

Newsletter No 39 (EN)

**How to Book
Foreign Currency Invoices
within Thailand**

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This Newsletter shall provide a brief information on how to book foreign currency invoices within Thailand.

I. Example:

A Thai company A invoices to another Thai company B for services performed in Thailand.

The amount due for A is calculated as follows:	100 EUR
Minus 3% withholding tax	(3) EUR
<u>Plus additional 7% VAT</u>	<u>+7 EUR</u>
So B has to pay (100 - 3 + 7)	<u>104 EUR</u>

The Thai company B has to pay 3% withholding tax to the Revenue Department, on behalf of the service provider (and issue a withholding tax certificate, so A can offset the withholding tax amount against the corporate income tax liability).

The amount of EUR 7 VAT has to be declared to the Thai tax authorities and has to be submitted.

PLEASE NOTE:

- The VAT return has to be submitted together with payments due to the Revenue Department within 15 days from the end of the month in which the VAT is to be accounted for.
- Withholding tax has to be remitted to the Revenue Department within seven days of the date of remittance.

II. How to calculate the exchange rate?

1. If you receive payments:

If you receive money, you have to use the buying rate.

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Please note that the difference in exchange rates are dependent upon the method of payment:

- If you are paid by cheque or bill of exchange, you have to use the **sight bill rate**.
- If you are paid by bank transfer (baht net), you have to use the telex transfer rate (T/T rate).

Although the payment dates are different (for principle VAT and withholding tax), you have to use the same exchange rate (= Rate as published by Bank of Thailand) one day before the amount has been received).

For example:

A Thai company A issues an invoice to Germany, amounting to EUR 100. Payment is received in THB, amounting to THB 4,643 (the commercial Bank rate in this example is 46.43 THB/EUR).

However, the buying rate announced by the Bank of Thailand is 46.00 THB/EUR.

Therefore the transaction will be shown as follows:

$$\text{Invoice amount (100 x 46.00)} = 4,600 \text{ THB}$$

The difference resulting from actual exchange rate and the exchange rate of Bank of Thailand (THB 4,643 - THB 4,600 = THB 43) is recognized as gain/loss on exchange rate.

2. If you make a payment

If you make a payment in foreign currency, you have to use the average selling rate in any of the above cases.

For example:

A Thai company A received an invoice from a German supplier B, amounting to EUR 100. A has to pay this invoice in THB, amounting to THB 4,643 (the commercial Bank rate in this example is 46.43 THB/EUR).

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However, the average selling rate announced by the Bank of Thailand is 46.00 THB/EUR.

Therefore the transaction will be shown as follows:

Invoice amount (100 x 46,00)	=	4,600 THB
Input VAT (By Phor.Phor.3b: 7% x 46)	=	322 THB
Withholding tax (if any: e.g. 15% x 100 x 46)	=	690 THB

The difference resulting from actual exchange rate and the exchange rate of Bank of Thailand (THB 4,643 - 4.600 = THB 43) is recognized as gain/loss on exchange rate.

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