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Corporate Income Tax Exemption to Promote Digital Adoption by SMEs

In advancing Thailand's digital economy policy, the government has employed targeted tax incentives as a mechanism to stimulate technological adoption among small and medium enterprises (SMEs). The Royal Decree issued under the Revenue Code introducing corporate income tax exemptions for digital expenditures represents a structured fiscal measure intended to reduce the cost of digital transformation while safeguarding against duplication of tax privileges. The framework reflects a deliberate balance between economic stimulus and tax discipline.

The Royal Decree grants a corporate income tax exemption to companies or juristic partnerships qualifying as small enterprises. Eligibility is defined through objective financial thresholds: paid-up capital must not exceed five million baht as of the last day of the accounting period, and annual revenue from the sale of goods and provision of services must not exceed thirty million baht in that accounting period. These cumulative criteria ensure that the measure is narrowly targeted at genuine SMEs and prevent larger entities from artificially qualifying for the incentive.

The substantive benefit consists of a tax exemption equal to one hundred percent of expenses incurred for qualifying digital investments. Eligible expenditures include the purchase or development of computer software, hardware, and smart devices, as well as fees for software services, hardware services, smart device services, and other digital services. Notably, the Royal Decree expressly excludes "computer equipment" from eligibility, indicating legislative intent to prioritize productivity-enhancing digital technologies rather than general-purpose hardware acquisitions. The measure thus encourages digital integration and innovation rather than routine capital expenditure.

Additional safeguards reinforce the targeted nature of the incentive. Service providers must be registered in the Digital Services Registry maintained by the Digital Economy Promotion Agency (DEPA), ensuring regulatory oversight and quality control within the digital services ecosystem. Moreover, qualifying contracts must be executed within the prescribed period from 1 January 2026 to 31 December 2027. The temporal limitation underscores the stimulus-oriented character of the measure rather than its establishment as a permanent structural tax reform.

While the tax exemption is generous, the Royal Decree imposes important restrictions to prevent overlapping benefits. A taxpayer claiming the exemption must not receive other tax incentives relating to the same subject matter under any other royal decree issued pursuant to the Revenue Code. This reflects the principle of non-duplication of tax benefits, which preserves neutrality and protects the tax base from erosion through cumulative deductions.

Should you have any question, please do not hesitate to contact us via info@bgloballaw.com