



Revenue Department News

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Subject : Clarification over the decreased lump-sum deductible expense for assessable income under section 40(7) and (8) of the Revenue Code

Online social media has reported disagreements about the decreased lump-sum deductible expense for assessable income under Sections 40(7) and (8) of the Revenue Code and the retroactive nature of the law.

Mrs. Patricia Mongkhonvanit, Deputy Director-General of the Revenue Department, as the Revenue Department's spokesperson clarified as follows:

1. The Cabinet has approved the principle on 9th August 2016 to amend the rate for lump-sum deductible expense for assessable income derived from a contract of work and from business under Sections 40(7) and (8) of the Revenue Code from 60%-85% to a single rate of 60%. However, if a taxpayer can produce evidence to the assessment officer and prove that the expenses exceed 60%, he may deduct expenses as necessary and appropriate in accordance with such evidence (actual expenses), reflecting the actual business performances.

2. The Revenue Department has made public announcements on this issue since 10th August 2016 such as Ministry of Finance press release, the public announcements via the Revenue Department's website, tax seminars, Area Revenue Offices, and RD Intelligence Center.

3. When the legislation process was complete, a Royal Decree under the Revenue Code regarding Deductible Expenses from Assessable Income (No. 629) B.E.2560 was issued. It prescribes that assessable income under Sections 40(7) and (8) of the Revenue Code shall be deductible at a lump-sum rate not exceeding 60%. The new rate is effective for assessable income of tax year 2017 of which tax returns must be filed in 2018. Therefore the Royal Decree was published in the Government Gazette on 27th January 2017. The Royal Decree stipulates the expense for personal income tax calculation of assessable income under Sections 40(7) and (8) of the Revenue Code; such income is subject to the filing of half year tax return for the first six months within September 2017 and the filing of yearly tax return for the entire tax year within March 2018. Therefore, there is no retroactive effect.

4. The Notification of the Director-General of the Revenue Department on Income Tax (No. 161) Re. Person who is subject to pay personal income tax and is not a VAT registrant shall prepare financial statement or income - expense report, notified on 21st December 2006

(B.E. 2549) (<http://www.rd.go.th/publish/33189.0.html>) states that a person who is subject to personal income tax and is not a VAT registrant, and derives income under Sections 40(5) (6) (7) (8) of the Revenue Code shall prepare cash earnings and expenses report which is a simple method of accounting.

Therefore, a taxpayer who earns income under Sections 40(7) and (8) of the Revenue Code and elects to use lump-sum deduction method, is required to prepare cash earnings and expenses report of which the figures are already being used in the ordinary course of business from 21st December 2006 (B.E. 2549). If the taxpayer elects to use the necessary and appropriate expense method (actual expense), he may use income-expense report as evidence in personal income tax return filing.

5. If a taxpayer who earns income under Sections 40(7) and (8) of the Revenue Code elects to use the necessary and appropriate expense method (actual expense) but the recipient refuses either to issue the receipt or to sign to acknowledge that he is the recipient, the taxpayer may prepare a certificate representing the receipt and certify the payment by himself.

6. The objective of law amendment is to encourage individuals who conduct businesses to prepare income - expense reports in order to keep record of their own financial status including income, cost and profit or loss which will increase their business competitiveness in the period of globalization as well as create transparency and fairness in taxation in accordance with the actual business turnover.

For further queries, please contact any Area Revenue Office or RD Intelligence Center at Tel. 1161.

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