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Some Good News For All Taxpayers In Thailand

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Thai Law: Some good news for all taxpayers

Personal Income Tax rates before 2013

| NET INCOME (Thai Baht) | TAX RATE (%) |
|------------------------|--------------|
| 0 – 150,000 | Exempted |
| 150,001 – 500,000 | 10 |
| 500,001 – 1,000,000 | 20 |
| 1,000,001 – 4,000,000 | 30 |
| 4,000,001- plus | 37 |

Personal Income Tax rates now

| NET INCOME (Thai Baht) | TAX RATE (%) |
|------------------------|--------------|
| 0 – 150,000 | Exempted |
| 150,001 – 300,000 | 5 |
| 300,001 – 500,000 | 10 |
| 500,001 – 750,000 | 15 |
| 750,001 – 1,000,000 | 20 |
| 1,000,001 – 2,000,000 | 25 |
| 2,000,001 – 4,000,000 | 30 |
| 4,000,001-plus | 35 |

Last year saw the beginning of a significant reduction of the corporate income tax rate in Thailand.

The long-established 30 per cent rate was reduced to 23 per cent for the year 2012, and further

reduced to 20 per cent for the years 2013 and 2014 for all companies.

As recently as late 2012, the current government announced that it would not, however, reduce Thailand's personal income tax ("PIT") rates.

Shortly thereafter it reconsidered its position and announced that the PIT rates in Thailand also would be reduced with effect from 2013 forward.

As you may be aware, any person who derives income from services, employment or property in Thailand is required to pay PIT on that amount.

The total amount due is calculated for each calendar year and payable by the end of March of the following year. It should be noted that the tax liability for any such income is the same regardless of whether or not the income was actually paid within or outside of Thailand.

Furthermore, anyone who stays in Thailand for a total of 180 days or more in any calendar year is considered a "resident" for Thai income tax purposes.

Such an individual is then required to pay PIT on income that is derived from employment or property situated abroad; and that is brought into Thailand during the calendar year in which the income was received.

Here, once again, it makes no difference if such income is received within Thailand or outside it.

For the old and new tax brackets and rates see the accompanying tables.

PIT on wages is initially taxed by the law requiring your employer to withhold the relevant amount and pay it direct to the Revenue Department on a monthly basis.

Therefore, if you are a monthly salaried employee in Thailand you should be experiencing the benefits of this PIT reduction from your first monthly salary payment in 2013.

There is further good news with regard to PIT for married couples.

Previously, the Revenue Department considered and taxed any non-wage income made by a wife as additional income of the husband.

This meant that income was possibly subject to being taxed at a higher PIT rate than it would have been if the income were taxed as the wife's own income.

However, last year the Constitutional Court held that this practice violates Thailand's Constitution because it does not treat men and women equally. Thus, it is legally invalid.

The Revenue Department has now formally adjusted its rules and husband and wife are able to file their PIT tax returns separately. Please note, however, if husband and wife decide to file their PIT returns separately, each remains liable for any PIT unpaid PIT by the other.

Duensing Kippen is a multi-service boutique law firm specialising in property and corporate/commercial matters and arbitration and litigation proceedings. It is also the only firm in Thailand with three Members (MCI Arb) of the Chartered Institute of Arbitrators. In addition it is the only such firm in Thailand that complements its property and corporate/commercial legal expertise with a core tax law practice. Duensing Kippen can be reached by email to phuket@duensingkippen.com or by visiting duensingkippen.com

Source: <http://www.thephuket...ayers-37508.php>



-- Phuket News 2013-03-05