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# Tax Ruling on VAT and Income Tax Treatment under Thailand's Electric Motorcycle Promotion Program

Under the Electric Motorcycle Promotion Program, a manufacturer or assembler may receive a subsidy of THB 18,000 per unit, provided that certain conditions are satisfied. These conditions include the sale of the electric motorcycle within the prescribed program period and the submission of vehicle registration documents and tax invoices evidencing sale to end consumers.

In practice, manufacturers typically sell electric motorcycles to dealers on a completed-sale basis. To reflect the subsidy, manufacturers may immediately sell the motorcycles at a reduced price and collect a security deposit from dealers equal to the subsidy amount. This deposit is refundable once the dealer successfully sells the motorcycle and submits the required documentation. If the dealer fails to sell the motorcycle before the program expires, the deposit may be forfeited.

Against this commercial structure, the tax authority was asked to clarify three principal issues:

1. Whether VAT should be calculated based on the full selling price or the reduced price reflecting the subsidy;

2. Whether the refund of the security deposit requires the issuance of a VAT credit note;

3. Whether the subsidy received from the government constitutes taxable income.

The Revenue Department concluded that the price reduction associated with the subsidy does not constitute a discount granted unconditionally at the time of sale. Instead, it is a conditional discount, dependent on the dealer's subsequent sale of the motorcycle and the completion of administrative requirements. As a result, the full selling price must be used as the basis for VAT calculation. The conditional nature of the discount prevents it from reducing the VAT base at the time the tax invoice is issued.

Where the dealer successfully sells the motorcycle and submits the required documents, the manufacturer is required to refund the security deposit. The tax authority determined that this refund does not give rise to a VAT credit note, as it does not constitute a reduction of the original taxable consideration.

The ruling further confirms that subsidies received from the government under the Electric Motorcycle Promotion Program are not subject to corporate income tax, provided that the recipient complies with the conditions of the program. This treatment reflects the policy objective of encouraging participation in electric vehicle initiatives without imposing additional tax burdens on qualifying businesses.