

Thailand Tax Changes

There have been a number of changes to Thailand's economic and business environment since the current government took power last May; not least in the area of taxation. Below is a quick guide to some of the major changes, proposed or implemented.

VAT

Back in July 2014, the government announced a further 1-year extension to the reduced Value-Added tax rate of 7%. The official VAT rate is in fact 10% but, in order to boost consumer purchasing power and thus help economic growth, a 3%-reduction has been re-applied every year since the 1997 Asian Financial Crisis. The current extension expires on 30th September 2015. It has been stated that VAT will be back at 10% from 1st October 2015;¹ although it's worth keeping an eye out in the coming months, in case this changes.

SME business income tax

The business tax applied to small and medium-sized businesses (SMEs) has applied since the beginning of the fiscal year 2015 (which started on 1st January 2015).² If an SME has paid-up capital of less than THB 5 million at the end of each accounting period, and revenue from sales and goods in that period is less than THB 30 million, then it will now be eligible for a 15% rate up to THB 3 million in net profit. Previously this rate only applied up to THB 1 million in profit.

In summary, here's how the new and old SME tax rates compare:

Net Profit	Accounting Period		
	1 Jan 2012 - 31 Dec 2012	1 Jan 2013 - 31 Dec 2014	1 Jan 2015 onwards
< 150,000	Exempt	Exempt	
150,001 – 300,000	15%		
300,001 – 1,000,000	15%	15%	15%
1,000,001 – 3,000,000	23%	20%	15%
> 3,000,000	23%	20%	20%

¹ http://thainews.prd.go.th/centerweb/newsen/NewsDetail?NT01_NewsID=WNECO5707170010009

² Royal Decree 583 2015 B.E. 2558

Automobile excise tax

As of 1st January 2016, those people who choose an energy-saving model when buying a new vehicle will be charged less tax. The planned restructuring of the automobile excise tax regime was first announced in 2012 and has raised concern within the industry that it would make production difficult, as manufacturers try to marry low-emissions with market requirements.³

In March, industry minister Chakramon Phasukavanich stated that the new tax rates will only apply to new models, as it would not be fair to apply them to older ones.⁴ The objective is to charge more tax on less-efficient models of vehicle, thus discouraging manufacturers from producing them and customers from buying them. The president of the Thai Automobile Association has suggested that if the vehicle tax rate is raised by between 5% and 10%, the retail price could be raised by 2%.⁵

Land and building tax

There have been plans to introduce a property tax in Thailand since 2010 but no law has been implemented to date. The current government, however, sees this as one of its priorities. It has stated that it wants to enact the law before it gives up power, as it seeks to narrow economic disparity and pay for investment in areas such as infrastructure.⁶

The latest proposals suggest that homeowners would be charged 0.1% of the appraised value. The rate for agricultural and commercial land use would be 0.05% and 0.2% respectively. Houses with an appraised value of up to THB 2 million would receive a 75% tax allowance, meaning a THB 250 tax payment for every THB 1 million.

Residences with an appraised value of THB 2-4 million would receive a 50% tax allowance, calculating into THB 500 tax for every THB 1 million on amounts exceeding THB 2 million but no more than THB 4 million.

For houses with an appraised value of over THB 4 million, homeowners would have to pay THB 1,000 for every THB 1 million of the appraised value above the THB 4 million mark.⁷

³ <http://www.bangkokpost.com/print/505307/>

⁴ <http://www.nationmultimedia.com/business/New-emissions-tax-wont-hurt-car-sales-much-ministe-30256141.html>

⁵ *idem*

⁶ <http://www.bangkokpost.com/property/news/515619/property-tax-rethink-scheduled>

⁷ *idem*

However, there has been a public outcry that the tax will impose too high a burden on homeowners.⁸ The government has therefore decided to postpone implementation indefinitely⁹ and review the plans. It has promised to publish its conclusions in August 2015.

Tutorial Schools

Currently tutorial schools or *cram schools*, which provide extra lessons to help students pass exams such as university entrance tests, qualify for tax exemptions under the Private School Act.¹⁰ However in March the government gave the go-ahead to tax such schools.

Education minister Narong Pipatanasai has stated that the idea behind the change is to tax cram schools' profits, without mirroring the cost onto students. However one school owner has already said he would have to increase course fees because of the increased accounting and auditing costs involved.¹¹

As yet no official timeline has been set for the changes, which the Revenue Department expect to bring in annual tax revenue of some THB 2 billion.

Inheritance Tax

In August of last year the government made clear its intentions to introduce an inheritance tax (IHT) in Thailand. This wasn't something new: proposals for such a tax have been doing the rounds of various Thai governments for the last decade.¹²

Whilst Singapore and the Philippines already have IHT regimes, all the other Asean countries do not.¹³ According to finance minister Sommai Phasee,¹⁴ an estate worth THB 120 million separated equally between two children would result in the following:

- The first THB 50 million each child receives would be exempt of tax.
- Each child would be taxed at 10% for the THB 10 million that exceeds the ceiling.

Taxable assets would include residences, land, vehicles, bonds, equities and deposits at financial institutions. Non-registerable assets such as jewellery, amulets and luxury watches, however, would be excluded.¹⁵

⁸ *idem*

⁹ <http://www.bangkokpost.com/business/news/495537/prayut-delays-land-tax-indefinitely>

¹⁰ Private School Act B.E. 2550

¹¹ <http://www.nationmultimedia.com/national/Tax-axe-to-fall-on-tutorial-schools-30255747.html>

¹² <http://www.aseanbriefing.com/news/2014/08/22/thailand-considers-inheritance-property-tax-reforms.html>

¹³ <http://www.nationmultimedia.com/business/Inheritance-tax-gets-NCPO-nod-30239966.html>

¹⁴ <http://www.bangkokpost.com/news/general/475214/inheritance-tax-bill-future-looks-murky>

¹⁵ <http://www.bangkokpost.com/news/general/450676/death-taxes-bill-passes-first-reading-in-thai-national-legislative-assembly>

Whilst the finance minister feels that a THB 1 million tax on an inheritance of THB 60 million is “negligible”¹⁶, the National Legislative Assembly failed to reach any conclusion on the bill’s second reading in February. The minister suggested that the law should not be implemented at all if there is a reduction to his proposed 10% rate.¹⁷

Since February there has been no news of any rewrite of the bill or a new attempt to push the current proposals through.

Future developments

With so many uncertainties regarding how and when these new tax regimes will be implemented, it would be advisable to check with an independent expert. Be sure to get in touch with us if there is the possibility that any of these new taxes could affect you.

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¹⁶ *idem*

¹⁷ *idem*