Carpenter Keen LLP

Standard Terms of engagement - Sole Trader

The purpose of this document is to set out the basis on which we will be carrying out work for you. It also explains areas that will be our responsibility and areas that will be your responsibility. The terms assume your agreement to our standard terms of business, available on our website.

As this document sets out the terms of a legal contract between you and us it is important that you read it carefully. Please do not hesitate to contact us if you would like further explanation of any of the terms.

We are bound by the ethical guidelines of the professional body we are regulated by. We accept the instruction to act for you on the basis that we will act in accordance with those guidelines. Please refer to our terms of business for further information.

1 Accounts (prepared in accordance with UK Generally Accepted Accounting Practice)

Purpose

1.1 The purpose of the accounts we will prepare is to enable profits to be calculated in a way that meets the requirements of Section 25 of the Income Tax (Trading and Other Income) Act 2005. This involves adjusting for monies owed to or by you, stock in-hand, work in progress and other year end timing differences and is known as UK Generally Accepted Accounting Practice (UK GAAP). The accounts must provide sufficient and relevant information to complete a tax return.

1.2 If certain criteria are met, your business may be eligible to use simpler cash accounting (without year end adjustments) to calculate the taxable profits. However, it is the policy of this firm to produce more detailed accounts under UK GAAP as these are more meaningful and allow the business performance to be properly assessed by you. It should be noted that your tax liabilities may differ between the two approaches, but we consider that, in the vast majority of cases, any tax saving attributable to cash accounting is outweighed by restricted loss relief, additional administrative costs in switching between the two approaches and other factors. Please let us know if you would like to discuss the suitability and eligibility of cash accounting for your business further.

What we agree to do and be responsible for

1.3 We will prepare the year-end accounts for your approval based on the accounting records you maintain. We will also rely on any information and explanations you give us.

1.4 We have a professional duty to prepare accounts that conform to generally accepted accounting principles and will prepare your accounts on that basis and to meet the purpose of the accounts detailed above.

1.5 We will write to you on or around your year-end date to request the information and records we will need to prepare the accounts.

1.6 We will not be carrying out an audit on the accounts. This means that we will not produce a report that verifies the assets, liabilities, income or expenditure of your business. To carry out an audit would require us to carry out considerable additional work complying with Auditing Standards.

1.7 We may include a report in the accounts. This report will point out that we have not carried out an audit, but have compiled the accounts from the accounting records and information and explanations supplied to us.

1.8 We would like to emphasise that we cannot undertake to discover any shortcomings in your systems or any irregularities on the part of your employees. However, we will advise you if we come across anything of this nature in the course of preparing the accounts.

What you agree to do and be responsible for

1.9 Unless we have also agreed to carry out a bookkeeping service you are responsible for all the day-to-day accounting work. This will include:

(a) keeping the record of receipts and payments;

(b) reconciling your records with the bank statement;

(c) maintaining records of debtors and creditors;

(d) carrying out or arranging for a valuation of the year-end stock levels; and

(e) preparing details of any year-end work-in-progress.

1.10 You agree to make your accounting records and related financial information available to us in line with the request we will make on or around your year-end date. You recognise that a failure to do so could have an impact on the price or the speed of our work.

1.11 Even if we have not directly requested it, you agree to disclose to us in full any information that is relevant to the accounts.

1.12 You will approve and sign the accounts thereby acknowledging responsibility for them, including providing us with all information and explanations necessary for their preparation.

1.13 The accounts need to be completed before your tax return is submitted. Failure to submit the tax return on time will result in penalties. To avoid this, you agree to let us have your accounting records as soon as practicable after the end of each tax year. You also agree to answer promptly any queries that we raise. You understand that we will not be responsible for any late filing penalties where we do not receive the accounting records or responses from you in accordance with this paragraph.

1.14 We have a professional responsibility to not allow our name to be associated with accounts that we believe may be misleading. We are not required to search for such matters, but if we become aware that information in the accounts may be misleading we will discuss this with you so that appropriate adjustments or disclosures can be made. Where the adjustments or disclosures we consider appropriate are not made and we consider that the accounts remain misleading, we will withdraw from the engagement. In these circumstances you agree that we have a right to invoice you for our time spent preparing and discussing the accounts with you as well as time spent on any other work that is not completed as part of our resignation.

1.15 To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than you for our work or for the report. If you wish, or are asked, to provide a copy of the accounts to a third party you must seek our consent before you do this. You are not entitled to disclose our work to a third party without our express permission. We may grant consent subject to certain conditions which you must comply with. In every situation where we do grant consent you agree to ensure that the report remains attached to the accounts shown to the third party.

1.16 You are responsible for the following general business and financial matters:

(a) ensuring that, to the best of your knowledge and belief, financial information used by your business or for the accounts is accurate and complete;

(b) ensuring that the activities of your business are conducted honestly;

(c) safeguarding the assets of your business and taking reasonable steps for the prevention and detection of fraud; and

(d) ensuring your business complies with the laws and regulations that apply to its activities, as well as preventing non-compliance and detecting any that occurs.

2 Personal tax

Purpose

2.1 The purpose of the work is to assist you in your legal obligation to file an annual tax return with HM Revenue & Customs. This includes calculating and advising you of your tax payments or refunds.

What we agree to do and be responsible for

2.2 Profit from accounts prepared under generally accepted accounting principles may require adjustment to arrive at the profit figure assessed for tax. Where necessary we will prepare the computations for this adjustment from our accounts work, the accounting records and other information and explanations provided by you.

2.3 We will prepare your personal tax return together with any supplementary pages that are required from the information and explanations you provide to us.

2.4 Once we have obtained your approval and signature, we will submit your return to HM Revenue & Customs.

2.5 We will calculate any income tax, national insurance contributions and capital gains tax liabilities your tax return shows you to have. We will tell you how much to pay and when. We will advise on the interest and penalty implications if any payments are made late. We will also check HM Revenue & Customs' calculation of your tax liabilities and initiate repayment claims if you have overpaid.

2.6 With the exception of tax credits, we will advise you as to possible claims and elections arising from the tax return and from information supplied by you. Where you instruct us to, we will make such claims and elections in the form and manner required by HM Revenue & Customs.

2.7 We will deal with all communications relating to your return that are addressed to us directly by HM Revenue & Customs or passed to us by you. However, if HM Revenue & Customs choose your return for enquiry this work may need to be the subject of a separate assignment. In this event we will seek further instructions from you.

2.8 We will check PAYE notices of coding where they are forwarded to us.

2.9 We will also provide such other taxation ad hoc advisory services as may be agreed from time to time. These may be the subject of a separate engagement letter. We will discuss and agree our fee for such work when it is commissioned by you. Examples of ad hoc work would include:

- Advising on ad hoc transactions, preparing additional supplementary pages to your tax return and calculating any related liabilities.
- Preparing any amended returns that may be required and corresponding with HM Revenue & Customs as necessary.

2.10 Since 17 July 2013 a General Anti-Abuse Rule has been in operation in the UK. This rule enables HM Revenue & Customs to further tackle abusive tax planning schemes. Due to the low probability of eventual success of such schemes and the high ethical standards of this firm, it is our policy not to advise on tax schemes that we consider to be artificial or aggressive in nature. Please let us know if you would like to discuss this matter further or if you feel that you are disadvantaged in any way by the firm's policy on tax avoidance.

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

What you agree to do and be responsible for

2.12 You are legally responsible for:

(a) ensuring that your 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 and interest.

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

2.14 You authorise us to file your tax return online.

2.15 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) that you will tell us about any specific conditions that HM Revenue & Customs have imposed on you;

(d) to authorise us to approach such third parties as may be appropriate for information that we consider necessary to deal with your affairs; and

(e) to provide us with information in sufficient time for your tax return to be completed and submitted by its due date. In order that we can do this, we need to receive all relevant information by 30 September following the end of the relevant tax year. If for any reason we do not receive all relevant information by this date we may, at our discretion and depending on our work capacity, still endeavour to complete your tax return so that it can be submitted on time. We reserve the right to make an additional charge for such rush work and will advise you of the amount prior to carrying out the work.

2.16 You agree to tell us if either you or your partner is entitled to child benefit at any time during the tax year, as if this is the case you may be liable to a "high income child benefit charge". This includes telling us the amounts of child benefit entitlement and, if applicable, any changes to your relationship status. Please be aware that the tax definition of a partner is wide-ranging and includes spouses and civil partners (who are not separated) as well as a person (male or female) you live with as husband and wife or as civil partners.

2.17 You will keep us informed of changes in your circumstances that could affect your tax liability. If you are unsure whether a change would affect your tax position, then we will be happy to advise you.

2.18 You agree to forward to us any communications you receive from HM Revenue & Customs in time for us to deal with them as necessary within any time limits. Such communications would include statements of account, notices of assessment and letters. Although HM Revenue & Customs have the authority to deal with us directly, it is still possible for them to contact you without us being aware.

You and your spouse/partner (where we act for both parties)

2.19 Because of the possible effect on your tax position and so that we are able to act in your best interests, we will advise you and your spouse/partner on the basis that you are a family unit. This means that we may deal directly with either of you and discuss with either of you each other's tax liabilities and financial affairs. We will assume that you agree to this unless you tell us otherwise.

2.20 So that we can act for you as a couple in respect of any joint claims then unless you specifically tell us otherwise, we will take any instructions, information or explanations that either of you gives us about that claim to be on behalf of you both. We will also treat any joint claim documents that are signed by either one of you to be on behalf of both of you, unless you tell us that is not the case.

2.21 If for any reason a conflict of interest arises between you then we reserve the right to advise one or other of you to seek independent advice, or to stop acting for both of you.

3 Work that is not part of this engagement

3.1 There are many areas of accountancy and tax that may apply to you and your business. However, for the sake of clarity, unless it is agreed separately:

(a) We will not become involved in your tax credit affairs.

(b) We will not become involved in your PAYE system or to complete any PAYE year end returns.

(c) We will not become involved in operating the Construction Industry Scheme for any subcontractors you may engage.

(d) We will not become involved in your VAT affairs.

(e) We will not become involved with auto enrolment. You are therefore responsible for finding a pension provider, identifying eligible employees and administering auto enrolment.

3.2 We are able to offer advice and assistance in all these areas so if you would like any help then please do not hesitate to contact us.

3.3 We are also able to offer assistance in many other areas and would be glad to discuss any matters with you. These other services include:

(a) reports in support of returns or claims, e.g. insurance company certificates, government claims;

(b) advice on financial matters;

(c) management accounting, including cash flow statements, costing systems and advice to management;

(d) advice on the selection and implementation of computer systems;

(e) investigations for special purposes, e.g. business performance analysis or business acquisitions; and

(f) advice on the selection and recruitment of staff.

4 Other matters

Changes in the law

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

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