

The South African Taxation Standard 4000

Use of Estimates

SATS 4000

Content

	Paragraph
1. Introduction	.01-.04
2. Standards	.05-.06
3. Guidance	.07-.10
4. Compatibility with International Taxation Standards	.11

Introduction

- .01** This statement sets out guidance on the applicable standards for SAIT tax practitioners when using the taxpayer’s estimates in the preparation of an income tax return. A SAIT tax practitioner may advise on estimates used in the preparation of a return, but the taxpayer has the responsibility to provide the estimated data. Valuations are not considered estimates for the purposes of this statement.
- .02** The standard must be read in conjunction with the ‘Professional Code of Conduct in relation to taxation’.
- .03** For the purpose of this standard, a taxpayer is a SAIT tax practitioner’s client, a SAIT tax practitioner’s employer, or any other third party recipient of tax services.
- .04** Whilst this guidance has primarily been drafted in respect of the preparation of income tax returns, certain aspects are also relevant to the preparation of other returns for submission to the South African Revenue Service (“SARS”).

Standard

- .05 Unless prohibited by statute or by rule, a SAIT tax practitioner may use the taxpayer's estimates in the preparation of an income tax return if it is not practical to obtain exact data, and if the SAIT tax practitioner determines that the estimates are reasonable based on the facts and circumstances known to the SAIT tax practitioner. If the taxpayer's estimates are used, they should be presented in a manner that does not imply greater accuracy than exists.
- .06 The disclosure of the use of estimates should be consistent with SARS' income tax procedures.

Guidance

- .07 Accounting requires the exercise of professional judgement and, in many instances, the use of approximations based on judgement. The application of such accounting judgements, as long as not in conflict with recognised accounting standards or methods recognised by SARS, is acceptable. Such judgements are not estimates in the context of this guidance.
- .08 Where a taxpayer's records do not accurately reflect information related to small expenditure, accuracy in recording some data may be difficult to achieve. Therefore, the use of estimates by a taxpayer in determining the amount to be deducted for such items may be appropriate.
- .09 When records are missing or precise information about a transaction is not available at the time the return must be filed, a SAIT tax practitioner may prepare a tax return using a taxpayer's estimates of the missing data.
- .10 Estimated amounts should not be presented in a manner that provides a misleading impression.

Compatibility with International Taxation Standards

- .11 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.