PwC Thailand Tax Alert

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Navigating new DI Paw 164/2568: Input tax allocation for business not subject to VAT

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The following alert may be of interest to:

All clients

In brief

On 5 February 2025, the Revenue Department issued Departmental Instruction (DI) Paw 164/2568 which addresses value-added tax (VAT) for businesses selling goods outside the Kingdom of Thailand. The instruction, which amends DI Paw 89/2542 dated 2 September 1999, provides further guidance on input tax allocation for those VAT registrants specifically selling goods outside of Thailand.

The new guidance states that a VAT registrant must first exclude any input tax in proportion to its revenue from the business activities not subject to VAT. After this exclusion, the registrant needs to either use the remaining input tax to deduct output tax in the monthly VAT return in line with Revenue Code Section 82/3 or use it for calculating the input tax allocation as per Revenue Code Section 82/6, as the case may be.

Our observations:

- The new guidance is expected to begin affecting monthly VAT return submissions from at least February 2025.
- Following the new guidance, the input tax of revenue from business not subject to VAT must be excluded every month rather than on a yearly basis. This procedure requires monthly data collection of revenue from 1) business not subject to VAT, 2) VAT business and 3) non-VAT business. This is clearly different from the input tax allocation calculations for VAT and non-VAT businesses under Revenue Code Section 82/6 and the Notification of the Director-General of Revenue on VAT (No. 29).
- Although DI Paw. 164/2568 specifically mentions the business of selling goods outside Thailand, it's questionable whether this practice will extend to other types of businesses not subject to VAT. It's essential to monitor any further clarification from the Revenue Department in the future.

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