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# NEWSLETTER

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## TAX UPDATE

### 1. Taxpayers Need to Hold RFM Units until Age of 55 Years to Get Extra Tax Deduction

In an effort to encourage Thai people to save and invest more for their retirement, the government in 2001 introduced the retirement mutual fund, in which an individual taxpayer will get an extra tax deduction for the amount invested in the retirement mutual fund up to Baht 300,000 or 15% of the earned income, under the condition that the individual taxpayer had to maintain his investments in the retirement mutual fund until the age of 55 years old.

Contrary to what the government had anticipated, the retirement mutual funds grew rather too slowly in part due to the 55 year old holding period requirement. With a view of promoting further growth for the retirement mutual funds, the Ministry of Finance in 2004 relaxed the condition from the 55 year old holding period to the full 5 year holding period. Since then there has been a considerable confusion in the mutual fund industry and among the investing public whether a unit holder in the retirement

mutual fund has to keep his or her investment until the age of 55 years old or the end of 5 years. Even though the Revenue Department has firmly issued the Revenue Rulings in support of the full 5 year holding period as the condition for receiving an extra tax deduction, most, if not all, of asset management companies still advised the investing public that maintaining the investments in retirement mutual funds until at the age of 55 years old was the condition for receiving an extra tax deduction.

Now, the Cabinet just approves the draft of the Ministerial Regulation issued by virtue of the Revenue Code to change the required holding period for retirement mutual funds from the full 5 years to the age of 55 years old.

For more information, please contact us.

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**TAX UPDATE**

## 2. Continued VAT Rate Reduction At 7% for One More Year

The existing Royal Decree Re VAT Rate Reduction from 10% to 7% will have expired by September 30, 2007. The new Royal Decree is enacted to reduce the VAT rate from 10% to 7% for another year from October 1, 2007 to September 30, 2008.

While the Revenue Code stipulates the VAT rate to be 10%, the Revenue Code also grants the Executive Branch of Government the power to reduce the VAT rate as it deems appropriate by issuance of a Royal Decree.

For more information, please contact us.

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**INSURANCE UPDATE**

## 3. The Cabinet Approves Life Assurance Bill and General and Casualty Insurance Bill

The Cabinet approves the Life Assurance Bill and the General and Casualty Insurance Bill that have been reviewed by the Council of State. The two bills will be

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proposed to the National Legislative Assembly.

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