

Taxation in the Thai Bond Market

1. Traditional debt instruments

Types of Investors	Type of Income		
	Interest	Discount (Diff between issue price and initial price)	Capital Gain
1. Domestic Investors - Individual - Institutions ^{1/}	- 15% withholding tax and can choose not to include in the calculation of personal income tax. - 1% withholding tax * - 10% withholding tax for association/ foundation - Exempt for mutual fund - Included in corporate income tax	- 15% withholding tax for the first individual holder and can choose not to include in the calculation of personal income tax. - 1% withholding tax ** - 10% withholding tax for association/foundation - Exempt for mutual fund - Included in corporate income tax	- 15% withholding tax except for zero coupon bonds And can choose not to include in the year end income tax. - No withholding tax - Exempt for mutual fund - Included in corporate income tax
2. Foreign Investors ^{2/} - Individual - Institutions ^{3/}	- 15% withholding tax - 15% withholding tax	- 15% withholding tax - 15% withholding tax	- 15% withholding tax - 15% withholding tax

Information complied by Thai Bond Market Association (ThaiBMA)

* Commercial banks or Company under the Finance, Securities and Credit Foncier Act and Asset Management Corporations are subject to 1% withholding tax for interest from bonds issued by Thai juristic persons.

** 1% withholding tax for discount is not applied in case of Commercial banks or Company under the Finance, Securities and Credit Foncier Act and Asset Management Corporations.

^{1/} Financial institutions are subject to 0.01% Specific Business Tax for interest income. Amended by Royal Decree Regarding Reduction from Revenue Taxes (No.469) B.E.2551

^{2/} Amended by Royal Decree Regarding Reduction from Revenue Taxes (No.429) B.E.2548 and Royal Decree Regarding Reduction from Revenue Taxes (No.509) B.E.2553 (15% withholding tax must be deducted except for bonds issued by government agencies and held prior to Oct 13, 2010)

^{3/} Double Tax Treaty agreement must be taken into consideration

2. Repo

Types of Income	Cash Borrower	Cash Lender
1. Capital Gain (Difference between cost and transferred price of collateral)	Corporate income tax: Exempted ^{1/} Special business tax (SBT): Exempted ^{2/}	
2. Repo Interest		Income tax: Included in year-end corporate income tax SBT : 0.01% of interest income tax ^{3/}
3. Interest on cash margin		Income tax: Included in year-end corporate income tax SBT : 0.01% of interest income tax ^{3/}
4. Manufactured Interest/ coupon	Foreign juristic persons are subject to 10% withholding tax for manufactured dividend and 15% for manufactured interest in order to receive tax exemption in 1.	Income tax: subject to withholding tax and lender is required to return full interest to the original owner of collateral. Lender can request for tax credit at the end of year. Such coupon is not considered a tax base for SBT. ^{4/}
5. Stamp duty	Exempted ^{5/}	Exempted ^{6/}

^{1/} Royal Decree Regarding Exemption from Revenue Taxes (No.364) B.E.2542

^{2/} Royal Decree Regarding Exemption from Revenue Taxes (No.392) B.E.2544

^{3/} Financial institutions are subject to 0.01% Specific Business Tax for interest income. Amended by Royal Decree Regarding Reduction from Revenue Taxes (No.469) B.E.2551

^{4/} Royal Decree Regarding to specific transaction of business and tax base for calculation subject to Specific Business Tax (No. 350) B.E.2542 , Notification of the Director-General of the Revenue Department regarding to Specific Business Tax of Repurchase Transaction (No.7) B.E.2545

^{5/} Royal Decree Regarding Exemption from Revenue Taxes (No.393) B.E.2544

^{6/} Royal Decree Regarding Exemption from Revenue Taxes (No.393) B.E.2544 , Notification of the Director-General of the Revenue Department Regarding Stamp Duty of Repurchase Transaction (No.42) B.E.2545

3. Short Selling and Securities Lending (SBL)

Type of Income	Domestic Investors		Foreign Investors	
	Individuals	Corporate	Individuals	Corporate
Securities Lender				
- Transfer of Securities and Collateral	- Exempt from income tax	- Exempt from income tax	- Exempt from income tax	- Exempt from income tax ^{1/}
- Manufacturing Interest	- 15% withholding tax for interest and 10% for dividend. Or include in the calculation of Personal Income Tax at the end of the year.	- Include in the calculation of net profit for the purpose of Corporate Income Tax.	- 15% withholding tax for interest and 10% for dividend Or include in the calculation of Personal Income Tax at the end of the year ^{1/}	- 15% withholding tax for interest and 10% for dividend. ^{1/}
- Lending Fee and Rebate	- Withholding tax at income tax rate and include in the calculation of Personal Income Tax at the end of the year	- Include in the calculation of net profit for the purpose of Corporate Income Tax.	- 15% withholding tax	- 15% withholding tax ^{2/}
Securities Borrower				
- Transfer of Securities and Collateral	- Exempt from income tax	- Exempt from income tax	- Exempt from income tax	- Exempt from income tax
- Capital Gains	- Exempt from Income Tax	1. at the time of selling, income = income from short sale – cost 2. at the time of buying the securities back, income = closing price on the date of entering into the contract – cost of securities on the date of buying back	- Exempt from Income Tax	- Withholding tax as per Section 70 of the Revenue Code

^{1/} Royal Decree Regarding Reduction and Exemption from Revenue Taxes (No.331) B.E.2541 , Notification of the Director-General of the Revenue Department Regarding Exemption from income tax for Securities Borrower and Lender (No.74) B.E.2541 and (No.141) B.E.2548

^{2/} Double Tax Treaty agreement must be taken into consideration

4. Securitization

Taxpayer	Transactions	Tax Liabilities
Originator	<ul style="list-style-type: none"> - transfer of asset between SPV and originator - receive servicing fee - Contract and Document 	<ul style="list-style-type: none"> - exempted from VAT and SBT ^{1/, 2/} - subject to Corporate Income Tax, transfer at a price lower than market value is considered justifiable - subject to VAT and Corporate Income Tax - exempted from Stamp Duty ^{3/}
Special Purpose Vehicle (SPV)	<ul style="list-style-type: none"> - transfer of asset between SPV and originator - Contract and Document 	<ul style="list-style-type: none"> - exempted from VAT ^{2/} - subject to Corporate Income Tax, transfer at a price lower than market value is considered justifiable - exempted from Stamp Duty ^{3/}
Investor	<ul style="list-style-type: none"> - receive interest from debenture 	<ul style="list-style-type: none"> - 15% withholding tax

^{1/} Royal Decree Regarding Exemption from Specific Business Tax (No.240) B.E.2534 , Royal Decree Regarding Exemption from Specific Business Tax (No.334) B.E.2541

^{2/} Royal Decree Regarding Exemption from Value Added Tax (No.239) B.E.2534 , Royal Decree Regarding Exemption from Specific Business Tax (No.333) B.E.2541

^{3/} Notification of the Director-General of the Revenue Department Regarding Exemption from Stamp Duty of Securitization Transaction (No.40) B.E.2542