

The Draft Land and Buildings Tax Bill

On 21 March 2017, the Thai Government Cabinet approved an amended draft of the new Land and Buildings Tax Bill. This Bill has been under review in the Parliament, and is now being subject to hearing from the public.

The objective of the amendment is aimed at :

- Replacing the current House and Land Tax and Local Development Tax
- Narrowing the wealth gap, expanding the national taxpayer base, increasing tax income for local administration and improving land use nationwide

Scope :

- Property-related tax base includes : Land, buildings and condominium units

Exemptions :

- State property used for the public's benefit
- State property not used for commercial or industrial purposes
- The property of embassies
- The property of the Red Cross
- The common property of condominiums
- The property of development projects not for commercial or industrial use
- Private property used for the public's benefit
- Property used for agricultural purposes up to the value of 50 million Baht
- Property used for residential purposes up to the value of 50 million Baht

Tax Rates

The proposed rates of the tax are as follows:

	Proposed Tax Rates to Apply for the 2018 Tax Year (Payable in April 2019)
Property used for agricultural purposes	not exceeding 0.2%
	Exempt for properties valued at less than 50 million baht
Property used for residential purposes	not exceeding 0.5% for the first residential property
	Exempt for properties valued at less than 50 million baht
Property used for commercial/industrial purposes	not exceeding 2.0%
	0.3% for properties valued at less than 20 million baht
Property that is not used or is vacant	not exceeding 2.0%
	2.0% for the First to the Third year , increasing by 0.5% every 3 years

Late Payment Penalty

- Penalty is 25% of the unpaid tax.
- With a Transmittal Letter of Penalty, penalty is 50% of the unpaid tax.
- Every month for the amount owed remaining unpaid, a further 1% of the unpaid amount monthly penalty shall be added.
- Interest shall be charged on the unpaid amount, penalty, and other additional charges.
- Local administration has the right to seize the property if the tax is still unpaid more than 90 days.

Penalty :

- Obstructing of the execution of duties of officers shall be punished by imprisonment for not more than 1 year or by a fine not exceeding 20,000 baht, or both.
- Does not comply with the officer's summons shall be punished by imprisonment for not more than 1 month or by a fine not exceeding 2,000 baht, or both.
- Land-Use Change without informing the authority shall be punished by imprisonment for not more than 6 months or by a fine not exceeding 10,000 baht, or both.
- Transfer of property to another person when the local administrator orders the seizure shall be punished by imprisonment for not more than 2 years or by a fine not exceeding 40,000 baht, or both.
- Providing false information to avoid tax shall be punished by imprisonment for not more than 3 years or by a fine not exceeding 60,000 baht, or both.

Problems and impacts :

1. Groups that will be affected, such as SMEs, department stores, shops, restaurants, gas stations, factories, car care, warehouses, hotels, bazaars, golf courses and real estate sectors as a result of the use of tax bases from the valuation of land and buildings.
 - a. School, educational institutions, gas stations, department stores located in the urban areas and having a large compound which have to bear a large amount of tax, may not be able to continue their businesses.
 - b. Entrepreneurs having to pay a higher tax rate which will affect their production cost, raising the cost of living, wages and prices, and inflation.
2. The definition of the Tax is unclear and will be subject to the interpretations of officials. Leasing land can be interpreted as land for commercial purposes as well as for farming, which has a different tax rate.

Recommendations from TCC&BOT

1. Tax collection should be a single "Fixed Rate" in order to be more expedient for collecting Tax and Tax reduction. Furthermore, in order to reduce the use of discretionary authority of the government officials, the "Fixed Rate" would help make the decision easier.
2. In case of real estate businesses;
 - a. The common property of a juristic person such as condominiums and housing estates should be exempted.
 - b. Real estate development projects which are in progress and have not yet earned revenues should be considered for a tax deduction.
3. Vacant lands such as landlocked and those properties under the restricted zoning of the Town planning forbidding the construction of buildings should be exempted from the Tax.
4. The Law should not impose severe criminal punishment as well as imprisonment terms for gross negligence and unpremeditated actions.
