# CODE OF ETHICS


By:

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**ICAI issued the revised 12th edition of Code of Ethics, which come into effect from 1st July, 2020. Following provisions were deferred till further notification.**

1. **Responding to Non-Compliance of Laws and Regulations (NOCLAR) [Sections 260 and 360]**

2. **Fees - Relative Size [Paragraphs 410.3 to R410.6]**

3. **Taxation Services to Audit Clients [Subsection 604]**

**From 1st October 2022 the said provisions were applicable. The same are discussed in below paragraphs.**

# RESPONDING TO NON-COMPLIANCE OF LAWS AND REGULATIONS (NOCLAR)

The Non-Compliance with Laws and Regulations (NOCLAR) is a guideline introduced for professional accountants to help them respond appropriately in situations where their clients or employers have committed acts of omission or commission contrary to prevailing laws or regulations.

It is the ethical responsibility of the accountant to not to ignore such matters and serve the public interest in these circumstances. Examples of laws and regulations that this section addresses include those that deal with:

- Fraud, corruption, and bribery
- Money laundering terrorist financing and proceeds of crime
- Securities markets and trading
- Banking and other financial products and services
- Data protection
- Tax and pension liabilities and payments
- Environmental protection
- Public health and safety

It may however be noted that the above list is not exhaustive and is only illustrative.

It is important to note that the accountant is not expected to have a level of knowledge of laws and regulations greater than that which is required to undertake the engagement.

## FEES - RELATIVE SIZE

- The provisions regarding fees and relative size in The Code of Ethics aim to address threats to independence that may arise when the total fees received by a firm from an audit client represent a significant proportion of the fin's total fees.

- This situation can create self-interest or intimidation threats, which may compromise the professional accountant's judgment and behavior.

- If an audit client is not a public interest entity, and for two consecutive years, the total fees received by the firm and its related entities from that client represent more than 40% of the firm’s total fees, the firm must disclose this fact to the Institute, For audit clients classified as public interest entities, the disclosure threshold is set at more than 20% of the firm's total fees.

- It is crucial to note that if the fees continue to exceed the specified thresholds for two consecutive years, the firm must disclose this information to the Institute annually.

## TAXATION SERVICES TO AUDIT CLIENTS [SUBSECTION 604]

- As Per Subsection 604, providing tax services to an audit client might create a self-review or advocacy threat.

- In addition to the specific requirements and application material in this subsection, the requirements and application material in paragraphs 600.1 to R600.10 are relevant to applying the conceptual framework when providing tax service to an audit client.

- This subsection includes requirements that prohibit firms and network firms from providing certain tax services to audit clients in some circumstances because the threats created cannot be addressed by applying safeguards.

**Tax services comprise a broad range of services, including activities such as:**

- Tax return preparation.
- Tax calculations for the purpose of preparing the accounting entries.
- Tax planning and other tax advisory services.
- Tax services involving valuations.
- Assistance in the resolution of tax disputes.

**Every professional should keep above provisions in mind while discharging his/her professional duties.**

THANK YOU