

TD 95/32 - Income tax: will a subsidiary be allowed to adopt a substituted accounting period with a different balance date from that of its foreign parent in order to facilitate the consolidation of group accounts?

⚠ This cover sheet is provided for information only. It does not form part of *TD 95/32 - Income tax: will a subsidiary be allowed to adopt a substituted accounting period with a different balance date from that of its foreign parent in order to facilitate the consolidation of group accounts?*

⚠ This document has changed over time. This is a consolidated version of the ruling which was published on *29 June 1995*

This Determination is not capable of being a 'public ruling' in terms of Part IVAAA of the *Taxation Administration Act 1953*, as it does not deal with the application of a 'tax law', as defined in section 14ZAAA. Taxation Ruling TR 92/1 explains when a Determination is a public ruling and how it is binding on the Commissioner. However, we will stand by what is said in this Determination unless reasons of the kind stated in Taxation Ruling IT 2500 exist. Unless otherwise stated, this Determination applies to years commencing both before and after its date of issue. However, this Determination does not apply to taxpayers to the extent that it conflicts with the terms of a settlement of a dispute agreed to before the date of issue of the Determination (see paragraphs 21 and 22 of Taxation Ruling TR 92/20).

Taxation Determination

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

1. Section 18 of the *Income Tax Assessment Act 1936* allows the Commissioner to grant a taxpayer leave to adopt an accounting period (a substituted accounting period) being the 12 months ending on some date other than 30 June. Such leave will be granted to a resident subsidiary company, subject to the conditions in paragraphs 3 and 4 below, where 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 expressed in Taxation Ruling IT 2360. Paragraph 16 of that Ruling indicates that the substituted balance date would need to be the same as that of the foreign parent. This change in policy has applied since 18 November 1992.
3. In all other relevant respects, the views contained in Taxation Ruling IT 2360 still apply. 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 foreign parent would be accompanied by evidence that this is desired by the foreign 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 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, which are of the type described in Taxation Rulings IT 2360 and IT 2433, will be updated in a future ruling.

Example 1

Company B, an Australian resident, is a subsidiary of Company A, a resident of Japan. Company A has a balance date of 31 March and has instructed Company B to balance its accounts on 31 December to enable a timely group consolidation. 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, provided all Australian resident members of the group adopt the same balance date.

Example 2

Company D, an Australian resident, is a subsidiary of Company C, a US resident. Company C has a balance date of 31 December. Company D is under considerable time pressure each year because of the need to provide accounting information to the US parent in order to facilitate the accounting consolidation in the US. The companies agree that the accounting consolidation would be more easily achieved if Company D adopted a balance date for income tax purposes of 30 November. On this basis, company D applies for leave to have its balance date amended to 30 November.

Again, we would grant the request for a substituted accounting period ending 30 November, in lieu of the year of income ending the preceding 30 June, provided all Australian resident companies of the group adopt the same balance date.

Commissioner of Taxation

29/06/95

FOI INDEX DETAIL: Reference No. I 1015841 Previously issued as Draft TD 95/D2

Related Determinations:

Related Rulings: IT 2360, IT 2433

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

Legislative Ref: ITAA 18

Case Ref:

ATO Ref: NAT 95/500-1; PUL A.960-1

ISSN 1038 - 8982