



Tax & Legal Services Newsletter

New Transfer Pricing Measures

The Thai Cabinet released the resolution on rules that introduce new documentation reporting requirements under the transfer pricing rules in the Revenue Code. The salient features of the new rules are as follows:

- Taxpayers engaging in transactions with related parties will be required to prepare a report describing the relationship between the parties, as well as the value of the intercompany transactions in each accounting period. The report will have to be prepared in a format prescribed by the Director-General of the Revenue Department and submitted to the assessment officer. Companies that derive income less than a threshold amount to be specified in regulations (which must not be less than THB 30 million) will be exempt from the reporting obligation.
- Tax assessment officers will have an authority to make adjustments to income and expenses in transactions between related entities as deemed to be received or paid.
- The tax assessment officer may send a letter to request additional documentation from a taxpayer to analyse relevant related party transactions. The additional documentation may be requested within five years from the date the transfer pricing report was submitted.

Tax Measures to Encourage Tourism in “Secondary” Tourist Provinces

The Thai Cabinet has approved a draft Royal Decree that encourages companies to hold tourism and training seminars in the “secondary” tourist provinces. The salient features of such draft Royal Decree include the following:

- A double deduction for corporate tax purposes would be allowed on expenses incurred by a company for arranging a staff training seminar (e.g. seminar rooms, accommodation, transportation or other expenses associated with a seminar) that is held in one of the specified secondary tourist provinces or other areas specified by the Ministry of Tourism and Sports. A double deduction also would be available for expenses paid to a tourism business operator under Tourism Business Law;
- A deduction would be allowed in computing personal income tax for the actual amount of service fees paid to a tourism business operator under the law governing tour operators and tour guides for travel to the secondary tourist provinces (including service fees paid for hotel accommodation and homestays), up to THB 15,000 for payments made in 2018.

Tax Measures to Encourage Thais to Have More Children

The Thai Cabinet has approved a draft tax law that includes tax measures to encourage families to have more children. The following benefits would be granted:

- An additional allowance of THB 30,000 per tax year would be granted to the taxpayer or his/her spouse for the second legitimate child born as from 2018.
- The taxpayer or his/her spouse would be able to deduct expenses of up to THB 60,000 for prenatal care or child delivery expenses as from 1 January 2018.
- A deduction would be granted to companies or juristic persons for actual expenses incurred for setting up childcare facilities on their business premises, provided the expenses are incurred during the accounting periods that begin on or after 1 January 2018 up to 31 December 2020. An additional 100% deduction would be granted on the actual expenses, up to THB 1 million.

Double Deduction for Donations to Hospitals

The Thai Cabinet has approved a draft Royal Decree that contains measures to encourage donations to publicly owned hospitals, hospitals owned by public educational institutions, other government agencies and the Thai Red Cross Society. The following benefits would be applicable for donations made as from 1 January 2018:

- Individuals may claim a double deduction for donations to hospitals, but when combined with donations to promote education, the total amount of the deduction may not exceed 10% of the individual's assessable income after taking into account other expenses and allowances.
- Companies or juristic partnerships may claim a double deduction for cash or noncash donations, but when combined with donations to promote education and certain public charities, the total amount of the deduction may not exceed 10% of the company's net profits before the deduction of public charitable expenses according to section 65 ter (3) of the Revenue Code.
- Income derived by individuals or companies from the transfer of assets or the sale of goods as a result of a donation made to the above hospitals is exempt from personal and corporate income tax, value added tax, specific business tax and stamp duty.

Deductible Expenses for Promotion and Development of Disabled Persons

The Thai Revenue Department has issued guidance (Departmental Instruction No. 156/2561) for claiming the tax benefits provided under the Royal Decree that grants a 200% to 300% deduction for corporate income tax purposes on expenses incurred by an employer from the employment of disabled persons.

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