



# Consumer and retail updates

**Industry focus**

**January 2018**

**KPMG in Thailand**

[kpmg.com/th](http://kpmg.com/th)







# Contents

<b>Executive summary</b>	<b>2</b>
<b>E-commerce</b>	<b>3</b>
<b>National e-payment</b>	<b>5</b>
<b>Government stimulus measures</b>	<b>7</b>
<b>Digital technology</b>	<b>8</b>

# Executive summary: Consumer and retail

Nowadays, there are several key influences for Thai retail businesses, such as e-commerce trend, National e-payment scheme, government stimulus measures, and digital technology.



## E-commerce

- The value of e-commerce in Thailand is projected to increase by no less than 10% annually over the next five years.
- Authorities are now working on the e-commerce tax law draft and obtaining comments from stakeholders. It is expected that the law may become effective later this year.
- Based on the second draft of proposed e-commerce law, a foreign e-commerce operator may be required to register for and be subject to VAT, while non-VAT registered person is not required to remit VAT on a reverse charge when making a payment.



## National e-payment

- The Thai government launched the national e-payment scheme to increase the efficiency in the infrastructure of Thailand's payment system; allowing e-payments to be more convenient in the cashless society.
- Apart from 2017, national e-payment campaigns which include PromptPay, EDC Machine and QR Code, the government will also implement e-tax invoice, e-withholding tax and e-filing.



## Government stimulus measures

- Thai Retailers Association (TRA) forecasts that the retail sector will grow 3.8%-4.0% in 2018 and 4.5% in 2019, an increase from the estimated 3.2%-3.4% in 2017.
- This growth will be mainly supported by government measures to shift funds to lower income people. This includes measures such as shopping tax break, welfare card, year-end shopping and SME measures.



## Digital Technology

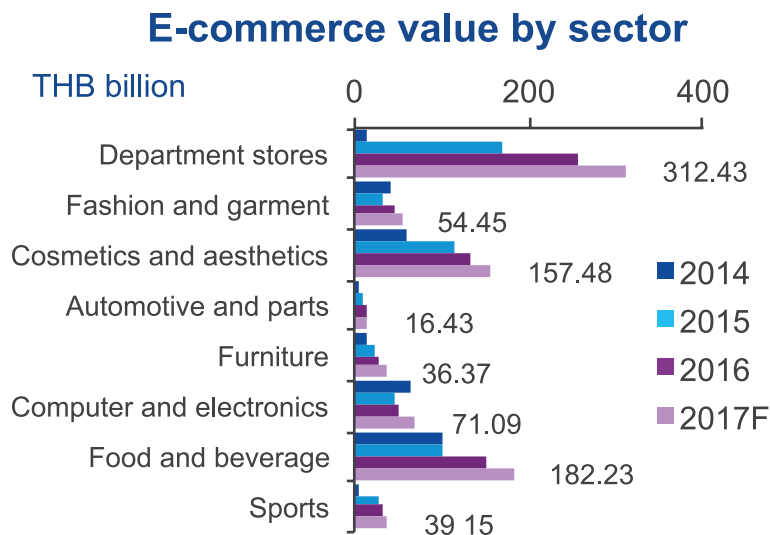
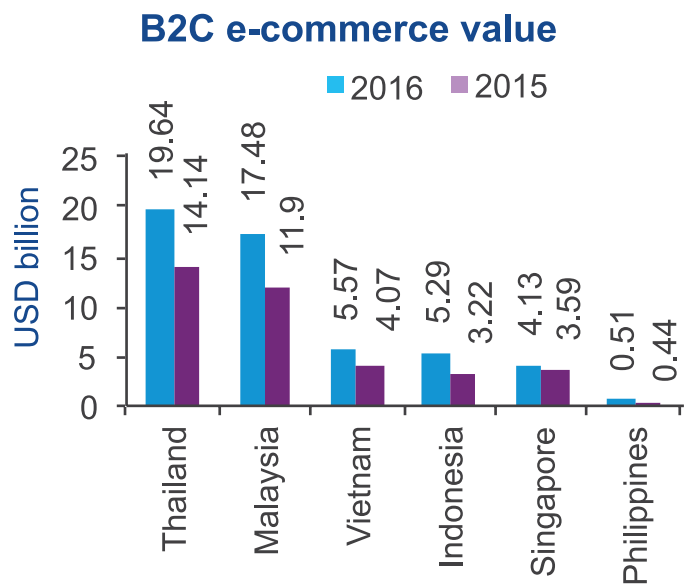
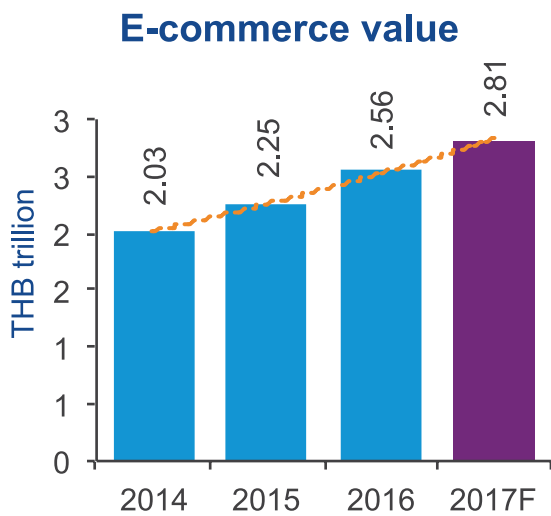
- Key digital technologies disrupting the retail sector include mobile applications, smart beacons, internet of things, artificial intelligence, as well as virtual reality and augmented reality.
- Based on the *2017 Top of Mind Survey* conducted by KPMG, companies with the strongest customer centric capabilities, including data analytics, supply chain agility or customer engagement, were also more likely to have higher revenue.



# E-commerce

The value of e-commerce in Thailand is projected to increase by no less than 10% annually over the next five years as a result of trends in consumer-to-consumer (C2C) sales and omnichannel e-commerce, driven by the increase of mobile penetration rate and mobile payment. However, even though social media and technology have enabled consumers to gain information more easily as well as place online orders, 85% of retail sales in the next five years will still be done from offline channels.

Source: Electronic Transactions Development Agency (ETDA)



Source: Electronic Transactions Development Agency (ETDA)

## Second draft of the e-commerce taxation law

Last year, tax authorities moved to include e-commerce business operators into the Thai tax system. The draft was under public consultation during 21 June-11 July 2017. After the public consultation, the authorities worked on the feedback from the first draft of the e-commerce taxation law and fine-tuned the second draft (released on 17 January 2018) for public consultation during 17 January-9 February 2018. The draft focused on VAT registration and VAT collection mechanism for digitized services supplied by an overseas supplier. Withholding tax at 15% of income from a business using electronic media, such as Facebook, Google, YouTube and LINE, was not addressed in the second draft. For updates on the e-commerce draft, please follow [KPMG Tax & Legal News Flash](#).

Source: [www.rd.go.th/publish/277770.html](http://www.rd.go.th/publish/277770.html) and [www.rd.go.th/publish/27682.0.html](http://www.rd.go.th/publish/27682.0.html)

Type of business	Tax rate
A foreign company that provides services through electronic media to a <b>non-VAT registered person</b> must <b>register</b> and will be subject to VAT in Thailand if its annual VAT-able income exceeds <b>THB1.8 million</b> and provided such services are consumed within Thailand. The registration must be done within 30 days from the date its VAT-able income exceeds the threshold.	The company is <b>required to register for value-added tax (VAT)</b> and will be <b>subject to 7% VAT. The registration is completed via TRD's website and via electronic submission.</b>  <b>No</b> tax invoice is required to be issued by the foreign business operator registered for VAT in Thailand while its input VAT is <b>not</b> claimable with <b>no</b> input VAT and inventory report requirement.
A non-VAT registered person who pays a service fee to a foreign company operating its business through electronic media is not required to administer VAT by way of self-assessment.	There is <b>no</b> VAT on reverse charge remittance for non-VAT registered person.

Source: *KPMG Thailand Tax Updates (as of January 2018)*

“It is no surprise that online shopping has continued to grow rapidly over the last few years. However, mobile commerce has recently seen an incredible surge. E-commerce may not be the next true frontier for shopping as m-commerce continues to become more popular. Mobile-first sites, dedicated apps, emerging payment methods and other tools are making shopping on smartphones much easier. Too few retailers have a solid mobile presence today. Most importantly, retailers need to make all aspects of mobile transactions easy – from payment to delivery.”

“The e-commerce taxation draft, especially the second draft, will impact many foreign e-commerce players in the Thai market. The draft provides a clearer picture for a foreign business conducting e-business in Thailand (e.g. via websites or smart phone applications) on VAT registration and collection. The first draft raises several unanswered questions, some of which will hopefully be addressed in regulations issued subsequently.”

**Auaychai Sukawong**  
Director, Tax and Legal  
KPMG in Thailand



# National e-payment: New tax measures



**1Q17:** PromptPay

**2Q17:** EDC Machine

**3Q17:** QR Code payment for debit card, PromptPay, and e-wallet

**1Q18:** QR Code payment for credit card



**1 Jan 2018:** Large- and mid-sized corporations, government agencies and charitable organizations

**1 Jan 2020:** Small corporations with revenue not exceeding THB30 million

**1 Jan 2022:** Very small corporations with revenue of less than THB1.8 million



**1 Jan 2018:** Large- and mid-sized corporations, government agencies and charitable organizations

**1 Jan 2019:** Small corporations with revenue not exceeding THB30 million

**1 Jan 2019:** Very small corporations with revenue of less than THB1.8 million

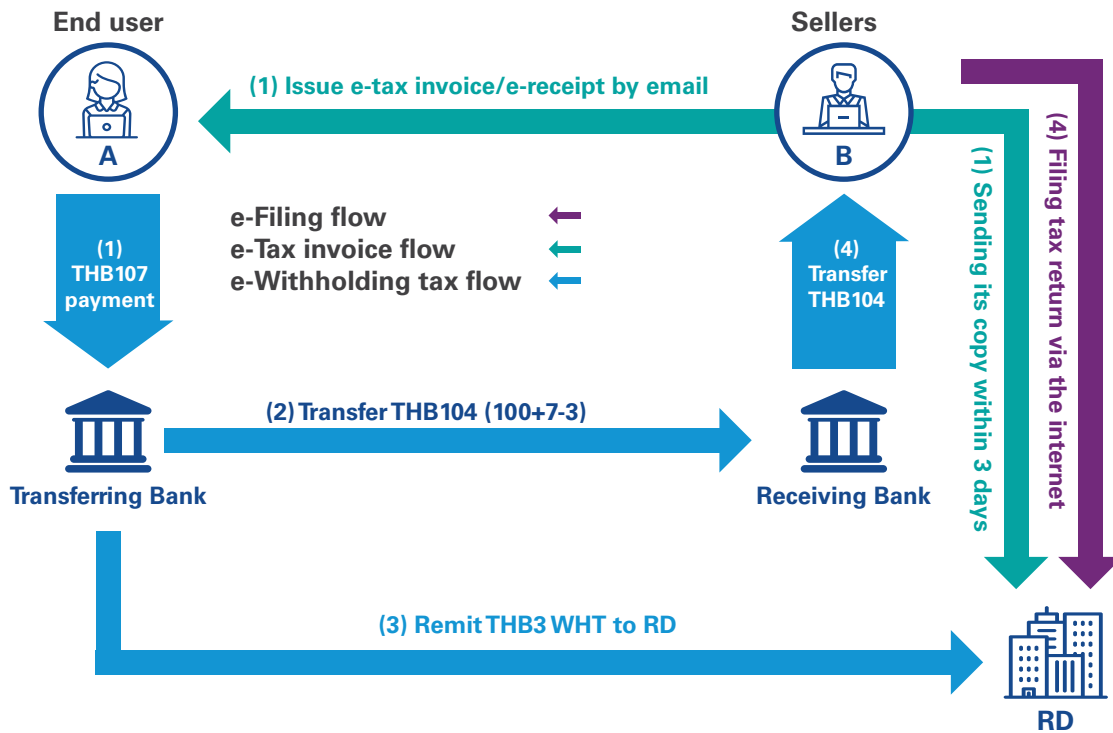


**1 Jan 2019:** Large- and mid-sized corporations, government agencies

**1 Jan 2022:** Small and very small corporations

Type	Now	Future	Change
<b>E-withholding tax</b>	By payers	By commercial banks	Amendments to the Revenue Code
<b>E-tax invoice/e-receipt</b>	Paper-based	Email-based, host-to-host (H2H), service providers, upload file, web portal	Changes in internal regulations and amendments to the Revenue Code
<b>E-filing</b>	E-filing is optional	E-filing is compulsory E-accounting is required	Changes in internal regulations and amendments to the Revenue Code

## How e-payment works



Source: Thailand Revenue Department, The Cabinet Resolutions on 2 August 2016

“Apart from boosting e-commerce and e-commerce activities, the Thailand’s national e-payment system also allows the government to collect tax more effectively and efficiently by reducing over-head costs and shifting all financial and monetary transactions to online and digital platforms. Transaction cost, cash handling cost, document storage and paper cost will be reduced noticeably. E-tax system aims to create an integrated electronic tax system. Tax- and government-related payments will be more transparent while social policy will be more targeted and inclusive. National competitiveness will be improved and the overall economic environment of the country will be more conducive to growth in this digital era for Thailand. However, there are some raised concerns on security, privacy, data protection and other misuses if the system is implemented nationwide without providing careful education of the systems to all users.”



**Auaychai Sukawong**  
 Director, Tax and Legal  
 KPMG in Thailand

# Government stimulus measures

Thai Retailers Association (TRA) forecasts that the retail sector will grow 3.8%-4.0% in 2018 and 4.5% in 2019, an increase from an estimated 3.2%-3.4% in 2017. The estimated growth will mainly be supported by the following government measures which shift funds to lower income people:

Measure	Details	Analysis
<b>Shopping tax break</b>	<ul style="list-style-type: none"> <li>The government's <b>Shop Chuay Chart tax break measure</b> was enacted in <b>November 2017</b>; although it tended to benefit consumers in the <b>middle and higher income brackets</b> who had started shopping in anticipation of <b>receiving tax rebates</b>.</li> <li>The incentive let individual taxpayers deduct up to THB15,000 of taxable income from the value of goods and services bought between 11 November and 3 December 2017.</li> </ul>	<ul style="list-style-type: none"> <li>This is the <b>third year running</b> for the year-end tax incentive. In 2016, a similar incentive was offered during 14-31 December 2016.</li> <li>This campaign required shoppers to get <b>proper value-added tax (VAT) receipts</b> to qualify for the deduction of their personal income tax payment as the government aimed to boost the economy with robust year-end spending.</li> </ul>
<b>Welfare card</b>	<ul style="list-style-type: none"> <li>The government launched the '<b>welfare card</b>' project in <b>October 2017</b> to allow the 11.4 million people who registered as poor (those with <b>annual income of less than THB100,000</b>) to use debit cards to <b>buy goods worth THB200-300/month</b> from supporting shops.</li> <li>After completing the <b>first phase of the state welfare project</b> by installing electronic data capture (EDC) machines in <b>18,000 shops</b>, the second phase will work to increase low-priced shops <b>equipped with EDC</b>.</li> </ul>	<ul style="list-style-type: none"> <li>However, there has been criticism that the project would only <b>benefit large shop owners</b>, as small operators do not have EDC machines to process the welfare cards.</li> </ul>
<b>Year-end shopping</b>	<ul style="list-style-type: none"> <li>The Commerce Ministry held the <b>Ruam Jai Perm Suk Shop Sanuk Lod Rub Pi Mai campaign from 14 December 2017 to 4 January 2018</b>, with cooperation from distributors, retailers and wholesalers nationwide, to issue <b>20%-80% discounts</b> for 22 days.</li> <li>The campaign is in addition to other <b>private sector promotions and sales activities</b> throughout the long holiday season.</li> </ul>	<ul style="list-style-type: none"> <li>This campaign is <b>expected to put THB35 billion into circulation</b>, resulting in higher retail index than was projected at the beginning of the year.</li> <li>The sales discount will likely result in collectively <b>reducing personal spending cost by THB10 billion</b>.</li> </ul>
<b>SME measures</b>	<ul style="list-style-type: none"> <li>The government plans to issue <b>10 stimulus measures</b>, including a new tranche of financial aid worth <b>THB200 billion in soft loans to SMEs</b>.</li> <li><b>Other measures</b> include job training courses, setting up of SME data centers, and bringing major foreign SMEs to Thailand in order to transfer knowledge and experience to SMEs.</li> <li>SMEs will also receive <b>200% tax exemption from now until 2019</b> when purchasing or using software from local developers.</li> </ul>	<ul style="list-style-type: none"> <li>This will be <b>implemented by 2018</b>.</li> <li>It is <b>expected to inject up to THB1 trillion</b> into the economy, supporting the economy's momentum.</li> </ul>

Source: Thai Retailers Association (TRA), Digital Economy Promotion Agency (DEPA), Bangkok Post, The Nation, Manager Online



# Digital technology

## Key digital technologies in the retail sector



**Mobile applications** – Customers can view product details related to price, product reviews, and promotions via mobile applications before they shop in physical stores. Moreover, mobile wearables are also an upcoming trend.



**Smart beacons** – Smart beacons alert retailers through Bluetooth when customers are within close distance to the stores, allowing them to push coupons for relevant products, discounts and other information directly to the customers.



**Internet of things (IoT)** – IoT devices will gather users' data for further analysis, customization of shopping experiences and implementing targeted marketing campaigns.



**Artificial intelligence (AI)** – AI can now take on the cognitive load required to formulate personalized offers and refine these based on actual customer response. Smart systems are now at the forefront of the race to grab consumer attention with most growth coming from mobile.



**Virtual and augmented reality** – For many retailers, creating an online shopping experience enhanced by technology, such as augmented and virtual reality or 3D, is becoming at least as important as providing convenient and personalized ordering, payment and delivery options.

Source: KPMG Publication; Think Like a Startup, Robocalypse Now?, Forbes, Futurum

## Key trends

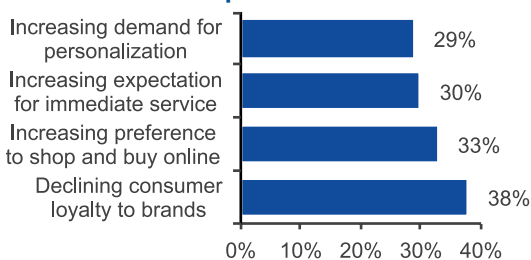
During March/April 2017, KPMG Global conducted *2017 Top of Mind Survey* of 526 executives from the world's leading global brands in the retail sector. This research suggested the following key findings:

**Customer centricity:** Customer loyalty remains the top priority and executives recognize the need to personalize customer experiences. Companies with the strongest customer centric capabilities, including data analytics, supply chain agility or customer engagement, were also more likely to have higher revenue.

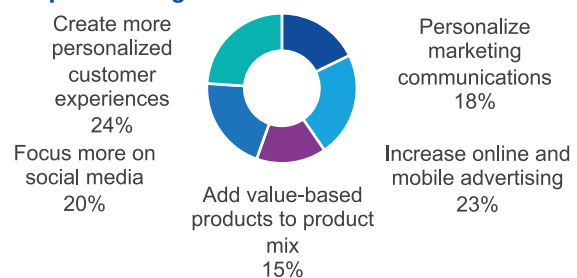
**Changing consumers:** Consumers are more unpredictable than ever. Most of them are more likely to follow influencers on social media. Thus, richer interaction with consumers can help businesses get it right.

**Supply chain:** Moving towards a genuinely demand-driven supply chain, companies can boost sales, cut costs and reduce inventories. This will also make it much easier to embrace the technologies to transform the industry and the supply function, especially robotics, virtual reality and artificial intelligence.

### The most disruptive consumer trends



### Top marketing tactics to attract new customers



“Digital technology is changing the customer experience. In the near future, customers will likely use digital technology to explore and interact with potential purchases. This offers retailers the opportunity to transform how they interact with the consumer. Adding analytics to the mix, retailers can use predictive analytics to forecast their customers' next moves. This is also forcing retailers to reinvent the in-store experience. Pairing digital technology with predictive analytics is a powerful combination for any retailer who is able to connect these dots. Retailers that are performing well have connected their physical and digital presence to deliver an enhanced customer experience. A seamless hand-off between and among technologies and in-store, during single and multiple journeys is becoming a must as customers come to expect a 'phygital' experience.”

### Thanit Osathalert

Partner, Audit  
Retail  
KPMG in Thailand



# You may also be interested to read...

KPMG member firms provide a wide-ranging offering of studies, analysis and insights on the Consumer and Retail industry. For more information, please go to [kpmg.com/th/retail](http://kpmg.com/th/retail).



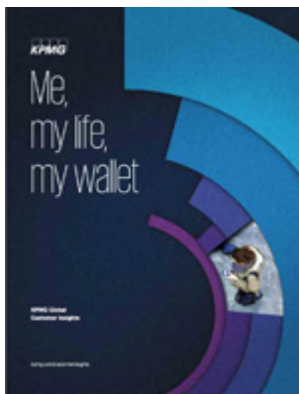
## **Top of Mind Survey 2017**

To grow in a disruptive market, businesses must respond to geographic, demographic and technological changes to survive.



## **Disruptive influences: Three key trends transforming the face of retail**

How leading retail disruptors are capitalizing on changing customer needs and expectations.



## **Me, My Life, My Wallet**

KPMG International's groundbreaking Customer Insights program identifies the complex drivers of choice that open and close the customer wallet.



## **ConsumerCurrents 23: Innovation the best defense against obsolescence**

This issue explores how leading consumer and retail brands are embracing disruption and innovation to stay relevant to the increasingly empowered consumer.



## **Are you writing the right checks to win consumers?**

Moving beyond omnichannel prepares you to cash them.



## **Winning the shelf war**

How consumer goods companies can drive cross-functional success through Revenue Growth Management.

*Click on the links above to access the publications.*

# Key contacts



**Nittaya Chetchotiros**  
Head of Consumer and Retail  
KPMG in Thailand  
T: +662 677 2120  
E: [nittaya@kpmg.co.th](mailto:nittaya@kpmg.co.th)



**Thanit Osathalert**  
Partner, Audit  
Retail  
KPMG in Thailand  
T: +662 677 2290  
E: [thanit@kpmg.co.th](mailto:thanit@kpmg.co.th)



**Munchupa Singsuksawat**  
Partner, Audit  
Agriculture  
KPMG in Thailand  
T: +662 677 2379  
E: [munchupa@kpmg.co.th](mailto:munchupa@kpmg.co.th)



**Ian Thornhill**  
Partner, Advisory  
KPMG in Thailand  
T: +662 677 2297  
E: [ithornhill@kpmg.co.th](mailto:ithornhill@kpmg.co.th)



**Auaychai Sukawong**  
Director, Tax and Legal  
KPMG in Thailand  
T: +662 677 2644  
E: [auaychai@kpmg.co.th](mailto:auaychai@kpmg.co.th)

## KPMG in Thailand

Empire Tower, 48<sup>th</sup> – 51<sup>st</sup> Floors  
1 South Sathorn Road, Yannawa  
Sathorn, Bangkok 10120  
T : +662 677 2000



## STAY CONNECTED



Twitter: [@KPMG\\_TH](https://twitter.com/KPMG_TH)

Facebook: [facebook.com/KPMGinThailand](https://facebook.com/KPMGinThailand)

[kpmg.com/th](https://kpmg.com/th)

LinkedIn: [linkedin.com/company/kpmg-thailand](https://linkedin.com/company/kpmg-thailand)

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

© 2018 KPMG Phoomchai Audit Ltd., a Thai limited company and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative (“KPMG International”), a Swiss entity. All rights reserved.