



# THAILAND – August 2018

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## **NOW OR NEVER FOR UNPOPULAR LAND TAX..... 1**

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### **Now or never for unpopular land tax**

*With so many property owners among legislators, this necessary bill could be doomed after the election*

Enactment of the groundbreaking land and building tax bill is likely to be postponed because lawmakers may not meet next month’s deadline for completing their deliberations. According to Deputy Finance Minister Visut Srisuphun, the bill needs to have its second and final readings later this year so that it becomes law and can be enforced beginning in early 2019 as the government pledged.

Upset over the likely further delay of this controversial legislation, observers have pointed fingers at big landlords and vested interest groups for stalling efforts and at members of the National Legislative Assembly. But Visut has suggested that the Bangkok Metropolitan Administration (BMA) and other local government units that will be responsible for collecting the new taxes are the culprits because they appear unready to tackle the tasks.

Technically, the bill has to be enacted into law first to empower the BMA and the Or Bor Tor local government units to survey vacant property and buildings and calculate the new tax rates. For this they will need unspecified additional time to get ready. And because of that, the government will not be able to keep its promise to break new ground in social equity and tax collection, especially with regard to the country’s relatively very low tax rates on land and buildings. The low rates have deprived both the central and local governments of income amid rising public expenditure. In the meantime, tax revenues from personal and corporate incomes, from consumption (value-added tax) and from import duties have been on the downward trend. Until the new land and building tax bill is enacted, the economy will lose out on another crucial benefit of the bill, which is also aimed at penalising owners of unused land plots with a progressive tax regime.

Even before the bill is passed, many landlords have expressed interest in selling or have already sold large idle plots to avoid a future tax liability, thus boosting the amount of land available on the market for national development.

More importantly, the BMA and other local government units will have more financial resources for community development and welfare, while the fiscal burden on the central government will be lessened.

Yet the majority of lawmakers in the National Legislative Assembly are major landlords who will face the consequences of this tax liability. It is likely that the bill will face more challenges if it is not passed during the tenure of this national assembly. And the politicians who form the next government following the general election in 2019 will have more incentive to derail the bill.

Under this scenario, Prime Minister Prayut Chan-o-cha, who supports passage of the legislation, is urged to step in and apply more pressure on the National Legislative Assembly to get on with the job.

They must complete the enactment and adopt practical solutions to address implementation issues as cited by the BMA and other local government units.

Unless a non-elected government like Prayut’s pushes through this unpopular tax legislation, elected governments would find it even harder, as evidenced by previous governments’ attempts to revamp the tax, all of which were ultimately aborted.

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