

The South African Taxation Standard 1000

Knowledge of the Client

SATS 1000

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Introduction

- .01 When acting for a client a SAIT tax practitioner places his professional expertise at the disposal of that client and, in so doing, the SAIT tax practitioner assumes a duty of care towards the client which is recognised in law. A SAIT tax practitioner must, therefore, exercise reasonable skill and care when acting for a client. A failure to do so may result in the SAIT tax practitioner being liable for a claim for professional negligence. The SAIT tax practitioner must understand the duties and responsibilities in respect of the client and the risks associated with a failure to adequately discharge those duties and responsibilities. The SAIT tax practitioner must manage the risks associated with advising a particular client. In order to do so the SAIT tax practitioner must assess his ability to discharge his duty of care to that client in respect of the matters on which advice is sought or the work to be undertaken.
- .02 This standard must be read in conjunction with the ‘Professional Code of Conduct in relation to taxation’.
- .03 For the purposes of this Standard, a taxpayer is a SAIT tax practitioner’s client. This Standard does not apply to a SAIT tax practitioner acting for his employer.

Standard

- .04 The following standards apply to a SAIT tax practitioner when agreeing to act for taxpayers to whom professional services are to be provided. A SAIT tax practitioner should-

- confirm for whom he will be acting and from whom he will be taking instructions.
- confirm that a taxpayer is who he says he is by carrying out identity checks.
- consider taking references, including references from previous advisers to confirm the taxpayer's suitability as a client; and
- identify any potential conflicts of interest which might prejudice the appointment.

.05 By carrying out these checks a SAIT tax practitioner should satisfy his initial obligations under the Money Laundering Regulations.

.06 Once appointed to act for a taxpayer, but before providing services, it is important that a SAIT tax practitioner takes steps to become familiar with the circumstances of his client. He will do this by understanding:

- i. the scope of the services to be provided; and
- ii. to the extent that it is relevant to the scope of services-
 - the taxpayer's financial and business affairs; and
 - the taxpayer's attitude to risk.

.07 When acting for intermediaries, including other firms of tax advisers, a SAIT tax practitioner should clarify whether-

- i. the appointment is with the intermediary and without any direct contact with the taxpayer; or
- ii. by introduction directly to the taxpayer by the intermediary.

.08 If ii) above applies, then the standards in paragraphs (4) to (7) above should be adhered to. If i) above applies, then a SAIT tax practitioner should confirm the scope of what is required and whether and how the advice is to be disclosed to the client of the intermediary.

.09 A letter of engagement, the terms of which are accepted by the client, should confirm the arrangements and terms of business.

Guidance

- .10 A SAIT tax practitioner should issue a letter of engagement to fully record and agree the scope of his services, roles and responsibilities and terms and conditions of the engagement. A SAIT tax practitioner has a contractual duty of care to the taxpayer when he engages with his client. If a SAIT tax practitioner fails to properly exercise his duty of care he may be found to be negligent and liable to the taxpayer for the damage or harm he has caused.
- .11 By taking steps to ensure that a taxpayer is acceptable as a client a SAIT tax practitioner will safeguard his own interests.

Compatibility with International Taxation Standards

- .12 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.