

Engagement Letter – Tax Preparation

Dear Client:

Thank you for selecting our firm, American Expat Tax Services (AET), to assist you with your tax needs. This Engagement Package confirms the terms of, and limitations upon, the professional tax services that our firm has agreed to perform. The Engagement Package between you and AET will be governed by the terms explained in the Engagement Package. We will prepare and e-file and/or submit to you for filing the specific tax returns we have agreed to prepare for you indicated in this “Proposal”.

Any additional returns that you may be required to prepare and file for any tax authority are not part of this engagement. We are not responsible for returns you do not request. We are under no duty to review the information you provide to determine whether you may have a filing obligation with another authority. If we become aware of any other filing requirement, we will tell you of the obligation and may prepare the appropriate returns at your written request. Any additional returns requested will be considered part of this engagement.

The timeliness of your cooperation is essential to our ability to complete this engagement. AET is under no obligation to follow up with you with reminders that you to submit information we previously requested. If we do not receive the required information from you at least four (4) weeks preceding the filing deadline, it may be necessary for us to pursue an extension of the due date of your returns, and we reserve the right to suspend our services, apply additional charges or withdraw from this engagement as a result.

It may be necessary to pursue an extension of the due date of your returns for a variety of other reasons. You authorize us to file extensions on your behalf, in relation to the returns for which you have engaged our services, as AET deems necessary.

We may provide you with a tax organizer requesting specific information. Completing the organizer will assist us in making sure you are well served for a reasonable fee. You represent that the information you are supplying to us is accurate and complete to the best of your knowledge and that you have disclosed to us all relevant facts affecting the returns. As part of your filing obligations, you are required to report income from all sources worldwide and the maximum value of specified foreign financial assets, which include financial accounts with foreign institutions and certain other foreign non-account investment assets that exceed certain thresholds. We will not audit the information you give us; however, we may ask for additional clarification of some information.

As part of your filing obligations, you may be required to make certain information disclosures related to your foreign investments. You are responsible for informing us of all foreign assets owned directly or indirectly, including but not limited to financial accounts with foreign institutions, other foreign non-account investments, and ownership of any foreign entities, regardless of amount. Based on the information you provide, you may have additional filing obligations including but not limited to:

- Ownership of or an officer relationship with respect to certain foreign corporations (Form 5471);
- Foreign-owned U.S. corporation or domestic disregarded entity (Form 5472);
- Foreign corporation engaged in a U.S. trade or business;
- U.S. transferor of property to a foreign corporation (Form 926);
- U.S. person with an interest in a foreign trust (Forms 3520 and 3520-A);
- U.S. person with interests in a foreign partnership (Form 8865);
- U.S. person with interests in a foreign disregarded entity or branch (Form 8858).
- Statement of Specified Foreign Financial Assets (Form 8938); or
- Report of Foreign Bank and Financial Accounts (FinCEN Form 114 – FBAR).

FinCEN Form 114 (FBAR) is not a tax return and its preparation is not within the scope of this engagement unless specified in the Proposal. If we believe you have additional filing requirements, we will discuss them with you prior to completing your tax return.



Failure to timely file the required forms may result in substantial civil and/or criminal penalties. By your signature below, you agree to provide us with complete and accurate information regarding any foreign investments that you have a direct or indirect interest in, or over which you have signature authority, during the above referenced tax year.

The foreign reporting requirements are very complex. We expect that all worldwide income, accounts and assets be disclosed. If you have any questions regarding the application of the reporting requirements for your foreign interests or activities, please ask us. We assume no liability for penalties associated with the failure to file or untimely filing of any of these forms.

You should also know that IRS and/or CRA audit procedures will almost always include questions on bartering transactions and on deductions that require strict documentation such as travel and entertainment expenses, expenses for business usage of autos and computers and large deductions and/or credits. In preparing your returns, we rely on your representations that we have been informed of all bartering transactions and that you understand and have complied with the documentation requirements for your expenses and deductions. If you have questions about these issues, please ask us.

You should retain all the documents, forms, tax slips, canceled checks, and other data that form the basis of income and deductions. These may be necessary to prove the accuracy and completeness of the returns to a taxing authority. ***You have the final responsibility for the income tax returns and, therefore, you should review them carefully before you sign them.***

Where tax law is ambiguous or unclear, we will use our best judgement. Unless otherwise instructed by you, we will resolve such questions, when possible, in your favor.

If, during our work, we discover information that affects prior-year tax returns, we will make you aware of the facts. However, we cannot be responsible for identifying all items that may affect prior-year returns. If you become aware of such information during the year, please contact us to discuss the best resolution of the issue. We will be happy to prepare appropriate amended returns under a separate engagement. Our work in connection with the preparation of your tax returns does not include any procedures designed to discover defalcations or other irregularities, should any exist. AET will only render accounting and bookkeeping assistance, as determined to be necessary for preparation of your income tax returns, for an additional fee. **The returns will be prepared solely from information provided to us without audit by us.**

The Internal Revenue Code, Income Tax Act and regulations of both Canada and the United States impose preparation and disclosure standards with non-compliance penalties on both the preparer of a tax return and on the taxpayer. To avoid exposure to these penalties, it may be necessary in some cases to make certain disclosures to you and/or in the tax return concerning positions taken on the return that do not meet these standards. Accordingly, we will discuss tax positions that may increase the risk of exposure to penalties and any recommended disclosures with you before completing the preparation of the return. If we conclude that we are obligated to disclose a position and you refuse to permit the disclosure, we reserve the right to withdraw from the engagement and you agree to compensate us for our services to the date of withdrawal equal to half of the quoted fee. Our engagement with you will terminate upon our withdrawal.

The IRS permits you to authorize us to discuss, on a limited basis, aspects of your return for one year after the return's due date. Your consent to such a discussion is evidenced by checking a box on the return. Unless you tell us otherwise, we **WILL** check that box authorizing the IRS to discuss your return with us.

CRA also permits us to access your information for all past, current and future years until such time that you revoke this authorization. You will be provided with form T1013 to sign and return to us for this purpose with your completed return if we have not previously been authorized by you on your Canadian tax account.

It is our policy to keep records related to this engagement for three years. However, we do not keep any of your original records, so we will return those to you upon the completion of the engagement (where applicable). When records are returned to you, it is your responsibility to retain and protect the records for possible future use, including potential examination by governmental or regulatory agencies. **By signing this engagement letter, you acknowledge and agree that upon the expiration of the three-year period, we are free to destroy our records related to this engagement.**

In connection with this engagement, we may communicate with you or others via email transmission. As emails can be intercepted and read, disclosed, or otherwise used or communicated by an unintended third party, or may not be delivered to each of the parties to whom they are directed and only to such parties, we cannot guarantee or warrant that emails from us will be properly delivered and read only by the addressee. Therefore, we specifically disclaim and waive any liability or responsibility whatsoever for interception or unintentional disclosure of emails transmitted by us in connection with the performance of this engagement. In that regard, you agree that we shall have no liability for any loss or damage to any person or entity resulting from the use of email transmissions, including any consequential, incidental, direct, indirect, or special damages, such as loss of revenues or anticipated profits, or disclosure or communication of confidential or proprietary information.

Your returns may be selected for review by the taxing authorities. In the event of an audit or review, you may be requested to produce documents, records, or other evidence to substantiate the items of income and deduction shown on a tax return. Any proposed adjustments by the examining agent are subject to certain rights of appeal. **In the event of a tax examination and/or audit, we will be available, upon request, to represent you. However, such additional services are not included in the fees for the preparation of your tax returns.**

All preparation fees are invoiced per return, per tax year. Our fees for tax services will be based on the complexity of the return(s). **We reserve the right to charge additional time charges, when necessary, at the rate of \$440CAD/\$350USD per hour.** We will advise you if and when time charges will apply.

American Expat Tax Services guarantees the accuracy of the tax returns which we have prepared, which means any errors resulting from our preparation or our software will be corrected, at no additional charge. All other errors, omissions or issues are not covered under this guarantee. **Separate charges will apply for services required to correct issues which are beyond our control, such as issues with the IRS, CRA or other tax authority(ies) in relation to their processes and procedures or as a result of the decrease in their service levels.** Further information can be found in our Audit Assistance Policy, which is available [here](#).

Notwithstanding anything contained herein, both AET and client agree that regardless of where the client is domiciled and regardless of where this Agreement is physically signed, this Agreement shall have been deemed to have been entered into at AET's head office located in The City of Virginia Beach, Virginia, USA, and The City of Virginia Beach, Virginia, USA, shall be the exclusive jurisdiction for resolving disputes related to this Agreement. This Agreement shall be interpreted and governed in accordance with the Laws of Virginia, USA.

Our liability relating to the performance of the services rendered under this letter is limited solely to direct damage sustained by you. In no event shall we be liable for the consequential, special, incidental, or punitive loss, damage, or expense caused to you or to any third party (including without limitation, lost profits, opportunity costs, etc.). Notwithstanding the foregoing, our maximum liability relating to services rendered under this letter (regardless of form of action, whether in contract, negligence or otherwise) shall be limited to the fees received by us for this engagement. The provisions set forth in this paragraph shall survive the completion of the engagement.

Prior to commencing our services, we require that you provide a retainer/deposit in the amount of 50% of the estimated fees. The retainer/deposit will be applied against our final invoice, and any unused portion will be returned to you upon our collection of all outstanding fees and costs related to this engagement. We reserve the right to bill you on an interim basis prior to completion of this engagement.

Invoices are due and payable upon presentation. We reserve the right to suspend our services or to withdraw from this engagement in the event that any of our invoices are deemed delinquent. In the event that any collection action is required to collect unpaid balances due us, you agree to reimburse us for the costs of collection, including attorneys' fees. We also reserve the right to charge a late payment fee in respect of invoices greater than 30 days overdue. **Final filing copies of the tax returns will not be released until any balance owed to us for this and/or any prior engagements is paid in full.**

Our engagement will be complete once we e-file and/or deliver to you the completed tax return(s) that we are preparing on your behalf. **You will be totally responsible for filing any returns delivered to you for mailing and making any needed payments in a timely fashion with the appropriate taxing authorities.**



We have the right to withdraw from this engagement, at our discretion, if you do not provide us with any information we request in a timely manner, refuse to cooperate with our reasonable requests or misrepresent any facts. Our withdrawal will release us from any obligation to complete your return and will constitute completion of our engagement. We have the right to payment for the time spent on your engagement up to the date of our withdrawal. **Should you terminate this engagement prior to completion you agree to compensate us for our work through the date of your withdrawal.**

IRC 7216 Disclosure- Federal law requires this consent form be provided to you. AET employs tax return preparers and administrative staff located both inside and outside the United States. By signing this document, you acknowledge that members of the AET team located outside the United States will have access to your tax return data, including your personally identifiable information such as your Social Security Number (SSN). Both staff in the United States and the staff located outside the United States that will receive your SSN maintain an adequate data protection safeguard (as required by the regulations under 26 U.S.C. section 7216) to protect privacy and prevent unauthorized access of tax return information. If you consent to the disclosure of your tax return information, federal agencies may not be able to enforce United States laws that protect the privacy of your tax return information against a tax return preparer located outside of the United States to whom the information is disclosed.

Please sign where indicated on the Engagement Confirmation and Acknowledgement page that is included in your engagement package, to confirm that you have read and agree that the terms foregoing fairly sets forth your understanding of this engagement, please sign this letter in the space indicated. Should you have any questions about this needed requirement or any of the provisions set forth above in this engagement letter, or require additional service be prepared (such as gift and/or property), please contact us.

Very truly yours,

American Expat Tax Services