



## Land and Building Tax are Reduced by 90% for the Year 2020

To ease people's financial burden during the COVID-19 pandemic, the royal gazette published the royal decree on a 90 percent reduction in the Land and Building Tax the year 2020 ("the Royal Decree") on 10 June 2020 and it came into force on the following day or 11 June 2020.

The Royal Decree gives a 90 percent tax deduction to the following properties:

- Land or building for agricultural purpose;
- Land or building for residential purpose;
- Land or building for other kinds of use other than agricultural and residential purpose; and
- Unused land or building.

For example, in case that an individual owns the unused land or building with the appraised value of Baht 10 million normally pay 0.3% in this year, or Bath 30,000. With this Royal Decree, the individual will pay only 3,000 Baht.

## Tax Relief Measures to Support the Thai Economy and Affected Industries

To cope with the global crisis due the pandemic of COVID-19 which affects countries including Thailand, the government of Thailand has adopted many measures to support the Thai economy and the affected businesses. The Ministry of Finance of Thailand applied both short term and medium-term tax relief measures aimed to support individuals and corporate entities in Thailand.

### **Reduce withholding tax rate**

The withholding tax rate on certain income, which is normally subject to 3%, will be reduced to 1.5% from 1 April 2020 to 30 September 2020. For taxpayers registered under the e-withholding tax system, the withholding tax rate would be reduced to 2% for payments made from 1 October 2020 to 31 December 2020.

### **Decrease loan interest rate for SMEs**

For the small and medium-sized enterprises (SMEs) corporate income tax calculation, loan interest would be deducted at one and a half times the actual amount of the interest. However, this benefit would be granted only to SMEs under the soft loan scheme which are directly or indirectly affected by the COVID-19 pandemic, and the interest must be paid between 1 April 2020 and 31 December 2020. Furthermore, the SMEs must have a single account book.

### **Exempt import duty on medical supplies**

Import duties on items which are categorized as medical supplies or others which help treat or prevent the spread of COVID-19 will be exempted from import duties from 26 March 2020 to 30 September 2020.

### **Taxes exemptions on debt restructuring**

There are tax exemptions on personal income tax and corporate income tax for the debtor on the amount of debt released from debt restructuring. Furthermore, there are tax exemptions on personal income tax, corporate income tax, VAT, specific business tax, and stamp duty for debtor and creditor for income derived from sale, service or arranging of an instrument regarding the debt restructuring. Personal income tax, corporate income tax, specific business tax, and stamp duty for income derived from the transfer of mortgaged immovable property to a person other than the creditor are also exempted. The transfer fee for

the transfer of immovable property in relation to the debt restructuring will be reduced from 2% to 0.01%. However, debt restructuring must take place between 1 January 2020 and 31 December 2021.

### Thailand Introduces a New Draft Bill on e-Service Tax

On 9 June 2020, the Cabinet approved the new draft bill on collecting Value Added Tax (“VAT”) from foreign digital services providers or e-Service taxes which have their platforms in Thailand. The new tax measure would add up 4 billion baht tax and will help level playing field for local digital businesses when it comes to competing with Big names such as Netflix and Spotify.

According to the draft bill, foreign digital service companies, who provide any digital services to users located in Thailand via its platform in Thailand and such services are utilized in Thailand, are required to register as VAT operators under the Revenue Code of Thailand if they derive gross revenue from such services in excess of 1.8 million baht per year.

The revenue derived from the digital services will be used as the VAT base for 7% VAT calculation. The key questions for the service providers would be whether their revenues are in-scope and how the government assess their revenue generated in Thailand. At present, the Revenue Department has not issued any specific details on types of digital services or how to calculate VAT from the revenue yet.

However, the draft bill will add the following provisions on VAT section:

- Any tax documents under the Revenue Code shall be able to be issued by electronic means.
- Amendment to Section 77/1 on “goods” by adding definition of “electronic services” and “electronic platform”.
- Amendment to Section 82/1 by adding another type of person who shall be liable

to pay VAT. The new type of VAT liable person is a foreign digital service company who provides digital services to the non-VAT operators (both individuals and companies). The VAT amount shall be calculated from “Output VAT” without deducting any “Input VAT”, meaning that the VAT amount shall be calculated from *gross income* derived from providing digital services only.

- Amendment to “Duties of Payers” on remitting VAT to the Revenue Department and “Duties of VAT operators” in case of providing foreign digital services to the non-VAT operators.
- VAT operation shall be able to be done by electronic means.
- VAT operators, who provide foreign digital services, are prohibited from issuing tax invoices.

Besides, the draft bill will allow the Revenue Department to collect VAT from members subscription and commission fees from advertising services and other related digital services. The revenue assessment of foreign digital service operators will be issued in details within 2021.

The draft bill on e-Service tax is akin to the proposed Digital Services Tax (“DST”) measures issued by other nations such as France, the UK, and our ASEAN neighboring country – Indonesia. For the UK, the DST has already been effective since 1 April 2020, and it aims to collect 2% VAT from gross revenues derived from the UK users and is to be imposed on foreign digital service businesses that provide “Social Media Service”, “Internet Search Engines”, and “Online Marketplaces”. The VAT will also be calculated from revenues derived from an activity that is ancillary to any in-scope service activities. While French DST only applies to the revenue attributable to users’ interactions with the services which are physically located in France only.

Therefore, Thailand could learn from other countries on collecting taxes from foreign digital service providers which would adapt to Thai VAT system properly.

### Royal Decree on Electronic Meeting B.E. 2563

On 19 April 2020, the Royal Decree on Electronic Meeting B.E. 2563 (A.D.2020) (“Royal Decree”) was published on the Royal Gazette, and the Royal Decree came into effect from the date of its publication or 19 April 2020.

Before the Royal Decree was published, the Announcement of the National Council for Peace and Order No.74/2557 (“Announcement”) required electronic meeting attendees of at least one-third of the quorum shall attend the meeting physically and all electronic meeting attendees shall have their presence in Thailand.

Due to the COVID-19 outbreak in Thailand, this Royal Decree relaxes the requirements of previous announcement, for instance,

- (1) This Royal Decree does not require the electronic meeting attendees of at least one-third of the quorum to be at the same place; and
- (2) The electronic meeting attendees can attend electronic meetings from both in and out of Thailand.

The significant points of this Royal Decree are as follows:

- (1) An invitation letter for a meeting and documents related to the meeting may be sent by an electronic means.
- (2) The person having the duty to organize the meeting shall
  - a. make an arrangement for electronic meeting attendees to identify themselves before the meeting starts;

- b. enable electronic meeting attendees to vote during the meeting, both by open vote and/or secret vote;
- c. prepared written minutes of the meeting;
- d. make an audio record or an audiovisual record during the period of the meeting in form of electronic data, except for a confidential meeting; and
- e. retain electronic traffic data of every attendee as evidence.

The data under d. and e. shall be deemed part of minutes of meeting.

- (3) In case the meeting allowance or remuneration called otherwise is to be paid to attendees, such meeting allowance or remuneration shall be paid to electronic meeting attendees who identify themselves to join the electronic meeting.
- (4) There is no specific application indicated in the emergency decree, but at least, the electronic meeting shall be held in compliance with the standards for maintenance of security for electronic meetings prescribed by the Ministry of Digital Economy and Society.

### Notification of MDES on Security Policy and Standards of the Meeting via Electronic Means

After the Royal Decree on Electronic Meeting B.E. 2563 (A.D.2020) (“Royal decree”) came into effect on 19 April 2020, the Ministry of Digital Economy and Society (“MDES”) announced the notification of MDES on standards for maintaining security of meeting via electronic means B.E.2563, dated 26 May 2020 (“Notification”).

As the Royal decree requires an electronic meeting must be held in compliance with the standards for maintaining security of meeting via electronic means prescribed by the MDES, the significant requirements of this Notifications are set forth below:

(1) The meeting organizer shall inform attendees in advance that the meeting will be conducted via electronic means, and send the manual on how to attend the e-meeting to the attendees.

(2) The e-meeting must have at least the following procedures:

? making an arrangement for attendees to identify themselves before the meeting starts, such as using username and password, or using one-time password;

? enable the attendees to communicate by voice or both voice and visual;

? the attendees must have access to documents presented in the meeting through their devices;

? enable the attendees to vote during the meeting, both by open vote and/or secret vote;

? making an audio record or an audiovisual record during the period of the meeting in form of electronic data, except for a confidential meeting;

? retain electronic traffic data of every attendee as evidence; and

? the notification of the obstruction during the meeting to the attendees.

(3) If e-meeting is arranged for confidential matters, the meeting organizer shall prescribe security measures to prevent persons without a right to attend the meeting to access to the meeting, and documents and information which are present in the meeting.

In case any e-meeting, which was arranged prior to this Notification came into effect, and which have not completed, can be held in accordance with the Notification of the Ministry of Information and Communication Technology on Standards for Maintaining Security of Meetings via Electronic Means, B.E. 2557 (2014), until its completion.

### The BOT Prohibits Banks from Interim Dividend Payment and Share Buy Back

Because the Covid-19 pandemic constitutes unprecedented challenges with globe's financial system, it causes instability and impact on the quality of businesses and banks' assets. Therefore, on 18 June 2020, the Bank of Thailand ("the BOT") issued a Circular Notice No. TorPorTor.ForNorSor.(23)Vor 643/2563 re: policy for strengthening capital ratio in response to the risk from the coronavirus pandemic. This circular aims to apply on every commercial bank. A summary of BOT's policies are as follows;

1. The commercial banks must prepare 1-3-year plan on the capital ratio by considering economic trends in future and potential debtors;
2. The BOT forbids the commercial banks to pay interim dividend in year of 2020;
3. The BOT prohibits the commercial banks from buying back shares or bonds in tier 1 or tier 2 before the due date. In case a commercial bank wishes to redeem such bonds before the due date for reduction of capital, the commercial bank must prepare financial plan or issue new bonds to maintain its capital level.

Should you have any question, please do not hesitate to contact us via [info@bgloballaw.com](mailto:info@bgloballaw.com)

