


# ***TD 93/D106 - Income tax: is it necessary to do a stocktake at the end of the year?***

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This document has been finalised by TD 93/125.

Draft Taxation Determinations (TDs) represent the preliminary, though considered, views of the ATO. Draft TDs may not be relied on; only final TDs are authoritative statements of the ATO.

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## Draft Taxation Determination

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### **Income tax: is it necessary to do a stocktake at the end of the year?**

1. In most cases, yes. Subsection 28(1) the *Income Tax Assessment Act 1936* requires that the value of all trading stock on hand at the end of the year of income be arrived at in order to calculate the taxpayer's taxable income. The Act does not stipulate that it is necessary to do a physical stocktake but in the majority of instances there is no other way of arriving at an accurate value and a physical stocktake should be completed. This should be done as close as possible to the end of the year.
2. It is not sufficient to guess the value of trading stock on hand nor is it sufficient to estimate its value based on a stocktake completed in an earlier year.
3. In some businesses purchases and sales of trading stock are recorded in such a way that a continuous record is maintained of stock on hand. This record is adjusted by completing regular stocktakes throughout the year on different sections of the stock in order to bring to account any losses or errors in the system. We consider that if this record is properly maintained, stocktakes completed regularly throughout the year and all items of stock counted at least once then the value of stock on hand can be arrived at without the need to complete a year end stock-take.

**Commissioner of Taxation**

29/04/93

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FOI INDEX DETAIL: Reference No.

Related Determinations:

Related Rulings: IT 2670; IT 2350

Subject Ref: trading stock on hand; completion of stocktake.

Legislative Ref: ITAA 28(1)

Case Ref:

ATO Ref: SSO TD 08

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