A SIMPLE GUIDE TO PERSONAL INCOME TAX IN THAILAND
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Version 5, Rev E

1. **This purpose of this guide is to provide foreigners living in Thailand with the simplest possible overview of Personal Income Tax (PIT) in Thailand.** The scope of this document is limited to PIT.

2. You may have heard that new tax laws came into effect on 1 January this year. In fact, that is not true! The old tax rules still exist and remain valid, albeit just one minor change to them was made in November last year. Previously, anyone who earned money overseas and remitted it to Thailand in a different tax year, received that money free of Thai tax. That loop hole in the Revenue Department (RD) tax code has been exploited by wealthy Thai's and is now closed. Money earned overseas after 1 January 2024 and remitted to Thailand in any year, is now **potentially** liable to Thai tax **and must be assessed via a tax return, subject to a minimum income threshold** . The purpose of the new rule is to reduce tax avoidance **and to help detect tax evasion.** Unfortunately, it now means that overseas funds transfers by foreigners living in Thailand, also have an increased risk of being taxed.

3. This guide is an overview of the core parts of the PIT system. It is not designed to be exhaustive and it doesn't cover all aspects of PIT, nor is it intended to override anything produced by the **Thai Revenue Department** or specialist tax companies such as Sherrings or Mazzars. This guide also does not address all types of income or the rules relevant to people from every country. What this guide will provide is <u>a starting point for readers to manage their own tax affairs</u> and it will also provide most of the answers for those with simple tax affairs, especially the average pensioner.

4. There are also certain types of visa that fall outside of the RD tax code. The LTR visa **for example is one of them,** it received its tax-exempt status by royal decree hence visa holders will not to be assessed for Thai tax and they are specifically excluded from this explanation.

5. Terminology: this document uses the word "assessable" often. Assessable in the context of this document means income that is liable to tax **which** must be included on a Thai tax return. Not all income is assessable, some is excluded from tax assessment by its very nature or because of the terms of a specific tax agreement. **There is assessable income that is taxable and assessable income that is exempt from tax, but "non-assessable" income does not really exist as an entity within the Thai Revenue Code. Consequently, readers should not think that some of your income is non-assessable. Taxable income = Assessable income minus exemptions, deductions, allowances.**

6. Dual Tax Agreement/Double Tax Agreement (DTA): is an agreement between two countries that sets out which of the two countries has the right to tax specific types of income and all the associated rules. Its purpose, in part, is to ensure that the same funds are not taxed twice **by two different countries** and provides a means by which tax that is paid twice, can be recovered, how and from where. **Note: If the taxpayer income is sourced in one country but the tax payer is resident in a second country, use of a DTA can result in increased tax being paid, if the second country has a higher rate of tax on the type of income in question, than the other.**

7. **This document is being drafted in January 2024. Tax returns are due between now and 31 March 2024 which cover the period, 1 January 2023 until 31 December 2023. The tax changes affecting foreigners in Thailand came into effect 1 January 2024 which means this years income activity is not reportable until at least 181 days from the start of the year. For year round residents, a tax return will be due 1 January next year, 2025.**

8. **If you stay in Thailand for more than a cumulative 179 days,** between 1 January and 31 December each year, you will be **and always were** considered to be Tax Resident in Thailand during that year, **almost entirely regardless of the type of visa you have (special tax-exempt classes of visa excluded).** It doesn't matter that you may be Tax Resident in your home country or elsewhere or that you pay tax in those countries, Thailand will still regard you as Tax Resident. Tax Residency and Immigration status (and the visa you hold) are different things. Tax residency is based solely on the number of days you spend in Thailand and where you are at midnight on each day.

9. **It should be noted that there always was an obligation on the part of foreigners who were tax resident in Thailand, to report assessable income every year, provided they met the minimum income threshold. This law was not actively enforced in the past and many remained unaware of their obligation. Very little has changed today, that obligation remains unchanged albeit the scope of income that must be reported has now increased and tax collection has taken on a higher profile.**

10. Because you are Tax Resident, YOU must review your income each year to determine if it is regarded as assessable to tax in Thailand, nobody else will do this for you. If your income does not exceed 120,000 baht per year, you do not need to file a tax return (60,000 baht if your only income is bank interest paid to you by a bank in Thailand). If your income is over 120,000 baht per year, you must file a Thai tax return between 1 January and 31 March.

11. Your income in Thailand is defined as any money paid to you inside Thailand, as well as, any money you receive from overseas, both types are potentially assessable income for Tax Residents. There are many types of income that can be classed as assessable, the Thai RD lists some of them and is linked below, however, the list is not exhaustive:
https://sherrings.com/personal-income-tax-in-thailand.html#:~:text=Section%2040%20of%20Thailand's%20Revenue,Pensions%3B%20and

12. There are also classes or types of income that the RD regards **as exempt from assessment** and these are also linked below. **Note: it is assumed that if the income is not listed as exempt, that it is regarded as assessible:**
THIS IS A PLACE HOLDER FOR THE CORRECT LINK

13. **The definition of** income that is derived from within Thailand is fairly clear, if you work and have a job and you are a Tax Resident, **the payment you receive** is assessable for tax. Interest that is paid to you on Thai bank accounts is regarded as income, as is income from investments such as stocks and bonds within Thailand. As a general principle, any payment you receive for work that arises within Thailand is regarded as income. You should note that if you are generating income by working while staying in Thailand, it is (and has always been) irrelevant where that money is paid and whether you bring the money into the country or keep it offshore. That money arises in Thailand hence it is taxable here.

14. It is not possible to give the same blanket rule to everyone to determine whether income is assessable or not because of the variable factors involved. Overseas income has to pass several tests to determine if it is assessable to Thai tax or not. It is still early days and all the rules are not yet clear. It has been said that tax residents who import funds from countries that have a DTA with Thailand, will not be affected. Exactly how that will work leaves many questions unanswered hence this document attempts to look at only the most popular types of income based on what

is known at present. This document does not speculate as to what may happen in the future, other than in the segment at the end concerning likely future Immigration rules.

15. **First and foremost, only income that is remitted to Thailand is assessable in Thailand, funds that remain outside Thailand are not.** If we take the simplest type of income and say that you transfer personal savings from overseas to Thailand and those savings were earned before 1 January 2024, those funds are not assessable. But savings earned after that date are, hence the date when the income is earned is extremely important. A word of caution, you may be asked to provide proof that savings were earned before 1 January 2024 **hence it will help if you store statements of each of your accounts showing valuations that are effective as of 31 December 2023.**

16. **The way in which the income is received in Thailand does not change its definition. Bank transfers, cheques, cash, overseas ATM and credit card transactions can also be income, the last two because overseas funds were imported to pay for goods or services in Thailand.**

17. Another common type of income is pensions, which can be complicated, depending on the type of pension and the country that it comes from. The country of origin is important because there are over 60 different types of Dual Tax Agreements, sometimes called Double Taxation Agreements (DTA's), between Thailand and those 60+ countries and each one is different. As a general rule, most private or company pensions from most countries appear to be assessable here but YOU will need to confirm that yours is or is not. If that is true, private and company pension income IS assessable income in Thailand.

18. US Social Security payments, a form of pension paid to some older people, can only be taxed by the US under DTA rules and Thailand is forbidden from taxing them, this means those payments are NOT assessable income. UK State pension on the other hand is not covered by a DTA so it is assessable income in Thailand whilst UK Government or Civil Service, **Armed Forces and some NHS** pensions are not.

19. The proceeds from the sale of a capital item such as overseas property, where funds are remitted to Thailand, is one popular source of expat funds, the sale of some investment products such as stocks, shares and bonds is another. Those proceeds typically comprise two parts, capital and profit. **<u>If the capital was acquired before 1 January 2024, it is free of Thai tax.</u>** One way to separate capital and profit may be to have an official valuation or statement that is dated 1 January 2024 since anything earned before that date, is not assessable. Also, if the profit has been the subject of a Capital Gains return in the home country, that also may be free of Thai tax but this cannot be guaranteed at this time, until things are made clearer and are once again subject to the terms of any DTA. YOU will need to review the DTA between Thailand and your home country to fully understand what particular clauses affect you.

20. It appears as though most property rental income that is remitted to Thailand is considered to be assessable income and is taxable here, unless of course it has been taxed in the home country and/or the DTA prohibits its taxation (which seems unlikely).

21. YOU are responsible for determining if your assessable income in Thailand exceeds the threshold and means you must file a tax return. That assessable income might comprise, pension payments, investment income, rental income or any of the other types of income listed in the link

above. If you have assessable income of over 120,000 baht per year, you must file a tax return (60,000 baht if your sole source of assessable income is bank interest paid in Thailand).

22. **Before you can file a tax return in Thailand, you need to acquire a Tax Identification Number or TIN from the RD offices in your area. You will need your passport, a valid and current visa or extension and in many areas, a Certificate of Residency from the Immigration Department.**

23. **Who must file a tax return? The English language translation of the RD rule says that, "You have to file a return on the income that you received if you meet one of the following conditions:**
(1) Your total income exceeded 120,000 baht in the tax year.
(2) You were married and your income combined with that of your spouse exceeded 220,000 baht in the tax year."

This is understood to mean assessable income.

https://www.rd.go.th/fileadmin/download/english_form/030265guide91.pdf

24. Completing a tax return is a simple affair for most people, if you have difficulty, the Revenue Department staff are extremely helpful. Tax returns must be filed between 1 January and 30 March each year, if you file later than that, penalties will apply.
25. Thai tax is layered in bands and is payable based on the amount of assessable income that falls within each band and are shown and linked below:

Taxable Income per year(Baht) Tax rate
0 – 150,000 Exempt
150,000 – 300,000 5%
300,000 – 500,000 10%
500,000 – 750,000 15%
750,000 – 1,000,000 20%
1,000,000 – 2,000,000 25%
2,000,000 – 4,000,000 30%
Over 4,000,000 35%
https://www.mazars.co.th/Home/Insights/Doing-Business-in-Thailand/Payroll/Personal-Income-Tax

26. The Thai tax system contains a series of Allowances, Deductions and Exemptions that will help you reduce your tax bill and they are very generous. It is easily possible for the average expat foreign retiree to reduce their taxable income by 500,000 baht or more each year. For example, a retiree aged 65 years of age, married and living here full time, supporting a Thai wife who has no income and doesn't file tax return, is allowed the following:

a. Personal Allowance for self - 60,000
b. Personal Allowance for wife - 60,000
c. Over age 65 years exemption - 190,000
d. 50% of pension income received, up to 100k - 100,000
e. In addition, the first 150,000 of assessable income is zero rated and free of tax

27. Additional deductions and allowances exist for health or life insurance premiums paid in Thailand. A complete list of deductions, allowances and exemptions can be found here https://www.rd.go.th/english/6045.html or from Sherrings below.
https://sherrings.com/personal-tax-deductions-allowances-thailand.html

28. The Thai Revenue tax filing system is on-line but only available in Thai language at present. The tax forms are however available in English and they can be downloaded from the link below.
https://www.rd.go.th/english/63902.html

29. A simple sample completed tax form for a person aged over 65 years is shown below as a guide.
30. https://aseannow.com/topic/1312534-taxation-of-ex-pats-pensions-etc/?do=findComment&comment=18532562

31. Tax filing in Thailand is based on the honour system, it relies on you declaring all the right information every year and there are severe penalties for evading Thai tax. It would be foolish and a gross under estimation of RD capabilities to think that doing nothing and keeping a low profile means you should ignore Thai taxation. Very few sane people in the US and UK ignore the tax authorities who tend to have a long reach. It cannot be ruled out that at some point, a link may be established between tax filings and visa extensions. A law already exists that requires foreigners to apply for Tax Clearance Certificates before being allowed to depart the country but it is not being enforced currently. These things are possible because similar things have been adopted in several countries in the past, including the US.

32. **The RD tax return requires taxpayers to report assessable income, the tax rules even list some types of income that are not assessable to help in this. In addition, some types of income, from some locations, for some nationalities, are also known to be exempt.**

33. **If a taxpayer is certain that some of their income is not assessable, they may not want to declare it on their Thai tax return. Alternatively they may wish to ask the RD or employ specialist tax advisor's. It should go without saying that some taxpayers may try to suggest that some of their income is not assessable when really, they don't know for sure, or, they know that it is and say it that it isn't, a sort of, chancing your arm and hoping you won't get found out. In that situation, the RD will not look favourably on such people and penalties are likely.**

34. There are several sources of detailed tax information and these web sites are linked below:
https://www.rd.go.th/english/6045.html
https://sherrings.com/personal-income-tax-in-thailand.html
https://www.mazars.co.th/Home/Insights/Doing-Business-in-Thailand/Payroll/Personal-Income-Tax

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