Thai Tax 2019/20 Booklet

pwc

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 at 1 July 2019. Further professional advice should always be obtained from our tax and legal services practice before acting on any matters contained in this publication.

The information contained in this booklet is also available online and can be downloaded from our website at http://www.pwc.com/th or scan the following QR code.

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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.

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 such income is paid in or outside Thailand. Residents who derive income from outside Thailand will be subject to tax only where the income is remitted into Thailand in the year in which it is derived.

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, etc.

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 in the case where the bonds or debt instruments were sold for the first time at the price lower than their redemption price to an individual.
- 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 person who is still alive 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 by a parent 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 in the case where the person who receives the gifts will use 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.

In the case of a transfer of an immovable property without consideration by a parent to a legitimate child, the tax will be collected each time a 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 are 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, national saving funds including amounts derived from insurance 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.

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 of an individual having assessable income other than from employment, amounting to Baht 120,000 or more, the tax payable must be not 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 three 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 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 is 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 15,000, 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.
  - A contribution to a retirement mutual fund in an amount not exceeding 15% of assessable income received which is subject to income tax, with a maximum of Baht 500,000.
  - A contribution to the national savings fund in the actual amount, with a maximum of Baht 500,000.

- The mortgage interest incurred for the purpose of purchase or construction of a residential building in Thailand may be deducted up to maximum of Baht 100,000.

- A contribution to the government's social security fund may also be deducted.

- 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 etc., under projects approved by the Ministry of Education.
  - Educational institutions in either the public or private sector for providing books or electronic devices to promote reading.

- Safe and Creative Media Development Fund and funds relating to art, culture, archives and archaeology.
- Justice Fund to enable the poor to have access to legal assistance.
- State hospitals.

- Donations to educational institutions, public health care facilities, approved charities and the Technology Development Fund for Education in the amount donated but not exceeding 10% of net income after all allowances and deductions.

- Expenses paid by the taxpayer or spouse for antenatal care and child delivery up to Baht 60,000 for each pregnancy.

- 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, effective from the 2018 tax year.

3. Special allowances

- A contribution to a long-term equity fund between 1 January 2016 and 31 December 2019 is deductible in an amount not exceeding 15% of assessable income received which is subject to income tax, with a maximum of Baht 500,000 in any tax year, provided that the investment units are held for at least seven calendar years, except in the case of incapacity or death.

- A 100% additional deduction is allowed for fees paid between 1 November 2016 and 31 December 2021 for accepting payments via debit cards using an electronic payment device. This tax benefit is granted to individuals who earn income under Section 40 (5), (6), (7) and (8) of the Revenue Code in the total amount together not exceeding Baht 30 million in the accounting period in which this tax benefit is used.

- In order to promote certain target activities that use technology as the basis for the production process and services, a deduction is allowed for an investment in the shares of qualified corporate entities, either upon their establishment or pursuant to a capital increase, equal to the amount paid between 1 January 2018 and 31 December 2019 up to a maximum of Baht 100,000 in each tax year.

- Donations made by electronic means to educational institutions in either the public or private sector between 1 January and 31 December 2019 are allowed a double deduction to the extent that these donations together with expenses paid to support education programmes under the projects approved by the Ministry of Education do not exceed 10% of net income (assessable income after all allowances and deductions).

- Donations to Equitable Education Fund from 14 May 2018 to 31 December 2020 are allowed a double deduction to the extent that these donations together with expenses paid to support education programmes under the projects approved by the Ministry of Education do not exceed 10% of net income (assessable income after all allowances and deductions).

- A deduction of up to Baht 15,000 is granted to individuals for the purchase of books and e-books paid to companies, and other juristic entities from 1 January to 31 December 2019. This includes the amount paid for certain books and e-books during the period 1-16 January 2019, a deduction for which was previously granted.

- A deduction of up to Baht 200,000 is granted for the purchase of a house with land or a condominium unit with a value of not exceeding Baht 5 million for use as a residence, provided that the payment and registration of transfer of ownership take place between 30 April and 31 December 2019. The taxpayer must have never previously owned a property for use as a residence.

- Donations to the Science and Technology Development Fund, the Thailand Research Fund, the Metrology System Development Fund and the Health System Research Fund from 23 November 2018 to 31 December 2019 are allowed a double deduction to the extent that these donations together with expenses paid to support education programmes under the projects approved by the Ministry of Education do not exceed 10% of net income (assessable income after all allowances and deductions).

  For donations made on or after 1 January 2020, the deduction will be allowed only for the amount donated and capped at 10% of net income (assessable income after all allowances and deductions) when combined with other donations.

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. In this case, 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; 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.

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%

Withholding tax

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

- In the case of assessable income under categories (1) or (2), the payer must deduct 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.

- In the case of income under categories (3) and (4), the payer must deduct 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%.

- 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 in the case where the payers are 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 deduct income tax at the rate of 1% at each time of payment.

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 return no later than 31 March of the following year. 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% in the case of 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.

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 laws:
  - 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
- Other juristic entities as announced by the Director-General of the Revenue Department with the approval of the Minister of Finance.

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. In addition, tax at the rate of 10% is imposed 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 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. In the case of 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.

With effect from 20 August 2019, mutual funds are subject to income tax at the rate of 15% on income in the form of interest.

Capital gains

There is no specific legislation governing capital gains. 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 are exempt from tax 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 are also exempt from tax 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, if the shares are held for at least three months before and three months after the dividend was received but the 25% shareholding and cross-shareholding conditions are not met, only one-half of the dividends 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 three-month period.

- Dividends received from foreign investments are exempt from tax provided that the Thai company receiving the dividends has held at least 25% of the shares with voting rights of the company paying the dividends for a period of not less than six months before the date on which the dividends were received and the dividends were derived from 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 dividends 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.

- 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). Nevertheless, 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 rates
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

With effect from accounting periods beginning on or after 1 January 2019, 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.

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 using the mid-rate or other rate as approved by the Director-General of the Revenue Department or by another method which is in line with the principles of accounting according to the conditions to be prescribed by the Minister of Finance in the Royal Gazette.

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 in Thailand and do not exceed a reasonable amount.

- Donations to approved charities or for public benefit, including the Technology Development Fund for Education and qualified social enterprises in the amount paid but not exceeding 2% of net profit, and donations for education or sport in the amount paid but not exceeding 2% of net profit.

- Donations in cash to political parties up to Baht 50,000, effective for accounting periods beginning on or after 1 January 2018.

- 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 as well as for 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 of SMEs relating to purchasing or hiring the production of computer programs or for computer program service fees up to a maximum of Baht 100,000. This benefit is available for the accounting periods commencing between 1 January 2017 and 31 December 2019.

  The term ‘SME’ means a corporate entity that has a paid-up capital on the last day of any accounting period not exceeding Baht 5 million and income from the sale of goods and the provision of services not exceeding Baht 30 million in any accounting period.

- Expenses paid between 1 January 2018 and 31 December 2020 up to a maximum of Baht 1 million to establish a child nursery centre in the place of business of a corporate entity for the welfare of its employees.

• 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 etc.

- 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.

- Expenses in the form of either cash or assets donated 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.

- Donations made by electronic means between 1 January and 31 December 2019 in the form of either cash or assets to educational institutions in either the public or private sector.

- Donations to the Equitable Education Fund from 14 May 2018 to 31 December 2020 in the form of either cash or assets.

- Donations to the Science and Technology Development Fund, the Thailand Research Fund, the Metrology System Development Fund or the Health System Research Fund from 23 November 2018 to 31 December 2019.

  For donations made on or after 1 January 2020, the deduction will be allowed only for the amount donated with a capped amount.

- An additional 100% deduction is allowed for 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. In addition, a further 100% deduction is granted for R&D expenses paid from 1 January 2015 to 31 December 2019 with threshold amounts depending on the revenue of the company.

- A 100% additional deduction is granted to SMEs (whose paid-up capital and total income are as defined above) for fees paid between 1 November 2016 and 31 December 2021 for accepting debit cards for payments received for purchases via the electronic payment devices.

- A 100% additional deduction is granted in the amount actually paid from 30 April to 31 December 2019 for expenses or investments in the following assets:

  - E-document preparation systems, computer software, equipment for storing e-certificates, computers or other equipment used together with computers so as to prepare, deliver or store e-tax invoices or e-receipts for the business.

    However, this benefit is not available to a service provider that remits e-information or a developer of computer software either 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 companies or juristic partnerships that is liable to remit income tax, withholding tax, or VAT and a payment service provider under the law governing payment systems.

  - Expenses for the use of cloud storage services for e-information, including e-certificates and services which are paid to a service provider that remits e-information. These are for preparation, delivery or storing of e-tax invoices or e-receipts for the business.

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

- Cash register machine for the business of a VAT registered operator.

The criteria and conditions for all the above tax benefits are as follows:

- The assets must exist in Thailand, have never been used and be ready for use by 31 December 2020.
- The assets must be used for at least three consecutive accounting periods from the first accounting period of acquisition or becoming ready for use.

- A deduction of 50% of the expense incurred in hiring state welfare card holders in respect of payments made through the state welfare cards, up to a maximum of 10% of the total number of employees. The eligible expenses for the additional deduction will only be the wages paid that do not exceed Baht 15,000 per card holder per month. Furthermore, the additional deduction is not allowed in respect of hiring card holders who earned more than Baht 100,000 in the previous tax year. This benefit is effective for accounting periods beginning on or after 1 January 2018 but not later than 31 December 2019.

Non - deductible expenses

The following are some 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 a ship, under the law governing the promotion of merchant navy, used for international carriage of goods
- 3% on professional income
- 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)

- 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.

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 mentioned 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

Country of recipient	Dividends %	Interest %	Royalties* %
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)
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

Country of recipient	Dividends %	Interest %	Royalties* %
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)
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)

Country of recipient	Dividends %	Interest %	Royalties* %
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
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. In the case of Thailand, where the 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, trade mark, 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 the use of, or the 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 on 21 November 2018. These provisions apply to accounting periods starting 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 new transfer pricing legislation is generally based on the OECD's arm's length principle and provides a definition of related parties, the documentation requirements as well as imposing penalties for the failure to comply with the various disclosure requirements.

The Ministry of Finance and the Revenue Department are in the process of issuing further subordinate regulations to provide additional clarification and detailed implementation guidance, which are expected to be issued before the end of 2019.

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, surcharges and penalties. Where transfer pricing adjustments result in a tax shortfall, a secondary adjustment which arises from imposing tax on a constructive transaction, usually in the form of a deemed dividend, would also apply.

Definition of related parties

Persons (being companies or juristic partnerships) falling under the following criteria would be considered as related parties:

- One person who either directly or indirectly is a shareholder or partner holding at least 50% of the entire capital of another person.
- If shareholders or partners who either directly or indirectly hold at least 50% of the entire capital of one person, are also shareholders or partners either directly or indirectly, and hold at least 50% of the entire capital of another person, the two persons are related parties.
- One person who has a relationship with regard to the capital, management, or control with another person so that one cannot operate independently from the other.

(The interpretation of ‘relationship’ and ‘control’ requires further guidance. More explanation on the consideration of ‘relationship’ and if there is a ‘control’ of one entity over another, is expected in the subordinate regulations.)

Transfer pricing disclosure requirements

Taxpayers with an annual turnover of Baht 200 million or more are required to make a mandatory transfer pricing disclosure. The two levels of disclosing transfer pricing information are as follows:

1. Partial disclosure – Taxpayers are required to complete a transfer pricing disclosure form to be submitted to the Revenue Department at the time of filing the annual tax returns, 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 information required in the transfer pricing declaration form and transfer pricing documentation will be provided in subordinate regulations).

Penalty

A penalty of up to Baht 200,000 will be imposed in the case where taxpayers fail to comply with the transfer pricing disclosure requirements (by way of inaccurate or incomplete disclosure).

Advance pricing agreements (APAs)

Bilateral advance pricing agreements (BAPAs) are accepted with the covered period generally limited to a maximum of five accounting periods.

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.

The APA procedures will be covered in subordinate laws (due to be released before the end of 2019). In the meantime, the APA procedures follow the current APA guidelines (which do not have the status of legislation). These guidelines stipulate that taxpayers wishing to apply for an APA must submit a written document of intent for a pre-filing meeting at least six months prior to the last day of the first accounting period in which the APA aims to have effect. The APA application must be submitted within the first covered accounting period.

Prior to the submission of the APA application, a series of pre-filing meetings with the Revenue Department is required to enable the Revenue officers to understand the objectives and terms of the agreement. Certain documents relating to the covered transactions and the functional profiles are required to be submitted at least 15 working days prior to the first pre-filing meeting. Once the pre-filing meeting process has been successfully accomplished and the

Revenue officers have agreed that the application may be submitted, the applicant may then submit the APA application.

Proposed transfer pricing subordinate regulations

The soon-to-be-issued subordinate regulations are expected to provide additional clarification and detailed implementation guidance on the following topics:

- Definitions of related parties, controlled versus uncontrolled transactions, transaction terms, and APA
- Arm's length principle considerations, acceptable transfer pricing methods, arm's length range, transfer pricing adjustments (towards the arm's length range), intellectual property transactions, and APA procedures
- Items required to be disclosed in the transfer pricing declaration form
- Items required to be disclosed in the transfer pricing documentation and supporting documents
- Penalties determined based on annual turnover.

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 in the case of 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, (e.g. tax filing) are subject to the same penalties and surcharges as stated in the personal income tax section and to the same appeal procedures.

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. 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 1,800,000 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 1,800,000
  - 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%, which has been in effect for many years, is valid until 30 September 2019. A further extension to 30 September 2020 has been approved by the Cabinet but has not yet been enacted as law.

- 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:

Tax due = Output tax – 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

In the case 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 to remit 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.

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.

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.

STAMP DUTY

STAMP DUTY

Basis of taxation

Stamp duty is levied on the execution of 28 different items 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
- 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.

Furthermore, with effect from 1 July 2019, e-instruments in the nature of hire of work, loan of money or agreement for bank overdraft, power of attorney, proxy for voting at a meeting of a company and guarantee, are also required to have the stamp duty paid in cash. In this case, the filing of the return via the internet and payment of stamp duty can be made before the execution of the instrument or within 15 days from the date following that on which the instrument was executed.

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. Furthermore, 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) 2017, which is based on the Harmonised System 2017, 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 particular 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)
- 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 bonded 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, we understand that 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 apply in this respect as well.

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 plus the duty and tax payable. 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:

- (SRP x ET rate) is applicable for motor vehicles, motor cycles and cosmetic products.
- (Specific rate x quantity) is applicable for petroleum oil products.
- (SRP x ET rate) + (specific rate x quantity) is applicable for non-alcoholic beverages and tobacco products.
- (SRP x ET rate) + (specific rate x quantity x 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

Goods/services	Ad valorem rate (%)	Specific rate
Certain electrical appliances	0	-
Batteries	0 to 8	-
Crystal glassware	0	-
Motor vehicles	0 to 40	-
Motorcycles	0 to 17	-
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 40	Baht 0.005 to Baht 1.2 per piece or gram
Playing cards	0	Baht 2 to Baht 30 per 100 cards
Entertainment services	0 to 10	-
Race courses 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.

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.

With effect from 16 April 2019, petroleum companies subject to PITA, including companies that have entered into a production sharing contract, can adopt (with the permission of the Director-General) a foreign functional currency for preparing its accounting books and records and as well as 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.

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 tax authorities 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.

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 three major local taxes. However, the house and land tax and the local development tax noted below will be revoked and replaced with effect for tax collection from 1 January 2020 by the new land and building tax, which came into force on 13 March 2019.

Land and building tax

The following persons will be 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 will be 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 will be subject to the land and building tax on the properties they own.

The following properties will be subject to the tax:

- Land
- 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 will be 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 will be 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 will be the appraised value less the part that is exempt from the tax (see below) multiplied by the tax rate.

The statutory maximum tax rates will 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 will be 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.

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 will be 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, will be 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 will be exempted from the tax.

Tax assessment and tax payment

The land and building tax will be levied on an annual (calendar year) basis and classified as 'tax assessed by the authorities' whereby the local municipal authority will send 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.

Tax relief for the first three years

For the first three years of tax collection under the Act,

- an individual owner of land or buildings, which are used for agricultural activities, will be exempt from the tax.

- in the case where a taxpayer is assessed for the land and building tax at an amount that is higher than the year before the tax under this Act is to be first collected, the taxpayer will be entitled to pay the tax at the same amount as that in the prior year plus 25% of the difference for the first year, 50% for the second year and 75% for the third year.

House and land tax

The house and land tax will remain in effect for taxes collected until 31 December 2019. The rate of tax is 12.5% of the actual or imputed annual rental value of the property of owners of land or buildings, used for any purpose, with the exception of owner-occupied residences.

Local development tax

The local development tax will remain in effect for taxes collected until 31 December 2019. Local development tax is based on the value of the land, excluding improvements, and ranges between 0.25% and 0.95% annually. Assessments are calculated on the area of the land

and on the median value of the land as assessed by the district authority. This tax does not apply if the property is subject to the house and land tax while land used for the personal residence of the owner is exempt from the tax unless a specified area of a large plot is otherwise subject to the tax.

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. Currently, reduced rates are in force. Signboards that display Thai words are levied at the rate of Baht 3 per 500 sq. cm. whilst signboards displaying both Thai and foreign words are taxed at Baht 20 per 500 sq. cm. and, for foreign words alone or Thai words below foreign words, the rate is Baht 40 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. Furthermore, 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.

INHERITANCE TAX

INHERITANCE TAX

A legacy received by an individual or a juristic entity, regardless of nationality, from a testator who has died will be exempt from personal income tax under the Revenue Code but will be subject to inheritance tax. Heirs will be subject to the inheritance tax only on the value of a legacy that exceeds Baht 100 million obtained from each testator together either once or on several occasions.

The inheritance tax rate will be 10% except in the case of heirs who are ascendants or descendants of the testator in which case the rate will be 5%. Legacies received by the spouse of a testator will be exempt from the tax.

Property subject to the inheritance tax will be 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, vehicles with registration and financial assets to be prescribed in 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.

New criteria for investment promotion became effective on 1 January 2015 while the status of existing promotional privileges already granted did not change.

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

1. 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.
2. For manufacturing projects, foreign investors may hold a majority or all of the shares in promoted projects.
3. The BOI may specify the shareholding of foreign investors in promoted projects when it is deemed appropriate.

With effect from 25 January 2017, the amended Investment Promotion Act offers a maximum corporate income tax exemption period of 13 years and from 14 February 2017 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 following tax incentives may be granted to investors:

- Exemption from or reduction of import duties on imported machinery.
- A reduction of up to 90% of import duties on raw or essential materials imported for manufacturing for domestic sale.
- Exemption from corporate income tax with or without a cap equal to the amount of the investment, excluding the cost of land and working capital, for up to 15 years depending on the applicable law, the promoted activity and the location.
- Dividends derived by a shareholder from promoted enterprises are exempt from tax, including withholding tax, during the period of corporate income tax exemption and within six months from the date on which the tax exemption period expires.
- Exemption from import duties on raw or essential materials imported for manufacturing for export.
- Exemption from import duties on materials used for research and development purposes.

- 50% corporate income tax reduction for a maximum of ten years from the date of earning income if no tax holiday is granted.
- Deduction from the net profit for ten years of up to 70% of the amount of the investment in addition to the normal deductions.

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 BOI 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 from taxable income 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 from net profit 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 activities under targeted core technologies and enabling services.

The BOI has designated 20 activities under the Investment Promotion Act as priority activities of special importance and benefit to the country that are entitled to the maximum benefit of eleven years corporate income tax exemption without any cap. These are:

- Economic plantations (except eucalyptus)
- Creative design services and product development
- Manufacture of high-risk or high-technology medical devices, or medical devices that are commercialised from public sector research or collaborative public/private sector research
- Manufacture of automation machinery and/or automation equipment with engineering design, including automation system integration and control system configuration
- Manufacture of train or train carriages with engineering design
- Manufacture of aircraft frames, parts of frames and other important parts, e.g. engines, propellers, and electronic equipment

- Manufacture of aerospace devices and equipment, such as those related to rockets, spacecraft, space vehicles, propulsion units and auxiliary equipment, etc.
- Manufacture of aerospace operating systems such as search, detection, navigation, guidance, aeronautical, nautical and instruments, etc.
- Electronic design, specifically micro-electronic design and embedded system design
- Software, specifically embedded and high value-added software development
- Refuse derived fuel
- Energy service company: ESCO
- Industrial estate on food innovation, science and technology park, software park, data centre and innovation incubation centre
- Cloud service
- Research and development
- Biotechnology
- Engineering design
- Scientific laboratories
- Calibration services
- Training centres according to the approval of the BOI.

Targeted core technologies and enabling services

The BOI has also designated ten activities as targeted core technologies and enabling services that are entitled to the maximum benefit of 13 years corporate income tax exemption without any cap. These are as follows:

Targeted core technologies

- Biotechnology
- Nanotechnology
- Advanced material technology
- Digital technology

Enabling services to support targeted core technologies

- Electronics design
- Research and development
- Engineering design
- Scientific laboratories
- Calibration services
- Vocational training centres.

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.

Special economic development zones

Special economic development zones (SEZ) are border areas, whether inside or outside of industrial estates, to create economic connectivity with neighbouring countries.

SEZ include certain areas (sub-districts) in the provinces of Trat, Tak, Mukdahan, Songkla, Sa Kaew, Nong Khai, Kanchanaburi, Chiang Rai, Nakhon Phanom and Narathiwat.

Tax incentives for investment in these SEZ may be granted both under the Revenue Code and by the BOI.

Revenue Code

The corporate tax rate has been reduced to 10% for ten years for corporate entities with a place of business in the SEZ, regardless of where their head office is situated, on income earned from manufacturing goods or services provided and used in the SEZ.

BOI

The BOI has granted tax incentives for investment in eligible target and general activities in an SEZ.

To be eligible for the tax privileges, a number of general and specific conditions are required to be fulfilled, including the use of modern production processes and new machinery, paid-up share capital at the required amount, adequate environment protection systems, debt to equity ratio not exceeding 3:1 and the required area to operate the business.

The following tax incentives are available for eligible target activities:

- Exemption from corporate income tax for a period of eight years, with a corporate income tax cap not exceeding 100% of the cost of investment (excluding cost of land and working capital)
- 50% reduction in the corporate income tax rate for five years from the date on which the tax holiday expires

- Double deduction of cost of transportation, electricity and water supply for a period of ten years from the date on which revenue from the BOI business is first generated
- A 25% deduction of the investment cost of the installation or construction of facilities in addition to normal depreciation
- Exemption from import duty on machinery
- Exemption from import duty on raw materials and essential goods used in the production of goods for export for a period of five years.

Permission will be granted to employ foreign unskilled workers in the promoted project according to the conditions prescribed by the BOI.

The following tax incentives are available for eligible general activities:

- Additional corporate income tax exemption of three years, but not exceeding eight years in total
- 50% reduction in the corporate income tax rate for five years from the date on which the tax holiday expires for certain specified activities which are entitled to eight years' tax exemption
- Other incentives are the same as those for the above eligible target activities.

Applications to obtain investment promotion in an SEZ must be submitted by 30 December 2020.

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 economics, 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 EEC. The tax incentives are categorised under three zones, as follows:

- Special industry promotion zone
  - Eastern Airport City (EEC-A)
  - Eastern Economic Corridor of Innovation (EECi)
  - Digital Park Thailand (EECd)
- Target industry promotion zone
- Industrial estate or industrial area within the EEC

The incentives will be granted only to EEC eligible activities in certain zones and a bilateral cooperation plan between the company and an academic or research institution or centre of excellence must be made. Applications must be submitted before 30 December 2019.

There are ten activities eligible for EEC promotion, as follows:

- Automotive parts
- Smart electronics

- Agriculture and bio-technology
- Food processing
- Robots and automation
- Aircraft and logistics
- Chemicals, fuels, plastics, paper and glass
- Digital and software
- Medical
- Support service.

Tax incentives* provided by the BOI are as follows:

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

*EEC incentives cannot be utilised together with those under the merit on industrial area development noted on page 85.

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

On 10 October 2018, the Revenue Department announced a new tax measure to promote Thailand as an international business centre (IBC). This replaced the existing regional operating headquarters (ROH) and international headquarters (IHQ) regimes and amended the international trade centre (ITC) regime. These steps were in response to the OECD's action plan to combat harmful tax practices. With effect from the same date, no further applications to establish ROH, IHQ and ITC were accepted and all applications submitted were suspended.

Subsequently, on 29 December 2018, the criteria, conditions and benefits for the establishment of an IBC were incorporated into law.

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 the ITC business
- Paid-up capital on the last day of each accounting period of at least Baht 10 million
- Provides management, technical, support or treasury management services to its 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
- Other rules, procedures and conditions that will be prescribed by the Director-General of the Revenue Department.

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
- Other support services as prescribed by the Director-General of the Revenue Department.

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.

ITC 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
- Other services as prescribed by the Director-General of the Revenue Department.

Income of the IBC means the following:

(1) Income from the provision of management, technical, support services, or treasury management to its associated enterprises.

(2) 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 or ITC businesses. If the company undertakes IBC or ITC business as well as other businesses, the revenue derived from the IBC or ITC or both these businesses must not be less than 70% of the company's total revenue.

Existing ROH and IHQ can apply to convert to be an IBC.

Based on a Cabinet resolution dated 26 March 2019, the tax benefits of ROH and IHQ will be terminated as follows:

Measure	Key termination date for incentives
ROH registered under the first (ROH1) or second (ROH2) regime (new applications for which have been closed since 15 November 2015 (ROH2) and 11 October 2018 (ROH1)).	• Reduced rate of corporate income tax on royalties received from affiliates ended on 31 May 2019. • Reduced tax rate and exemption for service income, interest, royalties and dividends received from affiliates ended on 31 May 2019. • Personal income tax privileges for expatriates regularly working for an ROH2 will end on 31 December 2019. • Withholding tax exemption on dividends paid by ROH2 to foreign shareholders will continue to apply only to dividends paid from income generated before 1 June 2019 and paid before 1 January 2021.
Termination of tax benefits granted to IHQ (new applications for which have been closed since 11 October 2018)	• Personal income tax privileges for expatriates regularly working for an IHQ will end on 31 December 2019. • Tax privileges granted under the IHQ regime, including for service income, royalties, dividends, capital gains derived from affiliates, income from international trading and services income related to international trading ended on 31 May 2019.

Measure	Key termination date for incentives
	• Withholding tax exemption on dividends paid by an IHQ to foreign shareholders will continue to apply only to dividends paid from income generated before 1 June 2019 and paid before 1 January 2021. Similar provisions apply to withholding tax on interest paid by an IHQ.
Termination of ITC privileges	• Personal income tax privileges for expatriates regularly working for an ITC will end on 31 December 2019. • Corporate income tax exemption granted to an ITC for international trading and service income in relation to international trading ended on 31 May 2019. • Withholding tax exemption on dividends paid by an ITC to foreign shareholders will continue to apply only to dividends paid from income generated before 1 June 2019 and paid before 1 January 2021.

In comparison with the 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 converts 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 (i) headquarters and treasury management services, (ii) royalties, and (iii) non-IBC business.

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Services include:

Tax Mergers and Acquisitions

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

Tax Structuring

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

Tax Reporting and Strategy

- Tax strategy and operations:
  - Tax function strategy and design
  - Tax risk and governance
  - Effectiveness and efficiency of tax operations
  - Tax risk management services
- Tax compliance services:
  - Corporate income tax return review/assistance with the return preparation
  - Tax compliance review/tax health check
- 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

Indirect Tax Services

- VAT advice and planning
- VAT compliance review

Business Process Outsourcing Services

- The 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
- The 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 customers' billings, processing of vendors' invoices

Transfer Pricing

- Transfer pricing compliance review and documentation
- Transfer pricing documentation
- Transfer pricing benchmarking
- Transfer pricing risk assessment
- Transfer pricing advice
- Transfer pricing investigation/mutual agreement procedures assistance
- Advance pricing agreement assistance
- Transfer pricing appeals and litigation

Tax 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

Legal Services/BOI Services

Legal Services

- Corporate services and business establishment
- Commercial contracts
- Employment
- Real estate, properties, trademark registration
- M&A, Legal due diligence
- Investment incentives and licenses
- Dispute and resolution

BOI Services

- Legal compliance and planning:
  - Determine best strategy for seeking investment promotion for new and existing investment projects, as well as project relocation
  - 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

Japanese Business Desk

PwC Japanese 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 line of service.

U.S. Tax Desk

- M&A and structuring advice on investment in U.S.
- Assistance to Thai subsidiaries of U.S. companies in understanding U.S. tax and reporting requirements
- U.S. tax compliance including tax return preparation and withholding tax refund claims

Global Mobility Services

- International assignment structuring and administration services
- Global visa and work permit solutions
- Individual income tax advisory
- Stock-based incentive programme design and administration services
- Human resource tax and legal due diligence and compliance review services
- Payroll outsourcing service for executive/expatriates
- Myanmar personal income tax advice and compliance including immigration

Customs, Excise and Trade

- Competitiveness improvement through strategic customs, excise and trade planning
  - Free trade agreements
  - Duty savings through unbundling of transaction value
  - Customs supply-chain business modelling
  - Tariff engineering (reviewing the optimum way to import)
  - 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, etc.)
  - Excise tax 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 etc.)
  - Assisting in applying for advance and post-importation customs rulings
  - Voluntary disclosure
  - 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

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