



## Tax & Legal Services Newsletter

### Tax Measure on Relief for Southern Flood Victims

The Cabinet has approved a tax measure that provides relief for southern flood victims by allowing a 150% deduction on donations made between 1 January and 31 March 2017 through a donation representative administrative agencies, charitable organizations and private organizations. The donation can be made in the form of assets or cash in case of corporate income tax allowance, but only in cash for personal income tax allowance, and when combined with other eligible donations may not exceed 10% of the taxpayer's assessable income.

A deadline extension to tax filings due between January and February 2017 has also been granted to affected flood victims by the Cabinet. Penalties and surcharge will not be imposed provided affected flood victims file their tax returns and pay any tax due by 31 March 2017.

## Use of Foreign Currency in CIT and Petroleum Tax Calculation

The Cabinet has approved amendments to the Thailand Revenue Code and Petroleum Income Tax Act to enable companies and juristic partnerships to use foreign currency for the purpose of corporate income tax (CIT) and petroleum tax calculations. The salient features of the amendments are as follows:

### Amendments to Revenue Code

- The use of foreign currency would be allowed for CIT purposes, but the company would be required to prepare its accounting by using the functional currency;
- Assets and liabilities recorded in Thai currency would have to be converted to functional currency at the end of the last accounting period before the adoption of the use of the functional currency, using a method that is in compliance with the relevant accounting standards, as certified by an auditor. The gain or loss from the conversion could not be realized as income or an expense for the purposes of the CIT computation;
- The functional currency used in operations would have to be converted to Thai Baht to complete the tax returns and remit tax, by reference to the average selling and buying rate for commercial banks, as calculated by the Bank of Thailand in the period which income and expenses are incurred. The gain or loss from the conversion could not be realized as income or an expense for the purposes of the CIT computation;
- Carried-forward losses and tax credits for tax calculation purposes could remain in Thai Baht, without the need to convert them into the functional currency;
- Approval would have to be obtained from the Director General of the Revenue Department for the company or juristic partnership to use the foreign currency in its net profit or loss calculation for CIT purposes; and
- The amendments will become effective retroactively for accounting periods starting on or after 1 January 2016.

### Amendments to Petroleum Income Tax Act

- The use of foreign currency would be allowed for the calculation of the income, expense and net profit for petroleum income tax purposes, but approval to use the foreign currency in preparing accounting records would have to be obtained;
- The conversion of foreign currency to Thai Baht would have to be made in compliance with the prescribed methods, and approval from the Director General of the Revenue Department would have to be obtained;

- Petroleum business operators that use foreign currency for the calculation of income, expense and net profit for petroleum income tax purposes would have to convert the income, expense and net profit or loss from the foreign currency to Thai Baht to fill in tax returns and remit tax, by reference to the average selling and buying rate for commercial banks, as calculated by the Bank of Thailand at the period of tax returns filing;
- The gain or loss from the conversion of the foreign currency to the Thai currency for purposes of paying tax could not be treated as income or an expense for petroleum income tax remittance purposes;
- The tax due, carried-forward losses and tax credits for each accounting period could be used for the tax calculation without the need to convert the amounts into foreign currency for the calculation of income, expense and net profit for petroleum income tax remittance purposes;
- The currency conversion on the liabilities and assets remaining at the end of the last accounting period where the business operators used the Thai Baht for accounting purposes, or the conversion during the relevant transition period, would have to be made in compliance with the relevant accounting standards, as certified by an auditor; and
- The amendments will become effective retroactively for accounting periods starting on or after 1 January 2016.

### Deduction of Decommissioning Cost for Petroleum Income Tax

The Cabinet has approved an amendment of the Petroleum Income Tax Act that would allow the deduction of the security for decommissioning cost under the petroleum law for purposes of the calculation of the net profit from the petroleum business, under the conditions and methods set out in the relevant ministerial regulation.

### Tax Measures on Electronic Payment

The Cabinet has approved the tax measures on “e-payment” that would allow a double deduction of the expenses on equipment for receiving payments via an electronic method, and on the fees for receiving money via debit card by electronic equipment.

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