

# Thailand to Impose VAT on Offshore E-Services

On June 9, 2020, the Thai Cabinet approved a draft amendment to the Revenue Code to impose value-added tax (VAT) on e-service providers and e-platform operators with no presence in Thailand for payments received from users in Thailand. The VAT requirement is expected to apply to all forms of qualifying international e-service providers and e-platform operators, whether websites, smartphone applications, social media, or similar; and across a variety of businesses, from hotel booking sites to streaming media platforms.

The new legislation aims to align Thailand with guidelines from the Organisation for Economic Cooperation and Development (OECD) titled *Mechanisms for the Effective Collection of VAT/GST Where the Supplier is Not Located in the Jurisdiction of Taxation*, which many countries have already adopted.

Under the draft act, foreign e-service providers and e-platform operators that receive over THB 1.8 million in any given tax year from non-VAT registrant customers or users in Thailand, and that provide paid-for services within Thailand, must register for VAT with the Thailand Revenue Department. This is the same threshold that already applies to Thai operators of VAT-paying businesses. VAT registration—which can be done electronically—will result in foreign operators having to remit 7% VAT on income received from non-VAT registrant customers or users in Thailand, together with VAT returns, to the Revenue Department on a monthly basis. However, unlike ordinary Thai VAT registrants, foreign e-service providers and e-platform operators must not deduct output tax from the 7% VAT payable or issue tax invoices to Thai customers. Operators of e-platforms whose members provide e-services will have to pay VAT on behalf of those members.

Nonetheless, the draft act should not create an indirect tax burden on Thai consumers who purchase services from these offshore operators. Few Thai consumers are aware that they must currently pay 7% VAT to the Revenue Department, and file the relevant VAT form, every time they pay foreign operators for services, on a self-assessed basis.

The draft act will be sent for parliamentary approval before it is officially promulgated in the *Government Gazette*, and the Revenue Department is subsequently expected to issue ministerial implementing regulations and informational guides for the public. This should provide greater clarity on certain unanswered issues, such as the types of exempted e-services, enforcement mechanisms, and penalties for non-compliance.

For more information on this development, or on any aspect of taxation in Thailand, please contact Varapa Aurat at [varapa.a@tilleke.com](mailto:varapa.a@tilleke.com) or +66 2056 5508.

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