Legal article

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How Much Tax Does a Company Pay in Thailand? How Corporate Income Tax Is Calculated

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> This article is general legal information, not a legal opinion on any specific matter. Each matter must be assessed on its own facts and evidence. The latest online version is at https://eksiamtax.com/en/guides/corporate-income-tax-basics.html

Corporate income tax is the tax that companies and juristic partnerships pay on the “net profit” of each accounting period. The point business owners most often misunderstand is that this tax is not calculated on sales or revenue, but on the profit that remains after deducting the expenses the law allows. Understanding this changes how the whole company approaches tax planning.

Because the tax base is net profit “for tax purposes”, which may differ from accounting profit, accurate recording of income and expenses, and knowing which items are deductible and which are not, are what determine whether a company pays more or less tax. This guide sets out the principles of the Revenue Code in plain terms, together with the tax rates actually in force today.

Who Must Pay Corporate Income Tax

The persons liable to corporate income tax are principally companies and juristic partnerships registered under Thai law, whether a limited company, a public limited company, a limited partnership or a registered ordinary partnership. They also include companies and juristic partnerships incorporated under foreign law and carrying on business in Thailand, under Section

66 of the Revenue Code.[1] A foreign juristic person that does not carry on business in Thailand but receives assessable income under Section 40 (2) to (6) paid from or in Thailand is taxed through withholding by the payer under Section 70, as explained in Withholding tax on payments made abroad (Thai).

The key point is that once a business is registered as a juristic person, it becomes a taxpayer separate from its owners. The company's profit is therefore taxed first at company level, and when that profit is paid out to shareholders as dividends, there is a further layer of tax at the individual level. An appropriate structure therefore affects the overall tax burden.

II The Tax Base Is "Net Profit", Not Revenue

Corporate income tax is calculated on net profit, which is the business's income less the expenses the law allows to be deducted. Net profit must be computed on an accrual basis, meaning that income and expenses are recognized when the right or obligation arises, not when cash is actually received or paid. This follows Section 65 and the computation conditions in Section 65 bis.[2]

> Net profit "for tax purposes" may differ from "accounting" profit because tax law has its own conditions, such as those on wear-and-tear and depreciation allowances, income recognition, and certain expenses that may be booked in the accounts but are not deductible for tax. Accounting profit must therefore be "adjusted to tax profit" before the tax is computed.

For this reason, a company with high sales but large deductible costs and expenses may have little net profit and little tax. Conversely, a company with substantial expenses that are "non-deductible expenses" may pay more tax than it expected. Proper documentation and correct classification of expenses are therefore very important.

> Corporate income tax is charged on "profit", not "sales", and tax profit is not always the same as accounting profit.

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III The 20% Tax Rate and the Special SME Rates

The general corporate income tax rate is 20% of net profit. However, a company or juristic partnership that qualifies as a small and medium-sized enterprise (SME) receives lighter progressive (stepped) tax rates.[3]

Conditions for SME status to qualify for the reduced rates

- paid-up capital on the last day of the accounting period not exceeding 5 million baht; and
- income from the sale of goods and the provision of services in the accounting period not exceeding 30 million baht.

Where both conditions are met, the following stepped rates apply according to the band of net profit:

Net profit per accounting period	Tax rate (SME)	Tax rate (other companies)
THB 0-300,000	Exempt (0%)	20%
THB 300,001-3,000,000	15%	20%
Over THB 3,000,000	20%	20%

As the table shows, qualifying as an SME under these conditions can reduce the tax burden significantly, particularly for businesses whose profits are not yet high. Maintaining SME qualification and planning net profit appropriately should therefore be considered with a specialist from the start of the accounting period, not at year-end.

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IV Non-Deductible Expenses (Prohibited Expenses)

Even where an expense was actually paid by the company, Section 65 ter lists certain types of expenses that may not be deducted in computing net profit.[4] Understanding these items helps a company avoid additional tax assessments later. Common examples of non-deductible expenses include:

- personal expenses of the owners or directors, and expenses not directly related to the business;
- expenses for which the payer cannot prove who the recipient is, or for which there is no credible evidence of payment;
- expenses set up by the company itself without any actual payment;
- fines and tax surcharges, including penalties imposed by law;
- expenses of a capital nature (capital expenditure), which must instead be deducted gradually as depreciation; and
- reserves, and donations in excess of the limits set by law.

In practice, many tax disputes arise because a business deducts non-deductible expenses or has insufficient supporting documents. Organizing documentation and classifying expenses correctly from the outset is therefore the best protection. Which expenses are fully deductible, or qualify for an additional special deduction, is covered in the guide to deductible business expenses.

V Does a Loss-Making Company Have to Pay Tax?

A frequent question from business owners is whether a company must pay tax if it makes a loss. The answer is that if there is no net profit for that accounting period, there is no corporate income tax to pay, but the company still must file the P.N.D. 50 return together with its financial statements on time. A loss does not exempt the company from the duty to file.

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Moreover, a loss is not wasted, because the law allows a net loss to be carried forward against the profits of subsequent accounting periods for no more than 5 accounting periods.[5] A company that makes losses in its early years and profits later can therefore use those accumulated losses to reduce the net profit subject to tax in the future. Keeping accurate accounts and filing every year is therefore important, because it preserves the right to use these losses.

VI How Many Times a Year Must a Company File? P.N.D. 51 and P.N.D. 50

Companies and juristic partnerships must file income tax returns twice a year for each accounting period.

Return	What it is	Filing deadline
P.N.D. 51	Half-year tax, calculated on the estimated net profit for the whole year (generally, tax is paid on half of the estimate)	Within 2 months from the end of the first half of the accounting period
P.N.D. 50	Full-year tax, calculated on actual net profit, filed with financial statements certified by the auditor	Within 150 days from the last day of the accounting period

P.N.D. 51 is filed under Section 67 bis, and P.N.D. 50 under Sections 68 and 69.[6] For a standard accounting period running from 1 January to 31 December, the P.N.D. 50 deadline falls around the end of May of the following year. Tax paid at the half-year with P.N.D. 51 can be credited against the full-year tax, so it is not double taxation.

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VII Underestimating Half-Year Profit: Beware the Surcharge

Where many companies go wrong is underestimating net profit for P.N.D. 51, because the law provides that if estimated net profit falls short by more than 25% of the actual net profit without reasonable cause, the company must pay a further surcharge of 20% of the tax underpaid for the half-year period, under Section 67 ter.[7]

In practice, the estimate should therefore be based carefully on actual results and business trends. A company should not set a low figure to defer payment, because the resulting surcharge may outweigh the benefit. If you are unsure what to estimate, consulting a specialist before the half-year deadline can greatly reduce this risk.

Overall, corporate income tax need not be daunting if you understand the principles and keep your documents well organized. Planning from the start of the accounting period, covering the SME rates, expense classification and the half-year estimate, is the key to a company paying tax correctly and as efficiently as the law permits.

Key points

- Corporate income tax is charged on net profit (accrual basis), not revenue: Sections 65 and 65 bis
- Standard rate: 20% of net profit, SMEs: first 300,000 baht exempt, 300,001-3 million baht 15%, over 3 million baht 20%
- SME conditions: paid-up capital ≤ 5 million baht and income ≤ 30 million baht per accounting period
- Non-deductible expenses (Section 65 ter) cannot be deducted, e.g. personal expenses, payments whose recipient cannot be proven, and fines
- A loss-making company pays no tax but must still file, and may carry the loss forward for no more than 5 accounting periods
- Two filings a year: P.N.D. 51 (half-year, Section 67 bis) and P.N.D. 50 (within 150 days, Sections 68/69)
- A half-year estimate short by more than 25% attracts a 20% surcharge (Section 67 ter)

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Frequently Asked Questions

How much corporate income tax does a company pay in Thailand?

The standard rate is 20% of net profit. SMEs (paid-up capital ≤ 5 million baht and income ≤ 30 million baht per accounting period) receive special rates: the first 300,000 baht of profit is exempt, 300,001-3,000,000 baht is taxed at 15%, and the portion above 3,000,000 baht at 20%.

Is corporate income tax based on revenue or on profit?

It is based on net profit, not revenue. Net profit = income – expenses the law allows to be deducted, under Sections 65 and 65 bis, with non-deductible expenses listed in Section 65 ter.

Does a loss-making company have to pay corporate income tax?

If there is no net profit for the accounting period, there is no tax to pay, but the company must still file P.N.D. 50 with its financial statements, and the loss may be carried forward against the profits of subsequent periods for no more than 5 accounting periods.

How many times a year must a company file tax returns?

Twice a year: P.N.D. 51 (half-year, filed within 2 months from the end of the first half of the accounting period) and P.N.D. 50 (full year, filed within 150 days from the last day of the accounting period, with financial statements certified by the auditor).

Is it a problem if the P.N.D. 51 profit estimate is too low?

If the estimated net profit falls short of the actual profit by more than 25% without reasonable cause, a surcharge of 20% of the tax underpaid for the half-year period is payable, so the estimate should be made carefully.

Relevant statutory provisions

1. Persons liable to corporate income tax, including foreign juristic persons carrying on business in Thailand: Revenue Code, Section 66 (read with the definition of “company or juristic partnership” in Section 39), Foreign juristic persons not carrying on business in Thailand but receiving income under Section 40 (2) to (6) from or in Thailand: Section 70

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2. Net profit as the tax base on an accrual basis, and the conditions for computing net profit: Section 65 and Section 65 bis
3. The 20% rate and the special SME rates (first 300,000 baht exempt / 15% / 20%): the income tax rate schedule appended to Chapter 3, read with the Royal Decrees issued under the Revenue Code
4. Non-deductible expenses in computing net profit: Section 65 ter
5. Net loss carried forward for no more than 5 accounting periods: Section 65 ter (12)
6. Half-year filing (P.N.D. 51): Section 67 bis, Full-year filing (P.N.D. 50) with financial statements within 150 days: Section 68 and Section 69
7. Surcharge where estimated net profit falls short by more than 25% without reasonable cause (a surcharge of 20% of the tax underpaid): Section 67 ter

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