



Internet services now subject to VAT in Thailand

The domestic tax legislation of most countries has been written from the standpoint that a business requires to be in the country and have a base from which to operate from in order to serve its customers. Such legislation never imagined that any company could be located in another country and sell to mass customers within its country without ever having to step a foot inside it. The result of this has been that domestic tax legislation, and even international tax treaties, have been playing catch-up with internet service providers and electronic platform operators ever since.

In Thailand, overseas digital service providers and operators of electronic platforms are now required to register for Value Added Tax (VAT) if they have an annual revenue in excess of THB 1.8 million (approx. USD 55,000). Consequently, they will have VAT compliance obligations including filing monthly VAT returns and paying VAT to the Thai Revenue Department (Thailand tax authority), although, unlike domestic Thai VAT registrants, they will not be required to issue a tax invoice to Thai customers or maintain an input tax report. Consequently, such overseas e-service providers who register for Thai VAT are likely to always be in a VAT liability / payment position because they will charge 7% VAT on their sales (output VAT) and are likely to have no purchases i.e., no input VAT to credit against the output VAT.

For overseas digital service providers and operators of electronic platforms to be required to register for VAT however, three further conditions need to be present:

- 1) The digital services are provided from overseas;
- 2) Services are provided by electronic means and are used in Thailand;
- 3) The recipient of the service is not a VAT registrant.

Excluded services:

The above requirement to register for Thai VAT does not however apply to overseas digital service providers and operators of electronic platforms who provide certain e-services including telecommunications, online payments or live teaching services and sales of e-books or e-magazines.

Thailand's VAT for Electronic Services (VES) system

Overseas digital service providers and operators of electronic platforms meeting the VAT registration limit must register under the VES system. The VES system provides the Tax I.D. number for each non-resident VAT registrant and maintains a public list of non-resident digital businesses as they register.

Companies which have already registered under the VES system include Agoda, Airbnb, Alibaba, Amazon, Apple, Bloomberg, Booking.com, Cleverbridge, Digital River Ireland, DropBox, eBay, Epic Games, Google, Huawei, Ionos, LinkedIn, McAfee, Microsoft, Netflix, Spotify, The Walt Disney Company, Tiktok, Twitter, and UpCloud.

e-Services captured

The types of e-services captured by the new VAT requirements include online games, movie and music streaming services, online advertising services, mobile application services, online software sales or licensing, web hosting and any other services that are delivered over the Internet or via another electronic (automated) network.

Agents and intermediaries of non-Thai e-service providers are also required to register for Thai VAT if they:

- a) Provide a complete suite of e-services, (presentation, delivery and payment collection);
- b) Receive payments for e-services; and,
- c) Provide e-services on behalf of non-resident e-service providers.

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PKF Comment:

With the introduction of VAT obligations for overseas digital service providers and operators of electronic platforms exceeding the registration threshold, Thailand has followed other countries in Asia taxing e-services. Notably, Indonesia, Malaysia, the Philippines and Singapore have all implemented new rules relating to the taxation of digital sales from non-residents.

Against the background of falling tax revenues due to Covid, the introduction of VAT on e-services in Thailand was very welcomed and is expected to raise approximately 5 billion Thai Baht (approx. USD 167 million or EUR 138 million) in its first year.

PKF Thailand helps companies meet their VAT and other taxation obligations in Thailand, including filing the necessary returns and other required documentation. For help and advice on any Thai VAT or tax matter, please contact Philip Bond at philip.bond@pkf.com