

Call in for a Coffee

Edition No 13

RSM Nelson Wheeler, Thailand

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Introduction

Welcome to RSM's thirteenth edition of "Call in for a Coffee". This edition summarises the taxation incentives granted under the Revenue Code for Small and Medium Enterprises ("SME") and for investors in an SME.

Specifically, this edition summarises:

- Reduced rates of corporate income tax;
- Increased rates of depreciation allowances; and,
- Incentives for investors in an SME.

Reduced Rates of Corporate Income Tax

For accounting periods beginning on or after 1 January 2002, an SME is granted reduced rates of corporate income tax on profit, as follows :

- 20% on the portion of net profit not exceeding Baht 1 million ;
- 25% on the portion of net profit between Baht 1 million and Baht 3 million ; and,
- 30% on the portion of net profit exceeding Baht 3 million.

These reduced rates are granted pursuant to Royal Decree No.394. An SME is defined in that Royal Decree as a juristic company or partnership with paid up capital not exceeding Baht 5 million as at the end of the accounting period.

Increased Rates of Depreciation Allowances

As from 31 January 2002, increased rates of depreciation are granted for certain assets that are acquired by an SME.

The assets and the depreciation allowances are prescribed in Royal Decree No. 395. It should be noted that for the purposes of Royal Decree No.395, an SME is defined as a juristic company or partnership with assets (excluding land) of no more that Baht 200 million, and with employees of no more than 200 people. (This definition is subject to a prescription by the Director-General of Revenue to be made 3 years after 30 January 2002).

Computers and computer accessories can be depreciated at the rate of 40% of the cost on the date of acquisition. The remaining cost is depreciated over 3 accounting periods starting from the date of acquisition. For accounting periods shorter than 12 months, a proportionate adjustment must be made.

Computers are defined as automatic electronic appliances used as artificial intelligence to solve easy and complicated mathematical problems.

Computer accessories are defined as applications or components of computers, which help them to function properly, excluding computer programs.

Factory buildings can be depreciated at the rate of 25% of the cost on the date of acquisition. The remaining cost is depreciated according to normal depreciation rates under Royal Decree No. 145, which is a rate not exceeding 5% per annum.

Machinery and equipment can be depreciated at the rate of 40% of the cost on the date of acquisition. The remaining cost is depreciated according to normal depreciation rates under Royal Decree No.145, which is a rate not exceeding 20% per annum.

Incentives for Investors in an SME

Venture capital companies (as defined in Royal Decree No. 396) holding stakes in an SME are exempt from corporate income tax on dividends and capital gains received from their investment in the SME.

Pursuant to Royal Decree No. 396, for a company to qualify for the incentives it must have the following characteristics :

- Be incorporated in Thailand and registered as a venture capital company with registered capital of Baht 200 million or more, of which the first payment must not be less than 50% of the registered capital, and the remaining must be paid within 3 years from the date of registration. The registered capital of the venture capital company can be reduced after holding a stake in an SME for more than 7 consecutive years ;
- Be registered with the Securities and Exchange Commission within 3 years of the effective date of this Royal Decree (30 January 2002) ;

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- Invest no less than 20%, 40%, 60% and 80% of the company's paid up capital in an SME in the 1st, 2nd, 3rd and 4th accounting periods, respectively ;
- Hold stakes in an SME for at least 7 consecutive accounting periods, or 5 consecutive accounting periods if the SME is listed on the Stock Exchange of Thailand ; and,
- Appoint a person, who holds a venture capital management license from the Stock Exchange of Thailand, as the fund manager of the SME.

The tax incentives are also granted to shareholders in a venture capital company. However, the incentives are only available to such shareholders, which are companies and not individuals.

Steven Herring, International Tax Consultant

RSM News

Due to continued growth, RSMNW is expanding its operations and is in the process of ramping up its team to meet new market demands. Some of the exciting areas of new business that RSMNW intends breaking into will be reported upon in a future edition.

Free Consultation

If you have any queries relating to incentives available to **Small and Medium Enterprises** or alternatively, whether you need assistance with legal, financial, taxation, accounting, auditing or other problems that require innovative solutions, please contact the RSM team and "**Call In For A Coffee**" for a free consultation.

Translation of business ideas into realistic projects requires expert advice. RSM can assist you in formulating practical solutions to obstacles which may be encountered while undertaking business in Thailand

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