



# ***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 document has changed over time. This is a consolidated version of the ruling which was published on *17 August 2011*

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).

[**Note:** This is a consolidated version of this document. Refer to the ATO Legal Database (<http://law.ato.gov.au>) to check its currency and to view the details of all changes.]

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## 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. Section 70-35 of the *Income Tax Assessment Act 1997* (ITAA 1997) 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.
4. Under Subdivision 328-E of the ITAA 1997 a stocktake concession is available to small business entities.

**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 1997 70-35, ITAA 1997 Subdiv 328-E

Case Ref:

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