



THAILAND TAX UPDATE

July 2024



Special tax deduction for expenses incurred in Secondary Provinces

On 4 June 2024, the Thai Cabinet approved a special measure providing corporations and individuals with a special tax deduction for certain expenses. The details of this special deduction are as follows:

a) Special Deduction for Corporations

To incentivize companies to host events in lesser developed provinces, companies can receive a double deduction against corporate income for expenses incurred for rooms, accommodation, transport, tour operating fees, and other costs related to domestic seminars in secondary tourism provinces. For

seminars held in a non-secondary tourism province, the deduction is limited to 1.5 times the related expenses.

If a seminar is held in both secondary and non-secondary tourism provinces, then the special deduction rates apply based on the specific province where the actual expenses are incurred. In cases where the specific location of the expense cannot be distinguished, the deduction will be limited to 1.5 times the total amount of expenses incurred.

b) Special Deduction for Individuals

Under the special deduction order, individuals are granted a deduction of up to THB 15,000 for Personal Income Tax purposes for expenses paid in secondary provinces to:

- tour operators,

- hotel accommodations,
- Thai homestays, and
- non-hotel accommodations in secondary provinces up to THB 15,000

This special deduction is only available for expenses incurred from 1 May 2024 to 30th November 2024.

Both measures require the taxpayer to obtain an e-tax invoice via the e-tax invoice and e-receipt system.

Update on Foreign Earned Income Taxation in Thailand

Last November the Thai Revenue Department issued an updated interpretation of the Thai Revenue Code (Section 41) addressing personal income taxation of foreign (i.e., non-Thai) source income. This update modified the previous rule, whereby foreign source income earned in any one tax year was not subject to taxation as long as the income was not repatriated in the same year earned. Under this rule, if an individual earned income in, for example, 2022 but did not remit the income in 2022, then if the income was remitted any time after 1 January 2023, it would not be subject to personal income tax. The new interpretation instead adopted a “when-remitted” taxation rule.

This new rule means that if an individual earns foreign source while being a Thai tax resident, they must include that income in their personal income tax return for the year the income is remitted into Thailand. They will also need to pay any taxes due on such income. For example, if an individual is a Thai

tax resident in 2024 and earns foreign source income in calendar year 2024 then the taxpayer will have to declare such income in the year in which such income is remitted into Thailand. As such, if the income is remitted in 2025, then the taxpayer would declare this income in their personal income tax return for 2025 and pay tax by the deadline for filing such return, which is 31 March 2026. If the income is remitted in 2026, then the income would be reported in the 2026 tax return and tax paid by the filing deadline for 2026, which is 31 March 2027.

In order to avoid confusion during the implementation of this new rule, a special exemption has been granted for any foreign income earned before 1 January 2024. Under this exemption, any foreign source income earned prior to 1 January 2024 is not required to be declared and will not be subject to Thai taxation, regardless of when it is remitted into Thailand.

As a reminder, Thai tax residency is determined by a physical presence test. Any individual physically present in Thailand for more than 180 days in a calendar year is considered a resident of Thailand for income tax purposes. This is an annual test, so if an individual is resident in one tax year, it will not affect their tax residency for any other year. In addition, if an individual is not a resident of Thailand in any year based on the 180-day rule, any foreign income earned during that year will not be subject to taxation, even if the income is remitted into Thailand.

The above system of taxation is a worldwide taxation of income. All income earned by a Thai tax resident is assessable income in the year earned, with payment of the tax on

foreign income being deferred until the income is remitted into Thailand.

In addition to this most recent change, it has recently been reported that the Thai Revenue Department is considering an additional modification of the tax payment rule. In the future, taxpayers may be required to declare and pay taxes on foreign income on a “when earned basis” instead of “remittance basis”. This means that a taxpayer would be required to declare any income in the calendar year, regardless of whether the income is remitted into Thailand. As result, foreign-sourced income would be subject to Thai tax even if it is never brought into Thailand. This change could potentially lead to a cash-flow issue in the sense that taxes would be due and payable in the year earned even if not remitted into Thailand, would still have to be paid, thus potentially resulting in the use of Thai situated funds to pay Thai tax

without having brought the foreign funds into Thailand.

This change will likely have a big impact on both Thai and foreign individuals living in Thailand especially those who historically have benefited from the “upon-remittance” rule. Taxpayers should consider their existing foreign investments and income plans to accommodate these changes and carefully assess the impact they may have on future foreign investment and income planning.

**The information provided does not, and is not intended to, constitute legal advice. The information is for general informational purposes only. Readers should contact their professional adviser or lawyer to obtain advice with respect to any legal matters.*

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