

## Thailand formulates further tax changes

by

*Stephen Frost, Bangkok International Associates*

*Introduction:* In April 2016, the government announced proposals to change personal income tax rates and allowances. These proposals are summarized below.

*Personal income tax rate bands:* The current and proposed new income tax rate bands are as follows:

Current taxable income (Baht per year)	Proposed taxable income (Baht per year)	Tax rate (%)
0-150,000	0-150,000	Nil
150,001-300,000	150,001-300,000	5%
300,001-500,000	300,001-500,000	10%
500,001-750,000	500,001-750,000	15%
750,001-1,000,000	750,001-1,000,000	20%
1,000,001-2,000,000	1,000,001-2,000,000	25%
2,000,001-4,000,000	2,000,001-5,000,000	30%
4,000,001 plus	5,000,001 plus	35%

*Personal income tax allowances:* Certain allowances against gross income are also proposed to be changed, as follows:

Allowance	Current allowance (per year)	Proposed new allowance (per year)
Personal allowance	30,000 Baht	60,000 Baht
Expenditure allowance	40% of annual income up to maximum allowance of 60,000 Baht	50% of annual income up to maximum allowance of 100,000 Baht
Child allowance	15,000 Baht per child, but limited to three children, plus an educational allowance of 2,000 Baht for each child educated in Thailand	30,000 Baht per child. No limit on number of children. Educational allowance abolished

*Comment:* During the past eight months or so, the government has approved wide-ranging plans to reduce personal and corporate income tax, increase allowances against gross income, reduce Land Department fees to register transfers of property, awarding income tax relief for purchasers of low valued property, bringing into force inheritance tax and a revised gift tax, and a conditional tax amnesty for corporate taxpayers. The revision of House and Land Tax is still under consideration.

But one wonders why the top personal tax rate band remains at 35%, which is high compared to other Asian countries. An amnesty for personal income tax payers for

past non-payment could also be considered. Changing the period for VAT returns from one month to one quarter, would reduce accounting costs for companies.

Regarding VAT, the government hopes that the personal tax reductions outlined above, and corporate tax reductions, will increase public spending and therefore swell government receipts. However, there is another view, that VAT at 7% is now unduly low and one wonders for how much longer this rate can be maintained, when Revenue Department income is being reduced in other areas.

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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.*