

New Proposed Tax Breaks for Thailand Group Health Insurance

The good news: Company group health insurance plans are exempt from employee personal income tax.

The opposite side (for some): This only applies to policies issued by insurers who have been authorized to engage in insurance business in Thailand.

Group health insurance is a cost effective way to limit a company's exposure to staff medical expenses. So if you haven't already implemented such insurance, now is a good time to start. If you already have such a plan, and it's an international offshore policy, maybe you should reexamine it.

The proposed law allows employees to enjoy the benefit of healthcare provided by the employer without any exposure to their personal income tax.

In the past, tax on these insurance premiums has been somewhat of a grey area. For tax purposes, the premiums paid were defined as a 'benefit in kind' in Thailand - as indeed they are in the UK - and thus subject to tax. Some companies however chose to bear the cost of taxation rather than pass it on to their staff, whilst others chose to disregard it.

LAWTONASIA became aware of this issue a year ago when one of our largest clients identified the problem in terms of us providing medical insurance for their employees.

At the time we sought guidance from the Thai Revenue Department, who confirmed that employers providing group health insurance must attribute the cost to each employee and deduct personal income tax accordingly. Failure to do so would, in addition to the tax shortfall, incur late tax payment surcharges.

At the beginning of this year, a resolution which was put forward by the cabinet aimed at increasing health insurance coverage for both Thai and foreign workers in the Kingdom. Thus, any company who is willing to spend money on health insurance would be allowed to claim such expenses as deductible for corporate income tax purposes whilst the premiums so paid on behalf of employees would not be subject to personal income tax as a benefit in kind in the hands of the employees.

According to this proposed law, employers who provide group employee health insurance (including coverage in a foreign country for staff occasionally traveling on business for the employer) provided by an insurer who has been authorized to engage in insurance business in Thailand would no longer face the risk of being challenged by the Revenue Department for miscalculation of employee's withholding tax. In addition the group employee health insurance covers not only the employees, but also their spouses, parents and children who are under the care of the employees, provided that the period under the coverage does not exceed one year.

In other words the 'benefit' will no longer be regarded as assessable income for tax purposes.



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