

Tax & Legal Services Newsletter

Vol. January 2014

Personal Income Tax Rates to Drop

Royal Decree No. 575 has been issued to reduce the personal income tax rates for 2013 and 2014 income.

Personal Income Tax Rates

The new tax rates	
Net income (THB)	Tax rates (%)
Not over 300,000	5
300,001-500,000	10
500,001-750,000	15
750,001-1,000,000	20
1,000,001-2,000,000	25
2,000,001-4,000,000	30
4,000,001 upwards	35

Application of New Format of Tax Invoices Postponed

Following the Notification of Director-General of Revenue on Value Added Tax No. 194-197 imposing VAT registrant carrying on the business on sale of goods or provision of service to include Tax ID of the purchaser of goods or service and main or branch office of the seller or service provider in the preparation of the tax invoice, credit/debit notes and input/output VAT report, initially, from 1 January 2014, the Thai Revenue Department has issued the Notification of Director-General of Revenue on Value Added Tax No. 199-202 which postpone the said reporting requirements to 1 January 2015.

Tax Measures for the Merger of Financial Institutions

Initially, in the merger or entire business transfer between life insurance, non-life insurance companies, commercial banks, finance companies, credit foncier businesses, the reserve set aside under the law governing life insurance, non-life insurance and financial institution business shall be included as income for tax, imposing massive tax burden and being the obstacle for the said transactions. In order to promote the merger and entire business transfer for such businesses, the government has issued the following:

Royal Decree No. 573 grants the corporate income tax exemption to the predecessor companies in case of merger or to the company transferor in case of the entire business transfer among life insurance, non-life insurance companies, commercial banks, finance companies, credit foncier businesses on reserves for the life insurance premiums, loss insurance premiums and doubtful debts in the accounting period of merger or entire business transfer.

Royal Decree No. 574 sets out the non-deductible expense for the corporate income tax computation purposes as follows:

- Life insurance, non-life insurance premium reserves which is set aside by the new company from merger or the company transferee equal to those set aside by the company predecessors merged or the company transferor dissolved. For non-life business, the reserve arising in the accounting period following the accounting period of merger or entire business transfer is non-deductible.
- Reserve for doubtful debts or doubtful debts which is set aside by the new company from merger or the company transferee equal to those set aside by the company predecessors merged or the company transferor dissolved.
- Any expenses from write-off of bad debts on loan in the commercial bank, finance companies, credit foncier businesses under the law on financial institutions equal to those set aside by the company predecessors merged or the company transferor dissolved.

This shall be effective from 24 December 2013 onwards.

Specific Business Tax Exemption on Intercompany loan and Employee Loan

Royal Decree No. 571 sets out the condition for a Specific Business Tax exemption on certain businesses as follows:

- Intercompany loans between companies not carrying on business of commercial banks, finance companies, credit foncier, including payment for bills of exchange issued by or deposits made to financial institutions under the law on the financial institution in return for normal interest rate.
- Interests from loans given to employees by policy of a provident fund or other similar funds which give loan to employees for the company or registered ordinary partnership.

This shall be effective from 1 January 2012 onwards.

Tax Relief on Government Subsidy Payment to Address Natural Disasters

Royal Decree No. 570 grants a personal income tax and corporate income tax exemptions for government subsidy in relation to the permanent prevention of natural disasters, such as floods, storms, fires, etc. received from 1 January 2011 onwards, and being under the rule, procedure and condition as prescribed by the Director-General with the Minister's approval. Nevertheless, the recipient of income is not allowed to include the amount paid for natural disaster in Thailand equal to the amount of such exempt income in the depreciation expense.

Double Deduction of Expenses for Overseas Exhibition

Royal Decree No. 569 sets out the conditions for a corporate or registered partnership taxpayer to deduct related overseas exhibition expenses. A 200% expense deduction paid during 1 January 2013 – 31 December 2014 is granted for rental fee, construction fee, insurance fee, freight/handling fee for the goods or equipment used in the exhibition, festival or foreign exhibition organized during 1 January 2013 – 31 December 2014. The company or registered partnership must obtain certificate from government agency confirming its participation in the exhibitions, festival or foreign exhibition, and also being subject to rules, procedures and conditions prescribed by the Director – General.

Tax Relief on Compensation for Usage of Immovable Property

Ministerial Regulation No. 301 provides personal income tax exemption on assessable income arisen from compensation, remuneration or other similar income from damage or loss in relation to the legal exercise of the state power to enter or use or possess immovable property or to benefit from any properties received as from 1 January 2013 onwards.

Donations for Restoration of Historical Sites

Ministerial Regulation No. 302 sets out the conditions for personal income tax allowances on charitable donations made to the Fine Arts Department for the renovation of historical sites, historical objects, artifacts under the laws relating to historical sites, historical objects, artifacts and national museums. However, when combined with other donations, it must not exceed 10% of the assessable income after deductions and allowances. The amendments become effective for income in 2013 to be declared in tax returns in 2014 onwards.

International Tax & Corporate Tax

Wanna Suteerapornchai
+66 (0) 2676 5700 ext 10691
wsuteerapornchai@deloitte.com

Indirect Tax & Corporate Tax

Darika Soponawat
+66(0)26765700 ext 12784
dsoponawat@deloitte.com

Legal Services

Cameron McCullough
+66 (0) 2676 5700 ext 5015
camccullough@deloitte.com

Transfer Pricing & Customs Services

Stuart Simons
+66 (0) 2676 5700 ext 5021
ssimons@deloitte.com

Global Employer Services

Mark Kuratana
+66 (0) 2676 5700 ext 11385
mkuratana@deloitte.com

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee, and its network of member firms, each of which is a legally separate and independent entity. Please see www.deloitte.com/th/about for a detailed description of the legal structure of Deloitte Touche Tohmatsu Limited and its member firms.

Deloitte provides audit, tax, consulting, and financial advisory services to public and private clients spanning multiple industries. With a globally connected network of member firms in more than 150 countries, Deloitte brings world-class capabilities and high-quality service to clients, delivering the insights they need to address their most complex business challenges. Deloitte has in the region of 200,000 professionals, all committed to becoming the standard of excellence.

This publication contains general information only, and none of Deloitte Touche Tohmatsu Limited, its member firms, or their related entities (collectively, the "Deloitte Network") is, by means of this publication, rendering professional advice or services. Before making any decision or taking any action that may affect your finances or your business, you should consult a qualified professional adviser. No entity in the Deloitte Network shall be responsible for any loss whatsoever sustained by any person who relies on this publication.

© 2014 Deloitte Touche Tohmatsu Jaiyos Co., Ltd.