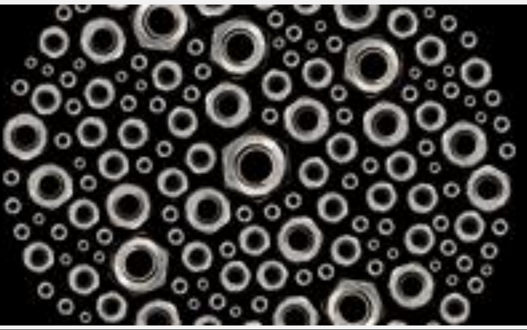

Tax & Legal Newsletter
November 2024

Approval of modification of personal income tax incentives with respect to investments in Thai ESG funds

On 29 October 2024, the Thai cabinet approved a draft ministerial regulation issued under the Thai Revenue Code (TRC) regarding the modification of certain personal income tax incentives with respect to investments in Thai environmental, social, and governance (ESG) funds, with the aim of encouraging such investments. The modifications would apply to investment units in Thai ESG funds purchased from 1 January 2024 through 31 December 2026, and the salient features of the ministerial regulation are as follows:

- The personal income tax deduction cap for certain payments made to purchase investment units in Thai ESG funds would be increased from THB 100,000 per tax year to THB 300,000 per tax year, with the total deduction continuing to be limited to 30% of the taxpayer's assessable income; and
- The holding period requirement for investment units to qualify for the personal income tax incentives would be reduced from a minimum of eight years to a minimum of five years.

Any money or benefits received from the sale of investment units in the Thai ESG fund would be exempt from being included in the taxpayer's personal income tax calculations, provided that the investment units have been held for at least five years from the purchase date. Additionally, the investment amount in the Thai ESG fund would not be counted together with investments in other retirement savings funds (such as super savings funds, retirement mutual funds, provident funds, the government pension fund, the private teacher aid fund, the national savings fund, and annuity life insurance premiums) that are entitled to a combined personal income tax deduction of up to THB 500,000.

For the ministerial regulation to become effective, a final version of the ministerial regulation must be published in the government gazette.

Approval of tax incentives to attract highly skilled Thai nationals working abroad to return and work in Thailand

On 30 July 2024, the Thai cabinet approved a draft royal decree that would provide for a reduced personal income tax rate or a personal income tax exemption for certain income, aimed at attracting highly skilled Thai nationals having expertise in relevant fields required by targeted industries. The royal decree specifically targets experienced Thai individuals who have worked abroad for at least two years and hold a bachelor's degree or a higher degree, to encourage them to return and work in Thailand. An additional corporate income tax deduction also would be available for certain employers of such individuals. The salient features of the royal decree are as follows:

1) The personal income tax rate on income tax withheld would be reduced to 17% of assessable income for income derived from employment with a company or a juristic partnership operating in a targeted industry that is entitled to a corporate income tax exemption under a law related to the enhancement of competitiveness for targeted industries, investment promotion, or the eastern special economic development zone. The reduction would be applicable in a case where the personal income tax calculation according to the progressive tax rates under section 50(1) of the TRC results in a higher rate than 17% (currently, the maximum progressive rate is 35%). In a case where the withholding tax rate on income under section 50(1) of the TRC is equal to or lower than 17%, taxpayers would be exempt from including such income in their personal income tax calculations. The reduced rate or exemption would apply from the date the royal decree enters into effect through 31 December 2032, in accordance with criteria, procedures, and conditions specified by the Director-General of the Thai Revenue Department (TRD).

2) In a case where tax on income has been withheld at a 17% rate, as described in 1) above, taxpayers would not be required to include such income when filing their personal income tax returns, provided that they did not request a refund of the tax withheld or a credit for the tax paid, either in full or in part. This would be subject to criteria and conditions specified by the royal decree.

3) Companies or juristic partnerships (employers) operating in targeted industries that are entitled to a corporate income tax exemption under a law related to the enhancement of competitiveness for targeted industries, investment promotion, or the eastern special economic development zone would be able to claim a tax deduction of 150% of employee salary expenses for workers who meet the qualifications set by the royal decree and the Director-General of the TRD. The additional deduction would apply to salaries paid from the effective date of the royal decree through 31 December 2032, subject to the criteria, procedures, and conditions specified by the Director-General of the TRD.

For the royal decree to become effective, a final version of the royal decree must be published in the government gazette.

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Should you have any comments or questions arising from this newsletter, please contact either the listed contacts below, or any member of the **Thailand Tax & Legal team**.

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