

TAX BREAKS ARTICLE MARCH 2008



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Tax Stimulus Package to boost Thai Economy

In March 2008, the Cabinet approved a tax stimulus package proposed by the Ministry of Finance. The package effectively includes a reduction in personal taxes, lower corporate tax for certain entities and a reduction in property taxes.

Personal income taxes will be effectively reduced by increasing the tax-free threshold from Baht 100,000 to Baht 150,000. The stimulus package also provides an increase in some of the allowances that can be claimed as a tax deduction including an increase in the allowance from Baht 300,000 to Baht 500,000 for contributions made to long term equity funds, and from Baht 300,000 to Baht 500,000 for registered provident funds and retirement mutual funds. An allowance for life insurance premiums has also been increased to a maximum of Baht 100,000 from the previous Baht 50,000.

The corporate tax measures include a revival of former tax incentives introduced to newly listed companies on both the Stock Exchange of Thailand (“SET”) and the Market for Alternative Investment (“MAI”) as well as a tax reduction for existing listed companies that generate smaller profits. The tax incentives include a reduction of corporate tax from the normal 30% to 25% for a 3 year period for those newly listed companies on the SET as well as a reduction in the tax rate to 25% for existing SET listed companies, which generate profits not exceeding Baht 300m. Similar types of concessions are to be granted to companies listed on the MAI that include a reduction in corporate tax rate to 20% for newly listed entities and for existing entities that generate profits not exceeding Baht 20m. It should be noted that newly listed companies on the SET and MAI should be registered by 31 December 2009, with applications sent between 1 January 2008 and 31 December 2008.

Corporate income tax exemption on the first Baht 150,000 of profit is also to be granted for smaller companies with registered capital not exceeding Baht 5 million. The excess profit of such companies will also be taxed at concessional progressive rates ranging from 15% up to the normal 30% in line with existing legislation.

The major changes announced to property taxes include a reduction in specific business tax (“SBT”) on the sale of immovable property from 3.3% to 0.11% for a one year period as well as a reduction in the transfer fee from 2% to 0.01%.

The stimulus package includes various other tax concessions, some of which are expected to be retrospective to January 2008, and some of which will take effect as of the date of the Royal Gazette. Before such measures are promulgated, they need to be

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enacted by the National Assembly. We will update you when such measures become law.

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