RESPONDEK & FAN

LEGAL E-BULLETIN

VOLUME 10

14/02/2014

Dear Reader,

As usual, if you have any comments, remarks or questions, we would love to hear from you. Please contact me at +65 -6324-0060 or by email: respondek@rflegal.com.

Kind regards,
RESPONDEK & FAN
Dr Andreas Respondek
Managing Director

THAILAND: Changes in Personal and Corporate Income Tax Rates

In 2015 the Asean Economic Community will create a single market and production base among all 10 Asean member states. Obviously there is a potential for capital to migrate across borders within Asean in order to seek the most profitable returns. Countries with higher rates of taxation could see significant outflows of capital and investment to neighbouring states with lower rates.

In recognition of the potentially negative impact of capital outflows to Asean neighbours and with a view to promoting Thailand as an investment hub within Southeast Asia, the Thai government has implemented reforms focused on improving Thailand's competitiveness as a location for capital and business investment by adjusting the personal income tax and corporate income tax rates.

PERSONAL INCOME TAX

Personal Income Tax ("PIT") is a direct tax levied on the income of a person. A "person" means an individual, an ordinary partnership, a non-juristic body of persons and an undivided estate. Income chargeable to the PIT is called "assessable income". The term covers "income" both in cash and in kind. Therefore, any benefits provided by an employer or other persons, such as a rent-free house or the amount of tax paid by the employer on behalf of the employee, is also treated as assessable income of the employee for the purpose of PIT.

For the tax year 2013, the applicable income tax rates in Thailand have been revised with the introduction of three new tax brackets (i.e. for 5 %, 15 % and 25 %). At the same time the previous maximum tax rate of 37 % for income above THB 4 million has been reduced to 35 % The old and new tax brackets can be summarized as follows:

SINGAPORE Office
1 North Bridge Road
#16-03 High Street Centre
Singapore 179094
Tel: +65-6324-0060 Fax: +65-6324-0223

THAILAND Office
323 Silom Road, United Center,
39th Floor, Suite 3904 B
Bangkok 10500
Tel: +66-2-635-5498 Fax: +66-2-635-5499

Thai Personal Income Tax – comparative table

Annual taxable net income (THB)	Personal income tax rate for 2012	New Personal income tax rate for 2013
0 – 150,000	Nil	Nil
150,001– 300,000	10%	**5%**
300,001– 500,000	10%	10%
500,001- 750,000	20%	**15%**
750,001- 1,000,000	20%	20%
1,000,001- 2,000,000	30%	**25%**
2,000,001- 4,000,000	30%	30%
4,000,001 or more	37%	**35%**

The taxpayer is liable to file the Personal Income Tax return and make payment to the Revenue Department until the last day of March following the taxable year, i.e. this year at the latest by 31.03.2014.

As shown in the above table, the lower tax threshold and lowest tax rates have not changed substantially so the changes will most benefit those with medium and higher incomes.

CORPORATE INCOME TAX

Corporate Income Tax ("CIT") is a direct tax levied on a juristic company or partnership carrying on business in Thailand or not carrying on business in Thailand but deriving certain types of income from Thailand.

The CIT of a company carrying on business in Thailand is calculated from the company's net profits on an accrual basis. A company shall take into account all revenue arising from or in consequence of the business carried on in an accounting period and deducting therefrom all expenses in accordance with the conditions prescribed by the Thai Revenue Code.

Thai and foreign companies carrying on business in Thailand are required to file their tax returns (Form CIT 50) within one hundred and fifty (150) days from the closing date of their accounting periods. Tax payment must be submitted together with the tax returns.

In addition to the annual tax payment, any company subject to CIT on net profits is also required to make tax prepayment (Form CIT 51). A company is obliged to estimate its annual net profit as well as its tax liability and pay half of the estimated tax amount within two months after the end of the first six months of its accounting period. The prepaid tax is creditable against its annual tax liability.

The standard CIT rate will drop from 30% to 23% for the year ended 31 December 2012 and on 1 January 2013 will be further reduced to 20%. I.e., the corporate income tax rate in Thailand for the accounting period 2012 is 23 % on net profit, for the accounting periods 2013-2014 the tax rate will be lowered to 20%. However, the exact tax rates vary depending on the types of taxpayers:

1. **Companies or juristic partnerships** (including companies listed on Stock Exchange of Thailand) pay 23 % CIT for the period commencing on/after 1 January 2012.

SINGAPORE Office
1 North Bridge Road
#16-03 High Street Centre
Singapore 179094
Tel: +65-6324-0060 Fax: +65-6324-0223

THAILAND Office
323 Silom Road, United Center,
39th Floor, Suite 3904 B
Bangkok 10500
Tel: +66-2-635-5498 Fax: +66-2-635-5499

2. For companies or juristic partnerships, with fully paid up capital **not exceeding THB 5 million** that on the last day of the accounting period have revenue of not more than THB 30 million from sales of goods or services during the accounting period ("SMEs") the following CIT rates will apply:

- The portion of net profit of THB 1 – 300,000, tax rate = 0%
- The portion of net profit of THB 300,001 -1,000,000, tax rate = 15%
- The portion of net profit over THB 1,000,000: tax rate = 23% for the accounting period commencing on or after 1 January 2012 and 20% for the accounting period commencing on or after 1 January 2013 onwards.

It should be noted that the income tax reduction to 20% for SMEs (companies or juristic partnerships, with fully paid up capital not exceeding Baht 5 million on the last day of the accounting period and revenue of no more than Baht 30 million from sales of goods or services during the accounting period) does not have any limited period as opposed to other companies or juristic partnerships.

3. Special tax rates apply for companies listed on the Stock Exchange of Thailand, foreign companies carrying on business in Thailand, profitable associations and foundations, international banks and companies listed in the market for alternative investments.

With the temporary reduction in corporate income tax rate from 30% to 23% in 2012 and to 20% in 2013 and 2014, Thailand has made significant moves to reduce the tax costs for corporate taxpayers and it is hoped that these changes will become permanent, not only for SMEs.

SINGAPORE Office
1 North Bridge Road
#16-03 High Street Centre
Singapore 179094
Tel: +65-6324-0060 Fax: +65-6324-0223

THAILAND Office
323 Silom Road, United Center,
39th Floor, Suite 3904 B
Bangkok 10500
Tel: +66-2-635-5498 Fax: +66-2-635-5499