

Thailand aims to boost struggling economy with the introduction of inheritance tax

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Phineas Hirsch

ASSOCIATE | UK

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With the British consul estimating that over 50,000 British nationals have chosen to make Thailand their permanent home, it will be of interest to the UK charities that the Thai government intends to introduce inheritance tax. The levy is expected to raise around THB3bn (GBP60m). The changes are stated to be part of Prime Minister General Prayut Chan-o-cha's wider redistributive policies '*to tackle social inequality*' in the country (though enhancing the overall tax revenues is perhaps a more important objective...). Finance Minister Sommai Phasee said that tax revenue collected in Thailand equates to 18% of GDP which compares unfavourably to the 30% to 40% typically seen in developed countries.

In practice, any estate worth more than THB100m (GBP2m) will be subject to tax at 5% (for descendants and ascendants) and 10% (for anyone else). Estates below this threshold will be exempt, as will gifts to spouses. The government had originally intended the threshold to be THB50m with a tax rate of 10%. The law will become effective six months after publication in the Royal Gazette so the government's revenue department has enough time to make preparations to collect the tax.

The inheritance tax is expected to apply to non-Thai nationals who are resident in Thailand, as well as non-Thai heirs who are to inherit assets located in Thailand, so UK beneficiaries of Thai estates will be caught and UK charity legacy officers may have to be alive to the possibility of tax applying to matters they are dealing with where previously this was not an issue.

We understand there will be exemptions for legacies to charities and it is interesting to note that legacies to individuals or organisations who declare an intention to use the inherited assets for the purposes of religion, education, public interest or government are to be exempted. UK expats may be minded to divert assets to UK charities if this reduces their tax liability. Even if the charitable exemption is restricted to Thai recognised charities, this may be a factor UK charities wish to consider with local partners.

Could the exemptions also encourage wealthy Thai individuals to leave assets to charity rather than pay to the taxman? Quite possibly...

Withers works with a number of law firms in Thailand, so please contact [Phineas Hirsch](#) or [Robin Paul](#) if you need assistance or an introduction to a local lawyer in relation to the impact of these changes on your charity.

Authors

Phineas Hirsch

ASSOCIATE | LONDON

Private client and tax

 +44 20 7597 6484

 phineas.hirsch@withersworldwide.com