



Revenue Department News

News No. : 4/2018
Date : 12th October 2017
Subject : Clarification on tax exemption from the amendment of Notifications of the Director-General of the Revenue Department No. 4 and No.5 whether it favours the private sector

Some media have requested the Revenue Department to clarify tax exemption under the Notifications of the Director-General of the Revenue Department No.4 and No.5 whether it favours the private sector in the following two cases:

1. The exemption of all taxes on the transfer of private land to a company. Previously it was subjected to tax at the rate of 6 percent of the land's value. The transfer is now subjected only to the transfer fee at the rate of 0.1 percent, which results in the immediate loss of 60 billion baht of government revenues.

2. The tax exemption gives unfair advantage to the land owner to be entitled to depreciation cost from land's value which results in 200 billion baht loss of government revenues. The tax total loss amounts to 260 billion baht.

The Revenue Department would like to clarify as follows:

1. The Revenue Department has issued Revenue Department News No.3/2018 dated 10th October 2017 via the Revenue Department's website and social media, that the Ministry of Finance has a policy to encourage individuals to register as juristic persons for the purpose of transparency and fairness in paying tax by issuing Notification of the Director-General of The Revenue Department (No.5). It is stated that the price of transferred assets, which are land and real estate, must be either the assessment price or cost of assets depending on which price is higher. Under the previous rule, the market price will be applied to the transfer.

2. In supporting the government's policy and reducing the taxpayers' expenses in converting to juristic persons, the Ministry of Interior has issued the Notification of Ministry of Interior reducing, the transfer fee from 2 percent down to 0.01 percent of the assessment price. Accordingly, the Notification of the Director-General of the Revenue Department (No.5) was issued to provide the transfer price of the land used as capital for newly established juristic persons. The Notification does not change the rule of the Ministry of Interior with respect to the transfer fee and the basis of fee's calculation. Consequently, the Notification does not affect the collection of transfer fee by the Ministry of Interior.

3. According to the concern that using the market price for the land's value will end up with high depreciation cost and incur tax loss for the government, the Revenue Department would like to clarify that there is no calculation of depreciation cost on land, hence there is no depreciation to be claimed as deductible expense. Consequently, the use of either assessment price or cost of assets depending on which price is higher for the transfer of land assets under Notification of the Director-General of the Revenue Department (No.5) will not result in any government revenue loss in the case of land depreciation calculation.

4. The amendment of the above mentioned Notifications of the Director-General of the Revenue Department does not benefit any specific group. The amendment is made to provide clear compliance, decrease disputes and encourage individuals to register as juristic persons to reflect the actual business performance as well as create transparency and fairness in paying tax.

For more information, please consult with any Area Revenue Office nationwide or RD Intelligence Call Center Tel. 1161.

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