



## Taxation

### Thailand's Taxation Spectrum

Taxes are imposed both at national and local levels, with the central government being the main taxing authority. The Ministry of Finance administers the majority of tax collections through:

- The Customs Department: responsible for collection of import and export duties.
- The Revenue Department: in charge of collecting income tax, value added tax, specific business tax, and stamp duty.
- The Excise Department which collects excise tax.
- Property tax and municipal tax are collected by local authorities.

In general, tax administration follows the self-assessment system. The taxpayer has a legal duty to declare his/her income and pay tax to the authorities. The declaration and tax payment are regarded to be correct. However, additional assessments may be made by authorities in case of failure to file tax returns or filing of false or inadequate tax returns. Appeal against additional assessments is allowed.

### Personal Income Tax

An individual Thai citizen or alien who lives in Thailand for one or more periods totaling at least 180 days in any tax (calendar) year is, for tax purposes, deemed a resident of Thailand and subject to tax on all assessable income derived from sources within the country, whether paid within or outside Thailand, and on assessable income derived from foreign sources to the extent that it is brought into Thailand in a year in which income is received.

A non-resident individual is subject to tax only on assessable income from Thai sources, regardless of payment location. Non-juristic partnerships (unregistered ordinary partnerships) and non-juristic bodies are also subject to personal income tax. Individual taxable income includes money and all other employment benefits received.

### *Examples of taxable income are:*

- Wages paid in Thailand.
- Wages paid abroad as a result of work in Thailand.
- Income (wages, interest, dividends, etc.) from abroad brought into Thailand in the year earned. This applies only to those who reside in Thailand for a total of 180 days or more in any one taxable calendar year.
- Vacation pay earned in Thailand.
- Housing and meal allowances or their value.
- School fees for dependents paid for by employer.
- Cost of home leave for taxpayer and dependents.
- Any other benefit received or obligation paid for by employer.
- Taxes paid by employer for employee, including taxes paid on taxes.
- Capital gains arising from transfer of assets, except proceeds of sale of movable property acquired by bequest or acquired with no intention to trade or make profit, as well as those from selling securities listed on the Stock Exchange of Thailand, but not in the form of debentures or bonds.
- Pensions and retirement pay brought into Thailand.



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- Royalties.
- Interest on a deposit with a bank in Thailand that is repayable on demand of not more than Baht 20,000.

***Assuming that concrete proof is available, some examples of non-taxable income are listed below:***

- Bona fide gifts and inheritance.
- Income earned abroad by a person who does not reside in Thailand for a total of 180 days or more in the year the income is brought into Thailand.
- Moving expenses received by an employee to assume employment for the first time or to return to his place of origin at termination of employment.
- Per diem or transportation expenses spent by an employee exclusively and wholly for carrying out his/her duties.
- Medical expenses paid by an employer for an employee and his/her family.
- Compensation for wrongful acts, sums derived from insurance or from a funeral assistance scheme.
- Inheritance.
- Scholarships.

The tax due is assessed on the net taxable income at progressive rates ranging from 5% to 37% as illustrated below. All figures are in Thai baht.

***Allowable Deductions***

Standard deduction 40% of the wages up to a maximum of 60,000

***Personal deductions:***

For the income earner 30,000

For the spouse 30,000

For each child (maximum of three) 15,000

School allowance for each child studying in Thailand 2,000

***Other deductions provided for in the Revenue Code are:***

- Social security allowance.
- Taxpayer life insurance premiums covering a period of at least ten years from an insurance company in Thailand, but not exceeding Baht 10,000.
- Interest paid on loans granted for acquiring houses not exceeding Baht 50,000.
- Provident fund contributions not exceeding Baht 300,000.

There is a standard deduction available which varies according to the type of income, but the beneficiaries of this program are almost exclusively entrepreneurs, sole proprietors, and small businesses. There are personal exemptions of Baht 30,000 for both the taxpayer and his spouse, as well as a personal exemption of Baht 15,000 for each child and an additional Baht 2,000 for each child up to 25 years of age studying in a school in Thailand.



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A tax credit with respect to dividends is permitted for an individual domiciled in Thailand and receiving dividends from any company organized under Thai law. Such credit is computed by multiplying the dividend by the result of dividing the corporate income tax rate that the company paying the dividends is subject to by the balance of 100 minus such corporate income tax rate. The formula is shown below.

$$\text{Credit} = \text{Dividend} \times \frac{A}{100 - A}$$

### Official Tax Table of Rates

On income after deductions	Rate	Amount	Cumulative
First 50,000	0%	0	0
Next 50,000	5%	2,500	2,500
Next 400,000	10%	40,000	42,500
Next 500,000	20%	100,000	142,500
Next 3,000,000	30%	900,000	1,042,500
Over 4,000,000	37%		

### Corporate Income Tax

Companies and juristic partnerships organized under Thai law (hereinafter called Thai companies) are subject to taxation on their worldwide income, both from Thailand and foreign sources. Companies and juristic partnerships organized under foreign laws (hereinafter called foreign companies) are subject to taxation only on income from sources within Thailand. The Revenue Code takes the view that if foreign companies carry on business in this country, their income arising from or in consequence of such business constitutes Thai source income. A foreign company is deemed to be carrying on business in Thailand if it has an employee, representative, or go-between in Thailand to carry on its affairs, and thereby derives income or gains here. Therefore, a foreign company which establishes a branch office and derives income or gains therefrom in Thailand is deemed to be carrying on business in this country and thus subject to corporate income tax for its branch office net profit.

Wholly-owned subsidiaries of foreign companies established as companies or juristic partnerships under Thai law are deemed Thai, not foreign, and subject to corporate income tax. A joint venture, defined by the Revenue Code as a business or profit-seeking enterprise carried on jointly by one company and another, or by a company and a juristic partnership, or by a company and/or a juristic partnership on one hand and an individual, non-juristic body of persons, ordinary partnership, or a juristic person on the other, is also subject to corporate income tax. Foreign companies engaged in international transportation fall within the scope of corporate income tax but have special provisions attached, as explained below.

The corporate income tax rate is 30%, imposed with few exceptions on worldwide net profit received by Thai companies and on Thai source net profit received by foreign companies during the given tax year (i.e. accounting period). Foreign companies engaged in international transportation are subject to tax at the rate of 3% of gross ticket receipts collected in Thailand for passenger transportation and 3% of gross freight charges collected anywhere for transportation of goods from Thailand in lieu of tax on net profit.



Dividends received by Thai companies or foreign companies carrying on business in Thailand are taxable as ordinary income. However, a Thai company is entitled to include in its taxable income only one-half of the dividends received from another Thai company, provided that shares have been held for a period of at least three months before and three months after receipt of such dividends (defined as a holding period). A Thai company will be exempt from taxation on all dividends received from another Thai company if the recipient company holds at least 25% of the total shares with voting rights in the paying company and has so held such shares in compliance with the holding period, and the paying company does not hold any shares of the recipient company, either directly or indirectly. Thai companies listed on the Stock Exchange of Thailand are exempt from taxation on all dividends received from other Thai companies if they merely comply with the defined holding period.

A foreign tax credit is allowed for tax paid by Thai companies in foreign countries. This credit may be applied against Thai corporate income tax up to the amount payable on such income.

Business expenses and depreciation allowances generally incurred by the nature of the business are allowed at rates ranging from 5% to 100% per annum as deductions from gross income in determining net profit. However, reserves not required by law, private expenses, gifts to charitable institutions exceeding 2% of net profit, donations for education or athletics exceeding 2% of net profit, non-maintenance capital expenditures, or penalties or fines imposed under the Revenue Code are not allowed.

Net losses may be carried forward for up to five succeeding accounting periods as offsets against future profits. Loss carry-backs are not allowed. An annual income tax return must be filed within 150 days after the end of each accounting period, and must be accompanied by audited financial statements.

Mid-year corporate income tax is payable based on the estimated half-year results, to be paid in the eighth month of each accounting period. The amount of tax to be paid is computed either on one-half of the estimated net profit for the whole year or on the actual net profit for the first six months of an accounting period. However, for companies listed on the Stock Exchange of Thailand, commercial banks, and finance, securities, or credit foncier companies, the mid-year tax is payable on the actual half-year result. Mid-year income tax is an advance tax payment and can be used as a credit against annual income tax.

#### **Withholding Tax on Foreign Remittances**

Foreign companies which are not deemed to be carrying on business in Thailand but deriving assessable income in Thailand such as services rendered, royalties, interest, rental income, and professional fees, are subject to withholding tax based on the gross income amount. The applicable tax rate is 15%. In addition, dividend payments are subject to a 10% rate. The tax must be withheld at source at the time of payment. Within seven days after the end of the month in which payments are made to foreign non-resident shareholders, the sums withheld must be remitted to the Revenue Department.



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In addition to the 30% corporate income tax on net profit, a branch office's profit remittance to its head office abroad is subject to taxation at the rate of 10% of the amount actually or deemed remitted. This amount of tax must be withheld by the branch and remitted within seven days after the end of the month to the Revenue Department.

### **Petroleum Income Tax**

Income derived from petroleum operations of a company owning interest in a petroleum concession granted by the Thai government and of a company purchasing oil for export from a concession holder is subject to income tax imposed by the Petroleum Income Tax Act B.E. 2514 (A.D. 1971), as amended. Taxes levied by the Revenue Code, including tax on remittance of profit and dividends, are not applicable to such income. Income from petroleum operations includes gross income from sale or disposal of petroleum, gross income arising from transfer of any property or right-related petroleum business, and any other income arising from conducting petroleum business. The value of petroleum delivered as a royalty payment to the government must also be included in the company's income from petroleum operations.

Deductions, among others, are royalties, both in cash and in kind, paid to the Thai government and other expenditures reasonably allocable to the company's petroleum business. Petroleum income tax is charged on net profit at the rate of 50%. Net profit for petroleum income tax is computed in the same manner as corporate income tax, but net losses may be carried forward for ten accounting periods.

### **Double Taxation**

Thai tax treaties are mainly concerned with the avoidance of double taxation. The general principle is that the country in which the income arises (source country) has the prior right to tax and the country of residence will grant a relief (tax exemption or tax credit) from paying taxes twice on the same income. In addition, the treaties also provide for cooperation between governments in preventing the evasion of taxes.

Thailand has entered into a number of treaties for the avoidance of double taxation. The scope of the Thai tax treaties covers taxes on income and on the capital of individual and juristic entities. The provisions of these tax treaties minimize or exempt certain types of income from taxation.

### **Countries Having Double Tax Treaties with Thailand**

Australia, Austria, Bangladesh, Belgium, Bulgaria (Rep.), Canada, China (People's Republic of China), Cyprus (Rep.), Czech Republic, Denmark, Finland, France, Germany, Hungary, India, Indonesia, Israel, Italy, Japan, Korea (Rep.), Laos, Luxembourg, Malaysia, Mauritius, Nepal, Netherlands, New Zealand, Norway, Pakistan, Philippines, Poland, Romania, Singapore, South Africa, Spain, Sri Lanka, Sweden, Switzerland, United Arab Emirates, United Kingdom, U.S.A., Uzbekistan, Vietnam

### **Countries with Which Treaties Are under Approval of Related Authorities**

Albania, Belarus, Burma, Indonesia (revised), Malta, Oman, Tunisia, Turkey, Zimbabwe, Hong Kong, and Taiwan are the major trading partners or financial centers which do not have double tax treaties with Thailand.



## **Other Taxes**

### **Value Added Tax (VAT)**

As of January 1, 1992, the Value Added Tax (VAT) replaced the business tax. The VAT is generally imposed at a single rate of 10% and applies, with a few exceptions, to goods and services supplied in or imported into Thailand. From April 1, 1999 until presently, the VAT rate has been reduced to 7%. The return to 10% has been delayed until further notice from the government.

This 7% or 10% VAT already includes municipal tax, which is charged at the rate of one-ninth of the VAT rate. A zero per cent rate applies to certain businesses, for example, the export of goods or services, international transportation by sea or air, and the sale of goods and services to United Nations-related organizations.

Small-scale traders whose annual turnover does not exceed Baht 1.2 million are not subject to VAT. The trader will charge VAT on the sale of goods or provision of services to the consumer. VAT paid by such trader to manufacturers or other traders for the purchase of goods or services is then deducted and the balance remitted to the Revenue Department. The tax thus accrues at each stage only on the value added. Under this system, the tax is eventually borne by the ultimate consumer, with manufacturers and traders regarded as collectors of tax on behalf of the Revenue Department.

Exclusions from VAT are businesses subject to specific business tax, businesses necessary for maintenance of life and social welfare (i.e. health care services, educational services, domestic transportation, sale of unprocessed agricultural products), cultural services, religious and charitable services. Traders who do only zero-rated supply business will not be required to collect VAT on their supplies, but can refund all VAT paid for purchase of goods and services from others. Services provided by traders residing abroad and utilized in Thailand are regarded as being rendered in Thailand and subject to 7% VAT. The recipient of such service must self-assess and remit VAT to the Revenue Department when paying service fees to overseas traders.

### **Specific Business Tax (SBT)**

This tax is imposed on certain types of businesses whose value added is difficult to define such as banking, finance, credit foncier, life insurance, pawnshops, and real estate. Such businesses are considered to be outside the VAT system and therefore are not subject to VAT. Specific business tax is computed on monthly gross receipts at rates varying from 0.1% to 3%, which do not include municipal tax. Unlike the VAT system, traders who are subject to the SBT cannot claim payment as a credit for VAT paid and are not entitled to charge VAT to customers. Traders liable to specific business tax may also have to pay VAT on activities not directly related to the specific business or those directly related to it, but prescribed by law as business subject to VAT (e.g., credit card services, consultancy services, securities brokerage and agency services, securities underwriting services, and letting out movable properties for hire). Traders residing outside Thailand may be liable to specific business tax if they carry on business through agents, representatives, or employees in Thailand.



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### **Municipal Tax**

When specific business tax is paid, municipal tax of 10% is imposed thereon. When VAT is paid, one-ninth of its rate goes to municipal tax.

### **Stamp Duty**

Stamp duty is levied on 28 classes of instruments listed in the Stamp Duty Schedule of the Revenue Code such as promissory notes, bills of exchange, powers of attorney, letters of credit, checks, bills of lading, memoranda of associations of a limited company, articles of association of a limited company, and partnership contracts. Rates vary according to classification of transaction contained in the instrument. If the instrument is executed in Thailand, the stamp duty is due within 15 days after the execution date. However, if the instrument is executed outside Thailand, the stamp duty is due within 30 days after arrival of the instrument in Thailand.

### **Excise Tax**

This tax is imposed on selected goods (mainly luxury items) such as gasoline and petroleum products, tobacco, liquor, soft drinks, playing cards, crystal glasses, perfume and cosmetic products, air conditioners not over 72,000 BTU, and passenger cars with less than ten seats. Excise tax will be computed according to the Excise Tax Tariff on an *ad valorem* basis or at a specific rate, whichever is greater. All goods subject to excise tax also remain subject to VAT. The excise tax is collected by the Excise Department and usually imposed at the time of delivery of the goods from factories.

### **Customs Duty**

Customs duty is mainly imposed on imported and selected export goods specified by the Law on Customs Tariff. Exported goods that are subject to customs duty include rice, rubber, leather, and teak. Customs duty is levied in accordance with the Harmonized Commodity Description and Coding System or Harmonized System. Most tariffs are *ad valorem*. In certain cases, however, both *ad valorem* and *ad naturam* rates are given, and the tariff that gives the most revenue will apply. In general, the invoice price is the basis for computation of duty and normally applied to CIF (Cost, Insurance, Freight) value for import and FOB (Free On Board) for export. Thailand is a member of the General Agreement on Tariffs and Trade (GATT) and the World Trade Organization (WTO). Thai Customs law adopts practices and standards in accordance with the GATT codes in determination of customs price.

### **Property Tax**

Property tax is imposed and collected annually. There are two kinds of property tax in Thailand: house and land tax and local development tax. Under the House and Land Tax Act B.E. 2475 (A.D. 1932) as amended, the tax is imposed on owners of houses, buildings, structures, or land rented or otherwise put to commercial use. Taxable property under house and land tax includes houses not occupied by the owner, industrial and commercial buildings, and land used in connection therewith. The tax rate is 12.5% of actual or assessed annual rental value of the property.



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Under the Local Development Tax Act B.E. 2508 (A.D. 1965) as amended, the tax is imposed upon the person who either owns or is in possession of the land. Tax rates vary according to the assessed value of the land. Allowances are granted for land utilized as personal dwellings, raising of livestock, and cultivation of crops by the owner. The extent of the allowances differs according to location of the land.

### **Signboard Tax**

Under the Signboard Tax Act B.E. 2510 (A.D. 1967) as amended, the tax is levied on signboards showing names, symbols or marks of business, or advertisements. Rates specified in the Signboard Tax Act are computed on signboard size ranging from Baht 3 to Baht 40 per 500 square centimeters (but not less than Baht 200 per signboard).

### **Inheritance, Estate, and Gift Taxes**

Thailand has none.

### **Tax Violations**

#### **Personal Income Tax Violations**

An individual who fails to file his/her annual tax return is subject to a penalty of twice the amount of the tax due plus a surcharge of 1.5% per month of the tax due. In the case of an improperly filed tax return, the individual will have to pay a one-time penalty in the amount of the tax due and a surcharge of 1.5% per month of the tax due.

#### **Corporate Income Tax Violations**

Corporate income tax in Thailand is generally based upon net profit. The tax rate on net profit is 30% for companies and registered partnerships. An annual corporate income tax return, together with the tax due, must be filed within 150 days after the end of the accounting period accompanied by audited financial statements. For a juristic entity, failure to file or an improper filing of the tax return is subject to the same punishment imposed upon individuals. A mid-year estimated corporate tax return is also required. It must be filed by the eighth month of the accounting period.

On the estimated year-end profit, 50% of the estimated corporate income tax must be paid. Failure to file the mid-year tax return without a reasonable excuse is subject to a surcharge of 20% of the amount of the tax due. In addition, should the actual profit be found at the end of the fiscal year to vary more than 25% from the estimated profit in the mid-year return without a reasonable excuse, a surcharge of 20% of the tax payable can also be imposed. Companies listed on the Stock Exchange of Thailand, commercial banks, and finance, securities, or credit foncier companies, which pay taxes based on actual profit, may also be subject to a surcharge of 20% of the amount of tax due for failure to file the mid-year tax return or filing the mid-year tax return inaccurately without a reasonable excuse.



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### **Value Added Tax (VAT) Violations**

The VAT registrant is generally required to file a monthly VAT return and pay the tax monthly, no later than the fifteenth day of the following month. Failure to register as a VAT payer, file a VAT return, or issue a tax invoice to a customer, is subject to a penalty of twice the amount of the tax due. A surcharge for failure to pay the VAT is levied at the rate of 1.5% per month of the tax due. In addition, punishment for noncompliance with VAT regulations allows for a maximum punishment of imprisonment up to seven years and a fine of up to Baht 200,000. It should be noted that the VAT law has introduced a new punishment principle--if the offenses have been committed by a juristic person, its managing directors, managers, or representatives will also be subject to the same penalties, unless they can prove they did not consent to or play a part in committing the offenses. This punishment principle did not exist in the business tax law. Such penalties, surcharges, and punishment cited above also generally apply to the Specific Business Tax (SBT) payer. Failure to file any tax return on time invites hefty penalties, surcharges, and fines. In most instances, it is cheaper to file an inaccurate/incomplete return on time and amend it later than it is to file a correct return late.

### **SBC Business Link Co., Ltd**

Formed as a wholly owned subsidiary of SBC Business Group, SBC Business Link has a team of certified accountants and auditors to assist you and your business in tackling all aspects of the Thai taxation system.

We provide monthly accounting and taxation services, audits of financial statements internal audits and filing of all the various types of tax returns.

For more information, please email [chaiwat@sbcbizlink.com](mailto:chaiwat@sbcbizlink.com) or visit [www.sbcbizlink.com](http://www.sbcbizlink.com) for more information.