



Thailand

Introduction

Thailand imposes personal income tax on the Thai-sourced income of both residents and nonresidents. Residents are also taxed on foreign-sourced income to the extent that it is paid in or remitted to Thailand in the year it is received.

A person's liability to Thai tax is determined by residence status for taxation purposes and the source of income derived by the individual.

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Key messages

Every person, resident or nonresident, is taxed on employment income derived from employment or business carried on in Thailand, regardless of whether such income is paid in or outside Thailand.

Income tax

Liability for income tax

A person's liability for Thai tax is determined by both residence and source rules. A resident of Thailand for tax purposes refers to an individual who is present in Thailand for a total of at least 180 days in a tax year (being the calendar year).

The general rule is that a person who is either a resident or nonresident of Thailand is assessable on income derived from sources in Thailand. A resident is also subject to Thai tax on foreign-sourced income, but only if that income is remitted to Thailand in the same year it is received. Extended business travelers are considered nonresidents of Thailand for tax purposes unless they are present in Thailand for more than 180 days in the tax year.

Definition of source

Employment income is generally treated as Thai-sourced compensation where the individual performs the services in Thailand and/or performs the services for the business of the employer in Thailand.

Tax trigger points

Technically, there is no threshold/minimum number of days that exempts the employee from the requirements to file and pay tax in Thailand. To the extent that the individual qualifies for relief in terms of the dependent personal services article of the applicable double tax treaty, there may be no tax liability.

Types of taxable income

Assessable income includes income from employment, including benefits either in cash or in-kind. There are limited categories of income that are specifically excluded from assessable income by virtue of Section 42 of the Revenue Code.

Tax rates

The maximum tax rate applies to income earned over 4 million Thai baht (THB).

Net taxable income is taxed at progressive rates up to 37 percent. The maximum tax rate is currently 37 percent on income over THB4 million in the case of both residents and nonresidents.

Social security

Liability for social security

Resident and nonresident employees are required to make contributions to Thailand's social security fund. Contributions to the social security fund are made by employees and employers in equal proportions. The present rate of contribution made by each party is 5 percent of the employee's salary, up to a maximum amount of THB750 per month. The contributions must be deducted by the employer at the source and remitted to the social security fund on a monthly basis.

Compliance obligations

Employee compliance obligations

Tax returns are due by March 31 following the tax year-end, which is December 31.

Employer reporting and withholding requirements

Employers are required to withhold income tax from salaries and benefits paid to employees. A monthly withholding tax return must be filed with the tax authorities by the employer by the 7th of the following month. Employers also are required to file an annual withholding tax return with the tax authorities by the end of February following the tax year-end, which summarizes total income paid and tax withheld for the previous tax year.

Other

Work permit/visa requirements

A foreigner entering Thailand to work must obtain a nonimmigrant visa from the Royal Thai Embassy or Consulate. This visa entitles the foreigner to apply for a work permit.

Double taxation treaties

Thailand has an extensive tax treaty network. Thailand has entered into double taxation treaties with more than 50 countries to prevent double taxation and allow cooperation between Thailand and overseas tax authorities in enforcing their respective tax laws. Claims for double tax relief are not required to be submitted. It is the responsibility of the taxpayer to determine whether the relief is applicable.

Permanent establishment implications

A permanent establishment may potentially be created as a result of extended business travel, but this would be dependent on the type of services performed and the level of authority the employee has.

Indirect taxes

Value-added tax (VAT) is applicable at 7 percent on taxable supplies. VAT registration is not required on employment income.

Transfer pricing

The Thai Revenue Code empowers the tax authority to assess deemed income if the services are provided without consideration. A transfer pricing implication could arise if the employee is being paid by an entity in Thailand but performing services for the benefit of another entity. This would also be dependent on the nature and complexity of the services performed.

Local data privacy requirements

Thailand has data privacy laws.

Exchange control

Thailand has foreign exchange control laws that, among other measures, limit the amount of Thai currency that a traveler may take out of Thailand to THB50,000. Authorized banks, however, are allowed to conduct the majority of foreign exchange transactions without government control.

Nondeductible costs for assignees

Nondeductible costs for assignees include payments that are not for or related to the employer's business.

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