

The logo for BDO, featuring the letters 'BDO' in a bold, dark blue, serif font. The letters are positioned to the right of a vertical red bar and above a horizontal red bar, which together form a stylized 'L' shape. The background is a light blue gradient.

BDO

Indirect Taxes in Thailand

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BDO Richfield Advisory Ltd
Tax & Legal Services

Indirect Taxes in Thailand

Session Outline

- VAT
- Specific Business Tax



Value Added Tax

Liability to VAT

VAT imposed on:

- Sale of goods and the provision of services in Thailand; and
- Importation of goods into Thailand

A service performed outside Thailand is deemed to be provided in Thailand if it is used in Thailand



Value Added Tax (cont)

Who is liable to VAT?

- Suppliers of goods or services in Thailand
- Importers of goods into Thailand
- Agents in Thailand of foreign suppliers
 - An agent is a person who concludes contracts or has the responsibility for maintaining a stock of goods, securing customers, or doing any act in connection with the carrying on of the business in Thailand for or on behalf of a supplier residing outside Thailand



Value Added Tax (cont)

Who is liable to VAT? (cont)

- Foreign suppliers temporarily carrying on business in Thailand without being required to be registered for VAT i.e. where business will not be carried on in Thailand for more than 3 years
 - Foreign supplier can elect to register if the supplier will carry on business in Thailand for more than 1 year
- Where the foreign supplier is not required to be registered for VAT and does not register, the purchaser of the goods or services in Thailand is required to self assess the VAT chargeable to the foreign supplier and remit it to the Revenue Department



Value Added Tax (cont)

Who is required to register for VAT

- A supplier about to commence a business of selling goods or providing services must register before commencing such business
 - Where taxable supplies will exceed Baht 1.8 million per year
- A supplier carrying on a specified exempt business who elects to be registered for VAT
- Agent of a foreign supplier



Value Added Tax (cont)

When Liability to VAT Arises – Sale of Goods

- Generally at time of delivery unless any of the following occurs before:
 - ownership of the goods is transferred
 - payment for the goods is received
 - the tax invoice is issued
- Exported goods: generally at the time export entry is issued by the Customs Department
- Imported goods: at the time of payment of import duty, or if exempt, at the time the customs entry is issued



Value Added Tax (cont)

When Liability to VAT Arises – Services

- At the time payment is received unless any of the following occurs before:
 - Issuance of a tax invoice
 - Use of the service whether by the supplier or any other person



Value Added Tax (cont)

Tax Base

Total value received or receivable inclusive of excise tax, if applicable

Excludes inter alia:

- Discounts granted at the time of sale or provision of service



Value Added Tax (cont)

VAT Rates

- **Standard rate: 7%**
- **Zero rated supplies include inter alia:**
 - **Services performed in Thailand and used wholly outside Thailand**
 - **Provision of international transport services by aircraft and sea-going vessels by a supplier who is a juristic person**
 - **Sale of goods or provision of services within a duty free zone or between duty free zones**



Value Added Tax (cont)

Exempt Goods and Services include inter alia:

- Sale of agricultural products if only fresh or temporarily preserved during transportation
- Sale of animals
- Sale of fertilisers, fish meals and animal feeds, drugs and chemical products for plants and animals
- Domestic transportation
- Health services provided by hospitals
- Education services provided by recognised educational institutions
- Letting out of immovable property

A supplier engaged in exempt transactions cannot collect VAT and cannot claim an input credit for VAT it incurs on its purchases



Value Added Tax (cont)

VAT Compliance

- VAT returns are required to be submitted on a monthly basis: each monthly return must be filed and any VAT payable paid by the 15th of the following month
- Where the output tax exceeds the input tax for the month and any carried forward input tax credits, VAT equal to the excess must be paid to the Revenue Department
- Where input tax exceeds the output tax, a refund of the excess can be requested: this will lead to a tax audit
 - Alternatively, the excess can be carried forward and utilised in subsequent returns



Value Added Tax (cont)

VAT Compliance (cont)

Self assessed VAT must be paid to the Revenue Department by the 7th of the month following the month in which the supplier was paid

Self assessed VAT can be claimed as an input tax credit in the VAT return for the month in which the self assessed VAT was paid



Value Added Tax (cont)

VAT Compliance (cont)

Monthly Reports to be maintained

- Output tax report
- Input tax report
- Goods and Raw Materials report

These reports must be kept at the suppliers place of business



Value Added Tax (cont)

Case Study 1

Foreign Co (FCo) engages Thai Co to perform research services in Thailand. Thai Co sends report to FCo outside of Thailand by internet. FCo incorporates the research into its subscriptions services which it houses on a server located outside Thailand. Subscribers from around the world including in Thailand can access FCo subscription services.

Is Thai Co required to charge VAT on the service fee charged to FC?



Value Added Tax (cont)

Case Study 2

Thai Co engages a foreign company (“FCo”) to advertise its goods on FCo’s website located outside Thailand. Thai Co provides the information etc to FCo which loads the advertisements on the foreign website. Potential purchasers from around the world including Thailand can access FCo’s website to buy Thai Co’s goods.

Is Thai Co required to self assess VAT on the service fees paid to FCo?



Value Added Tax (cont)

Case Study 3

A Foreign company (“FCo”) sends goods to Thai Co which is an operator in an EPZ for processing and subsequent remittance of the finished goods back to FCo outside Thailand.

Is Thai Co required to charge VAT on the service fee charged to FCo?



Value Added Tax (cont)

Case Study 4

FCo sends goods to Thai Co to be stored in Thai Co's warehouse which is located in an EPZ. FCo sells the goods to Op Co which is a Thai incorporated company that operates outside the EPZ. Op Co will go to Thai Co's warehouse in the EPZ to collect the goods. Op Co orders the goods directly from FCo by sending an order direct to FCo outside Thailand and FCo issues an invoice directly to Op Co from outside Thailand.

What are the VAT implications?



Value Added Tax (cont)

Case Study 5

Thai Co engages a foreign company (“FCo”) to find customers outside Thailand to purchase its goods.

Is Thai Co required to self assess VAT on the service fee it pays to FCo?



Value Added Tax (cont)

Case Study 6

A foreign company (“FCo”) is engaged by Thai Co to install certain machinery in Thailand. The installation will take approximately 3 months and FCo will not perform any other services in Thailand.

What are the VAT implications?



Value Added Tax (cont)

Case Study 7

A foreign company (“FCo”) is engaged by Thai Co to construct a factory in Thailand on a turn key basis. FCo engages Thai Sub Co (related to FCo) as its subcontractor in Thailand to perform the construction work.

What are the VAT implications?

What structural changes could be made to address any adverse VAT issues?



Value Added Tax (cont)

Case Study 8

FCo orders goods directly from Thai Co and instructs Thai Co to deliver the goods to Thai Op Co which has purchased the goods from FCo?

What are the VAT implications?



Value Added Tax (cont)

Case Study 9

Foreign Co provides management services to Thai Co, its related company in Thailand. FCo sends reports and other information to Thai Co in Thailand.

Is Thai Co required to self assess VAT on the service fees paid?



Value Added Tax (cont)

Case Study 10

Thai Co is in need of financial support. Its related company offshore, FCo, provides Thai Co with a subsidy of Baht 2 billion.

What are the VAT implications?



Specific Business Tax

Specific Business Tax (“SBT”) is imposed on certain amounts received in respect of specified businesses carried on in Thailand.



Specific Business Tax (cont)

Businesses Subject to SBT

- Banking business
- Finance, securities and credit foncier business
- Life insurance
- Pawnbroking
- Business with regular transactions similar to commercial banking such as loans, furnishing guarantees, exchange of currencies, issuance , purchase or sale of negotiable instruments or transfer of money abroad by any means
- Sale of immovable property in a commercial manner or for profit
- Sale of securities under the law governing securities exchange of Thailand
- Any other business specified by a Royal decree



Specific Business Tax (cont)

Tax Base for Specified Businesses

- Gross receipts as follows:

Banking business and Finance, Securities and Credit Foncier business

- Interest, discounts, fees, consideration for services or gross profits from the purchase or sale of, or obtained from, negotiable instruments or any document of indebtedness
- Gross profits from exchange or purchase or sale of currencies, issuance of negotiable instruments or any document of indebtedness, or remittance of currencies to a foreign country

Life insurance business

- Interest, fee or consideration for services



Specific Business Tax (cont)

Tax Base for Specified Businesses (cont)

Pawnbroking business

- **interest and fees**
- **Cash, property, consideration or benefit of value received or receivable from sale of forfeited property**

Sale of Immovable Property and Sale of Securities

- **Gross receipts before deduction of any expenses**



Specific Business Tax (cont)

SBT Rates

Securities trading: exempt

Life Insurance and Pawnbroking: 2.75%

All other businesses: 3.3%

(the above rates are inclusive of local tax of 10%)



Specific Business Tax (cont)

Filing of Returns and Payment of Tax

- SBT returns are required to be submitted each month by SBT taxpayers
- The returns and the tax due must be paid by the 15th of the following month



Q & A



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Andrew is a Senior Tax Partner with BDO Richfield Advisory Limited and is based in Bangkok. He has 30 years of tax consulting experience of which 22 years have been in Asia (Hong Kong, Singapore and Thailand).

Andrew has a Bachelor of Commerce degree from the University of Melbourne and is a Fellow of the Australian Society of Certified Practicing Accountants.

Andrew has extensive experience in developing tax effective financing arrangements and in advising clients on cross border transactions, transfer pricing, corporate reorganisations and financial restructuring and mergers and acquisitions. In addition, he has advised numerous clients on establishing operations in Thailand as well as carrying out tax due diligence assignments for potential investors in a wide range of industries.



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