TPB Guidance Statement TPB(GS) 34/2019

Letters of engagement

The Tax Practitioners Board (TPB) has released this Guidance Statement (TPB(GS)) to provide practical guidance and assistance to registered tax practitioners in relation to the use of letters of engagement.

Disclaimer

This TPB(GS) is intended to be for information only. While it seeks to provide practical assistance and explanation, it does not exhaust, prescribe or limit the scope of the TPB's powers in the *Tax Agent Services Act 2009* (TASA) or the Tax Agent Services Regulations 2022 (TASR).

In addition, please note that the principles and examples in this TPB(GS) do not constitute legal advice and do not create additional rights or legal obligations beyond those that are contained in the TASA or which may exist at law.

Document history

The TPB originally released this document as a draft practice note in the form of an exposure draft on 10 May 2019. The closing date for the submissions was 7 June 2019.

The TPB considered the comments and submissions received and published the TPB Practice Note *TPB(PN) 3/2019 Letters of engagement* (now archived) on 18 July 2019, based on the TASA as at 15 March 2017. This archived practice note replaced TPB(I) 01/2011 Letters of engagement.

On 1 April 2022, the TPB updated this TPB(GS) to replace a reference from the repealed Tax Agent Services Regulations 2009 to Tax Agent Services Regulations 2022.

On 8 January 2025, the TPB updated this TPB(GS) to provide guidance on the obligation under sections 15 and 45 of the Tax Agent Services (Code of Professional Conduct) Determination 2024.

On 30 April 2026, the TPB renamed its 'Practice Note' to 'Guidance Statement'. All references in this document have been updated accordingly. The TPB Practice Note TPB(PN) 3/2019 Letters of engagement has been archived. In addition, the TPB removed references to tax (financial) advisers.

On 30 October 2026, the TPB made minor updates to this TPB(GS) to include references to TPB(GS) 55/2026 The use of Artificial Intelligence and the Code of Professional Conduct.

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Letters of engagement

Introduction

1. This Guidance Statement (TPB(GS)) has been prepared by the Tax Practitioners Board (TPB) to provide practical guidance and assistance to registered tax agents and BAS agents (collectively referred to as tax practitioners) to understand the TPB's position in relation to the provision of letters of engagement to clients. For the purposes of this TPB(GS), any reference to tax agent services includes BAS services and tax (financial) advice services, unless otherwise stipulated.
2. In this TPB(GS), you will find the following information:
    - what is a letter of engagement and what can it cover? (paragraphs 3 to 5)
    - are letters of engagement required by the *Tax Agent Services Act 2009* (TASA)? (paragraphs 6 to 13)
    - suggested matters to include in letters of engagement (paragraph 14 and 15)
    - the TPB's position in relation to recurring or ongoing engagements (paragraph 16)
    - where to find further information (paragraph 17)
    - the use of template or example letters of engagement (paragraph 18).

What is a letter of engagement and what can it cover?

3. The agreement between a service provider, such as a tax practitioner, and client which sets out the agreed terms and conditions of the engagement, when presented in the form of a letter, is sometimes referred to as a 'letter of engagement' or an 'engagement letter'. This agreement may also include a variety of written communications, including a formal agreement, a standard form handout, brochure, leaflet or electronic communication.

4. It is the TPB's view that using letters of engagement can assist tax practitioners to establish a clear understanding of the elements of engagement between tax practitioners and their clients. Further, letters of engagement are a simple way to set out the business practices the tax practitioner has in place to assure clients that the tax practitioner complies with the requirements of the TASA and to assist in avoiding uncertainty and misunderstandings, especially in relation to disputes over fees and about the scope of the work to be completed. Given the nature and implications of letters of engagement (or similar agreements) tax practitioners should consider obtaining legal advice in relation to the letters of engagement provided to clients.

5. A letter of engagement is generally the starting point in the ongoing communication between a tax practitioner and client about:
    - what is to be done
    - who will do it
    - how it will be done
    - when it is to be done
    - how much the work will cost.

Are letters of engagement required by the TASA?

6. While letters of engagement are not a specific requirement of the Code of Professional Conduct (Code) in the TASA, the TPB is of the view that the provision of letters of engagement, covering the matters outlined in this TPB(GS), is an important and effective mechanism to assist tax practitioners in ensuring that they comply with the requirements of the Code. Where relevant, it is for this reason that, when considering whether a tax practitioner has breached the Code, the TPB takes into account the existence and content of a letter of engagement between the tax practitioner and client/s. As such, the TPB strongly encourages the use of letters of engagement as a means of avoiding uncertainty and misunderstandings and to assist in compliance with the Code. However, each case will depend on its own facts and circumstances and the matters set out in this TPB(GS) are intended as guidance and are not prescriptive.

7. The Explanatory Memorandum (EM) to the Tax Agent Services Bill 2008 makes a number of references to how letters of engagement can be used and how they are relevant in the business of tax practitioners.

8. For example, the EM suggests that the taxation rights and obligations that are relevant to a tax practitioner could be outlined in the letter of engagement between the tax practitioner and client. Advising a client of their rights and obligations under the taxation laws that are materially related to the tax agent services that a tax practitioner provides is one of the requirements in Code item 12 in the TASA (see paragraph 10).

9. Further, there are other legal and professional standards and regulatory requirements under which letters of engagement may be necessary. Examples include the Accounting Professional and Ethical Standards Board (APES 305 Terms of Engagement) and the Auditing and Assurance Standards Board. In circumstances where tax practitioners are required by other legal, professional and regulatory requirements to provide similar disclosure documents to clients, the TPB does not expect tax practitioners to provide separate and distinct letters of engagement to clients (unless the tax practitioners consider it appropriate to do so).

10. The TPB considers that an effective letter of engagement may assist tax practitioners in complying with the following principles of the Code, contained in section 30-10 of the TASA:

Code item 3	If you receive money or other property from or on behalf of a client and you hold the money or other property on trust, you must account to your client for the money or other property.
Code item 4	You must act lawfully in the best interests of your client.
Code item 5	You must have in place adequate arrangements for the management of conflicts of interest that may arise in relation to the activities that you undertake in the capacity of a registered tax agent or BAS agent.
Code item 6	Unless you have a legal duty to do so, you must not disclose any information relating to a client's affairs to a third party without your client's permission.
Code item 7	You must ensure that a tax agent service that you provide, or that is provided on your behalf, is provided competently.
Code item 8	You must maintain knowledge and skills relevant to the tax agent services that you provide.
Code item 9	You must take reasonable care in ascertaining a client's state of affairs, to the extent that ascertaining the state of those affairs is relevant to a statement you are making or a thing you are doing on behalf of the client.
Code item 10	You must take reasonable care to ensure that taxation laws are applied correctly to the circumstances in relation to which you are providing advice to a client.
Code item 12	You must advise your client of the client's rights and obligations under the taxation laws that are materially related to the tax agent services you provide.
Code item 17	You must comply with any obligations determined under section 30-12 of the TASA.[1]

[1] One of the obligations under Code item 17 is to keep clients informed of relevant matters set out in section 45 of the Tax Agent Services (Code of Professional Conduct) Determination 2024.

11. While the TPB considers that letters of engagement and similar agreements are an important step in ensuring compliance with these obligations, it is important to note that the existence of a letter of engagement of itself will not constitute compliance with any of the requirements or obligations under the Code and the TASA.

12. For example, under Code items 9 and 10, tax practitioners are, in summary, required to take reasonable care in ascertaining a client's state of affairs and to ensure that taxation laws are applied correctly. Whether or not a tax practitioner has taken reasonable care of any kind will be a question of fact to be answered by the circumstances of a particular situation. The existence of a letter of engagement will not on its own establish that reasonable care has been taken and these obligations cannot be transferred to the client.

13. For further information on the Code, refer to the TPB Guidance Statement TPB(GS) 01/2010 Code of Professional Conduct.

Suggested matters to include in letters of engagement

14. The TPB considers that letters of engagement or similar agreements will be particularly beneficial in assisting tax practitioners to comply with the Code, when they cover the following matters (where relevant to the services being provided by the tax practitioner):
    - the name and registration number of the tax practitioner that the client is appointing to perform the services. It is of advantage for the tax practitioner to identify the entity that, and/or the specific individuals who, will provide the tax agent service. This gives certainty to the client that the services will be performed by a person that is legally entitled to do so and is regulated under the TASA
    - information about the TPB maintaining a register of tax agents and BAS agents and how the client can access and search the register, including a website link to the registered tax practitioner's record on the TPB's register[2]
    - the identification of the client entities in relation to which the tax agent services are to be provided:
        - tax agent services include ascertaining and advising on liabilities, obligations or entitlements of an entity in circumstances where the entity can reasonably be expected to rely on the services
        - identification of the client entities for which services are to be provided clarifies the scope of the services as well as an understanding of the entities that may rely on the advice
        - clarifying the client entities will also inform the tax practitioner about the entities to which information may be disclosed, having regard to the practitioner's confidentiality and privacy obligations

[2] For further information, refer to the TPB Guidance Statement TPB(GS) 54/2024 Keeping your clients informed.

- a description of the work that is to be performed, which may include a list of services and work that is expressly excluded from the engagement (including work completed by other parties/professionals not associated with the tax practitioner):
    - a clear agreement as to the scope of the work to be performed limits the risk of misunderstandings between the client and the tax practitioner and assists in an understanding and agreement on the time frames, and respective responsibilities
    - it also assists in an understanding that the scope of the work to be performed is within the practitioner's competency and experience.
- the tax practitioner's rights, responsibilities and obligations under the taxation laws (including the TASA and Code) and the client's obligations under the engagement, for example:
    - the client's obligation to make all relevant information available to the tax practitioner in a complete and timely manner
    - the client's obligations as a taxpayer under the taxation laws and the consequence of errors and omissions from the information given to the Australian Taxation Office (ATO)
    - the tax practitioner's responsibility to provide the services in a competent and timely manner
    - the letter may provide that the tax practitioner may seek clarification of some matters where there is a need to do so, but that the tax practitioner will not audit the information provided by the client as the tax practitioner is satisfied that the client understands their record keeping obligations and is aware of the consequences of not keeping adequate records
    - the tax practitioner's responsibility to take reasonable care to ensure that the taxation laws are complied with and that the tax practitioner may be liable for civil penalties for false and misleading statements made to the ATO
    - the tax practitioner's obligations with regard to making false or misleading statements to the TPB, ATO or other Australian government agency, including the tax practitioner's obligations to take further action in respect of a false or misleading statement made in certain circumstances3
    - the tax practitioner's responsibility to lodge in a timely manner
- the form of any reports or other means of communication relevant to the tax agent services to be performed

[3] For further information, refer to the TPB Guidance Statement TPB(GS) 50/2024 False or misleading statements.

- an explanation as to the extent to which the tax agent services can be relied upon and the limitation on other persons relying on the advice or on calculations contained in the report or advicethe confidential nature of the communications between the client and the tax practitioner and that the tax practitioner will not disclose information relating to the client's affairs to a third party without the client's permission (unless the tax practitioner has a legal duty to do so). The letter of engagement may also be utilised by tax practitioners to clearly inform clients of any disclosures to third parties and obtaining the client's permission in relation to such disclosures (for example, by a return signed letter of engagement or consent from the client), in order to satisfy the requirements of Code item 6 in the Code. For further information in relation to the client confidentiality requirements in the Code, refer to the TPB Guidance Statement TPB(GS) 26/2014 Confidentiality of client information
- any arrangements for retention of the client's documents or of making copies of them for the purposes of providing the services under the agreement or to secure payment of fees. For further information in relation to the TPB's position relating to claiming liens over client property, refer to the TPB Guidance Statement TPB(GS) 07/2011 Claiming a lien over client property
- the duty (under the TASA) of the tax practitioner to act lawfully in the best interest of the client, and to act honestly and with integrity
- situations in which the law overrides the duty of the tax practitioner to the client, such as compliance with notices under section 353-10 in Schedule 1 to the *Taxation Administration Act 1953* concerning taxation laws, withholding tax obligations and any other duties of the tax practitioner under the TASA (including the Code)
- adequate arrangements the tax practitioner has in place for the management of conflicts of interest that may arise in relation to the activities undertaken in the capacity of a tax practitioner
- the rights and obligations of the client under the taxation law. For example, if the agreement extends to the preparation and lodgement of taxation returns, the agreement could advise the client of the self-assessment system and of the rights of objection and appeals. The letter of engagement might also be useful to describe the nature of the rulings system and that the client will be advised where the returns have been prepared in reliance on binding rulings issued by the Commissioner of Taxation (note however this may not be appropriate in all situations when considering factors such as the client and the costs involved in producing the extra information)
- the basis on which fees are to be calculated and charged, the frequency of billings and the time frame for payment. As disputes about fees often arise, the letter of engagement can limit the capacity for misunderstandings and provide the client with clear expectations about the amount that the tax agent services are likely to cost

- in relation to tax agents, how the tax agent will deal with any tax refund the tax agent receives on behalf of the client and whether the client consents to fees being deducted from a refund
- how the tax practitioner will deal with funds or other property held on trust for the client
- the details of any limitation of liability of the tax practitioner for work performed under the engagement and the legal basis for the limitation if it is a feature of the law of the jurisdiction in which the tax practitioner practises
- the client's responsibility to advise the tax practitioner of changes in any matter that is relevant to the services that are to be provided by the tax practitioner
- the professional indemnity insurance arrangements the tax practitioner has in place
- the requirements of both the tax practitioner and the client in relation to terminating the engagement, including notice periods, finalisation of payment and invoicing matters, and the return of documentation and other property to the client
- the mechanisms available for resolving any disputes that arise between the client and tax practitioner, including internal dispute resolution arrangements and making complaints to the TPB about a tax agent service that has been provided and the TPB's complaints process[4]
- the use of artificial intelligence (AI) models and tools in the provision of tax agent services[5]

16. Separate letters of engagement should be issued for each client in receipt of your services, unless it is agreed otherwise. For example, separate letters should be issued If you provide tax services to both:
    - a husband and wife
    - a partnership and the individual partners
    - a company and its shareholders
    - a company and its directors (if providing services to the directors separately from the company)
    - the trustees of a trust and its beneficiaries.

Recurring or ongoing client engagements

17. In relation to recurring or ongoing engagements, the TPB recommends that arrangements are reconfirmed or reviewed with clients regularly (preferably annually). Further, the TPB would generally expect that a new letter of engagement or similar agreement is provided to clients in certain circumstances, including but not limited to the following:

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[4] For further information, refer to the TPB Guidance Statement TPB(GS) 54/2024 Keeping your clients informed.

[5] For further information on the use of AI and the Code, see TPB(GS) 55/2026 The use of Artificial Intelligence and the Code of Professional Conduct.

- there is reason to believe that the client has misunderstood the terms and scope of the engagement
- there has been a significant change to the client's relevant personal circumstances
- there are changes in the terms or scope of the engagement
- there is a change to the management, ownership and or structure of the client (particularly relevant to corporate entities and clients that are part of a corporate group)
- there is a change in the nature or size of the client's business
- there is a change in any relevant or applicable laws or regulations
- there has been a change to the third-party recipients of client information (which requires prior client consent in accordance with Code item 6 of the Code).

Further information

18. Outlined below is a listing of reference material that may provide further guidance in relation to letters of engagement:

Organisation	Information product	Purpose of document
Tax Practitioners Board	TPB(GS) 07/2011 Claiming a lien over client property	Further information regarding the TPB's position about tax and BAS agents claiming liens over client property.
	TPB(GS) 20/2012 Holding money or other property on trust	Further information regarding Code item 3 in the TASA – holding money or other property on trust.
	TPB(GS) 24/2014 Managing conflicts of interest for registered tax and BAS agents	Further information regarding Code item 5 in the TASA – having adequate arrangements for managing conflicts of interest for tax and BAS agents.
	TPB(GS) 26/2014 Confidentiality of client information	Further information regarding Code item 6 in the TASA – confidentiality for tax and BAS agents.

Organisation	Information product	Purpose of document
	TPB(GS) 22/2013 Reasonable care to ascertain a client's state of affairs	Further information regarding Code item 9 in the TASA – reasonable care to ascertain a client's state of affairs.
	TPB(GS) 23/2013 Reasonable care to ensure taxation laws are applied correctly	Further information regarding Code item 9 in the TASA – reasonable care to ensure taxation laws are applied correctly.
	TPB(GS) 30/2017 Cloud computing and the Code of Professional Conduct	Further information regarding the TPB's position in relation to cloud computing.
	TPB(GS) 31/2018 Outsourcing and offshoring of tax services - Code of Professional Conduct considerations	Further information regarding the TPB's position in relation to outsourcing and offshoring of tax agent services.
	TPB(GS) 54/2024 Keeping your clients informed	Further information regarding the obligation to keep your clients informed of relevant matters under Code item 17 in the TASA.
	TPB(GS) 55/2026 The use of Artificial Intelligence and the Code of Professional Conduct.	Provides guidance to tax practitioners in relation to their statutory obligations under the TASA when AI is used in the provision of tax agent services.
Accounting Professional & Ethical Standards Board	APES 305 Terms of Engagement	Provides information in regard to terms of engagement.

Organisation	Information product	Purpose of document
Auditing and Assurance Standards Board	Auditing Standard ASA 210 Terms of Audit Engagements	Establishes mandatory requirements and provides explanatory guidance on terms of audit engagements.
Australian Securities and Investments Commission	Regulatory Guide 244 Giving information, general advice and scaled advice	Provides guidance on how to meet the advice obligations in Chapter 7 of the *Corporations Act 2001*.
Office of Australian Information Commissioner	Guide to securing personal information	Provides guidance on protecting personal information and in relation to destroying or de-identifying personal information once information is no longer needed.
	Australian Privacy Principle Guidelines	Outlines requirements of the Australian Privacy Principles (APPs), how the OAIC will interpret the APPs, and matters the OAIC may take into account when exercising functions and powers under the *Privacy Act 1988* (Cth).

Template or example letters of engagement

19. While the TPB does not consider it appropriate to provide template or example letters of engagement or similar agreements for tax practitioners, the TPB understands that many TPB recognised professional associations offer such templates or examples to their members. The TPB welcomes the use of examples and templates by tax practitioners, however, the TPB considers that it is important for tax practitioners to use their professional judgement in considering the matters that are addressed in their letters of engagement, beyond or in contrast to the matters set out in any examples or templates they are utilising, having regard to their practice and their engagement with each client.