Legal Update

China's New Offshore Trust Tax Rules: Why Family Offices Are Looking at Thailand

For many China-connected families, offshore trusts have long formed part of the wealth-planning toolkit, serving purposes from succession planning and asset holding to the management of investments across several jurisdictions. However, China's new offshore trust tax rules have significantly changed that position.

On 24 July 2026, China's Ministry of Finance and State Taxation Administration issued new regulations bringing offshore trusts, and certain similar foreign arrangements, more directly within the individual income tax framework. For Chinese tax resident individuals with offshore structures, the question is no longer simply where the trust is established: the tax position can now follow the individual, the assets placed into the trust and the income generated within it. That has prompted a practical question among family offices — if an existing structure needs to be reconsidered, should the family's own tax residence also be reviewed?

1. What has changed in China?

The new rules are broad in scope. They cover trusts established under foreign laws as well as certain other overseas legal arrangements that perform a similar function. For Chinese tax resident individuals, tax can arise at several stages of the trust lifecycle.

- First, placing appreciated assets into an offshore trust can itself give rise to taxable income, broadly by reference to the market value of the assets less their tax basis and qualifying costs.
- Second, income generated by an offshore trust, and by certain overseas entities that it holds, controls or manages, may be attributed to the Chinese tax resident individual and taxed annually, even if that income has not actually been distributed.
- Third, there are specific rules dealing with distributions, transfers of trust property, termination of a trust and situations where a Chinese tax resident individual becomes

non-resident while the offshore trust continues. The practical effect is that deferring a distribution does not necessarily defer the Chinese tax exposure.

The rules also contain transitional provisions. Certain taxpayers have a 90-day period from 24 July 2026 to report specified liabilities relating to earlier offshore trust arrangements without late-payment interest. As the scope of that relief is technical, affected families should confirm quickly whether they fall within it.

2. Why Thailand enters the conversation

Thailand approaches the taxation of foreign income differently. For individuals, Thai tax residency is based primarily on physical presence: a person who spends 180 days or more in Thailand during a calendar year is generally treated as a Thai tax resident.

For foreign-source income, Thailand operates on a remittance basis. Broadly, foreign-source income arising from 1 January 2024 onward that falls within the Thai rules is subject to Thai personal income tax when it is brought into Thailand, unless an exemption or treaty relief applies.

That difference matters. Under the Chinese offshore trust rules, certain trust income can be taxed as it arises, whether or not cash has reached the individual. Under Thailand's ordinary rules, foreign-source income generally enters the Thai tax net only when it is remitted. For families whose investments and wealth remain largely offshore, that distinction can materially affect how a relocation is structured. Thailand is not simply a "tax-free" jurisdiction. The attraction lies in understanding when Thai tax arises, what is remitted and whether a specific exemption is available.

3. The 180-day line, and the rule that changed in 2024

Thai tax residency turns on a relatively straightforward day count. Spend 180 days or more in Thailand in a calendar year and, broadly, an individual is considered a Thai tax resident. Spend fewer than 180 days and he will generally remain non-resident for Thai tax purposes.

Becoming resident, however, requires more careful remittance planning than it once did. Since 1 January 2024, Thailand has changed the way the remittance rule is administered: foreign-source income within the revised rules remains taxable when brought into Thailand, even if it is remitted in a later year.

That removed a planning technique commonly relied on under the previous interpretation, where foreign income could in certain circumstances be kept offshore until a later year and then remitted without Thai tax. For a family considering relocation within the foreseeable future, the message is simple: the timing and source of funds brought into Thailand matter.

4. Where the Long-Term Resident (LTR) visa changes the picture

For qualifying individuals, Thailand's Long-Term Resident ("**LTR**") visa can make the position considerably more attractive. The LTR programme is designed for high-potential foreign residents and currently includes four principal categories:

- Wealthy Global Citizens;
- Wealthy Pensioners;
- Work-from-Thailand Professionals; and
- Highly Skilled Professionals.

The tax treatment is not identical across the four. Qualifying Wealthy Global Citizens, Wealthy Pensioners and Work-from-Thailand Professionals may benefit from an exemption from Thai personal income tax on qualifying foreign-source income brought into Thailand. Highly Skilled Professionals are subject to a different incentive: a preferential 17 percent personal income tax rate on qualifying employment income.

For family offices, the Wealthy Global Citizen category is the relevant one. Under the current criteria, a Wealthy Global Citizen must generally hold assets of at least US$1 million, of which at least US$500,000 is invested in qualifying Thai investments, together with the applicable insurance or financial security requirements. The previous minimum personal income requirement no longer appears in the current criteria for this category. Qualifying investments can include specified Thai government bonds, direct investment in Thai companies and Thai property, subject to the programme requirements.

This creates an interesting planning possibility. A qualifying individual can relocate to Thailand, become a Thai tax resident and, subject to satisfying the requirements of the LTR tax incentive, bring qualifying foreign-source income into Thailand without the ordinary Thai personal income tax charge that would otherwise apply. For internationally mobile families, that combination of residence, lifestyle and tax treatment is what makes Thailand worth examining.

5. The catch worth naming

This is the most important limitation: becoming a Thai tax resident does not, by itself, switch off Chinese tax exposure.

Chinese tax residence still has to be thoroughly analysed under Chinese law. For example, the new offshore trust rules specifically address situations where a resident individual becomes non-resident while an offshore trust remains in existence. In those circumstances, a Chinese tax charge can arise by reference to the value of the trust assets at the time of the change in status. The rules also make clear that simply obtaining foreign nationality, permanent residence or another country's immigration status does not necessarily determine whether an individual remains domiciled in China for Chinese tax purposes.

Thailand should therefore not be viewed as an "exit route" from Chinese taxation. It is better understood as one component of a coordinated cross-border plan. The Chinese side needs to determine the existing offshore trust exposure, any transitional filing obligations, the consequences of changing tax residence and whether Chinese tax continues to apply. The Thai side needs to determine how residence will be established, whether the individual qualifies for the LTR programme, what income can be remitted and how the exemption applies.

6. Conclusion

For families affected by the new Chinese rules, the first step is not necessarily to restructure anything. It is to understand the existing position. That means asking some basic but important questions:

- Who settled assets into the trust?
- Where are the settlor and beneficiaries tax residents today?
- Could any of them still be treated as Chinese tax residents?
- What assets were transferred into the trust, and when?
- What income have the trust and its underlying entities generated?
- What distributions or benefits have already been provided?
- Are reliable records available for original cost, market value and previous tax payments?
- Does the 90-day transitional reporting window apply?
- If the family is considering relocation, could one or more individuals qualify for Thailand's LTR programme?

These questions should be answered before the family changes residence, makes a distribution or restructures the trust.

Thailand cannot undo an existing Chinese tax liability. What it can offer, for families prepared to make a genuine relocation, is a credible long-term base with a comparatively straightforward residence framework and a visa programme designed for internationally mobile, high-net-worth individuals. For some China-connected families, that may make Thailand an increasingly important part of the next chapter of their wealth planning.

If these developments may affect a client, family office or contact, an early review with both Chinese and Thai advisers is advisable, particularly while the 90-day transitional window remains open.

Further information

Should you have any questions on China's new offshore trust tax rules or how this development may affect you or your business, please get in touch with the team at PDLegal.

Papon (Paul) Charoenpao
Managing Partner, Thailand
paponc@pdlegal.com.sg

Supagorn Jittimaporn
Partner, Thailand
supagornj@pdlegal.com.sg

Lester Kuo
Associate, Thailand
Deputy Head, China Desk
lesterk@pdlegal.com.sg