TD 95/D2 - Income tax: will a subsidiary be allowed to adopt a substituted accounting period with a different balance date from that of its overseas parent in order to facilitate the consolidation of group accounts?

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This document has been finalised by TD 95/32.

Generated on: 26 November 2026, 02:48:14 AM

Australian Taxation Office

Taxation Determination TD 95/D2

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Draft Taxation Determination

Income tax: will a subsidiary be allowed to adopt a substituted accounting period with a different balance date from that of its overseas parent in order to facilitate the consolidation of group accounts?

1. Yes. Section 18 of the *Income Tax Assessment Act 1936* empowers the Commissioner to grant a taxpayer leave to adopt a substituted accounting period in appropriate circumstances. Such leave will be granted provided that the substituted balance date requested is not more than 3 months prior to the balance date of the foreign parent.

2. This approach represents a change in the policy which was expressed in Taxation Ruling IT 2360. Paragraph 16 of that Ruling implied that the substituted balance date would need to be the same as that of the overseas parent.

3. In all other respects, the views contained in IT 2360 are still applicable. For example, it would be expected that all Australian companies in the group would adopt the same substituted accounting period. It would also be expected that an application to adopt a different balance date from that of the overseas parent would be accompanied by evidence that this is desired by the overseas parent company for the facilitation of consolidation of group accounts.

4. The granting of leave will also be subject to acceptance of current administrative arrangements of the type described in CITCM 550 (especially paragraph 5), IT 2360 and IT 2433 which are designed to ensure no tax deferral or other unwarranted advantage results from the variation of balance date. It is intended that the details of these arrangements will be updated in a future Ruling.

Example:

Company B, an Australian resident company, is a subsidiary of company A, a resident of the United Kingdom. Company A has a balance date of 31 March and has instructed Company B to balance its accounts on 31 December for group consolidation purposes. Company B has requested approval to adopt a substituted accounting period ending 31 December and undertakes to accept appropriate adjustments regarding the collection of its tax for the year of transition to the substituted accounting period.

We would grant the request for a substituted accounting period ending 31 December, in lieu of the year of income ending on the succeeding 30 June, providing all Australian resident members of the group adopt the same balance date.

Commissioner of Taxation
2/3/95

FOI INDEX DETAIL: Reference No.

Related Determinations:

Related Rulings: CITCM 550; IT 24; IT 2360, IT 2433; IT 2467; IT 2497

Subject Ref: accounting period; companies; foreign parent companies; subsidiary companies; substituted accounting period

Legislative Ref: ITAA 18

Case Ref:

ATO Ref: 95/500-1; PUL/A960 1

ISSN 1038 - 8982