



TAX Alert

Thailand’s Financial Transaction Tax

The financial transaction tax (“FTT”) that the Thai Revenue Department (“TRD”) anticipated collecting on the sales of securities listed in the Stock Exchange of Thailand (“SET”) mid of 2023 is currently put on hold indefinitely. The Federation of Thai Capital Market Organizations (“FETCO”), opposing the collection of the FTT, and Thailand’s political instability with the dissolution of the Parliament are the main factors putting a halt on this taxation.

What is financial transaction tax?

Financial transaction tax (“FTT”) is a specific business tax (“SBT”) under the Thai Revenue Code (“TRC”) levied on the sales of securities listed in SET. The statutory FTT rate under the TRC is 0.11%; however, it has been exempted under Royal Decree No.240 since 1992 to promote investments in the SET. Under the legislation drafted, the FTT is planned to be levied as follows:

	FTT rates (including local tax)	Tax base	Effective date
Phase one	0.055%	Gross receipt from securities disposals	FY2023
Phase two	0.11%		FY2024

Sellers of the listed securities are liable to FTT. FTT exemption is available for market makers, government pension funds, social security funds, provident funds, and funds of similar nature, subject to the conditions and requirements to be prescribed under the new law. A market maker is currently defined by the TRD as a security company that is a member of or a company not a member of the SET but certified by the member to manage the liquidity of securities.

Once the law is enacted, taxpayers will have a grace period of 90 days before FTT must be remitted to the TRD.

What does this mean to the taxpayer?

FTT will be applied on the sales of securities listed on the SET. Although sellers of the securities are liable to FTT, sellers’ brokers are responsible to collect and remit the FTT under its own name to the TRD. Once the FTT is remitted, the sellers of securities are released from the FTT liability. The applicable SBT form is yet to be announced, but we expect that the FTT should be remitted under the SBT return (PT.40) with the same submission deadline.

The revocation of FTT implies that the new law will undoubtedly result in higher trading costs (0.11% per share) for individual sellers and drastically for corporate sellers, as the latter is also subject to income tax on capital gains.

Industry concerns and MOF's action

Although the TRD released the FAQs to help increase visibility and address industry concerns on their plan to levy FTT, further clarifications are needed on its taxation and implementation once the law becomes effective. Moreover, the industry fears that the increase in trading cost is expected to make the SET less attractive compared to other stock markets with more competitive tax rates or those with no FTT collection, and this, in turn, could directly impact the liquidity of the market. In this regard, the Ministry of Finance ("MOF") agreed to put together a task force to reconsider FTT again before any new law on this subject is released to the public.

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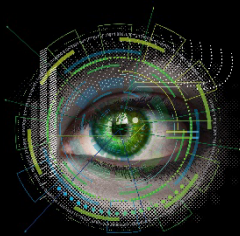
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