State of California | Board of Equalization

M e m o r a n d u m

295.0945

To: W. D. Dunn

Date: March 8, 1977

From: Glenn L. Rigby

Subject:

As you requested, I reviewed the conclusions expressed in Mr. Dunn's letter of December 7, to ---.

We start out with the initial proposition that to determine the proper amount of gross receipts we have to convert by rate of exchange, the foreign currency to U.S. dollars. In regard to normal over the counter sales, we would hold that the rate of exchange in existence at the time of sale is controlling. For instance, if the foreign currency was worth $2.00 at the date of sale, but was worth $2.50 at the time of reporting, the proper measure would be $2.00.

I recognize this presents some problems from an auditing and administrative standpoint.

The fact remains, however, we must for sales and use tax purposes, measure gross receipts by U.S. dollars and when foreign currency is accepted, we must presume that it is accepted at the rate of exchange in effect at the time of sale.

Although the conclusions expressed in --- letter of December 7 are correct, I do have some reservations in concluding that the retailer has a "deductible loss" when he accepts foreign currency at the devalued rate of exchange.

I would not be inclined to call it a loss. I think the better approach is just conclude we are trying to determine the gross receipts in U.S. dollars by using the rate of exchange at the time of sale.

If you have any questions, please let me know.

GLR: po

Telephone (916) 445-0387

December 7, 1976

Dear: ---

In your letter of October 29, 1976, you stated that you have lost money due to the devaluation of the Mexican currency. You stated that you had accepted Mexican pesos at a rate of 12.50 to one dollar even after the date of devaluation which reduced the rate of exchange to 20.60 to one. You asked if this loss could be claimed as a cash discount.

Since Section 6012 of the Revenue and Taxation Code measure gross receipts in terms of American dollars, it would appear that you do have a deductable loss. To determine this loss, the value received must be based on the conversion rate of exchange, at the close of business of the date the sale was made. Any additional loss resulting from your holding this currency in hopes of gaining back amounts lost, would not be allowable.

I hope this information is or help to you.

Very truly yours,

W. D. Dunn
Supervisor Auditor

REP:em