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NEWSLETTER

TAX UPDATE

1. Thai Tax Liability of Thai Companies' Overseas Employees

Since the rise of Thai Baht, certain Thai companies have been investing overseas or looking for the opportunities to do their business outside the Thai boundary to take advantage of the appreciation of Thai Baht and to capture a higher growth elsewhere in other economies because there are many economies that grow much faster than our economy. From the beginning of this trend, many Thai companies have been placing their Thai employees overseas for foreign operations. Subsequently, these Thai expatriates begin to work outside Thailand but still receive the salary from the Thailand-based companies.

As far as the Thai tax is concerned, there is a certain degree of uncertainty whether those Thai expatriates are liable for paying the personal income tax under the Revenue Code to Thailand or not. Revenue rulings do not give the clear guideline whether the Thai expatriates who receive the salary from the Thailand-based companies for overseas assignments are taxed in Thailand or not as there are two groups of revenue rulings, each of which interprets differently.

The Supreme Court Ruling 6054/2549 sheds us more lights in this regard. In such case, a Thai employee of a Thai-based construction company took up the assignment in the Philippines and received the salary from such Thai construction company. It was held that such Thai employee worked for the business of the employer in Thailand and must be taxed in Thailand. Thus, the Thai employee had to pay the personal income tax to Thailand even for the overseas assignment of the Thai company.

For more information, please contact us.

INSURANCE UPDATE

2. Insurance Business Supervisory and Promotion Commission Act, B.E. 2550 (2007)

The National Legislative Assembly passes the Insurance Business Supervisory and Promotion Commission Act, B.E. 2550 (2007) to be effective on September 1, 2007. The Act dissolves the Department of Insurance, Ministry of Commerce and forms the Office of Insurance Business Supervisory and Promotion Commission. The Office of Insurance Business Supervisory and Promotion Commission will be under the supervision of the Minister of Finance.

The Act introduces the Insurance Counterpart Fund, which the insurance companies are required to contribute to every 3 months based on the types of insurance and amount of the premium.

- (1) For general & casualty insurance, insurance companies have to pay to the Insurance Counterpart Fund at rate of 0.3% of the insurance premium for the insurance premium not exceeding Baht 1 billion, 0.25 % of insurance premium between Baht 1-5 billion, and 0.2% of insurance premium over Baht 5 billion
- (2) For life insurance, insurance companies have to pay to the Insurance Counterpart Fund at rate of 0.3% of the insurance premium in first year and 0.15% of insurance premium for next year, or 0.15% for insurance premium that needs to be paid one time.

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The Office of Insurance Business Supervisory and Promotion Commission will not receive the budget from the government but receive the income from insurance companies' contribution to this Insurance Counterpart Fund.

For more information, please contact us.

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