



## THAILAND - December 2017

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### NLA to propose gradual land tax

Increase in levy would be staggered over four years for businesses

The National Legislative Assembly (NLA) standing committee on the land and buildings tax will propose gradual collection of the additional tax bill to be incurred from the implementation of the tax over the course of four years as a relief measure for tax-affected business sectors.

According to the proposal, businesses that will be hit by the new land and buildings tax will be allowed to gradually meet the increase in tax burden each year with a 25% increase over four years, said Wisudhi Srisuphan, deputy finance minister.

For example, if a business is liable for an additional tax payment of 1 billion baht following the land and buildings tax's enactment, it will be subject to pay the 250-million-baht incremental tax for the first year, the 500-million-baht incremental in the second, the 750-million-baht incremental in the third and the 1-billion-baht incremental from the fourth year.

The relief measure will not be extended to residences because of a lack of comparative tax burden, as almost all homes are exempt from the current house and land tax and the local development tax, Mr Wisudhi said.

The new property tax, which will replace the outdated house and land tax and the local development tax, is expected to take effect from Jan 1, 2019.

In a related development, Mr Wisudhi said the standing committee also agreed to slash the exemption ceiling for first homes to 20 million baht from the 50 million previously proposed by the Finance Ministry.

However, implementation of the new waiver depends on the NLA members' votes, he said.

A draft bill on the land and buildings tax is being vetted by the NLA after being approved by the cabinet in March, with the waiver at the centre of the debate.

The Finance Ministry recently estimated that cutting the exemption ceiling for first homes to 20 million baht would nearly triple the number of residences subject to the land and buildings tax to 30,000.

As for the draft bill proposed by the Finance Ministry, it calls for the tax to be levied on first-home owners and farmland appraised at more than 50 million baht. A tax rate of 0.05% would be applied to first homes and agricultural land worth

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between 50 million and 100 million baht, and a 0.1% rate for homes above 100 million. People owning second homes would be taxed in a range of 0.02-0.1% of the appraisal price.

The tax on vacant land would rise by 0.5 percentage points every three years, up to a cap of 5%, while land for commercial and industrial use would be levied at 0.3-1.5%.

Based on the 50-million-baht tax exemption for first residences, the land and buildings tax is forecast to generate 64.2 billion baht for local administrative organisations, up from the 25.9 billion recently contributed by the house and land tax and local development tax.

Mr Wisudhi has repeatedly said that the government does not expect land and buildings taxes to substantially boost the government's tax revenue in the early stages of the implementation, but it will set the standard for the future and replace the outdated and unfair taxes.

Land and buildings taxes used for commercial and industrial purposes will contribute 80-90% of total land and buildings revenue, while the tax contribution from homes will be minimal because of the waiver for first houses and low tax rates for the second ones, he said.

The standing committee will conduct a hearing for stakeholders on the draft bill for the land and buildings tax on Dec 19.

#### **NLA committee slashes draft land bill tax rates**

##### **Proposed reductions across the board**

The version proposed by the Finance Ministry and approved by the cabinet had set the tax-free threshold at 50 million baht, with an aim at alleviating people's tax burden.

The NLA committee has proposed cutting the Finance Ministry's proposed land and buildings tax's ceiling rates by 40% in many instances, said Pornchai Thiraveja, a financial policy adviser to the Fiscal Policy Office.

The NLA's proposal calls for a ceiling rate for homes of 0.3%, down from 0.5%; an agricultural use rate of 0.15%, down from 0.2%; and other use and undeveloped land at 1.2%, down from 2%.

The NLA's version also proposes to trim the exemption ceiling for the first homes to 20 million baht from 50 million as proposed by the Finance Ministry. The committee's proposal requires owners of first homes appraised at over 20 million to 50 million baht to pay a property tax rate of 0.02%, or 200 baht for every million baht that exceeds the exemption threshold, and 0.03% for houses valued over 50 million to 75 million baht, 0.05% for those more than 75 million to 100 million, and 0.1% for houses appraised at more than 100 million.

If building owners do not possess land but their names are registered in the household registry, starting from Jan 1, 2019, the tax-free threshold will be cut to 10 million baht, he said. (*Continued below*)

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**LAND AND BUILDINGS TAX**

Unit: Baht

Category of land use	Rates approved by the cabinet		NLA's standing committee proposals	
• First home	<b>Ceiling rate 0.5%</b>		<b>Ceiling rate 0.3%</b>	
	≤50m	Exempted	≤20m	Exempted
	>50 – 100m	0.05%	>20-50m	0.02%
	>100	0.1%	>50-75m	0.03%
			>75-100m	0.05%
• Second homes	≤50m	0.03%	≤50m	0.02%
	>50-100m	0.05%	>50-75m	0.03%
	≥100m	0.1%	>75-100m	0.05%
			≥100m	0.1%
• Agricultural (owned by individuals)	<b>Ceiling rate 0.2%</b>		<b>Ceiling rate 0.15%</b>	
	≤50m	Exempted	≤50 m	Exempted
	>50m-100m	0.05%	>50-75m	0.01%
	≥100m	0.1%	>75-100m	0.03%
			>100-500m	0.05%
			>500-1,000m	0.07%
• Agricultural (owned by juristic entities)	<b>Ceiling rate 0.2%</b>		<b>Ceiling rate 0.15%</b>	
	≤50m	Exempted	≤75m	0.01%
	>50-100m	0.05%	>75-100m	0.03%
	≥100m	0.1%	>100-500m	0.05%
			>500-1,000m	0.07%
			≥1,000m	0.1%
• Others	<b>Ceiling rate 2%</b>		<b>Ceiling rate 1.2%</b>	
	≤20m	0.3%	≤50m	0.3%
	>20-50m	0.5%	>50-200m	0.4%
	>50-100m	0.7%	>200- 1,000m	0.5%
	>100-1,000m	0.9%	>1,000-5,000m	0.6%
	>1,000-3,000m	1.2%	≥5,000m	0.7%
	≥3,000m	1.5%		
• Undeveloped	Ceiling rate 2% (to increase by 0.5 percentage points every three years until it hits the cap at 5%)		Ceiling 1.2% (to increase by 0.3 percentage points every three years until it hits the cap at 3%)	
	1-3 years	1%	<50m	0.3%
	4-6 years	2%	>50-200m	0.4%
	≥7 years	3%	>200- 1,000m	0.5%
			>1,000-5,000m	0.6%
			≥5,000m	0.7%

Source: National Legislative Assembly's Standing Committee

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Second-home owners will be taxed 0.02% for property with appraisal value of up to 50 million baht, 0.03% for value of more than 50 million to 75 million, 0.05% for value of more than 75 million to 100 million and 0.1% for more than 100 million. The draft bill proposed by the Finance Ministry called for the tax to be levied on first-home owners and farmland appraised at more than 50 million baht. A tax rate of 0.05% would be applied to first homes and agricultural land worth between 50 million and 100 million baht, and a 0.1% rate for homes above 100 million. People owning second homes would be taxed 0.03% for homes with appraisal value of no more than 50 million, 0.05% for value more than 50 million to 100 million and 0.1% for more than 100 million.

The draft bill on land and buildings tax is being vetted by the NLA standing committee after passing the first reading. According to the process, the draft needs the NLA's approval for three readings before being sent back to the cabinet.

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The new property tax, which will replace the outdated house and land tax and the local development tax, is expected to come into force from Jan 1, 2019.

Mr Pornchai said the NLA standing committee's version also proposed the gradual implementation of the newer tax over the course of four years. The relief measures will apply to all landowners who are subject to larger tax burdens.

Owners of land and buildings will be allowed to gradually meet the increase in tax burden each year, with a 25% increase over four years.

Local administration organisations would be able to levy taxes at higher rates than those set by the government but must not exceed the ceilings.

Local bodies are required to seek approval from a committee on land and buildings tax in each province. In Bangkok, committee approval is not required.

Mr Pornchai estimates that local administration organisations will garner 37 billion baht annually from the land and buildings tax, based on the NLA's standing committee version, up from 29-30 billion collected.

Despite a small increase from the land and buildings tax's implementation in the initial stage, the tax income is expected to be raised in the future as the appraisal price is re-evaluated every 4-5 years, he said.

Sakon Varanyuwatana, an adviser to the NLA's standing committee, said that the new proposal will help decentralise land ownership and lower market prices as those who hold land without utilisation will be subject to higher tax burden.

There is an estimated 1-2 million rai of undeveloped land.

Dussadee Suwatvitayakorn, a member of the NLA standing committee, said that those who are liable under the new property tax will be due to pay in April and those whose tax burden is over 9 billion baht will be able to pay in three installments.

Atip Bijanonda, director of the Thai Chamber of Commerce, said the recent tax rates for the Land and Buildings Tax Act proposed Tuesday by the NLA still had some complications regarding starting rates, ceiling rates, exemptions and deductions.

"For vacant land, the proposed ceiling rate is 3% as it aims to accelerate use of land as the NLA wants. But there are many kinds of vacant land. Some cannot be used as the tax is designed because they are located where land use is limited," he said.

"Tax rates should be simple and easy to pay for everyone," said Mr Atip.

"If appraisal prices can rise, the tax rate should not be raised."

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