

PwC Tax Newsletter

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ESG challenges and opportunities in Thailand

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PwC Thailand proudly presents the ESG movement in Thailand. This newsletter will discuss issues relating to the environmental and tax perspectives. We will focus on the key issue of **environment (E)** concerning its impact on business in Thailand.

Thailand has published its National Economic and Social Development Plan No.13 (2023 to 2027), which establishes ambitious targets to address the reduction of greenhouse gas emissions. The short-term goal for Thailand is to reduce greenhouse gas emissions by a minimum of 20% by 2027, and to focus more on the sustainable aspects of doing business in Thailand to create awareness of ESG - **environment (E), social (S), governance (G)**. Thailand is committed to achieving carbon neutrality and attaining net-zero greenhouse gas emissions in the near future. ESG is playing an increasingly important role in corporate decision-making for doing of business and will become even more significant during the coming decade.

What is ESG?

Environment: Climate change, decarbonisation and renewables

Social: Focusing on all corporate and individual stakeholders, developing strong relationships with people,

communities, and society to drive positive change

Governance: Responsible investment, financing, insurance with policies and practices that help ensure corporate decision-making.

ESG, and especially E, affects various areas, for example, climate change, pollution, net zero, green business, and clean energy. The aim of the ESG concept is to build a sustainable business and drive value and growth while strengthening our environment and society.

ESG initiative in Thailand

Reporting – The SEC encourages the disclosure of ESG performance and the promotion of green bonds. The Bank of Thailand encourages financial institutions to evaluate ESG risks and promote green financial products.

Net Zero – The Ministry of Energy and the BOI promote renewable power plants to reduce carbon emissions.

Carbon credits – The Thailand Greenhouse Gas Management Organisation (TGO) has launched the Thailand Voluntary Emission Reduction Program ('T-VER') where unutilised carbon credits can be sold.

Energy Attribute Certificate (EAC) issued by EGAT for reliable renewable energy producers.

Thailand's existing landscape of ESG regulations

The SEC has initiated the Thailand Sustainability Investment (THSI) programme to nominate listed companies with a high rating of ESG performance.

The BOI provides incentives to promoted businesses relating to ESG and the improvement of efficiency of production. The BOI initiatives on ESG are, for example, energy saving, replacing/ upgrading of machinery, renewable energy, and digital technology to improve efficiency, completing higher standards of industry, including good agriculture practice, forest stewardship. This is to improve the efficiency of an upgraded production line so as to acquire international sustainability certification, R&D or engineering design, and smart distribution centre.

Current incentives in Thailand relating to ESG

Sale of carbon credits

Corporate income tax exemption for three consecutive accounting periods for the sale of carbon credits in Thailand for a voluntary greenhouse gas reduction project. The first accounting period for tax exemption will start when the TGO has issued a certificate for the sale of carbon credits to participants in this project. The tax exemption provided for the project must be registered with the TGO between 20 March 2023 and 31 December 2027.

Electric motor vehicles (EV)

Corporate income tax exemption for income received under the measures supporting the use of EV cars and EV motorcycles. The incentives include a subsidy (maximum THB150,000 per car) granted by the Excise Department for the qualified type/ capacity of EV, qualified recipients and industrial users according to the details provided in the Department's announcements.

Annual tax reduction for new EV cars

Reduction of the vehicle tax by 80% of the current tax rate for a period of one year from the date of registration of a brand-new EV manufactured in Thailand and registered within three years from 9 November 2022.

Forward-thinking corporate strategy and proactive planning

ESG developments create more opportunities for business in Thailand.

A company should be mindful of its impact and proactively address the following issues:

Sustainable tax system: The company should plan for the compliance requirements under the current anticipated changes to legislation for supporting a sustainable tax system.

Tax policy and administration: The company should develop and incorporate tax policies that support organisations with ESG objectives.

Corporate structuring: Study the impact on the reorganisation of the group structure in respect of ESG, e.g. the carbon market.

Tax transparency and reporting: Review the tax strategy, transfer pricing policy, country-by-country reporting, and risk management and control.

Due diligence: To conduct a legal due diligence around ESG issues. Energy transition relating to the development of a project and the infrastructure for renewable energy resources, investment in carbon capture technology, and trading of carbon credits.

Tax governance: Provide a report or similar compliance requirements due to ESG.

Next steps

Thailand is facing the next step of ESG. Many Thai companies are taking steps to improve their corporate governance. The Thai Government is developing an ESG policy framework that may affect a company as well as the business

sector as a whole. While the clear guidance has not yet to be revealed to the public, PwC will be closely observing the upcoming laws and regulations relating to ESG.

We will keep you posted if we have any further update on this.

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