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Thai Government Issues Drafts of Cryptocurrency and ICO Registration Laws

Thailand has recently adopted a highly prudent approach to cryptocurrency and initial coin offering (ICO) investment. On 13 March 2018, the cabinet approved in principle the drafts of two royal decrees, one to regulate digital-asset-related transactions and another to amend the Revenue Code to allow the tax collecting agency to impose tax levies on digital assets. There is a certain cause for optimism as lawmakers reiterated that the new law is not intended to prohibit cryptocurrencies, ICOs and any other digital-asset-related transactions, but rather to protect investors who speculate in digital assets.

The first law is known as the Act on Digital Asset Businesses. In order to track down and deanonymize cryptocurrency users, it will be necessary to register all crypto transactions—including those within digital asset exchanges, brokers and dealers—with the relevant authorities once the cabinet gives the final approval to the draft of the law. In other words, those businesses are required to share transaction information including the name list of buyers and sellers with the Anti-Money Laundering Office (AMLO) as well as, potentially, with the Securities and Exchange Commission (SEC). The law also imposes penalties and remedies for the violation of the know-your-customer compliance measure, although the details of the penalties are still unclear.

The second law is basically a revision of the Thailand Revenue Code to include the introduction of taxes on digital assets. It will allow the Revenue Department to impose a capital gains tax on investment gains and benefits from crypto transactions. Although there is a law that allows the tax collection agency to tax income derived

from various activities, including investing in cryptocurrency, the agency intends to set clear and detailed guidelines. The exact rates of the capital gains tax will be considered this week, and the ceiling is expected to be set at 15 percent.

However, fears remain rife after Veerathai Santiprabhob, Governor of the Bank of Thailand, asked all banks in the country to stay away from cryptocurrency in February. The central bank has banned the banks from investing and trading in cryptocurrency and participating in and creating platforms for such trading. In spite of the clampdown on cryptocurrency trading, it has become clear that the government is planning to introduce a regulatory framework for the so-called “Digital Assets”. As they are new for everyone, and no one knows everything about them, it is recommended that all parties remain open-minded, learn about them and have proper rules and regulations, said the chairman of the Thai Fintech Association (TFA) and a former minister of finance, Korn Chatikavanij.

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