



BDO Tax Newsletter: Sales of goods outside Thailand by VAT registrants

Overview

Effective from early 2025, the Thai Revenue Department issued Departmental Instruction (DI) No. Paw 164/2568, superseding the previous guidance under DI No. Paw 89/2542. This new instruction provides updated procedures and illustrative examples for allocating input tax for VAT registrants engaged in out of VAT scope transaction, such as the sale of goods outside Thailand.

Below is a summary of the revised input tax allocation methodology:

Scenario 1: Mixed Business Activities - VAT and Out of VAT scope Transactions

Applicable to:

VAT registrants conducting both VAT-liable business and out of VAT scope business mentioned under Section 77/2 of the Thai Revenue Code (e.g., out of VAT scope).

Requirement:

Input tax must first be apportioned based on the revenue derived from out of VAT scope activities. Only the remaining input tax is deductible against output tax, in accordance with Section 82/3 of the Thai Revenue Code.

Example:

Category	Out of VAT scope	Subject to VAT	Total
Revenue Breakdown	THB 4,000,000	THB 16,000,000	THB 20,000,000
Revenue percentage	20%	80%	100%
Input tax that cannot be directly attributed to a specific business activity:			THB 1,000,000
Input tax allocation	Step 1: THB 200,000 (THB 1,000,000 × 20%)	Step 2: THB 800,000 (THB 1,000,000 × 80%)	THB 1,000,000

Input Tax Allocation:

- **Step 1:** THB 200,000 (THB 1,000,000 × 20%) excluded for out of VAT scope activity
- **Step 2:** THB 800,000 (THB 1,000,000 × 80%) deductible against output tax

Scenario 2: Multiple Business Categories - VAT, Non-VAT, and Out of VAT scope Transactions**Applicable to:**

VAT registrants engaged in:

1. VAT-liable businesses
2. Non-VAT businesses (e.g., VAT-exempt, specific business tax (SBT) liable, or SBT-exempt)
3. Out of VAT scope businesses

Requirement:

Input tax must first be excluded in proportion to revenue from out of VAT scope activities. The remaining input tax is then allocated between VAT-liable and non-VAT businesses using the method prescribed under Section 82/6 of the Thai Revenue Code.

Example:

Category	Out of VAT scope	Subject to VAT	Not subject to VAT	Total
Revenue Breakdown (Fiscal year 20X1)	N/A	50%	50%	100%
Revenue Breakdown (Fiscal year 20X2)	THB 4,000,000	THB 6,000,000	THB 10,000,000	THB 20,000,000
Revenue percentage	20%	30%	50%	100%
Input tax that cannot be directly attributed to a specific business activity:				THB 1,000,000
Input tax allocation	Step 1: THB 200,000 (THB 1,000,000 × 20%)	Step 2: THB 400,000 (THB 800,000 × 50% ¹)	Step 2: THB 400,000 (THB 800,000 × 50% ¹)	THB 1,000,000

¹ The remaining input tax of THB 800,000 was allocated proportionally based on the revenue percentage from the previous year (50:50 for the fiscal year 20X1).

Input Tax Allocation:

- Step 1: THB 200,000 (THB 1,000,000 × 20%) excluded for out of VAT scope activity
- Step 2: Remaining THB 800,000 allocated based on prior year's revenue ratio (50:50):
 - THB 400,000 to VAT-liable business
 - THB 400,000 to non-VAT business

BDO Insights

Under DI No. Paw 164/2568, VAT registrants involved in out of VAT scope transactions, such as the sale of goods outside Thailand, must apply a two-step monthly input tax allocation process:

1. Initial Exclusion: Input tax must be excluded in proportion to revenue from out of VAT scope activities.
2. Subsequent Allocation: The remaining input tax is then allocated between VAT-liable and non-VAT businesses.

This revised approach enhances compliance accuracy and mitigates the risk of over-claiming input tax. Businesses should ensure monthly revenue tracking and proper documentation to support their VAT filings.

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