

Independent Study Paper Title : The Problems of Tax Incentive for International Procurement Center
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ABSTRACT

This study focuses on the problems of Tax Incentive for International Procurement Center in Thailand which creates competitive tax rate for attracting the foreign entities. Nevertheless, too many conditions and requirement of such measures to the investors would cause the government lose the opportunities to stimulate the foreign investment and then earn revenue income. Therefore, the government must eliminate all hidden loopholes from the Royal Decree under the Revenue Code Regarding Reduction & Exemption from Revenue Taxes (No.518) B.E.2554 (hereinafter called “the Royal Decree (No.518) B.E.2554”).

According to provision of The Royal Decree (No.518) B.E.2554, it is found that there are many loopholes in its conditions and qualifications. First of all, it is too strict on the qualified revenue at least 50 percent of total qualified revenue for International Procurement Center which is lacked of flexibility. It means that the foreign company who need to invest their business and get tax incentive in Thailand; they have to select just one scheme between International Procurement Center and Regional Operating Headquarters. Moreover, the five years of tax privilege cannot effectively encourage foreign investment. Furthermore, the limitation of two years of registration since the day of enforcement of the law years has proved to be burdensome International Procurement Center is new to foreign investors. They would need times to study, to make a meaningful decision whether to comply with International Procurement Center. Also, the International Procurement Center who fails the requirement in any accounting periods cannot use the right for getting tax incentive following this law anymore. However, under section 19 of Revenue Code

the authority can only assess the taxes backward and issue the summons for only two years. So, in the case where the International Procurement Center fails to meet requirement as prescribed at the final year, the Revenue Code shall not use in those cases. Therefore, it creates the problem about ambiguous interpretation.

In order to eliminate some loophole that should benefit the country the most, it is recommended that requirement should not too strict for International Procurement Center. Thus, the government should apply the rule, similar to that of Malaysian tax incentive provisions which is more flexible, resulting in it more attractive to foreign investors.

