

# Knowledge and Understanding of Accountants Toward Rules for Calculating Net Income for Corporate Income Tax by Section 65 ter in Thailand

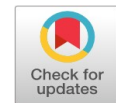
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**Abstract:** This research aimed to improve Knowledge and Understanding of Accountants toward Rules for Calculating Net Income for Corporate Income Tax by Section 65 ter (Non-deductible Expenses) and the difference in individual factors that might impact the basis. Sample Size of this research is an Accountant associated with an infinite population. For Data Collection in this study, we use questionnaires in 400 pieces during the period from December 2008 to January 2009. Consider Statistics to analyze the data explanation of frequencies, percentages, medians, and hypothesis, by applying t-Test and F-Test named One-Way ANOVA (Analysis of Variance) at 0.5 of the statistical significance. The results indicate the individual factor that the differences in experiences, positions, and ages of the Accountants indicate know-what and know-how of Basis of Income Tax Section 65 Ter (Non-deductible Expenses). Other factors genders, degrees, types of business, business natures, and certificates including roles and responsibilities of Corporate Income Tax calculation presented no differences in the Accountants' understanding. This study is useful to public regulators and accountants in pointing out what they need to improve, especially when the government party releases new rules, regulations, acts, and royal decrees aiming to be more of the uprightness of tax submission. In the end, the researcher believes that the development which is stated in this study can maximize the beneficial valuation on Accountants.

**Key Words:** Knowledge, Understanding, Non-deductible Expenses, Corporate income tax

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## INTRODUCTION

At the present time, tax has more important role in business as all types of business are obligated to pay income tax. Practically, there is a difference between accounting profit and tax profit and the difference becomes the condition for adjusting accounting profit to be net profit for tax paying purpose as indicated in Section 65 Bis, Section 65 Ter, Section 67, and any subordinate legislations of the Revenue Code. Thus, accountants come to have critical roles in business either as book keepers or auditors. Apart from having knowledge on accounting standard and accounting audit, the accountant professionals shall possess the knowledge about tax for accurate application. As stated above, accounting has an effect over society, economy and investors in many respects, therefore, the accounting regulatory organizations such as Federation of Accounting Professions, Department of Business Development, Ministry of Commerce and The Revenue Department, etc. have been founded (Manirojana, 2016).

Companies and juristic partnerships are responsible for paying income tax according to the Revenue Code. Most of them pay corporate income tax based on their net profit computed by deducting the expenses occurred within the financial year from total revenues arisen within the financial year. The said revenues and expenses shall be in accordance with the conditions prescribed in Sections 65 Bis, Section 65 Ter and Section 70 Ter of the Revenue Code. Some types of revenue are tax exempted and some are semi-exempted. Some expenses are eligible to consider as the additional expenses of actual expenses. If the accountants have good knowledge in the regulations of the Revenue Department (2016), they will be able to apply those regulations for their tax planning and that will secure highest benefit to their businesses as well as their liabilities under the Revenue Code. On the contrary, if the accountants do not have insightful comprehension of the Code, not only will they lose their advantages, but also they may

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have to pay for penalties.

Researcher, therefore, has remarked about the understanding of the accountants related to the principles for calculation of net profit in order to compute income tax, especially regarding Section 65 Ter (Non-Deductible Expenditure) that can cause accuracy in tax payment and the demonstration of operational results in the financial statement.

### **Objectives**

The objectives of this study are:

- To study about the knowledge and understanding of the accountants about the principles for calculating of net profit for income tax payment, especially according to Section 65 Ter (Non-Deductible Expenditure).
- To study about the understanding of the accountants about the principles for calculating of net profit for income tax payment, specifically on Section 65 Ter (Non-Deductible Expenditure), separately according to individual factors.

**Concepts and theories** Huntrakul (2006) studied about the knowledge and understanding of the accountants against net profit calculation for income tax payment. It's generated from individual experiences collected through learning and implementation.

Komkai Muensai (cited in Huntrakul, 2006): Knowledge is the process of codifying of one's experiences collected in the form of terminology. It is usable as a resource for real practice implementation.

Suparb Chattrabhorn (cited in Huntrakul, 2006): Knowledge is an ability to memorize, revise, categorize and analyze the studied structures and theories.

Patra (cited in Prajusamai, 2012) has given the meaning of knowledge as follows: Knowledge means the recognition and the remembrance about previous experiences obtained from inside and outside classroom activities, such as reading, listening and telling stories.

Understanding means the perception of gained knowledge by translation, interpretation, prediction and explanation. In conclusion, knowledge and understanding mean the awareness or experience generated by learning and personal involvement that instigates comprehension and ability for implementation.

Section 65 determined taxable income which is calculable by deducting the expenses occurred within the financial year from total revenues arisen within the financial year as indicated in Sections 65 Bis and 65 Ter.

Section 65 Bis determined deductible expenditure according to Revenue Code.

Section 65 Ter determined non-deductible expenditure according to Revenue Code. If this expenditure existed, the company shall add back this amount in the total expenses for calculating of net profit income tax.

### **LITERATURE REVIEW**

Understanding in corporate income tax law for accountants in Pathum Thani province. In five aspects of calculating net income on an accrual basis and other criteria, the criteria for calculating the taxable income under Section 65 bis, Non-deductible Expenses under Section 65 ter, the exemption from corporate income tax and the filing and payment of taxes. The study indicated that Bookkeeper in Pathumthani province has a deep understanding of the tax law. The men have knowledge more than women. When considering the most of bookkeeper who have age between 31-40 years, bachelor degree, experienced 5 years and working in company limited also have a deep understanding of the tax law (Outhong, 2013). Prajusamai (2012) studied about the knowledge and understanding of certified accounting auditors and auditor assistants regarding net profit calculation for computing income tax. The purpose of the study was for studying the knowledge and understanding, separately according to individual factors, of the certified accounting auditors and auditor assistants. The results of the study showed that most of certified accounting auditors and auditor assistants had medium level of knowledge and from the hypothesis testing, it was found that age, education, company, position, experience and responsibility associated with company income tax calculation caused different level of knowledge and understanding. Other factors did

not have any effect. The statistical significance level was at 0.05.

Tinkoksung (2012) studied about the relations of the difference between accounting profit and tax profit, and the profit management by applying accrual basis of 53 companies listed in Stock Exchange of Thailand (SET100) that paid corporate income tax at net profit base in 2010. The results were separated into 2 cases: 46 companies had positive variances or their accounting profit exceeded tax profit while 7 companies had negative variances or their tax profit exceeded accounting profit. The study results revealed that the variances were related with profit management: The variances occurred were resulted from the management of profit through accrual basis at 26.40 percent. The rest is caused by other factors that have not been studied.

Knowledge and perception of experienced accountants in accounting standard, revised in 2007 with specific standards differ from the original. It is classified by personal factors. The results show that level of knowledge and understanding about the revised 2007 standards are only different from original is medium level. The level of knowledge and understanding about TAS 44 Consolidated and Separate Financial Statements and TAS 45 Investments in TAS 35 Presentation of financial statements are good level. When considering the personal factors not differs (Somjaipeng, 2009).

Kaewlar (2009) studied about the knowledge and understanding of the accountants against income tax advantage by studying the knowledge and understanding as well as the relation of individual factors against the understanding level by using questionnaire for the research. The study results revealed that in general, the sample has high level of knowledge and understanding associated with income tax benefit. However when considered by each category, it was found that the sample has high level of knowledge in expense but for the income, the sample group has the knowledge at medium level. The study results related to individual factors (sex, age, education, position and experience) showed that individual factors were related to the knowledge and understanding about tax advantage.

Huntrakul, (2006) studied about the knowledge and understanding of the accountants against net profit calculation for income tax payment. The purpose of the study was to study the knowledge and understanding categorized by individual factors of the accountants. The study results showed that most of the accountants have the minimum knowledge in income calculation condition. From the hypothesis testing, age, position, experience and responsibility related to corporate income tax calculation did not have any relation with the level of the knowledge and understanding of the accountants. Educational level and experience in submitting Income Tax Form 50 and 51 have the difference between each other at the statistical significance level of 0.05.

## CONCEPTUAL FRAMEWORK

Researcher's specific Conceptual framework was as follows:

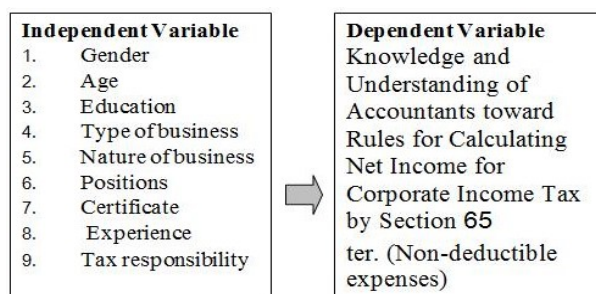


Figure 1. Theoretical framework

### Research assumption

Accountants with different individual factors have different level of knowledge and understanding about net profit calculation for income tax payment according to Section 65.

## RESEARCH METHODOLOGY

Population and sample are as follows:

### **Population**

Accountants (actual number could not be specified).

### **Sample**

Due to number of population being unspecified, all population could not be taken as sample so random sampling has been applied. Non-Probability Sampling or Convenience Sampling was chosen and the sample size was calculated by Taro Yamane formula to determine the size of sample at the confidence level of 95%, allowing for error not exceeding 5%. The result from the calculation was 385 people. The researcher, therefore, decided to send 500 questionnaires to the samples via internet and paper base. Total of 456 questionnaires were received back with 400 completed.

### **Data analysis**

Surveys will be used to rate the answers on the questionnaires, the survey on knowledge and understanding, on the principles of calculation of the net profit. It'll be used to compute income tax according to Section 65 Ter (Non-Deductible Expenditure) by giving 1 point for the correct answer and 0 for the incorrect one. Total score will be calculated for finding percentage and mean of the sample. Consideration of average score was done by comparing the average score with Likert Scale. The measurement of the knowledge and understanding of the accountants on net profit calculation for corporate income tax payment was based on the rating of 25 questions with 5 levels of understanding namely highest, high, average, low and lowest, respectively. Hypothesis testing to find out the difference of individual factors affected the level of knowledge and understanding of the accountants on net profit calculation for corporate income tax payment was done by applying t-test and F-test (One-way ANOVA) statistic with determination of statistical significance level at 0.05. The result will be considered according to statistics theory for hypothesis testing. In addition frequency and percentage are also used to describe the relation between the level of knowledge and individual factors.

### **Statistics**

Statistics used in analysis and studies are as follows:

- Descriptive statistic is the statistic used for describing, explaining and summarizing the characteristics of the collected numeric sample, such as frequency, mean and percentage. It is used for describing the characteristics of general information and describing the level of the knowledge and understanding of the accountants on the principles for calculating of net profit for income tax payment according to Section 65 Ter (Non-Deductible Expenditure).
- Inferential statistic is the statistic for analyzing the information related to the sample represented the population as follows:
- t-test statistic is used for testing the difference between the means of 2 samples. The variables tested by this statistic are sex, certification, and duty in calculation of net profit for tax payment.
- F-test statistic (One-way ANOVA) is used for testing the difference of more than 2 samples. The variables tested by this statistic are type of business, nature of business, position and experience. Post Hoc statistic was used for testing the difference in pair.

## **RESULTS AND DISCUSSION**

The results can be divided into 3 parts:

Table 1: Individual factors of the respondents

Descriptions	No.	%	Descriptions	No.	%	Descriptions	No.	%
Gender			Age			Educations		
Male	54	13.50%	Less than 25	13	3.25%	Below bachelor degree	20	5.00%
Female	346	86.50%	More than 25-30	88	22.00%	Bachelor degree	275	68.75%
Total	400	100%	More than 3035	94	23.50%	higher than bachelor degree	105	26.25%
			More than 3540	85	21.25%	Total	400	100%
			More than 40	120	30.00%			
			Total	400	100%			
Descriptions	No.	%	Descriptions	No.	%	Descriptions	No.	%
Type of business			Nature of business			Positions		
Partnership	20	5.00%	Construction'	34	8.50%	Manager/Supervisor	175	43.75%
Company	281	70.25%	Agriculture	9	2.25%	Assistant manager	64	16.00%
Public company	48	12%	Finance	16	4.00%	Accounting staff	161	40.25%
Foundation/Association	2	0.50%	Commerce	41	10.25%	Total	400	100.00%
Others	49	12.25%	Services	186	46.50%			
Total	400	100.00%	Food and beverage	14	3.50%			
			Industry	57	14.25%			
			Others	43	10.75%			
			Total	400	100%			
Descriptions	No.	%	Descriptions	No.	%	Descriptions	No.	%
Certificate			Experience			Tax Responsibility		
Have	224	56.00%	Less than 3 years	46	11.50%	Have	264	66.00%
Not have	176	44.00%	Range 35 years	55	13.75%	Not have	136	34.00%
Total	400	100%	Range 510 years	111	27.75%	Total	400	100%
			More than 10 years	188	47.00%			
			Total	400	100%			

Table 2: The evaluation of knowledge and understanding of the accountants on the principles for calculating of net profit for income tax payment according to Section 65 Ter (Non-Deductible Expenditure)

Type	No.	Min	Max	Average	Level
Section 66 Ter	25	21	8	15	Medium Level
n=400					

Table 3: Hypothesis test results

Personal factors	Results	
	Difference	Not Difference
1. Gender		✓
2. Age	✓	
3. Education		✓
4. Type of business		✓
5. Nature of business		✓
6. Positions	✓	
7. Certificate		✓
8. Experience	✓	
9. Tax responsibility		✓

From the hypothesis testing, the result showed that the factors, e.g. age, position and experience are different. Post Hoc test, then, was done as follows:

Table 4: Age factor

Age (I)	Age (J)	Mean Difference (I-J)	Std. Error	Sig.
<25	>25-30	0.28322	0.68690	0.680
	>30-35	1.16039	0.68408	0.091
	>35-40	-0.11946	0.68846	0.862
	>40	-0.49936	0.67501	0.460
>25-30	<25	-0.28322	0.68690	0.680
	>30-35	0.87718*	0.34291	0.011*
	>35-40	-0.40267	0.35158	0.253
	>40	-0.78258*	0.32445	0.016*
>30-35	<25	-1.16039	0.68408	0.091
	>25-30	-0.87718*	0.34291	0.011*
	>35-40	-1.27985*	0.34602	0.000*
	>40	-1.65975*	0.31842	0.000*
>35-40	<25	0.11946	0.68846	0.862
	>25-30	0.40267	0.35158	0.253
	>30-35	1.27985*	0.34602	0.000*
	>40	-0.37990	0.32774	0.247
>40	<25	0.49936	0.67501	0.460
	>25-30	0.78258*	0.32445	0.016*
	>30-35	1.65975*	0.31842	0.000*
	>35-40	0.37990	0.32774	0.247

The result of the testing in pair indicated that the accountants aged from 30-35 have the lowest knowledge and understanding. The better were accountants aged more than 25-30, less than 25 and more than 35-40, respectively. Accountants aged more than 40 have the highest knowledge and understanding.

Table 5: Position factor

Position (I)	Position (J)	Mean Difference (I-J)	Std. Error	Sig.
Manager/Supervisor	Assistant manager	0.89554*	0.34062	0.009*
	Accounting staff	1.08944*	0.25464	0.000*
Assistant manager	Manager/Supervisor	-0.89554*	0.34062	0.009*
	Accounting staff	0.19391	0.34457	0.574
Accounting staff	Manager/Supervisor	-1.08944*	0.25464	0.000*
	Assistant manager	-0.19391	0.34457	0.574

The result of the testing in pair indicated that the accounting officers have the lowest knowledge and understanding. The better were assistant managers. The manager and supervisor have highest knowledge and understanding about Section 65 Ter.

Table 6: Experience factor

Exp. (I)	Exp. (J)	Mean Difference (I-J)	Std. Error	Sig.
Less than 3 Years	Range 3-5 Years	-0.12213	0.46670	0.794
	Range 5-10 Years	-1.27791*	0.40959	0.002*
	More than 10 Years	-1.22155*	0.38423	0.002*
Range 3-5 Years	Less than 3 Years	0.12213	0.46670	0.794
	Range 5-10 Years	-1.15577*	0.38517	0.003*
	More than 10 Years	-1.09942*	0.35808	0.002*
Range 5-10 Years	Less than 3 Years	1.27791*	0.40959	0.002*
	Range 3-5 Years	1.15577*	0.38517	0.003*
	More than 10 Years	0.05635	0.27960	0.840
More than 10 Years	Less than 3 Years	1.22155*	0.38423	0.002*
	Range 3-5 Years	1.09942*	0.35808	0.002*
	Range 5-10 Years	-0.05635	0.27960	0.840

The result of the testing in pair indicated that the accounting officers with over 0-3 years of experience have lowest knowledge and understanding. The better results were 3-5 years of experience and over 10 years of experience, respectively. And the accountants with 5-10 years of experience have the highest understanding of Section 65.

## CONCLUSION AND RECOMMENDATIONS

From the study of the knowledge and understanding of the accountants on the principles for calculating of net profit for income tax payment according to Section 65 Ter (Non-Deductible Expenditure), the researcher would like to give the suggestions as follows:

- From the study on the principles of net profit calculation for corporate income tax payment, the accountants should develop their knowledge and understanding about expenses for education and sports as well as the service fee, the expenses for investment, non-deductible expenses for gaining benefit or specifically for the business and loss carried forward within 5 years. According to the results, Department of Revenue, Department of Business Development (2016) and Federation of Accounting should arrange training courses for developing the knowledge of the accountants on the mentioned topics for the benefit of income tax payment more accurately.
- From the study on the difference of the accountant individual factors, such as sex, education, type of business, nature of business, certification and responsibility in tax calculation for the company, related to the knowledge about the principles of net profit calculation for corporate income tax payment, it was found that there was not any difference among each other. However, the individual factors, such as age, position and experience affected the level of the knowledge of the accountants. As the mentioned principle is a basic principle that shall be acknowledged by all accountants, the regulation for having all accountants to get the training about the principles of net profit calculation for corporate income tax, minimum of 3 hours, shall be applied for the highest benefit of the public sector in tax collection and it's also beneficial to the accountant in personal knowledge and ability development.
- From the results of hypothesis testing, for highest benefit, it was considered that the regulators and juristic persons shall provide the trainings to following personnel namely the accountants with the age between 30-35 with less than 3 years of experience as they were in the group with lowest knowledge and understanding about section 65 Ter.

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