

MINISTRY OF FINANCE
(Department of Revenue)
(CENTRAL BOARD OF DIRECT TAXES)

NOTIFICATION

New Delhi, the 27th September, 2023

INCOME-TAX

G.S.R. 697(E).-- In exercise of the powers conferred by sub-section (2A) of section 142 read with section 295 of the Income-tax Act, 1961 (hereinafter referred to as the Act), the Central Board of Direct Taxes hereby makes the following rules further to amend the Income-tax Rules, 1962, namely:—

1. Short title and commencement.— (1) These rules may be called the Income-tax (Twenty Second Amendment) Rules, 2023.

(2) They shall come into force from the date of publication in the Official Gazette.

2. In the Income-tax Rules, 1962 (hereinafter referred to as the principal rules), for rule 14A, the following rule shall be substituted namely:—

“14A. Forms for report of audit or inventory valuation under section 142(2A).— (1) The report of audit of the accounts of an assessee which is required to be furnished under clause (i) of sub-section (2A) of section 142 shall be in Form No. 6B.

(2) The report of inventory valuation of an assessee which is required to be furnished under clause (ii) of sub-section (2A) of section 142 shall be in Form No. 6D.”.

3. In the principal rules, for rule 14B, the following rule shall be substituted namely:—

“14B. Guidelines for the purposes of determining expenses for audit or inventory valuation. —

(1) Every Chief Commissioner shall for the purposes of clause (i) and clause (ii) of sub-section (2A) of section 142 shall maintain a panel of —

- (i) accountants, out of the persons referred to in the *Explanation* to sub-section (2) of section 288; and
- (ii) cost accountants, out of the persons referred to in the *Explanation* to section 142.

(2) Where the Assessing Officer directs —

- (i) for audit under clause (i) of sub-section (2A) of section 142 on or after the 1st day of June, 2007; or
- (ii) for inventory valuation under clause (ii) of sub-section (2A) of section 142 on or after the 1st day of April, 2023,

the expenses of, and incidental to, audit or inventory valuation (including the remuneration of the Accountant or Cost Accountant, qualified Assistants, semi-qualified and other Assistants who may be engaged by such Accountant or Cost Accountant) shall not be less than three thousand seven hundred and fifty rupees and not more than seven thousand and five hundred rupees for every hour of the period as specified by the Assessing Officer under sub-section (2C) of section 142.

(3) The period referred to in sub-rule (2) shall be specified in terms of the number of hours required for completing the report.

(4) The Accountant or Cost Accountant referred to in clause (i) or clause (ii) of sub-section (2A) of section 142 shall maintain a time-sheet and shall submit it to the Chief Commissioner or Commissioner, along with the bill.

(5) The Chief Commissioner or the Commissioner shall ensure that the number of hours claimed for billing purposes is commensurate with the size and quality of the report submitted by the Accountant or Cost Accountant.”.

4. In the principal rules, in Appendix II,—

(a) in Form No. 6B:—

(i) for the heading of the Form, the following shall be substituted, namely:—

“Audit report under clause (i) of section 142(2A) of the Income-tax Act, 1961”;

(ii) in the Notes, for serial number 2 and entries relating thereto, the following serial number and entries shall be substituted, namely – “2. This report has to be given by the accountant nominated by the Principal Chief Commissioner or Chief Commissioner or Principal Commissioner or Commissioner of Income-tax under clause (i) of section 142(2A) of the Income-tax Act, 1961.”;

(b) after Form No. 6C, the following Form shall be inserted, namely:—

“FORM NO. 6D

[See rule 14A]

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

1. * I/We have examined the books of account and other documents with respect to inventory and inventory valuation of _____ [name and address of the assessee] Permanent Account No. _____ for the assessment year _____ as at _____.
2. * 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. As per the Inventory Valuation carried out by *me/ us, the opening inventory has been valued at Rs. _____ (in words _____) and the closing inventory has been valued at Rs. _____ (in words _____) for the relevant period _____ to _____.
3. * 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.
4. In * my/our opinion, from *my/ our examination of the books of account and other documents, it appears that proper books of account and other documents with respect to inventory have been kept by the head office, other premises and the branches of the assessee visited by * me/us, 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:

(a)

(b)

.....

5. 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 true and correct subject to comments given below:

(a)

(b)

.....

6. 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.

7. Any variations observed in the Inventory Valuation Report compared to the disclosures made in Form No. 3CD (or if no Form No. 3CD has been furnished, then value 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 Principal Chief Commissioner or Chief Commissioner or Principal 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.
4. The opening values have been taken from the books of account and other documents as produced by the assessee.
5. Relevant period shall be the period specified by the Assessing Officer.

ANNEXURE

Inventory Valuation Report of Cost Accountant

	Information of the Assessee	
1	Address (Head Office / other premises and branches)	
a.		
b.		
c.		
....		
2.	Date of incorporation/ Date of formation / Date of birth	
3.	Nature of business activity	
4.	Details of principal products / services	
5.	Details of books of account and other documents maintained with respect to inventory	
6.	(i) Method of accounting employed with respect to inventory maintained. Indicate whether there is any change from the method of accounting employed with respect to inventory maintained in the immediately two preceding previous years	
	(ii) Is there any inventory management system software in place? If	

2	Product 2												
3	Product 3												
												
	Total												

COP: Cost of Production

PV: Purchase Value

NRV: Net Realisable Value

Notes: Add or delete rows as per the number of finished products

(i)(b) Valuation of Stock-in-trade

Sl.	Description	Item Code	UOM	Opening Stock					Closing Stock				
				Qty	COP/ PV (Rs.)	NRV (Rs.)	Lower of (6) or (7) (Rs.)	Value (5) x (8) (Rs.)	Qty	COP/ PV (Rs.)	NRV (Rs.)	Lower of (11) or (12) (Rs.)	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: Add or delete rows as per the number of products

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

Sl.	Description	Item Code	UOM	Opening Stock					Closing Stock				
				Qty	COP (Rs.)	NRV (Rs.)	Lower of (6) or (7) (Rs.)	Value (5) x (8) (Rs.)	Qty	COP (Rs.)	NRV (Rs.)	Lower of (11) or (12) (Rs.)	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
2. NRV here means NRV of relevant finished product less estimated completion cost.

(iii) Valuation of Raw Materials

Sl.	Description	Item Code	UOM	Opening Stock					Closing Stock				
				Qty	Purchase cost (Rs.)	Repla- cement rate (Rs.)	Lower of (6) or (7) (Rs.)	Value (5) x (8) (Rs.)	Qty	Purchase cost (Rs.)	Repla- cement rate (Rs.)	Lower of (11) or (12) (Rs.)	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

Sl.	Description	Item Code	UOM	Opening Stock			Closing Stock		
				Quantity	NRV (Rs.)	Value (5)x(6) (Rs.)	Quantity	NRV (Rs.)	Value (8)x(9) (Rs.)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
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 (Rs.)	NRV (Rs.)	Lower of (6) or (7) (Rs.)	Value (5) x (8) (Rs.)	Qty	COP (Rs.)	NRV (Rs.)	Lower of (11) or (12) (Rs.)	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 Others

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

(vii) Summary of Inventory Valuation as on _____

Sl.	Particulars	Value as per Form No. 3CD (Rs.) (If Form No. 3CD not furnished, then value as per audited accounts)		Value as per Cost Accountant (Rs.)		Variation if any (Rs.)	
		Opening	Closing	Opening	Closing	Opening	Closing
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
						(5) - (3)	(6) - (4)
1	Finished Goods						
2	Stock-in-Trade						

Sl.	Particulars	Value as per Form No. 3CD (Rs.) (If Form No. 3CD not furnished, then value as per audited accounts)		Value as per Cost Accountant (Rs.)		Variation if any (Rs.)		
		Opening	Closing	Opening	Closing	Opening	Closing	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	
						(5) - (3)	(6) - (4)	
3	Work-in-Progress							
4	Raw Material							
5	By-Products							
6	Intermediate products							
7	Jigs, Tools, and Dies							
8	Stores, Spares and Consumables							
9	Scrap							
10	Others							
11	Total							
12	Impact on Profit or Loss							
13	Impact on Income Tax							

(viii) Details of inventory valuation carried out by the Cost Accountant

	Inventory Items	Method of valuation used by the Cost Accountant		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.
		Opening stock	Closing stock	
a.	Finished Goods (manufactured)			
b.	Stock-in-trade			
c.	Work-in-progress (WIP)			
d.	Raw materials			
e.	By-products			
f.	Intermediate Products			
g.	Jigs, Tools, and Dies			
h.	Stores, Spares and Consumables			
i.	Scrap			
j.	Any other item			

(ix) Any other relevant comment, observation or qualification of the Cost Accountant

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Notes:

1. The item level details shall be maintained by the Assessee and the Cost Accountant and produced if required by the Assessing Officer.
2. Income Computation and Disclosure Standard II shall be applied for valuation of inventories, except:
 - (a) 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;
 - (b) Work-in-progress which is dealt with by other Income Computation and Disclosure Standard;
 - (c) Shares, debentures and other financial instruments held as stock-in-trade which are dealt with by the Income Computation and Disclosure Standard on securities;

(d) 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 relevant period 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 ICDS III

(i) Valuation of Completed Units Ready for Sale

Sl.	Description	Type of Completed units	Subtype if any	Closing Stock				Opening Stock			
				Qty	Cost of the unit for each type (Rs.)	NRV (Rs.)	Value [(5) X lesser of ((6) or (7))](Rs.)	Qty	Cost of the unit for each type (Rs.)	NRV (Rs.)	Value [(9) X lesser of ((10) or (11))](Rs.)
(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, if required.

(ii) Valuation of Construction Work-in-progress

Sl.	Description	Closing Stock				Opening Stock			
		%age Completion	Total to-date construction cost(Rs.)	Cost as per recognised revenue (Rs.)	Value of Work-in-progress [(4)-(5)] (Rs.)	%age Completion	Total to-date construction cost (Rs.)	Cost as per recognised revenue (Rs.)	Value of Work-in-progress [(8)-(9)] (Rs.)
(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

Sl.	Description	Item Code	UOM	Opening Stock					Closing Stock				
				Qty	Purchase cost (Rs.)	Replacement rate (Rs.)	Lower of (6) or (7) (Rs.)	Value (5) x (8) (Rs.)	Qty	Purchase cost (Rs.)	Replacement rate (Rs.)	Lower of (11) or (12) (Rs.)	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

AC: Actual Cost

NRV: Net Realisable Value

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

(i)(b) Valuation of Unlisted Shares held as Stock-in-trade

Sl.	Description	Opening Stock					Closing Stock				
		Qty	AC (Rs.)	NRV (Rs.)	Lower of (4) or (5) (Rs.)	Value (3)X (6) (Rs.)	Qty	AC (Rs.)	NRV (Rs.)	Lower of (9) or (10) (Rs.)	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: Actual 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

Sl.	Description	Opening Stock					Closing Stock				
		Qty	AC (Rs.)	NRV (Rs.)	Lower of (4) or (5) (Rs.)	Value (3)X (6) (Rs.)	Qty	AC (Rs.)	NRV (Rs.)	Lower of (9) or (10) (Rs.)	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: Actual 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

Sl.	Description	Opening Stock					Closing Stock				
		Qty	AC (Rs.)	NRV (Rs.)	Lower of (4) or (5) (Rs.)	Value (3)X (6) (Rs.)	Qty	AC (Rs.)	NRV (Rs.)	Lower of (9) or (10) (Rs.)	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: Actual 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

Sl.	Description	Opening Stock					Closing Stock				
		Qty	AC (Rs.)	NRV (Rs.)	Lower of (4) or (5) (Rs.)	Value (3)X (6) (Rs.)	Qty	AC (Rs.)	NRV (Rs.)	Lower of (9) or (10) (Rs.)	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 : Actual Cost

NRV: Net Realisable Value

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

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

Sl.	Category	Value as per Form No. 3CD (If Form No. 3CD not furnished, then value as per audited accounts) (Rs.)		Value as per Cost Accountant (Rs.)		Variation if any (Rs.)	
		Opening	Closing	Opening	Closing	Opening	Closing
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
						(5) – (3)	(6) – (4)
1	Listed Shares						
2	Unlisted Shares						
3	Debt Securities						
4	Convertible Securities						
5	Any other Security						
	Total						
	Impact on Profit or Loss						
	Impact on Income Tax						

Note: Specify the amount by which profit or loss would be affected by the changed valuation.

(vi) Details of inventory valuation carried out by the Cost Accountant

	Inventory Items	Method of valuation used by the Cost Accountant		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.
		Opening stock	Closing stock	
a.	Listed Shares			
b.	Unlisted Shares			
c.	Debt Securities			
d.	Convertible Securities			
e.	Any other Security			

Note: Specify the method used to determine the Actual Cost and Net Realisable Value for each category of financial instruments.

(vii) Any other relevant comment, observation or qualification of the Cost Accountant

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Note: Securities not listed on a recognised stock exchange; or listed but not quoted on a recognised stock exchange with regularity from time to time shall be valued at actual cost initially recognised.

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

Sl.	Description	UOM	Closing Stock			Opening Stock		
			Quantity	NRV (Rs.)	Value (Rs.) (4)X(5)	Quantity	NRV (Rs.)	Value (Rs.) (7)X(8)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
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 and Forest Produce

Sl.	Description	UOM	Closing Stock			Opening Stock		
			Quantity	NRV (Rs.)	Value (Rs.) (4)X(5)	Quantity	NRV (Rs.)	Value (Rs.) (7)X(8)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
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

Sl.	Description	UOM	Closing Stock			Opening Stock		
			Quantity	NRV (Rs.)	Value (Rs.) (4)X(5)	Quantity	NRV (Rs.)	Value (Rs.) (7)X(8)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
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 as on _____

Sl.	Category	Value as per Form No. 3CD (If Form No. 3CD not furnished, then value as per audited accounts) (Rs.)		Value as per Cost Accountant (Rs.)		Variation if any (Rs.)	
		Opening	Closing	Opening	Closing	Opening	Closing
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
						(5) – (3)	(6) – (4)
1	Livestock						
2	Agriculture and Forest Produce						
3	Mineral oils, Ores and Gases						
	Total						
	Impact on Profit or Loss						
	Impact on Income Tax						

Note: Specify the amount by which profit or loss would be affected by the changed valuation.

(v) Details of inventory valuation carried out by the Cost Accountant

	Inventory Items	Method of valuation used by the Cost Accountant		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.
		Opening stock	Closing stock	
a.	Livestock			
b.	Agriculture and Forest Produce			
c.	Mineral oils, Ores and Gases			

(vi) Any other relevant comment, observation or qualification of the Cost Accountant

Place

Date

Signed

Name of Cost Accountant

Address

Membership Number

UDIN

[Notification No. 82/2023/F.No. 370142/29/2023-TPL]

JIVITESH ANAND, Under Secy. (Tax Policy and Legislation Division)

Note. – The principal rules were published in the Gazette of India, Extraordinary, Part-II, Section 3, Sub-section (ii) vide notification number S.O. 969 (E), dated the 26th March, 1962 and was last amended vide notification number G.S.R. 685(E) dated 25th September, 2023.