

Customs Duties

Customs duties are governed by the Customs Tariff Decree of 1987, an amendment of previous tariff codes, to conform to the Harmonized System of the Customs Cooperation Council. Tariff duties on goods are levied on an ad valorem or a specific rate basis. The majority of goods imported by businesses are subject to rates of between 0 percent and 80 percent.

The majority of imported articles are subject to two different taxes : tariff duty and VAT. Tariff duty is computed by multiplying the CIF value of the goods by the duty rate. The duty thus determined is added to the value of the goods determined with reference to the CIP price.

VAT is then levied on the total sum of the CIF value, duty, and excise tax, if any. Goods imported for re-export are generally exempted from import duty and VAT. Export duties are imposed on only a few items including rice; hides, skins, and leather; scrap iron and steel; rubber, including latex, rubber waste, tree and lump scraps, earth rubber, and bark shavings from rubber tree; teak and other kinds of wood.

Tariff duties may be lowered at the discretion of the Minister of Finance with the approval of the Cabinet. Two exceptions to the obligation to pay customs duties apply to the importation of machinery, equipment and materials for use by oil and gas concessionaries, their contractors, and certain companies promoted by the Board of Investment. As the part of the BOI's Investment Promotion Program, BOI-promoted companies are eligible to receive exemptions or reductions from import duties on raw and essential materials as well as machinery.

Further, companies that belong to the BOI's Investor Club Association (IC) are eligible to use the IC's Raw Materials Tracking System (RMTS) and Machinery Tracking System (MCTS). For companies that take advantage of this service, release of raw materials and machinery can be done in three hours or less. For more information, please contact the Investor Club at : Rasa Tower 2, 16th floor, 555 Phaholyathin Rd., Chatuchak, Bangkok 10900 Telephone No. (662) 937-1155

All exported goods are exempt from export duties except raw hides and skins, wood and sawn (including lumber) items.

1.1 Electronic Data Interchange (EDI)

The Customs Department has improved its services by computerizing procedures with the Electronic data Interchange system. EDI allows for customs entry information to be transferred via an on-line system. The trader may link to the system or may use a licensed customs broker. The EDI system helps entrepreneurs save costs and time because they can rapidly submit entry data for preliminary verification by customs officers, which takes no more than five minutes. Entrepreneurs will only need to meet customs officers for document verification; the rest will be proceeded through the Edi system.

The customs Department has selected "UN/EDIFACT" as the standard format for the exchange of information between it and trading partners as well as other related organizations; The Federal of Thai Electronic Data Interchange (FTEDI) and Thai Industrial Standards Institute (TISI) have duly approved the internationally accepted UN/EDIFACT as the EDI standard for Thailand.

Procedures

Exporters or customs brokers submit export entry data via the EDI system. Upon verification, the exporter / broker will be notified and will then print export entries for submission at any customs office, together with other documents.

Goods not subject to tariff and value verification can pass through green channels, whereas the goods subject to tariff and value verification must proceed through red channels for verification at the Export Procedure Sub-Division and for duty payment (if any)

1.2 Export Privileges

Among various measures of the Thai Customs Department to promote exports, tax privileges are most extensively used to decrease cost of production and enhance competitive advantages for exporters. There are five programs that provide relief from the import duties:

- Duty Drawback or Refund under Section 19 bis of Customs Law
- Duty Relief for goods placed under the Customs Bonded Warehouse scheme
- Duty Exemption for goods taken into the Free Zones established by Customs
- Duty Exemption for goods taken into the Export Processing Zones (EPZ)
- Duty Exemption for goods under the Board of Investment (BOI) scheme

The above five measures vary in responsible agencies and tax privileges. The first three measures are directly under responsibility of the Thai Customs Department to grant duty drawback, and duty exemption. However, measures 4 and 5 are under the control of the Industrial Estate Authority of BOI, respectively. The Customs Department is involved in only providing Customs-related services such as formalities for importation and exportation.

1.2.1 Duty Drawback under Section 19 bis of the Customs Act

Drawback under section 19 bis of the Customs Act (No.9) B.E.2482 means the refund of import duty already paid on imported goods which have undergone production, mixing, assembling, or packing and then exported within one year from the date of importation. The importer may place a bank guarantee or a guarantee issued by the Ministry of Finance in lieu of the payment of import duty. The refund is administered after the exportation or destruction of either the imported/substituted product or article that has been manufactured from the imported/substituted product.

1.2.2 Bonded Warehouse under Customs Act

It is in the nature of international trade practice that in many cases it is not known at the time of importation how imported goods will finally be disposed of. This means that the importers are obliged to store the goods for more or less long period. It is, therefore, in the importers' interest to place these goods under a Customs procedure which obviates the need to pay import taxes and duties or delay the payment of taxes and duties.

Recognizing the need of the importers, the Thai Customs Department had provided in its national legislations for Customs warehousing procedures allowing the importers to store the goods for more or less long period without payment of taxes and duties until the goods are actually taken for domestic consumption.

Under a bonded warehouse scheme, the imported goods stored in a bonded warehouse for the purpose of re-exportation shall be exempted from payment of import/export taxes and duties, regardless of being exported in the same nature as imported or in the nature of having been produced, mixed or assembled as other goods.

Various types of bonded warehouses under the Customs Act include:

- For manufacturing
- For vessel repair on construction
- General
- General for distribution of goods
- General for oil storage
- Duty-free shops
- Free trade

1.2.3 Customs Free Zones

The Free Zone Program was developed to stimulate economic growth and development in Thailand. In an expanding global marketplace there is increased competition among nations for jobs, industry, and capital. The Free Zone Program was designed to promote competitiveness by encouraging companies to maintain and expand their operations in Thailand.