

# Engagement letters for tax practitioners

Issued on 25 February 2013

A document by a collaborative working party with ATT, CIOT (including former IIT), ICAEW, ACCA and ICAS

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The letters of engagement, specimen schedules of service, standard terms and conditions of business and letter of disengagement are examples only. They may not address issues for each client you intend to issue them to. You should undertake additional research in to any client matter not dealt with in the examples and amend the letters, schedules or standard terms and conditions accordingly.

While every care has been taken in the preparation of the example engagement letters, specimen schedules and standard terms and conditions, the CIOT, the ATT and all those involved in the preparation and approval of this guidance do not accept any responsibility for any loss occasioned by reliance on the aforementioned documents.

# ENGAGEMENT LETTERS FOR TAX PRACTITIONERS

## GUIDANCE NOTES

### FOREWORD

1. This statement provides guidance to tax practitioners about engagement letters for tax work. It replaces the Guidance Notes issued in March 2009.
2. This guidance has been developed by the Chartered Institute of Taxation, the Association of Taxation Technicians, the Association of Chartered Certified Accountants, the Institute of Chartered Accountants of Scotland, the Institute of Chartered Accountants in England and Wales and the Institute of Indirect Taxation.
3. The engagement letter pack comprises the following documents:
  - Guidance notes
  - Covering letter for taxation services
  - Schedules for various specific taxation services
  - Standard terms and conditions of business

Along with the letter of disengagement, these documents have been approved by Leading Counsel.

4. Practitioners should also consult their professional body's professional rules and practice guidelines on engagement matters to ensure they comply fully with those requirements. The CIOT and ATT strongly recommend that their members issue engagement letters to their clients.
5. This guidance does not cover engagement letters for statutory audits, insolvency work or regulated investment business.
6. 'Engagement letter' in this guidance means the covering letter (Appendix A), the schedule(s) of services (Appendices B 1-11) and the standard terms and conditions of business (Appendix C). There is also a letter of disengagement (Appendix D). The masculine gender includes the feminine gender and the singular the plural.
7. Since anti-money laundering ('AML') obligations should be satisfied before a practitioner agrees to act for a new client, they are not covered here. For guidance on the responsibilities and obligations under AML legislation see the CCAB guidance together with the Appendix for Tax Professionals at [CIOT CCAB Anti-Money Laundering Guidance](#) OR [ATT Anti-Money Laundering Guidance](#).
8. Practitioners should also be aware of their obligations under the [Services Directive](#), particularly if they deviate from this Engagement Letters guidance. The PII insurer's name, contact address and the territorial limits of the insurance cover must be made available on the practice's website or at the practice's offices.
9. Practitioners acting for individuals in relation to their individual tax affairs should check whether they fall within the obligations of [The Cancellation of Contracts made in a Consumer's Home or Place of Work etc Regulations 2008](#). If practitioners conclude contracts away from their normal business premises, they must ensure that they have given clear, written notice to their client of the right to cancel within 7 days; at or before the time the contract is made. If not, the contract can be legally unenforceable. If practitioners begin work before the end of the 7 day cancellation period, they must get their client's express agreement. Further guidance on this subject is available at [CIOT Enforceability of Engagement Letters](#) OR [ATT Enforceability of Engagement Letters](#).

10. Practitioners acting for individuals in relation to their individual tax affairs should also be aware of their obligations under the [Consumer Protection \(Distance Selling\) Regulations 2000](#) if they have not met their client. Again, written notice of the client's right to cancel within 7 days must be provided. If not, the 7 day cancellation period will not begin until it is provided, and may be extended by a further 3 months. Beginning work before the end of the 7 day cancellation period also requires obtaining the client's express agreement. Further guidance on this subject is available at [CIOT Enforceability of Engagement Letters](#) or [ATT Enforceability of Engagement Letters](#).

## **INTRODUCTION**

11. The importance of an engagement letter for tax work is to define the terms and limitations of the engagement and to agree these with the client.
12. It can be used to manage clients' expectations and can provide significant protection to the practitioner against potential claims. An engagement letter provides important evidence of what was agreed in the event of a dispute as to the scope of the practitioner's engagement or where there are allegations of professional negligence. This is particularly so given the increasingly litigious world in which business is conducted. Professional indemnity insurers regard the failure to issue engagement letters as an increased risk which may raise the premium.
13. The engagement letter records the terms of the contract with the client for the provision of professional services and it is important that the terms are clear and precise.
14. It is recommended that it includes a covering letter, one or more schedules setting out clearly the nature of the services to be provided and a statement of the practitioner's standard terms and conditions. Examples of these documents are given in the Appendices. They should be tailored to meet individual circumstances.

## **APPLICATION OF ENGAGEMENT LETTERS**

15. Engagement letters should be issued to the client at the outset of an engagement. It is strongly recommended that they are reviewed annually and also when the scope of services changes significantly. New letters or revised schedules may be needed. Examples of a need for review are, for example, changes to the standard terms and conditions, to the scope of services, or to the basis for charging fees.
16. A separate engagement letter should be issued for each client to whom a service is provided unless it is agreed otherwise. For example, separate letters should be issued if the practitioner provides tax services to both:
- A husband and wife;
  - An individual and his/her civil partner;
  - An individual and, following that person's death, the personal representatives administering the deceased's estate;
  - A partnership and the individual partners;
  - A company and its shareholders;
  - A company and its directors;
  - A company and its employees where for example a bulk tax return service is provided; and
  - The trustees of a settlement and its beneficiaries.
17. In some cases two or more engagements may be covered in one letter provided that it is signed by each of the clients.
18. For example, when acting for a group of companies it may be more practical to send a single engagement letter to the parent company of the group. The letter should specify clearly that services to all the member companies of the group are covered. If this approach is adopted, the practitioner should check

that the parent company has the authority to bind all members of the group. It is important to define and list the members of the group and to put the onus on the client to advise promptly of changes in the membership of the group.

19. If the status of the practitioner alters, for example from sole practitioner to partnership or limited liability partnership or limited company or vice versa, new engagement letters should be issued to all clients concerned.
20. If the client incorporates, merges or de-merges or converts to a limited liability partnership, a new engagement letter is needed to establish the terms of the business relationship with the new entity.
21. If a composite letter is used, then it should set out what would happen should there be a dispute between the clients who have signed that letter and in particular where ultimate liability for payment of the tax practitioner's fees will lie.

#### **Advising changes to standard terms through a practitioner's website**

22. Terms of engagement can only be varied by agreement. It is not enough just to place an update on a website. In the event of a dispute the practitioner would be unable to prove acceptance of those revised terms if there is no overt act of the client which can reasonably be interpreted as acceptance of those terms. Only if it can be shown that the revised terms have come to their attention will any further instructions or communications from the client be evidence of acceptance. Courts will not generally favour an approach whereby, without an opportunity to see and comment on them, a client is fixed with new terms which may be disadvantageous. The Court is likely to think it unrealistic that a client will regularly consult a website for updates. However, there may be minor terms which can reasonably be updated by communication on the website, provided that the engagement letter states that there will be variations brought into effect by publication on the website.
23. For the reasons indicated above for anything other than insignificant amendments the use of the website is not recommended. A minimum requirement is to email each of the clients informing them of the existence of new terms, stating that they are to be found on the website and asking for confirmation of their acceptance. If obtaining confirmation is impracticable, it may be sufficient, although less secure, to state that any work instructed after receipt of the email notifying changes will be treated as carried out under the new terms and conditions.

## **GUIDANCE NOTES TO THE APPENDICES**

24. These guidance notes follow the order of the Appendices and their content.

### **THE COVERING LETTER (Appendix A)**

25. The covering letter should be printed on the practice notepaper. Sole practitioners may wish to personalise references to us/our/the firm. Where the letter is not addressed to an individual client it should be addressed as appropriate to the directors of a company, partners in a partnership, trustees of a trust, members of a limited liability partnership.

#### **Who we are acting for**

26. For clients other than individuals, it is important to be clear who within the client's organisation has the authority to give instructions for work to be undertaken and who is the authorised signatory. This also applies where a composite letter has been issued. See also paragraph 18 above.

#### **Period of engagement**

27. The date the engagement is to start should be stated in the covering letter. The period such as the tax year or the accounting period, in respect of which the first work will be undertaken, should also be stated.
28. The letter should specify when any advisory services will begin. Where it is agreed that a previous practitioner will complete work relating to prior years, the respective responsibilities need to be clear to avoid any dispute.

#### **Scope of services**

29. If the practitioner agrees to carry out additional work after issuing an engagement letter a new engagement letter or updated schedules as appropriate should be issued unless the additional work is covered by the ad hoc and advisory section of the original engagement letter.
30. The practitioner may also wish to include a paragraph setting out the other services available to clients.

#### **Fees**

31. The detailed arrangements relating to fees should be provided in the practice's terms and conditions. However, since fees are an important part of the contract, they should be mentioned in the covering letter, even if only as a cross reference. If the hourly rates for each member of the team and/or level of professional staff are indicated, it is important to explain when and how the client will be advised of changes in the hourly rates and of other relevant changes.
32. Where a fixed fee or some other basis of charge has been agreed, the paragraph in the engagement covering letter should be amended accordingly. If an estimate or an indication of fees has been given, the precise terms should be stated in this paragraph. See paragraphs 54-63 below for more detailed guidance on fees.

#### **Limitation of liability**

33. Although it is open to a practitioner to limit or even exclude their liability for negligence, any such limitation or exclusion is subject to the reasonableness test in the Unfair Contract Terms Act 1977. It is important to have regard to that Act when framing limitation of liability clauses and standard terms. Further details regarding the limitation of liability can be found at paragraphs 69-78 and regarding the limitation of third party rights at paragraphs 79 and 80.

## **Agreement of letter**

34. The client should be asked to agree to the scope and terms of the engagement in writing, usually by signing and returning a copy of the engagement letter. This minimises the risk of subsequent disagreement over the terms under which the work is carried out. Any changes to the engagement letters which are agreed orally should be subsequently confirmed in writing.
35. Where more than one company in a group is to be the client, the letter may be signed by the representative of the parent provided that all the companies are listed on the engagement letter and it is confirmed that the signatory is properly authorised.
36. Whilst it is always advisable to insist on the letter being acknowledged preferably by return of a signed copy, it is possible that, despite the practitioner's best efforts, the client will never sign an engagement letter. If so the contract with the client will be evidenced by the subsequent conduct of the parties, for example, by the client sending in the books and records needed to carry out the work.
37. If the letter is never signed but services are performed the practitioner will need to prove that the letter was communicated to the client, and to demonstrate acts by the client which are sufficient proof of acceptance. A useful record of receipt can be an email sent by the client confirming receipt, sending a reminder engagement letter by recorded delivery or a note of telephone conversation in which the client made reference to receiving the letter.
38. Any discussion of the client's views on the engagement letter would also be relevant. For example, if the client had expressed dissatisfaction with the terms of the engagement letter, this would in most circumstances negate any case that the engagement terms had been accepted by conduct.
39. If there is a pressing need to act in the client's interests before the engagement letter is signed, it is important to ensure that any such work is later covered by the terms of the engagement letter. Practitioners should make the client aware of the terms and conditions under which the work is being carried out. It is strongly recommended that the practitioner makes a file note recording the discussion regarding the terms and conditions. The practitioner should also confirm in writing to the client that work carried out before the signature of the engagement letter is subject to the terms and conditions set out in that engagement letter so that there can subsequently be no dispute as to whether or not it was covered by the engagement letter.



## **SCHEDULE OF SERVICES TO BE PROVIDED (Appendices B1 – B 11)**

40. To minimise the risk of disputes about the scope of the work, the schedule of services attached to the engagement covering letter should state clearly what services are to be carried out.
41. Practitioners should prepare the schedule of services using as a guide the specimens in the attached Appendices B1-B11. If the client's instruction covers two or more types of services separate schedules for each are recommended.
42. The objective is to set out clearly the scope of the work to be undertaken by the practitioner together with the client's responsibilities. Misunderstandings sometimes arise over whether a service is included in any 'standard package' or annual fee arrangement. For example, is dealing with an enquiry by HMRC included as part of the tax return package or not? To minimise such misunderstandings the schedules of services should distinguish between the normal work which recurs and that which is 'one-off'..
- Recurring compliance work

This is the core element of the work to be done for the client. Whether or not this is on a fixed fee basis, only the work specified will be covered.
  - Ad hoc and advisory work

This is not part of the annual recurring compliance work and as such would not be covered by a fixed or annual fee for that work. The scope of such additional work and the basis for the fees needs to be explicitly agreed with the client when it is requested.
43. The schedules are intended to address the most common services provided by practitioners and to be as flexible as possible. Three specific issues that may require consideration are the practitioner's approach to dealing with:
- Enquiries from HMRC. As these do not generally arise each year the schedules refer to enquiries as 'ad hoc' or 'advisory' work. A separate schedule has been prepared for use in those cases when an enquiry becomes significant or is obviously a more formal investigation; and
  - Tax credit claims. As a client's entitlement to claim tax credits will be affected by the wider circumstances of their household, a separate schedule addresses the related issues.
  - Tagging. It is compulsory for the company tax return to be submitted to HMRC using iXBRL format. Although accounts preparation is not covered in this guidance, if tagging is done as part of the practitioner's accounts preparation services, they should ensure that they have appropriate clauses to cover their responsibilities in producing tagged accounts. In such situations, it may be helpful to refer to Appendix B5a&b.

## STANDARD TERMS AND CONDITIONS OF BUSINESS (Appendix C)

### Applicable law

44. Practitioners should insert the name of the legal jurisdiction under which their practice operates.

### Client identification

45. Under the anti-money laundering legislation practitioners must have identification procedures in place to confirm the identity of their clients. These procedures should be satisfied before a practitioner agrees to act for a new client. Guidance on the responsibilities and obligations under this legislation can be found at [CIOT CCAB Anti-Money Laundering Guidance](#) and [ATT Anti-Money Laundering Guidance](#).

### Client money

46. If the practice never holds client money and is not likely to do so in the future, the suggested paragraph on this subject can be omitted. If the practice is likely to hold client money practitioners should follow the guidance at paragraph 2.7 of the Professional Rules and Practice Guidelines at [CIOT Professional Rules and Practice Guidelines](#) or [ATT Professional Rules and Practice Guidelines](#) and amend the standard terms and conditions if appropriate.

### Commissions and other benefits

47. Under general law, commissions received must be accounted for to the client but, with the client's permission, can be retained by the practitioner. If they are to be retained, examples of commissions likely to be receivable have to be provided.
48. A firm licensed as a Designated Professional Body (DPB) should refer to the DPB Handbook, especially paragraphs 3.11 and 4.15. They state that if a DPB licensed firm receives commission or other benefit because of acting for or giving advice to a client in the course of exempt regulated activities, the licensed firm must account in writing for the commission or benefit to the client.
49. Commissions can be accounted for to clients by paying the whole amount to the client or by deducting it from fees and showing such deduction on the face of the fee note. In 1989, HM Customs & Excise (now HM Revenue & Customs) issued a policy note on the VAT treatment of 'netting off' commissions. They stated that when a fee is reduced by the passing on of the benefit of commissions earned from third parties to their clients, the VAT would be chargeable only on the netted-off fee. The reduction can be shown in two ways:

#### *Method A*

Fee	£110.00
Rebate equivalent to commission received	<u>£10.00</u>
Fee net of rebate	£100.00
VAT	<u>£20.00</u>
Total	<u>£120.00</u>

#### *Method B*

Fee net of £10 commission	£100.00
VAT at 20%	<u>£20.00</u>
Total	<u>£120.00</u>

Note: If method A is used it is important that the commission is described as a rebate.

### Complaints

50. All new clients should be informed in writing of the name of a person who can be contacted to receive complaints about the services provided. Clients should also be informed of their right to complain to the practitioner's professional body. It is in the interests of the practice that complaints should be investigated promptly and courteously. Where the person investigating the complaint finds it wholly or partly justified the practice should take steps to ensure that the complaint is resolved as soon as possible. For more details on the handling of complaints practitioners should refer to their professional body's guidance.

### **Confidentiality**

51. Practitioners are obliged to keep client information confidential and to take all reasonable steps to preserve confidentiality. However practitioners may be required by law (whether in the UK or overseas), by regulatory bodies or by insurers to disclose information about their clients. Further guidance on this subject is available in the Professional Rules and Practice Guidelines at [CIOT Professional Rules and Practice Guidelines](#) or [ATT Professional Rules and Practice Guidelines](#).
52. Practitioners should be aware that they remain responsible for client information remaining confidential even where work has been subcontracted or outsourced to third parties who should also be placed under an obligation of confidentiality.
53. For advice on the disclosure of documents to HMRC or other third parties the practitioner should follow the guidance in [CIOT Professional Conduct in relation to Taxation](#) OR [ATT Professional Conduct in Relation to Taxation](#).

### **Conflicts of interest**

54. An example of conflict of interest is where two clients are competing for the same third party contract or where two clients are on different sides of a commercial transaction or dispute.

### **Data Protection**

55. The Data Protection Act 1998 contains rules for processing personal information and applies to paper records as well as those held on computer. On occasions it will be necessary to hold data relating to the client's family members and so reference to 'family' is included in the standard terms and conditions.

### **Disengagement**

56. Practitioners will find it useful to issue a disengagement letter when they cease acting for a client. This can be used to manage an ex-client's expectations and to provide some protection to the practitioner against potential claims by the ex-client. See Appendix D for example disengagement letter wording.
57. A disengagement letter will normally address the following:
- A summary of services provided up to the date of ceasing to act;
  - A note of any further action to be taken by the practitioner;
  - A note of any outstanding matters that either the ex-client or the new advisers will need to address;
  - Details of any impending deadlines and the action required;
  - The practitioner's willingness or otherwise to:
    - assist the new advisers resolve outstanding issues with HMRC or others;
    - provide copy papers to the new advisers;
  - Details of any outstanding fees; and finally
  - A note indicating whether the practitioner or his successor is to advise HMRC of the change.

### **Fees and payment terms**

58. Fee arrangements are a matter for commercial negotiation by practitioners and should be agreed in writing. Due regard should be given to the nature of the engagement and client relationship when setting fees. Possible arrangements include:
- Time and expenses - where the charges are determined by reference to time spent and the level of expertise of the personnel involved;
  - Fixed fees - where a fixed amount is charged for an agreed assignment. In such cases the fees should be based upon a careful costing of the work. When the arrangement is to run on, say beyond one year, a clause in the engagement letter should enable additional work to be charged and cost escalation to be recouped;
  - Contingent or success fees - these should be used with care and should not be offered if there is a risk that professional independence and integrity will be impaired in the conduct of work; and
  - Fees that may be covered in whole or in part by professional fee insurance.
59. The paragraphs in the standard terms and conditions (Appendix C) relating to fees should reflect the practitioner's standard approach to fee arrangements to avoid the need to amend them case by case. Practitioners who work on a contingency or success fee basis will need to amend the standard terms and conditions accordingly.
60. Practitioners can reduce the risk of fee disputes by giving an indication of fees before work is started or by agreeing fees before issuing invoices. If an estimate or indication of fees is given, it is advisable to include this in the covering letter sent with the schedules and standard terms and conditions and in any updates subsequently issued.
61. Where fixed or contingent fees are agreed it is especially important to take care in describing the scope of the work they cover. This protects the practitioner's position if unexpected additional work arises. It can be particularly important if the fixed fees are intended to cover any element of HMRC enquiries because the time taken can vary considerably.
62. Where practitioners indicate the hourly rates for each member of the team and/or level of professional staff, it is also important to indicate when and how the client will be advised of changes in the hourly rates and of other relevant changes.
63. Fees should be stated as being exclusive of VAT. Where fees are stated in a contract for services without reference to VAT the fees will be treated as inclusive of VAT (section 19(2), VAT Act 1994) – assuming that the practitioner is VAT registered.
64. Practitioners may charge interest on late payment of fees but must meet the requirements of the Consumer Credit Act. The rate of interest charged should be reasonable and not exceed the limits set out in the Late Payment of Commercial Debts (Interest) Act 1998.
65. "Applications for Payment" can be issued when continuous supplies of services are made (e.g. recurring work). Although they may contain all the normal invoicing details (net value, VAT amount and gross fee) they should not show the practitioner's VAT registration number and they should clearly state "This is not a Tax Invoice". A VAT invoice should be issued upon receipt of payment.
66. Where continuous supplies of services are provided, and two or more payments are to be made by standing order, practitioners can issue a VAT invoice showing the normal invoice details and listing all the payments due over a period of up to one year. The tax point then becomes the earlier of the receipt of each payment or the time when each payment falls due.

67. This arrangement only applies where two or more instalments are due. Invoicing in advance for a single future payment creates a tax point for VAT purposes at the time of issue of the tax invoice.

#### **Advanced fees or acting as a guarantor**

68. Practitioners may wish to obtain a guarantee for payment of fees incurred by a client from a third party guarantor. If practitioners do wish to do so, they should seek a separate agreement with the intended guarantor, in advance of entering into the engagement with the intended client. For example:

“Guarantee of payment of fees

I XYZ wish ADVISOR to enter into an engagement with INTENDED CLIENT because.....

In consideration of ADVISOR agreeing to enter into an engagement (“the engagement”) with INTENDED CLIENT as set out in the draft engagement letter annexed to this guarantee, I XYZ, agree to pay all fees arising or incurred in accordance with the engagement in so far as the same are not paid by INTENDED CLIENT within x days of such fees arising, and to pay interest on any unpaid fees at the rate of xxx from the date of issue to the date of payment.”

#### **Investment advice (including insurance mediation services)**

69. During the provision of tax advice, aspects of investment advice or insurance mediation services might be touched on. Whether or not such services are ‘regulated’ can be a complex area and this guidance note does not deal with such matters. Some activities can be undertaken by a firm that is not licensed by a Designated Professional Body (DPB) or authorised by the Financial Services Authority (FSA). Other activities require a DPB licence or FSA authorisation.
70. This guidance does not cover wording for investment business and related issues such as insurance mediation and referrals to third parties. However, some paragraphs relating to investment services for inclusion in the standard terms and conditions are included in Appendix C for firms that are not regulated or which are licensed by a DPB but not for those who are authorised by the FSA. Practitioners who are so licensed or authorised should refer to the DPB handbook or the FSA handbook.

#### **Intellectual property rights**

71. This clause helps safeguard a practitioner’s work from being used by others.

#### **Internal disputes within a client**

72. This clause makes clear what will happen if there is a breakdown in the relationship between the decision makers within a client’s organisation.

#### **Lien**

73. This clause based on case law, highlights a practitioner’s right to retain documents belonging to the client which the practitioner has used in the performance of work for the client for which the fee has not been paid. However the exercise of lien is not straightforward and it is preferable to try to resolve disputes without recourse to lien. Members are referred to paragraph 13.9 of the Professional Rules and Practice Guidelines [CIOT Professional Rules and Practice Guidelines](#) Or [ATT Professional Rules and Practice Guidelines](#) for further guidance on this subject.

#### **Limitation of liability**

74. This section of the terms and conditions identifies a number of limitations to a practitioner's liability. Where a practitioner wishes to limit his liability to his client, he should include the relevant clauses of paragraph 18. If he chooses not to attempt to limit his liability, paragraph 18 may be deleted.
75. A liability cap will only apply to those clients who have agreed the terms and conditions of the engagement letter. For example, personal tax work for the director of a corporate tax client, would not be covered by the liability cap contained in the engagement letter for the corporate client, unless, unusually, the engagement letter specifically referred to personal tax work for the directors.
76. The law is in a state of evolution and it is strongly recommended that independent legal advice is taken by tax practitioners before including limits of liability in their engagement letters or standard terms and conditions. That is important where the amount at risk may be very large or the work involved is of particular difficulty. The advice should be checked from time to time to ensure that the wording used does not conflict with recent judicial decisions on reasonableness.
77. There is a risk that the limitation may be set aside by a court under the Unfair Contract Terms Act 1977. If a court finds a limitation of liability term in a contract to be unfair, it is likely that all elements of that term of the contract will be held to be invalid, in which case the practitioner's liability will be treated as unlimited. To withstand a challenge under this legislation, it is advisable to discuss the limitation with the client and ensure that it is reasonable in the context of the scale and nature of both the assignment and the practice. The practitioner must be able to demonstrate that the limit of the liability is fair and reasonable.
78. By Clause 2(2) of the Unfair Contract Terms Act 1977, a professional cannot "so exclude or restrict his liability for negligence except insofar as the term satisfies the requirement of reasonableness". Section 3 also requires any standard term excluding or restricting liability in respect of breach of contract to satisfy the test of reasonableness. The same limitation applies where dealing with a party who is to be treated as a "consumer". In practice, most individual clients and many businesses will be so treated.
79. The test of reasonableness is laid down by Section 11 of the Act and requires consideration of whether the term was "a fair and reasonable one to be included having regard to the circumstances which were, or ought reasonably to have been, known to or in the contemplation of the parties when the contract was made." Schedule 2 of the Act sets out guidelines for application of the reasonableness test but these are not exclusive. If the limitation is to be effective, it is important that the practitioner considers and takes account of the likely strength of his and his client's relative bargaining positions, including other sources of tax advice, the extent to which the term will be drawn to the attention of the client, the resources available to each party to meet the liability and the extent to which each party could protect themselves by insurance. It is advisable to record that consideration on file to evidence the position.
80. Thus, a practitioner should consider the limit to be applied in any individual case by reference to such matters as the amount at stake, the assets likely to be available to the client to meet any liability or to meet any loss if the tax practitioner's liability is limited and the insurance cover available to the practitioner. Before imposing a limit, the tax practitioner should clearly explain it to the client. The effect and the reasons for limiting liability should be made clear and the client should have the opportunity to consider the limit, to negotiate the limit if he thinks fit and to take independent advice before agreeing the limit. Where a relatively standard limit is applied, it is unlikely that much further negotiation will be practicable or desirable and it is therefore important that the term is clear to the client. It is sensible for practitioners to show that the limit has been considered, for example, circling the limit figure in the engagement letter. It is also prudent to make and retain a note of any discussion either with the client or internally.
81. Professional indemnity insurance cover is generally provided on a claims made basis and any claims arising out of the engagement in question may not be made for several years, by which time insurance premiums may be significantly higher. Practitioners may therefore reasonably stipulate levels of the limit of their liability which are substantially lower than their own current maximum cover per claim.

Generally, insurance cover limits include sums payable to the Claimant for their costs and claims may be aggregated where similar errors are made on more than one occasion for the same or, depending on the policy wording, for different clients. Where a limit of liability required by the client is greater than the professional indemnity cover available, the practitioner should consider carefully whether to accept the engagement. Alternatively, it may be appropriate to seek increased levels of insurance cover but it should be remembered that any increase will need to be maintained for at least 6 years, as policies are written on a claims-made basis.

82. It may also be advisable to discuss this matter with the practice's professional indemnity insurers.

### **Liability of third party rights**

83. It is in a practitioner's interest to exclude liability to third parties and also to seek an indemnity from the client against any liability to a third party to whom the client has disclosed advice or information.
84. The test of reasonableness where liability to third parties is to be excluded is less strict than in the case of the client under a contract. However its reasonableness will be assessed having regard to all the circumstances obtaining when the liability arose or would have arisen but for the notice, rather than at the time of entering into the engagement letter. So, the disclaimer should be in clear terms and the client should be made aware of the importance of not permitting a third party to rely on the advice.

### **Period of engagement and termination**

85. The covering letter or the standard terms and conditions should make clear when an engagement begins and when it ends. Practitioners should not cease to act for a client without giving them notice in writing, unless compelled to do so by law.

### **Reliance on advice**

86. Confirming advice in writing offers the greatest protection to both practitioner and client. There is a much lower risk of there being any misunderstanding over the facts upon which the advice is based or on the advice given if it is in writing. However clients are often reluctant to bear the additional cost of written advice. Practitioners may delete this standard term if they are willing to accept the increased risk. Irrespective of which approach is adopted, it is important to keep a record of advice given to clients whether this is a meeting note, note of telephone call or some other method. If advice is given orally and the client does not wish to pay for it to be confirmed in writing, a short letter or email written to the client confirming the gist of the oral advice is strongly recommended.

### **Retention of papers**

87. Practitioners should decide whether as a matter of routine practice to return all original documents, or only those requested by the client. If records are retained by practitioners, it will be important to ensure that these can be accessed if required for production to HMRC or a successor tax practitioner. More detailed guidance on documents and records, ownership of records, rights of access to records and retention of records can be found in paragraph 13.2 of the Professional Rules and Practice Guidelines at [CIOT Professional Rules and Practice Guidelines](#) OR [ATT Professional Rules and Practice Guidelines](#). The length of time documents in the possession of practitioners should be preserved is suggested as 7 years in the standard terms and conditions.
88. If, following the termination of a client relationship, a new adviser asks for original documents belonging to the client, the practitioner is advised to retain a copy of the original documents.

### **The Provision of Services Regulations 2009 ('Services Directive')**

89. If practitioners want to include details about the insurer and coverage in their engagement letter, here is

some example wording:

"Our professional indemnity insurer is .....(name of insurer) of .....(contact address). The territorial coverage is worldwide excluding professional business carried out from an office in the USA or Canada and excludes any action for a claim brought in any court in the USA or Canada."



[Name of practice]

## COVERING LETTER FOR TAXATION SERVICES

**[To be printed on the practice headed notepaper. See guidance notes for each paragraph before using this letter.]**

To....

Dear .....

### Engagement letter

Thank you for engaging us as your tax practitioners. I will be your main point of contact and will have primary responsibility for this assignment; [the manager responsible for the ongoing work will be [...]] This letter and the attached schedule[s] of services together with our standard terms and conditions set out the basis on which we will act.

### Who we are acting for

We are acting for [client name] ('you') only. Where you would like us to act for anyone else such as [your spouse, a partnership or a limited company - amend or delete as appropriate] we will issue a separate engagement letter to them. [HMRC will send you an agent authorisation code which expires within 30 days of issue. Please send this to us as soon as you receive it. This code will enable us to register as your agent with HMRC]/[We enclose an HMRC form 64-8 for you to sign and return to us for submission to HMRC.] This authorises HMRC to communicate with us as your agent although they consider that you should still take 'reasonable care' over your tax affairs.

### Nominated Persons

[For the avoidance of doubt [insert name] has agreed to act and is acting as [Nominated Partner / Nominated Director / Nominated Member / Nominated Trustee / other Nominated Person]. [As tax practitioners to the group we are acting for those companies set out in the attached list].

By signing this engagement letter you confirm and warrant that the Nominated Person set out above is authorised to give instructions and information to us on your behalf and to receive our advice and work product on behalf of you.

Any change to the Nominated Person should be notified to us in writing and will not be effective until acknowledged by us in writing.

### Group Companies

[You have engaged us to act for the [following companies] within your group of companies].

*[Insert or attach list]*

By signing this engagement letter you confirm and warrant that the Nominated Director set out above is authorised on behalf of all those companies listed to give instructions and information to us on their behalf and to receive our advice and work product on behalf of those companies.

### Period of engagement

This engagement will start/starts/started on [ ] The first period for which we will be responsible is [tax year ending/accounts period ending etc]. We will not deal with earlier years unless you specifically ask us to do so and we agree.

## Scope of services

We have listed below the work which you have instructed us to carry out, the detail of which is contained in the attached schedule(s). This/these state[s] your and our responsibilities in relation to the work to be carried out. If we agree to carry out additional services for you, we will provide you with a new or amended engagement letter. Only the services which are listed in the attached schedules are included within the scope of our instructions. If there is additional work that you wish us to carry out which is not listed in the schedule(s), please let us know and we will discuss with you whether they can be included in the scope of our work.

## Fees

Our fees will be charged in accordance with our attached standard terms and conditions. Please review these to ensure you understand the basis of our charges and our payment terms. [By way of summary we estimate that our fees for [insert period] will be as follows:

[Service one]	£xxx
[Service two]	<u>£xxx</u>
Total	]

[We anticipate issuing our first fee note for [£xxx] in [month/year] after we have [completed the first element of the work involved in service one].

## Limitation of liability

We specifically draw your attention to paragraph 18 of our standard terms and conditions which sets out the basis on which we limit our liability to you and to others. You should read this in conjunction with paragraph 19 of our standard terms and conditions which excludes liability to third parties.

[There are no Third Parties that we have agreed should be entitled to rely on the work done pursuant to this engagement letter][We have agreed that the following Third Parties should be entitled to rely on our work pursuant to this engagement: *[delete as appropriate]*].

The following paragraphs may be inserted into the engagement covering letter where a practitioner wishes to include a limitation of aggregate liability clause.

[We have discussed and agreed a limitation in our aggregate liability to you and any third parties who we have agreed may rely on our work which we both regard as fair and reasonable in the circumstances of this assignment. The aggregate liability to you and any third party that we have agreed may rely on our work, and whether in contract or otherwise of this [firm], its [partners], employees and agents for any losses in any way connected with any of the services provided to you under the terms of this letter of Engagement (and including interest) shall not exceed the sum of £ [ ]. In agreeing this figure with you, we have taken into account the nature of the Engagement, the availability to us of insurance cover and other options available to you.

We would advise you to take independent advice before signing this Engagement Letter since, by doing so, you will agree to its terms including the limitations on our liability.]

## Your agreement

Please confirm your agreement to the terms of this letter, the attached schedule of services and the standard terms and conditions by signing and returning one copy of this letter.

**[For use where only one engagement letter is issued for both spouses or for both partners – see paragraph 18 of Appendix B1]**

If you both are in agreement with the terms of our appointment as your taxation advisers, as set out in this engagement letter, the schedule[s] of services and the standard terms and conditions, please will you both sign the enclosed copy letter and return it to us. If not, or if you require further information or clarification, please contact [.....].

Yours sincerely

### **Attachments**

The following schedules are attached to this engagement letter and should be read in conjunction with it.

### **Acceptance**

I [We] acknowledge receipt of your letter dated [ ], the attached schedule[s] of services and the standard terms and conditions which fully record the agreement between us concerning your appointment to carry out the work described in those documents.

Name..... Signed.....

Date..... for and on behalf of [company/partnership/trust/limited liability partnership]

[Name of practice]

## SCHEDULE OF SERVICES

This schedule should be read in conjunction with the engagement letter and the standard terms and conditions.

### Personal Tax – individuals, sole traders and couples

#### Recurring compliance work

1. We will prepare your self assessment tax returns together with any supplementary pages required from the information and explanations that you provide to us. After obtaining your approval and signature, we will submit your returns to HM Revenue & Customs (HMRC).
2. We will prepare your business accounts in accordance with generally accepted accounting practice from the books, accounting records and other information and explanations provided to us on your behalf.
3. We will calculate your income tax, national insurance contributions (NIC) and any capital gains tax liabilities and tell you how much you should pay and when. We will advise on the interest, penalty and surcharge implications if tax or NIC is paid late. We will also check HMRC's calculation of your tax and NIC liabilities and initiate repayment claims if tax or NIC has been overpaid.
4. Other than as regards tax credits (see below) we will advise you as to possible tax return related claims and elections arising from information supplied by you. Where instructed by you, we will make such claims and elections in the form and manner required by HMRC.
5. We will review PAYE notices of coding provided to us and advise accordingly.

#### Ad hoc and advisory work

6. Where you have instructed us to do so, we will also provide such other taxation ad hoc and advisory services as may be agreed between us from time to time. These may be the subject of a separate engagement letter at our option. Where appropriate we will discuss and agree an additional fee for such work when it is commissioned by you. Examples of such work include:
  - Advising on ad hoc transactions, preparing additional supplementary pages to your tax return and calculating any related liabilities;
  - Dealing with any enquiry opened into your tax return by HMRC;
  - Preparing any amended returns which may be required and corresponding with HMRC as necessary; and
  - Advising on the rules relating to and assisting with VAT registration.
7. Where specialist advice is required on occasions we may need to seek this from or refer you to appropriate specialists. [

#### Tax Credits

8. If we agree to advise you on tax credits we will issue a separate letter or schedule to cover this area. Tax credits are, in effect, a social security benefit. Your entitlement or otherwise will depend not only on your own circumstances but also those of your household and we would require all relevant information to advise in this regard.

## Changes in the law

9. We will not accept responsibility if you act on advice given by us on an earlier occasion without first confirming with us that the advice is still valid in the light of any change in the law or your circumstances.
10. We will accept no liability for losses arising from changes in the law or the interpretation thereof that are first published after the date on which the advice is given.

## Your responsibilities

11. You are legally responsible for:
  - (a) Ensuring that your self assessment tax returns are correct and complete;
  - (b) Filing any returns by the due date; and
  - (c) Making payment of tax on time.

Failure to do this may lead to automatic penalties, surcharges and/or interest.

Taxpayers who sign their returns cannot delegate this legal responsibility to others. You agree to check that returns that we have prepared for you are complete before you approve and sign them.

12. To enable us to carry out our work you agree:
  - (a) That all returns are to be made on the basis of full disclosure of all sources of income, charges, allowances and capital transactions;
  - (b) To provide full information necessary for dealing with your affairs: we will rely on the information and documents being true, correct and complete and will not audit the information or those documents;
  - (c) To authorise us to approach such third parties as may be appropriate for information that we consider necessary to deal with your affairs; and
  - (d) To provide us with information in sufficient time for your tax return to be completed and submitted by the [due date]/[selected date] following the end of the tax year. In order that we can do this, we need to receive all relevant information by [...]. Where feasible we may agree to complete your return within a shorter period but may charge an additional fee of [ ] for so doing.
13. You will keep us informed of material changes in your circumstances that could affect your tax liability. If you are unsure whether the change is material or not please let us know so that we can assess its significance.
14. You will forward to us HMRC statements of account, copies of notices of assessment, letters and other communications received from HMRC in time to enable us to deal with them as may be necessary within the statutory time limits. Although HMRC have the authority to communicate with us when form 64-8 has been signed and submitted it is essential that you let us have copies of any correspondence received because HMRC are not obliged to send us copies of all communications issued to you.
15. [You are responsible for monitoring your monthly turnover to establish whether you are liable to register for VAT. If you do not understand what you need to do, please ask us. If you exceed the VAT registration threshold, and wish us to assist you in notifying HMRC of your liability to be VAT registered we will be pleased to assist you in the VAT registration process. You should notify us of your instructions to assist in your VAT registration in good time to enable a VAT registration form to be submitted within the time limit of

one month following the month in which you exceed the VAT registration threshold in force at that time. We will not be responsible if you fail to notify us in time and incur a late registration penalty as a result.]

16. [Our services as set out above are subject to the limitations on our liability set out in the engagement letter and in paragraph 18 of our standard terms and conditions of Business. These are important provisions which you should read and consider carefully] [To be inserted *only* if you wish to attempt to limit liability.]

**You and your spouse/partner**

**[For use where services are provided to a couple].**

17. We shall advise you and your spouse [partner] on the basis that you are a family unit. You both agree that in all matters relating to your or your spouse's [partner's] tax and financial affairs, we may deal directly with either of you and we may discuss with either of you the tax liabilities and/or financial affairs of the other. If you wish to make any change to these arrangements at any time, please let us know.

In order for us to act for you as a couple in respect of a joint claim, you undertake that all instructions, information or explanations either of you gives us will be on behalf of both of you, unless you specifically tell us otherwise. Similarly, if one of you signs a document, it will be on behalf of you both unless you instruct us to the contrary. If a conflict of interest should arise between you in relation to any matter to do with your joint claim or entitlement, we reserve the right to cease acting for both of you, or to advise one or other of you to obtain independent advice.]

*[Date:*

*Name of practice.]*

*[Name of practice]*

## **SCHEDULE OF SERVICES**

This schedule should be read in conjunction with the engagement letter and the standard terms and conditions.

### **Trusts and estates**

#### **Recurring compliance work**

1. We will prepare the Trust/Estate's tax returns together with any supplementary pages required from the information and explanations that you provide to us. After obtaining approval from the Nominated Trustee or other Nominated Person and signature we will submit your returns to HM Revenue & Customs (HMRC).
2. [We will maintain the accounting records of the Trust/Estate on your behalf from the information and explanations provided to us on your behalf for the purposes of preparing the annual accounts and tax returns.]
3. [We will prepare the income and expenditure and capital accounts of the Trust/Estate in accordance with generally accepted accounting practice from the accounting records and other information and explanations provided by you and will obtain your approval of the accounts.]
4. We will calculate the income tax and capital gains tax liabilities of the Trust/Estate and will advise you how much you should pay and when. We will advise you on the interest, penalty and surcharge implications if tax is paid late. We will also check HMRC's calculation of the tax liabilities and initiate repayment claims if tax has been overpaid.
5. We will advise you as to possible tax return related claims and elections arising from information supplied by you. Where instructed by you we will make such claims and elections in the form and manner required by HMRC.
6. Where the terms of the Trust/Will require income or capital payments to be made to the beneficiaries, we will assist you in preparing all necessary forms relating to such payment.

#### **Ad hoc and advisory work**

7. Where you have instructed us to do so, we will provide such other taxation ad hoc and advisory services as may be agreed between us from time to time. These may be the subject of a separate engagement letter at our option. Where appropriate we will discuss and agree an additional fee for such work when it is commissioned by you. Examples of such work include:
  - Advising you of the occasions of charge to inheritance tax, the basis of the charge and when the tax liability is due for payment;
  - Advising on ad hoc transactions (for example the sale of assets held by the Trust/Estate) preparing the additional supplementary pages to the Trust/Estate's tax return and calculating any related liabilities;
  - Dealing with any enquiry opened into the Trust/Estate's tax return by HMRC; and
  - Preparing any amended returns which may be required and corresponding with HMRC as necessary.

8. Where specialist advice is required on occasions we may need to seek this from or refer you to appropriate specialists.

### **Changes in the law**

9. We will not accept responsibility if you act on advice given by us on an earlier occasion without first confirming with us that the advice is still valid in the light of any change in the law or your circumstances
10. We will accept no liability for losses arising from changes in the law or the interpretation thereof that are first published after the date on which the advice is given.

### **Your responsibilities**

11. As Trustees you have legal responsibility for:

- (a) Ensuring that the Trust/Estate's self assessment tax returns are correct and complete;
- (b) Filing any returns by the due date; and
- (c) Making payment of tax on time.

Failure to do this may lead to automatic penalties, surcharge and/or interest.

12. [Trustees/Executors] who sign their returns cannot delegate this legal responsibility to others. You agree to check that returns that we have prepared are complete before you approve and sign them.

13. To enable us to carry out our work you agree:

- (a) That all returns are to be made on the basis of full disclosure of all sources of income, charges, allowances and capital transactions;
- (b) To provide all information necessary for dealing with the Trust/Estate's taxation affairs: we will rely on the information being true, correct and complete and will not audit the information;
- (c) To advise us of distributions made within 30 days of such an event;
- (d) To authorise us to approach such third parties as may be appropriate for information that we consider necessary to deal with the Trust/Estate's taxation affairs; and
- (e) To provide us with information in sufficient time for the Trust/Estate's return to be completed and submitted by the [due date]/[selected date] of [...] following the end of the tax year. In order that we can do this, we need to receive all relevant information by [...]. Where feasible we may agree to complete your return within a shorter period but may charge an additional fee of [ ] for so doing.

14. You will keep us informed of material changes in circumstances that could affect the income, capital gains and inheritance tax liabilities of the Trust/Estate. If you are unsure whether the change is material or not please let us know so that we can assess its significance.

15. You will forward to us HMRC statements of account, copies of notices of assessment, letters and other communications received from HMRC by you in time to enable us to deal with them as may be necessary within the statutory time limits. Although HMRC have the authority to communicate with us when form 64-8 has been signed and submitted it is essential that you let us have copies of any correspondence received because HMRC are not obliged to send us copies of all communications issued to you.



16. [If you carry on a business as Trustees/Executors and make supplies for VAT purposes you are responsible for monitoring the monthly turnover to establish whether you are liable to register for VAT. If you do not understand what you need to do, please ask us. If the VAT registration threshold is exceeded, and you would like us to assist in notifying HMRC of your liability to be VAT registered we will be pleased to assist in the VAT registration process. Please notify us of your instructions to assist with the VAT registration in good time to enable a VAT registration form to be submitted within the time limit of one month following the month in which the VAT registration threshold in force at that time was exceeded. We will not be responsible if you fail to notify us in time and incur a late registration penalty as a result.]
17. You are reminded that under the Trustee Act 2000 it is your responsibility to regularly review the Trust investments and to have a clear investment policy.
18. [Our services as set out above are subject to the limitations on our liability set out in the engagement letter and in paragraph 18 of our standard terms and conditions. These are important provisions which you should read and consider carefully] [To be inserted *only* if you wish to attempt to limit liability.]

*Date:*

*Name of Practice:*

*[Name of practice]*

## **SCHEDULE OF SERVICES**

This schedule should be read in conjunction with the engagement letter and the standard terms and conditions.

### **Partnerships**

#### **Recurring compliance work**

1. We will prepare the Partnership self assessment tax returns and the annual Partnership Statements together with any supplementary pages required from the information and explanations that the Partnership provides to us. After obtaining the approval and signature of one of the Partners nominated to deal with the Partnership's tax affairs we will submit these to HM Revenue & Customs (HMRC).
2. We will prepare the Partnership business accounts in accordance with generally accepted accounting practice from the books, accounting records and other information and explanations provided to us by you and/or by others on your behalf.
3. We will prepare the income tax and capital gains tax computations based on the Partnership's business accounts for inclusion in the Partnership tax return.
4. If instructed we will provide each partner or their agent with details of the partner's allocations from the return to enable partners to fill in their self assessment tax returns.
5. We will advise you as to possible tax return related claims and elections arising from information supplied by the Partnership. Where instructed by you we will make such claims and elections in the form and manner required by HMRC.

#### **Ad hoc and advisory work**

6. Where you have instructed us to do so, we will also provide such other taxation advisory and ad hoc services as may be agreed between from time to time. These may be the subject of a separate engagement letter at our option. Where appropriate we will discuss and agree an additional fee for such work when it is commissioned by you. Examples of such work include:
  - Dealing with any enquiry opened into the Partnership tax return by HMRC; and
  - Preparing any amended returns which may be required and corresponding with HMRC as necessary
7. Where specialist advice in certain areas is required on occasions we may need to seek this from or refer you to appropriate specialists.

#### **Changes in the law**

8. We will not accept responsibility if you act on advice given by us on an earlier occasion without first confirming with us that the advice is still valid in the light of any change in the law or your circumstances.
9. We will accept no liability for losses arising from changes in the law or the interpretation thereof that are first published after the date on which the advice is given.

#### **Your responsibilities**

10. The Partners are legally responsible for:

- (a) Ensuring that the Partnership self assessment tax returns are correct and complete;
- (b) Filing any returns by the due date; and
- (c) Making payment of tax on time.

Failure to do this may lead to automatic penalties, surcharges and/or interest.

Taxpayers who sign their returns cannot delegate this legal responsibility to others. The Nominated Partner agrees to check that returns and partnership statements we have prepared for the Partnership are complete before you approve and sign them.

11. To enable us to carry out our work you agree:

- (a) That all returns are to be made on the basis of full disclosure of all sources of income, charges, allowances and capital transactions;
- (b) To provide all information necessary for dealing with the Partnership affairs: we will rely on the information and documents being true, correct and complete and will not audit the information or those documents;
- (c) To authorise us to approach such third parties as may be appropriate for information that we consider necessary to deal with the Partnership affairs; and
- (d) To provide us with information in sufficient time for the Partnership tax return to be completed and submitted by the [due date/selected date of [ ] following the end of the tax year. In order that we can do this, we need to receive all relevant information by [ ]. Where feasible we may agree to complete your return within a shorter period but may charge an additional fee of [ ] for so doing.

12. You will keep us informed of material changes in circumstances that could affect the tax liabilities of the partners including, by way of example, changes in the partners in the Partnership. If you are unsure whether the change is material or not please let us know so that we can assess its significance.

13. You will forward to us HMRC statements of account, copies of notices of assessment, letters and other communications received from HMRC in time to enable us to deal with them as may be necessary within the statutory time limits. Although HMRC have the authority to communicate with us when form 64-8 has been signed and submitted it is essential that you let us have copies of any correspondence received because HMRC are not obliged to send us copies of all communications issued to you.

14. The work carried out within this engagement will be in respect of the Partnership's tax affairs. Any work to be carried out for the individual partners will be set out in a separate letter of engagement.

15. [You are responsible for monitoring the Partnership's monthly turnover to establish whether it is liable to register for VAT if it is not already registered. If you do not understand what you need to do, please ask us. If it exceeds the VAT registration threshold, and you wish us to assist in notifying HMRC of its liability to be VAT registered we will be pleased to assist in the VAT registration process. You should notify us of your instructions to assist in the VAT registration in good time to enable a VAT registration form to be submitted within the time limit of one month following the month in which the VAT registration threshold in force at that time was exceeded. We will not be responsible if you fail to notify us in time and incur a late registration penalty as a result.]

16. [Our services as set out above are subject to the limitations on our liability set out in the engagement letter and in paragraph 18 in our standard terms and conditions. These are important provisions which you should read and consider carefully] [[To be inserted *only* if you wish to attempt to limit liability.]

*[Date:*

*Name of practice.]*

*[Name of practice]*

## **SCHEDULE OF SERVICES**

This schedule should be read in conjunction with the engagement letter and the standard terms and conditions.

### **Limited liability partnerships (LLP)**

#### **Recurring compliance work**

1. We will prepare the LLP self assessment tax returns and the annual Partnership Statements together with any supplementary pages required from the information and explanations that the LLP provides to us. After obtaining the approval and signature of one of the nNominated Members of the LLP responsible for dealing with the LLP's tax affairs] we will submit these to HM Revenue & Customs (HMRC).
2. We will prepare the Partnership business accounts in accordance with generally accepted accounting practice from the books, accounting records and other information and explanations provided to us on your behalf.
3. We will prepare the income tax and capital gains tax computations based on the LLP's business accounts for inclusion in the Partnership tax return.
4. If instructed we will provide each member or their agent with details of the member's allocations from the return to enable members to fill in their self assessment tax returns.
5. We will advise you as Members of the LLP as to possible tax return related claims and elections arising from information supplied by the LLP. Where instructed by you we will make such claims and elections in the form and manner required by HMRC.

#### **Ad hoc and advisory work**

6. Where you have instructed us to do so, we will also provide such other taxation advisory and ad hoc services as may be agreed between us from time to time. These may be the subject of a separate engagement letter, at our option. Where appropriate we will discuss and agree an additional fee for such work when it is commissioned by you. Examples of such work include:
  - Dealing with any enquiry opened into the Partnership tax return by HMRC; and
  - Preparing any amended returns which may be required and corresponding with HMRC as necessary
7. Where specialist advice in certain areas is required on occasions we may need to seek this from or refer you to appropriate specialists.

#### **Changes in the law**

8. We will not accept responsibility if you act on advice given by us on an earlier occasion without first confirming with us that the advice is still valid in the light of any change in the law or your circumstances.
9. We will accept no liability for losses arising from changes in the law or the interpretation thereof that are first published after the date on which the advice is given

## Your responsibilities

10. The Members are legally responsible for:

- (a) Ensuring that the Partnership self assessment tax returns are correct and complete;
- (b) Filing any returns by the due date; and
- (c) Making payment of tax on time.

Failure to do this may lead to automatic penalties, surcharges and/or interest.

Taxpayers who sign their returns cannot delegate this legal responsibility to others. The Nominated member of the LLP agrees to check that returns and partnership statements we have prepared for the LLP are complete before he/she approves and signs them.

11. To enable us to carry out our work you agree:

- (a) That all returns are to be made on the basis of full disclosure of all sources of income, charges, allowances and capital transactions;
- (b) To provide all information necessary for dealing with the LLP's affairs: we will rely on the information and documents being true, correct and complete and will not audit the information or those documents;
- (c) To authorise us to approach such third parties as may be appropriate for information that we consider necessary to deal with the LLP's affairs; and
- (d) To provide us with information in sufficient time for the LLP tax return to be completed and submitted by the [due date/selected date of [ ] following the end of the tax year. In order that we can do this we need to receive all relevant information by [ ]. Where feasible we may agree to complete your return within a shorter period but may charge an additional fee of [ ] for so doing.

12. You will keep us informed of material changes in circumstances that could affect the tax liabilities of the partners including, by way of example, changes in the members in the LLP. If you are unsure whether the change is material or not please let us know so that we can assess its significance.

13. You will forward to us HMRC statements of account, copies of notices of assessment, letters and other communications received from HMRC in time to enable us to deal with them as may be necessary within the statutory time limits. Although HMRC have the authority to communicate with us when form 64-8 has been signed and submitted it is essential that you let us have copies of any correspondence received because HMRC are not obliged to send us copies of all communications issued to you.

14. The work carried out within this engagement will be in respect of the LLP's tax affairs. Any work to be carried out for the individual members will be set out in a separate letter of engagement.

15. [You are responsible for monitoring the LLP's monthly turnover to establish whether it is liable to register for VAT if it is not already registered. If you do not understand what you need to do, please ask us. If it exceeds the VAT registration threshold, and you wish us to assist in notifying HMRC of its liability to be VAT registered we will be pleased to assist in the VAT registration process. You should notify us of your instructions to assist in the VAT registration in good time to enable a VAT registration form to be submitted within the time limit of one month following the month in which the VAT registration threshold in force at that time was exceeded. We will not be responsible if you fail to notify us in time and incur a late registration penalty as a result.]

16. [Our services as set out above are subject to the limitations on our liability set out in the engagement letter and in paragraph 18 of our standard terms and conditions. These are important provisions which you should read and consider carefully] [To be inserted *only* if you wish to attempt to limit liability.]

[Date:

[Name of practice]

[Name of practice]

## SCHEDULE OF SERVICES

This schedule should be read in conjunction with the engagement letter and the standard terms and conditions.

### **Companies [suitable for adaptation for use for other entities liable to corporation tax] - pre-tagged accounts**

#### **Recurring compliance work**

1. We will prepare the company's corporate tax self assessment (CTSA) return. After obtaining the approval and signature of an authorised Nominated Director, we will submit it to HM Revenue & Customs (HMRC). We will not accept liability for any financial penalty or loss or other damage arising from any rejection of the iXBRL accounts by HMRC or otherwise as a result of incorrect or inappropriate tagging.
2. We will prepare the corporation tax computation and supporting schedules required for preparation of the company tax return from accounts, information and explanations provided to us on your behalf.
3. We will tell you how much tax the company should pay and when. If appropriate, we will initiate repayment claims when tax has been overpaid. We will advise on the interest and penalty implications if corporation tax is paid late.
4. We will inform you if instalment payments of corporation tax are due for an accounting period and the dates they are payable. We will calculate the quarterly instalments which should be made on the basis of information supplied by you by the date agreed.
5. We will advise you as to possible tax return related claims and elections arising from information supplied by you. Where instructed by you, we will make such claims and elections in the form and manner required by HMRC.

#### **Ad hoc and advisory work**

6. Where you have instructed us to do so, we will also provide such other taxation advisory and ad hoc services as may be agreed between from time to time. These may be the subject of a separate engagement letter, at our option. Where appropriate we will discuss and agree an additional fee for such work when it is commissioned by you. Examples of such work include:
  - Advising you when corporation tax is due on loans by the company to directors or shareholders or their associates, and calculating the payments due or the amount repayable when the loans are repaid; and
  - Dealing with any enquiry opened into the company's tax return by HMRC;
  - Preparing any amended returns which may be required and corresponding with HMRC as necessary.
7. Where specialist advice is required on occasions we may need to seek this from or refer you to appropriate specialists.

#### **Changes in the law**

8. We will not accept responsibility if you act on advice given by us on an earlier occasion without first confirming with us that the advice is still valid in the light of any change in the law or your circumstances.



9. We will accept no liability for losses arising from changes in the law or the interpretation thereof that are first published after the date on which the advice is given

### **Your responsibilities**

10. The Directors, on behalf of the company, are legally responsible for:

- (a) Ensuring that the CTSA return (including tagging) is correct and complete;
- (b) Filing any returns by the due date; and
- (c) Making payment of tax on time.

Failure to do this may lead to automatic penalties, surcharges and/or interest.

The signatory to the return cannot delegate this legal responsibility to others. The signatory agrees to check that returns we have prepared for the company are complete before he/she approves and signs them.

11. To enable us to carry out our work the Directors agree:

- (a) To provide us with accounts prepared by you or by others in an iXBRL format. You accept full responsibility for the existence, accuracy, consistency and completeness of iXBRL tagging within the accounts. We will not carry out any procedures to check the existence, accuracy, consistency and completeness of iXBRL tagging.
- (b) That all returns are to be made on the basis of full disclosure of all sources of income, charges, allowances and capital transactions;
- (c) To provide full information necessary for dealing with the company's affairs: we will rely on the information and documents being true, correct and complete and will not audit the information or those documents;
- (d) To authorise us to approach such third parties as may be appropriate for information that we consider necessary to deal with the company's affairs;
- (e) To provide us with information in sufficient time for the company's CTSA return to be completed and submitted by the [due date/selected date of [ ] ] following the end of the tax year. In order that we can do this we need to receive all relevant information by [ ]. Where feasible we may agree to complete your return within a shorter period but may charge an additional fee of [ ] for so doing;
- (f) To provide information on matters affecting the company's tax liability for the accounting period in respect of which instalments are due at least four weeks before the due date of each instalment. This information should include details of trading profits and other taxable activities up to the date the information is provided, together with estimates to the end of the accounting period; and
- (g) To provide us with information on advances or loans made to directors, shareholders or their associates during an accounting period and any repayments made or write offs authorised at the latest within three months of the end of the relevant accounting period.

12. The Directors will keep us informed of material changes in circumstances that could affect the tax liabilities of the company. If the Directors are unsure whether the change is material or not please let us know so that we can assess its significance.
13. You will forward to us HMRC statements of account, copies of notices of assessment, letters and other communications received from HMRC in time to enable us to deal with them as may be necessary within the statutory time limits. Although HMRC have the authority to communicate with us when form 64-8 has been signed and submitted it is essential that you let us have copies of any correspondence received because HMRC are not obliged to send us copies of all communications issued to you.
14. The work carried out within this engagement will be in respect of the company's tax affairs. Any work to be carried out for the directors on a personal basis will be set out in a separate letter of engagement.
15. [You are responsible for monitoring the monthly turnover to establish whether the company is liable to register for VAT, if it is not already registered. If you do not understand what you need to do, please ask us. If the company exceeds the VAT registration threshold, and you wish us to assist in notifying HMRC of the Company's liability to be VAT registered we will be pleased to assist in the VAT registration process. You should notify us of your instructions to act in relation to the company's VAT registration in good time to enable a VAT registration form to be submitted within the time limit of one month following the month in which the current VAT registration turnover threshold was exceeded. We will not be responsible if we are not notified in time and a late registration penalty is incurred.]
16. [Our services as set out above are subject to the limitations on our liability set out in the engagement letter and in paragraph 18 of our standard terms and conditions. These are important provisions which you should read and consider carefully] [[To be inserted *only* if you wish to attempt to limit liability.]

*Where the client is a group of companies you may wish to incorporate the following section within this schedule and to adapt the paragraphs above to refer to each company listed in the covering letter or attached schedule.*

#### **Groups and consortia**

1. In relation to groups [and consortia] of which your company is a member, and in respect of which you have instructed us to act; we will provide the following additional services
2. Where instructed we will advise on the tax treatment of intra-group payments of dividends, charges and interest.
3. We will advise on the eligibility of companies to make elections in relation to such payments.
4. We will prepare and submit to HMRC elections relating to intra-group payments of dividends, charges and interest.
5. We will deal with all communications relating to elections addressed to us by HMRC.
6. Where instructed, in respect of claims for group and consortium relief:
  - (a) We will advise as required on claims for group and consortium relief and the interaction with other reliefs;
  - (b) We will prepare and submit to HMRC appropriate claims;
  - (c) We will adjust corporation tax computations and returns to reflect the surrender and receipt of group and consortium reliefs; and.

- (d) We will advise on arrangements for payment of tax and the surrender and set-off of tax refunds within the group.

*[Date:*

*Name of practice].*

[Name of practice]

## SCHEDULE OF SERVICES

This schedule should be read in conjunction with the engagement letter and the standard terms and conditions.

### **Companies [suitable for adaptation for use for other entities liable to corporation tax] - tagging services**

#### **Recurring compliance work**

1. We will use appropriate software to apply iXBRL tags to items in the accounts as we consider appropriate for the purposes of submission of the accounts to HMRC.
2. We will, to the extent we consider necessary, manually amend or apply tags where the software has not applied automatic tagging or where we consider any automatic tagging to have been inappropriate.
3. We will provide you with detailed information regarding the tagging applied for your approval.
4. We will prepare the company's corporate tax self assessment (CTSA) return. After obtaining the approval and signature of an authorised nominated director, we will submit it to HM Revenue & Customs (HMRC). We will not accept liability for any financial penalty or loss or other damage arising from any rejection of the iXBRL accounts by HMRC or otherwise as a result of incorrect or inappropriate tagging.
5. We will prepare the corporation tax computation and supporting schedules required for preparation of the company tax return from accounts, information and explanations provided to us on your behalf.
6. We will tell you how much tax the company should pay and when. If appropriate, we will initiate repayment claims when tax has been overpaid. We will advise on the interest and penalty implications if corporation tax is paid late.
7. We will inform you if instalment payments of corporation tax are due for an accounting period and the dates they are payable. We will calculate the quarterly instalments which should be made on the basis of information supplied by you by the date agreed.
8. We will advise you as to possible tax return related claims and elections arising from information supplied by you. Where instructed by you, we will make such claims and elections in the form and manner required by HMRC.

#### **Ad hoc and advisory work**

9. Where you have instructed us to do so, we will also provide such other taxation advisory and ad hoc services as may be agreed between from time to time. These may be the subject of a separate engagement letter, at our option. Where appropriate we will discuss and agree an additional fee for such work when it is commissioned by you. Examples of such work include:
  - Advising you when corporation tax is due on loans by the company to directors or shareholders or their associates, and calculating the payments due or the amount repayable when the loans are repaid; and
  - Dealing with any enquiry opened into the company's tax return by HMRC;
  - Preparing any amended returns which may be required and corresponding with HMRC as necessary.

10. Where specialist advice is required on occasions we may need to seek this from or refer you to appropriate specialists.

### **Changes in the law**

11. We will not accept responsibility if you act on advice given by us on an earlier occasion without first confirming with us that the advice is still valid in the light of any change in the law or your circumstances.
12. We will accept no liability for losses arising from changes in the law or the interpretation thereof that are first published after the date on which the advice is given

### **Your responsibilities**

13. The Directors, on behalf of the company, are legally responsible for:

- (a) Ensuring that the CTSA return (including tagging) is correct and complete;
- (b) Filing any returns by the due date; and
- (c) Making payment of tax on time.

Failure to do this may lead to automatic penalties, surcharges and/or interest.

The signatory to the return cannot delegate this legal responsibility to others. The signatory agrees to check that returns we have prepared for the company are complete before he/she approves and signs them.

14. To enable us to carry out our work the Directors agree:

- (a) To provide us with approved accounts for the company.
- (b) That all returns are to be made on the basis of full disclosure of all sources of income, charges, allowances and capital transactions;
- (c) To provide full information necessary for dealing with the company's affairs: we will rely on the information and documents being true, correct and complete and will not audit the information or those documents;
- (d) To authorise us to approach such third parties as may be appropriate for information that we consider necessary to deal with the company's affairs;
- (e) To provide us with information in sufficient time for the company's CTSA return to be completed and submitted by the [due date/selected date of [ ]] following the end of the tax year. In order that we can do this we need to receive all relevant information by [ ]. Where feasible we may agree to complete your return within a shorter period but may charge an additional fee of [ ] for so doing;
- (f) To provide information on matters affecting the company's tax liability for the accounting period in respect of which instalments are due at least four weeks before the due date of each instalment. This information should include details of trading profits and other taxable activities up to the date the information is provided, together with estimates to the end of the accounting period; and
- (g) To provide us with information on advances or loans made to directors, shareholders or their

associates during an accounting period and any repayments made or write offs authorised at the latest within three months of the end of the relevant accounting period.

15. The Directors will keep us informed of material changes in circumstances that could affect the tax liabilities of the company. If the Directors are unsure whether the change is material or not please let us know so that we can assess its significance.
16. You will forward to us HMRC statements of account, copies of notices of assessment, letters and other communications received from HMRC in time to enable us to deal with them as may be necessary within the statutory time limits. Although HMRC have the authority to communicate with us when form 64-8 has been signed and submitted it is essential that you let us have copies of any correspondence received because HMRC are not obliged to send us copies of all communications issued to you.
17. The work carried out within this engagement will be in respect of the company's tax affairs. Any work to be carried out for the directors on a personal basis will be set out in a separate letter of engagement.
18. [You are responsible for monitoring the monthly turnover to establish whether the company is liable to register for VAT, if it is not already registered. If you do not understand what you need to do, please ask us. If the company exceeds the VAT registration threshold, and you wish us to assist in notifying HMRC of the Company's liability to be VAT registered we will be pleased to assist in the VAT registration process. You should notify us of your instructions to act in relation to the company's VAT registration in good time to enable a VAT registration form to be submitted within the time limit of one month following the month in which the current VAT registration turnover threshold was exceeded. We will not be responsible if we are not notified in time and a late registration penalty is incurred.]
19. [Our services as set out above are subject to the limitations on our liability set out in the engagement letter and in paragraph 18 of our standard terms and conditions. These are important provisions which you should read and consider carefully] [[To be inserted *only* if you wish to attempt to limit liability.]

*Where the client is a group of companies you may wish to incorporate the following section within this schedule and to adapt the paragraphs above to refer to each company listed in the covering letter or attached schedule.*

#### **Groups and consortia**

1. In relation to groups [and consortia] of which your company is a member, and in respect of which you have instructed us to act; we will provide the following additional services
2. Where instructed we will advise on the tax treatment of intra-group payments of dividends, charges and interest.
3. We will advise on the eligibility of companies to make elections in relation to such payments.
4. We will prepare and submit to HMRC elections relating to intra-group payments of dividends, charges and interest.
5. We will deal with all communications relating to elections addressed to us by HMRC.
6. Where instructed, in respect of claims for group and consortium relief:
  - (a) We will advise as required on claims for group and consortium relief and the interaction with other reliefs;
  - (b) We will prepare and submit to HMRC appropriate claims;
  - (c) We will adjust corporation tax computations and returns to reflect the surrender and receipt of

group and consortium reliefs; and.

- (d) We will advise on arrangements for payment of tax and the surrender and set-off of tax refunds within the group.

*[Date:*

*Name of practice].*

*[Name of practice]*

## **SCHEDULE OF SERVICES**

[Note: the wording below assumes that the payroll agent will submit Real Time Information (RTI) data to HMRC]

This schedule should be read in conjunction with the engagement letter and the standard terms and conditions.

### **Payroll services**

#### **Initial compliance work – existing employers joining RTI**

1. We will:
  - Submit the first Full Payment Submission (FPS) [and the Employer Payment Summary (EPS) as necessary] online to HMRC after the data to be included therein has been approved by you. (The first FPS must reach HMRC normally on or before the payday for the first payroll run after you are required to make submissions under RTI.)

[Or alternatively if the employer employs more than 250 employees, has a split PAYE scheme or can't make a single FPS submission:

- Before your first Full Payment Submission (FPS), submit an Employer Alignment Submission (EAS) online to HMRC after the data to be included therein has been approved by you. (The first FPS must reach HMRC normally on or before the payday for the first payroll run after you are required to make submissions under RTI.)).

[Delete bullet option above that does not apply to you]

#### **Recurring compliance work**

2. We will prepare your UK payroll for each payroll period to meet UK employment tax requirements, specifically:
  - Calculating the pay as you earn (PAYE) deductions;
  - Calculating the employees' National Insurance Contributions (NIC) deductions;
  - Calculating the employer's NIC liabilities;
  - Calculating statutory payments, for example, Statutory Sick Pay and/or Statutory Maternity Pay;
  - Calculating other statutory and non-statutory deductions; and
  - Submitting information online to HMRC under RTI for PAYE.
3. We will prepare and send to you the following documents before the time of payment through the payroll or due date for delivering information to HMRC:
  - Payroll summary report showing the reconciliation from gross to net for each employee and all relevant payroll totals;



- [The data included within each] Full Payment Submission (FPS) for taxable pay and payrolled benefits for each employee;
  - A payslip for each employee unless not required;
  - A P45 for each leaver; and
  - A report showing your PAYE and NIC liability and due date for payment.
4. We will submit FPSs online to HMRC after the data to be included therein has been approved by you. (FPSs must reach HMRC normally on or before payday.)
  5. We will prepare, where appropriate (for example, to recover statutory payments, claim deductions under the NIC holiday scheme or CIS deductions, confirm that no payments were made to employees), for each tax month, an EPS from the information and explanations that you provide to us.
  6. We will submit EPSs to HMRC after the data to be included therein has been approved by you. (EPSs must reach HMRC by the 19th of the month following the tax month to which they relate.)
  7. At the end of the payroll year we will:
    - Prepare the final FPS (or EPS) including employer annual declarations and submit this to HMRC after the data to be included therein has been approved by you. (The final FPS (or EPS) for the year must reach HMRC by 19 April following the end of the tax year.)
    - Prepare and send to you by the statutory due date Form P60 for each employee on the payroll at the year end.
  8. We will deal with any online secure messages sent to us by HMRC in respect of your payroll; and
  9. We will submit National Insurance Number (NINO) verification requests as appropriate to verify or obtain a NINO for a new employee.

#### **Ad hoc and advisory work**

10. Where you have instructed us to do so, we will also provide such other taxation ad hoc and advisory services as may be agreed between us from time to time. These may be the subject of a separate engagement letter, at our option. Where appropriate we will discuss and agree an additional fee for such work when it is commissioned by you. Examples of such work include:
  - Dealing with any compliance check or enquiry by HMRC into the payroll returns;
  - Preparing any amended returns for periods before you report in real time, which may be required, and corresponding with HMRC as necessary;
  - Preparing and submitting correcting EPSs for earlier years;
  - Preparing and submitting an Earlier Year Update (EYU) to correct, after 19 April, any of the year to date totals submitted in your end of year FPS for a previous tax year, in respect of years after you started to send information in real time.
11. Where specialist advice is required on occasions we may need to seek this from or refer you to appropriate specialists.

## Changes in the law

12. We will not accept responsibility if you act on advice given by us on an earlier occasion without first confirming with us that the advice is still valid in the light of any change in the law or your circumstances.
13. We will accept no liability for losses arising from changes in the law or the interpretation thereof that are first published after the date on which the advice is given

## Your responsibilities

14. You are legally responsible for:
  - a) Ensuring that the data in your payroll submissions is correct and complete;
  - b) Making any submissions by the due date; and
  - c) Making payment of tax and NIC on time.

Failure to do this may lead to automatic penalties, surcharges and/or interest.

Employers cannot delegate this legal responsibility to others. You agree to check that submissions that we have prepared for you are correct and complete before you approve them.

15. To enable us to carry out our work you agree:
  - a) That all information required to be delivered online is submitted on the basis of full disclosure;
  - b) To provide full information necessary for dealing with your payroll affairs: we will rely on the information and documents being true, correct and complete and will not audit the information or those documents;
  - c) To agree with us the name[s] of the person[s] authorised by you to notify us of changes in employees and in rates of pay. We will process the changes only if notified by that/those individual[s];
  - d) To advise us in writing of changes of payroll pay dates;
  - e) To notify us at least [x] working days [or such other period as agreed with us] prior to the payroll pay date of all transactions or events which may need to be reflected in the payroll for the period, including details of:
    - all new employees (including full names, address, date of birth, national insurance number, passport number) and details of their remuneration packages;
    - all leavers, including deaths of employees, and details of termination arrangements;
    - all changes to remuneration packages;
    - all pension scheme changes;
    - any changes to the employees' bank accounts;
    - irregular and/or ad hoc payments and the dates to be paid;

f) To approve:

- EAS, if required by HMRC, at least [x] working days before the due date as agreed with HMRC;
- in-year FPS by at least [x] working days prior to payroll pay dates so that they can be submitted on or before payday, or as agreed with us;
- in-year EPS by at least [x] days prior to 19th of the month following the tax month;
- final FPS (or EPS when applicable) for the year at least [x] days prior to 19 April following the end of the tax year;
- EYU within [x] days; and

g) To authorise us to approach such third parties as may be appropriate for information that we consider necessary to deal with your affairs.

16. You will keep us informed of changes in circumstances that could affect the payroll. If you are unsure whether the change is material or not please let us know so that we can assess its significance.
17. If the information required to complete the payroll services set out above is received later than the dates specified above or agreed with us we will still endeavour to process the payroll and returns to meet the agreed payroll date and filing deadlines but we will not be liable for any costs or other losses arising if the payroll is late or the returns are filed late in these circumstances. We may charge an additional fee of [ ] for work carried out in a shorter time period.
18. [Our services as set out above are subject to the limitations on our liability set out in the engagement letter and in paragraph 18 of our standard terms and conditions. These are important provisions which you should read and consider carefully] [To be inserted only if you wish to attempt to limit liability.]

*[Date:*

*Name of practice.]*

*[Name of practice]*

## **SCHEDULE OF SERVICES**

This schedule should be read in conjunction with the engagement letter and the standard terms and conditions.

### **Benefits-in-kind returns (forms P11D and P9D and declaration P11D(b)) and Class 1A National Insurance Contributions**

#### **Recurring compliance work**

1. We will [prepare/review] forms P11D and P9D as may be required for each employee including directors based on the accounts, information and explanations provided to us on your behalf.
2. We will submit the forms P11D and P9D with the form P11D(b) after the form P11D(b) has been signed by you.
3. We will prepare and send to you the P11D information for you to forward to your employees and directors by the statutory due date.
4. We will calculate your Class 1A NIC liability on the benefits returned in forms P11D that you are obliged to pay HMRC by the due date and send payment instructions to you.

#### **Ad hoc and advisory work**

5. Where you have instructed us to do so, we will also provide such other taxation ad hoc and advisory services as may be agreed between us from time to time. These may be the subject of a separate engagement letter, at our option. Where appropriate we will discuss and agree an additional fee for such work when it is commissioned by you. Examples of such work include:
  - Dealing with any straightforward enquiry opened into the benefits-in-kind returns by HMRC. More detailed enquiries may be the subject of a separate engagement;
  - Preparing any amended returns which may be required and corresponding with HMRC as necessary;
  - Advising on Dispositions and PAYE Settlement Agreements; and
  - Conducting PAYE and benefits healthchecks.
6. Where specialist advice is required we may need to seek this from or refer you to appropriate specialists.

#### **Changes in the law**

7. We will not accept responsibility if you act on advice given by us on an earlier occasion without first confirming with us that the advice is still valid in the light of any change in the law or your circumstances.
8. We will accept no liability for losses arising from changes in the law or the interpretation thereof that are first published after the date on which the advice is given

## Your responsibilities

9. You are legally responsible for:

- a) Ensuring that your declaration on form P11D(b) is true to the best of your knowledge and belief and therefore that the entries on the related forms P11D and P9D are correct and complete;
- b) Filing any returns by the due date after the end of the tax year; and
- c) Making payment of Class 1A NIC on time.

Failure to do this may lead to automatic interest, penalties and/or surcharges.

10. The signatory to the return cannot delegate this legal responsibility to others. The signatory agrees to check that the forms that we have prepared for you are complete before he/she approves and signs them.

11. To enable us to carry out our work you agree:

- (a) That all returns are to be made on the basis of full disclosure;
- (b) To provide full information necessary for dealing with your benefits-in-kind returns: we will rely on the information and documents being true, correct and complete and will not audit the information or those documents;
- (c) To notify us within [x] working days after the end of the tax year of all transactions or events which may need to be reflected in the forms P11D and P9D for the period, including details of all employees during the year and details of their remuneration packages; and
- (d) To authorise us to approach such third parties as may be appropriate that we consider necessary to deal with completing the benefits-in-kind returns.

12. If the information required to complete the benefits-in-kind returns set out above is received more than [x] days after the end of the tax year we will still endeavour to process the information onto the benefits-in-kind returns to meet the submission date but we will not be liable for any costs or other losses arising if submission is late in these circumstances. We may charge an additional fee of [ ] in such circumstances.

13. [Our services as set out above are subject to the limitations on our liability set out in the engagement letter and in paragraph 18 of our standard terms and conditions. These are important provisions which you should read and consider carefully] [To be inserted *only* if you wish to attempt to limit liability.]

[Date:

Name of practice.]

[Name of practice]

## SCHEDULE OF SERVICES

This schedule should be read in conjunction with the engagement letter and the standard terms and conditions.

### VAT returns

#### Recurring compliance work

1. We will [prepare/review] your [monthly/quarterly/annual] VAT returns [Intrastat returns/EC Sales lists] on the basis of the information and explanations supplied by you. The first such return to be [prepared/reviewed] by us will be the return for the period ending [date].
2. Based on the information that you provide to us we will tell you how much you should pay and when. If appropriate we will initiate repayment claims where tax has been overpaid. We will advise on the interest and penalty implications if VAT is paid late.
3. Where appropriate we will calculate the partial exemption annual adjustment. This annual adjustment will normally be made in the quarter ending [date] *as the tax year for partial exemption purposes ends on [date]*.
4. Where appropriate we will calculate the annual Capital Goods Scheme adjustment. The adjustment will normally be made in the quarter ending [date] as the interval end date is [date].
5. We will forward to you the completed return calculations for you to review, before you approve the VAT return for onward transmission by [you/us] to HMRC.

#### Ad hoc and advisory services

6. Where you have instructed us to do so, we will also provide such other taxation ad hoc and advisory services as may be agreed between us from time to time. These may be the subject of a separate engagement letter, at our option. Where appropriate we will discuss and agree an additional fee for this work when it is commissioned by you. Examples of such work include:
  - Reviewing and advising a suitable partial exemption method to use in preparing the return;
  - Dealing with all communications relating to your VAT returns [Intrastat returns/EC Sales List returns] addressed to us by HMRC or passed to us by you;
  - Making recommendations to you about the use of cash accounting, annual accounting, flat rate and other suitable methods of accounting for VAT; and
  - Providing you with advice on VAT [Excise Duty/Customs Duty/Landfill Tax/Insurance Premium Tax/Aggregates Levy/Climate Change Levy] as and when requested. Where the advice is provided in writing, the information provided and the query raised will be set out with our response to you
7. Where specialist advice is required in certain areas we may need to seek this from or refer you to appropriate specialists

## Changes in the law

8. We will not accept responsibility if you act on advice given by us on an earlier occasion without first confirming with us that the advice is still valid in the light of any change in the law or your circumstances.
9. We will accept no liability for losses arising from changes in the law or the interpretation thereof that are first published on or after the date on which the advice is given.

## Your responsibilities

10. You are legally responsible for:
  - (a) Ensuring that your returns are correct and complete;
  - (b) Filing any returns by the due date; and
  - (c) Making payment of tax on time.

Failure to do this may lead to automatic penalties, surcharges and/or interest.

The signatory to the return cannot delegate this legal responsibility to others. The signatory agrees to check that returns we have prepared for you are complete before he/she approves and signs them.

11. To enable us to carry out our work you agree:
  - (a) That all returns are to be made on the basis of full disclosure;
  - (b) That you are responsible for ensuring that the information provided is, to the best of your knowledge, accurate and complete. The VAT returns are *[prepared/reviewed]* solely on the basis of the information provided by you and we accept no responsibility for any VAT liabilities arising due to inaccuracies or omissions in the information you provide which may lead to a misdeclaration on which penalties and interest may arise;
  - (c) That we can approach such third parties as may be appropriate for information we consider necessary to deal with the VAT returns; and
  - (d) To provide us with all the records relevant to the preparation of your *[monthly/quarterly]* VAT returns as soon as possible after the return period ends. We would ordinarily need a minimum of *[x]* days before submission to complete our work. If the records are provided later or are incomplete or unclear thereby delaying the *[preparation/review]* and submission of the VAT return, we accept no responsibility for any “default surcharge” penalty that may arise. Where feasible we may agree to complete your return within a shorter period but may charge an additional fee of *[ ]* for so doing.
12. You will keep us informed of material changes in circumstances that could affect your VAT obligations. If you are unsure whether the change is material or not please let us know so that we can assess its significance.
13. You will forward to us HMRC statements of account, copies of notices of assessment, letters and other communications received from HMRC in time to enable us to deal with them as may be necessary within the statutory time limits. Although HMRC have the authority to communicate with us when form 64-8 has been signed and submitted it is essential that you let us have copies of any correspondence received because HMRC are not obliged to send us copies of all communications issued to you.
14. You are responsible for bringing to our attention any errors, omissions or inaccuracies in your VAT returns

which you become aware of after the returns have been submitted in order that we may assist you to make a voluntary disclosure.

15. [If you are involved with any other business which is not registered for VAT you are responsible for monitoring your monthly turnover to establish whether you are liable to register for VAT. If you do not understand what you need to do, please ask us. If you exceed the VAT registration threshold, and wish us to assist you in notifying HMRC of your liability to be VAT registered, you must give us clear instructions to assist you in the VAT registration process. You should notify us of your instructions in good time to enable the VAT registration application form to be submitted within the statutory time limit of one month following the month in which you exceeded the VAT registration threshold in force at that time. We will not be responsible if you fail to notify us in time and incur a late registration penalty as a result.]
16. If EC Sales Lists need to be completed you are responsible for obtaining all of your customers' VAT registration numbers in other member states and to check any that you are not completely satisfied with, with HMRC.
17. [Our services as set out above are subject to the limitations on our liability set out in the engagement letter and in paragraph 18 of our standard terms and conditions. These are important provisions which you should read and consider carefully] [To be inserted *only* if you wish to attempt to limit liability.]

*[Date:*

*Name of practice.]*



*[Name of practice]*

## SCHEDULE OF SERVICES

This schedule should be read in conjunction with the engagement letter and the standard terms and conditions.

### HM Revenue & Customs (HMRC) tax investigations

#### Investigation by HMRC into [name of entity being investigated]

1. We will act on your behalf in the matter of the current investigation by HMRC.
2. Where required we will prepare a report on your behalf giving full disclosure of your tax affairs and once agreed by you submit it to HMRC.
3. We will negotiate with HMRC on any question of taxation, interest and penalties. [The outcome of some income tax enquiries may be related to or impact on claims to tax credits. We will not address the tax credits issues unless we have explicitly agreed to do so.]
4. We must make it clear that if at any time we consider that:
  - you are not cooperating with us and answering our enquiries fully and frankly; or
  - you are unwilling to make full disclosure or you refuse to do so

then we will immediately cease to act and inform HMRC of that fact (albeit not the reasons for ceasing to act). In that event any fees you have already paid will not be reimbursed and you will remain liable for any unbilled costs.

5. Where specialist advice is required in connection with the investigation we **may need to seek this from or refer you to appropriate specialists.**

#### Your responsibilities

6. To enable us to carry out our work in relation to the investigation you agree:
  - (a) That all information to be given to HMRC in the course of the investigation is to be made on the basis of full disclosure of all sources of income, charges, allowances and capital transactions;
  - (b) To provide full information necessary for dealing with the investigation;
  - (c) To authorise us to communicate with such third parties as may be appropriate and that we consider necessary to deal with the investigation;
  - (d) To provide information promptly to enable us to deal with the investigation expeditiously and to act in your interests in order to qualify for such reduction as may be appropriate for the cause of the error and the level of disclosure if there are tax liabilities or penalties for earlier years;
  - (e) To forward to us on receipt copies of all HMRC correspondence, statements of account, [PAYE coding notices,] notices of assessment, letters and other communications received from HMRC as may be relevant to the investigation to enable us to deal with them as may be necessary immediately upon receipt. Although HMRC have the authority to communicate with us when form 64-8 has been signed and submitted it is essential that you let us have copies of any

correspondence received because HMRC are not obliged to send us copies of all communications issued to you.

- (f) To keep us informed about significant changes in your circumstances if they are likely to affect the outcome of the investigation. If you are unsure whether the change is material or not please let us know so that we can assess its significance or otherwise; and;
- (g) To notify us immediately of any insurance cover you have for enquiries into your tax returns by HMRC.

7. [Our services as set out above are subject to the limitations on our liability set out in the engagement letter and in paragraph 18 of our standard terms and conditions. These are important provisions which you should read and consider carefully] [To be inserted *only* if you wish to attempt to limit liability.]

*[Date:*

*Name of practice.]*

[Name of Practice]

## SCHEDULE OF SERVICES

This schedule should be read in conjunction with the engagement letter and the standard terms and conditions.

**[Specialist or ad hoc tax advisory services] or [Tax advisory services in relation to *name of specific project*]**

1. [We will provide ad-hoc tax advisory services as requested by you from time to time] or [We will provide tax advisory services in relation to [e.g. the sale of your share holding in Xyz Co].
2. Our services may include telephone conversations, attendance at meetings and written advice as and when requested by you.
3. We will not be responsible for the provision of any tax compliance services, unless covered by a separate engagement letter or another schedule to this letter.
4. Where additional expertise is required we may need to seek this from or refer you to another specialist.

### Changes in the law

5. We will not accept responsibility if you act on advice given by us on an earlier occasion without first confirming with us that the advice is still valid in the light of any change in the law or your circumstances.
6. We will accept no liability for losses arising from changes in the law or the interpretation thereof that are first published after the date on which the advice is given

### Your responsibilities

7. You agree to provide full information necessary for us to advise in relation to your affairs. We will rely on the information and documents being true, correct and complete and will not audit the information or those documents.
8. If you require tax advice in relation to a proposed transaction we recommend that you instruct us sufficiently in advance so that we have time to give properly considered advice prior to the transaction taking place.
9. You agree to authorise us to approach such third parties as may be appropriate for information that we consider necessary to provide the advice.
10. You will keep us informed of material changes in your circumstances that could affect your tax liability. If you are unsure whether the change is material or not please let us know so that we can assess its significance.
11. [You are responsible for monitoring your monthly turnover to establish whether you are liable to register for VAT. If you do not understand what you need to do, please ask us. If you exceed the VAT registration threshold, and wish us to assist you in notifying HMRC of your liability to be VAT registered we will be pleased to assist you in the VAT registration process. You should notify us of your instructions to assist in your VAT registration in good time to enable a VAT registration form to be submitted within the time limit of one month following the month in which you exceeded the VAT registration threshold in force at that time. We will not be responsible if you fail to notify us in time and incur a late registration penalty as a result.]

12. [Our services as set out above are subject to the limitations on our liability set out in the engagement letter and in paragraph 18 of our standard terms and conditions. These are important provisions which you should read and consider carefully] [To be inserted *only* if you wish to attempt to limit liability.]

*[Date:*

*Name of practice.]*

*[Name of practice]*

## SCHEDULE OF SERVICES

This schedule should be read in conjunction with the engagement letter and the standard terms and conditions.

### TAX CREDITS

#### Recurring compliance work

1. We will prepare your tax credits claim form (TC600) and annual declaration (TC603D) from the information and explanations that you provide to us. After obtaining your approval and signature, we will submit your completed forms to HMRC.
2. We will calculate your entitlement to tax credits and check your tax credit award notices (TC602) and annual review (TC603R) on the basis of the information you have given us. We will advise you of any errors or omissions on the face of these documents and agree what action should be taken to inform HMRC.
3. We will inform HMRC on your behalf of any changes of circumstances during the year for which notification is mandatory (which generally must be done within one month of the change). *[We will advise you of such circumstances [insert details of when client will be advised eg on becoming a client and annually thereafter and when the regulations change]]/[We will provide a checklist of such circumstances]*

*[Note that it must be clear whether the practitioner or the client is to deal with notifying changes. Many practitioners will prefer to leave this to the client, in view of the very short time limit for notifying HMRC and the risk of overpayments accruing if notification is not done as soon as possible. If the client is to be responsible, delete this paragraph and also paragraph 11(e), and include paragraph 10 instead.]*

*The changes of circumstances can be found in Regulation 21 Tax Credits (Claims and Notification) Regulations 2002/2014. Practitioners may wish to provide clients with a checklist of these; any checklist should be reviewed regularly to ensure that it reflects current legislation and that clients are advised accordingly.]*

4. If instructed, we will deal with HMRC by telephone on any aspect of your tax credits affairs.

#### Advisory and ad hoc work

5. Where you have instructed us to do so, we will provide such other tax credits ad hoc and advisory services as may be agreed between us from time to time. These may be the subject of a separate engagement letter at our option. Where appropriate we will discuss and agree an additional fee for such work when it is commissioned by you. Examples of such work include:
  - Advising you on your eligibility for working tax credit and/or child tax credit based on the information you give us about your household circumstances;
  - Advising you of any possible claims or reliefs or other planning measures that may have a bearing on your tax credits entitlement, including but not limited to gift aid, pension contributions, and trading loss reliefs;
  - Explaining to you what you must report to HMRC including the time limits for doing so, and what it would be in your interests to report to HMRC (but not obligatory for you to do so);
  - Assisting you with any tax credit examinations or enquiries raised by HMRC, or with any other communications with HMRC regarding your entitlement;

- Advising you of the implications that any changes to your tax credit award might have for other aspects of your tax affairs; and
- In general, when considering your tax affairs, advising you of the tax credit implications of any proposed course of action.

*[This final bullet point will not be relevant if the practitioner does not deal with any other aspect of the client's tax affairs.]*

### **Changes in the law**

6. We will not accept responsibility if you act on advice given by us on an earlier occasion without first confirming with us that the advice is still valid in the light of any change in the law or your circumstances.
7. We will accept no liability for losses arising from changes in the law or the interpretation thereof that are first published after the date on which the advice is given.

### **Your responsibilities**

8. You are legally responsible for:
  - (a) Ensuring that all documents and information submitted to HMRC are correct, complete and on time; and
  - (b) Ensuring that HMRC are informed promptly of any changes in your income or circumstances, or of any errors or omissions in any document sent to you by HMRC.

Failure to do this may lead to or exacerbate an overpayment, and may in certain cases give rise to penalties, and/or interest.

Taxpayers who sign their claims and renewal forms cannot delegate this legal responsibility to others. You agree to check that documents that we have prepared for you are complete before you approve and sign them.

9. Responsibilities in relation to joint tax credit claims are set out below under 'You and your spouse/partner' if applicable.
10. You will be responsible for informing HMRC of any changes of circumstances during the year for which notification is mandatory (which generally must be done within one month of the change). [We will advise you of such circumstances *[insert details of when client will be advised e.g. on becoming a client and annually thereafter and when the regulations change]*]/[We will provide a checklist of such circumstances]

*[This is only relevant where the practitioner is not going to deal with notifying changes. If paragraph 10 is included, delete paragraphs 3 and 11(e).]*

11. To enable us to carry out our work you agree:
  - (a) That all claims and renewals are to be made on the basis of full disclosure of your income and circumstances;
  - (b) To provide full information necessary for dealing with your affairs: we will rely on the information and documents being true, correct and complete and will not audit the information or those documents;

- (c) To authorise us to approach such third parties as may be appropriate for information that we consider necessary to deal with your affairs; and
- (d) To provide us with information in sufficient time for your renewal forms to be completed and submitted by the due date following the end of the tax year. In order that we can do this, we need to receive all relevant information by [insert date].
- (e) To provide us with information about changes of circumstance which must be reported to HMRC as soon as possible and in any event within sufficient time for us to tell HMRC within one month of the change.

*[Delete point (e) if it is to be the client and not the practitioner who deals with this.]*

- 12. You will keep us informed of material changes in your circumstances that could affect your tax credit entitlement. If you are unsure whether the change is material or not please let us know so that we can assess its significance.
- 13. You will forward to us HMRC notices, statements of account, letters and other communications received from HMRC in time to enable us to deal with them as may be necessary within the requisite time limits. Although HMRC have the authority to communicate with us when form 64-8 has been signed and submitted it is essential that you let us have copies of any correspondence received because HMRC are not obliged to send us copies of communications issued to you and in most cases will not do so. You should also keep a note of any telephone communication you have with HMRC's tax credits helpline, including the date and time of the call, and the name of the helpline operator(s).

#### **[You and your spouse/partner]**

*[For use where services are provided to a couple who are required to make a joint tax credits claim – in which case the practitioner will need access to all relevant information about both partners.]*

*[Note also that joint claims must be made if the household is a polygamous unit – practitioners will need to adapt the wording if this applies to the client.]*

- 14. A couple must claim tax credits jointly. A 'couple' comprises spouses or civil partners who are not separated, or two people living together as husband and wife or as if they were civil partners.

Note that members of a couple are jointly and severally liable to repay overpaid amounts of tax credit – in other words, HMRC can recover an overpayment from either partner or from both partners in equal or unequal proportions.

- 15. Where we act for you as a couple in respect of a joint claim, we shall advise you and your spouse or civil partner or any person(s) with whom you are making a joint claim for tax credits (your 'partner') on the basis that you are a household. You both agree that in all matters relating to your or your partner's tax and financial affairs, we may deal directly with either of you and we may discuss with either of you the tax liabilities and/or financial affairs of the other, so far as they are relevant to your tax credits entitlement.
- 16. In order for us to act for you as a couple in respect of a joint claim, you undertake that all instructions, information or explanations either of you gives us will be on behalf of both of you, unless you specifically tell us otherwise. Similarly, if one of you signs a document, it will be on behalf of you both unless you instruct us to the contrary. If a conflict of interest should arise between you in relation to any matter to do with your joint claim or entitlement, we reserve the right to cease acting for both of you, or to advise one or other of you to obtain independent advice.

17. We will require your partner's agreement to these arrangements and [are sending them a separate engagements letter for approval] OR [would ask both of you to sign this schedule to confirm your approval].

*[Note – the agent can either send engagement letters to each partner or ask them to sign a joint one. If the agent performs other tax services for the other partner, it will be best to send the other partner their own tax credits schedule.]*

18. You undertake to tell us if you cease to be a couple because this will terminate the joint claim. You cease to be a couple for tax credits purposes if:

- You were a married couple or civil partners and you have separated under a court order, or in circumstances in which the separation is likely to be permanent; or
- You were living together as husband and wife, or as if you were civil partners, but no longer do so; or
- One of you has gone overseas for longer than eight weeks (even if you still regard yourselves as living together in the usual sense).

HMRC will need to be informed if the joint claim terminates, and we will also need to amend our terms of engagement accordingly. If you are unsure whether you have ceased to be a couple for tax credits purposes, please tell us so that we can assess the situation.

*[Date of version:*

*Date sent out:*

*Name of practice.]*



[Name of Practice]

## STANDARD TERMS AND CONDITIONS OF BUSINESS

*[To be adapted as appropriate to suit the practitioner's business and then printed on the practice headed notepaper. Please read the guidance notes before using this appendix. Apply or delete the words in square brackets as necessary]*

### 1. Applicable Law

Our engagement letter, the schedule of services and our standard terms and conditions of business are governed by, and should be construed in accordance with [English law/Scots law/other jurisdiction]. Each party agrees that the courts of England [Scotland] will have exclusive jurisdiction in relation to any claim, dispute or difference concerning this engagement letter and any matter arising from it. Each party irrevocably waives any right to object to any action being brought in those Courts, to claim that the action has been brought in an inappropriate forum, or to claim that those Courts do not have jurisdiction.

### 2. Client identification

As with other professional services firms, we are required to identify our clients for the purposes of the UK anti-money laundering legislation. We may request from you, and retain, such information and documentation as we require for these purposes and/or make searches of appropriate databases.

### 3. Client money

We may from time to time hold money on your behalf. Such money will be held in trust in a client bank account, which is segregated from the firm's funds.

### 4. Commissions and other benefits

In some circumstances we may receive commissions or other benefits for introductions to other professionals or in respect of transactions which we arrange for you. Where this happens we will notify you in writing of the amount and terms of payment and receipt of any such commissions or benefits. [The same will apply where the payment is made to or the transactions are arranged by a person or business connected with ours.] [The fees you would otherwise pay will [not] be reduced by the amount of the commissions or benefits.] [When we reduce the fees that we would otherwise charge by the amount of commission retained, we will apply the HMRC concession which allows VAT to be calculated on the net fee after deduction of the commission].

### 5. Complaints

We are committed to providing you with a high quality service that is both efficient and effective. However, should there be any cause for complaint in relation to any aspect of our service please contact [.....]. [Where your complaint relates to that person, you should instead please contact [.....]] We agree to look into any complaint carefully and promptly and do everything reasonable to put it right. If you are still not satisfied you can refer your complaint to our professional body, *(insert professional body)*.

### 6. Confidentiality

Communication between us is confidential and we shall take all reasonable steps to keep confidential your information except where we are required to disclose it by law, by regulatory bodies, by our insurers or as part of an external peer review. Unless we are authorised by you to disclose information on your behalf this undertaking will apply during and after this engagement.

We may, on occasions, subcontract work on your affairs to other tax or accounting professionals. The subcontractors will be bound by our client confidentiality terms.

We reserve the right, for the purpose of promotional activity, training or for similar business purpose, to mention that you are a client. As stated above we will not disclose any confidential information.

## **7. Conflicts of interest**

We will inform you if we become aware of any conflict of interest in our relationship with you or in our relationship with you and another client (see clause 51, Guidance Notes). We have safeguards that can be implemented to protect the interests of different clients if a conflict arises. Where conflicts are identified which cannot be managed in a way that protects your interests then we regret that we will be unable to provide further services. If this arises, we will inform you promptly.

If there is a conflict of interest that is capable of being addressed successfully by the adoption of suitable safeguards to protect your interests then we will adopt those safeguards. Where possible this will be done on the basis of your informed consent. We reserve the right to act for other clients whose interests are not the same as or are adverse to yours subject of course to the obligations of confidentiality referred to above.

## **8. Data Protection**

We confirm that we will comply with the provisions of the Data Protection Act 1998 when processing personal data about you [ your directors and employees and your/their family/ies {*amend as appropriate in each case*}]. In order to carry out the services of this engagement and for related purposes such as updating and enhancing our client records, analysis for management purposes and statutory returns, legal and regulatory compliance and crime prevention we may obtain, process, use and disclose personal data about you.

## **9. Disengagement**

Should we resign or be requested to resign we will normally issue a disengagement letter to ensure that our respective responsibilities are clear.

Should we have no contact with you for a period of [*insert period*] or more we may issue to your last known address a disengagement letter and thereafter cease to act.

## **10. Electronic and other communication**

Unless you instruct us otherwise we may, where appropriate, communicate with you and with third parties via email or by other electronic means. The recipient is responsible for virus checking emails and any attachments.

With electronic communication there is a risk of non-receipt, delayed receipt, inadvertent misdirection or interception by third parties. We use virus-scanning software to reduce the risk of viruses and similar damaging items being transmitted through emails or electronic storage devices. However electronic communication is not totally secure and we cannot be held responsible for damage or loss caused by viruses nor for communications which are corrupted or altered after despatch. Nor can we accept any liability for problems or accidental errors relating to this means of communication especially in relation to commercially sensitive material. These are risks you must agree to bear in return for greater efficiency and lower costs. If you do not wish to accept these risks please let us know and we will communicate by paper mail, other than where electronic submission is mandatory.

Any communication by us with you sent through the post [or DX] system is deemed to arrive at your postal address two working days after the day that the document was sent.

## **11. Fees and payment terms**

Our fees may depend not only upon the time spent on your affairs but also on the level of skill and responsibility

and the importance and value of the advice that we provide, as well as the level of risk.

If we provide you with an estimate of our fees for any specific work, then the estimate will not be contractually binding unless we explicitly state that that will be the case.

Where requested we may indicate a fixed fee for the provision of specific services or an indicative range of fees for a particular assignment. It is not our practice to identify fixed fees for more than a year ahead as such fee quotes need to be reviewed in the light of events. If it becomes apparent to us, due to unforeseen circumstances, that a fee quote is inadequate, we reserve the right to notify you of a revised figure or range and to seek your agreement thereto.

In some cases, you may be entitled to assistance with your professional fees, particularly in relation to any investigation into your tax affairs by HMRC. Assistance may be provided through insurance policies you hold or via membership of a professional or trade body. Other than where such insurance was arranged through us you will need to advise us of any such insurance cover that you have. You will remain liable for our fees regardless of whether all or part are liable to be paid by your insurers.

We will bill [monthly]/ [quarterly]/ [half-yearly] and our invoices will be due for payment [upon presentation/within [14]/ [30] days of issue]. Our fees are exclusive of VAT which will be added where it is chargeable. Any disbursements we incur on your behalf and expenses incurred in the course of carrying out our work for you will be added to our invoices where appropriate.

Unless otherwise agreed to the contrary our fees do not include the costs of any third party, counsel or other professional fees.

[It is our normal practice to issue "Applications for Payment" when dealing with continuous or recurring work. The payment terms for "Applications for Payment" are the same as for invoiced fees. A VAT invoice will be issued to you upon receipt of your payment.]

[It is our normal practice to ask clients to pay by monthly direct debit and to periodically adjust the monthly payment by reference to actual billings.]

We reserve the right to charge interest on late paid invoices at the rate of [3%]/ [5%] above bank base rates under the Late Payment of Commercial Debts (Interest) Act 1998. We also reserve the right to suspend our services or to cease to act for you on giving written notice if payment of any fees is unduly delayed. We intend to exercise these rights only where it is fair and reasonable to do so.

If you do not accept that an invoiced fee is fair and reasonable you must notify us within 21 days of receipt, failing which you will be deemed to have accepted that payment is due.

## **12. Implementation**

We will only assist with implementation of our advice if specifically instructed and agreed in writing.

## **13. Intellectual property rights**

We will retain all copyright in any document prepared by us during the course of carrying out the engagement save where the law specifically provides otherwise.

## **14. Interpretation**

If any provision of this engagement letter or enclosed schedules is held to be void, then that provision will be deemed not to form part of this contract and the remainder of this agreement shall be interpreted as if such provision had never been inserted .

In the event of any conflict between these terms of business and the engagement letter or appendices, the relevant provision in the engagement letter or schedules will take precedence.

#### **15. Internal disputes within a client**

If we become aware of a dispute between the parties who own or are in some way involved in the ownership and management of the business, it should be noted that our client is the business and we would not provide information or services to one party without the express knowledge and permission of all parties. Unless otherwise agreed by all parties we will continue to supply information to the [registered office/normal place of business] for the attention of the [directors/proprietors]. If conflicting advice, information or instructions are received from different directors/principals in the business we will refer the matter back to the board of directors/the partnership/ the LLP and take no further action until the board/partnership/LLP has agreed the action to be taken.

#### **16. Investment advice (including insurance mediation services)**

Investment business is regulated under the Financial Services and Markets Act 2000.

*[If not authorised by the Financial Services Authority or licensed by a Designated Professional Body]*

If, during the provision of professional services to you, you need advice on investments, including insurances, we may have to refer you to someone who is authorised by the Financial Services Authority or licensed by a Designated Professional Body as we are not authorised to give such advice.

*[If licensed by a Designated Professional Body]*

If during the provision of taxation services to you, you need advice on investments, we may have to refer you to someone who is authorised by the Financial Services Authority. However, as we are licensed by the *[insert name of Designated Professional Body]*, we may be able to provide certain investment services that are complementary to, or arise out of, the professional services we are providing to you. Such services may include *[specify the nature of any exempt regulated activities the firm undertakes]*.

#### **17. Lien**

Insofar as we are permitted to do so by law or professional guidelines, we reserve the right to exercise a lien over all funds, documents and records in our possession relating to all engagements for you until all outstanding fees and disbursements are paid in full.

#### **18. Limitation of liability**

We will provide our services with reasonable care and skill. Our liability to you is limited to losses, damages, costs and expenses directly caused by our negligence or wilful default.

##### Exclusion of liability for loss caused by others

We will not be liable if such losses, penalties, surcharges, interest or additional tax liabilities are caused by the acts or omissions of any other person or due to the provision to us of incomplete, misleading or false information or if they are caused by a failure to act on our advice or a failure to provide us with relevant information.

##### Exclusion of liability in relation to circumstances beyond our control

We will not be liable to you for any delay or failure to perform our obligations under this engagement letter if the delay or failure is caused by circumstances outside our reasonable control.

### Exclusion of liability relating to the discovery of fraud etc

We will not be responsible or liable for any loss, damage or expense incurred or sustained if information material to the service we are providing is withheld or concealed from us or misrepresented to us. This applies equally to fraudulent acts, misrepresentation or wilful default on the part of any party to the transaction and their directors, officers, employees, agents or advisers.

This exclusion shall not apply where such misrepresentation, withholding or concealment is or should (in carrying out the procedures which we have agreed to perform with reasonable care and skill) have been evident to us without further enquiry beyond that which it would have been reasonable for us to have carried out in the circumstances.

### Indemnity for unauthorised disclosure

You agree to indemnify us and our agents in respect of any claim (including any claim for negligence) arising out of any unauthorised disclosure by you or by any person for whom you are responsible of our advice and opinions, whether in writing or otherwise. This indemnity will extend to the cost of defending any such claim, including payment at our usual rates for the time that we spend in defending it.

### [Limitation of aggregate liability

Where the engagement Letter specifies an aggregate limit of liability, then that sum shall be the maximum aggregate liability of this [firm, company or LLP], its [principals, partners, directors or members] agents and employees to all persons to whom the engagement letter is addressed and also any other person that we have agreed with you may rely on our work. By signing the engagement letter you agree that you have given proper consideration to this limit and accept that it is reasonable in all the circumstances. If you do not wish to accept it you should contact us to discuss it before signing the engagement letter.]

You have agreed that you will not bring any claim of a kind that is included within the subject of the limit against any of our [principals] [partners] [directors] [members] or [employees]; on a personal basis

## **19. Limitation of Third Party rights**

The advice and information we provide to you as part of our service is for your sole use and not for any third party to whom you may communicate it unless we have expressly agreed in the engagement letter that a specified third party may rely on our work. We accept no responsibility to third parties, including any group company to whom the engagement letter is not addressed, for any advice, information or material produced as part of our work for you which you make available to them. A party to this agreement is the only person who has the right to enforce any of its terms and no rights or benefits are conferred on any third party under the Contracts (Rights of Third Parties) Act 1999.

## **20. Period of engagement and termination**

Unless otherwise agreed in the engagement covering letter our work will begin when we receive your implicit or explicit acceptance of that letter. Except as stated in that letter we will not be responsible for periods before that date.

Each of us may terminate this agreement by giving not less than 21 days notice in writing to the other party except where you fail to cooperate with us or we have reason to believe that you have provided us or HMRC with misleading information, in which case we may terminate this agreement immediately. Termination will be without prejudice to any rights that may have accrued to either of us prior to termination.

In the event of termination of this contract, we will endeavour to agree with you the arrangements for the completion of work in progress at that time, unless we are required for legal or regulatory reasons to cease work immediately. In that event, we shall not be required to carry out further work and shall not be responsible or

liable for any consequences arising from termination.

## **21. Professional rules and statutory obligations**

We will observe and act in accordance with the bye-laws, regulations and ethical guidelines of the *[insert relevant professional body]* and will accept instructions to act for you on this basis. In particular you give us the authority to correct errors made by HMRC where we become aware of them. We will not be liable for any loss, damage or cost arising from our compliance with statutory or regulatory obligations. You can see copies of these requirements at our offices. The requirements are also available on-line at *[insert relevant professional body web address]*.

## **22. Reliance on advice**

We will endeavour to record all advice on important matters in writing. Advice given orally is not intended to be relied upon unless confirmed in writing. Therefore, if we provide oral advice (for example during the course of a meeting or a telephone conversation) and you wish to be able to rely on that advice, you must ask for the advice to be confirmed by us in writing.

## **23. Retention of papers**

You have a legal responsibility to retain documents and records relevant to your tax affairs. During the course of our work we may collect information from you and others relevant to your tax affairs. We will return any original documents to you *[if requested]*. Documents and records relevant to your tax affairs are required by law to be retained as follows:

Individuals, trustees and partnerships

- with trading or rental income: 5 years and 10 months after the end of the tax year;
- otherwise: 22 months after the end of the tax year;

Companies, LLPs and other corporate entities

- 6 years from the end of the accounting period;

Whilst certain documents may legally belong to you we may destroy correspondence and other papers that we store, electronically or otherwise, which are more than 7 years old. You must tell us if you require the return or retention of any specific documents for a longer period.

## **24. The Provision of Services Regulations 2009 ('Services Directive')**

In accordance with our professional body rules, we are required to hold professional indemnity insurance. Details about the insurer and coverage can be found at *[insert web address]* or at our offices.

Members are also referred to Chapter 10 of the Professional Rules and Practice Guidelines [CIOT Professional Rules and Practice Guidelines](#) or [ATT Professional Rules and Practice Guidelines](#) on this subject.

## DISENGAGEMENT LETTER WORDING

The following wording is given as an example. It may not be applicable in every case or be in line with the method of operation of your practice and may, consequently, require addition or amendment.

### ADDRESSEE

To: the Board of Directors of .....

To: [Mr] [Mrs] [Miss].....

To: .....Business / client name

Dear.....

### 1. Purpose

The purpose of this letter is to set out matters connected with [our decision to cease acting as your tax advisers\*] [your decision to replace us as your tax advisers\*] with immediate effect.

### 2. Summary of Services Provided

During the course of our professional work for you we have provided the following services:

Completion of personal tax returns\*

Completion of business tax returns\*

Preparation of VAT returns\*

Payroll processing\*

Bookkeeping\*

Accounts preparation\*

Other (*insert any other services provided*)\*

*\* delete as appropriate*

These services, together with a summary of the respective responsibilities of both yourselves and us relating to them, and the terms of business on which we provided our service, were set out in our Letter of Engagement to you dated .....

### 3. Current Status Report

To ensure that you are fully aware of the current status, including applicable dates by which aspects of these services are normally due, we attach to this letter a progress report. This report sets out, by service, information relating to the last completed service cycle, details of progress to date in respect of the current service cycle, and its applicable 'due date'. This report should assist the firm succeeding us as your tax advisers to assume responsibility for this work.

[In view of the due date relating to ..... service we have agreed to continue with our responsibilities in respect of this service alone.]

### 4. Respective Responsibilities

With respect to our resignation as your tax advisers, our responsibilities to you, with the exception of the specific matters referred to in section 3 (above) will cease with immediate effect. You will be solely responsible for identifying another tax adviser to take on these responsibilities or to satisfy the need for the services that we provided in other ways. To assist you and any successor, we have drawn your attention to relevant dates associated with the services provided in section 3 (above).

Our responsibilities, on resignation as tax advisers, include responding to the enquiry of any successor and disclosing, with your consent, any issues or circumstances relevant to their decision to accept or decline

appointment. It is also common for practitioners to combine this initial professional enquiry with a request for information and documents relevant to the engagement. We will, unless significant additional work is entailed, be pleased to respond to these enquiries at no additional fee, and would be pleased if you would indicate your agreement to our satisfying these requests by signing and returning to us the authority attached to this letter.

#### **5. Limitation of Third Party rights**

We should remind you of the provisions limiting the rights of third parties to rely on our work set out in Paragraph 19 of our Terms and Conditions of Business, which provide as follows: *"The advice and information we provide to you as part of our service is for your sole use and not for any third party to whom you may communicate it unless we have expressly agreed in the engagement letter that a specified third party may rely on our work. We accept no responsibility to third parties, including any group company to whom the engagement letter is not addressed, for any advice, information or material produced as part of our work for you which you make available to them. A party to this agreement is the only person who has the right to enforce any of its terms and no rights or benefits are conferred on any third party under the Contracts (Rights of Third Parties) Act 1999."*

#### **6. Retention of Records**

During the course of our work we have collected information from you and other parties acting on your behalf. Some of these records and other items of documentation should be retained by you to satisfy your statutory obligations. We will be pleased to return any original documents or documents that legally belong to you on request. We should advise you, however, that if you fail to collect such records within six months of the date of this letter, we cannot be held responsible for their safekeeping and we may return any original documents to your last known address and destroy any other documents and records that we hold without further notice.

#### **7. Fees**

With reference to our fees, we calculate that an amount of £..... plus VAT, as set out on the attached invoice, remains due from you.

[A further fee will be due to us in respect of the additional work set out in section 3 (above) and] if it is necessary to carry out work outside the responsibilities outlined in this letter, we will advise you in advance.]

#### **8. HMRC**

We have informed HMRC that we are no longer acting for you and that until further notice, all correspondence should be sent to you in the event that a new adviser has not been appointed.

#### **9. Confirmation of our Agreement**

To confirm that you have read and understood the contents of this letter and agree that it accurately reflects your understanding of our disengagement, please sign and return the enclosed duplicate. If it is not returned to us within [21 days] of the date of this letter, we shall proceed as if you had provided such agreement

Yours sincerely

.....Firm name