



Newsletter No. 39 (EN)

**How to Book Foreign Currency Invoices
in Thailand**

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I. Introduction

This Newsletter shall provide a brief information on how to book foreign currency invoices in Thailand.

Example

Thai company A invoices to Thai company B for services performed in Thailand.

The amount due for A is calculated as follows:

	100 EUR
Minus 3% withholding tax	(3 EUR)
<u>Plus additional 7% VAT</u>	<u>+7 EUR</u>

So B has to pay $(100 - 3 + 7)$ **104 EUR**

Thai company B has to pay 3% withholding tax to the Revenue Department, on behalf of the service provider (and issue a withholding tax certificate to A, so A can offset the withholding tax amount against the corporate income tax liability).

The amount of EUR 7 VAT has to be declared to the Thai tax authorities and has to be submitted by the service provider (Thai company A).

PLEASE NOTE:

- The VAT return has to be submitted together with payments due to the Revenue Department within 15 days from the end of the month in which the VAT is to be accounted for.
- Withholding tax has to be remitted to the Revenue Department within seven days from the end of the month in which the remittance is made.

II. How to calculate the exchange rate

1. If you receive payments:

If you receive money, you have to use the buying rate.

Please note that the difference in exchange rates is dependent upon the method of payment:

- If you are paid by cheque or bill of exchange, you have to use the **sight bill rate**.
- If you are paid by bank transfer (baht net), you have to use the telex transfer rate (T/T rate).

For calculating the principle amount of VAT and withholding tax, you have to use the exchange rate of the Bank of Thailand or the exchange rate of the main commercial bank of the company as published on the day that the amount has been received.

Once the company decides to use the exchange rate of the Bank of Thailand or the main commercial bank, the company has to use the exchange rate from such source onwards. The company cannot change it from time to time.

For example:

A Thai company issues an invoice to Germany, amounting to EUR 100 and such Thai company decides to use the exchange rate of the Bank of Thailand. Payment is received in THB, amounting to THB 4,143 (the commercial bank's rate in this example is 41.43 THB/EUR).

However, the buying rate announced by the Bank of Thailand is 41.00 THB/EUR.

Therefore the transaction will be shown as follows:

Invoice amount (100 x 41.00) = 4,100 THB

The difference resulting from the actual exchange rate and the exchange rate of the Bank of Thailand (THB 4,143 - THB 4,100 = THB 43) is recognized as gain/loss on exchange rate.

2. If you make a payment

If you make a payment in foreign currency, you have to use the average selling rate in any of the above cases.

For example:

A Thai company received an invoice from a German supplier, amounting to EUR 100 and such Thai company decides to use the exchange rate of the Bank of Thailand.

The Thai company has to pay this invoice in THB, amounting to THB 4,143 (the com-

mercial bank's rate in this example is 41.43 THB/EUR).

However, the average selling rate announced by the Bank of Thailand is 41.00 THB/EUR.

Therefore the transaction will be shown as follows:

Invoice amount (100 x 41.00) = 4,100 THB
Input VAT (by Phor.Phor.36: 7% x 4,100)
= 287 THB

Withholding tax (if any: e.g. 15% x 4,100)
= 615 THB

The difference resulting from the actual exchange rate and the exchange rate of the Bank of Thailand (THB 4,143 - 4,100 = THB 43) is recognized as gain/loss on exchange rate.

We hope that the information provided in this newsletter was helpful for you.

If you have any further questions please do not hesitate to contact us.

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