



Property Tax

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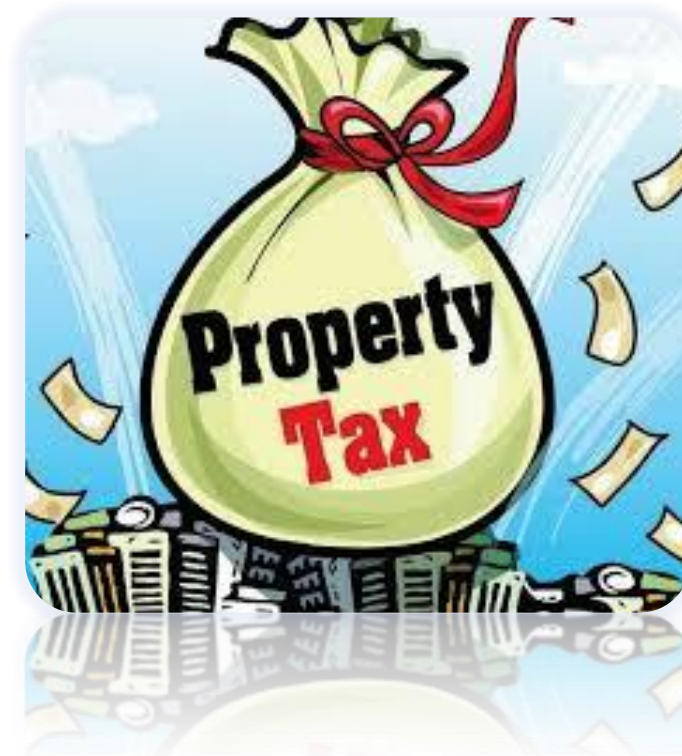
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Fee and taxes on sale of real property

- Transfer fees
- Withholding tax
- Income tax
- Specific business tax
- Stamp duty





House and Land Tax

B.E. 2475 (A.D. 1932)

Property subject to tax

- Buildings and other structures and
- Land used in connection with buildings and other structures
- Land not used in connection with building or other structures

Property exempted from tax

Including:

- property of the government used in the affairs of the government or the general public and property of the State Railway of Thailand directly used in the affairs of the State Railway of Thailand
- property of hospitals and public schools which are used for non-profit purposes and are used exclusively for treatment and education
- house of other structure close for the whole year and its owner or any person other than a security guard and connected land

Taxpayer

- ◆ Land owner and house owner

Tax authorities

- ◆ Local administrative authorities



Tax base

☞ Annual rental

Rate of tax

☞ 12.5% of the annual rental

- What is an annual rental ?

Time of filing tax form and payment of tax

- A taxpayer must file a form of list of properties to a government official within February of each year
- An official must calculate and notify assessment of local development tax to an owner of property within February of each year
- An owner of house and land shall file a tax form for payment of building and land tax within March of each year

Power of an official

An official has the power to determine:

- ☞ Types of property
- ☞ Annual rental
- ☞ Amount of tax to be payable



Local Development Tax Act of B.E. 2508 (A.D. 1965)

- Land subject to local development tax:

- land

- Land exempted from local development tax:

- public land

- land used for public health, education and public charity

- land used for railway, water supply, electricity, ports and airports of the government

- land outside a local government area from 3 rai to 5 rai

- land within a local government area from 200 square wah to 1 rai

- land in Pattaya from 50 square wah to 100 square wah

- land in Bangkok from 100 square wah to 5 rai

Tax Payer

- land owner

Tax Base

- land appraised value

Rate of tax

- from Baht 0.50 to Baht 70 per rai



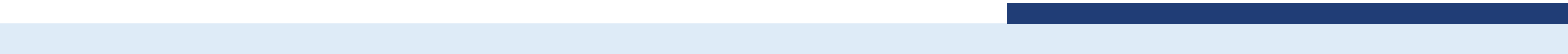
Time of filing tax form and payment of tax

- ✍ an official must calculate and notify assessment of local development tax to an owner of property within March of each year
- ✍ a land owner shall pay local development tax within April of each year

NOTES

- Local development tax is quite old and does not reflect the present value of property
- A small amount of local development tax is collected. A local government authority has few revenues from local development tax compared with its expenses
- House and Land Tax Act and Local Development Tax Act are not property law in strict and proper law
- Bill on Land and Building Act, if enacted into an Act, will replace the House and land Tax and Local Development Tax Act
- Land and Building tax Act, if enacted, is regarded as property tax

Bill on Land and Building Tax Act



Purpose

- expand tax base
- require more revenues to support projects of local government authorities
- bring in substantive revenues for local government authorities
- stimulate development of unused land
- reduce the gap of income
- encourage distribution of income
- reduce subsidies of local government authorities by the Government
- encourage taxpayers to examine administration of tax in local government authorities

Property to be subject to tax

- land and building shall be taxed

Property to be exempted from tax

- public land used for the government or any government authority used for affair of the state or the government authorities
- private land allowed to be used by a government authority for public utilities
- land used as public facilities
- common property for a condominium unit
- land for agriculture with its value of not more than a threshold amount, say, Baht 50 million which might be reduced
- land and the first house with their value of not more than a threshold amount, say, Baht 50 million which might be reduced

Building include structure



Question:

- How is the first house valued ?

Tax Payer

- Owner or possessor of land and/or building

Tax authorities

- local administrative authorities

Tax base

- The tax base means the gross value of land and/or building according to assessment value of land and building
- The tax base of land is the appraised value of land.
- The tax base of building is the appraised value of building.
- The tax base of a condominium unit is the appraised value of the condominium unit.

Rates of tax

- ✍ Not exceeding 0.2 % of the tax base for land or building used for agriculture
- ✍ Not exceeding 0.5 % of the tax base for land or building used for residence
- ✍ Not exceeding 2.0 % of the tax base for land or building used for business or industry
- ✍ Not exceeding 5.0 % of the tax base for land or building used for waste land

In case waste land or building is not used for three consecutive years, 0.5 % tax will be increased for every three years but the total rate of tax shall not exceed 5 %.

Questions

- ◆ What is land and/or building for agricultural purpose ?
- ◆ Are crops required to be planted for 50% of the total area of land ?
- ◆ What is land and/or building for residential purpose ?
- ◆ What is land and/or building for commercial or industrial purpose ?

Questions

- ◆ What is waste land ?
- ◆ Are plots of land in an industrial estate to be developed and sold regarded as waste land ?
- ◆ Is land and town office used as office and home regarded as land for residential purpose or for business purpose ?
- ◆ Is deserted land and building after the economic crisis considered to be waste land and building ?

Time of filing tax form and payment of tax

- ☺ an official of a local government authority must send a tax assessment form to a taxpayer within February of each year
- ☺ an owner or a possessor of land and/or building shall pay local development tax within April of each year
- ☺ number of tax installments and number of a minimum tax amount shall be in accordance with a ministerial regulation
- ☺ unpaid installment tax shall be subject to the surcharge of 1% per month

Tax Reduction

Tax reduction for certain land and building for necessity of economy , society, events, business or nature of an area may be made by a royal decree but tax reduction shall not exceed 90% of the tax payable.

Tax reduction or tax exemption

- ◆ In case land or building is severely damaged or destroyed by a force majeure, tax reduction or tax exemption for a certain period of time can be made by a head of a local government authority or the governor of Bangkok
- ◆ Rates of tax in Bill on Land and Building Tax Act may be changed by the Parliament
- ◆ The tax rates shall be specified in a ministerial regulation
- ◆ In case land or building has been used for several purposes, tax shall be in proportion of uses of the land or the building

Critics

- Farmers rich in land but poor in cash are forced to sell their land
- Any individual with a plot of land but with little money would be required to sell land to a real estate developer
- Land in cities and towns will be changed from existing land owners to real estate developers
- A lot of plots of land will be owned by very rich families

Critics

- Gap of income and property will be widen because farmers and families with little cash cannot own land and must pay tax
- Resistance and objection to Bill on land and building tax comes from a lot of people
- Land and building tax may be passed from a land owner to a land lessee
- The value of the land and the building is taxable regardless of whether the land and the building can be let

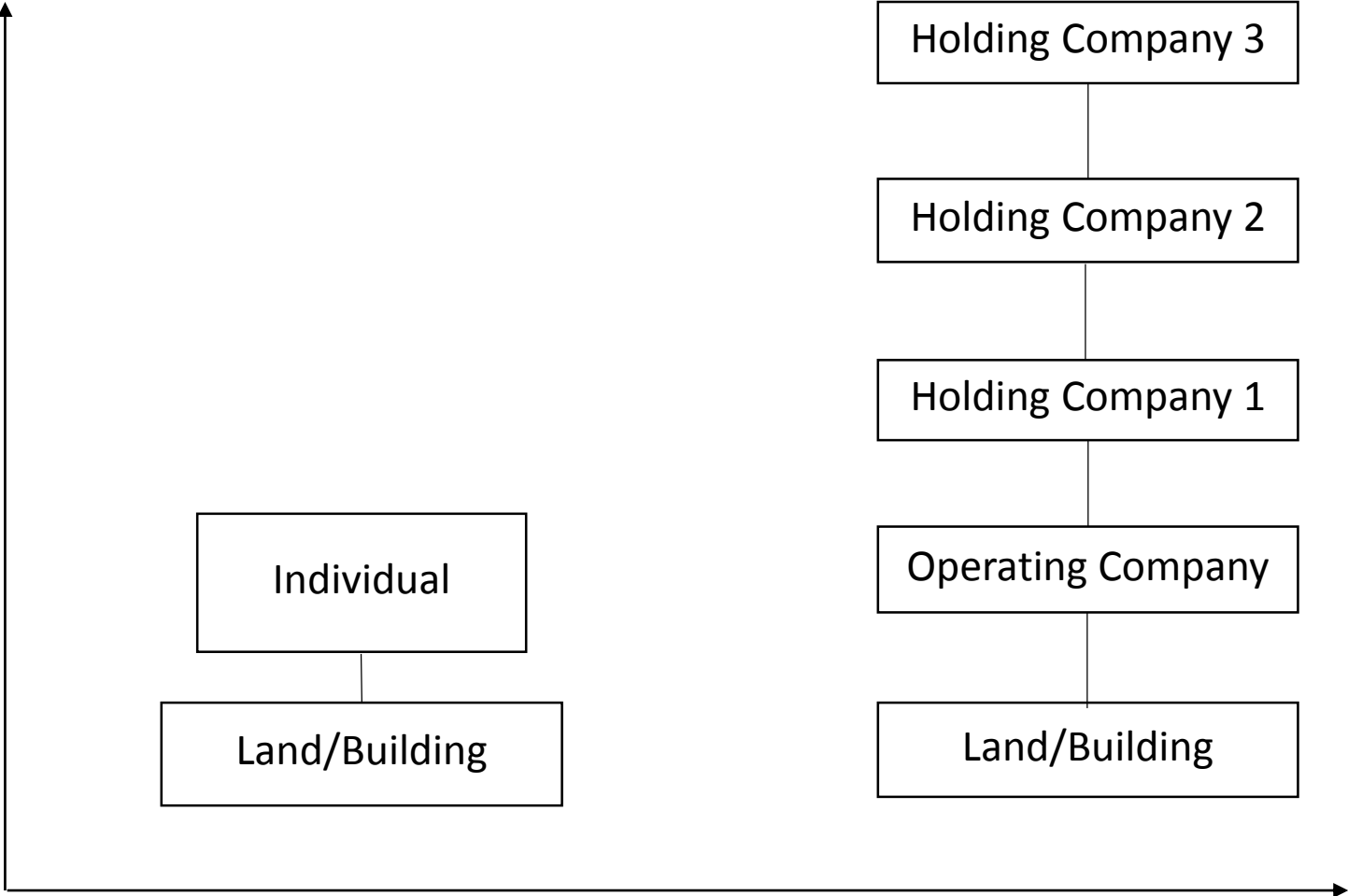
Questions

- Should tax exemption take into consideration an area of land or building in addition to an amount of value of land or building ?
- Should failure to notify a change of use of land or building have no imprisonment ?
- Should plots of land in cities and towns be kept in green for more forests and natural trees and for good environment ?

NOTE

The Bill on Land and building tax Act is in the consideration of the National Legislative Assembly of Thailand.

Diagram on land, building, individual and company





CASE STUDY



Thank you

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