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One-Year Extension of the Reduced Value Added Tax (VAT) Rate to be 7%

The Thai Cabinet has officially resolved to extend the reduced Value Added Tax (VAT) rate of 7% for an additional year. This statutory extension will be effective from October 1, 2026, through September 30, 2027.

On 27 July 27 2026, the Cabinet approved in principle the draft Royal Decree issued under the Revenue Code Regarding the Reduction of Value Added Tax Rates This legislative instrument formally extends the current reduced rate, which was otherwise scheduled to expire on September 30, 2026. The stipulated 7% rate is inclusive of the designated local/municipal tax component.

The Revenue Department, the Ministry of Finance proposed this extension as a strategic response to current macroeconomic pressures. The primary policy rationales driving this legislative extension include:

1. Mitigating the potential economic impact of ongoing instability in the Middle East region.
2. Cushioning the anticipated increases in freight and logistics costs, as well as the rising prices of general consumer goods.
3. Supporting the continuous expansion of the Thai economy by deliberately delaying widespread price increases for domestic goods and services.
4. Maintaining stable domestic consumption levels to ensure that overall economic growth continues to align with national targets.

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