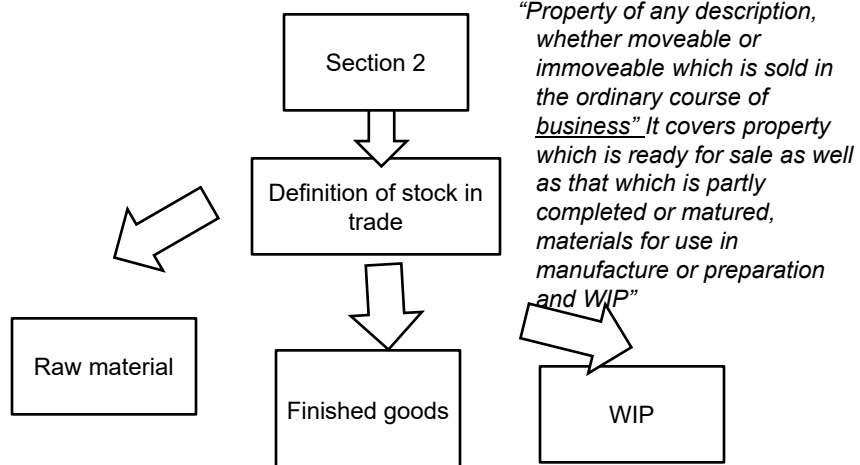


TAX TREATMENT FOR TRADING STOCK

1

1

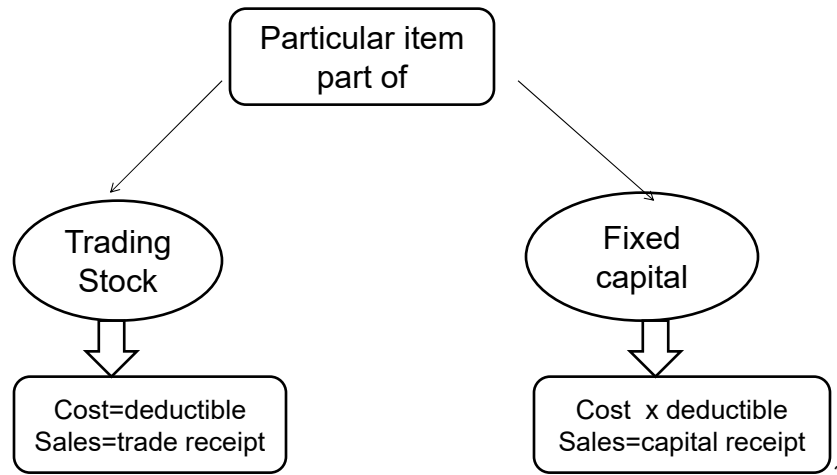
Section 2



2

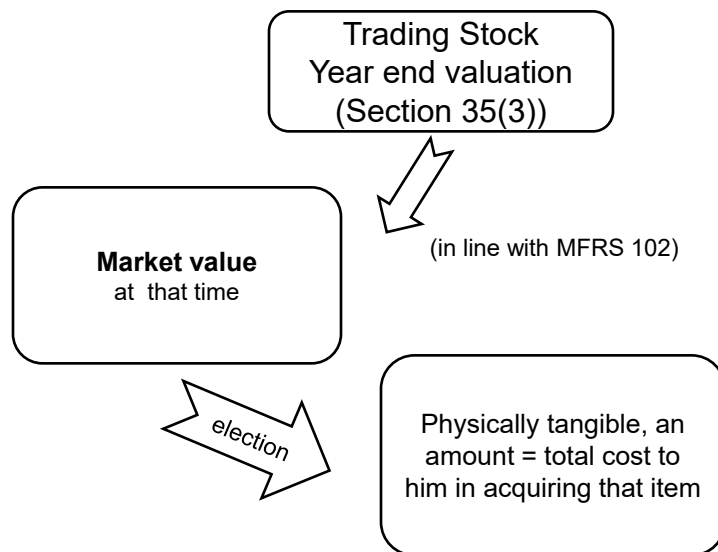
2

Distinction between trading stock & capital asset



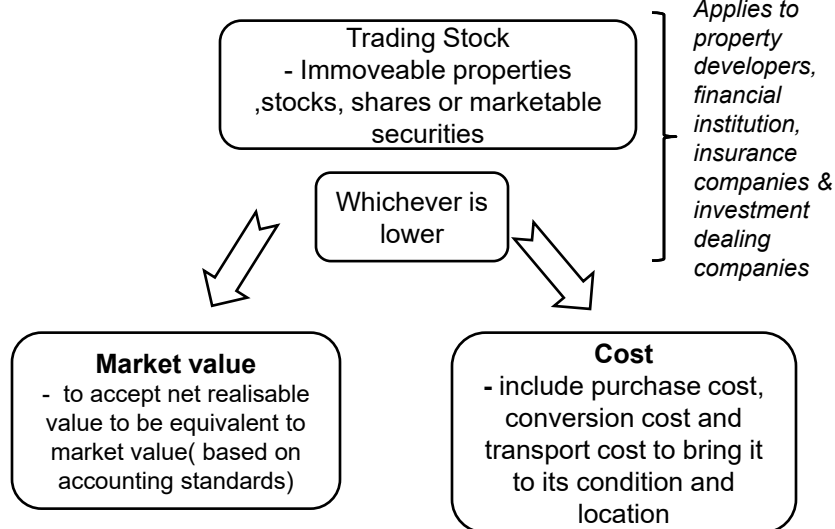
3

Valuation of stock-in-trade



4

Valuation of stock-in-trade



5

5

Valuation of stock-in-trade

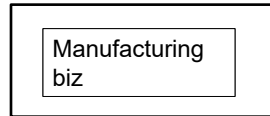
- For tax purposes –
 - (i) Market value of an inventory (stock in trade) would be equal to the fair value or estimated selling price.
 - (ii) Net realizable value is not acceptable
- Where $NRV < \text{cost}$
 - (i) The value of the inventory from net realizable value has to be reinstated to its market value; and
 - (ii) The estimated cost to sell or estimated selling cost which has been deducted from the estimated selling price has to be added back in the tax computation.

Eg 3 PR2/2020

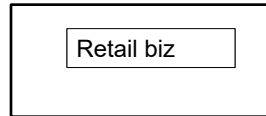
6

6

Total cost or historical cost



- Direct cost of material +labour used in the manufacture of the finished products
- A proportion of production overhead costs that relate to the manufacture of the finished products
- Any other cost of putting the stock in trade in its present location and condition



- Cost of acquiring the stock in trade
- Cost of bringing it to its location and condition (such as custom duties, transportation costs and packaging costs)

7

7

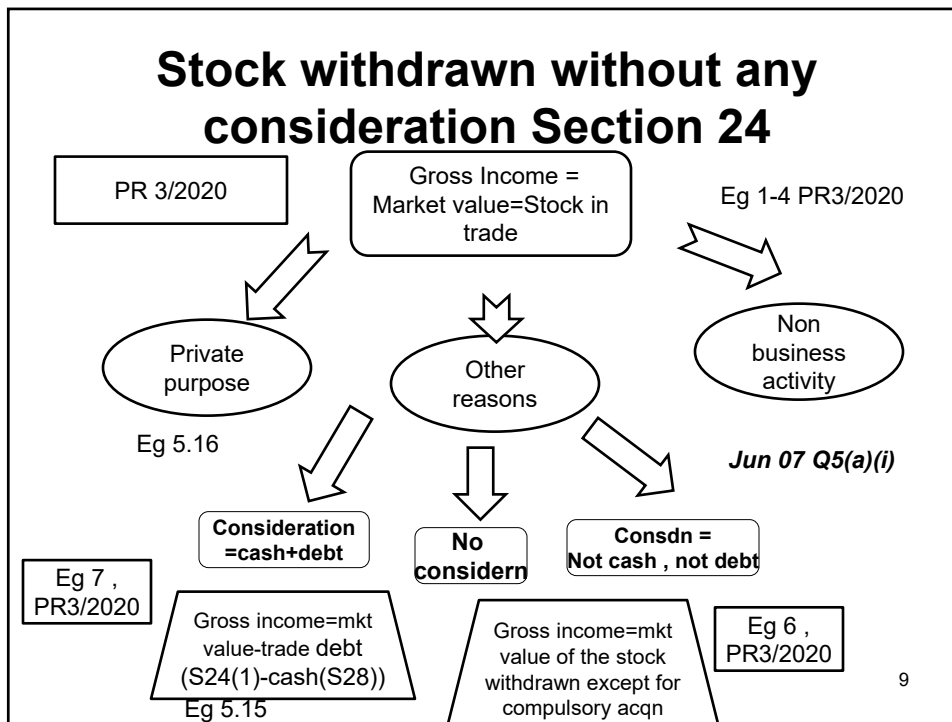
Consistency

- Any acceptable method used in the valuation of stock in trade or WIP should be applied consistently
- Valid reason for a change -> details of the change should be appropriately documented

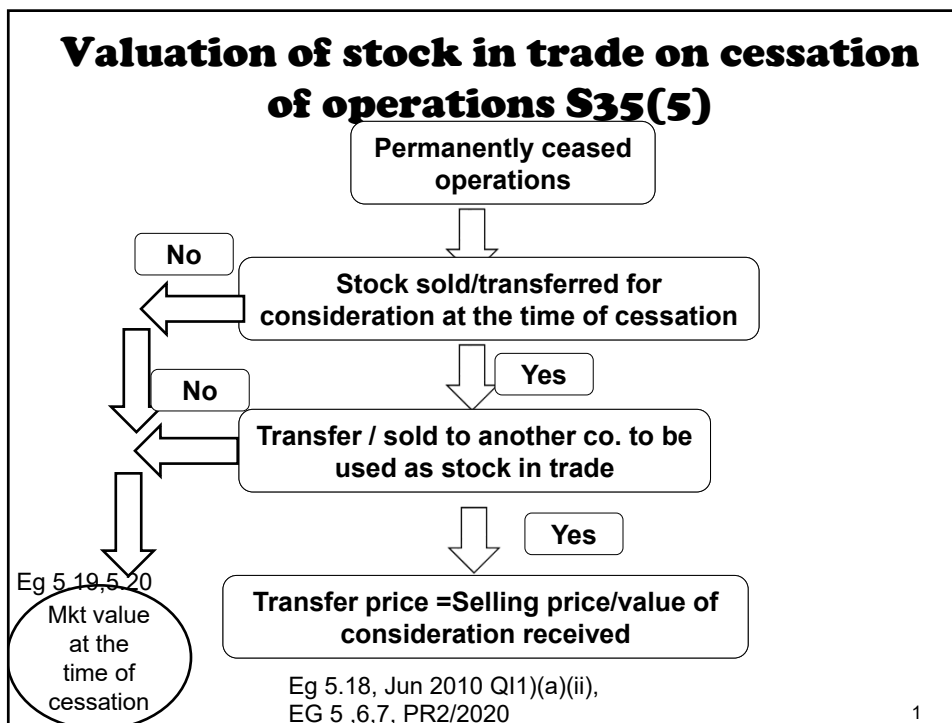
Example 4 PR2/2020

8

8



9



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