

F. No. 370142/29/2023-TPL
Government of India
Ministry of Finance
Department of Revenue
Central Board of Direct Taxes

New Delhi, dated the 16th of August 2023

Subject: Inviting comments on the draft Form No. 6C for implementing the amendment made by the Finance Act, 2023 wrt Sub-section (2A) of the Section 142 of the Income Tax Act, 1961 regarding inventory valuation.

Sub-section (2A) of section 142 of the Income Tax Act, 1961 ("the Act") provided that if at any stage of proceedings before him, the Assessing Officer, 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 specialized nature of business activity of the assessee, and the interests of the revenue, is of the opinion that it is necessary so to do, he may, with the previous approval of the Pr Chief Commissioner or Chief Commissioner or Pr Commissioner or Commissioner direct assessee to have their accounts audited by an accountant. Form No. 6B has been prescribed in the Income-tax Rules 1962 ("the Rules") in this regard.

2. Vide Finance Act 2023, in order to ensure that inventory is valued in accordance with the various provisions of the Act, sub-section (2A) of section 142 of the Act was amended to enable Assessing Officer to direct the assessee to get inventory valued by a Cost Accountant, nominated by the Pr Chief Commissioner or Chief Commissioner or Pr Commissioner or Commissioner. Assessee is required to furnish the report of inventory valuation in the prescribed form duly signed and verified by the Cost Accountant.

3. Relevant amendments shall be carried out in Rule 14A and Rule 14B of the Rules to make the above provision operational. In addition, a draft Form No. 6C (form for inventory valuation report) has been formulated which is enclosed herewith. It is requested that all stakeholders as well as the general public may provide suggestions/ comments on draft Form No. 6C and send them at the email address ustpl3@nic.in latest by 31st August, 2023.

Enclosed: As above


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FORM NO. 6C

[See rule 14A]

[e-Form]

Inventory Valuation report under clause (ii) of section 142(2A) of the Income-tax Act, 1961

* I/We have examined the Inventory of _____ [name and address of the assessee] Permanent Account No. _____ as at _____.

* I/We have conducted Inventory Valuation in compliance with the requirements under the relevant provisions of Income-tax Act 1961 and Income-tax Rules 1962. The opening inventory has been valued at Rs. _____ (in words _____) and the closing inventory has been valued at Rs. _____ (in words _____).

I/ We have obtained all the information and explanations which to the best of * my/our knowledge and belief were necessary for the purposes of the Inventory Valuation.

In * my/our opinion, proper books of account with respect to inventory have been kept by the head office and the branches of the assessee visited by * me/us so far as appears from * my/our examination of books, and proper data adequate for the purposes of inventory valuation have been received from branches not visited by * me/us subject to the comments given below:

- 1.
- 2.

In * my/our opinion and to the best of * my/our information and according to explanations given to * me/us, the Inventory Valuation presented herein below in my/our report is appropriate.

The prescribed particulars and such other particulars as were required by the Assessing Officer by order No. _____ dated _____ are annexed hereto. In * my/our opinion and to the best of * my/our information and according to explanations given to * me/us, these are true and correct.

Any variations observed in the presented Inventory Valuation Report compared to the disclosures made in Form 3CD (or if no Form 3CD has been filed, then as per audited accounts) have been adequately explained along with the reasons and justifications thereof.

Place

Date

Signed

**Name of Cost Accountant:.....

Address:

Membership Number

UDIN

Notes :

1. *Delete whichever is not applicable.
2. **This report has to be given by the Cost Accountant nominated by the Pr. Chief Commissioner or Chief Commissioner or Pr. Commissioner or Commissioner of Income-tax under clause (ii) of section 142(2A) of the Income-tax Act, 1961.
3. Where any of the matters stated in this report is answered in the negative or with a qualification, the report shall state the reasons therefor.

ANNEXURE**Inventory Valuation Report of Cost Accountant**

Information of the Assessee		
1	Address (Head Office and branches)	
a.		
b.		
c.		
2.	Date of incorporation	
3.	Nature of business	
4.	Details of principal products	

5.	Details of books of account maintained with respect to inventory	
6.	Method of accounting employed with respect to inventory maintained. Indicate whether there is any change from the method of valuation employed with respect to inventory maintained in the immediately two preceding previous years	
7.	(i) Method of valuation of opening and closing stock of following inventory items used by the Assessee: a) Finished Goods / Stock-in-trade b) Work-in-progress (WIP) c) Raw materials d) By-products e) Intermediate Product f) Jigs, Tools, and Dies g) Stores, Spares & Consumables h) Scrap	
	(ii) State whether there is any change in the method of valuation of any of the aforesaid items as compared to the method employed in the immediately two preceding previous years	
	(iii) If the answer to (ii) above is in the affirmative, specify the amount by which the profit or loss for the year has been affected by such change	

8. Give summarized details of Financial Results (as per the Audited Accounts of the Assessee)

Details of Financial Results

S No.	Particulars	Year under reporting	Previous Year 1	Previous Year 2
1	Turnover			
2	Profit (Loss) before tax			
3	Less: Taxes paid			
4	Net Profit (Loss) after tax			
5	Value of Production			
6	Raw Materials Consumed			
7	Output/Input Ratio (5/6)			
8	Opening Inventory			
9	Closing Inventory			
10	Avg. Inventory Holding Period (days) ($365/(1/((8+9)/2))$)			
11	Avg. Raw Material Stock to Consumption (days)			
12	Avg. Stores & Spares Stock to Consumption (days)			
13	Avg. Finished Goods Stock to Cost of Sales (days)			

9. In respect of items manufactured, full quantitative details of raw materials and finished products as indicated below:

(i) Details of Raw Material for the year under reporting -

S No.	Details	RM1	RM2	RM3		
1	Raw Material description					
2	Unit of Measurement (UOM)					
3	Opening stock					

4	Purchases during the year					
5	Consumption during the year to WIP					
6	Consumption during the year to Finished products					
7	Raw Material sold during the year					
8	Closing stock					
9	Shortage/ Wastages / Rejects, etc.					

Notes:

1. Inventory of all such raw materials that constitute top 80% of the total inventory value of raw materials should be reported item-wise separately. Inventory of all other raw materials constituting balance may be clubbed under "Others".
2. Add number of columns depending on the number of raw materials

(ii)(a) Quantitative details in respect of items manufactured / traded by the Assessee -

S No.	Finished products / Work-in-Progress	Item 1	Item 2	Item 3	Item 4		
1	Description						
2	Item Code						
3	Unit of Measurement (UOM)						
4	Opening stock						
5	Quantity manufactured during the year						
6	Quantity purchased during the year						
7	Quantity sold during the year						
8	Quantity rejected during the year						
9	Quantitative adjustments, if any * (add reasons)						
10	Closing stock at the end of the year						
11	Opening Work-in-Progress						
12	Closing Work-in-Progress						

***(ii)(b) Quantitative adjustments -**

SNo.	Finished products / Work-in-Progress	Item 1	Item 2	Item 3	Item 4		
1	If there are quantitative adjustments in (ii)(a), furnish the detailed reasons for quantitative adjustments						

Notes:

1. Add number of columns depending on the number of items
2. Separate quantitative details on the above lines should be given in respect of by-products, if any.
3. Where the assessee is a dealer in goods, quantitative details on the above lines should be given in respect of the goods dealt in.
4. Inventory of all such manufactured goods / traded goods / work-in-progress items that constitute top 80% of the value of total manufactured goods / traded goods / work-in-progress items respectively should be reported item-wise separately. Inventory of all other manufactured goods / traded goods / work-in-progress items constituting balance may be clubbed under "Others".

10.	(i) Has the assessee conducted physical verification of raw materials, stores and finished products, etc. or the goods dealt in mentioned above?	
	(ii) Details of discrepancies, if any	
11.	(i) Whether valuation is in conformity with the Income Computation and Disclosure Standards notified under sub-section (2) of Section 145 of the Income Tax Act, 1961 ("the Act")?	
	(ii) Details of discrepancies, if any	

12. Details of inventory valuation for the year under reporting by the Cost Accountant (wherever ICDS II is applicable) -

(i) Valuation of Finished Goods/ Stock-in-trade

Sr.	Description	Item Code	UOM	Opening Stock					Closing Stock				
				Qty	COP / PV	NRV	Lower of (6) or (7)	Value (5) x (8) (Rs.)	Qty	COP / PV	NRV	Lower of (11) or (12)	Value (10) x (13) (Rs.)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
1	Product 1												
2	Product 2												
3	Product 3												
	Total												

COP: Cost of Production

PV: Purchase Value

NRV: Net Realisable Value

Notes:

1. Add or delete rows as per the number of finished products
2. Enclose the working of product-wise Cost of Production
3. Enclose details of average Purchase Value in case of Traded Products
4. Enclose the working/basis of product-wise Net Realisable Value

(ii) Valuation of Work-in-Progress (WIP)

Sr.	Description	Item Code	UOM	Opening Stock					Closing Stock				
				Qty	COP	NRV	Lower of (6) or (7)	Value (5) x (8) (Rs.)	Qty	COP	NRV	Lower of (11) or (12)	Value (10) x (13) (Rs.)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
1	WIP 1												
2	WIP 2												
3	WIP 3												
	Total												

COP: Cost of Production

Notes:

1. Add or delete rows as per the number of finished products
2. Enclose the working of WIP-wise Cost of Production
3. NRV here means NRV of relevant finished product less estimated completion cost.

(iii) Valuation of Raw Materials

Sr.	Description	Item Code	UOM	Opening Stock					Closing Stock				
				Qty	Purchase rate	Replac-ment rate	Lower of (6) or (7)	Value (5) x (8) (Rs.)	Qty	Purchase rate	Replac-ment rate	Lower of (11) or (12)	Value (10) x (13) (Rs.)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
1	RM 1												
2	RM 2												
3	RM 3												
	Total												

Note: Add or delete rows as per the number of Raw Material items

(iv) Valuation of By-Products

Sr.	Description	UOM	Opening Stock			Closing Stock		
			Quantity	NRV (Rs.)	Value (4)x(5) (Rs.)	Quantity	NRV (Rs.)	Value (7)x(8) (Rs.)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
1	By-Product 1							
2	By-Product 2							
3	By-Product 3							
	Total							

NRV: Net Realisable Value

Note: Add/Delete Rows as per the number of By-Products.

(v) Valuation of Intermediate Products (IMP)

Sr.	Description	Item Code	UOM	Opening Stock					Closing Stock				
				Qty	COP	NRV	Lower of (6) or (7)	Value (5) x (8) (Rs.)	Qty	COP	NRV	Lower of (11) or (12)	Value (10) x (13) (Rs.)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
1	IMP 1												
2	IMP 2												
3	IMP 3												
	Total												

Note:

1. Add/Delete Rows as per the number of Intermediate Products
2. Intermediate products include only such products which are at intermediate stage and not included elsewhere.

(vi) Valuation of Other Stores

Description	Opening Value (Rs.)	Closing Value (Rs.)
Jigs, Tools, and Dies		
Stores, Spares & Consumables		
Scrap		
Total		

(vii) Summary of Inventory Valuation for the Reporting Year

Sr.	Particulars	Value as per Form 3CD (If Form 3CD not filed, then value as per audited accounts)		Value as per Cost Accountant		Variation if any	
		Opening	Closing	Opening	Closing	Opening	Closing
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
						(5) - (3)	(6) - (4)
1	Finished Goods / Stock-in-Trade						
2	Work-in-Progress						
3	Raw Material						
4	By-Products						
5	Intermediate products						
6	Jigs, Tools, and Dies						
7	Stores, Spares & Consumables						
8	Scrap						
	Total						
9	Impact on Profit or Loss						
10	Impact on Income Tax						

Notes:

- Specify the method of valuation of opening and closing stock of following inventory items adopted by the Cost Accountant:
 - Finished Goods / Stock-in-trade
 - Work-in-progress
 - Raw materials
 - By-products
 - Intermediate Product
 - Jigs, Tools, and Dies
 - Stores, Spares & Consumables
 - Scrap
- In case of variation in the method adopted by the assessee, state reasons for variations in quantity, rates and value along with method adopted by the Cost Accountant for various items of inventory giving full justification.
- Specify the amount by which profit or loss for the year would be affected by the changed valuation computed by the Cost Accountant.
- State reasons for year-to-year variation in operational efficiency (output / input ratio) for various products, if any.
- Any other relevant observation of the Cost Accountant.
- Income Computation and Disclosure Standard II shall be applied for valuation of inventories, except:
 - Work-in-progress arising under 'construction contract' including directly related service contract which is dealt with by the Income Computation and Disclosure Standard on construction contracts;
 - Work-in-progress which is dealt with by other Income Computation and Disclosure Standard;
 - Shares, debentures and other financial instruments held as stock-in-trade which are dealt with by the Income Computation and Disclosure Standard on securities;
 - Producers' inventories of livestock, agriculture and forest products, mineral oils, ores and gases to the extent that they are measured at net realisable value;

13. Details of inventory valuation for the year under reporting by the Cost Accountant (wherever ICDS II is not applicable) –

A. Inventory valuation for Assessee engaged in the Construction Contracts which are dealt with by the Income Computation and Disclosure Standard III

(i) Valuation of Completed Units Ready for Sale

Sr.	Description	Type of Completed units	Subtype if any	Closing Stock				Opening Stock			
				Qty	Cost of the unit for each type	NRV	Value [(5) X lesser of ((6) or (7))]	Qty	Cost of the unit for each type	NRV	Value [(9) X lesser of ((10) or (11))]
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
1	Project 1										
2	Project 2										
3	Project 3										
	Total										

Notes:

1. Type means BHK size/Affordable/ Premium/Commercial etc. which is identifiable as different sale unit
2. Completed Units mean Plots/Flats/commercial units/Villas/Floors which are ready for sale and have been included in inventory as such
3. The valuation of Land (Shown separately in Inventory Valuation in financials) and Development Rights can be shown here using the relevant column

(ii) Valuation of Construction Work-in-progress

Sr.	Description	Closing Stock				Opening Stock			
		%age Completion	Total to-date construction cost	Cost as per recognized revenue	Value of Work-in-progress [(4)-(5)]	%age Completion	Total to-date construction cost	Cost as per recognized revenue	Value of Work-in-progress [(8)-(9)]
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
1	Project 1								
2	Project 2								
3	Project 3								
	Total								

Note : Add number of rows depending on the number of Projects

(iii) Valuation of Construction Materials

Sr.	Description	Item Code	UOM	Opening Stock					Closing Stock				
				Qty	Purchase rate	Replacement rate	Lower of (6) or (7)	Value (5) x (8) (Rs.)	Qty	Purchase rate	Replacement rate	Lower of (11) or (12)	Value (10) x (13) (Rs.)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
1	Material 1												
2	Material 2												
3	Material 3												
	Total												

Note : Add number of rows depending on the number of Construction Materials

(iv) Valuation of Construction Fittings

Sr.	Description	Item Code	UOM	Opening Stock					Closing Stock				
				Qty	Purchase rate	Replac- ement rate	Lower of (6) or (7)	Value (5) x (8) (Rs.)	Qty	Purchase rate	Repla- cement rate	Lower of (11) or (12)	Value (10) x (13) (Rs.)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
1	Item 1												
2	Item 2												
3	Item 3												
	Total												

Note: Add number of rows depending on the number of Items

(v) Summary of Inventory Valuation for the Reporting Year for Construction Contracts

Sr.	Particulars	Value as per Form 3CD (If Form 3CD not filed, then value as per audited accounts)		Value as per Cost Accountant		Variation if any	
		Opening	Closing	Opening	Closing	Opening	Closing
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
						(5)-(3)	(6)-(4)
1	Completed Units Ready For Sale						
2	Construction Work-in-progress						
3	Construction Materials						
4	Construction Fittings						
	Total						
	Impact on Profit or Loss						
	Impact on Income Tax						

Notes:

1. Specify the method used to determine the stage of completion of contracts in progress.
2. In case of variation in the method adopted by the assessee, state reasons for variation.
3. Specify the amount by which profit or loss for the year would be affected by the changed valuation.
4. Any other relevant observation of the Cost Accountant.

B. Inventory valuation for Assessee engaged in the trading of Securities which are dealt with by the Income Computation and Disclosure Standard VIII.**(i) Valuation of Shares held as Stock-in-trade**

Sr.	Description	Opening Stock					Closing Stock				
		Qty	AC	NRV	Lower of (4) or (5)	Value (3)X (6) (Rs.)	Qty	AC	NRV	Lower of (10) or (11)	Value (8)X (11) (Rs.)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
1	Share 1										
2	Share 2										
3	Share 3										
	Total										

AC: Acquisition Cost

NRV: Net Realisable Value

Note : Add number of rows depending on the number of shares

(ii) Valuation of Debt Securities held as Stock-in-trade

Sr.	Description	Opening Stock					Closing Stock				
		Qty	AC	NRV	Lower of (4) or (5)	Value (3)X (6) (Rs.)	Qty	AC	NRV	Lower of (10) or (11)	Value (8)X (11) (Rs.)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
1	Debt Security 1										
2	Debt Security 2										
3	Debt Security 3										
	Total										

AC: Acquisition Cost

NRV: Net Realisable Value

Note: Add number of rows depending on the number of Debt securities

(iii) Valuation of Convertible Securities held as Stock-in-trade

Sr.	Description	Opening Stock					Closing Stock				
		Qty	AC	NRV	Lower of (4) or (5)	Value (3)X (6) (Rs.)	Qty	AC	NRV	Lower of (10) or (11)	Value (8)X (11) (Rs.)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
1	Convertible Security 1										
2	Convertible Security 2										
3	Convertible Security 3										
	Total										

AC: Acquisition Cost

NRV: Net Realisable Value

Note : Add number of rows depending on the number of Convertible Securities

(iv) Valuation of Any other security held as Stock-in-trade

Sr.	Description	Opening Stock					Closing Stock				
		Qty	AC	NRV	Lower of (4) or (5)	Value (3)X (6) (Rs.)	Qty	AC	NRV	Lower of (10) or (11)	Value (8)X (11) (Rs.)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
1	Any other Security 1										
2	Any other Security 2										
3	Any other Security 3										
	Total										

AC: Acquisition Cost

NRV: Net Realisable Value

Note :Add number of rows depending on the number of Any other Securities

(v) Summary of Inventory Valuation for the Reporting Year for Shares, Debentures and other Financial Instruments held as stock-in-trade

Sr.	Category	Value as per Form 3CD (If Form 3CD not filed, then value as per audited accounts)		Value as per Cost Accountant		Variation if any	
		Opening	Closing	Opening	Closing	Opening	Closing
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
						(5) – (3)	(6) – (4)
1	Shares						
2	Debt Securities						
3	Convertible Securities						
4	Any other Security						
	Total						
	Impact on Profit or Loss						
	Impact on Income Tax						

Notes:

1. Specify the method used to determine the Acquisition Cost and Net Realisable Value for each category of financial instruments.
2. In case of variation in the method adopted by the assessee, state reasons for variation.
3. Specify the amount by which profit or loss for the year would be affected by the changed valuation.
4. Any other relevant observation of the Cost Accountant.
5. Securities not listed on a recognized stock exchange; or listed but not quoted on a recognized stock exchange with regularity from time to time shall be valued at actual cost initially recognized.

C. Inventory valuation of livestock, agriculture and forest products, mineral oils, ores and gases, except those held by the trader of such inventories**i. Valuation of Inventory of Livestock**

Sr.	Description	UOM	Closing Stock			Opening Stock		
			Quantity	NRV (Rs.)	Value (Rs.)	Quantity	NRV (Rs.)	Value (Rs.)
1	Livestock 1							
2	Livestock 2							
3	Livestock 3							
	Total							

NRV: Net Realisable Value

Note: Add number of rows depending on the number of Livestock

ii. Valuation of Inventory of Agriculture & Forest Produce

Sr.	Description	UOM	Closing Stock			Opening Stock		
			Quantity	NRV (Rs.)	Value (Rs.)	Quantity	NRV (Rs.)	Value (Rs.)
1	Produce 1							
2	Produce 2							
3	Produce 3							
	Total							

NRV: Net Realisable Value

Note: Add number of rows depending on the number of produce

iii. Valuation of Inventory of Mineral Oils, Ores and Gases

Sr.	Description	UOM	Closing Stock			Opening Stock		
			Quantity	NRV (Rs.)	Value (Rs.)	Quantity	NRV (Rs.)	Value (Rs.)
1	Product 1							
2	Product 2							
3	Product 3							
	Total							

NRV: Net Realisable Value

Note: Add number of rows depending on the number of Products

iv. Summary of Comparison -

Sr.	Category (Drop down to be provided)	Value as per Form 3CD (If Form 3CD not filed, then value as per audited accounts)		Value as per Cost Accountant		Variation if any	
		Opening	Closing	Opening	Closing	Opening	Closing
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
						(5) – (3)	(6) – (4)
1	Livestock						
2	Agriculture & Forest Produce						
3	Mineral oils, Ores and Gases						
	Total						
	Impact on Profit or Loss						
	Impact on Income Tax						

Notes:

1. In case of variation in the method adopted by the assessee, state reasons for variation.
2. Specify the amount by which profit or loss for the year would be affected by the changed valuation.
3. Any other relevant observation of the Cost Accountant.

Place

Date

Signed
 Name of Cost Accountant** :
 Address:
 Membership Number
 UDIN