EXCERPTS FROM PROCEDURES PRESCRIBED

BY

MINISTRY OF ECONOMIC AFFAIRS AND FINANCE

Re: Foreign Exchange

(No: 524/93/200-DD 22.06.1393-September 13, 2014)

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…………………………..

In cases where taxpayers have not previously embarked on calculation of foreign currency gains or losses and are doing so for the first time in accordance with generally accepted accounting principles and standards, the relevant expenses (losses) are considered acceptable in accordance with paragraph 24, article 148 of Direct Taxes Act.

Furthermore, if "gains" thereto are understated, based on paragraph 2, article 97 DTA, it must be added back to the taxable income without having to refer the case to the "three-member-committee"; non-realization of exchange losses is not a basis for referring the case to the said committee.

DIFFERENT EXCHANGE RATES

Fiscal Year	TYPES OF FOREIGN CURRENCY		
	Reference (*MARJAE*)	Trade *(Mobadelei)*	Agreed-upon (Exchange Bureau)
1390 (Ended March 19, 2012)	√	-	-
1391(Ended March 19, 2013)	√	From Sep. 2012	√
1392(Ended March 20, 2014)	√	√	√

Agreed-upon-rates are those used at foreign exchange bureaus with certificate from CBI (Free Rate).

In cases where there are different rates for conversion of a currency (i.e. *Marjae*, *Mobadelei* and agreed-upon), while considering limitations imposed by the regulations for settlement of the relevant foreign exchange transactions, appropriate rates must be used for revaluation of the related monetary items.

CONSIDERATION IN TAX INVESTIGATIONS

1- Gains from exchange rate conversions, regardless of the source, are taxable (for example tax exemptions arising from exports do not constitute exemption for gains from holding the foreign exchange therefrom by the tax-payers).

2- As for exports :

A- If a tax-payer is obligated to sell the proceeds from exports at CBI (*Marjae*) rates, initial recording, settlement and end-of-the-year adjustments must be made using the same rates (as prevail at the date of transactions).

B- If the taxpayer is obliged to sell the proceeds at Trade (*Mobadelei*) rates, the initial recording, settlement and end-of-the-year revaluation must be done using the same rates (prevailing at the relevant date) .

C- If the tax-payer does not have any obligations …………………, all the above transactions must be recorded at the pervailing …………… (agreed-upon) rates……….. .

3- As for imports:

A- If the foreign currency required for imports were supplied from CBI sources at *Marjae* rates, initial recording, settlement of foreign exchange liabilities and revaluation of monetary items must be done using the same rates (prevailing at the date of recording) .

B- If foreign currency required for imports were supplied from the " Foreign Exchange Trading Room" , initial recording, settlement of foreign exchange liabilities and revaluation of monetary items must be done using the same rates prevailing (at the date of recording) .

C- If foreign currency required for imports were not supplied from the above sources, agreed-upon-rates must be used (for all stages of transactions and recordings)

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……………………………
……………………………

4- Account Receivable from and Accounts Payable to Shareholders/Foreign Exchange Borrowing

Any one of the (mentioned) rates ……….. is to be used with due consideration to limitations imposed by regulations, etc. on the tax-payers. Furthermore, for settlement of the accounts receivable and accounts payable in foreign currency, sufficient documentation must be presented by tax payers as for verification of the type of currency.

5- Purchase and Sale of Foreign Currency:

A- For sale of foreign currency, invoices must be issued by the seller indicating name, address and complete particulars of the buyer and/or sufficient documentation for selling the currency to exchange bureaus certified by the CBI (i.e. invoice) must be presented.

B- For purchase of foreign exchange, all relevant documents including invoice from exchange bureaus, banks, etc. must be presented.