

DIACRON



Thailand

Tax Highlights

Baguio | Bangkok | Dubai | Hong Kong | London | Lugano | Milan | Mumbai | New York | Plovdiv | Shanghai | Shenzhen | Singapore | Sofia | Zug

Data contained in this document are for information only and may vary depending on the specificity of cases. Please contact our consultants for more information.

© Sent to the press in January 2024



Thailand

Tax Highlights

Index

Introduction	5
Key facts	6
1. Corporate law and tax system	7
2. Direct taxes	8
2.1. Taxes on legal entities	8
2.2. Taxes on individuals	9
3. Indirect taxes	11
4. Corporate Compliance	13
5. Foreign Investment Promotion	14
6. Double Taxation Treaties	15
7. Our services	16
7.1 Our services in Thailand	17
8. Strengths	18
Our offices	19

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 currently a population of 70 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), together with Indonesia, Malaysia, the Philippines and Singapore. The ASEAN Declaration, or Bangkok Declaration, was signed on 8 August 1967. In 2020, all the 10 members of 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 (estimated, 2023): 69,794,997
- GDP growth (2023, BoT): 2.4%
- Inflation (2023, BoT): 1.3%
- Net FDI inflows: USD 10.19 billion (2022)
- Unemployment rate (October 2023): 0.85%.
- 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
- 5th largest producer of biodiesel in the world and the largest in South East Asia
- Bangkok was the most visited city in the world in 2022

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 the companies designated as “foreigner” 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.

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 is filed and paid twice each year, a half year CIT return must be filed within 2 months after the end of the first 6 months of an accounting period, the annual CIT return must be filed within 150 days from the closing date of the accounting period, e.g. a company with an accounting period ending December 31, must file income tax return with the audited financial statements and pay any tax due by May 30 of following year.

2.1.2. Withholding tax

Local legislation provides the following withholding tax at source for payments from resident companies to non-resident companies deriving income from Thailand:

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

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

Also payments to domestic companies are subject to withholding tax, depending on the income and the tax status of the local supplier. The main categories of income and the corresponding rate of withholding tax are the following:

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 defined as persons residing in Thailand for an aggregate period of 180 days or more in any calendar year.

Resident and non-residents individuals are required to apply for a Personal Income Tax (PIT) ID and are taxed on their assessable income derived from employment or business carried on in Thailand according to the following PIT progressive rates:

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 has at least one employee, the company has a duty to register the Employer account under the Social Security Act with the Social Security Office within 30 days of the start of employment. Both employer and employee are required to contribute an equal amount of 5% of the employee's monthly salary, but not exceeding a maximum contribution of THB 750 for each per month. The employee's contributions must be deducted by the employer at the source and remitted to the social security fund by the 15th day of the following month salary is paid.

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

Custom duties are relatively high, most tariffs are ad valorem ranging from 0% to 80% and more than half of the goods subject to rates above 20%.

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 at the rate of 3% on the gross receipts of certain businesses not subject to VAT, such as commercial banking and life insurance.

4. Corporate Compliance

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

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

There are also several 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.

Social Security registration is mandatory for companies with employees and Social Security contributions have to be submitted on a monthly basis to the Social Security Office by the 15th of the following month after salaries are paid.

It is mandatory for every company to hold an Annual General Meeting once a year, within 4 months of the end of the fiscal year.

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 in addition to non-tax incentives, namely permission for 100% foreign ownership, foreign ownership of land and special visas for foreign technicians and experts, permission to remit funds in foreign currency.

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.

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
- Reporting
- Process assurance

Tax Services

- Tax Advisory
- Payroll services
- VAT registration
- SSO registration
- Tax return filing
- Liaison with local tax authorities

Corporate services

- Market entry and feasibility studies in Thailand
- Company formation services
- Corporate secretarial & compliance services
- Expat services, visas and work permits
- Assistance in opening a bank account in a local bank
- Assistance in company liquidation and corporate amendments
- Cross-border transactions
- Risk advisory 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

Our offices

Bulgaria

Diacron Consultants EOOD

Fl. 4, Office 10 - 11
165A Tzar Boris III Blvd
1618, Sofia
+359 (0) 2 955 5510

Fl. 3, Office 41
Str. Knyaz Alexander No 42
4000, Plovdiv
+359 (0) 32 660 289

Hong Kong

Diacron Business Consulting (HK) Limited

Room 511, 5/F
Chinachem Golden Plaza
77 Mody Road
TST East, Hong Kong SAR
+852 37081478

Italy

Representative Office

Foro Buonaparte 50
20121, Milan
+39 02 87199518

Switzerland

Diacron Suisse SA

Via Serafino Balestra 27
6900, Lugano
+41 (0) 91 210 58 32

Alpenstrasse 16
6300, Zug
+41 (0) 44 272 0101

Thailand

Diacron Business Consulting (Thailand) Limited

#3334, Level 33, Interchange 21
No. 399 Sukhumvit Road
Klongtoey Nua, Wattana
10110 Bangkok
+66 845 914 145

United Kingdom

Diacron Limited

8th Floor
Northern & Shell Building
10 Lower Thames Street
EC3R 6AF, London
+44 (0) 20 7839 4711

China

Diacron Business Consulting Co., Ltd

Unit 2010 - 2011
360 Chang Shou Road
200060, Shanghai
+86 (0) 21-62885871 / 72 / 73

Hon Kwok City Center 24 - 131
No. 3031
Shennan Avenue Futian CBD
518000, Shenzhen

India

Diacron Consultants India Private Limited

R4, Jeevan Apartment
Kashinath Dhuru Marg, Dadar (W)
400028, Mumbai
+91 2266441898

Philippines

Diacron Consultants DMCC Branch

043 Smith Drive, Purok 7
Asin Road
2600, Baguio

Singapore

Diacron Business Consulting Pte. Ltd.

#03-01, Beach Road 11
Crasco Building
189675, Singapore
+65 8829 5883

United Arab Emirates

Diacron Consultants DMCC

Office 203
Swiss Tower, Cluster Y
Jumeirah Lakes Towers
PO Box 7042, Dubai
+971 (0) 4 450 4295

United States

Diacron USA LLC

Suite 1904
50 Broad Street
10004, New York
+1 (212) 825-1003



Contacts

Davide Bellino
General Manager

d.bellino@diacrongroup.com

www.diacrongroup.com