



## Tax & Legal Newsletter

### May 2023

#### Rules and criteria provided for corporate income tax exemption for net profits derived from sale of carbon credits

A notification from the Director-General of the Thai Revenue Department on income tax (No. 433) issued on 10 April 2023 provides rules and criteria for claiming the exemption from corporate income tax for companies and juristic partnerships for net profits derived from the sale of carbon credits in Thailand under the “Thailand Voluntary Emission Reduction Program” in relation to a project registered with the Thailand Greenhouse Gas Management Organization (TGO). The tax exemption is available for three consecutive accounting periods (i.e., fiscal years) and is allowed by a royal decree (No. 760) issued on 18 March 2023 that is effective as from 20 March 2023. The notification is effective retroactively as from 20 March 2023, and the key rules and criteria are summarized below:

- The net profit or loss derived from sales of carbon credits must be calculated separately for each emission reduction project, and separately from the net profit or loss derived from the taxpayer’s other operations. Any tax losses incurred by a taxpayer in relation to a project may not be carried forward beyond the end of the three-year tax exemption period.
- Any expenses that cannot be clearly assigned to either an emission reduction project or to the taxpayer’s other operations must be allocated between the emission reduction projects and the taxpayer’s other operations based on the proportional share of the taxpayer’s total revenue earned from each emission reduction project and from the taxpayer’s other operations.
- Companies or juristic partnerships claiming the tax exemption under the provisions of the notification must submit a separate income tax return for each project and for the taxpayer’s other operations. The same taxpayer identification number must be used when filing each income tax return.

#### Rules and criteria provided for tax deduction for certain cash donations to Royal Forest Department

A notification from the Director-General of the Thai Revenue Department on income tax (No. 434) issued on 28 April 2023 provides rules and criteria for

claiming the individual or corporate income tax deduction with respect to cash donations made to the Royal Forest Department via the electronic donation (e-Donation) system to support community forest sites in Thailand. The deduction is available for qualifying donations made from 1 January 2023 to 31 December 2027 and is allowed by a royal decree (No. 761) issued on 18 March 2023, subject to certain limitations set forth in the royal decree. The notification is effective retroactively as from 1 January 2023, and the key rules and criteria are summarized below:

- To qualify as deductible, donations must be made in cash only.
- For companies or juristic partnerships to qualify for the incentive scheme, the amount of the donation must be at least THB 100,000 per community forest site. Donors are allowed to make multiple donations.
- Donors may rely on the information recorded in the e-Donation system to substantiate the tax deduction for the donation, without the need to provide other supporting documents.

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