Doing Business in Thailand – Corporate Income Tax

Under the Revenue Code of Thailand ("RC") the corporate income tax rate ("CITR") on profit for Thai companies is 30%. However, pursuant to Title I, Section 3(1) of the RC, this rate may be reduced for some or all such companies if the Prime Minister's Cabinet issues a Royal Decree ("RD") to such effect.

On 14 December 2011 the Cabinet issued RD 530. As a result, the CITR for "small to medium enterprise companies ("SMEs", currently defined as any company with a capitalization of not more than THB 5,000,000 on the final day of the tax year and which company does not have income exceeding THB 30,000,000 in that same tax year) is now as follows:

(1) exempted on net profit up to THB 150,000 for all of the following tax years which begin on or after 1 January 2012;

(2) 15% on net profit from THB 150,001 up to THB 1,000,000 for all of the following tax years, which begin on or after 1 January 2012;

(3) 23% on net profit of THB 1,000,0001 or more for the tax year, which begins on or after 1 January 2012; and

(4) 20% on net profit of THB 1,000,0001 or more for all of the following tax years, which begin on or after 1 January 2013.

It should also be noted that a further CITR reduction by way of exempting net profits up to THB 300,000 was later provide by RD 564 and applies to all tax years, which begin on or after 1 January 2013.

RD 530 also provided that the CITR for all companies–including those that are listed on the Stock Exchange of Thailand ("SET") (*but not including those which are listed on the SET's Market for Alternative Investment ("MAI")) for the three consecutive accounting periods would be:

(1) 23% on net profit for the tax year which begins on or after 1 January 2012; and

(2) 20% on net profit for the following two tax years, which begin on or after 1 January 2013.

*the CITR for the companies that are listed on the MAI on the SET remains 20% per the prior RD 467.

These CITR reductions are clearly welcomed by those investing and doing business in Thailand. However, it should be noted that although the CITR reductions for SMEs are "permanent", they are not so for all other (non-MAI listed) companies. It is unclear, if it is "planned" to extend or even increase these reductions after the expiration of the reductions when they expire after fiscal tax-year 2014.
