

BIPO TIMES



Understanding Thailand's Labour Law & Employment Regulations

Thailand

Ranked the second largest economy in South East Asia after Indonesia, exports account for about 60% of the country's GDP in 2019.

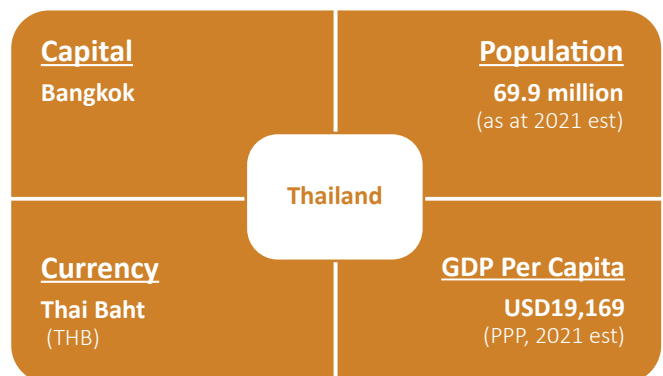
Accounting for 39.2% of the country's GDP, the service sector is one of the main contributors followed by the industrial sector. Logistics accounts for 13.4%, communications 9.8%, agriculture 8.4% while other service sectors including finance, education, hotels and restaurants account for 24.9%

Overview

1. Thailand Labour Law

a. Employment Contract

- Can be oral or written – the general best practice is to include a written contract, in Thai language
- Only valid when signed by both the employer and employee
- Consists of the following
 - Types of Employment
 - Scope of Employment
 - Compensation & Benefits
 - Notice of Terminations
 - Retirement
 - Confidentiality
 - Transfer



2. Types of Employment in Thailand

| Employment Type | Remarks |
|-------------------|---|
| Fixed Term | Example: 12 months or longer (can renewed multiple times) |
| Indefinite period | Considered Permanent employment |

Probation period

Although TH Labour Protection Act does not mention a probationary period, it generally lasts up to 4 months or the employer also has the right to prolong the probationary period if the new staff is not up to scratch.

IMPORTANT: There is no “automatic” confirmation in Thai labour law until the employee receives a confirmation letter from Employer.

3. Statutory Contributions in Thailand

- PIT (Monthly Tax Deduction)
- Social Security Fund (SSF)
- Workmen’s Compensation Fund
- Employees’ Provident Fund (PF) (Not mandatory)

4. Monthly Tax Deduction

Classified by

- Tax Resident – follow the Chart 1 below

“Resident” means any person residing in Thailand for a period aggregating more than 180 days in any tax (calendar) year. A resident of Thailand is liable to pay tax on income from sources in Thailand as well as on the portion of income from foreign sources that is brought into Thailand.

- Non-Tax Resident

“Non-resident is, however, subjected to tax only on income from sources in Thailand and stays in Thailand for < 180 days.

Progressive Tax Rates

| Taxable Income (THB) | Tax Rate (%) |
|---|-----------------|
| 0 - 150,000 | Exempt |
| more than 150,000 but less than 300,000 | 5 |
| more than 300,000 but less than 500,000 | 10 |
| more than 500,000 but less than 750,000 | 15 |
| more than 750,000 but less than 1,000,000 | 20 |
| more than 1,000,000 but less than 2,000,000 | 25 |
| more than 2,000,000 but less than 5,000,000 | 30 |
| Over 5,000,000 | 35 |

- Personal income tax rates for the 2017 tax year that are required to be filed in the year 2018 onwards.
- For withholding tax table – please refer to the link enclosed: <https://www.rd.go.th/english/6045.html>

5. Social Security Fund (SSF)

SSF is a fund providing security and coverage to the insured. The insured shall receive compensation in cases of injury, sickness, invalidity, and death which are not caused by employment including, childbirth child allowance, old age, and unemployment

| Category | % Contributions (Employer) | % Contributions (Employee) |
|--|----------------------------|----------------------------|
| All employees & Monthly Salary of THB 15,000 or less but minimum wage of THB 1,650 | 5% of the monthly salary | 5% of the monthly salary |

| | | |
|------------------------------|----------------------------|----------------------------|
| Except February – March 2021 | 3% of the monthly salary | 0.5% of the monthly salary |
| Except Jun – Nov 2021 | 2.5% of the monthly salary | 2.5% of the monthly salary |

6. Workmen’s Compensation Fund (WCF)

WCF was set up according to the Workmen’s Compensation Act. The purpose of the Fund is to replace employer’s liability and to give prompt and equitable protection against injury, disease, disability or death resulting from employment.

| Category | % Contributions (Employer) | % Contributions (Employee) |
|---------------|--|----------------------------|
| All employers | 0.2% - 1.0% of wages based on risk rating of establishment type classified industrial classification | N/A |

For social security contributions rate, refer to: http://www.ratchakitcha.soc.go.th/DATA/PDF/2564/A/064/T_0030.PDF

7. Provident Fund

The Provident fund in Thailand is voluntarily established by both, the employer and the employees, consisting of the contributions from both parties called “Employer’s contribution & Employee’s savings”. Provident Fund is on a voluntary basis which jointly set up by employees and employer. The purpose of the fund is to encourage, and savings provide benefits for employees and their families in case of deaths in the event of the employees’ retirements, disabilities, or resignation from the company.

The Provident Fund is established as a juristic person and registered. After the appointment of the fund management company, the fund must be registered to the Securities and Exchange Commission (SEC).

Provident Fund Act (No. 4) 2558 B.E. (2015) was published and modified certain aspects from the previous law such as the employee can make higher contributions than the employer.

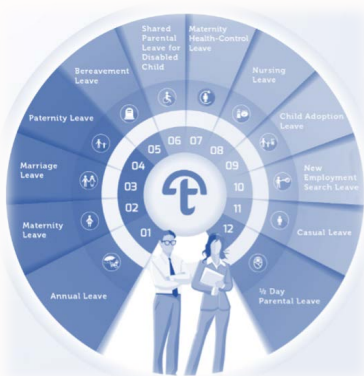
| % Contributions (Employer) | % Contributions (Employee) |
|----------------------------|----------------------------|
| 2-15% of the salary | 2-15% of the salary |

For the details PF contributions– please refer to the link enclosed:

<https://www.sec.or.th/EN/Documents/ActandRoyalEnactment/Act/act-pvd1987-amended.pdf>

https://www.set.or.th/education/th/begin/mutualfund_content14.pdf

8. Types of Leave



Can classified as:

- In relation to the Labour Protection Act B.E.2541 (1998) and
- Company’s policy

a. Labour Protection Act

Annual Leave (under Section 30) The leave entitlement can be carried forward

| Length of Service | Paid Annual Leave (uninterrupted period of one year) |
|---------------------------------|--|
| After the first year of service | Min. six (6) days |

b. Sick Leave (under Section 32,57) – For sick leave of three days or more certified by such a first- class physician or an official medical establishment

| Length of Service | Paid Annual Leave (uninterrupted period of one year) |
|-------------------|--|
| N.A. | Thirty (30) days |

- c. **Sterilisation Leave** (under Section 33) – a paid leave that period determined, and with a certificate issued by a first-class physician
- d. **Personal Business Leave** (under Section 34, Amendment no. 7, Section 57/1) – 3 working days per year (with pay)
- e. **National Service Leave** (under Section 35,58) – a paid leave that cannot exceed 60 days per year
- f. **Training and Skills Development leave** (under Section 36) – an employee must notify their employer and provide evidence of the course/ examination not less than seven days before the date of taking this leave and not taken over 30 days
- g. **Maternity leave** (under Section 41,59 amendment no.7) – includes days taken for pre-natal examinations for 98 consecutive days but paid 45 days for each pregnancy.
- h. Any other leaves are at the discretion of the employer or company’s policy. Below is a list of some other leaves you might find in Thailand:

| Leave | Description |
|--|---|
| Monkhood Leave | Only eligible for men who are Buddhism and should not be over 120 days |
| Hujj Leave | Only eligible for employees who are Islam and should not be over 120 days |
| Compassionate Leave Marriage Leave Hospitalization Leave | Based on company’s policy |

9. Termination

Notice of Termination

- Employers and employees have the rights to terminate their contract
- If the contract does not specify a mandatory notification period, then either party may terminate the contract by giving advance notice in writing to the other party at or before any due date of wage payment in order to take effect on the following due date of wage payment, with no requirement for advance notice of more than three months.
- In addition, a probationary contract shall also be deemed as an indefinite period contract of employment (under Section 17).

10. Retirement Age

- Employees have the right to retire at the age of 60 unless the employer’s Work Rules provide a lower retirement age.
- If the employer’s retirement policy sets the retirement age at more than 60 or the retirement age is not set in the policy, employees may still retire at the age of 60.
- Employees shall notify their employer upon their intention to retire and such retirement shall be effective 30 days following the notification date.

11. Severance Pay

An Employer shall pay Severance Pay to an Employee who is terminated as follows:

| Uninterrupted Employment Period | Severance Pay |
|---|--------------------------------------|
| 120 days but less than 1 year | 30 days of the most recent pay rate |
| 1 year or more but less than 3 years | 90 days of the most recent pay rate |
| 3 years or more but less than 6 years | 180 days of the most recent pay rate |
| 6 years or more but less than 10 years | 240 days of the most recent pay rate |
| 10 years or more but less than 20 years | 300 days of the most recent pay rate |
| 20 years or more | 400 days of the most recent pay rate |

12. Confidentiality

In Thailand, non-compete clauses are difficult to enforce. However, employment contracts in Thailand can and should prohibit former employees from sharing confidential information they gained during employment as well as from interfering with their past employer’s business.

13. Transfer

Sample of the employment contract. At the discretion of the Management, you are liable to be transferred from one post to another within the Company or within the ABC Group of Companies, or from one station or location to another including overseas stations or locations without any loss of recognition of past years of service or seniority or reduction in remuneration and benefits.

Article contributed by

Ken Sai Tip, Country Manager (BIPO Thailand)

Around the World with BIPO

Singapore – 20 Oct 2021

BIPO Payroll integrates with SAP® SuccessFactors® solutions to deliver cloud-native, multi-country payroll solutions, designed to meet today's remote, hybrid work models.

BIPO Service has joined the SAP® PartnerEdge® program as a partner that designs, develops, and builds software integrated with SAP solutions. Through this affiliation, BIPO's award-winning cloud-based BIPO Payroll solution is now available on SAP Store, the online marketplace for SAP and partner offerings. The integration of BIPO Payroll with SAP SuccessFactors® Employee Central enables enterprises to tap into the combined expertise and capabilities of BIPO and SAP technology through a secure, multi-country payroll solution offering, complemented by a streamlined user experience.

To find out more:

<https://www.biposervice.com/bipo-payroll-available-on-sap-store/>



Thailand – 14 Oct 2021

Our webinar series continues with a session on Thailand's Labour Law and Employment Regulations, attended by more than 100 participants from across South East Asia, Japan, Korea, Thailand and China.

Presented by Ken Sai Tip, Country Manager (BIPO Thailand) the session provided perspectives on establishing an entity in Thailand, along with an overview of Thailand's business culture.



About us

At BIPO, we help businesses transform and digitalise, enabling them to thrive and realise their growth ambitions. Around the world, we support over 2,800 client in more than 100 countries and regions with a new generation of HR solutions. Our comprehensive suite of service products from our award-winning cloud and mobile-based HR Management System (HRMS), multi-country payroll calculation, overseas landing services, Business Process Outsourcing (BPO) to attendance automation provide clients with a multi-regional, integrated and seamless user experience.

Our global R&D Centres are the foundation of BIPO's HRMS and Workio platforms, providing cutting-edge, agile, and innovative technology solutions to meet the needs of Industry 4.0. We are also ISO-27001 certified with multi-country compliance, providing clients with the trust and confidence to champion their international growth plans.

Founded in 2004, BIPO is a leading one-stop global HR and Payroll service provider with a vast network of offices in 23 cities across Asia Pacific, Americas, Europe, Middle East & Africa supported by four R&D Centres in Singapore, Mainland China, Indonesia and Malaysia. Our APAC Headquarters in Singapore serves as our hub for the region.

✉ hello@biposervice.com

🌐 www.biposervice.com

in [bipo-svc](https://www.linkedin.com/company/bipo-svc)

f [biposvc](https://www.facebook.com/biposvc)

©2021 BIPO Service · All right reserved

