

Call in for a Coffee

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**Year end tax allowances
and deductions
available**

Introduction

The Directors and Staff of RSM hope that our readers had a pleasant Christmas and wish you all the very best for a happy and a prosperous 2012.

2011 was an extremely interesting year for everyone at RSM with the Thai Group passing an important milestone insofar as its 10th Anniversary of performing successful business in Thailand. This milestone was celebrated with the RSM Asia Pacific conference being held at the JW Marriott Hotel, Sukhumvit, Bangkok in May of this year together with a cocktail function to celebrate the occasion where his Excellency Douglas Gibson, the South African Ambassador to Thailand was the guest of honour. We were also honoured to have Ms. Jean Stephens, CEO of RSM International who made the closing speech at the important function and the event was presided by one of our clients Mr. Anthony Rowlands from Harrow International School.

Whilst the year started well, another misfortune hit Thailand with some of the worst floods ever seen in the history of the Kingdom. These floods affected 25 per cent of RSM Thai office staff in addition to a number of clients as well as a countless number of the Bangkok population living in the suburbs and the residents of Northern Thailand. Our sincere condolences go out to all those affected and we wish you all a speedy recovery.

Interestingly, since the commencement of the RSM Thailand in 2001, there have been ten incidents or misfortunes that we can count which have had a detrimental affect on business in Thailand. Whilst these incidents have not occurred annually, they do however coincide with the number of years RSM Thailand has been in operation.

The incidents that we have been able to count are as follows:-

1. SARS epidemic;
2. Swine Flu;
3. Bird Flu;
4. Tsunami;
5. Coup d'état;
6. Global Financial Crisis;
7. Yellow shirts protest culminating in closure of Bangkok's International Airport;
8. Red shirts protest culminating in the postponement of the APEC Summit;
9. Red shirts protest culminating in the closure of the Bangkok area of Ratchaprasong with almost 100 people being killed;and,
10. 2011 Floods.

Going forward, we hope for a period of stability as the residents of Thailand as well as businesses operating here certainly deserve a break.

This edition is the last one for 2011 and we have listed a quick checklist of tax deductions and incentives that both individuals and business owners should be

mindful of and which should be processed or claimed within 30th December 2011 (the last business day).

Business Related Tax Issues

Stock on hand or Inventory on hand

This is particularly relevant insofar as inventory affected by recent flooding as both Stock on hand that can't be sold because it's spoiled or has been destroyed (as well as all scrap and waste stocks, etc) should be physically removed and written out of business owners books before the end of December 2011 in order to obtain a tax deduction for the 2011 financial year. The following procedures may need to be followed:

- Companies in an export processing zone need to follow the rules prescribed by the IEAT and have an auditor witness the destruction;
- Companies receiving promotion on imported raw materials need to comply with the BOI and have an auditor witness the destruction; and,
- For other companies, there must be an inspection and approval of the destruction by the company's personnel including persons from the warehouse, accounting, sales and internal audit (if applicable) departments, who must sign a record of the stock destruction.

Bad debts

Any debts that cannot be collected should be written out of your accounting records before the end of December 2011 in order to obtain a tax deduction in the 2011 financial year, and for such bad debts, the following procedures need to be followed:

- For bad debts less than Bt100,000, demand for payment must have been made and the matter must have been pursued to a suitable extent;
- For bad debts between Bt100,000 and Bt500,000, court action must have been made and the court must have accepted the complaint; and,
- For bad debts over Bt 500,000, a court injunction or order must have been issued.

Staff bonuses

Staff bonuses are not permitted as tax deductions in Thailand until actually paid, or if not paid at the year-end date, there must exist a legal obligation for the company to pay the bonuses in 2011. That is, with no legal obligation to pay, staff bonuses that are not actually paid as at the year-end are not permitted as an accrual for tax purposes in Thailand. Accordingly therefore, you should ensure that either staff bonuses are paid to staff before year-end, or if they are going to be paid in the 2012 financial year, you must ensure

that a properly constituted directors' meeting is held before the end of the year to resolve the payment of staff bonuses in order to create the legal obligation of the company to pay.

Losses on investments

Losses on investments cannot be claimed as a tax deduction until such time as the investments are sold (i.e. disposed). In the case where an investment loss has arisen due to the economic crisis or the recent floods, you may be able to crystallize that loss for tax purposes by selling the investment to another company before year-end.

Individual allowances and Tax deductions

Long term equity funds (LTF) / Retirement mutual funds (RMF)

For contributions to an LTF and/or an RMF during the period 1st January 2011 to 31st December 2011, an individual taxpayer is permitted to claim income tax deductions for contributions to the Funds up to an amount of 15% of 2011 assessable income but not exceeding Bt 500,000 for each Fund.

Those who can and wish to claim the tax-allowances for contributions to LTFs and RMFs for the 2011 tax year have to hurry, you only have a couple of days left to contribute.

From our own personal experience, the banks and other institutions that can issue LTFs or RMFs have been extremely aggressive this year with a number of booths opened in various shopping centers including Central World.

The following table includes a number of personal allowances for 2011 income tax purposes that individuals are entitled to and these include both RMFs and LTFs.

Please ensure that the relevant HR department of your employers are aware of all the deductions you are entitled to and you may need to pass on the necessary documentation to them prior to the information being processed into the final payroll of the year.

Personal allowance for income tax deduction 2011

	<u>Baht</u>	<u>Note</u>
1) Personal allowance	30,000	
2) Spouse allowance	30,000	
3) Parental allowance	30,000	(each)
4) Parental health insurance premium	15,000	
5) Child allowance	15,000	(per child, maximum 3 children)
6) Child education allowance	2,000	(per child)
7) Life insurance premium	Max. 100,000	
8) Life insurance pension premium	200,000	(not exceed 15% of all income)
9) Provident fund	Max. 10,000	
10) RMF	Max. 500,000	(not exceed 15% of income)
11) LTF	Max. 500,000	(not exceed 15% of income)
12) Social security fund	Actual amount paid	
13) Housing Loan Interest	Max. 100,000	
14) Education support to schools & universities	double actual amount of payment	(not exceed 10% of net taxable income)
15) Donations	Actual amount paid	(not exceed 10% of net taxable income)
16) Flood donations	Actual amount paid	(not exceed 10% of net taxable income, cash only)
17) Flood support donations received by victims from government & charitable organisations	Actual amount received	(Victims must have registered their positions as flood victims with relevant government authorities to be eligible)

RSM International News

New Firm - Georgia

The RSM Board of Directors has recently admitted a new provisional member firm in Georgia - Capto Group. The firm has one office in the capital city, Tbilisi, and four other offices in major business centres. They provide audit and assurance services, tax and other consulting services.

New Firm - Nicaragua

Nicaraguan firm, Solis Ibarra & Asociados, has been admitted as a provisional member firm of RSM. The firm provides audit and assurance services, risk management, transaction support and tax services from its office in the capital city of Managua.

RSM Sponsored Events - Past & Upcoming

New Zealand Thai Chamber of Commerce Annual General Meeting

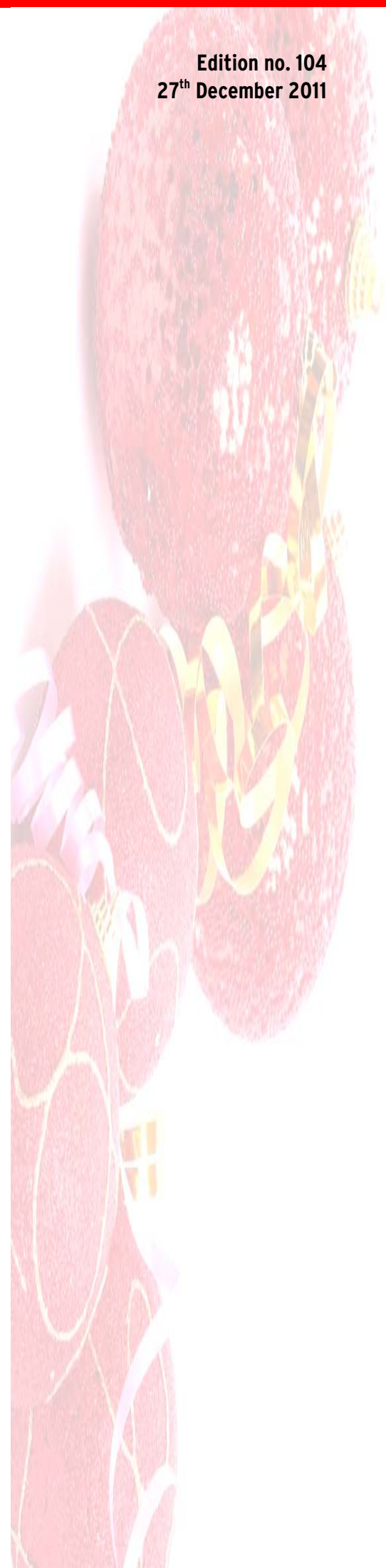
- RSM sponsored the New Zealand Thai Chamber of Commerce AGM and Networking Event at the Sheraton Grande Sukhumvit on 24th November 2011 for the 8th consecutive year.

Shakers & Movers Charity Networking event, Eastern Seaboard

- RSM Thailand sponsored the Shakers & Movers charitable event where surplus proceeds will be distributed to the Melissa Cosgrove Foundation as well as other charities. The event was held on 2nd December 2011.

RSM Thailand

RSM Thailand is a member firm of RSM International, the sixth largest worldwide organization of independent accounting and consulting firms represented in each of the top 40 business centers around the world with in excess of 30,000 staff in over 700 offices in more than 70 countries, driven by the common vision of providing high quality professional services in their domestic markets and in serving the international needs of their client base.



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