

For Translation Purpose Only

ROYAL DECREE

Issued under the Revenue Code

Governing Reduction of Tax Rates and Exemption of Taxes (No. 674)

B.E. 2561 (2018)

His Majesty King Maha Vajiralongkorn Bodindradebayavarangkun

Given on the 25th December B.E. 2561 (2018);

Being the 3rd Year of the Present Reign.

His Majesty King Maha Vajiralongkorn Bodindradebayavarangkun 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 175 of the Constitution of the Kingdom of Thailand and section 3 (1) of the Revenue Code as amended by the Revenue Code Amendment Act (No.10), B.E. 2496 (1953), a Royal Decree is hereby enacted as follows:

Section 1 This Royal Decree is called the “Royal Decree Issued under the Revenue Code Governing Reduction of Tax Rates and Exemption of Taxes (No. 674) B.E.2561 (2018).”

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

Section 3 In this Royal Decree:

“Alien” means an individual whose nationality is not Thai

“International Business Centre” means a company incorporated under Thai laws to conduct a business of providing management service, technical service, supporting service, or financial management service for associated enterprises or a business of international trading which has been approved by the Director-General according to section 10

“Providing supporting service” means providing any the following services:

- (1) general management, business planning, and business coordination;
- (2) procurement of raw materials and parts;
- (3) research and development of products;
- (4) technical support;
- (5) marketing and sales promotion;
- (6) human resource management and training;
- (7) financial advisory services
- (8) economic and investment analysis and research
- (9) credit management and control
- (10) any other supporting services prescribed by the Director-General

“Providing financial management service” means providing any of the following services:

- (1) financial management by treasury centers approved under the Exchange Control Law;
- (2) borrowing and lending in Thai Baht by the treasury centers approved under the Exchange Control Law

“International trading” means procuring and selling goods internationally with or without provision of services related to the procurement or sales of the goods. Services related to international trading include:

- (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) any other services prescribed by the Director-General

“Associated enterprise” means a company or juristic partnership which is related to the international business centre in one of the following ways:

(1) a company or juristic partnership that holds shares in an international business centre, directly or indirectly, of at least 25 percent of total capital;

(2) a company or juristic partnership of whom an international business centre holds shares or is a partner, directly or indirectly, of at least 25 percent of total capital;

(3) a company or juristic partnership that a company or juristic partnership in (1) holds shares or is a partner, directly or indirectly, of at least 25 percent of total capital;

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

(5) a company or juristic partnership whose operation and management an international business centre has power to control or supervise;

(6) a company or juristic partnership that a company or juristic partnership in (4) has power to control or supervise the operation and management

“Income of international business centre” means income as follows:

(1) income derived from providing management service, technical service, supporting service, or financial management service for associated enterprises;

(2) royalties received from associated enterprises but only royalties derived from research and development carried out in Thailand and the international business centre has researched and developed or hired an entity to research or develop in accordance with the rules, procedures, and conditions prescribed by the Director-General

“Expenses of international business centre” means expenses paid to generate income of international business centre

Section 4 A withholding income tax rate shall be reduced and charged at 15 percent of assessable income that an alien receives from their employment by international business centre, which, when computed in accordance with section 50(1) of the Revenue Code, is subject to withholding 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 15 percent of income.

In cases where the assessable income in paragraph one, when computed in accordance with section 50(1) of the Revenue Code, is subject to withholding tax at the rate lower than 15 percent of income, the alien who has earned the income shall be exempted from having to include such income in computation of income tax in accordance with section 5 if such alien allows the payer of the income to withhold income tax at the rate of 15 percent of such income.

Section 5 An alien whose income has been withheld for income tax at the rate of 15 percent of assessable income under section 4 shall, when a tax return is due for filing, be exempted from having to include such 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 cases where an alien has assessable income under section 40(4) and (8) of the Revenue Code of which income tax has 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 in paragraph one if such alien does not include such assessable income under section 40(4) and (8) of the Revenue Code and the assessable income of which income tax has been withheld under section 4 in computation of income tax when filing a tax return, 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 assessable income which has been exempted from having to be included in computation of income tax.

Section 6 An alien who works full-time at an international business centre shall be entitled to the tax benefits under section 4 and section 5 if the alien has the qualifications and follows the rules, procedures, and conditions prescribed by the Director-General.

Section 7 The income tax rate under (a) of (2) for a company or juristic partnership of the Schedule of Income Tax Rates annexed to Chapter 3 in Title 2 of the Revenue Code shall be reduced and collected at one of the following rates for international business centre:

(1) 8 percent of net profit for income of international business centre but only international business centre which has paid expenses of international business centre to a recipient in Thailand in an amount of at least 60 million Baht per accounting period

(2) 5 percent of net profit for income of international business centre but only international business centre which has paid expenses of international business centre to a recipient in Thailand in an amount of at least 300 million baht per accounting period

(3) 3 percent of net profit for income of international business centre but only international business centre which has paid expenses of international business centre to a recipient in Thailand in an amount of at least 600 million baht per accounting period.

Section 8 Income tax under Part 3 of Chapter 3 in Title 2 of the Revenue Code shall be exempted for international business centre for income derived from dividend received from associated enterprises.

Section 9 Specific business tax under Chapter 5 in Title 2 of the Revenue Code shall be exempted for international business centre for income derived from providing financial management service to associated enterprises.

Section 10 Any company that seeks to become international business centre must file a request with a business plan that demonstrates its intention to become a business centre at a regional or global level and a list of all associated enterprises in Thailand and overseas and must receive approval from the Director-General.

The approval in paragraph one shall be in accordance with the rules, procedures, and conditions prescribed by the Director-General.

Section 11 Companies that seeks to obtain the approval under section 10 must have the following qualifications:

(1) is a company incorporated under Thai laws to conduct a business of providing management service, technical service, supporting service, or financial management service for associated enterprise and has paid-up capital of at least 10 million baht on the last day of each accounting period

(2) has at least 10 employees who have the knowledge and skills necessary for international business centre and work full-time for international business centre, except in cases where an international business centre only conducts a business of providing financial management service for associated enterprises, that international business centre can have less than 10 employees but no less than 5 employees.

Section 12 An international business centre receives tax benefits in section 7, section 8, and Section 9 for 15 accounting periods since the date after the date which it receives the approval from the Director-General under section 10 for the following accounting periods:

(1) If the accounting period starts on or after the date on which the request to become international business centre has been filed and approved, that accounting period shall be the first accounting period or;

(2) If the request has been filed and approved during an accounting period, that accounting period shall be the first accounting period although that accounting period is less than 12 months.

Section 13 International business centre which is eligible for the tax benefits in section 7, section 8, and section 9 must have the following qualifications:

(1) has the qualifications under section 11

(2) has paid expenses of international business centre to a recipient in Thailand in an amount of at least 60 million baht in each accounting period, except cases under section 16, section 17, or section 18

(3) has conducted a business of providing management service, technical service, supporting service, or financial management service for associated enterprises

(4) complies with the rules, procedures, and conditions prescribed by the Director-General

If an international business centre lacks one of the qualifications in any accounting period, the right to the tax benefits will be suspended only for that accounting period.

Section 14 Income tax under Part 3 of Chapter 3 in Title 2 of the Revenue Code shall be exempted for a company or juristic partnership incorporated under foreign laws and does not conduct business in Thailand for the following income:

(1) dividend received from international business centre as follows:

(a) dividend paid from income derived from providing management service, technical service, supporting service, or financial management service for associated enterprises which receives the tax benefits under section 7

(b) dividend paid from income of regional operating headquarters under section 11 of Royal Decree Issued under the Revenue Code Governing Reduction of Tax Rates and Exemption of Taxes (No. 405) B.E. 2545 (2002) and its amendments

(c) dividend paid from income of regional operating headquarters under section 11/11 of Royal Decree Issued under the Revenue Code Governing Reduction of Tax Rates and Exemption of Taxes (No. 405) B.E. 2545 (2002) and its amendments

(d) dividend paid from income of international headquarters under section 11(1) of Royal Decree Issued under the Revenue Code Governing Reduction of Tax Rates and Exemption of Taxes (No. 586) B.E. 2558 (2015) and its amendments

(2) interest received from international business centre, but only interest from loan that the international business centre has acquired to lend to associated enterprises which is part of financial management services

Dividend under paragraph one (1) (b) (c) and (d) must be dividend received within one year since the date of the Director-General's approval under section 10.

Section 15 If an international business centre lacks one of the qualifications under section 16, section 17, and section 18 for more than one accounting period or does not meet the definition of international business centre, the Director-General has the power to terminate the approval for international business centre and the periods of tax rate reductions and exemptions shall be revoked since the first accounting period.

Section 16 Regional operating headquarters under section 10 (4) of Royal Decree Issued under the Revenue Code Governing Reduction of Tax Rates and Exemption of Taxes (No. 405) B.E. 2545 (2002) and its amendments that seeks to convert to international business centre under this Royal Decree must have the qualifications under section 11 and file a request to convert to international business centre and receives the approval from the Director-General in accordance with the rules, procedures, and conditions prescribed by the Director-General.

Regional operating headquarters which receives the approval in paragraph one that shall receive the tax rate reduction and exemption under section 7, section 8, section 9, and section 14 must have the qualifications as stated under section 11 and section 13 (3) and (4).

In cases where regional operating headquarters which receives the approval in paragraph one has business expenses of less than 60 million baht in any accounting period, the regional operating headquarters shall be entitled to the tax reduction under section 7(1).

Section 17 Regional operating headquarters under section 11/6(6) of Royal Decree Issued under the Revenue Code Governing Reduction of Tax Rates and Exemption of Taxes (No. 405) B.E. 2545 (2002) and its amendments that seeks to convert to international business centre under this Royal Decree must have the qualifications under section 11 and file a request to convert to international business centre and receives the approval from the Director-General in accordance with the rules, procedures, and conditions prescribed by the Director-General.

The action taken by the regional operating headquarters in paragraph one is not deemed the termination of regional operating headquarters.

Regional operating headquarters which receives the approval in paragraph one that shall receive the tax rate reduction and exemption under section 7, section 8, section 9, and section 14 must have the qualifications as stated under section 11 and section 13 (3) and (4) and has operating expenses paid to a recipient in Thailand of at least 15 million baht in each accounting period.

In cases where regional operating headquarters which receives the approval in paragraph one has business expenses of at least 15 million baht but less than 60 million baht in any accounting period, the regional operating headquarters shall be entitled to the tax reduction under section 7(1).

Section 18 International headquarters under Royal Decree Issued under the Revenue Code Governing Reduction of Tax Rates and Exemption of Taxes (No. 586) B.E. 2558 (2015) and its amendments that seeks to convert to international business centre under this Royal Decree must have the qualifications under section 11 and file a request to convert to international business centre and receives the approval from the Director-General in accordance with the rules, procedures, and conditions prescribed by the Director-General.

International headquarters which receives the approval in paragraph one that shall receive the tax rate reduction and exemption under section 7, section 8, section 9, and section 14 must have the qualifications as stated under section 11 and section 13 (3) and (4) and has operating expenses paid to a recipient in Thailand of at least 15 million baht in each accounting period.

In cases where international headquarters which receives the approval in paragraph one has business expenses of at least 15 million baht but less than 60 million baht in each accounting period, the regional operating headquarters shall be entitled to the tax reduction under section 7(1).

Section 19 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