BAKER TILLY THAILAND

150% Tax Allowances for Investment in Capital Assets between 1 January 2017 and 31 December 2017

Executive Summary

The Thai Government, in an effort to further promote domestic investment, has issued Royal Decree No. 642 to allow an additional 50% deduction on certain assets paid for during 2017 by Thai corporate entities. This apportioned deduction (see table below) is in addition to the existing depreciation allowances on those assets under Thai tax law and extends the similar incentive available under Royal Decree No. 604 which allowed a 100% additional deduction over the same periods for payments that were made between 3 November 2015 and 31 December 2016.

Expenditure and Qualifying Assets

The additional deduction is based on the amount actually paid between 1 January 2017 and 31 December 2017 for investment in the following new Thai assets which are ready for use during 2017. However, for buildings and machinery which are paid for during 2017, these can be ready for use after 31 December 2017 for the incentive to still apply. The allowance is applicable to capital expenditure and costs incurred for the addition, alteration, extension, or improvement of an operating asset, but not for the repair or maintenance of the asset. The assets must exist in Thailand, except for registered vehicles.

New Asset	Accounting period to apply the additional 50% deduction
➢ Machinery, components, equipment, tools and furniture;	5 years. Taxpayer must deduct the costs over 5 consecutive accounting periods and the amount deductible for each accounting period must equal 20% of the total amount that is deductible.
➢ Computer software;	3 years. Taxpayer must deduct the costs over 3 consecutive accounting periods and the amount deductible for each accounting period must equal 33.33% of the total amount that is deductible.
➢ Registered vehicles under Thai law, excluding passenger cars with not more than 10 seats which are not acquired for use in a leasing business	5 years. Taxpayer must deduct the costs over 5 consecutive accounting periods and the amount deductible for each accounting period must equal 20% of the total amount that is deductible.
➢ Fixed structures but not including land and fixed structures for residential purposes.	20 years. Taxpayer must deduct the costs over 20 consecutive accounting periods and the amount deductible for each accounting period must equal 5% of the total amount that is deductible.

The incentive is not available where the assets are used in a business already subject to tax exemption under Thailand's investment promotion law through the Board of Investment in Thailand or where other tax benefits are available for assets under Thailand's Revenue Code or Regulations. Where other tax benefits or exemptions may apply, denial of the capital expenditure incentive is not applicable where:

- Other such tax exemptions are not utilized, or
- Where the previous year's capital expenditure incentive is utilised under Royal Decree 604 (for an additional 100% deduction for assets acquired between 3 November 2015 and 31 December 2016). That is, the incentive for payments in 2017 is still available for taxpayers that utilized the 100% deduction between 3 November 2015 and 31 December 2016 but where payment of remaining amounts for those assets are not made until 2017.

Actions

A Revenue Department form (see http://www.rd.go.th/publish/fileadmin/user_upload/kormor/newlaw/dg266.pdf) needs to be completed as well as maintaining the asset's details at their place of business for the incentive to apply.

Contacts

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