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Forex trading profits taxable

Trading in foreign currency is one of the common trades where one may actually realise instant profits due to currency volatility. Conversely, the same may be said for incurring losses. Nevertheless, it is imperative that foreign currency traders consider tax implications of this trade. As a matter of fact and principle, profits realised from foreign currency trading are actually liable to tax.

The taxation of such profits emanates from the fact that Income Tax laws bring to tax any amount of income which arises from the day-to-day trading or ventures of any person such as buying and selling forex as a constant feature of one's endeavours. However, if a trader holds on to forex for a considerable time in anticipation of a capital gain or value appreciation, that will be subject to Capital Gains Tax, as opposed to income tax which applies on trading profits. Therefore, income of a revenue nature is one which originates from the ordinary trading activities like buying and selling of forex.

It is important to state that income tax is applied on profits and not the gross receipts, meaning that expenses which are necessary to do the forex trading such as bank charges or tax advisory would need to be deducted in arriving at the profits. On the other hand, capital gains tax is charged on the capital appreciation, less the cost and some 25% allowance on the gain. In our view, a person who holds forex for at least 12months is subject to Capital Gains Tax rather than income tax.

Therefore, foreign currency players or traders should endeavour to comply with tax laws to avoid any arising penalties and interest. You may visit our website www.aupracontax.co.bw and read more articles under the tab, 'Tax articles.'