Corporate Income Tax in Thailand

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The following article provides an overview of the corporate tax system in Thailand

Corporate income tax in Thailand is regulated by the Revenue Code B.E. 2481 (1938) as amended from time to time and the Royal Decrees issued under it. In anticipation of the launch of the ASEAN Economic Community, the government has significantly reduced the corporate income tax rate, making Thailand one of the most corporate tax friendly countries of the region after Singapore.

Corporate Income Tax in ASEAN's countries

Rank	Country	Corporate Tax
1	Singapore	17%
2	**Thailand**	**20%**
2	Brunei	20%
2	Cambodia	20%
3	Vietnam	25%
3	Indonesia	25%
3	Malaysia	25%
3	Myanmar	25%
4	Lao PDR	28%
5	Philippines	30%

The following article provides an overview of the corporate tax system in Thailand. It is divided as follows:

1. Taxable persons and tax base

2. Tax rates

3. Tax filings

1. Taxable Persons and Tax base

A. Taxable persons

Corporate Income Tax (CIT) is a tax levied on public and private companies, juristic partnerships and other forms of legal entities operating businesses in Thailand.

List of entities subject to CIT
(1) Companies or juristic partnerships incorporated under Thai law • Limited companies (public and private) • Limited partnerships • Registered ordinary partnerships (2) Companies or juristic partnerships incorporated under foreign law but doing business in Thailand (3) A business or profit-seeking activity operated by a foreign government, its agency or by any other juristic body incorporated under foreign law (4) Joint ventures (5) Associations or foundations engaging in business producing revenue

Companies or juristic partnerships incorporated under Thai laws are taxed on their worldwide (local and foreign) incomes, while companies or juristic partnerships incorporated under foreign laws are only taxed on incomes deriving from Thailand[1].

B. Tax Base

The CIT is calculated on the net profit[2] of the company on the accrual basis. To determine the net profit, a company must take into account all revenue generated from or as a consequence of the business carried on during the accounting period minus all expenses in accordance with the condition prescribed by the Revenue Code. Deductions include the ordinary and necessary expenses, depreciations, contribution to provident fund and so on.

Net Profit = Total revenue – Deductible expenses

2. Tax Rates

The CIT rate is 20% on net profit. The CIT has been reduced for the accounting period 2013-2014 to make Thailand more competitive among the other economies of the region. This rate is expected to become definitive. Moreover, a reduced rate is available for Small and Medium Enterprises (SME), and companies investing under a promotion from the Board of Investment (BOI) may be granted corporate tax holidays.

- **Reduced Corporate Tax Rate for SME**

To provide more support for entrepreneurship and encourage company startups, SME are taxed at a lower rate[3]. To qualify as an SME, a company must have a registered capital of no more than five million Baht on the last day of any accounting period as well as thirty million Baht or less of income from the sale of goods and services in any accounting period.

If these conditions are fulfilled, the corporate income tax is reduced as follows:

Net Profit (Baht)	CIT Rate
0 – 300,000	0%
300,000 – 1,000,000	15%
> 1,000,000	20%

- **Corporate Tax Holidays for Companies Promoted by the BOI**

The BOI has the power to grant a wide range of incentives including corporate tax holidays for up to eight years[4] to foreign investors investing in certain business activities. The promoted activities are detailed on the BOI website[5] and notably include manufacturing, mining, production of chemical products, and the construction of public utilities.

3. Filings

Companies and juristic partnerships must file income tax returns to the Revenue Department twice a year.

- **Midyear Tax Filing**[6] (Form CIT 51)

Half of the CIT must be paid based on the estimated annual net profit within two months of the end of the first six months of the accounting period.

- **Annual Tax Filing**[7] (Form CIT 50)

The remaining part of the CIT must be paid within one hundred fifty days from the closing date of the accounting period. The prepaid midyear tax is of course creditable against the annual tax liability.

Falling to file a midyear tax return or incorrect files it without reasonable cause may result in a surcharge of 20% of the amount of tax payable[8].

Failure to file the annual tax return or incorrect files it without reasonable cause may result in a penalty of 100%[9] or 200%[10] with a surcharge of 1.5% per month.

Vincent BIROT

[1] Section 66 of the Revenue Code

[2] The tax base and the tax rate are different for companies incorporated under foreign laws who do not carry on a business activity in Thailand but who receive incomes from Thailand. Section 40(2)(3)(4)(5)(6) and Section 67 of the Revenue Code

[3] Royal Decree No. 564

[4] Section 31 of the Investment Promotion Act, B.E 2520 (1977) as amended

[5]www.boi.go.th/english/

[6] Section 67 Bis of the Revenue Code

[7] Sectionm 67 Ter of the Revenue Code

[8] Section 67 Ter of the Revenue Code

[9] Section 22 of the Revenue Code

[10] Section 26 of the Revenue Code