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18-MONTHS ACCOUNTS ACCEPTED FOR TAX FILINGS

There are various reasons that may trigger businesses to prepare their financial statements for a period not restricted to the general 12-month period. In such instances, some businesses find themselves in a quandary on whether BURS accepts tax computations to be prepared based on accounts covering periods which are more than 12 months. The good news is that the taxman may actually accept accounts that report a period exceeding 12-months. Today, we aim to enlighten you on how and why the taxman may accept financial reports and tax calculations that are based on a period exceeding the statutory 12-month tax year. In this article, words importing the masculine shall be deemed to include the feminine.

The tax year

Primarily, it is imperative that we first understand that for income tax purposes a tax year is a period of 12 months which runs from the 1st of July in one year and ends on the 30th of June of the following year. However, the income tax laws require business operators to report and prepare their annual income tax returns based on their financial years which are not required to follow the tax year. This technically means that a company can have a financial year which ends on say 30 April or 31 July. As alluded to above, there are various reasons which may prompt a company to report for a period exceeding the statutory 12 months. For instance, a company with a 31st December year-end may switch to 30 June financial period after being acquired by another entity which also has a 30 June year-end. Accordingly, the company's management can resolve to consolidate the first 6months of operations and the preceding the 12months and prepare accounts covering 18 months. We must state that there are numerous reasons which can prompt companies to report for 18 months accounts other than what we have highlighted above. Let us now have a look at what the tax laws prescribe in such instances.

The law

As alluded to above, the Income Tax Act requires every business to report and calculate tax based on financial accounts prepared for a period of 12months. However, the tax Act further provides that BURS may accept financial accounts that are prepared for a period more than 12 months. In verbatim, the said tax law states that, 'Where any person makes up the accounts of his or her business for a period greater than 12 months, the Commissioner General may, subject to such adjustments as he or she considers necessary to avoid loss of tax, determine the taxable income of the tax year in which such accounting period ends, and the taxable income of each previous tax year in which any part of the accounting period falls, by reference to such accounts and to the accounts for preceding or succeeding accounting periods in such manner as appears to him or her to be reasonable.'

Simply put, the above quoted law points to the fact that BURS accepts financial accounts prepared for a period exceeding 12 months such as for 15 or 18 months accounts. BURS may then, as they deem fit, determine or split any tax payable or refundable between two tax years. In practice, no major adjustments are made even when the accounts are for a period exceeding 12 months.

Conclusion

Well folks, we hope that was insightful. As us the two Yours Truly say goodbye, remember to pay to Caesar what belongs to him. If you want to consult, join our free Tax WhatsApp group or to know about our 9 Tax e-books, send a text to +267 7181 5836 or email us on jhore@aupracontax.co.bw. You can read more tax articles on our website, www.aupracontax.co.bw under the 'Tax articles' tab.