

## Tax & Legal Services Newsletter

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### [Permanent Reduction in Corporate Income Tax Rate Endorsed](#)

The National Legislative Assembly has approved the draft act amending the Revenue Code that permanently reduces the corporate income tax from 30% to 20%. The rate reduction aims to enhance the competitiveness of the Thai economy.

### [Measures to Promote Thailand as a Hub for Automobile Prototypes](#)

The Cabinet has approved the Ministry of Finance's proposal on tax measures that would promote Thailand as a regional hub for research and development (R&D) and testing for the automotive industry. The following incentives would be granted:

- A VAT exemption on the import of automobile and motorcycle prototypes for R&D and performance testing, which are entitled to an exemption from excise tax.
- A deduction for wear and tear on automobile prototypes for R&D and performance testing, which are entitled to an exemption from excise tax.
- An excise tax exemption for automobile and motorcycle prototypes imported for R&D and performance testing, provided the vehicle has never been sold in Thailand. The Director-General of Excise will set forth the rules, procedures and conditions to qualify for the excise tax exemption.

Once finalized, the measures will apply retroactively as from 1 January 2016.

### [Subordinate Laws on Rules Relating to Inheritance Tax](#)

The Cabinet has approved the Ministry of Finance's proposal on subordinate laws issued pursuant to the Inheritance Tax Act and Gift Tax, as follows:

- Introduction of a specific deadline for the land department officer who registers the transfer of immovable property by way of a bequest to report the registration to the Revenue Department.
- Determination of persons, rules and procedures for tracking persons who are exempt from inheritance tax.
- Determination of assets in Thailand (under paragraph 3 section 14 of the Inheritance Tax Act 2015) as follows:
  - Immovable property situated in Thailand
  - Securities issued by a juristic person registered in Thailand or established under Thai law

- Bank deposits in Thailand or other money of a similar nature which the testator has the right to withdraw or reclaim in Thailand from financial institutions or persons receiving the deposits
- Vehicles registered in Thailand
- Rules governing the calculation of the value of third-party rights to immovable property that has been inherited for purposes of deducting such rights from the value of the property.
- Methods for calculating the value of assets:
  - (1) The value of immovable property situated outside Thailand will be the market value of the property on the date the bequest is received.
  - (2) The value of securities not listed on the Stock Exchange of Thailand (SET) will be the value of the stock on the date the bequest is received, except in the following cases:
    - (2.1) The value of shares of companies and juristic partnerships will be equivalent to the book value in the accounting period before the accounting period of the receipt of the ownership in the shares.
    - (2.2) The value of treasury bills, bonds, bills of exchange and debentures will be the first offering price or the redemption price, whichever is lower.
  - (3) The value of registered vehicles will be the market value of the vehicle on the date the bequest is received.
  - (4) The value of bank deposits or other money of a similar nature which the testator has the right to withdraw or reclaim from financial institutions or the person receiving the deposit will be the value on the date the bequest is received.
- Rules, procedures and conditions for paying inheritance tax on an installment basis.
- Abolition of the tax exemption on the transfer of ownership or right of possession to immovable property to the testator's legitimate child, where the transfer is made without consideration.

## Revenue Department Rulings

### Calculation of Value of Stock Dividend

Company B, a company listed on the SET, contemplated paying a stock dividend in the form of common shares, at the previous share to new share ratio of 10:1. The par value of the company is THB 1. In December 2012, the shares were traded on the SET at an average price of THB 8.25. At issue was how the company should calculate the value of the stock dividend for purposes of computing the relevant withholding tax.

The Revenue Department took the position that Company B's common stock dividend at the 10:1 ratio paid to Thai individual and juristic shareholders would be regarded as assessable income under sections 39 and 40(4)(b) of the Revenue Code. As a result, the value of the stock dividends received by the shareholders would be equal to the retained earnings that Company B, the payer of the stock dividends, transferred to its share capital, divided by the number of the stock dividends issued.

## Discount on Sales of Automobiles

Company C distributes automobiles through an automobile distributor. If a purchaser agrees to purchase an automobile but lacks sufficient cash, the distributor would grant a discount from the purchase price and contact a financial institution, so that the purchaser would borrow funds from the financial institution and enter a hire-purchase agreement with the financial institution. Upon delivery of the automobile, the distributor would provide the purchaser with the documentation on the discount and issue a tax invoice specifying the financial institution as a purchaser. The distributor also would register the financial institution as a purchaser and owner of the vehicle at the department of land transportation. The question is whether the discount is subject to withholding tax and if so, who should be liable for tax withheld.

The Revenue Department ruled that the discount would be deemed to be granted by the automobile distributor to the financial institution (which is the purchaser), whose intention is to resell the automobile; the discount then would be subject to withholding tax.

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