



# **TAX MEASURES IN RESPONSE TO COVID-19**

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THE CABINET APPROVED THE FOLLOWING TAX MEASURES ON 10 MARCH 2020 AND 24 MARCH 2020 TO HELP BOOST THE ECONOMY DURING THE COVID-19 OUTBREAK.

MOST OF THE MEASURES ARE STILL **DRAFT**, AWAITING TO BE ANNOUNCED IN THE ROYAL GAZETTE.

1. TAX RETURN FILING EXTENSIONS
2. REDUCTION IN WITHHOLDING TAX RATES
3. DEDUCTION OF 150% FOR INTEREST EXPENSES
4. DEDUCTION OF 300% FOR WAGE EXPENSES
5. EARLY VAT REFUNDS FOR “GOOD EXPORTERS”
6. DEDUCTION OF EXPENSES FOR DONATIONS FOR COVID-19
7. TAX MEASURES FOR INDIVIDUALS
8. FREQUENTLY ASKED QUESTIONS





## 1. TAX RETURN FILING EXTENSIONS

Corporate income tax – annual filing (PND.50)	Deadline for tax returns which must be filed during the period April to August 2020 has been extended to 31 August 2020.
Corporate income tax – half-year filing (PND.51)	Deadline for tax returns which must be filed during the period July to September 2020 has been extended to 30 September 2020.
Personal income tax (PND.90 / PND.91)	Deadline for the 2019 tax year has been extended to 31 August 2020 (previously 30 June 2020).
Other tax returns (VAT, withholding tax, SBT, etc.)	Deadline will be extended <u>only</u> for those businesses which have been temporarily closed by government order. A ministerial notification will be issued. For other businesses, private approval on a case by case basis.

# IS NOT FILING TAX RETURNS A GOOD CASH MANAGEMENT STRATEGY?

- Not recommended at this time whilst other options are still available.
- Penalties and surcharges, can make it an expensive method of saving cash.
- Surcharge of 1.5% of the tax payable per month (includes VAT, withholding tax, corporate income tax, SBT, etc.)
- If filing the VAT return late, the penalty is calculated at 200% of the VAT payable. It can be reduced to the following:
  - 2% (of the statutory penalty) if payment is made within 15 days of the due date
  - 5% if payment is made more than 15 days after the due date, but not more than 30 days after the due date
  - 10% if payment is made more than 30 days after the due date, but not more than 60 days after the due date
  - 20% if payment is made more than 60 days after the due date
- For example, the March 2020 VAT return is due on 15 April 2020. If VAT payable is THB 2.4m and filing was made on 29 May 2020., it will be subject to:

▪ Fixed penalty	THB 500
▪ Penalty	THB 2.4m x 200% x 10% = THB 480,000
▪ Surcharge	THB 2.4m x 1.5% x 2 months = THB 72,000



## 2. REDUCTION IN WITHHOLDING TAX RATES

The **withholding tax rate** for service fees, such as those for the hire of work, services, commissions, and professional fees, will be reduced, as shown in the table below. Those who will receive the benefits from this tax measure include individuals, companies, and legal partnerships.



Period covered	Current rate	Reduced rate	Filing method
1 April 2020 – 30 September 2020	3%	1.5%	Any filing method
1 October 2020 – 31 December 2021	3%	2%	Only e-withholding tax filing

Withholding tax rates for other things, such as transportation, rental, dividends, and interest, will **not** be reduced by this tax measure.

### 3. DEDUCTION OF 150% FOR INTEREST EXPENSES

A company that has taken out low-interest loans (soft loan scheme) can claim a tax deduction of **1.5 times** the interest expense paid from **1 April 2020 to December 2020**.

The company must meet the following conditions:

- It must have taxable income of not more than THB 500 million from its business in the last 12-month accounting period, where the last day of the accounting period ended on or before **30 September 2019**
- It must have **not** over 200 employees.

In order for a company to claim this deduction, it has to be registered with the Revenue Department under the procedures set out for a tax amnesty, first introduced in 2016.



## 4. DEDUCTION OF 300% FOR WAGE EXPENSES

A company that does not lay off employees can claim a tax deduction of **3 times** the wage expenses paid from **April 2020 to July 2020**.

The company must meet the following conditions:

- Taxable income not more than THB 500 million from its business in the last 12-month accounting period, where the last day of the accounting period ended on or before 30 September 2019.
- Not more than 200 employees.
- Employees insured with the Social Security Fund.
- Eligible wages for the tax incentive are those employees that earn not more than **THB 15,000 per month**.
- Number of insured employees during the eligible period must not be lower than in December 2019.





## 5. EARLY VAT REFUNDS FOR “GOOD EXPORTERS”

A “**Good Exporter**” as defined in Departmental Regulation Tor. 490/2562 which has capital of over THB 10 million will receive a **VAT refund** quicker than normal, as follows:



Within **15 days**  
if filing electronically  
(compared to the  
usual 30-day period)



Within **45 days**  
if filing on paper  
(compared to the  
usual 60-day period)

## 6. DEDUCTION OF EXPENSES FOR DONATIONS FOR COVID-19

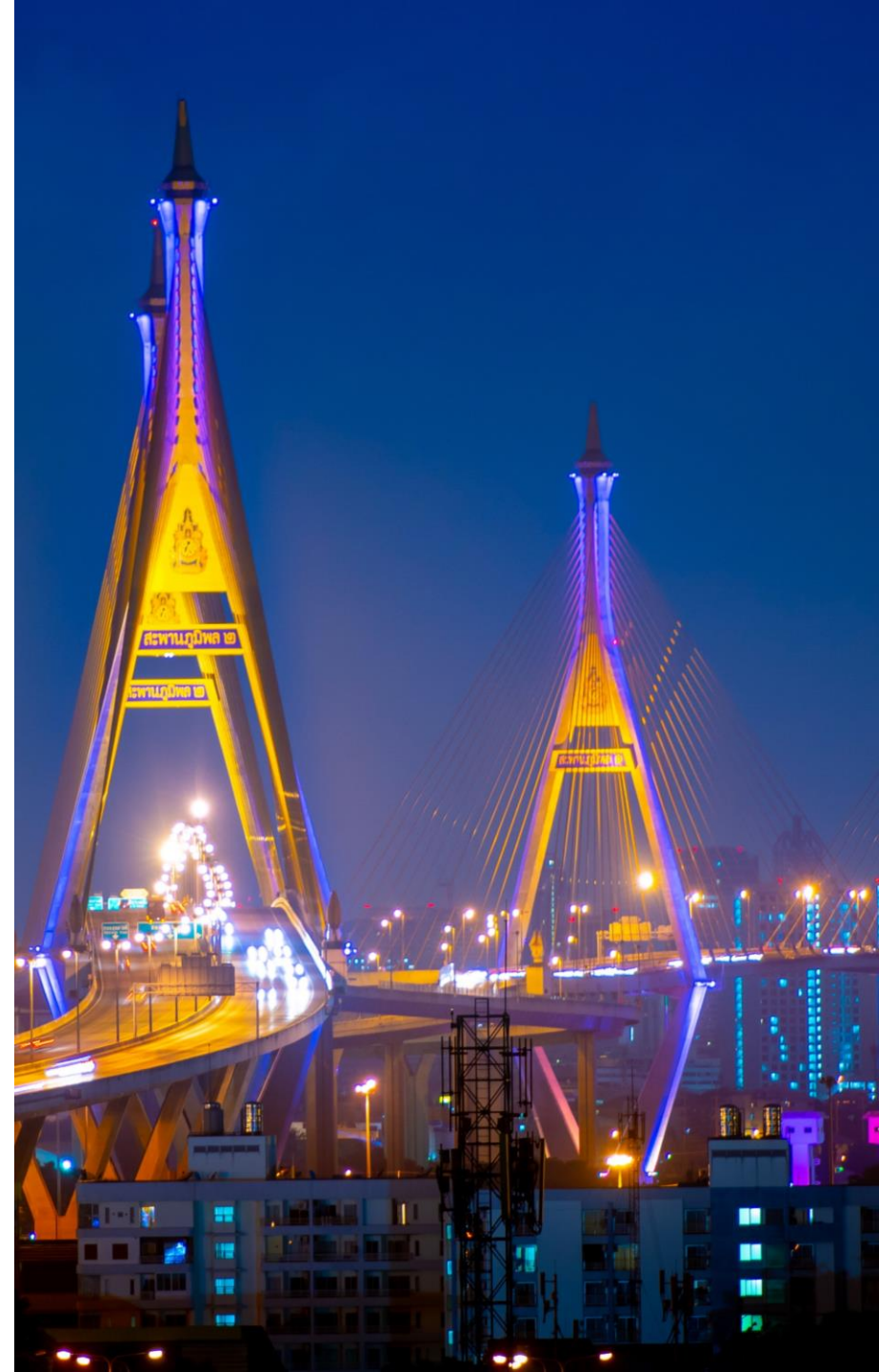
Individuals, companies, and partnerships that make a donation electronically to the Office of the Permanent Secretary, Prime Minister's Office, to help fight the COVID-19 virus **between 5 March 2020 and 5 March 2021** can deduct the expenses for such a donation:

- not exceeding 10% of net income for an individual;
- not exceeding 2% of net income for companies or partnerships; and
- the donation is also exempt from VAT.



## 7.1 EXTENSION OF DEADLINE FOR FILING PERSONAL INCOME TAX RETURN

- The filing deadline for personal income tax returns for 2019 (Forms PND.90 and PND.91) **extended to 31 August 2020**, for filing both electronically and on paper.
- When considering the date to file the tax return, **expatriates** might need to consider the following issues:
  - Whether the tax return will be needed for work permit purposes
  - Whether the tax return will be needed to claim a foreign tax credit in another country
  - Whether the employer would need to accrue the tax liability in its accounts or the expatriate would need to do so for his or her own cash flow management purposes



## 7.2 INCREASED TAX ALLOWANCE ON INSURANCE EXPENSES

- The maximum personal income tax allowance on the health insurance premiums has been increased from THB 15,000 to **THB 25,000**. When included together with life insurance premiums, the total of both premiums must not exceed **THB 100,000 per year**.
- Applicable from the tax year **2020** onwards.



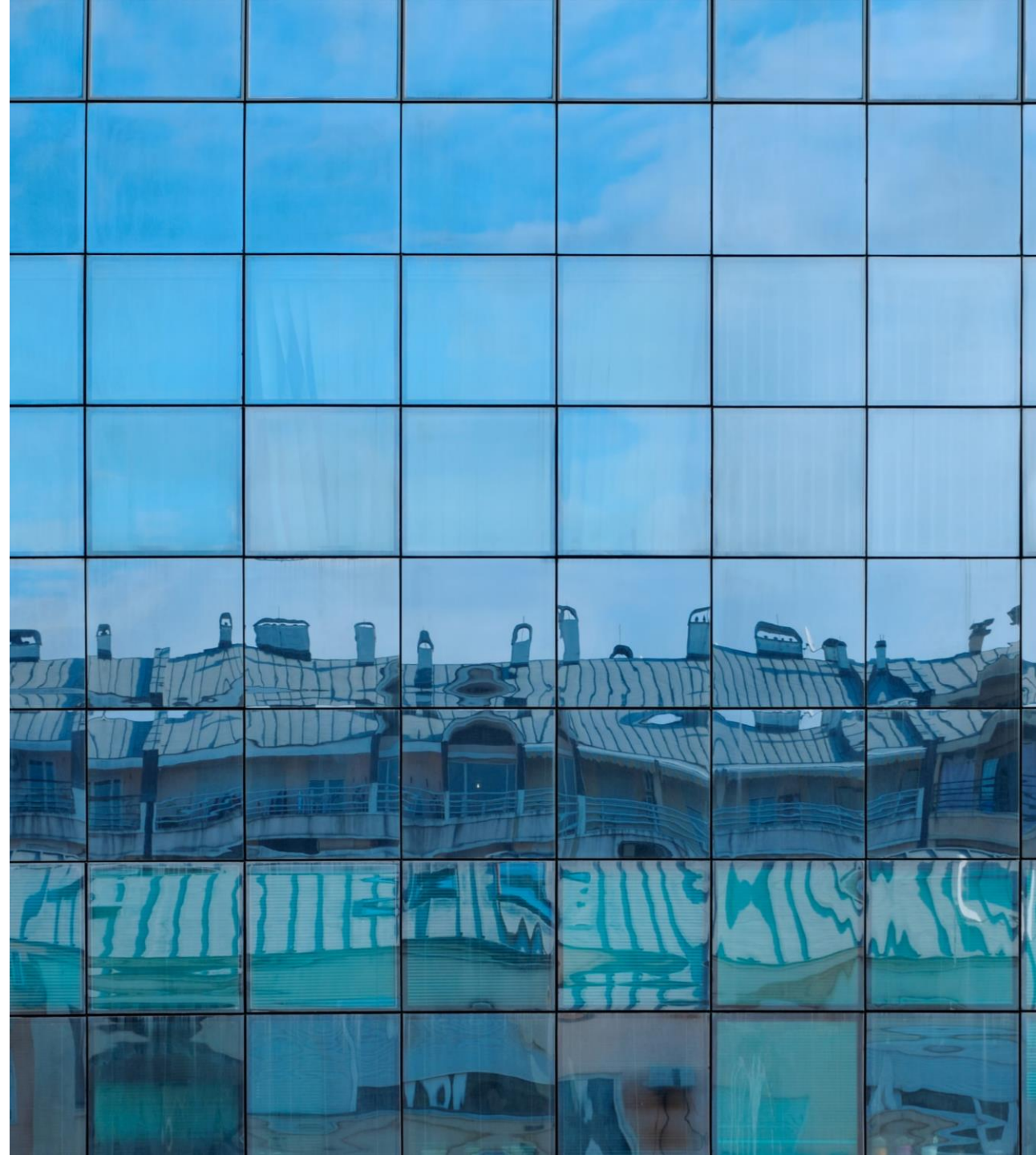


## 7.3 INVESTMENT IN SUPER SAVING FUND

- Individuals investing in a Super Saving Fund (SSF) can deduct the actual investment amount, capped at 200,000 baht, as an allowance from personal income tax.
- The investment must be made during the period **from 1 April to 30 June 2020**. The Super Saving Fund must invest not less than 65% of its asset value in securities listed on the Stock Exchange of Thailand.
- This allowance will be **in addition** to the SSF allowance threshold (30% of the total income, capped at THB 200,000) and will **not** be included in the retirement saving fund threshold of THB 500,000.



## FREQUENTLY ASKED QUESTIONS



Would there be a change in employee withholding tax deductions if wages are temporarily or permanently reduced by consent?

- Yes. Withholding tax is calculated monthly and the tax deducted would be reduced if there was a reduction in wage.

Will withholding tax returns (PND.1) need to be filed if employers do not pay wages or pay only reduced wages?

- Withholding tax is applied on a cash basis. There would be no obligation to pay withholding tax on a wage if no wage payments were made. If only reduced wages were paid, withholding tax would apply to the reduced wage amount.

Will there be a change in personal income tax rates?

- Too early to say. It is possible that the government may reduce personal income tax rates for 2020 at the end of the year if the COVID-19 outbreak lasts longer than expected.

From an employee perspective, will there be tax relief measures on severance payments?

- There are different tax treatments for these payments. Some payments are tax free, while others are tax free up to a capped amount, and still others are entitled to a special deduction depending on the type of payment. Section 48(5) of the Revenue Code sets out special regulations for calculating taxable income regarding severance payments.

Can severance payments be made in two instalments spanning across two tax years?

- There would be no tax benefit from doing this, as the tax authorities would allow special tax treatments to be applied *only* to those severance payments made in the *first* tax year.



What would happen if a company's taxable profit was much lower than had been estimated in the half-year tax return?

- If the half-year tax return overestimated the taxable profit, the company may have overpaid its tax. In that case, it could request a tax refund.
- When a company requests a tax refund, the Revenue Department routinely conducts a tax investigation before deciding to grant or refuse the refund.

How to issue a “withholding tax certificate” whilst WFH?

- In general, the payer of income is required to deduct withholding tax at source from payments, and issue a withholding tax certificate (50 Tawi) each time. An original signed certificate is sent to the recipient soon after it is issued.
- Recommend to speak with the recipient, inform that you will send the original signed certificate as soon as possible, because of the special circumstances of COVID-19.

Are there any announcements yet from the Board of Investment (BOI) with regards to tax incentives?

- For a company with accounting period ended 31 December 2019, the BOI has announced (OBOI Announcement No. Por 3/2563) that the deadline to submit the application for tax privileges and benefits has been extended from 30 April 2020 to *31 July 2020* or at *least 30 days* before filing the corporate income tax return (PND.50).

As a result of the current crisis, will there be any exemptions from the BOI / Revenue Department if a company cannot meet the conditions required? For example, the minimum annual expenditure under an IBC or TISO promotion.

- There are currently no published announcements about specific scenarios either by the BOI or the Revenue Department.
- We expect such measures to be announced at a later date.

## Q: What other tax relief measures may be announced due to the COVID-19 outbreak?

- Based on previous crises, we have seen:
  - A reduction in income tax rates for 2020
  - Additional tax deductions (additional deductible expenses)
  - An additional extension of the filing and payment deadlines
  - Faster tax refunds than usual for annual tax returns (especially for withholding tax)
  - Accelerated capital allowances
  - Period to carry forward losses extended



# Q&A





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