



Morris Cohen Glen & Co
Chartered Accountants

Taxation Services – Terms of Engagement

Purpose of this document

These Terms of Engagement sets out further details in respect of the terms of the engagement and the scope of the work to be performed by us, as noted in your engagement letter.

Only those taxation services that have both been listed below and in the engagement letter issued to you are relevant to yourself (and/or your organisation(s)). However, in the event that you wish us to provide you with additional taxation services then you may wish to review the other items listed below.

Please note that in the foregoing paragraphs any reference to “you”, “organisation”, “associated entities” or similar is a reference to those parties listed in your engagement letter.

Please read this document carefully and if you have any queries or wish to discuss any aspect do not hesitate to contact us.

New Tax Agents Regime

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

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

To obtain the benefits of “safe harbour” protection, the legislation requires the taxpayer to provide the registered tax agent with “all relevant taxation information” to enable accurate statements to be provided to the Australian Taxation Office. This requirement is important both to us as the tax agent and the associated entities listed on your engagement letter in terms of understanding the scope of our engagement as set out below. An explanation of the “safe harbour” provisions is located at the end of this document in Appendix 1.

Purpose and scope of our engagement – addendum to our engagement letter

Our engagement may comprise any or all of the following services mentioned in the engagement letter:

- Preparation and lodgement of Business Activity Statements (BAS) for your organisation(s);
- Preparation of the annual financial statements for your organisation(s);
- Preparation and lodgement of the annual income tax returns for your organisation(s);
- Preparation and lodgement of annual FBT returns for your organisation(s), and
- Preparation and lodgement of superannuation returns for your superannuation fund.

This letter relates only to the abovementioned services and details the basis and terms of the engagement in respect of those particular services. Work that is performed or disbursements that are incurred which are outside the scope of our engagement will be the subject of additional charge. It should be noted at the outset that as a general proposition we rely upon our clients to provide us with accurate and timely information to enable us to properly perform our engagement obligations. Consequently, any rectifying work performed by us on the basis of incorrect or late information will be work which is outside the scope of our engagement and will be charged as additional services.

Business Activity Statements (BAS)

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

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

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

- The financial information provided to us is accurate.
- The financial information correctly states the GST position. For example, all input tax credits and GST payable amounts have been correctly recorded in the general ledger. If you are unsure of the correct position or require advice regarding this, please contact us.
- You have the necessary supporting documentation to satisfy the Australian Taxation Office for GST purposes. Again, if you are unsure of the ATO requirements or require advice regarding these documents, please contact us.
- You hold valid tax invoices and adjustment notes for all expenditure incurred by you in respect of which an input tax credit is being claimed. Substantial penalties apply for an incorrectly prepared BAS. If you have any queries in respect to this, please contact our office for assistance.

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

Should any discrepancies arise, we will discuss the need to correct either the BAS and/or financial accounts.



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Financial accounts

This firm has been engaged to prepare the annual financial accounts of the business entities in your group. This service includes the preparation of Special Purpose financial statements that will include:

- A profit and loss statement;
- A balance sheet; and
- Notes for the above accounts.

This service includes maintenance of the chart of accounts for the general ledgers of your business entities. It also includes telephone support should you require any assistance as to how to record specific transactions in the general ledger. This service also includes the preparation and lodgement of any standard reports that are required to be furnished to ASIC.

This service does not include the preparation of one-off accounts for presentation to your financiers for additional finance and the like. The scope of our engagement in respect of financial statements preparation should be read in conjunction with the other comments in your engagement letter.

Accounting & record keeping

In undertaking this engagement, it is understood that, unless we have been engaged to attend to any bookkeeping or related services applicable to the organisation, you will generally ensure that:

The bookkeeping for all business entities is maintained on a regular basis.

Reconciliations for the bank accounts, debtors and creditors are performed at the end of each month for each of the business entities.

Additionally, it is expected that:

- A stocktake will be performed during the last weekend in June for each entity that deals in trading stock.
- It is expected that the trial balance of each of the business entities will be completed and will be forwarded to us along with any relevant documentation and data files no later than 31 March (following the end of financial year) each year, unless advised earlier by our office.
- In respect of the personal tax returns for you and your family, it is expected that all relevant information will be collated and forwarded to our office by 31 March each year, unless advised earlier by our office.

Income tax returns

This firm has been engaged to prepare and lodge income tax returns for the business entities in your group.

Unless we are also engaged to assist in financial statements preparation (as noted above), this firm will not be responsible for reviewing or verifying any financial records or statements provided to it either via manual cashbooks or prepared on accounting software such as MYOB or Reckon.

Correct coding or classification of accounts is outside the scope of this engagement. If assistance is required on how to correctly code, or to review how you currently do so, please discuss this with us. This will entail work which is outside the scope of this engagement and will be charged as additional services.

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

It is also expected that, in respect of individual income tax returns, each person will have the necessary documents so as to comply with the substantiation provisions of the Income Tax Assessment Act.

We will, where requested, specifically advise as to the requirements of the substantiation provisions relating to your income tax return and of the necessity to obtain acceptable receipts as specifically required by the legislation. However, we will not be checking that the requirements of the substantiation provisions have been satisfied.

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

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

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

Each associated entity of the Client agrees that we can bank into our trust account tax refund amounts received on behalf of that client, and can deduct from those amounts any fees owed to us either by that client or by any other member of the Group.



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Fringe benefits tax returns

This firm has also been engaged to prepare and lodge the FBT returns for your business entities.

Please note, with the introduction of GST, it may not always be possible to prepare an FBT return from the information contained in the general ledger. It may be necessary to revert to the source documentation to allow our firm to analyse the FBT implications of any transaction.

Our fee for this service includes:

- advice on how to collate the information necessary to prepare the annual FBT return;
- telephone advice on basic FBT issues;
- an annual review of the methods available to reduce your FBT expenses, and
- calculation of Reportable Fringe Benefits Tax Amounts that may be required to be included on the annual payment summaries for your employees (including family members employed in the business of any associated entity).

Superannuation

This firm has also been engaged to attend to the income tax compliance work for your superannuation fund. This assignment will involve:

- Preparation of the superannuation fund's accounts for the purposes of the *Superannuation Industry Supervision Act (the SIS Act)*.
- Preparation and lodgement of the SMSF annual return. It is important to note as part of the regulatory framework for SMSFs, an annual audit of the fund must be undertaken and provided to the trustees of the fund before the SMSF annual return is lodged. Therefore, trustees of the fund must ensure that they provide the fund accounting records no later than 31 March (following the end of the financial year) to allow these tasks to be completed, or earlier if advised by this office.
- The possible assistance of a contractor based in India. All client information is securely stored on our server in our Melbourne office at all times via our Cloud-based software providers.
- With respect to the annual audit of the SMSF referred to above, the audit will be undertaken by this office. A specific engagement letter focusing upon the SMSF's audit requirements will also be issued as part of the audit engagement.

In addition to the basic financial information required to complete these requirements, it is expected that the source documentation will be available to allow this firm to analyse the implications of any superannuation related transaction.

Additionally, our engagement does not extend to updating your SMSF's trust deed, nor a review of the deed outside what is required as part of our audit engagement. If during the course of our audit engagement we believe that the trust deed requires updating or is not in compliance with applicable legislation, we will discuss this with you accordingly and, if necessary, recommend any services to rectify this.

Our service in respect of your SMSF does not cover any inquiries made by or investigations conducted by the Australian Taxation Office.

Additional Services

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

However, any additional services or advice that you request are outside the scope of our engagement and not included in this agreed fee. These services will be charged on the basis of the time and degree of skill and acumen required to complete the task undertaken by us, including any direct out of pocket expenses. Please note in particular that any correspondence from the Australian Taxation Office that does not relate to initial assessments nor original payment notices, will be charged as additional services.

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

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

Our Responsibilities

A compilation engagement involves applying expertise in accounting and financial reporting to assist you in the preparation and presentation of financial information. Since a compilation engagement is not an Assurance Engagement, we are not required to verify the reliability, accuracy or completeness of the information you provide to us for the compilation engagement, or otherwise to gather evidence to express an audit opinion or a review conclusion. Accordingly, we will not express an audit opinion or a review conclusion on whether the special purpose financial statements are prepared in accordance with the basis of accounting you have specified, as described above.

We will perform the compilation engagement in accordance with APES 315 Compilation of Financial Information. APES 315 requires that, in undertaking this engagement, we comply with the relevant ethical requirements of APES 110 Code of Ethics for Professional Accountants.



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Your Responsibilities

The compilation engagement to be performed is conducted on the basis that you acknowledge and understand that our role is to assist you in the preparation and presentation of the special purpose financial statements in accordance with the financial reporting framework you have adopted for the special purpose financial statements. Accordingly, you have the following overall responsibilities that are fundamental to our undertaking the compilation engagement in accordance with APES 315:

- a) Responsibility for the form and content of the financial information in accordance with an applicable financial reporting framework that is acceptable in view of the intended use of the special purpose financial statements and the intended users.
- b) Responsibility for the reliability, accuracy and completeness of the accounting records and disclosures you provide to us for the purpose of compiling the special purpose financial statements.
- c) Responsibility for the judgements needed in the preparation and presentation of the special purpose financial statements, including those for which we may provide assistance in the course of compilation engagement.

Our Compilation Report

As part of our engagement, we will issue our report attached to the special purpose financial statements compiled by us, which will describe the special purpose financial statements, and the work we performed for the compilation engagement. The report will also note that the use of the special purpose financial statements is restricted to the purpose set out in this engagement letter, and that use and distribution of our report is restricted to you, as management.

Taxation Matters

As a client of this practice, we are required under the Tax Agent Services Act 2009 to advise you of your rights and obligations under the taxation laws in relation to the services we provide to you. For specific details of your rights and obligations, please see the document titled "Clients' Rights & Obligations under the Taxation Laws" on our website www.morco.com.au/services

Quality Control

The conduct of this engagement in accordance with the standards and ethical requirements of Chartered Accountants Australia and New Zealand means that information acquired by us in the course of the engagement is subject to strict confidentiality requirements. That information will not be disclosed by us to other parties except as required or allowed for by the law or professional standards, or with your express consent.

Our files may, however, be subject to review as part of the quality control review program of Chartered Accountants Australia and New Zealand (CAANZ) which monitors compliance with professional standards by its members. We advise you that by signing this engagement you acknowledge that, if requested, our files relating to this engagement will be made available under this program. Should this occur, we will advise you.

Limitation of Liability

Our liability is limited by a scheme approved under Professional Standards Legislation. Further information on the scheme is available from the Professional Standards Council's website:

http://www.psc.gov.au/sites/default/files/Scheme_ICAA_Scheme_Document_NSW_2014.pdf

Changes in the law and in interpretations may take place before our advice is acted upon or may be retrospective. In effect, we therefore assume no responsibility for changes occurring after the date of completion of the relevant services.

Some of the matters on which we may be asked to advise on may have personal tax implications for directors and employees for which we are not responsible unless specifically instructed to address these issues on an individual basis.

Other Factors for Consideration

• No statutory financial audits are conducted

You and your employees are responsible for the maintenance of the accounting systems and internal controls for all the business entities. That includes the keeping and maintenance of all required books of account.

Unless specifically engaged, our firm is not conducting a statutory audit of the financial records of any of your business entities and we will not express an auditor's opinion as to the truth and fairness of the financial statements.

• Documentation

Before we lodge any income tax returns on your behalf, we will forward the documents to you for approval. We will endeavour to ensure that the returns are lodged by the due dates and will endeavour to advise you to send us your documentation in a timely manner to allow us to meet lodgement deadlines. If you are late in providing information, we will do our best to meet time limits, but we will not be responsible for any late lodgement penalties or interest charges you may incur.



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Professional Fees and Payments

We look forward to full cooperation with your staff and we trust that they will make available to us whatever records, documentation and other information requested in connection with our compilation. Our fees, which will be billed as work progresses, are based on the time required by the individuals assigned to the engagement plus out-of-pocket expenses. Individual hourly rates vary according to the degree of responsibility involved and the experience and skill required. We wish to point out that our time on each engagement is recorded on a basis of units worked with each unit representing one minute of time. In accordance with inflation and industry comparisons, our charge out rates are reviewed on the first of July each year and adjusted where appropriate.

We shall endeavour to bill your organisation progressively and in accordance with the amount of work performed and request that remittance of the charges be made upon receipt of our invoices. Should payment not be received within our normal trading terms of net 30 days, interest may be charged at the rate of 2% (two per cent) per month calculated on monthly rests on all outstanding amounts commencing from the date of invoices rendered. The neglect or failure of Morris Cohen Glen & Co to claim interest on any particular invoice shall not affect the validity of this provision with respect to subsequent invoices rendered.

Any estimate of the cost of service is only an estimate and the actual cost may vary. It is not always possible to provide an accurate estimate of the total cost, as the total cost may change due to unforeseeable problems and delays, the cooperation or otherwise of third persons and deficiencies in documentation. If the costs are likely to be significantly higher than originally estimated, we will inform you in writing of the reasons for the likely increase.

We may require you to deposit money into our trust account in anticipation of our fees and charges. If you fail to make a required trust deposit, we may suspend work or terminate this engagement. Each associated entity authorises us to apply trust moneys held on their behalf towards payment of fees and disbursements, and to meet our bill of costs which have been rendered and which have not been paid or disputed within 14 days after issue of the bill of costs.

Each associated entity is jointly and severally liable to pay our fees in respect of all work performed for all members of the Group. We may require that payment of our fees be guaranteed by one or more persons who are associated with the Client but are not themselves our clients (for example, company directors). If you fail to provide a required guarantee, we may suspend work or terminate this engagement.

If we suspend work or terminate this engagement by reason of your failure to make a trust deposit or provide a guarantee as required, we will not be liable for any loss or damage suffered by any client in the Group as a result of the suspension or termination.

GST

Our professional fees are inclusive of Goods and Services Tax ("GST"). If the services we are providing are provided to your business then you may be able to claim a GST input tax credit for the GST you pay us. However, this will not be the case if the services we provide are used by you in creating an input taxed supply. In this situation you cannot claim the GST associated with our professional fees as an input tax credit.

If your matter involves a mixture of taxable, GST free and input taxed supplies we will not apportion our professional fees between these categories of supply unless you have expressly requested us to do so.

Please note that if you make such a request after the commencement of any particular matter it may not be possible for us to subsequently apportion professional fees that were incurred prior to receiving your request. If you need separate advice on whether you will receive the benefit of a GST input tax credit for the GST paid to us then please contact us.

Disbursements

In addition to our professional fees, you will be responsible for payment of expenses which we incur on your behalf (together with the GST that we pay in relation to such expenses as set out below).

Certain government charges and fees included in some matters undertaken in the scope of our engagement are effectively "GST free" to the applicant, but will attract the 10% GST if paid by this firm and then passed on to you as part of our services. Accordingly for certain disbursements in this category, namely:

- ASIC fees;
- New company and trust deed orders; and
- Other specific disbursements notified from time to time,

We will act as your agents in incurring those disbursements. You will therefore technically be primarily liable to pay the account to the supplier. Under this agency relationship, you will receive the benefit of any concessional GST treatment of any part of the disbursement.

Where GST is payable on some or all of a supply acquired by us as your agent, we will forward you the Tax Invoice and you will be entitled to claim the input tax credits directly if you have an ABN and are entitled to claim input tax credits.

For all other disbursements (e.g., couriers, searches, photocopying, etc.) the treatment will be the same as for professional fees – i.e., we will incur the costs at first instance and invoice them on to you after making allowance for any GST input tax credits received by us on the acquisition. These invoices will include GST for which you may be entitled to claim an input tax credit.



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Terms of Payment

Unless other terms have been agreed to, our terms of payment are strictly 30 days from the date of each invoice. We will provide you with an itemised account of professional fees, costs and disbursements upon request.

Each associated entity of the client is jointly and severally liable to pay our accounts, regardless of which associated entity those accounts are addressed to.

Privacy Act 1988

You agree to indemnify Morris Cohen Glen & Co against any claims arising from any action taken by it on your behalf.

You authorise Morris Cohen Glen & Co to the extent permitted by law to collect, retain and use any information about you the client, for the purpose of dealing with the Australian Taxation Office in relation to your taxation obligations. You also authorise us to disclose any information obtained to any person for the purpose set out above.

Default and Consequences of Default

If you default on any invoice when due, you shall indemnify Morris Cohen Glen & Co from and against all legal costs and disbursements for collection or attempted collection of the defaulted amount.

If for any reason fees are not paid within thirty (30) days of our account being rendered, then we reserve the right to withhold action on further services until the account is paid in full.

Documents

Before we lodge any necessary documentation on your behalf, we will forward draft documentation to you for approval. We shall endeavour to ensure that documentation is lodged with the relevant departments by the due dates, provided all information and documentation is received within one month of its due date to allow us adequate time for preparation and lodgment of the documentation.

If you are late in providing information, we will do our best to meet the time limits, but we will not be responsible for any late lodgment penalties or interest charges you may incur.

It is our practice to destroy documents belonging to us after they are more than seven years old. Your acceptance of these terms includes your consent for us to destroy any documents, which strictly belong to you, which have been filed amongst our own papers.

Responsibility for Accounting and Internal Control Systems

We advise that the responsibility for the maintenance of a business accounting system and internal control systems rests with you (the client), including the protection of and prevention against fraud. You will be responsible for the maintenance and keeping of books of account. If any material weakness in the accounting system or internal control systems comes to our attention, we will advise accordingly.

It is important to remember that you are personally responsible for the information contained in any statutory return and that you must retain all necessary supporting documentation to substantiate your transaction. We will not take responsibility for any failure on your behalf to maintain adequate records. We will not independently verify the accuracy of such information and documents and we will not be liable for any loss or damage arising from any inaccuracy or other defect in any information or documents supplied by you.

Ownership of Documents

The final special purpose financial statements, tax return and any other documents which we are specifically engaged to prepare, together with any other original documents given to us, shall remain your property. Any other documents brought into existence by us including general journals, working papers, the general ledger, draft special purpose financial statements and/or tax returns, will remain our property at all times, however copies may be provided to you or a third party at our discretion.

Lien over Documents

In relation to any subsequent termination of our services, you are advised that any lien over any documents will be exercised in accordance with the Personal Property Securities Act terms below.



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Personal Property Securities Act

Unless otherwise defined in this agreement, the terms and expressions used in this clause have the meaning given to them by the Personal Property Securities Act 2009 ("PPSA").

You agree that:

1. In the event that we have a security interest over any personal property connected with you, including but not limited to a lien over documents to secured unpaid fees, you hereby consent to and agree to do all things necessary to enable us to lodge a Financing Statement on the Personal Properties Securities Register ("PPSR") in respect of such a security interest. You waive any right to receive a verification statement in respect of any such Financing Statement.
2. You will not attempt to register any interest on the PPSR over our property or any property over which we have a security interest.
3. You will keep us notified of any change of name, ACN, ABN or other details we may require to confirm your identity for the purposes of the PPSA; and
4. You must pay us the costs of any enforcement, discharge or necessary amendment of any Financing Statement relating to security interests connected with you.

To the maximum extent permitted by law, you agree that sections 130, 142 and 143 of the PPSA will not apply and waive any rights you may have pursuant to, and hereby contract out of, sections 95, 123, 129(2), 132, 134(2) and 135 of the PPSA and any other notice required under the PPSA which may be waived or contracted out of.

Information relating to your affairs

Our firm may, from time to time, use the services of third party contractors to perform some of the services we are engaged to perform for you. Each associated entity of the Client hereby authorises us to disclose information relating to that entity's affairs to all such third party contractors as we may choose to engage to perform such work.

Where we use the services of third party contractors, we are nevertheless responsible for the conduct and activities of those contractors and for the delivery of the services we are engaged to perform for you.

From time to time, our firm and our third party contractors may engage external IT service providers (including in relation to "cloud computing" services) in the performance of services under this engagement. associated entity of the Client hereby authorises us and our third party contractors to disclose information relating to those entities' affairs to all such external IT service providers as we or our third party contractors may choose to engage.

Communications

During the provision of our services we may wish to send messages and/or documents to each other by e-mail. As e-mail carries with it the possibility of inadvertent misdirection, or non-delivery of confidential material, unless you notify us otherwise you consent to the use of e-mail in accordance with the following:

Where messages are sent by e-mail, we will adopt the following procedures and require you to do likewise:

1. If sending a confidential e-mail message, the sender will indicate if a response is not wanted in an electronic form. All risks connected with sending by e-mail commercially sensitive information relating to your business are borne by you and are not our responsibility. If you do not accept this risk, you should notify us in writing that e-mail is not an acceptable means of communication.
2. Both parties will carry out procedures to protect integrity of data, in particular, it is the recipient's responsibility to carry out a virus check on any attachments before launching any documents, whether received on disk or otherwise.

From time to time there may be additional products and services available that we deem relevant to your business. This engagement authorises Morris Cohen Glen & Co to collate generic client information for the purposes of referral and contact by a related service or approved third-party provider.

Exclusivity

Morris Cohen Glen & Co will not be prevented or restricted by anything in this contract from providing services for other clients.

Engagement Team

Where it is requested by you that specific Morris Cohen Glen & Co staff carry out the engagement we will use reasonable efforts to ensure that these people are available to provide the services for you, workflow permitting. However it is understood that there may be times when particular staff are unavailable.

Previous Accountant

As a matter of professional courtesy, and in line with the requirements of CAANZ, we will need to inform your previous accountant that we have been engaged by you as your new accountant and to receive from them any outstanding matters and files. You may refuse to provide this information but in doing so it may cause delays in the efficient transfer of your files.



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Confirmation of engagement

Our conduct of service is in keeping with the professional and ethical requirements as per the Accounting Professional and Ethical Standards Board (APESB) and their issued standard APES 305 – Terms of Engagement. Future revisions to the standard are automatically incorporated into this agreement as and when they arise.

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

Once you are satisfied with the terms of our engagement, would you please have the relevant persons sign and date both copies of the engagement letter previously forwarded to you in the places indicated.

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

We note again that we are unable to perform any work for you until we receive the signed letter.

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

Yours sincerely,

MORRIS COHEN, GLEN & CO
Chartered Accountants



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Chartered Accountants

APPENDIX 1:

Explanation of the new 'safe harbour' rule

Dear Client,

You may have heard about a new initiative whereby taxpayers utilising the services of a registered tax agent will be given a 'safe harbour' (or exemption) from penalties even if:

- Their tax return is later discovered to have contained an error; or
- Their tax return is lodged late.

When did the new safe harbour provisions commence?

The 'safe harbour' can only apply for returns lodged on or after 1 March 2010.

How does the new safe harbour work?

The key to benefitting from the 'safe harbour' should the need arise, is for you to ensure that you provide us with all of the relevant tax information in your possession. This includes any records, or documents we request from you plus any other information you think may be relevant to the preparation of your tax return. The information provided must be complete and accurate.

It is equally important that you provide us with this information by the time it is requested so as to allow the return by its due date.

The safe harbour from late lodgment penalties can also apply where a BAS, IAS, or FBT return is lodged late.

What does the new safe harbour apply to?

Whilst the safe harbour can apply to exempt the penalty for an error made in a tax return, it is important to note that the tax and interest will be still be payable.

What if the safe harbour does not apply?

Even if you are not eligible for the safe harbour, it is still possible to request the ATO to remit or reduce the penalty and for that decision to be reviewed by the Administrative Appeals Tribunal if you are unsuccessful.