


Thai Tax

2024/25

Booklet

The background features a complex arrangement of geometric shapes in shades of gray, black, and white. At the top left, there are two horizontal bars of different lengths. To their right is a dashed line. Further right is a quarter-circle with a small circle at its center. A large, semi-circular shape is split vertically into two shades of gray. On the right side, there is a vertical bar and a partial semi-circle. At the bottom, there are several more shapes: a vertical bar, a square, a dashed line with a circle at its end, and a large triangle pointing left. The text is centered in the lower half of the page.

This document has been prepared for general guidance on matters of interest only and does not constitute professional advice. You should not act upon the information contained in this document without obtaining specific professional advice. No representation or warranty (express or implied) is given as to the accuracy or completeness of the information contained in this document, and, to the extent permitted by law, PwC Thailand does not accept or assume any liability, responsibility or duty of care for any consequences of you or anyone else acting, or refraining to act, in reliance on the information contained in this publication or for any decision based on it.

Foreword

This booklet has been prepared to provide general information on Thailand's tax system and primary assistance to those investing in Thailand and it should not be regarded as a basis for ascertaining a liability to tax in specific circumstances. The information is based on the tax laws and practices as of 1 September 2024. Further professional advice should always be obtained from our tax and legal services practice before acting on any matters contained in this publication.

Niphan Srisukhumbowornchai

Lead Partner

PricewaterhouseCoopers Legal & Tax Consultants Limited

Table of contents

Personal Income Tax page 1

Resident status	2
Foreign-sourced income	2
Taxable persons	2
Assessable income	3
Capital gains	3
Gift tax	4
Exemptions	5
Computation	6
Deductible expenses	6
Allowances	7
Tax rates	12
Tax credits	12
Withholding tax	13
Tax administration	15
Penalties and surcharge	16
Tax investigation and assessment	17
Appeal	17

Corporate Income Tax page 18

Resident status	19
Taxable entities	19
Taxable income	19
Tax on gross income	20
Capital gains	21
Exemptions	21
Tax rates	24
Branch income	24
Functional currency	24
Computation of net profit	26

Deductions	26
Non-deductible expenses	30
Depreciation	31
Losses	33
Withholding tax on domestic payments	33
Tax credits	35
Withholding tax on foreign payments	35
Double tax treaties	36
Group taxation	44
Holding companies	44
Thin capitalisation	44
Transfer pricing rules	44
The multilateral instrument (MLI)	49
Tax administration	51
Penalties, surcharge and appeal	51

Pillar Two

page **52**

The Pillar Two global minimum tax rules	53
Thailand's implementation of the Pillar Two rules	53
Taxable persons	54
Charging mechanisms	54
Tax administration	56
Penalties, surcharge and appeal	56

Value Added Tax

page **57**

Basis of taxation	58
Taxpayers	58
Registration	59
Exemptions	59
Tax rates	60
Computation	60
Reverse charge VAT	61

Tax invoices	61
Overseas digital service providers	61
Tax administration	62
Penalties and surcharge	63
Specific Business Tax	page 64
Taxpayers	65
Businesses subject to SBT and applicable rates	65
Tax administration	66
Penalties and surcharge	66
Stamp Duty	page 67
Basis of taxation	68
Rates	68
Documents and instruments subject to stamp duty	68
Payment of stamp duty and surcharge	69
Customs Duties	page 71
Basis of taxation	72
Customs controls and procedures	73
Customs incentive schemes	74
Offences and penalties	74
Excise Tax	page 76
Basis of taxation	77
Taxable goods and services	77
Petroleum Income Tax	page 80
Basis of taxation	81

Taxable income	81
Functional currency	82
Tax administration	82
Penalties and surcharge	82
Local Taxes	page 83
Basis of taxation	84
Land and building tax	84
Signboard tax	88
Inheritance Tax	page 90
Tax Incentives	page 92
The Board of Investment	93
IEAT free zone	97
Customs free zone	99
Eastern Economic Corridor (EEC)	100
International business centre	102
PwC Information	page 106
PwC contacts	106
PwC services	109

The background features a complex arrangement of geometric shapes in shades of gray, black, and white. A large, light gray circle is partially visible behind the text. Other elements include a dark gray quarter-circle in the top right, a vertical bar on the right side, and various dashed lines and small circles scattered throughout the composition.

Personal Income Tax

Personal Income Tax

Resident status

An individual is regarded as a tax resident if he/she resides in Thailand at one or more times for an aggregate period of 180 days or more in any tax year.

Foreign-sourced income

The Revenue Department issued No. Paw.161/2566 and Paw.162/2566 regarding personal income tax for a Thai resident who brings assessable income into Thailand from abroad.

Under this instruction, A person who resides in Thailand at one or more times for an aggregate period of 180 days or more in any tax year and has assessable income due to work duties or activities performed abroad or assets that are located abroad according to Section 41 paragraph two of the Revenue Code in that tax year and has brought that assessable income into Thailand in any tax year, has a duty to include that assessable income in calculating income tax under Section 48 of the Revenue Code in the tax year in which the assessable income is brought into Thailand.

However, this instruction shall not apply to the assessable incomes arisen before 1st January 2024.

Taxable persons

- (a) Natural persons
- (b) Unregistered ordinary partnerships
- (c) Non-juristic body of persons
- (d) Deceased, for all assessable income of the deceased and the estate throughout the year in which death occurred
- (e) Estate of the deceased which remains undistributed.

Assessable income

Residents and non-residents are taxed on their assessable income derived from employment or business carried on in Thailand, regardless of whether the income is paid in or outside Thailand.

Residents who derive assessable income derived from outside Thailand would only be subject to tax if such income is earned in any tax year starting from 1st January 2024 onwards and is remitted to Thailand in the same or a later tax year.

Assessable income is classified into eight categories:

1. Salaries and wages (including income from stock options, house rent allowance and other fringe benefits)
2. Hire of work, office of employment or service rendered
3. Goodwill, copyright, franchise, patent, other rights, annuity, etc.
4. Interest, dividend, bonus for investors, gain on amalgamation, acquisition or dissolution of a company or partnership, gain on transfer of shares, cryptocurrencies or digital tokens.
5. Lease of property, breach of hire-purchase and instalment sale contract
6. Income from liberal professions, such as law, medicine, engineering, architecture, accountancy and fine arts
7. Income from a contract of work whereby the contractor provides essential materials other than tools
8. Income from business, commerce, industry and income other than as specified in (1) – (7).

Capital gains

Most types of capital gains are taxable as ordinary income, except for the following which are exempt from tax:

- Gains on 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 on the sale of investment units

- in a mutual fund.
- Gains on the sale of non-interest-bearing debentures, bills or debt instruments issued by a corporate entity, except for bonds or debt instruments that are sold for the first time at a price lower than their redemption price to an individual.
- Gains on the sale of securities listed on stock exchanges in the ASEAN member countries and traded through the ASEAN Link, excluding securities in the form of treasury bills, bonds, bills or debentures.

Capital losses cannot be offset against capital gains. An individual may elect to bear only withholding tax at a flat rate of 15% on the gains derived from the sale of bonds, debentures, bills or debt instruments issued by a company or other juristic entities and to exclude the gains from assessable income in his/her annual personal income tax return.

Gift tax

Gifts that are given by a living person are subject to personal income tax under the Revenue Code. The income tax is levied on the value of the assets, or the amount given to parents, ascendants, descendants, spouse or others that exceeds the prescribed threshold, which depends on the type of gift and donor.

The assets or amounts given that do not exceed the threshold and will be exempt from personal income tax are as follows:

- Income derived from the transfer of ownership or possessory right in an immovable property without any consideration to a legitimate child, excluding an adopted child, in the amount not exceeding Baht 20 million in respect of each child throughout a tax year.
- Maintenance income or gifts from ascendants, descendants or spouse, in the amount not exceeding Baht 20 million throughout a tax year.
- Maintenance income derived under a moral obligation, or gifts

made in a ceremony or on occasions in accordance with established custom from persons that are not ascendants, descendants or spouse, in the amount not exceeding Baht 10 million throughout a tax year.

- Income from gifts which will be used by the person who receives them for religious, educational or public benefit purposes according to the intention of the donor under criteria and conditions referred to in ministerial regulations.

Income in excess of the above thresholds will be subject to personal income tax at the rate of 5% and will not need to be included together with other income when computing the annual personal income tax liability.

If an immovable property is transferred without consideration by a parent to a legitimate child, the tax will be collected from the transferor at the time the transfer is registered by means of a withholding tax at the rate of 5% based on the portion exceeding Baht 20 million. The transfer of an immovable property without consideration in other cases would be subject to withholding tax at the normal progressive personal income tax rates according to the criteria and conditions prescribed.

Exemptions

Certain types of income are exempt from personal income tax. In respect of income from employment, money derived in the form of per diem, travelling expenses and certain fringe benefits, such as medical treatment, is tax exempt. The exemptions also include maintenance income derived under a moral obligation (subject to a threshold - see gift tax above), corpus of a legacy or inheritance (see the section on inheritance tax below) and certain capital gains as noted above.

Provided that certain conditions are met, gains or benefits from registered provident funds, retirement mutual funds, long term equity funds, super savings funds, national saving funds including amounts derived from insurance, Thailand ESG Fund or social security funds,

interest on a deposit received from a bank in Thailand, a savings co-operative and a return from a deposit in Thailand according to Islamic principles are also tax exempt.

Profit sharing distributed by a fixed income mutual fund to individual investors is exempt from tax.

Computation

The taxable income of an individual is arrived at after all deductions and allowances have been applied to the assessable income. The income tax thereon will then be calculated at the progressive tax rates noted below.

In the case where an individual has assessable income other than from employment, amounting to Baht 120,000 or more, the tax payable must not be less than 0.5% of the assessable income.

Deductible expenses

The amount of personal expenses that may be deducted depends on the category of assessable income, as follows:

- Income under the above categories of assessable income (1) and (2), including goodwill, copyright and other rights under (3), a deduction of 50% is allowed subject to a maximum of Baht 100,000.
- Income under (5), the rates of deduction vary from 10% to 30% depending on the type of rented property.
- Income under (6), (7) and (8), the rates of deduction vary from 30% to 60% depending on the type of income or type of business.

The deduction of expenses in relation to goodwill, copyright and other rights under (3) and assessable income under (5)-(8) may be on an actual basis if satisfactory evidence of the expenditure can be provided to the Revenue Department.

Allowances

There are two categories of allowances after the deduction of expenses:

1. Personal allowances	Baht
• Taxpayer	60,000
• Spouse (if spouse has no income)	60,000
• Legitimate child of the taxpayer or the spouse (without limit), each	30,000
• Additional allowance for legitimate child of the taxpayer or the spouse from the second child onwards who was born in or after 2018, each	30,000
• Taxpayer's adopted child (maximum 3), each (If there are legitimate and adopted children together, a maximum of only 3 children is allowed)	30,000
• Parental care, each	30,000
• Care of disabled or incapacitated family members, each	60,000
• Care of a disabled or incapacitated person other than a family member	60,000

In addition, a resident of Thailand who is 65 years of age or older is entitled to personal income tax exemption on income up to an amount not exceeding Baht 190,000.

2. Specific allowances

- Life insurance premiums in an amount not exceeding Baht 100,000 paid by a taxpayer on his/her own life are allowed as a deduction provided that the insurance policies are for a minimum period of ten years and the insurer is carrying on a life insurance business in Thailand. If the policy includes a savings plan which provides an annual return to the policy holder exceeding 20% of the annual premium, the entire

premium will be non-deductible.

Deposits with banks in the type similar to life insurance for a minimum deposit term of ten years are allowed as a deduction in the amount up to Baht 100,000 in each tax year. However, these deposits together with the above qualified life insurance premiums and the health insurance premiums referred to below must not exceed Baht 100,000 in each tax year.

In addition, the amount paid, up to a maximum of Baht 10,000 for a life insurance premium for the taxpayer's spouse who does not earn income is also allowed providing their marital status exists throughout the tax year.

- A health insurance premium, up to a maximum of Baht 25,000, paid by a taxpayer to a life or non-life insurance company in Thailand for his/her own health is allowed as a deduction. However, the deduction for this premium together with the life insurance premiums and deposits with banks in the type similar to life insurance, referred to above, must not exceed Baht 100,000 in total.
- A health insurance premium, up to a maximum of Baht 15,000, paid to a life or non-life insurance company in Thailand for the taxpayer's parents or the parents of the spouse of the taxpayer is allowed as a deduction.
- For the purpose of encouraging long-term savings for security upon retirement, allowances are granted for investments in the following funds and pension life insurance, whereby a taxpayer is entitled to invest in one fund or several funds, subject to a maximum amount of Baht 500,000 in total for each tax year.
 - Qualified pension life insurance premiums paid to a Thai insurer in an amount not exceeding 15% of assessable income received which is subject to income tax, with a

- maximum of Baht 200,000.
 - A contribution to a registered provident fund in an amount not exceeding 15% of the wage with a maximum of Baht 500,000.
 - An investment in a retirement mutual fund in an amount not exceeding 30% of assessable income received which is subject to income tax, with a maximum of Baht 500,000.
 - An investment in the national savings fund in the actual amount, with a maximum of Baht 500,000.
 - An investment in a super savings fund in an amount not exceeding 30% of the assessable income received which is subject to income tax with a maximum of Baht 200,000 in any tax year.
- Mortgage interest incurred for the purchase or construction of a residential building in Thailand may be deducted up to maximum of Baht 100,000.
 - Expenses paid by the taxpayer or spouse for antenatal care and child delivery up to Baht 60,000 for each pregnancy.
 - A contribution to the government's social security fund may also be deducted.
 - An investment in a Thai ESG fund in an amount not exceeding 30% of the assessable income subject to income tax, with a maximum limit of Baht 100,000 in total, can be deducted during the period from 21 November 2023 and 31 December 2032. The investor must hold the units for at least 8 years.

However, the Cabinet has approved special conditions for deductions on investments in a Thai ESG fund from 1 January 2024 to 31 December 2026. Under these conditions, the amount not exceeding 30% of the assessable income subject to income tax, with a maximum limit of Baht 300,000 in total (instead of Baht 100,000), can be deducted. The

investor must hold the units for at least 5 years instead of 8 years.

Until the ministerial regulation of the new conditions is in effect, the prior conditions must be used, which include a maximum limit of Baht 100,000 and a holding period of at least 8 years. Additionally, from 1 January 2027 to 31 December 2032, the deductions will revert to these prior conditions.

- Easy e-Receipt spend on eligible goods and services purchased in Thailand between 1 January 2024 and 15 February 2024 may be deducted up to Baht 50,000.
- Construction fee for a new residence of not more than one unit to a contractor who is a VAT registered operator under the contract of hire of work from 9 April 2024 to 31 December 2025 in an amount of Baht 10,000 per every Baht 1 million with a maximum of Baht 100,000.

3. Donations

- All donations noted below are allowed as a deduction to the extent that the combined amount does not exceed 10% of net income (assessable income after allowances and deductions):
 - E-donations to Royal Forest Department for supporting the Community Forest Partnership for Climate Action Programme of the Ministry of Natural Resources and Environment from 1 January 2023 to 31 December 2027.
 - Donations in cash to political parties or in cash, assets or other forms of benefit to support activities for raising funds of political parties, up to Baht 10,000.
- All donations in the following categories are allowed a double deduction to the extent that the combined amount does not exceed 10% of net income (assessable income after

allowances and deductions):

- Support of education, e.g. buildings, computers, books, teachers, under projects approved by the Ministry of Education.
- State hospitals.
- E-donations to the Equitable Education Fund from 3 January 2024 to 31 December 2028.
- E-Donations to the Chai Pattana Foundation, the Information Technology Foundation under the Royal Initiative of HRH Princess Maha Chakri Sirindhorn, and the Ramathibodi Foundation under the Royal Patronage of HRH Princess Maha Chakri Sirindhorn from 26 July 2022 to 31 December 2024.
- E-donations to the Sports Authority of Thailand, Provincial Sports Committees, Provincial Sports Associations, sports associations, or the National Sports Development Fund from 1 January 2023 to 31 December 2024.
- E-Donations to Thai Red Cross Society or medical and public health foundations from 1 January 2023 to 31 December 2024.
- E-donations to the Metrology System Development Fund, the Public Health System Development Fund, the Science and Technology Development Fund, and the Thailand Science Research and Innovation Fund from 1 January 2023 to 31 December 2025.
- E-donations to the educational institutes from 1 January 2022 to 31 December 2024.

Tax rates

The current personal income tax rates are shown below.

Net income (Baht)	Tax rates
0 – 150,000	Exempt
150,001 – 300,000	5%
300,001 – 500,000	10%
500,001 – 750,000	15%
750,001 – 1,000,000	20%
1,000,001 – 2,000,000	25%
2,000,001 – 5,000,000	30%
Over 5,000,000	35%

Tax credits

Taxpayers are entitled to credits against their annual tax liability for tax withheld at source.

Persons domiciled and residing in Thailand can elect to take income tax withheld at source from dividends received from companies incorporated in Thailand as a credit against their tax liability. A credit to take into account the underlying corporate income tax paid on the profit being distributed is added to the dividend income, which is then aggregated with other types of income. Tax at the personal income tax rates is calculated on the total taxable income and the value of the tax credit is then deducted from the tax so calculated.

Foreign tax cannot be taken as credit against Thai tax unless permitted under a double tax treaty.

Withholding tax

All persons paying assessable income are required to withhold income tax at source on each occasion of payment in accordance with the following rules:

- For assessable income under categories (1) or (2), the payer must withhold tax by:
 - multiplying the amount paid by the number of times of payment so that the result will represent the total amount which would be payable in a year, and
 - after deducting expenses and allowances, if any, computing the tax on the resulting amount in accordance with the personal income tax rates, and
 - dividing the amount of tax so computed by the number of times of payment.
- For income under categories (3) and (4), the payer must withhold tax at the prevailing income tax rates. There are exceptions to this rule, notably interest and dividends, which are subject to withholding at the flat rates of 15% and 10%, respectively, and payments for the share of profits or any benefits from holding or possessing digital tokens or gains from the transfer of cryptocurrencies or digital tokens, which are subject to withholding at the flat rate of 15%.
- However, there is an exemption for profit sharing or benefits derived by individuals from holding or possessing investment tokens. The exemption applies to profit sharing or benefits received from 1 January 2024 onwards, provided that the taxpayer does not claim a refund or credit for the tax withheld, which is set at 15%.
- The tax withheld is required to be remitted to the respective amphur (district) office within seven days from the last day of the month in which the taxable income was paid.

A company, juristic partnership or other juristic person paying assessable income to any person who is subject to income tax, must withhold:

- 5% on payments for lease of assets under category (5)
- 3% on payments for professional fees under category (6)
- 3% on payments for hire of work under categories (7) and (8)
- 2% on payments for advertising fees under category (8)
- 3% on payments which constitute rebates or benefits from sales promotion except where goods/services are used for private consumption (not for sale) by the buyer under category (8)
- 3% on payments which constitute service fees other than for hire of work, fares for public transportation, services of hotels and restaurants and life insurance premiums under category (8)
- 1% on payments for transportation, excluding public transportation
- 5% on payments which constitute prizes won in contests, competitions, lucky draws or other like activities under category (8)
- 1% on payments for genuine diamonds, or other gemstones which have not yet been cut, except where the payers are end users under category (8)
- 0.5% on payments for rice by exporters under category (8)
- 1% on payments for aquatic animals, live or otherwise, where the payers are exporters or manufacturers of any product from aquatic animals under category (8)
- 15% on income under categories (2), (3), (4), (5) and (6) paid to a non-resident, except for dividends where the rate is 10%.

Where income under categories (5), (6), (7) or (8) in excess of Baht 10,000 is paid by the central or local government, the payer is required to withhold income tax at the rate of 1% at each time of payment.

The above withholding tax rates have been temporarily reduced from 1 January 2023 to 31 December 2025 provided that the tax is remitted via the e-withholding tax system, as follows:

Reduction of the withholding tax rate from 5% to 1% on payments for the following:

- Rental of assets under category (5), excluding rental of ships used for international carriage of goods
- Prizes won in contests, competitions, lucky draws, or other like activities under category (8).

Reduction of the withholding tax rate from 3% to 1% on payments for the following:

- Professional fees under category (6)
- Hire of work under categories (7) and (8)
- Provision of services under category (8), excluding non-life insurance
- Rebates or benefits from sales promotion under category (8).

Reduction of the withholding tax rate from 2% to 1% on payments for advertising fees under category (8)

A taxpayer who has had income tax withheld may pay, or request a refund of, the amount of any tax that has been under-/over-withheld, as the case may be. A claim for a refund must be submitted to the Revenue Department within three years from the last day of the time limit prescribed by law for filing the tax return (or from 31 March of the year following that in which the tax was withheld).

Tax administration

Thailand applies a self-assessment system in collecting taxes. Taxpayers are required to declare their tax liabilities in the prescribed tax returns and pay the tax due at the time of filing.

The following individuals are required to file income tax returns for income earned in the preceding tax year irrespective of whether there is any tax due:

- A person who has no spouse and earns income of more than Baht 60,000
- A person who has no spouse and earns income under category (1) (salaries and wages) of more than Baht 120,000
- A person who has a spouse and earns income of more than Baht 120,000
- A person who has a spouse and earns income under category (1) (salaries and wages) of more than Baht 220,000.

Each husband or wife earning income can choose to file his/her income tax return either separately or jointly with their spouse, whichever they prefer.

The tax year is the calendar year. All persons liable to tax are required to file a tax return no later than 31 March of the following year for hardcopy filing and 8 April for online filing. In addition, those taxpayers who derive income from the lease of property, liberal professions (medicine, law, engineering, architecture, accountancy and fine arts), contractual work and other businesses, commerce or industries must file a mid-year tax return by 30 September in respect of income derived during the first half of the tax year to 30 June. Tax paid at the time of the mid-year filing is creditable against the annual tax liability.

Penalties and surcharge

A taxpayer who is assessed additional tax by an assessment officer on the grounds that an inaccurate return was filed, or who failed to file a return, is subject to a penalty. The rate of penalty is 100% for an inaccurate return and 200% for failure to file a return. Penalties may be reduced by 50% if the taxpayer submits a request in writing and the assessment officer is of the opinion that the taxpayer did not intend to evade tax and cooperated with the officer during the tax audit.

Any person who fails to pay or remit tax within the specified time is liable to pay a surcharge of 1.5% per month, or fraction thereof, of the amount of tax to be paid or remitted subject to a maximum equal to the amount of tax to be paid or remitted.

Tax investigation and assessment

The Revenue Department is empowered to demand documents and records for inspection for a period of two years. The period will be extended to five years if it is found, or there is a reason to believe, that there was tax evasion, or where a tax audit is conducted for the purpose of paying a tax refund.

Nevertheless, under the Civil and Commercial Code, the Revenue Department can assess tax for up to ten years.

Appeal

If a taxpayer disagrees with the assessment of the tax authorities, he may appeal to the Board of Appeal within 30 days from the date of receiving the assessment notice. If the taxpayer does not agree with the ruling of the Board of Appeal, he may then appeal to the Tax Court within 30 days from the date of receiving the ruling. After the judgement of the Tax Court has been made, an appeal against the decision must be submitted to the Special Appeal Court within 30 days. The judgement of the Special Appeal Court will be treated as final. However, a further appeal may be made to the Supreme Court if the issue is considered to be significant and the approval of the Supreme Court has been obtained.

An appeal does not defer payment of tax. If tax is not paid within the time prescribed by the law, it will be deemed to be in arrears unless the appellant has been authorised by the Director-General to wait for a decision of the appeal or judgement, in which case payment must be made within 30 days from the date of receiving the decision of the appeal or judgement.

The background features a complex arrangement of geometric shapes in various shades of gray, black, and white. These include rectangles, squares, circles, and semi-circles, some of which are layered or overlapping. A prominent feature is a large, light gray semi-circle on the left side, which partially overlaps a darker gray semi-circle. In the top right, there is a dark gray quarter-circle with a small white dot at its center. The overall composition is modern and minimalist.

Corporate Income Tax

Corporate Income Tax

Resident status

Company residence is determined by the place of incorporation. A company incorporated under the laws of Thailand is a resident company. Place of management and control is not statutorily defined. Thailand taxes its residents on a worldwide income basis.

Taxable entities

- Companies and juristic partnerships
- Joint ventures, foundations and associations
- Mutual funds established as a juristic entity under Thai or foreign law
- Companies incorporated under foreign law:
 - carrying on business in Thailand (e.g. branch)
 - not carrying on business in Thailand but deriving specified income from or in Thailand
- Foreign government agencies or other juristic persons organised under foreign laws carrying on business in Thailand.

Taxable income

- A company or juristic partnership incorporated in Thailand is subject to corporate income tax on all profits derived from domestic and foreign sources.
- A company incorporated under a foreign law and carrying on business in Thailand (e.g. a branch) is subject to tax on the profit arising from the business carried on in Thailand and on the after-tax profit repatriated to the head office.

The term 'carrying on business in Thailand' is broad and includes the presence of an employee, representative or go-between that results in the foreign company deriving income or gains in Thailand.

- A company incorporated under a foreign law and not carrying on business in Thailand, but which derives certain categories of income in Thailand, is subject to a final withholding tax (unless otherwise exempt under a double tax treaty). The following is an example of these categories of income:
 - Brokerage
 - Service fees
 - Royalties
 - Interest, dividends, capital gains
 - Rent of property

Tax on gross income

Foundations and associations as well as foreign companies carrying on the business of international transportation services and certain mutual funds are subject to tax on gross income.

The gross receipts, other than registration fees, membership fees or donations of a foundation or association are subject to income tax at the rate of 10%. The rate is reduced to 2% if the gross receipts are income under category (8) of the schedule of assessable income.

Foreign airlines and shipping companies carrying on business in Thailand in the category of carriage of passengers are subject to income tax at the rate of 3% of the fares, fees or any other benefits collectible in Thailand, prior to the deduction of any expenses. For carriage of goods, the rate is 3% of the freight, fees and any other benefits collectible in Thailand or elsewhere in respect of transport of goods from Thailand, prior to the deduction of any expenses.

Mutual funds established under the Securities and Exchange Act (except for retirement mutual funds (RMF) and mutual funds established for the sale of their units to the Social Security Fund, National Savings Fund, Government Pension Fund, provident funds, and RMF) are subject to corporate income tax at the rate of 15% of their gross income from interest and discounts.

Capital gains

There is no specific legislation governing capital gains. Except as noted under 'exemptions' below, all capital gains earned by a company are treated as ordinary revenue for tax purposes. Capital gains on the sale of investments derived from or in Thailand by a foreign company not carrying on business in Thailand are subject to a tax of 15%, withheld at source by the purchaser, unless otherwise exempt under a double tax treaty.

Gains on the sale of government bonds earned by a non-resident are also subject to 15% withholding tax, unless otherwise reduced or exempt under a double tax treaty.

Exemptions

- The following categories of income are exempt from corporate income tax:
 - Dividends received by a company listed on the Stock Exchange of Thailand from another Thai company provided that the shares are held for at least three months before and three months after the dividend was received.

Dividends received by a non-listed company from another Thai company provided that the company receiving the dividend holds at least 25% of the total shares with voting rights, without any direct or indirect cross-shareholding, and has held the shares for at least three months before and three

months after the dividend was received. However, where the shares are held for this period, but the 25% shareholding and cross-shareholding conditions are not met, only one-half of the dividend is exempt from tax.

In the case of an amalgamation (merger) or an entire business transfer (EBT), the new or surviving company can include the period of ownership of any predecessor company that was part of the amalgamation or EBT when counting the above three-month period.

- Dividends received from foreign investments provided that the Thai company receiving the dividend has held at least 25% of the shares with voting rights of the company paying the dividend for a period of not less than six months before the date on which the dividend was received and the dividend was derived from the net profits in the foreign country taxed at a rate of not lower than 15%. In the event that a 'special law' in a particular foreign country provides a reduced tax rate or exemption for the net profits, the limited company which receives the dividend is still eligible for the tax exemption.
- Dividends or share of profits received by a Thai company or a foreign company carrying on business in Thailand from an unincorporated joint venture.
- Interest on foreign currency loans received by a financial institution of a foreign government organised under a specific law and wholly owned by the foreign government.
- Interest on government bonds, bonds of the Bank of Thailand and bonds of the Financial Institution Development Fund received by a foreign company not carrying on business in Thailand.
- Profit sharing received from a fixed income mutual fund by both Thai and non-Thai corporate investors.

- Profit sharing derived from an investment in other mutual funds established as juristic persons (excluding property funds) by a Thai company (100% exemption for a listed company and 50% exemption for a non-listed company) provided that the Thai company has held the fund units for three months before and after the distribution of the profit sharing.
- Capital gains received by a Thai company and a foreign company carrying on business in Thailand from the sale of fund units in a fixed income mutual fund subject to the condition that the cost of the investment and expenses in relation to the exempt income are not claimed as tax deductible expenses.
- The following categories of taxpayers are exempt from corporate income tax:
 - Companies granted exemption from tax for a period of time by the Board of Investment under the investment promotion law and the competitive enhancement law
 - Specified foundations and organisations
 - Foreign organisations under mutual agreements and diplomatic organisations.
- A special purpose vehicle (SPV) for securitisation is granted tax exemption on income derived from a securitisation project approved by the Securities and Exchange Commission (SEC). However, the operation and allocation of cash inflow for the settlement of debts and expenses must follow the plan approved by the SEC. Moreover, no dividends may be paid to the shareholders of an SPV until all remaining assets and benefits have been transferred by the SPV back to the originator of the securitisation project and the SPV ceases to exist.

Tax rates

- The standard rate of corporate income tax is 20%.
- The corporate income tax rates for small and medium enterprises (SME) are as follows:

Net profit (Baht)	Tax rate
0 – 300,000	Nil
300,001 – 3,000,000	15%
Over 3,000,000	20%

To be eligible for the reduced rates of tax, the SME must meet the following conditions:

- Paid-up capital on the last day of any accounting period must not exceed Baht 5 million.
- Income from the sale of goods and provision of services must not exceed Baht 30 million in any accounting period.

Branch income

Branches of foreign companies pay income tax at the normal tax rate on locally earned profits only. Branch profits remitted to the foreign head office are subject to an additional tax of 10%.

Functional currency

A company is allowed to keep all its accounting books and records, including the computation of net profit and tax payable, in a foreign functional currency provided that the intention to do so has been notified to the Director-General of the Revenue Department.

All currencies, assets, liabilities and other items in the financial statements as of the closing date of the accounting period preceding that in which the functional currency is adopted or changed (brought forward balances) into the functional currency must be converted at the rate according to the accounting principles used which have been audited and certified by the auditor.

The following conversion methods are applied for calculation of gains/losses on exchange during the year.

- Any currency, asset or liability which has been received or paid during the accounting period must be converted into the functional currency at the market rate on the date of receipt or payment.
- Outstanding currencies, assets and liabilities as of the closing date of the accounting period must be converted into the functional currency at one of the following rates:
 - Mid-rate
 - Average buying or selling rate of commercial banks as calculated by the Bank of Thailand.

Any change in the functional currency or the use of the above exchange rates requires the prior approval of the Director-General. Foreign exchange gains or losses arising from a change in the functional currency or conversion of tax payable in the functional currency into Thai currency for payment of tax will be ignored for tax purposes.

While tax assessments, penalties, surcharges and tax refunds will be notified in the functional currency, payments will be made and received in Thai Baht using the mid-rate of exchange as calculated by the Bank of Thailand on the last official day prior to the date of tax payment or prior to the approval of the tax refund being granted.

Computation of net profit

Net profit must be computed using the accrual basis which, with certain exceptions, generally follows the accounting practice.

Deductions

- Deductions are allowed for all expenses exclusively incurred for the purpose of acquiring profit or for the purpose of the business unless there is a specific direction in the Revenue Code to the contrary.
- Deductions for royalties, management fees and interest expenses may be claimed provided they are exclusively incurred for the purpose of acquiring profit or for the purpose of the business and do not exceed a reasonable amount.
- Donations to the following organisations are allowed in the amount paid but, in total, must not exceed 2% of net profit.
 - Approved charities or for education, sport or public benefit, including the Technology Development Fund for Education, and qualified social enterprises
 - The Royal Forest Department for the Community Forest Partnership for Climate Action from 1 January 2023 to 31 December 2027. A deduction is granted for e-donations in cash only.
- Donations to political parties are allowed up to a maximum of Baht 50,000.
- Deductible expenses in the following categories are allowed an additional 100% deduction:
 - Expenses up to a maximum of Baht 50,000 for the cost of books or electronic devices purchased for an in-house library.
 - Costs incurred in sending employees for training at certain

educational or skill development institutions and in-house training.

- Expenses incurred in hiring the retired employees of a corporate entity or persons registering with the Labour Department who are aged 60 or more. The eligible expenses for the additional deduction will only be the wages paid that do not exceed Baht 15,000 per person per month. The additional deduction is not allowed in respect of wages paid to any person earning more than Baht 15,000 per month.
- Expenses on research and development (R&D) for technology and innovation when hiring government agencies or the private sector, as approved by the Director-General of the Revenue Department, provided that the R&D is incurred in Thailand.
- Expenses or investments in the following assets in the amount paid from 1 January 2023 to 31 December 2025:
 - E-document preparation and receiving systems, computer software, equipment for storing e-certificates, computers or other equipment used together with computers so as to prepare, deliver, receive or store e-tax invoices or e-receipts for the business.

However, this benefit is not available to either a service provider that prepares and remits e-information or a developer of computer software, whether for sale or for providing as a service to others.

- Tax remittance systems, computer software, equipment for storing e-certificates, computers or other equipment used together with computers so as to remit taxes of the business.

This benefit is available to corporate entities that are liable to remit income tax, withholding tax or VAT to the Revenue Department using the e-withholding tax method of remittance, and to a service provider that remits the tax.

- Expenses paid to a service provider that prepares and remits e-information, expenses for e-certificates and for use of cloud storage services. These are for the preparation, delivery, receipt or storage of e-tax invoices or e-receipts for the business.
- Expenses paid to a service provider that remits tax, expenses for e-certificates and for the use of cloud storage services. These are for the use of the e-withholding tax method of remittance for the business.
- Expenses and donations in the following categories are allowed as a deduction and an additional 100% deduction to the extent that the combined amount does not exceed 10% of net profit before the deduction of donations for charity, public benefit and for education or sport:
 - Expenses paid to support educational programmes under projects approved by the Ministry of Education, e.g. buildings, computers, books, teachers
 - Expenses paid in support of learning and amusement activities, e.g. to construct and maintain children's playgrounds, parks or privately owned sports fields which are open to the public free of charge
 - Donations in the form of either cash or assets to educational institutions in either the public or private sector for providing books or electronic devices to promote reading
 - Donations to the Safe and Creative Media Development Fund

and funds relating to art, culture, archives and archaeology

- Donations to the Justice Fund
- Donations to state hospitals.
- Expenses and donations in the following categories are allowed as a deduction and an additional 200% deduction to the extent that the combined amount does not exceed 10% of net profit before the deduction of donations for charity, public benefit and for education or sport:
 - A 200% deduction is allowed for e-donations either in cash or assets to the Chaipattana Foundation, the Information Technology Foundation under the Royal Initiative of HRH Princess Maha Chakri Sirindhorn from 26 July 2022 until 31 December 2024.
 - A 200% deduction is allowed for e-donations either in cash or assets to Thai Red Cross Society or medical and public health foundations from 1 January 2023 to 31 December 2024.
 - A 200% deduction is allowed for e-donations either in cash or assets to the Equitable Education Fund from 1 January 2024 to 31 December 2028.
 - A 200% deduction is allowed for e-donations either in cash or assets to the Sports Authority of Thailand, Provincial Sports Committees, Provincial Sports Associations, sports associations, or the National Sports Development Fund from 1 January 2023 to 31 December 2024.
 - A 200% deduction is allowed for e-donations either in cash or assets to the educational institutes from 1 January 2022 to 31 December 2024.

- A 200% deduction is allowed for e-donations in cash only to the Metrology System Development Fund, the Public Health System Development Fund, the Science and Technology Development Fund, and the Thailand Science Research and Innovation Fund from 1 January 2023 to 31 December 2025.
- A 25% additional deduction of the expenses paid between 1 January 2022 and 31 December 2024 for purchasing biodegradable plastic products that fall within the categories prescribed by the Director-General and have received a product certification from the Office of Industrial Economics.
- Corporate entities carrying on the business of a targeted industry, according to the law governing the enhancement of the competitiveness of the country for targeted industries, are entitled to a 50% additional deduction for salaries paid to highly-skilled employees in science, technology, engineering or mathematics according to the employment contract.
- A 150% additional deduction for expenses for sending employees to receive education or training, or arranging training for their employees, for courses certified by the government authority as prescribed by the Director-General.

Non-deductible expenses

The following are examples of expenses that are not deductible:

- Additions to provisions and reserves
- Contributions to any fund (except a registered provident fund)
- Private expenses and gifts
- Income tax
- VAT (except in certain cases)
- Fines, penalties and surcharges imposed under all tax laws
- The portion of salary paid to a shareholder which exceeds a reasonable amount
- Artificial or fictitious expenses

- Interest on capital, reserves or funds of the company
- Any disbursement where the identity of the recipient cannot be proved by the payer
- Any expenditure determined on and payable out of the profit after the end of an accounting period
- Bad debt written off from a debtor's account which is not consistent with the rules, procedures and conditions prescribed by ministerial regulations
- Any damages recoverable under an insurance or contract of indemnity.

Depreciation

Deductions for depreciation are allowed as a percentage of cost. If the rate of deduction adopted by a company under its own accounting method is lower than the maximum percentage of cost permitted, a deduction will be allowed only at the rate adopted by the company. The straight-line basis is the method most commonly used by companies, but any generally accepted basis, such as sum-of-the-years-digits or double declining method is permitted. The maximum permitted rates are as follows:

	%
Buildings:	
Durable buildings.....	5
Temporary buildings.....	100
Cost of acquisition of depletable natural resources.....	5
Cost of acquisition of lease rights:	
If there is no written lease agreement or if there is a written lease agreement containing a renewal clause whereby continual renewals are permitted.....	10
If there is a written lease agreement containing no renewal clause or containing a renewal clause which restricts renewable periods to a definitely limited duration.....	(Note 1)
Cost of acquisition of the right in a process, formula, goodwill, trademark, business licence, patent, copyright, or any other right:	

If the period of use is not limited.....	10
If the period of use is limited.....	(Note 2)
Other assets not above mentioned, excluding land and stock-in-trade.....	20

Notes:

1. Percentage equals 100 divided by the sum of years of the original and renewable lease periods.
2. Percentage equals 100 divided by the number of years of use.

Special depreciation methods for certain assets

Machinery and equipment for research and development may initially be depreciated at 40% of cost with the remaining balance being depreciated at the maximum rate of 20% per annum.

Computer hardware and software may be depreciated within three accounting periods.

Special depreciation methods for small and medium enterprises

Companies or juristic partnerships with fixed assets, excluding land, with a value of no more than Baht 200 million and with no more than 200 employees, are entitled to use the following special depreciation methods:

- Machinery and equipment may initially be depreciated at 40% of cost and the remaining balance at the maximum rate of 20% per annum.
- Computer hardware and software may initially be depreciated at 40% and the remaining balance within three accounting periods.
- Factory buildings may initially be depreciated at 25% and the remaining balance at a maximum rate of 5% per annum.

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 change in the shareholding of a company does not affect its tax losses.

Withholding tax on domestic payments

A company, juristic partnership or other juristic person, which pays assessable income to another Thai company, juristic partnership, other juristic person or a foreign company carrying on business in Thailand (through a branch or permanent establishment) must withhold tax from payments of the following types of income at the following rates:

- 3% on royalties for use of intangible assets such as patents, copyrights or any other rights
- 1% on interest paid to all resident corporations (other than a bank or a finance company) and on interest on bonds and debentures paid to a bank or a finance company
- 10% on dividends and share of profits of registered partnerships
- 5% on rent of assets
- 1% on rent of ships, under the law governing the promotion of merchant navy, used for the international carriage of goods
- 3% on fees for professional services
- 3% on fees for hire of work
- 5% on remuneration for hire of work paid to a foreign company without a permanent branch office (see note below)
- 5% on prizes won in contests, competitions, lucky draws or other like activities
- 2% on advertising fees under assessable income category 8
- 3% on rebates or benefits from sales promotion except where goods/services are used for private consumption (not for sale) by

the buyer

- 3% on service fees other than fees for hire of work, fares for public transportation, services by hotel and restaurant and life insurance premiums
- 1% on transportation fees
- 1% on non-life insurance premiums
- 1% on payments for genuine diamonds, or other gemstones which have not yet been cut, except where payers are end users
- 0.5% on payments for rice where the payers are exporters
- 0.75% on payments for certain agricultural products, e.g. sheet rubber, cassava, jute or kenaf, maize, sugar cane, coffee beans, oil-palm seeds where the buyers are exporters or manufacturers of any product from these agricultural products
- 1% on payments for aquatic animals, live or otherwise, where the payers are exporters or manufacturers of any product from aquatic animals.

Note: A permanent branch office is not the same as a 'permanent establishment'. In this case, a foreign company will have a permanent branch office if it meets any one of the following criteria:

- It has ownership of an office in Thailand.
- It carries on other business in Thailand besides engaging in contract work, e.g. purchase and sale of goods.
- It has a registered provident fund set up for the benefit of its employees in Thailand.

The above withholding tax rates have been temporarily reduced from 1 January 2023 to 31 December 2025 provided that the tax is remitted via the e-withholding tax system, as follows:

Reduction of the withholding tax rate from 5% to 1% on payments for the following:

- Rental of assets under category (5), excluding rental of ships used for international carriage of goods
- Prizes won in contests, competitions, lucky draws, or other like

activities under category (8)

Reduction of the withholding tax rate from 3% to 1% on payments for the following:

- Income under category (2), e.g. hire of work, service rendered
- Goodwill, copyright or any other rights under category (3)
- Professional fees under category (6)
- Hire of work under categories (7) and (8)
- Provision of services under category (8), excluding advertising, non-life insurance premiums and transportation
- Prizes, discounts, or any benefits given for the purpose of sales promotion under category (8).

Reduction of the withholding tax rate from 2% to 1% on payments for advertising fees under category (8)

Tax credits

Thai companies can use foreign tax paid on business income or dividends received as a credit against the corporate income tax liability. The credit cannot exceed the amount of Thai tax on the income.

Credit is also given for any Thai tax that has been withheld at source (as noted above) and for the half-year tax paid.

Withholding tax on foreign payments

A final withholding tax is imposed on the remittance of income to foreign companies not carrying on business in Thailand in respect of the following:

- | | |
|--------------------------------|-----|
| • Brokerage, fees for services | 15% |
| • Royalties | 15% |
| • Interest | 15% |
| • Dividends | 10% |
| • Capital gains | 15% |

- Rental of property 15%
- Liberal professions 15%

The above taxes may be reduced or exempt under double tax treaties.

Double tax treaties

Countries that have concluded double tax treaties with Thailand and the applicable rates of withholding taxes are as follows:

Country of recipient	Dividends %	Interest %	Royalties* %
Armenia	10	10/15 (1)	15
Australia	10	10/15 (1)	15
Austria	10	10/15 (1)	15
Bahrain	10	10/15 (1)	15
Bangladesh	10	10/15 (1)	15
Belarus	10	10/15 (2)	15
Belgium	10	10/15 (1)	5/15 (3)
Bulgaria	10	10/15 (1)	5/15 (4)
Cambodia	10	10/15 (1)	10(5)
Canada	10	10/15 (1)	5/15 (6)
Chile	10	10/15(1)	10/15(7)
China	10	10/15 (1)	15
Cyprus	10	10/15 (8)	5/10/15 (9)
Czech Republic	10	10/15 (1)	5/10/15 (10)
Denmark	10	10/15(1)	5/15 (3)
Estonia	10	10	8/10(11)

Country of recipient	Dividends %	Interest %	Royalties* %
Finland	10	10/15 (1)	15
France	10	3/10/15 (12)	0/5/15 (13)
Germany	10	0/10/15 (14)	5/15 (3)
Hong Kong	10	10/15 (15)	5/10/15 (16)
Hungary	10	10/15 (1)	15
India	10	10	10
Indonesia	10	10/15 (1)	15
Ireland	10	10/15 (15)	5/10/15 (17)
Israel	10	10/15 (1)	5/15 (18)
Italy	10	0/10/15 (19)	5/15 (3)
Japan	10	0/10/15 (20)	15
Korea, Republic of	10	10/15 (15)	5/10/15 (21)
Kuwait	10	10/15 (1)	15
Laos	10	10/15 (1)	15
Luxembourg	10	10/15 (1)	15
Malaysia	10	10/15 (1)	15
Mauritius	10	10/15 (1)	5/15 (4)
Myanmar	10	10	5/10/15 (22)
Nepal	10	10/15 (1)	15
Netherlands	10	10/15 (1)	5/15 (3)
New Zealand	10	10/15 (15)	10/15 (23)
Norway	10	10/15 (1)	5/10/15 (24)

Country of recipient	Dividends %	Interest %	Royalties* %
Oman	10	10/15 (25)	15
Pakistan	10	10/15 (1)	0/10/15 (26)
Philippines	10	10/15 (1)	15
Poland	10	10/15 (1)	0/5/15 (27)
Romania	10	10/15 (1)	15
Russia	10	10/15 (28)	15
Seychelles	10	10/15 (1)	15
Singapore	10	10/15 (15)	5/8/10 (29)
Slovenia	10	10/15(1)	10/15 (30)
South Africa	10	10/15 (1)	15
Spain	10	10/15 (1)	5/8/15 (31)
Sri Lanka	10	10/15 (1)	15
Sweden	10	10/15 (1)	15
Switzerland	10	10/15 (1)	5/10/15 (32)
Taiwan	5/10 (33)	10/15 (1)	10
Tajikistan	10	10	5/10 (3)
Turkey	10	10/15 (1)	15
Ukraine	10	0/10/15 (34)	15
United Arab Emirates	10	10/15 (1)	15
United Kingdom	10	10/15 (1)	5/15 (3)
United States	10	10/15 (15)	5/8/15 (35)
Uzbekistan	10	10/15 (1)	15

Country of recipient	Dividends %	Interest %	Royalties* %
Vietnam	10	10/15 (1)	15

* Royalties are defined in many of Thailand's double tax treaties to include the use of, or the right to use, industrial, commercial or scientific equipment (which would not therefore be treated as business profits taxable only if there is a permanent establishment). In addition, certain consultancy and technical services which transfer 'know-how' may be treated as royalties and not business profits.

Notes:

The numbers in parentheses above refer to the notes below:

1. The 10% rate applies to interest paid to a recipient that is a bank or financial institution (including an insurance company).
2. The 10% rate applies to interest paid (a) to a recipient that is a bank or financial institution (including an insurance company); or (b) with respect to indebtedness arising as a consequence of a sale on credit of any equipment, merchandise or services.
3. The 5% rate applies to royalties paid for the use of or the right to use any copyright of literary, artistic or scientific work.
4. The 5% rate applies to royalties paid for the use of or the right to use any copyright of literary, artistic or scientific work excluding cinematograph films and films, tapes or discs for radio or television broadcasting.
5. Fees for technical services, which fall under Article 13, are also subject to tax at the rate of 10%. Fees for technical services mean payments for managerial, technical or consultancy services. Under a protocol signed on 7 September 2017, in the case of Thailand, where a consideration paid for managerial, technical or consultancy services falls under Articles 12 (royalties) and 13, the provisions of Article 13 shall apply.
6. The 5% rate applies to copyright royalties and other like payments

in respect of the production or reproduction of any literary, dramatic, musical or artistic work excluding royalties with respect to motion picture films and works on film or videotape for use in connection with television.

7. The 10% rate applies to royalties paid for the use of, or the right to use, any copyright of literary, artistic or scientific work, or for the use of, or the right to use, industrial, commercial or scientific equipment.
8. The 10% rate applies to interest paid (a) to a recipient that is a bank or financial institution (including an insurance company); (b) in connection with the sale on credit of any industrial, commercial or scientific equipment; or (c) in connection with the sale on credit of any merchandise by one enterprise to another enterprise.
9. The 5% rate applies to royalties paid for the use of or the right to use any copyright of literary, dramatic, musical, artistic or scientific work including software, cinematograph films or films or tapes used for radio or television broadcasting; and the 10% rate applies to royalties paid for the use of or the right to use industrial, commercial or scientific equipment or for information concerning industrial, commercial or scientific experience.
10. The 5% rate applies to royalties paid for the alienation or the use of or the right to use any copyright of literary, artistic or scientific work excluding cinematograph films or films or tapes used for radio or television broadcasting, and the 10% rate for the alienation of any patent, trademark, design, or model, plan, secret formula, or process.
11. The 8% rate applies to royalties paid for the use of or the right to use industrial, commercial or scientific equipment and the 10% rate applies to royalties paid in all other cases.
12. The 3% rate applies to interest paid on loans or credits granted for four years or more with the participation of a financing public institution to a statutory body or to an enterprise in relation to the sale of any equipment or to the survey, the installation or the supply of industrial, commercial or scientific premises and of public works. The 10% rate applies to interest paid to any financial institution.
13. The zero rate applies to royalties paid to a contracting state or

state-owned company with respect to films or tapes, and the 5% rate to royalties for the alienation or the use of or the right to use any copyright of literary, artistic or scientific work.

14. The zero rate applies to interest paid to any financial institution wholly owned by the other contracting state, a 'land', a political subdivision, a local authority, or a local administration thereof, and in particular, in the case of the Federal Republic, by the Deutsche Bundesbank or the Kreditanstalt für Wiederaufbau, and in the case of Thailand, by the Bank of Thailand. The 10% rate applies to interest paid to a recipient that is a bank or financial institution (including an insurance company).
15. The 10% rate applies to (a) interest paid to any financial institution (including an insurance company) and (b) interest paid with respect to indebtedness arising as a consequence of a sale on credit of any equipment, merchandise or services, except where the sale was between persons not dealing with each other at arm's length.
16. The 5% rate applies to royalties paid for the use or the right to use any copyright of literary, artistic or scientific work and the 10% rate for the use or the right to use any patent, trademark, design, or model, plan, secret formula, or process.
17. The 5% rate applies to royalties paid for the use of or the right to use any copyright of literary, artistic, or scientific work, including software, and motion pictures and works on film, tape or other means of reproduction for use in connection with radio or television broadcasting, and the 10% rate for the use of or the right to use industrial, commercial or scientific equipment or any patent.
18. The 5% rate applies to royalties paid for the use of or the right to use any copyright of literary, artistic or scientific work excluding cinematograph films or films or tapes used for radio or television broadcasting.
19. The zero rate applies to interest paid to any financial institution wholly owned by the other contracting state, an administrative subdivision, or a local authority thereof. The 10% rate applies to interest paid to a recipient that is a bank or financial institution (including an insurance company).

20. The zero rate applies to interest paid to any financial institution wholly owned by the government. The 10% rate applies to interest paid to a recipient that is a bank or financial institution (including an insurance company).
21. The 5% rate applies to royalties paid for the use of or the right to use any copyright of literary, artistic or scientific work including software, and motion pictures and works on film, tape or other means of reproduction for use in connection with radio or television broadcasting and the 10% rate for the use of or the right to use any patent, trademark, design, or model, plan, secret formula or process.
22. The 5% rate applies to royalties paid for the use of, or the right to use, any copyrights of literary, artistic, or scientific work, while the 10% rate applies to royalties for the consideration for any services of a managerial or consultancy nature, or for information concerning industrial, commercial or scientific experience.
23. The 10% rate applies to royalties paid for the use of or the right to use any copyright; or the use of, or the right to use, any industrial, scientific or commercial equipment; or the use of, or the right to use, any motion picture film, or film or videotape or any other recording for use in connection with television, or tape or any other recording for use in connection with radio broadcasting; or the reception of, or the right to receive, visual images or sounds, or both, transmitted to the public by satellite or, cable, optic fibre or similar technology; or the use in connection with television or radio broadcasting, or the right to use in connection with television or radio broadcasting, visual images or sounds, or both, transmitted by satellite or cable, optic fibre or similar technology.
24. The 5% rate applies to royalties paid for the use of or the right to use any copyright of literary, artistic or scientific work and the 10% rate applies to royalties paid for the use or the right to use industrial, commercial or scientific equipment.
25. The 10% rate applies to (a) interest paid to a bank or financial institution (including an insurance company) and (b) interest from a loan or debt claim that is guaranteed by the government.
26. The zero rate applies to royalties paid to a contracting state or a state-owned company with respect to films or tapes, and the 10%

- rate applies to royalties paid for the alienation or the use of or the right to use any copyright of literary, artistic or scientific work.
27. The zero rate applies to royalties paid to a contracting state or a state-owned company with respect to films or tapes. The 5% rate applies to royalties paid for the alienation or the use of or the right to use any copyright of literary, artistic, or scientific work, excluding cinematograph films or tapes used for television or broadcasting.
 28. The 10% rate applies to interest paid to the following recipients (a) in the case of a resident of Russia, any institution having a license to carry on banking operations; and (b) in the case of a resident of Thailand, any financial institution (including an insurance company).
 29. The 5% rate applies to royalties paid for the use of or the right to use any copyright of literary, artistic or scientific work including cinematograph films, or films or tapes used for radio or television broadcasting. The 8% rate applies to royalties paid for the use of or the right to use, any patent, trademark, design or model, plan, secret formula or process, or for the use of, or the right to use, industrial, commercial, or scientific equipment.
 30. The 10% rate applies to royalties paid for the use of, or the right to use, any copyright of literary or artistic work including motion pictures, live broadcasting, film, tape or other means of the use or reproduction in connection with radio and television broadcasting, and for the use of, or the right to use industrial, commercial, or scientific equipment.
 31. The 5% rate applies to royalties paid for the use of or the right to use any copyright of literary, dramatic, musical, artistic or scientific work excluding cinematograph films or films or tapes used for radio or television broadcasting. The 8% rate applies to royalties in consideration of financial leasing for the use of, or the right to use, industrial, commercial or scientific equipment.
 32. The 5% rate applies to royalties paid for the alienation or use of, or right to use, any copyright, artistic or scientific work, excluding cinematograph films or films or tapes used for radio or television broadcasting, and the 10% rate for the alienation of any patent, trademark, design or model, plan, secret formula or process.

33. The 5% rate applies if the recipient holds at least 25% of the capital of the company paying the dividend.
34. The zero rate applies to interest paid to any other financial institution established and owned by the government to promote trade and investment. The 10% rate applies to interest paid to a recipient that is a bank or financial institution (including an insurance company).
35. The 5% rate applies to royalties paid for the use of or the right to use any copyright of literary, artistic or scientific work including software, motion pictures and works on film, tape or other means of reproduction for use in connection with radio or television broadcasting. The 8% rate applies to royalties paid for the use of or the right to use industrial, commercial or scientific equipment.

Group taxation

There is no group taxation in Thailand.

Holding companies

There is no specific legislation regarding holding companies.

Thin capitalisation

Under the tax law, there are currently no thin capitalisation or prescribed debt to equity rules in Thailand.

Transfer pricing rules

Specific transfer pricing provisions were introduced into the Revenue Code with effect from accounting periods that started on or after 1 January 2019. Prior to that, the Revenue Department relied on the general income tax provisions and its transfer pricing guidelines to administer the compliance of related party transactions.

The transfer pricing legislation is generally based on the OECD's arm's length principle and provides a definition of related parties, the

transfer pricing information reporting requirements as well as the imposition of penalties for the failure to comply with the various disclosure requirements.

Arm's length principle

The transfer pricing rules adopt the arm's length principle. Revenue officers have the power to uplift or reduce taxpayers' revenue and/or expenses to the arm's length price and make assessments for additional taxes, penalties and surcharges. Where transfer pricing adjustments result in a tax shortfall, a secondary adjustment which arises from imposing tax on a constructive transaction, either in the form of a deemed dividend or interest on a deemed loan, would also apply.

If a transfer pricing assessment results in a tax refund, the taxpayer is entitled to claim the refund within 60 days from the date of receiving the tax assessment letter or three years from the last day prescribed by law for filing the tax return.

Comparability framework

The application of the arm's length principle is based on the comparison of the conditions in controlled transactions (transactions carried out between related parties) and uncontrolled transactions (transactions carried out between independent parties). A controlled transaction is comparable to an uncontrolled transaction if there are no differences between the two transactions that could materially affect prices/profits or if reasonably accurate adjustments can be made to eliminate the impact of the differences.

The five comparability factors that should be considered when performing a comparability analysis are (i) contractual terms, (ii) functions performed, assets employed and risks assumed, (iii) characteristics of property transferred or services provided, (iv) economic circumstances, and (v) business strategies.

Acceptable transfer pricing methods

The transfer pricing rules endorse the use of five transfer pricing methods in determining the arm's length compensation to a controlled transaction, which are: comparable uncontrolled price, resale price, cost plus, transactional net margin and transactional profit split method.

Other pricing methods may only be used in cases where it can be proven that the five endorsed transfer pricing methods are inappropriate. When other methods are adopted, taxpayers must provide written notification thereof to the Director-General of the Revenue Department within the fiscal period that the other method is used. Taxpayers must also prepare supporting documentation ready for submission to the Revenue officers upon request.

Benchmarking studies

When performing a benchmarking analysis, internal comparables (i.e. the same or similar transactions that a taxpayer has with unrelated parties) must be considered before any external comparables (i.e. the same or similar transactions between independent third parties) can be applied.

The subordinate transfer pricing regulations also allow for local and foreign sources of data when benchmarking with external comparables. However, additional details and guidance are still expected regarding the circumstances under which foreign comparables can be accepted.

Definition of related party

A company or juristic partnership falling under the following criteria would be considered as a related party:

- One party that either directly or indirectly is a shareholder or partner holding at least 50% of the entire capital of another party.

- Shareholders or partners who either directly or indirectly hold at least 50% of the entire capital of one party, are also shareholders or partners either directly or indirectly, and hold at least 50% of the entire capital of another party.
- One party that has a relationship with regard to the capital, management, or control with another party so that one cannot operate independently from the other, as prescribed in the Ministerial Regulations

Transfer pricing reporting requirements

Taxpayers with an annual turnover of more than Baht 200 million are required to prepare a transfer pricing report. There are two levels of transfer pricing information to be reported, as follows:

1. Partial disclosure – Taxpayers are required to complete a transfer pricing disclosure form to be submitted online to the Revenue Department at the time of filing their annual tax return, and
2. Full disclosure – Taxpayers are also required to prepare full transfer pricing documentation, which must be maintained for five years from the date of filing the transfer pricing disclosure form and is to be submitted to the Revenue Department if and when requested.

The disclosure requirements for transfer pricing documentation are applicable for accounting periods beginning on or after 1 January 2021. The items required to be disclosed focus on the transfer pricing local file and do not deviate significantly from the OECD transfer pricing local file requirements.

A penalty of up to Baht 200,000 for each level of transfer pricing information reporting will be imposed on taxpayers if they fail to comply with the reporting requirements (by way of inaccurate or incomplete disclosure of information).

Country-by-country reporting requirements

Country-by-country reporting (CbCR) was introduced for entities whose accounting periods began on or after 1 January 2021.

The following entities must file the CbCR online with the Revenue Department:

1. The ultimate parent entity (UPE) of a Thai MNE group (i.e. a Thai-headquartered company)
2. A foreign entity that carries on business in Thailand and falls under one of the following local filing conditions:
 - The UPE of the MNE group is not obliged to file a CbCR in its jurisdiction.
 - There is no exchange-of-information agreement for CbCR in effect between Thailand and the UPE's jurisdiction of tax residence.
 - There has been a systematic failure to automatically exchange CbCRs.

The Revenue Department also allows a foreign company to designate a Thai entity to be its surrogate parent entity and file a CbCR on behalf of the group, with certain conditions to be met.

The CbCR is required to be filed within 12 months from the financial year-end in the case where the UPE of a Thai MNE is the filing entity and within 60 days upon request in the case where the filing entity falls under the local filing conditions.

A fine of up to Baht 2,000 will be imposed on a taxpayer that fails to file the CbCR by the due date.

Thailand signed the Multilateral Competent Authority Agreement on the Exchange of CbCRs (CbC MCAA) on 9 December 2022. The CbC MCAA allows CbCRs collected by the MNEs country of residence to be automatically exchanged with other jurisdictions in which the MNE operates that are also a party to the MCAA once exchange relationships have been activated. With this, constituent entities of

foreign-headquartered MNEs with an activated exchange relationship and effective exchange system in place would be exempt from CbCR local filing.

Furthermore, Thailand has a CbC notification requiring a Thai representative entity of an MNE with CbCR obligations to notify the Revenue Department of the Group's CbCR filing location via the Thailand's CbCR online portal within 12 months from the financial year-end.

Advance pricing agreements (APAs)

Bilateral advance pricing agreements are accepted with the covered period generally limited to a maximum of five accounting periods. Bilateral APA roll-back requests are also allowed provided that the circumstances of the roll-back period are identical to those of the APA period.

Only companies or partnerships incorporated in Thailand, which enter into intra-group transactions with affiliates who are residents of Thailand's treaty partners may apply for an APA.

Expected transfer pricing subordinate regulations

Additional subordinate regulations are expected to be issued to provide clarification and detailed implementation guidance on the following topics:

- The interpretation of 'relationship' and 'control' under the third criterion of the above definition of related parties
- The use of foreign comparables.

The multilateral instrument (MLI)

On 9 February 2022, Thailand signed the MLI (the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting). As a member of the OECD's BEPS

Inclusive Framework since 2017, Thailand was required to commit to implementing the comprehensive BEPS package, of which the following four minimum standards must be implemented:

- Action 5: Counter harmful tax practices
- Action 6: Prevent tax treaty abuse
- Action 13: Transfer pricing documentation
- Action 14: Make dispute resolution mechanisms more effective.

The Ministry of Finance has selected the following articles as appropriate for Thailand:

- Article 5: Amend the elimination of double taxation provisions
- Article 6: Amend the wording in the title and preamble to prevent treaty misuse
- Article 7: Add a new article on testing the purpose of transactions to be used when considering privileges under double tax treaties
- Article 12: Amend the article regarding permanent establishment (PE)
- Article 13: Amend the article regarding PE to exempt the PE status
- Article 14: Amend the article regarding PE to include measures that prevent contracts from being split
- Article 15: Amend the article regarding PE to add definition of related entities
- Article 16 and 17: Revise affiliated enterprises to be in accordance with the OECD Model Tax Convention (2017).

Thailand currently has 61 double tax agreements in force with other jurisdictions. Of these, 58 are identified as 'covered tax agreements' in Thailand's instrument of ratification of which 43 are 'matched' with the other jurisdiction. The matched agreements include those with Australia, China, Hong Kong, Ireland, the UK and the USA. The three agreements that are not covered tax agreements are those with the Netherlands, Norway and Taiwan.

Tax administration

The system is one of self-assessment. A company prepares and files its tax returns by the due dates and at the same time pays the taxes calculated to be due.

The tax year for a company is its accounting period, which must be of 12 months' duration. However, it may be less than 12 months for the first accounting period after incorporation, the accounting period of dissolution or after approval for a change in the accounting period has been received from the Revenue Department and the Business Development Department.

Corporate income tax is paid twice in each year. A half-year return must be filed within two months after the end of the first six months of an accounting period. The tax to be paid is computed on one-half of the estimated profit for the full accounting period except for listed companies, banks, certain other financial institutions and other companies under prescribed conditions, where the tax is based on the actual net profit for the first six months. The annual tax return must be filed within 150 days from the closing date of an accounting period and credit is given for the amount of tax paid at the half-year.

Penalties, surcharge and appeal

Taxpayers who fail to comply with tax administration requirements, are subject to the same penalties and surcharges as stated in the personal income tax section and to the same appeal procedures.

The image features a complex abstract composition of geometric shapes in various shades of gray. At the top left, there are several horizontal bars of different lengths and thicknesses. To their right is a dashed horizontal line. Further right is a quarter-circle shape with a small circle at its outer edge. The central focus is a large, semi-circular ring divided into two halves by a vertical line, with a smaller semi-circular ring inside it. Below this, the text "Pillar Two" is centered. To the right of the text, there is a vertical bar and a semi-circular shape. At the bottom left, there is a small circle connected to a dashed horizontal line. At the bottom right, there is a vertical bar, a dashed horizontal line, and a large, dark, irregular shape that resembles a stylized letter 'K' or a similar geometric form.

Pillar Two

The Pillar Two global minimum tax rules

On 14 December 2021, the OECD/G20 Inclusive Framework on BEPS, published the Global Anti-Base Erosion (GloBE) Rules (commonly referred to as the Pillar Two rules), which established a co-ordinated system of taxation intended to ensure large multinational enterprises (MNE) pay taxes of at least 15% in each jurisdiction they operate in.

The Pillar Two rules have been enacted into national legislation in several countries around the world, with effect from 1 January 2024. The complexity of the rules as well as its continued evolution poses several practical challenges for MNEs within scope in determining the impact and preparing towards full compliance.

Thailand's implementation of the Pillar Two rules

On 7 March 2023, the Thai Cabinet approved the proposals to introduce the Pillar Two global minimum tax rules in Thailand and announced the following actions that will be taken by the relevant government agencies:

1. BOI

- Amend the National Competitiveness Enhancement for Targeted Industries Act, B.E. 2560 (2017), to include the allocation of tax revenue collected from the top-up tax under the Pillar Two rules, once implemented in Thailand, to the National Competitiveness Enhancement for Targeted Industry Fund ('Fund').
- Propose investment promotion measures through subsidies from the Fund, for qualified investors, to be approved by the National Competitiveness Enhancement Policy Committee.
- Propose measures to mitigate the impact of the Pillar Two rules on the Investment Promotion Act B.E. 2520 (1977).

2. The Ministry of Finance

- Adopt the Pillar Two framework rules into domestic law for collecting the top-up tax.
- Allocate 50-70% of the tax revenue collected under the Pillar Two rules to the Fund (to be agreed between the Revenue Department and the BOI).
- To share with the BOI the relevant information on taxpayers who have already paid the top-up tax.

On 1 March 2024, the Revenue Department published a consultation paper in the form of a draft Top-Up Tax Act (Draft Act) concerning the Pillar Two global minimum tax rules for Thailand. Key components of the Draft Act are as follows:

Taxable persons

Under the Draft Act, Constituent Entities located in Thailand that are members of an MNE group with consolidated revenues of at least €750 million or the Thai Baht equivalent will be in scope of the rules.

Charging mechanisms

The Draft Act closely follows the guidance issued by the OECD under the GloBE Rules and proposes that the following three tax-charging mechanisms be included which will be applicable to taxpayers falling within the scope of the rules:

(i) Domestic Top-up Tax (DTT)

The DTT charges the top-up tax to Thai Constituent Entities in the event that the MNE group's Thailand's effective tax rate (ETR) is below 15%.

(ii) Income Inclusion Rule (IIR)

The IIR charges the top-up tax to Thai Constituent Entities that are Ultimate Parent Entities (UPE), Partially Owned Parent Entities (POPE), and Intermediate Parent Entities (IPE), on the

top-up tax of foreign Constituent Entities held by the UPE, POPE, and IPE, in the event that the MNE group's respective foreign jurisdiction's ETR is below 15%.

(iii) Undertaxed Payments Rule (UTPR)

The UTPR charges the top-up tax to Thai Constituent Entities in the event that the MNE group has top-up tax uncollected by a Qualified Domestic Top-up Tax (QDMTT) or a Qualified IIR and there is a UTPR top-up tax allocated to Thailand.

Computation of the top-up tax

The mechanism for computing the top-up tax proposed under the Draft Act is in line with the GloBE rules. However, it leaves out the detailed adjustments to determine the Net GloBE Income or Loss and the Adjusted Covered Tax, which will be addressed in supplemental ministerial regulations.

The jurisdictional top-up tax is calculated based on the following formula:

$$\text{Jurisdictional Top up tax} = (A \times B) + C - D$$

Where (A) is the Excess Profit of the jurisdiction, which is determined by subtracting the jurisdiction's Substance-based Income Exclusion from its Net GloBE Income.

(B) is the Top-up tax percentage of the jurisdiction, which is determined from the difference between the jurisdiction's ETR and the minimum rate of 15%.

(C) is the Additional Current Top-up Tax amount, which are determined under special circumstances defined.

(D) is the domestic top-up tax paid under a QDMTT regime of the jurisdiction.

Tax administration

As of now, the Draft Act does not specify the tentative effective date. However, based on the prior cabinet resolution announced on 7 March 2023, it is likely that Thailand will bring the rules into effect on 1 January 2025.

The system will be one of a self-assessment. Under the Draft Act, Thai taxpayers in scope are required to submit the following returns to the Revenue Department within 15 months after the end of the fiscal year:

- (1) a Notification, which reports the MNE group to which the Constituent Entity belongs, the Constituent Entities in the group responsible for filing the GloBE Information Return, and the jurisdiction in which such Constituent Entities are located.
- (2) a GloBE Information Return.
- (3) Top-up tax information return along with the corresponding Top-up Tax payment.

Penalties and surcharge

Taxpayers who incorrectly file the top-up tax returns will be subject to a penalty of 100% of the tax shortfall, and those who fail to file the GloBE return will be subject to a penalty of 200% of the shortfall. In addition, failure to make a payment, or an incomplete payment would result in an additional 1.5% surcharge per month, which is in line with the domestic rules under the income tax law.

The background features a complex arrangement of geometric shapes in various shades of gray, black, and white. These include rectangles, squares, circles, and semi-circles, some of which are layered or overlapping. A prominent feature is a large, light gray semi-circle on the left side, with a darker gray semi-circle nested inside it. Other elements include a small dark gray square in the top left, a larger dark gray square in the top right, and a vertical dark gray bar on the right side. Dashed lines and small circles are scattered throughout the composition, adding to the abstract aesthetic.

Value Added Tax

Value Added Tax

Basis of taxation

Value added tax (VAT) is a non-cumulative broad-based consumption tax levied on the supply of goods or provision of services in Thailand by VAT operators or import of goods into Thailand.

For domestic transactions, 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 the purchase of goods or services related to the business of a registered VAT operator may be credited against output VAT.

Taxpayers

Generally, unless specifically exempt, every person who conducts business in Thailand is liable to pay VAT, regardless of whether the business is conducted by an ordinary person, group of persons, partnership, company or any other juristic person, including the following:

- Manufacturers, importers, wholesalers, retailers and any other persons who sell goods in the course of their business or professional activities
- Persons providing services
- Agents in Thailand of foreign suppliers who sell goods and provide services in the ordinary course of business.

Registration

Persons who have an annual turnover in excess of Baht 1.8 million are required to register as VAT operators. Only registered VAT operators are entitled to the credit or refund of input VAT.

Exemptions

Persons and business activities exempt from VAT include:

- - Taxpayers with total sales of less than Baht 1.8 million
- - Sale of unprocessed agricultural products
- - Sale of goods or products related to agriculture, e.g. fertilisers, animal feed and pesticides
- - Sale of newspapers, magazines and textbooks
- - Sale of animals whether dead or alive
(All above – see note 1 below)
- Educational services, including government and private schools
- Artistic and cultural services
- Medical, auditing and court practice services
- Healthcare services including government and private hospitals and clinics
- Research and technical services
- Libraries, museums, zoos and amateur sports
- Public performers
- Domestic transportation (see note 2 below)
- International transportation by land
- Rental of immovable property
- Services of government agencies and local government which send all revenue before expenses to the government
- Religious activities and public charities
- Imported goods brought into a duty-free zone that are exempt from import duties under the law
- Goods exempt from import duties pursuant to Chapter 4 of the Customs Tariff Code
- Imported goods processed by the Customs Department and returned abroad.

Notes:

1. Businesses undertaking these activities are eligible to be registered as VAT operators.
2. Businesses undertaking local transportation by aircraft or ship as well as transportation of fuel oil through pipes in Thailand are eligible to be registered as VAT operators. Local transportation by ship includes transportation between sea and rivers within Thailand.

Tax rates

- The standard rate of VAT is 10% but the government has the power to reduce the rate. The current reduced rate of 7% is valid until 30 September 2025.
- A 0% rate is applied to the following specific items:
 - Exported goods
 - Services provided in Thailand but used, either partly or wholly, in a foreign country
 - International transportation by aircraft or ship
 - Sale of goods or services to government agencies or state enterprises under foreign aid programmes
 - Sale of goods or services to the United Nations or its specialised agencies as well as embassies and consulates general
 - Sale of goods and services between bonded warehouses or between enterprises located in a duty-free zone or between bonded warehouses and enterprises located in a duty-free zone.

Computation

VAT operators must charge VAT on the sale of goods or the provision of services which is regarded as output tax. The tax paid by VAT operators upon the purchase of goods or services is regarded as input

tax. Input tax is creditable against output tax to yield the amount of tax due:

$$\text{Tax due} = \text{Output tax} - \text{Input tax}$$

The excess of output tax over input tax must be remitted to the Revenue Department while taxpayers are entitled to a refund or credit for the excess of input tax over output tax.

Reverse charge VAT

Where a supplier of goods or services resident abroad temporarily supplies either goods or services in Thailand or provides services abroad that are used in Thailand, the payer of their invoices is responsible for remitting the VAT to which they are liable within seven days from the last day of the month in which the payment was made. The VAT so remitted is regarded as input tax and can be utilised in the same manner as the other input tax of the payer.

Tax invoices

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

Overseas digital service providers

Non-resident electronic service providers and electronic platform operators, who receive income of more than Baht 1.8 million per year from providing electronic services to non-VAT registered customers in Thailand, must register for VAT, file VAT returns and pay VAT (without any deduction for input tax) via the Revenue Department's online system. These taxpayers are not required to issue tax invoices or prepare input tax reports.

The term 'electronic service' means a service that includes intangible property delivered via the internet network or any other electronic

network in which the nature of the service is substantially automated, such that the service cannot be performed without information technology, e.g. online games, mobile applications, online advertising. It does not include the sale of goods through an online channel that are imported into Thailand.

The term ‘electronic platform’ means a market, channel or other process that many service providers use to provide electronic services to their recipients.

The tax point for the VAT liability arises when the consideration for the service is received.

Other considerations regarding digital services include the following

- Permanent Establishment (PE): The VAT registration of non-resident electronic service providers and electronic platforms is not a determining factor for constituting or having a PE in Thailand.
- Determination of whether the e-service is used in Thailand: The service providers or electronic platforms can rely on the customer’s information that they would routinely obtain in the normal course of business to determine where the service is used. This information can include any one of the following:
 - Payment method (e.g. credit card, bank account details)
 - Residence (e.g. home address, billing address)
 - Access (e.g. mobile country code of SIM card, IP address).

Tax administration

Returns

VAT operators are required to file monthly tax returns no later than the 15th day of the following month.

Documents and records

Tax invoices received and copies of tax invoices issued must be maintained as well as relevant documents and records. For instance, bookkeeping and goods and raw materials records must be properly maintained at the place of business of VAT operators at all times.

Penalties and surcharge

- Failure to register for VAT or businesses continuing after their VAT registration has been revoked, the penalty is 200% of the tax due (but not less than Baht 1,000 per month).
- Failure to file monthly VAT returns within the time limit, the penalty is 200% of the tax due.
- Miscalculation of the amount of tax in tax return filing, the penalty is 100% of the tax underpaid.
- Misstatement of the amount of output tax or input tax, the penalty is 100% of the deficient output tax or the excess input tax.
- Failure to issue a tax invoice to a purchaser, the penalty is 200% of the tax due.
- Failure to prepare the required reports, the penalty is 200% of the tax due.
- An additional surcharge of 1.5% per month of the tax underpaid is levied subject to a maximum equal to the amount of the tax due.

The background features a complex arrangement of geometric shapes in various shades of gray, black, and white. These include rectangles, squares, circles, and semi-circles, some of which are layered or overlapping. A prominent feature is a large, light gray semi-circle on the left side, with a darker gray semi-circle nested inside it. Other elements include a small dark gray square in the top left, a larger dark gray square with a white circle at its bottom right corner in the top right, and a vertical dark gray bar on the right side. At the bottom, there are several dashed lines and small circles, some of which appear to be part of a larger, partially visible diagram or structure.

Specific Business Tax

Specific Business Tax

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

Taxpayers

The following persons who are conducting transactions subject to SBT in the regular course of their business are required to register as SBT operators:

- Individuals, including a non-juristic body of persons
- Corporate entities
- Government agencies or cooperatives

Businesses subject to SBT and applicable rates

	%
• Commercial banking, financial and credit foncier business	3.0*
• Life insurance	2.5
• Pawnshop brokerage	2.5
• Sale of immovable property, real estate	3.0
• Sale of securities in the stock exchange	0.1**
• Business with regular transactions similar to commercial banking	3.0

* The rate of SBT has been reduced from 3% to 0.01% in respect of certain items of banking income.

** Currently exempt from SBT

An additional 10% of the SBT rate is levied as municipality tax.

The sale of futures contracts in accordance with the laws governing agricultural futures trading on the Agricultural Futures Exchange of Thailand (AFET) and the sale of derivatives in accordance with the laws governing derivatives on the Thailand Futures Exchange (TFEX) are exempt from SBT.

Tax administration

Businesses subject to SBT are required to file monthly tax returns no later than the 15th day of the following month.

Penalties and surcharge

- Failure to register for SBT, the penalty is 200% of the tax due.
- Failure to file monthly SBT returns, the penalty is 200% of the tax due.
- Incorrect or underpayment of tax in monthly tax filing, the penalty is 100% of the tax underpaid.
- An additional surcharge of 1.5% per month of the tax underpaid is levied subject to a maximum equal to the amount of the tax due.

An abstract geometric composition featuring various shapes and shades of gray. The central focus is a large, light gray circle with a white center, overlaid on a white background. To the left, a dark gray horizontal bar is partially visible. Above the circle, there are several smaller elements: a dark gray square, a white dashed line, and a dark gray quarter-circle with a small white dot at its center. To the right, a dark gray vertical bar is positioned above a light gray semi-circle. Below the main circle, there are more geometric elements: a dark gray vertical bar, a white dashed line with a small dark gray dot at its end, and a dark gray triangle pointing to the right. The overall composition is balanced and modern, with a focus on clean lines and geometric forms.

Stamp Duty

Stamp Duty

Basis of taxation

Stamp duty is levied on the execution of 28 different types of documents or instruments specified in the stamp duty schedule in the Revenue Code.

Rates

The rates vary according to the nature of the documents or instruments. The rates range from Baht 1 per Baht 1,000 of value on most contracts and agreements to a fixed amount per instrument on most commercial and other documents. Stamp duty must be duly stamped at the rate specified in the stamp duty schedule.

Documents and instruments subject to stamp duty

- Contracts/agreements
 - Lease of land or buildings
 - Hire purchase
 - Hire of work
 - Loan
 - Partnership contract
- Financial/commercial documents
 - Transfer of shares/debentures
 - Bill of exchange
 - Promissory note
 - Bill of lading
 - Share or debenture certificate
 - Cheque/traveller's cheque
 - Letter of credit
 - Receipt for interest bearing bank deposit
 - Carrier's receipt
 - Suretyship

- Pledge
- Warehouse receipt
- Delivery order
- Agency/power of attorney
- Duplicate of original document
- Award given by arbitrator
- Memorandum/Articles of Association of a limited company
- Proxy for voting
- Policy of insurance
- Receipt in connection with transfer of right in immovable property which gives rise to its registration
- Receipt in connection with sale, transfer of ownership or hire purchase of a vehicle

Payment of stamp duty and surcharge

In most cases, the recipient of the consideration under the instrument is liable to pay the stamp duty. Stamp duty is paid by way of affixing the stamps on the instrument and crossing them out. However, certain instruments subject to stamp duty are required to have the stamp duty paid in cash to the Revenue Department instead. These instruments include, but are not limited to, the following:

- Lease of land, buildings, other construction or floating rafts with rental of Baht 1 million or more
- Hire of work agreement with remuneration of Baht 1 million or more

The stamp duty must be paid within 15 days from the date on which an instrument is executed in Thailand except that certain taxpayers, e.g. financial institutions and insurance companies, are required to pay the stamp duty on certain instruments in cash, twice per month, i.e. by the 22nd of the month for those executed during the first half of the month and by the 7th of the following month for those executed during the second half of the prior month.

Most instruments subject to stamp duty that are in the form of e-instruments are required to be filed and have the stamp duty paid in cash via the internet. In this case, the filing of the return and payment can be made before the execution of the instrument or within 15 days from the date following that on which the instrument was executed.

An alternative means of filing the stamp duty returns of these e-instruments that are executed between 19 August 2022 and 31 December 2025 is allowed whereby payment can be made in cash at the Revenue Area Office.

Furthermore, the instruments referred to above, which are executed in hard copy between 19 August 2022 and 31 December 2025 are allowed to have the stamp duty paid via the internet.

Failure to pay the stamp duty and affix the stamps on a timely basis is subject to a surcharge ranging from 200% to 600% of the duty payable. Unstamped documents or instruments are not admissible as evidence in a civil lawsuit.



Customs
Duties

Customs Duties

Basis of taxation

Customs duties are imposed under the Customs Act and the Customs Tariff Decree and are collected on both imports and a limited number of exports. Classification of imports is based on the Harmonised Commodity Description and Coding System (the so-called 'Harmonised System'). Thailand has adopted the ASEAN Harmonised Tariff Nomenclature (AHTN) 2022, which is based on the Harmonised System 2022, as its import tariff nomenclature.

Duties are levied on a specific or an ad valorem basis, whichever is the higher, and the applied ad valorem duties range between 0% and 80%. Exemptions from import duties are available on certain items of goods as prescribed in the Customs Tariff Decree. Preferential duty rates are available on imported goods from countries that have a preferential free trade agreement (FTA) with Thailand.

Currently, Thailand has FTAs with the following countries:

- ASEAN member states (Singapore, Vietnam, Malaysia, Indonesia, Philippines, Cambodia, Laos, Myanmar, and Brunei)
- Regional Comprehensive Economic Partnership (RCEP – which includes ASEAN member states plus China, Korea, Japan, Australia and New Zealand)
- Australia
- Chile
- India
- Japan
- New Zealand
- Peru

Also, as a member of ASEAN, Thailand has preferential trade agreements with the following countries:

- Australia and New Zealand
- China
- Hong Kong
- India
- Japan
- Korea

Generally, the value of imports is based on their cost, insurance, and freight (CIF), whereas exported goods are based on their free on board (FOB) amount.

Thailand has implemented the World Trade Organisation (WTO) valuation agreement. The primary basis for the customs value is the transaction value, which is the price actually paid or payable for the goods when sold for export, subject to adjustments for certain elements that are considered to form a part of the value for customs purposes or that can be deducted from the value of the imported goods (e.g. the cost of transportation after the importation, duties, and taxes associated with the import).

Elements that may need to be added include royalties and licence fees that are related to the goods and paid as a condition of sale, proceeds from subsequent resale in the importing country, and the value of goods or services supplied by the buyer, such as design or development fees related to the imported goods. If the declared price is evidently low or is unlikely to be the true value of these goods, Thai Customs will likely dispute the declared price.

Customs controls and procedures

Customs procedures for goods arriving in Thailand in any manner are similar to those existing in most other countries. An importer is required to file an entry form together with other requisite documents,

including a bill of lading, invoice, and packing list via the e-Customs system.

Customs duties are due upon the arrival of the vessel carrying the imported goods, and goods may be stored in a Customs warehouse for up to 45 days with no submission of an import entry and 60 days in the case of submission of an import entry. Landing and storage charges must be paid before the goods are released.

Customs incentive schemes

Various customs incentive schemes, each with its own specific conditions and duty privileges, are available, including the following:

- Duty and tax compensation (tax coupons)
- Duty drawback for imported raw materials used in export production
- Duty drawback for re-export in the same state
- Free zones (Customs or Industrial Estate Authority of Thailand free zones)
- Manufacturing bonded warehouses
- General bonded warehouses
- Board of Investment (BOI) promotion
- Preferential import duties under FTAs.

Offences and penalties

Although, technically, an offence against the customs law is a criminal offence, in practice, legal procedures are usually concerned with the recovery of tax arrears and fines. Offences include non-compliance with customs procedures, false declarations, and the most serious offence of smuggling and evasion of customs duties. Statutory penalties are as prescribed by the relevant provisions of the Customs Act. Where Customs and the offender agree to settle the case at the Customs level (i.e. waiver of prosecution), the penalties would be in accordance with the settlement criteria as prescribed by the Director-

General of the Customs Department. Currently, a duty evasion offence would typically be settled with a fine of from 50% to 200% of the duty shortfall based on the import entry. The VAT penalty would also be applied proportionally based on the duty fine. Duty and VAT surcharges (capped at the amount of the shortfall) would also apply in this respect.

For import licensing errors, the settlement criteria would be the surrendering of the goods or a fine in lieu thereof based on the value of the goods. For offences related to smuggling, the penalties are based on a multiple of the value of the goods.



Excise Tax

Excise Tax

Basis of taxation

Excise tax is a form of consumption tax that is imposed on the sale of a selected range of services and goods (whether manufactured locally or imported) that are considered luxuries. The tax liability arises on locally manufactured goods when leaving the factory and at the time of importation for imported goods.

The excise tax (ET) calculation is based on both ad valorem rates (a percentage of the suggested retail price [SRP]) and/or specific rates (based on the quantity or weight of the goods). The excise tax formula varies depending on type of excise taxable products, for example:

- $(\text{SRP} \times \text{ET rate})$ is applicable for motor vehicles, motorcycles and cosmetic products.
- $(\text{Specific rate} \times \text{quantity})$ is applicable for petroleum oil products.
- $(\text{SRP} \times \text{ET rate}) + (\text{specific rate} \times \text{quantity})$ is applicable for non-alcoholic beverages and tobacco products.
- $(\text{SRP} \times \text{ET rate}) + (\text{specific rate} \times \text{quantity} \times \text{degree of pure alcohol})$ is applicable for alcoholic beverages.

Taxable goods and services

Goods/services	Ad valorem rate (%)	Specific rate
Petroleum and petroleum products	0	Baht 0 to Baht 6.5 per litre or kilogram
Certain non-alcoholic beverages	0 to 14	Baht 0 to Baht 44 per litre
Certain electrical appliances	0	-

Goods/services	Ad valorem rate (%)	Specific rate
Batteries	0 to 8	-
Crystal glassware	0	-
Motor vehicles	0 to 40	-
Motorcycles	0 to 20	-
Boats	0	-
Perfume products and cosmetics	0 to 8	-
Woollen carpets	0	-
Marble and granite	0	-
Ozone depleting substances/CFCs	0 to 30	-
Alcoholic beverages	0 to 22	Baht 0 to Baht 1,500 per litre of pure alcohol
Cigarettes containing tobacco	0 to 42	Baht 0.005 to Baht 1.25 per piece or gram
Playing cards	0	Baht 2 to Baht 30 per 100 cards
Entertainment services	0 to 10	-
Racecourses and lotto	0 to 20	-
Golf courses	0 to 10	-
Telecommunications business	0	-

In addition to the excise tax, an interior tax is also levied by the Excise Department at the rate of 10% of the excise tax payable. Other taxes, such as the health tax and Thai Public Broadcasting Service tax (TPBS tax or TV tax), may apply to certain specified products in the categories of cigarettes and alcoholic beverages.

The manufacturer of the 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 these locations, the manufacturer must file a return and remit the excise tax to the Excise Department within 15 days from the end of the month.

The background features a complex arrangement of geometric shapes in various shades of gray, black, and white. These include rectangles, squares, circles, and semi-circles, some of which are layered or overlapping. A prominent feature is a large, light gray semi-circle on the left side, with a darker gray semi-circle nested inside it. Other elements include a small dark gray square in the top left, a larger dark gray square with a white circle in the top right, and a vertical dark gray bar on the right side. Dashed lines and small circles are scattered throughout the composition, adding to the abstract aesthetic.

Petroleum Income Tax

Petroleum Income Tax

Basis of taxation

International oil companies are permitted to engage in exploration and production activities in Thailand under a concession, a production sharing contract or a service contract.

Taxation on income from petroleum operations is imposed on petroleum concessionaire companies and production sharing producers by the Petroleum Income Tax Acts (PITA). Petroleum companies under a service contract are not taxed under the PITA but under the Revenue Code.

Companies taxed under the PITA are exempt from taxes and duties on income imposed under the Revenue Code and under any other laws. The exemption applies provided that the company pays taxes and duties on income subject to the PITA or on dividends paid out of income subject to the PITA.

Taxable income

Petroleum companies under a concession are taxed at the rate of 50% of their annual net profit from petroleum operations, including profit from the transfer of their concession interests and other activities incidental to the petroleum operations. Deductions are allowed for 'ordinary and necessary' business expenses, as well as depreciation on capital expenditure, petroleum royalties, and other charges. Certain types of expenses are specifically disallowed for deduction, including interest.

A production sharing producer is taxed at the rate of 20% of the annual net profit derived from its petroleum business, including profits derived from the transfer of interests in the nature of rights, annuity or any other recurring income as a consequence thereof.

Functional currency

Petroleum companies subject to PITA, including companies that have entered into a production sharing contract, can adopt (with the permission of the Director-General of the Revenue Department) a foreign functional currency for preparing their accounting books and records and keep them in a foreign language. Where this is adopted, the foreign functional currency must be used when calculating the net profit subject to petroleum income tax.

Tax administration

Taxpayers must file an annual tax return at the local Revenue office within five months from the closing date of each accounting period. A half-year tax return must be filed by all Petroleum Companies other than those under the PITA 1 regime.

Penalties and surcharge

Failure to file accurate and timely returns will result in the imposition of penalties and a surcharge. However, the penalties and surcharge can be waived or reduced at the discretion of the Revenue Department where there is no wilful evasion.

Where the foreign functional currency is adopted for preparing the accounting books and records, the Revenue Department will assess taxes, penalties and surcharge in the functional currency adopted by the company.

The background features a complex arrangement of geometric shapes in various shades of gray. At the top left, there are two horizontal bars of different lengths. To their right is a dashed line. Further right is a quarter-circle with a small circle at its vertex. The center is dominated by a large, semi-transparent circular graphic composed of concentric rings and segments. To the right of this is a vertical bar. The bottom left has a dashed line with a small circle at its end. The bottom right contains a triangle, a square, and a larger dark gray shape, all connected by dashed lines.

Local Taxes

Local Taxes

Basis of taxation

Thailand is divided into 77 provinces which are each administered by a local autonomous authority, the municipality. The municipalities, including the cities of Bangkok and Pattaya, currently impose two major local taxes, namely the land and building tax and the signboard tax.

Land and building tax

The following persons are subject to the tax:

- Individuals or juristic persons who own land or buildings
- Individuals or juristic persons who possess or use state land or buildings
- A person who is obligated to pay the tax on behalf of the taxpayer, e.g. executor, heir, legal representative, curator, legal guardian, authorised representative of a juristic person, liquidator or one of the co-owners of the properties subject to tax.

An individual or juristic person, regardless of nationality, who owns or possesses land or buildings on 1 January in any year is obligated to pay the tax for that year. In the case where the land and buildings are owned by separate persons, both the owner of the land and the owner of the buildings are subject to the land and building tax on the properties they own.

The following properties are subject to the tax:

- Land including mountains and water basins
- Buildings, where a person can reside or utilise, or use for the storage of goods, or for industrial or commercial activities

- Condominium units under the Condominium Act, whereby title deeds of the units are issued
- Rafts where a person can reside or use for seeking benefit.

The following properties are exempt from the tax:

- Property owned by the state or government agencies for their own use or public purposes, but not for seeking benefit
- Property on which embassies, consulates, the United Nations, the UN specialised agencies or offices of other international agencies are located
- Property of the Thai Red Cross
- Property for religious use, but not for seeking benefit
- Property used for public cremation without remuneration
- Property belonging to a foundation or charitable organisation, as prescribed by the Minister of Finance, that is not for seeking benefit
- Property which is privately owned but is allowed to be used by the government for public purposes according to the criteria and conditions prescribed by the Ministry of Finance
- Property for common use by the owners of condominium units
- Land for public utilities under the law governing land apportionment
- Land for public utilities under the law governing industrial estates
- Other property as prescribed in ministerial regulations.

Tax base and tax rates

The tax base is the appraised value of the land, buildings or condominium units used for collecting fees under the Land Code. The amount of tax to be paid is the appraised value less the part that is exempt from the tax (see below) multiplied by the tax rate.

The statutory maximum tax rates range from 0.15% to 3% depending on the purpose of use, while the actual rates to be applied each year will be published in a royal decree.

In addition, a municipal administrative body is empowered to issue regulations prescribing tax rates higher than those published in the royal decree for the land and buildings situated in its jurisdiction, provided that the rates do not exceed the above statutory maximum rates.

The following properties are eligible for a 50% or 90% reduction in the tax rates:

Eligible for 50% reduction

- Land with buildings, construction or condominiums that the owners have acquired or possessed through inheritance or the registration of title/ownership of the land with the Land Department before 13 March 2019, and which are used for residential purposes by individual (natural person) owners or occupants whose names appear on the house registration.
- Power plants and the land on which a power plant is located, including land and other buildings connected to the power plant
- Dams for electricity generation and areas connected to the dams.

Eligible for 90% reduction

- Foreclosed immovable properties possessed by agencies specified by royal decree, e.g. financial institutions and asset management companies, for less than five years
- Housing or industrial projects under development for a period not exceeding three years from the date of receiving approval for land allocation
- Land or construction that is part of a condominium development for a period not exceeding three years from the date of receiving approval for construction
- Industrial estates under development for a period not exceeding three years from the date of receiving approval for establishment

- Land or building for development for which entrepreneurs have obtained approval under the land development law, condominium law or the Industrial Estate Authority of Thailand law, which remains unsold for two years after 13 March 2019
- Land or construction for the purpose of higher educational institutions
- Land or construction for private schools, such as formal schools, religious schools, and mosque-based Islamic education centres
- Land or buildings for general public interest, such as sports grounds, zoos, theme parks, parking facilities for the Mass Rapid Transit Authority of Thailand and public bus parking lots
- Airport runways, taxiways, and aprons
- Roads, elevated expressways and concession highways.

If land and buildings are used for various purposes, the local municipality will collect the tax based on the proportion of the purpose of usage according to the criteria and methods set by the Ministry of Finance and Ministry of Interior.

The local municipality is required to announce the appraised value of land and buildings, the tax rates to be collected, and other necessary details for the collection of the tax prior to 1 February of each year according to the criteria and method prescribed in the ministerial regulation.

Tax exemptions

An individual who owns land or buildings in a local municipal area for agricultural activities which have a total value of not more than Baht 50 million is exempted from the tax.

An individual who owns land and buildings for residential purposes which have a value of not more than Baht 50 million, and his/her name is in the house registration on 1 January in any year, is exempted from the tax. However, if an individual owns only the building and uses it for residential purposes with his/her name in the

house registration on 1 January of any year, and which has a value of not more than Baht 10 million, he/she is exempted from the tax.

Tax assessment and tax payment

The land and building tax is levied on an annual (calendar year) basis and classified as 'tax assessed by the authorities' whereby the local municipal authority sends a tax assessment letter to the taxpayer before the end of February of each year. The taxpayer must pay the tax so assessed before the end of April each year.

For 2024, the Ministry of Interior has extended the time for the implementation of this law. The tax assessment letter will be sent by the end of April 2024, and the taxpayer must pay the tax by the end of June 2024.

Signboard tax

An annual signboard tax is imposed on signs or billboards, which display a name, trademark or product for the purpose of advertising or providing information about a business.

Owners of signboards are subject to the tax, and the rate of tax varies according to the size of the board and the language written on the board. Signboards that display Thai words are levied at the rate of Baht 5-10 per 500 sq. cm. whilst signboards displaying both Thai and foreign words are taxed at Baht 26-52 per 500 sq. cm. and, for foreign words alone or Thai words below foreign words, the rate is Baht 50-52 per 500 sq. cm.

The following categories of signboard are exempt from the tax:

- in public places or organisations owned by the government
- in private schools within the compound of the schools
- for religious bodies or charitable organisations and associations
- erected within the area of occasional fairs

- displayed in theatres or movie houses which publicise shows
- on products or containers
- that are confined to the internal place of a business
- farmers' produce signs
- attached to a vehicle, man, or animal

Owners of signboards are required to file tax returns in March of each year and the tax must be paid within 15 days after notification of the tax assessment has been issued.

In the case of failure to file a tax return, a surcharge at the rate of 10% of the signboard tax payable will be imposed.

In the case of failure to pay signboard tax, a surcharge at the rate of 2% per month of the tax payable would also be charged. A failure to pay tax may result in the seizure and sale of the property by the local authorities in order to collect the arrears.

The background is a complex composition of abstract geometric shapes in various shades of gray. It includes a large, light gray square on the left, a dark gray quarter-circle in the top right, a vertical dark gray bar on the right, and several smaller rectangles and lines scattered throughout. A large, semi-transparent white circle is centered behind the text.

Inheritance Tax

Inheritance Tax

A legacy received by an individual or a juristic entity from a testator is subject to inheritance tax. The following individuals are subject to the tax:

- Persons of Thai nationality
- Persons of non-Thai nationality with a domicile in Thailand under the immigration law
- Persons of non-Thai nationality receiving an inheritance which is an asset situated in Thailand.

A juristic entity subject to inheritance tax is one that is incorporated in Thailand or one that is more than 50% held or controlled by Thai nationals.

The recipient of a legacy is subject to inheritance tax only on the value that exceeds Baht 100 million obtained from each testator together either once or on several occasions.

The inheritance tax rate is 10% except for heirs who are ascendants or descendants of the testator in which case the rate is 5%. The tax is payable within 150 days from the date of the receipt of the legacy. Legacies received by the spouse of a testator are exempt from the tax.

Property subject to the inheritance tax comprises immovable property, securities according to the Securities and Exchange law, bank deposit accounts or other money of a similar nature which the testators have the right to call back or claim from financial institutions or persons who hold the money and registered vehicles and other financial assets prescribed by Royal Decrees.



Tax Incentives

Tax Incentives

The Board of Investment

Under the Investment Promotion Act of 1977 (including its amendment no. 4 of 2017) and the Competitive Enhancement Act of 2017, the Board of Investment (BOI) is authorised to grant incentives and privileges to qualified investments. An investor entitled to investment incentives from the BOI under the Investment Promotion Act must be a limited company, foundation or cooperative organised under the Thai law. However, an investor under the Competitive Enhancement Act can only be in the form of a limited company.

To relax the limitation on foreign shareholding and to facilitate investors in making their investment, the following criteria are currently used by the BOI:

- For a project in agriculture, animal husbandry, fishery, mineral exploration and mining and service businesses under Schedule 1 of the Foreign Business Act of 1999, Thai nationals must hold not less than 51% of the registered capital.
- For manufacturing projects, foreign investors may hold a majority or all of the shares in promoted projects.
- The BOI may specify the shareholding of foreign investors in promoted projects when it is deemed appropriate.

The amended Investment Promotion Act offers a maximum corporate income tax exemption period of 13 years, and the Competitive Enhancement Act extends the exemption period to a maximum of 15 years. In addition, it provides for a competitive enhancement fund of Baht 10 billion which is intended to lure high-value investors in industries using advanced technologies, geared towards innovation and research and development.

However, obtaining privileges under both Acts is not feasible. The investor will only be allowed to utilise the privileges under one of the Acts.

The BOI provides tax and non-tax incentives under both Acts as well as various guarantees and protection measures which vary with the nature and importance of the activities, project locations, and other criteria.

The BOI has also designated activities under Investment Promotion Act as targeted core technologies which are entitled to a maximum benefit of 13 years of corporate income tax exemption without any cap, together with other eligible activities which are entitled to a maximum benefit of 8 years of corporate income tax exemption without cap.

The targeted core technologies are as follows:

- Biotechnology
- Nanotechnology
- Advanced material technology
- Advanced electronic parts (i.e. manufacture of wafer)

The other eligible activities are as follows:

- BGG industries
- Advanced manufacturing such as automotive, electrical industries etc.
- Basic and supporting such as steels, chemical and public utilities industries etc.
- Creative, digital and high value services such as software development, logistics industry etc.

The following tax incentives may be granted to investors:

- Exemption from or reduction of import duties on imported machinery
- Exemption from import duties on raw and essential materials imported for manufacturing for export
- Reduction of import duties on raw and essential materials by up to 90% for use in manufacturing for domestic sale, such raw and essential materials comparable in quality are not being produced or originated within Thailand in sufficient quantity to be acquired for use in the promoted activity
- Exemption from import duties on items used for R&D
- Exemption from corporate income tax with or without a cap equal to or more than the amount of the investment, excluding the cost of land and working capital, for up to 13 or 15 years, depending on the applicable law, the promoted activity and the location
- 50% reduction in the corporate income tax rate for a maximum of five years from the date on which the tax holiday expires
- Exclusion of dividends received from promoted enterprises from taxable income during the period of corporate income tax exemption and within six months from the date on which the tax exemption period expires
- For the purpose of promoting investment in certain locations or zones, double deduction of the cost of transportation, electricity, and water supply for ten years from the date on which revenue was first derived from the promoted activity.
- For the purpose of promoting investment in certain locations or zones, deduction of 25% of the project's infrastructure installation or construction costs in addition to the normal depreciation; the deduction can be made in one or several years within ten years from the date on which revenue was first derived from the promoted activity

Additional incentives based on the value of a project (merit-based incentives) are also available, as detailed below, in order to motivate investors applying under the Investment Promotion Act to invest in or

spend on activities that will benefit the country or the industry as a whole.

Merit on decentralisation

The BOI grants an additional decentralisation merit for businesses that are located in 20 targeted provinces, which includes the following incentives:

- A further three years' tax exemption period from the standard incentives, but not exceeding 13 years in total. With the exception of the targeted core activities, those activities that have eight years' tax incentives will receive a reduction of 50% of the corporate income tax rate on net profit derived from the promoted activity for five years after the termination of the normal income tax holiday or from the date of earning income if no tax holiday is granted.
- A double deduction of the cost of transportation, electricity and water supply for ten years from the date on which revenue was first derived from the promoted activity.
- A 25% deduction of the project's infrastructure installation or construction costs in addition to normal depreciation. The deduction can be made from the net profit of one or several years within ten years from the date on which revenue was first derived from the promoted activity.

Merit on research and development

The BOI will grant an additional investment cap of up to 300% of the permitted expenses incurred for internal R&D, the provision of advance training to employees, or the development of local suppliers and a further tax exemption period of up to three years (not exceeding 13 years in total).

Merit on industrial area development

The BOI will grant one additional year of tax exemption for activities that have tax incentives and are located within an industrial estate or promoted industrial zone. However, the total period of tax exemption will not exceed eight years, except for the targeted core activities, which will be entitled to a maximum benefit of 13 years corporate income tax exemption without any cap.

Other incentives, guarantees and protection measures

Apart from the tax incentives, other incentives granted to a promoted enterprise include permission to bring in foreigners to engage in investment feasibility studies, to bring in foreign technicians and experts to work on promoted projects, to own land to undertake the promoted activities and to remit foreign currency abroad.

The BOI provides guarantees against nationalisation, competition from new state enterprises, state monopolisation of the sale of products similar to those produced by the promoted project, price controls and tax exempt imports by government agencies or state enterprises.

Protection measures include the imposition of a surcharge on imports, import bans on competing products and the authority of the Chairman of the BOI to order any action or tax relief measures for the benefit of promoted projects.

IEAT free zone

Under the Industrial Estate Authority of Thailand (IEAT) law, the free zone is designated for the operation of industrial and commercial activities or other businesses relating thereto, for the purpose of the economy, national security, public well-being, environmental management or other necessities as prescribed by the Board of the

IEAT, whereby goods taken into the area will be entitled to additional rights and privileges on tax and duty as well as special fees as provided in the law.

Industrial operators in an IEAT free zone will be granted additional privileges as follows:

- Exemption from import duties, VAT and excise tax on machinery, equipment, tools and supplies (including components) which are essential for the production of goods or for commercial purposes and on materials to be used in the construction, assembly or installation of factories or buildings in the IEAT free zone. Consumer products or vehicles are not exempt.
- Exemption from import duties, VAT and excise tax on raw materials imported and taken into an IEAT free zone for use in the production of goods or for commercial purposes. Exempt imported materials taken into an IEAT free zone for use in production include items from another IEAT free zone, promoted persons under BOI for export, bonded warehouse, items imported under bank guarantee for re-export of finished goods and items exempt under other laws.
- Importation of goods into an IEAT free zone for producing, mixing, assembling, packing or processing of the goods for export out of Thailand are not subject to the law in relation to the control of importation or exportation, the control of standards or quality, affixing of mark or any sign to those goods other than those required under the Customs law in accordance with the rules prescribed by the Board of the IEAT.
- Goods manufactured in an IEAT free zone and sold in Thailand will be deemed as imported goods and subject to import duties and VAT. Sales between operators located in the IEAT free zones could be subject to VAT at the normal rate or at the zero rates.

- Goods manufactured in an IEAT free zone which qualify under the rules of origin and manufacturing criteria may be entitled to preferential duty rates on their removal to the Thai domestic market.

Customs free zone

In order to support and promote the country's exports, a customs free zone (CFZ) is an area designated for industrial or commercial operations or other businesses that are beneficial to the economy of the country, whereby the goods imported into or manufactured in this zone will be exempted from import duty, VAT and excise tax.

To qualify as a CFZ, an application for its establishment must be submitted for the approval of the Director-General of the Customs Department. A company permitted to establish or operate in the CFZ must conclude a guarantee agreement with the Customs Department, conform strictly to all customs regulations and pay an annual fee as fixed by the law.

An operator in a CFZ will be granted rights and privileges as follows:

- Exemption from payment of import duties, VAT and excise tax on the acquisition (including the transfer from another CFZ) of machinery, equipment, tools and supplies (including components) which are essential for use in industrial and commercial operations or any other businesses that are beneficial to the economy of the country.
- Exemption from payment of import duties, VAT and excise tax on raw materials imported and taken into a CFZ for use in the production of goods or for commercial purposes. Exempt imported materials taken into a CFZ for use in production include items from another CFZ, promoted persons under the BOI for export, bonded warehouse, items imported under bank

guarantee for re-export of finished goods and items exempt under other laws.

- Importation of goods into a CFZ for producing, mixing, assembling, packing or processing of the goods for export out of Thailand will be exempted from the law in the part relating to the control of standards or quality, affixing of mark or any sign according to the rules prescribed by the Director-General.
- Goods manufactured in a CFZ and sold in Thailand will be deemed to be imported products and subject to duties and VAT. Sales between operators located in the CFZ could be subject to VAT at the normal rate or at the zero rate.
- Goods manufactured in a CFZ which qualify under the rules of origin and manufacturing criteria may be entitled to preferential duty rates on their removal to the Thai domestic market.

The storage period for goods in free zones (both IEAT and Customs) is limited to two years. However, the two-year limit can be extended for another year if the CFZ/IEAT free zone company obtains approval from Customs or IEAT (depending on the type of free zone). The approval needs to be obtained within 30 days prior to the expiry date of the two-year limitation. Goods that have been stored but have not obtained approval for the extension within 30 days from the expiry date will be subject to import duty and taxes.

Eastern Economic Corridor (EEC)

The EEC is a major project with the objective of helping to accelerate the future growth of the country. It aims to promote new technology and innovation in targeted industries in new economic cities located in certain zones within the three Eastern provinces of Rayong, Chonburi, and Chachoengsao. An EEC project will be promoted only if it is engaged in one of the target industries, such as smart electronics, automotive, automation and robots, aviation and digital

technology.

An EEC promoted company will be granted corporate income tax exemption and/or reduction privileges for up to 13 years by virtue of the investment promotion law.

Under the investment promotion law, the BOI has issued the criteria and incentives for promoted activities located in the following special industry promotion zones of the EEC:

- Eastern Airport City (EECa)
- Eastern Economic Corridor of Innovation (EECi)
- Digital Park Thailand (EECd)
- Medical Hub Thammasat University (Pattaya) (EECmd)
- Genomics Thailand (EECg)

Only investors in eligible activities that have been granted tax incentives for five or more years (except for those specified in a negative list), targeted core technologies and enabling services, can apply for the incentives granted under the EEC policy. Applications must be submitted before 30 December 2022, except for those under the special industry promotion zone for which there is no due date.

Tax incentives provided by the BOI are as follows:

- BOI standard incentives
- Additional corporate income tax exemption up to two years for certain activities
- Corporate income tax reduction of 50% for three years after the end of the tax holiday.

However, the EEC incentives cannot be utilised together with those under the merit on industrial area development.

The EEC Act also grants a personal income tax reduction for experts with special knowledge/ability who work or operate a business in certain zones within the EEC. Qualified expatriate and Thai

employees are allowed a flat rate of 17% personal income tax on their income derived from working for companies carrying on target activities within the EEC.

International business centre

An international business centre (IBC) regime has been launched to replace the previous regional operating headquarters (ROH), international headquarters (IHQ) and international trade centre (ITC) regimes, which have been terminated.

The criteria for the establishment and operation of an IBC are as follows:

- A Thai company incorporated for the purpose of providing management, technical, support or treasury management services to its associated enterprises or for undertaking international trade business
- Paid-up capital on the last day of each accounting period of at least Baht 10 million
- Provision of management, technical, support or treasury management services to associated enterprises
- At least ten knowledgeable and skilled personnel working full time for the IBC or at least five if the IBC acts only as a treasury centre
- Expenses for the operation of the IBC paid to recipients in Thailand must be not less than Baht 60 million in each accounting period

Management, technical, support services comprise the following:

- General management, business planning, and business coordination
- Procurement of raw materials and parts
- Research and development of products
- Technical support

- Marketing and sales promotion
- Personnel management and training
- Financial advice
- Economic and investment analysis and research
- Credit control and management.

Treasury management services comprise the following:

- Treasury management of a treasury centre as permitted under the exchange control law
- Borrowing and lending in Baht of a treasury centre as permitted under the exchange control law.

International trading business means the international business of buying and selling goods, which may include the provision of services related to the goods purchased and sold. These services include the following:

- Procurement of goods
- Storage of goods while awaiting delivery
- Packing and packaging
- Transportation of goods
- Insurance of goods
- Technical advice and services and product training

Income of the IBC means the following:

- Income from the provision of management, technical, support services, or treasury management to its associated enterprises.
- Royalties from associated enterprises arising from a result of research and development carried out in Thailand by the IBC or other entities hired by the IBC, according to the rules, procedures, and conditions prescribed by the Director-General of the Revenue Department.

The following tax benefits are available for 15 accounting periods:

- Reduced rates of corporate income tax on qualifying income:
 - 8% if the IBC has incurred expenditure of at least Baht 60 million paid to recipients in Thailand during the accounting period
 - 5% if the IBC has incurred expenditure of at least Baht 300 million paid to recipients in Thailand during the accounting period
 - 3% if the IBC has incurred expenditure of at least Baht 600 million paid to recipients in Thailand during the accounting period
- Exemption from tax on dividends derived by the IBC from its affiliates
- Exemption from withholding tax on dividends paid by the IBC to a non-resident company out of profits derived from qualified service income subject to the reduced rate of tax
- Exemption from withholding tax on interest paid by a treasury centre on borrowed funds which are re-lent to affiliates
- Exemption from specific business tax on income received by a treasury centre
- Personal income tax rate of 15% for expatriate full time employees of the IBC and working for the IBC. If the company undertakes IBC as well as other businesses, the revenue derived from the IBC must not be less than 70% of the company's total revenue.

In comparison with the previous ROH/IHQ regimes, the IBC regime does not apply different tax rates to offshore and onshore income. As a consequence, there is no longer any requirement for services to be provided to a minimum number of offshore affiliates. There is also no limit to the amount of onshore income which qualifies for the reduced tax rates. The expenditure required to qualify for the reduced tax rates has been significantly increased.

However, in the case where an existing ROH/IHQ has converted to

be an IBC, it can enjoy the reduced tax rate of 8% provided that it meets the original minimum expenditure requirement of Baht 15 million.

If an IBC does not meet the rules and conditions prescribed or does not otherwise qualify as an IBC in any accounting period, the benefits will be revoked on a year-by-year basis. If the company does not meet the conditions for more than one accounting period, or has none of characteristics for operating as an IBC, the tax benefits will be terminated with effect from the first accounting period.

The taxable profit and loss of an IBC must be computed separately between the IBC and non-IBC businesses and between (i) headquarters and treasury management services, and (ii) royalties. Common expenses are to be allocated based on the proportion of revenue of the IBC and non-IBC businesses.

Tax losses must be maintained separately, as follows:

- Headquarters and treasury management services
- Royalties
- Non-IBC business.

Tax returns must be filed separately for each of the above services.

**PricewaterhouseCoopers
Legal & Tax Consultants Limited**

15th Floor, Bangkok City Tower
No. 179/74-80 South Sathorn Road
Thungmahamek, Sathorn
Bangkok 10120
Tel: +66 (0) 2844 1000
Fax: +66 (0) 2286 2666
<http://www.pwc.com/th>
e-mail: th_pwc_tax_and_legal@pwc.com

Contacts for general enquiries and special areas where stated

- **Tax Mergers and Acquisitions**
.....
 - Paul B.A. Stitt**
Partner ext. 1119
 - Sudarat Isarakul**
Partner ext. 1024
 - Orawan Phanitpojjamarn**
Partner ext. 1017
 - Vanida Vasuwanichchanchai**
Partner ext. 1303

- **Tax Structuring and General Advice**
.....
 - Paul B.A. Stitt**
Partner ext. 1119
 - Vanida Vasuwanichchanchai**
Partner ext. 1303
 - Orawan Phanitpojjamarn**
Partner ext. 1017
 - Orawan Fongasira**
Partner ext. 1302
 - Tuttapong Kritiyutanont**
Associate Partner ext. 1426

- **Pillar Two Services**

Orawan Phanitpojjamarn
 Partner ext. 1017

- **Tax Reporting & Strategy**

Somsak Anakkasela
 Partner ext. 1253
Somboon Weerawutiwong
 Partner ext. 1247
Sudarat Isarakul
 Partner ext. 1024
Vanida Vasuwanichchanchai
 Partner ext. 1303
Wutinon Trisrisak
 Partner ext. 1294

- **Indirect Tax Services**

Somsak Anakkasela
 Partner ext. 1253
Tuttapong Kritiyutanont
 Associate Partner ext. 1426

- **Business Process Outsourcing Services**

Somsak Anakkasela
 Partner ext. 1253
Sudarat Isarakul
 Partner ext. 1024

- **Transfer Pricing**

Panachai Anontanut
 Partner ext. 1295
Janaiporn Khantasomboon
 Partner ext. 1437
Niphan Srisukhumbowornchai
 Lead Partner ext. 1435

- **Tax Controversy & Dispute Resolution**

Niphan Srisukhumbowornchai
 Lead Partner ext. 1435
Somboon Weerawutiwong
 Partner ext. 1247
Wutinon Trisrisak
 Partner ext. 1294

- **Financial Services**

Orawan Fongasira
 Partner ext. 1302
Nopajaree Wattananukit
 Associate Partner ext. 1396

- **Legal Services/ BOI Services**

Vunnipa Ruamrangsri
 Partner ext. 1284

- **Japan Business Desk**

Atsushi Uozumi
 Partner ext. 1157
Jun Takebe
 Associate Partner ext. 1209

- **China Tax Desk**

Vanida Vasuwanichchanchai
 Partner ext. 1303

- **Customs & Trade**

Paul Sumner
 Partner ext. 1305
Tanarat Permpoonsap
 Director ext. 1196

Services include:

Tax Mergers and Acquisitions

- Tax due diligence
- Deal structuring
- Tax-efficient group reorganisation
- Post deal services/project implementation and management

Tax Structuring and General Advice

- International tax services
- Value chain transformation - alignment of tax and operational models
- Group tax planning/tax optimisation programmes
- Finance and treasury

Pillar Two Services

- Tax training and advisory on Pillar Two rules
- Impact assessment and operational readiness services

Tax Reporting & Strategy

- Tax strategy and operations:
 - Tax Management Maturity Model (T3M)
 - Tax strategy and function design
 - Tax governance and risk management
- Tax technology:
 - ERP systems for tax
 - Tax data management and analytics
 - Automated tax processes and workflows
- Tax accounting services
 - Tax provision outsourcing and support
 - Deferred tax accounting services
 - Accounting for uncertainty in income tax (FIN 48) services

- Tax accounting consulting
- Tax accounting training and advice
- Tax reporting and compliance
 - Corporate income tax return review/assistance with the return preparation
 - Tax compliance review/tax health check

Indirect Tax Services

- VAT advice and planning
- VAT compliance review

Business Process Outsourcing Services

- HR outsourcing and payroll services include the following:
 - Monthly payroll administration and withholding tax
 - Annual personal income tax return and withholding tax
 - Other HR and payroll related
- Accounting and tax outsourcing services include the following:
 - Statutory financial statements
 - Bookkeeping
 - Tax compliance outsourcing
 - Accounting staff secondment
 - Other finance functions, e.g. treasury management, processing of customer billings, processing of vendor invoices

Transfer Pricing

- Transfer pricing compliance review and documentation
- Assistance with transfer pricing reporting obligation
- Transfer pricing benchmarking
- Transfer pricing risk assessment
- Transfer pricing advice / setting
- Transfer pricing dispute resolution
- Advance pricing agreement assistance

- Value chain transformation (VCT)
- Operational transfer pricing (OTP)

Tax Controversy & Dispute Resolution

- Tax dispute prevention techniques
- Tax audit management
- Tax dispute resolution alternatives
- Strategic planning of tax audit and disputes
- Tax risk management

Financial Services

- Tax services for financial services industry - banks, capital markets, insurance, funds, real estate
 - Tax compliance services, e.g. tax return review and preparation, tax risk identification, tax investigation assistance
 - Tax advice on new and existing financial products/transactions
- Tax structuring through financial functions to achieve group tax effectiveness
- Tax advice on trouble debt restructuring

Legal and BOI Services

Legal Services

- Corporate registration, secretarial services and business establishments
- Commercial contracts
- Employment, labour dispute
- Real estate, land due diligence, properties, trademark registration
- M&A, legal due diligence, business restructuring
- Investment incentives and licences
- Litigation, dispute and resolution
- Personal data protection law

BOI Services

- Legal compliance and planning:
 - Determine best strategy for seeking investment promotion for new and existing investment projects, as well as project location
 - Negotiate with officials to find the optimum solution
 - Ensure that various aspects of environmental, labour and technology requirements of BOI are satisfied
 - Post-implementation support to ensure conditions imposed by BOI are maintained for every type of incentive received
- Tax compliance and planning:
 - Cost of capital, capacity, raw materials and scrap planning
 - Segregation of BOI and non-BOI activities
 - Segregation of future projects
 - Transfer pricing during and after tax holiday period
- Accounting analysis and financial modelling:
 - Choice of depreciation methods
 - Inventory valuation methods
 - Types of forward contracts used to cover FX risks
 - Leasing alternatives
 - Debt vs. equity evaluation from tax and financing perspective

Japan Business Desk

PwC Japan Business Desk (JBD) works closely with PwC professionals to offer practical tax and legal advice to Japanese clients operating in Thailand. The JBD team has extensive experience in advising on foreign investment regulations and all tax and legal aspects of projects in Thailand. In particular, JBD can support Japanese clients by analysing Thai and foreign business issues and finding solutions using PwC channels. JBD also acts as a channel that Japanese clients can go through to contact PwC professionals in other lines of service.

China Tax Desk

Our China Tax Desk comprises professionals with English, Chinese and Thai language ability who can help Thai subsidiaries of Chinese companies in understanding Thai regulatory, tax and reporting requirements. With member firms in the regional network, we offer a complete range of tax services from tax consulting, tax compliance and tax investigation assistance services.

Customs, Excise and International Trade

- Competitiveness improvement through strategic customs, excise and trade planning
 - Free trade agreements
 - Customs supply-chain business modelling
 - Tariff engineering (reviewing the optimum way to import on tariff classification)
 - Optimising use of customs incentive schemes (e.g. free zones, bonded warehouses, Board of Investment (BOI) promotion, duty drawback for re-exported goods, duty and tax reimbursement for exports)
 - Excise tax, international trade and export control planning
- Customs, excise and trade compliance and risk management
 - Customs and excise compliance review
 - Audit and investigation support
 - Managing customs valuation and transfer pricing documentation
 - Classification of imported goods
 - Review compliance and managing export of dual use goods (e.g. assisting in drafting Internal Compliance Programmes (ICP) on export controls, assisting in applying for export licenses)
 - Assisting in applying for advance customs rulings
 - End-to-end voluntary disclosure support
 - Origin review and process improvement

- Review compliance and managing import and export of restricted goods (e.g. hazardous substances) and non-core importations (e.g. business and technical documents and computer software)
- On-site customs training

www.pwc.com/th

