



## Tax & Legal Services Newsletter

### One-Year Extension of 7% VAT rate

Royal Decree No. 669, which was issued on 10 October 2018 and applies retroactively as from 1 October 2018, extends the 7% VAT for one year, i.e. until 30 September 2019.

### New Headquarters Regime Proposed

On 10 October 2018, the Thai Cabinet approved four draft royal decrees proposed by the Ministry of Finance that would abolish the Regional Operating Headquarters (ROH) 1, ROH 2, International Headquarters and International Trading Center tax regimes and introduce a replacement regime, i.e. the International Business Centre. The change is driven by Thailand's membership in the OECD's Inclusive Framework on BEPS, under which Thailand is obliged to abolish or amend all tax regimes that result in the erosion of another country's tax base.

## Taxation of Investments in Bonds through Mutual Funds

On 28 August 2018, the Thai Cabinet approved the draft Act Amending the Revenue Code, which would revise the rules governing the tax treatment of investments in bonds through mutual funds. The key features of the draft legislation are as follows:

- A mutual fund that is established under the laws governing securities and exchanges would be treated as a company or juristic ordinary partnership under section 39 of the Revenue Code and would be subject to a 15% corporate income tax on its gross income (i.e. before the deduction of expenses);
- Gains derived from the transfer of mutual fund units would be assessable income under Section 40(4)(g) of the Revenue Code. Individuals would be exempt from personal income tax on disposals of mutual fund units via the stock exchange of Thailand; and
- Individuals could elect to treat profits derived from the mutual fund as income subject to personal income tax at the rate of 10% (i.e. final tax), instead of including such profits in the year-end personal income tax calculation.

## VAT Refund Program for Low-Income Individuals

On 18 September 2018, the Cabinet approved a VAT refund program for low-income individuals via the Thai welfare card. Under the program, VAT paid by low-income individuals on purchases of consumer goods (on which no excise tax is levied) at "*thong fah*" shops or other VAT-registered privately-owned shops between 1 November 2018 and 30 April 2019 would be refunded, up to THB 500 per month/individual.

## VAT Refund for Foreign Travelers

Notification of the Director-General on Value Added Tax (VAT) No. 224, which was issued on 5 September 2018 and applies from that date, contains the following requirements for foreign travelers to receive a refund of Thai VAT paid on goods that are taken out of Thailand:

- The traveller must not be a Thai national or resident;
- The goods must be purchased from Thai VAT-registered businesses that obtain permission from the Revenue Department to sell goods to persons traveling out of Thailand;
- The VAT refund amount may not exceed THB 12,000 per traveler;
- For VAT refunds between 1 October 2018 and 31 March 2019, travelers may appoint an agent to collect VAT refunds on their behalf; and
- VAT refund agents must satisfy the requirements under this notification and be approved by the Revenue Department.

## Tax Single Sign-On System Established

A notification by the Ministry of Finance, which was issued on 16 July 2018 and applies from that date, establishes a "Tax Single Sign-On" system. The system enables taxpayers to file applications, requests and returns and process other tax-related matters via the electronic systems of the Revenue Department, Excise Department and Customs Department by using a single username and password.

## Rules for Recognizing Rental Income Amended

On 11 September 2018, the Revenue Department issued Notification No. 299/2561, which revises the rules for recognizing rental income for corporate income tax purposes. Under the notification, companies must recognize rental income or installments received and related expenses in an accounting period in proportion to the term of the lease or other generally accepted accounting method (the method must be applied consistently and may be varied only if approval is obtained from the Director-General of Revenue). The notification applies to accounting periods that begin on or after 1 January 2018.

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