f Foreign Exchange

Taxpayer Audit & Assessment Department

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The Issue

The purpose of this bulletin is to standardize the treatment of exchange losses and or gain for Income Tax purposes.

PRIOR TO THE YEAR OF ASSESSMENT 2002

Circular No.9/79 allowed the treatment of foreign exchange losses as follows: -

(a) Unrealized Foreign Exchange losses due to the official devaluation of the J$ on purchase of trading stock for which a licence was issued by the Trade Administrators Department. (This was a concession allowed by the above-mentioned circular)

(b) Realized Foreign Exchange losses incurred as a result of acquiring capital assets purchased for the use in the trade. (Capital allowances are granted on these realized losses).

Please note that unrealized foreign exchange losses on interest were not allowed. This is consistent with the principle of allowing interest only when paid.

Year of Assessment 2002, and Subsequent Years

Effective Year of Assessment 2002 only realized (*not unrealized*) losses will be allowed.

1. Realized Foreign Exchange losses on stock in trade and other allowable deductions will be allowed.
2. Foreign Exchange Losses on interest will only be allowed when the interest is paid.
3. Capital Allowances will be granted on realized foreign exchange loss incurred in purchasing assets used in the trade.
4. Realized Foreign Exchange gains on transactions in 3 above would reduce the cost of assets and therefore must be used to reduce capital allowances.
5. Realized Foreign Exchange gains on transactions mentioned in 1 and 2 above, must be included in revenue.

THE POSITION TAKEN IS CONSISTENT WITH THE TAX PRINCIPLE OF NOT ALLOWING PROVISIONS AS AN ALLOWABLE EXPENSE PRIOR TO THE CALCULATION OF TAX.