

## Corporate Income Tax Exemption for Social Enterprises

The Royal Decree Issued under the Revenue Code, Re: Tax Exemption (No. 621) B.E. 2559 (A.D.2016) (the “Royal Decree”) was published in the Government Gazette on 30th August 2016 and came into effect on 31st August 2016 to grant corporate income tax exemption to social enterprises.

### Social Enterprises

Under the Royal Decree, a social enterprise (the “SE”) means (i) a company or a partnership incorporated under Thai laws with objectives in selling products or providing services for promotion of local employment and development of the community, society and the environment without intention to generate the highest profits to its shareholders or partners; and (ii) reinvest at least 70% of its profits or use it for the benefit of farmers, disabled persons or for any other common benefits as determined by ministerial regulations (the “**Specific Purposes**”).

### Corporate Income Tax Exemption

An SE will receive 100% corporate income tax exemption from its net profits, provided that all of the profits generated in each fiscal year have been used in the Specific Purposes without payment of any dividend or money paid from the deduction of capital of the SE to its shareholders or partners.

A company that holds ordinary shares in the SE will receive corporate income tax exemption for 100% of the capital invested in the SE. But no tax exemption will be granted if the SE pays dividend exceeding 30% of the net profits to its shareholders or the company holding shares in the SE transfers its shares before the dissolution of the SE.

A company will also receive corporate income tax exemption if (i) it transfers asset(s) to the SE without remuneration, (ii) its total expenses for charity or public benefit does not exceed 2% of its net profits and (iii) the SE does not pay dividend exceeding 30% of its net profit in the relevant financial period.

### Additional Conditions for Corporate Income Tax Exemption

To receive corporate income tax exemption, the SE must also subject to the additional conditions as follows:-

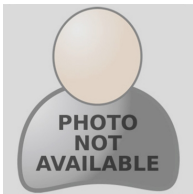
- (1) having the words “social enterprise” in its name;
- (2) being certified as an SE by the relevant authority prescribed by the Director General of the Revenue Department (the “DG”);
- (3) filing a request to be established as an SE and obtaining an approval from the DG;

- (4) no dividend or money from the deduction of capital is paid;
- (5) no transfer of assets used in the business of the SE, except for the transfer prescribed by the DG;
- (6) not entering into a contract with any of its shareholder or partners and no remuneration is paid to such its shareholders or partners, including other persons who have relationships with those shareholders or partners;
- (7) no change is made to type of business operation from an SE to other types before the end of its fiscal year; and
- (8) complying with the rules, procedures and conditions prescribed by the DG.

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