



Australian Government



# INFORMATION FOR TAX PRACTITIONERS

## REASONABLE CARE TO ASCERTAIN A CLIENT'S STATE OF AFFAIRS

### Overview

You must take reasonable care in ascertaining a client's state of affairs, to the extent that ascertaining the state of those affairs is relevant to a statement you are making or a thing you are doing on behalf of the client (Code of Professional Conduct (Code) item 9).

### What does 'reasonable care' mean?

There is no set formula for determining what it means to take reasonable care in any given situation. Rather, it will depend on an examination of all the facts and circumstances, including:

- the nature and scope of the tax agent services being provided, and
- the client's level of professional knowledge and experience.

The standard of 'reasonable care' generally required is that of a competent and reasonable person, possessing the knowledge, skills, qualifications and experience that a registered tax practitioner is expected to have, in the circumstances.

### What is 'reasonable care in ascertaining a client's state of affairs'?

How you take reasonable care to ascertain a client's state of affairs will depend on a number of factors including:

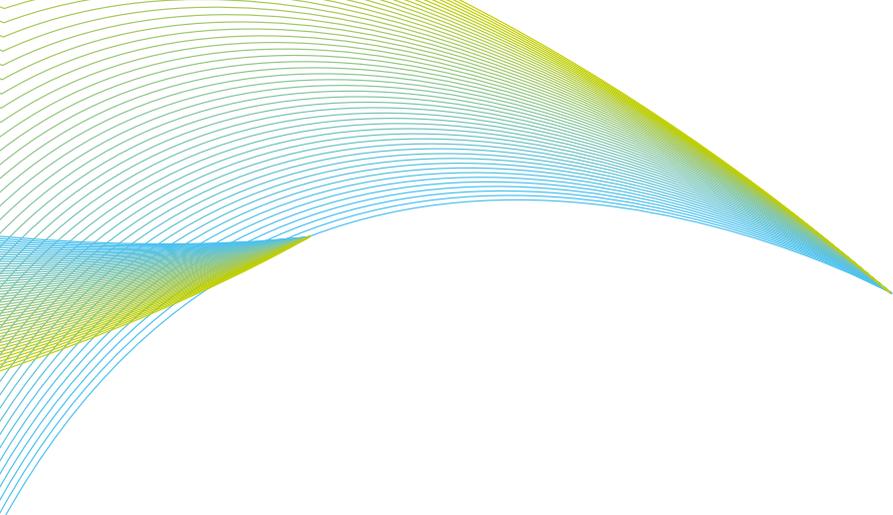
- the terms of the engagement between you and your client
- the complexity of the transaction
- your client's circumstances, including their level of sophistication
- the nature of any pre-existing relationship between you and your client.

You are not required to 'audit', examine or review books and records or other source documents to independently verify the accuracy of information supplied by your clients.

Where a client provides information that seems credible and consistent with previous statements and you have no basis to doubt the information, then you may accept this information provided by your client without further checking.

However, there may be circumstances where you will be required to make further enquiries of your client – for example, if:

- your client's information does not seem credible
- your client's information appears to be inconsistent with previous claims or statements
- your client's circumstances have changed
- there are new or substantial changes in the law
- the circumstances of your client warrant further enquiries (e.g. a new or inexperienced client)
- there are any unusual transactions in the context of the regular business of your client.



## What does ‘... to the extent that ascertaining the state of affairs is relevant to a statement you are making or a thing you are doing on behalf of your client’ mean?

The requirement to take reasonable care relates to the services that are to be provided and is therefore subject to the agreed terms of the engagement with your client. These terms may be covered in a letter of engagement, an email, or other communication with your client.

A ‘statement that you make’ includes a statement made to:

- the Commissioner of Taxation (for example, as part of lodging a tax return or Business Activity Statement on behalf of your client)
- your client when providing advice about a taxation law.

A ‘thing you are doing’ is a broad term and includes but not limited to:

- preparing or lodging a return, notice, objection, statement, application or other document on behalf of your client
- giving advice to your client about a taxation law
- dealing with the Commissioner of Taxation on behalf of your client.

## Consequences for failing to comply with Code Item 9

If you fail to take reasonable care in ascertaining a client’s state of affairs, the TPB may find that you have breached Code item 9 and impose sanctions for that breach.

In addition, the same conduct which may amount to a failure to take reasonable care under Code item 9 could constitute a breach of another Code item or one of the civil penalty provisions in the *Tax Agent Services Act 2009*.

### Further information

- [TPB 17/2013 Reasonable care to ascertain a client’s state of affairs](#)