Technical update

I. Tax

Thailand Tax – Foreign-sourced income to become taxable from 2024

On 15 September 2023, the Revenue Departmental instruction number Paw. 161/2566 ("DI. Paw. 161") was issued, which provides a new interpretation of the personal income tax treatment of foreign-sourced income derived by a Thai individual tax resident under the Revenue Code (the "Code"). In short, it provides that **any income from a foreign source derived by a Thai individual tax resident is subject to Thai personal income tax upon bringing it into Thailand, regardless of the tax year the income is received**. The interpretation change will apply to taxable income brought into Thailand **from 1 January 2024** onwards.

DI. Paw. 161 was issued as new guidance for Revenue Department officers in interpreting Section 41 of the Code and overrules the previous interpretation. Section 41 of the Code rules that an individual shall pay personal income tax in Thailand under the following two rules:

I. Source rule: A taxpayer who derives income from employment, a business carried on in Thailand, a business of an employer residing in Thailand, or from a property situated in Thailand shall pay Thai personal income tax on such income.

II. Resident rule: A Thai tax resident who derives income from employment or business carried on abroad or from a property situated abroad shall pay tax in Thailand upon bringing such assessable income into Thailand.

Any person staying in Thailand for a period or periods aggregating 180 days or more in any tax year shall be deemed a resident of Thailand.

The Code broadly states that a Thai tax resident must pay tax on foreign-sourced income derived in the previous tax year upon bringing it into Thailand. The Revenue Department, in 1987 (BE2530), issued a tax ruling to extend a condition for Thailand to impose tax on income from a foreign source, that the assessable income must be brought into Thailand in the same calendar year that the income is received (the Revenue Department's tax ruling no. Gor. Kor. 0802/696 dated 1 May 1987). Since then, the Revenue Department and Thai resident taxpayers have relied on this interpretation that foreign-sourced income is exempt from Thai personal income tax if the income is brought into Thailand in a calendar year following the year in which the income is received. This long-standing interpretation has also significantly influenced tax planning for individuals with offshore businesses and assets.

The new interpretation provided in DI. Paw. 161 is likely to significantly impact Thai resident individuals who derive income from employment, business and assets abroad. For example, Mr. A, a Thai tax resident, had income from selling shares in a Singapore company in 2020 and kept the share consideration, including the capital gain in a bank account in Singapore. If Mr. A brings the proceeds from the capital gain into Thailand in 2024, he must include the capital gain from selling Singapore shares as his assessable income and pay personal income tax for the calendar year 2024. Alternatively, if Mr. A transfers the capital gain proceeds to his bank account in Thailand within 2023, the capital gain is still exempt from Thai personal income tax under the current interpretation.

The new rule raised concerns from multiple stakeholders, for example:

- There are concerns from small to medium individual investors investing in overseas stocks. One point raised is that it appears unfair for investors who invest in overseas stocks if the capital gain will be subject to Thai personal income tax at progressive rates, while capital gain from trading Thai stocks via the Stock Exchange of Thailand is tax-exempt.
- Expatriates living in Thailand also raised concerns about unclear tax conditions on taxable foreign-sourced income. One point raised is whether the pension fund they receive from their home country's government will also be taxed when remitting into Thailand. Under the new interpretation, the pension fund is likely to be considered income from a foreign source that is taxable if it is related to the employment or business of the taxpayer overseas. Therefore, if an expat receives a pension in 2024 from their work or business in the past, the pension will be taxable in the year that the expat remits income into Thailand.
- One issue that needs clarity is whether spending in Thailand from earnings kept in a bank account overseas via e-banking or debit cards will be considered remitting income into Thailand and, as a result, taxable in Thailand. If this point of deemed remitting of income is still unclear, it will eventually impact Thailand's economy since foreigners will be cautious about bringing money to spend in Thailand.
- It is also important to mention the taxpayer's burden in providing proof of foreign tax credit. Where Thai domestic law is still silent about a foreign tax credit available for individual taxpayers under this circumstance, a provision under double tax treaties could provide relief from any double tax arising. However, the conditions, methodologies, and documents supporting the claim are still unclear.

According to the Revenue Department, it will seek opinions from the stakeholders affected by the new rule and issue guidelines to provide more clarity. The plan includes an amendment of the personal income tax return form to facilitate the foreign tax credit claim.

During the period of unclarity, we recommend that Thai resident taxpayers review their income from a foreign source that has been kept in an offshore bank account and consider bringing such income into Thailand within December 2023.

Please feel free to reach out to Mazars Thailand if you have any questions or require further information.

Source: https://www.rd.go.th/fileadmin/user_upload/kormor/newlaw/dn161A.pdf

Thai personal income withholding tax to be filed in 2024

To enhance Thailand's Digital Tax Ecosystem, the Revenue Department issued the Notification of the Director-General No. 438, dated 21 September 2024 (BE 2566), to rule that from 2024 onwards, Thai personal income withholding tax return filings (Form PND1 and Form PND1 Gor) must be done via the Revenue Department's e-Filing system, e-Withholding Tax and Withholding Tax Service System-SVS).

The new policy will be effective on employment income under Section 40(1) and (2) (e.g. salary, bonus, and commission) payments made to employees from 1 January 2024 onwards. Therefore, from February 2024, employers shall file the personal income tax withholding tax returns reporting employees' employment income via the e-Filing system, e-Withholding, and SVS. Suppose the employers cannot submit the returns via such systems and would like to submit the return forms in hard copy paper to the Revenue Department. In that case, they must also submit a letter declaring the necessity of filing tax returns in hard copy.

Source: https://www.rd.go.th/fileadmin/user_upload/kormor/newlaw/dg438A.pdf

Reduced VAT rate of 7% is extended for another year

Royal Decree No. 780, published in the Royal Gazette on 16 September 2023, extends the application of the reduced VAT rate of 7% for another year.

The VAT rate of 7% will apply to sales of goods, service provisions, and import transactions done from 1 October 2023 to 30 September 2024.

Source: https://www.rd.go.th/fileadmin/user_upload/kormor/newlaw/dc780.pdf

II. Accounting

Recording the cost of machinery: Payment in instalments and on delivery

Scenario

Company A entered into an agreement to purchase machinery from an overseas company in 2022. The total cost of the machinery was USD 1 million, which Company A agreed to pay in three instalments: A first instalment of USD 300,000 upon signing the contract on 15 November 2022, a second instalment of USD 300,000 on 15 December 2022, and a final instalment of USD 400,000 upon delivery of the machinery. The machinery was delivered on 15 January 2023. The instalments were non-refundable.

On 15 November 2022, Company A signed the contract and paid the first instalment of USD 300,000. The exchange rate of the Bank of Thailand on that date was USD 1 = THB 35.

As a result, on that date, Company A recognized this transaction as follows:

	Debit (in Thai baht)	Credit (in Thai baht)
Prepayment for machinery	10,500,000	
Cash at bank		10,500,000
Record prepayment for machinery (USD 300,000 x 35)		

On 15 December 2022, Company A paid the second instalment of USD 300,000. The exchange rate of the Bank of Thailand on that date was USD 1 = THB 36.

As a result, on that date, Company A recognized this transaction as follows:

	Debit (in Thai baht)	Credit (in Thai baht)
Prepayment for machinery	10,800,000	
Cash at bank		10,800,000
Record prepayment for machinery (USD 300,000 x 35)		

On January 15, 2023, Company A received the machinery and paid the final instalment of USD 400,000. The exchange rate of the Bank of Thailand on that date was USD 1 = THB 37.

Issue

How should Company A record the total cost of the machinery, as the exchange rates on the instalment payment dates differed?

Response

Page 2 of the manual published by the TFAC on TAS 16, 'Property, Plant and Equipment', states the following:

"Cost is the amount of cash or cash equivalents paid or the fair value of other consideration given to acquire an asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognized in accordance with the specific requirements of other TFRSs, e.g., TFRS 2, 'Share-based Payment'."

Because the total instalments of USD 600,000 for the machinery are non-refundable, the machinery is considered a non-monetary asset. This means that Company A should not convert the total amount using the closing rate at the end of 2022. Instead, Company A must use the cost in Thai baht at the foreign exchange rate applicable on the date of the transaction.

At the date on which the machinery was delivered (15 January 2023), Company A should record the sum of the instalments previously paid (recorded at the exchange rate applicable on the date of payment) and the final instalment in foreign currency converted using the exchange rate applicable on the delivery date as the total cost, as shown in the table below:

	Debit (in Thai baht)	Credit (in Thai baht)
Machinery	36,100,000	
Prepayment for machinery (USD 300,000 x 36)		10,500,000
Record prepayment for machinery (USD 300,000 x 35)		10,800,000
Cash at bank (USD 400,000 x 37)		14,800,000

Reference: Manual on TAS 16, ‘Property, Plant and Equipment’, published on 27 February 2020 (in Thai) https://acpro-std.tfac.or.th/uploads/files/TAS16-Manual.pdf

For more information on accounting for a prepayment in foreign currency, refer our article from February 2021.

III. IFRS

Amendments to IAS 21 – Lack of Exchangeability

In mid-August, the International Accounting Standards Board (IASB) published its amendments to IAS 21 entitled Lack of Exchangeability.

These amendments were the subject of an Exposure Draft in April 2021.

They clarify when a currency is exchangeable into another currency and how to determine the exchange rate when it is not.

When is a currency exchangeable into another currency and when is it not?

At the measurement date, a currency is exchangeable into another currency when an entity is able to obtain the other currency within a time frame that allows for a normal administrative delay and through a market or exchange mechanism in which an exchange transaction would create enforceable rights and obligations and for a specified purpose.

Conversely, a currency is not exchangeable if an entity is able to obtain no more than an insignificant amount of the other currency at the measurement date.

How should an entity determine the exchange rate to be applied when a currency is not exchangeable?

If a currency cannot be exchanged for the other currency at the measurement date, the entity must estimate the spot exchange rate at that date. This is the rate at which an orderly exchange transaction would take place at the measurement date between market participants under prevailing economic conditions.

What additional disclosures should be presented if a currency is not exchangeable?

When a currency is not exchangeable into another currency, an entity should disclose information that enables users of its financial statements to understand how the lack of exchangeability affects or is expected to affect its financial performance, financial position and cash flows.

To achieve this objective, an entity shall disclose information about:

- the nature and financial effects of the lack of exchangeability;
- the spot exchange rate(s) used;
- the estimation process; and
- the risks to which the entity is exposed because of the lack of exchangeability.

Application date and arrangements for first application?

These amendments will come into effect for reporting periods beginning on or after 1 January 2025, subject to endorsement by the European Union. Early application is permitted.

Application of these amendments will not be retrospective. Any effect of initially applying the amendments will be recognised as an adjustment to:

- the opening balance of retained earnings when the entity reports foreign currency transactions;

- the cumulative amount of translation differences in equity when the entity uses a presentation currency other than its functional currency, or translates the results and financial position of a foreign operation.

Renewable power purchase agreements: draft narrow-scope amendments to IFRS 9

At its July 2023 meeting the IASB tentatively decided to add a project to the work plan regarding the treatment of renewable ("green") power purchase agreements.

This issue was initially submitted to the IFRS Interpretations Committee (IFRS IC) in June 2023, but the committee did not wish to give an opinion and opted to refer the matter to the IASB.

This project reflects the growing use of these contracts by entities consuming electricity, not least with a view to reducing their carbon footprint. The aim is to clarify the feasibility of narrow-scope amendments to IFRS 9 concerning the transactions qualified as own-use as well as hedge accounting requirements. These amendments would bring consistency in the treatment of these transactions between the entities concerned, while improving the relevance of the disclosures to users of the financial statements.

In the case of transactions qualified as own-use, the project addresses contracts for the physical purchase of electricity that cannot be stored by the purchaser and thus must either be consumed or sold at its market price. The aim is to clarify the standard by recognising the purchase cost of these agreements over their term, as opposed to treating them as derivative financial instruments that must be remeasured at fair value through profit or loss.

As regards hedge accounting, the project addresses virtual power purchase agreements, or VPPA. A VPPA meets the definition given by the standard of a derivative instrument (swap) enabling the buyer and seller of renewable power to transform a variable market price into a fixed price. The aim is to facilitate the application of hedge accounting to these agreements, whose nominal value is variable because it depends on the quantity of electricity actually produced. Documenting these derivatives in a hedging relationship would prevent the effective portion of the derivative from being remeasured at fair value through profit or loss.

Standards on the presentation of financial statements and on disclosures by subsidiaries not subject to public disclosure requirements announced for the first half of 2024

The IASB's July meeting was an opportunity for the Board to observe that it had reached the end of the decision-making process on its Primary Financial Statements (PFS) project and on the prospective standard Subsidiaries without Public Accountability: Disclosures.

Readers will recall that the PFS project was intended to replace IAS 1 – Presentation of Financial Statements with a new standard.

The objective of the project Subsidiaries without Public Accountability: Disclosures was much more narrowly focused, authorising a subsidiary to prepare full IFRS financial statements locally with reduced disclosure requirements, provided that:

- the subsidiary is not subject to public disclosure requirements;
- its ultimate or any intermediate parent publishes consolidated financial statements that are available for public use and comply with IFRSs.

The IASB therefore decided to launch the finalisation phase for these two standards, with a view to publishing them in the first half of 2024 and applying them to financial years beginning on or after 1 January 2027.

Taking climate-related matters into account in IFRS financial statements

In November 2020, the IFRS Foundation published educational material illustrating the circumstances under which the application of IFRSs might require entities to take account of climate issues.

In July the IFRS Foundation published an update to this document (available here), in particular in order to include an example relating to the new IFRS 17 on insurance contracts.

In parallel, the IASB will pursue its project to examine whether and how to provide better disclosures about climate risks in financial statements. The technical team is currently continuing to gather feedback from stakeholders, with the aim of presenting the evidence to the IASB by the end of the year to decide on the direction of the project.

IPTF publishes working document on hyperinflationary economies

On 7 January, the International Practices Task Force (IPTF) at the Center for Audit Quality's SEC Regulations Committee updated its discussion document identifying countries that are considered to have hyperinflationary economies.

The countries with a three-year cumulative inflation rate exceeding 100% are Argentina, Ethiopia, Haiti, Iran, Lebanon, South Sudan, Sudan, Suriname, Turkey, Venezuela and Zimbabwe.

As in previous editions, the IPTF notes that the list is based on available data and does not claim to be exhaustive (e.g. Syria and Afghanistan are both omitted).

For more details, the IPTF working document is available here mazars

IV. Sustainability

ISSB Sustainability Disclosure Standards: final versions of IFRS S1 and IFRS S2 issued

On 26 June 2023, the International Sustainability Standards Board (ISSB) issued its first two Sustainability Disclosure Standards, **IFRS S1 – General Requirements for Disclosure of Sustainability-related Financial Information, and IFRS S2 – Climate-related Disclosures.**

The two standards (available here) lay the foundation of the ISSB's global baseline of sustainability-related disclosures. A guide has been prepared by Mazars on these new standards.

Further IFRS Sustainability Disclosure Standards are to be issued over the coming years, expanding the framework to include other ESG (Environment, Social and Governance) topics.

The publication of IFRS S1 and IFRS S2 marks the end of a due process that lasted several months, even though the standard-setting process has progressed quickly, thanks to the ISSB's decision to build on existing globally recognised frameworks and standards. In the most recent phase of the work, the ISSB made final amendments to the standards in light of the many comment letters it received in response to the two exposure drafts published in March 2022.

Today's special feature includes (i) background information relating to the creation of the ISSB and the development of IFRS S1 and IFRS S2; (ii) key points of the content of the two standards; (iii) the timetable for application and the issues relating to interoperability with other frameworks; and lastly (iv) next steps.

Background

Creation and objectives of the ISSB

Readers will remember that the creation of the ISSB was announced by the IFRS Foundation in **November 2021 at COP26 in Glasgow**, in order to address the increasing and urgent needs for transparency in sustainability reporting.

The ISSB's objective was to provide a globally recognised framework on which jurisdictions could build to ensure high-quality, comparable and relevant sustainability information that would meet investors' needs. With this in mind, the ISSB's remit was to work alongside the International Accounting Standards Board (IASB) to **publish IFRS Sustainability Disclosure Standards**, ensuring **connectivity** and **compatibility** with **IFRS Accounting Standards.**

The scope of the ISSB's responsibilities and available resources was expanded through the consolidation of the Climate Disclosure Standards Board (CDSB) and the Value Reporting Foundation1 (VRF) into the IFRS Foundation, in January 2022 and August 2022 respectively.

This means that the ISSB now governs the SASB standards, and intends to improve their international applicability.

The ISSB also signed an agreement with the Global Reporting Initiative (GRI) in March 2022, with a view to ensuring that IFRS Sustainability Disclosure Standards, which are focused on investors' information needs, are **complementary to and compatible with GRI standards**, which are intended to meet the needs of a wider range of stakeholders.

Furthermore, the Financial Stability Board (FSB) recently gave the ISSB responsibility for monitoring companies' climate-related disclosures under the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), as these recommendations have been incorporated into IFRS S1 and IFRS S2.

Finally, it should be noted that the ISSB does not have responsibility for deciding on (i) whether an assurance should be provided on sustainability information or (ii) the appropriate assurance standards to apply in that case. This is the remit of local jurisdictions and regulators.

Other frameworks and standards used in the development of IFRS S1 and IFRS S2

The ISSB built on several widely used and globally accepted frameworks when developing its first two IFRS Sustainability Disclosure standards. These included:

- **the Integrated Reporting Framework,** to define the objectives and underlying concepts of IFRS S1;
- **the TCFD's recommendations**, with the standards structured around the following four reporting areas: (1) Governance; (2) Strategy; (3) Risk management; and (4) Metrics and targets;
- the topics and metrics included in the **SASB standards**, to develop the approach used for identifying (i) sustainability-related risks and opportunities and (ii) the related information that should be reported. IFRS S2 includes industry-specific guidance that preparers shall consider, derived from the SASB standards;
- **some of the IASB's concepts**, notably materiality, which is defined as follows for both sustainability reporting and financial reporting: "Information is material if omitting, misstating or obscuring it could reasonably be expected to influence investors' decisions."

Key points of IFRS S1

The needs of primary users (notably investors) are paramount

IFRS S1 requires preparers to disclose material information on sustainability-related risks and opportunities to meet the **needs of primary users** (i.e. investors, lenders and other creditors) **of general purpose financial reports** (which include both financial statements and sustainability-related financial disclosures).

The ISSB's standards are based on the principle that sustainability information is useful to primary users because a company's ability to create value is inextricably linked to its interactions with **its stakeholders, society, the economy and the natural environment** in which it operates, throughout its entire value chain. The company's dependencies and impacts on these resources and relationships are likely to give rise to sustainability-related risks and opportunities.

IFRS S1 requires preparers to disclose information on these risks and opportunities if they could **reasonably be expected to affect the company's prospects**, i.e. its cash flows, access to finance, or the cost of capital over the short, medium or long term.

IFRS Sustainability Disclosure Standards thus have a different conceptual approach to materiality from that followed by the European Sustainability Reporting Standards (ESRS), which use a double materiality approach (i.e. a sustainability issue is material if it meets the criteria for impact materiality or financial materiality or both, considering the needs of users of sustainability information in a broader sense). However, the ISSB believes that its concept of materiality for investors **implicitly includes some level of impact materiality**, as many impacts are financially material.

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General requirements that form a “conceptual framework”

IFRS S1 sets out the general requirements that must be met for a preparer to be compliant with IFRS Sustainability Disclosure Standards. IFRS S1 is similar to a “conceptual framework”, as it identifies the elements that are essential to a complete set of sustainability-related financial disclosures, and specifies the qualitative characteristics of this information. This standard must be applied in conjunction with the other IFRS Sustainability Disclosure Standards.

Guidance to complement the standards

IFRS S1 lists the sources of guidance that preparers may consult to identify (i) **risks and opportunities** arising from sustainability issues other than climate (as this topic is covered by IFRS S2) and (ii) **the information to disclose** about them.

In both cases, preparers shall consider the **applicability of the SASB standards** to the industries in which they operate (as these standards are industry-based). Additional optional sources of guidance are also listed, such as the CDSB Framework Application Guidance and industry practices.

If there is no IFRS Sustainability Disclosure Standard that specifically applies to a given risk or opportunity, IFRS S1 requires the company to apply its judgement to determine what information is relevant to disclose. In this situation, a preparer may also (provided certain conditions are met) consider the **applicability of the GRI Standards and the ESRS**, in addition to the guidance mentioned above.

Proportionality provisions to support application of the standards

The ISSB has introduced **proportionality provisions** to ease the reporting burden on preparers and to support application of IFRS Sustainability Disclosure Standards.

For example, the ISSB has introduced the concept of “all reasonable and supportable information that is available to the entity at the reporting date without undue cost or effort” for some requirements, e.g. when identifying sustainability-related risks and opportunities or determining the scope of the entity’s value chain.

General principles for connectivity and presentation of information

IFRS S1 also includes general requirements on **connectivity of information**, to give users of general purpose financial reports a better understanding of the connections between:

- an entity’s sustainability-related risks and opportunities;
- the various disclosures provided by the entity:
  - within its sustainability-related financial disclosures; and
  - between sustainability-related financial disclosures and other information disclosed by the entity, such as its financial statements.

Although IFRS sustainability information prepared under IFRS related standards shall be included as part of an entity’s general purpose financial reports, **IFRS S1 does not specify the exact location of these disclosures**, which could, for example, be presented in a specific section of the management commentary. The ISSB also permits entities to use an integrated approach to sustainability reporting.

However, preparers must report their sustainability-related financial disclosures at the same time as they publish their financial statements.

Finally, it should be noted that IFRS S1 permits all entities to apply IFRS Sustainability Disclosure Standards, regardless of which framework they use to prepare their financial statements (i.e. IFRS Accounting Standards or other generally accepted accounting principles or practices). In practice, this means that any entity may elect to prepare its sustainability information in accordance with the ISSB's standards.

Key points of IFRS S2

Climate change: the first topical standard covered by the ISSB

IFRS S2 can be viewed as the first topical standard issued by the ISSB, with further topics to be covered in the coming years. The ISSB decided to focus first on climate change, which it believes will present risks for all entities and economic sectors.

The climate-related risks covered by IFRS S2 include physical risks (i.e. those resulting from events or long-term trends) and transition risks (i.e. those resulting from the transition to a low-carbon economy).

A structure aligned with TCFD recommendations and application in conjunction with IFRS S1

IFRS S2 (like IFRS S1) fully incorporates the TCFD's recommendations. On 24 July 2023, the IFRS Foundation published a comparison (available here) between the requirements of IFRS S2 and the TCFD's recommendations, showing that companies which apply the ISSB standards will also comply with these recommendations.

IFRS S2 requires entities to publish industry-specific information, but does not impose particular metrics. The standard provides industry-based guidance which is derived from the SASB standards. Preparers must consider the applicability of this guidance, but are not required to publish the specific metrics included in this guidance.

Climate-related disclosures published in accordance with IFRS S2 must take account of the **general requirements set out in IFRS S1**, even if the entity applies the transition provision permitted by IFRS S1, which allows entities to only publish climate-related disclosures in the first year of IFRS sustainability reporting.

Key disclosures required on an entity's response to climate-related risks and opportunities

The disclosures required under IFRS S2 cover the key elements of:

- the company's **strategy** for managing climate-related risks and opportunities;
- the company's **performance** in relation to these climate-related risks and opportunities, including progress made towards targets that it has set itself or that it is required to meet.

As regards strategy, IFRS S2 specifically requires entities to publish disclosures on:

- their **climate-related transition plan;**
- the **current and anticipated financial effects** of climate-related risks and opportunities on the company's performance, financial position and cash flows. These disclosures are subject to specific proportionality measures, in accordance with IFRS S1;
- their **resilience to climate change,** i.e. their ability to adapt to climate-related impacts or events (such as pervasive wildfires), changes (such as regulatory limits on the use of particular fossil fuels) and uncertainties (such as assumptions about the pervasiveness of wildfires or the stringency of regulation), using climate-related scenario analysis. Appendix B

of IFRS S2 provides application guidance based on the TCFD's framework to help companies tackle this complex issue and implement a suitable approach that fits their specific circumstances.

As regards performance, IFRS S2 specifies various groups of metrics that entities shall disclose:

- **greenhouse gas (GHG) emissions for Scopes 1, 2 and 3**, measured in accordance with the GHG Protocol guidance unless local regulations require the use of a different method. Companies that have Scope 3 emissions associated with investments or other forms of financing (i.e. companies with activities in asset management, commercial banking or insurance) shall also disclose information on financed emissions;
- **financial metrics** related to climate-related risks and opportunities, such as the amount of investment or financing devoted to these risks and opportunities;
- **internal carbon prices**, i.e. whether and to what extent these prices are taken into account by the entity when making decisions, and the price used to measure the cost of GHG emissions;
- **disclosures on executive remuneration policies**, i.e. whether and to what extent these policies include climate-related considerations, and the portion of remuneration affected over the financial period.

An entity shall also disclose **any climate-related targets it has set itself**, including the base period used for reference, any interim targets or milestones, and whether and how the targets take account of the most recent international climate change agreements (currently the 2015 Paris Agreement), including any jurisdictional commitments. For each GHG emissions reduction target, the entity shall also disclose whether the target is calculated on a gross or net basis. If the latter, it is also required to disclose (i) the associated gross emissions reduction target and (ii) the carbon credits that it plans to use to offset its GHG emissions in order to meet each of the net targets.

Timetable for application and interoperability with other frameworks

Effective date and transition provisions

IFRS S1 and IFRS S2 come into effect for financial periods commencing on or after 1 January 2024 (early application is permitted if both standards are adopted simultaneously). In practice, the effective date will depend on either the endorsement by local jurisdictions or the company's decision to voluntarily apply the standards.

The ISSB has **provided transition reliefs** in order to facilitate application of the two standards. Thus, in the first year of application of IFRS S1, an entity is permitted:

- **not to disclose comparative** information (i.e. sustainability-related financial information in accordance with the ISSB's standards for a period prior to the date of initial application);
- to report sustainability-related financial disclosures **after the publication of its financial statements** (subject to certain conditions);
- **to only report on climate-related risks and opportunities** in accordance with IFRS S2, therefore only applying the requirements of IFRS S1 that relate to this topic. In this case, the entity is not required to disclose the associated comparative information in the first year. Moreover, it is not required to disclose comparative information on risks and opportunities arising from sustainability-related issues other than climate in the second year.

In the first year of application of IFRS S2, an entity may apply one or both of the following provisions:

- it may **continue to use a method other than the GHG Protocol** to measure its GHG emissions, if that method was used in the year immediately preceding initial application of IFRS S2;
- it is **not required to disclose its Scope 3 GHG emissions**, including, where relevant, the additional information on its financed emissions.

The entity may continue to apply these reliefs when presenting the related information as comparative information in subsequent reporting periods.

Interoperability of IFRS Sustainability Disclosure Standards with other standards

When developing the IFRS Sustainability Disclosure Standards, the ISSB **took account of interoperability considerations**, so that entities would not need to provide multiple sets of sustainability-related disclosures.

To achieve this, the ISSB has been working with (i) representatives of various jurisdictions through its Jurisdictional Working Group and Sustainability Standards Advisory Forum (SSAF) and (ii) national standard-setters who oversee mandatory reporting standards and frameworks, such as the European Commission (EC) and EFRAG (European Financial Reporting Advisory Group) for the EU, the FCA (Financial Conduct Authority) and FRC (Financial Reporting Council) for the UK, and the SEC (Securities and Exchange Commission) for the US.

Interoperability between IFRS Sustainability Disclosure Standards and ESRS is a key issue for European companies with international activities that fall within the scope of the CSRD (Corporate Sustainability Reporting Directive). The EC has thus worked closely with the ISSB to maximise interoperability of the final ESRS published on 31 July 2023, revising the draft standards submitted to it by EFRAG, its technical adviser, in November 2022. The EC and ISSB believe that this work has enabled them to (i) achieve a very high degree of alignment between the two frameworks and (ii) avoid a situation where entities that are required to disclose sustainability information in accordance with the ESRS, but that also wish to comply with the ISSB's standards, have to publish a separate set of disclosures. The EC, EFRAG and ISSB will shortly be publishing interoperability guidance that will help companies to navigate between the two sets of standards and understand the additional information that is required under ESRS on the one hand, and IFRS on the other (expected to be very limited).

Finally, it should be noted that the CDP2 (formerly the Carbon Disclosure Project) announced in late 2022 that it would incorporate the requirements of IFRS S2 into its questionnaires in order to provide investors with a consistent framework of climate-related information and to reduce the burden on preparers by aligning the reporting frameworks.

Next steps

Some announcements already made by jurisdictions with regard to early application of IFRS S1 and IFRS S2

The IFRS Sustainability Disclosure Standards have been developed to complement the IFRS Accounting Standards, which are applied by more than 140 jurisdictions worldwide. In light of this, the ISSB has established a support framework to assist with the application of the new standards across all types of economic environment.

It is now up to individual jurisdictions to decide whether or not they will make the standards mandatory; the ISSB is not able to impose this. Individual companies can also **choose** to adopt IFRS S1 and IFRS S2.

In July 2023, these standards were **endorsed by IOSCO (the International Organization of Securities Commissions)**, which called on its 130 member jurisdictions, which between them regulate over 95% of financial markets worldwide, to consider how they might adopt, apply or otherwise take account of the ISSB's standards in their respective jurisdictional frameworks (cf. press release dated 25 July 2023, available here).

Some jurisdictions have already announced their intention to be early adopters, notably among emerging and developing markets (such as Mexico, Nigeria and Zimbabwe).

In March 2023, the UK government set out a plan to adopt the ISSB's standards. The process is under way and a decision is expected within 12 months. The SSBJ (Sustainability Standards Board of Japan) announced its plan to incorporate the standards into the new Japanese regulations at around the same time.

Finally, the United States has indirectly supported the development of the IFRS Sustainability Disclosure Standards via the G7 and G20, and will continue to do so as a member of the IOSCO Board. In March 2022, the SEC proposed a set of rules (available here) to improve and standardise climate-related information provided to investors, which are scheduled for publication in October 2023. These rules should be aligned to the greatest extent possible with IFRS S2, as both are based on the TCFD's recommendations.

Further sustainability-related development of the IFRS framework

A consultation has been launched to help the ISSB to prioritise its work plan over the next two years (from 2024), notably considering potential research and standard-setting projects on (i) biodiversity, ecosystems and ecosystem services; (ii) human capital; and (iii) human rights.

A separate public consultation was also launched on 27 July on a digital Taxonomy project (Proposed IFRS Sustainability Disclosure Taxonomy), with a view to publishing the final version in the first half of 2024. This initiative aims to support the preparation of digital reporting of sustainability-related financial information from 1 January 2025.

V. Legal

Governance of Digital Platforms

Over the past few years, the number of digital platform service providers has increased rapidly, and the Thai government is seeking to monitor those platforms to prevent possible damage to the public. Therefore, the Royal Decree on the Operation of Digital Platform Services ("the Royal Decree") and the Notification of the Electronic Transactions Commission regarding the Nature of Digital Platform Services Required to Give Notice of Brief Information dated 29 June 2023 ("the ETC Notification") have been issued pursuant to the Electronic Transactions Act, 2544 B.E., with effect from 20 August 2023 and 21 August 2023, respectively.

To whom does the Royal Decree apply?

This Royal Decree applies to all digital platform service providers which provide electronic media for connecting business operators to consumers or buyers through a network, regardless of whether or not a service fee is charged inside or outside of Thailand. The followings digital platform service providers are required to notify the Electronic Transactions Development Agency ("the ETDA") of its operations in Thailand.

Domestic digital platform service provider	International digital service provider
1. A company that is providing digital platform services: • Gross income of more than THB 50 million per year; or • More than 5,000 users/visitors to the digital platform per month.	• Information displayed wholly or partially in Thai; • Register a Thai domain name, e.g., ".th", or use a Thai domain name; • Have an option for payment in Thai currency; • Apply Thai law as the governing law or rely on Thai courts to solve any disputes; • Pay remuneration to search engine service providers to let users access the digital platform; • Have an office or person to support users of the digital platform in Thailand; or • Meet other criteria to be prescribed by the Electronic Transactions Commission.
2. An individual that is providing digital platform services: • Gross income of more than THB 1.8 million per year; or • More than 5,000 users/visitors to the digital platform per month.	

Those international digital platform service providers which meet the conditions listed above must appoint a person in Thailand as a coordinator. Such an international digital platform service provider is not considered to have established a business in Thailand. The legal documents of the international digital service provider must be prepared notarized, and translated into Thai, with the translation being certified as correct by the Translation Institute in Thailand.

Any digital platform service providers which do not meet the above conditions will still need to provide brief information about their platform to the ETDA before commencing business, and annually thereafter.

To whom does the Royal Decree not apply?

The Royal Decree does not apply to the following digital platform service providers:

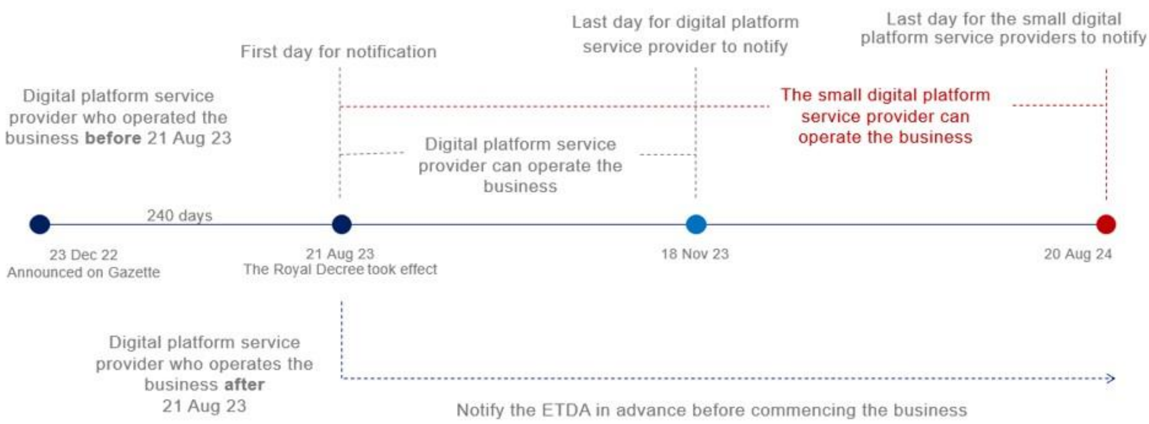
i. Those under the supervision of the Bank of Thailand or the Securities and Exchange Commission; or

ii. Those operated by a government agency and not involved in commercial business, and which have notified the EDTA of their operations.

Timeframe for notification

Under the Royal Decree, digital platform service providers which operated such a business in Thailand before the Royal Decree took effect and which meet the conditions set out in the table above are required to provide information about their platforms to the EDTA within 90 days of the Royal Decree coming into effect (18 November 2023). Those digital platform service providers to which the ETC Notification applies must provide information about their platforms to the EDTA by 20 August 2024.

Those digital platform service providers which begin conducting business after the Royal Decree took effect must notify the EDTA before commencing business.



A small digital platform service provider is defined as follows:

- A company that provides digital platform services and has gross income of less than THB 50 million per year and less than 5,000 users/visitors to the digital platform per month.
- An individual that provides digital platform services and has gross income of less than THB 1.8 million per year and less than 5,000 users/visitors to the digital platform per month.

Duties after notifying the EDTA

Filing an annual report: Individuals who provide digital platform services must file an annual report with the EDTA within 60 days of the calendar year-end. Companies which provide digital platform services must file the report within 60 days of the company's fiscal year-end.

Notifying the EDTA of any changes: Providers (both individuals and companies) of digital platform services must notify the EDTA in the event of any change in the following, within 30 days of the change: the name or address of the business; the channel through which the digital platform services are provided; or the coordinator.

Penalty for non-compliance

Suspension of business: If a digital platform service provider fails to meet its obligations under the Royal Decree, the EDTA may issue an order for the provider's business to be suspended until it has complied with its obligations.

Penalties and fines: Failure to notify the EDTA of operating a digital platform may result in a prison sentence of up to one year or a fine of up to THB 100,000, or both. If the violator is a company, the company's directors can be held jointly liable.

References:

The Electronic Transactions Act, 2544 B.E.

The Royal Decree on the Operation of Digital Platform Services that are Subject to Prior Notification, 2565 B.E.

https://www.etda.or.th/th/regulator/Digitalplatform/index.aspx

Contacts

Jonathan Fryer
jonathan.fryer@mazars.co.th

Naritsaporn Tanapoonsin
naritsaporn.tanapoonsin@mazars.co.th

Chalermpon Tanopajai
chalermpon.tanopajai@mazars.co.th

Tippawan Pumbansao
tippawan.pumbansao@mazars.co.th

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