Private Equity Investment and Tax in Thailand

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Economics Overview
Thailand GDP Per Capita

HISTORICAL
Thailand GDP Per Capita

FORECAST

SOURCE: TRADINGECONOMICS.COM / WORLD BANK
Thailand GDP Growth Rate

HISTORICAL

THAILAND GDP GROWTH RATE

SOURCE: TRADINGECONOMICS.COM | NESDB, THAILAND
Thailand GDP Growth Rate

FORECAST
Thailand Inflation rate

HISTORICAL

THAILAND INFLATION RATE

-0.04 -0.17 0.17 0.32 0.86 0.86 0.99 0.78 0.68 0.42

SOURCE: TRADINGECONOMICS.COM | BUREAU OF TRADE AND ECONOMIC INDICES, MINISTRY OF COMMERCE, THAILAND
Thailand Inflation rate

FORECAST

Thailand Inflation Rate

Source: TradingEconomics.com | Bureau of Trade and Economic Indices, Ministry of Commerce, Thailand
Thailand Economy

Thailand GNI Per Capita (Atlas Method/Current US$)

Source: World Bank National accounts data, and OECD National accounts data files (License CC BY-4.0)
Thailand Economy

➤ Thailand’s Economic Indice

<table>
<thead>
<tr>
<th></th>
<th>JAN 2018 r</th>
<th>DEC 2017 r</th>
<th>NOV 2017 r</th>
<th>OCT 2017 r</th>
<th>SEP 2017 r</th>
<th>AUG 2017 r</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Coincident Economic Index 1/</td>
<td>129.85</td>
<td>129.99</td>
<td>129.43</td>
<td>128.84</td>
<td>129.54</td>
<td>129.49</td>
</tr>
<tr>
<td>2 Imports at 2000 prices (Million baht)</td>
<td>391,856.99</td>
<td>382,040.99</td>
<td>368,250.30</td>
<td>382,909.47</td>
<td>362,549.77</td>
<td>371,189.30</td>
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<tr>
<td>3 Manufacturing Production Index</td>
<td>212.36</td>
<td>213.41</td>
<td>216.46</td>
<td>206.21</td>
<td>214.36</td>
<td>216.23</td>
</tr>
<tr>
<td>4 Gross Value Added Tax at 2000 prices (Million baht)</td>
<td>50,292.87</td>
<td>51,309.39</td>
<td>48,818.08</td>
<td>50,429.47</td>
<td>50,397.64</td>
<td>51,593.28</td>
</tr>
<tr>
<td>5 Domestic Automobiles Sales (Unit)</td>
<td>77,371.11</td>
<td>78,484.98</td>
<td>74,481.98</td>
<td>70,058.96</td>
<td>80,541.23</td>
<td>70,569.76</td>
</tr>
<tr>
<td>6 Debit to Demand Deposit at 2000 prices (Billion baht)</td>
<td>....</td>
<td>25,287.60</td>
<td>25,499.44</td>
<td>24,371.91</td>
<td>24,408.16</td>
<td>24,642.52</td>
</tr>
</tbody>
</table>

Source:
1. Bank of Thailand
2. Customs Department, Ministry of Finance
3. Bureau of Trade and Economic Indices, Ministry of Commerce
4. Revenue Department, Ministry of Finance
5. Manufacturers of respective products

Remark:
1/ CEI are recalculated and rebased according to MOC import prices index
Overview of
tax system
Thailand has the Revenue Code on taxation and the Investment Promotion Act on exemption or reduction of tax.

The place of incorporation of a company is applied to determine a resident of a company in Thailand under its taxation law.

- A resident Thai company is chargeable for its income on the worldwide basis, not on a territory basis.
- Non-resident companies are taxed only on income derived from Thailand.
Standard rate of corporate income tax ("CIT") of Thailand is 20% of the net profit.
CIT for SME

- Net profits up to Baht 300,000 is exempted;

- Net profits from Baht 300,000 to Baht 3,000,000 is subject to 15% of CIT; and

- Net profits from Baht 3,000,001 is subject to 20% of CIT.

- Tax losses can be carried forward for a period of 5 years but cannot be carried back.
The Qualifications of A qualified company for private equity ("PE") business
1. Having registered as a private equity with the Office of the Securities and Exchange Commission of Thailand or the Office of the SEC from 1 January 2017 to 31 December 2018 under the criteria as set out by the Office of the SEC;
2. Having paid-up share capital of at least THB 20 million on the last day of each accounting period;

3. Holding shares only in a targeted company, or holding shares in both the targeted company and other Thai company not carrying on targeted businesses
Tax incentives for PE Trust

- PIT and CIT exemption granted on dividends which are distributed from profits of the target company investing in a target business; and
- PIT and CIT exemption for capital gain from transfer of shares in a targeted company.
Target Business

- food and agricultural industry
- energy saving
- alternative energy
- clean energy industry
- bio technology industry
- automotive and parts industry
- electronic industry
- R&D and innovation industry.
Tax incentives have been granted to a PE company for 10 accounting periods from the date of registration of the PE company with the Office of the SEC.
A qualified private equity company must file an application for tax incentives with the Revenue Department within 2018.
Equities include shares, quasi-equity and share warrants.

Quasi-equity covers convertible bonds and exchangeable notes and have different tax implications.
Dividend
Dividend

- Dividend is generally subject to 10% withholding tax.
- However, payment of dividend may be exempted from tax of Thailand or may be reduced to a lower rate of withholding tax provided that conditions of tax exemption or tax reduction such as 25% shareholding have been complied with.
Dividend

- Dividend payable from an investment business promoted for investment of a company to an individual or a corporate shareholder is exempted from tax of Thailand provided that such dividend must be payable from an investment business within a period of investment promotion.
Exemption or reduction of tax on dividends is provided in provisions of Revenue Code of Thailand or a double taxation agreement or DTA between Thailand and its counterparty.
Capital gains
Capital gains

- Tax is chargeable at the rate of 15% on capital gains from a sale or transfer of shares in a Thai company.

- Exemption of tax on capital gain is provided in domestic tax law and DTA.

- Capital gain on disposition of shares in a foreign country which in turn holds shares in a Thai company is generally exempted from tax of Thailand. However, care should be taken for a change of tax interpretation or a change of taxation law of Thailand in the future.
Interest
Interest

- Interest payable by a company in Thailand to a foreign company is generally subject to 15% withholding tax on interest.

- However, interest payable by a Thai company may be exempted or reduced if the interest is payable to a foreign government authority or a financial institution.
Royalties
Royalties

Royalties payable by a Thai company to a foreign company is generally subject to 15% withholding tax.

However, royalties payable for use of copyright may be reduced.
Stamp Duty
Stamp Duty

- 0.1% of an amount of paid-up share capital of shares or a sale price of shares in a Thai company is normally payable.

- Stamp duty on a transfer of shares in the Thai company is exempted if the Thailand Securities Depository Co., Ltd. ("TSD") acts as a registrar for a company listed on the Stock Exchange of Thailand or the SET or the Market for Alternative Investment or the MAI.
Thailand has currently only a guideline on transfer pricing.

Transfer Pricing Bill is approved by the cabinet of Thailand and would be proposed to the parliament, and, if enacted, would be passed into an Act to amend provisions of the Revenue Code.
Thailand has no controlled foreign company rule or no CFC rules.

Thailand has no tax regulation on Thin capitalization rule on the debt to equity ratio.

However, the debt to equity ration may be required for an application for investment promotion certificate or an application for a foreign business license.
Thailand has no general anti-avoidance rules (GAAR) or special anti-avoidance rules or (SAAR).

Thailand is 98th member of the Global Form on BEPS.

BEPS 15 action plans have impacted taxation law of Thailand.
Thank you very much for your kind attention.