KPMG

Tax News Flash

KPMG in Thailand

Issue 81 : August 2020

150% Additional Deduction Granted for Investment in New Machinery and Hotel Renovation

The Ministry of Finance issued Royal Decree No. 695 and No. 698, which went into effect on 23 June 2020, to grant a 150% additional deduction to companies and juristic partnerships for certain investments made in new machinery and hotel renovations. These tax benefits aim to boost Thailand's economy and support the travel industry affected from the COVID-19 pandemic.

The details of the tax benefits are summarized below.

Additional deduction on investment in new machinery

Companies and juristic partnerships can claim an additional 150% deduction in their annual income tax computation for qualifying amount paid for investment in machinery, but excluding machinery repair and maintenance. The payments must be made from 1 January 2020 to 31 December 2020.

Purchases made for machinery held for lease are not eligible for the 150% deduction for taxpayers engaged in a leasing business.

Eligible machinery is defined as an assembly of parts, including equipment, for use in generating energy, changing or transforming energy, using either water, steam, fuel, wind, gas, electric or any power or the combination of several power types. However, it does not cover vehicles registered under the law governing such vehicles.

Additional deduction on investment in hotel renovation

Companies and juristic partnerships carrying on a hotel business, as prescribed in the Hotel Act, can claim a 150% additional deduction in their annual income tax computation for qualifying amount paid from 1 January 2020 to 31 December 2020, qualifying payments include those made for additions, alterations, extensions or improvement of property related to hotel business. However, this tax benefit will not apply to amounts paid for property repair and maintenance.

Qualifying properties must be:

1. A permanent building used for the hotel business operation under the Hotel Act; and
2. Fixtures or furniture that are permanently fitted to the abovementioned building.

Procedures and requirements

In order to claim these tax benefits, taxpayers must prepare and submit an investment project and payment plan to the Revenue Department. In addition, the following requirements for machinery and qualified properties must also be met:

1. The machinery must have never been used;
2. The machinery and qualified properties must be acquired and ready-to-use by 31 December 2020;
3. The machinery and qualified properties must be subject to wear and tear and depreciation that are deductible under Section 65 Bis (2) of the Revenue Code;
4. The machinery and qualified properties must be located in Thailand;
5. The machinery and qualified properties must not have been granted tax privileges under any Royal Decree issued under the Revenue Code, either partly or wholly; and

6. The machinery and qualified properties must not be used in a business granted corporate income tax exemption under the law governing investment promotion, or the law enhancing competitiveness for targeted industries, or the law governing eastern special development zone, either partly or wholly.

The tax benefits in Royal Decree No. 695 and No. 698 will be revoked if the taxpayer fails to comply with the specified procedures and requirements.

In case that the machinery or the qualified property is sold, damaged or lost, the tax benefit will cease in the accounting period that such event occurs.

Further guidelines on the application of these tax benefits will be issued by the Director-General of the Revenue Department.

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