



TD 93/125 - Income tax: is it necessary to do a stocktake at the end of the year ?

 This cover sheet is provided for information only. It does not form part of *TD 93/125 - Income tax: is it necessary to do a stocktake at the end of the year ?*

 This ruling contains references to repealed provisions, some of which may have been rewritten. The ruling still has effect. Paragraph 32 in TR 2006/10 provides further guidance on the status and binding effect of public rulings where the law has been repealed or repealed and rewritten. The legislative references at the end of the ruling indicate the repealed provisions and, where applicable, the rewritten provisions.

 This document has changed over time. This is a consolidated version of the ruling which was published on *29 November 2006*

This Determination, to the extent that it is capable of being a 'public ruling' in terms of Part IVAAA of the *Taxation Administration Act 1953*, is a public ruling for the purposes of that Part. Taxation Ruling TR 92/1 explains when a Determination is a public ruling and how it is binding on the Commissioner. Unless otherwise stated, this Determination applies to years commencing both before and after its date of issue. However, this Determination does not apply to taxpayers to the extent that it conflicts with the terms of a settlement of a dispute agreed to before the date of issue of the Determination (see paragraphs 21 and 22 of Taxation Ruling TR 92/20).

Taxation Determination

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 stocktake.

Commissioner of Taxation

1/7/93

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Related Determinations:

Related Rulings: IT 2670; IT 2350

Subject Ref: trading stock on hand; completion of stocktake

Legislative Ref: ITAA 28(1)

Case Ref:

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