Tax & Legal Services Newsletter

Deduction for Health Insurance Premiums

The Thai Cabinet has approved a draft ministerial regulation that would allow individual taxpayers to deduct the actual amount of health insurance premiums paid to life or non-life insurance companies carrying on a business in Thailand, up to THB 15,000 annually. The total amount of deductible premiums, including annual life insurance premiums, could not exceed THB 100,000 per year. The deduction would be available for insurance premiums paid as from 1 January 2017, provided all of the rules and conditions provided by the Director-General of the Revenue Department are fulfilled.

Rules on Tax Incentive for Individuals Working in EEC

The Director-General of the Revenue Department has issued a notification on income tax (No. 306) addressing the reduced personal income tax rate applicable to qualified executives, specialists and researchers that relocate to Thailand from abroad and work for companies that operate a business located in Thailand's Eastern Economic Corridor (EEC) area (in the provinces of Chacheongsao, Chonburi or Rayong). The reduced rate first was announced in Royal Decree No. 641, which applies as from 11 July 2017. The following illustrates the example of eligibility requirements as set out under the new notification:

- *Executive*: The individual must either have a minimum 10 years' work experience abroad and possess some experience at the department manager level or above or have worked abroad for at least 5 years, of which 3 years at the department manager level of above is mandatory;
- *Specialist*: The individual must hold an undergraduate degree and have at least 10 years of relevant work experience aboard in the targeted industry, or a post-graduate degree and have at least eight years of relevant work experience aboard in the targeted industry; and
- Researcher: The individual must hold a doctorate degree and have at least three to five years of research experience abroad in the relevant targeted industry.

Incentive for Repair Expenses for Flood-Affected Assets

Ministerial Regulation No. 331 grants a personal income tax deduction for expenses paid to repair assets damaged by floods between 5 July 2017 and 31 December 2017 in the areas of Thailand that the government designates as flood-affected areas. The relevant expenses and amounts are as follows:-

- The actual amount of repair expenses or materials purchased to repair buildings/condominium units or fixtures permanently installed on buildings/condominium units or land, up to THB 100,000; and
- The actual amount of repair expenses or materials/equipment purchased to repair an automobile, up to THB 30,000.

The taxpayer must be the owner or the lessee of the repaired assets to be able to deduct the repair expenses.

Revenue Department Rulings

Tax on Sales Promotions

The Thai tax authorities have issued a ruling in a situation where Company A operates a business providing agricultural machinery hire – purchase or leases. The machinery manufacturer sells agricultural machines to farmers, and Company A and the farmers subsequently enter into hire - purchase agreements on which no interest, or an interest rate lower than the market rate, is charged. The machinery manufacturer subsidizes the interest burden and provides advertising support to Company A.

The tax authorities determined that the subsidized interest and advertising support provided by the machinery manufacturer should be considered sales promotion fees, on which the payer of the income is required to deduct a 3% withholding tax. Company A must treat the sales promotion income received as assessable income for corporate income tax purposes, but it is excluded from the VAT base. The input tax on advertising may be creditable against the output tax, since it is related to the business.

Lease Registration Fees

A ruling issued by the Thai tax authorities involves a situation where Company A leased land for a period of 20 years to construct a department store. As the lessee, Company A was responsible for lease registration fee payments, stamp duty, along with other expenses relating to the lease registration.

The tax authorities ruled that the expense for the lease registration fee and other expenses relating to the lease registration should not be deemed to be capital expenditure. Company A, therefore, was entitled to deduct the entire amount of the expenses for corporate income tax purposes.

Anthony Visate Loh
Business Tax & Indirect Tax, Legal Services
Tel: +66 (0) 2034 0000 ext 40112
Email: aloh@deloitte.com

Darika Soponawat
Business Tax (Japanese Services Group) & Indirect Tax
Tel: +66 (0) 2034 0000 ext 40115
Email: dsoponawat@deloitte.com

Dr. Kancharat Thaidamri
Transfer Pricing & Business Tax
Tel: +66 (0) 2034 0000 ext 40118
Email: kthaidamri@deloitte.com

Korneeka Koonachoak
Business Tax (Business Model Optimization)
Tel: +66 (0) 2034 0000 ext 40122
Email: kkoonachoak@deloitte.com

Mark Kuratana
Global Employer Services
Tel: +66 (0) 2034 0000 ext 40125
Email: mkuratana@deloitte.com

Stuart Simons
Transfer Pricing & Customs Services
Tel: +66 (0) 2034 0000 ext 40135
Email: ssimons@deloitte.com

Wanna Suteerapornchai
Business Tax (M&A) & FSI
Tel: +66 (0) 2034 0000 ext 40144
Email: wsuteerapornchai@deloitte.com