Thai Experience on Energy Taxation

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Outline

• Energy and Petroleum Consumption

• Energy-related Fiscal Instruments:
  o Petroleum Income Tax
  o Oil Fund
  o Energy Conservation (ENCON) Fund
  o Excise Tax on Petroleum Products
  o VAT
  o New Excise Tax on Automobile
Share of Energy Consumption in Thailand

Source: Ministry of Energy, Thailand
Note: Data in 2013
Petroleum Fiscal Regime Thailand: Concessionary System

- **Revenue Structure**
  - **Cost**
  - **Earnings Before Tax**
    - **Petroleum Royalties (12.5%, 5-15%)**
    - **Special Remuneratory Benefit: 0-75%**
    - **Petroleum Income Tax 50%**

- **Government Take**

- **Contract Type**
  - Concession: Investor
  - Joint Venture: Shared
  - Production Sharing: State
  - Service Contract: Shared

- **Right to Explore**
  - Investor
  - Shared
  - State

- **Ownership of Production**
  - Investor
  - Shared
  - State

- **Government Take (Billion Baht)**
  - 2004: 31.93, 1.04
  - 2005: 41.17, 2.09
  - 2006: 56.52, 32.14
  - 2007: 65.73, 7.2
  - 2008: 74.03, 42.63
  - 2009: 90.71, 38.42
  - 2010: 67.59, 3.38
  - 2011: 81.44, 45.43
  - 2012: 94.09, 52.26
  - 2013: 113.29, 60.28

**Legend**
- Petroleum Income Tax
- Petroleum Royalties
- Special Remuneratory Benefit: SRB
### Oil Price Structure in Thailand

#### Sample of Price Structure (April 9, 2014)

<table>
<thead>
<tr>
<th>UNIT: BAHT/LITRE</th>
<th>EX-REFIN. (AVG)</th>
<th>Excise Tax</th>
<th>Municipality Tax</th>
<th>OIL</th>
<th>CONSV.</th>
<th>WHOLESALE PRICE(WS)</th>
<th>VAT</th>
<th>WS&amp;VAT</th>
<th>MARKETING MARGIN</th>
<th>VAT</th>
<th>RETAIL</th>
</tr>
</thead>
<tbody>
<tr>
<td>ULG</td>
<td>25.3922 B./LITRE</td>
<td>7.0000 B./LITRE</td>
<td>0.7000</td>
<td>10.0000</td>
<td>0.2500</td>
<td>43.3422</td>
<td>3.0340</td>
<td>46.3762</td>
<td>1.5643</td>
<td>0.1095</td>
<td>48.05</td>
</tr>
<tr>
<td>GASOHOL95 E10</td>
<td>25.9033</td>
<td>6.3000</td>
<td>0.6300</td>
<td>3.3000</td>
<td>0.2500</td>
<td>36.3833</td>
<td>2.5468</td>
<td>38.9301</td>
<td>1.4952</td>
<td>0.1047</td>
<td>40.53</td>
</tr>
<tr>
<td>GASOHOL91</td>
<td>25.6769</td>
<td>6.3000</td>
<td>0.6300</td>
<td>1.2000</td>
<td>0.2500</td>
<td>34.0569</td>
<td>2.3840</td>
<td>36.4409</td>
<td>1.5319</td>
<td>0.1072</td>
<td>38.08</td>
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<tr>
<td>GASOHOL95 E20</td>
<td>26.3243</td>
<td>5.6000</td>
<td>0.5600</td>
<td>-1.0500</td>
<td>0.2500</td>
<td>31.6843</td>
<td>2.2179</td>
<td>33.9022</td>
<td>1.5680</td>
<td>0.1098</td>
<td>35.58</td>
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<tr>
<td>GASOHOL95 E85</td>
<td>28.1698</td>
<td>1.0500</td>
<td>0.1050</td>
<td>-11.6000</td>
<td>0.2500</td>
<td>17.9748</td>
<td>1.2582</td>
<td>19.2331</td>
<td>4.8102</td>
<td>0.3367</td>
<td>24.38</td>
</tr>
<tr>
<td>H-DIESEL</td>
<td>25.7024</td>
<td>0.0050</td>
<td>0.0005</td>
<td>0.4000</td>
<td>0.2500</td>
<td>26.3579</td>
<td>1.8451</td>
<td>28.2029</td>
<td>1.6702</td>
<td>0.1169</td>
<td>29.99</td>
</tr>
</tbody>
</table>
Oil Fund

Established in March 1979

Earmarked Fund as an Oil Price Stabilizing Instrument

Rate Stipulated by “Energy Policy Management Committee”
Balance of Oil Fund and Crude Oil Price

Source: Ministry of Energy, Thailand

Note: Data is collected at the end of each year.
Energy Conservation Fund (ENCON Fund)

**Feature**
- Earmarked fund to finance the government sponsored energy conservation projects

**Objective**
- Supporting energy efficiency (EE) and renewable energy (RE) development

**Source**
- Government levies collected by the government on petroleum products.

**Allocation**
- Providing working capital, grants and subsidies for investment in energy conservation programs
The Implementation of the ENCON Fund

Levies from Petroleum Product

ENCON FUND
(THB 7 Million or approx. USD 200,000 Annually)

2/3 of Fund

Energy Planning and Policy Office

• Grants for relevant stakeholders
• Demand side Management
  Bidding: provides subsidies through bidding mechanism to encourage business operators to invest in higher energy efficiency machines/equipment.

1/3 of Fund

Department of Alternative Energy
Development and Efficiency

• Energy Efficiency Revolving Fund (EERF)
• Energy Service Company (ESCO) Fund
<table>
<thead>
<tr>
<th>Categories</th>
<th>Ceiling Rate</th>
<th>Effective Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Ad Valorem (%)</td>
<td>Specific</td>
</tr>
<tr>
<td>1.1 Gasoline</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(1) Unleaded gasoline</td>
<td>42</td>
<td>10 baht/litre</td>
</tr>
<tr>
<td>(2) Other gasoline</td>
<td>42</td>
<td>10 baht/litre</td>
</tr>
<tr>
<td>(3) Gasohol with ethanol content not less than 10%</td>
<td>42</td>
<td>10 baht/litre</td>
</tr>
<tr>
<td>(4) Gasohol with ethanol content not less than 20%</td>
<td>42</td>
<td>10 baht/litre</td>
</tr>
<tr>
<td>(5) Gasohol with ethanol content not less than 85%</td>
<td>42</td>
<td>10 baht/litre</td>
</tr>
<tr>
<td>1.2 Kerosene</td>
<td>34</td>
<td>4 baht/litre</td>
</tr>
<tr>
<td>1.3 Fuel for jet aircraft</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(1) used directly in jet aircraft</td>
<td>34</td>
<td>4 baht/litre</td>
</tr>
<tr>
<td>(2) used for others</td>
<td>34</td>
<td>4 baht/litre</td>
</tr>
<tr>
<td>1.4 Diesel</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(1) with sulphur content over 0.035%</td>
<td>34</td>
<td>10 baht/litre</td>
</tr>
<tr>
<td>(2) with sulphur content not over 0.035%</td>
<td>34</td>
<td>10 baht/litre</td>
</tr>
<tr>
<td>(3) sold in the connecting territory area</td>
<td>34</td>
<td>10 baht/litre</td>
</tr>
<tr>
<td>(4) filled in the connecting territory and remaining in the regular tank of the registered fishery vessel</td>
<td>34</td>
<td>10 baht/litre</td>
</tr>
<tr>
<td>(5) with Methy-ester of fatty acid not less than 4% (Bio-diesel)</td>
<td>34</td>
<td>10 baht/litre</td>
</tr>
<tr>
<td>1.5 Natural Gas Liquid (NGL)</td>
<td>42</td>
<td>5 baht/litre</td>
</tr>
<tr>
<td>1.6 Liquefied Petroleum Gas (LPG)</td>
<td>34</td>
<td>9 baht/kg.</td>
</tr>
<tr>
<td>1.7 Fuel Oil</td>
<td>42</td>
<td>-</td>
</tr>
<tr>
<td>1.8 Bitumen Product</td>
<td>42</td>
<td>-</td>
</tr>
<tr>
<td>1.9 Hydrocarbon Solvent</td>
<td>42</td>
<td>-</td>
</tr>
</tbody>
</table>
New Excise Tax on Automobile

Excise tax based on carbon dioxide emissions (CO2) standard

Will be effective on 1 Jan. 2016

Eco-car segment enjoying 3-percent reduction in excise tax
Major characteristics of energy taxation in Thailand are:

- Government revenue generation
- Oil price stabilizing instrument
- Mixed use of tax and earmarked fund
- Discouragement of negative externality (to create environmental-friendly economy)
Thank You