Withholding Tax Certificate for Interest Payments from Thailand and Foreign Currency Invoices in Thailand

June 2017
1. Withholding Tax Certificates for Interest Payments from Thailand to Germany

Withholding tax is levied on certain types of income of natural and juristic persons. It is not a tax per se, but rather a type of tax collection, i.e. the income payer withholds a certain amount from such payment and submits it directly to the Revenue Department (Sec. 50, 52, 53 RC).

The withholding tax levied on foreign companies’ income is generally higher because the Thai Revenue Department has limited access to foreign companies’ assets, e.g. if they only conducts business in Thailand temporarily.

The withheld tax can be credited against the tax due (Sec. 60 RC) by way of a tax credit which is evidenced by a withholding tax certificate issued by the payer.

If a Thai company pays interest to a foreign company, such interest payment is subject to 15% withholding tax (Section 70 Revenue Code; also see the applicable Double Taxation Agreement, if any).

The paying has to fill out the non-resident withholding tax deduction certificate (see next page) that can be obtained from the local Revenue Office.

The form must include the following:

- Name of payee
- Name and address of payer
- Gross amount of payment and amount of withheld tax
- Date of payment to payee and date of tax payment

This certificate serves as proof of the payment of withholding tax to the Revenue Office. The foreign company needs this certificate to have the withheld tax credited against the tax payable in its home country, if applicable.
To whom it may concern:

<table>
<thead>
<tr>
<th>Description of Income</th>
<th>Interest</th>
</tr>
</thead>
<tbody>
<tr>
<td>Name and address of person from whom tax was withheld</td>
<td>Aktiengesellschaft, Germany</td>
</tr>
</tbody>
</table>

Tax ID:
Name and address of withholding agent

<table>
<thead>
<tr>
<th>Amount of gross income and date of payment</th>
<th>447,232.00 Baht (Four hundred forty seven thousand two hundred thirty two baht only)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>November 7, 2013</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Amount of tax withheld and date of tax payment</th>
<th>67,085.80 Baht (Sixty seven thousand eighty five baht and eighty satang)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>February 17, 2014</td>
</tr>
</tbody>
</table>

Relevant provisions of law

Section 70 of the Thai Revenue Code

I hereby certify that the amount of tax withheld shown above has been paid to The Revenue Department of Thailand. This certificate is issued upon the request of the above taxpayer for whichever legal purpose it may serve.

[Signature]

Ms. Suwattana Chaiyaratana
Regional Revenue Officer 3
2. Foreign Currency Invoices in Thailand

It is a common misconception that foreign currency invoices are not permitted in Thailand. A Thai natural or juristic person can issue invoices in foreign currency to recipients both in Thailand and abroad.

However, the withholding tax and VAT implications must be observed, which can further be complicated due to the fact that the currency exchange rate varies depending on whether payment is made via cheque or via bank transfer.

Example: A Thai company issues an invoice for services to another Thai company in the amount of US$ 100. This amount is subject to

- 3% withholding tax must be withheld; and
- 7% VAT on the invoice amount of US$ 100

and submitted to the Revenue Department. (The VAT must be submitted by the 15th, the withholding tax by the 7th of the following month.)

Since payment to the Revenue Department are only permissible in Thai Baht, the following calculation is required:

- The amount of US$ 100 has to be converted into Thai Baht using the Bank of Thailand’s exchange rate that is announced on that day:
  - The calculation of the withholding tax is based on the buying rate.
  - The calculation of the VAT is based on the selling rate.

The amount actually to be paid by the recipient of the invoice (US$ 100 – 3 + 7 = US$ 104) depends on the mode of payment. For payment by cheque, the cash rate applies, whereas for bank transfer, the TT rate applies. The TT rate is usually higher, but bank transfer are usually executed within the same day.

Accordingly, foreign currency invoices are also possible in Thailand – and make particular sense for large projects with high import ratio.

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We hope that the information provided in this newsletter was helpful for you. If you have any further questions please do not hesitate to contact us.

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