

Thailand repeals regional and international headquarters tax incentive regimes

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Royal Decrees were published on 1 November 2019,¹ repealing the tax incentives under the Regional Operating Headquarters (ROH) I and II, International Headquarters (IHQ), and International Trading Center (ITC) regimes. This repeal follows the Cabinet's original approval in March 2019.²

The effective dates for the repeal are outlined below.

ROH I regime

- ▶ 1 January 2021 for reduced corporate income tax (CIT) rates and exemptions for qualifying income, and reduced personal income tax (PIT) rates for qualifying expatriates

ROH II, IHQ and ITC regimes

- ▶ 1 June 2019 for reduced CIT rates and exemptions
- ▶ 1 January 2020 for reduced PIT rates for qualifying expatriates
- ▶ 1 January 2021 for withholding tax exemptions for dividends distributed to nonresident shareholders, provided that the dividends are paid out of profits from qualifying income earned by 31 May 2019

Implications

Entities that have already converted from a previous incentive regime to an International Business Center (IBC) should ensure that dividends are distributed to nonresident shareholders within one year of the approval of the IBC conversion.³ If entities have not converted or do not qualify to convert from a previous regime to an IBC, however, dividends should be paid to nonresident shareholders prior to 31 December 2020 to be fully exempt from Thai withholding tax.

Endnotes

1. The Royal Decrees, published in the in the *Royal Gazette*, entered into force on 2 November 2019.
2. See EY Global Tax Alerts, [Thailand enacts International Business Centers regime to replace existing incentive regimes](#), dated 7 January 2019 and [Thailand issues guidance regarding International Business Center regime](#), dated 21 May 2019 for details of the IBC incentives.
3. Entities that have converted from the ROH I, ROH II, IHQ or ITC regimes to the IBC regime have one year from the conversion approval date to distribute dividends free of withholding tax.

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EYG no. 005200-19Gbl

1508-1600216 NY
ED None

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