

Technical Update

January 2020

Amend Basis for Specific Tax on Certain Merchandise for Locally Produced Goods

(Prakas no. 012 MEF.Prk dated 14 January 2020)

The Ministry of Economy and Finance (MEF) issued Prakas no. 012 MEF.Prk dated 14 January 2020 (Prakas 012). The Prakas 012 is to amend the previous Prakas no 139 MEF.Prk dated 19 January 2015, and determine clearly the basis for calculation of the Specific Tax on Certain Merchandise (STCM) for locally produced goods.

According to the Prakas 012, Article 5, the **basis** for calculation of STCM for locally produced goods including beer, wine, cigarettes and all kinds of cigar, non-alcoholic drinks* and other goods subject to STCM shall be set at **90 percent** of selling price recorded on the invoice excluding Value Added Tax (VAT), Public Lighting Tax (PLT) and STCM itself.

** non-alcoholic drinks are defined to be a drink which is aerated (carbonated), added sugar, has other sweetening matter, is flavored or other non-alcoholic drinks except water and mineral water, milk and fruit or vegetable juice.*

Article 6 of Prakas 012 also provides that STCM time of supply, which is when it shall be subject and payable, and this is the same as for VAT, Article 62 of the Law on Taxation.

The Prakas shall be effective from 1 January 2020 onwards.

Comments

This is an update to Prakas no.139 MEF.Prk dated 19 January 2015 and thus Prakas 012 should now be referred to as the main regulation for STCM basis determination, as it abrogates any previous regulations.

The basis of 90% of selling price recorded on invoice shall be exclusive of VAT, PLT and STCM itself (PLT is not mentioned in the previous Prakas). This addition should help clarify uncertainties when PLT is involved, i.e. for wine, beer and cigarette.

The Prakas 012 also provides a time of supply rule for STCM, i.e. same as rule with VAT. This will combine

STCM and VAT, making them payable at the same time and thus easier for taxpayers, who are in the business of producing relevant domestic products, to charge both taxes by applying the same rule.

As a committed tax advisor to our clients, we welcome any opportunity to discuss the relevance of the above matters to your business.

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