



Tax News Flash

KPMG in Thailand



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Tax Measures to Support the Digital Transformation of SMEs and the Import of Medical Supplies to Treat and Prevent the Spread of COVID-19

Several tax measures have been approved by the Cabinet in the past weeks. We have captured the highlights of the new measures in the summary below.

Tax measure to promote the digital transformation of SMEs

On 11 May 2021, the Cabinet approved a draft Royal Decree issued under the Revenue Code to extend tax benefits previously provided to small and medium enterprises (“**SMEs**”) in order to encourage them to transform their businesses in line with the growing digital economy.

Companies or juristic partnerships will be allowed to deduct 200% of expenses paid up to a maximum expense value of THB 100,000 for the purchase or development of, or license to use computer programs or software that are registered with the Ministry of Digital Economy and Society’s Digital Economy Promotion Agency (“**DEPA**”). This tax benefit applies for accounting periods commencing on or after 1 January 2021 to 31 December 2022.

In order to qualify for this tax exemption, all of the following conditions must be met:

- Companies or juristic persons must not have paid-up capital exceeding THB 5 million on the last day of the accounting period in which the expenses are incurred.
- Income derived from the sale of goods and provision of services does not exceed THB 30 million in the accounting period in which the expenses are incurred.
- Companies or juristic persons that utilize this tax benefit will not be entitled to any corporate income tax exemptions under the Law Governing Investment Promotion, the Law Enhancing Competitiveness for Targeted Industries, the Law Governing the Eastern Special Development Zone, or other tax benefits relating to the same computer programs or software, either partly or wholly.

For the purpose of this draft Royal Decree, computer programs and software are defined as programs or sets of operating information controlling a computer, hardware, or device used in business management in various fields, such as; a program used in an organization; an embedded system; a large data analytic and processing program; a program used to control and/or link with devices which controls and/or links with high technology devices; production support programs, etc.

The definition also includes ‘Software as a Service’ programs (“**SaaS**”), which a user can use on-demand. SaaS programs are generally stored on a service provider’s server. Users can request the use of this service through the internet when required. The service is downloaded onto a user’s device and can then be used for only a specified period of time.

The Royal Decree associated with this measure is expected to be announced soon.

Tax measure to support the import of medicine and medical supplies to counteract the spread of COVID-19

Another draft Royal Decree issued under the Revenue Code was approved by the Cabinet on 18 May 2021 in order to extend the period of tax benefits provided for the donation of medicine and medical supplies imported to treat and to counteract the spread of COVID-19 for public charitable purposes.

Details of the tax benefits are summarized below.

- a) Value added tax (“VAT”) is exempted for the import of supplies used for the treatment of, diagnosis of or protection against COVID-19 if donated to the following institutions:
 - Medical institutions, i.e., medical institutions owned by the government, medical institutions of public universities, medical institutions of public organizations, medical institutions of government organizations or business units owned by the government, medical institutions of local administrative organizations, medical institutions of other government offices and medical institutions of the Thai Red Cross Society
 - Government offices other than the above
 - Public charitable organizations as announced by the Minister of Finance, i.e., the Thai Red Cross Society, and the medical institutions listed in Clause 3 of [the Notification of the Ministry of Finance regarding Income Tax and VAT \(No. 2\)](#).
- b) Corporate income tax (“CIT”) and VAT exemptions are provided for companies or juristic persons for the above donations provided that the cost of the donated supplies is not included as a deductible expense for CIT computation purposes.

The above tax benefits are applicable for donations made from 1 March 2021 to 31 March 2022.

Additional procedures and conditions will be announced through a notification of the Director-General of the Revenue Department once this Royal Decree has been issued.

Key Contacts

[Abhisit Pinmaneekul](#)

Head of Tax
KPMG in Thailand

Global Compliance Management Services (GCMS)

[Nipawan Passarapark](#)
Partner

[Pornpen Eurpiyachat](#)
Partner

[Visuth Apiraks](#)
Director

[Matthew Evan Jeamjit](#)
Director

[Waraporn Dhammasawangki](#)
Director

Global Mobility Services (GMS)

[Lynn Tastan](#)
Partner

[Panisa Srihera](#)
Director

International Tax / M&A Services

[Auaychai Sukawong](#)
Partner

[John Andes](#)
Partner

[Tatiana Besimalova](#)
Partner

[Tomonori Shibata](#)
Partner

[Thanita Pubordeepong](#)
Director

Transfer Pricing Services

[Abhisit Pinmaneekul](#)

Partner

[Benjamas Kullakattimas](#)

Partner

[Burin Yenthanakorn](#)

Director

[Chollatip Santitorn](#)

Director

Trade & Customs Services

[Malika Bhumivarn](#)

Partner

[Sophon Dulyarassamee](#)

Associate Director

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