


# Call in for a Coffee



In this issue

Half-year corporate tax obligations

## Call in for a Coffee - Tax News

### Don't forget about your half-year corporate income tax obligation!

The date 30th of June marked the half way post for many of Thailand's companies. Unfortunately however, the 30<sup>th</sup> of June also triggered liability to Thailand Revenue for half-year corporate income tax.

Section 67 bis of Thailand's Revenue Code prescribes that "all juristic companies and partnerships shall file a return in the form prescribed by the Director General and at the same time pay tax at the local Amphur office within two months of the last day of six months from the first day of the accounting period."

**For companies balancing on 31st December 2006, a half-year corporate income tax return must be filed and the half-year tax paid on or before 31 August 2006.**

Certain types of companies, such as listed companies and commercial banks, must pay their half-year tax based on actual audited net profit.

However, most private limited companies must file their tax returns and remit their taxes calculated on the basis of estimated net profit arising from the business carried on, or to be carried on for the whole financial year.

It is important to note that Section 67 ter of the Revenue Code levies a surcharge of 20% tax for companies paying tax on the basis of estimated net profit, where, without reasonable justification, the estimated net profit is 25% or more lower than the whole year's actual net profit.

**So, what should you do to ensure that your company has reasonable justification in case the estimate turns out to be lower than the actual net profit by more than 25%?**

Over the years, the Revenue Department has considered this question on numerous occasions,

and a summary of the cases, which were held to be reasonable justification, is as follows:

- Where a company calculates its estimated net profit at an amount not less than one half of the previous year's actual net profit;
- Where a company sells assets in the last 6 months of the accounting period and its estimated net profit is not less than the annual net profit less the profit on sale of assets by more than 25%;
- Where a company's earning of extra revenue in the accounting period is due to sales that are derived in the last 6 months of the accounting period;
- Where a company has decreased interest expense caused from a decrease in the loan interest rate;
- Where a company has uncertainties about the export goods (both the quantity and the price of goods);
- Where a company has uncertainty from remuneration for hire of work where the remuneration depends on the service principal and the degree of difficulty of the work; and,
- Where a company has unusual and significant foreign currency fluctuations in the last 6 months.

Finally, you may like to note that if your company fails to file and pay its half-year tax, even though it may file and pay its annual corporate income tax on time, the company is still liable to the Section 67 ter 20% tax surcharge.

**Steven Herring CA**  
Senior Taxation Consultant  
RSM International Tax Consulting

# RSM Nelson Wheeler

Corporate Asia Group

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The RSM Thai Office service line leaders are:

Corporate Advisory

[Gareth.Hughes@rsmnw.com](mailto:Gareth.Hughes@rsmnw.com)

Accounting & Tax Compliance

[Mark.Butters@rsmnw.com](mailto:Mark.Butters@rsmnw.com)

Executive Recruitment

[Mike.Holloway@rsmnw.com](mailto:Mike.Holloway@rsmnw.com)

Business Services & Legal

[Pardorn.Suchiva@rsmnw.com](mailto:Pardorn.Suchiva@rsmnw.com)

Audit & Assurance

[Prawit.Wipusirikup@rsmnw.com](mailto:Prawit.Wipusirikup@rsmnw.com)

Taxation Consulting

[Steven.Herring@rsmnw.com](mailto:Steven.Herring@rsmnw.com)

Audit & Assurance

[Surachai.Damnoenwong@rsmnw.com](mailto:Surachai.Damnoenwong@rsmnw.com)

We welcome your comments and feedback. Please feel free to contact us on the details below:

RSM Nelson Wheeler (Thailand)  
26th Floor, Sathorn City Tower  
175 South Sathorn Road  
Bangkok 10120  
Thailand

T: +66 (0) 2670-9002-6

F: +66 (0) 2670 9027-8

E: [askus.bangkok@rsmnw.com](mailto:askus.bangkok@rsmnw.com)

W: [www.rsmnelsonwheeler.co.th](http://www.rsmnelsonwheeler.co.th)

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