



# Dissolution & Liquidation

**L&P Internal Training**  
**3 July 2020**

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# Cause of Dissolution

## By Law

- Stated in the Article of Association
- Incorporated with fixed period, by the expiration of such period
- Incorporated for a specific project, by the termination of such project
- Bankruptcy

## By Court Order

- If default is made in filing the statutory report or in holding the statutory meeting
- Not operate for 1 year
- Business operation with loss only and there is no prospect of its fortunes, being retrieved.
- Shareholders less than 3 persons

## By will of the shareholders

- By special resolution of the shareholders

# Process of Dissolution for Company Limited that Established in Thailand

BOD issue invitation  
letter to shareholders



Shareholders' Meeting



Approved  
by 3/4

1 July >>>>> 14 days >>>>> 16 July

SSO 15 days



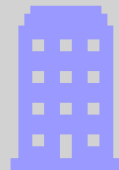
FBL 15 days



Liquidation Process



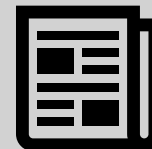
Register  
Dissolution  
with the DBD



Send minutes  
to creditors



Publish  
minutes



Within 14 days

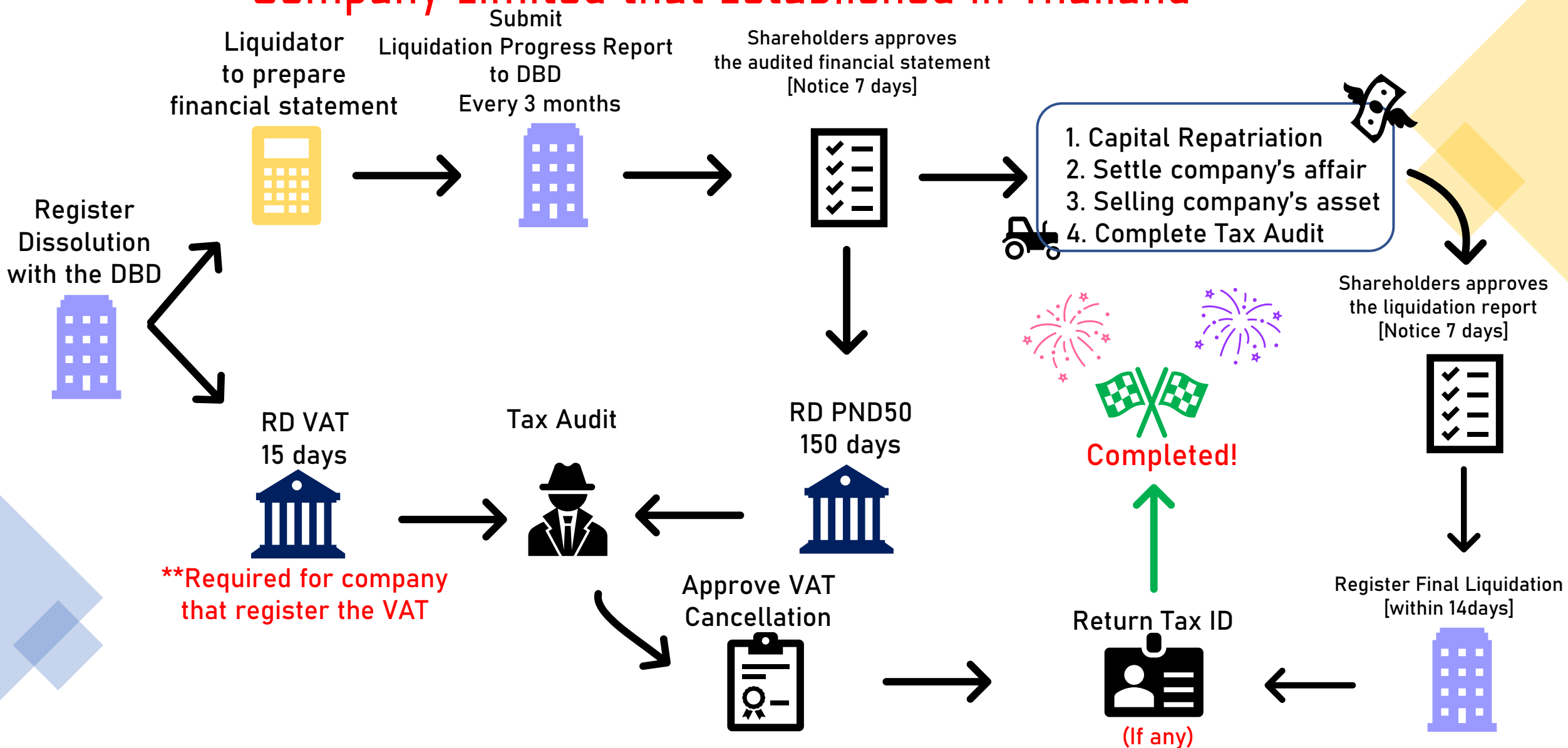
To consider the  
following matters:

1. Approve for the dissolution
2. Appoint the liquidator
3. Considering liquidator's scope
4. Appoint the auditor and approve the auditor's remuneration

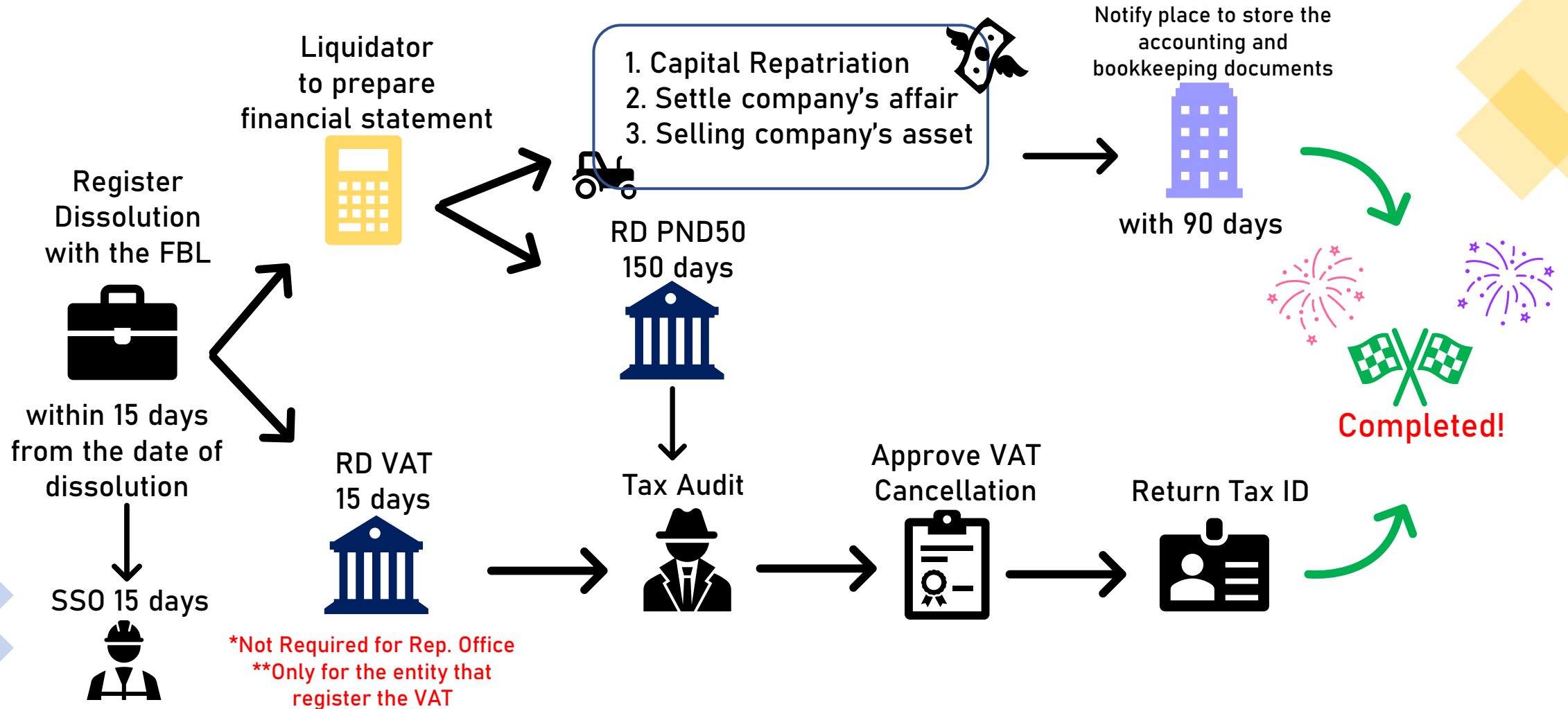




# Process of Liquidation for Company Limited that Established in Thailand



# Process of Dissolution and Liquidation for Branch office and Representative Office





# Capital Repatriation

- **Bank of Thailand** – Supporting documents stating the purpose of money transfer shall be provided for the amount from **USD 200,000** onward
- **Tax issue** – Withholding tax
- **Capital reserved** – at least one-twentieth of the profits arising from the business of the company, until the reserve fund reaches one-tenth part of the capital of the company or such higher proportion thereof as may be stipulated in the regulations of the company

**In practice** – Paying dividend out before commence the dissolution process

| Case              | Details          | Withholding Tax Rate                       |
|-------------------|------------------|--|
| 1. Before Closing | Dividend         | 10%<br>(Section 50(2) of the Revenue Code) |
| 2. After Closing  | Retained earning | 15%<br>(Section 70 of the Revenue Code)    |



# Tax Audit by The Revenue Department

**After company submit liquidation form (PP09) to cancel VAT with the Revenue Department**

**The Revenue department will:**

- **check the financial statements for five years backward for tax auditing**
- **Requesting for the supporting documents such as**
  1. **Corporate income tax (PND50)**
  2. **VAT (PP30) (including Output and Input tax report)**
  3. **Financial reports (including trial balance, general ledger)**

## \$ Tax point (Need to do and make them trust in our information)

PND50 and VAT (PP30) :- we have to prepare the reconciliation of revenue between PND50 (GL) and PP.30 (VAT submission). If there are any differences, we have to find out and clarify the difference balance such as :

| Details                | Year 1   | Year 2  |
|------------------------|--|---|
| Income from PND50      | 5,000,000.00   | 4,000,000.00  |
| Income from VAT filing | 5,300,000.00   | 3,200,000.00  |
| Difference             | -300,000.00  | 800,000.00  |
| <b>Question??</b>      | Why is the income in PND 50 lower than VAT filing?   | Why is the income in PND 50 over than VAT filing?   |
| <b>♥Answer♥</b>        | <b>Sales of fixed asset</b> :- it is shown in PND.50 only the gain/loss on sales amount, not the sales amount as stated in the VAT filing, | <b>Out of VAT scope income</b> :- Not submit VAT For Example: we sell goods by sending from overseas supplier to overseas customer, so called "Drop ship). we didn't import goods into Thailand |



## \$ Tax point (Need to do and make them trust in our information)

- **PND 50**

if the company has a big loss, the Revenue Department will ask us to clarify

**Answer: The reason can be wrong estimation of income and cost, Problem with engineering, Disease, etc.**

- **PND53 and PND3**

They would cross check with balance from service and rental expenses to see the completeness of our submission.

- **PND 1**

They would cross check with balance from salary, OT, allowance, all benefit of staff expenses

- **Duty Stamp**

They would ask us to provide all contracts, PO, Email. We have to check and ensure that duty stamp duly affixed for all service contract, Purchase Order and Email.

# \$ Financial Reports

- Asset

- **Cash and Bank:**

1. Closing bank account before closing company with MOC
2. The client to transfer the remaining bank balance to our trust account first

- **Balance of the following items has to be “zero” before closing down**

1. Goods, Inventories
2. Account receivable
3. All Advance and Prepaid:
4. Loan to... - It can be repayment or waiving loan (having waiver letter)
5. Fixed asset

**Recommend “Don’t forget to submit VAT for Goods, Inventories and Fixed Asset”**

# \$ Financial Reports

- Liability

- **Balance of the following items has to be “zero” before closing down (write off and submit PND.50)**
  1. Account payable
  2. Interest payable (additionally submit PND 54 or PND 53 including waiving letter)
  3. All Advance and Prepaid
  4. All Advance from client
- **Accrual expenses:** May have the audit fee or some expenses which are required for closing down process.
- **Loan from...:**
  1. Repayment or Write off and submit PND 50 (Waiver Letter)
  2. If money not sufficient - increase share capital for repayment of loan

# Post Liquidation Process

1. Shareholders' book, corporate documents, and accounting documents to be kept with the company for at least 7 years from the date of final liquidation
2. Returning corporate tax id to RD

# Comparison of the Dissolution Process for Each Type of Entities

| Process   | Company Limited | Branch Office              | Rep. Office    |
|---|-----------------|----------------------------|----------------|
| Hold shareholders' meeting to approve the dissolution                 | YES             | NO                         | NO             |
| Registration of dissolution with DBD                                  | YES             | NO                         | NO             |
| Registration of dissolution with the FBL                              | YES             | YES                        | YES            |
| Registration of dissolution with RD + Revenue Audit                   | YES             | YES<br>If register the VAT | NO             |
| Hold shareholders' meeting to approve the audited financial statement | YES             | NO                         | NO             |
| Liquidator to settle debt, asset, etc.                                | YES             | YES                        | YES            |
| Hold shareholders' meeting to approve the liquidation report          | YES             | NO                         | NO             |
| Register the final liquidation with DBD                               | YES             | NO                         | NO             |
| Report place to store the accounting documents                        | NO              | YES                        | YES            |
| Store corporate and accounting documents                              | YES<br>7 years  | YES<br>7 years             | YES<br>5 years |
| Submit audited financial statement to RD                              | YES             | YES                        | YES            |
| Returning corporate tax ID  | YES             | YES                        | YES            |

# ❖ To-Do List for Each Process

## Pre-Dissolution

1. Cancellation of B0I Promotion
2. Closing Bank Account
3. Clearing debt, interest expense, inventories
4. Clearing fixed asset (e.g. land, company's asset, office supply)
5. Distributing dividend

## After Registering the Dissolution

1. Preparing closing financial statement to be audited by the auditor
2. Cancel VAT
3. Cancel any license
4. Settle remaining debt, liabilities, asset(if any)
5. Capital repatriation

## Post-Liquidation

1. Keeping Shareholders' book, corporate documents, and accounting documents for 7 years or 5 years (for Rep. office)
2. Return Corporate tax ID

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**Q&A**