

# GMS Flash Alert

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## Thailand – New Regulation on Severance Pay Exemption for Terminated Employees

On 17 July 2024, a new regulation (“M.R. No. 394”) on the exemption of severance pay from taxable income was published in the Royal Gazette. M.R. No. 394 replaces the enforcement of prior regulations that allowed exemptions for up to 300 days’ wages or salary, capped at a total amount of THB 300,000.<sup>1</sup>

M.R. No. 394 increases the amount of the exemption for severance pay that 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.<sup>2</sup>

### WHY THIS MATTERS

This increase in amount of the exemption for severance pay may reduce the personal income tax burden for taxpayers who receive severance pay from 1 January 2023 onwards.

### KPMG INSIGHTS

Employers should update their payroll processes to accommodate this higher allowable exemption amount for severance pay.

Since the new regulation is retroactively effective from 1 January 2023, affected taxpayers who have already filed a tax return for the year 2023 are encouraged to file an amended 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.

## FOOTNOTES:

- 1 See (in Thai): [กฎกระทรวง ฉบับที่ 126 \(พ.ศ. 2509\)](#); Clause 2(51) of the Ministerial Regulations No. 126.
- 2 See (in Thai): [กฎกระทรวง ฉบับที่ 394 \(พ.ศ. 2567\)](#); Ministerial Regulation No. 394.

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