

CBDT comes out with draft form for businesses to report inventory valuation by cost accountants

NEW DELHI: The income tax department has come out with a draft form for various categories of businesses to report valuation of their inventories, including equity and debt securities, livestock or other raw material/by-products, by a cost accountant when asked by a tax officer.

Beginning this fiscal, tax officers have been empowered to order for inventory valuation from a cost accountant at any stage of the proceedings pending before him/her. Such valuation can be sought if the tax officer has doubts regarding the correctness of the accounts, multiplicity of transactions in the accounts or specialised nature of business activity.

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August 31 on the proposed columns for reporting inventories valuation certified by a cost accountant.

Nangia Andersen LLP Partner Vishwas Panjiar said in order to protect revenue's interest and to prevent deferral of taxes through undervaluation of inventory, a tax officer from this year, has been empowered

to order for inventory valuation from a cost accountant.

"The form is quite exhaustive and could potentially overlap with existing inventory reporting obligations because of the presence of multiple experts looking at the same data. For instance, manner of computing Net Realisable Value for an inventory is a subjective exercise and may be different for a tax auditor vis-à-vis a cost accountant," Panjiar said.

Also, the assessing officer may not have the necessary skills to appreciate the difference in methodology adopted by the tax auditor vis-à-vis a cost accountant in inventory valuation specially in case of complex and unique businesses.

Further, assuming a situation where there is a deviation between value of inventory which the tax officer adjusts in

the current assessment year, the revised cost base should be available in future years. However, there is no guidance within the law to grant this consequent benefit to the assessee in the next year, Panjiar added.

In order to ensure that inventory is valued in accordance with the Income Tax Act provisions, the government through the Finance Act 2023, amended the I-T Act to enable Assessing Officer to direct the assessee to get inventory valued by a cost accountant, nominated by the Principle Chief Commissioner or Chief Commissioner.

Assessee is required to furnish the report of inventory valuation in the prescribed form duly signed and verified by the cost accountant, the CBDT said while releasing the draft form.

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Draft tax form issued for inventory valuation

FE BUREAU
New Delhi, August 17

TO PREVENT THE deferral of taxes through undervaluation of inventory, the income tax department has come out with a draft form for various categories of businesses to report the valuation of their inventories, including equity and debt securities, livestock or other raw materials, by a cost accountant on the order of a tax officer.

In order to protect revenue's interest and to prevent

the deferral of taxes through undervaluation of inventory, a tax officer has been empowered from this year to order for inventory valuation from a cost accountant at any stage of the proceedings pending before her having regard to the nature and complexity of the accounts, volume of the accounts, doubts about the correctness of the accounts, multiplicity of transactions in the accounts or specialised nature of business activity.

The department has released a draft Form 6C for



public comments in which inventory valuation must be reported.

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Also, the assessing officer may not have the necessary skills to appreciate the difference in methodology adopted

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