



*To whom it may concern*

Reggio Emilia, Sept. 12, 2025

*Of counsel*  
Dott. Sandro Guarnieri

## MEMORANDUM N. 48/2025

Dott. Marco Guarnieri  
Dott. Corrado Baldini  
Dott. Paolo Fantuzzi

### Insight

Dott.ssa Clementina Mercati  
Dott.ssa Sara Redeghieri  
Dott.ssa Beatrice Cocconcelli  
Dott.ssa Veronica Praudi  
Dott.ssa Federica Lusenti  
Dott. Andrea Friggeri  
Dott. Matteo Giovannini  
Dott.ssa Nunzia Riveccio

### Subject: Civil and tax valuation of inventory

Avv. Francesca Palladi

#### 1. PREMISE

The correct valuation of inventory is a fundamental aspect in determining operating results and taxable income. This circular provides a comprehensive overview of civil and tax regulations, with particular attention to practical requirements and key operational issues.

Inventories are in fact an asset of strategic importance, whose accounting and tax treatment has a significant impact on company financial statements.

#### 2. CIVIL REGULATION

##### 2.1 Normative framework of reference

Articles 2423, 2426, 2427, 2435-bis, and 2435-ter of the Italian Civil Code. The accounting standards of reference are OIC 12 ("Composition and format of financial statements") and OIC 13 ("Inventories").

##### 2.2 Civil law valuation of inventories (Article 2426, paragraph 9)

Inventories are recorded at purchase or production cost or at the realizable value inferred from market trends, whichever is lower; this lower value cannot be maintained in subsequent financial statements if the reasons for it no longer apply.

###### 2.2.1 Determination of Purchase/Production Cost

- **Purchase Cost:** Includes the purchase price (net of VAT) and "ancillary costs" necessary to bring the goods to their current location and condition (e.g.,

#### **SGB & Partners**

Sede legale  
Via Meuccio Ruini, 10  
42124 Reggio Emilia  
CF e Piva 01180810358

Tel. +39 0522 941069  
Fax +39 0522 941885  
Mail [info@sgbstudio.it](mailto:info@sgbstudio.it)  
Web [www.sgbstudio.it](http://www.sgbstudio.it)

transportation, customs duties, direct taxes). Returns, discounts, and rebates reduce the cost. In the case of deferred payment, the cost is discounted net of interest expense (OIC 13, §§ 20-22).

- **Production Cost:** Includes “all costs directly attributable to the product” and “other costs, for the portion reasonably attributable to the product, relating to the period of manufacture and up to the moment when the goods can be used.” (Art. 2426, no. 1 of the Italian Civil Code).
- **Direct Costs:** Materials, direct labor, packaging, direct manufacturing services, production licenses (OIC 13, § 24).
- **General Production Costs (Indirect):** Parameters such as direct labor hours, direct labor cost, machine hours, prime cost (OIC 13, § 25).
- **Fixed Production Costs:** Allocated based on “normal production capacity.”
- **Variable Production Costs:** Allocated based on “actual production level” (OIC 13, § 31).
- **Financial Expenses:** May be added if related to the financing of manufacturing and only for goods that require a “significant production period” (e.g., maturation, aging), with a limit to the realizable value (OIC 13, § 23, 39).
- **Excluded costs:** Distribution costs (Art. 2426, no. 9 of the Italian Civil Code), exceptional or abnormal costs (e.g., transfer of unnecessary equipment, exceptional repairs), general and administrative costs (OIC 13, §§ 32-33), research and development costs (generally excluded, OIC 13, § 35).

### 2.3 Methods for Determining the Cost of Fungible Goods (Art. 2426, no. 10 of the Italian Civil Code)

The cost of fungible goods can be calculated using:

- **Weighted Average Cost:** Weighted average of the cost of goods remaining at the beginning of the year and those purchased/produced during the year. It can be calculated “per movement” or “per period.”
- **FIFO (First-In, First-Out):** Assumes that the oldest goods are the first to be sold. The final inventories are valued at the most recent purchase costs.
- **LIFO (Last-In, First-Out):** Assumes that the most recent goods are the first to be sold. The final inventories are valued at the least recent purchase costs. In a context of rising prices, it generates a “prudential valuation” and a “LIFO reserve.”

#### SGB & Partners

Sede legale  
Via Meuccio Ruini, 10  
42124 Reggio Emilia  
CF e Piva 01180810358

Tel. +39 0522 941069  
Fax +39 0522 941885  
Mail [info@sgbstudio.it](mailto:info@sgbstudio.it)  
Web [www.sgbstudio.it](http://www.sgbstudio.it)



- **Staggered LIFO:** A variant of period LIFO that values the increase in each item in stock at the “average cost” of purchases for the reference year.
- **Specific Cost:** Always applicable, both for fungible and non-fungible goods (mandatory for the latter, e.g., goods made to order).
- **Constant Value:** For raw materials, ancillary materials, and consumables that are constantly renewed and of little significance, if there are no significant changes in quantity, value, and composition.

#### 2.4 Realizable Value Derived from the Market (Art. 2426, no. 9 of the Italian Civil Code; OIC 13, §§ 51-53)

Market value is the parameter used for comparison with historical cost.

- **Definition:** "Estimate of the selling price of goods and finished products in the normal course of business, taking into account information inferable from the market, net of estimated costs of completion and direct costs of sale (such as commissions, transportation, and packaging).
- **Confirmed Sales Orders:** If there are orders at a fixed price, that price is used.
- **Raw Materials:** Not written down if the finished products in which they will be incorporated are expected to be sold at a price equal to or higher than the cost of production. If the decrease in the price of raw materials indicates that the cost of finished products exceeds the net realizable value, raw materials must be written down (OIC 13, § 53).
- **Replacement Cost:** For raw materials, supplies, and semi-finished goods purchased for manufacturing.
- **Net Realizable Value:** For merchandise, finished goods, semi-finished goods, and work in progress.

#### SGB & Partners

Sede legale  
Via Meuccio Ruini, 10  
42124 Reggio Emilia  
CF e Piva 01180810358

Tel. +39 0522 941069  
Fax +39 0522 941885  
Mail [info@sgbstudio.it](mailto:info@sgbstudio.it)  
Web [www.sgbstudio.it](http://www.sgbstudio.it)

#### 2.5 Write-downs and Reversals of Write-downs

- **Write-downs:** Mandatory if the historical cost exceeds the realizable value. The value of the asset is reduced directly and the cost is recorded in the income statement. No arbitrary write-downs (Art. 2423 of the Italian Civil Code).



- **Reversals:** Mandatory if the reasons for the impairment no longer exist (Art. 2426, no. 9 of the Italian Civil Code). The reversal cannot exceed the original historical cost (prudence principle).

## 2.6 Consistency in the Application of Methods

It is essential to maintain the same method of determining historical cost from one financial year to the next. Any changes are exceptional, must be justified, their effects on assets and income must be calculated, and they must be described in the notes to the financial statements (OIC 29).

## 2.7 Information to be included in the Notes to the Financial Statements (Art. 2427 of the Italian Civil Code)

The Notes to the Financial Statements must provide details on the valuation criteria and changes in inventories:

- **Art. 2427, n. 1):** Criteria applied in the valuation, including write-downs to realizable value and the specification of obsolete/slow-moving inventories.
- **Art. 2427, n. 4):** Changes in the consistency of asset and liability items, highlighting restorations of the original cost and their effect on the income statement. Describe the positive effect, if significant, of LIFO valuation with a reduction in inventory quantities and rising prices.
- **Art. 2427, n. 8):** Amount of capitalized financial expenses.
- **Art. 2427, n. 9):** Commitments not shown in the balance sheet, including encumbrances on inventories (e.g., pledges).
- **Art. 2426, n. 10):** If the value obtained by the methods (weighted average, FIFO, LIFO) differs significantly from current costs, the difference must be indicated (e.g., "LIFO reserve"). This indication is omitted in the condensed financial statements (Art. 2435-bis, paragraph 5 of the Italian Civil Code).
- **Art. 2423, comma 4):** Criteria adopted for the application of the principle of irrelevance.

### SGB & Partners

Sede legale  
Via Meuccio Ruini, 10  
42124 Reggio Emilia  
CF e Piva 01180810358

Tel. +39 0522 941069  
Fax +39 0522 941885  
Mail [info@sgbstudio.it](mailto:info@sgbstudio.it)  
Web [www.sgbstudio.it](http://www.sgbstudio.it)

### **3. TAX REGULATIONS**

#### **3.1 Tax Assessment of Inventories (Presidential Decree No. 917/1986, Art. 92)**

- **General Criteria:** The “minimum value” recognized for tax purposes “coincides with the balance sheet valuation of inventories, as it is no longer necessary to compare it with the valuation obtainable using the ‘LIFO method with increments’.
- **Consistency of Method:** The tax authorities recognize the free choice of valuation criteria, but require that it be maintained from one financial year to the next. In the event of a change, notification must be given to the Revenue Agency (Art. 110, paragraph 6 TUIR) by indicating this in the tax return.
- **Base Cost (Art. 110, paragraph 1, letter b TUIR):** Direct costs, including directly attributable ancillary charges, “excluding interest expense and general expenses.
- **Normal Value (Art. 92, paragraph 5 TUIR):** If the average unit value of the assets determined using civil law methods is higher than the “average normal value” of the last month of the financial year, the taxpayer may adopt the normal value.
- **Definition of normal value:** Sustainable cost to replenish stocks, using the average value of the last month.
- **Determination of normal value:** Supplier price lists, market prices, and Chamber of Commerce price lists. For finished products, the resale price for the last month, adjusted for margin and excluding costs.

### **4. DIFFERENCES BETWEEN CIVIL AND TAX LAW**

#### **4.1 Write-downs**

- If the civil law write-down exceeds the tax-deductible amount (e.g., due to the application of a higher normal value for tax purposes), an “increase” must be made in the tax return and, if necessary, deferred tax assets must be recognized.

#### **4.2 Revaluations/restorations**

- Tax legislation “has not addressed the issue of whether or not they are eligible for accounting purposes.”

#### **SGB & Partners**

Sede legale  
Via Meuccio Ruini, 10  
42124 Reggio Emilia  
CF e Piva 01180810358

Tel. +39 0522 941069  
Fax +39 0522 941885  
Mail [info@sgbstudio.it](mailto:info@sgbstudio.it)  
Web [www.sgbstudio.it](http://www.sgbstudio.it)



- Regardless of their nature (revaluations or reversals), they must be subject to taxation. However, in the case of value reversals due to previous write-downs that have already been taxed, the positive components are not taxed up to the amount of the write-down previously reversed for tax purposes.

The Firm remains available for any clarifications.

***SGB & Partners - Commercialisti***

**SGB & Partners**

Sede legale  
Via Meuccio Ruini, 10  
42124 Reggio Emilia  
CF e Piva 01180810358

Tel. +39 0522 941069  
Fax +39 0522 941885  
Mail [info@sgbstudio.it](mailto:info@sgbstudio.it)  
Web [www.sgbstudio.it](http://www.sgbstudio.it)