

|  |  |  |
| --- | --- | --- |
| **The Thai Cabinet has approved the draft Royal Decree regarding VAT exemption for data hosting services to promote investment in data centers**  As data centers play a crucial role in the growing digital world, many businesses undoubtedly need reliable data hosting services to facilitate better data management. The Thai cabinet recognizes the importance of the data center industry and data hosting services and has recently approved in principle a tax measure to promote data centers by providing a value added tax (VAT) exemption for data hosting services to attract hyperscale data center investments, in order for Thailand to become a regional digital hub and to have more competitive pricing of data hosting services. Currently, Thai VAT is levied at the rate of 7%.  The definition of "Hyperscale Data Center" is currently quite broad. A Hyperscale Data Center would offer a highly responsive, scalable and cost-effective infrastructure that simplifies business procedures. As the need for data processing and storage has increased, the demand for Hyperscale Data Centers will swell. Nowadays, the demand for Hyperscale Data Centers is accelerating due to many factors, such as remote working during the Covid-19 pandemic or the increase in adoption of digitalization. These factors greatly contribute to the growth in the Hyperscale Data Center market. At present, there is no exact definition for “Hyperscale Data Center” under Thai law, however, the Revenue Department may formulate a definition of data center that will be treated as the definition of Hyperscale Data Center in the Royal Decree.  Details of the draft Royal Decree issued under the Revenue Code regarding VAT exemption for data hosting services are summarized below.  VAT will be exempt for the following services:   1. Services for servers or related equipment for storing, processing and connecting electronic data via the internet; or 2. Disaster recovery sites, connection with internet service providers or cloud service providers, and systems management and securities services as supporting services of the services in item (1).   To be eligible for the VAT exemption for data hosting services, the VAT registrant applying for the exemption must be a data center business operator who has qualifications and complies with all rules, procedures and conditions as prescribed by the Director-General of the Revenue Department. We will provide an update of the details of the rules and conditions when they are officially issued. Furthermore, the VAT registrant must file an application form for the exemption within five (5) years from the effective date of the Royal Decree.  The VAT exemption for data hosting services would encourage huge cloud service provider companies that work with big data to consider Thailand as their next investment destination, and will also encourage companies in Thailand to use cloud service providers that have storage locations in Thailand to manage their data.  For further information about the publication of the Royal Decree or related tax benefits for data hosting services, or other tax matters, please contact the authors. |  | **September 2022**  **Get in touch**  **\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**  **Saravut Krailadsiri** Partner [saravut.k@kap.co.th](mailto:saravut.k@kap.co.th)  **Suchaya Tangsiri**  Associate  [Suchaya.t@kap.co.th](mailto:Suchaya.t@kap.co.th)  **Natthamol Dechpokked**  Associate  natthamol.d@kap.co.th  **C:\Users\soonaun.c\Downloads\news-and-insights.png**  **Kudun and Partners**  **\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**  23rd Floor, Unit C and F, Gaysorn Tower 127, Ratchadamri Road,  Lumpini, Pathumwan Bangkok, 10330, Thailand  [contact@kap.co.th](mailto:contact@kap.co.th)  **About Us**  **\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**  **Tax Practice Group**  Businesses often need proper tax planning and an efficient structure to sustain and enjoy long-term success. Our main goal is to provide a “one-stop service” where we can seamlessly connect with other practices to provide the most appropriate advice to our clients.  We have extensive experience in tax issues related to M&A, restructuring and wealth management especially when clients are faced with new business models, IPOs, as well as buying or selling assets to ensure tax mitigation and optimization. We conduct due diligence to determine whether or not tax planning is possible or required. This involves sharing information about specific tax privileges for which our clients may or may not know they are qualified.  Our clients extend to a wide spectrum of sectors: corporations, family businesses and high net worth individuals / ultra-high net worth individuals, who we believe require attentive services and a responsive team, a value we strive and for which we are known. |

All information, content, and materials contained in or referred to in this article do not, and are not intended to constitute, legal advice and are purely provided for general informational purposes only. For more information, please contact the authors.