



# ***PS LA 2004/3 (GA) - Valuation of goods taken from trading stock for private use by sole traders or partners in a partnership***

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## Valuation of goods taken from trading stock for private use by sole traders or partners in a partnership

This Practice Statement explains how to value goods taken from trading stock for private use by sole traders or partners in a partnership.

*This Practice Statement is an internal ATO document and an instruction to ATO staff.*

*Taxpayers can rely on this Practice Statement to provide them with protection from interest and penalties in the following way. If a statement turns out to be incorrect and taxpayers underpay their tax as a result, they will not have to pay a penalty, nor will they have to pay interest on the underpayment provided they reasonably relied on this Practice Statement in good faith. However, even if they do not have to pay a penalty or interest, taxpayers will have to pay the correct amount of tax provided the time limits under the law allow it.*

### 1. What this Practice Statement is about

Subdivision 70-D of the *Income Tax Assessment Act 1997* contains the rules about including the value of an item of trading stock in assessable income if the trading stock is disposed of outside the ordinary course of business or if the item ceases to be trading stock in certain other circumstances.

This Practice Statement explains the approach we will accept in regard to valuing goods taken from trading stock for private use by sole traders or partners in a partnership.

It also specifies record-keeping requirements.

### 2. How items of trading stock taken for private use will be valued

How an item of trading stock taken for private use is valued depends on whether the item continues to be held by the same individual or individuals. If it is, it is accounted for at cost. If it is not, it is accounted for at market value.<sup>1</sup>

So, where an item is taken for private use by:

- a sole trader – it is included in assessable income at cost
- all the partners in a partnership for their joint use – it is included in assessable income at cost, or
- one or more, but not all, of the partners in a partnership – it is included in assessable income at market value.

However, in regard to this last point, we accept that where the items are of small value such that it is difficult or unreasonable for records to be kept (see section 3 of this Practice Statement), the items are taken for joint private use of all of the partners in the partnership and can be accounted for at cost.

### 3. Record keeping

The following records should be kept in relation to goods taken for private use:

- the date the item is taken from stock
- the reason the item is taken
- a description of the item, and
- the cost or market value of the item (see also section 4 of this Practice Statement).

### 4. Establishing cost or market value in difficult situations

We recognise that for certain businesses or industries, it is difficult to determine the value of an item of trading stock taken for private use. For these taxpayers, we issue a public ruling for each income year providing a schedule of values of goods that may be used as a guide to the amounts that we will accept as estimates of the total value of items taken.

The industries where these difficulties may arise include those where the items of trading stock are:

- used in a manufacturing process
- a range of small items or ingredients, usually of low value
- not suited to inventory systems
- subject to high turnover, often for cash.

### 5. Examples

#### *Example 1 – sole trader*

*Peter Purple operates a sole trader business as a butcher. He takes a leg of lamb home for his private*

<sup>1</sup> See sections 70-90 to 70-110 of the *Income Tax Assessment Act 1997*.

use. The cost of the leg of lamb is required to be included in the assessable income of the business.

### Example 2 – sole trader

Over the income year, Peter Purple regularly takes home various cuts of meat for his private use. He lives with his wife and a 10-year-old child.

Peter may account for the items by recording the cost of the items as he takes them and include the total amount as assessable income of the business for that income year.

Alternatively, Peter can use the schedule published by us each year to calculate the total value of items taken and include that total in the assessable income of the business for the income year. If he did this, the amount that he would include should be calculated at the butcher's rate for 2 adults and one child (16 years or under).

### Example 3 – partnership

Max and Perdita operate a partnership business together as butchers. They have a joint birthday party and decide to have a spit roast. They take a whole pig from the partnership's trading stock for this purpose. The cost of the whole pig is required to be included in the assessable income of the partnership business.

At other times during the income year, Max and Perdita separately take items of trading stock for their private use. Max lives with his wife and a 16-year-old child and Perdita lives with her husband and a 17-year-old child.

The partnership business may account for the items of trading stock taken at cost and include the total amount as assessable income of the business for that income year.

Alternatively, the partnership business can use the schedule published by us each year to calculate the total value of items taken and include that total in the assessable income of the business for the income year. If they did this, the amount that they would include should be calculated at the butcher's rate for 5 adults (including children over 16 years) and 1 child (16 years or under).

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## 6. More information

For more information, see the current version of *Taxation Determination Income tax: value of goods taken from stock for private use*, being [TD 2024/8](#) at time of publication (for values for the 2024–25 income year).

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**Date of effect:** 1 July 1997

**Business line:** Small Business

## Amendment history

### 30 January 2025

Part	Comment
Throughout	Content checked for technical accuracy and currency. Updated in line with current ATO style and accessibility requirements.

### 21 December 2017

Part	Comment
More information and Contact information	Updated.

### 15 June 2016

Part	Comment
Examples 2 and 3	Updated to remove references to specific years. Updated examples to remove amounts and instead explain the method.
More information	Updated.
Related Rulings/Determinations	Updated.
Contact officer details	Updated.

### 14 July 2015

Part	Comment
All	Updated to new LAPS style and format.
Example 3	Updated – modified and elaborated.

### 15 April 2015

Part	Comment
Examples 2 and 3	Updated income year from '2013/14' to '2014/15' and 'TD 2014/2' to 'TD 2015/9'.
Related public rulings	Updated 'TD 2014/2' to 'TD 2015/9'.
Contact details	Updated.

### 17 April 2014

Part	Comment
Examples 2 and 3	Updated income year from '2012/13' to '2013/14' and 'TD 2013/3' to 'TD 2014/2'.
Related public rulings	Updated 'TD 2012/20' to 'TD 2014/2'.

**18 April 2013**

Part	Comment
Examples	Updated income year from '2011/12' to '2012/13' and reference from 'TD 2012/20' to 'TD 2013/3'.

**13 November 2012**

Part	Comment
Generally	Updated to current corporate publication style.
Examples	Updated income year from '2010/11' to '2011/12' and reference from 'TD 2011/11' to 'TD 2012/20'.
References	Updated.

**8 July 2011**

Part	Comment
Various	'Tax Office' updated to ATO as per Style Guide recommendations.
Contact details	Updated.
Examples	Dates updated to current year.
Related public rulings	References updated.

## References

<b>Legislative references</b>	ITAA 1997 Subdiv 70-D ITAA 1997 70-90 ITAA 1997 70-100 ITAA 1997 70-110
<b>Related Rulings/Determinations</b>	TD 2020/1; TD 2021/8; TD 2022/15; TD 2023/7; TD 2024/8

## ATO references

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