Guide on Thai Personal Income Tax for 2020

by N-Able Group

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N-Able Group

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This guide has been prepared for the assistance of those who are interested in Thai personal income taxation. It does not cover exhaustively the subject it treats. It is merely intended to give an overview of Thai personal income tax to readers. When specific issues arise in practice, the relevant laws and regulations must be considered. The appropriate professional advice shall also be obtained. <u>Therefore, we are not responsible for the result of any actions which are undertaken based on information contained within this publication, nor for any errors in, or omissions from, this publication.</u>

1. Basis – Income subject to Thai personal income tax

If you (as an individual) derived income from sources in Thailand ("**Thai-sourced income"**), that income will be subject to Thai personal income tax in the calendar year that it was received (a cash basis), regardless of where it was paid to and from, and your tax residence status.

Thai-sourced income is defined as income derived from:

(1) work or employment performed in Thailand;

(2) business in Thailand;

(3) business of an employer in Thailand; or

(4) property situated in Thailand (such as rental income from the lease of property in Thailand, interest from bank accounts in Thailand, dividends from holding shares in Thai companies, etc.)

Therefore, if you worked in Thailand, your employment income derived from that work shall be subject to Thai personal income tax (as it is considered Thai sourced income, as it was derived from work or employment performed in Thailand). This tax implication shall apply even though that income was paid outside of Thailand (however in this case of being paid outside of Thailand, the income may be exempt from Thai personal income tax by virtue of a tax benefit under the applicable double tax agreement). The taxable income derived from employment in Thailand includes fringe benefits provided by your employer, such as rental expense absorption, child school fee absorption, your tax payable absorbed by the employer.

If the income is considered foreign-sourced income (income derived from work or employment performed outside of Thailand, business conducted outside of Thailand, or property situated outside of Thailand) it will be taxed in Thailand **only if**:

(1) you lived in Thailand for 180 days or more in a calendar year that you received that income (and hence considered a Thai tax resident) **and (both conditions must be met)**;

(2) you received that foreign-sourced income and remitted or brought it into Thailand in the same calendar year. Therefore, if the foreign-sourced income was received in a particular year, but brought or remitted into Thailand in the following year, it will not be taxable in Thailand.

2. Tax calculation

Once you define the income that is subject to Thai personal income tax ("**Thai taxable income**"), you shall calculate your tax payable by the formula set out below:

Tax payable = Net Thai taxable income * Tax rates

Net Thai taxable income = (Gross Thai taxable income – Deductible expense – Other deductible items)

The detail of each component in the formula is set out below.

Deductible expense

The deductible expense shall depend on the types of your Thai taxable income. There are 8 types of taxable income under Thai tax law.

For example, the deductible expense for Thai taxable employment income is fixed at 50% of that taxable income, and capped at 100,000 baht.

The deductible expense for Thai taxable rental income from the lease of a house or apartment/condominium unit is either fixed at 30% of that taxable income or that the actual expenses incurred (such as water, electricity, other utility expenses etc.) can be deducted. In the latter case, a taxpayer must maintain supporting documents for those expenses incurred. Unlike the deductible expense for the employment income, there is no maximum amount of the deductible expense for the rental income. In other words, the greater taxable rental income you derived, the higher deductible expense you will be entitled to.

Other deductible items

There are various other tax deductible items available under Thai tax law. We set below the most common found ones that apply to the tax year 2020.

Other deductible item	Deductible amount	Any other conditions apply?
Free deduction	60,000 baht	-
Spouse	60,000 baht	Yes
Child	30,000/60,000 baht per child as the case may be	Yes
Payments for the medical expenses for antenatal care and birth giving	Actual paid amount, capped at 60,000 baht	Yes
Payments for a life insurance premium	Actual paid amount, capped at 100,000 baht (including the payment for a health insurance premium)	Yes
Payments for a health insurance premium	Actual paid amount, capped at 25,000 baht	Yes
Payments for a pension life insurance premium	Actual paid amount, capped at 15% of the total gross annual taxable income or 200,000 baht (whichever is lower)	Yes
Contribution to a social security fund	Actual contributed amount	-
Contribution to a provident fund	Actual contributed amount, capped at 500,000 baht (whichever is lower)	Yes

Other deductible item	Deductible amount	Any other conditions apply?
Investment in retirement mutual funds (RMF)	Actual invested amount, capped at 30% of the total gross annual taxable income or 500,000 baht (whichever is lower)	Yes
Investment in super annual funds (SSF)	Actual invested amount, capped at 30% of the total gross annual taxable income or 200,000 baht (whichever is lower)	Yes
Investment in super annual fund extras (SSFX)	Actual invested amount, capped at 200,000 baht	Yes
Payments for domestic purchases	Actual paid amount, capped at 30,000 baht	Yes

Tax rates

Thai personal income tax rates are progressive from 0% to 35% of the net taxable income, as set out below (those rates apply to both Thai and foreign tax resident individuals).

Net taxable income (Thai baht)	Rate	Marginal tax (Thai baht)	Accumulated tax (Thai baht)
0-150,000	0%	0	0
150,001 – 300,000	5%	7,500	7,500
300,001 – 500,000	10%	20,000	27,500
500,001 – 750,000	15%	37,500	65,000
750,000 – 1,000,000	20%	50,000	115,000
1,000,001 – 2,000,000	25%	250,000	365,000
2,000,001 – 5,000,000	30%	600,000	1,265,000
Above 5,000,000	35%	-	-

Please note that, during a calendar year, if you derived Thai taxable income that is NOT income from employment (such as rental income) of exceeding 1,000,000 baht, in addition to the method of tax calculation set out above (the first method), you also calculate your tax payable by multiplying 0.005 to your gross non-employment Thai taxable income. This method is referred to as a "second method". Then, you shall compare the tax payable derived from the first method to the one derived from the second method. Your actual tax payable will be the greater one.

3. Withholding tax credit

Some types of Thai taxable income is subject to withholding tax deducted at source by the payer, such as Thai-sourced employment income paid by a Thai employer. That withholding tax can be claimed as your tax credit against your tax payable. To claim that tax credit, you must maintain a withholding tax certificate that was issued to you by the income payer.

4. Tax payment, tax refund, and tax return filing requirements

A tax year for Thai personal income tax purposes is the same as a calendar year. As a general rule, someone who derived Thai taxable income must perform an income tax calculation once a year [as an exception to this rule, if you derived some types of Thai taxable income, such as rental income, during January through June of a particular calendar year of exceeding 60,000 baht, you must perform the tax calculations twice a year for that year (a mid-year income tax calculation and year-end income tax calculation)]. If you only derived a Thai taxable employment income within a year, you must perform the tax calculation only once a year, the year-end tax calculation.

Thus, assuming that you only derived the Thai taxable employment income within a calendar year, at the end of that year, you must calculate your Thai income tax payable by the method discussed earlier (only the first method shall apply). Then you shall subtract that tax payable by the withholding tax credit (as discussed above). If your tax payable exceeded the withholding tax credit, you shall pay the difference to the Thai Revenue Department. Conversely, if your withholding tax credit exceeded your tax payable, you can claim the difference back, as a tax refund, from the Revenue Department. This can be explained by the formula below:

Extra tax to be paid (Tax refundable) = Tax payable – Withholding tax credit

For example, if your tax payable derived from the calculation is 1,000 baht, and the total withholding tax that was deducted from your income by your Thai employer throughout the year (i.e. your withholding tax credit) is 800 baht, you shall pay 200 baht to the Revenue Department.

Conversely, if your tax payable is 800 baht and your withholding tax credit is 1,000 baht, you can claim 200 baht back from the Revenue Department as a tax refund.

The tax payment or tax refund claiming must be made through filing a tax return with the Thai Revenue Department. A year-end Thai income tax return and tax payment for a particular calendar year must be filed and made within 31 March of the following year. However, if you filed your tax return through internet, that deadline is extended to 8 April. Therefore, your Thai income tax return and tax payment for the tax year 2020 must be filed and made on or before 31 March 2021 (or 8 April 2021 if you filed that tax return through internet).

We, N-Able Group, are a real expert in Thai personal income tax matters, especially for tax saving planning and claiming the tax refund back from the Thai Revenue Department. If you wish us to assist in finding the ways to save your tax, performing your income tax payable calculation, preparing and filing your income tax return with the Thai Revenue Department, and most importantly, claiming the tax refund back from the Revenue Department, please do not hesitate to contact us.

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