

Human Resources Services
International Assignment Taxation Folio

International Assignment Services Taxation of International Assignees

Thailand



Country: Thailand

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Additional Country Folios can be located at the following website: www.pwc.com/ias/folios

Introduction: International assignees working in Thailand

This folio has been prepared for the benefit of expatriates working in Thailand and provides selected aspects of Thai taxation and related laws as of January 2010. It is intended to give only a basic understanding and is not intended to be comprehensive. Accordingly, it should not be used as the basis for specific action. It is recommended that readers seek professional advice before acting on any of the matters outlined in this folio.

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Step 1: Understanding basic principles

The scope of taxation in Thailand

1 Every person who, in the course of the preceding year, derived assessable income from a post or office held in Thailand or from business carried on in Thailand, or business of an employer in Thailand, or a property situated in Thailand, must pay tax. This is regardless of where the income is paid.

2 An individual who has derived assessable income from a post or office held abroad, or business carried out abroad, or a property situated abroad, must pay tax if:

- (a) The individual has resided in Thailand for 180 days or more in any tax year; and
- (b) Has brought such assessable income into Thailand.

The tax year

3 The Thai tax year is the calendar year, i.e. January 1 to December 31.

Methods of calculating tax

4 Income is taxed on a preceding year basis at progressive rates. Should an individual's assessable income (apart from employment income) be Bht 60,000 or more, the income tax computed will not be less than 0.5% of assessable income. Net income is the balance of assessable income allowing for deductions and allowances.

Husband and wife

5 A wife may file a separate income tax return for assessable income derived from her employment. All other income will be treated as the husband's income.

Determination of residence

6 A person who has resided in Thailand for 180 days or more in a tax/calendar year is deemed to be a Thai resident.

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Step 2: Understanding the Thai tax system

Taxation of employment income

7 Income from an employment performed in Thailand would be subject to Thai tax, irrespective of where the employment income is paid. Income would include cash, properties, benefits received which are ascertainable in terms of money, or tax absorbed by the payer of assessable income or any other person at all levels. The above includes salaries, wages, per diem allowances, bonuses, gratuities, pensions, commissions, education payments, house rent allowances, the monetary value of rent-free residence provided by an employer, utility bills, payments made by an employer for the settlement of any obligation due from an employee, income tax reimbursements, etc.

8 Certain income is exempt from personal income tax. For example:

- Per Diem payments representing reimbursable business expenses or transport expenses which are wholly, exclusively and necessarily incurred in carrying out duties outside the normal place of work;
- Relocation expenses for the portion of the travel expenses incurred by the employee at the beginning and the end of the Thai employment;
- Inheritances or gifts customarily given in any ceremony or on any occasion;
- Sums derived from insurance or from a funeral assistance scheme;
- A monthly employer's contribution to the Social Security Fund at a rate 5% of wages, on the portion not exceeding Bht 15,000 per month;
- An employer's contribution to the Official Provident Fund at a rate of 2% but not exceeding 15% of wages, on the portion exceeding Bht 10,000, but not exceeding Bht 490,000 per annum; and money or any benefits received from the Official Provident Fund upon retirement, disability or death;
- Old age allowance (over 65 years of age) of Baht 190,000 income exemption each for the employee and/or spouse who derive(s) income.

Withholding tax

9 All employers are required to deduct income tax at the time of each payment of income in accordance with the following rules:

- (a) Multiplying the income paid in each payment by the number of payments to arrive at the total amount which would be payable in a year; and
- (b) Computing the tax on such income, after deducting expenses and allowances, if any, in accordance with the personal income tax rates; and
- (c) Dividing the amount of tax so computed by the number of payments.

Regional operating headquarter

10 Foreign employees of a Regional Operating Headquarter (ROH) in Thailand may elect to pay personal income tax at a 15% flat rate of their gross employment income if they forego withholding tax credits on any interest and dividend income. This privilege is available only to expatriates (i.e., non-Thai nationality) employed by a ROH and is limited to their first four years of employment in Thailand. To be entitled for the benefits once again, expatriates have to discontinue employment with any ROH in Thailand for more than 365 days.

Sole proprietorship and partnership income

11 Profits or gains from trades, business, commerce, professions, or vocations which are performed in Thailand are subject to tax whether or not the individual is resident in Thailand.

Investment income and capital gains

12 In general, investment income and capital gains arising from sources in Thailand are taxable with the exception of capital gains on Thai Stock Exchange Securities which are not taxable. A nonresident is not subject to tax on investment income and on capital gains derived from sources outside Thailand.

13 A resident is subject to tax on investment income and capital gains derived from sources outside Thailand, if the investment income and capital gains are remitted into Thailand, in the year in which they are derived.

Double taxation relief

14 A resident of a country having a double taxation agreement with Thailand may qualify for exemption from Thai personal income tax. Double taxation agreements contain clauses which exempt a resident of one country from tax on employment income in the other country if he or she is generally present in the latter country for not more than 183 days in the tax year or not more than 183 days in any 12 month period (depending on the specific double taxation agreement), provided certain other conditions are met regarding the payer of the employment income.

Social security fund

15 The objective of the fund is to support employees who suffer from accident, illness, disability or death, not related to work. In addition, the fund is established to support employees in case of maternity, old age and unemployment. Employers having at least one employee fall within the scope of the Social Security Fund.

16 Employers, employees and the government must contribute an equal monthly sum to the Social Security Fund at the rate of 5% on employment income. The maximum wage for computing the contribution is Bht 15,000 per month. Employer and employee contributions must be remitted to the Fund by the employer within 15 days of the following month through an authorized commercial bank or at the social security office. However, in practice, the social security officer may extend the deadline to the 29th of the following month if the payment is made at the social security office.

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Step 3: What to do before you arrive in Thailand

Visa

17 International assignees are required to obtain non-immigrant visas for themselves and for all family members before coming to work in Thailand.

Transferring funds

18 Before remitting overseas income to Thailand at the start of your assignment, it is important for you to ascertain whether you are to be treated as resident for tax purposes in the year of arrival. If your residence starts in the year of arrival, any remittance of overseas income derived from January 1 of your year of arrival will be subject to Thai personal tax.

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Step 4: What to do when you arrive in Thailand

Work permit

19 As an international assignee, you are required to obtain a work permit prior to working in Thailand. Applications may be made before or after arrival in Thailand. Applicants must hold a non-immigrant visa category "B" for obtaining a work permit. A work permit will be granted for the period of one or two years and not related to the validity of visa. However, you must retain the validity of non-immigrant B visa until the end of assignment in Thailand.

20 You are exempt from work permit requirements if you are:

- (a) A member of the diplomatic corps, or a consular mission;
- (b) A representative of a member country or on the staff of the United Nations Organization and its specialized agencies;
- (c) A personal servant of the above;
- (d) Performing duties under an agreement between the Government of Thailand and a foreign government or an international organization;
- (e) Performing duties for the benefit of education, culture, the arts, sport or such other activities as prescribed by Royal Decree; or
- (f) Permitted by the Government of Thailand to perform any duty.

21 Certain occupations covering manual and industrial labor and some professional occupations such as accounting, financial law, architecture and civil engineering are forbidden to international assignees.

22 Under Foreign Working Law, if you are entering Thailand temporarily to perform urgent and essential work for a period not exceeding 15 days, you are not required to obtain a work permit. However, international assignees can commence work only after written notification in a prescribed form has been submitted and accepted by the Director-General or his designee.

23 If, as an international assignee, you are employed by a company to promote investment you will have little difficulty in obtaining a work permit.

Customs

24 It is important to note that your personal effects cannot be cleared from customs free of import duty unless you have obtained a work permit which is valid for one year.

Tax identification number

25 A taxpayer is required to obtain an identification number within 60 days of receiving income. An application must be filed with the Revenue Department for those residing in Bangkok and with the Provincial or Amphur (District) Revenue Office for those residing outside Bangkok.

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Step 5: What to do at the end of the year

Tax return

26 The following individuals are required to file income tax returns for income earned in the preceding tax year:

- (a) A person who has no spouse and earns income of more than Bht 30,000;
- (b) A person who has no spouse and earns income of more than Bht 50,000 exclusively from employment;
- (c) A person who has a spouse and earns income of more than Bht 60,000 from sources other than employment;
- (d) A person who has a spouse and earns income of more than Bht 100,000 exclusively from employment;
- (e) An ordinary partnership or other non-legal group of persons, which earns income of more than Bht 30,000; and
- (f) An estate which earns income of more than Bht 30,000.

27 A taxpayer is required to file a tax return and pay income tax (if any) at the District Revenue Office where the taxpayer resides.

Effective from the 2003 tax year, the submission of an annual personal income tax return via the internet is allowed for all of the following situations:

- A taxpayer who has paid the correct amount of tax payable during the year;
- A taxpayer who has an additional tax to be paid when filing the tax return. In this case, the additional tax to be paid would be transferred from the individual's Thai bank account to the Revenue Department's account;
- A taxpayer who has overpaid tax during the year and would like to request for the tax refund.

28 Your income tax is due and payable once a year (by March 31 of the following year) unless you derive income from:

- Hiring property;
- Liberal professions (law, medicine, engineering, architecture, accountancy, fine arts);
- A contract to which a contractor provides essential construction materials excluding tools; and
- Carrying on commercial or industrial businesses i.e. trading and services.

If you receive income from the above categories, you are subject to submit your first half-year return by the end of September of the year in which you received the income and your annual tax return by the end of March of the following year. Tax paid in the first half year filing will be a credit against annual tax.

29 On filing your return, if the tax due amounts to at least Bht 3,000, you may pay the tax in three equal installments. The first installment must be paid when you file your return; the second installment within one month

from the date when the first installment was due; and the third installment within one month from the date when the second installment was due.

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Step 6: What to do when you leave Thailand

Exit requirements

30 The following international assignees require tax clearance certificates before leaving Thailand:

- (a) Individuals responsible for tax payment or remitting the outstanding tax or tax payable before or at the time of departure;
- (b) Individuals responsible for submitting tax returns and paying taxes on behalf of a juristic partnership established under foreign law and carrying on business in Thailand.

31 If you wish to leave Thailand on holiday or business and will return to Thailand, you must obtain a re-entry visa or your visa will automatically expire.

Tax return

32 Your personal tax return issued by the Revenue Department will be available towards the end of the year or early in the following year. If you leave Thailand before your return is available, you can choose to i) prepare a departure Thai personal income tax return (PND 93 Form) and file with the Revenue Department before leaving Thailand to clear the Thai tax liability or ii) appoint your employer or accountant to complete, on your behalf, your personal tax return covering your employment income from January 1 to your date of departure.

Work permit

33 You do not have to return your work permit to the Labour Registrar.

Transferring funds

34 When you have paid personal income tax correctly, you may transfer your personal funds out of Thailand by following the Foreign Control Regulation as prescribed by the Bank of Thailand.

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Appendix A: Deductible expenses

Standard deductions from gross income

- 40% of employment income up to Bht 60,000;
- 40% of income from copyrights, not exceeding Bht 60,000;
- The same percentage and upper limits are also allowed for income of the taxpayer's spouse;
- Between 10% and 30% of gross rental income as follows:

Buildings	30%
Agricultural land	20%
All other lands	15%
Vehicles	30%
Other properties	10%

- A standard deduction of 20% is allowed from income from a breach of a hire-purchase or installment sales contract, where the seller repossesses the property and money or benefits received are not returned;
- 30% of gross income for income from professions such as law, accounting, engineering, and architecture, and 60% for income from medicine;
- 70% of gross income from contracting work where a contractor provides essential materials apart from tools; and
- Between 40% and 85% of income from businesses and commercial activities not listed above.

Alternate election

Taxpayers with assessable income from rent, professional work or construction or commercial activities, may elect to itemize expenses in lieu of taking the standard deduction. Where the taxpayer elects to itemize expenses, supporting evidence is required. Should the expenses supported by evidence amount to less than the standard deduction, only the expenses approved will be allowed.

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Appendix B: Personal allowances

Personal allowances

Personal allowances are as follows:

- (a) Bht 30,000 for the taxpayer;
- (b) Bht 30,000 for the taxpayer's spouse;
- (c) Bht 15,000 for each of the taxpayer's children (maximum of three children) and an additional allowance Bht 2,000 for each child of those children attending an educational establishment in Thailand;
- (d) Bht 30,000 for each dependent parent (an allowable deduction is granted on the basis where the parent is over 60 years old, has income less than Baht 30,000 per year, and is a Thai tax resident);
- (e) Bht 30,000 for an estate which is the property of the taxpayer; and
- (f) Bht 30,000 for each partner of a non-legal partnership or group of persons who reside in Thailand, but not exceeding Bht 60,000 in total.

The deductions above are subject to the following conditions:

- If the husband and wife have assessable income and their marital status continues throughout the tax year, they can deduct such allowances in (a) and (b) up to Bht 60,000. If not, each one must separately deduct only their own allowance, and one half of the children's allowance, education allowance and interest allowance for the taxable year in question;
- If the taxpayer is nonresident, the allowance under (b) and (c) will be deducted only for the husband or wife and children who are residents;
- The allowance for a child is deductible for the whole tax year whether or not the grounds for such allowance exist throughout the year. In the case of an adopted child, a deduction is allowed only to the foster parents; and
- If a taxpayer dies during a tax year, a full year's allowance will be deductible.

Thai life insurance premiums

A life insurance premium for an amount not exceeding Bht 100,000, paid by a taxpayer on his or her own life, is an allowable deduction; provided the insurance policy is for a minimum period of ten years and that the insurer is carrying on life insurance business in Thailand. An amount not exceeding Bht 10,000 is also allowed for the life insurance premium of the taxpayer's unemployed spouse; provided their marital status exists throughout the year.

Dividends

A shareholder, receiving dividends from companies registered under Thai law is entitled to a tax credit computed as follows: the percentage of tax rate liable to be paid by the payer of the dividend divided by the difference between 100 and such percentage of tax rate. The credit is only available to taxpayers who are tax residents of Thailand.

Provident fund contributions

Contributions by an employee to a Provident Fund, in accordance with the principles, methods and conditions specified by the Ministerial Regulations, are tax deductible up to the amount contributed but not exceeding Bht 500,000.

Retirement mutual fund contributions

This is an employee's choice. A person is able to apply to the fund upon his own decision. The requirement is that he makes contributions to the fund for at least 5 years, continuously deposits new investment annually and is not allowed breaking or withholding new investment for more than 1 year in order to gain tax deductible benefits i.e. tax benefits of maximum Bht 500,000.

However, if the person withdraws from the fund before reaching 5 full years or 55 years of age, he is required to revise his annual tax returns which the tax benefits have already been claimed in the last five years. Additional tax may need to be paid.

In the case where the person made contributions to both the Provident fund and Retirement mutual fund, the total allowance and income deduction for both funds shall not be over Bht 500,000.

Long-term equity funds (LTF)

An individual investor who invests in an LTF is eligible to deduct from taxable income the amount paid to purchase units in the LTF at a rate not exceeding 15 percent of income, with a maximum deduction of Baht 500,000 for any particular tax year. The investment units in the LTF must be held for at least five calendar years, except in the case of incapacity or death. Capital gains made from selling the units back to the LTF are also tax exempt, except in the event that the units are sold back to the LTF before the five-calendar year period is over, in which case the investor will be subject to tax on capital gain. The first in first out (FIFO) basis will be used to calculate the cost of the investment units sold.

The LTF must be a fund organized under the law governing securities and the Stock Exchange and must register a pool of assets as a mutual fund before June 30th B.E. 2550 (2007).

If the units are redeemed before the five-calendar year period has passed, the investor will lose his tax exemption rights and must pay income tax and a surcharge of 1.5% per month in accordance with Section 27 of the Revenue Code in respect of the tax year in which the payment to purchase the investment units was deducted from income for the purpose of income tax exemption.

Social security contributions

Contributions by employees to a social security fund are tax-deductible up to a maximum amount of Bht 9,000 per annum.

Interest payments

Interest paid on loans to purchase, hire-purchase, or construct a residential building under the rules and procedures prescribed by the Director-General, up to but not exceeding Bht 100,000, is tax deductible, provided the taxpayer is liable to pay the interest to a bank or other financial institution or to an employer.

Parent allowance

30,000 Baht for each of the taxpayer's and spouse's parents are tax-deductible if the names of their parents appear in the Thai home registration document and their income is not over Baht 30,000 per year.

Donations to charity

A charitable allowance equal to the amount donated but not exceeding 10% of the adjusted income (gross income minus deductible expenses, personal allowances, life insurance premiums, dividends, provident fund and interest allowances) is an allowable deduction.

Allowances on separate filing

A husband and wife will be granted the following allowances:

- Bht 30,000 for each taxpayer;
- Bht 7,500 + Bht 1,000 for education, if applicable, for each child (limited to three children);
- Bht 100,000 maximum for life insurance premium;
- Up to the amount contributed but not exceeding Bht 500,000 for Provident Fund and RMF contributions provided that the contributions do not exceed 15 percent of total income;
- A maximum of one half of Bht 50,000 for interest on housing loans;
- 10% maximum on the adjusted income for a charity;
- Up to the amount contributed but not exceeding Bht 500,000 for the amount invested in LTF provided that the invested amount does not exceed 15 percent of total income.

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Appendix C: Personal income tax rates

Personal income tax rates

Tax rates applicable to individuals are as follows (in Bht):

Taxable income over	Not over	Tax rate
0	150,000	0%
150,000	500,000	10%
500,000	1,000,000	20%
1,000,000	4,000,000	30%
4,000,000	and above	37%

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Appendix D: Thailand contacts and offices

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