IT 2467 - Income tax : adoption of cut off date earlier than end of financial year or of substituted accounting period

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TAXATION RULING NO. IT 2467

INCOME TAX : ADOPTION OF CUT OFF DATE EARLIER THAN END OF FINANCIAL YEAR OR OF SUBSTITUTED ACCOUNTING PERIOD.

F.O.I. EMBARGO: May be released

REF N.O. REF: 87/8971-1 DATE OF EFFECT:

B.O. REF: DATE ORIG. MEMO ISSUED:

F.O.I. INDEX DETAIL

REFERENCE NO:	SUBJECT REFS:	LEGISLAT. REFS:
I 1010602	YEAR OF INCOME	6
	FINANCIAL YEAR	18
	SUBSTITUTED ACCOUNTING PERIOD	161

PREAMBLE Section 161 of the Income Tax Assessment Act imposes, on persons required to do so by notice published in the Gazette, the obligation to furnish to the Commissioner of Taxation a return setting out a full and complete statement of, among other things, the total income derived during the year of income. Section 6 defines "year of income" to mean, in relation to a company, the financial year next preceding the financial year for which income tax is levied or the accounting period adopted in lieu of that financial year and, in relation to any other person, the financial year for which income tax is levied (again with provision for the possibility of a substituted accounting period). Section 18 provides that a person may with the leave of the Commissioner adopt an accounting period being the 12 months ending on some date other than 30 June.

2. This Ruling considers the position of a company that included in its return all income derived up to a date some days earlier than the end of the substituted accounting period for which leave had been granted under section 18. The company actually closed its books of account on the the last Tuesday of the last month of its substituted accounting period. This resulted in some assessable income derived by the company not being included in its return of income for the relevant financial year; rather, it was deferred for inclusion in the following year.

3. Taxpayers are given sufficient time between the end of the year of income and the date for lodgment of an income tax return for that year to calculate the assessable income for the entire period. Furthermore, proper accounting practice requires financial statements to be drawn up in respect of the period up to and including an end of financial year balance date.

4. Accordingly, taxpayers must include in returns all income derived in the 12 months up to and including the last day of the financial year or approved substituted accounting period.

Similarly, returns should include any deductions for the same period.

5. There is no discretion in the law that enables any departure from its express requirement that a return sets out a full and complete statement of the total income derived during the year of income.

COMMISSIONER OF TAXATION
3 March 1988