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Thai Tax Reform

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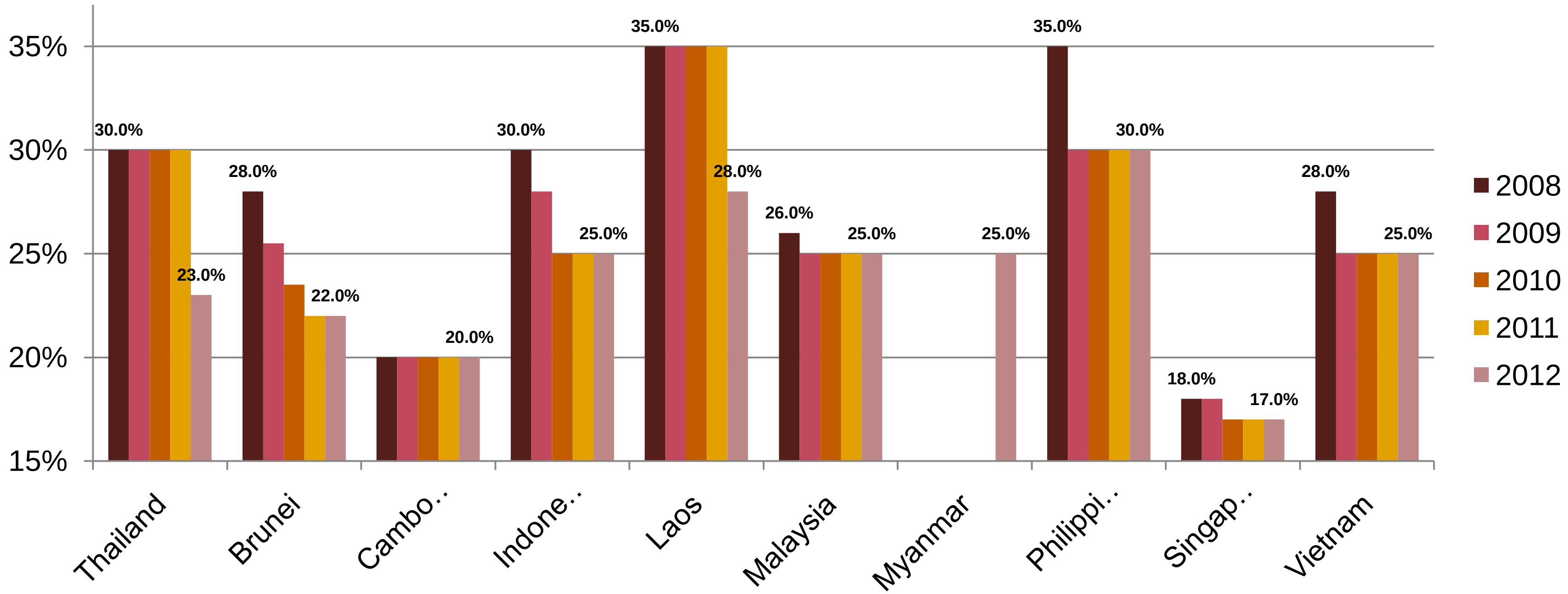
Thailand ….. Direction

Thailand . . . Overview

2008 – 2012 ASEAN corporate income tax (CIT) rates

In 2012, Thailand has the third lowest corporate tax rate in ASAEN while Singapore is the first and Cambodia is the second

In 2013, Thailand became the second lowest in ASEAN when our corporate tax rate reduced to 20%



Thailand . . . Overview

Reduction in CIT rate would result in over Baht 100,000 million loss of government income, but increase country competitiveness

What Thailand should do next?

- Should Thailand increase VAT rate to recover the loss?
- Should Thailand reduce personal income tax (PIT) rate to maintain tax equalization?
- Should Thailand cut down PIT allowance/deduction?
- Should Thailand introduce anti-avoidance rules?

Thailand . . . Overview

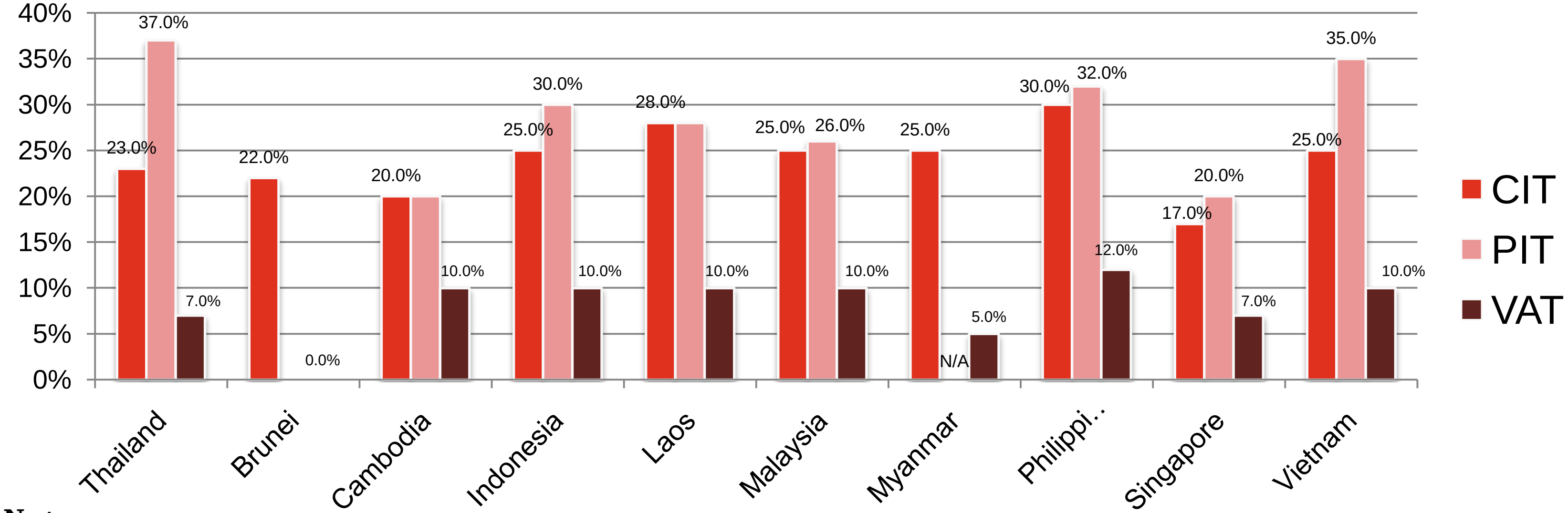
Should Thailand reduce PIT accordingly?

Should Thailand increase VAT to recover the loss?

Thailand . . . Overview

Asia Pacific income tax and VAT rates

- VAT/GST rates adopted in most of the countries is 10%.
- Top PIT rates in most of the countries are slightly higher than their CIT rates, except Thailand and Vietnam.



Note:

For PIT, progressive rates are adopted in all countries. The diagram shows the maximum rate.

For VAT/GST, Malaysia has two rates: 6% for service tax and 10% for sale tax while Myanmar's commercial tax ranges from 0% - 100%.

Thailand . . . Overview

Effective Tax Rate (ETR)

Taxable Profits	10,000,000
CIT (20%) – (a)	2,00,000
Net – Dividend	8,000,000
WHT (10%) – (b)	800,000
Net Cash	7,200,000
Total tax payment – (a) + (b)	2,800,000
ETR	**28%**

Taxable Income	PIT rates	
	Current	New
0 – 150,000	exempt	exempt
150,001 – 300,000	10%	5%
300,001 – 500,000		10%
500,001 – 750,000	20%	15%
750,001 – 1,000,000		20%
1,000,001 – 2,000,000	30%	25%
2,000,001 – 4,000,000		30%
4,000,001 and above	37%	35%
Maximum rate	**37%**	**35%**

Thailand . . . Overview

Should Thailand introduce anti-avoidance rules?

Tax Policy and Administration

Global Trends:

“Base broadening, rate reduction”

“Shift from direct tax to indirect tax”

“Economic substance and GAARs”

“Tougher transfer pricing rules”

“Online processes”

PwC - Tax policy and administration: Global trends/June 2012

General Anti-Avoidance Rules (GAAR)

- **What is GAAR?**

“Measurements adopted by revenue authorities to tackle perceived tax avoidance in cross-border transactions in order to protect their tax base”

General Anti-Avoidance Rules (GAAR)

	Transfer Pricing	Thin Capitalization	CFC
Brunei	x	n/a	n/a
Cambodia	x	x	x
Indonesia	✓	x	✓
Laos	x	x	x
Malaysia	✓	✓ But, defer implementation	x
Myanmar	x	x	x
Philippines	✓	x But may re-characterise interest as dividends	x
Singapore	✓	x	x
Thailand	✓	x	x
Vietnam	✓	x	x

Observation

- Consideration that should be given for tax reforms:
  - To encourage inbound investment and retain the cash flow within Thailand (e.g. competitive CIT rates)
  - To reduce trade obstacles and support Thai operators for outbound investment and trade (e.g. double deduction and income tax exemption for offshore investment, Section 70 ter, etc.)
  - To promote innovative edge and attraction of experts (e.g. special privileges such as ROH, R&D center)
  - To be competitive not only on paper but also in practice (e.g. ROH, IPC, R&D expenses, exportation of services)

Thank you

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