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Official language is Thai language

ROYAL DECREE

Issued under the Revenue Code

Regarding Deduction of Wear and Tear and Depreciation of Properties

(No. 145), B.E. 2527 (1984)

BHUMIBOL ADULYADEJ, REX.

Given on the 15th Day of February B.E. 2527 (1984);

Being the 39th Year of the Present Reign.

His Majesty King Bhumibol Adulyadej is graciously pleased to proclaim that:

Whereas it is expedient to prescribe the rules, procedures, conditions and rates of deduction of wear and tear and depreciation of properties.

By virtue of Section 159 of the Constitution of the Kingdom of Thailand and Section 65 bis (2) of the Revenue Code as amended by the Revenue Code Amendment Act (No. 25), B.E. 2525 (1982), the King's Most Excellent Majesty hereby enacts a Royal Decree as follows:

Section 1 This Royal Decree is called the "Royal Decree Issued under the Revenue Code Regarding Prescribing Rules, Procedures, Conditions and Rates of Deduction of Wear and Tear and Depreciation of Properties (No. 145), B.E. 2527 (1984)" (sic.).

Section 2 This Royal Decree shall come into force as from the day following the date of its publication in the Government Gazette, except for Section 3, Section 4, Section 5, Section 6 and Section 7 which shall be applicable to the computation of income tax of companies and juristic partnerships whose accounting period begins on or after 1st January B.E. 2527 (1984).

Section 3 In the deduction of wear and tear and depreciation of properties for the purpose of computing net profits or net loss, when the companies or juristic partnerships have adopted any generally accepted accounting method and deduction rate, such generally accepted accounting method and deduction rate shall be applied consistently unless approval of change is obtained from the Director-

General of Revenue Department or his/her designated person, and shall be applicable as from the accounting period in which approval is granted.

Section 4 Deduction of wear and tear and depreciation of properties shall be computed according to the duration of acquisition of such properties during each accounting period. Where any accounting period is not a full twelve-month period, the deduction for such accounting period shall be prorated; provided that it shall not exceed the percentage of the cost value according to the categories of properties as follows:

(1) Buildings

Permanent buildings	5 percent
Temporary buildings	100 percent

(2) Cost for acquisition of depletable

natural resources	5 percent
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(3) Cost for acquisition of leasehold rights

Without a written lease agreement or with a written lease agreement that provides for renewal of the lease whereby the renewal condition allows the renewals for indefinite period	10 percent
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With a written lease agreement that does not provide for renewal of the lease or that provides for renewal for a definite period	100 percent divided by total number of years of the lease term plus renewable terms
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(4) Cost for acquisition of right in process,

formulae, goodwill, trademark,
business license, patent, copyright or other right

In case of indefinite term of use	10 percent
In case of definite term of use	100 percent
	divided by the number of years of usage

(5) Other properties which, by their nature,
can deteriorate or depreciate in value,
other than land and goods 20 percent

Where the companies or juristic partnerships make a deduction of wear and tear and depreciation by adopting a generally accepted accounting method which applies different rates of deduction of wear and tear and depreciation in respective years during the useful life of properties, such companies or juristic partnerships may deduct wear and tear and depreciation according to such method in certain years at a rate exceeding the above rate, provided that the number of years of the useful life of properties for the purpose of deduction of wear and tear and depreciation shall not be lesser than 100 divided by the percentage stipulated above.

“In the deduction of wear and tear and depreciation of other properties by virtue of Paragraph 1 (5) which are not buses having no more than ten seats or passenger cars, the companies or juristic partnerships may adopt a generally accepted accounting method which applies the rate of wear and tear and depreciation in the first year at two times the rate stipulated in Paragraph 1. For subsequent years, deduction may be made at such rate of two times which shall be computed on the residual cost value in each accounting period but the number of years of the useful life of properties for the purpose of deduction of wear and tear and depreciation shall not be lesser than 100 divided by the percentage stipulated in Paragraph 1. During the last accounting period of such useful life of the properties,

the companies or juristic partnerships may deduct wear and tear and depreciation by combining all of the residual cost value.”

(Amended by the Royal Decree (No. 359), B.E. 2542 (1997) which has come into force as from 23rd October B.E. 2542 (1997) and which shall not be applicable to the properties acquired before the day this Royal Decree comes into force.)

“Section 4 bis Initial wear and tear and depreciation of properties in category of machinery and accessories thereof that are used for research and development of technology shall be deducted on the date of acquisition of those properties at the rate of 40 percent of the cost value. For the residual cost value, deduction shall be made in accordance with the conditions and rates prescribed in Section 4.

The properties under Paragraph 1 shall have the characteristics and meet the criteria as follows:

(1) Must not be machinery and accessories thereof that are used for manufacture of goods or provision of services, except where such machinery or accessories are used for any one of the following purposes:

(a) basic industry research, which means a customary research or serious study with the objective to discover new knowledge that may benefit the development of new products, processes or services or with the objective to make noticeable progress to existing products, processes or services;

(b) applied research, which means the change of outcomes of the basic industry research into work plans, blueprints or designs in the reproduction, change or modification of products, processes or services either for sale or own use, and which shall include the prototype inventions that cannot be used for commercial purpose, concepts in the preparation and design of products, processes or services, or other alternatives, preliminary demonstration or pilot project that cannot be modified or implemented for industrial or commercial purpose but excluding the ordinary change or change over period of time of products, production system, production process, services or other ongoing activities even if such changes may cause a progress;

(c) Test of product quality;

(d) Improvement of production process in order to reduce production cost or increase productivity.

This shall be irrespective of whether the machinery or accessories are used for the research and development of own or other person's technology.

(2) Must be machinery and accessories thereof which are unused whereby such machinery and accessories must be usable for two years or more and have the cost value not less than Baht 100,000.”

(Amended by the Royal Decree (No. 319), B.E. 2541 (1998) which has come into force as from 23rd April B.E. 2541 (1998)

“Section 4 ter Wear and tear and depreciation of properties in category of cash register shall be deducted as follows:

(1) 100 percent of the cost value according to the conditions stipulated in Section 4.

(2) Initial wear and tear and depreciation shall be deducted on the date of acquisition of such properties at the rate of 40 percent of the cost value. The residual cost value shall be deducted in accordance with the conditions and rates prescribed in Section 4.

The properties under Paragraph 1 shall have the characteristics and meet the criteria as follows:

(1) Must be the properties of registered traders who are subject to value added tax computed according to Section 82/3 of the Revenue Code and carry on retail business or business other than retail business for which approval is granted by the Director-General of Revenue Department for the use of cash registers to issue abridged tax invoices according to Section 86/6 or Section 86/7 of the Revenue Code, as the case may be.

(2) Must be cash register which has the specifications as prescribed by the Director-General of Revenue Department, excluding the central controlling system of computers;

(3) Must notify the use of cash register to issue abridged tax invoices to the Director-General of Revenue Department in the form prescribed by the Director-General of Revenue Department within thirty days from the date of approval of the use of cash register.

(Amended by the Royal Decree (No. 264), B.E. 2536 (1993) which has come into force as from 28th August B.E. 2536 (1993)

“Section 4 quarter Wear and tear and depreciation of properties in category of computers and accessories thereof that the companies or juristic partnerships have purchased or accepted transfer of ownership for use in their own business shall be deducted as follows:

(1) Within three accounting periods from the date of acquisition of such properties. Where any accounting period is not a full twelve-month period, deduction for such accounting period shall be prorated and any generally accepted accounting method may be adopted.

(2) Where the companies or juristic partnerships have fixed assets excluding land worth no more than Baht two hundred million and have employment of no more than two hundred persons or according to the criteria prescribed by the Director-General after this Royal Decree comes into force for three years, initial wear and tear and depreciation shall be deducted on the date of acquisition of such properties at the rate of 40 percent of the cost value. For the residual cost value, deduction shall be made according to the conditions and rate stipulated in (1).

Properties in category of computers under Paragraph 1 shall mean automated electronic devices that perform functions like mechanical brain for resolving both simple and complicated problems by mathematical means, and computer accessories shall mean tools, appliances, accessories, or component of computer, including computer programs, so that the computer may operate according to the objectives.”

(Amended by R.D. (No. 473) B.E. 2551 (2008))

Section 4 quinque Initial wear and tear and depreciation of properties in category of factory buildings which the companies or juristic partnerships having fixed assets excluding land worth no more than Baht two hundred million and having employment of no more than two hundred persons or according to the criteria prescribed by the Director-General after this Royal Decree comes into force for three years purchase or accept transfer of ownership for their own business operation shall be initially deducted on the date of acquisition of such properties at the rate of 25 percent of the cost value. For the residual cost value, deduction shall be made according to the conditions and rate prescribed in Section 4.

Section 4 sex Initial wear and tear and depreciation of properties in category of machineries and accessories thereof which the companies or juristic partnerships

having fixed assets excluding land worth no more than Baht two hundred million and having employment of no more than two hundred persons or according to the criteria prescribed by the Director-General after this Royal Decree comes into force for three years purchase or accept transfer of ownership for their own business operation shall be deducted on the date of acquisition of such properties at the rate of 40 percent of the cost value. For the residual cost value, deduction shall be made in accordance with the conditions and rate prescribed in Section 4.”

(Amended by the Royal Decree (No. 395), B.E. 2545 (2002). Deduction of wear and tear and depreciation under this Royal Decree is not applicable to the properties acquired before the day this Royal Decree comes into force.)

Section 4 septem Initial wear and tear and depreciation of properties in category of permanent buildings which the companies operating business as Regional Operating Headquarter purchase or accept transfer of ownership for use in their own business operation shall be deducted on the date of acquisition of such properties at the rate of twenty five percent of the cost value. For the residual cost value, deduction shall be made in accordance with the conditions and rate prescribed in Section 4, but only for the properties acquired as from 1st January 2545 (2002).

For the purpose of this Section, the definitions of “Regional Operating Headquarter” and “provision of supporting services” under the Royal Decree Issued under the Revenue Code Regarding Reduction of and Exemption from Revenue Tax (No. 405), B.E. 2545 (2002) shall apply.

(Amended by the Royal Decree (No. 406), B.E. 2545 (2002) which has come into force as from 15th August 2545 (2002))

Section 4 octies The deduction of wear and tear and depreciation of property of machinery and machinery equipment category that a company or a juristic partnership has purchased or has accepted the transfer of ownership thereof for the purpose of own business operation, shall be made initially on the date of acquirement of such property at the rate of forty percent of the cost value thereof, and as for the remaining cost value, it shall be deducted according to the conditions and rates prescribed in Section 4, however, specifically the property acquired and be in a condition that is ready for use as from the date of enforcement of this Royal Decree until 3 December 2010.

The company or juristic partnership that has deducted the wear and tear and depreciation of the property under Paragraph 1 must not exercise the right of income tax exemption under Section 3 (1) of the Royal Decree Issued under Revenue Code Governing Exemption of Taxes and Duties (No. 460) B.E. 2549 (2006).

Section 4 novies The deduction of wear and tear and depreciation of property of other category under Section 4 (5) that a company or a juristic partnership that has permanent assets, excluding land, not exceeding Baht two hundred million and has employed not more than two hundred employees has purchased or has accepted the transfer of ownership thereof for the purpose of own business, shall be made at the rate of one hundred percent of the cost value of the property acquired during the accounting period, the total value of which does not exceed Baht five hundred thousand, according to the conditions prescribed in Section 4, however, specifically the property acquired and be in a condition that is ready for use as from the enforcement date of this Royal Decree until 31st December 2010."

(Amended by R.D. (No. 473) B.E. 2551 (2008))

"Section 4 decim Deduction of wear and tear and depreciation of assets which is any other property under Section 4 (5), excluding vehicle which a juristic company or partnership carrying on the business of tourism under the law governing Tourism Authority of Thailand purchases or transfers the ownership in order to use in the operation of the business, the initial deduction of wear and tear and depreciation on the date of acquiring such asset shall be at the rate of 60 percent of the cost value, the remainder shall be deducted under the condition and rate as designated therein Section 4 : provided that such assets shall not fall under the followings prohibited manner:

(1) It is an asset receiving privilege or under the consideration for approval to receive privilege from a government agency, directly or indirectly, for the purpose of promotion the investment in relation to the energy preservation.

(2) It is an asset which is used in the business that is exempt from Companies Income Tax under the law governing Investment Promotion, whether in full or in part.

(3) It is an asset derived from expense paid as compensation to conduct technological research and development for a government agency Under the Royal Decree Issued under the Revenue Code Governing the Exemption from Revenue Taxes (No. 279) B.E. 2539

(4) It is an asset derived from expense under Section 65ter (5) of the Revenue Code and is exempt from income tax under Section 3 (1) of the Royal Decree Issued under the Revenue Code Governing the Exemption from Revenue Taxes (No. 460) B.E. 2549"

(Amended by R.D. (No. 505) B.E. 2553 (2010))

"Section 4 undecies For the deduction of wear and tear and depreciation of property of machinery category used in manufacturing goods or in providing services of accepting the hire of work of manufacturing goods that a company or a juristic partnership located within the areas designated by the authorities as flooded areas and having sustained damages from flood during 25th July 2011 until 31st December 2012 has purchased or has accepted the transfer of ownership thereof for use in own business operation, it shall be deducted initially on the date of acquirement of such property at the rate of forty percent of the value of the costs thereof, and for the remaining value of costs, deduction shall be made according to the conditions and rates prescribed in Section 4, however, specifically the goods acquired and are ready for use as intended from 25th July 2011 until 31st December 2012, and they must not have the following prohibited descriptions:

(1) Being a property granted the rights and privileges, or under consideration for the rights and privileges from the authorities, either directly or indirectly, for investment promotion in energy conservation.

(2) Being a property that is used in a business exempted from juristic person income tax under the law governing investment promotion, either directly or indirectly.

(3) Being a property arisen from expenses paid as wages for research and development of technology for State agencies or private entities under the Royal Decree Issued under Revenue Code Governing Exemption of Taxes and Duties (No. 297) B.E. 2539 (1996).

(4) Being a property arisen from expenses under Section 65 ter (5) of the Revenue Code and granted income tax exemption under Section 3 (1) of the Royal Decree Issued under Revenue Code Governing Exemption of Taxes and Duties (No. 460) B.E. 2549 (2006).

(5) Being a property arisen from expenses under Section 65 ter (5) of the Revenue Code and granted income tax exemption under Section 3 of the Royal Decree Issued under Revenue Code Governing Exemption of Taxes and Duties (No. 532) B.E. 2554 (2011)."

(Amended by R.D. (No. 537) B.E. 2555 (2012))

"Section 4 duodecies The deduction of wear and tear and depreciation of property which is machinery used in manufacturing goods or used in providing services of manufacturing goods for hire by a company or a juristic partnership with paid-up capital on the last day of the accounting period not exceeding Baht five million and with income from the sale of goods or services altogether not exceeding Baht thirty million per year in the accounting period exercising the right may be made as follows:

(1) One percent of the cost value according to the conditions prescribed in Section 4.

(2) Deduction shall be made according to the conditions and rates prescribed in Section 4.

The property under Paragraph 1 shall be in accordance with the following bases and conditions.

(1) Being property purchased from 1st January 2012 until 31st December 2013, and has never been used before.

(2) Being in a condition that is ready for use according to the objectives by 31st December 2013."

(Amended by R.D. (No. 563) B.E. 2556 (2013)) Notes Link

(3) Shall not be a property granted privileges or under consideration for privileges from government agencies, either directly or indirectly, for investment promotion on energy conservation.

(4) Shall not be a property used in a business granted juristic person income tax exemption under the law governing investment promotion, either in whole or in part.

(5) Shall not be a property the right of deduction of wear and tear and depreciation has been exercised under Section 4 undecies.

(6) Shall not be a property arisen from expenses paid as wages for conducting research and development of technology for a government agency or a private entity under the Royal Decree Issued under Revenue Code Governing Exemption of Taxes and Duties (No. 297) B.E. 2539 (1996).

(7) Shall not be a property arisen from the expenses under Section 65 ter (5) of the Revenue Code, and granted income tax exemption under Section 3 of the Royal Decree Issued under Revenue Code Governing Exemption of Taxes and Duties (No. 532) B.E. 2554 (2011)."

(Amended by R.D. (No. 552) B.E. 2555 (2012))

Section 5 For the property which is motor car or passenger bus of not more than ten seats under the law governing excise tax tariff, the wear and tear and depreciation shall be deducted from the cost value thereof, specifically the portion not exceeding Baht one million, except in the following cases, when the wear and tear and depreciation shall be deducted from the total cost value:

(1) The property possessed for use in motor car rental business, however, the company or juristic partnership shall not use the said property in other businesses, either in whole or in part.

(2) The property which is prototype motor car used for research, development, or capability testing and duly granted excise tax exemption under the law governing excise tax tariff.

The property under Paragraph 1 must have been acquired as from 1st January 2016 onwards."

(Amended by R.D. (No. 620) B.E. 2559 (2016))

(Amended by R.D. (No. 505) B.E. 2553 (2010))

Section 6 (Repealed by R.D. (No. 248) B.E 2534 S.3 (3))

Section 7 For properties acquired by way of hire-purchase or sale on installment, their cost value shall be the total price payable but the wear and tear and depreciation to be deducted during an accounting period shall not exceed the hire-purchase or installment price or the price to be paid on installment during such accounting period.

Section 8 In any case whatever, the deduction of wear and tear and depreciation for properties shall not be made up to the whole cost value of such properties.

Section 9 The Royal Decree Issued under the Revenue Code Regarding Deduction of Wear and Tear and Depreciation of Properties (No. 22) B.E. 2509 shall remain applicable to the deduction of wear and tear and depreciation of properties already in place during the accounting period ending before the 31th December, B.E. 2527.

Section 10 The Minister of Finance shall have charge and control of the execution of this Royal Decree.

Countersigned

General P. Tinsulanond

Prime-Minister

Remarks :- The reason for the promulgation of this Royal Decree is that Section 65 bis (2), Paragraph 1, of the Revenue Code as amended by the Revenue Code Amendment Act (No. 25), B.E. 2525 (1982) provides that the wear and tear and depreciation of properties may be deducted in accordance with the rules, procedures, conditions and rates stipulated by a royal decree. Hence, it is necessary to enact this Royal Decree.

(Government Gazette, Special Issue, Volume 101, Part 24, dated 24th February B.E. 2527 (1984))