

This report provides helpful information on the current business environment in Thailand. It is designed to assist companies in doing business and establishing effective banking arrangements. This is one of a series of reports on countries around the world.



Global Banking Service

# Report on Thailand

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## Important to Know

### Official language

- › Thai
- › English is widely used, especially in the major cities

### Currency

- › Baht (THB)

### Bank holidays

2010	
January	1
March	1
April	6, 13–15
May	3, 5, 28
July	1, 26
August	12
October	25
December	6, 10, 31

Source: [www.goodbusinessday.com](http://www.goodbusinessday.com).

## Types of Business Structure

Under Thai law, there are several business structures available. Some require a minimum amount of share capital to be paid up before the business can be established. A financial institution must hold the paid share capital in a restricted account until the business is legally established.

### Public limited liability company

This is a company whose shares are not registered to their owners and are tradable on a public stock market. To register a company, 15 promoters are required. They are not permitted to transfer their shares for two years. Under Thai law, at least half the members of the board of a public limited company must be Thai nationals. All shares (there is no minimum value) must be fully paid up.

### Private limited liability company

This is a company whose shares are registered to their owners and therefore are not publicly tradable. Shareholder liability is limited to the amount they have paid up in shares. On formation, all shares must be subscribed by a minimum of seven shareholders and at least 25% of the subscribed shares must be paid up.

### General partnership

General partnerships in Thailand are known as unregistered ordinary partnerships. In an unregistered ordinary partnership, all partners have full and joint liability. If registered (a registered ordinary partnership), the partnership is considered a legal entity, giving the individual partners limited liability. Whether a partnership is registered or not, no minimum share capital is required.

### Limited partnership

In a limited partnership, partners enjoy limited liability. This requires no minimum share capital. Limited partnerships must be registered.

### Cooperatives

Cooperatives in Thailand must be registered with the Office of the Registrar of Cooperative Societies. They require no minimum share capital.

### Other organizational types

A joint venture in Thailand is a group of individuals or corporate entities entering into an agreement in order to carry on a business together. Although joint ventures are not recognized as a separate legal entity under the Civil and Commercial Code, they are classified as such for tax purposes.

### Branches and Representative Offices

Non-Thai companies are entitled to establish a branch or a representative office in Thailand. For the branch to acquire an Alien Business Licence, the parent company must invest at least THB 5 million of working capital into Thailand within four

years. Branches are initially permitted to operate for five years, although this can be extended, subject to working capital investment requirements. While branches are permitted to make sales, representative offices may not sell directly in Thailand.

Foreign companies may also establish a regional office in Thailand, providing that office supervises the activities of that company in at least three other countries and has paid up registered capital of at least THB 10 billion. Overseas revenue must also account for at least half of the project's annual income.

## Opening and Operating Bank Accounts

### Residency

To be considered resident, a company must be incorporated in Thailand.

### Domestic and foreign currency account restrictions

Residents are permitted to hold foreign currency accounts domestically and abroad. Residents are not permitted to hold local currency (THB) accounts abroad, and local currency accounts held by residents are not convertible into foreign currency.

Non-residents are permitted to hold local currency and foreign currency accounts in Thailand.

Non-resident local currency accounts are fully convertible into foreign currency.

### Anti-money laundering and counter-terrorist financing rules

- › Account opening procedures require formal identification of the account holder.
- › Customers must be identified before any transaction is completed on their behalf.
- › All property transactions above THB 5 million and other transactions above THB 2 million have to be recorded and reported automatically.

Supplied by BCL Burton Copeland ([www.bcl.com](http://www.bcl.com)). Data as at June 2009.

### Special purpose accounts required by local regulation

None.

### Value-added tax (VAT) on banking services

Under Thai law certain services related to banking, such as credit cards, security brokers and underwriters, are subject to VAT. All business related to banking and finance is subject to a Special Business Tax (SBT).

## Payment and Collection Instruments

At present, cash is used to make a large proportion of payments in Thailand. Many companies pay employees' wages in cash, sometimes via an outsourcing arrangement with a bank. Companies seeking to collect payment from consumers need to have a process for collecting bulk cash.

Electronic funds transfers are the most common payment instrument for both domestic and cross-border payments among large companies in Thailand, especially for supplier, tax and treasury payments. Some larger companies also use electronic funds transfers for payroll purposes. Improvements to the payment systems have led to a significant growth in the volume of electronic payments.

Cheques are also a very popular payment method, although the frequency of their usage has started to decrease slightly in recent years, mainly because of an increase in the uptake of payment cards. Cheques are particularly popular with consumers and smaller companies and are used by some companies for payroll purposes.

Payment cards are increasingly used by consumers. Direct debits are used for both low-value and high-value payments, typically by utility companies to collect regular payments.

### Payment Instrument Use (domestic)

Payment instrument	Transactions (million)		% change 2008/2007	Traffic (value) (THB billion)		% change 2008/2007
	2007	2008		2007	2008	
<b>Cheques</b>	80,732	79,227	- 1.9	32,537	37,537	15.4
<b>Credit transfers</b>	124,236	134,010	7.9	5,351	6,044	12.9
<b>Direct debits</b>	59,967	64,985	8.4	1,699	1,847	8.7
<b>Debit cards</b>	538,288	761,142	41.4	3,205	4,354	35.8
<b>Credit cards</b>	271,457	284,305	4.7	840	921	9.6
<b>Card-based electronic money</b>	75,642	77,954	3.1	8.7	8.4	- 3.4
<b>Other payment instruments</b>	592,653	555,826	- 6.2	2,607	2,645	1.5
<b>Total</b>	<b>1,742,975</b>	<b>1,957,449</b>	<b>12.3</b>	<b>46,239</b>	<b>53,356</b>	<b>15.4</b>

Source: Bank of Thailand, Payment Systems Report, 2008.

### International Payments

International payments are processed through same-bank networks or by using traditional correspondent banking techniques. Most major banks have direct SWIFT connections.

### Payment Processing Times

Transactions processed (THB-denominated)	Value dating rules	Cut-off time(s) in local Thailand Standard Time (TST)
High-value and urgent domestic transfers	Real-time settlement, immediate finality	17:30 TST
Low-value (up to THB 2 million) domestic electronic credit and debit payments	Payments are settled on a same-day basis	17:30 TST
Cheques	Settlement is on a next-day basis unless the remitting and beneficiary banks are located in different provinces, in which cash settlement takes three working days	13:00 TST

## Central Bank Reporting

The Bank of Thailand collects compulsory reports from resident and non-resident companies on all foreign currency payments and receipts with a value in excess of USD 20,000, or its equivalent, on a consolidated basis.

Reports are submitted to the Bank of Thailand by authorized banks via its international transactions reporting system.

## Exchange Arrangements and Controls

Thailand does apply currency exchange controls. These are administered by the Bank of Thailand, on behalf of the Ministry of Finance.

The proceeds from exports in excess of the equivalent of USD 20,000 must be repatriated by resident entities within 360 days of the date of export and immediately after receipt of payment. Resident entities must file a foreign exchange transaction form for all proceeds from invisible exports or current transfer.

## Cash and Liquidity Management

The existence of currency exchange controls and the prohibition of notional cash pooling make including Thai-based bank accounts in a regional or international cash management structure very difficult.

### Physical Cash Concentration

Physical cash concentration is available for residents from a number of cash management banks in Thailand. The existence of currency exchange controls means resident and non-resident bank accounts are not included in the same physical cash concentration structure.

Cross-border cash concentration is prohibited by Thailand's exchange controls.

### Notional Cash Pooling

Notional cash pooling is not permitted for residents and non-residents in Thailand.

### Short-term Investment

#### Bank instruments

Interest-bearing current accounts are not available in Thailand. Interest-bearing demand deposit accounts are available, in both local and foreign currency. Companies are able to transfer end-of-day balances from current accounts into demand deposit accounts on an overnight basis.

Banks offer time deposits in a range of currencies for maturities from one month to three years, although terms of three, six and 12 months are most common. Some commercial banks also issue certificates of deposit (CDs), denominated in local and some foreign currencies. The minimum investment amount is usually around THB 500,000 (or its equivalent) and maturities are usually between three months and three years, although shorter terms are sometimes available.

#### Non-bank instruments

The Bank of Thailand issues Treasury bills at weekly auctions, typically for maturities of 28, 91 and 128 days. On some occasions, bills with maturities of one year are also auctioned.

Thai companies also have access to money market and other mutual funds.

### Short-term Borrowing

#### Bank

Overdraft facilities are offered to resident and non-resident companies in local currency and are the most popular form of short-term credit for businesses in Thailand. Bank lines of credit and bank loans are also usually available in Thailand to both resident and non-resident companies.

#### Non-bank

Some larger companies issue short-term commercial paper, typically for maturities of between one and three months. Smaller companies, which cannot issue commercial paper as they are unable to meet the conditions or credit rating required, do issue bills of exchange for a range of maturities up to two years.

## Taxation

### Corporate Taxation

- › The standard rate of corporate income tax in Thailand is 30%. This rate is charged on net profit (the statutory profit after tax adjustment).
- › Profits derived from the operation of international banking facilities, and by foundations and associations engaged in business, are taxed at a rate of 10%.
- › There are special rates of corporation tax for certain listed companies or qualified Regional Operating Headquarters (ROH) that meet defined requirements.
- › For a company or juristic partnership with paid up registered capital not exceeding THB 5 million on the last day of the accounting period, the net profits incurred during the accounting period will be exempt for the first THB 150,000, taxed at a reduced corporate tax rate of 15% for the net profits over THB 150,000 but not exceeding THB 1 million, 25% for the net profits over THB 1 million but not exceeding THB 3 million, and 30% for the net profits in excess of THB 3 million.
- › A reduced CIT rate (i.e., 25%) applies to certain levels of net profits of companies currently listed on the Stock Exchange of Thailand (SET) for three accounting periods starting on or after January 1, 2008. Meanwhile, companies listed on the Market of Alternative Exchange (MAI) are taxed at a rate of 20% on net profits not exceeding THB 20 million and companies listed on the SET are taxed at a rate of 25% on net profits not exceeding THB 300 million.
- › The reduced CIT rate of 20–25% for three accounting periods will also apply to companies that have been newly listed on the SET by December 31, 2009.

### Advance Tax Ruling Availability

- › Advance private rulings are available at the request of the taxpayer. The status of a private tax ruling in Thailand is not legally binding on the Thailand Revenue Department. There are several past tax rulings that are available for reference on the website of the Thai Revenue Department ([www.rd.go.th](http://www.rd.go.th)).

**Withholding Tax (subject to tax treaties and other exemptions)**

Payments to	Interest	Dividends	Royalties	Other income
Resident companies*	1% or 10%	10% or exemption	3%	0%
Non-resident companies <sup>†</sup>	15%	10%	15%	See below

\* Departmental Instruction No. *Taw. Paw. 4/2528*.

<sup>†</sup> Section 70 of the Thai Revenue Code.

- › A withholding tax exemption is available for resident companies in respect of dividends paid to other resident companies if the recipient entity owns 25% or more of the voting shares in the entity issuing the dividend and the entity issuing the dividend does not own any shares in the recipient company.
- › The withholding tax rate of 15% on interest can be reduced or exempted for non-resident companies if the interest is paid to a qualified financial institution or government agency which is tax-resident in a country that has a tax treaty with Thailand.
- › Some tax treaties with Thailand provide for a reduction in withholding tax on royalties (e.g., a 5% or 8% reduction).

**Capital Gains Tax**

- › A capital gain (sale proceeds minus original cost) derived by a resident company is treated as assessable income for corporate income tax purposes.
- › A capital gain arising from or in Thailand to a non-resident company is subject to withholding tax at the rate of 15% under domestic tax law, unless the capital gain is protected from withholding tax under a double taxation agreement between Thailand and the country of the non-resident party.

**Stamp Duty**

- › Normally, the transfer of shares, debentures, bonds and certificates of indebtedness is subject to stamp duty at the rate of 0.1% on the greater of the value of the paid up registered shares or the value as defined in the instrument, unless an exemption is applicable. The transferor is liable to the stamp duty.
- › The execution of a loan agreement or a bank overdraft is subject to stamp duty at the rate of 0.05%, capped at THB 10,000.

**Thin Capitalization**

- › Thailand does not have any tax rules or tax regulations in relation to thin capitalization.
- › There is no minimum requirement governing debt-to-equity ratio for a company registered in Thailand, unless it is required by specific circumstances (e.g., Thailand Board of Investment, terms with lender, Foreign Business Licence.).

### Transfer Pricing

- › The Thai Revenue Department issued transfer pricing rules on May 16, 2002 that require all related-party transactions to comply with the Organisation for Economic Co-Operation and Development (OECD) arm's length concept. Transfer pricing methods such as the comparable uncontrolled price, resale price, cost plus or other internationally accepted methods are acceptable.

### Sales Taxes / VAT

- › The Thai Revenue Code provides that business related to banking, finance, life insurance, etc. is subject to Special Business Tax (SBT). The SBT (including multiple tax) rate for a banking business is 3.3% of gross receipts, or based on the specific transaction. However, certain business activities (including, but not limited to, services related to credit cards, hire purchase contracts, security brokers, underwriters, etc.) are subject to VAT at the current rate of 7% if the amount of assessable income of the entity is not less than THB 1.8 million.
- › The SBT rate for the sale of immovable property has been reduced from 3.3% (including municipal tax at 10% of SBT) to 0.11%. The SBT reduction would potentially be further reduced under certain circumstances that have not been

officially enacted (pending a law amendment). The fee for transfer of immovable property has also been reduced from 2% to 0.01% for certain types of immovable property.

- › Insurance premiums on non-life insurance business are subject to withholding tax at the rate of 1% of gross payments.

### Payroll and Social Security Taxes

- › Thai employers are obliged to report and withhold tax at progressive rates (i.e., 5–37%) on the compensation elements (e.g., salary and any other benefits) that are paid to an employee in or outside Thailand. The relevant withholding tax report (Por. Ngor. Dor. 1) needs to be prepared by the employer and submitted to the Thai tax authorities on a monthly basis within seven days from the end of the month in which the compensation was paid. Moreover, the employer is required to file an annual personal income tax report (Por. Ngor. Dor.1 Kor) to the Thai tax authorities within two months from the end of each calendar year, showing details of the personal income tax that was withheld during the year.
- › The maximum social security contribution is THB 750 per month, which should be equally contributed by both employer and employee.

All tax information supplied by Deloitte LLP ([www.deloitte.com](http://www.deloitte.com)). Data as at April 1, 2009.

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