

Thailand's Now Collecting VAT from Offshore E-Service Providers

As the most recent amendment to the Thai Revenue Code has been fully enforced on 1 September 2021, offshore e-service providers have to be registered for VAT in Thailand and pay Thai VAT.

The amendment to the Thai Revenue Code was approved by the Parliament and became effective on 11 February 2021. This amendment established the principal that service providers located outside Thailand must register as VAT registrant in Thailand and remit VAT to the Thai Revenue Department electronically.

Before this amendment, it was viewed that the economy outgrew the provision of tax law. In the past, foreign e-service providers did not have to pay corporate income tax in Thailand nor pay VAT to the Thai Revenue Department provided that they did not have a taxable presence in Thailand. This caused huge losses taking into consideration of the tax that Thailand could have had collected. In addition, Thai service providers were suffered from unfair competition in terms of cost of service. Therefore, the Thai Revenue Department developed the practices to be in accordance with the international standard set by the Organisation for Economic Co-operation and Development (OECD).

According to the amendment, the Thai Revenue Code now defines “electronic service” and “electronic platform” as follows:

“Electronic service” means services including intangible assets delivered via the internet or any other electronic network and the nature of which renders their service essentially

automated and impossible to ensure in the absence of information technology.

“Electronic platform” is defined as a market, channel, or any other process used by multiple service providers to provide electronic services to customers.

A concern has been raised by VAT operators who has already had the obligation to self-assess VAT from utilizing offshore e-services through the filing of the Form PP 36. We note that new legislation does not change the practice of the VAT operators. They still have to remit the self-assessed to the Thai Revenue Department. In this regard, the offshore service provider has to require the payer of service fee to declare whether they are VAT registrant in Thailand. If so, VAT shall not be charged on the service fee. Thus, there is no double VAT payment.

The first due date for the e-service VAT payment was 23 October 2021. According to Mr. Ekniti Nitithanprapas, the Director-General of the Thai Revenue Department, it was proudly announced on 12 November 2021 that THB 686 million VAT for Electronic Service (VES) was collected in the first month of implementation. Moreover, Mr. Nitithanprapas believed that in one year the Thai Revenue Department could collect VAT from offshore e-service providers for the amount from THB 8,000 – 10,000 million. This could promote sustain revenue for the country and enhance a fair competition for both Thai and offshore service providers.

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