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ROYAL DECREE

Issued under the Revenue Code

Governing Reduction of Tax Rates and Exemption of Taxes (No. 586)

B.E. 2558 (2015)

BHUMIBOL ADULYADEJ, REX.

Given on the 28th Day of April B.E. 2558;

Being the 70th Year of the Present Reign.

His Majesty King Bhumibol Adulyadej is graciously pleased to proclaim that:

Whereas it is expedient to reduce tax rates and exempt income taxes and specific business taxes in certain cases;

By virtue of section 22 of the Constitution of the Kingdom of Thailand (Interim), B.E. 2557 (2014) and section 3 (1) of the Revenue Code as amended by the Revenue Code Amendment Act (No. 10), B.E. 2596 (1953), a Royal Decree is hereby enacted, as follows:

Section 1 This Royal Decree shall be called the “Royal Decree Issued under the Revenue Code Governing Reduction of Tax Rates and Exemption of Taxes (No. 586), B.E. 2558 (2015)”.

Section 2 This Royal Decree shall come into force as from the day following the date of its publication in the Government Gazette.

Section 3 In this Royal Decree:

“alien” means a natural person of non-Thai nationality;

“international headquarters” means a company established under Thai laws to operate a business of providing management or technical services, providing support services or providing treasury management to its associated enterprises or branches, irrespective of whether such associated enterprises or branches are located in Thailand or foreign countries, and shall include international trading centers which have been approved as international headquarters under this Royal Decree;

“providing support services ” means the providing of support services as follows:

- (1) general administration, business planning and business coordination;
- (2) procurement of raw materials and components;
- (3) research and development of products;
- (4) technical supports;
- (5) marketing and sales promotion;
- (6) personnel management and training;
- (7) financial advisory services;
- (8) economic and investment analysis and research ;
- (9) credit management and control;
- (10) other supporting service provisions as prescribed by the Director-General of the Revenue Department;

“treasury management” means treasury management as follows:

- (1) treasury management by the Treasury Center as permitted under the law on foreign exchange control;
- (2) borrowing and lending of money in Thai baht in the following cases:
 - (a) borrowing of money in Thai baht from financial institutions in Thailand or associated enterprises in Thailand;
 - (b) lending of Thai baht obtained from (1) or (a) to associated enterprises in Thailand in Thai baht;

“international trading center” means a company established under Thai laws to operate a business of purchasing and selling goods, raw materials and components or providing services relating to international trade to juristic persons established under foreign laws;

“providing of services relating to international trade” means the providing of services as follows:

- (1) procurement of goods;
- (2) warehousing services prior to delivery;
- (3) packaging services;
- (4) transportation of goods;

- (5) insurance on goods;
- (6) advisory, technical and training services on goods;
- (7) other services as prescribed by the Director-General of the Revenue Department;

“associated enterprise” means a company or juristic partnership related to an international headquarters as follows:

(1) a company or juristic partnership which holds shares in the international headquarters, directly or indirectly, altogether at the ratio of shareholding not less than twenty five percent of total capital;

(2) a company or juristic partnership in which the international headquarters holds shares or is a partner holding an interest, directly or indirectly, altogether at the ratio of shareholding not less than twenty five percent of total capital;

(3) a company or juristic partnership in which the company or registered partnership under (1) holds shares or is a partner holding an interest, directly or indirectly, altogether at the ratio of shareholding not less than twenty five percent of total capital;

(4) a company or juristic partnership which has the power to control the business or supervise the operation and management of the international headquarters;

(5) a company or juristic partnership in which the international headquarters has the power to control the business or supervise the operation and management;

(6) a company or juristic partnership in which the company or juristic partnership under (4) has the power to control the business or supervise the operation and management.

Section 4 A withholding income tax rate shall be reduced and charged at fifteen percent on the assessable income derived by an alien from his or her employment in the international headquarters, which, when computed in accordance with section 50 (1) of the Revenue Code, is subject to tax at the rate specified in the Schedule of Income Tax Rates annexed to Chapter 3 in Title 2 of the Revenue Code of more than fifteen percent of income.

In the case where assessable income under paragraph one, when computed in accordance with section 50 (1) of the Revenue Code, is subject to withholding tax at the rate

of less than fifteen percent of income, the alien who has earned the income shall be entitled to exemption from including such income in computation of income tax in accordance with section 5 if such alien allows the payer of income to withhold income tax at the rate of fifteen percent of such income.

Section 5 An alien whose income has been withheld for income tax at the rate of fifteen percent of assessable income under section 4 shall, when a tax return reporting the assessable income is due for filing, be exempted from including such assessable income in computation of income tax, provided that such alien does not claim a refund or credit for the tax withheld, whether in whole or in part.

In the case where an alien has the assessable income under section 40 (4) and (8) of the Revenue Code on which income tax has already been withheld under section 50 of the Revenue Code and is entitled to choose to pay tax under section 48 (3) and (4) of the Revenue Code, such alien shall be entitled to exemption under paragraph one only if such alien does not include the assessable income under section 40 (4) and (8) of the Revenue Code as mentioned and the assessable income on which income tax has been withheld under section 4 in computation of income tax when filing a tax return reporting the assessable income, and does not claim a refund or credit for the tax withheld, whether in whole or in part.

In order to be granted exemption under this section, the alien shall file a tax return reporting the assessable income which has been exempted from the income tax computation.

Section 6 An alien who is eligible for the entitlement under section 4 and section 5 must be an alien who has worked full-time at an international headquarters having the qualifications under section 9 and received assessable income under section 40 (1) of the Revenue Code from the date on which the international headquarters has enjoyed the tax privilege under section 7 and section 8 until the date on which the full-time work at the international headquarters or the tax privilege under section 7 and section 8 of the international headquarters has been terminated, in accordance with the rules and procedures prescribed by the Director-General of the Revenue Department.

Section 7 The income tax rate for companies or juristic partnerships under (a) of (2) in the Schedule of Income Tax Rates annexed to Chapter 3 in Title 2 of the Revenue Code shall be reduced and collected at ten percent on net profits of international headquarters derived from the following incomes:

(1) income from managerial or technical service provision, supporting service provision or treasury management for associated enterprises established under Thai laws;

(2) royalties received from associated enterprises established under Thai laws.

Income entitled to income tax reduction under paragraph one shall be limited to the amount not exceeding the amount of income entitled to income tax exemption under section 8 (1) and (2).

Section 8 The income tax exemption under Part 3 of Chapter 3 in Title 2 of the Revenue Code shall be granted to the international headquarters on the following incomes:

(1) income from providing management or technical services, providing support services or providing treasury management to its associated enterprises established under foreign laws;

(2) royalties received from associated enterprises established under foreign laws;

(3) dividends received from associated enterprises established under foreign laws;

(4) income from the transfer of shares in associated enterprises established under foreign laws, where a monetary value of the proceeds from the transfer exceeds the capital in accordance with the rules, procedures and conditions prescribed by the Director-General of the Revenue Department;

(5) income from the purchase and sales of goods overseas, provided that such goods must not be imported into Thailand or imported into Thailand in the description of goods in transit or transshipment under the law on customs, and income from providing services relating to international trade to juristic persons established under foreign laws, which is received from or in a foreign country.

Section 9 An international headquarters which is to be eligible for the entitlement under section 7 and section 8 shall satisfy the following qualifications:

(1) having paid-up capital on the last day of each accounting period of ten million baht or more;

(2) providing management or technical services, providing support services or providing treasury management to its associated enterprises established under foreign laws;

(3) having operational expenses incurred in the course of business of the international headquarters, which are paid to recipients in Thailand, of not less than fifteen million baht in each accounting period;

(4) having filed a request and obtained approval to be an international headquarters from the Director-General of the Revenue Department in accordance with the rules, procedures and conditions prescribed by the Director-General of the Revenue Department;

(5) having complied with other rules, procedures and conditions prescribed by the Director-General of the Revenue Department.

If the international headquarters lacks any of the qualifications under paragraph one in any accounting period, the entitlement to tax privilege in that accounting period shall be suspended.

Section 10 An international headquarters satisfying the qualifications under section 9 shall be entitled to the reduction of income tax rate and the exemption of income tax under section 7 and section 8 for fifteen accounting periods from the day following the date of the approval from the Director-General of the Revenue Department in accordance with the following criteria:

(1) if the accounting period commences on or after the date on which the request has been filed and approval to become an international headquarters has been obtained according to section 9, such accounting period shall be counted as the first accounting period; or

(2) if the request has been filed and approval to be an international headquarters has been obtained according to section 9 during any accounting period, such accounting period shall be counted as the first accounting period although the duration of such period is less than twelve months.

Section 11 The income tax exemption under Part 3 of Chapter 3 in Title 2 of the Revenue Code shall be granted to a company or juristic partnership established under foreign laws and not carrying out business in Thailand on the following incomes:

(1) dividends received from the international headquarters, only if paid out of income entitled to income tax exemption under section 8;

(2) interest received from the international headquarters, only if derived from loans taken out by the international headquarters to relend to associated enterprises for treasury management purpose.

Section 12 Specific Business Tax exemption under Chapter 5 in Title 2 of the Revenue Code shall be granted to an international headquarters having the qualifications under section 9 on income derived from providing treasury management to its associated enterprises from the 2nd of May B.E. 2558 (2015) onwards.

(Royal Decree Amendment (No. 612) B.E. 2559 (2016), effective on the 3rd of June 2016 onwards)

Section 13 A regional operating headquarters under the Royal Decree Issued under the Revenue Code Governing Reduction of Tax Rates and Exemption of Taxes (No. 405), B.E. 2545 (2002) as amended by the Royal Decree Issued under the Revenue Code Governing Reduction of Tax Rates and Exemption of Taxes (No. 508), B.E. 2553 (2010), which intends to establish an international headquarters shall file a request to be an international headquarters under section 9 of this Royal Decree and notify termination of the regional ?? headquarters whereby it shall be exempted from the obligation to comply with section 11/10 of such Royal Decree.

Section 14 The Minister of Finance shall have charge and control over the execution of this Royal Decree.

Countersigned by:

General Prayut Chan-o-cha

Prime Minister

Remarks :- The rationale for enactment of this Royal Decree is that the Government has a policy to support Thailand in becoming an investment hub by promoting the establishment of more international headquarters in Thailand. Therefore, to increase incentives and support the establishment of international headquarters, it is deemed expedient that tax privileges are granted to international headquarters and aliens who work in such international headquarters. Hence, it is necessary to enact this Royal Decree.