Taxation in Thailand

The Revenue Code outlines regulations for the imposition of taxes on income, with income tax divided into three categories : Corporate income tax, value added taxes (or specific business taxes), and personal income tax.

Corporation Income Tax (CIT)

Corporate Income Tax (CIT) is a direct tax levied on a juristic company or partnership which is established under Thai or foreign law and carries on business in Thailand or derive certain types of income from Thailand.

The term "juristic company or partnership" (hereinafter called "company") means a limited company, a limited partnership or a registered ordinary partnership incorporated under Thai of foreign law as well as an association and a foundation engaged in business producing revenue. The term also includes any joint venture and any trading or profit-seeking activity carried on by a foreign government or its agency or by any other juristic body incorporated under a foreign law.

1.1 Taxable Persons

Corporate income tax is levied on both Thai and foreign companies. A Thai company means a company incorporated under the law of Thailand. This company is subject to tax in Thailand on its worldwide net profit at the end of each accounting period (12 months)

A foreign company means a company incorporated under foreign law. Generally, a foreign company is treated as carrying on business in Thailand if it has an office, a branch or any other place of business in Thailand or has an employee, agent, representative or go-between for carrying on business in Thailand.

A foreign company carrying on business in Thailand is subject to CIT only for net profit arising from or in consequence of business carried on in Thailand, at the end of each accounting period. However, the foreign company engaged in international transport is subject to tax on its gross receipts. When a foreign company disposes its profit out of Thailand, such profit will be subject to tax on the sum disposes. Profit also means any sum set aside out of profits as well as any sum which may be regarded as profit.

A foreign company, not carrying on business in Thailand but deriving certain types of income from Thailand, such as service fee, interests, dividends, rents, professional fee, is subject to corporate income tax on the gross amount received. It is collected in the form of withholding tax by which the payer of income shall deduct the tax from the income at the rate shown below (Tax Rates)

1.2 Tax Calculation

In the calculation of CIT of a company carrying business in Thailand, it is calculated from the company's net profit on the accrual basis. A company shall take into account all revenue arising from or in consequence of the business carried on in an accounting period and deducting from that figure all expenses as prescribed by the Revenue Code. For dividend income, one-half of the dividends received by Thai companies from any other Thai companies may be excluded from the taxable income. However, the full amount may be excluded from taxable income if the recipient is a company listed on the stock

Exchange of Thailand or the recipient owns at least 25% of the distributing company's capital interest, provided that the distributing company does not own a direct or indirect capital interest in the recipient company. The exclusion of dividends is applied only if the shares are acquired not less than three months before receiving the dividends and are not disposes of within three months after receiving the dividends.

In calculating CIT, deductible expenses are as follow:

1. Ordinary and necessary expenses. However, the deductible amount of the following expenses is allowed at a special rate.
   - 200% deduction of research and Development expense
   - 150% deduction of job training expense
   - 200% deduction of expenditure on the provision of equipment for the disabled;
2. Interest, except interest on capital reserves or funds of the company;
3. Taxes, except for Corporate Income Tax and Value Added Tax paid to the Thai government;
4. Net losses carried forward from the last five accounting periods;
5. Bad debts;
6. Wear and tear;
7. Donations for up to 2% of net profits;
8. Provident fund contributions;
9. Entertainment expenses up to 0.3% of gross receipt but not exceeding 10 million Baht;
10. Depreciation provided that in no case shall the deduction exceed the following percentage of cost as shown below. However, if a company adopts an accounting method, in which the depreciation rates vary from year to year, the company is allowed to do so, provided that the number of years over which an asset depreciated shall not be less than 100 divided by the percentage prescribed below.

Type of Asset	Rate of Depreciation
Durable buildings	5%
Temporary buildings	100%
Cost of acquisition of depletable natural resources	5%
Cost of acquiring lease rights : • If there is no written lease agreement of if there is a written lease agreement whereby continuous renewals are permitted • If there is a written lease agreement containing no renewal clause or containing a renewal clause but restricting renewable periods to a definitely limited duration	10% 100% divided by the original and renewable leases periods
Cost of acquisition of the right in a process, formula, goodwill, trademark, business license, patent, copyright or any other right: • If the period of use in unlimited • If the period of use is limited	10% 100% divided by number of years used
Other depreciable assets not mentioned above excluding land and inventory	20%
Machinery used in SMEs	Initial allowance of 40% on the date of acquisition and the residual can be depreciated at 20%
Machinery or equipment used in technical R&D	Initial allowance of 40% on the date of acquisition and the residual can be depreciated at 20%
Cash registering machine	100% or initial allowance of 40% on the date of acquisition and the residual can be depreciated at 20%
Computers and accessories • SMEs • Other businesses	Initial allowance of 40% on the date of acquisition and the residual can be depreciated over 3 years Depreciated over 3 years

1.3 Tax Rates

Taxpayer	Tax Base	Rate (%)
Small company	First 150,000 Baht of profit Net profit exceeding 150,000 Baht but not exceeding 1 million Baht Net profit not exceeding 1 million Baht Net profit over 1 million Baht but not over exceeding 3 million Baht Net profit exceeding 3 million Baht	0 15 25 30
Companied listed on Stock Exchange of Thailand (SET)	Net profit for first 300 million Baht Net profit for the amount exceeding 300 million Baht	25 30
Companies newly listed on Stock Exchange of Thailand (SET)	Net profit	25
Companies newly listed on Market for Alternative Investment (MAI)	Net Profit for first 5 accounting periods after listing Net Profit after first 5 accounting periods	20 30
Bank deriving profits from International Banking Facilities (IBF)	Net Profit	10
Foreign company engaging in international transportation	Gross Receipt	3
Foreign company not carrying on business in Thailand receiving dividends from Thailand	Gross Receipt	10
Foreign company not carrying on business in Thailand receiving other types of income apart from dividend from Thailand	Gross Receipt	15
Foreign company disposing profit out of Thailand	Amount disposed	10
Regional Operating Headquarters (ROH)	Net Profit	10

1.4 Withholding Tax

Certain types of income paid to companies are subject to withholding tax at source. The withholding tax rates depend on the types of income and the tax status of the recipient. The payer of income is required to file the return (Form CIT 53) and submit the amount of tax withheld to the District Revenue Offices within seven days of the following month in which the payment is made. The tax withheld will be credited against final tax liability of the taxpayer. The following are the withholding tax rates on some important types or income.

Type of Income	Withholding Tax Rate (%)
Dividends	10
Interest • If paid to associations or foundations • In other cases	 10 1
Royalties • If paid to associations of foundations • In other cases	 10 3
Advertising Fees	2
Service and professional fees • If paid to Thai company or foreign company having permanent branch in Thailand • Of paid to foreign company not having permanent branch in Thailand	 3 5
Prizes	5

1.5 Tax Return and Payment

Thai and foreign companies carrying on business in Thailand are required to file their tax returns (Form CIT %) within 150 days from the closing date of their accounting periods. Tax payment must be submitted together with the tax returns. Any company disposing funds representing profits out of Thailand is also required to pay tax on the sum so disposed within seven days from the disposal date (Form CIT 54)

In addition to the annual tax payment, any company subject to CIT on net profit it also required to make tax prepayment (Form CIT 51). A company is obliged to estimate its annual net profit as well as its tax liability and pay half of the estimated tax amount within two months after the end of the first six months of its accounting period. The period tax is credited against its annual tax liability. Failure to pay the estimated tax or underpayment by more than 25 percent may subject the taxpayer to a fine amounting to 20 percent of the amount in deficit.

For income paid to foreign companies not carrying on business in Thailand, the foreign company is subject to tax at a flat rate that the payer shall withhold at source at the time of payment. The payer must file the return (Form CIT 54) and make the payment to the Area Revenue Branch Office within seven days of the following month in which the payment is made.

Failure to file a tax return, late filing or filing a return containing false or adequate information may subject the taxpayer to various penalties. Failure to file a return, and subsequent non0compliance with an order to pay the tax assessed, may result in a penalty equal to twice the amount of tax due. Penalties are due within 30 days of assessment.

1.6 Losses

Net losses may be carried forward for five accounting periods for offset against future profits from all sources. There is no provision for loss carry-back.

Each company's losses are dealt with separately. There is no form of group relief or relief by consolidation. A charge in shareholding does not affect its tax losses.

1.7 Tax Credits

Thai companies can use foreign tax paid on business income or dividend received as a credit against the corporate income tax liability. The credit cannot exceed the amount of Thai tax on the income had the income been derived in Thailand.

Credit is also given for Thai corporate income tax that has been deducted at source (as mentioned above) and for the half-year tax paid.

1.8 Remittance Taxes

There are two types of final withholding taxes imposed on the remittance of income or profits to foreign companies :

- Remittance of income in the form of :

- Brokerage, fees for services	15%
- Royalties	15%
- Interest	15%
- Dividends	15%
- Capital gains	15%
- Rental of property	15%
- Liberal professionals	15%

- Remittance of profits after corporate income tax, a sum representing profits, or a sum set aside out of profits or regarded as profits is subject to 10% withholding tax.

2 Value Added Tax

Value added tax (VAT) is a non-cumulative broad-based consumption tax levied on the supply of goods or provision in Thailand by VAT operates. VAT is calculated on the total price of the goods delivered or services provided. A provision of services is deemed to have been made in Thailand if the service is performed in Thailand, regardless of where the service is used, or if the service is performed abroad but is used in Thailand.

In principle, the input VAT on purchases of goods or services related to the business of a registered VAT operator may be credited against output VAT.

Under this tax regime, value added at every stage of the production process is subject to a seven percent tax rate. This tax affects producers, providers of services, wholesalers, retailers, exporters and importers.

2.1 Registration

Persons who have annual turnover in excess of 1,800,000 Baht are required to register as VAT operators. Only registered VAT operators are entitled to the credit or refund of input VAT.

2.2 Exemption from VAT

Certain persons and businesses are exempt from VAT, for example, leasing an immovable property, or sale of newspapers, magazines, or textbooks.

2.3 Tax Rates

The current VAT rate is **7%**

A zero percent rate is applied to the following items :

- Exported goods
- Services provided in Thailand but totally used in a foreign country.
- Sales of goods or services to government agencies or state enterprises under foreign aid programs.
- Sales of goods or services to the United Nations or its specialized agencies as embassies, and consulate general.
- Sales of goods and services between bonded warehouses or between enterprises located in a Duty Free Zone

2.4 Vat Calculation

VAT must be paid on a monthly basis, calculated as :

OUTPUT TAX – INPUT TAX = TAX PAID

Where output tax is the VAT which the operator collects from the purchaser when a sale is made, and input tax is the VAT which an operator pays to the seller of a goods or service which is then used in the operator’s business.

If the result of this calculation is a positive figure, the operator must submit the remaining tax to the Revenue Department not later than 15 days after the end of this month. However, for the negative balance, the operator is entitled to a refund in a form of cash or a tax credit, which must be paid in the following month.

2.5 Tax Invoices

VAT operators are required to issue tax invoices indicating the amount of goods or services provided together with VAT charges. All significant particular in tax invoices must be completed as prescribed by law. Substantially incomplete or incorrect information in tax invoices may result in a VAT operator being unable to claim input tax.

2.6 Tax Return and Payment

VAT taxable period is a calendar month. VAT return therefore must be filed on a monthly basis. VAT return (Form VAT 30) together with tax payment, if any, must be submitted to the Area Revenue Branch Office within 15 days of the following month. If taxpayer has more than one place of business , each place of business must file the return and make a payment separately unless there is an approval from the Director-General of the Revenue department. Services utilized in Thailand supplied by service providers in other countries are also subject to VAT in Thailand. In such a case, service recipient in Thailand is obliged to file VAT return (Form VAT 36) and pay tax, if any, on behalf of the service providers.

In the case where supply of goods or services is also subject to Excise tax return and tax payment within 15 days of the following month. In case of imported goods, VAT return and tax payment must be submitted to the Customs Department at the point of import.

3. Personal Income Tax

Personal Income Tax (PIT) is a direct tax levied on income of a person. A person means an individual, an ordinary partnership, a non-juristic body of person, a deceased person and an undivided estate. In general, a person liable to PIT has to compute his tax liability, file tax return and pay tax, if any, accordingly on a calendar year basis.

3.1 Taxable Person

Taxpayers are classified into “resident” and “non-resident”. “Resident” means any person residing in Thailand for a period or periods aggregating more than 180 days in any tax (calendar) year. A resident of Thailand are liable to pay tax on income from sources in Thailand on a cash basis, regardless where the money is paid, as well as on the portion of income from foreign sources that is brought into Thailand. A non-resident is , however, subject to tax only on income from sources in Thailand.

3.2 Assessable Income

Income changeable to the PIT is called “assessable income”. The term covers income both in cash and in kind. Therefore, any benefits provided by an employer or other persons, such as a rent-free house or the amount if tax paid by the employer on behalf of the employee, are also treated as assessable income of the employee for the purpose of PIT.

Assessable income is divided into eight categories :

- Salaries and wages
- Hire of work, office of employment or services rendered
- Goodwill, copyright, franchise, other rights, annuity, etc.
- Interest (including interest derived on bank deposit in Thailand), dividends, bonuses for investors, gains from amalgamation, acquisition or dissolution of juristic companies or partnerships, and gains from transferring of shares or partnership holding, etc.
- Leasing Income or property, breach of installment sales or hire-purchase contracts;
- Income from liberal professions (e.g. law, medicine, engineering, architecture, accountancy and fine arts)
- Income from construction and other contracts of work;
- Income from business, commerce, agriculture, industry, transport or any other activity not specified earlier.

3.3 Capital Gains

Most types of capital gains are taxable as ordinary income with the following exemptions:

- Capital gains from the sale of shares in a company listed on the Stock Exchange of Thailand, provided that the sale is made on the Stock Exchange of Thailand, and from the sale of investment units in a mutual fund.
- Gains from the sale of non-interest bearing government bonds, debentures, bills, or debt instrument issued by a corporate entity or other juristic entities, except in the case where the bonds or debt instruments were

sold for the first time at the price lower than their redemption price to an individual and the tax has been withheld from the difference between the redemption price earned and the selling price and the instrument has been stamped to the effect that tax has been so withheld.

- Gains from the sale of government bonds.

3.4 Exemptions

Certain types of income are exempt from personal income tax. In relation to income from employment, money derived in the form of per diem, traveling expenses, and certain fringe benefits (such as medical treatment) are tax exempt. The exemptions also cover the share of profits obtained from a non-juristic body of persons, maintenance income, derived under moral obligation , corpus of a legacy or inheritance, income of a mutual fund or from the sale of investment units in a mutual fund, interest from government bonds earned by a non-resident, etc.

In addition, to support low-income earners and the aged, an income exemption is granted to taxpayers. Net income of the first 100,000 Baht is tax exempt. A Thai resident who is 65 years of age or older is also granted personal income tax exemption on income received up to an amount not exceeding 190,000 Baht.

3.5 Computation

Thailand use a self-assessment system in collecting taxes. Taxpayers are required to declare their tax liabilities in the specific tax returns (PND 90, PND 91) and pay the tax due at the time of filing.

Certain deductions and allowances are allowed in the calculation of the taxable income. Taxpayers shall make deductions from assessable income before the allowances are granted. Therefore, taxable income is calculated by :
TAXABLE INCOME = assessable income – deductions – allowances

3.6 Deductions and Allowances

Deductions allowed for the calculation of PIT

Type of Income	Deduction
Income from employment	40% but not exceeding 60,000 Baht
Income received from copyright	40% but not exceeding 60,000 Baht
Income from letting out of property on hire • Building and wharves • Agricultural land • All other types of land • Vehicles • Any other type of property	 30% 20% 15% 30% 10%
Income from liberal professions	30% except for the medical profession where 60% is allowed
Income derived from contract of work whereby the contractor provides essential materials besides tools	Actual expense or 70%

Income derived from business, commerce, agriculture, industry, transport or any other activities not specified earlier	Actual expense or 65-85% depending on the types of income
Personal allowance • Single taxpayer • Undivided estate • Non-juristic partnership or body of persons	 30,000 Baht for the taxpayer 30,000 Baht for the taxpayer's spouse 30,000 Baht for each partner but not exceeding 60,000 Baht in total
Spouse allowance	30,000 Baht
Child allowance (child under 25 years of age and studying at educational institution or a minor or an adjusted incompetent or quasi-incompetent person)	15,000 Baht each (limited to three children)
Parents allowance (parents over 60 years of age with income less than 60,000 Baht)	30,000 Baht each
Old age allowance (over 65 years of age)	190,000 Baht income exemption each
Education)additional allowance for child studying in educational institution in Thailand)	2,000 Baht each child
Life insurance premium paid by taxpayer or spouse	Amount actually paid but not exceeding 50,000 Baht each
Approved provident fund contributions and/or retirement mutual fund contributions	Maximum allowance (exemption) of 300,000 Baht but not exceeding 15% of income
Long term equity fund	Maximum allowance (exemption) of 300,000 Baht but not exceeding 15% of income
Home mortgage interest	Amount actually paid but not exceeding 100,000 Baht
Social insurance contributions paid by taxpayer or spouse	Amount actually paid each
Charitable contributions	Amount actually donated but not exceeding 10% of income after standard deductions and allowances

3.7 Tax Credits

Any taxpayer who domiciles in Thailand and receives dividends from juristic company or partnership incorporated in Thailand is entitled to a tax credit. In computing assessable income, a taxpayer shall gross up his dividends by the amount of the tax credit received. The amount of tax credit is then creditable against his tax liability.

Tax credit = dividend x corporate tax rate / (100 – corporate tax rate)

3.8 Tax Rates

Personal income tax rates applicable to taxable income are as follow.

Individual tax rates are shown below :

Taxable income	Tax Rate (%)	Tax Amount	Accumulates Tax
0 – 150,000	Exempt	-	-
150,000 – 500,000	10	35,000	35,000
500,001 – 1,000,000	20	100,000	135,000
1,000,001 – 4,000,000	30	900,000	1,035,000
4,000,001 and over	37		

3.9 Withholding Tax for Personal Income Tax

All persons paying assessable income are required to deduct income tax at source on each payment.

4. Other Taxes

4.1 Specific Business Tax (SBT)

Due to the difficulty in determining the value added of certain business for the purpose of VAT imposition, an alternative tax levy on services, especially in the financial services sectors, was introduced in tandem with the VAT regime. Specific business tax (SBT) is collected on gross revenue at fixed rates.

The SBT is computed on the monthly gross receipt at the following rates :

Business Subject to SBT	Applicable Rate
Banking, Finance and Credit Foncier Businesses	3.0 %
Life Insurance	2.5 %
Pawnshop Brokerage	2.5 %
Sale of Securities in the Stock exchange	0.1 %
Sale of Immovable Property, Real Estate	0.1 %
Businesses with regular Transactions Similar to Commercial Banking	3.0 %

Remark : Local tax at the rate of 10% is imposed on top of SBT.

Note : rate is applicable for registration of rights and juristic acts relating to the sale of immovable properties executed within one year from 29 March 2008

4.2 Stamp Duty

Certain documents mentioned in the Stamp Duty Schedule of the Revenue Code (e.g. power of attorney, letter of credit, check, bill of lading, service contracts, etc) must contain documentary stamps of various specified denominations. While the stamp duty is generally at nominal rates, failure to affix such stamps may be subject to a surcharge of up to 600 percent.

4.3 Petroleum Income Tax

The Petroleum Income Tax Act replaces the Revenue Code in imposing a tax income from firms which own an interest in petroleum concession granted by the Thai government or which purchase iol from a concession holder for export. Net income from petroleum operations includes revenue from production, transport or sale of oil and gas, the value of gas delivered to the government as a royalty and the proceeds of a transfer of interest in a concession. The tax rate for most opertors is not less than 50 percent and not more than 60 percent of net profits.

4.4 Excise Tax

Excise tax is currently levied on the following commodities :

- Fuel oil and petroleum products
- Beverages

- Electrical appliances
- Crystal glassware
- Motor vehicles
- Boats
- Perfume products and cosmetics
- Entertainment services
- Liquor and beer
- Cigarettes containing tobacco
- Woolen carpets
- Motor bicycles
- Batteries
- Playing cards

The manufacturer of these products must file a return and remit the tax due prior to taking the goods from the factory or bonded warehouse. If a VAT liability arises before the goods are taken out of such locations, the manufacturer must file a return and remit the tax to the Excise Department within 15 days from the end of the month.

4.5 Property Tax

There are two kinds of property tax in Thailand, namely, house and land tax, and local development tax. House and land tax is imposed on the owners of a house, building structure or land, which is rented or otherwise put to commercial use. The tax rate is 12.5 percent of actual or assessed annual rental value of the property.

A local development tax is imposed on any person who either owns land or is in possession of land. The tax rates vary according to the appraised value of the property, as assessed by the local authorities, usually ranging from 0.25%-0.95% annually. There is an allowance granted for land utilized for personal dwellings, the raising of livestock and the cultivation of crops by the owner. Cultivated land in excess of the exempt are is subject to one-half the statutory rate, while idle land is subject to twice the statutory rate.