

**NEWSLETTER**

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## 1. What are New Features in the 2009 Corporate Income Tax Return and the 2009 Personal Income Tax Return?

As 2009 has come to the end, both individuals and companies will have to file the 2009 tax returns for the income earned in year 2009. In light of various tax incentives introduced by the Government over the last year, the Revenue Department has to update the tax returns to reflex any amendments made to tax law. Since there have been many changes to tax law affecting the 2009 tax returns, the Revenue Department therefore issues the notes to highlight the new features added to the 2009 corporate income tax return and the 2009 personal income tax return.

### Corporate Income Tax Return

Within 150 days after the end of the financial year, a company and a juristic partnership have to file their last year corporate income tax return (Por Ngor Dor 50 Form) to the Revenue Department. The following changes on calculation of a net profit will be applied to the income derived in 2009.

1. The corporate income tax exemption is granted to a company or a juristic partnership that is formed with the objective to operate a venture capital business for an assessable income derived from the transfer of the shares in a medium and small enterprise.
2. The corporate income tax exemption is granted to a company or a juristic partnership that had paid an expense on seminar room and accommodation rooms in a domestic seminar held for employees in the amount of 100% of that expense for one accounting period that commenced on or after January 1, 2009. In other words, any expense incurred on seminar room and accommodation rooms in a domestic seminar will be allowed to deduct from the income twice or will be eligible for the double deduction as expense.
3. The corporate income tax exemption is granted for any income that was paid to obtain a material, equipment or a machine with an impact on energy saving, but not including a vehicle and materials, equipment or machine used with a vehicle in the amount of 100% of that expense.

## Personal Income Tax Return

An individual taxpayer has duty to file his or her last year tax returns (Por Ngor Dor 90/91 Forms) and pay tax within March of the subsequent year. There are many benefits offered by tax law that a taxpayer could take advantage of. Keep in mind that one has duty to pay tax, but also has right to claim whatever deductions allowed by law; this is where the tax planning is essential.

The followings are the changes on computation of personal income tax for the assessable income earned in 2009.

1. An extra tax deduction is granted to a taxpayer who is providing the support to the disabled person or the infirm person. An allowance of Baht 60,000 can be deducted for each disabled or infirm person. However, in order to qualify for this deduction, a taxpayer needs to supply the evidence to the Revenue Department. For the disabled person, a taxpayer has to supply as a certificate of disabled support, and a copy of a disabled person identification card according to the law on empowerment of persons with disability. For the infirm person, a taxpayer needs to provide a medical certificate that was issued in the same year requested for tax deduction (2009) and a certificate of infirm person support issued by infirm person's relative in the same year that the tax deduction is claimed.
2. An extra tax deduction is granted to a taxpayer for the actual amount of life insurance premium paid but not exceeding 100,000 Baht. For any life insurance policy made on January 1, 2009 and thereafter, any life insurance policy offers any other protections rather other than the life insurance protection, the proportion of the premium for other protections must clearly segregated from the proportion of the premium for the life insurance protection and the premium for other protections may not be claimed by a taxpayer as a tax deduction.
3. An extra tax deduction is granted to a taxpayer for the amount invested in the retirement mutual fund (RMF) insofar as the invested amount does not exceed 15% of the assessable income received in that year and does not exceed Baht 500,000. If any taxpayer also makes any contribution to a provident fund or a government pension fund or a school welfare fund, the sum of the invested amount in the RMF and the contribution to those funds must not exceed 15% of the assessable income and must not exceed Baht 500,000.

4. An extra tax deduction is granted to a taxpayer for the amount invested in the long term equity fund (LTF) insofar as the invested amount does not exceed 15% of the assessable income received in that year and does not exceed Baht 500,000.
5. An extra tax deduction is granted to a taxpayer for the amount actually paid to purchase a building, a building with land or a condominium unit for a residential purpose but not exceeding Baht 300,000 provided that the transfer took place in 2009.
6. An extra tax deduction is granted to a taxpayer for the actual amount of social security contribution, but not exceeding Baht 7,200.

### **Alternative Minimum Tax (AMT) Exemption Amount Increased to Baht 1 Million**

The alternative minimum tax (AMT) is put in place to tax an individual taxpayer who is eligible to claim for so many deductible expenses and deductions to the point that he or she owes little tax or pays no income tax under regular tax formula. In this case, a taxpayer needs to calculate the tax owed under the regular and the AMT systems, and pay for whichever is higher. Currently the AMT is set at a minimum tax rate of 0.5% of the assessable income (gross income).

For year 2009, the AMT exemption amount is increased from Baht 60,000 to Baht 1 Million. This means if the assessable income (gross income) is less than Baht 1 Million, the taxpayer is exempted from the AMT system. The taxpayer still needs to pay however the tax, if any, calculated under the regular tax system. If the assessable income exceeds Baht 1 Million, the taxpayer is liable for the tax calculated under the regular system or the AMT system, whichever yields higher.

For example, Mr. A posts a sale of Baht 1,100,000 and claims for the standard deduction of 80% of the sale amount, the personal deduction of Baht 30,000, and other tax exemption of Baht 150,000.

Under the regular tax system,

$$\begin{aligned} \text{Mr. A's taxable income} &= 1,100,000 - 880,000 - 30,000 - 150,000 \\ &= 40,000 \end{aligned}$$

Subject to 10% tax rate, Mr. A's regular tax is Baht 4,000.

However, since his assessable income of Baht 1,100,000 is not exempted from the AMT system, tax law requires him to compare with the amount from the AMT, and pay whichever higher.

Hence, Mr. A's AMT = 1,100,000 × 0.5% = 5,500

Given the AMT is higher than the regular tax, Mr. A has to pay the AMT of Baht 5,500, instead of the regular tax of Baht 4,000.

For more details, please contact our lawyer for consultation.

## TAX UPDATE

### 2. Continued Tax Measures for the Special Development Zone in the Deep South of Thailand

In 2007, the government had enacted the Royal Decree Regarding Reductions and Exemptions of Revenue Taxes (No. 466) by virtue of the Revenue Code to grant the special tax privileges to the Deep South of Thailand. The tax privileges have expired since January 1, 2010. This Royal Decree (No. 466) helped relieve tax burdens of the persons and the companies operating their businesses in the Special Development Zone, which consisted of Thailand's five southern provinces, Narathiwat, Pattani, Yala, Satun and parts of Songkla. To provide the continued supports to the people and the business operators in the Special Development Zone, the government has enacted the Royal Decree Regarding Reductions and Exemptions of Revenue Taxes (No. 492) by virtue of the Revenue Code. The details of tax reductions can be summarized as follows.

1. The corporate income tax rate is reduced to 3% of the net profit for the manufacture of goods, the sale of goods and the rendering of services in the Special Development Zone.
2. The personal income tax rate is reduced to 0.1% of the assessable income for the manufacture of goods, the sale of goods and the rendering of services in the Special Development Zone.
3. The personal income tax rate is reduced to 0.1% of the assessable income for the sale of real estate in the Special Development Zone.
4. The specific business tax rate is also reduced to 0.1% for the sale of real estate in the Special Development Zone.

These continued tax privileges are in force from 2010 to 2012.

For more details, please contact our lawyer for consultation.

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# NARIT & ASSOCIATES

Attorneys at Law

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BANGKOK, THAILAND

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Please contact our attorney, should you require any legal assistance.

# NARIT & ASSOCIATES

Attorneys at Law

LEGAL AND TAX SERVICES

B A N G K O K , T H A I L A N D

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NARIT & ASSOCIATES is international law firm based in Bangkok, Thailand with principal areas of practice on Corporate & Commercial, Mergers & Acquisitions, Tax Planning, Litigation & Dispute Resolution, Business Contracts/Agreements, Real Estate & Construction, Insurance and Employment.

We have experiences in advising our clients, from publicly held companies, Thai subsidiaries of multinational corporations to foreign and private investors, across a broad range of matters, including acquisitions of local companies, formation of joint venture companies, international sales, investment/divestment, distributorship, commercial contract tax planning, cross border tax planning, transfer pricing, remittance of profit and tax dispute.

As we aspire to be a fast growing legal service provider in Thailand, we are pleased to offer our high quality legal services at a very competitive rate, as compared to those of other international law firms.

Contact our lawyer to find out how we can help you.

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