

International Tax

Thailand Highlights

In Plain English



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Investment basics:

Currency – Thai Baht (THB)

Foreign exchange control – Repatriation payments may not be made in THB, but may be made in any other currency. An exception applies for the transfer of funds made for the purpose of investing in or lending to business entities in Thailand's neighboring countries (including Vietnam); such transfers may be made in THB and/or in another currency.

Most remittances may be made through commercial banks, and documentation evidencing the purpose of the remittance is required. The Bank of Thailand must approve the remittance of funds exceeding the ceiling set by the bank. Certain documentation requirements (e.g. to support the purpose of the remittance) are relaxed for an outbound remittance made by a "qualified company." To become a qualified company, a company must meet the conditions specified by the Bank of Thailand (including investment in or turnover from trade with foreign countries of at least USD 1.5 billion in the previous three years) and must submit an application to a commercial bank for the Bank of Thailand's consideration by 31 December 2019 (extended from 16 November 2018).

Accounting principles/financial statements

– Thai Accounting Standards apply. For areas not addressed by Thai Accounting Standards, IAS, IFRS and US GAAP may be consulted. Financial statements that have been audited and signed off by a certified accountant must accompany an entity's annual income tax return.

Public and private limited companies must electronically file audited financial statements with the Department of Business Development within one month from the date of the annual general shareholders' meeting (which must be held

within four months of the company's year-end). For other entities, the filing deadline is five months from the end of the accounting year. Failure to hold the annual general shareholders' meeting and/or file the financial statements on a timely basis may result in penalties for a company and its directors or representative.

Principal business entities – These are the public and private limited company, partnership, sole proprietorship, joint venture, and branch or representative or regional office of a foreign corporation.

Corporate taxation: Residence – A limited company or partnership is considered resident if it is incorporated in Thailand and registered with the Ministry of Commerce.

Basis – Residents are taxed on worldwide income; nonresidents are taxed only on Thailand-source income. Foreign-source income derived by resident taxpayers is subject to corporate income tax in the same manner as Thailand-source income. A registered foreign branch or partnership generally is taxed in the same way as a limited company.

Unregistered entities with a taxable presence in Thailand are taxed in the same manner as limited companies.

Taxable income – Corporate income tax is imposed on an entity's net taxable profits, which generally consist of business/trading income, passive income and capital gains/losses. Expenses that relate specifically to generating profits for the business or to the business itself may be deducted in determining net taxable profits.

Taxation of dividends – Dividends paid by a Thai limited company to another limited company in Thailand may be exempt from corporate income tax if certain conditions are satisfied; otherwise, 50% of the dividends is subject to corporate income

tax at the normal rate. Tax withheld on the payment of dividends may be used to offset the final corporate income tax due for the company in the relevant tax year. Companies qualifying for the international business center (IBC) regime are exempt from corporate income tax on dividend income received from associated enterprises (i.e. local and overseas affiliates) for 15 accounting periods.

Capital gains – Capital gains are subject to the normal corporate income tax rate, with no restrictions on the use of capital losses to offset net taxable profits.

Losses – Net operating losses may be carried forward for up to five accounting periods. If the net operating losses relate to a business promoted by the Board of Investment (BOI) during a tax holiday period, the losses may be carried over to the first year after the tax holiday period and subsequently up to five years. The carryback of losses is not permitted.

Rate – The corporate tax rate is 20%. Certain small and medium-sized limited companies are subject to lower progressive rates, up to a certain amount of net taxable profits. Until 31 December 2020, a bank deriving profits from an International Banking Facility pays a 10% rate for “out-out” deposits, subject to certain conditions.

Foreign companies that carry on the business of international transportation and that have an office in Thailand are taxed on their gross proceeds at a rate of 3%, rather than on net profits at the normal corporate income tax rate and are exempt from the tax on profit remittances.

Surtax – No

Alternative minimum tax – No

Foreign tax credit – Foreign income tax paid on profits that are subject to corporate

income tax in Thailand generally may be credited up to the amount of income tax paid in Thailand on such foreign income.

Participation exemption – Yes (subject to certain conditions).

Holding company regime – A tax exemption is available for dividend income received from foreign affiliates, provided the foreign profits were subject to a minimum headline income tax rate of at least 15%.

Incentives – Tax holidays from three to eight years are available for business activities promoted by the BOI.

An IBC regime was introduced as from 29 December 2018. At the same time, the regional operating headquarters (ROH) regime, the international headquarters (IHQ) regime and the international trading center (ITC) regime were abolished, subject to various grandfathering provisions. IBCs that derive income from qualifying services (i.e. management, technical support and financial management services) and qualifying royalty income (royalties arising from R&D and technological innovation undertaken in Thailand) from associated enterprises are eligible for reduced corporate income tax rates as follows: 8% where the annual operating expenditure paid to recipients in Thailand is at least THB 60 million; 5% where such expenditure is at least THB 300 million; and 3% where the expenditure is at least THB 600 million. IBCs also benefit from an exemption from corporate income tax on dividend income received from associated enterprises and a specific business tax (SBT) exemption for income derived from the provision of treasury services to associated enterprises. Expatriate employees working for an IBC in Thailand benefit from a flat 15% personal income tax rate or an exemption from the tax in certain cases.

Withholding tax:

Dividends – Dividends paid to another Thai company are subject to a 10% withholding tax, or are exempt if certain conditions are satisfied under the Revenue Code or investment promotion law. Dividends paid to a nonresident company are subject to a 10% withholding tax. Dividends paid to an individual (resident or nonresident) are subject to a 10% withholding tax that is considered a final tax. The withholding tax rate on dividends paid to a nonresident may be reduced under a tax treaty.

Interest – Interest paid to a nonresident company is subject to a 15% withholding tax, unless the rate is reduced under a tax treaty.

Interest paid on loans from a bank, financial institution or an insurance company is subject to a 10% withholding tax if the lender is resident in a country that has concluded a tax treaty with Thailand, but an exemption applies if the interest is paid by the government or a Thai financial institution on loans granted under a law intended to promote agriculture, industry or commerce.

A 1% advance withholding tax applies to interest payments made by a corporation to a corporation carrying on business in Thailand, or by a corporation to a financial institution for interest on debentures or bonds, except for interest on deposits or negotiable instruments paid between banks or finance companies.

Interest paid to a resident individual is subject to a 15% withholding tax that can be considered either as a final tax or as an advance tax payment to be used as a credit against the personal income tax due for a tax year.

Royalties – Royalties paid to another Thai company are subject to a 3% advance withholding tax, which may be credited against the final corporate income tax due

for the accounting period. Royalties paid to a nonresident are subject to a 15% final withholding tax, unless the rate is reduced under a tax treaty.

Technical service fees – Technical service fees paid to another Thai company are subject to a 3% advance withholding tax, which may be used as a credit against the final corporate income tax due for the accounting period. Technical service fees paid to a nonresident are subject to a 15% final withholding tax, unless the rate is reduced under a tax treaty.

Branch remittance tax – A 10% branch remittance tax is imposed on after-tax profits paid or deemed paid to a head office.

Other taxes on corporations:

Capital duty – No, but fees apply for registration of a company.

Payroll tax – Tax on employment income is withheld by the employer and remitted monthly to the tax authorities.

Real property tax – A tax of 12.5% is levied on the appraised rental value of real property, pursuant to the House and Land Tax Act. The tax is deductible for purposes of calculating corporate income tax. The House and Land Tax Act is expected to be replaced by the Land and Construction Tax Act in 2020, whereby various tax rates would be imposed depending on the nature of the assets. The maximum tax rate would depend on the type of land/building, but rates are expected to range from 0.15% to 3% on the appraisal value of the land/building.

Social security – The employer and the employee are required to contribute 5% of an employee's monthly compensation, up to a specified monthly cap.

Stamp duty – Stamp duty applies on certain

instruments specified under the revenue code at various rates depending on the type of instruments, e.g. 0.1% on leases, hire of work agreements, transfers of shares/debentures and loans, and 0.05% (capped at THB 10,000) on loan agreements, etc.

A person or entity subject to SBT generally must register within 30 days from the date of commencing business.

SBT is payable by the 15th day of the following month.

Anti-avoidance rules:

Transfer pricing – Under Thailand’s transfer pricing rules, a taxpayer must declare in its annual corporate tax return whether revenue and expense transactions are based on market prices and, if this is not the case, the tax authorities may make adjustments to reflect a market price.

Thin capitalization – No

Controlled foreign companies – No

Disclosure requirements – New legislation effective for accounting periods commencing on or after 1 January 2019 requires taxpayers to report related party transactions in a report (disclosure form), which provides information on the relationship between entities and the value of intercompany transactions. The report must be filed with the annual corporate income tax return. Completion of the disclosure form is not required by taxpayers whose annual revenue is less than THB 200 million.

Transfer pricing documentation also must be presented to tax officers within stipulated deadlines upon request. The disclosure form and transfer pricing documentation requirements will not apply to taxpayers with annual revenue less than a threshold to be stipulated in regulations,

but which will not be less than THB 200 million.

Compliance for corporations:

Tax year – The tax year is 12 months (a shorter year is allowed only in the year of incorporation, when there is a change of accounting period or in the year of dissolution).

Consolidated returns – Consolidated returns are not permitted for corporate income tax purposes; each company must file its own tax return.

Filing requirements – A taxpayer must self-assess and make an advance corporate income tax payment for the first six months of the tax year (half-year return). The half-year return must be filed within two months after the first six months of the tax year. The annual income tax return must be filed within 150 days from the company’s year-end. Extensions are not available. Corporate income tax paid with the half-year return is creditable against the total tax payable for the tax year.

Penalties – If an entity underestimates its profits for an entire year by more than 25%, a maximum 20% surcharge is imposed on the first half-year installment. In other circumstances, a surcharge of 1.5% per month on outstanding tax applies. A penalty of up to 100% of the tax due will apply when the income tax liability is formally assessed by the tax authorities.

Rulings – A taxpayer may request for a nonbinding private letter ruling. Bilateral advance pricing agreements (APAs) are available under the transfer pricing regime.

Personal taxation:

Basis – Thai residents and nonresidents are taxed on their Thailand-source income. Thai residents are taxed on foreign-source

income only if the income is brought into Thailand in the year derived (repatriation in later years is exempt from personal income tax).

Residence – An individual is resident in Thailand for personal income tax purposes if he/she is present in Thailand for 180 days or more in a (calendar) tax year.

Filing status – A married couple may opt for a joint or separate filing on all types of personal income. The spouses also may agree to file tax returns separately with respect to employment income and file tax returns jointly on other types of personal income.

Taxable income – Gains or benefits derived by individuals are subject to personal income tax, e.g. employment income including employment-related benefits (unless exempted), profits derived by an individual from the carrying on of a trade or profession, passive income, etc.

Capital gains – Capital gains are considered taxable income.

Deductions and allowances – Subject to certain restrictions, deductions are granted for payments of insurance premiums and mortgage interest, contributions to retirement or long-term equity plans, charitable donations, etc. Personal allowances are available to a taxpayer, his/her spouse, children and parents in certain cases.

Rates – Assessable income is subject to progressive rates, up to a maximum rate of 35% on income of THB 5 million or greater. Expatriate employees of an IBC may be entitled to a flat income tax rate of 15% or an exemption from the tax in certain cases.

Dividends and interest are taxed at source at a rate of 10% and 15%, respectively. Capital gains from the sale of shares of a

public company registered on the Thailand stock exchange are exempt from personal income tax; otherwise, gains are subject to the normal progressive personal income tax rates.

Other taxes on individuals:

Capital duty – No

Stamp duty – See “Stamp duty” under “Other taxes on corporations,” above.

Capital acquisitions tax – No

Real property tax – See “Real property tax” under “Other taxes on corporations,” above.

Inheritance/estate tax – A 10% tax is levied on the beneficiary’s portion of an inheritance exceeding THB 100 million (a 0% or 5% rate may apply in certain circumstances).

A 5% gift tax is levied on the beneficiary’s portion of assets exceeding THB 20 million (or THB 10 million in the case of persons that are not ascendants, descendants or spouses).

Net wealth/net worth tax – No

Social security – An employee must contribute 5% of his/her monthly compensation to social security. The employer also is required to contribute.

Compliance for individuals:

Tax year – Calendar year

Filing and payment – Tax on employment income is withheld by the employer and remitted to the tax authorities, generally monthly. An individual must file an annual personal income tax return on or before 31 March of the following year and pay any additional income tax due at that time.

Penalties – A monthly surcharge of 1.5%

applies to underpayments of tax, up to the additional tax amount

due, and a penalty of up to 100% of the tax due will apply when the income tax liability is formally assessed by the tax authorities.

Value added tax: Taxable transactions – VAT is levied on the sale of goods and the provision of services. A VAT exemption applies to certain business activities, such as the sale of raw agriculture products, the sale of newspapers, domestic transportation, etc.

Rates – The standard VAT rate is 10%, which has been reduced to 7% until 30 September 2019. A 0% rate applies to exported goods and services.

Registration – The registration threshold for VAT is turnover exceeding THB 1.8 million for any given tax period. Nonresident suppliers that carry on business in Thailand on more than a temporary basis must register.

Filing and payment – VAT is payable by the 15th day of the month following the month in which the VAT liability arises. Self-assessment of VAT is required on the payment of certain types of income to overseas suppliers (primarily services or royalties on rights utilized in Thailand), whereby VAT is payable on the seventh day of the month following the month in which the VAT liability arises (i.e. the payment is made).

Source of tax law: Revenue Code

Tax Treaties: Thailand has concluded 61 income tax treaties.

Tax authorities: Thai Revenue Department

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