

Tax & Legal Services Newsletter

Vol. October 2015

Tax Exemption and Reduction for SMEs

The Thai Cabinet has approved the following measures that reduce the corporate income tax rates applicable to small and medium-sized enterprises (SMEs):

- A rate reduction for two consecutive accounting periods starting on or after 1 January 2015 to the accounting period ended 31 December 2016, as follows.

Net profits	Current rates	Proposed rates
THB 0– 300,000	Exempt	Exempt
THB 300,001 – 3 million	15%	10%
Over THB 3 million	20%	10%

- A corporate income tax exemption for five accounting periods for “New Start-up SMEs” in targeted industries that have the potential to drive the country’s economic growth and that register during the period 1 October 2015 and 31 December 2016. Targeted industries include processed agricultural products, advance innovation and technology, and the digital and R&D sectors.

7% VAT Rate Extended for Another Year

Royal Decree No. 592 extends the 7% VAT for an additional year to 30 September 016.

Tax Exemption for Special Economic Zone as Clusters

The Thai Cabinet has approved the Board of Investment’s policy for developing the special economic zones (SEZ) as “clusters,” with the main focus on clusters that are essential to the future development of the country. During the first phase, automobiles and automobile parts, electronic appliances and telecommunications equipment, petroleum and chemical products that are environmentally friendly and the digital sectors would be offered the following incentives:

- An eight-year corporate income tax exemption, followed by a five-year 50% rate reduction; a 10-15 year corporate income tax exemption may be granted to industries of “high importance.”
- An exemption from import duty on imported machinery.
- A personal income tax exemption for international specialists (whether Thai or foreign) working in a specific territory and the granting of permanent resident status to foreign international specialists.
- Permission for foreigners to own land for use in a promoted business.

Tax Reduction for Special Economic Zones

Royal Decree No. 591 reduces the corporate income tax rate to 10% on the net profit for companies situated in an SEZ regardless of where the head office of the company is located. The reduced rate will apply on income earned from the manufacturing of goods in the SEZ and the provision of services that are used in the SEZ for 10 consecutive accounting periods, subject to rules, procedures and conditions prescribed by the Director-General.

To be eligible for the reduced rate, the company or juristic partnership must be registered as the entity in the SEZ by the end of 2017 and must not benefit from a corporate income tax rate exemption under the investment promotion law.

Amendment to Investment Promotion Law

The Thai Cabinet has endorsed the draft Investment Promotion Act that contains the following measures:

- The Board of Investment (BOI) would have the authority to delegate some of its responsibilities to a third party (e.g. inspection of machinery, raw and essential materials, as prescribed by the BOI).
- The requirements to qualify for benefits under the act would be better aligned with the requirements of the World Trade Organization (e.g. abolition of the requirements relating to the manufacturing business for export, the requirement on the use of domestic raw materials and, the export subsidy which is prohibited).
- The BOI would be able to grant benefits for R&D of promoted persons such as an exemption from import duty for certain tested goods used for R&D testing in relation to the advance innovation and technology business and R&D, as well as a corporate income tax exemption for up to 13 years on net profits derived from a promoted business.
- Tax benefits for promoted businesses would be enhanced to include the following:
 - Allowing a deduction not exceeding 200% of the amount invested by promoted persons in a promoted business subject to conditions to be prescribed by the BOI.
 - Allowing a deduction not exceeding 90% of the funds used in an investment by promoted persons against the net profits derived.
 - Allowing tax-free dividend payments for six months after expiration of the corporate income tax exemption period.

Announcement on Promotion of the Bioplastic Industry

The Office of the Board of Investment has issued Announcement No. Por. 6/2558 to promote projects involving the manufacture of eco-friendly chemicals or polymers or products from eco-friendly polymers. A 90% reduction of import duty will be granted on raw and essential materials imported for manufacture of products for domestic sale, for a period of three years or until such raw and essential materials are manufactured in Thailand. The approval will be granted for one year at a time. The raw and essential materials must not be produced in or originate in Thailand, which have similar quality and sufficient quantity.

Guidance issued on half-yearly tax estimates

Departmental instruction No. Paw. 152/2528 sets out the criteria for the circumstances in which it is justifiable for a company to under-estimate the tax payable on its net profits for purposes of the half-yearly corporate income tax return under section 67 Ter of the Thai Revenue Code. If a company estimates its net taxable profits in an amount that is not less than the net taxable profits in the previous year's tax return, but has remitted its corporate income tax payable as less than 50% of the previous year's tax payable because of entitlement to a tax exemption or tax reduction, it will be treated as having done so on reasonable grounds.

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

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

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

Transfer Pricing & Business Tax
Dr. Kancharat Thaidamri
+66 (0) 26765700 ext 11205
ktthaidamri@deloitte.com

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

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

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

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

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee (“DTTL”), its network of member firms, and their related entities. DTTL and each of its member firms are legally separate and independent entities. DTTL (also referred to as “Deloitte Global”) does not provide services to clients. Please see www.deloitte.com/about for a more detailed description of DTTL and its member firms.

Deloitte provides audit, consulting, financial advisory, risk management, tax and related services to public and private clients spanning multiple industries. With a globally connected network of member firms in more than 150 countries and territories, Deloitte brings world-class capabilities and high-quality service to clients, delivering the insights they need to address their most complex business challenges. Deloitte’s more than 220,000 professionals are committed to making an impact that matters.

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.

© 2015 Deloitte Touche Tohmatsu Jaiyos Co., Ltd.