

How to navigate Thai financial and investment regulations

What you need to know about conducting business and living in Thailand

RCR Club monthly meeting
11 November 2022 – Hua Hin



Agenda

Introduction	5'
Overview of Thailand's Financial position and SME contribution to Thailand's economy	10'
SME legal requirements for VAT, Corporation Tax, Compliance, etc.	10'
Benefits of outsourcing against internal accounting	10'
Recommended approach to outsourcing	5'
Q&A	10'

Jean-Paul Binot



Jean-Paul joined Grant Thornton in December 2020 to lead GT Thailand's outsourcing services.



Prior to joining Grant Thornton, Jean-Paul's most recent corporate role was Associate Partner with EY, based in Kuala Lumpur (Malaysia), focusing on Tax and Finance Compliance Outsourcing in Asia-Pacific. Prior to that, he had held several regional executive positions in Europe and Asia at Deloitte, PwC, Atos, Wipro and TMF Group. He has been based and worked in Asia since 2011.



Jean-Paul is a seasoned expert in Shared Services (SSC), Business Process Outsourcing (BPO) and Corporate Services & Compliance, with sectorial exposure in Financial Services, Automotive, Oil & Gas, Life Sciences, Consumer Products, Technology and Private Equity. He has extensive international experience in building winning teams and running P&Ls in high-growth environments across Europe and Asia.



Jean-Paul is the Programme Director of the Shared Services Council (APAC) for The Conference Board, a respected US Think Tank.



He served as an Executive Committee and Board member of the French chapter of the European Outsourcing Association (EOA).



Jean-Paul is a recurring panellist or keynote speaker in conferences and events. He is a frequent writer and speaker in professional circles. He published many articles in *'Echanges'*, the magazine of the Association of French Finance Directors, and on social media (LinkedIn). He co-authored a book in 2009 on Finance Transformation.



Economic outlook

Overview of Thailand's Financial position and SME contribution to Thailand's economy

Grant Thornton Inflation, Interest Rate, and GDP Forecasts (2020-2025)

Big Picture—Global, Regional, and Country Inflation and GDP figures

Figure 1: Global GDP Growth Forecast, 2020 - 2025

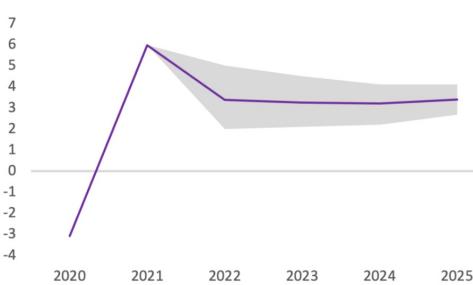


Figure 2: ASEAN GDP Growth Forecast, 2020 - 2025

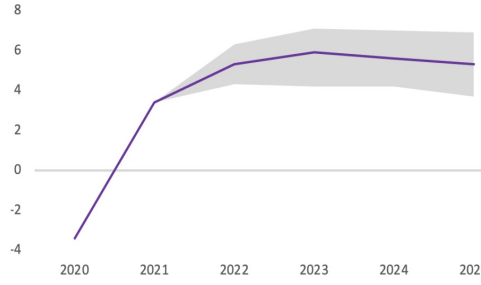


Figure 3: Thailand GDP Growth Forecast, 2020 - 2025

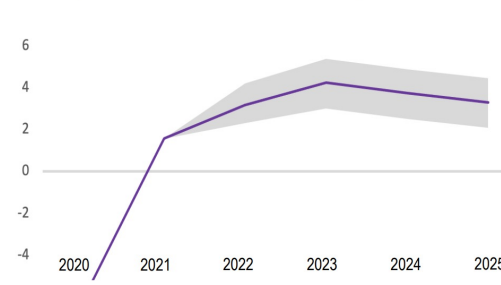


Figure 4: Global Inflation Forecast, 2020 - 2025

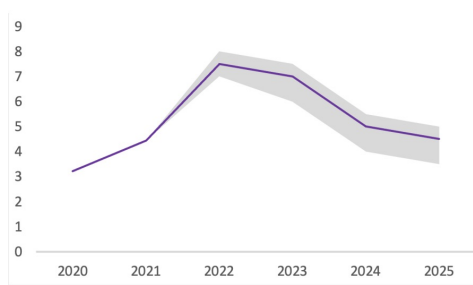


Figure 5: ASEAN Inflation Forecast, 2020 - 2025

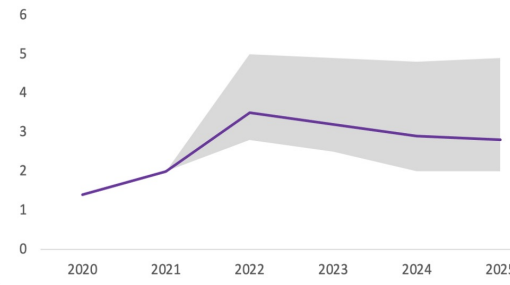
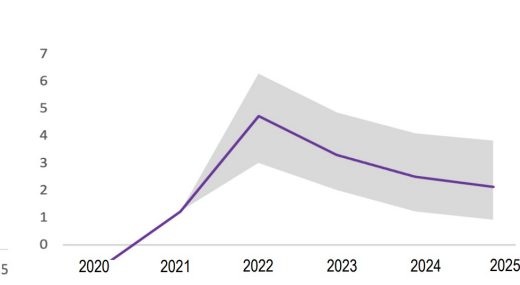


Figure 6: Thailand Inflation Forecast, 2020 - 2025



GDP Growth Forecast

Resilience from manufacturing and rebound in tourism, growth is expected at 4% in 2023

Thai economy, whether in shape or direction, is comparable to ASEAN projections, but it underperforms the region by 2 percentage points.

As labour market conditions improve, private consumption will follow.

SMEs in the Thai economy



Definition of SMEs

Type	Micro		Small		Medium	
	Number of Employees	Income (THB million)	Number of Employees	Income (THB million)	Number of Employees	Income (THB million)
Manufacturing	No more than 5	No more than 1.8	No more than 50	No more than 100	No more than 200	No more than 500
Retail, Service	No more than 5	No more than 1.8	No more than 50	No more than 50	No more than 100	No more than 300

Source: Office of the Council of State

SMEs contribute as much as **45%** (or \$215 billion) to Thailand's gross domestic product (GDP).

There were approximately **3.13 million** SMEs in Thailand in 2020, which altogether constituted **99.6%** of all enterprises. SMEs also accounted for **14 million jobs**, or **86%** of total employment.

Based on the types of business registration, SMEs established in 2020 can be divided into three categories:

- Juristic person (756,344 enterprises)
- Ordinary person & others (2,286,326 enterprises)
- Community enterprise (91,772 enterprises)

Distribution of SMEs in Thailand by firm size, 2020

Enterprise size (employees/income)	Number of SMEs	%
Total SMEs	3 134 442	100
Micro Enterprises	2 673 922	85.3
Small Enterprises	415 673	13.3
Medium Enterprises	44 847	1.4

Distribution of SMEs in Thailand by sector, 2020

Sector	Number of SMEs	%
Wholesale and Retail	1 288 256	41.1
Service	1 256 755	40.1
Manufacturing	532 104	17
Agriculture	57 327	1.8

Source: Thai Office of SMEs Promotion

SME legal requirements for VAT, Corporation Tax, Compliance, etc.

Business structures available to foreigners

Board of Investment (BOI)

U.S Treaty of Amity company

Value Added Tax (VAT)

Withholding Tax (WHT)

2022 Tax filing deadlines

Business structures available to foreigners

Sole proprietorship

A sole proprietorship is a business structure owned by one person with unlimited liability. The sole proprietorship can engage in any business as permitted by the law. However, service-related businesses are not allowed. The owner of a sole proprietorship can choose to be taxed as a natural person or not. Foreigners are not allowed to operate this type of entity unless they are under the US-Thai Treaty of Amity. Foreigners married to a Thai national may register the sole proprietorship under their Thai spouse's name.

Limited partnership

A limited partnership is that kind of partnership in which there are limited and unlimited partners. Only the unlimited partner is able to act as the managing partner. If a foreigner is a managing partner, the foreigner must obtain a valid non-immigrant business visa and a work permit. Limited partnerships allow up to 49% foreign ownership. However, a Foreign Business License is required if the foreign partner makes more than 49% of the investment.

Representative office

A representative office is a non-trading entity, meaning that it cannot generate any income and allows up to 100% foreign ownership. It operates a service business in Thailand for its head office, an affiliated company or a group company in another country.

Regional office

A regional office is a non-juristic personal established by a foreign head office. Regional offices are not separate legal entities and conduct business in Thailand on behalf of the foreign head office. Foreign head offices that wish to set up a regional office in Thailand must apply for a Foreign Business License. Regional offices can engage in seven specific activities which fall under List Three of the Foreign Business Act (FBA).

Branch office

A branch office is commonly used for foreigners who want to have a physical presence in Thailand and allows 100% foreign-ownership. The branch office can engage in business activities that generate income and is a trading entity. The branch must apply for a Foreign Business License before operating. However, branches engaging in manufacturing or exporting products from Thailand do not need to obtain the Foreign Business License.

Limited company

A private limited company is the most popular business structure in Thailand and is formed through a registration process which includes a Memorandum of Association (MOA) and Articles of Association (AOA). The private limited company requires a minimum of three shareholders, and the shareholders enjoy limited liability. All shares must be subscribed, and at least 25% of the subscribed shares must be paid up. Foreign investors can own only 49% of the company (except Foreign Business License, BOI or Treaty of Amity)

Joint venture

Thai law treats joint ventures as a contract matter, and with the exception of filing for licenses and/or tax certificates, the parties in the joint venture remain separate legal entities. If the joint venture has a majority of foreign shareholders, it must be registered under the Foreign Business Laws of Thailand and create a branch office in Thailand.

Board of Investment (BOI)

Overview The BOI (Office of Board of Investment) is a Thai government agency that has a role of promoting valuable investment both into Thailand and Thai overseas investment. It does so by provide a series of tax and non-tax incentives. One of the most significant advantages is the reduced requirements for obtaining a BOI Visa and Work Permit for foreign employees.

Objectives

- Promote investment that helps enhance national competitiveness
- Promote activities that are environment-friendly
- Promote clusters to create investment concentration in accordance with regional potential and to strengthen value chains
- Promote investment in border provinces in Southern Thailand
- Promote special economic zones
- Promote Thai overseas investment to enhance the competitiveness of Thai businesses in the global economy

Eligible activities

- Agriculture and Agricultural Products
- Mining, Ceramics and Basic Metals
- Light Industry
- Metal Products, Machinery and Transport Equipment
- Electronic Industry and Electric Appliances
- Chemicals, Paper and Plastics
- Services and Public Utilities
- Technology and Innovation Development

Key advantages

- Foreign ownership up to 100% (vs 49% for a Thai Ltd)
- Minimum Capital Requirements from one million THB paid-up capital
- Tax Incentives: Corporate Income Tax exemption for some activities (up to 9 years)
- Restricted to the business activities for which the BOI Promotion has been obtained
- Possibility to apply for Foreign Business Licenses to do other business activities regulated under the FBA
- No restrictions for foreign skilled employees (vs 4:1 for a Thai Ltd)
- One Stop Service Centre for Visas and Work Permits
- Permission to own lands
- Permission to remit money abroad in foreign currency

U.S Treaty of Amity company



Overview

The Treaty of Amity (the *Treaty of Amity and Economic Relations between the Kingdom of Thailand and the United States of America*), is a bi-lateral agreement between Thailand and the US. The treaty was signed on May 29, 1966 and affords special rights and benefits to American citizens who are looking to establish their businesses in Thailand.

Key advantages

- The Treaty of Amity allows American companies to hold the majority of the shares in a whole company, branch office or representative office established in Thailand.
- American companies may also operate a business on the same foundations as Thai companies.
- American companies will also be exempt from most of the restrictions relating to foreign investment set out by the Alien Business Law of 1972.

Requirements

- Up to 100% ownership for US Citizens
- Minimum Capital Requirements must comply with the requirements set out in the Foreign Business Act (FBA): (non restricted business : THB 2 million, restricted business : THB 3 million per activity)
- Structure Requirements: A minimum of 51% of shares must be held by American citizens, and a minimum of 50% of directors must be American citizens
- Treaty of Amity companies do not need to apply for a Foreign Business Licence
- The standard ratio of 4 Thai employees per foreign employee hired is required to support a Work Permit

Value Added Tax (VAT)



Overview

Value Added Tax (VAT) registration is mandatory for any company who has a gross income of THB 1,800,000 or more per year. Companies who import goods, sell goods or supply services in Thailand must register for the payment of VAT. A service is deemed to be provided in Thailand if the service is performed in Thailand. It does not matter where the service is executed or if it is used somewhere outside of Thailand. The current VAT rate in Thailand is set at 7 percent.

Who can claim 0% VAT

Thailand offers a VAT rate of 0% on the following activities:

- Export of goods.
- Services rendered in Thailand and consumed outside Thailand.
- International transport services by aircraft or sea.
- Sales of goods or services between bonded warehouses and businesses located in export processing zones or duty-free zones.

Which activities are exempted from VAT

- The sale & import of specific products.
- Professional services such as medical, audit and regulated legal services.
- Services provided by Thai governmental organisations.
- Land transportation.
- Educational services provided by recognized schools.
- Cultural services, such as libraries and museums
- Rent owed on immovable properties such as real estate
- Religious and charitable services.

Registering for VAT

Applicable individuals or companies must register for VAT purposes before the operation of the business commences or within 30 days after its income reaches the threshold. Should the applicant have several offices, the application must be submitted to the Revenue Office where the company's head office is located.

When to file and pay VAT returns

VAT returns must be filed in the month (within 15 days) following the payment and the issuance of a tax invoice.

Businesses must file the following forms in order to comply with VAT regulations:

- P.P 36 for VAT for imported services (due on the 7th of each month)
- P.P 30 for VAT for goods & services (due on the 15th of each month)

Companies eligible for e-filing will receive an additional 8 days to file their VAT returns i.e by the 15th & 23rd of the month.

If the input tax exceeds the output tax each month, the taxpayer can claim for a VAT refund. Refunds can be paid in either cash or tax credits. Unused input tax can be credited against any future output tax owed within the following six months.

Penalties

The Revenue Department imposes fines for the late submission of VAT returns (300 THB within the first 7 days and 500 THB after), penalties of up to 200% of due taxes, as well as surcharge accruing at the monthly rate of 1.5% of due taxes.

Withholding Tax (WHT)



Overview

Withholding tax (“WHT”) is a deduction from payments made to suppliers who provide a service. Whether WHT is applicable and what rate to deduct depends on the nature of the service provided. WHT also applies to interest and dividend payments. In essence, the whole point of withholding tax is for the Revenue Department to be able to collect the tax from liable entities in advance instead of having to wait until the end of financial the year.

Expenses that require the deduction of WHT

- Expenses for services and fees
- Expenses less than THB 1,000 in the case that a long-term contract is in place (i.e. telephone or internet bills)
- Rent
- Rental service fees
- Royalties
- Interest
- Advertising
- Dividends

Withholding tax rates

Services	3%	Royalties in Thailand	3%	Advertising	2%
Non-life insurance	1%	Royalties out of Thailand	15%	Dividends	10%
Software	3%	Office or Equipment rental	5%		

Due date

Companies withholding tax for other firms, employees or other entities have a duty of submitting the withholding tax to the Revenue Department within the first seven days of the following month in which the payment was made.

Penalties

Failure to submit the tax returns to the Revenue Department on time will result in a fine of THB 100 within the first seven days after the deadline and THB 200 after the first seven days of the deadline. An additional penalty of 1.5% of the unpaid amount will also be charged each month.

Examples

Service	Net	VAT Rate	VAT	Gross	WHT rate	Total WHT	Pay to supplier
Rent	125,000	7%	8,750	133,750	5%	6,250	127,500
Air fare	67,000	0%	-	67,000	0%	-	67,000
Audit	300,000	0%	-	300,000	3%	9,000	291,000

2022 Tax filing deadlines



Monthly

VAT	VAT for goods & services (PP 30) VAT on overseas payments (PP 36)	15th of each month (23rd for e-filing) 7th of each month (15th for e-filing)
WHT	PND 1/3/53/54	7th of each month (15th for e-filing)
Social Security Fund	Social security contributions PND 1	15th of each month 7th of each month (15th for e-filing)

Yearly

Personal Income Tax	Withholding tax return for wages for employees (PND 1 Kor) Personal Income Tax (PND 91/90)	28th of February 31st of March
Corporate Income Tax	Corporate income tax return (PND 50) Half-year corporate income tax return (PND 51)	30th of May 31st of August
Social Security Office	Annual workman compensation (WCF/KT26) Annual workman compensation (KT25)	31st of January 31st of March

Benefits of outsourcing against internal accounting

Focusing on what matters most



And suddenly, a different view of the world...

The pandemic served as a catalyst and an accelerator

Our clients tell us that outsourcing is as attractive as ever, but the ranking of the **Top 10 Reasons to Outsource** has changed dramatically.

Traditional objectives of outsourcing such as cost reduction and increase of service levels remain important, but our clients now focus on **enhancing agility**, on their **core competencies** and on winning the **War for Talent**.

Pre-COVID

- 1 Reduce cost
- 2 Increase service levels
- 3 Leverage best practices
- 4 Focus on core competencies
- 5 Gain access to technology
- 6 Attract and retain talent
- 7 Increase transparency
- 8 Enhance agility
- 9 Enable controls
- 10 Free up capital

Now

- 1 Enhance agility
- 2 Focus on core competencies
- 3 Attract and retain talent
- 4 Gain access to technology
- 5 Reduce cost
- 6 Increase transparency
- 7 Free up capital
- 8 Increase service levels
- 9 Leverage best practices
- 10 Enable controls

How will the new Top 3 unfold in Thailand ?



Enhance agility

Unlimited access to on-demand to leading-edge, world-class technology and processes without upfront investment nor expensive hires will boost the growth rate and profitability of even long-established companies, that will follow the lead of agile new companies built around a disruptive digital business model, that are deliberately and permanently unencumbered with 'tail-end' support functions.



Focus on core

Competitive pressure to do more with less, faster, will force companies to examine which tasks and processes they do better than their competitors, and decide to focus on those. **Non-core tasks and processes will be outsourced to service providers** that will bring newfound efficiency and excellence to areas that most companies could not or should not handle themselves.



Attract and retain talent

Thailand is aging fast. It is predicted to become a Super-Aged Society (in which 21% of the population is 65 years or older) by 2035. Already, fertility rate is down to 1.5, and for the last 2 consecutive years the birth-rate has fallen below 600,000 (from more than 1 million previously).

The talent pool will become increasingly shallower, triggering a War for Talent that individual companies will struggle to sustain. Outsourcing Services Providers are much better placed to attract and retain the proverbial best and brightest, but also to offer the extensive and diverse palette of skillsets than companies will need.

Recommended approach for SMEs

Grant Thornton Outsourcing Services

Grant Thornton Outsourcing Services



An outsourcing partner that provides agility, wherever, whenever

Companies, large and small, need to focus on core activities. Still, non-core activities are important, and they need to be leaner and more efficient than most companies can make them sustainably. For Grant Thornton, your non-core activities are our core business.



Our strategic focus

We have a strong track record of helping businesses cope with the complexities of the world. For companies looking at scaling up their operations in new markets, carving out business units, or supporting many smaller entities in complex locations, outsourcing to Grant Thornton is an ideal way to rely on a trusted partner to optimise flexibility and sustainability.

How we help

Grant Thornton's outsourcing teams help companies ensure resilience, improve performance, manage costs and enhance agility in resourcing and skills.

Our global footprint and suite of scalable solutions adapted to a variety of needs and situations will provide the specific skills and expertise that you need, when and where you need them.



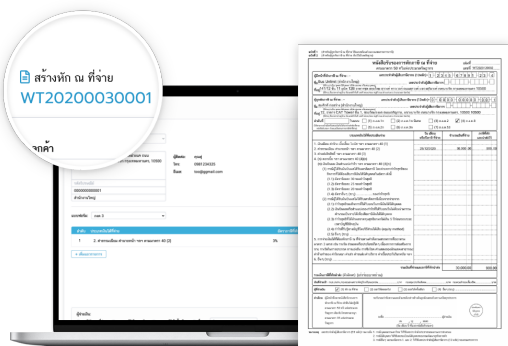
What we do

Accounting, Bookkeeping and Reporting Services
Tax Advisory and Compliance Services
Payroll, Immigration and HR Services
Incorporation and Company Secretarial Services
Share Registry
Risk Assurance
Corporate Recovery
Business Advisory and Consulting



Our solution for SMEs

Leveraging the latest technology to provide affordable and compliance and relevant business insights to SMEs



บริษัท โชคชัยมีดี จำกัด
89/995 ถนนนวมสาร ตำบลตลาดใหญ่ อำเภอเมืองภูเก็ต ภูเก็ต 83000

บริษัท โชคชัยมีดี จำกัด

หัวเอกสาร
วันที่
ชื่อธุรกิจ
ที่อยู่
เลขประจำตัวผู้เสียภาษี
สำนักงาน/สาขา
สำนักงานใหญ่

ข้อมูลผู้จัดจำหน่าย

ชื่อธุรกิจ
บริษัท โชคชัยมีดี จำกัด

ที่อยู่
99/995 ถนนนวมสาร ตำบลตลาดใหญ่
อำเภอเมืองภูเก็ต ภูเก็ต 83000

เลขประจำตัวผู้เสียภาษี
000000000002

สำนักงาน/สาขา
สำนักงานใหญ่

Profit&Loss Statement

2022 Sep MTD YTD P&L Balance Sheet Cash Flow

Value AC, Value PL by Account group, Account, Account subgroup

	AC	PL	ΔPL	ΔPL%
= Revenue	216.0M	221.0M	-5.0M	-2.3
Product revenue	134.8M	129.6M	+4.9M	+3.8
Service and other revenue	81.2M	91.1M	-9.9M	-10.9
- COGS	81.9M	77.8M	+4.1M	+5.2
Product cost	35.7M	32.2M	+3.6M	+11.1
Service and other costs	46.1M	45.6M	+688.5K	+1.1
= Gross margin	134.1M	143.2M	-9.0M	-6.3
Gross margin %	62.1%	64.8%	-2.7pp	-4.2
- Operating expenses	77.8M	79.1M	-1.3M	-1.7
General and administrative	10.1M	10.5M	-325.7K	-3.1
Research and development	31.1M	31.1M	+2.4K	+0.0
Restructuring	423.8K	506.1K	-82.3K	-16.3
Sales and marketing	36.0M	37.1M	-943.4K	-2.5
= Operating income	56.3M	64.0M	-7.7M	-12.0
Operating income %	26.1%	29.0%	-2.9pp	-10.0
= Income before income taxes	59.4M	67.1M	-7.7M	-11.5
Other income, net	3.1M	3.1M	-16.0K	-0.5
= Net income	49.2M	57.0M	-7.8M	-13.6
Provision for income taxes	10.2M	10.1M	+46.8K	+0.5
Net income %	22.8%	25.8%	-3.0pp	-11.6

Profit&Loss Statement | Monthly trends vs Plan, FC



Q&A