



Thailand Tax Update

New Transfer Pricing Requirements

Executive Summary

Last year, the Thai Tax Authority announced an updated tax law regarding the new Transfer Pricing (TP) rules and regulations. The rule, mainly on the Transfer Pricing Disclosure package, will come to affect companies which fall under TP criteria for the 2019 fiscal year and should be reported by May 2020.

The entities subjected to submit Transfer Pricing Disclosure (TPD) are those who meet the following criteria:

- 1) Total revenue per book (Thai GAAP) is over 200 million Thai Baht
- 2) Has control over or is being controlled, directly or indirectly, by its related parties

Transfer Pricing Definition Concept:

If you are in a business that deals with imports and exports or has to deal with two or more legal entities under the same firm or organization, operating in two different countries or regions, you may have heard of the term 'Transfer Pricing'.

Transfer pricing refers to the value of the goods transferred, or services provided between the two parties related to one another. Good transfer pricing concept will achieve the fair presentation of profitability and performance evaluation of an individual unit under the organization. However, the main goal of the TP mechanism is to eliminate the shifting of profit for fair taxation between regions.

In 2019, the Thai Tax Authority introduced the transfer pricing disclosure form to be filed by companies with an annual revenue of over 200 million THB. Companies with fiscal year beginning from 1 January 2019 need to file the TP a disclosure form within 150 days after the accounting period (29 May 2020).

Transfer Pricing Disclosure form

The entities subjected to submit the Transfer Pricing Disclosure Form (TPD) need to provide the following information.

- 1) A list of related parties
- 2) Detail of intercompany transactions (value by nature of transaction)
- 3) Key questions regarding financial consolidation, business restructuring, distribution of sales and intercompany transfer of intangible assets

Produced by MGI member



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Nathee Audit Co. Limited is a member of MGI Asia, located in Bangkok, Thailand.

Our firm has been providing audit, tax and advisory services for more than 30 years.



Even though the form will not be used as a direct tax assessment (or TP adjustment), the Thai tax authority will perform risk assessment based on the information provided in the TPD form and could result in detail TP assessment in the future. In such case, the company needs to consider preparing their Master file and Local file in accordance with the Arm's length principle.

The tax authority will announce the detailed requirements of Master file / Local file later.

Who needs to disclose

Entities which fall under the following criteria need to submit the TPD form.

- 1) Total revenue per book (Thai GAAP) is over 200 million Thai Baht
- 2) Has related parties, including parent and sister companies, who are directly or indirectly holding more than 50% of company's paid-up share capital.
- 3) Has related parties, including parent and sister companies, for whom the company is directly or indirectly holding more than 50% of related parties' share capital.

The revenue is determined according to GAAP in Thailand and includes other income.

The control is determined by the holding of shares, vertically or horizontally, cross-border or domestically.

Submission requirement

Companies with fiscal year beginning from 1 January 2019 need to file the TPD form within 150 days after the accounting period (29 May 2020). Failure to submit the TPD form could result in a penalty of up to 200,000 THB.

In the case that the Tax Authority requests further TP assessment, the Master file / Local file need to be prepared and submitted within 180 days after the request date (for the first request) and within 60 days for subsequent requests.

How can MGI Worldwide help?

As a member of MGI Worldwide with CPAAI, we at Nathee Audit Co. Limited specialise in Thai taxation. We provide tax services to accommodate tax requirements for fair presentation and the safeguarding of our client's tax liability.

Your next step

To learn more about Transfer Pricing in Thailand please do not hesitate to contact us.

Contact us

For more information on this unprecedented taxation ordinance and other investment incentives and opportunities for doing business in Thailand, please contact MGI Worldwide's Tax Experts at Nathee Audit Co. Limited in Bangkok, Thailand.



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