

The Role of Professional Accountants in the Proper Functioning of Taxation Systems

by Russell Guthrie, IFAC Executive Director, Professional Relations and CFO | September 30, 2014 | [\(/global-knowledge-gateway/viewpoints/role-professional-accountants-proper-functioning-taxation-system#comments\)](#)

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There has been much recent debate in many sectors of the economy and among politicians about the role of taxation in society, the extent to which tax planning is appropriate, and taxpayer behavior.

Throughout the world, accountants—with their technical expertise and professional and ethical training—play a key role in assisting client and employer taxpayers regarding tax obligations. A 2007 report by the Forum on Tax Administration (consisting of Tax Commissioners from 45 countries) acknowledged the crucial role that intermediaries such as accountants play in ensuring tax systems function properly.



So what role should accountants play?

At one extreme, it is clear that tax evasion—which is illegal—should be condemned by all parties and no professional accountant should ever be associated with it. At the other, leveraging tax incentives in the way they are intended by governments is certainly appropriate. Between the two extremes lies the complex question of “tax avoidance”, which is by definition legal. This poses a difficult dilemma for taxpayers and, thus, for the accountancy profession.

The nature and extent of the tax debate is very different in different parts of the world; even in countries where the debate is the most intense (some parts of Western Europe and the US, for example) there are varying views.

For the profession, it is ultimately most important to recognize that professional accountants:

- Are, and should be, a force for consistency and stability in their economies, and have an important role to play in the functioning of sound and effective taxation systems. They help employers and clients understand their fiscal and regulatory obligations in relation to taxation and advise them on how to comply;
- Ensure that their employers and clients understand the options available to them and assist them to be as tax-competitive as possible (thus creating economic wealth and employment), but should also ensure that they understand the consequences of each option (including potential reputational consequences);
- Are obliged to comply with strict ethical principles (e.g., the international *Code of Ethics* or the codes of national professional and regulatory organizations), and are guided by the fundamental principles of integrity and professional behavior; and
- Play an important role in combating tax evasion. For example, accountants in public practice help clients comply with their legal obligations. If a client is unwilling, an accountant considers options, such as resigning from the account; in some circumstances, accountants may have a reporting obligation to revenue or regulatory authorities.

Clearly, accountants play an important role—in effective tax systems, employer and client education, business advisory, ethics, and more. And taxpayers, of course, must make the ultimate decisions about their activities and compliance. But it is paramount to recognize that governments are responsible for promulgating and implementing taxation laws that are clear, fair, and appropriate for our global economy. They must carefully consider the consequences of their decisions about taxation laws (including, potentially, unintended consequences) and amend them if the results are not as intended.

As this debate continues—as there is little doubt it will—it is important to recognize that governments, taxpayers, and professional accountants each have important responsibilities and crucial roles to play in efficiently functioning taxation systems.