

Engagement letter – non-business individual

Thank you for your instructions to attend to the taxation requirements for yourself. This letter sets out our terms of engagement and the scope of the work to be performed by us within that engagement. Please read it carefully and contact this office immediately if you do not understand, or wish to discuss, any aspect of the terms of this engagement.

With effect from 1 March 2010, a new regime for the regulation of tax agents has taken effect under the *Tax Agent Services Act 2009* and accompanying legislation (**TASA**). The new regime has implications for registered tax agents and also for their clients.

An important feature of TASA is the provision of a "safe harbour" protection from penalties in certain circumstances for taxpayers who engage registered tax agents.

To obtain the benefits of "safe harbour" protection, the legislation requires the taxpayer to provide the registered tax agent with "all relevant taxation information" to enable accurate statements to be provided to the Australian Taxation Office. This requirement may be important to both parties in identifying and understanding the purpose and scope of the engagement as set out below and may also affect other matters discussed below.

You will find further discussion on the "safe harbour" protections in the accompanying document.

If the terms of our engagement are acceptable, we ask that you please sign the enclosed copy of this engagement letter in the places indicated and return same to our office. Please note that we are unable to perform any work for you until we receive the signed copy.*

Purpose and scope of engagement

Our engagement is to prepare and lodge the **2019/20** Income Tax Returns for yourself. You engage us on the terms set out in this letter and are bound by those terms. You are liable to pay our accounts.

As agreed, our services will be provided to you on a fee for service basis* based on the following hourly rates for members of our firm.

Carol Kalleske	\$ 175/hr
Debbie	\$ 90/hr
Admin	\$ 50/hr
Bookkeeping Services	\$ 70/hr

discounts may be applied at Carol Kalleske's discretion

Our services will be provided to you on a set fee for the preparation and lodgement of a basic 2019/20 Taxation Return from \$185.00, for any services provided that are over and above that of a basic tax return will be based on the hourly rate of approximately \$180.00 per hour or set task fee.

This letter relates only to the abovementioned service and details the basis and terms of this engagement. Work that is performed or disbursements that are incurred which are outside the scope of our engagement will be the subject of additional charge.

Basis of engagement

Our engagement is to assist with the preparation and lodgement of the current\previous years (if applicable) taxation return\s for yourself.

Included; PSI CGT RENTAL PROP BAS/IAS

Responsibilities

You are responsible for the reliability, accuracy and completeness of the accounting records, particulars and information provided and disclosure of all material and relevant information. You are required to arrange for reasonable access by us to relevant individuals and documents, and shall be responsible for both the completeness and accuracy of the information supplied to us. Any advice given to you is only an opinion based on our knowledge of your particular circumstances.

You are responsible under self assessment to keep full and proper records in order to facilitate the preparation of a correct return.

We expect that all relevant information will be collated and forwarded to our office by appointment date or as requested. We shall detail more specific requirements in respect of the individual tax returns in the next paragraph.

Documentation

Before we lodge any tax returns on your behalf, we will forward them to you for approval and signing. We will endeavour to ensure that the returns are lodged by the due dates and will confirm to you at the beginning of the financial year when documentation should be provided to us. If you are late in providing information, we will do our best to meet the time limits, but we will not be responsible for any lodgement penalties you may incur.

Ownership of documents

The tax returns which we are specifically engaged to prepare, together with any original documents given to us by you, shall be your property. Any other documents brought into existence by us, including general working papers, the general ledger and draft documents, will remain our property at all times.

If our services are terminated (by either party), we shall be entitled to retain all documents owned by you until payment in full of all outstanding fees.

Additional services

The scope of our engagement is the preparation and lodgement of the taxation returns detailed above. Our agreed fee applies only to services and advice provided within the scope of our engagement. This fee includes the checking and forwarding of original assessments and original payment notices that are received from the Australian Taxation Office.

Any additional services or advice that you request are outside the scope of our engagement and not included in this agreed fee. These services will be charged on the basis of the time and degree of skill and acumen required to complete the task undertaken by us, including any direct out-of-pocket expenses. Please note in particular that any correspondence from the Australian Taxation Office that does not relate to initial assessments or original payment notices will be charged as additional services. We shall now outline the basis of our engagement in the context of the specific services to be provided.

It should be noted at the outset that as a general proposition we rely upon our clients to provide us with accurate and timely information to enable us to properly perform our engagement obligations. Consequently, any rectifying work performed by us on the basis of incorrect or late information will be work which is outside the scope of our engagement and will be charged as additional services.

Income tax returns

This firm has been engaged to prepare and lodge Income Tax Returns for yourself.

In addition to the basic financial information required to complete these tax returns, it is expected that the source documentation will be available to allow this firm to analyse the income tax implications of any transaction if we request to see it. Whilst we will not as a matter of course be looking at these documents, the ATO will expect you (and you are required) to have them available before any claim is made in your income tax return. We may in some circumstances also request to see source documents if a tax issue is particularly contentious.

It is also expected that, in respect of individual income tax returns, each person will comply with the substantiation provisions of the *Income Tax Assessment Act*.

We will specifically advise as to the requirements of the substantiation provisions relating to your income tax return and of the necessity to obtain acceptable receipts as specifically required by the legislation. We will not, however, be checking that the requirements of the substantiation provisions have been satisfied. Please also refer to the Client Substantiation Declaration.

This specifically means that we will not be reviewing your log book or any calculations or information you provide us, for example a rental property schedule either prepared by you on spreadsheet or by a property manager. If you require assistance in completing a log book or preparing any calculations or you would like us to review such work, please discuss this with us. This will entail work which is outside the scope of our engagement and will be charged as additional services.

From time to time, this firm prepares templates and schedules to assist with the collation of information to complete income tax returns. These will be provided free of charge.

The fee for this service does not cover any inquiries or investigations conducted by the Australian Taxation Office. Substantial penalties apply for an incorrectly prepared income tax return. If you have any queries in respect to this, please contact our office for assistance.

Confirmation of engagement

Obviously, there are many issues to consider in this engagement and we ask that you consider all aspects of this letter to ensure that you are satisfied with the scope of our engagement. Please contact us if you have any queries about this letter.

Once you are satisfied with the terms of our engagement, would you please sign and date both copies of this letter in the places indicated.

We thank you for the opportunity to provide accounting and taxation services to you and your business and we look forward to developing a close accounting relationship with you for many years to come.

Yours sincerely,

Acknowledgment of terms of engagement

We, the parties named in the Schedule, confirm that we understand and agree to your terms of engagement.

Dated the.....day of 20.....

Signed

Name.....

[[Insert name]]

2020 Client substantiation declaration

I **confirm** that you have advised me that I must demonstrate that I have incurred an expense for income producing purposes. In addition, you have advised me of the stringent SUBSTANTIATION legislation I must satisfy in relation to work, car and business travel expenses.

In addition, you have informed me that I must obtain original receipts and keep them for a minimum of five years from the date my return is lodged. The receipts must contain the following details:

- name of supplier;
- amount of expense;
- nature of goods and services (noting the specific type of items purchased or expenditure incurred which I am able to personally record up to the date of lodgment of my return where not adequately noted by the supplier on the receipt);
- date of expense (which I am able to personally record where not noted by the supplier); and
- the date of the documents.

Penalties to apply with incorrect returns

You have also advised me that additional tax, penalties, interest and possible prosecution action may be taken against me by the ATO if I provide details which lead to an incorrect tax return being lodged.

In addition, you have informed me that an important feature of the new tax agent services regime which commenced on 1 March 2010 is the provision of a "safe harbour" protection from penalties in certain circumstances for taxpayers who engage registered tax agents.

You have also advised me that in order to obtain the benefits of "safe harbour" protection, I must provide you with "all relevant taxation information" to enable accurate statements to be provided to the Australian Taxation Office.

Income from sources in and out of Australia for the year of income

You have advised me that as an Australian resident I must declare income from all sources, in **and out** of Australia, including net capital gains received, for the year of income in my tax return.

Apportionment

Where items are used for both business and private purposes, e.g., (car, mobile telephone, home telephone, computer etc), I have records to verify my business usage claim. In addition, my employer will verify that it was necessary to incur such expenditure in earning my assessable income. Further, I have instructed you to prepare the return based on me being able to produce these records, if required.

Audit matters

I further confirm that:

- I am aware of the procedures to follow if a document is lost or destroyed;
- I may be required to verify any income or expense item noted in my return in the event of an ATO audit;
- I understand the Substantiation schedules I completed for all work, car and travel expense claims under self-assessment; and
- I understand that, for the purposes of obtaining "safe harbour" protection, it remains my responsibility to properly record matters relating to my tax affairs and to bring all of the relevant facts to your attention in order to show reasonable care; and
- I have read and understood the return prepared for me.

I declare that:

- I have disclosed and you have returned all of the income, including net capital gains which I have earned/received, for the 2020 income year.
- All income declared, claims for deductions and tax offsets/rebates included in my return are based on my specific instructions and advice that I satisfy the relevant taxation requirements.
- I have all receipts or documentation necessary to substantiate the above claims and I will make them available if required by the Tax Office; **and**
- You have clarified what written evidence (including car/travel records) will be required during an audit and penalties, (including prosecution) that may be applied if incorrect claims are identified in an audit situation.

Dated

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Signature of taxpayer

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Name (print)