



The Revenue Department



CIT

**CORPORATE
INCOME TAX**



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INCOME TAX**



VISION

“Improve Thailand’s economy and society through good governance, modern tax collection and attentive services.”

MISSION

- 1. Collect taxes as forecasted.*
- 2. Deliver services and create voluntary tax compliance.*
- 3. Propose tax policies to the Ministry of Finance which can be used as mechanisms to strengthen the economy, society and competitiveness of the country.*

I AM RD



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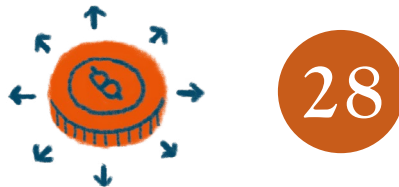
WHAT IS TAX BASE?



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CORPORATE INCOME TAX

Corporate Income Tax (CIT) is a direct tax levied on a juristic company or partnership carrying on business in Thailand or not carrying on business in Thailand but deriving certain types of income from Thailand.

WHO IS SUBJECT TO CIT?

Not all types of juristic persons are subject to CIT. According to the Revenue Code, the following entities are subject to CIT in Thailand :





1 A company or a juristic partnership incorporated under Thai law.

- 1.1 limited company
- 1.2 public company limited
- 1.3 limited partnership
- 1.4 registered partnership

For more details of company or juristic partnership registration, please visit Department of Business Development's website (http://www.dbd.go.th/more_news.php?cid=785), and online registration via <http://eregist.dbd.go.th/Member/faces/member/login.jsp>

Since Thailand emphasizes entrepreneurs' ability to develop their business, the government has been encouraging entrepreneurs to operate his/her business as a corporation. Especially Start Up and Small and Medium Enterprises (SMEs), which get tax incentive from government. We therefore urge business owners to register single account that reflects proper income.

For more information: <http://www.rd.go.th/fileadmin/download/Tax-for-SMEs.pdf>



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A company or a juristic partnership incorporated under foreign law

2.1 A company or juristic partnership incorporated under foreign laws and carrying on business in Thailand.

2.2 A company or juristic partnership incorporated under foreign laws and carrying on business in other places including Thailand.

2.3 A company or juristic partnership incorporated under foreign laws and carrying on business in other places including Thailand, in case of carriage of goods or carriage of passengers.

2.4 A company or juristic partnership incorporated under foreign laws which has an employee, an agent or a go-between for carrying on business in Thailand and as a result receives income or profits in Thailand.

2.5 A company or juristic partnership incorporated under foreign laws and not carrying on business in Thailand but receiving assessable income under Section 40 (2)(3)(4)(5) or (6) which is paid from or in Thailand.

3

A business operating in a commercial or profitable manner by a foreign government, organization of a foreign government or any other juristic person established under a foreign law.

4

Joint venture.

5

A foundation or association carrying on revenue generating business, but does not include the foundation or association as prescribed by the Minister in accordance with Section 47 (7) (b) under the Revenue Code.

6

A corporate in which Director General of Revenue Department of Thailand prescribe under cabinet ministry approval and Royal Thai Government Gazette's announcement, for example, Stock Exchange of Thailand (SET).





WHAT IS TAX BASE?

In general, there are two main tax bases, namely; net profits and gross income. Thai companies and foreign companies carrying on business in Thailand are subject to Corporate Income Tax on their net profits. Foundations, Associations, Charitable Organisations and Foreign companies engaging in international transportation or not carrying on business in Thailand but receive certain types of income from Thailand are subject to tax on their gross income.

HOW TO COMPUTE NET PROFITS?

In the calculation of CIT of a company carrying on business in Thailand, it is calculated from the company's net profit on an accrual basis. A company shall take into account all revenue arising from or in consequence of the business carried on in an accounting period and deducting therefrom all expenses in accordance with the condition prescribed by the Revenue Code.





As for dividend income, one-half of the dividends received by Thai companies from any other Thai companies may be excluded from taxable income. However, the full amount may be excluded from taxable income if the recipient is a company listed in the Stock Exchange of Thailand or the recipient owns at least 25% of the distributing company's capital interest, provided that the distributing company does not own a direct or indirect capital interest in the recipient company.

The exclusion of dividends is applied only if the shares are acquired not less than 3 months before receiving the dividends and are not disposed of within 3 months after receiving the dividends.

In calculating CIT, deductible expenses are as follows :

- 1 Ordinary and necessary expenses. However, the deductible amount of the following expenses is allowed at a special rate :
200% deduction of Research and Development expense,
200% deduction of job training expense,
200% deduction of expenditure on the provision of equipment for the disabled;
- 2 Interest, except interest on capital reserves or funds of the company;
- 3 Taxes, except for Corporate Income Tax and Value Added Tax paid to the Thai government;
- 4 Net losses carried forward from the last five accounting periods;
- 5 Bad debts;
- 6 Wear and tear;
- 7 Donations up to 2% of net profits;
- 8 Provident fund contributions;

9

Entertainment expenses up to 0.3% of gross receipt but not exceeding 10 million baht;

10

Further tax deduction for donations made to public education institutions, and any expenses used for maintenance of public parks, public playgrounds, and/or sports grounds;

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Depreciation: Provided that in no case shall the deduction exceed the following percentage of cost as shown below. However, if a company adopts an accounting method, which the depreciation rates vary from year to year, the company is allowed to do so provided that the number of years over which an asset depreciated shall not be less than 100 divided by the percentage prescribed below.



TYPES OF ASSETS	DEPRECIATION RATES
1. Building 1.1 Durable building 1.2 Temporary building	5% 100%
2. Cost of acquisition of depleted natural resources	5%
3. Cost of acquisition of lease rights 3.1 no written lease agreement 3.2 written lease agreement containing no renewal clause or containing renewal clause but with a definite duration of renewal periods	10% 100% divided by the original and renewable lease periods
4. Cost of acquisition of the right in a process, formula, goodwill, trademark, business license, patent, copyright or any other rights: 4.1 unlimited period of use 4.2 limited period of use	10% 100% divided by number of years used



TYPES OF ASSETS	DEPRECIATION RATES
<p>5. Other depreciation except land and goods</p> <p>5.1 machinery used in R&D</p> <p>5.2 cash registering machine</p> <p>5.3 passenger car or bus with no more than 10 passengers capacity</p>	<p>20%</p> <p>initial allowance of 40% on the date of acquisition and the residual can be depreciated at the rate in 5</p> <p>initial allowance of 40% on the date of acquisition and the residual can be depreciated at the rate in 5</p> <p>depreciated at the rate in 5 but the depreciable value is limited to one million baht</p>
<p>6. Computer and accessories</p> <p>6.1 SMEs*</p> <p>6.2 other business</p>	<p>initial allowance of 40% on the date of acquisition and the residual can be depreciated over 3 years</p> <p>depreciated over 3 years</p>
<p>7. Computer programs</p> <p>7.1 SMEs*</p> <p>7.2 other business</p>	<p>initial allowance of 40% on the date of acquisition and the residual can be depreciated over 3 years</p> <p>depreciated over 3 years</p>

*SMEs refer to any Thai companies with fixed assets less than 200 million baht and number of employee not exceeding 200 people

The following items shall not be allowed as expenses in the calculation of net profits:

1. Reserves (with some exceptions):

2. Fund except provident fund under the rules, procedures and conditions prescribed by a Ministerial regulations.

3. Expense for personal, gift, or charitable purpose except expense for public charity, or for public benefit.

4. Entertainment or service fees.

5. Capital expense or expense for the addition, change, expansion or improvement of an asset but not for repair in order to maintain its present condition.

6. Fine and/or surcharge, criminal fine, income tax of a company or juristic partnership.

7. The withdrawal of money without remuneration of a partner in a juristic partnership.





8. The part of salary of a shareholder or partner which is paid in excess of appropriate amount.

9. Expense which is not actually incurred or expense which should have been paid in another accounting period except in the case where it cannot be entered in any accounting period, then it may be entered in the following accounting period.

10. Remuneration for assets which a company or juristic partnership owns and uses.

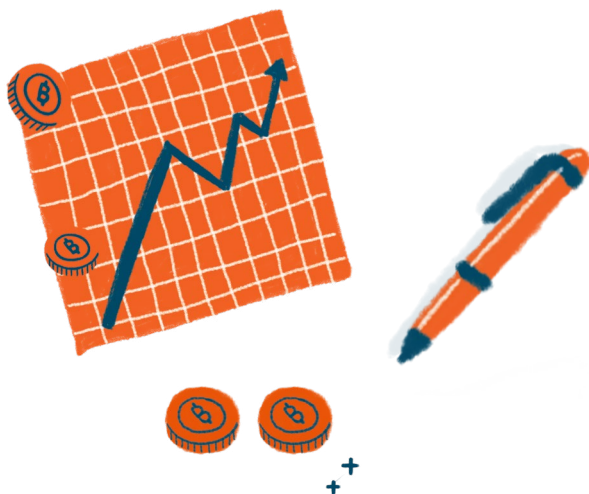
11. Interest paid to equity, reserves or funds of the company or juristic partnership itself.

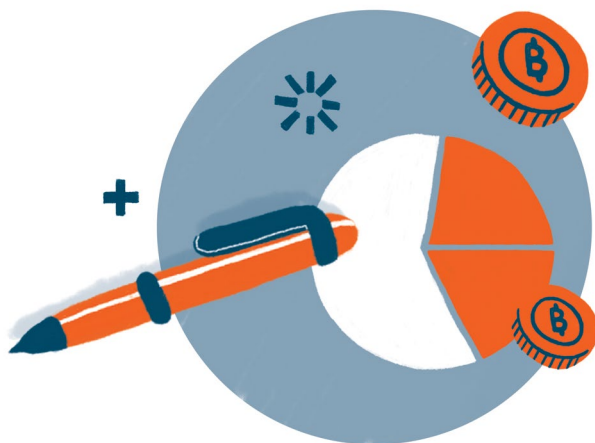
12. Damages claimable from an insurance or other protection contracts or loss from previous accounting periods except net loss carried forward for five years up to the present accounting period.

13. Expense which is not for the purpose of making profits or for the business.

14. Expense which is not for the purpose of business in Thailand.

15. Cost of purchase of asset and expense related to the purchase or sale of asset, but only the amount in excess of normal cost and expense without reasonable cause.





16. Value of lost or depleted natural resources due to the carrying on of business.

17. Value of assets apart from devalued assets subject to Section 65 Bis.

18. Expense which a payer cannot identify the recipient.

19. Any expense payable from profits received after the end of an accounting period.

20. Expense similar to those specified in (1) to (19) as will be prescribed by a Royal Decree.

WHAT IS TAX RATES?

The rates can vary depending on types of taxpayers.



TAXPAYER	TAX BASE	RATE (%)
1. Small company (SMEs)*** A small company refers to any company with paid-up capital less than 5 million baht at the end of each accounting period and revenue less than 30 million baht	- Net profit 300,000-3,000,000 baht - Net profit over 3 million baht	15% 20%
2. Thai company and foreign Company carrying on business in Thailand	Net profit	20%
3. Companies listed in Stock Exchange of Thailand (SET)	Net profit	20%
4. Company listed in Market for Alternative Investment (MAI)	Net profit	20%
5. Bank deriving profits from International Banking Facilities (IBF)	Net profit	10%

***More detail of SME's tax rates <http://www.rd.go.th/publish/fileadmin/download/sme/SMETaxRates.xls>



TAXPAYER	TAX BASE	RATE (%)
6. Foreign company engaging in international transportation	Gross receipts	3%
7. Foreign company not carrying on business in Thailand receiving dividends from Thailand	Gross receipts	10%
8. Foreign company not carrying on business in Thailand receiving other types of income apart from dividend from Thailand	Gross receipts	15%
9. Foreign company disposing profit out of Thailand	Gross receipts	10%
10. Profitable association and foundation	Gross receipts	2% or 10%

HOW TO PAY TAXES?

Corporate Income Tax must be paid twice per accounting period

First, the half – year return is due 2 months after the end of first 6 months of an accounting period



1. For Banks and Financial institutions : actual revenue & expense that incur during the first six months of an accounting period.



2. Other companies or juristic partnerships : tax payable is an estimated profit. This can be done by estimating the profit the company will have made at the end of the year & divided by half. For over estimating of profits, there is no penalty charged. However, if the profit is under estimated, there must be reasonable ground for underestimating profits otherwise the taxpayer will be subject to penalty. The penalty is 20% of tax that should have been paid. Nevertheless, the laws provides that the margin of error is 25%

3. The form used is Por.Ngor.Dor.51







Secondly, the annual tax return is due 150 days after end of each accounting period. Tax paid during the half year computation can be used as a credit against the final tax liability. The form used is Por.Ngor.Dor.50

In general, all financial statements must be signed by a Certified Public Accountant (CPA). Nevertheless, for 'small companies' such approval is not required. However, they will have to be signed by 'Tax auditor' (TA).

Taxes can be paid in cash at the local tax offices or via bank transfer using internet.

The Revenue Department provides convenient services for taxpayers who wish to file tax returns at all Area Revenue Branch offices. Alternatively, taxpayers can file tax returns via the internet (www.rd.go.th).

In addition to CIT, a corporate, which has income or sale amount over 1.8 million THB per year, is required to be a VAT registrant and submit a VAT form (P.P.30) within 15th of the next month. (For more information please visit <http://www.rd.go.th/publish/6043.0.html>) Moreover, a corporate who is commencing business under the following categories must also be a SBT registrant:

- 1 Banking under the law governing commercial banking or any other specific law

- 2 Business of finance, securities and credit foncier under the law governing operation of the business of finance, securities and credit foncier

- 3 Life insurance under the law governing life insurance


- 4 Pledging under the law governing pawnshops

- 5 Business with regular transactions similar to commercial banks, such as provision of loans, exchange of currencies, purchase or sell of bills or transfer of money abroad by various means

- 6 Sale of an immovable property for a commercial or profitable purpose



More details on <http://www.rd.go.th/publish/6042.0.html>

 For further information,
please contact any Revenue office nationwide or
RD Intelligence Center 1161

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