

## **Value Added Tax**

Value Added Tax (VAT) has been implemented in Thailand since 1992 replacing Business Tax (BT). VAT is an indirect tax imposed on the value added of each stage of production and distribution.

### **1. Taxable Person**

Any person or entity who regularly supplies goods or provides services in Thailand and has an annual turnover exceeding 1.8 million baht is subject to VAT in Thailand. Service is deemed to be provided in Thailand if the service is performed in Thailand regardless where it is utilized or if it is performed elsewhere and utilized in Thailand.

An importer is also subject to VAT in Thailand no matter whether one is a registered person or not. VAT will be collected by the Customs Department at the time goods are imported. Certain businesses are excluded from VAT and will instead be subjected to Specific Business Tax (SBT).

Under VAT, taxable goods mean all types of property, tangible or intangible, whether they are available for sales, for own use, or for any other purposes. It also includes any types of articles imported into Thailand. Services refer to any activities conducted for the benefits of a person or an entity, which are not the supply in terms of goods.

### **2. Exemptions**

Certain activities are exempted from VAT. Those activities are :

- 2.1 Small entrepreneur whose annual turnover is less than 1.8 million baht;
- 2.2 Sales and import of unprocessed agricultural products and related goods such

as fertilizers, animal feeds, pesticides, etc.;

2.3 Sales and import of newspapers, magazines, and textbooks;

2.4 Certain basic services such as:

- transportation : domestic and international transportation by way of land;
- healthcare services provided by government and private hospitals as well as clinics;
- educational services provided by government and private schools and other recognized educational institutions;
- professional services : Medical and auditing services, lawyer services in court and other similar professional services that have laws regulating such professions;
- renting of immovable properties;

2.5 Cultural services such as amateur sports, services of libraries, museums, zoos;

2.6 Services in the nature of employment of labour, research and technical services and services of public entertainers;

2.7 Goods exempted from import duties under the Industrial Estate law imported into an Export Processing Zones (EPZs) and under Chapter 4 of the Customs Tariff Act;

2.8 Imported goods that are kept under the supervision of the Customs Department which will be re-exported and be entitled to a refund for import duties; and

2.9 Other services such as religious and charitable services, services of government agencies and local authorities.

### 3. Tax Base

#### 3.1 General Goods and Services

Tax base of VAT is the total value received or receivable from the supply of goods or services. Value means money, property, consideration, service fees, or any other benefits which is ascertainable in terms of money. Tax base will also include any Excise tax arises in connection with such supply. However, tax base is exclusive of the value added tax itself and does not include any discounts or allowances, but only if discounts or allowances are clearly shown in the tax invoices.

#### 3.2 Imported Goods

Tax base = C.I.F. price + Import duty + Excise Tax (if any) + other taxes and fees (if any)

#### 3.3 Exported Goods

Tax base = F.O.B. price + Excise Tax (if any) + other taxes and fees (if any)

### 4. Tax Rates

#### 4.1 General Rate

Currently, the rate is 7 percent.

## 4.2 Zero Percent Rate

Certain activities are liable to VAT at the rate of zero percent. Those activities include:

- export of goods;
- services rendered in Thailand and utilized outside Thailand in accordance with rule, procedure and condition prescribed by the Director-General;
- aircraft or sea-vessels engaging in international transportation;
- supply of goods and services to government agencies or state-owned enterprises under foreign-aid program;
- supply of goods and services to the United Nations and its agencies as well as embassies, consulate-general and consulates;
- supply of goods and services between bonded warehouses or between enterprises located in EPZs.

## 5. Time of Supply

The time of supply of goods or services is important because it determines when a registered person should account for VAT. The time of supply will be determined as follows:

### 5.1 Goods

#### 5.1.1 General goods, the earliest of :

- the time of delivery; or
- when ownership of goods is transferred; or

- a payment is made; or
- a tax invoice is issued.

**5.1.2 Hire-purchase or installment sale, the earliest of :**

- the time each payment is due; or
- a payment is made; or
- a tax invoice is issued.

**5.1.3 Supply of goods on consignment, the earliest of :**

- the time the consignee makes delivery or transfers; or
- ownership of the goods to buyer; or
- a payment is made; or
- a tax invoice is issued.

**5.1.4 Imports, the earliest of :**

- the time import duty is paid; or
- a guarantee is put up; or
- a guarantor is arranged for; or
- a bill of lading is issued.

**5.1.5 Exports, the earliest of :**

- the time export duty is paid; or
- a guarantee is put up; or
- a guarantor is arranged for; or
- a bill of lading is issued; or

- goods are sent from Thailand to an EPZ; or
- goods are exported from a bonded warehouse.

## 5.2 Services

### 5.2.1 In general, the earliest of :

- the time a payment is made; or
- tax invoice is issued; or
- service is utilized.

### 5.2.2 Service contract where payment is made according to the service performed, the earliest of :

- the time a payment is made; or
- tax invoice is issued; or
- service is utilized.

### 5.2.3 Imports

- the time the payment is made.

## 6. Tax Invoice

VAT registered person or entity is required to issue tax invoices every time the transactions are made showing details of nature and value of goods sold or services provided and also amount of VAT due. Tax invoice is used as evidence for claiming input tax credit. Tax invoice must contain at least the following elements;

- The word "Tax invoice" in a prominent place,
- Name, address and tax identification number of the issuer,

- Name and address of the purchaser or customers,
- Serial numbers of tax invoice and tax invoice books (if applicable),
- Description, value and quantity of goods or services;
- Amount of VAT chargeable, and
- Date of issuance.

## 7. Tax Calculation

VAT liability = Output Tax - Input Tax

"Output Tax" is a tax collected or collectible by VAT registered person from his customers when goods or services are supplied.

"Input Tax" is a tax charged by another registered person on any purchase of goods or provision of services. The term also includes any tax charged on imported goods.

## 8. Refund

In each month, if input tax exceeds output tax, taxpayer can claim for the refund, either in form of cash or tax credit to be used in the following months. Therefore, in case of zero-rated, taxpayer will always be entitled to VAT refund. As for unused input tax, it may be creditable against output tax within the next 6 months. However, the refund can only be claimed within 3 years from the last day of filing date.

Certain input taxes, such as tax in relation to entertaining expenses, are not creditable under VAT. However, those non-creditable input taxes can instead be used as deductible expenses under Corporate Income Tax (CIT).

## **9. VAT Registration**

Any person or entity who is liable to VAT in Thailand must register to be VAT registered person or entity (Form VAT 01) before the operation of business or within 30 days after its income reaches the threshold. The registration application must be submitted to Area Revenue Offices if the business is situated in Bangkok or to the Area Revenue Branch Offices if it is situated elsewhere. Should taxpayer have several branches, registration application must be submitted to the Revenue Office where the headquarter is situated.

## **10. Tax Return and Payment**

VAT taxable period is a calendar month. VAT return therefore must be filed on a monthly basis. VAT return (Form VAT 30) together with tax payment, if any, must be submitted to Area Revenue Branch Office within 15 days of the following month. If taxpayer has more than one place of business, each place of business must file the return and make a payment separately unless there is an approval from the Director-General of the Revenue Department. Services utilized in Thailand supplied by service providers in other countries are also subject to VAT in Thailand. In such a case, service recipient in Thailand is obliged to file VAT return (Form VAT 36) and pay tax, if any, on behalf of the service providers.

In the case where supply of goods or services is also subject to Excise tax, VAT return and tax payment, if any, must be submitted to the Excise Department together with Excise tax return and tax payment within 15 days of the following month. In case of imported goods, VAT return and tax payment must be submitted to the Customs Department at the point of import.

