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Thai Customs to Tighten Local Content Rules in Free Zones and Increase Enforcement Measures

The Customs Department of Thailand is preparing to tighten local content criteria for goods produced in free zones, aiming to prevent the misuse of Thai origin privileges, particularly for exports to the United States.

Speaking at a seminar on enhancing import and export standards, the Director-General of the Customs Department highlighted growing concerns that certain operators are falsely claiming Thai origin by exploiting loopholes in existing free zone rules.

Tightening of Local Content Criteria

Under current rules, goods are deemed to originate in Thailand if they contain at least 40% domestic raw materials and labour. However, Customs has identified practices where imported goods—particularly from China—are temporarily stored in free zones, sold domestically with added profit, and then re-exported while claiming Thai origin.

According to the Customs Department, such practices provide no real economic benefit to Thailand and expose the country to trade and compliance risks.

To address this, the Customs Department is drafting a Ministry of Finance's notification to amend the local content calculation for free zones. Key proposed changes include:

- Calculating local content strictly based on domestic raw materials and labour; and
- Excluding profits from domestic sales and other artificial value additions from the local content calculation.

The Customs Department also plans to increase penalties for illegal goods, including products lacking required licences or falsely claiming origin.

Currently, some illegal goods—such as e-cigarettes—are subject to minimal or no fines, resulting in enforcement costs being borne by the authorities. To strengthen deterrence, the Customs Department plans to impose monetary penalties even where goods are confiscated.

Notably, penalties will be calculated on a per-unit, per-product basis, rather than by reference to the declared value of goods and to reduce risks of undervaluation.

The Customs Department has also reported increased duty collection following new rules on low-value imported goods, collecting approximately THB 300 million in import duties within the first 20 days, excluding VAT. Full-year revenue is projected at THB 3.6–4 billion, exceeding earlier estimates.

In addition, the Customs Department is considering raising import duties on low-value parcels, which currently exceed 200 million items per year, to promote fair competition between domestic and overseas operators.

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