



This document is intended to help IDEAL's foreign employees better understand the government policies regarding the deduction and documentation of income tax. It is not a comprehensive explanation, but aims to provide employees with the essentials as they apply to most foreign employees.

By Thai law, it is the responsibility of the employee – not the employer – to acquire any appropriate tax documents and submit them annually to the Department of Revenue. However, as a courtesy, IDEAL submits these documents on behalf of its employees, although it is not legally obligated to do such.

### **Who must pay income tax?**

The government has established guidelines as to which foreign employees must pay income tax and when. Foreigners employed in the Kingdom of Thailand are not required to pay income tax unless or until they meet the following criteria:

- 1.** Foreign employees must have a valid work permit before tax can be deducted from their income.
- 2.** In order to obtain work permits for foreign employees, IDEAL must submit documentation registering the employee as being employed at a designated place of employment. Those employees registered as being employed at one of IDEAL's client schools must not pay income tax until they meet the condition stipulated in Item 3 below. However, there is a limit to the number of employees IDEAL can legally register at its client schools. Once that limit is reached, IDEAL must register subsequently hired employees as being employed at IDEAL English Academy in Lat Phrao. As a private language school, IDEAL English Academy is held to different regulations than its client schools. For this reason, employees registered at IDEAL English Academy must begin paying income taxes from the time they are registered.
- 3.** Depending on country of citizenship, foreign employees are not required to pay income tax until 2 years after the date of their first entry into the Kingdom (unless their registered place of employment is at IDEAL English Academy, as described in Item 2 above). This applies regardless of the number of exits and re-entries during the 2-year period or whether their first entry was for the purpose of tourism or employment. This 2-year exemption applies only to citizens of the following countries (information current as of 2 January 2000):

- |                              |                        |                               |
|------------------------------|------------------------|-------------------------------|
| <b>1)</b> Australia          | <b>14)</b> India       | <b>27)</b> Pakistan           |
| <b>2)</b> Austria            | <b>15)</b> Indonesia   | <b>28)</b> the Philippines    |
| <b>3)</b> Bangladesh         | <b>16)</b> Israel      | <b>29)</b> Poland             |
| <b>4)</b> Belgium            | <b>17)</b> Italy       | <b>30)</b> Romania            |
| <b>5)</b> Canada             | <b>18)</b> Japan       | <b>31)</b> Singapore          |
| <b>6)</b> China              | <b>19)</b> Korea       | <b>32)</b> South Africa       |
| <b>7)</b> the Czech Republic | <b>20)</b> Laos        | <b>33)</b> Spain              |
| <b>8)</b> Denmark            | <b>21)</b> Luxembourg  | <b>34)</b> Sri Lanka          |
| <b>9)</b> Finland            | <b>22)</b> Malaysia    | <b>35)</b> Sweden             |
| <b>10)</b> France            | <b>23)</b> Mauritius   | <b>36)</b> Switzerland        |
| <b>11)</b> Germany           | <b>24)</b> Nepal       | <b>37)</b> the United Kingdom |
| <b>12)</b> Holland           | <b>25)</b> New Zealand | <b>38)</b> the United States  |
| <b>13)</b> Hungary           | <b>26)</b> Norway      | <b>39)</b> Vietnam            |

From the first time an employee pays income tax in the Kingdom, the employee will be issued a one-time tax payer identification card. The identification number on this card is used to identify the employee the entire time they are employed in the Kingdom and does not change when the employee changes employers.



**Employees transferring from another company**

If an employee worked at another company prior to joining IDEAL and that company deducted income tax, the employee is requested to submit the following tax documents as soon as possible upon joining IDEAL:

- Copy of document ภ.ง.ด. 91, which states amount of income earned in that tax year as well as how much tax was paid.
- Receipt of submission of ภ.ง.ด. 91 to the Department of Revenue.
- Original of withheld taxes document, which confirms the information included on ภ.ง.ด. 91. above

**NOTE:** Some of the documents above may not be available from the previous company until the end of the tax year. Also, not all other companies provide this service for their employees as IDEAL does, in which case teachers must submit the appropriate documents themselves.

Additionally, employees who are simultaneously employed at another company (e.g., doing evening or weekend work) are advised to contact these employers to ascertain whether or not taxes are being withheld from their pay. If not, then it is not a concern. If so, a withheld taxes document must be submitted to account for these taxes. Please request this document from that employer and submit it to IDEAL Accounting. IDEAL will gladly forward this information on behalf of the employee to the Department of Revenue along with the annual tax documents for IDEAL employees.

Should the employee fail to report tax accordingly, the Department of Revenue, upon discovery, will levy a fixed-rate fine as well as charge 1.5% monthly interest on the tax due.

**How is tax calculated?**

Income tax is calculated on a scaled rate based on the employee’s annual income. IDEAL first calculates the employee’s annual earnings and associated tax and then divides that tax figure by the number of months remaining in the tax year (the tax year runs from January to December). That amount is then deducted automatically from the employee’s monthly paycheck.

**Deductions**

Near the time that IDEAL’s accounting team prepares the tax declaration statements for employees, IDEAL will ask all employees to submit a standard form declaring any potential tax deductions that should be made prior to calculating the tax and submitting the statements to the Department of Revenue.

Employees without dependents are allowed to claim deductions (up to B90,000 during tax year 2005) from their annual gross income for general living expenses. Further deductions are allowed, pending submission of proper documentation, for dependent spouses and children, life insurance premiums, mortgage payments and charitable donations of a significant amount.

**Tax scale**

The remaining amount is the employee’s taxable income, which was taxed as follows (information from tax year 2005):

| Income Range |               | Tax          |
|--------------|---------------|--------------|
| B1           | to B100,000   | = <b>0%</b>  |
| B100,001     | to B500,000   | = <b>10%</b> |
| B500,001     | to B1,000,000 | = <b>20%</b> |
| B1,000,001   | to B4,000,000 | = <b>30%</b> |
| B4,000,001   | up            | = <b>37%</b> |



IDEAL prepares tax document ภ.ง.ด. 91 at the end of every year to submit to the Department of Revenue. The employee signs this document and it is submitted by IDEAL on behalf of the employee. Occasionally, an employee may pay either insufficient or excessive tax for the year. This most often happens if the employee was employed at more than one company during the course of the tax year and the tax was not calculated properly by the other company or if the employee earned a salary increase during the tax year.

- If insufficient tax has been paid, the employee will have to pay the difference owed. The employee can pay IDEAL's accountant at the end of the year upon notification. The employee can pay in cash or an additional deduction can be made from the next paycheck.
- If excessive tax has been paid, the employee will receive a refund check for the difference in the mail from the Department of Revenue.