

Call in for a Coffee

In this edition

**Personal Income Tax:
Salary Sacrificing your Future**



Personal Income Tax: Salary Sacrificing your Future

Three salary-sacrificing investments you could make for your future and the Thailand Revenue Department will give you back some money, are as follows:

- Provident Funds;
- Retirement Mutual Funds; and,
- Long Term Equity Funds.

Provident Funds

You can put up to 15% of your salary (up to a max of THB 300,000) into your company's Provident Fund, and claim the investment as a personal income tax deduction. In addition, your employer can also put up to THB 300,000 annually as their contribution to the Provident Fund, and claim it as a corporate income tax deduction.

All the earnings, interest, dividends and capital gains etc of the Provident Fund are tax-exempt or deferred until you take the money out of the Provident Fund. Full tax exemption is afforded when you have been a member of the Provident Fund for at least 5 years and you are 55 years or older at the time of payout from the Fund.

Retirement Mutual Funds

If you are not a member of a Provident Fund, you can contribute to a Retirement Mutual Fund. Similarly to a Provident Fund, you can put up to 15% of your salary (up to a maximum of THB 300,000) into a Retirement Mutual Fund, and claim the investment as a personal income tax deduction. But as your employer does not contribute to a Retirement Mutual Fund, there is no additional corporate income tax deduction as is the case for Provident Funds.

If you are a member of a Provident Fund, and you additionally contribute to a Retirement Mutual Fund, you should note that the maximum tax deduction for

your contributions to the two Funds is THB 300,000.

Full tax exemption is afforded when you have been a member of the Retirement Mutual Fund for at least 5 years and you are 55 years or older at the time of payout from the Fund (the original rule requiring you to be 55 years or older at the time of payout was abolished in 2004, but has been re-introduced as a rule as from 1 October 2007).

Long Term Equity Funds

In addition to the above you may also invest in a Long Term Equity Fund. And again, your contributions to a Long Term Equity Fund can be up to 15% of your salary (up to a maximum of THB 300,000) for the purposes of a personal income tax deduction.

Payouts from Long Term Equity Funds are afforded personal income tax exemption if you have been a member of the Long Term Equity Fund for at least 5 years at the time of the payout (the 55 years or older rule does not apply).

The Taxation Savings

If your income is around THB 4,800,000 per annum, by contributing THB 600,000 to the above Funds, you should save annual taxation on your salary in the order of THB 222,000, plus the tax on the earnings of the Funds.

If you ask your employer to adjust the monthly withholding taxes on your salary, you'll receive the tax savings of THB 222,000 without having to apply for a refund from the Revenue Department.

Steven Herring
Senior Taxation Consultant
RSM Thailand, International Tax

RSM Thailand

RSM Thailand

RSM Thailand is a member firm of RSM International, the seventh largest worldwide organization of independent accounting and consulting firms represented in each of the top 40 business centers around the world with more than 24,000 staff in over 72 countries, driven by the common vision of providing high quality professional services in their domestic markets and in serving the international needs of their client base.

The RSM service line leaders in Thailand are:

Corporate Advisory

Gareth.Hughes@rsmthailand.com

Accounting & Tax Compliance

Mark.Butters@rsmthailand.com

Executive Recruitment

Mike.Holloway@rsmthailand.com

Business Services & Legal

Pardorn.Suchiva@rsmthailand.com

Taxation Consulting

Steven.Herring@rsmthailand.com

Audit & Assurance

Prawit.Wipusirikup@rsmthailand.com

Audit & Assurance

Surachai.Damnoenwong@rsmthailand.com

We welcome your comments and feedback. Please feel free to contact us on the details below:

RSM Thailand
26th Floor, Sathorn City Tower
175 South Sathorn Road
Bangkok 10120
Thailand

T: +66 (0) 2670 9002-6

F: +66 (0) 2670 9027-8

E: AskUs@rsmthailand.com

W: www.rsmthailand.com

The information contained herein is for general reference purposes only. RSM Thailand and the author cannot take responsibility for any action taken or not taken as a result of information provided or opinions expressed. Readers should seek professional advice for particular situations and matters.