



## Deduction for the cost of goods acquired for resale

Issued on: 18/04/2023

As a rule, a trader may claim a deduction for the cost of stock in trade at the time that the cost is incurred but on condition that the goods are eventually resold.

Traders that have stocks that are close to their expiry date would often offer them at a reduced price or offer similar incentives. These schemes are not an obstacle to the tax deduction for the cost. The right to the deduction is also not lost if stocks are withdrawn from the shelves to be destroyed because of damage or obsolescence.

Rather than destroy the goods, a trader may decide to donate them for charitable purposes. The Commissioner would consider the donation of food and drinks that are close to their expiry date in the same manner as stocks that have been destroyed on account of obsolescence and would not require traders to write back the deduction they would have claimed for the cost. This applies as long as there is evidence of the delivery of the goods by way of a donation for charity.

Naturally, the right of deduction remains subject to the provision in article 4(2) of the Income Tax Act in the sense that any sum recoverable under an insurance for a loss is to be taken into account in determining the profits.