Thailand Tax and Legal Alert: Extension for 7% VAT up to 30 September 2027

The Office of the National Economic and Social Development Council (NESDC) reported that Thailand's economic growth in 2026 remains subject to significant constraints and risks, including prolonged geopolitical tensions in the Middle East, rising energy costs and disruptions to international transportation, slower global economic growth and trade, financial market volatility, high household debt, deteriorating SME credit quality, increasingly severe climate conditions affecting the agricultural sector, and uncertainty surrounding U.S. trade protection measures.

In response to these challenges, the Ministry of Finance considered that extending the temporary VAT reduction would help maintain economic stability and support domestic consumption, thereby contributing to Thailand's economic growth in line with its target.

Following approval from the Thai Cabinet, Royal Decree No. 807 has been issued to extend Thailand's reduced VAT rate of 7% (inclusive of local tax) for another year. This follows the previous extension under Royal Decree No. 799, which was set to expire on 30 September 2026. Consequently, the extended VAT rate reduction (from 10% to 7%) will be effective from 1 October 2017 to 30 September 2027.

Impact: The extension of the reduced VAT rate is not expected to result in any additional loss of government revenue, as the FY2027 revenue estimates were prepared based on the current VAT rate of 7% (inclusive of local tax).