethics standards, including auditor independence requirements, which seek to raise the bar for ethical conduct and practice for all professional accountants through a robust, globally operable [International Code of Ethics for Professional Accountants \(including International Independence Standards\)](#) (the Code).

The IESBA believes a single set of high-quality ethics standards enhances the quality and consistency of services provided by professional accountants, thus contributing to public trust and confidence in the accountancy profession. The IESBA sets its standards in the public interest with advice from the IESBA Consultative Advisory Group (CAG) and under the oversight of the Public Interest Oversight Board (PIOB).

The structures and processes that support the operations of the IESBA are facilitated by the International Foundation for Ethics and Audit™ (IFEATM).

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REQUEST FOR COMMENTS

This Exposure Draft, *Proposed Revisions to the Code Addressing Tax Planning and Related Services*, was developed and approved by the IESBA.

The proposals in this Exposure Draft may be modified in light of comments received before being issued in the final pronouncement. Comments are requested by **May 18, 2023**.

Respondents are asked to submit their comments electronically through the IESBA website, using the “[submit a comment](#)” link. Please submit comments in both PDF and Word files. Also, please note that first-time users must register to use this feature. All comments will be considered a matter of public record and will ultimately be posted on the website. Although the IESBA prefers that comments are submitted via its website, comments can also be sent to Ken Siong, IESBA Program and Senior Director, at KenSiong@ethicsboard.org.

This publication may be downloaded from the IESBA website: www.ethicsboard.org. The approved text is published in the English language.

PROPOSED REVISIONS TO THE CODE ADDRESSING TAX PLANNING AND RELATED SERVICES

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EXPLANATORY MEMORANDUM

I. Introduction

1. This memorandum provides background to and explains the proposed revisions to the *International Code of Ethics for Professional Accountants (including International Independence Standards)* (the Code) addressing tax planning and related services.
2. The IESBA unanimously approved these proposed revisions for exposure at its [November–December 2022](#) meeting.

II. Background

3. In recent years, much public attention has focused on the topic of tax avoidance, considering revelations such as the “Paradise Papers”¹ and the “Pandora Papers,”² notwithstanding the legality of the tax mitigation schemes or related transactions to achieve desired tax outcomes. Questions have been raised regarding the ethical implications for professional behavior when individual professional accountants (PAs) in business (PAIBs) and professional accountants in public practice (PAPPs) are involved in developing tax minimization strategies that are perceived as “aggressive” or when firms provide advice to their clients on such strategies.
4. The issue is of such public interest significance³ that it has been discussed on the G20 agenda. Several global bodies have also focused on transparency and better disclosure of tax practices, among other policy actions. For example:
 - (a) The Organisation for Economic Cooperation and Development (OECD) launched the [Base Erosion and Profit Shifting \(BEPS\)](#) project in partnership with the G20. The project aims to ensure that the international tax rules do not facilitate shifting corporate profits away from where the actual economic activity and value creation occur. The premise for value creation is linked to the substance over form argument, which maintains that transactions in question should not be evaluated based on their formal legal structure but instead on the underlying substance of the transactions.
 - (b) The World Federation of Exchanges has included [tax transparency](#)⁴ as a “material Environmental, Social and Governance (ESG) metric” for reporting by listed companies.
 - (c) The International Federation of Accountants (IFAC) has called on jurisdictions to share information to promote [accountability and long-term global sustainability](#).⁵
 - (d) The International Accounting Standards Board (IASB) has worked on [changes to tax disclosure rules](#).⁶

¹ See, for example, the UK House of Commons [Briefing Paper](#), *The Paradise Papers* (November 2017).

² See, for example, <https://www.bbc.com/news/world-58780561>.

³ For example, in its article [What could a new system for taxing multinationals look like?](#) the Economist noted that in 2015, the OECD estimated that tax avoidance robs public coffers of \$100-240 bn, or 4-10% of global corporation tax revenues a year.

⁴ *Exchange Guidance & Recommendation* (October 2015), WFE Sustainability Working Group, World Federation of Exchanges.

⁵ *G20 Public Trust in Tax – Surveying Public Trust in G20 Tax Systems* (January 2019), Association of Chartered Certified Accountants (ACCA), Chartered Accountants Australia and New Zealand (CA ANZ) and IFAC.

⁶ IFRIC 23, *Uncertainty over Income Tax Treatments*.

5. In the light of these developments and pursuant to a commitment in its [Strategy and Work Plan 2019-2023](#), the IESBA formed a Working Group in September 2019 to:
 - (a) Gather an understanding of the regulatory, practice, and other developments in corporate and individual tax planning by PAIBs and PAPPs; and
 - (b) Identify and analyze the ethical implications of those developments and determine whether there is a need for enhancements to the Code or further actions.
6. In September 2021, the Working Group submitted its final [report](#) and recommendations to the IESBA. Based on this report and the related recommendations, the IESBA decided to launch a [standard-setting project](#) on the topic of tax planning and related services, establishing a Task Force to take it forward.

III. Project Objective

7. The objective of the project is to develop a principles-based framework, leveraging the fundamental principles and the conceptual framework of the Code, to guide PAPPs' and PAIBs' ethical conduct when providing tax planning (TP) and related services (TP services) to clients, or performing TP activities for employing organizations, thereby maintaining the Code's robustness and relevance as a cornerstone of public trust in the global accountancy profession.

IV. Consultation with Key Stakeholders

Global Roundtables

8. In April 2022, the IESBA hosted three global virtual roundtables to bring together a broad range of stakeholders to discuss the state of play on TP and explore how the IESBA could formulate a proposed ethical framework to guide PAIBs and PAPPs when providing TP services.
9. The three roundtables were organized to cover specific regions – the Americas, EMEA,⁷ and Asia Pacific. Excluding observers, close to 100 delegates participated in the events. They represented various stakeholder groups, including regulators and public authorities, representatives of the legal profession, national standard setters, preparers, professional accountancy organizations, firms, and academia. Observers included a member of the Public Interest Oversight Board (PIOB).
10. The input received was rich and diverse. The discussions highlighted how intertwined, complex, and multi-dimensional the ethical considerations can be in addressing TP services. Not surprisingly, the interactions between tax laws of different jurisdictions in cross-border situations were noted as an area needing particular care and sensitivity.
11. The discussions generated practical observations, which the IESBA considered in developing the proposals in this Exposure Draft (ED). Key comments or observations from the roundtables are referenced in the discussion of the significant matters included in this explanatory memorandum. The IESBA acknowledges that the way forward will need to balance the public interest benefits of the proposed revisions to the Code with considerations of global operability, practicality, and scalability for the users of the Code.

⁷ Europe, the Middle East, and Africa

V. Proposed Ethical Framework

Overarching Considerations

12. As a result of the consultation with key stakeholders, the IESBA came to the view that the Code can play a more substantive and practical role in guiding PAs' mindset and behavior when providing TP advice. This recognizes that while the Code does not and cannot override laws and regulations, ethics is broader than the law and can guide behaviors. In this regard, the notion that "what is legal is not necessarily ethical" often resonates with stakeholders and applies to TP just as much as to any other professional activities PAs may pursue. Yet, beyond the fundamental principles (FPs), conceptual framework (CF), and specific provisions aimed at safeguarding PAPPs' independence in the context of audit and other assurance engagements, the Code is silent on the topic. Additionally, from the perspective of impact, the IESBA agreed that the Code is better placed than non-authoritative material to influence and guide behavior because it is authoritative and enforceable.
13. Through its desktop research, the IESBA noted a wide variety of frameworks and guidance materials developed by various organizations in the area of TP. However, these frameworks and guidance materials are not entirely consistent with each other because they address different aspects of TP, have different objectives, or target different audiences. Outreach undertaken also indicates that some large accounting firms have developed proprietary guidelines on TP. Not all firms, however, have such guidance to assist their TP work, especially small and medium practices (SMPs), as they do not have the resources of the larger firms. Further, feedback from outreach indicates that there are stakeholder perceptions that the tax adviser community is not as closely regulated as the audit profession and therefore, generally feels less constrained in its advisory services. Accordingly, the IESBA believes it would be in the public interest to develop a unifying framework in the Code that would codify the relevant principles and best practices, thereby planting the guideposts to help PAs navigate the judgments and idiosyncrasies of TP. Such a framework would also have the benefit of providing a consistent practice baseline for all PAIBs and PAPPs globally.
14. Given the wide diversity of tax laws and regulations, the IESBA is cognizant that this framework will need to be jurisdiction-neutral (i.e., equally applicable in jurisdictions where the tax burden is high and where it is low). Likewise, the IESBA has been careful to steer clear of analyzing the merits of tax positions or strategies planned or adopted by individual or corporate taxpayers, judging the merits of the tax regimes or strategies of respective jurisdictions, or engaging in debates about tax policy.
15. Above all, the IESBA aspires to rise to the challenge of reinforcing public trust in the global accountancy profession. News headlines such as those concerning the Paradise and Pandora Papers noted above have led to public outcry about the role of consultants, including professional tax advisers, in enabling wealthy individuals and multinational corporations to engage in tax avoidance or evasion. While this project does not need to address tax evasion, which is unlawful and therefore already addressed under the Code,⁸ the accountancy profession has not escaped being painted with a broad brush as an "enabler" of tax malfeasance. Public mistrust in professional tax advisers has risen to such a level that in some major jurisdictions, legislation is being considered to regulate tax advice and tax advisers.⁹

⁸ Section 360 for PAPPs and Section 260 for PAIBs, both dealing with responding to non-compliance with laws and regulations (NOCLAR)

⁹ https://ec.europa.eu/info/law/better-regulation/have-your-say/initiatives/13488-Tax-evasion-aggressive-tax-planning-in-the-EU-tackling-the-role-of-enablers/public-consultation_en?mc_cid=c0c64ee350&mc_eid=5898f32087

16. The IESBA believes that developing an ethical framework in the Code to guide PAs' behaviors and actions concerning TP can go a long way towards protecting the public interest and the profession's reputation.

Outline of the Proposed Ethical Framework

17. To assist PAs in exercising judgment in navigating the complexities and uncertainties of TP and deciding on the appropriate course of action in the circumstances, the IESBA proposes an ethical framework that will guide PAs to:
- Comply with the FPs and highlight the types of threats to such compliance that might be created when performing TP activities.
 - Exhibit the mindset and behavior expected of them following the [Role and Mindset](#) provisions of the Code. This includes guidance elaborating on the relevance and applicability of behavioral concepts and principles, such as demonstrating the strength of character and having an inquiring mind, as well as expectations of PAs to promote an ethics-based culture within their employing organizations and to uphold the profession's reputation.
 - Understand the applicable tax laws and regulations, which might include the legislative intent behind the relevant laws and regulations, and, if relevant, the economic purpose and substance of the transaction.
 - Exercise professional judgment to establish a credible basis for the TP advice in circumstances of uncertainty.
 - Consult internally or externally with experts as needed, which might be part of specific actions to address identified threats. The internal or external consultations should be conducted within the professional boundaries of referring work to experts, bearing in mind the PA's responsibility to remain objective.
 - Communicate relevant matters or concerns with the individual client, management, or those charged with governance, including as part of an escalation process where necessary.
 - Evaluate the need for transparency, having regard to PAs' duty of confidentiality under the Code. This includes the circumstances in which disclosure would be appropriate or justified, when informed consent for disclosure should be obtained in the case of clients, to whom disclosure might be made and when, and the matters that might be disclosed.
 - Develop an appropriate level of documentation throughout the process to substantiate their judgments, decisions, and actions.
 - Respond to suspected non-compliance with laws and regulations when they encounter information that suggests TP might have "stepped over the line" into an actual or suspected breach of tax laws and regulations.

18. These provisions do not address the issues of tax morality,¹⁰ tax fairness¹¹ and tax justice which the Board determined was outside the scope of this project.¹²

VI. Scope of Proposals

Proposed New Sections 380 and 280

19. The scope of the project encompasses Parts 2¹³ and 3¹⁴ of the Code, with consideration given to the need for any conforming amendments to other sections of the Code. The IESBA is of the view that the proposed ethical framework warrants new sections in Parts 2 and 3 focused on TP services or activities.
20. As part of its deliberations, the IESBA noted that the issues concerning TP services are unique compared with other professional services provided by PAs, given the sensitive nature of TP in terms of its financial impact on clients and employing organizations, the broader role of taxes in meeting jurisdictions' policy goals, and the complexity of the subject. In particular, the IESBA believes it is especially important to address the uncertainties PAs may face when providing TP services or performing TP activities, as threats to compliance with the FPs might be created in circumstances of uncertainty.
21. Therefore, the IESBA proposes that two new sections be added to the Code, namely Sections 380 and 280. In drafting these sections, the IESBA has endeavored to keep:
- Section 380 applicable to all clients, i.e., individuals and corporate clients.
 - Both sections applicable to all entities, from small- and medium-sized entities (SMEs) to large multi-national entities, regardless of whether they are public interest entities (PIEs).
- (See paragraphs 380.5 A4 and 280.5 A4.)
22. Consistent with any other provisions of the Code, the proposed provisions in Sections 380 and 280 do not override laws and regulations, including any anti-avoidance rules prevailing in a given jurisdiction.
23. Further, the IESBA notes that paragraph 100.7 A1 of the Code remains applicable, i.e., where a jurisdiction has provisions that differ from or go beyond those in the Code, PAs in that jurisdiction need to be aware of those differences and comply with the more stringent provisions unless prohibited by law or regulation.

¹⁰ [Tax Morale](#), as defined by the OECD, is "the intrinsic motivation to pay taxes." This concept is vital to the tax system as most tax systems rely on taxpayers' voluntary compliance for the bulk of their revenues.

¹¹ In the *Wealth of Nations* (1776) (Smith, A., & Cannan, E. (2003). *The Wealth of Nations*. New York, NY: Bantam Classic), Adam Smith argued that taxation should follow the four principles of fairness, certainty, convenience, and efficiency. Tax fairness is a concept which states that the system of taxation must be equitable to the public. A fair tax system encourages a fair contribution to the cost of maintaining public utilities and infrastructure.

¹² According to ActionAid, tax justice is a central concern for anyone working for social justice. Tax Justice UK sees a parallel in the movement for tax justice to the movement for women's rights and labor rights as important elements of a country's social fabric. It is a belief in genuinely progressive taxation, i.e., tax systems that generate sufficient public revenue while ensuring that this revenue is fairly redistributed and focused on rebalancing economic and gender inequalities.

¹³ Part 2 – Professional Accountants in Business

¹⁴ Part 3 – Professional Accountants in Public Practice

VII. Significant Matters

A. Scope of Services Addressed

Tax Planning

24. The IESBA is of the view that it is important to establish a description of “tax planning” in the proposed sections to circumscribe the scope of professional services and activities that the sections would address.
25. In considering how to describe TP, the IESBA has reviewed established descriptions of TP developed by the following organizations:

Organization	Description of Tax Planning
OECD	Arrangement of a person's business and/or private affairs in order to minimize tax liability ¹⁵
UK HMRC	Involves using tax reliefs for the purpose for which they were intended ¹⁶
Confédération Fiscale Européenne (CFE) (Tax Advisers Europe)	Focus on delivering savings to clients using legal vehicles and financial transactions specifically established to exploit these technicalities ¹⁷

26. The IESBA noted that the latter two descriptions appear limiting in scope for the purposes of this project in one way or another, or overly technical. The IESBA believes that the OECD description is closer to what should be the focus of the new sections, i.e., dealing with arrangements to minimize tax liability. The IESBA, however, considered that the term “tax efficiency” would be more neutral than “tax minimization.”
27. Accordingly, the IESBA proposes the following description:

Tax planning comprises a broad range of [services/activities] designed to assist [a client, whether an individual or an entity/an employing organization] in structuring [the client's/the employing organization's] affairs in a tax-efficient manner.

(See paragraphs 380.5 A1 and 280.5 A1.)

28. To facilitate consistent application, the IESBA is proposing in paragraphs 380.5 A2 and 280.5 A2 illustrative examples of TP services or activities covered under these sections.

Related Services or Activities

29. During the roundtable discussions and as part of the fact-finding work underpinning the project, the IESBA noted that there are other types of services or activities performed by PAs that are ancillary to the provision of TP services or the performance of TP activities. Such services or activities include, for example, assisting in resolving a dispute with the tax authority on a TP position that the PA or another party recommended, or preparing a tax return that reflects the position in the TP

¹⁵ <https://www.oecd.org/ctp/glossaryoftaxterms.htm>

¹⁶ [Tackling Tax Avoidance, Evasion, and Other Forms of Non-Compliance \(March 2019\)](#), HM Revenue & Customs, HM Treasury United Kingdom.

¹⁷ [Professional Judgment in Tax Planning - An Ethics Quality Bar for All Tax Advisers](#) (June 2021), CFE Tax Advisers Europe.

arrangement. These related services or activities are based on or linked to a TP service or activity. Consistent with the indicative scope in the [project proposal](#), the IESBA proposes that such related services or activities be within the scope of the ethical framework.

30. The IESBA is therefore proposing a description of related services in paragraph 380.5 A3 and related activities in paragraph 280.5 A3. As related services or activities are scoped in, the remainder of Sections 380 and 280 do not make further reference to them.

Non-Compliance with Laws and Regulations (NOCLAR)

31. As noted above, the proposals do not address tax evasion, which is unlawful. Nevertheless, to build in the proper linkage to the NOCLAR provisions of the Code,¹⁸ the IESBA proposes guidance that refers PAs to the NOCLAR sections of the Code when they become aware of tax evasion or suspected tax evasion, or other non-compliance or suspected non-compliance with tax laws and regulations by a client, management, those charged with governance (TCWG) or other individuals working for or under the direction of the client or employing organization.

(See paragraphs 380.7 A1 and 280.7 A1.)

B. Role of the Professional Accountant in Acting in the Public Interest

32. During the fact-finding phase of the project, the IESBA noted the benefits of having PAs provide TP services as they play a significant role in supporting and enhancing the effectiveness of the tax system. Indeed, TP is so important for employing organizations and clients that tax advisory services constitute a significant part of the profession's activities worldwide.¹⁹
33. As noted above, however, in recent times public concerns have risen significantly about the role tax advisers play in assisting tax avoidance by wealthy individuals and corporations, including concerns about multinational companies utilizing sophisticated TP strategies to minimize their taxes. Public mistrust of professional tax advisers has risen to such a level that legislation is being considered to regulate tax advice and tax advisers in some major jurisdictions, such as the EU.²⁰
34. The IESBA recognized that there was a perceived challenge concerning understanding who is considered the public and the interests of those groups of stakeholders PAs are expected to serve in acting in the public interestpublic interest. Questions have been posed regarding which parties are

¹⁸ Section 360 for PAPPs and Section 260 for PAIBs

¹⁹ The global tax management market is expected to grow from USD 18.9 billion in 2021 to USD 32.5 billion by 2026, at a Compound Annual Growth Rate (CAGR) of 11.5% during the forecast period (<https://www.marketsandmarkets.com/PressReleases/tax-management.asp>)

²⁰ See, for example, https://www.accountancyeurope.eu/tax/tax-policy-220107/?mc_cid=73311ac0b2&mc_eid=5898f32087.

captured under the notion of “public interest” – society at large, legislators, or shareholders and regulators of the capital markets?

35. Many participants across the three roundtables acknowledged that PAs providing TP services play an essential public interest role in serving employing organizations’ or clients’ interests in accordance with tax laws and regulations, i.e., by facilitating compliance with tax laws and regulations.
36. In considering what it means for a PA to act in the public interest in relation to TP, whether done for a client or an employing organization, the following factors, as shared by roundtable participants, are relevant:
 - *Interpretation of the tax legislation:* roundtable participants expressed the view that the notion of a PA acting in the public interest when performing TP activities is closely linked to the approval of the tax treatment or structure by the tax authority in the particular jurisdiction. Thus, they believed that if the tax authority agrees with a particular tax treatment or structure at the time of consultation, the PA has acted in the public interest. There was also a strong view that legislators and regulators consider the public interest when they develop tax laws and regulations; therefore, it was argued that complying with those laws and regulations represents acting in the public interest.
 - *PAs’ expertise and reputational risks:* roundtable participants generally accepted that PAs play a public interest role by providing their clients and employing organizations with high-quality TP advice, leveraging their training and expertise. Participants suggested that in providing high-quality TP advice, PAs need to consider the potential risks of the TP to their clients or employing organizations and the reputational risks to the PAs – considerations that are relevant to the public interest. By providing high-quality advice, and when the client or employing organization implements this advice, the PA is perceived as improving compliance within the tax system and collection in the particular jurisdiction – an outcome that is in the public interest.
 - *Perception issues:* Participants generally believed that the very nature of PAs helping their clients or employing organizations to obey the law is an embodiment of PAs acting in the public interest. Participants generally agreed that it is a balancing act – clients or employing organizations may view that PAs should be preserving their interests rather than those of the public at large.
 - *The complexity of TP transactions given complexity in the underlying tax codes or interactions between tax codes:* Some participants believed that it may be challenging to determine what is in the public interest, especially in situations where multiple jurisdictions are involved in cross-border transactions. It was observed that each jurisdiction would perceive the public interest differently. So, it was argued that it is an impossible task to determine what would be in the public interest in these circumstances. Each jurisdiction would try to protect its sovereignty by determining its tax regime for competitive or other reasons. The reality, therefore, is that tax laws can differ quite considerably among jurisdictions.
37. Considering all the observations during the roundtable discussions, the IESBA determined not to attempt to define or describe the public interest in the abstract given the variety of considerations that may influence its meaning. The IESBA instead proposes contextual guidance in Sections 380 and 280 that explains that:
 - An important part of what acting in the public interest means for PAs is for them to contribute their knowledge, skills and experience to assist clients or employing organizations meet their

TP goals while complying with tax laws and regulations. In doing so, PAs help to facilitate a more efficient and effective operation of a jurisdiction's tax system, which is in the public interest. (See paragraphs 380.4 A1 and 280.4 A1.)

- PAs play an important role in assisting clients or employing organizations in meeting their tax obligations and not seeking to circumvent them through tax evasion. However, when PAs provide such assistance, it might involve certain tax minimization arrangements that, although not prohibited by tax laws and regulations, might create threats to compliance with the FPs. (See paragraphs 380.4 A2 and 280.4 A2.)

38. The IESBA is also of the view that while the PA plays an important role in the efficient and effective operation of the tax system, it is ultimately for a court or other appropriate adjudicative body to determine whether a TP arrangement complies with the relevant tax laws and regulations. (See paragraphs 380.4 A3 and 280.4 A3.)

C. Responsibilities of Clients, Management, and Those Charged with Governance

39. During the roundtable discussions, the IESBA heard from stakeholders about the importance of recognizing that management and TCWG share a fiduciary duty, as strategic and governance leaders within their organizations, to ensure that they play the equally important role of facilitating the provision of accurate information to the PA. The responsibilities of management and TCWG also extend to ensuring the organization's tax affairs are aligned with its tax strategy or policies.
40. The IESBA believes that it is important to recognize the specific responsibilities of management and TCWG of clients and employing organizations in relation to TP within the proposed ethical framework. While proposed Sections 380 and 280 specify PAs' responsibilities when providing TP services or performing TP activities, nothing in those sections detracts from the obligations of management and TCWG.
41. As such, the IESBA proposes guidance that highlights several key responsibilities of management (including individual clients, as the case may be) and TCWG. These include:
- Ensuring that the client's or employing organization's tax affairs are conducted in accordance with the relevant tax laws and regulations.
 - Maintaining all the books and records and implementing the systems of internal control necessary to enable the client or employing organization to fulfill its tax compliance obligations.
 - In relation to a TP service provided to a client, making available all the facts and other relevant information needed to enable the PA to perform the TP service.
 - Deciding whether to accept and implement the PA's recommendation or advice on a TP arrangement.
 - Submitting the client's or employing organization's tax returns and dealing with the relevant tax authorities in a timely manner.
 - Making such disclosures to the relevant tax authorities as might be required by tax laws and regulations or as might be necessary to support a tax position, including details of any TP arrangements.
 - Ensuring that the client's or employing organization's TP arrangements are consistent with any publicly disclosed tax strategy or policies.

(See paragraphs 380.8 A1 and 280.8 A1.)

D. Responsibilities of All Professional Accountants

42. Equally, the IESBA proposes that the ethical framework specify some basic responsibilities for all PAs. Notably, the IESBA observed specific circumstances that pertain to the provision of TP services.
43. First, it is important to recognize that in some jurisdictions, there are anti-avoidance laws and regulations. Accordingly, the IESBA proposes that PAs obtain an understanding of those laws and regulations and advise the client or employing organization to comply with them when providing TP services or performing TP activities. (See paragraphs R380.6 and R280.6.)
44. Secondly, the IESBA agrees with roundtable participants who commented that PAs have a responsibility to be informed and to develop the professional competence to provide TP services or to perform TP activities. This is consistent with the FP of professional competence and due care.²¹ For the PA, it is a matter of not just adhering to the letter of the law but also being able to attest to being ethical in carrying out professional duties. In particular, a PA is expected to apply an inquiring mind and not advise on, or engage in, transactions that don't have a credible basis.²²
45. To that effect, if a PAPP is requested by a client to provide a TP service, the IESBA proposes that the PA obtain an understanding of the nature of the request prior to the PA undertaking any detailed work. The IESBA proposes that this understanding include:
 - (a) Knowledge and understanding of the client, its owners, management and TCWG, and its business activities;
 - (b) The purpose and circumstances of the TP arrangement; and
 - (c) The relevant tax laws and regulations.
 (See paragraph R380.9)
46. The IESBA also considered the intersection of the proposed Sections 380 and 280 with other sections of the Code in the course of PAs providing TP services or performing TP activities. The IESBA proposes guidance that refers the PAPP to relevant provisions of the Code addressing client and engagement acceptance (Section 320), second opinions as the PAPP might be engaged to provide a second opinion on a TP arrangement (Section 321), professional competence and due care (Subsection 113), and the need to exercise professional judgment and have an inquiring mind (Section 120). (See paragraphs 380.9 A1 – 380.10 A1.)
47. For a PAIB involved in performing a TP activity, the IESBA proposes a similar requirement (paragraph R280.9) as well as guidance regarding professional competence and due care, and the need to exercise professional judgment and have an inquiring mind. (See paragraph 280.10 A1.)

²¹ Paragraph 110.1 A1(c) of the Code states that PAs are to attain and maintain professional knowledge and skill at the level required to ensure that a client or employing organization receives competent professional service, based on current technical and professional standards and relevant legislation, and act diligently and in accordance with applicable technical and professional standards.

²² Paragraph 110.1 A1(e) of the Code states that PAs are to comply with the fundamental principle of professional behavior, which means complying with relevant laws and regulations, behaving in a manner consistent with the profession's responsibility to act in the public interest in all professional activities and business relationships, and avoiding any conduct that they know or should know might discredit the profession.

48. The IESBA also believes it is important that PAs explain the basis on which they recommended or otherwise advised on a TP arrangement to a client or an employing organization. Accordingly, the IESBA proposes requirements to that effect in paragraphs R380.18 and R280.18.

E. Basis for Recommending or Otherwise Advising on a Tax Planning Arrangement

49. During the fact-finding phase preceding the project's launch, stakeholders commented that in providing TP services, PAs might sometimes face situations where the legislative intent behind tax laws is unclear or uncertain, and the related regulations or tax forms lack clarity. To further explore this matter, the IESBA posed several questions during the roundtable discussions to understand how a PA would approach their advice to a client or employing organization if they were uncertain that the tax treatment would prevail based on the relevant tax laws and regulations. Participants were asked what specific factors the PA should consider in exercising their judgment in such circumstances.
50. In gaining an understanding of the challenges PAs face when the legislative intent behind tax laws is unclear or uncertain, the IESBA also thought it would be beneficial to identify specific scenarios to understand the extent to which PAs consider the legislature's intent, the approach PAs would take, and whether their assessment would change:
- If the situation concerns a cross-border transaction involving multiple jurisdictions.
 - If the tax strategy could be considered artificial or contrived.
51. In summary, the IESBA agrees with the observations shared by roundtable participants that PAs must take the necessary steps to establish a credible basis for their advice, taking into account, where the circumstances are unclear or uncertain, the intent of the tax legislation. In addition, participants also suggested several actions PAs can undertake to navigate situations where the legislative intent behind tax laws is unclear or uncertain:
- PAs may review rulings regarding specific cases to gather insight into what the legislature intended. It was noted that the PA's responsibility is to inform and educate the client or employing organization about the law's intent to better understand the underlying risks, if any, of the transaction.
 - As a general matter, participants commented that full transparency regarding the risks to the client or employing organization is essential. Participants shared that the threshold for success in terms of the TP arrangement being accepted by the relevant tax authorities is subject to debate in different jurisdictions. In such circumstances, participants expected that the PA would also explain the risks involved and advise the client or employing organization against taking unnecessary risks.
 - It would be important for PAs to document these risks as it was noted that jurisdictions have different definitions of what is considered a credible basis for the TP arrangement. Participants shared the view that what is a credible basis could vary from jurisdiction to jurisdiction as it depends on judgment in the circumstances. Participants agreed that it would be important for PAs to document the rationale for their judgments and decisions.
 - PAs are expected to address disclosure (subject to confidentiality) to the relevant tax authorities as an important matter.
 - Participants noted that understanding the legislature's intent is important to applying the tax legislation. In some jurisdictions, a PA is perceived to be acting negligently if the PA did not consider the legislature's intent.

- If the PA has reason to believe that the tax strategy does not have a credible basis and the client or the PA's immediate superior disagrees with the PA's assessment, participants commented that the PA should communicate their reservations to the client or the appropriate level of management within the employing organization. The PA might also consider seeking expert advice. If the expert advice aligns with the PA's assessment, participants agreed that the PA might need to decide whether to retain the client or resign from the engagement and client relationship if the client has not changed its position, or resign from the employing organization in the case of a PAIB.
52. In drafting the provisions, the IESBA deliberated various formulations that would convey the Board's intent for a PA to proceed with providing TP services or performing TP activities. The IESBA considered in particular using the phrase "to affirmatively advise" only when there is a credible basis. In considering this phrase, the IESBA was attempting to respond to concerns not to unduly preclude instances where the PA would be able to provide advice if the TP arrangement did not have a credible basis in the laws and regulations. For example, a client may be considering a TP arrangement that does not have a credible basis in laws and regulations and needs the accountant's advice to explore options that would have a credible basis in laws and regulations; or the client may advise the PA of a transaction that has already occurred that does not have a credible basis in laws and regulations and therefore needs advice on how to address it (e.g., complying with relevant disclosure requirements under the law).
 53. However, the IESBA noted that the phrase "to affirmatively advise" would be difficult to translate. The IESBA therefore determined not to use that phrase.
 54. Having regard to the above explanation, the IESBA proposes that the framework establish a principle that a PA recommend or otherwise advise on a TP arrangement to a client, or recommend or otherwise advise on a TP arrangement for an employing organization, only if the PA has determined that there is a credible basis in laws and regulations for the arrangement. (See paragraphs R380.11 and R280.11.)
 55. The IESBA is of the view that it is important to emphasize that PAs are able to communicate to their client or the responsible parties within their employing organization if they have determined that a particular TP arrangement does not have a credible basis. However, there is no obligation for the PA to recommend an alternative TP arrangement. (See paragraphs 380.11 A1 and 280.11 A1.)

Credible Basis

56. Recognizing that what is a credible basis in laws and regulations will vary from jurisdiction to jurisdiction, the IESBA proposes guidance setting out various actions a PA might take to establish a credible basis for the TP arrangement. (See paragraphs 380.11 A3 and 280.11 A3.) The IESBA is of the view that it would not be appropriate to ascribe a probabilistic numerical measure to a credible-basis threshold as doing so would convey a false sense of accuracy, more so given roundtable participants' feedback that there is a range of probabilities commonly understood and accepted in different jurisdictions.
57. The IESBA noted that the International Independence Standards use a "likely to prevail" threshold with respect to:
 - (a) A tax service or transaction relating to marketing, planning or opining in favor of a tax treatment for an audit client and a significant purpose of which is tax avoidance (paragraph R604.4), and

- (b) Circumstances in which providing tax advisory and TP services will not create a self-review threat (paragraph 604.12 A2(c)).
58. The IESBA believes that the likely-to-prevail threshold—reinforced through Section 604 referring to the need for the audit firm to have confidence about clearing the threshold—is higher than a credible-basis threshold, given stakeholders’ heightened expectations regarding auditor independence. In the context of TP services provided to clients that are not audit clients or TP activities performed for employing organizations, the IESBA believes a credible-basis threshold sets a more appropriate bar for PAs as it calls on them to establish reasonable grounds for their TP recommendation or advice. Establishing such grounds will require professional judgment, taking into account the various actions PAs may take in the particular jurisdictional context at the time of the determination, as explained in paragraphs 380.11 A2 – A3 and 280.11 A2 – A3.

Cross-Border Transactions

59. Concerning dealing with the complexities of cross-border transactions, which evolving tax laws may compound, the IESBA noted that there is a potential for polarization given that there may be conflicting considerations between different jurisdictions that PAs need to balance. Roundtable participants generally agreed that PAs who are not equipped with the necessary expertise or experience to recommend or otherwise advise a client or an employing organization in these circumstances need to rely upon the judgments of other firms or individual experts that have the appropriate expertise. PAs would then need to assume that these firms or experts will operate within a similar ethical framework as the PAs.
60. Roundtable participants also cautioned that in some jurisdictions, it is possible for a TP arrangement to have a very low likelihood of success in a court of law, yet not be deemed unacceptable such that fines and penalties would be levied in the event of an adverse ruling. Many participants were of the view that if the threshold was less than 50%, the PA should not recommend or otherwise advise the employing organization or client to proceed. This, however, was not a universal view as some participants indicated that the generally accepted threshold in their jurisdictions is lower than 50% particularly when safeguarded by transparency disclosure. For example, it was noted that in some jurisdictions, such as the U.S., it would be acceptable to recommend or otherwise advise on a TP arrangement, when a lower threshold exists since the position must be disclosed to the taxing authority.²³ Accordingly, there was a view that the Code should not contradict such practices.

F. Consideration of the Overall Tax Planning Recommendation or Advice

61. In the last few years, there has been a significant shift in investor concerns and societal expectations for companies to pursue more sustainable business models. There is also an increasing recognition among stakeholders that there is greater value in the notion of companies pursuing “profitable solutions for the people and the planet” than in serving the interests of shareholders exclusively.
62. TP has become an essential part of the increasing focus among investors and other stakeholders on how companies measure up against Environmental, Social and Governance (ESG) performance indicators. Additionally, stakeholders have a greater awareness of what it means for a PA to act in

²³ Reasonable Basis (20%): If a position is based on one or more authorities, it will generally satisfy reasonable basis even though it does not satisfy the substantial authority standard (not merely arguable or not merely a colorable claim). [Regs. Sec.1.6662-3(b)(3); Joint Committee on Taxation Interest and Penalty Study (JCS-3-99)] – AICPA Levels of Confidence for Tax Return Positions (May 2017)

the public interest, given a shift in perceptions regarding what is in the public interest. In particular, what may have been regarded as creative and skillful TP in the past may now be perceived to be “tax avoidance.”

63. The IESBA believes it is important that the proposed ethical framework include a consideration of how the overall TP recommendation or advice might be perceived by stakeholders given heightened public attention on the issue of “tax avoidance,” the fact that TP has become an important part of the calculus among investors and other stakeholders regarding how clients and employing organizations meet sustainability goals, and the need to protect the profession’s role and reputation in TP.
64. Therefore, the IESBA proposes that in addition to determining that there is a credible basis for the TP arrangement, the PA *consider* the reputational, commercial and wider economic consequences that could arise from the way stakeholders might view the arrangement – a “stand-back” test. (See paragraphs R380.12 and R280.12.) The IESBA is of the view that it is important for the PA to consider the wider consequences, as the case of [Starbucks](#) demonstrates.²⁴ The IESBA is proposing guidance explaining the meaning of reputational, commercial and wider economic consequences (see paragraphs 380.12 A1-A2 and 280.12 A1-A2).
65. The IESBA believes that this test is an important public interest element of the framework as it stimulates the PA to consider adverse consequences for the client or employing organization, as well as the relevant jurisdiction in terms of its tax base, in the light of how stakeholders might view the TP arrangement. The IESBA emphasized in its deliberations that the stand-back test is *not* about tax morality, tax justice or tax fairness. Equally, the IESBA does not intend for the PA to carry out research on the economic consequences other than giving the matter due consideration based on the PA’s general awareness and understanding of the current economic environment in the context of TP.
66. The IESBA notes that this consideration will assist the PA in complying with the FP of professional behavior. It is also consistent with paragraph 100.6 A4 of the Role and Mindset provisions that in acting in the public interest, a PA considers not only the preferences or requirements of an individual client or employing organization, but also the interests of other stakeholders when performing professional activities. Further, the test serves to support the OECD’s BEPS initiative.
67. If, having carried out the considerations set out in the stand-back test, the PA decides not to recommend or otherwise advise on a TP arrangement that the client or employing organization would like to pursue, the IESBA proposes that the PA inform the client or management and, if appropriate, those charged with governance, of this and explain the basis for the PA’s conclusion. (See paragraphs R380.13 and R280.13.)
68. The IESBA notes that the stand-back test need not be performed sequentially after determining that there is a credible basis but may be performed at the same time as carrying out such determination.

G. Describing the “Gray Zone” of Uncertainty

69. A PA might encounter circumstances giving rise to uncertainty as to whether a proposed TP arrangement will be in compliance with the relevant tax laws and regulations. Such uncertainty makes it more challenging for the PA to determine that there is a credible basis in laws and regulations for

²⁴ The Starbucks brand suffered in light of accusations of tax avoidance as key brand metrics plummeted and negative sentiment on social media spiked. A Reuters investigation claimed that Starbucks has paid only £8.6m in UK corporation tax since launching in 1998 and none since 2009. The newswire claims that despite generating £1.2bn in revenue in the UK over the last three years, Starbucks declared no profit here, which means it is not eligible to pay corporation tax.

the TP arrangement and might, therefore, create threats to compliance with the FPs. (See paragraphs 380.15 A1 and 280.15 A1.)

70. The IESBA has noted the challenge of identifying the appropriate terminology to use to refer to this “gray zone” of uncertainty. Various international organizations have attempted to address the issue and faced challenges in developing an appropriate term that would work globally.
71. During the global roundtables, the IESBA outlined the proposition to use terms such as “uncertain” and “egregious” to describe the gray zone and a sub-zone within the gray zone. Roundtable participants shared that this proposition suggests that TP activities can be easily categorized into subgroups within the gray zone when the situation can be significantly more complex in practice. Some also viewed the term “unacceptable tax planning” as embodying an element of moral judgment that they encouraged the IESBA to avoid.
72. A few roundtable participants offered suggestions for alternative terms or approaches. A suggestion was to use the term “reasonable” instead of “appropriate” or “proper” when referring to TP. Another suggestion was to focus on describing the characteristics of the gray zone without defining it. This would recognize that the gray zone is more context-sensitive, both from the societal or broader sustainability perspective and from the client’s or employing organization’s perspective.
73. Other participants noted that uncertainty is the key issue rather than the treatment of the tax scheme itself. It was noted that the main concern for PAs is the ambiguity around tax treatments and whether these will withstand evolving public perceptions or the scrutiny of a court of law. For example, it was observed that a tax strategy that is considered proper each year might be deemed improper a few years later.
74. The IESBA concurred with the views of the roundtable participants that, given the absence of a global consensus regarding the acceptability of TP practices, it is inappropriate to seek to categorize TP arrangements within the gray zone.
75. The IESBA also agreed with stakeholders who suggested care in not merging the boundaries of ethical behavior and moral judgment with respect to PAs performing TP activities.²⁵ Instead, the IESBA believes that PAs’ involvement in TP can contribute to their broader societal role, the sustainability of businesses, and the profession’s reputation.
76. The IESBA proposes guidance setting out various circumstances that might give rise to uncertainty. (See paragraphs 380.15 A2 and 280.15 A2.) The IESBA has endeavored as far as possible to take a generic approach to describing such circumstances, recognizing that its Technology Working Group²⁶ has identified the issue of uncertainty as potentially giving rise to threats in circumstances other than when providing TP services or performing TP activities.
77. Given that circumstances of uncertainty create risks, the IESBA is proposing that the PA discuss the nature of the uncertainty with the client or with management and, if appropriate, TCWG of the employing organization. The IESBA also proposes guidance as to the purposes such a discussion would serve. (See paragraphs R380.16 – 380.16 A1, and R280.16 – 280.16 A1.)

²⁵ The final [report](#) (September 2021) leading to the launch of the project highlighted the concept of tax morality and the OECD’s work on this topic. Tax morale, as defined by the OECD, is the intrinsic motivation to pay taxes. This is a vital aspect of the tax system as most tax systems rely on taxpayers’ voluntary compliance for the bulk of their revenues. As recommended in the report, the IESBA does not believe the Code should deal with tax morality.

²⁶ [Agenda item 7-A](#), IESBA Meeting (September 2020).

H. Applying the Conceptual Framework to Navigate the Gray Zone and Other Tax Planning Circumstances

78. A significant part of the proposed ethical framework is the application of the CF to assist PAs in navigating the gray zone and other TP circumstances. Considering the rich feedback from the roundtable discussions, the IESBA therefore proposed practical guidance in terms of:
- Illustrative examples of the types of threats that might be created by PAs providing a TP service or performing a TP activity. (See paragraphs 380.17 A1 and 280.17 A1.)
 - Factors that are relevant in evaluating the level of such threats. (See paragraphs 380.17 A2 and 280.17 A2.)
 - Examples of actions that might eliminate such threats. (See paragraphs 380.17 A3 and 280.17 A3.)
 - Examples of actions that might be safeguards to address such threats. (See paragraphs 380.17 A4-A5 and 280.17 A4-A5.)

I. Disagreement with Management

79. If the PA has reason to believe that the TP arrangement does not have a credible basis in laws and regulations and the client disagrees with the PA's assessment, roundtable participants commented that the PA should communicate their reservations to the client or employing organization. The PA might also consider seeking expert advice. In the case of a PAPP, if the expert advice aligns with the PA's assessment, participants agreed that the PA might need to decide whether to retain the client or resign from the engagement and client relationship if the client has not changed its position.
80. Where a client or an employing organization is perceived to be engaging in illegal activities, participants expected the PA to escalate the matter within the client or employing organization (such as to TCWG or whistleblower ombudspersons), consider reporting these activities to an appropriate authority, and consider the need to extricate themselves from the client or employment relationship.
81. Given this context, the IESBA believes that the proposed ethical framework should contain provisions to address circumstances where a disagreement arises with the management of a client regarding a TP arrangement. The IESBA therefore proposes certain required actions for a PAPP if the PA disagrees with management regarding whether a proposed TP arrangement has a credible basis in laws and regulations. If management determines to pursue the arrangement despite the PA's advice to the contrary, the IESBA proposes that the PA take steps to be disassociated from the engagement. This includes considering the need to withdraw from the engagement and the professional relationship. (See paragraphs R380.19 to R380.21.)
82. The IESBA proposes similar provisions for a PAIB in the case of disagreement with the PA's immediate superior or other responsible individual within the employing organization. The IESBA, however, recognizes that it is more likely that an escalation process would apply in the case of an employing organization. A PAIB might also have recourse to established protocols and procedures regarding how to raise ethical or other concerns internally within the employing organization. (See paragraphs R280.19 – 280.20 A2). The IESBA, however, has taken a more measured approach with respect to the PAIB in terms of disassociation from the TP arrangement, recognizing that, unlike PAPPs who generally have more than one client, the PAIB's employing organization will ordinarily be their sole employer. Accordingly, the IESBA is proposing that a PAIB might consider the need to resign from the employing organization in these circumstances.

J. Documentation

83. The IESBA proposes guidance highlighting the importance of documentation. The proposals guide PAs on the matters that would be beneficial to document and explain how such documentation will assist them. (See paragraphs 380.23 A1 – A2, and 280.21 A1 – A2).
84. As part of its deliberations, the IESBA considered whether to require documentation of the TP arrangement, discussions with the client or with responsible parties within the employing organization, and the PA's analysis, judgments and decisions. The IESBA considered that requiring documentation would ensure that the PA captures all the relevant facts and circumstances, and have a basis to address inquiries from, for example, tax authorities. The IESBA, however, also considered the view that documentation is a quality and risk management matter and not an ethics matter.
85. Recognizing the approach to documentation in Parts 2 and 3 of the Code, the IESBA proposes to encourage, but not require, that PAs prepare documentation. However, the IESBA believes that the reasons for documentation set out in paragraphs 380.23 A2 and 280.21 A2 are sufficiently persuasive that in the vast majority of cases, PAs will document the various matters set out in paragraphs 380.23 A1 and 280.21 A1.

K. Tax Planning Products or Arrangements Developed by a Third Party

86. One of the questions the IESBA posed to the roundtable participants was about the ethical considerations for a PA if the PA is contemplating introducing a client to a firm that specializes in developing TP products or arrangements for sale to the public. Participants were also asked whether the PA should disclose to the client any commission or referral fee the PA has received or will receive from the external provider.
87. As a general matter, participants agreed that if a PA is referring a client to another firm so that the client can benefit from expert advice, this is a positive outcome for the client. That said, where the PA is referring the client to a provider of packaged TP products to meet the client's needs, participants commented that the PA would need to inform the client of the PA's relationship with the external provider. Participants felt that the PA should ascertain that the provider has appropriate expertise in developing the TP product. Some participants were of the view that the PA should still be responsible for ascertaining the reliability and consequences of the particular product, including its impact on the client or the client's financial statements
88. The IESBA concurred with the roundtable participants' general observations that where a PA is referring a client to a provider of TP products or arrangements to meet the client's needs, the PA would need to inform the client of the PA's relationship with the external provider. In addition, the PA should ascertain the provider's competence in developing the TP product or arrangement. The IESBA also believes that the PA should still be responsible for ascertaining the credibility of the particular TP product or arrangement.
89. The IESBA is therefore proposing guidance in paragraph 380.22 A1 to the effect that where a PA refers a client to a third-party provider of TP products or arrangements, or where a client approaches a PA for advice on a TP product or arrangement developed by a third party, the provisions in Section 380 apply. The IESBA believes that in both situations, the responsibilities of the PA are no different than if the PA were the creator of the TP product or arrangement.
90. If the PA receives a commission or referral fee for the introduction, roundtable participants were almost unanimously of the view that the commission or referral fee should be disclosed to the client.

Participants felt that this would need to be disclosed to the client before the actual referral is made so that the client understands the full context and expectations. It was felt that such disclosure would also enable the PA to maintain objectivity.

91. Taking into account this input, the IESBA believes that the provisions in Section 330 addressing such type of remuneration are sufficient and applicable. Accordingly, the IESBA proposes the inclusion of a reference to the appropriate provisions in Section 330. (See paragraph 380.22 A2 – A3.)

L. Multi-jurisdictional Tax Benefit

92. During the global roundtables, an observation was raised that a client or employing organization might obtain a tax benefit from accounting for the same transaction in more than one jurisdiction. In such a case, it was suggested that while it would not be unlawful for the client or employing organization to obtain the same tax benefit twice in two different jurisdictions, there is a public interest argument for the PA to advise the client or employing organization to disclose to the relevant tax authorities the particular facts and circumstances and the tax benefits derived from the transaction in the different jurisdictions.
93. The IESBA accepted this point and proposes guidance to that effect in paragraphs 380.14 A1 – A2 and 280.14 A1 – A2.

M. Conforming Amendments

94. In developing an appropriate linkage to Section 321 addressing second opinions in the context of PAPPs, the IESBA noted the need for a few conforming amendments to that section to recognize that a PAPP might need to recommend or otherwise advise on the application of tax laws and regulations in the context of being approached by a client for a second opinion on a proposed TP arrangement. Section 321 currently does not contemplate a PAPP providing a second opinion on the application of laws and regulations.
95. The IESBA is therefore proposing a few conforming amendments to Section 321.

VIII. Analysis of Overall Impact of the Proposed Changes

96. The IESBA believes that the proposals will serve to enhance public trust in PAs providing TP services or performing TP activities by:
 - (a) Promoting ethical TP conduct and practice by all PAs through a principles-based framework and guidance;
 - (b) Raising awareness about risks associated with “improper” TP to employing organizations, clients (individuals or corporate), and the profession;
 - (c) Protecting and strengthening the profession’s role and reputation in relation to TP; and
 - (d) Promoting the principles of accountability and transparency through guiding PAs’ conduct when involved in TP activities, consistent with their responsibility to act in the public interest.
97. Given the nature and extent of the proposed revisions to the Code, the IESBA believes that some of the proposals may entail significant changes to the policies and methodologies of firms and networks that carry out TP services. Such changes may result in increased costs, including with respect to the deployment of updated policies and procedures, and awareness raising and training initiatives.

98. The IESBA also expects costs related to adoption and implementation for national standard setters, professional accountancy organizations and other stakeholders, including translation where needed and education and training efforts.

IX. Project Timetable and Effective Date

99. The indicative remaining timeline for the project is set out below. This timeline takes into account a 90-day comment period which is intended to provide stakeholders with ample time to understand the proposals in the context of their relevant jurisdictional circumstances and undertake any necessary consultations at their levels or within their networks.
100. The indicative timeline for the completion of this project is set out below.

Indicative Timing	Milestone
June 2023	<ul style="list-style-type: none"> High level overview of respondents' comments to IESBA
September 2023	<ul style="list-style-type: none"> Discussion of significant matters raised on the ED and Task Force responses with IESBA CAG Full review of ED responses and first read post-exposure with IESBA
December 2023	<ul style="list-style-type: none"> IESBA approval of final pronouncement

101. The IESBA will determine an effective date for the final provisions in due course, taking into consideration the need to allow sufficient time for adoption and implementation activities.

X. Guide for Respondents

102. The IESBA welcomes comments on all matters addressed in this ED, but especially the matters identified in the Request for Specific Comments below. Comments are most helpful when they refer to specific paragraphs, include the reasons for the comments, and, where appropriate, make specific suggestions for any proposed changes to wording. When a respondent agrees with proposals in this ED, it will be helpful for the IESBA to be made aware of this view.

Request for Specific Comments

103. The IESBA welcomes comments on the following specific matters. Where a respondent disagrees with a proposal, it will be helpful for the respondent to explain why and to provide suggestions for other ways to address the particular matter.

Proposed New Sections 380 and 280

- 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?

Description of Tax Planning and Related Services

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

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?

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

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?

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?
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?

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?

Documentation

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

Tax Planning Products or Arrangements Developed by a Third Party

11. Do you agree with the IESBA's proposals as detailed in Section VII.K above addressing TP products or arrangements developed by a third party provider?

Multi-jurisdictional Tax Benefit

12. Do you agree with the IESBA's proposals regarding a multi-jurisdiction tax benefit as described in Section VII.L above?

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?

Request for General Comments

104. In addition to the request for specific comments above, the IESBA is also seeking comments on the matters set out below:
- (a) *SMEs and SMPs* – The IESBA invites comments regarding any aspect of the proposals from SMEs and SMPs.
 - (b) *Tax Authorities* – The IESBA invites comments on the proposals from a regulatory perspective from members of the tax regulatory community.
 - (c) *Developing Nations* – Recognizing that many developing nations have adopted or are in the process of adopting the Code, the IESBA invites respondents from these nations to comment on the proposals, and in particular on any foreseeable difficulties in applying them in their environment.
 - (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.

EXPOSURE DRAFT**PART 3 – PROFESSIONAL ACCOUNTANTS IN PUBLIC PRACTICE****PROPOSED SECTION 380****TAX PLANNING AND RELATED SERVICES****Introduction**

- 380.1 Professional accountants are required to comply with the fundamental principles and apply the conceptual framework set out in Section 120 to identify, evaluate and address threats.
- 380.2 Providing tax planning and related services might create self-interest, advocacy or intimidation threats to compliance with the fundamental principles, particularly the principles of integrity, objectivity, professional competence and due care, and professional behavior.
- 380.3 This section sets out requirements and application material relevant to applying the conceptual framework in relation to the provision of tax planning and related services. This section also requires a professional accountant to comply with relevant tax laws and regulations when providing such services.

Requirements and Application Material**General***Professional Accountants' Public Interest Role in Relation to Tax Planning Services*

- 380.4 A1 Professional accountants play an important role in tax planning by contributing their knowledge, skills and experience to assist clients in meeting their tax planning goals while complying with tax laws and regulations. In doing so, accountants help to facilitate a more efficient and effective operation of a jurisdiction's tax system, which is in the public interest.
- 380.4 A2 Clients are entitled to organize their affairs for tax planning purposes. While there are a variety of ways to achieve such purposes, clients have a responsibility to pay taxes as determined by the relevant tax laws and regulations. In this regard, professional accountants' role is to advise their clients on how best to meet their tax planning goals. In addition, accountants play an important role in assisting clients to meet their tax obligations and not seek to circumvent them through tax evasion. However, when accountants provide such assistance, it might involve certain tax minimization arrangements that, although not prohibited by tax laws and regulations, might create threats to compliance with the fundamental principles.
- 380.4 A3 It is ultimately for a court or other appropriate adjudicative body to determine whether a tax planning arrangement complies with the relevant tax laws and regulations.

Description of Tax Planning and Related Services

- 380.5 A1 Tax planning services comprise a broad range of services designed to assist a client, whether an individual or an entity, in structuring the client's affairs in a tax-efficient manner.
- 380.5 A2 Examples of tax planning services include:
- Advising an individual to structure their tax affairs to achieve investment, retirement or estate planning goals.

- Advising an individual business owner on structuring their ownership and income from the business to minimize their overall taxes.
- Advising an entity on structuring its international operations to minimize its overall taxes including through transfer pricing arrangements.
- Advising on efficient ways to utilize available tax losses.
- Advising an entity on how to structure its capital distribution strategy in a tax-efficient manner.
- Advising an entity on structuring its compensation strategy for senior executives to optimize the tax benefits.

380.5 A3 Related services are those that are based on or linked to a tax planning service, whether provided by the professional accountant or another party. Such services include, for example, assisting a client in resolving a dispute with the tax authority on a tax planning position that the accountant or another party recommended to the client, or preparing the client's tax return that reflects the position in the tax planning arrangement.

380.5 A4 This section applies regardless of the nature of the client, including whether it is a public interest entity.

Compliance with Laws and Regulations

Anti-avoidance Laws and Regulations

R380.6 In some jurisdictions, laws and regulations, including those that are often referred to as anti-avoidance rules, limit or prohibit certain tax planning arrangements. A professional accountant shall obtain an understanding of those laws and regulations and advise the client to comply with them when providing tax planning services.

Non-compliance with Tax Laws and Regulations

380.7 A1 If, in the course of providing tax planning services, a professional accountant becomes aware of tax evasion or suspected tax evasion, or other non-compliance or suspected non-compliance with tax laws and regulations by a client, management, those charged with governance or other individuals working for or under the direction of the client, the requirements and application material set out in Section 360 apply.

Responsibilities of Management and Those Charged with Governance

380.8 A1 In relation to tax planning, management, with the oversight of those charged with governance, has a number of responsibilities, including:

- Ensuring that the client's tax affairs are conducted in accordance with the relevant tax laws and regulations.
- Maintaining all the books and records and implementing the systems of internal control necessary to enable the client to fulfill its tax compliance obligations.
- Making available all the facts and other relevant information needed to enable the professional accountant to perform the tax planning service.

- Deciding whether to accept and implement the professional accountant's recommendation or advice on a tax planning arrangement.
- Submitting the client's tax returns and dealing with the relevant tax authorities in a timely manner.
- Making such disclosures to the relevant tax authorities as might be required by tax laws and regulations or as might be necessary to support a tax position, including details of any tax planning arrangements.
- Ensuring that the client's tax planning arrangements are consistent with any publicly disclosed tax strategy or policies.

Responsibilities of All Professional Accountants

- R380.9** As part of providing a tax planning service, a professional accountant shall obtain an understanding of the nature of the engagement including:
- (a) Knowledge and understanding of the client, its owners, management and those charged with governance, and its business activities;
 - (b) The purpose and circumstances of the tax planning arrangement; and
 - (c) The relevant tax laws and regulations.
- 380.9 A1 The requirements and application material in Section 320 apply with respect to client and engagement acceptance.
- 380.9 A2 A professional accountant might be engaged to provide a second opinion on a tax planning arrangement. In addition to the provisions in this section, the requirements and application material in Section 321 also apply in such circumstances.
- 380.10 A1 A professional accountant is expected to apply knowledge, expertise and due care in accordance with Subsection 113 when providing a tax planning service. The accountant is also expected to have an inquiring mind and exercise professional judgment in accordance with Section 120 when considering the specific facts and circumstances relating to the tax planning service.

Basis for Recommending or otherwise Advising on a Tax Planning Arrangement

- R380.11** A professional accountant shall recommend or otherwise advise on a tax planning arrangement to a client only if the accountant has determined that there is a credible basis in laws and regulations for the arrangement.
- 380.11 A1 If the professional accountant determines that the tax planning arrangement does not have a credible basis in laws and regulations, paragraph R380.11 does not preclude the accountant from explaining to the client the accountant's rationale for the determination.
- 380.11 A2 The determination of whether there is a credible basis involves the exercise of professional judgment by the professional accountant. This determination will vary from jurisdiction to jurisdiction based on the relevant tax laws and regulations at the time.
- 380.11 A3 Actions that a professional accountant might take to determine that there is a credible basis in relation to a particular tax planning arrangement include:

- Reviewing the relevant facts and circumstances, including the economic purpose and substance of the arrangement.
- Assessing the reasonableness of any assumptions.
- Reviewing the relevant tax legislation.
- Reviewing legislative proceedings that discuss the intent of the relevant tax legislation.
- Reviewing relevant literature such as court decisions, law or industry journals, and tax authority rulings or guidance.
- Considering whether the basis used for the proposed arrangement is an established practice that has not been challenged by the relevant tax authorities.
- Considering how likely the proposed arrangement would be accepted by the relevant tax authorities if all the relevant facts and circumstances were disclosed.
- Consulting with experts within or outside the professional accountant's firm regarding what a reasonable interpretation of the relevant tax laws and regulations might be.
- Consulting with the relevant tax authorities, where applicable.

Consideration of the Overall Tax Planning Recommendation or Advice

- R380.12** In addition to determining that there is a credible basis for the tax planning arrangement, the professional accountant shall exercise professional judgment and consider the reputational, commercial and wider economic consequences that could arise from the way stakeholders might view the arrangement.
- 380.12 A1 The reputational and commercial consequences might relate to personal or business implications to the client or implications to the reputation of the client and the profession of a prolonged dispute with the relevant tax or other authorities. The implications to the client might involve adverse publicity, costs, fines or penalties, loss of management time over a significant period, and potential adverse consequences for the client's business.
- 380.12 A2 An awareness of the wider economic consequences might take into account the professional accountant's understanding of the impact of the tax planning arrangement on the tax base of the jurisdiction, or the relative impacts of the arrangement on the tax bases of multiple jurisdictions, where the client operates.
- R380.13** If, having considered the matters set out in paragraph R380.12, the professional accountant decides not to recommend or otherwise advise on a tax planning arrangement that the client would like to pursue, the accountant shall inform the client of this and explain the basis for the accountant's conclusion.

Tax Planning Arrangements Involving Multiple Jurisdictions

- 380.14 A1 A client might obtain a tax benefit from accounting for the same transaction in more than one jurisdiction, especially if there is no tax treaty between the jurisdictions. In such circumstances, while the client might be in compliance with the tax laws and regulations of each jurisdiction, the professional accountant might advise the client to disclose to the relevant tax authorities the particular facts and circumstances and the tax benefits derived from the transaction in the different jurisdictions.

380.14 A2 Relevant factors the professional accountant might consider in determining whether to advise the client to make such disclosure include:

- The significance of the tax benefits in the relevant jurisdictions.
- The likelihood that other entities in a similar circumstance to the client are taking advantage of the tax benefits.
- Stakeholders' perceptions of the client if the facts and circumstances were known to the stakeholders.

Circumstances of Uncertainty

380.15 A1 A professional accountant might encounter circumstances giving rise to uncertainty as to whether a proposed tax planning arrangement will be in compliance with the relevant tax laws and regulations. Such uncertainty makes it more challenging for the accountant to determine that there is a credible basis in laws and regulations for the tax planning arrangement and might, therefore, create threats to compliance with the fundamental principles.

380.15 A2 Circumstances that might give rise to uncertainty include:

- Difficulty in establishing an adequate factual basis.
- Difficulty in establishing an adequate basis of assumptions.
- Lack of clarity in the tax laws and regulations and their interpretation, including:
 - Gaps in the tax laws and regulations.
 - Challenges to previous court rulings.
 - Conflicting tax laws and regulations in different jurisdictions in circumstances involving cross-border transactions.
 - Innovative business models not addressed by the current tax laws and regulations.
 - Recent court or tax authority rulings or positions that cast doubt on similar tax planning arrangements.
 - Complexity in interpreting or applying the tax laws and regulations from a technical or legal point of view.
 - Lack of a legal precedent, ruling or position.
- Lack of clarity regarding the economic purpose and substance of the tax planning arrangement.
- Lack of clarity about the ultimate beneficiaries of the tax planning arrangement.

R380.16 Where there is uncertainty as to whether a proposed tax planning arrangement will be in compliance with the relevant tax laws and regulations, a professional accountant shall discuss the uncertainty with the client.

380.16 A1 The discussion serves a number of purposes, including:

- Explaining the professional accountant's assessment about how likely the relevant tax authorities are to have a view that supports the proposed tax planning arrangement where there is a lack of clarity in the interpretation of the relevant tax laws and regulations.
- Considering any assumptions that might need to be made or changed.
- Obtaining any additional information from the client that might reduce the uncertainty.
- Discussing any reputational, commercial or wider economic consequences in pursuing the proposed tax planning arrangement.
- Discussing potential courses of action to mitigate the possibility of adverse consequences for the client, including consideration of disclosure to the relevant tax authorities.

Potential Threats Arising from Providing a Tax Planning Service

380.17 A1 Providing a tax planning service to a client might create a self-interest, advocacy or intimidation threat. For example:

- A self-interest threat might be created when a professional accountant has a direct financial interest in a client and the accountant is involved in designing a tax planning arrangement that has an impact on the client's financial situation.
- A self-interest or advocacy threat might be created when a professional accountant actively promotes a particular tax position a client should adopt.
- A self-interest threat might be created when a professional accountant accepts a significant fee for an engagement to develop a tax planning arrangement for which the interpretation of the relevant tax laws and regulations is uncertain or unclear.
- Self-interest and advocacy threats might be created when a professional accountant advocates a client's position in a tax planning arrangement before a tax authority when there are indications that the arrangement might not have a credible basis in laws and regulations.
- Self-interest and intimidation threats might be created when a professional accountant provides services to a client who exerts significant influence over the design of a particular tax arrangement, in a way that might influence the accountant's determination that there is a credible basis for the arrangement in laws and regulations.
- Self-interest and intimidation threats might be created when a professional accountant is threatened with dismissal from the engagement or the accountant's firm concerning the position a client is insisting on pursuing regarding a tax planning arrangement.

380.17 A2 Factors that are relevant in evaluating the level of such threats include:

- The degree of transparency of the client, including, where applicable, the identity of the ultimate beneficiaries.
- Whether the proposed tax planning arrangement has a clear economic purpose and substance based on the underlying business transaction or circumstances.

- The nature and complexity of the underlying business transaction or circumstances.
- The complexity or clarity of the relevant tax laws and regulations.
- Whether the professional accountant knows, or has reason to believe, that the proposed tax planning arrangement would be contrary to the intent of the relevant tax legislation.
- The number of jurisdictions involved and the nature of their tax regimes.
- The extent of the professional accountant's knowledge, skills and experience in the relevant tax areas.
- The significance of the potential tax savings.
- The nature and amount of the fee for the tax planning service.
- The extent to which the proposed tax planning arrangement reflects an established practice that has not been challenged by the relevant tax authorities.
- Whether there is pressure being exerted by the client or another party on the professional accountant.
- The degree of urgency in implementing the tax planning arrangement.
- The known previous behavior or reputation of the client, including its organizational culture.

380.17 A3 Examples of actions that might eliminate such threats include:

- Referring the client to an expert outside the professional accountant's firm who has the necessary knowledge, skills and experience to advise the client on the proposed tax planning arrangement.
- Advising the client to structure the tax planning arrangement so that it is consistent with an existing interpretation or ruling issued by the relevant tax authorities.
- Obtaining an advance ruling from the relevant tax or other authorities, where possible.
- Not pursuing, or advising the client not to pursue, the proposed tax planning arrangement.

380.17 A4 Examples of actions that might be safeguards to address such threats include:

- Establishing the identity of the ultimate beneficiaries.
- Advising the client to structure the tax planning arrangement so that it better aligns with the underlying economic purpose and substance.
- Advising the client to structure the tax planning arrangement based on an established practice that is currently not subject to challenge by the relevant tax authorities or is known to have been accepted by the relevant tax authorities.
- Consulting with an expert within or outside the professional accountant's firm in the relevant tax areas.
- Obtaining an opinion from an appropriately qualified professional (such as legal counsel or another professional accountant) regarding the interpretation of the relevant tax laws and regulations as applied to the particular circumstances.

- Having an appropriate reviewer, who is not otherwise involved in providing the tax planning service, review any work performed or conclusions reached by the professional accountant with respect to the tax planning arrangement.
- Having the client provide full transparency about the tax planning arrangement to the relevant tax authorities, including the goals, business and legal aspects, and ultimate beneficiaries of the tax planning arrangement.

380.17 A5 Steps a professional accountant might take to establish the identity of the ultimate beneficiaries include, for example:

- Making inquiries of management and others within the client.
- Making inquiries of others within or outside the firm who have dealt with the client, having regard to the principle of confidentiality.
- Reviewing the client's tax records, financial statements and other relevant corporate records.
- Making inquiries of registrars where the client or entities within its legal structure are incorporated concerning the relevant shareholders.
- Researching relevant public records.

Communication of Basis of Tax Planning Arrangement

R380.18 A professional accountant shall explain the basis on which the accountant recommended or otherwise advised on a tax planning arrangement to the client.

Disagreement with Client

R380.19 If the professional accountant disagrees that a tax planning arrangement that a client would like to pursue has a credible basis, the accountant shall:

- (a) Inform the client of the basis of the accountant's assessment;
- (b) Communicate to the client the potential consequences of pursuing the arrangement in the event of an adverse ruling; and
- (c) Advise the client not to pursue the arrangement.

R380.20 If the client decides to pursue the tax planning arrangement, despite the professional accountant's advice to the contrary, the accountant shall take steps to disassociate from the engagement. In doing so, the accountant shall consider advising the client to:

- (a) Communicate internally to the appropriate level of management the details of the arrangement and the difference of views;
- (b) Make full disclosure of the arrangement to the relevant tax authorities; and
- (c) Communicate the details of the arrangement and the difference of views to the external auditor, where applicable.

380.20 A1 As part of communicating the matters set out in paragraphs R380.19 and R380.20, a professional accountant may consider it appropriate to raise the relevant matters with those charged with governance of the client.

R380.21 In light of the client's response to the professional accountant's advice, the accountant shall consider the need to withdraw from the engagement and the professional relationship.

Tax Planning Products or Arrangements Developed by a Third Party

380.22 A1 There might be circumstances where a professional accountant refers a client to a third-party provider of tax planning products or arrangements, or where a client approaches the accountant for advice on a tax planning product or arrangement developed by a third party. In both circumstances, the provisions in this section apply.

Referral Fee or Commission

380.22 A2 A self-interest threat to compliance with the principles of objectivity and professional competence and due care might be created if a professional accountant receives a referral fee or commission by referring a client to a third-party provider of tax planning products or arrangements. The provisions in paragraphs 330.5 A1 and A2 are relevant in such circumstances.

380.22 A3 In some jurisdictions, professional accountants are prohibited by law or regulation from receiving referral fees or commissions.

Documentation

380.23 A1 When providing a tax planning service, a professional accountant is encouraged to document on a timely basis:

- The purpose, circumstances and substance of the tax planning arrangement.
- The identity of the ultimate beneficiaries.
- The nature of any uncertainties.
- The accountant's analysis, the courses of action considered, the judgments made, and the conclusions reached in advising the client on the proposed tax planning arrangement.
- The results of discussions with the client and other parties.
- The client's response to the accountant's advice.
- Any disagreement with the client.

380.23 A2 Preparing such documentation assists the accountant to:

- Develop the accountant's analysis of the facts, circumstances, relevant tax laws and regulations, and any assumptions made or changed.
- Record the basis of the professional judgments at the time they were made or changed.
- Support the position if the tax planning arrangement is challenged by the relevant tax authorities.
- Demonstrate that the accountant has complied with the provisions in this section.

PART 2 – PROFESSIONAL ACCOUNTANTS IN BUSINESS

PROPOSED SECTION 280

TAX PLANNING AND RELATED ACTIVITIES

Introduction

- 280.1 Professional accountants are required to comply with the fundamental principles and apply the conceptual framework set out in Section 120 to identify, evaluate and address threats.
- 280.2 Performing tax planning and related activities might create self-interest, advocacy or intimidation threats to compliance with the fundamental principles, particularly the principles of integrity, objectivity, professional competence and due care, and professional behavior.
- 280.3 This section sets out requirements and application material relevant to applying the conceptual framework in relation to the performance of tax planning and related activities. This section also requires a professional accountant to comply with relevant tax laws and regulations when performing such activities.

Requirements and Application Material

General

Professional Accountants' Public Interest Role in Relation to Tax Planning Services

- 280.4 A1 Professional accountants play an important role in tax planning by contributing their knowledge, skills and experience to assist employing organizations in meeting their tax planning goals while complying with tax laws and regulations. In doing so, accountants help to facilitate a more efficient and effective operation of a jurisdiction's tax system, which is in the public interest.
- 280.4 A2 Employing organizations are entitled to organize their affairs for tax planning purposes. While there are a variety of ways to achieve such purposes, employing organizations have a responsibility to pay taxes as determined by the relevant tax laws and regulations. In this regard, professional accountants' role is to advise their employing organizations on how best to meet their tax planning goals. In addition, accountants play an important role in assisting employing organizations meet their tax obligations and not seek to circumvent them through tax evasion. However, when accountants provide such assistance, it might involve certain tax minimization arrangements that, although not prohibited by tax laws and regulations, might create threats to compliance with the fundamental principles.
- 280.4 A3 It is ultimately for a court or other appropriate adjudicative body to determine whether a tax planning arrangement complies with the relevant tax laws and regulations.

Description of Tax Planning and Related Activities

- 280.5 A1 Tax planning activities comprise a broad range of activities designed to assist an employing organization in structuring its affairs in a tax-efficient manner.
- 280.5 A2 Examples of tax planning activities include:
- Advising management on structuring the employing organization's international operations to minimize its overall taxes, including through transfer pricing practices.

- Advising management on efficient ways to utilize available tax losses for the employing organization.
- Advising the employing organization on how to structure its capital distribution strategy in a tax-efficient manner.
- Advising management on structuring the employing organization's compensation strategy for senior executives to optimize the tax benefits for the employing organization.
- Advising a non-profit employing organization on how to structure its business to avoid breaching its non-profit status.
- Advising management on structuring the employing organization's investments to take advantage of tax incentives offered by jurisdictions or localities.

280.5 A3 Related activities are those that are based on or linked to a tax planning activity, whether provided by the professional accountant or another party. Such activities include, for example, assisting an employing organization in resolving a dispute with the tax authority on a tax planning position that the accountant or another party recommended to the employing organization, or preparing the employing organization's tax return that reflects the position in the tax planning arrangement.

280.5 A4 This section applies regardless of the nature of the employing organization, including whether it is a public interest entity.

Compliance with Laws and Regulations

Anti-avoidance Laws and Regulations

R280.6 In some jurisdictions, laws and regulations, including those that are often referred to as anti-avoidance rules, limit or prohibit certain tax planning arrangements. A professional accountant shall obtain an understanding of those laws and regulations and advise the employing organization to comply with them when providing tax planning activities.

Non-compliance with Tax Laws and Regulations

280.7 A1 If, in the course of performing a tax planning activity, a professional accountant becomes aware of tax evasion or suspected tax evasion, or other non-compliance or suspected non-compliance with tax laws and regulations by an employing organization, management, those charged with governance or other individuals working for or under the direction of the employing organization, the requirements and application material set out in Section 260 apply.

Responsibilities of Management and Those Charged with Governance of the Employing Organization

280.8 A1 In relation to tax planning, management, with the oversight of those charged with governance, has a number of responsibilities, including:

- Ensuring that the employing organization's tax affairs are conducted in accordance with the relevant tax laws and regulations.

- Maintaining all the books and records and implementing the systems of internal control necessary to enable the employing organization to fulfill its tax compliance obligations.
- Deciding whether to accept and implement the professional accountant's recommendation or advice on a tax planning arrangement.
- Submitting the employing organization's tax returns and dealing with the relevant tax authorities in a timely manner.
- Making such disclosures to the relevant tax authorities as might be required by tax laws and regulations or as might be necessary to support a tax position, including details of any tax planning arrangements.
- Ensuring that the employing organization's tax planning arrangements are consistent with any publicly disclosed tax strategy or policies.

Responsibilities of All Professional Accountants

R280.9 As part of performing a tax planning activity for an employing organization, the professional accountant shall obtain an understanding of the nature of the tax planning activity, including:

- (a) The purpose and circumstances of the tax planning arrangement; and
- (b) The relevant tax laws and regulations.

280.10 A1 A professional accountant is expected to apply knowledge, expertise and due care in accordance with Subsection 113 when performing a tax planning activity. The accountant is also expected to have an inquiring mind and exercise professional judgment in accordance with Section 120 when considering the specific facts and circumstances relating to the tax planning activity.

Basis for Recommending or Otherwise Advising on a Tax Planning Arrangement

R280.11 A professional accountant shall recommend or otherwise advise on a tax planning arrangement for an employing organization only if the accountant has determined that there is a credible basis in laws and regulations for the arrangement.

280.11 A1 If the professional accountant determines that the tax planning arrangement does not have a credible basis in laws and regulations, paragraph R280.11 does not preclude the accountant from explaining to the accountant's immediate superior or other responsible individual within the employing organization the accountant's rationale for the determination.

280.11 A2 The determination of whether there is a credible basis involves the exercise of professional judgment. This determination will vary from jurisdiction to jurisdiction based on the relevant tax laws and regulations at the time.

280.11 A3 Actions that a professional accountant might take to determine that there is a credible basis in relation to a particular tax planning arrangement include:

- Reviewing the relevant facts and circumstances, including the economic purpose and substance of the arrangement.
- Assessing the reasonableness of any assumptions.
- Reviewing the relevant tax legislation.

- Reviewing legislative proceedings that discuss the intent of the relevant tax legislation.
- Reviewing relevant literature such as court decisions, law or industry journals, and tax authority rulings or guidance.
- Considering whether the basis used for the proposed arrangement is an established practice that has not been challenged by the relevant tax authorities.
- Considering how likely the proposed arrangement would be accepted by the relevant tax authorities if all the relevant facts and circumstances were disclosed.
- Consulting with experts within or outside the employing organization regarding what a reasonable interpretation of the relevant tax laws and regulations might be.
- Consulting with the relevant tax authorities, where applicable.

Consideration of the Overall Tax Planning Recommendation or Advice

- R280.12** In addition to determining that there is a credible basis for the tax planning arrangement, the professional accountant shall exercise professional judgment and consider the reputational, commercial and wider economic consequences that could arise from the way stakeholders might view the arrangement.
- 280.12 A1 The reputational and commercial consequences might relate to personal or business implications to the employing organization or implications to the reputation of the employing organization and the profession of a prolonged dispute with the relevant tax or other authorities. The implications to the employing organization might involve adverse publicity, costs, fines or penalties, loss of management time over a significant period, and potential adverse consequences for the employing organization.
- 280.12 A2 An awareness of the wider economic consequences might take into account the professional accountant's understanding of the impact of the tax planning arrangement on the tax base of the jurisdiction, or the relative impacts of the arrangement on the tax bases of multiple jurisdictions, where the employing organization operates.
- R280.13** If, having considered the matters set out in paragraph R280.12, the professional accountant decides not to recommend or otherwise advise on a tax planning arrangement that the employing organization would like to pursue, the accountant shall inform management and, if appropriate, those charged with governance, of this and explain the basis for the accountant's conclusion.

Tax Planning Arrangements Involving Multiple Jurisdictions

- 280.14 A1 An employing organization might obtain a tax benefit from accounting for the same transaction in more than one jurisdiction, especially if there is no tax treaty between the jurisdictions. In such circumstances, while the employing organization might be in compliance with the tax laws and regulations of each jurisdiction, the professional accountant might advise management to disclose to the relevant tax authorities the particular facts and circumstances and the tax benefits derived from the transaction in the different jurisdictions.
- 280.14 A2 Relevant factors the professional accountant might consider in determining whether to make such disclosure include:
- The significance of the tax benefit in the relevant jurisdictions.

- Stakeholders' perceptions of the employing organization if the facts and circumstances were known to the stakeholders.

Circumstances of Uncertainty

280.15 A1 A professional accountant might encounter circumstances giving rise to uncertainty as to whether a proposed tax planning arrangement will be in compliance with the relevant tax laws and regulations. Such uncertainty makes it more challenging for the accountant to determine that there is a credible basis in laws and regulations for the tax planning arrangement and might therefore create threats to compliance with the fundamental principles.

280.15 A2 Circumstances that might give rise to uncertainty include:

- Difficulty in establishing an adequate factual basis.
- Difficulty in establishing an adequate basis of assumptions.
- Lack of clarity in the tax laws and regulations and their interpretation, including:
 - Gaps in the tax laws and regulations.
 - Challenges to previous court rulings.
 - Conflicting tax laws and regulations in different jurisdictions in circumstances involving cross-border transactions.
 - Innovative business models not addressed by the current tax laws and regulations.
 - Recent court or tax authority rulings or positions that cast doubt on similar tax planning arrangements.
 - Complexity in interpreting or applying the tax laws and regulations from a technical or legal point of view.
 - Lack of a legal precedent, ruling or position.
- Lack of clarity regarding the economic purpose and substance of the tax planning.
- Lack of clarity about the ultimate beneficiaries of the tax planning arrangement.

R280.16 Where there is uncertainty as to whether a proposed tax planning arrangement will be in compliance with the relevant tax laws and regulations, a professional accountant shall discuss the uncertainty with management and, if appropriate, those charged with governance.

280.16 A1 The discussion serves a number of purposes, including:

- Explaining the professional accountant's assessment about how likely the relevant tax authorities are to have a view that supports the proposed tax planning arrangement where there is a lack of clarity in the interpretation of the relevant tax laws and regulations.
- Considering any assumptions that might need to be made or changed.
- Obtaining any additional information from management and, if appropriate, those charged with governance that might reduce the uncertainty.

- Discussing any reputational, commercial or wider economic consequences in pursuing the proposed tax planning arrangement.
- Discussing potential courses of action to mitigate the possibility of adverse consequences for the employing organization, including consideration of disclosure to the relevant tax authorities.

Potential Threats Arising from Performing a Tax Planning Activity

280.17 A1 Performing a tax planning activity for an employing organization might create a self-interest, advocacy or intimidation threat. For example:

- A self-interest threat might be created when a professional accountant's career advancement prospects depend on developing a creative tax planning arrangement for which the interpretation of the relevant tax laws and regulations is unclear.
- A self-interest threat might be created when a professional accountant participates in an incentive compensation scheme impacted by the accountant's design of a tax planning arrangement.
- Self-interest and advocacy threats might be created when a professional accountant advocates an employing organization's position in a tax planning arrangement before a tax authority, when there are indications that the arrangement might not have a credible basis in laws and regulations.
- Self-interest and intimidation threats might be created when a dominant owner or leader of the employing organization exerts significant influence over the design of a particular tax arrangement, in a way that might influence the accountant's determination that there is a credible basis in laws and regulations.
- Self-interest and intimidation threats might be created when a professional accountant faces potential dismissal over the position the employing organization is insisting on pursuing regarding a tax planning arrangement.

280.17 A2 Factors that are relevant in evaluating the level of such threats include:

- The degree of transparency regarding the underlying business transaction or circumstances, including, where applicable, the identity of the ultimate beneficiaries.
- Whether the proposed tax planning arrangement has a clear economic purpose and substance based on the underlying business transaction or circumstances.
- The nature and complexity of the underlying business transaction or circumstances.
- The complexity or clarity of the relevant tax laws and regulations.
- Whether the professional accountant knows, or has reason to believe, that the proposed tax planning arrangement would be contrary to the intent of the relevant tax legislation.
- The number of jurisdictions involved and the nature of their tax regimes.
- The extent of the professional accountant's knowledge, skills and experience in the relevant tax areas.
- The significance of the potential tax savings.

- The nature and significance of any incentives offered to the professional accountant to develop the proposed arrangement.
- The extent to which the proposed tax planning arrangement reflects an established practice that has not been challenged by the relevant tax authorities.
- Whether there is pressure being exerted on the professional accountant.
- The degree of urgency in implementing the tax planning arrangement.
- The organizational culture of the employing organization.

280.17 A3 Examples of actions that might eliminate such threats include:

- Advising the employing organization to structure the tax planning arrangement so that it is consistent with an existing tax interpretation or ruling issued by the relevant tax authorities.
- Obtaining an advance ruling from the relevant tax or other authorities, where possible.
- Advising management not to pursue the proposed tax planning arrangement.

280.17 A4 Examples of actions that might be safeguards to address such threats include:

- Establishing the identity of the ultimate beneficiaries.
- Advising the employing organization to structure the tax planning arrangement so that it better aligns with the underlying economic purpose and substance.
- Advising the employing organization to structure the tax planning arrangement based on an established practice that is currently not subject to challenge by the relevant tax authorities or is known to have been accepted by the relevant tax authorities.
- Engaging an internal or external expert who has the necessary knowledge, skills and experience to advise the employing organization on the proposed tax planning arrangement.
- Obtaining an opinion from an appropriately qualified professional (such as legal counsel or another professional accountant) regarding the interpretation of the relevant tax laws and regulations as applied to the particular circumstances.
- Having a tax expert, who is not otherwise involved in the tax planning activity, review any work performed or conclusions reached by the professional accountant with respect to the tax planning arrangement.
- Having the employing organization provide full transparency about the tax planning arrangement to the relevant tax authorities, including the goals, business and legal aspects, and ultimate beneficiaries of the tax planning arrangement.

280.17 A5 Steps a professional accountant might take to establish the identity of the ultimate beneficiaries include, for example:

- Making inquiries of management and others within or outside the employing organization having regard to the principle of confidentiality.
- Reviewing the employing organization's tax records, financial statements and other relevant corporate records.

- Researching relevant public records.

Communication of Basis of Tax Planning Arrangement

R280.18 A professional accountant shall explain to management and, if appropriate, those charged with governance the basis on which the accountant recommended or otherwise advised on a tax planning arrangement to the employing organization.

Disagreement on the Tax Planning Arrangement

R280.19 If the professional accountant disagrees with the accountant's immediate superior or other responsible individual within the employing organization that a tax planning arrangement that the employing organization would like to pursue has a credible basis, the accountant shall:

- (a) Inform the immediate superior or other responsible individual within the employing organization, and if appropriate, those charged with governance, of the accountant's assessment;
- (b) Communicate to them the potential consequences of pursuing the arrangement in the event of an adverse ruling; and
- (c) Advise them not to pursue the arrangement.

R280.20 If the immediate superior or other responsible individual within the employing organization decides to pursue the tax planning arrangement despite the professional accountant's advice to the contrary, the accountant shall take steps to disassociate from the arrangement. In doing so, the accountant shall consider:

- (a) Taking steps to have the details of the arrangement and the difference of views communicated with the next higher level of authority within the employing organization and, if appropriate, those charged with governance;
- (b) Advising the employing organization to make full disclosure of the arrangement to the relevant tax authorities; and
- (c) Communicating the details of the arrangement and the difference of views to the employing organization's external auditor.

280.20 A1 In light of the response of the immediate superior or other responsible individual within the employing organization to the professional accountant's advice, the accountant might also consider the need to resign from the employing organization.

280.20 A2 Many employing organizations have established protocols and procedures regarding how to raise ethical or other concerns internally. These protocols and procedures include, for example, an ethics policy or internal whistle-blowing mechanism. Such protocols and procedures might allow matters to be reported anonymously through designated channels.

Documentation

280.21 A1 When performing a tax planning activity, a professional accountant is encouraged to document on a timely basis:

- The purpose, circumstances and substance of the tax planning arrangement.
- The identity of the ultimate beneficiaries.

- The nature of any uncertainties.
- The accountant's analysis, the courses of action considered, the judgments made, and the conclusions reached in advising the employing organization on developing the proposed tax planning arrangement.
- The results of discussions with the accountant's immediate superior and appropriate levels of management, those charged with governance and other parties.
- The response of the accountant's immediate superior, management and, where applicable, those charged with governance to the accountant's advice.
- Any disagreement with the accountant's immediate superior, management and, where applicable, those charged with governance.

280.21 A2 Preparing such documentation assists the accountant to:

- Develop the accountant's analysis of the facts, circumstances, relevant tax laws and regulations and any assumptions made or changed.
- Record the basis of the professional judgments at the time they were made or changed.
- Support the position if the tax planning arrangement is challenged by the relevant tax authorities.
- Demonstrate that the accountant has complied with the provisions in this section.

PROPOSED CONFORMING AMENDMENTS TO THE CODE
(Marked-up against extant Code)

PART 3 – PROFESSIONAL ACCOUNTANTS IN PUBLIC PRACTICE

SECTION 321

SECOND OPINIONS

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Requirements and Application Material

General

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321.3 A1 A professional accountant might be asked to provide a second opinion on the application of laws and regulations, such as tax laws and regulations, and accounting, auditing, reporting or other standards or principles to (a) specific circumstances, or (b) transactions by or on behalf of a company or an entity that is not an existing client. A threat, for example, a self-interest threat to compliance with the principle of professional competence and due care, might be created if the second opinion is not based on the same facts that the existing or predecessor accountant or other service provider had, or is based on inadequate evidence.

....

321.3 A3 Examples of actions that might be safeguards to address such a self-interest threat include:

- With the client's permission, obtaining information from the existing or predecessor accountant or other service provider.
- Describing the limitations surrounding any opinion in communications with the client.
- Providing the existing or predecessor accountant or other service provider with a copy of the opinion.

When Permission to Communicate is Not Provided

R321.4 If an entity seeking a second opinion from a professional accountant will not permit the accountant to communicate with the existing or predecessor accountant or other service provider, the accountant shall determine whether the accountant may provide the second opinion sought.

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