

CHAPTER 12 PERSONAL TAXES

The rules regarding personal taxation are to be found in the Revenue Code, and in notifications, decrees, and regulations issued under the Code.

Identification numbers All persons who work in Thailand or have taxable income must apply for a taxpayer's identification number which is issued upon presentation of a Thai identification card or foreign passport and evidence of the need for the number.

Concept of residence Taxpayers are classified into resident and non-resident. Resident means a person who resides in Thailand for a period or periods aggregating more than 180 days in any tax (the calendar) year. A resident of Thailand is liable to pay tax on income from sources in Thailand on a cash basis, regardless where the money is paid, as well as on income earned overseas that is brought into Thailand.

A non-resident is subject to tax only on income from sources in Thailand.

Who is liable to pay personal income tax? Natural persons and ordinary partnerships (but not registered ordinary partnerships and limited partnerships) are liable to pay personal income tax.

Assessable Income Income liable to personal income tax includes income both in cash and in kind, including 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.

Assessable income is divided into eight categories as follows:

1. income from personal services to an employer;
2. income by virtue of positions or services rendered;
3. income from goodwill, copyright, franchise, other rights, annuity or income in the nature of annual payments derived from a will or any other juristic Act or judgment of the Court;
4. income in the nature of dividends, interest on deposits with banks in Thailand, shares of profits or other benefits from a juristic company, juristic partnership, or mutual fund, payments received as a result of the reduction of capital, a bonus, an increased capital holdings, gains from amalgamation, acquisition or dissolution of juristic companies or partnerships, and gains from transferring of shares or partnership holdings;
5. income from letting out of property on hire and from breaches of installment sale or hire-purchase agreements;
6. income from the liberal professions;
7. income from construction and other contracts of work;

- income from business, commerce, agriculture, industry, transport or any other activity not specified earlier.

Non-taxable income The following are examples of non-taxable income:

- Support received from a person who pays Thai taxes.
- Bona fide gifts and inheritances from Thai or foreign sources.
- Proceeds from the sale of movable property acquired by inheritance or not in the course of business (such as the sale of an art collection or a used car).
- Proceeds from the sale of immovable property located outside Bangkok or other specific areas, acquired by inheritance or gift, provided that the proceeds from sale does not exceed Baht 200,000.
- A gain from the sale of a residential building is excluded from taxable income, provided the gain is spent on purchasing a new home within one year before or after the sale of the principal home.
- Income subject to tax in a tax treaty country.
- Income earned abroad by a person who does not reside in Thailand for more than 180 days in the year that the income is brought into Thailand.
- Savings account interest up to a certain amount and certain interest on Thai government bonds.
- Medical and workman's compensation benefits.

Permitted deductions from gross income The following deductions are permitted from gross income:

Nature of income	Permitted deduction
(a) Income from employment	40% up to a maximum of 60,000 Baht
(b) Income received from copyright	40%, but not exceeding 60,000 Baht
(c) Income from letting out of property on hire	10-30% depending on nature of property
(d) Income from liberal professions	30% except for medical profession - 60% is allowed
(e) Income derived from contract of work whereby the contractor provides essential materials besides tools	actual expenditure or 70%
(f) Income derived from business, commerce, agriculture, industry, transport, or any other activities not specified earlier	actual expenditure or 65-85% depending on type of income

A taxpayer may elect to itemize his/her expenditure in lieu of taking the standard deduction.

Personal allowances In addition to the standard or itemized deductions, the taxpayer is entitled to deduct from gross income the following personal allowances (these allowances apply with effect from January 1, 2004, except where mentioned):

1. A personal allowance of Baht 30,000.
2. A personal allowance of Baht 30,000 for a non-working spouse provided the spouse is a resident of Thailand, (that is, resides in Thailand for more than 180 days in a calendar year).
3. Baht 15,000 for each child born in or before 1979, and 15,000 Baht for each child born after 1979, up to a maximum of three children.
4. For any eligible child in 3 above, who is a student in a school in Thailand (including international schools), an additional deduction of Baht 2,000 is allowed.
5. Life assurance premiums paid by the taxpayer or his spouse, in the amount actually paid but not exceeding 100,000 Baht for each spouse, and only in respect of policies issued by a Thai insurance company.
6. Approved provident fund contributions, up to a maximum allowance of 500,000 Baht (700,000 Baht from 2008) may be claimed, but the allowance claimed must not exceed 15% of income.
7. Mortgage interest, limited to actual interest paid, and not exceeding 100,000 per year (*with effect from January 1, 2007*) and only in respect of one property.
8. Approved equity funds, a maximum allowance of 500,000 Baht (*700,000 Baht from 2008*) may be claimed, but the allowance claimed must not exceed 15% of income.
9. Social security fund contributions paid by the taxpayer or his/her spouse, in the amount actually paid by each person.
10. Old age allowance (for a person aged 65 years or more) 190,000 Baht per person or spouse.
11. (*With effect from January 1, 2005*) An allowance for the support of an elderly parent may be claimed, by a taxpayer in respect of his parents or parents in law. Only one taxpayer child may claim such allowance. The parent must be aged 60 years or more and must have income not exceeding 30,000 Baht per year. The taxpayer may also claim an allowance for the parents of his/her spouse (i.e. his/her in laws). The allowance is 30,000 Baht for each parent or parent in law.

A foreign Thai tax payer is eligible to claim such allowance in respect of parents or parents in law who fulfil the requirements above and are (a) Thai or (b) non-Thai but are resident in Thailand.

Separate returns for spouses If both husband and wife work, they may file separate tax returns and divide their children's deduction among themselves. Spouses, however, may file a joint return and subject their combined income to the progressive rates.

Other deductions Limited amounts of contributions to approved charities are allowed.

Tax credit for dividends An individual domiciled and residing in Thailand and receiving dividends from any company organized under the laws of Thailand (whether a listed, public or private company) is subject to personal income tax withheld at source at 10%, but is entitled to claim a tax credit equal to 3/7ths of the dividend.

Reduced tax rates on certain categories of income Interest income may, at the taxpayer's selection, be excluded from the computation of tax provided that tax of 15% is withheld at source. The following forms of personal interest income are exempt from 15% withholding tax:

1. Interest on bonds or debentures issued by a government organization.
2. Interest on saving deposits in commercial banks if the aggregate amount of interest received is not more than 20,000 Baht during a taxable year. If the threshold is exceeded, the whole amount is taxable.
3. Interest on debt instruments paid by the issuing company accrued before possession by the taxpayer and provided withholding tax for the interest has already been paid.
4. Interest received from any financial institutions organized by a specific law of Thailand for the purpose of lending money to promote agriculture, commerce or industry received by a foreign taxpayer.

Severance pay on dismissal from employment is tax-exempt, provided it does not exceed 300,000 Baht.

Income from sale of immovable property acquired by bequest or gift is exempt from assessable income. However, if the sale is made for a commercial purpose such income is assessable income. From January 2003, gains from sales of residential buildings are excluded from income, if such gains are spent on purchasing a new home within one year before or after selling the taxpayer's primary residence.

The withholding tax rate for dividends and shares of profit is 10%, but see *Tax Credit for dividends* above.

Non-residents Under most double tax treaties, there is no withholding tax on income earned by non-residents for services performed outside Thailand but paid from Thailand. Dividends and shares of profit paid to a non-resident individual are subject to a flat rate 10% withholding tax.

Tax on tax If the payor of income also pays the taxpayer's income tax, the tax itself is subject to income tax at the same rate as the basic income itself, for the year in which the basic income is paid. For example, if an employer pays salary to an employee in 2009 and then pays the

employee's tax (or tax on tax) in 2010 when the tax return is due, the tax on tax is due and payable at 2009 rates at the time that the 2010 tax return is filed.

Current personal income tax rates The following are the personal tax rates for 2010:

Income (Baht)	Taxable Income (Baht)	Tax rate	Tax payable (Baht)	Cumulative tax (Baht)
0 – 150,000	Nil	Nil	Nil	Nil
150,001– 500,000	350,000	10%	35,000	35,000
500,001- 1,000,000	500,000	20%	100,000	135,000
1,000,001- 4,000,000	3,000,000	30%	900,000	1,035,000
4,000,001 or more	Variable	37%	variable	variable

Withholding tax With regard to certain categories of income, the payer of the income has a duty to withhold tax at source, file a tax return and pay the tax due to the District Revenue Office.

The tax withheld is then credited against the tax liability of the taxpayer at the time of filing his personal income tax return. The following are the withholding tax rates on some categories of income. The most important examples of withholding tax are set out below:

Type of income	Withholding tax
Employment income	10 – 37%
Rents and prizes	5%
Service and professional fees	3%
Advertising fees	2%

Date for tax payment A taxpayer is liable to submit a personal income tax return and make payment of income tax due to the Area Revenue Branch Office, before March 31 of the year following the year of assessment. A taxpayer who derives income under (c) (d) and (f) in the table above, during the first six months of the taxable year is also required to file a half - yearly return and pay tax due to the Area Revenue Branch Office before September 30 in the year of assessment.

Any withholding or half-yearly tax that has been paid, can be used as a credit against the tax liability at the end of the year.

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