South African Revenue Service

INTERPRETATION NOTE 19 (Issue 6)

DATE: 24 June 2025

ACT	**:**	**INCOME TAX ACT 58 OF 1962**
SECTION	**:**	**SECTION 66(13A)**
SUBJECT	**:**	**YEAR OF ASSESSMENT OF PERSONS OTHER THAN COMPANIES: ACCOUNTS ACCEPTED TO A DATE OTHER THAN THE LAST DAY OF FEBRUARY**

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Preamble

In this Note unless the context indicates otherwise –

- **"accounting period"** means a period ending on a date other than the last day of February that has been approved by the Commissioner under section 66(13A) for the drawing up of accounts by a person other than a company;
- **"person"** means a person[1] other than a company;
- **"Schedule"** means a schedule to the Act;
- **"section"** means a section of the Act;
- **"TA Act"** means the Tax Administration Act 28 of 2011;
- **"the Act"** means the Income Tax Act 58 of 1962;
- **"the Commissioner"** includes any employee of SARS who has the delegated power to exercise and perform certain duties;[2] and
- any other word or expression bears the meaning ascribed to it in the Act.

All guides, interpretation notes and returns referred to in this Note are available on the SARS website at **www.sars.gov.za**. Unless indicated otherwise, the latest issue of these documents should be consulted.

1. Purpose

This Note provides guidance on the application of section 66(13A) and the discretionary power vested in the Commissioner to grant approval to a person, for example, a natural person or trust, to submit accounts for a period that differs from the year of assessment ending on the last day of February.

The Note deals primarily with natural persons and trusts carrying on a trade. A brief consideration is also included on the application of section 66(13A) to share purchase arrangements, public benefit organisations (PBOs), small business funding entities (SBFEs), the estate of a deceased person and insolvent estates.

The position of companies under section 66(13C) is dealt with in Interpretation Note 90 "Year of Assessment of a Company: Accounts Accepted to a Date other than the Last Day of a Company's Financial Year".

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1 As defined in section 1(1).

2 See section 3(1).

2. Background

Section 66(1) provides that the Commissioner must issue a public notice each year prescribing who is required to furnish income tax returns. For example, not all natural persons are required to submit an income tax return, while a trust that is a resident[3] is required to submit an income tax return regardless of whether income is generated.

Save for a few exceptions (for example, when a person dies or ceases to be a resident, or a trust is terminated), the income tax return of a person must be for the whole period of 12 months ending on the last day of February.[4] In most instances, therefore, the year of assessment runs from 1 March of a year to the last day of February of the succeeding year.

Section 66(13A), however, provides that a person may apply to the Commissioner for approval to draw up accounts to a date other than the last day of February. If the Commissioner is satisfied that the whole or some portion of the taxpayer's income cannot be conveniently returned for any year of assessment, the Commissioner may, subject to such conditions that may be imposed, approve the application.

3. The law

The relevant provisions of the Act are quoted in the **Annexure**.

4. Application of the law

4.1 Accounts drawn up for an accounting period that differs from the year of assessment

4.1.1 Introduction

Section 66(13A) provides that a person may apply for approval to close their accounts for all or part of their income on a day other than the last day of February if there are circumstances that make it difficult to render their accounts for the 12-month period ending on the last day of February. In such event the Commissioner may grant approval that the person draw up accounts for a period ending on an agreed date and subject to any conditions specified if satisfied that the income cannot be conveniently returned for the 12-month period ending on the last day of February. Under section 66(13A)(*a*) the income for the accounting period is deemed to be the income for the year of assessment ending on the last day of February. The person is not required to apportion any income for the accounting period to fall into the year of assessment.

A person[5] includes a natural person, an estate of a deceased person, an insolvent estate and a trust.[6]

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[3] Under paragraph (*b*) of the definition of "resident" in section 1(1), a trust which is established or formed in South Africa or has its place of effective management in South Africa, will be a resident.

[4] See section 66(13)(*a*).

[5] Defined under section 1(1).

[6] The term "trust" is defined in section 1(1) as any trust fund consisting of cash or other assets that are administered and controlled by a person acting in a fiduciary capacity if such person is appointed under a deed of trust or by agreement or under a will of a deceased person.

Approval to submit accounts to a date other than the last day of February is limited to income derived from a business or profession. Such a business or profession must not be conducted in the form of a separate legal entity. The Commissioner will not permit a person to draw up their income tax returns for a period other than the statutory year of assessment ending on the last day of February for any other income such as remuneration, interest, rentals, royalties and dividends, that is not part of the business or profession for which approval was granted.

A decision of the Commissioner under section 66(13A) is not subject to objection and appeal.[7]

Section 3(1) provides that the powers conferred and duties imposed upon the Commissioner by or under the provisions of the Act, may be exercised or performed by the Commissioner or by any officer under the control, direction or supervision of the Commissioner. A decision made by a SARS official or a notice to a specific person issued by SARS under a tax Act, excluding a decision given effect to in an assessment or a notice of assessment that is subject to objection and appeal, may in the discretion of a SARS official listed below or at the request of the relevant person, be withdrawn or amended by –

- the SARS official;
- a SARS official to whom the SARS official reports; or
- a senior SARS official.[8]

A distinction must be made between a "year of assessment" as defined in section 1(1), and the "accounting period" for which accounts are drawn up. The term "year of assessment" in relation to a person "means any year or other period in respect of which any tax or duty leviable under this Act is chargeable". Section 5(1)(*c*) sets out when income tax is chargeable for a person other than a company and provides that, subject to the Fourth Schedule, there shall be paid annually for the benefit of the National Revenue Fund, an income tax (referred to as normal tax in the Act) in respect of the taxable income received by or accrued to or in favour of any person during the year of assessment ending during the period of 12 months ending the last day of February each year. Generally, the year of assessment of a natural person or trust runs from 1 March of one year to the last day of February of the next year. However, in some situations the year of assessment can commence on a day other than 1 March (for example, when a natural person is born or when a trust is established) and it may also end before the end of February (for example, when a natural person dies or the existence of a trust is terminated). The year of assessment may thus not always comprise a period of 12 months.

Section 66(13A) does not change the "year of assessment" but rather provides, subject to approval, for the accounts of the business to be drawn up for an accounting period that differs from the year of assessment.

For purposes of section 66(13A) the term "income" is not used in the sense as defined in section 1(1) but rather in the sense of "taxable income". Such an interpretation is necessary in order to ensure that any deductions or allowances relating to an

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7 Section 3(4)(*b*) does not include section 66(13A).

8 Section 9(1) of the TA Act.

accounting period can be taken back or carried forward to a year of assessment.[9] In addition, section 66(13B) provides that, for purposes of section 66(13A), income includes any aggregate capital gain or aggregate capital loss (see **4.1.5**).

While accounts for a business or profession may be submitted to a date different from the year of assessment if approved under section 66(13A), the last day of February will be the operative date for all other purposes of the Act.[10] For example, the rebates and rates of tax will be governed by the statutory year of assessment.

The approval to draw accounts to a date other than the end of February relates to the income included in the return for normal tax. The impact of the approval under section 66(13A) is limited and does not impact on the person's other responsibilities under the Act. For example, if the person is an employer, their obligation to issue employees' tax certificates for the periods and within the timeframes required under paragraph 13(2) of the Fourth Schedule is not impacted. Similarly, IT3 returns for remuneration not subject to employees' tax, interest, rentals, royalties and the like must also be compiled up to the last day of February for the year of assessment, even when accounts of a person's business are made up to a different date.

Example 1 – Person carrying on a business in addition to receiving a salary

Facts:

A, an individual, carries on a business in addition to receiving a salary. In 2022, A was granted approval under section 66(13A) to render accounts for the trading business for the year ending 30 June on condition that the results are taken back to each immediately preceding year of assessment. The approval was granted for the initial accounting period comprising the 16 months ending 30 June 2023 and subsequent years ending on 30 June.

Result:

A's annual statutory year of assessment covers the period 1 March to the last day of February. The accounts for the business for the period 1 March 2022 to 30 June 2023 must be included in the 2023 year of assessment. In subsequent years, the accounts for the business covering the period 1 July to 30 June must be included in the respective years of assessment.

A's salary for the period 1 March 2022 to 28 February 2023 must be included in the 2023 year of assessment that covers the same period. Similarly, the salary for the period 1 March 2023 to 29 February 2024 must be included in the 2024 year of assessment that covers the same period.

The taxable income from the business for the 16 month period from 1 March 2022 to 30 June 2023 must be accounted for in the 2023 year of assessment ended on 28 February 2023 while the taxable income for the business for the 12 month period from 1 July 2023 to 30 June 2024 must be accounted for in the 2024 year of assessment ended 29 February 2024.

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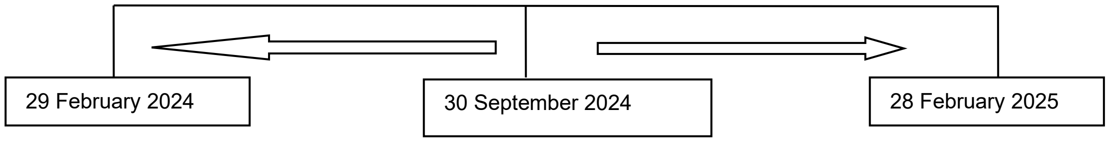
[9] For similar reasons, in *CIR v Simpson* 1949 (4) SA 678 (A), 16 SATC 268 at 282 Watermeyer CJ held "income" must be construed as meaning "profits or gains" which would be arrived at after deducting deductible expenditure in relation to the equivalent of section 7(2).

[10] Assuming that the year of assessment does not terminate before the last day of February owing to the death or the sequestration of the natural person.

If approval is granted to render accounts up to the end of September, it will be granted on condition that the income is subject to tax in the year of assessment ending on the last day of February of the same year. By contrast, if approval is granted to render accounts ending after September of a year, it will be granted on the basis that the income will be subject to tax in the year of assessment ending on the last day of February following the closing date of the accounts. This principle can be demonstrated as follows:



By choosing an accounting date that falls within the period from March to September, the income accruing after the last day of February up to the date the accounting records are drawn up, will be taxed at the rates of tax and rebates applicable to the year ending February of that calendar year.

Example 2 – Accounts rendered up to 30 September

Facts:

B, an individual, was granted approval under section 66(13A) to render accounts for the 2024 year of assessment for income derived from farming operations for the period 1 October 2023 to 30 September 2024.

Result:

The income derived from farming operations for the period 1 March 2023 to 30 September 2024 must be included in the 2024 income tax return and will be taxable at the rate of tax applicable to the year of assessment ended 29 February 2024. The rebates for the 2024 year of assessment will apply. Other income such as remuneration and interest must be returned for the 12 months ended 29 February 2024.

Example 3 – Business with a closing date of 31 December

Facts:

C, an individual, was granted approval under section 66(13A) to render accounts for the 2025 year of assessment for C’s plumbing business for the period 1 January 2024 to 31 December 2024.

Result:

The income from the plumbing business for the year ended 31 December 2024 will be taxable in the year of assessment ended 28 February 2025. The rate of tax chargeable and rebates allowable are those applicable to the 2025 year of assessment. Other income for the period 1 March 2024 to 28 February 2025 must be included in the income tax return for the 2025 year of assessment. Payments for provisional tax will be in line with the year of assessment ended 28 February 2025 (see **4.2.2** for a consideration on provisional tax and accounting periods).

Example 4 – Trusts and their beneficiaries

Facts:

ABC Trust, a discretionary trust, was granted approval under section 66(13A) to render accounts for its trading activities to 30 June of each year. Its income from trading during the period 1 July 2023 to 30 June 2024 were R100 000. An amount of R80 000 was vested in and distributed to beneficiary D (a resident)[11] on 30 June 2024 from that income leaving R20 000 to be retained in the trust.

Result:

Section 66(13A) deems the income to have accrued to the trust in the 2024 year of assessment.

However, under section 25B(1) and (2), if the trustees of a discretionary trust exercise their decision to vest income in a beneficiary before the end of the trust's year of assessment, that amount is deemed to accrue to the beneficiary and not the trust. Under section 25B(3) the beneficiary may qualify for related deductions and allowances. In the context of section 66(13A) read with section 25B(1) and (2), if approval was granted to ABC Trust to render accounts for an agreed period, in assessing whether the requirements of section 25B(2) have been met, the trustees must exercise their discretion in relation to income covered by those accounts by the end of the agreed period, in this case 30 June 2024. The trustees of ABC Trust exercised their discretion by 30 June 2024 and as a result the relevant income is deemed to have accrued to the beneficiary in the year of assessment ended February 2024 and not to ABC Trust. Accordingly, assuming all the expenses qualified for a deduction for the year of assessment ended 29 February 2024, the trust will be taxed on taxable income of R20 000 and beneficiary D will be taxed on taxable income of R80 000.

4.1.2 Partnerships

A partnership (or unincorporated joint venture) is the relationship existing between two or more persons who join together to carry on a trade, business or profession. A partnership is not a separate legal person[12] or taxpayer.[13] The individual partners are taxed on their respective share of profits from the partnership.[14] For purposes of applying section 66(13A), all the partners must agree to the request to submit accounts to a date other than the last day of February and each partner must apply individually to render accounts to that date.

4.1.3 Share purchase arrangements

Trusts created by an employer (a company) as structures for share-purchase arrangements designed to benefit employees of the company normally have the same year-end for accounting purposes as the company. Approval under section 66(13A) may be granted to the trust to submit accounts drawn up in accordance with the year-end of the company for its year of assessment ending on the last day of February.

11 As defined in section 1(1).

12 *Michalow, NO v Premier Milling Co Ltd* 1960 (2) SA 59 (W) at 61.

13 *Chipkin (Natal) (Pty) Ltd v C: SARS* 2005 (5) SA 566 (SCA), 67 SATC 243 at 249.

14 Section 24H(5)(*a*).

In most of these types of trusts the main source of taxable income will consist of passive income such as interest.

If approval is granted, all income received by or accrued to a share-purchase trust may be returned to the date approved for submitting its accounts.

4.1.4 Multiple sources of business income with differing accounting periods

A person with more than one source of business income may apply to have different accounting dates for each source of business income. A separate application must be submitted for each business.

Example 5 – Multiple businesses with differing closing dates

Facts:

E, an individual, applied before the end of the 2024 year of assessment to submit accounts for E's various businesses as follows:

- Partnership business End of March
- Farming operations End of June

Result:

The request was sufficiently motivated, and approval was granted under section 66(13A) for E to draw up the accounts for the partnership and farming operation to the end of March and June respectively. In both instances the results must be accounted for in the immediately preceding year of assessment, that is, the results for the period 1 April 2023 to 31 March 2024 and 1 July 2023 to 30 June 2024 must be included in the 2024 year of assessment ended 29 February 2024. For future years of assessment, results for the years ending 31 March and 30 June must be accounted for in the immediately preceding years of assessment (for example, income for the two businesses for the respective periods of 1 April 2024 to 31 March 2025 and 1 July 2024 to 30 June 2025 must be accounted for in the year of assessment ending 28 February 2025).

4.1.5 Capital gains and capital losses (paragraphs 6 and 7 of the Eighth Schedule)

Section 66(13B) provides that the word "income" in section 66(13A) includes any aggregate capital gain or aggregate capital loss. The aggregate capital gain or aggregate capital loss is determined by adding together all the capital gains for the year of assessment and any other capital gains that are required to be taken into account and subtracting all the capital losses for the year of assessment.[15] In addition, the annual exclusion[16] must be taken into account for a natural person or a special trust.

[15] Paragraphs 6 and 7 of the Eighth Schedule set out the general rules for determining an aggregate capital gain or aggregate capital loss for a year of assessment. See the *Comprehensive Guide to Capital Gains Tax* for a detailed consideration on an aggregate capital gain and aggregate capital loss.

[16] Paragraph 5 of the Eighth Schedule.

A person's capital gain or capital loss is determined for a year of assessment. Such a determination must be made in the year of assessment in which an asset is disposed of or in a later year of assessment when, for example, further proceeds are derived or further expenditure is incurred in relation to the asset disposed of.[17]

A capital gain or capital loss arising in an accounting period may, therefore, be carried back to the preceding year of assessment or to a subsequent year of assessment if it relates to a business for which approval was granted under section 66(13A).

A capital gain or capital loss that is unrelated to a business for which an accounting period applies must be accounted for in the year of assessment in which it arises.

Example 6 – Treatment of capital gains

Facts:

Approval was granted under section 66(13A) to F, an individual, to draw up accounts with a closing date of 30 June for the farming operation. During the period 1 March 2023 to 30 June 2024 F realised capital gains on the following assets:

- 25 March 2023 – Listed shares
- 30 April 2024 – Holiday home
- 30 June 2024 – Tractor used in the farming operation

Result:

The capital gain on disposal of the listed shares must be accounted for in the income tax return for the 2024 year of assessment covering the period 1 March 2023 to 29 February 2024, since it is unrelated to the farming operation.

The capital gain on disposal of the holiday home must be accounted for in the income tax return for the 2025 year of assessment covering the period 1 March 2024 to 28 February 2025, since it is unrelated to the farming operation.

The capital gain on disposal of the tractor must be accounted for in the accounts covering the year ended 30 June 2024 and the taxable income from the farming operations for that period (including the capital gain) must be brought to account in the 2024 year of assessment covering the period 1 March 2023 to 29 February 2024.

4.1.6 Foreign Income

A person that receives an annual certificate from a foreign financial institution that reflects interest earned during the year of assessment of the foreign country must make an equitable apportionment of the income and tax over the year of assessment. The appropriate portions can then be allocated to the relevant South African year of assessment, taking into account the requirements of section 24J.

Foreign employment remuneration normally accrues on a monthly basis and may be easily accounted for in a year of assessment. Variable remuneration contemplated in section 7B such as overtime pay, bonuses, commission, allowances for transport expenses and leave pay is deemed to accrue to an employee when it is paid and can

[17] Paragraphs 3 and 4 of the Eighth Schedule set out the general rules for determining a capital gain or capital loss for a year of assessment.

also be conveniently accounted for in the year of assessment in which it is deemed to accrue.

A person conducting a business outside of South Africa may apply for permission to draw up accounts for a period used for financial reporting purposes in the foreign country concerned.

4.1.7 Estate of a deceased person or insolvent estate [section 66(13A)(c)]

The term "person" as defined in section 1(1) includes an estate of a deceased person (deceased estate) and an insolvent estate. These estates are therefore separate persons for income tax purposes and are registered in their own capacity as taxpayers.

Paragraph (i) of the proviso to section 66(13)(*a*) provides that if a person dies, an income tax return must be made for the period commencing on the first day of that year of assessment and ending on the date of death. In the year in which the person dies, the period from the first day of the year of assessment to and including the date of death will be the "year of assessment" as defined in section 1(1). The deceased estate is a separate person for income tax purposes and will need to account for taxable income and submit income tax returns commencing on the day after the date of death.

Paragraph (ii) of the proviso to section 66(13)(*a*) provides that if a person's estate is sequestrated, separate returns must be made by the insolvent and the insolvent estate, one commencing on 1 March up to and including the day before the date of sequestration and one commencing on the date of sequestration and ending on the last day of the period. The period in this case being the period of 12 months ending on the last day of February.

In the case of a person that received approval under section 66(13A) to render accounts to a date falling within the year of assessment and –

- the person concerned dies; or
- the person's estate is sequestrated

during the interim period between that date (the date approved by the Commissioner) and the last day of the year of assessment, any income received by or accrued to that person during that interim period must be deemed to be part of that person's income for the year of assessment. See **Example 7**.

If the deceased estate or insolvent estate receives any income from the person's business or profession after the date of death or sequestration, the estate may submit a request for approval under section 66(13A). The approval granted under section 66(13A) to the natural person before death or sequestration does not automatically apply to the estate.

Example 7 – Accounts rendered up to 31 August for a deceased person

Facts:

G, an individual, was previously granted approval under section 66(13A) to render accounts for the year of assessment for income derived from business operations for the period 1 August to 31 July each year. G died on 15 September 2024.

G also earned remuneration and interest income.

Result:

The income derived from business operations for the year ending 31 July 2024 must be included in the income tax return for the 2024 year of assessment and will be taxable at the rate of tax applicable to the year of assessment ended 29 February 2024. The rebates for the 2024 year of assessment will also apply. Remuneration and interest for the period 1 March 2023 to 29 February 2024 must also be included in the income tax return for the 2024 year of assessment.

Any income derived from the business operations from 1 August 2024 up to and including the date of death (15 September 2024) must be included in the year of assessment ending on 15 September 2024. In that regard, the executor will need to draw up accounts for the period 1 August 2024 to 15 September 2024. The income tax return for the year of assessment ending 15 September 2024 must also include remuneration and interest for the period 1 March 2024 to 15 September 2024.

Any income derived by the business after the date of death must be accounted for by the deceased estate which must register as a separate taxpayer with its own tax reference number. Interest income earned by the deceased estate after the date of death will also need to be accounted for by the deceased estate. The year of assessment of the deceased estate will end on the last day of February since the permission granted to G under section 66(13A) does not automatically apply to the deceased estate. The deceased estate may apply to render accounts for a different period regarding the business-related income derived by the deceased estate from 16 September 2024 onwards.

4.1.8 Public benefit organisations and small business funding entities

A public benefit organisation (PBO) and a small business funding entity (SBFE) respectively approved under section 30(3) and 30C can operate in the form of a trust. PBOs and SBFEs are obliged to render annual income tax returns notwithstanding that some or all of their receipts and accruals may be exempt from income tax under section 10(1)(*c*N) or 10(1)(*c*Q) respectively.

A PBO that is a trust may apply under section 66(13A) for permission to draw up accounts for a period ending on a date other than the last day of February. The income of such a PBO, including investment income, must be returned to the date approved for submitting the accounts of the PBO, since it is inherently part of the PBO’s funds to be used in the ordinary course of its activities. The same applies to an SBFE.

4.1.9 Conditions for the Commissioner's approval

The following factors will be considered before the Commissioner approves an application:

- The compliance status of the person.[18] The person must comply with the registration requirements of all taxes,[19] have no outstanding tax returns[20] and no outstanding tax debts. An outstanding tax debt will not include –
  - an amount due under an instalment payment agreement or which has been compromised under the TA Act;[21]
  - any amount that has been suspended by a senior SARS official pending an objection or appeal;[22]
  - an amount that may not be recovered for the specific period under section 164(6) that SARS receives a request for a suspension of debt or a suspension is revoked;[23] or
  - an amount below R100.[24]
- Rendering accounts to a date other than the last day of February should not have negative consequences for the *fiscus*. The early closing of accounts may lead to the manipulation of the income or expenditure of a person, for example, the deferral of income derived during peak seasons. Approval will be granted only if the Commissioner is satisfied that the purpose for the request is not to obtain a tax benefit and may be subject to specified conditions.
- Each application will be considered on its own merits by taking the specific circumstances of the person into account.
- An application for an accounting period must be in writing and reasons detailing the special circumstances to be taken into account must be furnished. A person must provide supporting information and documentation in order to enable the Commissioner to make an informed decision.
- The application must be submitted to a SARS service centre within a reasonable period before the end of February. Failure to submit an application within a reasonable period may result in approval not being granted before the end of the year of assessment. This will result in the person being assessed for that year of assessment on the basis that no application was submitted.
- A new application must be submitted if the person's circumstances change and the person wants to change the accounting period back to February or to another date.

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18 Section 256(3) of the TA Act provides for the requirements of a tax compliance status.

19 Registration requirements under section 22 of the TA Act.

20 The term "return" is defined in section 1 of the TA Act. A taxpayer may arrange with SARS for the submission of the outstanding return and will be considered compliant provided all the other requirements are met.

21 Section 167 or 204 of the TA Act.

22 Section 164 of the TA Act.

23 Section 164(6) of the TA Act.

24 Under section 169(4) of the TA Act, SARS need not recover a tax debt if it is less than R100.

4.2 Provisional tax

4.2.1 Introduction [paragraphs 1, 21(1), 21(1A) and 23A of the Fourth Schedule]

A person qualifying as a provisional taxpayer as defined in paragraph 1 of the Fourth Schedule is liable for the payment of provisional tax. Paragraph 21(1) of the Fourth Schedule provides that the payment of provisional tax is payable twice a year, while paragraph 23A(1) of the Fourth Schedule provides for an optional additional payment (third payment, if applicable) as follows:

- First payment – On or before six months after the commencement of the year of assessment, that is, 31 August.
- Second payment – On or before the end of the year of assessment, that is, the last day of February.
- Third payment – On or before seven months after the end of the year of assessment, that is, 30 September. If the person was granted permission under section 66(13A) to render accounts for a period ending on a date other the last day of February, this period is reduced to on or before six months after the end of the year of assessment.[25]

Paragraph 21(1A) of the Fourth Schedule provides that a person need not make a first provisional payment if the duration of the year of assessment in question does not exceed a period of six months.

For purposes of provisional tax, it is particularly important to note that if –

- a day notified by SARS or specified in the Act for payment, submission or other action; or
- the last day of a period within which payment, submission or other action under the Act must be made,

falls on a Saturday, Sunday or public holiday, the action must be done not later than the last business day before the Saturday, Sunday or public holiday.[26]

4.2.2 Provisional tax and accounting periods [paragraph 21(2) of the Fourth Schedule]

A person granted approval to submit accounts to a date falling after the last day of February (that is, from March to September), may apply under paragraph 21(2) of the Fourth Schedule to make provisional tax payments in line with the closing date of the accounts.

Paragraph 21(2) of the Fourth Schedule will not apply if accounts are drawn up for dates ending after September but before the last day of February because the closing date will fall within the year of assessment and not after it. In these circumstances, provisional tax payments must be made on 31 August, last day of February and 31 August.[27]

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[25] Paragraph 23A of the Fourth Schedule and section 89*quat.* For more information on provisional tax, see Interpretation Note 1 Provisional Tax Estimates.

[26] Section 244(1) of the TA Act.

[27] Paragraph (*b*) of the definition of "effective date" in section 89*quat*(1) applies if approval was granted to submit accounts to a date ending other than on the last day of February.

If approval is granted to draw accounts up to a date after the last day of February but ending on or before the end of September and the taxpayer wants to change its provisional tax payment dates, the person must apply in writing, detailing the special circumstances to be taken into account. Each partner of a partnership must apply, since the circumstances of each partner must be considered individually. As noted above, the Commissioner may, having regard to the circumstances of the case, approve provisional tax payments to fall in line with the dates as approved for the accounting periods. This discretion is subject to objection and appeal.[28]

Approval to pay provisional tax in line with the accounting period will not be granted automatically. It will be conditional on the income derived from the trading activities for which the accounting period is allowed being the main source of income giving rise to the liability to pay provisional tax. In other words, in exercising the discretion in paragraph 21(2) of the Fourth Schedule, the Commissioner will approve payments for provisional tax in accordance with the main source of income.

Example 8 – Determination of dates to pay provisional tax

Facts:

H received the following income:

- Income derived from business operations that was H's main source of income with a February year-end.
- Income derived from farming operations – approval was granted under section 66(13A) to submit accounts with a June year-end.

Result:

H will not receive approval to make payments of provisional tax on dates other than 31 August and the last day of February, since the main source of income is from business operations that has a February year-end. The third payment must be made by 31 August (if applicable).

In most instances the first day of the accounting year will be regarded as the date from which the period for the first payment will be reckoned and the last day of the accounting year will be regarded as the date on or before which the second payment must be made. In the year of conversion, the first payment for provisional tax will be six months from the commencement of the year of assessment in question. The third payment, if applicable, will be six months after the end of the day preceding the anniversary of the date approved by the Commissioner under paragraph 21(2) of the Fourth Schedule for purposes of determining the first and second periods.[29]

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28 Section 3(4)(*e*).

29 Paragraph 21 and 23A of the Fourth Schedule and section 89*quat*.

Example 9 – Change from February year-end to July year-end

Facts:

I, an individual, has in the past submitted accounts for a farming operation with a closing date ending on the last day of February, the last such accounts having been submitted for the year ended 28 February 2023.

I applied for approval under section 66(13A) to submit accounts for the farming operation, that is I's main source of income, to the end of 31 July commencing with the 2024 year of assessment. The request was approved by the Commissioner on condition that the results for the period 1 March 2023 to 31 July 2024 are included in the 2024 year of assessment. I applied for approval to make provisional tax payments in line with the closing date of the accounts under paragraph 21(2) of the Fourth Schedule.

Result:

The payments for provisional tax for the year of assessment ending on the last day of February 2024 and subsequent years of assessment may be approved as follows:

For the 2024 year of assessment (including the accounts for farming operations – 1 March 2023 to 31 July 2024):

- 1st payment – On or before six months after the date of the commencement of the 2024 year of assessment, that is, 31 August 2023
- 2nd payment – On or before the accounting date, that is, 31 July 2024
- 3rd payment – On or before six months after the accounting date, that is, 31 January 2025

For the 2025 and subsequent years of assessment: (including the accounts for farming activities – 1 August 2024 to 31 July 2025):

- 1st payment – On or before six months after the date of commencement of the year, (the accounting date) that is, 31 January 2025
- 2nd payment – On or before the end of the year, (the accounting date) that is, 31 July 2025
- 3rd payment – On or before six months after the end of the year, (the accounting date) that is, 30 January 2026 (31 January 2026 is a Saturday)

Since I's main source of income is from farming operations, all other income such as interest, remuneration and rent must still be accounted for during the 12 months ending on the last day of February and must be taken into account in calculating the payment of provisional tax on the dates indicated above.

Example 10 – Change of accounting date from February to September

Facts:

J, an individual, who always submitted accounts on the last day of February, has requested approval under section 66(13A) to submit them on 30 September, with effect from the 2024 year of assessment. J also requested approval to pay provisional tax in line with the accounting date.

Result:

For the 2023 year of assessment, J would have submitted accounts for the period 1 March 2022 to 28 February 2023. If approval is granted for the 2024 year of assessment, J will submit accounts for the period 1 March 2023 to 30 September 2024, that is, an extended period of 19 months.

Payments for provisional tax for the 2024 year of assessment will be payable as follows:

- 1st payment – On or before six months after the date of the commencement of the 2024 year of assessment, that is, 31 August 2023
- 2nd payment – On or before the end of the year (the accounting date) that is, 30 September 2024
- 3rd payment – On or before six months after the end of the accounting date, that is, 31 March 2025

Payments for provisional tax for the 2025 and subsequent years of assessment will be payable on the following dates:

- 1st payment – On or before six months after the date of commencement of the year, (the accounting date) that is, 31 March
- 2nd payment – On or before the accounting date, that is, 30 September
- 3rd payment – On or before six months after the end of the year, (the accounting date) that is, 31 March

Example 11 – Change of accounting date from February to December

Facts:

K, an individual, who always submitted accounts on the last day of February, has requested approval under section 66(13A) to submit accounts on 31 December, with effect from the 2025 year of assessment. K also requested approval to pay provisional tax in line with the accounting date.

Result:

If the approval was granted for the 2024 year of assessment, K would have submitted accounts for the period 1 March 2023 to 29 February 2024. For the 2025 year of assessment K will submit accounts for the period 1 March 2024 to 31 December 2024 that is a short period of 10 months.

Payments for provisional tax for the 2025 and subsequent years of assessment will be payable as follows (see second paragraph of **4.2.2** above):

- 1st payment – On or before six months after the commencement of the year of assessment, that is, 31 August
- 2nd payment – On or before the end of the year of assessment, that is, the last day of February
- 3rd payment – On or before six months after the year of assessment, that is, 31 August

Since the accounts are drawn up to the end of December, provisional tax payments must be made on the 31 August, the last day of February and the following 31 August (if applicable). If any of these dates fall on a Saturday, Sunday or public holiday the relevant date will be the last preceding business day.

4.2.3 Interest on underpayments and overpayments of provisional tax (paragraph 23A of the Fourth Schedule)

Section 89*quat*(2) provides that, in a case other than a company, interest is levied at the prescribed rate on the underpayment of provisional tax from the effective date until the date of assessment of normal tax if the taxable income, as finally determined, for the year of assessment exceeds R50 000.

Under paragraph 23A of the Fourth Schedule, a provisional taxpayer may reduce the interest payable under section 89*quat* by making an additional payment before the effective date as defined in section 89*quat*(1).

The "effective date" in relation to any year of assessment for a person who has not been granted approval to render accounts for a period ending on a date other than the last day of February, is the date falling seven months after the last day of such year.[30]

If the person has been granted approval to render accounts for a period other than a period ending on the last day of February, the effective date will be six months after the last day of the year of assessment or, if approval was given to determine and pay provisional tax based on the accounting period under paragraph 21(2) of the Fourth Schedule, six months after the closing date of the accounts.[31]

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30 Paragraph (*a*) of the definition of "effective date" under section 89*quat*(1).

31 Paragraph (*b*) of the definition of "effective date" under section 89*quat*(1) read with paragraph 21(2) of the Fourth Schedule.

Example 12 – Determination of the effective date for section 89*quat* purposes

Facts:

L, an individual, received approval under section 66(13A) to render accounts for L's business ending 30 October of each year.

Since the closing date of the accounts fall within the year of assessment, paragraph 21(2) of the Fourth Schedule does not apply and L had to submit provisional tax returns and made corresponding payments no later than 31 August and the last day of February of every year. For the 2024 year of assessment, L submitted provisional tax returns and made payments on 31 August 2023 and 29 February 2024. The payments made were less than the normal tax payable.

Result:

L could make a third payment on or before the effective date to avoid or reduce interest payable under section 89*quat*. Since paragraph 21(2) of the Fourth Schedule does not apply to L, the effective date is 31 August.[32] Therefore, L should make an additional payment on or before 31 August 2024 in order to avoid or reduce any interest under section 89*quat*.

4.3 Trading stock and livestock

4.3.1 Trading stock [section 22(6)(b)]

Section 22 provides for how trading stock held and not disposed of at the beginning and end of a year of assessment must be accounted for. Section 22(6)(*b*) provides that any reference in section 22 to the beginning or end of a year of assessment includes a reference to the beginning or end of an accounting period accepted by the Commissioner under section 66(13A).

It follows that when accounts are accepted by the Commissioner to a date other than the last day of the year of assessment, section 22(6)(*b*) requires that trading stock must be accounted for at the beginning and end of the accounting period.

4.3.2 Livestock [paragraph 1(a) of the First Schedule]

Section 22 does not apply to farming. Paragraph 1(*a*) of the First Schedule contains a provision similar to section 22(6) for the purposes of determining the dates when opening and closing stock of livestock and produce on hand must be accounted for by a farmer. Accordingly, when accounts are accepted by the Commissioner to a date other than the last day of the year of assessment, paragraph 1(*a*) of the First Schedule in effect requires that trading stock must be accounted for at the beginning and end of the accounting period.

4.4 Effective dates of legislation

Generally, effective dates of income tax legislation take two forms, namely –

- an effective date that is linked to the timing of a transaction (for example, the timing of a receipt or accrual, incurral of expenditure or disposal of an asset); or

[32] Paragraph (*b*) of the definition of "effective date" in section 89*quat*(1) applies if approval was granted to submit accounts to a date ending other than on the last day of February.

- an effective date that applies to a year of assessment.

In applying section 66(13A), a person should have regard to changes in legislation that occur outside a year of assessment but within the accounting period. Exactly how such changes will affect a particular transaction will depend on the wording of the relevant effective date provision and it is not possible to lay down universal rules for dealing with such changes.

Effective dates applicable to a transaction date are unaffected by the fact that the results for an accounting period are taken back to an earlier year of assessment or carried forward to a future year of assessment.

Example 13 – Change of legislation applicable to a transaction date

Facts:

M, an individual, carries on a business with an accounting period that ends on 30 April. M was granted approval under section 66(13A) to render accounts for the year ending 30 April on condition that the results are taken back to each immediately preceding year of assessment ending on the last day of February.

On 31 March 2025 M incurred an expense in relation to the business. The section governing the deductibility of the expense was withdrawn with effect from 1 March 2025 and applicable to any expenditure actually incurred on or after that date.

Result:

The expenditure will not be deductible because the transaction took place after the effective date of the amendment (1 March 2025) that applies to all transactions on or after that date. This result is not altered by the fact that the deduction is carried back to the 2025 year of assessment that ends before 1 March 2025.

An effective date that applies to a year of assessment can, however, apply to a transaction conducted before or after the year of assessment if it falls within the accounting period and the results for that period are carried forward or back to the year of assessment in question.

Example 14 – Change in legislation applicable to a year of assessment

Facts:

N, an individual, carries on an auditing business with an accounting period approved under section 66(13A) ending on 30 June.

On 31 May 2016 N disposed of an office building at a capital gain of R120 000. N derived no other capital gains or losses during the accounting period ended 30 June 2016 or during the 2016 year of assessment.

Result:

Under section 66(13A) the capital gain must be accounted for in the 2016 year of assessment ended on 29 February 2016.

Under paragraph 5(1) of the Eighth Schedule the annual exclusion for an individual was increased from R30 000 to R40 000 with effect from years of assessment commencing on or after 1 March 2016.

Under paragraph 10 of the Eighth Schedule the inclusion rate changed from 33,3% to 40% with effect from years of assessment commencing on or after 1 March 2016, that is, the 2017 year of assessment.

Since the capital gain is accounted for in the 2016 year of assessment, N's capital gain must be reduced by the lower annual exclusion of R30 000 and will be subject to the lower inclusion rate of 33,3%. N's taxable capital gain is therefore (R120 000 − R30 000) × 33,3% = R29 970.

5. Tax period for value-added tax

A natural person or trust registered or required to be registered as a vendor for (value-added tax) VAT purposes is allocated a specific tax period for which the output tax and input tax is declared and the difference between them is calculated and either paid to or refunded by SARS for that specific tax period. The closure by a natural person or trust of its financial accounts on a day other than the last day of the year of assessment will not have any impact on its VAT liability for any tax period.

A vendor is required to submit VAT 201 returns and account for VAT to SARS according to the tax periods allocated to the vendor by the Commissioner. However, paragraph (ii) of the proviso to section 27(6) of the VAT Act 89 of 1991 provides for the Commissioner to allow a tax period to end on a fixed day instead of the last day of the month. The fixed day must fall within 10 days before or after the last day of a month and the future tax period approved by the Commissioner must be used by the vendor for a minimum period of 12 months commencing from the tax period the change is made.

For more information on the different tax periods, see Interpretation Note 52 "Approval to End a Tax Period on a Day other than the Last Day of a Month".

6. Conclusion

Under section 66(13A) a person who cannot conveniently return income from a business or profession to the last day of February may apply at a SARS service centre for approval to draw up accounts to a closing date other than the last day of February. Any request of this nature is subject to conditions that the Commissioner may impose. Generally, the approved closing date will determine the year of assessment that the results for the accounting period must be included and the dates that provisional tax payments must be made.

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Annexure – The law

Section 1(1) – definition of "year of assessment"

"year of assessment" means any year or other period in respect of which any tax or duty leviable under this Act is chargeable, and any reference in this Act to any year of assessment ending the last or the twenty-eighth or the twenty-ninth day of February shall, unless the context otherwise indicates, in the case of a company or a portfolio of a collective investment scheme in securities be construed as a reference to any financial year of that company or portfolio ending during the calendar year in question.

Section 5

5. Levy of normal tax and rates thereof.—(1) Subject to the provisions of the Fourth Schedule there shall be paid annually for the benefit of the National Revenue Fund, an income tax (in this Act referred to as the normal tax) in respect of the taxable income received by or accrued to or in favour of—

(*a*) . . . . . .

(*b*) . . . . . .

(*c*) any person (other than a company) during the year of assessment ending during the period of 12 months ending the last day of February each year; and

……

Section 22(6)(*b*)

22. Amounts to be taken into account in respect of values of trading stocks. —

(6) Any reference in this section to the beginning or end of a year of assessment includes—

(*b*) where accounts are accepted under section 66 (13A) or (13C) to a date agreed to by the Commissioner, a reference to the beginning or end, as the case may be, of the period covered by the accounts.

Section 66(13A) and (13B)

(13A) Where—

(*a*) it is established to the satisfaction of the Commissioner that the whole or any portion of the income of any person to whom the provisions of subsection (13)(*a*) apply cannot be conveniently returned for any year of assessment, the Commissioner may, subject to such conditions as he or she may impose, accept accounts in respect of the whole or a portion of the taxpayer's income drawn to a date agreed to by the Commissioner, whether for a longer or shorter period than the year of assessment under charge, and the income disclosed in any such accounts must be deemed to be income of that person in respect of that year under charge;

(*b*) any such accounts are drawn to a date later than the last day of the year of assessment, no further regard shall be had to the income disclosed by those accounts for purposes of any subsequent year of assessment;

(*c*) any such accounts are drawn to a date falling within the year of assessment and the person concerned dies or his or her estate is sequestrated during the interim period between that date and the last day of the year of assessment, any income received by or accrued to that person during that interim period must be deemed to be part of that person's income for the year of assessment.

(13B) For the purposes of subsections (13A) and (13C), the word **"income"** must be construed as including any aggregate capital gain or aggregate capital loss.

Definition of "effective date" in section 89*quat*(1)

"effective date", in relation to any year of assessment of a provisional taxpayer, means—

(*a*) where the provisional taxpayer is a company which has a year of assessment which ends on the last day of February or is a person (other than a company) who has not been granted permission by the Commissioner under the provisions of section 66 (13A) to render accounts for a period ending on a date other than the last day of February, the date falling seven months after the last day of such year; or

(*b*) in any other case, the date falling six months after the last day of such year as applicable for the purposes of the provisions of paragraph 21 or 23 of the Fourth Schedule;

Paragraph 1(*a*) of the First Schedule

1. In this Schedule—

(*a*) a reference to a year of assessment shall in the case of any taxpayer who has under the provisions of section 66 (13A) of this Act been permitted to furnish accounts in respect of the income derived by him from pastoral, agricultural or other farming operations made up to a date other than the last day of the relevant year of assessment, be construed as a reference to the period covered by such accounts; and

Definition of "provisional taxpayer" in paragraph 1 of the Fourth Schedule

"provisional taxpayer" means—

(*a*) any person (other than a company) who derives income by way of—

(i) any remuneration from an employer that is not registered in terms of paragraph 15; or

(ii) any amount which does not constitute remuneration or an allowance or advance contemplated in section 8 (1);

(*b*) any company; and

(*c*) any person who is notified by the Commissioner that he or she is a provisional taxpayer,

but shall exclude—

(*aa*) any public benefit organisation as contemplated in paragraph (a) of the definition of "public benefit organisation" in section 30(1) that has been approved by the Commissioner in terms of section 30(3);

(*bb*) any recreational club as contemplated in the definition of "recreational club" in section 30A(1) that has been approved by the Commissioner in terms of section 30A(2);

(*cc*) any body corporate, share block company or association of persons contemplated in section 10(1)(*e*);

(*dd*) any—

(A) person in respect of whose liability for normal tax for the relevant year of assessment payments are required to be made under section 33;

(B) natural person who does not derive any income from the carrying on of any business, if—

(AA) the taxable income of that person for the relevant year of assessment does not exceed the tax threshold; or

(BB) the taxable income of that person for the relevant year of assessment which is derived from interest, dividends, foreign dividends, rental from the letting of fixed property and any remuneration from an employer that is not registered in terms of paragraph 15 does not exceed R30 000;

(*ee*) a small business funding entity;

(*ff*) a deceased estate; and

(*gg*) any entity as defined in section 30B that has been approved by the Commissioner in terms of section 30B(2);

Paragraph 21 of the Fourth Schedule

21. (1) Subject to the provisions of subparagraph (2), provisional tax shall be paid by every provisional taxpayer (other than a company) in the following manner, namely—

(*a*) within the period of six months reckoned from the commencement of the year of assessment in question, one half of an amount equal to the total estimated liability of such taxpayer (as determined in accordance with paragraph 17) for normal tax in respect of that year, less the total amount of—

(i) any employees' tax deducted by the taxpayer's employer from the taxpayer's remuneration during such period; and

(ii) any tax proved to be payable to the government of any other country which will qualify as a rebate under section 6*quat*; and

(*b*) not later than the last day of the year of assessment in question, an amount equal to the total estimated liability of such taxpayer (as finally determined in accordance with paragraph 17) for normal tax in respect of that year, less the total amount of—

(i) any employee's tax deducted by the taxpayer's employer from the taxpayer's remuneration during such year and the amount paid in terms of item (a); and

(ii) any tax proved to be payable to the government of any other country which will qualify as a rebate under section 6*quat*.

(1A) Subparagraph (1)(*a*) does not apply where the duration of the year of assessment in question does not exceed a period of six months.

(2) If the Commissioner has in terms of section 66 (13A) of this Act agreed to accept accounts from any provisional taxpayer in respect of any year of assessment drawn to a date falling after the end of such year, the period referred to in item (*a*) of subparagraph (1) shall, notwithstanding the provisions of that subparagraph, be reckoned from such date as the Commissioner upon application of the taxpayer and having regard to the circumstances of the case may approve, and in such case the last day of such year of assessment shall for the purposes of item (*b*) of that subparagraph be deemed to be the day preceding the first anniversary of the said date.

(3) . . . . . .

Paragraph 6 and 7 of the Eighth Schedule

6. Aggregate capital gain.—A person's aggregate capital gain for a year of assessment is the amount by which the sum of that person's capital gains for that year and any other capital gains which are required to be taken into account in the determination of that person's aggregate capital gain or aggregate capital loss for that year, exceeds the sum of—

(*a*) that person's capital losses for that year; and

(*b*) in the case of a natural person or a special trust, that person's or special trust's annual exclusion for that year.

7. Aggregate capital loss.—A person's aggregate capital loss for a year of assessment is the amount by which the sum of a person's capital losses for the year exceeds the sum of—

(*a*) that person's capital gains for that year and any other capital gains which are required to be taken into account in the determination of that person's aggregate capital gain or aggregate capital loss for that year; and

(*b*) in the case of a natural person or a special trust, that person's or special trust's annual exclusion for that year.