KPMG

Tax News Flash

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VAT exemption granted to promote data center businesses

As a part of the Thai government's plan to attract investors and become the digital hub of the region, the Cabinet approved a VAT exemption measure for data center business operators. As a result of this exemption scheme, certain types of income derived from providing data center-related services are exempt from VAT.

This VAT exemption rule has been promulgated in the Royal Decree issued under the Revenue Code Governing Exemption of Value Added Tax No. 759 ("RD No. 759"), published in the government gazette on 8 November 2022, which has come into effect on 9 November 2022.

RD No. 759 provides a VAT exemption for data center business operators on the income derived from the following activities:

1) Provision of server space and related devices for use in data storage and data processing as well as electronic data connections via internet network.

2) Provision of the following services to support the services in no. 1) above:

  a. data back-up services for prevention of problems that may cause data damages;

  b. network connection services for internet or cloud service providers; or

  c. system management and information technology security services.

In order to receive the VAT exemption, data center operators who derive income from the listed activities and qualify for the above conditions must submit an application to the Director-General of the Thai Revenue Department ("TRD") within five years of the effective date of RD No. 759. Operators who wish to submit an application should also meet the following qualifications.

1) be a company or juristic partnership established under Thai law;

2) be a VAT registrant;

3) granted with a promotion in data center business under the investment promotion law or the law governing the enhancement of national competitiveness for targeted industries, or other laws as prescribed by the Director-General of the TRD; and

4) comply with procedures, methods and conditions prescribed by the Director-General of the TRD.

It should, however, be noted that the list is not definitive as it allows the Director-General of the TRD to prescribe additional procedures and conditions for data center operators to comply.

The TRD have not made any further announcement or issued any guidelines covering the application process. We will continue to monitor and keep our clients apprised on further developments or announcements.

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