

Newsletter No. 227 (EN)

VAT on Digital Services in Thailand

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1. Introduction

Services that are used in Thailand are generally subject to 7% value added tax (“VAT”) in Thailand. The service recipient pays 7% VAT to the service provider, who has to submit its net VAT (i.e. output VAT minus input VAT) to the Revenue Department by the 15th day of the following month.

In case of a non-resident service provider, a VAT registered service recipient is obliged to submit the VAT on behalf of the non-resident service provider via the reverse-charge mechanism using the PP36 form.

However, if the service recipient is not registered in the VAT system (e.g. natural persons), neither the service recipient nor the non-resident service provider are VAT-registered in Thailand. Therefore, any services provided by a non-resident service provider to a natural person in Thailand were so far not subject to VAT. A new amendment of the Thai Revenue Code¹ (the “**Amendment**”) changes this.

2. Foreign e-Service Providers

The Amendment requires any non-resident provider of electronic services (“**Foreign e-Service Provider**”) to register and pay VAT if their annual income derived from online services provided to non-VAT registrants in Thailand exceeds THB 1.8 million.

The same applies to any business operator who provides e-Services through an e-Platform, which supports the continual process

from service proposal, service payment, service delivery, and other processes (to be prescribed by the Director-General of Revenue Department). The operator of the e-Platform shall be liable to pay VAT on behalf of every foreign provider of e-Services, without the need to separate the details of each service provided by each provider.

Some examples of Foreign e-Service Providers are Facebook, Netflix, Spotify (e-Services) and Google Cloud Platform, Microsoft Azure, Amazon Web Services (e-Platforms).

Foreign e-Service Providers who are not VAT-registered in Thailand are prohibited from issuing tax invoices to any person who is not a VAT registrant.

The Amendment provides the following definitions:

- **e-Service**
a service (including intangible property) delivered automatically through the internet or other electronic means that cannot be performed without information technology
- **e-Platform**
an electronic marketplace, channel, or any other process or method used by multiple e-Service providers to provide e-Services

Foreign e-Service Providers must register for VAT payment online via the Revenue Department’s “Simplified VAT System for e-Services” within 30 days from the day the THB 1.8 million threshold is met. If the threshold is not met, voluntary registration is possible.

Foreign e-Service Providers cannot claim any input VAT credit, so they have to absorb this

¹ Act on the Amendment to the Revenue Code (No. 53) B.E. 2564 (2021) dated 10 February 2021.

additional expense or increase their prices accordingly.

All filings of VAT returns, payments, records and documents must be delivered electronically to the Revenue Department. The VAT return must be submitted within the first 23 days of the following tax month.

3. Conclusion

The Amendment follows a global trend in taxation. More than 60 countries have enacted similar laws that are in line with the OECD's recommendations and international standard practices. Due to the growth of Thailand's digital economy, the Amendment may have significant impact on e-Service

Providers based abroad who offer their services in Thailand. Failure to comply with the VAT-related obligations may result in fines or even suspension of the provision of services in Thailand.

The Amendment is expected to increase the efficiency of taxation in Thailand and the fairness between overseas and domestic e-Service Providers, particularly as large digital platforms that are based overseas, such as Google, Line, Netflix, and Facebook, have largely been exempt from paying VAT in Thailand. However, it remains to be seen how the Revenue Department will enforce the Amendment on overseas e-Services Providers.

*We hope that the information provided in this newsletter is helpful for you.
If you have any further question, please do not hesitate to contact us.*

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