



Thailand

Tax Highlights

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Index

Introduction	7
Key facts	8
1. Corporate law and tax system	9
1.1. Company set-up in Thailand	10
2. Direct taxes	11
2.1. Taxes on legal entities	11
2.2. Taxes on individuals	12
3. Indirect taxes	14
4. Corporate Compliance	16
5. Foreign Investment Promotion	17
6. Double Taxation Treaties	18
7. Our services	19
7.1 Our services in Thailand	20
8. Strengths	21
Our offices	22

Introduction

“Siam” is the name by which the country was known to the world until 1939, when it was officially renamed to “Thailand”. The word “Thai” means “Free” and therefore “Thailand” means “Land of the Free.” It is the only South East Asian country never colonised. Bangkok has been the capital of the Kingdom since 1782.

Thailand is South East Asia’s second largest economy after Indonesia, it is bordered by Myanmar, Laos, Cambodia and Malaysia. Thailand is a warm and rather humid tropical country, with a monsoonal climate. It has a population of 71 million.

The form of government is a constitutional monarchy with a bicameral system comprising two Houses, the House of Representatives and the Senate. The head of state is the King and the head of government is the prime minister.

Thailand is one of the founding members of the ASEAN (Association of South East Asian Nations), comprising 10 Member States which have in place a Free Trade Area. Furthermore, in 2020 the ASEAN, together with Australia, China, Japan, New Zealand and South Korea, signed the RCEP (Regional Comprehensive Economic Partnership).

Official currency is Thai Bath (THB).

Key facts

- Land area: 513,120 km²
- Population: 71,801,279
- GDP growth (2023, BoT): 2.4%
- Inflation (2023, BoT): 1.3%
- Net FDI inflows: USD 11.23 billion (2022)
- Unemployment rate (March 2023): 0.98%
- Religion: Buddhism (94%); Islam (4.5%); other (1.5%)
- Calendar: Buddhist, 543 years ahead of the Gregorian calendar
- 12th largest automotive producer in the world and the largest in South East Asia
- 2nd largest producer of Hard Disk Drive (HDD) in the world
- 2nd largest producer of optical lenses
- 5th largest producer of biodiesel in the world and the largest in South East Asia

1. Corporate Law and Tax system

Thailand law system is based on the civil law but has been influenced by common law.

The primary source of corporate law for private limited companies is the Civil and Commercial Code (CCC) and the Public Limited Companies Act for public limited companies (both listed and non-listed). The Foreign Business Act (1999) regulates the activities in which foreign companies may engage in.

The Department of Business Development (DBD) is the competent agency for enforcing above acts, within which the Bureau of Business Registration is responsible for registering the company incorporation and following amendments, the Bureau of Business Information is responsible for receiving companies' annual financial statements, and the Bureau of Foreign Business Administration is responsible for issuing foreign business licences and certificates.

The principal tax law in Thailand is the Revenue Code. Other tax laws include the Customs Act, the Excise Act and the Petroleum Income Tax Act.

The Revenue Department of the Ministry of Finance is responsible for the administration of personal income tax, corporate income tax, value added tax, specific business tax, and stamp duties. The administration of customs duties and excise tax is respectively the responsibility of the Customs Department and the Excise Department within the Ministry of Finance.

1.1 Company set up in Thailand

The most common for a foreign operator to set up a permanent establishment in Thailand is setting up a limited liability company. It must have at least 1 director and 2 promoters/shareholders.

Foreigners can hold 100% shares of a company in Thailand, provided they obtain a Foreign Business License, with the exception of the business activities reserved to Thai citizens as regulated in the Foreign Business Act.

Manufacturing and service activities with transfer of technology can generally obtain full foreign ownership, together with Retail and Wholesale activities, despite the high capitalization requirements of these last ones.

Foreign operators can also opt for registering a branch office, suitable for projects with a limited time frame, or a representative office, indicated for business development, sourcing goods and services, distribution of information on goods and services of the foreign head office, quality control and information services on local market on behalf of the foreign head office.

2. Direct taxes

2.1 Taxes on legal entities

2.1.1. Corporate Income Tax

A company or a registered partnership incorporated under Thai law is considered as a resident company and be subject to 20% Corporate Income Tax (CIT) rate. SMEs with registered paid-up capital up to 5 million THB and annual net profits not exceeding 3 million THB, are subject to a 15% CIT.

CIT must be filed and paid twice each year, the half-year CIT return is due within 2 months after the end of the first semester of the current accounting period, the annual CIT return must be filed within 150 days of the closing date of the accounting period, e.g. if a company's accounting period ends on December 31, it must file its income tax return along with the audited financial statements and pay any tax due by May 30 of the following year.

2.1.2. Withholding tax

Local legislation mandates withholding tax on payments from resident companies to non-resident companies deriving income from Thailand. The specific rates are outlined in the table below:

<u>Category</u>	<u>Rate</u>
Dividends	10%
Business profits	10%

Interests	15%
Royalties	15%
Management fees, technical fees	15%

Payments to domestic companies are also subject to withholding tax, which varies based on the type of income and the tax status of the local supplier. The main income categories and their respective withholding tax rates are detailed in the following table:

Category	Rate
Service and professional fees	3%
Rent	5%
Advertising	2%
Interests	1%
Dividends	10%
Royalties	3%

2.2. Taxes on individuals

2.1.1. Personal Income Tax

Residents are individuals residing in Thailand for an aggregate period of 180 days or more within a calendar year.

Resident must apply for a Personal Income Tax (PIT) ID and are taxed on their assessable income earned from employment or business activities conducted in Thailand. The tax rates are progressive, as outlined below:

Net income (THB)	PIT rate (%)
0 to 150,000	Exempt
150,001 to 300,000	5
300,001 to 500,000	10
500,001 to 750,000	15
750,001 to 1,000,000	20
1,000,001 to 2,000,000	25
2,000,001 to 5,000,000	30
Over 5,000,000	35

Filing and payment deadline of Personal Income Tax is 31 March following the tax year-end.

2.1.2. Social Security

If the company employs at least one person, it must register itself with the Social Security Office under the Social Security Act. Every employee must be registered within 30 days of the start date. Both employer and employee are required to contribute 5% of the employee's monthly salary to the Social Security Fund, with each contribution capped at a maximum of THB 750 per month. The employer is responsible for deducting the employee's contribution at the source and must remit both the employer's and employee's contributions to the Social Security Fund by the 15th of the month following the salary payment.

3. Indirect taxes

3.1. Value Added Tax

Value added tax (VAT) is a consumption tax levied on goods and services supplied or consumed in the country, imposed on the value added of each stage of production and distribution.

Current VAT rate is 7%, but certain activities are liable at the rate of 0% and some are exempted.

VAT registration is compulsory within 30 days after a company's annual turnover reaches THB 1.8 million.

3.2. Stamp duty

Most documents are subject to stamp duty with fixed rates ranging from THB 1 to THB 200, except loans and mortgage agreements which are subject to stamp duty at the rate of THB 1 for every THB 2,000 of the loan amount.

Stamp duty on the transfer of shares is payable at the rate of 0.1% of the transfer value.

3.3. Custom duty

Most tariffs are ad valorem ranging from 0% to 80% and a weighted average of 3.15% (AHS).

3.4. Excise tax

Excise tax is imposed on a number of commodities, whether

they are manufactured locally or imported.

3.5. Other Taxes

Land and building tax

Land and buildings tax is a new type of tax that came into effect on 1 January 2020, imposed on owners of houses not occupied by the owner and on owners of industrial and commercial buildings.

Specific business tax

Specific business tax (SBT) is generally levied on the gross receipts of certain businesses not subject to VAT, such as commercial banking (3%) and life insurance (2.5%).

4. Corporate Compliance

All companies in Thailand must prepare and submit financial statements to the Ministry of Commerce annually as per their assigned accounting period. Documents must be prepared in Thai language, or in any other language provided that a Thai translation is attached.

CIT is filed and paid twice a year, the half year CIT return must be filed within 2 months after the end of the first 6 months of the accounting period, while the annual CIT return must be filed within 150 days from the closing date of the accounting period.

There are other requirements to be accounted and paid for on a monthly basis, such as the preparation, submission and payment of VAT (once company is VAT registered) and withholding tax for the payments done to employees and service providers. The WHT deducted is paid to the Revenue Department within the 7th of the following month in which payments were made, while VAT returns are filed within the 15th of each month.

We recall Social Security contributions to be submitted and paid monthly to the Social Security Office by the 15th of the following month after salaries payment.

It is mandatory for every company to hold an Annual General Meeting, within 4 months of the end of the fiscal year. Every company must also annually submit to the Ministry of Commerce its audited financial statements together with the updated info of its directors and shareholders.

5. Foreign Investment Promotion

Thai Board of Investment (BOI) is a governmental agency under the Office of the Prime Minister. It is responsible to promote direct investments and grant tax and non-tax incentives to both foreign and Thai investors who engage in business activities that enhance national R&D and advanced manufacturing capacities, and overall competitiveness. Depending on how the BOI classifies investor activities and project location, incentives include tax holidays of up to 13 years and exemption from import duty for machinery and raw materials to be used in the project, in addition to non-tax incentives, namely foreign ownership of land and special visas for foreign technicians and experts.

Other Foreign Investment Promotion incentives are granted to projects located in the Industrial Estates, the Special Economic Zones and in the Eastern Economic Corridor (EEC), an ASEAN-leading economic zone for industrial, infrastructure, and urban development across the provinces of Chonburi, Rayong and Chachoengsao, developed around the following thematic/territorial projects: EECg - Genomics, EECd - Digital Park, EECmh - Medical Hub, EECh - High Speed Rail Ribbon Sprawl, EECi - Innovation, EECt - Tech Park Ban Chang, EECe - Eastern Airport City and Smart City.

6. Double Taxation Treaties

Thailand has bilateral taxation treaties with several countries to prevent a person from paying taxes in two countries on the same source of income during the same period.

Below the list of Thailand's counterparts in these deals:

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

7. Our Services

Accounting services

We support the foreign accounting division of the client by analyzing and optimizing the local processes on the basis of local regulations, potential risk areas, reference industry and through periodic company site visits. We offer accounting outsourcing services customized to the specific needs of the client

Tax Services

We offer consulting services in domestic and international taxation, assisting clients that deal with different jurisdictions, guiding them in planning and complying with their local tax requirements and in cross-border transactions

Corporate services

We offer our own experience and competence to clients that start an internationalization project or a corporate reorganization abroad, in the market entry, in the establishment process, in local regulatory compliance and administrative support, leveraging our know-how and our strategic partnerships consolidated over time

7.1. Our services in Thailand

Accounting services

- Accounting in Outsourcing
- Financial statement reporting as per local, international standards and per client's internal requirements
- Accounting Due diligence
- Payroll and HR management services
- Treasury services

Tax Services

- Tax Advisory
- VAT registration
- SSO registration
- Tax return filing
- BOI annual reporting compliance
- Liaison with local tax authorities

Corporate services

- Market entry and feasibility studies in Thailand
- Company formation services and corporate reorganization
- Assistance in opening a bank account in a local bank
- Corporate secretarial & compliance services
- Expat services, visas and work permits
- Advisory on local regulations
- Corporate Due Diligence
- Quality Control services

8. Strengths

Global Presence, Local Focus

- 7 Partner
- 12 Countries where we are present
- 15 Locations
- 100+ Employees
- 500+ Continuous customers worldwide

Why Diacron?

- Team of professionals with depth knowledge of tax systems and corporate regulations, both local and international
- Presence of staff who speak English and local language in all offices
- Consolidated collaborations with local partners
- International strategic presence

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