

New Land and Building Tax Act approved

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On 16 November 2018, the National Legislative Assembly approved the final draft of the Land and Building Tax Act (**New Property Tax Act**). The New Property Tax Act will come into force on 1 January 2020, replacing the current property tax system under the House and Land Tax Act B.E.2475 (**House and Land Tax Act**) and the Local Development Tax Act B.E. 2508 (**Local Development Tax Act**).

In this article, we take a brief look at Thailand's current property tax system and provide a snapshot of some of the key aspects of the New Property Tax Act which will affect land and building owners when it comes into force on 1 January 2020.

Current Property Tax System

Currently, there are two types of property tax levied in Thailand:

1. house and land tax under the House and Land Tax Act; and
2. local development tax under the Local Development Tax Act.

House and land tax is imposed on the owner of a property at the fixed tax rate of 12.5% of the actual or assessed annual rental fee derived from the use of property (whichever is higher). As the tax base of the house and land tax is focused on the annual rental fee (which is similar to the tax base of an income tax), it has received criticism as being regressive and not in accordance with the general principle that property tax should be levied based on the assessed value of a property.

Local development tax, which is based on the value of the land as appraised by local government authorities, is also imposed on land owners and persons in possession of land in certain cases. The local development tax rate varies according to the appraised land value.

New Property Tax System

Under the New Property Tax Act, the land and building tax will be based on the land or building's use and the appraisal value of the property as specified by the Land Department.

Some of the key reasons the New Property Tax Act is being enacted is to encourage the utilization of land, construction on land and to distribute tax revenue to the local authorities.

The draft of the New Property Tax Act that was passed contains a number of changes from the previous draft in respect of tax rates, exemptions and specific provisions.

We set out below some of the key aspects of New Property Tax Act which will affect the owners of land and buildings when it comes into force on 1 January 2020:

1. **Taxable Assets:** Land and buildings, including a house, tower or any construction which can be used as a residence or storage, and a condominium or apartment.
2. **Taxpayers:** An individual and a legal person who owns land or property as at 1 January of any taxable year.
3. **Tax Base:** Appraisal value as specified by the Land Department.
4. **Tax Exemptions:**
 - 4.1 Agriculture Purposes
 - 1) Land or buildings owned by an individual and used for agriculture purposes is tax exempted from 2020-2022.
 - 2) From 2023 onwards, land or buildings used for agricultural purposes up to the value of 50 million Baht shall be exempted from the tax base if the land or building is owned by an individual.
 - 4.2 Residences
Land or property up to the value of 50 million baht owned by an individual and used as a residence in which the owner's name appears in the house registration as at 1 January of any taxable year, is exempted from tax base.
5. **Tax Rates*:**

Purpose of Use	Value of appraisal	Tax Rates
4.1) Agriculture	0 - 75 million Baht	0.01%
	75 - 100 million Baht	0.03%
	100 - 500 million Baht	0.05%
	500 - 1,000 million Baht	0.07%
	Above 1,000 million Baht	0.1%
4.2) Residence**	0 - 50 million Baht	0.02%
	50 - 75 million Baht	0.03%
	75 - 100 million Baht	0.05%
	Above 100 million Baht	0.1%
4.3) Commerce	0 - 50 million Baht	0.3%
	50 - 200 million Baht	0.4%
	200 - 1,000 million Baht	0.5%
	1,000 - 5,000 million Baht	0.6%
	Above 5,000 million Baht	0.7%
4.4) Non - Utilization (Tax rates will be increased by 0.3% every 3 years if land and property is not yet utilized)	0 - 50 million Baht	0.3%
	50 - 200 million Baht	0.4%
	200 - 1,000 million Baht	0.5%
	1,000 - 5,000 million Baht	0.6%
	Above 5,000 million Baht	0.7%

Remarks: *Tax rates provided shall be applied for the first two years (2020-2021) from date the New Property Tax Act comes into effect and may be subject to change in the future.

**Tax rates shall be applied to a land or building which is used as a residence if the owner's name does not appear in the house registration.

6. **Tax Calculation:** Tax payable = (Appraisal price – Exempted amount) × Tax rates
7. **Tax Payment Due Date:** Before the end of April of each taxable year.
8. **Penalties:** 40% of the amount of shortfall tax will imposed as a penalty and 1% of the amount of shortfall tax will be levied as a surcharge per month.

Need assistance?

Siam Premier's Taxation team provides strategic legal advice on all aspects of Thai taxation law.

For further information on the New Property Tax Act and how it may affect your business, please contact us on

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