

Tax & Legal Services Newsletter

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Tax Measures to Promote Tourism

The Thai Cabinet has approved two tax measures proposed by the Minister of Finance to boost domestic tourism:

- A 200% deduction for domestic seminars / trainings, and for expenses incurred on renting seminar rooms, accommodation fees, transportation and other expenses related to such seminars/trainings in computing corporate income tax.
- An allowance up to THB 15,000 for tour guide fees paid by individuals to tour guide operators and for hotel room charges for domestic tourism.

The measures will apply from the effective date to 31 December 2015.

Taxation of Ordinary Partnerships and Non-juristic Bodies of Persons

The Thai Cabinet has approved the Act amending the Royal Decree proposed by the Ministry of Finance that clarifies the tax treatment of non-juristic ordinary partnerships and bodies of persons. According to the new rules, which apply as from 1 January 2015, an ordinary partnership and a body of persons will be required to calculate net income by deducting expenses that are necessary and appropriate rather than on a standard rate basis. The income will be allocated to the partners/persons on a pro rata basis.

Where an ordinary partnership receives interest, share of profits, and income from the sale of immovable property that is inherited and not acquired with a view to trading or profits and tax already has been withheld, the partnership should include the income with other income in making its year-end tax calculation (currently, such income may be excluded from the year-end tax calculation). However, for a body of persons, each person can opt to exclude the income from the year-end tax calculation.

Extension of Income Tax Rate Reduction

Following the introduction of reduced personal income tax and corporate income tax rates for the year 2013 and 2014, two Royal Decrees containing measures to maintain the reduced rates for the year 2015 were introduced in order to relieve the taxpayer's burden under the current economic conditions.

- Royal Decree No. 576 extends the following personal income tax rates for the year 2015:

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 and over	35

- Royal Decree No. 577 extends the existing 20% corporate income tax rate for accounting periods starting on or after 1 January 2015, but no later than 31 December 2015.

Measures to Promote the Upgrading of Machinery and Encourage R&D

The BOI has announced measures to encourage manufacturers (whether or not being BOI-promoted) to upgrade and improve existing technology and machinery with a view to conserving energy, utilizing alternative energy and mitigating the effect of the technology/machinery on the environment, and to encourage R&D and advance engineering design (Announcement No. 1/2557 on "Measures to Promote Improvement of Production Efficiency"). The announcement consists of the following:

1. Allowing applicants to submit an investment plan for machinery enhancements or changes with a view to reducing energy consumption, using alternative energy in a project or reducing the impact on the environment at the stipulated criteria/ratio.
2. Allowing applicants to submit an investment plan for machinery enhancements or changes to increase production efficiency according to stipulated criteria; for example, automating a production line to improve efficiency.
3. Allowing applicants to submit an investment plan for R&D or advanced engineering designs according to stipulated criteria. At least 1% of the applicant's total revenue for the first three years after the date the application is submitted must be invested in R&D or advanced engineering design (0.5% for small and medium-sized enterprises (SMEs)).

The minimum capital investment of each project must be at least THB 1 million, excluding the cost of land and working capital (THB 500,000 for SMEs).

The incentives include an exemption from import duty for machinery regardless of zone and a three-year corporate income tax exemption on income earned from an existing project, accounting for 50% of the investment under this measure (excluding the cost of land and working capital of the upgrading process). Applications must be submitted by 31 December 2017 and implementation of the project must be completed within three years from the date the promotion certificate is issued.

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