

Taxation in the Thai Bond Market

1. Traditional Debt Instruments

Types of Investors		Types of Income		
		Interest	Discount (Difference between issue price and initial price)	Capital Gains
1.Thai tax resident Investors	Natural Person	Withholding tax at 15% , with the option not to include in the annual personal income tax filing.	Withholding tax at 15% (for the first holder) , with the option not to include in the annual personal income tax filing.	Withholding tax at 15% (Except for zero-coupon bonds, where withholding tax is deducted from the first holder) , with the option not to include in the annual personal income tax filing.
	Juristic Person: - Company or Juristic Partnership - Foundation or Association - Mutual Fund⁽ⁱ⁾ - Government Pension Fund (GPF) - Social Security Fund	Withholding tax at 1%^{1/} Withholding tax at 10% Withholding tax at 15%^{2/} (to be included in corporate income tax calculation) Exempt for GPF Exempt for Social Security Fund	Withholding tax at 1%^{1/} Withholding tax at 10% Withholding tax at 15%^{2/} (to be included in corporate income tax calculation) Exempt for GPF Exempt for Social Security Fund	Subject to ordinary corporate income tax, No withholding tax - Exempt for Mutual Fund (to be included in corporate income tax calculation) Exempt for GPF Exempt for Social Security Fund
2.Non-Thai tax resident Investors⁽ⁱⁱⁱ⁾	Natural Person	Withholding tax at 15%^{3/}	Withholding tax at 15%^{3/}	Withholding tax at 15%^{3/}
	Juristic Person	Withholding tax at 15%^{4/}	Withholding tax at 15%	Withholding tax at 15%

(i) Mutual Fund is only taxed on income specified under Section 40(4)(a) of the Revenue Code (as of Section 65 bis (15) of the Revenue Code, amended by the Revenue Code Amendment Act (No. 52), B.E. 2562)

(ii) Subject to Double Taxation Agreement

1/ According to Clause 4 of the Revenue Department Order No. Tor Por 4/2528:

Banks under the law governing commercial banking, Companies under the law governing operation of the business of finance, securities and credit foncier*, and asset management companies under the law governing asset management companies, are subject to withholding tax at 1% for the interest received but are not subject to withholding tax for the discount received.

* Financial Institutions specified before the asterisk are subject to Specific Business Tax (SBT) at the rate of 3% for interest and discount; however, by virtue of the Royal Decree No.469 under the Revenue Code regarding Tax Rate Reduction B.E.2551, the rate of SBT has been reduced to 0.01% for certain incomes including interest and discount received from debt instruments (amended by the Royal Decree No.525 B.E.2554)

2/ According to Section 67(3) of the Revenue Code as amended by the Revenue Code Amendment Act (No. 52), B.E. 2562, effective from 20 August B.E. 2562 and Royal Decree issued under the Revenue Code concerning the exemption of revenue taxes (No. 689) B. E. 2562:

Exempts mutual funds from income tax derived from the difference between the redemption price and the purchase price of bills of exchange or debt securities, provided that the mutual fund is not the initial holder of such securities, effective from 20 August B.E. 2562.

3/ Except for bonds or debenture of Government, Governmental organizations, or Financial Institutions established by a specific law of Thailand for the purpose of extending loans to promote agriculture, commerce or industry, and the earner of such assessable income is not resident of Thailand as of Clause 21(2), Ministerial Regulation No. 126.

4/ Except for interests from bonds or debenture of Government or a Financial Institutions incorporated under the specific Thai laws for the purpose of lending to promote agriculture, commerce or industry.

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