

Legal Issues relevant to FDI in Thailand Part 4: Main Taxes

The main tax legislation applicable to FDI in Thailand is the Revenue Code (“RC”), which covers the following taxes:-

(1) Corporate Income Tax (“CIT”)

CIT applies to businesses and legal entities registered in Thailand or registered abroad but operating a business in Thailand. Except for SMEs, companies registered in Thailand pay CIT based on both their local and worldwide revenues at a current rate of 20% of the net profits. Foreign-registered companies doing business in Thailand are taxed on their net income from their operations in Thailand, except for foreign companies engaging in international transportation businesses (for example international airlines, cruise lines and operators of container vessels), which are taxed on their gross income.

(2) Personal Income Tax

A person resident in Thailand (anyone who spends 180 days or more in Thailand during a tax year) is subject to personal income tax on the taxable income received in Thailand and the income received abroad and brought into Thailand in a given tax year (calendar year). Personal income tax rates are progressive ranging from 0% to 35%. A tax payer can deduct personal expenses and certain allowances from the gross income before calculating the personal income tax, subject to certain conditions.

(3) Withholding Tax

An investor based outside of Thailand, and that does not operate a business in Thailand, but receives assessable income, such as interest, dividends, or service fees, generated from Thailand, is liable to withholding tax at the rates of 10% (for dividends) and 15% (for other types of incomes) to be withheld by the payer on such payments. A withholding tax exemption may apply under a double tax treaty between Thailand and the home country of the income recipients.

(4) Value Added Tax (“VAT”)

A business operator registered for VAT is required to charge VAT to customers on the sale of goods, and the provision of services. VAT is also payable on the import of goods. The current rate of VAT is 7%. Some types of businesses, such as transportation services (except for international transport by aircraft or seagoing ship), are not subject to VAT. A business operator must remit the VAT collected from customers to the Revenue Office once a month.

(5) Specific Business Tax (“SBT”)

Some businesses are not subject to VAT but they are subject to a SBT based on their gross income received. These businesses include commercial banking, financing, life insurance, factoring, trading of real property, and trading of stocks on the Thai stock exchanges (SET and MAI), etc. The current rates of SBT are 0.01% to 3.00% on the relevant income, depending on the type of business.

(6) Stamp Duty

The RC requires certain instruments, such as rental agreements, share transfer instruments, hire-purchase agreements, powers of attorney, to have duty stamps affixed to them to show the payment of stamp duty, which is calculated at various rates depending on the type of instrument. For example, a power of attorney is subject to stamp duty at THB30 per attorney appointed. For some instruments, such as a loan agreement or a real property lease agreement, with a transaction value of more than THB1 million, the payment of the stamp duty is made at the relevant government office.

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