Thailand Guide to Coperate income Tax (CIT)

Prepared by Act & Align Advisor

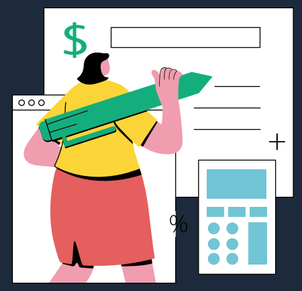
What Is Coperate Income Tax?

Corporate Income Tax (CIT) is a direct tax imposed on a juristic company or partnership that operates a business in Thailand, or one that, while not conducting business in Thailand, generates specific types of income from within the country.

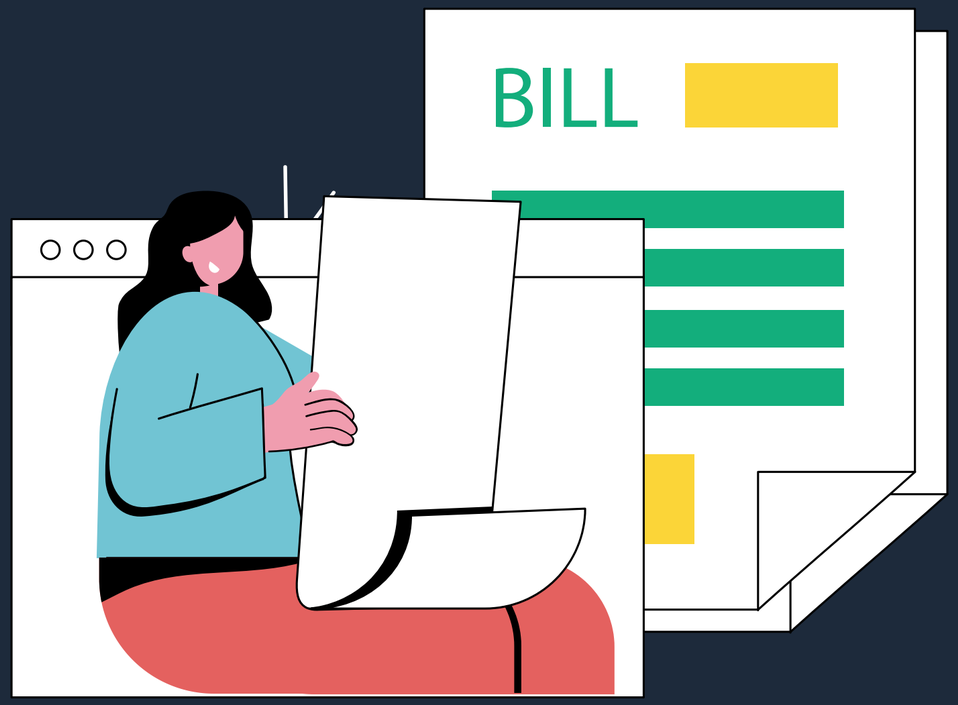
Who Is Subject to CIT?

Not every kind of juristic person is responsible for Corporate Income Tax (CIT). According to the Revenue Department Code, the following entities in Thailand must pay CIT:

Stay Informed, Stay Compliant



1. A Company Or Partnership



- 1.1 Limited Company
- 1.2 Public Company Limited
- 1.3 Limited Partnership
- 1.4. Registered Partnership

2. A Company Or Partnership under Foreign Law

1. A company or juristic partnership incorporated under foreign law that conducts business in Thailand.

2. A company or juristic partnership incorporated under foreign law that conducts business outside Thailand, including activities carried out in Thailand.

3. A company or juristic partnership incorporated under foreign law that operates in multiple countries, including Thailand, specifically in relation to the carriage of goods or passengers.

4. A foreign company or partnership that doesn't operate directly in Thailand but has an employee, agent, or intermediary conducting business there, leading to income or profits from Thailand.

5. A foreign company or juristic partnership not operating in Thailand but receiving taxable income from or within Thailand under Section 40 (2), (3), (4), (5), or (6).

3. A business operating in a commercial or profitable manner by a foreign government, organization of a foreign government or any other juristic person established under a foreign law.

4. Joint Venture.

5. A foundation or association carrying on revenue generating business, but does not include the foundation or association as prescribed by the Minister in accordance with Section 47 (7) (b) under the Revenue Code

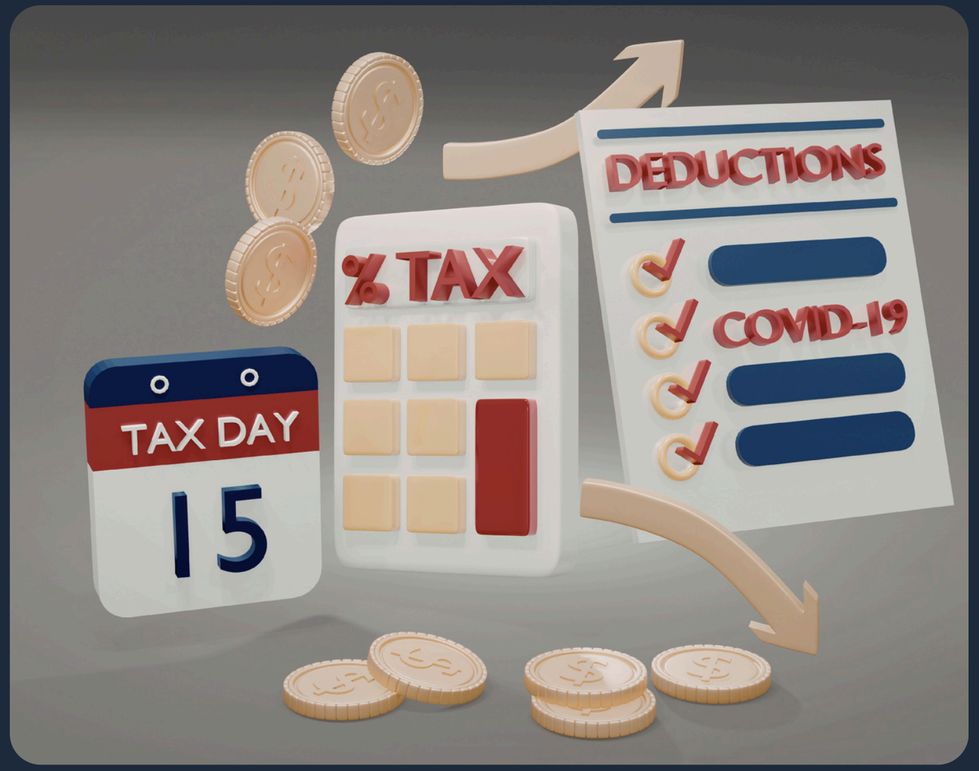
6. A corporate in which Director General of Revenue Department of Thailand prescribe under cabinet ministry approval and Royal Thai Government Gazette's announcement, for example, Stock Exchange of Thailand (SET).

For more information:
http://www.rd.go.th/fileadmin/download/Tax-for-SMEs.pdf

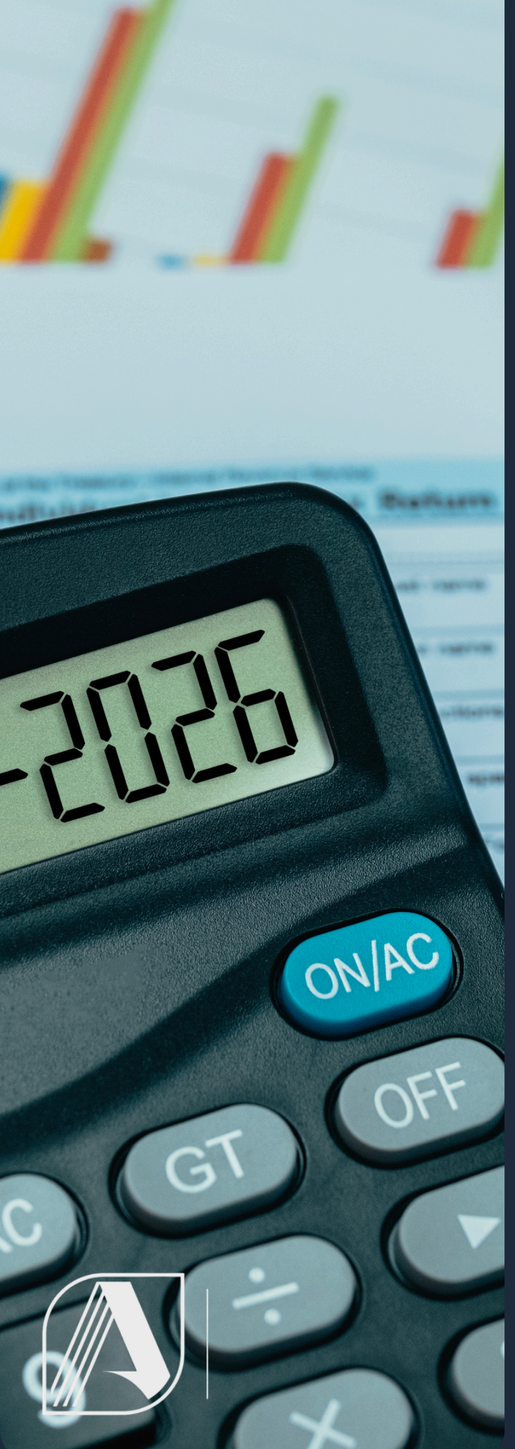
Understanding TAX Base

In general, there are two primary tax bases: **net profits and gross income**. Both Thai companies and foreign entities conducting business in Thailand are liable for **Corporate Income Tax based on their net profits**. Meanwhile, foundations, associations, charitable organizations, and foreign companies involved in international transportation, or those not operating within Thailand but receiving specific types of income from Thailand, are taxed on their gross income.

How To Compute Net Profit



In calculating the Corporate Income Tax (CIT) for a company operating in Thailand, the tax is determined based on the company's net profit using an accrual accounting method. The company must consider all revenue generated from its business activities during the accounting period, while deducting all expenses as specified by the Revenue Code.



As for dividend income, one-half of the dividends received by Thai companies from any other Thai companies may be excluded from taxable income. However, the full amount may be excluded from taxable income if the recipient is a company listed in the Stock Exchange of Thailand or the recipient owns at least 25% of the distributing company's capital interest, provided that the distributing company does not own a direct or indirect capital interest in the recipient company.

The exclusion of dividends is applied only if the shares are acquired not less than 3 months before receiving the dividends and are not disposed of within 3 months after receiving the dividends

Deductions and Allowable Expenses

1. **Ordinary and Necessary Expenses**: Certain expenses can be deducted at a special rate, including:
   - 200% deduction for Research and Development expenses
   - 200% deduction for job training expenses
   - 200% deduction for expenditures on equipment for individuals with disabilities
2. **Interest**: All interest payments are deductible, except for interest on capital reserves or company funds.
3. **Taxes**: Deductions are allowed for various taxes, excluding Corporate Income Tax and Value Added Tax paid to the Thai government.
4. **Net Losses**: Losses from the previous five accounting periods can be carried forward.
5. **Bad Debts**: These can also be deducted.
6. **Wear and Tear**: Deductions for wear and tear are permitted.
7. **Donations**: Contributions can be deducted up to 2% of net profits.
8. **Provident Fund Contributions**: These are deductible.
9. **Entertainment Expenses**: Deductions are allowed for entertainment expenses up to 0.3% of gross receipts, not exceeding 10 million baht.
10. **Further Tax Deductions**: Additional deductions for donations made to public education institutions and expenses for the maintenance of public parks, playgrounds, and sports grounds.
11. **Depreciation**: The deduction for depreciation must not exceed the specified percentage of cost listed below. If a company uses a method where depreciation rates vary annually, this is permissible as long as the asset's depreciation period is no less than 100 divided by the prescribed percentage.

Deductions and Allowable Expenses

*SMEs refer to any Thai companies with fixed assets less than 200 million baht and number of employee not exceeding 200 people

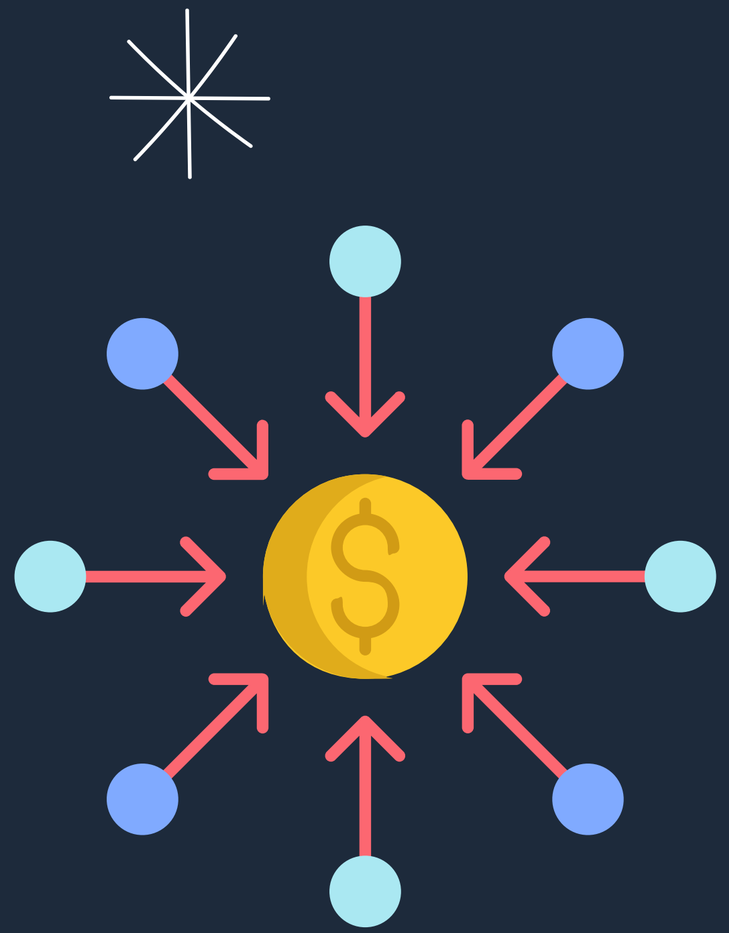
TYPE OF ASSETS	DEPRECIATION RATES
1. **Building** 1.1 Durable building 1.2 Temporary building	• 5% • 100%
2. **Cost of acquisition of depleted natural resources**	• 5%
3. **Cost of acquisition of lease rights** 3.1 no written lease agreement 3.2 written lease agreement containing no renewal clause or containing renewal clause but with a definite duration of renewal periods	• 10% • 100% • divided by the original and renewable lease periods
4. **Cost of acquisition of the right in a process, formula, goodwill, trademark, business license, patent, copyright or any other rights:** 4.1 unlimited period of use 4.2 limited period of	• 10% • 100% • divided by number of years used
5. **Other depreciation except land and goods** 5.1 Machinery used in R&D 5.2 cash registering machine 5.3 passenger car or bus with no more than 10 passengers capacity	20% • initial allowance of 40% on the date of acquisition and the residual can be depreciated at the rate in 5 • initial allowance of 40% on the date of acquisition and the residual can be • depreciated at the rate in 5 depreciated at the rate in 5 but the depreciable valve is limited to one million baht
6. **Computer and accessories** 6.1 SMEs* 6.2 other business	• initial allowance of 40% on the date of acquisition and the residual can be depreciated over 3 years • depreciated over 3 years
7. **Computer programs** 7.1 SMEs* 7.2 other business	• initial allowance of 40% on the date of acquisition and the residual can be depreciated over 3 years • depreciated over 3 years

Expenses Not Allowed in Net Profit Calculation

The following items shall not be considered as allowable expenses when calculating net profits:

1. **Reserves**(with some exceptions).
2. **Funds** other than the provident fund, as outlined by Ministerial regulations.
3. **Personal gift, or charitable expenses**, with the exception of those for public charity or public benefit.
4. **Entertainment or service fees**.
5. **Capital expenses** related to the addition, alteration, expansion, or improvement of an asset, excluding repairs necessary to maintain its current condition.
6. **Fines and/or surcharges**, including criminal fines and company income tax for juristic partnerships.
7. **Withdrawals** made by a partner in a juristic partnership without remuneration.
8. **Excess salary payments** to shareholders or partners beyond a reasonable amount.
9. **Expenses that are not actually incurred** or those that should be recorded in a different accounting period, unless they cannot be recorded in any other period, in which case they may be entered in the following period.
10. **Remuneration for assets** owned and utilized by the company or juristic partnership.
11. **Interest paid** to equity, reserves, or the funds of the company or juristic partnership itself.
12. **Claims for damages** recoverable from insurance or other protection contracts or losses from previous accounting periods, except for net losses carried forward for five years to the current accounting period.
13. **Expenses not aimed at generating profits** or related to the business.
14. **Expenses not associated with business activities in Thailand**
15. **Costs related to the purchase of assets** and expenses incurred from the purchase or sale of an asset, but only the amounts that exceed normal costs and expenses without reasonable justification.
16. **Value lost or depleted** in natural resources due to business operations.
17. **Value of assets**, excluding devalued assets as per Section 65 Bis.
18. **Expenses** where the payer cannot identify the recipient.
19. **Any expenses payable** from profits received after the conclusion of an accounting period.

Expenses similar to those outlined in items (1) to (19) as prescribed by a Royal Decree.



Understanding TAX Rate

Standard Corporate Tax Rates (Based on Net Profit)

No.	Taxpayer	Tax Base	Rate (%)
1	Thai company and foreign company carrying on business in Thailand	Net profit	**20%**
2	Company listed on the Stock Exchange of Thailand (SET)	Net profit	**20%**
3	Company listed on Market for Alternative Investment (MAI)	Net profit	**20%**
4	Bank deriving profits from International Banking Facilities (IBF)	Net profit	**20%**

Standard Corporate Tax Rates (Based on Net Profit)

Net Profit	CIT Rate
Up to 300,000 THB	**0%**
300,001 – 3,000,000 THB	**15%**
Over 3,000,000 THB	**20%**

Understanding TAX Rate

Withholding / Final Tax for Certain Foreign Entities

No.	Taxpayer	Tax Base	Rate (%)
5	Foreign company not carrying on business in Thailand receiving dividends from Thailand	Gross receipts	**10%**
6	Foreign company not carrying on business in Thailand receiving other types of income from Thailand (excluding dividends)	Gross receipts	**2% or 10%***
7	Foreign company disposing profits out of Thailand	Gross receipts	**10%**
8	Foreign company engaging in international transportation	Gross receipts	**3%**
9	Profitable association and foundation	Gross receipts	**10%**

How-To Pay TAXES?

Corporate Income Tax is due twice each accounting period: the half-year return must be filed 2 months after the first 6 months.

1. For Banks and Financial institutions : actual revenue & expense that incur during the first six months of an accounting period.
2. For companies or partnerships, tax payable is based on estimated profit, typically calculated as half of the projected year-end profit. There's no penalty for overestimating profits, but if profits are underestimated without reasonable justification, a 20% penalty on the unpaid tax applies. The law allows a margin of error of 25%.
3. The form used is Por.Ngor.Dor.51

Annual Corporate Income Tax (CIT) must be filed within 150 days after the accounting period using Por.Ngor.Dor.50 (PND 50).

- Mid-year tax payments (PND 51) can be credited against final liability.

Financial statements usually require a CPAccountant (CPA).
signature, but small companies can use a Tax Auditor (TA).
Tax payments can be made at local Revenue Department offices or online.
Returns can be filed at Area Revenue Branch offices or at www.rd.go.th. Companies with revenue over 1.8 million THB must register for VAT and file P.P.30 by the 15th of the following month, and some need to register for Specific Business Tax (SBT) when starting operations.

1. Banking under the law governing commercial banking or any other specific law
2. Business of finance, securities and credit foncier under the law governing operation of the business of finance, securities and credit foncier
3. Life insurance under the law governing life insurance
4. Pledging under the law governing pawnshops
5. Businesses with regular transactions similar to commercial banks, such as provision of loans, exchange of currencies, purchase or sell of bills or transfer of money abroad by various means
6. Sale of an immovable property for a commercial or profitable purpose

For Accurate Assessment & Guidance

When to Call a Tax Advisor

Consult with our professionals like **Jakrit** from **Act & Align Advisor** to navigate complex regulations or disputes in Thailand

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Stay Ahead and Compliant

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