

Engagement Letter

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.

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 if you have any queries or wish to discuss any aspect do not hesitate to contact us.

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 at www.ato.gov.au.

If the terms of our engagement are acceptable, we ask that you sign the enclosed copy of this engagement letter in the places indicated and return it to our office.

Purpose And Scope Of Engagement

Our engagement is to attend to the following matters:

- prepare and lodge the annual income tax returns

You will engage us on the terms set out in this letter and you are bound by those terms and you will be liable to pay our accounts for the work performed.

Our services will be provided to you on a fee for service basis based on hourly rates and charged as set out below.

This letter relates only to the abovementioned services 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 of the financial accounts and the preparation and lodgement of the taxation returns for yourself and your business.

1. Accounting & record keeping

In undertaking this engagement, it is understood that you will generally ensure that:

- The bookkeeping for your business is maintained on a regular basis. In fact, we recommend the bookkeeping and record-keeping tasks be attended to each week.
- Reconciliations for the bank accounts, debtors and creditors are performed at the end of each month.

2. No statutory financial audits are conducted

You and your employees are responsible for the maintenance of the accounting systems and internal controls for your business. That includes the

keeping and maintenance of all required books of account.

Our firm is not being engaged to conduct a statutory audit of the financial records of any of your business entities and we will not express an auditor's opinion as to the truth and fairness of the financial statements.

3. Documentation

Before we lodge any returns on your behalf, we will forward the documents to you for approval. We will endeavour to ensure that the returns are lodged by the due dates and will advise 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 late lodgement penalties or interest charges you may incur.

4. Ownership of documents

The financial statements, tax returns and any other documents 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 documents owned by you until payment in full of all outstanding fees. Where copies of any documents released to you are required for our records, you will be charged for the cost of photocopying at our normal rates.

5. Additional services

The scope of our engagement is the preparation and lodgement of the accounting and taxation matters detailed above. Any agreed fee applies on 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.

However, 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 or ASIC that does not relate to initial assessments nor original payment notices, will be charged as additional services. For example, Australian Taxation Office investigations, audits and reviews. It is for this reason that we recommend tax audit insurance.**

6. Fees and charges

Unless otherwise expressly agreed with you in writing, our professional fees are charged at hourly rates, using [six minute] increments. Those rates are as follows:

Operator Hourly rate

Principal \$120

Accountant \$80

IT Staff \$60

Secretarial & Administration services \$50

Annual fee for maintaining Company Register \$100

The above rates may vary from time to time. We render our invoices monthly as work progresses. Our payment terms are 14 days from date of invoice.

Internal charges for services provided by our firm or its associated entities will be billed in the same manner as external disbursements. Internal charges apply for the following services at the following rates:

Service \$

Company search \$38

Business name search \$38

Business name registration \$58

ABN Registration \$58

The above charges may vary from time to time.

Unless otherwise stated in writing, any estimates which we provide to you or our anticipated fees, disbursements and charges for any work are only indicative of the amounts you can expect to be charged. Estimates are not quotes or caps and are not binding on us.

Where an estimate is given and the scope of the work changes, or if it becomes apparent that the work involves matters which were not taken into account in the estimate, we will endeavour to advise you and provide an amended estimate as soon as it is practicable to do so.

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.

This firm will not be responsible for reviewing or verifying any financial records or statements provided to it either via manual cashbooks or prepared on accounting software such as MYOB or QuickBooks. Correct coding or classification of accounts is outside the scope of this engagement. If assistance is required in how to correctly code or to review how you currently do so please discuss this with us. This will entail work which is outside the

scope of this engagement and will be charged as additional services.

Also please ensure that you have all source documentation 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 have the necessary documents so as to 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.

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 calculation 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 made to us or investigations involving us 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.

BAS Returns

As the BAS returns are prepared quarterly and lodged during the financial year, it is not possible for this firm to review the correctness of the underlying financial information as part of the preparation of the quarterly BAS return.

This is because we are engaged to prepare the annual accounts and these are prepared after the conclusion of the financial year.

Therefore, for the quarterly BAS returns, we will rely on and process the financial information provided to us without any review of the primary source documents. In doing that, we will make the following specific assumptions:

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The financial information provided to us is accurate.

The financial information correctly states the GST position. For example, all input tax credits and GST payable amounts have been correctly recorded in the general ledger. If you are unsure of the correct position or require advice regarding this, we are able to provide this as work which is outside the scope of our engagement and charged as additional services.

You have the necessary supporting documentation to satisfy the Australian Taxation Office for GST purposes. Again, if you are unsure of the ATO requirements or require advice regarding these documents, we are able to provide this as work which is outside the scope of our engagement and charged as additional services.

You hold valid tax invoices and adjustment notes for all expenditure incurred by you in respect of which an input tax credit is being claimed. Substantial penalties apply for an incorrectly prepared BAS. If you have any queries in respect to this, please contact our office for assistance.

However, it is possible that, when the financial accounts are prepared, some discrepancies will exist between the information disclosed in the quarterly BAS returns and in the annual financial statements.

Should any discrepancies arise, we will discuss the need to correct either the BAS returns and/or financial accounts. Those services will involve work which is outside the scope of our engagement and will be charged as additional services.

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.

One copy should be returned to us as evidence of your acceptance of the terms of our engagement. You should retain the other copy as your evidence of our engagement

Please note that if you do not return this letter to us but you continue to give us instructions, we will treat these further instructions as your agreement to the terms & conditions set out in this letter.

We thank you for the opportunity to provide accounting and taxation service to you and your business.

Yours sincerely

RJ Accounting and Financial Solutions

Acknowledgement for and on behalf of:

Your full name

Your company name (if applicable)

Signature X

Date

