

## **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. Thai citizens who have a Thai ID Card can use their ID Card No. as their Tax ID No. in the personal income tax return.

**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 180 days or more in any tax (i.e., the calendar) year.

Any taxpayer, whether or not Thai tax-resident, is liable to pay tax on income from sources in Thailand on a cash basis, regardless of where the money is actually paid.

A Thai tax-resident may also be subject to tax on income from sources overseas, if that income is brought into Thailand. In contrast, a tax non-resident will not be subject to tax on income sourced from overseas.

**Who is liable to pay personal income tax?** Natural persons and ordinary partnerships (i.e., not registered ordinary partnerships or limited partnerships), including a deceased person and his/her estate, 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 employment with 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, interest on loans or debt instruments, 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;
8. 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:

1. Transportation expenses actually incurred and paid by the employee or person rendering services.
2. Bona fide gifts or inheritances.
3. 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).
4. 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.
5. 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.
6. Income subject to tax solely in a tax treaty country.
7. Severance pay on dismissal from employment is tax-exempt, provided it does not exceed 300,000 Baht.
8. Income earned abroad by a person who does not reside in Thailand for 180 days or more in the year that the income is brought into Thailand.
9. Savings account interest up to a certain amount and certain interest on Thai government bonds.
10. 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	50% up to a maximum of 100,000 Baht
(b) Income received from copyright	50%, but not exceeding 100,000 Baht

(c) Income from letting out of property or breach of hire-purchase contract or installments sale contract	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 40-85% depending on type of income

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

**Personal allowances** In addition to the standard or itemized deductions, the taxpayer is entitled to deduct from gross income the following annual personal allowances:

1. A personal allowance of Baht 60,000.

Where the taxpayer and spouse both earn taxable income, the maximum deduction for both will be 120,000 baht.

2. A personal allowance of Baht 60,000 for a non-working spouse.
3. Baht 30,000 for each child aged under age 20, or under age 25 where undergoing education at a university.
4. Health insurance premium, in the amount actually paid up to a maximum of 15,000 Baht p.a.
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, limited to the amount actually paid up to a maximum allowance of 500,000 Baht may be claimed, but the allowance claimed must not exceed 15% of income.
7. Long term equity fund, limited to the amount actually paid up to a maximum allowance of 500,000 Baht may be claimed, but the allowance claimed must not exceed 15% of income.

8. Home mortgage interest, limited to actual interest paid, and not exceeding 100,000 per year and only in respect of residential property.
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. Provident fund contributions in the amount actually paid up to a maximum of 500,000 Baht a year and provided that this is not more than 15% of assessable income.
12. Social security fund contributions in the amount actually paid
13. 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 Thai or non-Thai, but are resident in Thailand.

11. Payments to charities, in the amount actually donated but not exceeding 10% of income after standard deductions and the above allowances
12. Baby allowance to cover pre-natal care and delivery costs, in the amount actually paid not exceeding 60,000 Baht (can be spread over two tax years)

**Separate returns for spouses** The rules regarding tax returns and tax liability for husbands and wives were revised in December 2012. The position is that husbands and wives can deal with their tax returns in one of the following ways:

- (a) The taxpayer and the spouse can file a tax return jointly as before. Either spouse may also choose to file a return for his or her employment income separately, or
- (b) The taxpayer and the spouse can file separate tax returns for all categories of income received, and pay personal income tax separately.
- (c) Where income cannot be clearly identified as that of the taxpayer or the spouse, the following rules shall apply:
  - For all income, except income from employment, and income from business, commerce, agriculture, industry, transport or any other activity not otherwise specified; the taxpayer and spouse must divide the income received equally.

- For income from business, commerce, agriculture, industry, transport or any other activity not otherwise specified, in general, the taxpayer and spouse must divide the income received equally. But the parties may agree the portion of income earned and pay income tax on that amount accordingly.

**Deductible expenditure** The deductible expenditure is shared between the spouses in the same proportion as the joint income.

**Allowances** Allowances are calculated and divided as follows:

- *Child allowance:* Each spouse is entitled to 15,000 Baht (17,000 Baht if the child is studying)
- *Home Loan Interest:* Each spouse is entitled up to 100,000 Baht of interest deduction. However, if they enter into a loan agreement jointly, each is entitled to 50,000 Baht of interest deduction.

**Filing of tax returns** The parties have the following options in filing tax returns:

- Each spouse files his/her tax return separately;
- The couple files their return jointly, combining the wife's income with the husband's income (and submit a return under the husband's name);
- The couple files their return jointly, combining the husband's income with the wife's income (and submit a return under the wife's name);
- The couple files their return jointly, but the husband files a return regarding employment income separately;
- The couple files their return jointly, but the wife files a return regarding employment income separately.

What is more tax-saving depends on the nature/amount of the income of each spouse/their joint income.

It is not clear whether the parties to a same-sex marriage registered outside Thailand (same sex marriage is not permitted or recognised under Thai law) would be allowed to take advantage of these rules that apply to opposite-sex married couples.

**Tax credit for dividends** The withholding tax for an individual taxpayer on dividends or a share of profits is 10%. An individual who has domicile or is residing in Thailand and receives 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%, and also is entitled to claim a tax credit on the dividend depending on the corporate tax rate on the net profit of that Thai company from which that dividend is paid.

**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.

**Non-residents** 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 tax return is filed in 2010.

**Current personal income tax rates**

The income tax ratebands for 2018 are shown below:

<b>Income (Baht)</b>	<b>Taxable Income (Baht)</b>	<b>Tax rate</b>	<b>Tax payable (Baht)</b>	<b>Cumulative tax (Baht)</b>
0 – 150,000	Nil	Nil	Nil	Nil
150,001– 300,000	150,000	5%	7,500	7,500
300,001- 500,000	200,000	10%	20,000	27,500
500,001- 750,000	250,000	15%	37,500	65,000
750,001-1,000,000	250,000	20%	50,000	115,000
1,000,001- 2,000,000	1,000,000	25%	250,000	365,000

2,000,001 – 5,000,000	2,000,000	30%	600,000	1,265,000
5,000,001 or more	Variable	35%	variable	Variable

**Eastern Economic Corridor** Note that within the three provinces of the Eastern Economic Corridor, lower tax rates apply to employees in certain categories, and provided that their gross income exceeds a certain level.

**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 – 35%
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) (e) and/or (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.

**Where no tax return need be filed** The minimum income threshold for being required to file a tax return is as follows:

For a taxpayer who has only employment income:

- if single, if annual income exceeds 100,000 baht; and
- If legally married, and the total of the taxpayer’s and spouse’s income exceeds 200,000 baht

For a taxpayer who has employment income and any other income, or who has only other income that is not employment income:

- if single, if annual income exceeds 60,000 baht ; and

- if legally married, and the sum of the taxpayer's and spouse's income exceeds 120,000 baht.

An undistributed estate must file a tax return if its income exceeds 60,000 baht.

A non-juristic partnership or a non-juristic body of persons must file a tax return if its income exceeds 60,000 baht.

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