



Tax & Legal News Flash

KPMG in Thailand



Issue 49: October 2018

Alternative methods for recognition of rental property income and expenses for tax purposes

On 11 September 2018, the Thai Revenue Department (“TRD”) issued Departmental Order No. Tor. Por. 299/2561 (“Tor. Por. 299/2561”) in order to amend Clause 3.4 of Departmental Order No. Tor. Por. 1/2528 (“Tor. Por. 1/2528”). The objective of Tor. Por. 299/2561 is to eliminate the differences between the recognition of revenue and expenses from rental property for accounting and tax purposes, for both the lessor and the lessee of the property.

Previous effect of Clause 3.4

Previously, Clause 3.4 of Tor. Por. 1/2528 provided that both lessors (i.e. the companies or juristic partnerships carrying on a business of property rental) and the lessees shall calculate their rental income and related expenses in each accounting period according to the proportion of period of rental of property (i.e. on an accrual basis). This previous version of Clause 3.4 potentially resulted in different revenue and expense recognition methods for accounting and tax purposes. For example, based on the relevant accounting standard, the lessee would apply a straight line method to recognize the rental expenses throughout the rental period for accounting purposes. However, for tax purposes, Clause 3.4 required the lessee to recognize the rental expenses in the periods in which they arose on an accrual basis, which may result in different amounts of expense being recognized in different periods (depending on the terms of the rental agreement). This could result in the rental expense differing for accounting and tax purposes, in which case the lessee would need to adjust the rental expense in their tax calculation.

Effect of the amendments

Under Tor. Por. 299/2561, Clause 3.4 now provides that companies or juristic partnerships who are the lessor or lessee of property may choose whether to calculate their rental income or expenses on an accrual basis, or on another suitable basis in accordance with generally accepted accounting standards for income and expense recognition. Therefore, if the lessor or lessee chooses to apply an accounting method which is acceptable under accounting standards for tax calculation purposes, there may not be a difference between their rental revenue and expense recognition for accounting and tax purposes. In this case, the lessor or lessee would not need to make any further tax adjustment for their rental income or expenses. Under this Order, if the lessor or lessee has chosen any method for calculation of rental income or expenses for tax purposes, such method shall be applied throughout, except where approval to change method of computation is obtained from the Director-General of Revenue Department. This Order shall be enforced on the

Key contacts

Benjamas Kullakattimas
Head of Tax,
KPMG in Thailand
benjamas@kpmg.co.th

Nipawan Passarapark
Tax Partner,
Global Compliance
Management Services
(GCMS)
nipawan@kpmg.co.th

Pornpen Eurpiyachat
Tax Partner,
Global Compliance
Management Services
(GCMS)
pornpen@kpmg.co.th

Waraporn Dhammasawangki
Tax Director,
Global Compliance
Management Services
(GCMS)
waraporn@kpmg.co.th

Visuth Apiraks
Tax Director
Global Compliance
Management Services
(GCMS)
visuth@kpmg.co.th

computation of income tax of a company or a juristic partnership whose accounting period begins on or after 1 January 2018 onwards.

Please note that Tor. Por. 299/2561 does not mention about whether the alternative method can apply to the existing rental agreements which were executed before 1 January 2018. On the basis that the effective date of this Order is for the computation of income tax for the accounting period beginning on or after 1 January 2018, the alternative method should apply to the rental agreements executed on or after 1 January 2018.

[Privacy](#) | [Legal](#)

You have received this message from KPMG Phoomchai Tax Ltd. If you wish to unsubscribe Tax News Flash, please click [unsubscribe](#).

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act upon such information without appropriate professional advice after a thorough examination of the particular situation.

© 2018 KPMG Phoomchai Tax Ltd. a Thai limited company and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. All rights reserved.

The KPMG name and logo are registered trademarks or trademarks of KPMG International.

twitter.com/KPMG_TH
youtube.com/KPMGinThailand
facebook.com/KPMGinThailand



kpmg.com/app

