cutting through complexity

Thailand Tax Profile

Produced in conjunction with the KPMG Asia Pacific Tax Centre

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1 Corporate Income Tax

Corporate Income Tax	Corporate Income Tax
Tax Rate	The corporate tax rate is 20%. The standard rate was reduced from 30% to 23% for the tax year starting in 2012, and to 20% for the two subsequent tax years. This has been extended for 2015 and is expected that the 20% CIT rate will be effective post–2015.
Residence	All companies, including other forms of legal entities, that are registered under Thai law, or that are incorporated under foreign law and carry on business in Thailand, are subject to corporate income tax. All income of companies registered under Thai law is subject to corporate income tax. Companies registered under foreign law and carrying on business in Thailand are taxed on their net profits arising from their business activities in Thailand.
Compliance requirements	Thailand operates a self-assessment system for filing income tax returns, with significant penalties for non-compliance. Corporate income tax is payable in two instalments each year. Half-year corporate income tax returns must be filed by the end of the eighth month of the accounting year. Annual corporate income tax returns must be filed within 150 days following the end of accounting year.
International Withholding Tax Rates	Dividends paid to non-residents will be subject to withholding tax at 10 percent. Royalties paid to non-residents, who do not carry on any business in Thailand, will be subject to withholding tax at 15 percent. However, this rate may be reduced by an applicable tax treaty. Interest paid to non-residents is subject to withholding tax at 15 percent. This rate may be reduced to 10 percent if the interest payment is made to a financial institution and a tax treaty is applied. Non-residents are liable to 15 percent tax on capital gains realized on the disposal of Thai shares if acquired by a Thai resident. This tax may be reduced or eliminated by an applicable tax treaty.

Holding rules	Generally, dividends are fully taxable. Dividends received from a Thai subsidiary by a Thai company which is not listed on the Security Exchange of Thailand (SET) are subject to a 50 percent exemption. The exemption is increased to 100 percent if the recipient of the dividend is a Thai company which is listed on the SET; or owns at least 25 percent of the issued shares of the Thai subsidiary with no cross-shareholding (i.e. the company paying the dividend must not hold shares in the recipient company). A Thai company shall be eligible for these 50 percent and 100 percent tax exemptions only if it holds shares in the Thai subsidiary that pays the dividend for three months prior to the dividend being paid and for three months after. Dividends received from non-Thai subsidiaries are fully exempt if at least 25 percent of the voting rights in the subsidiary have been held for six months prior to the dividend being paid, and the dividend is paid from a net profit which has been subject to income tax or profit tax at the rate of 15 percent or more. Thailand does not impose a separate tax on corporate capital gains. Any gains arising from the disposition of assets, regardless of the purpose for which the assets were acquired, are treated as ordinary income subject to corporate income tax.
Tax Losses	Current period offset – there is no limitation to the amount of losses able to be offset. Tax losses may be carried forward for five years. No carry-back of tax losses is permitted in Thailand.
Tax Consolidation / Group relief	There is no tax consolidation regime in Thailand, nor is there provision for corporate group relief of losses.
Transfer of shares	The transfer of shares is subject to stamp duty of 0.1 percent.
Transfer of assets	No stamp duty applies for companies on the transfer of land and buildings. However, the transfer may be subject to Special Business Tax at 3.3 percent and a land transfer government fee of two percent. Other transfers of tangible assets and intangible assets are subject to normal tax implications (i.e. VAT at seven percent and corporate income tax on the gain of the transfer of the assets).
CFC rules	There is no CFC regime in Thailand.

Transfer Pricing	Thailand's transfer pricing regime is consistent with the OECD model (i.e. arm's length basis). Thai businesses are required to ensure that the pricing of transactions with related parties is based on one of the accepted methodologies and that the process of establishing transfer prices is appropriately documented. The Thai Revenue Department accepts both APAs and MAPs.
Thin Capitalisation	Thailand has no thin capitalisation regime. However, if a tax incentive has been granted by the Board of Investment (BOI), the thin capitalisation ratio cannot exceed 3:1.
General Anti-avoidance	Thailand does not have general anti-avoidance provisions.
Anti-treaty shopping	Thailand does not have specific provisions related to anti-treaty shopping.
Other specific anti-avoidance rules	Thailand does not have any other specific anti-avoidance provisions.
Rulings	Rulings may be requested from the Thai tax authority. Most of the rulings are published on the Revenue Department's website.
Intellectual Property Incentives	Thailand has no specific intellectual property (IP) incentives, but IP is tied to R&D incentives (see below).
R&D Incentives	There are tax exemptions on license fees, and a double deduction for qualified R&D expenses.

Other incentives	Tax-related relief and other incentives are granted to Thai and foreign companies investing in BOI promoted projects. However, the BOI does not grant promotional incentives to a branch office of a foreign company. Activities eligible for promotion are specified in guidelines issued by the BOI. Activities not specifically listed in the BOI guidelines may nevertheless still be eligible for promotion if considered to be of benefit to the Thai economy and are in accordance with national development objectives. Examples of BOI tax incentives include: ▪ Import duty exemptions ▪ Tax holidays ▪ Tax rate reductions ▪ Enhanced deductions ▪ Tax-exempt dividends In addition, Thailand offers a regional operating headquarters tax incentive, provided certain conditions are met. These incentives include a reduced corporate tax rate, reduced tax rate on interest and royalties and an exemption on dividends.
Hybrid Instruments	There are no specific rules applicable to hybrid instruments, and generally, the tax treatment follows the contractual arrangement and accounting treatment.
Hybrid entities	There are no specific rules applicable to hybrid entities, and generally, the tax treatment follows the legal classification under the Thai Revenue Code and the accounting treatment.
Special tax regimes for specific industries or sectors	• Petroleum industry (oil and gas exploration/exploitation companies): a 50 percent petroleum income tax is imposed on profits earned from petroleum sales. • SME (company with no more than THB 5million of paid up capital and turnover from sales or services of not more than THB 30million): progressive CIT rate starting with a zero percent tax bracket scaling up to a highest bracket of 20 percent. • Foreign juristic corporations carrying on the business of international transportation: 3 percent tax on their gross incomes before deduction of expenses. • Banking companies are generally subject to 3.3 percent Specific Business Tax in lieu of 7 percent VAT.

2 International Treaties for the Avoidance of Double Taxation

In Force	Armenia	Finland	Malaysia	Slovenia
	Australia	France	Mauritius	South Africa
	Austria	Germany	Myanmar	Spain
	Bahrain	Hong Kong	Nepal	Sri Lanka
	Bangladesh	Hungary	Netherlands	Sweden
	Belarus	India	New Zealand	Switzerland
	Belgium	Indonesia	Norway	Taiwan
	Bulgaria	Ireland	Oman	Turkey
	Canada	Israel	Pakistan	Ukraine
	Chile	Italy	Philippines	United Arab Emirates
	China	Japan	Poland	United Kingdom
	Cyprus	Korea (Republic of)	Romania	Unites States
	Czech Republic	Kuwait	Russia	Uzbekistan
	Denmark	Laos	Seychelles	Vietnam
	Estonia	Luxembourg	Singapore	

Negotiated, not yet in force at time of publication Treaties with Egypt, Kenya, and Mongolia have been negotiated but are not in force at the time of writing.

3 Indirect Tax

Indirect Tax	Value Added Tax (VAT)
Standard Rate	The VAT rate at the time of writing is a reduced rate of 7 percent (standard rate is 10 percent). Government announced that it will extend 7 percent for one more year (i.e. from 1 October 2015 to 30 September 2016) but the law has not been issued yet. Certain goods and services are zero-rated or exempt from VAT.
Further information	For more detailed indirect tax information on various countries, refer to: KPMG Asia Pacific Indirect Tax Guide

4 Personal Taxation

Income Tax	Personal income tax
Top Rate	Net taxable income is taxed at progressive rates up to 35 percent. The maximum current tax rate applies to income exceeding THB 4million in the case of both residents and non-residents.
Social Security	Resident and non-resident employees are required to make contributions to Thailand's social security fund. Contributions to the social security fund are made by employers and employees in equal proportions. The current rate of contribution by each party is 5 percent, up to maximum amount of THB 750.
International Social Security Agreements	There is a treaty between the Netherlands and Thailand on the transfer of social security benefits.
Further information	For more detailed personal taxation information, refer to: KPMG's Thinking Beyond Borders

5 Other Taxes

Specific business tax (SBT)

Certain Thai businesses are excluded from the VAT system and are, instead, subject to SBT. SBT is calculated as a percentage of gross receipts and the rate varies between 2.75 percent and 3.3 percent. SBT applies to the following businesses:

- Banking and similar
- Finance, security and credit
- Factoring
- Life insurance
- Pawnshop brokerage
- Sale of securities in stock market (although these are currently exempt from SBT)
- Trading in immovable property

Customs duty

Customs duty is levied on both imports and some categories of exports. Import duties are levied on a specific, ad valorem or compound basis. The compound basis is a combination of the specific and ad valorem basis (whichever is higher). The duty rates generally range between one percent and 20 percent, except for some luxury products (e.g. cigarettes, liquor and vehicles) which may be as high as 60 percent.

Export duties are generally imposed on only two groups of commodities, comprising rawhide and wood.

Excise duty

Excise duty is imposed on commodities based on a specific, ad valorem or compound basis. The compound basis is a combination of the specific and ad valorem basis (whichever is higher). The excise tax is applied to a range of products whether manufactured locally or imported. The tax liability arises on locally manufactured goods when the products are shipped from the factory. On imported goods, excise tax is imposed on importation.

In addition to excise duty, interior tax at the rate of 10 percent is imposed on the excise duty amount for all the above products, except tobacco and cards.

Stamp duty

A number of documents and transactions are subject to stamp duty. Rates depend upon the class of instrument, but in general are between 0.1 percent and 1 percent, although for certain instruments the stamp duty is capped (e.g. for loan documents stamp duty is capped at THB 10,000).

Property taxes	A house and land tax is levied at the rate of 12.5 percent of the assessed rental value of the property. It is levied on the owner of the building, but does not apply to owner-occupied residences.
Inheritance tax	There is no inheritance tax in Thailand.
Gift tax	There is no gift tax in Thailand.

6 Free Trade Agreements

In force	Australia	Japan	Peru	
	India	New Zealand		
	ASEAN -			
	Brunei Darussalam	Lao	Philippines	Thailand
	Cambodia	Malaysia	Singapore	Vietnam
	Indonesia	Myanmar		
	ASEAN – China			
	ASEAN – India			
	ASEAN – Japan			
	ASEAN – South Korea			
	ASEAN – Australia – New Zealand			
In negotiation	Chile			
	European Union			
	ASEAN – Japan – S. Korea – China			
	ASEAN – Japan – S. Korea – China – Australia – New Zealand – India			
	Thailand – BIMSTEC (Bangladesh, Bhutan, India, Myanmar, Nepal, Sri Lanka, Thailand)			
	Thailand – EFTA (Iceland, Liechtenstein, Norway, and Switzerland)			

Source: FTA Department of Trade Negotiations, Thailand

7 Tax Authority

Tax Authority	The Revenue Department Link to The Revenue Department
Tax audit activity	The tax authority predominantly adopts a risk based approach to the selection of returns for audit. A tax audit will be performed for every tax refund requested. In the past few years, the tax authority has begun to implement a routine tax review, where an audit may be performed regularly, between one to three years, depending on the taxpayer's size or operating results. A typical tax audit commences with a letter requesting the provision of supplementary analysis or information. Taxpayers are advised to contact their tax advisor immediately when a tax audit commences or any correspondence is received from the tax authority. The typical length of an audit period varies on a case by case basis, and the more complex cases may take a substantial length of time before a resolution is reached. Generally, the tax authority focuses on income tax in tax audits; however this can be expanded to cover other taxes including VAT and withholding tax. A transfer pricing audit may be conducted separately by the transfer pricing team in the tax authority.
Appeals	If the original assessment is conducted by the District Revenue Offices, the taxpayer must appeal the assessment within 15 days from the date of receipt of the assessment notification. If the original assessment is conducted by other Revenue Offices, the taxpayer must appeal the assessment within 30 days from the date of receipt of the assessment notification. It should be noted that an appeal does not defer payment of taxes and duties.

Contact us

Benjamas Kullakattimas
Partner in Charge
KPMG in Thailand
T +66 2 6772426
E benjamas@kpmg.co.th

www.kpmg.com/tax

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