

Tax News

The Cabinet approved International Business Center Tax Scheme to replace International Headquarters Tax Regimes

On 10 October 2018, the Cabinet approved the draft Royal Decrees which ceased the Regional Operating Headquarters Tax Schemes (ROH1 and ROH2), International Headquarters Tax Scheme (IHQ) and the International Trading Center (ITC) with a grace period included. The Cabinet now introduces the International Business Center Tax Scheme (IBC) as a replacement to comply with the Inclusive Framework on Base Erosion and Profit Shifting (BEPS) in which Thailand is a member of.

The aim of this is to attract more investment in Thailand, the tax benefits to be provided by the Revenue Department to IBC are as follows: -

Tax	Description of Incentives
Corporate Income Tax (CIT)	<ul style="list-style-type: none"> CIT reduction on royalty income and income derived from services or treasury management services received from domestic and overseas affiliated companies of 8%, 5% or 3% of net profits as per domestic expenses of 60 million Baht, 300 million Baht or 600 million Baht respectively. CIT exemption on dividend income received from domestic and overseas affiliated companies. CIT exemption for overseas companies not carrying on business in Thailand that receive dividend or interest income from IBC.
Specific Business Tax (SBT)	<ul style="list-style-type: none"> SBT exemption on income derived from the provision of treasury management services received from domestic and overseas affiliated companies.
Personal Income Tax (PIT)	<ul style="list-style-type: none"> PIT reduction to a 15% flat rate for expatriates working in IBC.

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To qualify for IBC tax incentives, the following criteria must be fulfilled.

- The company must have paid-up capital of not less than 10 million Baht.
- The company must have domestic expenses of not less than 60 million Baht (ROH1, ROH2 and IHQ that is converted into IBC can comply with the expense condition under each scheme)
- The company must hire at least 10 employees (or at least 5 employees for treasury management)

For ROH1, ROH2, IHQ and ITC tax schemes, the Royal Decrees have prescribed the last days of application and the companies already granted approval under the said schemes are able to enjoy tax incentives as below: -

Tax Scheme	Last Day of Application	The Remaining Period of Tax Incentives
ROH1	10 October 2018	Until fiscal year 2020
ROH2	15 November 2015	Until the completion of 10 or 15 fiscal periods
IHQ	10 October 2018	Until the completion of 15 fiscal periods
ITC	10 October 2018	Until the completion of 15 fiscal periods

The above amendment of tax schemes is subject to the legislative process and not yet effective. Further details shall be further announced once the Royal Decrees have passed.

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