

DRAFT BINDING GENERAL RULING (INCOME TAX)

DATE:

ACT : INCOME TAX ACT 58 OF 1962
SECTION : SECTIONS 1(1) – DEFINITION OF “FINANCIAL YEAR” AND “YEAR OF ASSESSMENT” AND 66(13)(b)
SUBJECT : FILING DATE OF A RETURN IN CASE OF A COMPANY’S CHANGE IN FINANCIAL YEAR AND YEAR OF ASSESSMENT

For the purposes of this ruling –

- **“BGR”** means a binding general ruling issued under section 89 of the TA Act;
- **“CIPC”** means the Companies and Intellectual Property Commission;
- **“Commissioner”** includes any employee of SARS who has the delegated power to exercise and perform certain duties;¹
- **“Companies Act”** means the Companies Act 71 of 2008;
- **“company”** means a company as defined in section 1(1);
- **“Fourth Schedule”** means the Fourth Schedule to the Act;
- **“mineral royalties”** means a royalty imposed under the Mineral and Petroleum Resources Royalty Act 28 of 2008 and administered under the MPRRA Act;
- **“MPRRA Act”** means the Mineral and Petroleum Resources Royalty (Administration) Act 29 of 2008;
- **“paragraph”** means a paragraph of the Fourth Schedule;
- **“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;
- **“VAT”** means value-added tax;
- **“VAT Act”** means the Value-Added Tax Act 89 of 1991; and
- any other word or expression bears the meaning ascribed to it in the Act.

The guide and Interpretation Notes referred to in this BGR are available on the SARS website at www.sars.gov.za. Unless indicated otherwise, the latest version of these documents should be consulted.

¹ See section 3(1).

1. Purpose

This BGR provides clarity on the date for filing various returns when a company changes its financial year for purposes of the Companies Act and when approval of a change in financial year and corresponding year of assessment is granted for income tax purposes.

2. Background

Companies may change their financial year for various practical, commercial, or regulatory reasons.² The reasons may include, but are not limited to, aligning the financial year-end with a parent company or group, business or operational cycle alignment, accounting and audit practicality, or a change in ownership or restructuring.

The change in financial year must first be made for Companies Act purposes. The Commissioner may then approve a corresponding change in the financial year for income tax purposes.

Section 25(1) of the TA Act provides that a person required to submit a return,³ must do so by the date specified in the tax Act,⁴ or in its absence, by the date specified by the Commissioner in the public notice requiring the submission.

Uncertainty exists regarding the periods for the submission of returns and payment dates for income tax, provisional tax, mineral royalties, and VAT subsequent to a change in financial year and year of assessment.⁵

3. Application of the law

The term “year of assessment” as defined in section 1(1) provides that a company’s year of assessment is its financial year. Under section 5(1)(d), a company shall pay income tax annually on the taxable income received by, accrued to, or in favour of it during every financial year.

The term “financial year” is defined in section 1(1). In the case of –

- a newly incorporated company –
 - the financial year is the period (whether of 12 months or not) commencing on the date of incorporation and ending on the last day of February immediately succeeding that date, or on any other date

² See 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”.

³ The term “return” is defined in section 1 of the TA Act as –
 “a form, declaration, document or any other manner of submitting information to SARS that incorporates a self-assessment, is a basis on which an assessment is to be made by SARS or incorporates relevant material required under section 25, 26 or 27 or a provision under a tax Act requiring the submission of a return.”.

⁴ The term “tax Act” is defined in section 1 of the TA Act as –
 “this Act or an Act, or a portion of an Act, referred to in section 4 of the SARS Act, excluding customs and excise legislation”.

Section 4 of the SARS Act 34 of 1997 refers to the Schedule listing all the legislation administered by the Commissioner.

⁵ Returns for employee tax, dividends tax, and withholding taxes are not affected by the change of a company’s financial year and year of assessment because of their legislative structure that is not linked to a company’s financial year or year of assessment.

approved by the Commissioner, having regard to the circumstances of the case; and

- any other company
 - any period subsequent to the period referred to above (whether of 12 months or not) commencing immediately after the last day of the immediately preceding financial year of that company and ending upon the first anniversary of such last day, or upon such other date as the Commissioner may approve, having regard to the circumstances of the case.

The definition of “financial year” under section 1(1), refers to the period as “whether of 12 months or not”. Therefore, a company’s year of assessment may be more or less than 12 months.

Section 27(5) of the Companies Act states that the “financial year of the company is its annual accounting period.”

The Companies Act does not specify a minimum period for a financial year. A company incorporated on 1 February which adopts a financial year-end of the last day of February would thus have a first financial year of one month. However, section 27 of the Companies Act provides that a company’s financial year may not exceed 15 months (this applies to its first financial year and any subsequent financial year which is longer than 12 months as a result of a change in financial year).

Section 1(1) defines “year of assessment” as –

“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.”

For a company, the year of assessment is, by definition, the same as the financial year for income tax purposes.

A change in financial year and year of assessment will therefore impact the submission dates for the company’s income tax return, provisional tax payments and returns, and mineral royalties estimate payments and returns.

Income tax

Section 66(13)(b), which provides for the submission of a tax return for income tax purposes for a company, states –

“(13) The return for normal tax to be made by any person in respect of any year of assessment shall be a return—

- (b) in the case of a company, for the whole period of the relevant financial year of that company comprising the year of assessment: Provided that where a company ceases to be a resident, a return shall be made for the period commencing on the first day of that financial year and ending on the day preceding the date that the company ceases to be a resident.”

(Emphasis added)

Accordingly, following a change in financial year and year of assessment, the company must determine whether the income tax return should cover a shorter period (see Example 1) or an extended period. SARS's income tax system does not permit the submission of more than one income tax return for a single year of assessment, for example, a company may not submit two income tax returns for the 2026 year of assessment (see Example 2). If a change in the financial year results in two accounting periods falling into what would otherwise be one year of assessment, these periods must be combined into a single return, leading to either an extended or a shortened year of assessment, depending on the nature of the change.⁶

A shortened year of assessment typically occurs when a company brings its financial year-end forward, for example, from 30 June to 28 February. An extended (combined) year of assessment arises when a company defers its financial year-end, for example, from 28 February to 30 June.

Provisional tax

Any company, except those excluded under the definition "provisional taxpayer" in paragraph 1, is a provisional taxpayer. Under paragraph 23(1), a company must make its first provisional tax payment within six months of the commencement of its year of assessment, and the second provisional tax payment no later than the last day of its year of assessment. An optional additional payment (third payment) can be made within seven months of the end of the company's year of assessment for companies with a financial year ending on the last day of February, or in any other case, within six months of the end of the year of assessment.⁷ This third payment will reduce any interest liability that may become payable for the relevant year of assessment.⁸

If the year of assessment is six months or less, a taxpayer is not required to submit a first provisional tax return.⁹ See Example 1.

Provisional tax is an advance payment of normal tax for a specific year of assessment. Since the end of a company's year of assessment is determined by the approved financial year-end, the provisional tax cycle realigns with the new year of assessment. The "six-month" and "year-end" provisional payments are thus measured from the start of the revised year of assessment, not the previous year of assessment.

The third provisional or voluntary payment remains available and is calculated with reference to the new year of assessment.

In the context of provisional tax, it is particularly important to note that if –

- a day specified by SARS or 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,

⁶ For information on how to complete the income tax return when changing a company's financial year and year of assessment, see the *External Guide: How to Complete the Income Tax Return (ITR14) for Companies (IT-GEN-04-G01)*.

⁷ For more information on provisional tax, see Interpretation Note 1 "Provisional Tax Estimates".

⁸ Paragraph 23A.

⁹ Paragraph 23(2).

falls on a Saturday, Sunday, or public holiday, the action must be completed no later than the last business day before that Saturday, Sunday, or public holiday.¹⁰

Mineral and Petroleum Resources Royalty (Administration)

Section 1 of the MPRRA Act defines “financial year” as “a financial year as defined in section 1 of the Income Tax Act”. The return cycle for mineral royalties is therefore aligned with the company’s income tax year of assessment and is not independently determined. Accordingly, any approved change to a company’s financial year-end automatically affects the year of assessment for mineral royalties and, in turn, the due dates for mineral royalties estimates, payments, and the annual MPR3 return. This means there is no separate or special cycle for mineral royalties, and their administration; rather it mirrors the income tax cycle.

The financial year-end for mineral royalties is updated automatically, and no separate approval is required for the mineral royalties system. If a year of assessment for mineral royalties has already been assessed, the change applies only prospectively from the following year of assessment.

Section 5(1) of the MPRRA Act provides that, for a year of assessment, a company must submit an estimated return and make a first payment no later than six months after the first day of that year of assessment. Section 5(2) of the MPRRA Act provides that, for a year of assessment, a company must submit an estimated return and make a second payment by the last day of that year of assessment.

Section 6(2) of the MPRRA Act provides that if the royalty payable for a year of assessment exceeds the sum of the first and second payments made, the registered person must submit a return of that excess and pay it no later than six months after the last day of that year of assessment. See Example 1.

Section 6(3) of the MPRRA Act provides that a company must submit a final return (MPR3) for the royalty payable for a year of assessment no later than 12 months after the last day of that year of assessment.

Value-added tax

A vendor is required, under section 28 of the VAT Act, to submit VAT201 returns and account for VAT according to the tax periods allocated to the vendor by the Commissioner.¹¹

A change in the company’s financial year does not alter the tax periods allocated to a vendor and will generally have no impact on the due date for submitting VAT201 returns. Accordingly, if a company changes its financial year-end, the due date for submitting VAT201 returns must continue to be calculated with reference to the end of the relevant tax period. This principle is particularly relevant to Category E¹² vendors whose tax period is aligned with the vendor’s year of assessment. If SARS approves a change in the company’s financial year-end and corresponding year of assessment,

¹⁰ Section 244(1) of the TA Act.

¹¹ Section 27 of the VAT Act.

¹² Section 27(1) of the VAT Act defines “Category E” as –

“the category of vendors whose tax periods are periods of twelve months ending on the last day of their year of assessment as defined in section 1 of the Income Tax Act or, where any vendor falling within this category makes written application therefore, on the last day of such other months as the Commissioner may approve”.

the Category E tax period will similarly adjust to align with the revised year of assessment. In such instances, the vendor may have a tax period of a shorter or longer duration, depending on the effective date of the approved change. The VAT201 return for such period must be submitted on the applicable due date prescribed under section 28 of the VAT Act, calculated from the end of the adjusted Category E tax period, that is, the new financial year-end.

4. Ruling

Section 25(1) of the TA Act provides that a person required to submit a return must do so by the date specified in the tax Act, or in its absence, by the date specified by the Commissioner in the public notice requiring the submission.

After a change in the end of the financial year and year of assessment, the company must determine if the income tax return must be for a shorter or an extended period, as the SARS income tax system does not allow for the submission of more than one income tax return for a year of assessment.

Since a company's year of assessment is determined by the approved financial year-end, the provisional tax cycle realigns to the new year of assessment. The "six-month" and "year-end" provisional payments are thus measured from the start of the revised year of assessment, not the previous year of assessment.

The return cycle for mineral royalties is aligned with the company's income tax year of assessment and is not independently determined. Accordingly, any approved change to a company's financial year-end automatically affects the year of assessment for mineral royalties and, in turn, the due dates for royalty estimates, payments, and the annual MPR3 return.

A change in the financial year of a company does not have any impact on its VAT liability for any tax period.

This ruling constitutes a BGR issued under section 89 of the TA Act.

5. Period for which this ruling applies

This ruling applies from date of issue of the final BGR until it is withdrawn, amended, or the relevant legislation is amended.

Annexure – Examples

Example 1 – Change in company’s financial year and year of assessment

Facts:

Company A (a mining company) was acquired by Company B (a Holding company) on 31 October 2024. In January 2025, Company A received confirmation from the CIPC approving a change in its financial year-end from 31 December to 30 June, aligning it with Company B’s financial year-end. Following this, Company A submitted a request to the Commissioner to change its financial year-end for income tax purposes from 31 December to 30 June.

The Commissioner approved the change in Company A’s year of assessment to 30 June, effective from the 2025 year of assessment. Company A’s 2025 financial year was therefore only six months. Audited Annual Financial Statements for this six-month period, ending 30 June 2025, were prepared to facilitate consolidation into Company B’s June 2025 financial results. Company A is registered for mineral royalties.

Result:

Subsequent to the change of financial year-end, Company A’s years of assessment and income tax return submission periods are as follows:

- 2024 year of assessment
12 months from 1 January 2024 to 31 December 2024
- 2025 year of assessment
six months from 1 January 2025 to 30 June 2025
- 2026 year of assessment
12 months from 1 July 2025 to 30 June 2026

In respect of provisional tax payments and returns the following would apply:

2024 year of assessment

- The first provisional tax payment and return were due six months after the commencement of the year of assessment, that is, 30 June 2024.
- The second provisional tax payment and return were due at the end of the year of assessment, that is, 31 December 2024.
- An optional third provisional tax payment and return could have been submitted no later than six months after the end of the year of assessment, that is, 30 June 2025.

For mineral royalties estimate payments and returns, the dates and payments will align with those for provisional tax as stated above. An MPR3 return for the royalty payable in respect of a year of assessment must be submitted no later than 12 months after the last day of that year of assessment, that is, 31 December 2025.

2025 year of assessment

- As the 2025 year of assessment is only six months, the first provisional tax payment and return are not required under paragraph 23(2).
- The second provisional tax payment and return were due at the end of the year of assessment, that is, 30 June 2025.
- A third or top-up provisional tax payment and return could have been submitted no later than six months after the end of the year of assessment, that is, 31 December 2025.

Regarding mineral royalties, estimate payments and returns will align with the provisional tax schedule outlined above. Companies must submit an MPR3 return for the royalty payable in respect of a year of assessment no later than 12 months after the last day of that year of assessment, that is, 30 June 2025.

2026 year of assessment

- The first provisional tax payment and return were due six months after the commencement of the year of assessment, that is, 31 December 2025.
- The second provisional tax payment and return were due at the end of the year of assessment, that is, 30 June 2026.
- An optional third provisional tax payment and return could have been submitted no later than six months after the end of the year of assessment, that is, 31 December 2026.

Mineral royalties estimate payments and returns will follow the provisional tax dates as stated above. An MPR3 return must be submitted by a company for the royalty payable in respect of a year of assessment no later than 12 months after the last day of that year of assessment, that is, 30 June 2026.

Example 2 – Change in company's financial year and year of assessment***Facts:***

In February 2025, Company C changed its financial year from 31 March to 31 May due to operational reasons. In March 2025, Company C received confirmation from the CIPC approving the change in its financial year-end from 31 March to 31 May.

Following confirmation from the CIPC, the Commissioner approved the request to change Company C's year of assessment to 31 May. Company C therefore had an extended 2025 year of assessment.

Result:

Subsequent to the change of financial year-end, Company C would have the following years of assessment and income tax return submission periods:

- 2025 year of assessment
12 months from 1 April 2024 to 31 March 2025
- 2025 year of assessment
two months from 1 April 2025 to 31 May 2025

As a result, Company C is required to combine the financial information for the 2025 year of assessment and submit one 2025 tax return for an extended period of 14 months, from 1 April 2024 to 31 May 2025.

The following provisional tax payments and returns would apply:

2025 year of assessment

- First provisional tax payment and return – due 30 September 2024.
- Second provisional tax payment and return – due 31 May 2025.
- Third provisional tax payment and return (optional) – could have been submitted no later than 30 November 2025.