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Taxation for foreigners under Thai laws

Thailand is a popular destination for expats and retirees from around the globe. If you're a foreigner living in Thailand, or with properties or ties in the country, it is important to know what type of income is subject to taxes under Thai laws.

This brief summary of taxes will give you an overview of the various taxes that foreigners are subject to under Thai laws.

Personal Income Tax ("PIT")

Thailand imposes a **Personal Income Tax ("PIT")** on *worldwide income**, through the application of source rule and residence rule.

Source rule applies to foreigners who earn Thai-sourced income, and thus, are subject to PIT in Thailand, whether or not such income is paid in Thailand.

Residence rule applies to foreign-sourced income, depending on the status of the foreigner as a tax resident in Thailand or not. The Thai tax year follows the calendar year, and tax residency is defined as when a foreigner stays in Thailand for a period or periods aggregating 180 days or more in any tax year. A tax resident earning foreign-sourced income shall be subject to PIT in Thailand if such income is brought into the Kingdom in the same tax year in which such income is gained. On the other hand, if the foreigner is not a tax resident, PIT in Thailand does not apply to foreign-sourced income.

The tax rate on PIT is progressive, **from 0% to 35% of the net assessable income after deducting any exempt incomes, expenses, and allowances**. In general, taxpayers have until March 31 of the following (tax) year to file the annual **PIT return *(PND 90 or 91)***. If a foreigner earns certain income, such as income from rental, or income from a business, a half-year PIT return *(PND 94)* shall be filed within September 30 of the same tax year.

Foreigners deemed liable to pay PIT shall apply for a tax identification number within 60 days from the date they begin earning assessable income.

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*An aggregation of a taxpayer's domestic and foreign income.

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Gift Tax

The **Gift Tax** is a particular type of PIT for which the above source rule and/or residence rule also apply. In this case, a foreigner **receiving movable properties** (cash, car, jewelry, etc.) from an ancestor, a descendant, or a spouse as a sustentation, support, or gift, will be subject to a **5% Gift Tax on the portion exceeding 20 million THB, in each tax year**.

However, if the movable properties are given to the foreigner in the event of a **formal ceremony, on customary occasions, or under moral responsibility**, by a person who is not an ancestor, a descendant, or a spouse, the 5% Gift Tax will apply on the portion exceeding 10 million THB, in each tax year.

Lastly, the 5% Gift Tax shall be applied on the portion exceeding 20 million THB of the appraised value of immovable assets (land, building, condominium unit, etc.) per legitimate child, in each tax year, which ownership is transferred without compensation from parents to their legitimate children (but not adopted children).

Withholding Tax ("WHT")

Certain types of income shall be subject to **Withholding Tax ("WHT")**. The duty to deduct the WHT from a tax resident or a non-tax resident rises at the time a payment is made. For instances:

Types of income	A tax resident	A non-tax resident
Income from employment	Progressive rates from 0% to 35% of the net assessable income	Progressive rates from 0% to 35% of the net assessable income
Income from a position or performance of work	Progressive rates from 0% to 35% of the net assessable income	15% of the fee
Interest	15% of the interest	15% of the interest
Capital gains	Progressive rates from 5% to 35% of the capital gains	15% of the capital gains
Dividends	10% of the dividends	10% of the dividends
Rental fee	5% of the rental fee	15% of the rental fee

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Eventually, the WHT rate may also be reduced or exempted in case of a **Double Taxation Agreement ("DTA")** being in place between Thailand and the country where the foreigner is a tax resident, or in case other domestic Laws are applicable *i.e., the Investment Promotion Act*.

Value Added Tax ("VAT")

Any foreigner who regularly sells goods or provides services in Thailand and whose annual revenues exceed 1.8 million THB shall register for **Value Added Tax ("VAT")** before the starting of business operations or within 30 days of the earnings reaching the threshold of assessable income.

It has to be noted that foreigners providing an electronic service ("e-Service") from abroad to users in Thailand who are non-VAT registrants shall register for VAT as well.

However, certain activities are exempt from VAT, i.e., services under an employment agreement, rental of immovable property, and performance of an actor/actress.

Currently, the general VAT rate is equal to 7% of the goods or service value. Activities such as the export of goods and services are subject to 0% VAT. VAT returns *(P.P. 30 or P.P. 30.9)* shall be filed monthly, together with the due tax payment (if any) within the 15th day of the following month.

Importers are also subject to VAT in Thailand, no matter whether they are VAT registrants or not. In this case, VAT shall be collected by the Customs Department at the time of the goods being cleared at customs for import.

Specific Business Tax ("SBT")

Any foreigner who sells or transfers an immovable property within 5 years from the date of acquisition shall be subject to a **Specific Business Tax ("SBT")** at a rate of 3.3% (including a 10% local tax) of the appraised value or sale price, whichever is greater, at the time of registering the transfer at the Land Office.

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Stamp Duty ("SD")

The execution of certain instruments is subject to a **Stamp Duty ("SD")**, which can be affixed or paid by cash at the Revenue Office or via the e-stamp duty system on the website of the Thai Revenue Department, depending on the case. These instruments include rental of land or building, transfer of shares, transfer of immovable property, hire of work, loan of money, power of attorney, guarantee, and duplication of an instrument.

The SD rate is fixed or may be calculated as a percentage of a specific value according to the transaction. For instance:

- rental of land or building is subject to an SD of 0.1% of the rental fee, or *key money****, or both, for the entire lease period;
- transfer of share is subject to an SD of 0.1% of the paid-up value of the shares or shares sale value, whichever is greater;
- transfer of immovable property is subject to an SD of 0.5% of the appraised value or sale value, whichever is the greater
- hire of work contracts are subject to an SD of 0.1% of the remuneration provided for the work under the contract
- duplication of an instrument is subject to an SD of 1.00 THB if the SD of the original instrument does not exceed 5.00 THB, or 5.00 THB if the SD of the original instrument exceeds 5.00 THB.

The person liable to pay or affix the SD is the lessor, share transferor, contractor, lender, land or building seller, guarantor, etc., in the transaction. The holder of a legal instrument as mentioned above, or a beneficiary, are also subject to pay SD to execute the instrument.

***Part of a rental fee paid upfront to the landlord for a lower monthly rental fee during the term of the lease.

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Inheritance Tax

Any foreigner who is domiciled in Thailand under the Immigration Law shall be liable to pay **Inheritance Tax** within 150 days from the date the **net inheritance value** from each testator exceeds 100 million THB, together with the tax payment. In case the beneficiary is an ancestor or a descendant of the testator, a rate of 5% applies to the net inheritance value (the inheritance value received after deduction for any liabilities) exceeding 100 million THB from each testator. In other cases, a rate of 10% applies to the net inheritance value exceeding 100 million THB.

The above tax rates shall also apply to other foreigners, but only to an inheritance that is situated, registered, withdrawn, or claimed in Thailand.

Land and Building Tax ("L&B Tax")

Any foreigner being the owner of a land, building or condominium unit ("*owner*") in Thailand shall be required to pay a **Land and Building Tax ("L&B Tax")** within April of each year.

Currently, the L&B Tax is calculated based on progressive rates ranging from 0.01% to 0.70% of the **net appraised value** of the land, building and/or condominium unit, depending on the use of the land and/or building, i.e., agricultural, residential, unused/vacant, or other uses.

What ILCT Ltd. can do for you

ILCT offers a wide range of services encompassing all taxes relating to business and industry, for companies and individuals. These include tax planning, interpretation of tax laws, regulations and double tax treaties, defending tax assessments and litigating tax claims.

Contact us at **law@ilct.co.th** for any inquiry related to taxation matters.

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