

THAI TAXES

Practical Notes

2009 Edition



V.R. Accounting Solution Co., Ltd.

supong@hotmail.com

081-623-5331

CORPORATE INCOME TAX

TAX Rate

- **TAX on net profit** 30%

- **TAX on net profit for SMEs** (paid up capital less than 5 million Baht)
 - 0-150,000 Baht net profit 0%
 - 150,001 -1,000,000 net profit 15%
 - 1,000,001 – 3,000,000 Baht net profit 25%
 - Over 3,000,001 Baht net profit 30%

- **TAX on gross receipt**
 - International transport 3%
 - Foundation or association (if taxable entity)
 - - Business income 2%
 - - Other income e.g. Interest, rent 10%

(Membership fees and donations are exempted)

● **Depreciation allowance**

For income tax purposes, fixed assets may be depreciated over a period not shorter than the minimum prescribed period applicable to each fixed asset type e.g.

- | | |
|---|-------------------|
| Buildings | - 20 years |
| Leasehold rights | - Period of lease |
| - Furniture, fixtures, machinery, equipment, motor vehicles | - 5 years |

● **Limit of entertainment expenses**

Entertainment expenses are tax-deductible if supported by necessary documents but subject to 0.3 of percentage of gross sales or paid up capital, whichever is higher, with a maximum of Baht 10,000,000

● **Losses**

Losses can be carried forward as a deduction against future profits within a prescribed period of five years

	<u>TAX Rate</u>
● Remittance tax (applicable to branch's profit remittance)	10%
● Withholding tax (on local payment)	
○ Insurance premium	1%
○ Advertising	2%
○ Service, hire of work	3%
○ Rent	5%
○ Dividend	10%
○ Interest	15%
● Withholding tax* (on payments made to overseas companies)	
○ - Dividend	10%
○ - Profit on sale of shares	15%
○ - Interest	15%
○ - Royalties	15%
○ - Service fees	15%
○ - Professional fees	15%
○ - Rent	15%

Remarks*

If recipients are in a country which has concluded a Double Taxation Agreement (DTA) with Thailand, reference should be made to the DTA as to the reduced tax rate and possible tax exemption.

PERSONAL INCOME TAX

● Principal tax-exempted incomes

- Actual sum of relocation expenses reimbursed by employer.
- Medical expenses reimbursed by employer.
- Traveling expenses spent by employee exclusively and wholly in performance of duties.
- Employee's contribution toward approved provident fund for the portion above ฿10,000 but not exceeding ฿300,000 provided that the contribution rate is not higher than 15% of the salary.
- Severance pay under Thai labor law not exceeding 300 days wages, with a maximum of Baht 300,000

● Allowances & Reliefs

- - Expense allowance = 40% not over ฿60,000
- - Personal allowance = ฿30,000
- - Spouse allowance = ฿30,000
- - Child allowance = ฿15,000/child
- - Education allowance = ฿2,000/child
- - Insurance allowance = Not over ฿ 50,000
- - Provident fund allowance = Not over ฿ 10,000
- - Interest allowance (housing loans) = Not over ฿ 100,000
- - Donation allowance = Not over exceed 10% of net assessable Income
- Contribution to Thai Social Security = Actual amount Fund (normally 5% of base salary but not exceeding Baht 750 per month)

● Personal Income Tax Rate

Income (Baht)	Tax Rate	Tax on certain level of income	
		Income (Baht)	Tax payable (Baht)
0 to 150,000	0	150,000	exempted
150,001 to 500,000	10	350,000	35,000
500,001 to 1,000,000	20	500,000	100,000
1,000,001 to 4,000,000	30	3,000,000	900,000
4,000,001 and over	37	4,000,000	**

INCOME TAX WITHHOLDING SCHEDULE – Extra Requirement

(Under Section 3 tredecim of Revenue Code)

TYPES OF PAYMENT Subject to Withholding Tax	PAYERS Having Duty to Withhold Tax	PAYEES (RECIPIENTS) Subject to Withholding Tax	Rate %
1. Interest	Bank/Finance company	<ul style="list-style-type: none"> ● Company / Registered Partnership ● Taxable Foundation 	1 10
2. Dividend/Share of profit	Juristic entities(exclude joint venture)	<ul style="list-style-type: none"> ● Non – listed Company/ Registered Partnership ● Taxable Foundation 	10
3. Rent	Juristic entities	<ul style="list-style-type: none"> ● company / Registered Partnership ● Individual (s) Unregistered Partnership ● Taxable Foundation 	5 5 10
4. Professional fee	Juristic entities	<ul style="list-style-type: none"> ● company / Registered Partnership ● Individual (s) Unregistered Partnership ● Taxable Foundation 	3 3 10
5. Hire of Work/Services (on commercial basis)	Juristic entities	<ul style="list-style-type: none"> ● Individual (s) Unregistered Partnership 	3
6. Hire of Work/Services	Any payers	<ul style="list-style-type: none"> ● “Non permanent” foreign branch 	5
	Juristic entities	<ul style="list-style-type: none"> ● company / Registered Partnership ● “Permanent” foreign branch 	3
7. Advertising income	Juristic entities	<ul style="list-style-type: none"> ● company / Registered Partnership ● Individual (s) Unregistered Partnership ● Taxable Foundation 	2
8. Award from contest, competition etc.	Any payers	<ul style="list-style-type: none"> ● company / Registered Partnership ● Individual (s) Unregistered Partnership ● Taxable Foundation 	5
9. Income from public entertainment	Any payers	<ul style="list-style-type: none"> ● Public entertainers – Resident ● Public entertainers – Non Resident 	5 5 to 37
10. Purchases of prescribed agricultural products	Juristic entities (only manufacturer or exporter)	<ul style="list-style-type: none"> ● company / Registered Partnership ● Individual (s) Unregistered Partnership ● Taxable Foundation 	0.75

VALUE ADDED TAX

Taxable persons:

Importers of goods & services, suppliers of goods & service in the course of business in Thailand and certain deemed traders.

VAT-exempted businesses include sales of agricultural produce, fertilizers, insecticides, animal feeds, newspaper, periodicals and text-books; leasing of immovable property; international air & sea transport for a country not imposing VAT on Thai Carriers; and businesses subject to SBT (see full exemption list in s. 81 of the Tax Code)

Tax crystallization:

- Sale of goods: On delivery of goods, collection of payment or issuance of tax invoice; whichever first occurs.
- Provision of service: On receipt of service fees or issuance of tax invoice; whichever first occurs.
- Import/export of goods: On payment of import/export duty or placing of guarantee, or on issuance of customs entry form if the goods are duty-free.
- Imported service: On remittance of service fee.
- Hire-purchase/installment sales: When installment is due or tax invoice issued; whichever first occurs.

Tax rate:

A flat rate of 7% but 0% for export sales/services, sales of goods to U.N. and foreign embassies, and international transport of airlines/vessels of countries imposing 0% VAT to Thai carriers.

VAT registration:

Within 30 days after revenue exceeds Baht 1,800,000, or before commencing business. An overseas trader doing business in Thailand for less than 1 year is not allowed to register for VAT.

VAT returns filing:

Por Por 30 form to be filed and tax paid within 15 days of month end. The filing must be made by each place of business. Combined (joint) filing is possible if consented to by Director-General (DG).

For imported services, Por Por 36 form to be filed within 7 days of the end of the month in which fee is remitted.

However, the VAT trader could claim back the VAT cost.

For imported goods, import entry form (regarded as VAT return) to be filed with Customs before goods clearance. The VAT so paid is regarded as input tax.

Non-deductible input tax:

Some non-deductible input tax:

- Input tax not related to VAT business.
- Input tax not substantiated by tax invoice.
- Input tax not related in incomplete tax invoice.
- Input tax on entertainment, passenger cars (not applicable to car sales/rental undertaking)
- Input tax on goods/services relating to passenger cars e.g. gasoline and repair (not applicable to car rental undertakings)
- Input tax in a condensed tax invoice.
- Input tax on construction of buildings sold or used for non-VAT business within 3 years of completion.
- Input tax of tax invoice corrected in contravention of relevant DG's notification.

SPECIFIC BUSINESS TAX (SBT)

Business	Taxable Revenue	Tax rate (including municipal tax)
Banking & similar businesses	Interest, discount, fee, FOREX revenue, etc.	3.3%
Finance, securities & credit foncier	Same as banking	3.3%
Life insurance	Interest, fee & service charge	2.75%
Pawn broking	Interest, fee & sale of pawned items	2.75%
Trading in immovable properties	Gross receipts	3.3%
Sale of securities in SET	Gross receipts	0.1%(now exempted)

DUTY STAMP

- Normally cases = 0.1% (1 Baht/1000) of agreement (rent, lease, hire of work, loan)
- Power of attorney 10 Baht/case, 30 Baht for multiple cases
- Any other rate or other type of agreement please refers to Revenue Codes.

PROPERTY TAX

- Building, and other properties
- 12.5% of annual rent (non-VAT base)
- Tax payer = Landlord, except said as other in the written agreement

SIGNAGE TAX

- Tax payer = Signage owner or building owner
- Any signage size over 2 sq.m. must have the owner name and address on the lower right corner
- Rate
 - All Thai language 3 Baht/500 Sq.Cm.
 - Thai , other language and picture 20 Baht/Sq.m.
 - No Thai language or Thai language lower the picture or other languages 40 Baht/Sq.m.

LABOUR LAW

- Maximum number of work hours = 8 hours per day or 48 hour per week
- Overtime Compensation 1.5 to 3 times or normal hourly rate
- Paid Holidays = 13 days per year
- Vacation = 6 days after one year of consecutive work
- Sick leave = 30 days per year (doctor's certificate is required for sick leave of 3 days or more)
- Maternity leave = 90 days (including 45 days of paid leave)
- Social Security Fund = 5% from employee and 5% from employer
- Probation period = 120 days
- Severance pay

Length of Employment	Severance Pay Entitlement
120 days – 1 year	30 days pay
1-3 years	90 days pay
3-6 years	180 days pay
6-10 years	240 days pay
More than 10 years	300 days pay

TAX CALENDAR (AND OTHERS)

Due	Form	Description
7th of the following month	ภงด. 1, 3, 53	Withholding tax from staff and suppliers
15th of the following month	สปส. 1-10	Social security fund
15th of the following month	ภ.พ. 30	Value added tax
January 31st	Assessment form	Workmen's compensation fund
February 28th	ภงด.1ก	Summary of annual staff salaries payments
February 28th	ภท. 20	Comparison of annual staff salaries payments
February 28 th	ภรด.2	Property Tax
March 31st	ภป.2	Signage Tax
March 31st	ภงด. 90 และ 91	Personal income tax (Year-end)
May 30th	ภงด. 50	Corporate income tax (Year-end)
May 31st	งบการเงิน	Statutory report and shareholders list
August 31st	ภงด. 51	Corporate income tax (Mid-year)
September 30 th	ภงด. 94	Personal income tax (Mid-year)