

Have your supporting documents ready when requesting a tax refund

BIZ INSIGHT

CONGRATULATIONS to everyone who received a personal income tax refund recently.

This year, employees who had straightforward personal income tax cases successfully received their refund cheques from the Revenue Department only a few days after submitting their annual tax returns. This was very impressive, considering the recent shortages in tax collection.

The Royal Decree which initiated the new personal income tax rates was announced on December 23 2013, resulting in almost all individuals finding themselves in a tax refund situation. Individuals earning over Bt4 million and expatriate employees whose Thai tax is paid by their employer would have the largest amount of refund. It is to their credit that the tax officers worked hard to make sure they met their KPI time-frame for closing every case. Each case is reviewed under the highest quality standards and follows strict regulations.

Some multinational companies who paid the Thai tax for their expatriate

employees received tax refund payments through their employees without having to submit any additional supporting documentation. The whole process took two months, on average, after the submission. This accounts for fairly complex cases and the high number of expatriate tax refund applications.

However, there were a number of cases where the Revenue Department asked for additional supporting documents on top of the standard request. The standard request includes the withholding tax certificate issued by the employer, a copy of the passport and/or a marriage certificate, a birth certificate and receipts of any personal deduction claims such as life insurance, mortgage interest, donations and long-term equity fund investments. This year, tax officers also request copies of a work permit and employment contract.



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Why should the employment contract be reviewed? The Revenue Department seems to be using this to make sure that all taxable income and benefits earned from employment in Thailand are fully declared. The Revenue Department is applying the right to collect what is due to it before approving the refund.

Something to note: It will expedite the refund process if all related information and documents are ready for submission upon request. There should be no problem with the documents for employees who have entered into an open-ended or long-term employment contract since they should all be kept on file. If the employees are on secondment, with only the assignment letter, there might be more questions on who is the real employer of the assignees. There were cases where Revenue Officers attempted to challenge the permanent establishment issue of the sender, thus the arrangement should be properly reviewed and documented. Review of your arrangement for short-term employees is also needed; some standard procedures should be adopted regardless of the length of employment in Thailand.

Request for an official tax payment certificate from the Revenue Department

Some expatriate employees need to provide official tax payment receipts and certificates issued by the Thai Revenue Department as evidence that income tax has been paid in Thailand. The certificate must have all the necessary information, such as the country the tax was paid in, the income-taxpayer's name and address, the tax year, the taxable income, the amount of tax paid and the date of payment.

This year, certificates are being issued much more quickly than in the past; some cases took only a few days, compared to a month. The speed at which the certificates are issued generally depends on the inclusion of all supporting documents. Standard requests

include a copy of the annual personal income tax return, tax receipts, as well as evidence to prove the taxpayer has spent a minimum of 180 days in Thailand during the tax year.

In the cases of those employees whose income was paid overseas, the tax officers this year asked for not only details of income paid outside Thailand, but also evidence of the payment or a record of the funds transferred into Thailand in the form of a bank statement or a copy of his personal bank book.

Such a request would not be unusual if it was made in response to a claim for a foreign tax credit in Thailand. Why then would the tax officer want these documents to comply with a request for a certificate of tax already paid? Maybe the Revenue Department decided that it needed more information and evidence to confirm where the income came from and which country's tax rules it came under before issuing the official tax payment certificate.

It is possible, however, that this could be a way to make sure that there were no other tax issue involved, such as the existence of a permanent establishment, where someone was working in Thailand for a foreign entity while getting paid from abroad. If this were the case, potentially it could be a major concern. It could lead, for example, to the requirement for the foreign entity paying corporate income tax in Thailand.

Learning from the experience of others is a good way to increase awareness and develop a proactive approach in dealing with expatriate tax matters.

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