



MEMO

To: Board of Directors
From: Company Secretary
Subject: **SYNCHRONISATION OF FINANCIAL YEARS**

Section 323D(3) of the Corporations Act requires that:

- (i) where a company forms a subsidiary the financial year-end of that subsidiary must be the same as the parent company; and
- (ii) where a subsidiary company is acquired the financial years of the group must be synchronised.

To facilitate the synchronisation, the financial year of a consolidated entity may be extended or shortened. An extended financial year cannot be longer than 18 months – s323D(4).

Under s323D(4), entities that have to prepare consolidated financial statements have the power to synchronise. This power is only available if the accounting standards require the preparation of consolidated financial statements. It is to be used once-only, in the 12 months after the need to consolidate arises; it is not otherwise available.

Synchronisation must be achieved within 12 months of a relevant situation (eg, becoming part of a consolidated group) occurring.

Procedure to Change

There is no formal procedure in the Act for effecting synchronisation, and no form to complete.

However, ASIC's Information Sheet No.17 explains that: "Because this option is available through the Corporations Act, you do not need to seek our permission to change the financial year of your consolidated entities. You do need to notify us."

In relation to notifying ASIC of the synchronisation, INFO17 advises that notification must be in writing – presumably on parent company (but may be subsidiary company!) letterhead, and presumably signed by a director or Company Secretary, but it does not say – which will allow ASIC to amend the public register to reflect the new financial year-end for each affected company.

Notification must include:

- the start and end dates of the old financial year,
- the start and end dates of the new financial year, and



- the exception under which the company has changed, or is changing, its financial year.

Australian Tax Office

If a company wants to move away from a 30 June financial year-end it must also apply to the ATO for approval of a Substituted Accounting period ("SAP").

The ATO in fact 'expects' that companies will synchronise their financial year-ends (if different for any reason) and their SAP Application Form actually has a box to tick for this and they state that they should 'automatically' approve an application on these grounds.

DISCLAIMER

The comments in this memo reflect some commercial aspects and observations on the matter experienced or observed by the writer in practice as he understands them. The information is given as a guide only and does not represent a definitive or legal view of any of the issues raised, covered or referred to and the reader is urged to seek his own professional advice on all aspects of, or pertaining to, this and any related matter.