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Legal Alert I Tax

Thailand's Latest Tax Revolution: Navigating the Common Reporting Standard (CRS)

Following the recent amendments to the tax treatment of foreign-source income for Thai tax resident individuals, as previously communicated through our legal alert titled, "Thailand's Tax Policy Shift: Change in Foreign Source Income Tax Treatment for Thai Tax Resident," numerous questions and concerns have arisen among taxpayers regarding the sudden nature of this changed position and its subsequent implementation. In response to these inquiries, the Thai Revenue Department ("**TRD**") has provided clarification on the rationale behind this unexpected shift. The change can be attributed to the evolving technological landscape that has catalyzed significant transformations in trade and investment dynamics within Thailand.

As a participating member of the Global Forum on Transparency and Exchange of Information for Tax Purposes ("**Global Forum**"), Thailand has entered into agreements related to Mutual Administrative Assistance in Tax Matters (MAC) and the Multilateral Competent Authority Agreement on the Automatic Exchange of Financial Account Information (MCAA CRS). In light of these developments, the TRD has recognized the urgent need to improve tax collection methods, thereby promoting greater fairness among individuals earning income from both domestic and foreign sources, including individuals having tax resident of the parties of the MAC and MCAA CRS who are subject to the exchange of information.

The enhancements in the methodology for collecting personal income tax, with a specific emphasis on individuals deriving income from foreign sources, as outlined in Por 161/2566, have been designed with the objective to introduce transparency and efficiency into the taxation of foreign-sourced income in Thailand.

In view of the aforementioned changes, we would like to direct your attention to the obligations stipulated by the Common Reporting Standard (CRS) in Thailand. This is intended to keep you well-informed and prepared for the forthcoming amendments in Thai tax regulations.

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Background and Rationale for CRS Implementation:

In 2017, Thailand became a member of the Global Forum, a framework dedicated to facilitating the exchange of tax-related information among member nations of the Organization for Economic Co-operation and Development (OECD). This collaboration encompasses both the Exchange of Information upon Request (EOIR) and the Automatic Exchange of Information (AEOI) on an annual basis, as prescribed by the OECD. It is important to note that EOIR primarily relates to the exchange of information at the government-to-government level, while AEOI has a more direct impact on taxpayers.

The automatic exchange of financial information, following OECD standards, is referred to as the Common Reporting Standard (CRS). CRS involves the annual exchange of financial account data of individuals who are not considered tax residents in Thailand with countries that have a double taxation agreement with Thailand (treaty partner countries).

Promulgation of the CRS Law:

In order to ensure Thailand's compliance with international agreements and obligations relating to the exchange of tax and financial account information and to streamline the fair and efficient collection of taxes, the Royal Decree for the Exchange of Information B.E. 2566 (referred to as the "**CRS Law**") was enacted on March 30, 2023, and it has been in effect since April 1, 2023. The first exchange of information under the CRS in Thailand began in late September 2023.

Key Components of the CRS Law:

The CRS Law's principal components include the reporting section, which outlines the reporting responsibilities of financial institutions, the types of financial accounts subject to reporting, financial account information to be exchanged, and the customers' due diligence procedures incumbent upon financial institutions.

Below, we highlight the significant aspects of the CRS Law relating to AEOI.

Topic	Details
Reportable financial accounts (Financial Accounts)	The Financial Accounts cover the following: - Deposit accounts - Asset management accounts - Investment accounts - Life insurance policies
Reportable Persons	Individuals who are tax residents of i) the treaty partner countries; or ii) the countries of the estate of the deceased who was a tax resident in the territory of the treaty partner

About Us

Tax Practice Group

Businesses often need proper tax planning and an efficient structure to sustain and enjoy long-term success. Our main goal is to provide a "one-stop service" where we can seamlessly connect with other practices to provide the most appropriate advice to our clients.

We have extensive experience in tax issues related to M&A, restructuring and wealth management especially when clients are faced with new business models, IPOs, as well as buying or selling assets to ensure tax mitigation and optimization. We conduct due diligence to determine whether or not tax planning is possible or required. This involves sharing information about specific tax privileges for which our clients may or may not know they are qualified.

Our clients extend to a wide spectrum of sectors: corporations, family businesses and high net worth individuals / ultra-high net worth individuals, who we believe require attentive services and a responsive team, a value we strive and for which we are known.

Reporting Financial Institutions	Reporting Financial Institutions responsible for reporting financial account information to the TRD include: - Financial institutions; - Securities companies; - State financial institutions; - Persons licensed to engage in life insurance business; - Persons engaging in forward contract trading business; - Persons responsible for managing the benefits of the treaty partner; - Credit card companies; and - Trust companies
Verification of Residence	Reporting entities are required to have customers notify and verify tax residency information each time a new financial account is opened.
Reportable Information	There are three categories of information to be reported: 1. Identification Information, including details about the account holder or the person with control over the account, such as name, address, taxpayer identification number, date of birth, and place of birth. 2. Accounting Information, including account number, account balance, or cash value of insurance policies, interest received, or any other financial benefits. 3. Information about the reporting person, including name and taxpayer identification number of the reporting entity. This information should be as of the end of the calendar year.
Submission of financial account information obligation	Reporting entities are responsible for sending financial account information to the TRD by June 30 of the following year for use in future automatic exchange of information with other treaty partner countries.
Data Retention Period	Reporting entities must retain records and evidence, as well as information collected from the financial account verification process, for a period of six years from the end

	of the calendar year in which the financial account verification process was completed.
Penalties	In cases of intentional false reporting or concealing information, penalties ranging from THB 50,000 to 500,000 may be imposed.

With the implementation of the CRS already underway, financial institutions must familiarize themselves with the reporting requirements and obligations outlined in the CRS Law. Additionally, Thai tax residents having foreign source income, non-Thai tax residents having income in Thailand, and financial institutions should remain vigilant and consider seeking guidance from tax professionals to ensure compliance and optimize their financial strategies within this evolving tax landscape.

For more information, please get in touch with our tax practice, or alternatively, please contact the authors.