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Thailand Continues 7% VAT Rate Until 30 September 2026 from Legal and Economic Perspective

On 9 September 2025, the Thai Cabinet approved an extension of the reduced value-added tax (VAT) rate of 7% until 30 September 2026. The announcement, issued by the Revenue Department, confirms that the lower rate—originally introduced as a temporary measure in 1997—will remain in place for another fiscal year. Under Thailand's Revenue Code, the standard VAT rate is set at 10%, but the government has the authority to temporarily lower it via Royal Decree. This reduced rate has been extended annually for nearly three decades as a tool to support economic activity and reduce the cost burden on both consumers and businesses.

Legally, while these annual extensions are valid, their recurring nature raises questions about long-term tax policy stability. Businesses must adjust their financial planning year by year, depending on whether the rate is maintained. Many tax professionals argue that codifying the 7% rate or introducing a multi-year VAT framework would enhance certainty and improve policy transparency. Despite the legal ambiguity of its temporary nature, the continuation of the 7% rate offers short-term predictability, which benefits pricing strategies, consumer spending, and business operations.

Economically, the decision reflects the government's ongoing effort to stimulate domestic demand, particularly in light of global economic volatility and a still-recovering post-pandemic environment. While this approach comes at the cost of reduced tax revenue, it signals a clear preference for promoting growth through tax relief rather than immediate fiscal tightening. As VAT remains a major contributor to Thailand's national budget, the government's ability to balance economic stimulus with fiscal responsibility will remain a key issue going forward.

In conclusion, the extension of the 7% VAT rate into 2026 underscores the Thai government's continued reliance on indirect tax policy to support economic stability. However, it also highlights the need for longer-term tax reform to ensure legal clarity and sustainable revenue planning.

Should you have any question, please do not hesitate to contact us via info@bgloballaw.com