



Petroleum Income Tax

Petroleum Income Tax (PT) is a direct tax, levied annually (for each accounting period of 12 months duration) on net profit of a “petroleum taxpayer”, who is carrying out the business of petroleum exploration and production. It is also levied on the disposal of profits outside of Thailand. The rules and regulations for Petroleum Income Tax are covered under Petroleum Income Tax Act and other related law. The rates, penalties, surcharge, etc. are different from that of Corporate Income tax.

An accounting period is normally 12 months. The Director General may grant permission for more or less than 12 months, if appropriately justified. The first accounting period shall begin on the day that the company makes its first sale or disposal of petroleum subject to royalty. This day is considered as the beginning date of the accounting period. An accounting period may be shorter than 12 months for the following case:

- a) if the company takes any day as the closing date of the first accounting period:
- b) if the company ceases its petroleum business, the date of dissolution shall be the closing date of the accounting period:
- c) if the company changes the closing date of an accounting period with the approval of the Director-General.

In the case the company transfers any rights under a concession prior to the beginning date of the first accounting period, this date of transfer shall be treated as the beginning and closing date of the accounting period.

1. Tax Base

The term ‘petroleum taxpayer’ covers anybody who:

- (1) holds a concession under petroleum law or has a joint interest in it; or
- (2) purchases crude oil produced by any concessionaire, all of which is intended for export.

A concession under petroleum law (to be obtained from Department of Mineral Resources) is required only for exploration and production of petroleum products (including crude oil, natural gas and liquid natural gas). Downstream industries including refining are not covered under Petroleum Income Tax Act. The tax is characterized by the presence of very few taxpayers.

There are 2 important amendments to the Petroleum Income Tax Act (in the years B.E. 2522 and B.E. 2532) creating 3 different versions. Each Petroleum Taxpayer is covered under one or more of the three versions (referred as status of taxpayer). Filing requirement is that taxpayer should submit one return per TIN per period per status. In case a taxpayer has to file returns under more than one status, he has to do so treating each status as a separate company. (in matters of allowances, adjusting of carried forward loss, etc.)

The important differences in tax calculation/remittance between the three versions of the Act are as follows:

Act 2514 Only annual return. No need for half year return. Interest not allowed as expense. Royalty (status 1) allowed as tax credit. No levy of special remuneratory benefit tax. High tax rate of 50%

Act 2522 Only annual return. No need for half year return. Interest allowed as expense. (but a high (status 2) withholding tax of 50% on interest paid is levied. Royalty allowed as expense. No levy of special remuneratory benefit tax. Low tax rate of 35% High profit remittance tax of 23.08%

Act 2532 Annual and half yearly returns required. Interest not allowed as expense. Royalty allowed (status 3) as expense. Additional levy of special remuneratory benefit tax. High tax rate of 50%

All Petroleum Taxpayers are required to pay withholding tax @ 50 % on profits on transfers (transfer proceeds less loss carried forward) when petroleum property or right is transferred and if the total amount of such income is not definitely determinable.

While calculating net profit, following items are included as revenue:

- (1) Gross Income from sale of petroleum;
- (2) Value of petroleum disposed of;
- (3) Value of petroleum delivered as payment of royalty in kind;
- (4) Gross income arising from a transfer of any property or right related to petroleum business, if the total amount of such gross income is definitely determinable;
- (5) Any other income arising from conducting petroleum business.

The following are deductible expenses:

- (1) Ordinary and necessary expenses
- (2) Interest remitted and withholding tax paid
- (3) Value of royalty paid to the Thai Government
- (4) Value of special remuneratory benefit tax paid to Thai Government.
- (5) Capital expenditure allowance (in the nature of depreciation)
- (6) Net losses carried forward over the last 10 years
- (7) Bad debts
- (8) Donation not exceeding 1% of profit
- (9) Contribution to provident fund / pension fund

2. Tax Rates

Tax rate is linked to the status of taxpayer. At present, the tax rates are as follows:

Petroleum Income Tax

(a) Petroleum Income Tax Rates

Act B.E 2514 (status 1) 50%

Act B.E 2522 (status 2) 35%

Act B.E 2532 (status 3) 50%

Disposal of profits 23.08%

(b) Withholding Tax Rates

For transfer of petroleum

Property or rights 50%

(Specifically for income gained from transfer which may be able to specify certain total amount)

Payment of interest 50%

Payment of dividend 23.08%

Payment of interest 15%

Payments for other services Depends on service

3. Tax Payment

Petroleum companies are required to submit their annual return within 5 months from the date of closing of their accounting period. Payment of tax has to be made at the time of filing of the return.

Return for profit remittance has to be submitted within 7 days from the date of remittance.

In addition to the annual tax payment, petroleum companies falling under status 3 are required to submit half year return (based on estimate of profit. Under this system, the petroleum company has to estimate its annual profit and pay half of the amount of tax calculated on such basis within two months after the end of first six months of its accounting period. The estimated tax payment is creditable against the annual tax liabilities of the company