



Tax & Legal Services Newsletter

7% VAT Extended for One Year Extension

The Thai Cabinet has approved the Royal Decree that extends the 7% VAT rate for one more year, so that the reduction from the standard 10% rate will apply until 30 September 2018.

Changes to Tax Exemption for Transfers of Assets

Royal Decree No. 644, which was issued on 13 August 2017 and applies as from 14 August 2017, revises the eligibility rules for exempting certain transfers of assets from tax. Previously, Royal Decree No. 630 exempted transfers of ownership in immovable property and assets, sales of goods and transfers to newly established Thai companies in exchange for ordinary shares from personal income tax, VAT, specific business tax and stamp duty for individuals, where the transfers are made during the period 10 August 2016 to 31 December 2017. The new decree extends the tax exemption to such transfers made by ordinary partnerships and non-juristic bodies of persons.

The Cabinet Approval on Thailand-Cambodia Double Taxation Agreement

The Thai Cabinet has approved a draft agreement on the exemption of double taxation between Thailand and Cambodia. The treaty generally follows other treaties concluded by Thailand. The Thailand-Cambodia double taxation

agreement will take effect for residences in either or both bilateral countries in which the tax will be collected on an income basis. Under the agreement, tax paid to a contracting state by a resident of the other contracting state will be deductible in the taxpayer's country of residence; however, the amount of the deduction may not exceed the tax that would be due in the taxpayer's residence country. The agreement will be effective as from 1 January 2018 and will have a term of 10 years.

Tax Exemption for Community Enterprises

Ministerial Regulation No. 330 issued on 11 August 2017 grants a personal income tax exemption on assessable income received during the period 1 January 2009 to 31 December 2019 by community enterprises established as ordinary partnerships and non-corporate bodies of persons that derive assessable income of no more than THB 1.8 million in a fiscal tax year.

Double Tax Deduction for Purchase/Installation of CCTV systems

Following the issuance of Royal Decree No. 625, which allows a double deduction of expenditure on the acquisition of closed circuit television (CCTV) equipment for individual and corporate entities located in specific development zones (Narathiwat province, Pattani province, Yala province and Satul province), a notification of the Director-General of Revenue on income tax (No. 305) was issued on 11 August 2017. The notification, which applies as from 1 January 2016, sets forth certain eligibility requirements for the double deduction to apply, for instance, the CCTVs must never have been used, must be installed in a place of business located in specific development zones and may not be subject to tax benefits under other tax rules.

Revenue Department Rulings

Double Tax Deductions for Capital Expenditure

Company A, which operates in the hotel business, renovated rooms by replacing carpets with tiles and laminated flooring. Company A asked the Thai tax authorities to rule whether the expenditure is eligible for a double tax deduction under Royal Decree No. 604. The tax authorities determined that if the changes to the flooring made by Company A are considered asset improvements with a useful life of more than one accounting period and, therefore, such expenses are considered as capital expenditure. Accordingly, provided all of the conditions under Royal Decree No. 604 are fulfilled, the expenditure incurred by Company A is eligible for the double tax deduction.

Stamp Duty for Agreements

Company B executes a service contract with its affiliated company. The service contract provides for an initial contractual period of one year, with automatic renewals if neither contracting party terminates the contract within the initial contractual period. The contract does not specify the service fee for the initial one-year contractual period or for the renewal period.

The tax authorities ruled that if the service fee is not specified, the contractor must estimate a reasonable service fee and pay stamp duty based on the estimated amount. If the service fee is underestimated (and, therefore, stamp

duty is underpaid), Company B must be immediately liable for an additional payment of stamp duty on the additional service fee. However, where the service fee is overestimated (and, therefore, stamp duty is overpaid), Company B will be eligible for a refund of the overpaid stamp duty within six months from the date the payment was made. In case where the contractual period of one year is due and neither contracting party terminates the contract, the contract is deemed renewed and the Company B must estimate a reasonable service fee that is expected to be received under the renewed contract and pay stamp duty on that amount.

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