TD 92/D190 - Income tax: is it always necessary for a retailer to make a police complaint before the benefit of a deduction for stock shortages will be accepted?

This document has been finalised by TD 93/51.

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.

Draft Taxation Determination

Income tax: is it always necessary for a retailer to make a police complaint before the benefit of a deduction for stock shortages will be accepted?

1. No. A police complaint is only one form of evidence of a stock shortage.

2. Where there is sufficient other evidence establishing the shortage, the retailer is not required, under section 28 of the *Income Tax Assessment Act 1936*, to bring the missing items into the closing stock figure.

Example:

Grant is the owner of a jewellery store. After a physical stocktake and a comparison with inventory records, he discovers several jewellery items are missing. It is not the normal industry practice to report the shortage to the police where the circumstances of the loss are unknown. Accordingly a police report will not be required. Grant will not be required to include the missing items in his closing stock.

Commissioner of Taxation
29/10/92

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