TMI EYES

TMI Associates (Thailand) Co., Ltd.

TMI EYES No. 13: Corporate Income Tax Return (PND 50) Filing for Accounting Period Ending 31 December

For companies with an accounting period ending December 31st each year, the companies must submit a corporate income tax return ("CIT") (FORM PND 50) within 150 days from the end of the accounting period. In this Article, TMI discusses the filing of CIT returns (PND 50), common pitfalls, and other relevant issues.

Deadline for Filing Corporate Income Tax Returns (PND50)

Companies must file PND50 within 150 days from the end of the accounting period. For companies with accounting periods ending December 31, 2024, the filing deadline for PND50 is May 29, 2024, for normal filing, and June 6, 2024, for online filing.

Calculation of Net Profit

As a rule, companies must calculate net profit for CIT purposes by deducting expenses from revenue. Companies should be cautious about the following issues:

Regarding revenue, companies must accurately account for all revenue by recognizing revenue in various scenarios as per Section 65 of the Revenue Code, i.e. recognizing revenue when it has the legal right to receive the revenue even if payment has not been received. For example, for sales of goods, companies should recognize revenue when the risks and rewards associated with ownership of goods are transferred to the buyer, not necessarily when payment is received.

For expenses, companies can deduct expenses in the calculation of net profit for CIT purposes under the conditions specified in Section 65 bis and Section 65 ter of the Revenue Code. Some important examples are:

- Companies must deduct depreciation expenses of assets according to the methods, conditions, and rates prescribed by the laws (Royal Decree on Depreciation (No 145) B.E. 2527).
- When writing off bad debts from accounts receivable, companies must adhere to the criteria, methods, and conditions prescribed by the Ministry of Finance Regulation No. 186 (B.E. 2534).

TMI provides that the Revenue Department does not allow the deduction of certain expenses in the calculation of net profit for CIT, for example:

- Personal Expenses. Yet, companies can deduct charitable donations and expenses for education and sports as tax-deductible expenses provided that they do not exceed 2% of the net profit per item.

- Entertainment expenses, unless they benefit the business of the companies and they are paid within the limit. For example, meals with a business partner (a reasonable amount) and gifts (must not exceed THB 2,000 per person per occasion). In any case, the total entertainment expenses must not exceed 0.3% of the higher total revenue or the paid-up capital, with a limit of THB 10 million.

- Expenses that are self-determined without actual payment, e.g. no receipt, or recipient of the expenses is not identifiable, etc.

- Expenses that are not for profit-making purposes or business purposes specifically, and expenses where the payer cannot prove the recipients, are only deductible up to the portion that is paid out of the profits earned at the end of the accounting period.

- Expenses for the purchase or assets (at times, the Revenue Department extends this condition to service fee) that are unreasonably high.

Disclosure Form

In addition, companies that engage in transactions with related parties and have total revenues exceeding THB must prepare an annual disclosure form—a report that provides information about related companies (both in and outside Thailand) and related transactions, the value of transactions between them in each accounting period, and other relevant information. Companies must submit the disclosure form together with the PND50.

A failure to submit the report or documents as prescribed by the Director-General or incomplete submission without reasonable cause may expose companies to a fine of up to THB 200,000.

Risk Based Audit ("RBA") and Artificial Intelligence ("AI")

Interestingly, the Revenue Department currently utilizes the Risk Based Audit (RBA) System and artificial intelligence ("AI") to assess the risk of non-tax compliance, and tax evasion, for tax audits. They assess the risk based on the behavior of each taxpayer, and tax data of businesses from past and present financial statements, comparing two to five years back. The system also utilizes data from tax filings, and data from external sources such as the Department of Business Development, the Bank of Thailand, and the Customs Department, to analyze compliance and tax payment behaviors.

The results will show the risk profile of taxpayers. Then, the Revenue Department targets and audits companies with high-risk profiles.

TMI's Note

TMI recommends that all companies study the tax laws carefully and also perform tax-compliance checks. TMI understands that most companies focus on their business operations, and at times believe that commercial purposes can always justify tax treatments, which is not the case. As mentioned above, the Revenue Code provides unique tax rules, which may not always be by commercial or accounting aspects. In addition, TMI suggests that companies keep proper supporting documentation and adhere to tax regulations when deducting expenses to avoid potential issues during tax assessments or audits.

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