



Newsletter No. 69 (EN)

**Withholding Tax on Dividends
in Thailand**

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I. Introduction

Whenever a Thai Company pays dividend to its shareholders, such dividend is normally subject to income tax at the rate of 10%. However, there are the following five exemptions which shall be discussed in this newsletter:

- Clause 5 of the Department Regulation No. Paw 4/2528
- Section 34 of the Investment Promotion Act B.E 2520 (BOI)
- Section 11 of Royal Decree No. 405 (ROH)
- Section 11 of Royal Decree No. 586 (IHQ)
- Section 10 of Royal Decree No. 587 (ITC)

II. Clause 5 of the Department Regulation No. Paw 4/2528

1. Requirements

Clause 5 of the Department Regulation No. Paw 4/2528 has actually two exemptions:

- a) The Thai Company pays dividend to a Listed Company. A Listed Company is a Company that is registered at the Thai stock market.
- b) A non-listed Thai Company, receiving dividend from another Thai company, holds at least 25% of the total shares (with voting rights) of such company, and the paying Company is not holding any shares in the receiving company (no cross-shareholding).

2. Comment

In order to additionally save corporate income tax, the non-listed Thai Company receiving dividend needs to hold the shares in the paying company for at least 6 months. (3 months before the dividend is paid and additional 3 months after the dividend is paid).

III. Section 34 of the Investment Promotion Act B.E. 2520 (BOI)

1. Requirements

The Thai Company paying dividend has to be a company promoted by the Board of Investment (BOI). Additionally, it is required that the dividend is paid from profits out of promoted activities and that such dividend is paid during the time the BOI Company still is exempted from corporate income tax. Such exemption is granted for up to eight years, starting with the date the BOI Company starts operating.

2. Comment

- a) In fact, BOI Companies sometimes get profit out of promoted and non-promoted activities. In such case, profits have to be separated into earnings resulting from promoted activities and ones resulting from non-promoted activities. The BOI Company can choose to pay dividend from its profits either arising from promoted or non-promoted activities. However, only dividends paid from promoted activity go along with the tax exemption.
- b) This exemption applies to all shareholders of the BOI Company, local and foreign.

IV. Section 11 of Royal Decree No. 405 (ROH)

1. Requirements

Regional Operating Headquarters (ROH) are defined as companies established under the law of Thailand which have a minimum paid-up capital of THB 10 million and perform business by providing managerial, administrative, technical or any other prescribed supporting services for related parties (for details, please refer to our Newsletter No. 118).

The Foreign Company receiving dividend must be a shareholder of the ROH Company. Further on, the dividend has to be paid from the revenue that is generated by either one of the following ROH activities:

- a) Services provided by the ROH Company to associated enterprises or foreign branches;
- b) Interests from the loan given by the ROH Company to associated enterprises or foreign branches;
- c) Royalties arising from the technological research and development performed by the ROH Company to associated enterprises or foreign branches.

2. Comment

- a) This exception only applies to foreign companies. It does not apply to individuals or Thai companies.
- b) The exemption does also not apply to revenues generated by dividends which are received by the ROH from other companies.

V. Section 11 of Royal Decree No. 586 (IHQ)

1. Requirements

International Headquarters are defined as companies that are established under Thai laws which have a minimum paid-up capital of THB 10 million, minimum annual ex-

penses in Thailand of THB 15 million and carry out businesses in management or technique, supporting service, or financial management to its affiliates or branches located in Thailand or aboard (for details, please refer to our Newsletter No. 193).

The Foreign Company receiving dividend must be a shareholder of the IHQ Company and must not carry on business in Thailand. Further on, the dividend has to be paid from the revenue that is generated by either one of the following IHQ activities:

- a) Revenue derived from management or technical services, supporting services or financial management for its affiliates established under foreign laws;
- b) Royalties derived from its affiliates established under foreign laws;
- c) Dividends derived from its affiliates established under foreign laws;
- d) Revenue derived from transfer of shares of its affiliates established under foreign laws;¹
- e) Revenue derived from purchasing and selling of goods overseas given that such goods are not brought into Thailand or enter Thailand in transit under the Customs Laws and the revenue derived from such international trade services to the foreign entity comes from or is paid in foreign countries.

2. Comment

- a) This exception only applies to foreign companies. It does not apply to individuals or Thai companies.

¹ This is restricted only to the transfer of shares of which the value exceeds the investment fund when calculated in accordance with the criteria and procedures prescribed by the Director-General of the Revenue Department.

- b) This exemption is granted for up to 15 years.

VI. Section 10 of Royal Decree No. 587 (ITC)

1. Requirements

International Trading Centres are defined as companies that are established under Thai laws which have a minimum paid-up capital of THB 10 million and carry out businesses in purchasing and selling of goods, materials, and parts, or providing services in international trades to entities established under foreign laws (for details, please refer to our Newsletter No. 205).

The Foreign Company receiving dividend must be a shareholder of the ITC Company

and must not carry on business in Thailand. Further on, the dividend has to be paid from the revenue that is generated by either one of the following ITC activity:

- purchasing and selling of goods overseas given that such goods are not brought into Thailand or enter Thailand in transit under the Customs Laws and the revenue derived from such international trade services to the foreign entity comes from or is paid in foreign countries.

2. Comment

- a) This exception only applies to foreign companies. It does not apply to individuals or Thai companies.
- b) The exemption is granted for up to 15 years.

Table 1: Withholding tax on dividends exemptions

	Under the departmental regulation no. paw 4/2528	Under the Investment Promotion Act B.E 2520
Conditions to get the exemption	a) The status of the company paying dividend must be that of a listed Thai Co. or b) The recipient has to hold at least 25% of shares in the company paying dividend and the paying company is not holding any shares in the receiving company.	The status of the Thai Co. paying dividend must be that of a BOI Co. and dividends have to be paid from profits out of promoted activities and paid during the time the BOI Company is exempted from corporate income tax.
Who does it apply to?	Applies only to Thai Co.	Applies to all shareholders of the BOI Company
How long can the exemption be obtained?	As long as the conditions are met.	Up to a maximum of 8 years

Table 2: ROH’s Corporate Income Tax and Withholding Tax on the distribution of dividends

Type of ROH activities	ROH’s Corporate Income Tax	Withholding tax on dividend paid from ROH to foreign companies
Services offered by ROH to its associated enterprises or its foreign branches	10%	0%
Interest received from associated enterprise or foreign branch by ROH	10%	0%
Royalties arising from the result of technological research and development carried out in Thailand by ROH	0%	0%
Dividend received from other companies	0%	10%

Table 3: IHQ’s Corporate Income Tax and Withholding Tax on the distribution of dividends

Type of IHQ activities	IHQ’s Corporate Income Tax	Withholding tax on dividend paid from IHQ to foreign companies
Management or technical services, supporting services or financial management for its affiliates established under Thai law	10%	10%

Royalties derived from its affiliates established under Thai law	10%	10%
Management or technical services, supporting services or financial management for its affiliates established under foreign law	0%	0%
Royalties derived from its affiliates established under foreign law	0%	0%
Dividend derived from its affiliates established under foreign law	0%	0%
Revenue derived from transfer of shares of its affiliates established under foreign laws; ²	0%	0%
Revenue derived from purchasing and selling of goods overseas given that such goods are not brought into Thailand or enter Thailand in transit under the Customs Laws and the revenue derived from such international trade services to the foreign entity comes from or is paid in foreign countries.	0%	0%

² This is restricted only to the transfer of shares of which the value exceeds the investment fund when calculated in accordance with the criteria and procedures prescribed by the Director-General of the Revenue Department.

Table 4: ITC's Corporate Income Tax and Withholding Tax on the distribution of dividends

Type of ITC activities	ITC's Corporate Income Tax	Withholding tax on dividend paid from ITC to foreign companies
purchasing and selling of goods overseas given that such goods are not brought into Thailand or enter Thailand in transit under the Customs Laws and the revenue derived from such international trade services to the foreign entity comes from or is paid in foreign countries	0%	0%

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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