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New Revenue Department Order No. Paw. 369/2569 Updating Criteria for the Waiver or Reduction of Penalties and Surcharges

The Director-General of the Revenue Department issued Revenue Department Order No. Paw. 369/2569 on July 2, 2026, to establish new criteria for the waiver or reduction of penalties and surcharges concerning Income Tax, Value Added Tax (VAT), and Specific Business Tax (SBT). This order shall come into force on the day following its issuance. This article summarizes the key points of these updated criteria to assist taxpayers and business operators in understanding and correctly applying them.

General Principles for the Waiver or Reduction of Penalties

Assessment officials will only consider waiving or reducing penalties if they determine that the taxpayer had no intention to evade taxes and has fully cooperated with the investigation.

The taxpayer must submit a written request to an assessment official stating the reasons for the waiver or reduction, which must be submitted before the official issues a notice of assessment.

In cases where the taxpayer files a tax return and pays the tax (either VAT or SBT) without having received a "direct written warning or summons for investigation," the filing of the tax return itself shall be deemed as the request for penalty reduction.

The term "direct written warning or summons for investigation" refers to instances where an assessment official has discovered an offense and has already recorded it in a letter or memorandum.

Penalty Reduction Rates for Value Added Tax (VAT)

This order updates the penalty reduction criteria for VAT under Section 89 of the Revenue Code, categorizing them as follows:

Case 1: Filing the return and paying the tax voluntarily without receiving a written warning

- If paid within 15 days from the tax payment deadline, the penalty is reduced to 2%.
- If paid after 15 days but not exceeding 30 days from the deadline, the penalty is reduced to 5%.
- If paid after 30 days but not exceeding 60 days from the deadline, the penalty is reduced to 10%.
- If paid after 60 days from the deadline, the penalty is reduced to 20%.

Case 2: The official issues a notice to file a return (Form Por.Por. 71) and the taxpayer complies and pays the tax

- If completed within the specified time in the notice, the penalty is reduced to 40%.
- If completed after the specified time in the notice, the penalty is reduced to 50%.

Case 3: The official has discovered the offense and recorded it in writing

- If the offense occurs within one year from the date of becoming a VAT-registered operator, the penalty is reduced to 40%.
- If the offense occurs after one year from the date of becoming a VAT-registered operator, the penalty is reduced to 50%.
- If the official has discovered the offense but the assessment is not yet complete, and the taxpayer files the return and pays the tax before receiving the notice of assessment, the assessment official has the authority to reduce the penalty using the 40% or 50% rates under this section.

<u>Penalty Waiver or Reduction for Businesses Not Registered for VAT</u>

The new order adds Clause 5/1 specifically to address operators who have not registered for VAT, applying the following criteria:

- Full Penalty Waiver: If the taxpayer submits an application for VAT registration within 30 days from the date their tax base value exceeds the threshold for a small business and files the VAT return while paying the tax simultaneously, the statutory penalty shall be fully waived.
- Penalty Reduction: If the application for VAT registration is submitted late, or not submitted due to business cessation, but the taxpayer voluntarily files the return and pays

the tax without receiving a written warning, the penalty will be reduced based on the same delayed timeframe scale as general operators (i.e., reduced to 2%, 5%, 10%, and 20%).

However, if the official has already discovered the offense and recorded it in writing, the penalty will be 40%.

Surcharge Reduction for Half-Year Corporate Income Tax (Section 67 Terd)

Taxpayers must submit a written request to the assessment official before receiving a notice of assessment.

If the taxpayer files the half-year corporate income tax return and pays the tax without receiving a written warning, the tax return itself shall be deemed as the request to reduce the surcharge.

Officials will consider reducing the surcharge only if they determine that the taxpayer had no intention to evade taxes and has cooperated fully with the investigation.

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