

Land Taxes in Thailand :

For a period of a year beginning April 2008, transfer fees on property will be reduced from 2% to 0.01%. Specific Business Tax has been reduced from 3.3% to 0.1%.

Category	Sale of Freehold Land & Property	Transfer of Leasehold Land	Sale of Building	Liability to Tax
Transfer Fee	2%	N/A	2%	Seller/Buyer
Lease Registration Fee	N/A	1%	N/A	Lessor/Lessee
Specific Business Tax	3.3% or N/A	N/A	3.3% or N/A	Seller
Stamp Duty	0.5% or N/A	0.1%	0.5% or N/A	Seller
Withholding Tax	1% or 5 - 37%	N/A	1% or 5 - 37%	Seller

Whenever a property in Thailand is bought or sold there are four potential taxes or fees to be paid. Which of these taxes/fees will be applicable depends on the details of the transaction, the seller and the duration of the seller's ownership. It is also significant to note that most of the fees are calculated relative to the government's "tax assessment value" of the property and this value is usually well below the market value.

Transfer Fee :

This is based on the appraised value of the property and is normally shared equally between both buyer and seller, although this needs to be agreed by both parties.

Lease Registration Fee :

This is based on the total rent payable over the lease term, and is normally shared equally between the lessor and lessee, although this must be agreed by both parties.

Specific Business Tax :

Specific Business Tax (SBT) is payable by companies and individuals who have owned the property for less than five years. It is based on the official appraised value or the contracted price, whichever is highest.

An individual may be exempt from SBT if they have used the property as their principal residence and have had their name in the household registration certificate for at least one year.

Stamp Duty :

Stamp Duty is only paid when SBT is not applicable and is based on the official appraised value or the contracted price, whichever is highest.

Withholding Tax (WHT) :

If the seller is a company, the WHT on the sale of the property is calculated at 1% of the official appraised value or the contracted price, whichever is higher. If the seller is an individual, the WHT is based on the individual's marginal tax rate (except that the first 100,000 baht is taxed at 5% rather than falling under the tax-free threshold) after deducting from the official appraisal price a standard deduction based on the number of years of ownership.

Property Taxes:

Once you have acquired the property, there are 2 different types of tax levied on property in Thailand that you need to be aware of:

Land Tax :

This is an annual tax levied on land ownership equivalent to just a few Baht per rai. The amount is often so miniscule that in practice the body charged to collect it, rarely bothers to do so. When they do collect it, it's usually after several years when the amount has accumulated.

Structures Usage Tax :

This only applies to properties used for commercial purposes. This is applicable at the rate of 12.5% on the actual or assessed gross rental value of the property. However, this notional value is well below the commercial market rental value.

Notes:

If the house is purchased through a company, you need to consider that corporate tax is higher than personal tax, and the cost of setting up the company has to be considered as part of the initial investment, even if this is relatively modest.

If you wish to purchase property in Thailand using Thai Baht, ensure that your funds are transferred to Thailand in foreign currency and converted to Thai Baht here. The receiving bank will issue a Foreign Exchange Transaction Form confirming the transaction for individual inward transfers exceeding 20,000 US\$, which is one of the documents you may need in the future if you wish to repatriate funds without incurring tax penalties.

Repatriation of investment funds and repayment of overseas borrowing in foreign currency can be remitted freely upon submission of supporting evidence. One of these documents would be the Foreign Exchange Transaction Form mentioned above, or in respect of a foreign currency loan and the loan contract. Remittance of funds without proper documentation could be regarded as income and become liable for tax.

Taxes FAQ

So what are all the Taxes and Fees?

1. Specific Business Tax

Specific Business Tax is only payable on freehold property sales.

And only if the property has been owned by the seller for less than 5 years.

If the seller has owned the property for more than 5 years, no Specific Business Tax is due. Instead Stamp Duty is payable.

The rate of Specific Business Tax is 3% - or 3.3% including local taxes.

This tax is calculated on the declared sale price recorded at the Land Department. But you should know that if officials consider it too low, they can reassess the value of your property and adjust the tax accordingly.

Who pays?

The seller is responsible for paying any Specific Business Tax due.

2. Stamp Duty

Stamp Duty is only payable on freehold property sales and when Specific Business Tax does not apply. That is, when the property has been owned by the seller for over 5 years.

The rate is 0.5%. Calculated on the declared sales price of the property, or the official government assessed value - whichever is higher.

Who pays?

If you buy from a developer who has no Specific Business Tax to pay, Stamp Duty is usually shared 50:50. If you buy from an individual, it's common for the buyer to pay the Stamp Duty.

3. Withholding Tax

This is basically a prepayment of income tax by the seller.

It is paid directly to the Land Department when the property's ownership is transferred.

Withholding Tax is calculated on the declared sale price of the property or the government's assessed value - whichever is higher.

The rate is 1% if the seller is a company.

As an individual, the rate of tax you pay depends on how long you have owned your property.

It's a complicated calculation. Basically the liability reduces the longer you own your property.

Who pays?

Withholding Tax is the seller's responsibility.

4. Transfer Fees

Transfer Fees are payable at the Provincial Land Office when your property is transferred and registered.

The rate is 2% of the declared sale price or the government assessed value of your property - whichever is higher.

Who pays?

Usually Transfer Fees are split 50:50 between the buyer and seller.

5. Lease Registration Fee

This is 1.1% of the registered sale price, including local taxes. It is payable when your lease is registered at the Provincial Land Office.

Who pays?

Usually the Lease Registration Fees are split 50:50 between the buyer and seller.

6. Local Department Tax

This tax is payable by anyone who owns land.

The rate varies depending on the Land Department's appraised value of your land.

But at the moment the rates are so low officials don't even bother to collect this tax.

7. House and Land Tax

If you plan to rent out your property you'll have to pay House and Land Tax.

The current rate is 12.5%. This is calculated using the estimated annual rental value of your property, or your actual rental income based on your accounts -whichever is higher.

8. Withholding Tax on Rental Income

If you rent your property as an individual to another individual then there is no withholding tax to pay in Thailand.

But if you use an agent to rent your property, they must deduct withholding tax by law - before they pay you.

The current rate is 5% in Thailand. But if you have your rental income paid to you outside Thailand, 15% will be withheld. This must be paid to the tax department and will be credited against your personal income tax. So make sure you allow for it when you calculate your rental prices. And if you are offered a rental guarantee you should deduct it from the income you expect to receive.