

## Tax & Legal Services Newsletter

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### Corporate Tax Rate to be Reduced Permanently

The Thai Cabinet has approved the draft act amending the Revenue Code that will permanently reduce the corporate income tax rate from 30% to 20% for accounting periods starting on or after 1 January 2016.

### Tax Measure Approved to Boost Sales of Real Estate

The Thai Cabinet has approved a tax measure that would allow a taxpayer to deduct 20% of the value of a building with land or a condominium unit purchased as a personal residence that have a value not exceeding THB 3 million in calculating the taxpayer's personal income tax liability. The cabinet also approved a measure that reduces the transfer fee and mortgage registration fee to 0.01%. The measures are designed to stimulate the sale of real property.

### Specific Business Tax Exemption for IHQs

The Thai cabinet has approved the Ministry of Finance's proposal to grant an exemption from the specific business tax for international headquarters (IHQs) on interest income derived from intercompany loans.

### Tax Rate for SMEs to be Reduced

The Thai Cabinet has approved a draft Royal Decree that will grant a reduction in corporate income tax for small and medium-sized enterprises (SMEs), i.e. companies or juristic partnerships that have paid-up capital not exceeding THB 5 million at the last date of the accounting period and having income from sales and services in the accounting period not exceeding THB 30 million. The rate reductions are as follows

1. For two consecutive accounting periods starting with the accounting period beginning or after 1 January 2015, but no later than 31 December 2016:

| Net profits (THB)     | Tax rate (%) |
|-----------------------|--------------|
| Not exceeding 300,000 | Exempt       |
| Over 300,000          | 10           |

2. For subsequent accounting periods:

| Net profits (THB)   | Tax rate (%) |
|---------------------|--------------|
| 300,001 – 3 million | 15           |
| Over 3 million      | 20           |

### Tax Measure to Promote National Savings

The Thai Cabinet has approved measures proposed by the Ministry of Finance that would promote the National Savings Fund (NSF), as follows:

- Allowing taxpayers to deduct contributions made to the NSF when calculating their personal income tax liability, up to limits prescribed in the Revenue Code.
- Granting a personal income tax exemption for amounts or benefits received by a member of the NSF, a person appointed as a beneficiary or heir to a fund member where the member ceases to be a fund member because he/she reaches age 60 or in any other circumstances specified by law that result in a cessation of membership in the NSF or death.
- Granting a personal income tax exemption for amounts or benefits received by a member of the NSF where the individual becomes disabled before reaching age 60.

The personal income tax exemption must be in accordance with rules, procedures and conditions set by the Director-General of Revenue.

- Specific Business Tax exemption for the business of NSF.
- Exemption from Stamp Duty on the execution of instruments by the NSF.

### Income Tax Exemption on Certain Shares of Profits by a Non-juristic Partnership

The Thai Cabinet has approved the Ministry of Finance's proposal to grant an income tax exemption on the following shares of profits received from a non-juristic partnership or body of persons:

- Shares of profits from the rental of jointly owned immovable property acquired by bequest or gift.
- Shares of profits from interest on deposits where tax was withheld at source, provided the taxpayer does not request a refund of the tax withheld and does not use a tax credit (in whole or in part).

The rules apply to assessable income received as from 2015.

### Provident Fund Act (No.4) B.E. 2558 (A.D. 2015)

A new Provident Fund Act (No. 4) 2015, which will be effective as from 10 November 2015, updates the existing act. The key changes are as follows:

- An employee will be able to make his/her provident fund contribution at a rate exceeding the employer's contribution rate;
- In the case of an economic crisis, a disaster or any occurrence that could affect economic situations, the Minister of Finance will have authority to allow employees or employers to cease or postpone payment of saving deposits or contributions to the provident fund; and

- Amendments are made to the following rules: (1) the investment or benefit from the saving deposit and contribution of an employee who does not specify the investment policy; (2) the revenue recording method of pooled funds (several employers); (3) installment benefit payments from the provident fund to an employee who has resigned from the NSF; and (4) where funds are transferred to a retirement mutual fund or other fund for purposes of an employee's resignation or retirement.

### Social Security Act (No.4) B.E.2558 (A.D.2015)

Amendments to the Social Security Act (No. 4) 2015 became effective on 20 October 2015; the revisions aim to update the act to be in line with current circumstances. The insured now is entitled to more benefits. The key changes are as follows:

- In the case of a non-occupational injury or illness, the insured will be entitled to a payment for health promotion and protection expense, as well as certain expenses incurred as a result of damage arising from medical services in addition to other benefits.
- An insured woman is entitled to maternity benefits for an unlimited time for child birth.
- An insured is entitled to child benefits for up to three (legitimate) children.
- Where an insured person stops working due to the cessation of the employer's business as a result of force majeure (without termination of the employment contract), the insured will be entitled to unemployment benefits according to the prescribed criteria.
- If an insured becomes chronically ill or disabled, he/she will be entitled to death benefits, regardless of whether the full contribution is made.
- The calculation of daily wages for the payment of replacement income is amended.
- Benefits will be cancelled if the insured person directly or indirectly intentionally causes his/her injury, illness, invalidity or death.
- The employer's contribution will be reduced if there is a serious disaster that affects the economic circumstances.
- A criminal penalty will be imposed if an employer intentionally fails to submit a statement evidencing payment of social security contributions.

### Announcement of Dual-use Item list and HS Code list:

On 16 October 2015, the Ministry of Commerce (MOC) issued a notification announcing the dual-use item (DUI) list (List 1) and HS code list (List 2) that describe and specify export products that will be governed by section 5 of the Export and Import of Goods Act B.E. 2522(1979). DUIs are products that can be used for commercial purposes and potentially for military purposes (e.g. to build weapons or components thereof).

List One products require an export license from the relevant government agency before the product can be exported. The list contains 10 categories of products, as follows:

- 0 – Nuclear Materials and Related Equipment
- 1 – Special Materials and Related Equipment
- 2 – Materials Processing
- 3 - Electronics

- 4 - Computers
- 5 - Telecommunications and "Information Security"
- 6 - Sensors and Lasers
- 7 - Navigation and Avionics
- 8 - Marine
- 9 - Aerospace and Propulsion

For products on List Two, the exporter will be required to submit a registration application to the MOC and certify that the exported item will be used only for commercial purposes. The list contains 300 groups at a 4 digit level HS Code.

The notification and the lists will become effective on 1 January 2018, thus giving exporters an opportunity to prepare for the new rules. Regulations likely will be issued to clarify the procedural aspects of the new rules.

Business Tax & Indirect Tax  
 Anthony Visate Loh  
 +66 (0) 2676 5700 ext 5022  
[aloh@deloitte.com](mailto:aloh@deloitte.com)

Legal Services  
 Anthony Visate Loh  
 +66 (0) 2676 5700 ext 5022  
[aloh@deloitte.com](mailto:aloh@deloitte.com)

Business Tax (Japanese Services Group)  
 & Indirect Tax  
 Darika Soponawat  
 +66 (0) 26765700 ext 12784  
[dsoponawat@deloitte.com](mailto:dsoponawat@deloitte.com)

Transfer Pricing & Business Tax  
 Dr. Kancharat Thaidamri  
 +66 (0) 26765700 ext 11205  
[kthaidamri@deloitte.com](mailto:kthaidamri@deloitte.com)

Business Tax (Business Model  
 Optimization)  
 Korneeka Koonachoak  
 +66 (0) 2676 5700 ext 5023  
[kkoonachoak@deloitte.com](mailto:kkoonachoak@deloitte.com)

Global Employer Services  
 Mark Kuratana  
 +66 (0) 2676 5700 ext 11385  
[mkuratana@deloitte.com](mailto:mkuratana@deloitte.com)

Transfer Pricing & Customs Services  
 Stuart Simons  
 +66 (0) 2676 5700 ext 5021  
[ssimons@deloitte.com](mailto:ssimons@deloitte.com)

Business Tax (M&A) & FSI  
 Wanna Suteerapornchai  
 +66 (0) 2676 5700 ext 10691  
[wsuteerapornchai@deloitte.com](mailto:wsuteerapornchai@deloitte.com)

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