
Land & Building Tax Reductions

January 2020

On 20 January 2020, a Royal Decree on Land and Building Tax Reductions was published in the Royal Government Gazette to reduce land and building tax amounts for specific properties, particularly those in use. The law has been in effect since 1 January of this year.

Government passed this law, it is believed, to reduce tax amounts in the interests of economic and commercial sustainability, and social and environmental fairness.

Who are the Taxpayers?

The Land and Building Tax Act A.D. 2019 identifies the following:

1. Individuals and corporate land or building owners;
2. Beneficiaries of land and buildings owned by government;
3. Those liable to pay tax on behalf of taxpayers under this Act.

Benefits

Taxpayers will enjoy 50 and 90 percent reductions on land and building tax amounts, as elaborated below.

50 % Tax Reductions on land and buildings:

1. Used for residential purposes, provided they have been inherited and registered before 13 March 2019.
2. Upon which power plants are located, including land and buildings related to the generation of electricity.
3. Used as hydroelectric dams, including land areas associated with hydroelectric dams.

50 % Tax Reductions on land and buildings:

1. Offered for sale by the following entities, provided they own the land or building for no more than 5 years:
 - financial institutions;
 - specialized financial institutions;
 - public financial institutions; and
 - asset management corporation.
2. Under development for residential or industrial purposes, or as a condominium project, or as an industrial estate for no more than 3 years from the permit date.
3. Under relevant laws that remain unsold for 2 years commencing from 13 March 2019.
4. Used for higher educational institutions under the Private Institutions of Higher Education Act A.D. 2019.

5. Used as private schools under the national education system, including some outside this system, e.g. seminaries; and both Islamic pre-schools and boarding schools.
6. Used for general public services under relevant laws:
 - sports grounds;
 - zoos;
 - amusement parks;
 - parking lots at mass rapid transit stations; and
 - parking lots at public transport stations.
7. Used as runways and airport aprons.
8. Used as tollways, expressways or highway concessions.

Author's Note:



This development was anticipated within the public and private sectors, as Section 55 of the Land and Building Tax Act A.D. 2019 allows for the reduction of taxes for purposes of economic or social necessity. The reductions, however, cannot exceed 90% of tax owed.

Taxpayers whose properties are utilized for the purposes under this Royal Decree will experience significant decreases in their land and building tax. Individuals and companies that possess vacant properties, however, will be held to higher tax amounts.

The Land and Building Tax Act, the law enabling this Royal Decree, was published in the Royal Gazette on March of last year with full effect this year.

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