

## TAX BREAKS ARTICLE JULY 2008



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### **Expected Further Changes to Corporate Tax Legislation**

The Government has announced in principle that the following changes will take place to support SMEs and stimulate the economy especially that of the private sector. Thus, you might wish to prepare to take advantage of some of these changes in tax legislation. The Government has not indicated when such measures shall become effective. However, it is hoped that if legislation is enacted in the near future, such changes will be retrospective to 1 January 2008 or to an accounting period starting on or after this date.

A special personal and corporate income tax deduction at 1.25 times cost for energy-saving machinery, equipment, material as well as an installation fee could have a significant impact to the income tax computation of some business operators. There is no definition yet on what assets would qualify as an “energy-saving” asset but it must be acquired and ready for use by 31 December 2010.

In addition, a faster depreciation deduction for computer software will be allowed for a small company, which is defined as a Thai company owning not more than Baht 200 million worth of fixed assets (excluding the land value) and employing not more than 200 employees. The special deduction will include an upfront depreciation claim being 40% of the cost of the software as at the purchase date with the balance of depreciation to be written off over 3 accounting periods commencing from the date of acquisition. A further tax incentive will be allowed for small companies that purchase other assets not exceeding a total cost of Baht 500,000 in one accounting period. An optional 100% write-off of such assets will be allowed. Please note that the assets must be acquired and ready for use by 31 December 2010.

Other companies will get the benefit of the special depreciation for plant and machinery for production and services at the similar rate as the small company rate for software computer (40% of cost on the date of acquisition with the balance of depreciation to be written off over 3 accounting periods commencing from the date of acquisition). Again, the assets must be acquired and ready for use by 31 December 2010. With regards to computer software, the current depreciation period for intangible assets (including the category of software license) is 10 years but the new law will allow a write-off over 3 accounting periods starting from date of acquisition for those entities not qualifying for the small company special deduction.

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Additionally, newly and existing listed companies on the MAI and SET shall receive a corporate income tax rate reduction to 20% and 25% respectively, for 3 consecutive accounting periods subject to certain conditions. Last but not least, the value added tax (VAT) rate at 7% shall be maintained for another 2 years (until September 2010).

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