

EXCISE TAXATION REFORMS IN THAILAND

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Agenda

- The Thai excise system and context for reform
- The Master Plan process
- New products?
- Issues in excise reform



Excise System of Thailand

What is subject to excise in Thailand?

Main (90%):

90% Alcohol (beer, wine and spirits); Tobacco products; Oil and gas (including solvents); and Motor vehicles.

Other goods:

Non alcoholic drinks, Air conditioners; Batteries; Cards; Crystal glassware; Cosmetics; and Yachts.

Services:

Night Clubs/Disco, Golf, Massage, Race Tracks, Telecoms



Excise System of Thailand

- Excise collections up to THB 30bn each month
- Main area is fuel around THB 13bn
- Other areas of note: Automobiles THB 4bn; Tobacco THB 3.8; beer THB 3.6bn each and liquor 2.8bn.



Excise System of Thailand

- Many tariffs have 2 rates – value and volume based;
- Tax payers to pay what delivers the highest duty;
- See non-alcoholic beverages:
 - 20% (or 25%) of ex-factory value
 - 37 (or 77) satang *per* 440 ml unit



Excise System of Thailand

- Specific tax is a volume x rate assessment;
- Ad valorem less simple, need to find 'excisable value';
- Imports: CIF + customs + taxes (including excise);
- Domestic ex-factory price largely set by Thai Excise;
- See beer:
 - Economy eg Chang
 - Standard eg Singha
 - Premium eg Heinekin



Context of Reform in Thailand

Why reform?

- Increased attention from EU on areas of tax discrimination (Article III) particularly in liquor;
- FTA's reduce excisable values - loss of revenue;
- Lack of clarity and equity for many industries;
- Market for traditionally built automobile models reducing
- Transfer pricing structures created to reduce taxable values;
- Legislation dated and based on time when state owned enterprises monopolized the markets.



The Master Plan

Master Plan process

- Short term – Emergency Decrees to lift revenue from alcohol, automobiles and tobacco
- Mid term – review of commodities
- Long term – passage of modernized legislation to reflect new policy and administration



Master Plan Process

Short term

- Draft Decree to address FTA excise losses
- Key commodities alcohol, tobacco and motor vehicles
- International workshop hosted
- Significant data gathered and analyzed internally

Decree at Ministry of Finance awaiting further data

Economic conditions improved – excise increases



Master Plan Process

Mid term

- All taxable commodities and services categorized as “Luxury”, “Externalities” or “Environmental”
- Commodities and services reviewed for consistency, equity and appropriateness against these categories
- External Consultant from MoF engaged to facilitate study
- Industry Forum to review draft laws covering existing administrative arrangements of concern
- Neither draft laws or commodity review signed off internally as yet



New Products?

- Focus on new 'green taxes'
- Lubricants, pesticides and chemicals
- Expansion of 'luxury taxes' to areas such as movie / concert tickets
- And – if an opportunity arises – increase any existing rates!



Issues to Reform

- Short tenure of Director-General position
- Need greater co-ordination between Legal Bureau, Operational Staff and Policy/Planning Staff
- Meeting international obligations in reforms of:
 - Structures;
 - Rates; and
 - Other administrative arrangements

will put pressure on local producers and impacts need to be worked through

