Tax breaks commonly missed by expats

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You may be from a country where personal income tax deduction options are minimal. Thailand, on the other hand, has many tax relief options. Many expatriate employees may be missing out on the full relief they're entitled to, which could result in sizeable losses.

It's worthwhile exploring what's available to you. In a given year, it's not uncommon for tax stimulus measures and new deductions to be announced unexpectedly. So, follow the news to keep abreast of tax relief enactments. Once you learn of one, research it to check whether it will benefit you. Let's look at the most commonly missed or misapplied deductions:

Dependent family deductions: It's a common belief among expats that you can't take deductions for your spouse or children if they're not living in Thailand with you. This isn't quite true. If you're considered a Thai tax resident, which means you are in Thailand for 180 days or more in aggregate in the calendar tax year, you can claim spouse and child deductions. This is also true if you're not considered a tax resident, but your spouse or children are.

The maximum tax saving for these deductions for 2016 is 28,350 baht. And it is expected to jump to 52,500 baht for the 2017 tax year. Not an insignificant sum!

Songkran travel and spending: Many are aware that the government offered a special deduction for travel and spending for the 2016 Songkran holiday, capped at 15,000 baht. But you may miss out on the savings if your expenses don't comply with the requirements.

For example, unlicensed hotels, or those in process of obtaining a licence, don't meet the deduction criteria. If you're unsure if the hotel was licensed, you can check with the provincial administration where you stayed.

In the worst case, claim the deduction and submit the hotel receipt with your tax return to see whether the Revenue Department accepts it. If you're expecting a refund, there are no implications if it isn't acceptable. But if you have tax payable, you'll be liable for 1.5% monthly surcharges on the tax shortfall if the deduction is rejected, so weigh your options carefully.

Other qualified spending expenses cover only food, beverages and domestic travel tour packages. Entertainment expenses, such as for amusement park tickets, are not qualified. Also note restaurant expenses are not deductible without official VAT receipts in your name.

Domestic shopping expenses from Dec 14-31, 2016: This special shopping deduction covers purchases from VAT-registered operators during the deduction period for up to 15,000 baht.

Note, however, that service purchases must be used and paid within the period or they do not qualify. Also, VAT receipts must be in the taxpayer's name. Receipts issued in the name of a dependent spouse will not qualify.

Domestic travel expenses: This offer is for domestic travel throughout 2016, and the government offered an additional sum for December. The deductible expenses are only for licensed hotels and tour packages from approved tourism operators. Meals, spa treatments, flights and car rentals don't count as part of tour packages and are not eligible.

The 2016 offer is capped at 15,000 baht, with an additional 15,000 baht for December. If your hotel expenses exceed this, don't forget to allocate them to the Songkran travel deduction if they qualified.

Life insurance: Expatriates who will retire in Thailand may want to explore this option. Note that the deduction is only for qualified Thai life insurance premiums.

Do your research because some plans require you to pay premiums for only one year. If that year occurs while you're earning income, you can deduct the premiums, which can add up to big savings. If you're in the 35% tax bracket, you could reduce your taxes by 105,000 baht. Plus, the payout is tax-free.

Long-term equity funds: If you're going to invest in mutual funds in Thailand, it would be wise to check out long-term equity funds. If you hold them for at least seven calendar years, you can deduct the qualified amount that you invest, so they're more beneficial than other mutual funds and your capital gain from selling them will be tax-exempt.

Importantly, if your income falls in the highest tax bracket, you could keep an extra 175,000 baht in your pocket.

Retirement mutual funds: As tax advisers, we're of course going to tell you to think about retirement mutual funds (RMF). Thailand offers deductions for savings into RMFs, so there's even more incentive to save for your golden years.

If you're already contributing to a Thai provident fund, make sure you're not overinvesting. You won't be able to deduct amounts that exceed the deduction threshold.

First-time homebuyer deduction: Resident expat income earners can deduct up to 3 million baht on first-time purchases of condominiums made between Oct 13, 2015 and Dec 31, 2016. If you're in the 35% tax bracket, the maximum annual tax saving is 42,000 baht for up to five consecutive years.