

Independent Study Title: Problems on Corporate Income Tax in Case of Dividend Distribution Focusing on the Disqualified Shareholders

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ABSTRACT

The Independent Study “Problems on Corporate Income Tax in Case of Dividend Distribution Focusing on the Disqualified Shareholders” has no intention to impute and complain tax authorities or related persons on the decision which justified the Revenue Department Tax Ruling Number 0811/14765, dated on 28 October 1997, but this research paper has the main intention to study and understand the natures, concepts and principles of income tax on dividend focusing the dividend distribution from corporations and also understand the natures, concepts and principles of income tax on dividend in the system of dividend tax under American Legal System. Another intention is to analyze the problem of the income tax on dividend treatment which collected by Thai Revenue Department which is unfair and make the excessive tax burden to the Company which has the disqualified shareholder to be invested in its business, and provide the suitable solutions and recommendation for tax authorities to reconsider in the treatment of income tax on dividend distribution to disqualified shareholders.

After I have study the problem of this case, I have found that the dividends which the company cannot distribute to its shareholders because of the disqualification of the shareholders have to be back to the accumulated profit of the company instead of treated as the assessable income of the company as stated in the Revenue Department Tax Ruling Number 0811/14765, dated on 28 October 1997. The reason that the Revenue Department has to treat them as accumulated profits of the company because such dividends are not yet distributed to any shareholder so it still belong to the company. Furthermore, such dividends is not the income which derives from business operation or concerning with the business operation of the

company so it cannot be the income of the company and cannot be recalculated to pay Corporate Income Tax according to section 65 of the Revenue Code.

It can be concluded that the undistributed dividends or the accrued dividends have to come back to the accumulated profits of the company in order follow the principle of the Accounting Standard in both Thailand Accounting Standards and International Accounting Standard. Furthermore, it can be avoid the problem of Economic Double Taxation and give fairness to such company.

