

end of the special tax year of the company in which the notice was served.

(8) If a company's tax year changes under this section, the period between the last full tax year prior to the change and the date on which the changed tax year commences is a separate tax year (referred to as a "transitional tax year").

(9) A transitional tax year shall not exceed a period of twelve months.

(10) If a company is permitted to use a special tax year or is required to use a transitional tax year under this section, a reference in this Chapter to a person's tax year for the purposes of computing the person's chargeable income or the payment of instalments of tax means the company's "special tax year" or a "transitional tax year", as the case may be.

#### 47. Method of accounting for income tax

(1) Subject to this Act, a person's method of accounting for the purposes of computing the business income and expenditure of the person for a tax year shall conform to generally accepted accounting principles.

(2) Subject to subsection (3), a company shall account for income tax purposes on an accrual basis, while other persons may account for income tax purposes on a cash or accrual basis.

(3) The Commissioner-General may specify that any class of persons shall account for income tax purposes on a cash or accrual basis.

(4) A person may apply, in writing, for a change in the person's method of accounting and the Commissioner-General may, by notice in writing, approve the application but only if satisfied that the change is necessary to properly compute the person's chargeable income.

(5) Subject to subsection (6), if a person's method of accounting changes, the person shall make adjustments in the tax year of change to items of income, deduction, or credit, or to any other items affected by the change so that no item is omitted and no item is taken into account more than once.

(6) If an amount is added to a person's chargeable income solely by reason of the adjustments required under subsection (5), one-third of the amount is included in the tax year in which the change occurs and the balance is included equally in the following two tax years.

#### 48. Cash-basis accounting

A person accounting for income tax purposes on a cash basis derives an amount when it is received and incurs expenditure when it is paid.

#### 49. Accrual-basis accounting

(1) A person accounting for income tax purposes on an accrual basis derives an amount when it is due to the person and incurs expenditure when it is payable by the person.

(2) Subject to this Act, an amount is due to a person at the time the person becomes entitled to receive it even if the time for discharge of the entitlement is postponed or the amount is payable by instalments.

(3) Subject to this Act, an amount is payable by a person when all the events that determine liability have occurred and the amount of the liability can be determined with reasonable accuracy, but not before economic performance occurs.

(4) For the purposes of subsection (3), economic performance occurs -

- (a) in the case of the acquisition of services or assets, at the time the services are provided or assets are delivered;
- (b) in the case of the use of assets, at the time the assets are used; and
- (c) in any other case, at the time payment is made in full satisfaction of the liability.

(5) If a person has been allowed a deduction for any expenditure incurred in deriving gross income and the person has not paid the liability or a part of the liability to which the deduction relates within three years of the end of the tax year in which the deduction was allowed, the unpaid amount of the liability shall be included in the person's gross income for the first tax year following the end of the three years.

(6) An amount to which subsection (5) applies has the same character as the income to which the deduction relates.

(7) If the amount of an unpaid liability is included in gross income under subsection (5) and the person subsequently pays the liability or a part of the liability, the person is allowed a deduction for the amount paid in the tax year in which the payment is made.