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PERSONAL FINANCE

Wedded to change

Professional advice on a raft of new options for individual income tax filers for 2012.
By **Prapasiri Kositthanakorn**

A boy tries his hand at the xylophone at the campaign to promote correct personal income tax filing on Feb 28 this year. The annual campaign sets aside some tax revenue to return to society, which will buy musical instruments for schools this year. PORNPROM SATTRABHAYA

The time for filing your annual income tax return is approaching. Some changes to the rules for married couples will apply to personal income tax returns for 2012, and some rules have been extended from last year. For the 2013 tax year that began on Jan 1, we are still waiting for some good news about new personal income tax rates, which may apply when the time comes for you to file your 2013 returns a year from now.

Meanwhile, let's focus today on the changes that apply to 2012:

✦ **Personal income tax for married couples:** If you are married, you can choose one of the following options:

1. You and your spouse may file a joint personal income tax return for all types of income and pay tax as a single unit, as previously. However, this is not always the best option if both have taxable income, as the higher tax rate will quickly become applicable to your combined income.

2. You and your spouse may file a joint personal income tax return. However, you or your spouse may elect to report your employment income (Section 40 [1]) separately on the personal income tax return (PND 91). There is the additional option that the husband may now elect to report only his taxable employment income, while any other income may be reported as the wife's income. The choice will depend on the tax bracket of the couple. The choice will be applicable throughout the tax year, but in the following tax year you have the option to change how you would like to file your return.

3. You and your spouse may file separ-

A Revenue Department official helps a taxpayer file their forms. Officials remain on hand to help although online tax filing has become increasingly popular. APICHIT JINAKUL

ate personal income tax returns for all types of income and pay personal income tax separately. This is a new option that will benefit the family by making available a lower tax rate that is separately applied to each taxpayer.

4. The option to cherry-pick income for reporting is not available, as the laws provide that each person must report income earned individually, except for income under Section 40 (8), which is income from a business operation. You and your spouse may either allocate such income to each return equally or proportionally as agreed between the two of you.

5. Income earned in the nature of commission, royalty, interest, dividend, rental, professional services and contract of work (under Section 40 (2) [7]), must be reported by the individual who earns such income. Only if the income cannot be accurately separated should such income be allocated equally between you and your spouse.

The question that arises is: What if the income earned cannot be accurately separated? Under the previous tax regime, since husband and wife were considered a single tax unit, fundamental tax planning for separating tax units by the use of non-juristic "body of persons" or an ordinary partnership of the married couple did not take place.

There might be changes in how a family business will be organised in future, particularly taking into account the reduced corporate tax rate to 20% with dividend tax credits under Section 47 bis. Some might find that operating a family business in corporate form could now be advantageous in tax terms.

Filing personal income tax returns separately requires a detailed analysis for each individual. However, the benefit of filing separate returns is that each individual enjoys a lower tax bracket.

✦ **Increased children's and education allowance deductions:** If both you and your spouse earn income, each of you will be eligible to claim a child allowance of 15,000 baht plus an education (in Thailand) allowance of 2,000 per child (for a maximum of three children).

✦ **Increase in mortgage loan interest allowance deduction:** If you and your spouse have taken out loans individually, and both of you earned income during the year, each of you may claim a loan interest deduction for the interest actually paid, not exceeding 100,000 baht per person (based on each person's obligation). The deduction right will vary in the case of a joint loan and depend on the respective income earning status of you and your spouse.

✦ **First-home tax privilege:** This rule is still in place from 2011, but 2012 is the last year in which you can start claiming a first-home tax deduction. If you bought your first house or condominium between Sept 21, 2011 and Dec 31, 2012, and registered it in your name, you can claim a tax deduction of 10% of the price paid (the maximum base is 5 million baht) for the property for the next five consecutive years. Effectively the deduction is capped at 100,000 baht per year.

✦ **Flood-related tax deduction:** This rule has been extended from 2011. If you were a victim of the 2011 floods and paid for repairs or purchased equipment or other materials to repair your residence or car between July 25, 2011 and Dec 31, 2012, you can claim a deduction for the expenses incurred up to 100,000 baht for your home and 30,000 baht for your car.

Looking at the 2013 tax year, we are already certain of one feature, and that is the extension of the reduced Social Security Fund contribution for one more year, ostensibly to help businesses cope with higher labour costs following the minimum-wage increase. The Social Security Board agreed that contributions will remain at the reduced rate of 4% (maximum 600 baht per month) for 2013.

The cabinet, at the end of last year, also approved new tax rates consisting of eight brackets, with the top marginal tax rate reduced slightly from 37% to 35%. However, the effective tax rate for those earning more than 4 million baht a year will be reduced by only one percentage point. The gross-up tax rate applicable to expatriates in cases where the employer is responsible for individual income tax liabilities under the tax equalisation policy, will be 54% (compared with 59%).

Although we are approaching the end of the first quarter of the 2013 tax year, the withholding tax rate on monthly wages that is payable to the Revenue Department remains at the 2012 rates. Employees subject to monthly withholding tax want to see the new law become effective as soon as possible. They do not want to be put in the position of having to request a tax refund at the end of the tax year if the enactment of the law is delayed. Wage earners want the tax savings quickly, to help them meet the increase in the cost of living.

Prapasiri Kositthanakorn is a Partner with PwC Thailand. We welcome your comments at leadingtheway@th.pwc.com