

Form 101 - Frequently Asked Questions

(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

1. What is Form 101?

Ans. 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. It ensures accurate valuation of inventories for tax computation and verification purposes, in line with the Act and the Income Computation and Disclosure Standards (ICDS).

2. Who is required to file Form 101?

Ans. Form 101 must be furnished by every assessee whose inventory valuation is directed by the AO under section 268(5)(ii). The valuation must be conducted and certified by a Cost Accountant nominated by the competent authority. The Cost Accountant must provide a true and fair statement of inventory valuation after examining the assessee's books, records, and documents.

3. When should Form 101 be filed?

Ans. Form 101 is not a recurring form. It is filed only for the tax year in which the Assessing Officer issues a direction for inventory valuation. The report must be submitted within the time specified by the AO, or within the extended period, which cannot exceed six months from the end of the month in which the direction was received.

4. What is the structure of Form 101?

Ans. 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.

5. What documents are required to file Form 101?

Ans. The following documents are required:

- 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.

6. What is the process for filing Form 101?

Ans. The process of filing Form 101 is as below:

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.

7. What is the outcome of filing Form 101?

Ans. The outcome of filing Form 101 for the assessee is to ensure compliance with AO's direction under section 268(5)(ii). It also provides validated inventory valuation that may impact income computation and tax liability.

For the Department:

- Enables independent verification of inventory valuation by qualified professionals.
- Ensures uniform reporting format for comparison with financial statements and ICDS requirements.
- Facilitates fair and transparent assessment proceedings.

8. What are the key changes proposed in the revised Form 101?

Ans. The key changes proposed in the revised Form 101 are as follows:

- Alignment with the Income-tax Act, 2025.
- Introduction of "Tax Year" terminology replacing "Assessment Year".
- Simplified and standardized tabular reporting format.

9. What challenges have been addressed in the revision of Form 101?

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