"Thailand" What you need to know - No. 9

Corporate Taxes

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The Thai Revenue Code

The Thai Revenue Code, dated from 1938, is the principal taxation law in Thailand and it describes how taxes are collected. It is divided in two parts, direct taxes (personal, corporate and petroleum income tax) and indirect taxes (VAT, stamp and customs duties, excise and other taxes).

Registration & Payment

There is a 60 day period within which a newly established business entity (*) has to register and obtain a tax identification number from the Thai Revenue Department (TRD).

The Thai Income Tax system is based on a self-assessment procedure whereby declarations are assumed to be correct and payments are made on a net profit basis, giving the TRD the right to audit the tax records.

For payments, the fiscal year can be divided in two parts, where the first half-year tax is computed on an estimated 50 per cent of the full year tax basis. This has to be done within the first two months of the end of the first accounting period. To submit the final corporate income tax there is a 150 day period after the year-end accounting period.

(*) "Business Entity" means a juristic person including juristic partnerships.

Corporate Taxes - Introduction

A locally incorporated company is taxed on its worldwide income; a foreign company is taxed only on Thai-source income – 'onshore' or 'offshore'.

- For onshore operations, normal payment of tax is expected, with certain amounts being retained at source.
- For offshore operations, income received from Thailand must have tax paid at a fixed percentage of gross income, and the party in Thailand who pays the income is generally required to retain the tax at source. Dividends, royalties, capital gains, and remittance of profits, interest, and fees to non-residents can be subject to withholding tax.

Tax Rates / Computing Profits / Depreciations

In general all companies pay a flat corporate tax rate of 20 per cent (2013 and 2014) of net profits, computed by deducting all expenses and costs of goods sold from revenue arising from the business during the fiscal accounting period. However, the rates vary depending on types of taxpayers. Further consultation on the matter is advised.

(Source: http://www.rd.go.th/publish/6044.0.html)

Standard deductions are allowed depending on the type of business activity developed and the resultant net profits are taxed at the mentioned rate.

All realized economic gains, including capital gains, are treated as income, whether they occur regularly or only occasionally. Corporate income tax is generally computed on an accrual basis and companies may deduct all expenses in accordance with the conditions prescribed by the Revenue Code.

Deductions / DTA Treaties

As in several European Countries, most normal expenses related to income earnings are deductible. For a better understanding, deeper research into the vast list of deductible matter accepted is recommended.

For the purpose of avoiding double taxation, Thailand has a broad Double Taxation Agreement (DTA) treaty network, generally formulated along the lines of the OECD model treaty. To obtain benefits under a tax treaty, the Thai tax-payer must obtain a tax residence certificate from the beneficiary of the income. For income derived from countries that do not have a DTA with Thailand, foreign tax credits are allowed, subject to certain conditions. The same rules apply with regard to foreign tax relief for DTA countries.

Dividends

If a Thai limited company pays dividends to another Thai limited company, 50 per cent of the dividends paid are deemed exempt income of the recipient company, while 100 per cent is exempt if the receiving company is listed on the SET.

The total dividend is also exempted if the company receiving the payment holds at least 25 per cent of the voting shares of the paying company, and there is no direct or indirect cross shareholding.

Dividends paid by a Thai limited company, whether to a resident or non-resident corporate shareholder, are generally subject to 10 per cent withholding at source, unless it is exempt income. The withholding tax on dividends may be reduced under an applicable tax treaty.

Repatriation of profits

The main vehicle to repatriate profits is throughout dividends; however there is also the possibility to use payments of royalties and/or services fees for that purpose. Despite having no transfer pricing legislation, the Revenue Department created guidelines to act against abnormal inter-company pricing practices and to impose true market value, and has the power to assess income resulting from transfers which is deemed below market value.

Tax authority

The Revenue Department is the authority responsible for collection and administration of corporate income tax.

For more information please visit
www.eabc-thailand.eu