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International Assignment Services

Taxation of International Assignees Country – Thailand

Human Resources Services

*International Assignment
Taxation Folio*



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This document was not intended or written to be used, and it cannot be used, for the purpose of avoiding tax penalties that may be imposed on the taxpayer.

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Country Thailand

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Additional Country Folios can be located at the following website:
Global Mobility Country Guides.

Introduction:

International assignees working in Thailand

This folio has been prepared for the benefit of expatriates working in Thailand and provides information on selected aspects of Thai taxation and related laws as of November 2015. It is intended to give only a basic understanding and is not

intended to be comprehensive. Accordingly, it should not be used as the basis for specific action. It is recommended that readers seek professional advice before acting on any of the matters outlined in this folio.

Step 1:

Understanding basic principles

The scope of taxation in Thailand

1. Every person who, in the course of the preceding year, derived assessable income from a post or office held in Thailand or from business carried on in Thailand, or business of an employer in Thailand, or a property situated in Thailand, must pay tax. This is regardless of where the income is paid.
2. An individual who has derived assessable income from a post or office held abroad, or business carried out abroad, or a property situated abroad, must pay tax if:
 - a. The individual has resided in Thailand for 180 days or more in any tax year; and
 - b. Has brought such assessable income into Thailand in the year in which the income is derived.

The tax year

3. The Thai tax year is the calendar year, i.e. January 1 to December 31.

Methods of calculating tax

4. Income is taxed on a preceding-year basis at progressive rates. Should an individual's assessable income (apart from employment income) be Baht 60,000 or more, the income tax computed will not be less than 0.5% of assessable income. However, the first Baht 5,000 of tax is exempt.

Husband and wife

5. With effect from the 2012 tax year, the income of a wife is no longer treated as the income of her husband. Therefore, a husband and wife who are both earning income can choose to file their income tax returns either separately or jointly—whichever they prefer.

Determination of residence

6. A person who has resided in Thailand for 180 days or more in a tax/calendar year is deemed to be a Thai resident.

Step 2:

Understanding the Thai tax system

Taxation of employment income

7. Income from an employment performed in Thailand would be subject to Thai tax, irrespective of where the employment income is paid. Income would include cash, properties, benefits received that are ascertainable in terms of money, or tax absorbed by the payer of assessable income or any other person at all levels. The above includes salaries, wages, per-diem allowances, bonuses, gratuities, pensions, commissions, education payments, house rent allowances, the monetary value of rent-free residence provided by an employer, utility bills, payments made by an employer for the settlement of any obligation due from an employee, income tax reimbursements, etc.
8. Certain income is exempt from personal income tax. For example:
 - Per-diem payments representing reimbursable business expenses or transport expenses that are wholly, exclusively and necessarily incurred in

carrying out duties outside the normal place of work.

- Relocation expenses for the portion of the travel expenses incurred by the employee at the beginning and the end of the Thai employment.
- Inheritances or gifts customarily given in any ceremony or on any occasion. This would be valid till end of January 2016. Inheritance tax will be in effect on 1 February 2016 onward.
- Sums derived from insurance or from a funeral assistance scheme.
- A monthly employer's contribution to the Social Security Fund at a rate 5% of wages, on the portion not exceeding Baht 15,000 per month.
- An employer's contribution to the Official Provident Fund at a rate of 2% but not exceeding 15% of wages, on the portion exceeding Baht 10,000, but not exceeding Baht 490,000 per annum; and money or any benefits received from the Official Provident Fund upon retirement, disability or death;

- Old age allowance (over 65 years of age) of Baht 190,000 income exemption each for the employee and/or spouse who derive(s) income.

Withholding tax

9. All employers are required to deduct income tax at the time of each payment of income in accordance with the following rules:
 - Multiplying the income paid in each payment by the number of payments to arrive at the total amount that would be payable in a year; and
 - Computing the tax on such income, after deducting expenses and allowances, if any, in accordance with the personal income tax rates; and
 - Dividing the amount of tax so computed by the number of times of payment.

Regional operating headquarters (ROH)

10. First ROH regime: Provided that all corporate and legal conditions are met and the remuneration costs is borne by a ROH company, expatriate employees of a ROH company in Thailand may elect to pay personal income tax at a 15% withholding tax flat rate. This privilege is available only to expatriates (i.e. persons of non-Thai nationality) employed by a ROH and their remuneration costs must be absorbed by ROH company. The 15% withholding tax flat rate is limited to their first four years of employment in Thailand (from the date of work permit approved). To become entitled afresh to this benefit, expatriates have to discontinue employment with any ROH in Thailand for more than 365 days.

11. Under the ROH second regime, personal income tax rate privilege at a 15% withholding tax flat rate will be allowed for eight consecutive years (provided that all corporate and legal conditions are met). However, it is limited to the expatriates who are executive, work in managerial position or expertise of particular field.

Unlike the first ROH regime, the eligibility of tax privilege under second regime will be commenced on the date that the expatriates' names are registered with the Large

Taxpayer Office (LTO), instead of work permit approval date. Without such registration, the expatriates will not be able to apply personal income tax at 15% flat rate. De-registration should also be done upon repatriation/cessation of employment.

International Headquarter (IHQ)

12. This scheme has been developed from ROH regime and provides additional corporate tax benefits. For personal income tax advantage, the expatriate employees will be able [or may elect to] pay personal income tax at 15% withholding tax flat rate up to fifteen consecutive years from the date on which the IHQ becomes qualified. The tax privilege will apply until the date on which IHQ is no longer qualified or employment terminated.

In order to apply personal income tax at 15% withholding tax flat rate, the expatriate employees are required to meet particular conditions set by law e.g. obtaining Thai work permit under IHQ, having minimum employment income of Baht 2.4 million per annum or minimum of Baht 200,00 per month.

Sole proprietorship and partnership income

13. Profits or gains from trades, business, commerce,

professions, or vocations that are performed in Thailand are subject to tax whether or not the individual is resident in Thailand.

Investment income and capital gains

14. In general, investment income and capital gains arising from sources in Thailand are taxable, with the exception of capital gains on Thai Stock Exchange Securities, which are not taxable. A non-resident is not subject to tax on investment income or on capital gains derived from sources outside Thailand.
15. A resident is subject to tax on investment income and capital gains derived from sources outside Thailand, if the investment income and capital gains are remitted into Thailand in the year in which they are derived.

Double taxation relief

16. A resident of a country having a double taxation agreement with Thailand may qualify for exemption from Thai personal income tax. Double taxation agreements contain clauses that exempt a resident of one country from tax on employment income in the other country if he or she is generally present in the latter country for not more than 183 days in the tax year or not more than 183 days in any 12-month

period (depending on the specific double taxation agreement), provided certain other conditions are met regarding the payer of the employment income.

Social security fund

17. The objective of the fund is to support employees who suffer from accident, illness, disability or death, not related to work. In addition, the fund is established to support employees in case of maternity, old age and unemployment. Employers having at least one employee fall within the scope of the Social Security Fund.

Employers, employees and the government must contribute an equal monthly sum to the Social Security Fund at the rate of 5% on employment income. The maximum wage for computing the contribution is Baht 15,000 per month. Employer and

employee contributions must be remitted to the Fund by the employer within 15 days of the following month through an authorised commercial bank or at the social security office.

Inheritance Tax (in effect 1 February 2016 onwards)

18. Under the Inheritance Tax Act, the inheritance tax will be levied upon obtaining a legacy from a testator who has died. The inheritance tax will be levied on heirs who are either individuals or juristic persons regardless of nationality. Heirs will be subject to the inheritance tax on the value of a legacy that exceeds Baht 100 million ("threshold") obtained from one testator either once or on several occasions, in which case the value of the legacies will be accumulated. The value of legacies means the value of five categories, stated in the Act, after the deduction of

all liabilities arising from the inheritance.

The threshold of the legacy value will be reviewed every five years based on the consumer price index provided by the Ministry of Commerce.

Gift Tax (in effect 1 February 2016 onwards)

19. Revenue Code Amendment Act introduces a tax on gifts which will be levied when a gift is given by a personal who is still alive. Personal income tax will be collected on the assets or the amount given to parents, ascendants, descendants, spouse or others based on the value of a gift that exceeds the prescribed threshold, which will depend on the type of gift and donor. Income exceeding the thresholds could be subject to tax at the rate of 5%.

Step 3:

What to do before you arrive in Thailand

Visa

20. International assignees are required to obtain non-immigrant visas for themselves and for all family members before coming to work in Thailand.

Transferring funds

21. Before remitting overseas income to Thailand at the start of your assignment, it is important for you to ascertain whether you are to be treated as resident for tax purposes in the year of arrival. If your residence starts in the year of arrival, any remittance of overseas income derived from January 1 of your year of arrival will be subject to Thai personal tax.

Step 4:

What to do when you arrive in Thailand

Work permit

22. As an international assignee, you are required to obtain a work permit prior to working in Thailand. Applications may be made before or after arrival in Thailand. Applicants must hold a non-immigrant visa category “B” to obtain a work permit. A work permit will be granted for the period of one or two years and is not related to the validity of the visa. However, you must maintain the validity of your non-immigrant “B” visa until the end of your assignment in Thailand.
23. You are exempt from work permit requirements if you are:
- A member of the diplomatic corps, or a consular mission.
 - A representative of a member country or on the staff of the United Nations Organization and its specialised agencies.
 - A personal servant of the above.
 - Performing duties under an agreement between the Government of Thailand and a foreign government or an international organization.

- Performing duties for the benefit of education, culture, the arts, sport or such other activities as prescribed by Royal Decree.
 - Permitted by the Government of Thailand to perform any duty.
24. Certain occupations covering manual and industrial labour and some professional occupations such as accounting, financial law, architecture and civil engineering are forbidden to international assignees.
25. Under the Foreign Working Law, if you are entering Thailand temporarily to perform urgent and essential work for a period not exceeding 15 days, you are not required to obtain a work permit. However, international assignees can commence work only after written notification in a prescribed form (Notification for Engagement in Necessary and Urgent Work) has been submitted to the Department of Employment, Ministry of Labour.

Visa

26. According to The Immigration Act, B.E.2522, the foreigner who has received a temporary stay permit and stayed in the Kingdom of Thailand for 90 days must notify his residence to immigration officer every 90 days. He/she could notify via internet. Applicants can submit this online application within 15 days and not less than 7 days before the due date of notification.

Customs

27. It is important to note that your personal effects cannot be cleared from customs free of import duty unless you have obtained a work permit that is valid for one year.

Tax identification number

28. A taxpayer is required to obtain an identification number within 60 days from starting work. An application must be filed with the Revenue Department for those residing in Bangkok and with the Provincial or Amphur (District) Revenue Office for those residing outside Bangkok.

Step 5:

What to do at the end of the year

Tax return

29. The following individuals are required to file income tax returns for income earned in the preceding tax year:

- A person who has no spouse and earns income of more than Baht 30,000.
- A person who has no spouse and earns income of more than Baht 50,000 exclusively from employment.
- A person who has a spouse and earns income of more than Baht 60,000.
- A person who has a spouse and earns income of more than Baht 100,000 exclusively from employment.

30. A taxpayer is required to file a tax return and pay income tax (if any) at the District Revenue Office.

The submission of an annual personal income tax return via the internet is allowed for all of the following situations:

- A taxpayer who has paid the correct amount of tax payable during the year.
- A taxpayer who has additional tax to be paid when filing the tax return. In such case, the additional tax to be paid would be transferred from the individual's Thai bank account to the Revenue Department's account.
- A taxpayer who has overpaid tax during the year.

31. Your income tax is due and payable once a year (by March 31 of the following year via hard copy filing or 8 April via internet filing) unless you derive income from:

- Hiring property.
- Liberal professions (law, medicine, engineering, architecture, accountancy, fine arts).
- A contract to which a contractor provides

essential construction materials excluding tools.

- Carrying on commercial or industrial businesses i.e. trading and services.

If you receive income from any of the above categories, you are subject to submit your first half-year return by the end of September of the year in which you received the income and your annual tax return by the end of March of the following year or 8 April via internet filing. Tax paid in the first half-year filing will be a credit against annual tax.

On filing your return, if the tax due amounts to at least Baht 3,000, you may pay the tax in three equal instalments. The first instalment must be paid when you file your return; the second instalment within one month from the date when the first instalment was due; and the third instalment within one month from the date when the second instalment was due.

Step 6:

What to do when you leave Thailand

Exit requirements

32. The following international assignees require tax clearance certificates before leaving Thailand:
- Individuals responsible for tax payment or remitting the outstanding tax or tax payable before or at the time of departure.
 - Individuals responsible for submitting tax returns and paying taxes on behalf of a company on juristic partnership established under foreign law and carrying on business in Thailand.
 - Individuals having taxable income, whether or not in Thailand, from being a public performer in Thailand.

33. If you wish to leave Thailand on holiday or business and will return to Thailand, you must obtain a re-entry visa or your visa will automatically expire.

Tax return

34. Your personal tax return issued by the Revenue Department will be available towards the end of the year or early in the following year. If you leave Thailand before your return is available, you can choose: (i) to prepare a departure Thai personal income tax return (PND 93 Form) and file it with the Revenue Department before leaving Thailand to clear the Thai tax liability, or (ii) appoint your employer or accountant to complete, on your behalf, your personal tax return covering your employment income from January 1 to your date of departure.

Work permit

35. You do not have to return your work permit to the Labour Registrar. However, you should contact Immigration Bureau to cancel your visa at the end of your assignment date.

Transferring fund

36. You may transfer your personal funds out of Thailand by following the Foreign Control Regulation as prescribed by the Bank of Thailand.

Appendix A:

Deductible expenses

Standard deductions from gross income

- 40% of employment income up to Baht 60,000.
- 40% of income from copyrights, not exceeding Baht 60,000.
- The same percentage and upper limits are also allowed for income of the taxpayer's spouse.
- Between 10% and 30% of gross rental income, as follows:

| | |
|---|-----|
| Houses, buildings, construction fixed to land, and floating house | 30% |
| Agricultural land | 20% |
| All other lands | 15% |
| Vehicles | 30% |
| Other properties | 10% |

- A standard deduction of 20% is allowed from income from a breach of a hire-purchase or instalment sales contract, where the seller repossesses the property and money or benefits received are not returned;
- 30% of gross income for income from professions such as law, accounting, engineering, and architecture, and 60% for income from medicine;
- 70% of gross income from contracting work where a contractor provides essential materials apart from tools; and
- Between 65% and 85% of income from businesses and commercial activities not listed above.

Alternative election

Taxpayers with assessable income from rent, professional work or construction or commercial activities, may elect to itemise expenses in lieu of taking the standard deduction. Where the taxpayer elects to itemise expenses, supporting evidence is required. Should the expenses supported by evidence amount to less than the standard deduction, only the expenses approved will be allowed as deduction.

Appendix B:

Personal allowances

Personal allowances

Personal allowances are as follows:

- a. Baht 30,000 for the taxpayer.
- b. Baht 30,000 for the taxpayer's spouse.
- c. Baht 15,000 for each of the taxpayer's children (up to a maximum of three children) and an additional allowance of Baht 2,000 for each child of those children attending an educational establishment in Thailand.
- d. Baht 30,000 for each dependent parent (an allowable deduction is granted on the basis that the parent is over 60 years old and has income of less than Baht 30,000 per year).

In addition, a Thai resident 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.

The deductions above are subject to the following conditions:

- If the taxpayer is non-resident, the allowance under (b) and (c) will be deducted only for the husband or wife and children who are residents.
- The allowance for a child is deductible for the whole tax year whether or not the grounds for such allowance exist throughout the year. In the case of an adopted child, a deduction is allowed only to the adoptive parents. The age of the child must be (1) not over 20 years, or (2) if studying at university level (or any equivalent educational institution), not over 25 years. If a taxpayer dies during a tax year, a full year's allowance will be deductible.

Thai life insurance premiums

A life insurance premium for an amount not exceeding Baht 100,000, paid by a taxpayer on his or her own life, is an allowable deduction; provided the insurance policy is for a minimum period of ten years and that the insurer is carrying on life insurance business in Thailand. An amount not exceeding Baht 10,000 is also allowed for the life insurance premium of the taxpayer's unemployed spouse with no income; provided their marital status exists throughout the year.

Pension life insurance premiums

A pension life insurance premium, for an actual amount paid but not exceeding 15% of assessable income that is subject to tax and capped at Baht 200,000 is an allowable deduction. If including provident fund and retirement mutual fund, the deduction shall not be over Baht 500,000.

Dividends

A shareholder receiving dividends from companies registered under Thai law is entitled to a tax credit computed as follows: the percentage of tax rate liable to be paid by the payer of the dividend divided by the difference between 100 and such percentage of tax rate. The credit is only available to taxpayers who are tax residents of Thailand.

Provident fund contributions

Contributions by an employee to a Provident Fund, in accordance with the principles, methods and conditions specified by the Ministerial Regulations, are tax -deductible up to the amount contributed but not exceeding 15% of salary/wage, with a maximum of Baht 500,000. (See also the conditions mentioned under 'Pension life insurance' above.)

Retirement mutual fund contributions

This is an employee's choice. A person is able to apply to the fund upon his own decision. The requirement is that he makes contributions to the fund for at least five years, continuously deposits new investment annually and is not allowed to break or withhold new investment for more than one year in order to gain tax-deductible benefits, i.e. tax benefits, not exceeding 15% of assessable income that is subject to tax with a maximum of Baht 500,000. (See also the conditions mentioned under 'Pension life insurance' above.)

However, if the person withdraws from the fund before having reaching five full years of contribution and 55 years of age, he is required to revise his annual tax returns for which the tax benefits have already been claimed for the years he does not meet conditions. Additional tax might need to be paid together with the surcharge of 1.5% per month or fraction of a month of the additional tax liability (capped at the maximum tax to be paid).

Long-term equity funds (LTF)

An individual investor who invests in an LTF is eligible to deduct from taxable income the amount paid to purchase units in the LTF at a rate not exceeding 15% of assessable income that is subject to tax, with a maximum deduction of Baht 500,000 for any particular tax year. The investment units in the LTF must be held for at least five calendar years, except in the case of incapacity or death. Capital gains made from selling the units back to the LTF are also tax-exempt, except in the event that the units are sold back to the LTF before the five-calendar-year period is over, in which case the investor will be subject to tax on capital gain. The first-in, first-out (FIFO) basis will be used to calculate the cost of the investment units sold. Changes in conditions may be forth coming.

The LTF must be a fund organised under the law governing securities and the Stock Exchange and must register a pool of assets as a mutual fund before 30 June B.E. 2550 (2007).

If the units are redeemed before the five-calendar-year period has passed, the investor will lose his tax exemption rights and must pay income tax and a surcharge of 1.5% per month in accordance with Section 27 of the Revenue Code in respect of the tax year in which the payment to purchase the investment units was deducted from income for the purpose of income tax exemption.

Social security contributions

Contributions by employees to the Social Security Fund are tax-deductible up to a maximum amount of Baht 9,000 per annum.

Interest payments

Interest paid on loans to purchase, hire-purchase, or construct a residential building under the rules and procedures prescribed by the Director-General, up to but not exceeding Baht 100,000, is tax-deductible, provided the taxpayer is liable to pay the interest to a bank or other financial institution.

Parent allowance

30,000 Baht for each of the taxpayer's and spouse's parents are tax-deductible if the names of their parents appear in the Thai home registration document and their income is not over Baht 30,000 per year.

Donations to charity

A charitable allowance equal to the amount donated but not exceeding 10% of the adjusted income (gross income minus deductible expenses, personal allowances, life insurance premiums, provident fund, mortgage interest and etc.) is an allowable deduction.

Donations to charity for supporting education

Double the amount of actual amount paid, but capped at 10% of net income, is an allowable deduction.

Disabled person or incompetent person support

For a taxpayer caring for handicapped and disabled person – Baht 60,000 for each handicapped/disabled person is allowed as a deduction.

Tourism

Hotel or tourism package paid for travel in Thailand between 1 January - 31 December 2015 can be used as a deduction but it should not be over Baht 15,000. The receipt in the taxpayer's name is required.

Appendix C:

Personal income tax rates

Personal income tax rates

Tax rates applicable to individuals are as follows (in Baht):

| Taxable income over | Not over | Tax rates |
|---------------------|-----------|-----------|
| 0 | 150,000 | 0% |
| 150,000 | 300,000 | 5% |
| 300,000 | 500,000 | 10% |
| 500,000 | 750,000 | 15% |
| 750,000 | 1,000,000 | 20% |
| 1,000,000 | 2,000,000 | 25% |
| 2,000,000 | 4,000,000 | 30% |
| 4,000,000 | | 35% |

Appendix D:

Thailand contacts and offices

Contacts

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