Bangkok Global Law
540, Unit 1705, 17th Floor, Mercury Tower,Ploenchit Road,
Lumpini, Pathumwan, Bangkok 10330 Thailand
Tel: +(66) 2 2525895-6 Fax: +(66) 2 2525897
Website: www.bgloballaw.com
E-mail: info@bgloballaw.com

ARTIFICAL INTELLIGENCE (AI)

Thailand's AI draft legislation

Thailand is taking a significant step toward establishing a comprehensive legal framework for artificial intelligence (AI) with the Electronic Transactions Development Agency (ETDA) opening public consultation on the principles of a draft of the country's first AI Bill. The initiative reflects Thailand's ambition to balance AI-driven innovation with ethical governance, public safety, and fundamental rights.

Following a two-year hiatus since the revised draft of AI Bill, which was presented on 2 May 2025, has been updated to reflect developments in both international best practices and domestic policy considerations. The ETDA will accept public comments on the principles of the draft of the AI Bill until 9 June 2025.

Key Features of the Draft Legislation

The draft of AI Bill law is built around five foundational pillars:

1. Risk-Based Regulation

Rather than prescribing a fixed list of high-risk or prohibited AI applications, the draft empowers sectoral regulators and a central enforcement agency to determine such classifications. This decentralised yet coordinated approach enables tailored risk governance in each industry.

High-risk AI providers will be required to:

- Implement recognized risk management frameworks (e.g., ISO/IEC42001:2023, NIST);
- Appoint a legal representative in Thailand (if based offshore);
- Report serious incidents to the enforcement agency.

High-risk AI deployers must ensure:

- Human oversight;
- Maintenance of operational logs;
- Data quality assurance;
- Notification to affected individuals where rights may be impacted.

2. Support for Innovation

The draft includes pro-innovation mechanisms, such as:

- Exceptions for non-commercial use of online data for AI development (e.g., text and data mining);
- The establishment of AI regulatory sandboxes where developers can test AI systems under controlled conditions. Participants acting in good faith will benefit from safe harbor protections, though civil liability for damages remains.

3. General Legal Principles

The draft incorporates key principles to guide AI governance, including:

- Non-discrimination in legal recognition of AI-generated decisions;
- Human accountability for AI-generated actions;

- Protection from unforeseeable AI behavior in contractual or administrative contexts;
- Rights to explanation and appeal, particularly where AI impacts individuals' rights or interests.

4. Regulatory Oversight

Oversight will be carried out by the AI Governance Center (AIGC) under ETDA. The AIGC will be tasked with:

- Supporting AI policy implementation;
- Advising on ethical adoption;
- Operating AI sandboxes;
- Monitoring international developments and coordinating domestic readiness efforts.

5. Legal Enforcement

The enforcement framework authorizes regulators to:

- Order the suspension or removal of non-compliant AI services;
- Coordinate with internet service providers to block access to unlawful AI systems;
- Seize physical products containing prohibited AI if necessary.

The ETDA will review public comments and revise the draft accordingly, with an additional round of consultation expected. The proposed legislation is expected to feature prominently at the 3rd UNESCO Global Forum on the Ethics of AI, to be hosted in Bangkok later this month.

CANNABIS

Future of cannabis under new regulations

In a major policy reversal, Thailand's Ministry of Public Health has announced new regulations that significantly tighten controls on cannabis use, restricting it exclusively to medical purposes. This move follows growing political pressure and public concern over the proliferation of unregulated cannabis outlets and the widespread recreational use of the substance since it was delisted from the Narcotics Code in 2022. the Minister of Public Health, recently signed a ministerial regulation aimed at closing the legal loopholes and restoring state oversight, with the regulation set to take effect shortly after publication in the Royal Gazette.

Under the new regulation, all cannabis purchases must be supported by a doctor's prescription and a medical certificate that verifies the patient's condition. Cannabis smoking in shops is prohibited unless under medical supervision by qualified professionals, including practitioners of traditional Thai medicine or dentistry. The regulation also bans all cannabis-related advertising, sales through online channels or vending machines, and limits the amount dispensed to a 30-day medical supply per patient. Businesses involved in cultivation, sales, or processing must obtain new licences and submit to monthly inspections, with violations punishable by a licence revocation.

This development has reignited political tensions between the Bhumjaithai Party (BJT) and the ruling Pheu Thai Party. The BJT, which spearheaded the decriminalisation of cannabis in 2022, is pushing for the passing of its Cannabis-Hemp Control Bill, arguing that the current lack of legislation has led to regulatory breakdowns. In contrast, Pheu Thai has accused the BJT of creating the problem by pushing liberalisation without adequate controls in place. The Minister of Public Health has dismissed the BJT's legislative efforts as unlikely to pass under the current administration, stressing that the priority is to address the public health risks and restore legal clarity.

From a legal standpoint, the reclassification of cannabis as a narcotic is a significant shift that reintroduces criminal liabilities for unauthorised possession and use of cannabis. Operators in the cannabis industry must urgently review their compliance structures, as existing licences issued under the Traditional Thai Medicine Wisdom Protection Act are no longer sufficient. Legal obligations extend to maintaining proper records, sourcing data, and appointing in-house medical professionals at licensed premises. Businesses failing to adjust will face both regulatory and potential criminal consequences.

Thailand's move reflects a broader trend of tightening cannabis regulation in Asia and signals the end of its brief period of open commercialisation. As public sentiment leans toward stricter controls, stakeholders must be prepared for greater scrutiny and reduced flexibility. For companies already operating in the cannabis sector, the window for transition to a compliant medical-use model is narrow—and failure to act swiftly may result in significant legal and financial exposure.

CONSUMER PROTECTION

Regulation of hire-purchase and leasing businesses of motor vehicles

On 5 June 2025, the Royal Decree on the Business of Hire-Purchase and Leasing of Motor Vehicles B.E. 2568 (2025) was officially issued, marking the first time Thailand has introduced dedicated legislation governing the hire-purchase and leasing of vehicles.

Although structured as "rental agreements," hire-purchase and leasing arrangements closely resemble credit transactions. Consumers obtain immediate use of the vehicle while making installment payments over time, often subject to interest rates and additional charges similar to traditional loans. As such, this type of business plays a significant role in the broader financial system.

The new law aims to establish a unified regulatory standard for these businesses. It empowers the Bank of Thailand to supervise contract terms, and imposes controls on interest rates, penalties, and other contractual conditions to ensure fairness for all parties involved.

More broadly, the law reflects a policy view that hire-purchase and leasing businesses are not merely commercial transactions, they function as systemic sources of consumer financing. Given their economic impact, state regulation has become essential to promote financial stability and responsible business practices.

SOLAR PANEL BILL

Draft Solar Panel Bill Sparks Mixed Reactions Amid Loophole Concerns

A new bill aimed at promoting solar panel installation in Thailand—the "Draft Act on the Promotion of Solar Power Electricity" (the "Bill")—has drawn mixed reactions from businesses and industry experts. It seeks to boost solar electricity generation in homes, businesses, and designated zones by lowering electricity costs and streamlining installation.

Section 7 of the Bill exempts self-use solar power panel from laws governing energy, factories, urban planning, energy promotion, and building control. Section 8 requires installers of self-use solar power panel to notify the Department of Alternative Energy Development and Efficiency at least 30 days before installation, and to report technical details to relevant electricity authorities. All systems must be certified by qualified engineers. In support of the Bill, Prof. Dusit Kraungam, chair of the Thai Photovoltaic Industries Association, emphasizes its potential to eliminate bureaucratic delays and encourage small and medium-sized enterprises to adopt solar power amid economic strain.

Despite these efforts, concerns persist over the sweeping powers granted to the energy minister, who has exclusive authority to regulate equipment standards, licensing bodies, electricity buyers, and pricing. Section 13 illustrates these powers by prohibiting unauthorized sales or distribution of solar electricity, with exceptions for sales to state utilities (i.e., Electricity Generating Authority of Thailand, the Provincial Electricity Authority, and the Metropolitan Electricity Authority) or to parties within the same premises or minister-designated zones. All such transactions must follow pricing rules set by ministerial regulations.

Although public consultation ended in May, opposition remains. A report by the Office of the Secretary-General of the House of Representatives suggested the risks associated with concentrating regulatory power in a single ministry. It recommends limiting ministerial discretion to ensure balanced and transparent governance. The report also proposes delaying the law's effective date until after its official publication to allow stakeholders sufficient time to prepare. Additionally, it advocates revising existing laws or issuing subordinate regulations rather than enacting an entirely new act, in line with constitutional principles. It also emphasizes that penalties should be proportionate to the offenses to ensure fair enforcement.

Thailand currently boasts over 4,000 megawatts of installed solar capacity, including solar farms, floating solar installations, and rooftop panels—both grid-connected and under independent power supply agreements. At present, the Energy Regulatory Commission is conducting hearings on licensing criteria for private power producers operating under such agreements, particularly in industrial zones. However, regulations governing peer-to-peer electricity trading remain unaddressed.

FTA

Thailand accelerates FTA negotiations to be completed by the end of 2025

In a strategic move to bolster international trade and diversify export markets, the Thai government is expediting negotiations for free trade agreements (FTAs) with the European Union (EU) and South Korea, with a targeted conclusion by the end of 2025. The Department of Trade Negotiations (DTN), under the Ministry of Commerce, is also making substantial progress in ongoing talks with Canada and the United Arab Emirates.

According to Ms. Chotima Iemsawasdikul, the Director-General of the DTN, the government recognises the urgency of expanding market access in light of new global trade dynamics, including the recent imposition of tariffs by the United States. The shift in global trade sentiment has prompted many nations, including Thailand, to prioritise the conclusion of high-standard FTAs.

The Thailand-EU FTA is regarded as a pivotal element in Thailand's trade policy. Negotiations have progressed through five rounds, with the sixth scheduled to take place later this month. The negotiation framework comprises 20 chapters, four of which have already been concluded. Forthcoming discussions will focus on key areas such as market access for goods, services, investment, and government procurement.

The EU is known for setting high benchmarks in its trade negotiations, often incorporating provisions related to environmental standards, labour rights, and sustainable development. Thailand's commitment to engaging in these negotiations reflects its intention to align with international standards while safeguarding national interests and ensuring broad-based benefits for domestic stakeholders.

On the other hand, negotiations with South Korea are reported to have made substantial headway. Both nations have expressed a mutual desire to finalise the agreement by the end of the year. Given the existing economic ties and trade volumes between Thailand and South Korea, a completed FTA is expected to enhance bilateral trade and investment flows significantly.

Beyond bilateral negotiations, Thailand is participating in the ASEAN-Canada FTA, a plurilateral agreement that is also characterised by high standards and comprehensive trade liberalisation commitments. This deal is anticipated to be finalised by 2026 and will provide Thai exporters greater access to the North American market.

Meanwhile, negotiations with the United Arab Emirates (UAE) remain ongoing, with both parties exploring options to advance talks and resolve outstanding issues.

The DTN has also underscored the importance of supporting small and medium-sized enterprises (SMEs) in capitalising on existing FTAs. To this end, the Ministry is promoting awareness, capacity-building, and utilisation of trade preferences under current agreements.

Importantly, the Thai government is reviewing the establishment of an FTA fund aimed at mitigating the adverse effects of trade liberalisation on vulnerable sectors. The fund, currently under consideration by the Ministry of Finance, is intended to provide financial assistance and support adjustment measures for businesses and workers impacted by FTA-induced competition.

LABOUR LAW

Upcoming compliance requirement on Employee Welfare Fund in Thailand

The Employee Welfare Fund (“EWF”) has been established pursuant to Section 126 of the Labour Protection Act B.E. 2541 (1998) to provide financial assistance to employees in cases of employment termination, including dismissal by the employer, voluntary resignation, retirement, or death.

Under the Labour Protection Act, any employer with 10 or more employees is required to register their employees as members of the EWF. However, this obligation is waived if the employer has already established a provident fund in accordance with the Provident Fund Act B.E. 2530 (1987) or has implemented welfare arrangements that meet the criteria set forth in the Ministerial Regulations on the Criteria and Procedures for Providing Assistance to Employees upon Resignation or Death B.E. 2567 (2024).

From 1 October 2025 to 30 September 2030, both employers and employees must contribute to the EWF at the rate of 0.25% each of the employee’s wages. Starting 1 October 2030, the contribution rate for both parties shall increase to 0.50%. Employers are responsible for deducting the employee's contribution from their wages during each payroll cycle and for remitting both the employee's and the employer’s contributions.

The mandatory contribution to the EWF will take effect on 1 October 2025.

OECD

Thailand's competitive law in perspective of OECD

In May 2025, the Trade Competition Commission of Thailand (TCCT), in collaboration with the OECD, presented the results of the OECD Peer Review of Thailand's competition law and policy. This review forms part of the second phase of the OECD-Thailand Country Program and aims to assess the strengths and weaknesses of Thailand's competition framework, especially following the implementation of the Trade Competition Act B.E. 2560 (2017) ("TCA").

Institutional Framework: Independence Achieved, Resources Lacking

The 2017 TCA marked a transformative step in Thailand's competition regime, establishing the TCCT as an independent authority with enforcement powers over anticompetitive agreements, abuse of dominance, merger control, and unfair trade practices. However, the OECD highlighted significant limitations regarding the TCCT's operational resources. Budgetary constraints and a limited number of personnel dedicated to core enforcement functions hinder the agency's efficiency and impact.

Scope of Application: Key Exemptions Weaken Uniform Enforcement

The OECD raised concerns about the TCA's limited scope due to broad exemptions:

- **State-Owned Enterprises (SOEs):** While the TCA aimed to curtail blanket exemptions, many SOEs remain outside the law's reach due to exceptions based on public interest or national security. This allows SOEs to compete with private firms on unequal terms.
- **Regulated Sectors:** Certain industries like telecommunications, energy, banking, and insurance are governed by separate competition rules, leading to fragmented oversight and enforcement gaps.
- **Extraterritoriality:** The law's unclear stance on cross-border conduct limits its effectiveness in addressing anticompetitive practices originating outside Thailand that still impact the local market.

Enforcement Challenges: Legal and Procedural Hurdles

Thailand's enforcement of competition law remains limited:

- **High Standard of Proof:** Hardcore cartels and abuse of dominance are treated as criminal offences, requiring proof beyond a reasonable doubt—a standard rarely met in competition cases globally.
- **Rule of Reason for Cartels:** Unlike international practice, Thailand assesses even hardcore cartels under a rule of reason, allowing certain collusions to be exempted if market share is below 10%.
- **Bid Rigging Jurisdiction:** Overlaps between the TCCT and the National Anti-Corruption Commission have created ambiguity in prosecuting bid rigging in public procurement.
- **Dominance Assessment:** The focus remains on market share metrics and perceived unfairness, rather than

assessing harm to market competition.

- **Detection and Transparency:** With no formal leniency or whistleblower mechanisms in place and only brief summaries of decisions made public, enforcement suffers from low detection rates and limited deterrence.

Merger Control: A Dual System in Need of Reform

Thailand operates a dual merger control regime:

- **Ex-ante approval:** Required for mergers creating a monopoly or dominant position.

- **Ex-post notification:** Required after completion for mergers reducing competition, but TCCT has no power to block or remedy such mergers.

The OECD criticized this structure as ineffective. The vague and potentially high notification thresholds deter timely filing, while the TCCT's inability to intervene post-merger undermines competition oversight. Additionally, the assessment relies heavily on structural dominance rather than overall market effects, and procedural transparency is limited, with no formal role for third-party input.

OECD Recommendations: Towards a More Robust Framework

To strengthen Thailand's competition law regime, the OECD made the following key recommendations:

- **Broaden Application:** Ensure the TCA applies to SOEs engaged in commercial activities and clarify boundaries in regulated sectors. Establish clear extraterritorial application.

- **Enhance Resources and Structure:** Increase TCCT's budget and staffing. Review the use of external inquiry subcommittees.

- **Strengthen Enforcement:** Introduce administrative penalties for hardcore cartels and dominance abuse. Treat hardcore cartels as per se illegal. Implement leniency and whistleblower protections. Refocus enforcement on competitive effects.

- **Reform Merger Control:** Eliminate or empower the ex-post regime. Adopt objective, lower thresholds with a local nexus. Improve procedural fairness and introduce a fast-track for non-problematic transactions.

TAXATION

Amendments on excise tax act to support local liquor producer

On 5 June 2025, the first amendment to the Excise Tax Act was enacted. The purpose of this amendment is to promote the liquor production business of license applicants who are cooperatives, farmers groups, community enterprises, agricultural organizations, or small-scale entrepreneurs. The amendments revised the criteria and conditions of the original Excise Tax Act as follows:

1. Any person who wishes to produce liquor or possess a distillation apparatus for liquor production must submit an application for a license to the Director – General of the Excise Department and must comply with the criteria, procedures, and conditions as

prescribed by the Director – General's notification.

2. The application for and issuance of the license shall be in accordance with the criteria, procedures, and conditions prescribed by ministerial regulations. Such ministerial regulations must take into account liquor production standards and shall promote the ability of small-scale entrepreneurs to obtain a liquor production license for commercial purposes. This includes the use of domestic agricultural products to produce all types of liquor, which may have color or aroma.
3. No criteria shall be prescribed that results in discriminatory or unfair economic monopolies, or that imposes an excessive burden. Licenses issued shall be valid for a period of 3 years from the date of issuance.
4. All ministerial regulations, announcements, or rules that were effective prior to the effective date of this amended Act shall remain in effect, provided they are not in conflict with the ministerial regulations, announcements or rules under this amended Act.
5. Any application submitted before the effective date of the amended Act that is still under consideration shall be deemed as having been submitted under this amended Act. In cases where such applications differ from the provisions of this amended Act, the Director – General shall notify the applicant to amend or take action in accordance with the provisions of the amended Act. In addition, any license granted under the previous provision of the Act shall remain valid until its expiration.

Cabinet Approval on the principle of the Draft Royal Decree on Tax Exemption to Support Digital Transformation of SMEs

The Thai Government recognizes the need to enhance the competitiveness and resilience of small and medium enterprises (SMEs) through digital transformation. To support this policy, the Ministry of Finance, through the Revenue Department, is preparing a new draft Royal Decree under the Thai tax law (Draft Royal Decree) to provide tax incentives for SMEs investing in digital technology. These incentives are intended to reduce the cost of adopting technology and accelerate the integration of digital tools into business operations.

Entities eligible to receive the tax incentives under this Draft Royal Decree must meet the following conditions:

1. Be a company or juristic partnership;
2. Have paid-up capital not exceeding THB 5 million on the last day of the accounting period; and
3. Have annual income from the sale of goods or provision of services not exceeding THB 30 million in that accounting period.

The primary benefit offered by the Royal Decree is a corporate income tax (CIT) exemption equal to 100 percent of eligible expenditures, effectively allowing a double deduction, up to a maximum of 300,000 Baht per accounting period. The eligible expenditures include costs incurred for purchasing, commissioning, or subscribing to qualified computer programs, hardware, smart devices, or digital services, provided that such items are registered with the Digital Economy Promotion Agency. Importantly, general-purpose computers are excluded from the scope of eligible hardware.

To avoid overlapping tax incentive, corporate taxpayers who have received similar tax incentives under other Royal Decrees or whose expenses relate to businesses already exempt under the law related to investment promotion, competitiveness enhancement, the Eastern Special Development Zone are ineligible for this exemption. The tax incentive under this Draft Royal Decree will take effect from the date on which the Cabinet approves the principle of the Royal Decree and will remain in force until 31 December 2027.

Tax compliance for Influencers in Thailand

The Revenue Department of Thailand is urging social media influencers to ensure proper tax compliance, amid growing concerns over both unintentional omissions and deliberate evasion of tax obligations. As the digital economy expands, so too does the scrutiny on those who generate income from online platforms.

According to Mr. Pinsai Suraswadi, the Director-General of the Revenue Department, a significant number of influencers either lack awareness of their tax responsibilities or intentionally underreport their income. In response, the Department has reaffirmed its commitment to strictly enforce tax laws.

Influencers who fail to file personal income tax returns may face a penalty of double the amount of tax owed. In cases where a return is filed but underreports income, a penalty equal to the amount of underpaid tax will be imposed.

In addition to the penalties, interest on unpaid taxes accrues at a rate of 1.5% per month, or 18% per year. Notably, even a partial month of delay is treated as a full month for interest calculation purposes. This can lead to a substantial financial burden. For instance:

- If an influencer owes 10,000 THB in tax and fails to pay for an extended period, interest could reach 10,000 THB, with a penalty of up to 20,000 THB— resulting in a total liability of 40,000 THB.
- In more severe cases, a tax liability of 1 million THB could balloon to 4 million THB after including interest and penalties.

However, the law does allow for reduction of penalties under certain circumstances. If the taxpayer voluntarily discloses the unpaid tax within the prescribed period or has a positive history of tax compliance, the penalty may be reduced by 25% to 50%, subject to the discretion of the assessing officer. It is important to note that interest or surcharges are not entitled to reduction.

Currently, influencers derive income from a variety of sources, including:

- Product reviews and sponsored content
- Advertising revenue
- Sale of merchandise or digital products
- Subscription and exclusive content fees
- Event appearance and speaking fees
- Affiliate marketing
- Online coaching and course sales
- Freelance writing or content creation

According to a 2022 Nielsen survey, Thailand is home to approximately 2 million influencers, ranking second in Southeast Asia after Indonesia. Whether an individual works as a full-time influencer or engages in influencer activities alongside salaried employment, all income must be declared as part of the individual's personal income tax return.

Influencers are allowed to deduct expenses when calculating taxable income, but these deductions vary depending on the nature of the income. Therefore, correctly classifying income—whether as income under Section 40(2), 40(6), or 40(8) of the Thai Revenue Code—is essential for accurate tax computation and to prevent disputes or reassessments by the Revenue Department.

It is emphasized that influencers must carefully identify all income sources and maintain clear records to support expense claims and tax filings.

The growing influence of digital media and content creation presents new opportunities—and new responsibilities—for taxpayers. Influencers in Thailand are reminded that non-compliance with tax obligations can result in severe penalties and interest charges. Voluntary compliance, accurate reporting, and timely submission of tax returns not only reduce legal risk but also demonstrate responsible business conduct in an increasingly regulated digital economy.

For those are unsure about how to meet their tax obligations, consulting a tax advisor or legal professional is highly recommended.

Revenue Department issued Director-General's Notification No. 457 Prescribing Regulation regarding the Appointment of Withholding Tax Agent

Thailand's Revenue Department has introduced a significant administrative change through Director-General's Notification No. 457 (Notification No.457), aiming to streamline the withholding tax process. This notification, issued under Section 50 bis of the Revenue Code, lays out the framework for appointing an agent to handle income tax withholding and remittance on behalf of income payers.

The primary goal of this new regulation is to simplify compliance for scenarios where multiple payers make payments to the same juristic person payee. Under the authority granted by Section 50 bis, paragraph 3, which empowers the Director-General to exempt the issuance of a withholding tax certificate when it deemed appropriate.

Under this Notification No. 457, the appointment of an agent to withhold and remit income tax on behalf of a payer of income shall be subject to the following conditions:

1. There must be a written agreement expressly stating that the income payer agrees to appoint the payee, being a juristic person subject to withholding tax, as its agent to withhold income tax, file tax returns, and remit the tax via the Revenue Department's electronic system
2. The agreement must clearly specify the commencement and termination dates of the agency appointment, including the scope of the authority granted to the agent.
3. The agency agreement must be subject to stamp duty in monetary form paid via the Revenue Department's electronic system, using Form Or. Sor. 9.
4. Both the income payer and the appointed agent must retain the agency agreement and all relevant supporting documentation at their respective head offices, so that such documents are available for inspection by the competent officers upon request.

To become a withholding tax agent, a juristic person must first register and agree to the terms through one of the Revenue Department's designated electronic systems, such as e-Filing, WHT Software Component (SWC), or WHT Services System (SVS). This electronic registration is a mandatory first step before undertaking any agent duties.

Once approved, the appointed agent (the payee) takes on several key responsibilities. Primarily, they must file the P.N.D. 53 withholding tax return electronically on behalf of the income payer. Additionally, the agent is required to include a specific notation on all receipts or tax invoices issued to the income payer. This notation, whether on paper or e-Tax Invoice/e-Receipts, must state that tax has been withheld at a certain rate and amount on behalf of the payer, and that the agent will remit this tax via the Revenue Department's electronic system by the 15th day of the following month.

Notification No. 457 allows for a crucial change and clarification on withholding tax agent transaction. Instead of each individual payer handling the payer own withholding tax obligations, the payee (if a juristic person) may be appointed as an agent to perform these duties and remit the tax electronically to the Revenue Department. This centralized approach promises to reduce the administrative burden on income payers and improve the overall efficiency of tax collection. It shall be noted that the Notification No. 457 will be implemented for payment subject to withholding tax made from 1 July 2025 onwards.

Thailand’s new tax policy on foreign-sourced income

To enhance domestic liquidity and encourage the repatriation of offshore wealth, the Revenue Department is preparing to introduce a ministerial regulation that will temporarily exempt personal income tax on certain foreign-sourced income. The move reflects a recalibration of Thailand’s tax policy and a renewed focus on economic stimulus through increased capital inflows.

Traditionally, Thailand's tax regime allowed individuals who earned income abroad to delay taxation by postponing the remittance of such income to Thailand. Under the pre-2024 regime, only foreign income remitted into Thailand within the same tax year it was earned was taxable. However, effective on 1 January 2024, the Revenue Department imposed a stricter interpretation that all foreign-sourced income brought into Thailand by Thai tax residents, regardless of when it was earned, is subject to personal income tax.

Currently, in a marked policy reversal, the Department is proposing a temporary exemption to support economic recovery. According to Mr. Pinsai Suraswadi, the Director-General of the Revenue Department, a new ministerial regulation is being drafted to exempt tax for foreign-sourced income that is brought into Thailand within a two-year window which is the year the income is earned and the following year.

The aim of the proposed exemption is to incentivize the return of an estimated 2 trillion THB held by Thai tax residents in offshore investments, such as foreign property, insurance policies, and investment funds. These foreign assets reportedly generate hundreds of billions of baht in annual income.

The exemption will apply to individuals who qualify as Thai tax residents, defined as persons residing in Thailand for at least 180 days in a calendar year, whether continuously or cumulatively. If such individuals earn income from abroad and remit it to Thailand within two years from the year of earning, that income will be exempt from personal income tax. Income remitted in the third year or later will be subject to the usual taxation. Importantly, the exemption will not apply retroactively to income earned before the regulation is enacted.

Regarding the legal basis, Thailand’s personal income tax system follows both the residency rule and the source rule. Pursuant to Section 41 of the Thai Revenue Code (TRC), Thai tax residents are liable to pay tax on income derived from work, business, or assets located outside

Thailand if such income is remitted into the country.

Under the revised policy, the taxability of foreign-sourced income continues to hinge on three cumulative conditions:

1. The taxpayer must reside in Thailand for at least 180 days within a tax year.
2. The income must be earned from a foreign source.
3. The income must be remitted into Thailand.

The upcoming ministerial regulation will carve out a temporary exception to this third condition, provided the income is remitted within the designated two-year timeframe.

Regarding the impacts with Double Tax Agreements (DTAs), Thailand maintains DTAs with numerous jurisdictions. Under these agreements, Thai residents may claim foreign tax credits for taxes already paid in the source country. However, the credit is capped at the amount of Thai tax payable on that income.

The treatment of deductions and expense allowances for foreign income remains consistent with domestic income. Notable deductions include:

- 50% deduction on salaries and wages, capped at THB 100,000.
- Standard personal allowance of THB 60,000, with an additional THB 60,000 for a non-earning spouse.
- Life insurance premiums (for policies with terms of 10+ years) are deductible up to THB 100,000.

However, no expense deductions are permitted for passive income such as interest, dividends, and capital gains.

Thailand's Special Economic Zones (SEZs): Updated Tax Incentives

Thailand's Special Economic Zones (SEZs) form a key part of the government's regional development strategy, aimed at stimulating investment, promoting cross-border trade, and reducing regional economic disparity. SEZs typically cover border areas and strategic provinces such as Tak, Sa Kaeo, Songkhla, and Nong Khai, and are managed by the Office of the National Economic and Social Development Council (NESDC).

SEZs provide a range of fiscal and non-fiscal incentives, with one of the most attractive being reduced corporate income tax (CIT) rates. These incentives were previously granted under various Royal Decrees

The incentive remains industry-specific, applying only to businesses operating in BOI-targeted sectors (i.e., Agriculture, Medical Product, Ceramic Products etc.). Notably, qualifying companies are entitled to a reduced CIT rate of 10%—half the standard rate of 20%—for ten consecutive accounting periods. This benefit applies only to income generated from production or services physically carried out within an SEZ, regardless of the location of the company's registered head office.

To access this incentive, companies in SZEs must comply with several conditions:

- Submit a formal notification to the Thai Revenue Department declaring their intent to claim the tax benefits;
- Refrain from using overlapping tax incentives under the BOI or any other Royal Decree;
- Maintain separate accounting records for SEZ and non-SEZ activities;
- Operate from a permanent establishment located within the SEZ:

- For companies established after the Decree takes effect: permanent establishment must be a newly constructed permanent building;
- For companies established beforehand: the SEZ facility must constitute a physical expansion of existing operations.

The reduced tax rate takes effect starting from the accounting period in which the company submits its formal notification to the Revenue Department—even if that period is shorter than 12 months. However, if a company fails to meet any eligibility requirement during any year, the tax benefit is immediately forfeited from that year onwards. The rationale behind this new decree is to strengthen the business environment in these zones by lowering the CIT rate and incentivizing sustained investment. The goal is to enhance economic activity within SEZs, promote industrial and service sector integration with core economic zones and neighboring countries.

Should you have any question, please do not hesitate to contact us via info@bgloballaw.com