

# Newsletter

Volume 01 / Issue February 2021

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## **Thai VAT on Offshore e-Services**

*Starting on 1 September 2021, the Value added tax (VAT) at the rate of 7% will be imposed on 'foreign-based operators' who have their annual income exceeds 1.8 million baht from providing electronic services (e-services) including e-service platforms to end customers (non-VAT registrants) in Thailand.*

The 'digital economy' has had a profound impact on both the business landscape and the lives of ordinary people. The number of internet users in Thailand has grown exponentially due to a number of significant technological advancements. Several 'foreign-based operators' can easily provide their services to Thai customers such as offering download services for movies, games, music, stickers through electronic media or their digital platforms.

In the past, those foreign operators are not liable to pay VAT in Thailand since the Thai tax law does not cover the collection of VAT on their services. However, on 10 February 2021, the Thai parliament approved the Thai Revenue Code Amendment Act (No. 53) B.E. 2564 (2021) and published in the Royal Gazette to collect 7% VAT from foreign-based operators providing e-services and e-service platforms to end customers not registered for VAT in Thailand if their annual income exceeds 1.8 million baht.

The amendment of law is aimed to give the Thai tax law being in accordance with the guidelines provided by the Organisation for Economic Cooperation and Development (OECD) and to ensure that foreign e-services and e-service platform business activities are taxed in a fair and growth-friendly way in Thailand. In other words, this amended law will enhance the Thai tax administration to be in the same way as other countries and correspond to the changing trends of the digital economy age and business models. Thus, the foreign operators who provide offshore e-services shall be registered for VAT and obligate to remit VAT to the Thai Revenue Department ("TRD") as well as domestic businesses.



## New Terms:

**Goods** refer to tangible objects with a shape or form that is sold or used for any purpose, which includes tangible objects that are imported but not those sold via internet or electronic platforms.

**Electronic service** or **e-services** refer to services that are delivered through the internet or electronic platforms and cannot be provided or received without using technology e.g., downloading of online movies, music, games, and stickers.

**Electronic platform** are a marketplace, channel, or any other means that many service providers use to provide electronic services to service recipients.

The TRD is now developing system i.e., the Simplified VAT System for e-service (SVE), a system for registration, filing of forms and payment of VAT. Then the foreign e-service operators can register for VAT through online on the website of the TRD ([www.rd.go.th](http://www.rd.go.th)).

When the foreign e-service operators is a VAT registrant, the obligation to submit VAT filing and remit VAT amount (output tax without input tax credit) on a monthly basis will be required. However, the issuing of tax invoices and preparing of input tax reports are not required in this case.

The TRD is expected to issue further rules, regulations and guidelines to provide more clarity on certain issues, such as more detail, enforcement mechanisms and penalties for non-compliance.

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