



Tax News Flash

KPMG in Thailand



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New Revenue Code regulation on severance pay exemption for terminated employees

On 17 July 2024, a new Ministerial Regulation No. 394 (“**M.R. No. 394**”) on income exemption for severance pay was published in the Royal Gazette. M.R. No. 394 replaces the enforcement of Clause 2(51) of the Ministerial Regulations No. 126 that previously allowed exemptions for up to 300 days’ wages or salary, capped at a total amount of THB 300,000.

M.R. No. 394 increases the limit of income exemption for severance pay which can be received by employees in accordance with the Law on Labor Protection or the Law on Labor Relations of State Enterprises — excluding severance pay received by employees due to retirement or end of employment contracts — to 400 days’ wages or salary, capped at a total amount of THB600,000, effective from 1 January 2023 onwards.

KPMG’s observations

Employers need to update their payroll processes by updating the limit of income exemption allowed for severance pay.

However, the new regulation is retroactively effective from 1 January 2023. Therefore, affected taxpayers, who have already filed a tax return for the year 2023, are encouraged to file an additional personal income tax return. Any over-withheld tax can be refunded, subject to satisfying the tax officers’ requests for review of certain documents. Taxpayers should be aware that a request for a tax refund must be submitted within three years from the filing deadline for the original tax return: thus, an amendment to a 2023 personal income tax return, revised for purposes of requesting a refund, must be submitted by 31 March 2027.

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