

GMS Flash Alert

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Thailand – New Proposals Aim to Provide Tax Relief

New proposed amendments¹ by Thailand's Ministry of Finance on 19 April 2016, would provide for:

- a considerable increase in the deductible expenses allowed against assessable income;
- more sizable personal, spousal, and children allowances;
- changes to the thresholds for tax filing obligations; and
- an expansion of the 30-percent tax bracket, as well as a higher threshold for the top 35-percent rate bracket.

A summary of the changes is set out in the tables below.

WHY THIS MATTERS

The changes to Thailand's personal income tax legislation described in this newsletter could prove advantageous to taxpayers. Those individuals earning in excess of THB 4 million (but under THB 5 million) will be subject to a lower overall tax rate in Thailand. All told, given the aforementioned expansion of the top two tax brackets and the increase to deductible amounts and allowances, assignment-related tax costs for international assignment programs might be lower. International assignment cost projections and budgeting for assignments to Thailand and for assignees outside Thailand still subject to Thailand taxation should take into account the changes once they are finally approved. With the considerable increases in deductible amounts and allowances, the expansion of the 30-percent tax bracket up to THB 5,000,000 (from THB 4,000,000), and with the highest tax rate beginning to apply on incomes over THB 5,000,000 (formerly over THB 4,000,000), employers will need to make the necessary payroll adjustments and update hypothetical tax calculations for tax equalized assignees.

2016 and 2017 Income Tax Brackets

The table below highlights changes to tax rates and brackets for 2017 as compared with the current situation in 2016.

2016 Net taxable income (THB)	2017 Net taxable income (THB)	Tax rate (%)
0 - 300,000*	0 - 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 and Over	5,000,001 and Over	35

* The tax exemption for annual wage income below THB 150,000 remains in place. Therefore a 0% rate applies to wages below THB 150,000.

KPMG NOTE

The absence of changes to thresholds at the lower tax brackets, means that bracket creep will be a feature of next year's tax burden for individuals. Although inflation remains low in Thailand – Bank of Thailand projects that inflation will average 1.2 percent in 2016 – there will be some cases of people moving up into a higher tax bracket merely due to the absence of any inflationary adjustment in the brackets. The exception is the two highest brackets, which will essentially lower taxes for many taxpayers who in 2016 were in the 35-percent bracket, since in 2017, they will be in the 30-percent tax bracket. The significant increase in deductible amounts and thresholds – as noted below – however, should help offset a tax increase due to creep.

2016 and 2017 Deductible Expenses and Allowances

The table below highlights changes to taxpayers' deductible amounts and allowances for 2017 as compared with the current situation in 2016.

2016 Regime		2017 Regime
<u>Standard deduction expense</u>		
A deduction against employment income under section 40 (1) and section 40 (2) of the Thai Revenue Code which is essentially salaries, wages, bonus, employment benefits, pension, meeting fees, commissions, income from services rendered, etc.	40% of income, capped at THB 60,000	50% of income, capped at THB 100,000
A deduction against assessable income under section 40 (3) of the Thai Revenue Code which is essentially income from copyrights, goodwill, other rights; annuities from wills; income from other juristic acts or court orders, etc.	40% of income from copyrights, capped at THB 60,000	50% of income from goodwill, copyrights, and 'other rights' as referred to in section 40 (3), capped at THB 100,000
<u>Allowances</u>		
Taxpayer	THB 30,000	THB 60,000
Taxpayer's spouse (if joint filing or spouse has no income)	THB 30,000	THB 60,000
Joint filing for taxpayer and taxpayer's spouse who earns income	THB 60,000	THB 120,000
Taxpayer's children	<ul style="list-style-type: none"> • THB 15,000 per child • THB 2,000 per child for education in Thailand • Limited to 3 children 	<ul style="list-style-type: none"> • THB 30,000 per child • Cancellation of the education allowance of THB 2,000 • No limit on the number of children
Deceased estate	THB 30,000	THB 60,000
Unincorporated ordinary partnership or group of persons	THB 30,000 for each partner but not exceeding THB 60,000	THB 60,000 for each partner but not exceeding THB 120,000

2016 and 2017 Filing Obligation Thresholds

2016 Regime		2017 Regime
1) A taxpayer who earns employment income under section 40 (1) of the Thai Revenue Code has an obligation to file an annual tax return if the following thresholds are met:		
• Single taxpayer	More than THB 50,000	More than THB 100,000
• Married taxpayer	Combined income more than THB 100,000	Combined income more than THB 200,000
2) A taxpayer who earns employment income under section 40 (1) and/or who earns other non-employment income under the Thai Revenue Code has an obligation to file an annual tax return if the following thresholds are met:		
• Single taxpayer	More than THB 30,000	More than THB 60,000
• Married taxpayer	Combined income more than THB 60,000	Combined income more than THB 120,000
• Deceased estate	More than THB 30,000	More than THB 60,000
• Unincorporated ordinary partnership or group of persons	More than THB 30,000	More than THB 60,000

KPMG NOTE

The ASEAN Economic Community (AEC), which came into force in 2015, brings about greater fiscal competition between AEC member countries. The increased tax incentives and overall reduction of personal income tax in Thailand are aimed at enhancing the country's competitive advantage. The changes to the personal income tax regime are also welcomed since they may serve to reduce the overall tax burden on individuals and increase personal disposable income, taking into account the current cost of living and economic situation in Thailand. Taxpayers with monthly employment income of THB 25,800 or less will not be subject to tax in Thailand due to the increased standard deductible expense and allowance. High-income earners with annual income in excess of THB 4 million are expected to have an annual saving of up to THB 50,000 due to the widening of the tax brackets.

Next Steps

The Ministry of Finance is in the process of presenting the draft decree to the Thai Cabinet for approval. Once the Thai Cabinet's approval comes through, the draft decree will be presented to the Office of Council of State for consideration. The next stage will be Parliamentary review and passage; once that happens, the royal decree passed by Parliament will be announced in the Government Gazette.

The KPMG International member firm in Thailand will endeavor to keep readers informed of any further developments in this area.

FOOTNOTE:

1 For the government's news/announcement of this development (in Thai), see:
http://www.rd.go.th/publish/fileadmin/user_upload/news/news15_2559.pdf .

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THB 1 = JPY 3.0 | THB 1 = USD 0.0284 | THB 1 = GBP 0.0192 | THB 1 = AUD 0.0375 | THB 1 = EUR 0.025

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