Legal article

Last updated 5 October 2026

Deductible and Non-Deductible Expenses under Section 65 ter

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> This article is general legal information, not a legal opinion on any specific matter. Each matter must be assessed on its own facts and evidence. The latest online version is at https://eksiamtax.com/en/guides/deductible-expenses-guide.html

An expense that can be recorded in the accounts is not always deductible for tax purposes. A company must start from its accounting profit and then adjust items under Sections 65 bis and 65 ter of the Revenue Code to arrive at its net profit for tax purposes. If an expense is unrelated to the business, is unsupported by evidence, or falls within a prohibited category, the company may have to add it back even though the money was actually paid.

01 Five tests before treating an item as a tax-deductible expense

A receipt alone does not make an expense deductible automatically. In practice, the substance of each item should be tested together with its documents, as follows:

1. **Related to earning income or specifically to the business:** the company can explain how the expense helps the business operate or generate income, and it is not a personal expense of a shareholder or director.
2. **Actually incurred, with a genuine counterparty:** there are verifiable goods, services, or benefits in return; it is not an item the company created itself without any actual payment or benefit received.

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3. **Recorded in the correct accounting period:** income and expenses are recognized on an accrual basis in the relevant period, with evidence supporting any accrued expense or estimate.

4. **Reasonable in amount:** the price or consideration is not abnormally high, particularly in transactions with shareholders, affiliated companies, or related persons.

5. **Not prohibited by a specific provision of law:** even if an expense relates to the business and was actually paid, Section 65 ter, ministerial regulations, and the conditions for each type of expense must still be checked.

Tests 1 and 2, together with proof of the recipient's identity, are the issues the Supreme Court decides most often. The facts and reasoning of each judgment are summarized in Supreme Court judgments on non-deductible expenses under Section 65 ter (Thai).

02 Common non-deductible expenses and how to handle them

Category	Why it risks being added back	What to do before closing the books
Reserves or provisions	A reserve is set up in the accounts without meeting the conditions of a tax exception	Separate the items the law accepts from those to be added back, and keep the calculation method
Personal expenses, gifts, or charitable donations	Not an expense for the business, or exceeds the conditions and ceilings prescribed by law	Record the recipient, purpose, and approver, and check the tax treatment of donations separately
Entertainment expenses	No list of the persons entertained, no business purpose, or exceeds the prescribed rules	Prepare an expense certification form and attach the list of business partners, tax invoices, and evidence of approval

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Category	Why it risks being added back	What to do before closing the books
Additions to or improvements of assets	Capital in nature, rather than a repair to maintain the asset in its present condition	Record as part of the cost of the asset and deduct depreciation under the rules, separately from ordinary repairs
Salaries or remuneration of shareholders	The portion that is unreasonably high relative to their duties and market rates	Keep a contract, job description, approving resolution, and comparable remuneration data
Intercompany expenses	No actual service, an unclear allocation, or not at market price	Keep a contract, evidence of deliverables, allocation keys, and an analysis of whether the price is reasonable
Expenses in the wrong period or not actually incurred	An item the company created itself, or an expense of another accounting period	Reconcile creditors, review invoices received after the period-end, and record the reasons for accrued items

> **Key example:** The Revenue Department explains that expenditure that improves an asset or increases its value is capital expenditure under Section 65 ter (5), whereas a repair to maintain the asset in its present condition may be treated as an expense of the period. The decision therefore turns on the facts and the result of the work, not on the name of the account used to record it.

03 Documents to keep beyond the receipt

In a tax audit, officers usually consider who did what, for whom, when, and how the business benefited. The documents should link together into a single trail, from approval through to payment.

- Quotations, purchase orders, contracts, or statements of work identifying the counterparty and what is to be received

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- Delivery notes, service reports, deliverables, emails, or meeting minutes proving that the goods or services were actually received
- Tax invoices, receipts, withholding tax certificates, and evidence of remittance of the related taxes
- Evidence of payment from the company's bank account, with document numbers that can be reconciled to the general ledger
- Resolutions or approval memoranda for significant items, related-party transactions, and transactions outside the ordinary course of business

04 From accounting profit to taxable profit

For example, a company records fines imposed under law, entertainment expenses that do not meet the rules, and accounting depreciation as expenses. These items may have to be added back in whole or in part, after which tax depreciation is deducted to the extent the law allows. As a result, taxable profit may be higher than the profit shown in the financial statements.

The company should prepare a net profit adjustment working paper that records, for each item, the account number, amount, reason, legal basis, and supporting documents. It should not wait to make corrections only when preparing the P.N.D. 50 return, as it may then be unable to trace all the supporting documents retrospectively.

05 Red flags to check before filing the return

- Large round-sum amounts, cash payments, or vendors with no contact details or record of work
- Management or consulting fees from affiliated companies without details of the services
- Expenses of directors or shareholders paid by the company without a stated business purpose

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- High-value repairs that significantly extend the useful life or improve the performance of an asset
- Accrued items brought forward for several years, or items recorded at the period-end and reversed immediately at the start of the following period

Official source: Revenue Department, conditions for computing net profit under Section 65 ter (non-deductible expenses) (Thai), checked on 27 June 2026 (B.E. 2569). The tax outcome depends on the facts, the documents, and the law in force for the relevant accounting period.

> **General legal information:** This guide is general information on Thai tax law and is not legal advice on any particular case. This page is an English translation of the Thai original; the Thai text prevails.

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