

**Sample T1 Engagement/Management Representation Letter  
Views of Staff of the Assurance Standards Department Only  
Not an Official Position of the CICA**

**T-1 ENGAGEMENT LETTER/MANAGEMENT REPRESENTATION LETTER**

Date

CLIENT

Address

City, Province

Postal code

Dear (client):

The purpose of this letter is to set out a clear understanding of the nature of my involvement as the preparer of your (and your family's) personal income tax return(s) for 2000 and your responsibilities as the taxpayer.<sup>1</sup>

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<sup>1</sup> The clauses set out herein are intended to provide the practitioner with a means of documenting his or her file in such a way as to assist in demonstrating that he or she has acted appropriately, and thus avoid having the civil penalties levied against him or her. These provisions might therefore usefully be added to Engagement Letters that practitioners regularly use, which often set out other terms and conditions of the engagement where appropriate and as agreed between the parties.

In some circumstances, the practitioner might want to include a limitation of liability clause in the Engagement/Management Representation Letter to add additional protection. Before doing so, the practitioner should consult with his or her provincial Institute/ordre and/or with legal counsel regarding the use of such a clause.

If a limitation of liability clause is included in the Engagement/Management Representation Letter, it should clearly indicate that the clause applies only to the relationship between the practitioner and the client, and not to relationships the client has with any third parties related to the client's tax return.

A sample Limitation of Liability clause is provided in the Appendix.

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**IT IS UNDERSTOOD AND AGREED THAT YOUR RESPONSIBILITY AS THE TAXPAYER IS AS FOLLOWS:**

- (a) The accuracy of the information and completeness of the representations reflected in your return is your responsibility under the *Income Tax Act*. You represent that the information supplied to me is, to your knowledge, correct and complete, and fully discloses all of your reporting requirements under the *Income Tax Act*.
- (b) [Choice of the general comment only or the general comment plus as many specific items as appropriate.]

**General Comment:**

You confirm that you have provided me with all income and deduction items to be included in your tax return and that they are correct and complete. You confirm that all sources of income have been disclosed, all deductions were incurred to earn income, and all credits claimed are supported by receipts.

**Specific items :**

- All business (including commission, farming, and professional incomes) and rental schedules present the results of operations and include all material transactions.
- All income and benefits from employment have been reported, whether or not they are on the T4 slips.
- All incomes from investment (whether received or not) have been reported, whether or not they are on the T3 and T5 slips.
- All dispositions of a capital nature, and their costs, have been reported.
- All estimates for personal use of automobile, business portion of residence, and other such estimates you have provided are reasonable and supported by usage logs and other evidence.

*Add any other items that you feel are appropriate to your client's circumstances.*

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- (c) If you owned certain property outside of Canada totaling more than \$100,000 at any time during 2000, it may be necessary for you to declare such ownership in your tax return(s). There are substantial fines and penalties for non-compliance. Check **one** of the following:
- You confirm that you have provided me with the correct and complete information with regards to ownership of, or beneficial interests in, specified foreign property as reported on the Foreign Income Verification Statement (T1135) and you have fully disclosed the related foreign income.
  - You confirm that you did not, at any time in the year 20xx, own or hold beneficial interests in specified foreign property totaling more than \$100,000.
- (d) You are not aware of any illegal or possibly illegal acts for which you have not disclosed to me all facts related thereto.
- (e) You may use my office address as the mailing address for Canada Customs and Revenue Agency (CCRA) with respect to assessments and/or queries. If you choose this option, I will forward to you copies of any communication received with recommendations for the disposition of matters requiring response. If you choose to use your own address as the mailing address, I recommend that you provide me with copies of any correspondence you receive from CCRA immediately. In many cases, reply deadlines apply, and if not met, proposed assessments or re-assessments may be issued or opportunities to challenge issues may be lost. Please let me know your preference at the time you deliver the information for preparation of your return(s), so I may indicate your preference when preparing your tax return(s).

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**IT IS UNDERSTOOD AND AGREED THAT MY ROLE AS YOUR TAX RETURN PREPARER IS AS FOLLOWS:**

- (a) I will not audit, review or otherwise attempt to verify the accuracy or completeness of any information provided. It is up to you to provide me with accurate and complete information necessary to prepare such personal income tax return(s).
- (b) Your (and your family's) personal income tax return(s) will include the following statement "*Prepared without audit or review from information provided by the taxpayer*" along with my firm name identified as the preparer of your tax return.
- (c) If the income tax return contains any business or rental forms or schedules for which I compile the figures, I will include with such forms or schedules a "Notice to Reader" report in the following form:

*NOTICE TO READER*

*I have compiled [describe form or schedule] from information provided by [name of the taxpayer]. I have not audited, reviewed or otherwise attempted to verify the accuracy or completeness of such information. Readers are cautioned that [describe form or schedule] may not be appropriate for their purposes.*

*City  
Date*

*Firm Name  
Chartered Accountant*

Should you have reason to circulate such forms or schedules with or separate from the income tax return, you agree that this report shall also be included with the circulated document and that you will provide us with the name(s) of the party (or parties) to whom they are circulated.

**FEES**

Upon completion of your income tax return or after providing advice or other service on any matters respecting same, I will render you a bill for services at my usual billing rate. It is agreed this invoice will be paid upon receipt. Any amounts outstanding will be charged interest at x% per month (xx% per annum).

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If you have any questions about the contents of this letter, please call me. If the services outlined are in accordance with your requirements and if the above terms are acceptable to you, please sign this letter in the space provided and return it to me prior to my commencement in preparing your personal tax return(s). I appreciate the opportunity of continuing to be of service to you (and your family) in the preparation of your personal income tax return(s).

Yours very truly,

\_\_\_\_\_  
CHARTERED ACCOUNTANT

The services and terms as set out above are as agreed. As well, I acknowledge and accept my responsibilities as the taxpayer as outlined above.

\_\_\_\_\_, Date \_\_\_\_\_, 2001

**Caution to Members**

The Assurance Standards Department has provided this sample letter for illustrative purposes only. This is not an official position of the Institute. Members should revise the letter to suit their needs and their clients' circumstances. It is up to the members' professional judgment in how they wish to use this sample letter. As well, members are reminded that such a representation letter may or may not provide some evidence of due diligence on the part of the accountant. General legal advice is that the more generic the representation, the less useful the letter. More specificity would likely increase the benefit but would equally likely increase complexity of administration and cost. Members may wish to obtain separate engagement and representation letters when they are performing a compilation engagement in conjunction with a tax return.

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**APPENDIX – SAMPLE WORDING FOR LIMITATION OF LIABILITY CLAUSE**

*[The wording below was provided by Glenn Urquhart, QC, of Singleton Urquhart Scott at the ICABC Loss Prevention Seminar in June 1997, and updated in September 1999. This is an optional paragraph and covers the practitioner's relationship with his or her client only, and not with third parties.]*

The liability of (CA Firm) to you (and your family) for any claim related to professional services provided pursuant to this engagement letter in either contract, negligent misrepresentation or tort, including the partners, officers or employees of the accounting firm shall be strictly limited to the amount of any professional liability insurance the firm may have available at the time such claims are made. No claim shall be brought against the accounting firm in contract, negligent misrepresentation or tort more than three years (from the date of the Notice of Assessment) after the services were completed or terminated under this engagement.