

Comprehensive Note on Form 101

(Inventory Valuation Report under Section 268(5)(ii) of the Income-tax Act, 2025 read with Rule 171 of the Income-tax Rules, 2026)

Name of form as per I.T. Rules, 1962	Form 6D	Name of form as per I.T. Rules, 2026	Form 101
Corresponding section of I.T. Act, 1961	142(2A)(ii)	Corresponding section of I.T. Act, 2025	268(5)(ii)
Corresponding Rule of I.T. Rules, 1962	14A	Corresponding Rule of I.T. Rules, 2026	171

Purpose:

Form 101 is an Inventory Valuation Report to be furnished by a Cost Accountant as per directions received from the Assessing Officer with prior approval of the Principal Chief Commissioner or Chief Commissioner or Principal Commissioner or Commissioner of Income-tax under Section 268(5)(ii) of the Income-tax Act, 2025. The purpose of this report is to ensure correct valuation of inventories for tax computation and verification purposes in line with the provisions of the Act and the applicable Income Computation and Disclosure Standards (ICDS).

Who Should File:

Form No. 101 shall be furnished by:

- Every assessee whose inventory valuation is required to be certified under Section 268(5)(ii) as per the direction of the Assessing Officer.
- The report must be prepared and signed by a Cost Accountant nominated by the competent authority under Section 268(5)(ii).
- The Cost Accountant is responsible for providing a true and fair statement of inventory valuation, based on examination of books, documents, and other records of the assessee.

Frequency & Due Date:

The report is required for the tax year for which inventory valuation has been directed by the Assessing Officer as per the provisions of the Section 268(5)(ii) of the Income Tax

Act, 2025. Unlike regular periodic filings, Form 6D/101 is filed only when a special valuation of inventory is directed by the Department.

The report shall be furnished by the assessee to the Assessing Officer within such period as specified by the Assessing Officer or within the period extended by the Assessing Officer which shall not exceed six months from the end of the month in which the direction is received by the assessee.

Structure of Form 101:

Form 101 comprises the following parts:

Certification by the Cost Accountant: Contains details of examination of books of account and documents, valuation of opening and closing inventories, compliance with Income-tax provisions, observations, and comments of the Cost Accountant.

Annexure –

Part A – Personal Information: Contains assessee identification details (Name, PAN, address, contact particulars, tax year, etc.).

Part B – Inventory Valuation Report: Provides comprehensive quantitative and qualitative particulars such as:

- Nature of business, products, and inventory management system.
- Methods of accounting and valuation employed and any changes therein.
- Detailed item-wise valuation for Finished Goods, Work-in-Progress, Raw Materials, By-products, Stock-in-trade, and other categories.
- Comparison of values as per audited accounts and as per the Cost Accountant's valuation.
- Disclosures on insurance claims, discrepancies, ICDS compliance, and effect of valuation changes on profit and tax computation.
- Specialized schedules for Construction Contracts, Securities held as stock-in-trade, and inventories like livestock, agricultural or forest produce, mineral oils, ores, and gases.

What are the documents required to file the Form 101?

- Books of account and relevant records relating to purchase, consumption, and sale of inventory items.
- Financial statements and stock registers.
- Details of cost sheets, valuation workings, and inventory management system data.

- Any relevant supporting evidence such as insurance valuation, price lists, or physical verification reports, etc.

What is process flow for Filing Form 101?

1. Assessing Officer directs the assessee to get inventory valued by a Cost Accountant under Section 268(5)(ii).
2. The Cost Accountant conducts examination and prepares the valuation report based on records and site visits (if necessary).
3. The detailed Inventory Valuation Report and Annexures are prepared, verified and submitted before the AO.

Outcome of Filing Form 101:

For the Assessee:

- Ensures compliance with the direction issued under Section 268(5)(ii).
- Provides validated inventory valuation that may impact income computation and tax liability.

For the Department:

- Facilitates uniform and independent verification of inventory valuation by qualified professionals.
- Provides a standardized format for cross-verification with audited financial statements and ICDS compliance.
- The Assessing Officer uses the report findings for verification and assessment proceedings.

Brief Note on broad or qualitative changes proposed:

- Alignment with the Income-tax Act, 2025 – all section and rule references updated.
- Introduction of “Tax Year” terminology replacing “Assessment Year”.
- Simplified and standardized tabular formats have been used wherever necessary.

Challenges and Solutions:

Earlier Form 6D was introduced recently in September, 2023. The same has been reviewed and necessary changes with respect to label changes, replacing sections/subsections of Old Act with New Act has been done.

Common Changes Made Across Forms:

1. To make Forms system-friendly and enable e-filing and uploading, certain anomalies found due to grouping of Name, Address and PAN have been separated into different boxes.
2. Assessment / Financial / Previous year or years have been replaced with Tax year or years, wherever appearing in the Form/Annexure.
3. Sections, Clauses and Schedules changed as per the Income-tax Act, 2025.
4. Currency symbol “Rs.” has been replaced with “₹”.