

Preface

Recommended Tax Optimization Strategy for a Russian Company with a Subsidiary in Thailand

This document outlines a structured tax optimization strategy for a Russian incorporated company operating through a Subsidiary in Thailand. The strategy leverages four principal mechanisms, carefully structured in accordance with the Thailand–Russia Double Taxation Agreement (DTA) to mitigate double taxation risks and optimize cross-border tax exposure:

1. Dividend Distributions
2. Royalties and Licensing Arrangements
3. Shareholder Loan Financing
4. Management and Service Fee Allocation

Each lever is analyzed with consideration of withholding tax implications, transfer pricing requirements, deductibility rules, and treaty relief provisions under the Thailand–Russia DTA.

1. Dividend Repatriation (The 0% Opportunity)

Dividends are the most common route, and for Russian HQs, they can be highly efficient if ownership thresholds are met.

- **Thai Withholding Tax (WHT):** Under the DTA, the WHT is 15% for general holdings. However, it is reduced to 10% if the Russian HQ holds at least 25% of the Thai subsidiary's capital.
- **Russian Side (The 0% Participation Exemption):** In 2026, dividends received by a Russian entity are 0% tax in Russia if:
 1. The HQ has held at least 50% of the shares for at least 365 days.
 2. Thailand is not on the Russian Ministry of Finance "Blacklist" (Thailand is currently considered a "friendly" jurisdiction and typically excluded from the punitive blacklist).
- **The "Credit" Fallback:** If you don't meet the 50% threshold, Russia taxes the dividend at 13%–15%, but allows you to credit the 10% Thai WHT against it.

2. Royalties and License Fees

Given Russia's focus on software, engineering, and industrial tech, royalties are a prime "pre-tax" profit-stripping tool.

- **DTA Rates:** Capped at 15% for all types of royalties (including patents, trademarks, and industrial equipment).
- **Tax Efficiency:** These are fully deductible in Thailand (reducing 20% Thai CIT). You are trading a 20% tax for a 15% WHT.

- Russian Impact: Royalties are taxable at Russia's standard 2026 CIT rate (historically 20%, but note the 2025/2026 upward adjustments to 25%). You can credit the 15% Thai WHT against this Russian bill.

3. Shareholder Loans (Interest)

Russia's "Thin Capitalization" and "Unfriendly" currency rules are the biggest hurdles here.

- DTA Rate: WHT on interest is 10% if paid to a financial institution (including Russian insurance companies) and 15% for a corporate parent.
- The Strategy: Interest is deductible in Thailand.
- Russian Thin-Cap Rules: Russia applies a 3:1 debt-to-equity ratio. If the loan from the Russian HQ to Thailand is "excessive," the interest might be recharacterized as a dividend in Russia, potentially losing its interest-expense status but gaining the 0% dividend exemption status if thresholds are met.

4. Management and Service Fees

- WHT Rate: Generally 0% if the services are performed in Russia.
- 2026 Compliance: To remit these funds, the Thai bank will require a Certificate of Residence from the Russian tax authorities.
- Currency Note: Remittances must comply with both Bank of Thailand (BOT) rules and Russia's internal capital controls. Using "friendly" currencies (like CNY or direct THB-RUB pairs) is common in 2026 to avoid intermediary bank freezes in the USD/EUR systems.

Summary Table: Russia-Thailand Profit Flow (2026)

Method	Thai WHT (DTA)	Thai CIT Deductible?	Russian Tax Impact
Dividends	10% – 15%	No	0% Tax (if >50% ownership) or 15% CIT.
Royalties	15%	Yes	25% CIT (minus 15% WHT Credit).
Interest	10% – 15%	Yes	25% CIT (minus WHT Credit).
Service Fees	0%	Yes	25% CIT in Russia.

2026 Strategic Recommendations for Russian HQs

1. CFC Rules (Control over Thai Entity): Russia's Controlled Foreign Company (CFC) rules are strict. If your Thai subsidiary has a "low" effective tax rate (below 15%—common if you have BOI incentives), Russia may tax the subsidiary's *undistributed* profits at the HQ level. Keep the Thai effective rate above 15% to stay in the "Safe Harbor."
2. Currency & Banking: Ensure your Thai subsidiary uses a bank with strong experience in non-SWIFT or alternative payment rails to ensure the funds actually arrive in Russia.
3. BOI Benefits: If your Russian company is in tech or manufacturing, apply for Board of Investment (BOI) promotion in Thailand. This can grant 0% CIT for up to 8 years, making the "Dividend" route the only tax you ever pay.
4. Transfer Pricing: The 2026 Russian tax code has expanded the criteria for "controlled transactions." Any transaction with a Thai subsidiary is likely to be scrutinized to ensure you aren't "under-pricing" the services provided by the Russian HQ.

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