

## **15. Provision of Non-Assurance Services to an Audit Client**

In this KLiP, we will continue with sub-topic,

### **d. Tax Services**

We will cover,

#### **4. Tax services involving valuations**

Providing tax valuation services to an audit client might create a self-review or advocacy threat.

A firm or a network firm might perform a valuation for tax purposes only, where the result of the valuation will not have a direct effect on the financial statements (that is, through accounting entries related to tax).

If the valuation that is performed for tax purposes is not subject to an external review and the effect is material to the financial statements, then additional factors need to be considered in evaluating the level of threats, like:

- ❖ The extent to which the valuation methodology is supported by tax law or regulation, other precedent, or established practice;
- ❖ The degree of subjectivity inherent in the valuation; and
- ❖ The reliability and extent of the underlying data.

Additional action that might be a safeguard to address the threat include obtaining pre-clearance from the tax authorities.

#### **5. Assistance in the resolution of tax disputes**

Providing assistance in the resolution of tax disputes to an audit client might create a self-review or advocacy threat.

A tax dispute might reach a point when the tax authorities have notified an audit client that arguments on a particular issue have been rejected and either the tax authority or the client refers the matter for determination in a formal proceeding, for example, before a public tribunal or court.

Additional factors that are relevant in evaluating the level of such self-review or advocacy threats include:

- ✚ The role management plays in the resolution of the dispute.
- ✚ The extent to which the outcome of the dispute will have a material effect on the financial statements on which the firm will express an opinion.
- ✚ Whether the advice that was provided is the subject of the tax dispute.
- ✚ The extent to which the matter is supported by tax law or regulation, other precedent, or established practice.
- ✚ Whether the proceedings are conducted in public.

A firm or a network firm shall not provide tax services that involve assisting in the resolution of tax disputes to an audit client, if:

1. The services involve acting as an advocate for the audit client before a public tribunal or court in the resolution of a tax matter; and
2. The amounts involved are material to the financial statements on which the firm will express an opinion.

With this we come to the end of the KLiP. We will discuss the next sub-topic, **e: Internal Audit Services** in our next KLiP.

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