



Tax & Legal Newsletter

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Tax incentive provided to promote reduction of carbon emissions

A Thai royal decree (No. 760) issued on 18 March 2023 provides a corporate income tax exemption 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 must be claimed in accordance with rules, procedures, and conditions prescribed by the Director-General of the Thai Revenue Department. The royal decree is effective as from 20 March 2023 (the date following the date of publication of the royal decree in the government gazette).

Tax deduction allowed for certain donations to Royal Forest Department

A Thai royal decree (No. 761) issued on 18 March 2023 allows an individual or corporate income tax deduction for cash donations that are made via the electronic donation (e-Donation) system to the Royal Forest Department from 1 January 2023 to 31 December 2027 to support the “Community Forest Support Project to Reduce Global Warming” of the Ministry of Natural Resources and Environment. The major conditions are summarized below:

- For individuals, a deduction is allowed of up to 100% of the amount of cash donated. However, when combined with any donations that are deductible under section 47(7) of the Thai Revenue Code, the total deductible donations may not exceed 10% of the individual’s net income (i.e., assessable income reduced by allowances and deductions).
- For companies and juristic partnerships, a deduction is allowed of up to 100% of the amount of cash donated. However, when combined with any donations made to support public charity or donations to support the public interest, the total deductible donations may not exceed 2% of the entity’s net taxable profits.

The tax deductions must be claimed in accordance with rules, procedures, and conditions prescribed by the Director-General of the Thai Revenue Department. The royal decree is effective retroactively as from 1 January 2023.

Tax measures to encourage use of electronic withholding tax system enhanced

On 29 March 2023, the Thai Revenue Department issued a revenue department regulation (No. Tor.Por. 354/2566, amending Revenue Department Regulation No. Tor.Por. 4/2528) to reduce the withholding tax rates from 5% and 3% to 1% for payments of certain types of assessable income (e.g., service fees, royalties, rental income) made via the e-withholding tax system from 1 January 2023 to 31 December 2025. The revenue department regulation is effective retroactively as from 1 January 2023, and the reduced rates generally are applicable to payments made to companies and juristic partnerships carrying on business in Thailand and to payments made to resident individuals.

Previously, the rates were reduced from 5% and 3% to 2% for the period from 1 October 2020 to 31 December 2022. As a result of the new revenue department regulation, the rates have been further reduced to 1% for the period from 1 January 2023 to 31 December 2025, to encourage the use of the e-withholding tax system.

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