

# Thailand tax round-up January 2015

By

*Stephen Frost, Bangkok International Associates*

In this article, we discuss recent developments in taxation in Thailand.

*Land and house tax* A person who leases out land or land and buildings, including apartments and condominiums, is subject to land and house tax at the rate of 12.5% of the actual or assessed rental value, whichever is higher. Owner occupied factories and commercial buildings are assessed for this tax at the same rate, according to the assessed rental value.

In order to reduce their net tax liability, many landlords who lease property structure such transactions by using several documents rather than a single lease agreement. As much of the rental payment as possible is allocated to a furniture rental agreement and/or service agreement, which is subject to VAT currently at 7%, instead of 12.5% land and house tax. The tax authorities will accept this, provided the apportionment of rent and services is reasonable.

*Property Tax* There are proposals under consideration to introduce a new property tax that would replace land and house tax. The outline proposals are that land and buildings valued at more than one million Baht would be subject to tax. Unused or vacant land would be charged at progressive rates every three years up to a maximum of 4% of the appraised value. The tax rates suggested would be 0.5% for agricultural land, 1% for residential use and 4% for commercial use.

The proposals are still under consideration and may well be revised before they become law.

*Inheritance tax* There are proposals to introduce inheritance tax. The outline proposals are that the tax would be levied on estates of more than 50 million Baht, at a flat rate of 10%. The tax would only be payable in respect of assets the ownership of which may be registered (eg houses, land, cars, bonds, deposits and other securities.). Transfers to spouses would be exempt. The tax would apply to Thais and also foreigners resident in Thailand for more than three years, but in each case, only on their assets in Thailand. The tax would be payable by the beneficiaries. Assets transferred to religious institutions, universities or charitable foundations would be tax exempt. Assets transferred within two years before death may also be taxed.

The proposals are still under consideration and may well be revised before they become law.

These proposals do not affect the transfer fees/taxes that will still arise on e.g. transfers of land and buildings or shares by gift or inheritance. These fees will remain as before.

*Corporate tax reduced for SMEs* The general rate for corporate income tax is 20% with lower rates for SME companies (as defined). There are now further tax concessions to be granted for SME companies. Provided the company's capital is less than 5 million Baht at the end of the accounting period, and it has sales/income not exceeding 30 million Baht, then the tax rates applicable will be as follows:

Net annual profit (Baht)	Current tax rate	New rate
0-300,000	Exempt	Exempt
300,001- 1,000,000	15%	15%
1,000,001-3,000,000	20%	15%
Exceeding 3,000,000	20%	20%

These changes will apply to accounting periods starting on or after 1 January 2015.

*Ordinary partnerships* In general, ordinary partnerships are taxed in the same way as natural persons, with progressive ratebands of 10-35%. The partners may claim two personal allowances, and a fixed allowance for expenditure of 60,000 Baht a year (or actual expenditure if higher). In addition, the individual partners do not face further tax liability after tax on the partnership income has been paid.

This existing tax regime will change with effect from 1 January 2015, and will apply to tax returns for fiscal 2015, which must be submitted by 31 March 2016. In future, tax on the partnership income, and the income for each partner in their hands, will be liable to tax. Records will now have to be kept for income and expenditure and submitted with the annual tax return, with a record of the opening and end of year balance. The records can be kept in a language other than Thai, but the records submitted with the return must be in Thai.

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*Bangkok International Associates is a general corporate and commercial law firm. For further information, please contact Stephen Frost by email at [sfrost@bia.co.th](mailto:sfrost@bia.co.th) or telephone (66) 2 231 6201/6455.*