



Vision **Trading** Network

Forex Tax Handbook

Traders -Tax Implications

Traders vs. Investor Exceptions

If your primary source of income is from trading, you are considered a day trader, and the gains from shares is considered ordinary or business income.

-This means “If you sell a share for \$150 the cost is \$100 the entire \$50 is income, not like capital gain where 50% is income, the entire gain of \$50 is income.

Business Income

If you are considered a trader, you can still benefit from writing off all your expenses like a business.

Trading Loss

The loss goes against all gains. “If you have 1 apple share and gained \$50. Then after traded google at \$100 and sold it at \$50, you now have a \$50 loss, you take the \$50 loss and net it against the \$50 gain. Now your net gain will be \$0 if you were to loose \$100 then you would have a business loss of \$50 and you would have a capital loss of \$25 because capital gains and losses are 50%

Tax Filing

Income to Claim

For traders, income can be considered ordinary income or capital gains.

Who Should File?

- Anyone who made income this year, trader or not.
- Anyone who has to pay taxes for income earned.
- Anyone who incurred losses from trying to make income during the year.
- Disposition or sale of a capital property including shares or a cooperation, building, land and/or other assets.

Traders Tax Implications

- Capital gains are taxed at a lower preferential rate compared to other ordinary income (IE. business income or salary).
- Rate is approximately 50% of your marginal tax rate in Canada.
- In U.S capital gains tax is dependent on if its a short or long term capital gain.
- Capital gain (loss)=proceed of share sale - Adjust cost base of shares. (ABC)
- Tax deadlines in Canada are April 30th for T1 personal tax returns

Income to Claim

- For short term/day trades, income is considered ordinary.
- All profit from sale of share is taxed like a normal income.
- Any losses from prior years or in the year can offset income.
- Can claim all reasonable expenses against income.

Tax Treatment of Capital Gains

- Traders have short term capital gains
- Capital gains are taxed differently compared to other ordinary income.

Types of Capital Assets

- There are special tax rates that apply to different types of capital assets, including the sale of collectibles, depreciable, real estate and certain types of small business stocks.
- Capital gains holding periods: long term & short term.
- Capital gains are taxed differently depending on whether your investment is considered long term or short term. How long you have held an investment is called the holding period.
- Short-term holding period is one year or less.
- "This would be considered a short term capital gain and you will be taxed the ordinary tax rates in the U.S and will not gain preferential rates."
- Your main income is your proceeds of shares minus the actual cost of the shares.