

The South African Taxation Standard 6000

Knowledge of error: Tax return preparation

SATS 6000

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Introduction

- .01** This statement sets out guidance for a SAIT tax practitioner who becomes aware of an error in a taxpayer’s previously submitted tax return or of a taxpayer’s failure to submit a required return. Within this guidance, the term error includes any position, omission, or method of accounting that, at the time the return is submitted, fails to meet the standards set out in South African Taxation Standard (SATS) 2000 Filing Tax Returns. The term error also includes a position taken on a prior year’s return that no longer meets these standards due to legislation, judicial decisions, or statements of the South African Revenue Service (“SARS”) having retrospective effect. However, an error does not include an item that has an insignificant effect on the taxpayer’s tax liability.
- .02** This standard must be read in conjunction with the ‘Professional Code of Conduct in relation to taxation’.
- .03** This guidance applies whether or not the SAIT tax practitioner prepared the return that contained the error.
- .04** 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.
- .05** 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 SARS.

Standard

- .06 A SAIT tax practitioner should inform the taxpayer promptly upon becoming aware of an error in a previously submitted return or upon becoming aware of a taxpayer's failure to submit a required return. A SAIT tax practitioner should recommend the corrective measures to be taken. The SAIT tax practitioner is not obliged to inform SARS, and a SAIT tax practitioner may not do so without the taxpayer's permission, except when required by law.
- .07 If a SAIT tax practitioner is requested to prepare the current year's return and the taxpayer has not taken appropriate action to correct an error in a prior year's return, the SAIT tax practitioner should withdraw from preparing the return and consider whether to continue a professional or employment relationship with the taxpayer.

Guidance

- .08 While performing services for a taxpayer, a SAIT tax practitioner may become aware of an error in a previously submitted return or may become aware that the taxpayer failed to submit a required return. The SAIT tax practitioner should advise the taxpayer of the error and the measures to be taken. If the SAIT tax practitioner believes that the taxpayer could be subject to criminal prosecution, the taxpayer should be advised to seek specialist advice, before taking any action.
- .09 It is the taxpayer's responsibility to decide whether to correct the error. If the taxpayer does not correct an error, a SAIT tax practitioner should consider whether to continue a professional or employment relationship with the taxpayer. Where contrary to a SAIT tax practitioner's advice a taxpayer decides not to submit an amended return it is unlikely that a SAIT tax practitioner can continue to act for the taxpayer. A SAIT tax practitioner should consider taking legal advice before deciding upon recommendations to the taxpayer and whether to continue a professional or employment relationship with the taxpayer.
- .10 A SAIT tax practitioner may advise a taxpayer to correct an error either orally or in writing. Should the taxpayer not follow the SAIT tax practitioner's advice and it became necessary to withdraw from a professional or employment relationship with the taxpayer, the SAIT tax practitioner should confirm his advice in writing.

- .11 Whether an error has no more than an insignificant effect on the taxpayer's liability is left to the professional judgment of the SAIT tax practitioner based on all the facts and circumstances known to the SAIT tax practitioner.
- .12 If a SAIT tax practitioner becomes aware of the error while performing services for a taxpayer that do not involve return preparation, the SAIT tax practitioner's responsibility is to advise the taxpayer of the existence of the error and to recommend that the error be discussed with the taxpayer's tax adviser. The SAIT tax practitioner should record on his files the advice given to the taxpayer and if he moves to a decision to cease to act he should consider formal written advice on the advice given.
- .13 Where a tax return is made in accordance with prevailing practice and subsequently turns out not to have been in accordance with the law, because of a later court decision there is a risk that SARS may challenge the return. A SAIT tax practitioner should discuss with the taxpayer what disclosure, if any, should be made to SARS, to safeguard the taxpayer's position.

Compatibility with International Taxation Standards

- .14 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.