

RICHMONT'S

THAILAND PROPERTY
Buyer's Guide



About Richmond's

We are an associate company of Richmond's Christie's International Real Estate, exclusive Bangkok Affiliate of the world's leading luxury real estate network with more than 18-years experience in Thailand's property market.

Our activities include residential sales, rentals and management in Bangkok, Hua Hin, Phuket, Koh Samui, Pattaya, Chiang Mai and selected developments outside these areas. Our services include assistance and advice for foreigners investing in Thailand including feasibility studies, legal and financial advice, acquisition assistance, portfolio management, and re-sales.

We also have a dedicated international Project Marketing team specialising in the sales and marketing of Thai developments overseas, as well as foreign developments to investors in Thailand.

Richmont's has built-up a considerable database of contacts and active property investors in Thailand over the years, and we utilise extensive marketing channels and online exposure to maximise publicity for all property listed with us.

We guarantee personal and professional support and assistance for all our clients and look forward to being of service.



How to Buy Property in Thailand

Foreign Buyers' Entitlements to Buy Property in Thailand

Condominiums

According to Section 19 of the Condominium Act B.E. 2522 (1979) as amended in 2008, foreigners can fully own a freehold condominium unit in Thailand. Foreigners are permitted to purchase up to 49% of the sellable floor area in any condominium project. For resale (second-hand) properties, it is therefore advisable to check the percentage of foreign ownership quota remaining with the condominium's juristic person first should you buy a second-hand condominium from a local owner. For newly launched condominium projects the developer will often designate a certain percentage of units as available to non-Thai buyers.

Under the Condominium Act, foreigners and foreign juristic persons (for example foreign companies) may wholly own a condominium unit if they are:

- *Foreigners who have a residence permit under Thai Immigration Law;*
- *Foreigners who are permitted to enter Thailand under the Investment Promotion Law;*
- *Juristic persons who are registered under Thai law as provided for in Section 97 and 98 of the Land Code;*
- *Foreign juristic persons qualifying under Announcement of the National Executive Council No.281 dated November 24, B.E. 2515 who have obtained an investment promotion certificate under Investment Promotion Law;*
- *Foreigners or foreign juristic persons who have remitted sufficient foreign currency into Thailand to purchase a condominium.*

In most cases, foreign nationals or foreign juristic persons who purchase a condominium unit in Thailand fall into the last category which means they must remit funds not less than the total purchase price from overseas to pay for the unit, and they must remit funds in foreign currency (FX) for the funds to be changed into Thai Baht at the local receiving bank.

For each payment, foreign buyers need to obtain a Foreign Exchange Transaction (FET) Form (for an amount more than USD 50,000) or a bank certificate (for an amount less than USD 50,000) from the beneficiary bank. Forms or Certificates must be presented to the Land Department in order to transfer ownership of the condominium to the foreign buyer. Without such proof, the Land Department will not register transfer of ownership to foreign buyers.

There are two options available for foreigners to transfer money to buy a condominium in Thailand:

1. *The buyer transfers the funds into their own local bank account in Thailand. This means the buyer will need to obtain the FET Form and/or a bank certificate themselves.*
2. *The buyer transfers the funds directly to the developer's bank account, their lawyer's account or their real estate agent's account. In this case, the developer, lawyer or agent will arrange to obtain the FET Form and/or a bank certificate.*

For new developments the developer themselves will arrange the FET Form and/or a bank certificate. For resale (second-hand) properties the FET Form and/or a bank certificate is usually arranged by the real estate agency looking after the transaction.

Fund remittances must comply with the following guidelines for an FET Form or a bank certificate to be obtained:

- *The beneficiary name stated on the remittance advice must be the same as that appearing on the Sales and Purchase Agreement (SPA).*
- *The purpose of the remittance must be stated on the remittance advice. This should be "For the purpose of buying a condominium, Unit no. _____ in Tower _____ in the (Project name) project."*

Landed Property

In general, foreigners or foreign companies are not allowed to hold freehold ownership of land or landed property in Thailand.

Section 96 of the Land Code Act provides an exception for foreigners to own up to 1 rai (1,600 sq.m.) of land for residential use if they bring in not less than THB 40 million from abroad to invest in specified businesses in Thailand for at least three years, and obtain permission from the Ministry of the Interior. Other conditional exceptions may be granted through the Board of Investment (BOI).

A common method for foreigners to hold freehold land in Thailand is through being shareholder in a Thai company. However, it should be noted that it is illegal to solely and purposefully establish a company using Thai nominees in order to acquire or hold land.

Foreigners may legally hold land in Thailand under a leasehold arrangement allowing them to use the land under a leasehold tenure, and to own the building or the structure on the land. According to Thai law, the longest duration a lease can be registered at the Land Department is 30 years. It is possible to contractually agree options to renew the lease for a further 30 + 30 years, but the terms cannot be registered at the Land Department.



Condominium Buying Process

Off-Plan & Under Construction Projects

The buying process described here may vary according to developer or sales agents' policy

- 1. Pay the booking fee (usually between THB50,00 - THB500,000 depending on the value of the property) and receive a copy of the signed booking form.**

Depending on the developer's requirements, buyers shall pay a booking fee to the selling agent's escrow bank account or to the developer direct to reserve the right to buy a condominium unit. Upon payment, the buyer will obtain a copy of a signed booking form. It should be noted that the booking fee is usually non-refundable. If the buyer cancels the booking for any reason, the booking fee shall be forfeited.

In order to comply with FET rules for foreign buyers described above, where by all payments should be transmitted from the buyer to Thailand, some agents and developers return the booking fee 30-60 days after (1) the buyer has paid the relevant deposit as stipulated by the developer to be paid upon signing the Sales and Purchase Agreement AND (2) the developer has received the Sales and Purchase Agreement duly signed by the buyer, whichever is later.

Alternatively, the booking fee may be taken online and included in the FET documentation arranged by the developer prior to transfer of ownership to the foreign buyer when the development is completed.

- 2. Pay 10-30% of the total purchase price (Generally within 7-14 days of paying the booking fee).**

Depending on the developer's requirements, the buyer shall pay 10-30% of the total purchase price to the developer as the first deposit for a condominium unit. If the buyer fails to pay the required first deposit within the prescribed time limit, the booking fee shall be forfeited.

- 3. Receive a draft Sales and Purchase Agreement (SPA) for review.**

After the first deposit payment to the developer, most developers will provide a draft SPA by email for the buyer to review before signature.

- 4. Receive two hard copies of the Sales and Purchase Agreement for signature.**

The developer will send two hard copies of the SPA for the buyer's signature. The buyer shall sign both copies of the SPA, keep one copy and return the developer's copy.

- 5. Pay installments to the developer.**

Some developers offer installment payments during construction. The buyer shall pay the installment amount as stated in the SPA. It should be noted that the amount of payment and the number of installments vary by developer and development.

- 6. Pay the remaining amount of the total purchase price upon the completion of the project.**

The buyer is required to pay the remaining amount of the total purchase price of the unit upon transferring ownership when the development is complete.

Buyers requiring mortgage loans are recommended to contact lenders 2-3 months prior to transfer of ownership. Most lenders will not accept mortgage applications any earlier.

Resale ('Flipped') Properties Sold Before Transfer to the First Owner

** Developer's resale procedures may vary from that described here**

1. Pay the first deposit and sign the Transfer of Right Application Form or Novation Agreement.

The buyer shall pay the prescribed deposit to the selling agent's escrow bank account or to the developer direct to reserve the right to buy a condominium unit. Upon payment, he/she will sign the Transfer of Right Application Form or Novation Agreement.

2. Sign three copies of Transfer of Right Application Form or Novation Agreement.

The selling agent or the developer shall arrange the seller and the buyer to each sign three copies of the Transfer of Right Application Form or Novation Agreement provided by the developer. After that, the buyer will receive the original Sales and Purchase Agreement (client's copy), the Transfer of Right Application Form or Novation Agreement (assignee's copy), both duly signed by both parties, and a copy of the seller's passport to be kept as proof that the transfer of rights has been completed.

3. Pay the remaining amount of the total purchase price as stated on the SPA upon the completion of the project.

The buyer is required to pay the remaining amount of the total purchase price of the unit to the developer upon transfer of ownership when the property is completed.



Resale Properties (Second-Hand Landed Property and Condominiums Sold after Transfer from the Developer)

1. Pay the booking fee and receive a copy of signed booking form

Depending on the seller's requirements, buyers shall pay a booking fee to the selling agent's or their legal representative's escrow bank account to reserve the right to buy the property. Upon payment, the buyer should obtain a copy of a signed booking form. It should be noted that the booking fee is usually non-refundable. If the buyer cancels the booking for any reason, the booking fee shall be forfeited.

2. Pay 10% of the total purchase price (Generally within 7 days of booking).

The buyer shall pay 10% of the total purchase price to the selling agent's or their legal representative's escrow bank's account as the first deposit for a unit. If the buyer fails to pay the required first deposit within the prescribed time limit, the booking fee shall be forfeited.

3. Receive two hard copies of the Sales and Purchase Agreement for signature.

The selling agent or the seller's legal representative will send two hard copies of the SPA for the buyer's signature. The buyer shall sign both copies of the SPA and return the seller's copy of the SPA to the selling agent or the seller's legal representative. At this stage, the date for ownership transfer will mutually be agreed upon (generally within 30 days of signing the SPA).

4. Pay the remaining amount and transfer the property to the new owner at the Land Department.

The buyer is required to pay the remaining amount of the total purchase price of the unit to the seller upon transferring ownership. Transfer of ownership at the Land Department will require the presence of the buyer, the seller and the bank (if the unit is mortgaged), or their authorized representatives by power of attorney.

Property Inspections Prior to Purchase or Ownership Transfer

Only applicable to off-plan after construction projects and resales after construction

Once the condominium unit is completed and ready for inspection, the developer will inform the buyer to arrange an inspection date so that the buyer can check for any defects within the unit. If required, the selling agent or the seller's legal representative may assist the buyer during the inspection process. Some buyers may hire additional professional service providers to accompany them or ask the selling agent or the seller's legal representative to inspect on their behalf. After the first inspection,

the developer will list any defects and the buyer or his/her representative will sign to acknowledge them. The developer will assign a team to rectify any defects. Major defects will typically take approximately 7-14 days to complete whereas small defects could be finished within a day. After that, a final inspection shall be arranged after which the buyer will be asked to sign a document accepting the unit. The condominium unit will now be ready to be transferred once final payment has been completed.

Transferring Ownership

After the buyer transfers the remaining amount of the total purchase price to the developer, the registration to transfer ownership will take place at the Land Department. This process requires the presence of the buyer, the seller and the bank (if the unit is mortgaged) or their authorized representatives through a Power of Attorney. Foreign buyers will need to prepare the following documents:

Off-plan and Under Construction Projects

- Buyer's passport and a photocopy (including the page with entry visa stamp)
- Marriage certificate with a photocopy (in English) and a signed letter of spousal consent (if applicable)
- Foreign Exchange Transaction (FET) Form and/or a bank certificate with the transferred amount equal to the total purchase price of a condominium unit
- Power of attorney (if applicable)

Resale and Second-Hand Properties

- A photocopy of the buyer's passport (including the page with entry visa stamp)
- A photocopy of marriage certificate (in English) and a signed letter of spousal consent (if applicable)
- Foreign Exchange Transaction (FET) Form and/or a bank certificate with the transferred amount equal to the total purchase price of a condominium unit
- Power of attorney (if applicable)
- A letter from the juristic person confirming the foreign ownership ratio in the building, and that the common area management fee for the unit has been fully paid up to date by the seller

Below are transaction costs and expenses that will occur on the ownership transfer date:

Transaction Costs/Expenses	Off-plan and Under Construction Projects	Resale & Second-hand Properties (After Transfer)
Transfer Fee (2% of the official appraised value)	Equally shared by the buyer and the developer	Upon agreement
Sinking Fund	One-time payment upon transfer	N/A
Utility Meter Deposit and Instalment Fee	Depending on the meter capacity	Upon agreement
Common Area Management (CAM) Fee	Collected one year in advance*	Collected one year in advance*

**This may vary depending on each building's policy*

Mortgages

Currently there are four commercial banks that offer mortgages to qualified foreign purchasers including United Overseas Bank (UOB), Industrial and Commercial Bank of China (ICBC), Bank of China and MBK Bank. In addition, at the time of writing Kasikorn Bank will lend against certain Bangkok developments to Hong Kong residents. The amount of loan (LTV) and interest rates vary from bank to bank but is generally up to 50%-60% of the property's value. It should be noted that details of financing packages regularly change. For the latest details, please contact your selling agent or legal representative.

Typical Loan Amount: Between 50%-70% of the purchase price (LTV) or the appraised value (whichever is lower)

Interest Rates: 7-8.5%

Loan Tenor: 1-30 years

Borrower's Age: 21-70 years old

Minimum Loan Amount: THB 1 million

After Transfer

Renting Out Your Property in Thailand

Your selling agent and some developer's offer condominium leasing services for buyers wishing to rent-out their property in Thailand. Generally, the rental period in Thailand is around 1-2 years and the minimum initial rental period is 1-year. Most rental units are fully furnished.

Tenants will sign a leasing agreement directly with the landlord. Upon contract signing, tenants will pay a monthly rent and a security deposit. Tenants will be responsible for water, electricity and internet/cable expenses unless agreed otherwise.

The professional agency fee for rentals is usually 1-month's rent for a one-year contract.

Reselling Your Property in Thailand

If you decide to sell your property for whatever reason, taxes and expenses will be applicable. For a resale property, all taxes and expenses listed in the table below are usually borne by the seller unless agreed otherwise. These taxes and expenses are only applicable to resale property (second-hand property) sold after transfer from the developer.

Category	Property held more than 5 years	Property held less than 5 years
Transfer Fee ⁽¹⁾	2% of the official appraised value	2% of the official appraised value
Specific Business Tax ⁽²⁾	N/A	3.3% of the official appraised value or the contracted sale price (whichever is greater)
Stamp Duty	0.5% of the official appraised value or the contracted sale price (whichever is greater)	N/A
Withholding Tax ⁽³⁾	<p>For a company seller 1% of the official appraised value or the contracted sale price (whichever is greater)</p> <p>For an individual seller withholding tax is calculated at a progressive rate based on the appraised value of the property</p>	<p>For a company seller 1% of the official appraised value or the contracted sale price (whichever is greater)</p> <p>For an individual seller withholding tax is calculated at a progressive rate based on the appraised value of the property</p>

⁽¹⁾ For resale property, the transfer fee is usually split equally between the seller and the buyer, but this arrangement can vary upon agreement.

⁽²⁾ To calculate whether the seller will be subject to Specific Business Tax, the number of years in possession will be counted from the date that the property was acquired to the date that the property is transferred to the new buyer. There is an exemption for an individual who holds a property for less than 5 years but uses a property as a primary residence and their name appears on the household registration certificate for at least one year. In this case, the individual seller will not be subject to Specific Business Tax.

⁽³⁾ For a company seller, the maximum withholding tax is 20% of the official appraised value or the contracted sale price (whichever is greater). For an individual seller, the maximum withholding tax is 20% of the official appraised value.

Progressive Personal Income Tax Rates

Taxable Income Band (THB)	Tax Rate (%)	Maximum Tax Payable
0-300,000	5	15,000
300,001-500,000	10	20,000
500,001-750,000	15	37,500
750,001-1,000,000	20	50,000
1,000,001-2,000,000	25	250,000
2,000,001-5,000,000	30	900,000
More than 5,000,000	35	N/A

Standard Deduction for Expenses

Number of Years in Possession	Expenses (% of Selling Price)
1	92%
2	84%
3	77%
4	71%
5	65%
6	60%
7	55%
8 or more	50%

*To find the standard deduction for expenses, the number of years in possession will be counted from the year that the property was acquired to the year that the property is transferred to the new buyer.

Examples of Taxes and Expenses for private sellers

Example 1 :

The seller acquired the property in May 1, 2014 and sold the property (transferred) to the buyer on April 25, 2019 for THB 3,500,000 thereby holding the property for less than 5-years. The official appraised value at the Land Office is THB 3,000,000.

In this case, the seller will be subject to the transfer fee, specific business tax and withholding tax.

The transfer fee will be :

The official appraised value	฿3,000,000.00
Transfer fee	2%
Total transfer fee payable	฿60,000.00

The specific business tax will be :

The contracted sale price	฿3,500,000.00
Specific business tax	3.3%
Total specific business tax payable	฿115,500.00

The withholding tax will be :

1	Number of years in possession	6
2	The official appraised value	฿3,000,000.00
3	Deduct Expenses for 6-year possession* Total expenses = 3,000,000 x 60%	60% ฿1,800,000.00
4	Total net income = 3,000,000 - 1,800,000	฿1,200,000.00
5	Divide by the number of years in possession Total net income per year = 1,200,000 / 6	฿200,000.00
6	Personal income tax per year** 5% for the first THB 300,000 = 200,000 x 5%	฿10,000.00
7	Multiply the number of years in possession = THB 10,000 x 6	฿60,000.00
8	Total withholding tax payable	฿60,000.00

*Refer to table of Standard Deduction for Expenses above

**Refer to table of Progressive Personal Income Tax Rates above

Total taxes and expenses payable at the Land Department

Total transfer fee payable	฿60,000.00
Total specific business tax payable	฿115,500.00
Total withholding tax payable	฿60,000.00
Total taxes and expenses payable	฿235,500.00

Example 2 :

The seller acquired the property in May 1, 2014 and sold the property (transferred) to the buyer on May 2, 2019 at THB 3,500,000 thereby holding the property for more than 5-years. The official appraised value is at THB 3,000,000.

In this case, the seller will be subject to the transfer fee, stamp duty and withholding tax. The transfer fee and withholding tax payable are the same as in example 1 because:

- *The contracted sale price and the official appraised value are the same, and*
- *The number of years in possession calculated for standard deduction of expenses is calculated from year to year, so it is counted as a 6-year possession despite the different date of transfer.*

The only thing that changes in this case is that the seller is no longer subject to specific business tax because the number of years in possession is counted from date to date. At the date of transfer, the seller has owned the property more than 5 years, so he/she will be subject to stamp duty instead.

The stamp duty will be :

The contracted sale price	฿3,500,000.00
Stamp duty	0.5%
Total stamp duty payable	฿17,500.00

Total taxes and expenses payable at the Land Department

Total transfer fee payable	฿60,000.00
Total stamp duty payable	฿17,500.00
Total withholding tax payable	฿60,000.00
Total taxes and expenses payable	฿137,500.00

Local Expertise, International Reach





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