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Thailand Introduces 200% Tax Deduction Incentive to Accelerate SME Digital Transformation

Thailand has introduced a significant corporate tax incentive aimed at accelerating the digital transformation of small and medium-sized enterprises (SMEs), following the issuance of Royal Decree No. 802 B.E. 2569 (2026). The measure, approved in principle by the Cabinet, forms part of the Government's broader strategy to enhance productivity, strengthen competitiveness, and promote digital adoption among domestic businesses. The incentive reflects a policy shift towards supporting SMEs in transitioning to technology-driven operations within Thailand's evolving digital economy.

Under the scheme, eligible SMEs are entitled to claim a corporate income tax deduction of up to 200% of qualifying expenditures incurred on approved digital products and services. In practical terms, this allows businesses to deduct twice the value of eligible expenses when calculating taxable income, subject to a cap of THB 300,000 per accounting period. The measure applies to costs incurred between 24 June 2025 and 31 December 2027 and covers purchases or subscriptions of qualifying software, hardware, smart devices, and digital services, provided they are registered on the Thailand Digital Catalog maintained by the Digital Economy Promotion Agency (DEPA).

Eligibility for the incentive is limited to SMEs that meet specific financial thresholds, namely companies or juristic partnerships with paid-up capital not exceeding THB 5 million and annual revenue not exceeding THB 30 million. The policy is designed to ensure that benefits are targeted at smaller businesses with limited resources, while also encouraging formal participation in the digital economy. Only expenses meeting the prescribed criteria and sourced from approved providers qualify for the enhanced deduction, reinforcing regulatory oversight of eligible digital transactions.

The mechanism operates as an additional tax benefit on top of normal expense deductibility, rather than a separate subsidy or credit. As a result, qualifying businesses effectively reduce their taxable income base by more than the actual cash outlay for digital investment. However, the incentive is subject to detailed conditions, including product eligibility and vendor registration requirements, and does not extend to all forms of digital expenditure. Businesses must therefore ensure proper documentation and compliance with the applicable criteria when claiming the deduction.

From an administrative perspective, the measure reflects Thailand's broader push to integrate fiscal incentives with digital infrastructure policy. By requiring registration of eligible products in a centralised digital catalog, the Government aims to improve transparency, standardise qualifying expenses, and encourage the development of a structured digital services ecosystem. The incentive also aligns with Thailand's long-term objective of improving SME competitiveness and reducing barriers to technology adoption in traditional business sectors.

From a broader legal and commercial standpoint, the 200% tax deduction represents a targeted fiscal policy tool designed to stimulate structural transformation within the SME sector rather than a general tax reduction. While the incentive may provide meaningful cost relief for eligible businesses, its effectiveness will depend on practical accessibility, awareness among SMEs, and the administrative efficiency of the claiming process. Businesses should carefully assess eligibility criteria and maintain appropriate documentation to optimise tax benefits. More broadly, the measure signals Thailand's continued movement towards a digitally integrated regulatory and tax framework, where fiscal incentives are increasingly linked to formalised digital ecosystems and compliance-based eligibility structures.

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