

# The South African Taxation Standard 3000

## Procedural Aspects of Preparing Tax Returns

SATS 3000

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## Introduction

- .01 This statement sets out guidance on standards for SAIT tech practitioners concerning the obligation to examine or verify certain supporting data or to consider information related to another taxpayer when preparing a taxpayer's tax return.
- .02 For the purposes of this guidance, a taxpayer is a client, a SAIT tax practitioner's employer, or any other third party recipient of tax services.
- .03 This standard must be read in conjunction with the 'Professional Code of Conduct in relation to Taxation'.
- .04 Whilst this guidance has primarily been drafted in respect of the preparation of income tax returns, it is also relevant to the preparation of other returns for submission to the South African Revenue Service ("SARS").

## Standard

- .05 In preparing a return, a SAIT tax practitioner may in good faith rely, without verification, on information furnished by the taxpayer or by third parties. However, a SAIT tax practitioner should not ignore the implications of information furnished and should make reasonable enquiries if the information furnished appears to be incorrect, incomplete, or inconsistent either on its face or on the basis of other facts known to a SAIT tax practitioner. Further, a SAIT tax practitioner should refer to the taxpayer's returns for one or more prior years whenever feasible.
- .06 If tax law imposes a condition with respect to deductibility or other tax treatment of an item, such as taxpayer maintenance of books and records or substantiating documentation to support the reported deduction or tax treatment, a SAIT tax practitioner should ask the taxpayer to confirm that the condition has been met, taking into account the published practice of SARS.
- .07 When preparing a tax return, a SAIT tax practitioner should consider information actually known to that SAIT tax practitioner from the returns of another taxpayer, if the information is relevant to that return and its consideration is necessary to properly prepare that return. In using such information, a SAIT tax practitioner should consider any limitations imposed by the law relating to confidentiality and obtain the necessary consent from the other taxpayer.

## Guidance

- .08 A SAIT tax practitioner is not required to examine or verify supporting data. However, a distinction should be made between:
  - a. the need either to determine by enquiry that a specifically required condition, such as maintaining books and records or substantiating documentation, has been satisfied or to obtain information when the material furnished appears to be incorrect or incomplete; and
  - b. the need for a SAIT tax practitioner to examine underlying information.

In fulfilling his or her obligation to exercise due diligence in preparing an income tax return, a SAIT tax practitioner may rely on information furnished by the taxpayer unless it appears to be incorrect, incomplete or inconsistent.

- .09 Although a SAIT tax practitioner has certain responsibilities in exercising due diligence in preparing a return, the taxpayer has the ultimate responsibility for the contents of the return. Thus, if the taxpayer presents unsupported data in the form of lists of tax information such as dividends and interest received, charitable donations and motor expenses, such information may be used in the preparation of a return without verification unless it appears to be incorrect, incomplete, or inconsistent either on its face or on the basis of other facts known to a SAIT tax practitioner.
- .10 To ensure complete disclosure, A SAIT tax practitioner should give guidance to a taxpayer on relevant sources of income and gains, for example, by the use of a questionnaire to obtain information.
- .11 A SAIT tax practitioner should understand the affairs of the taxpayer and give guidance to the taxpayer on the nature and extent of income and gains that need to be disclosed on his return.
- .12 A SAIT tax practitioner should make use of a taxpayer's returns for one or more prior years in preparing the current return whenever feasible. Reference to prior returns and a discussion of prior year tax liabilities with the taxpayer should provide information to determine the taxpayer's general tax status, avoid the omission or duplication of items, and afford a basis for the treatment of similar or related transactions. As with the examination of information supplied for the current year's return, the extent of comparison of the details of income and deduction between years depends on the particular circumstances.
- .13 Even though there is no requirement to examine underlying documentation, including personal bank statements, dividend and interest vouchers etc., a SAIT tax practitioner should encourage the taxpayer to provide all supporting data and perform a review of such documents where appropriate. For example, a SAIT tax practitioner should encourage the taxpayer to submit underlying documents for use in income tax return preparation to permit full consideration of income and deductions and capital gains.
- .14 The SAIT tax practitioner should notify the taxpayer that SARS may request such records, documents or things during the course of an enquiry into the income tax return. Similarly, SARS may request sight of supporting documents when examining other returns. Accordingly a SAIT tax practitioner should notify a taxpayer that all records should be retained, and in respect of income tax returns, records should be retained for a period of 5 years from the date of submission of the return. Different time limits

may apply if there are unresolved enquiries in progress.

- .15 A SAIT tax practitioner should make the taxpayer aware of SARS' powers of discovery and therefore the need to retain records in the event of such enquiries.
- .16 A SAIT tax practitioner should make the taxpayer aware that SARS have statutory powers to request such information as may be required to substantiate entries on tax returns. In the event of non-compliance SARS may enforce these powers via the Commissioner or the Courts.
- .17 A SAIT tax practitioner has a responsibility for ensuring that a return is completed with due care, notwithstanding that the taxpayer has ultimate responsibility for signing the declaration on the return confirming that the return is true, correct and complete to the best of the taxpayer's knowledge.
- .18 Examples of where information may be known to a SAIT tax practitioner from the return of another taxpayer include the following situations:
  - Husband and wife
  - Trustees and beneficiaries
  - Groups of companies
  - Employers and employees.

## Compatibility with International Taxation Standards

- .19 This South African standard is consistent with international tax standards and best practice in all material respects as followed by members of the International Tax Directors' Forum.