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flash Alert

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Thailand – Relocation of Headquarters to Thailand Comes with Tax, Immigration Incentives

by KPMG, Thailand (a KPMG International member firm)

The Thai Government introduced last year a new program to increase Thailand's competitiveness and encourage the location of headquarters in Thailand.

The Board of Investment (BOI) released its new investment promotion policy which became effective from 1 January 2015. Subsequently, Royal Decrees no. 586 and no. 587 established in law a new international headquarters (IHQ) and international trading center (ITC) regime, effective from 2 May 2015.

Why This Matters

With the reduced personal income tax rates for eligible expatriate employees of qualifying companies under this regime, the tax burdens of individual taxpayers will be lessened and companies could experience lower international assignment costs. Cost projections and assignment budgets involving expatriate employees to IHQs and ITCs should account for the lower tax rates as compared to other locations in Thailand.

In addition, entry rules for foreign workers in the IHQs and ITCs are more liberal as compared with other work locations, thus easing the administrative burden on employers and their inbound foreign workers. Further, those workers should manage to get to their ITC and IHQ work assignments more swiftly.

Advantages of the New IHQ and ITC Regimes

The eligible expatriate employees of qualifying companies may enjoy a reduced personal income tax rate of 15 percent on their income (instead of the usual progressive rates up to 35 percent) for a period of 15 years.[1] The reduced rate is applicable from the date the IHQ is approved for tax benefits under the IHQ regime until the individual's final day of employment at the IHQ, or until the IHQ's tax benefits under the regime expire.

Some of the regime's other measures that concern foreign nationals, include:

- The qualifying company's ability to bring in skilled foreign nationals (and their spouses and dependents) -- with a more liberal application of the usual rules relating to the Thai-to-foreigner employment ratio and minimum share capital requirements to support the employment of expatriates;
- A "one-stop-shop" benefit at BOI for visas and work permits;
- Permission for foreign nationals to enter Thailand for purposes of looking into investment opportunities; and
- Permission for the IHQ/ITC to be majority or wholly owned by foreign nationals.

Among other incentives are provisions providing relief from corporate income tax (0 percent on non-Thai source income from services, royalties, and dividends, and 10 percent on certain Thai source income), as well as 0 percent withholding tax rates on qualifying dividends and interest.

Footnote:

1 A foreign employee must spend at least 180 days in an income year in Thailand and must have a minimum salary requirement of THB 200,000 per month.

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For additional information, see: "Thailand's Investment Promotion: International Headquarters" (2015), published by the KPMG International member firm in Thailand.

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