

PROPERTY TAX , TAX BENEFITS AND TAX RISKS

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PROPERTY TAX IN THAILAND

Thailand currently has

- House and Land Tax Act
- Local Development Tax Act

LAND AND BUILDING TAX BILL

- Land and Building Tax Bill is under consideration of the Legislative Assembly.
- If Land and Building Tax Bill would be approved into a new Act, House and Land Tax Act and Local Development Tax Act would be abolished.

MAIN POINTS OF LAND AND BUILDING TAX BILL

- Taxpayer – an owner or a possessor as an individual or a legal entity of land and/or building
- Taxing authority – municipality, local administration, Bangkok Metropolitan Administration or Pattaya City Administration
- Property subject to property tax – land , building including condominium unit owned or possessed by an individual or a juristic person but the main house received by inheritance by an individual before the effective date of the Land and Building Tax Act would be exempted.
- Property exempted from property tax – public property, private property for government use or public utility without any benefit and any money payable, common property of condominium units or allotted and developed land and house without commercial benefit, utility land in any industrial estate
- Tax base – total value of land and building being the assessed value of land and building

TAX RATES

- Rates of property tax have been revised for many times.

LAND FOR AGRICULTURAL USE

- The ceiling rate of 0.2% is revised to 0.15% of the assessed value of land
- Land valued below Baht 50 million is exempted.
- Tax rate from 0.01 % to 0.10% would be chargeable on an amount of the land and building from more than Baht 50 million to more than Baht 1,000 million as the case may be.

LAND AND BUILDING FOR RESIDENTIAL USE

- The ceiling rate 0.5% is revised to 0.3% of the assessed value of land and building
- Land and building valued below Baht 20 million are exempted.
- Tax rate from 0.02 % to 0.10% would be chargeable on an amount of the land and building from more than Baht 20 million to more than Baht 1,00 million as the case may be.
- An amount of a first house to be exempted from tax has been significantly increased from Baht 4 million to Baht 50 million and then decreased to Baht 20 million and the final amount might be changed.

LAND FOR COMMERCIAL , INDUSTRIAL OR OTHER USE

- The ceiling rate of 2.0 % is revised to 1.2% of the assessed value of land and building

VACANT LAND OR UNUSED LAND

- The ceiling rate of 5.0 % is revised to 3.0% of the assessed value of land and building starting at 1.2% and increasing every three years by 0.3 % until the rate reaches the ceiling rate.
- Tax rate from 0.3 % to 0.7 % would be chargeable on an amount of the vacant land from at least Baht 100 to more than Baht 5,000 million as the case may be.

- Agricultural development businesses and real estate businesses would benefit if Land and Building Tax Bill would be passed into Land and Building Tax Act.
- A lot of plots of vacant land should be preserved for the green environment , not to turn green areas into cement jungles.



ISSUES

- Appraisal of buildings is a vexed issue and would be dealt with by a ministerial regulation.
- An appraised value of a building in two or three appraisal reports by different appraisers might result in significant differences.

ISSUES

- Sale and purchase of land and/or buildings are subject to tax.
- After Land and Building Tax Bill would become an Act, land and building tax is chargeable on holding of land and/or building.
- Land from an owner with plots of land but with little cash may be sold out and transferred to a government authority.
- A foreigner cannot own land in Thailand but some available structures exist.

ISSUES

- Land and Building Tax Bill to become an Act would have an enormous impact on real estate development.
- A lot of vacant land will be changed into farms.
- However, a farmer is required to conduct farming.
- A contact farming would be affected and would be an issue.
- Offices buildings, hotels and industrial estates and/or shopping centres will be changed into REIT.
- Ports , airports, expressways, and power plants will be transferred into infrastructure fund.

ISSUES

- Lease agreement and service agreement are widely separated and applied for tax purpose.
- Individual holding of land and building should be changed to corporate holding for commercial and tax purposes.
- A juristic person can incur a lot of capital expenditure and revenue expenses more than an individual.
- Tax comparison should be made between an individual holding of land and building and a corporate holding of land and building.

REAL ESTATE INVESTMENT TRUST OR REIT

- REIT and Tax

REIT

- REIT shall not pay CIT because REIT is not a tax entity.
- However REIT shall pay VAT, SBT and stamp duty.

INVESTORS

- Dividends or profit sharing received by an investor is subject to Withholding tax.

CAPITAL GAINS

- Capital gains received by an investor are subject to tax unless it is exempted.

INFRASTRUCTURE FUND OR IF

- Infrastructure fund and Tax

INFRASTRUCTURE FUND

- Infrastructure Fund is not a tax entity and is therefore not liable to pay CIT.

VAT, SBT AND STAMP DUTY

- VAT, SBT and stamp duty is exempted for transfer of property into Infrastructure fund and for re-transfer of property from infrastructure fund to an original owner of the property or a government authority.

INVESTORS

- Exemption of tax on dividend is provided for an individual investor and a corporate investor.

CAPITAL GAINS

- A Thai individual and a foreign individual are exempted from tax on capital gains.
- A Thai entity shall include capital gains for its computation of CIT.
- A foreign entity is not liable for payment tax on capital gains and no withholding tax is required to be deducted.

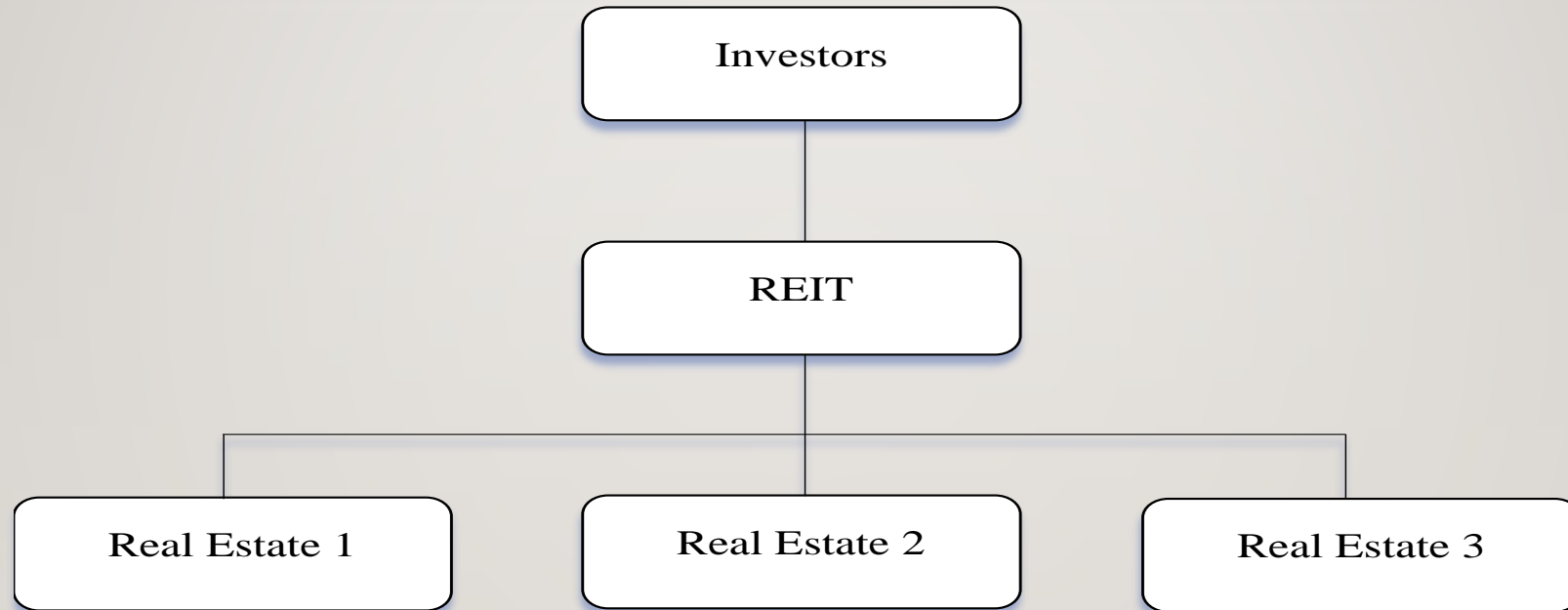
VAT, SBT AND STAMP DUTY

- VAT, SBT and Stamp Duty is exempted from transfer of tangible and intangible property from an owner to IF.
- VAT, SBT and Stamp Duty is exempted from re-transfer of tangible and intangible property from IF to an owner or any government authority.

CHART ON INDIVIDUAL HOLDING AND CORPORATE HOLDING OF LAND AND BUILDING

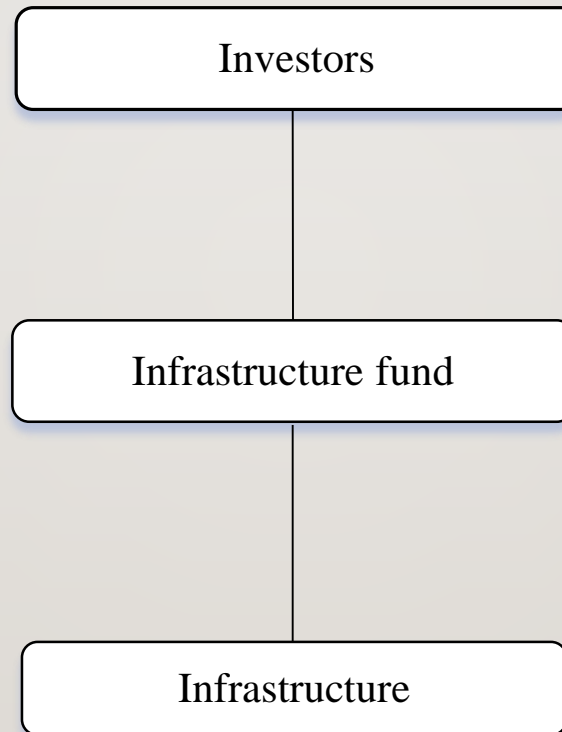
Tax	Individual Holding of land and building	Corporate Holding of land and building
Income Tax	5% - 35%	20%
Specific Business Tax	3.3% of sale price unless holding of land lasts for more than 5 years	3.3% of sale price
Stamp Duty	0.5% of sale price but exempted if SBT paid	0.5% of sale price but exempted if SBT paid
Transfer Fee	2% of appraised value	2% of appraised value

CHART ON REIT



Note: Real Estates include office buildings, hotels , industrial estates and/or shopping centres

CHART ON INFRASTRUCTURE FUND



Note: Infrastructures include ports, airports, expressways or power plants.

THANK YOU VERY MUCH FOR YOU KIND ATTENTION

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