

Wine Importation, Regulations, and Consumption in Thailand



Introduction

Thailand, a country renowned for its rich cultural heritage and diverse culinary traditions, has experienced a remarkable growth in the consumption and appreciation of wine in recent years. Wine importation plays a pivotal role in meeting the increasing demand for both domestic and international wines. This article aims to explore the importation process, regulations governing the industry, and the evolving wine consumption culture in Thailand.

Wine Importation

Thailand's wine importation industry has expanded significantly to cater to the diverse tastes of consumers. The process involves importing wines from renowned wine-producing countries such as France, Italy, Australia, Chile, and the United States, among others. Importers collaborate with international wineries and



distributors to bring a wide range of wines to the Thai market. These wines encompass reds, whites, rosés, sparkling, and fortified varieties, ensuring there is something to suit every palate.

The importation process begins with importers sourcing wines directly from wineries or through authorized distributors. These wines are then shipped to Thailand and go through customs clearance and inspection processes to ensure compliance with import regulations. Importers must adhere to labeling requirements, health and safety standards, and pay appropriate taxes and import duties imposed by the Thai government.

To protect consumer interests, the Thai Food and Drug Administration (FDA) regulates the importation and distribution of alcoholic beverages, including wine. The FDA conducts regular inspections and tests on imported wines to ensure compliance with quality standards. This includes monitoring factors such as alcohol content, labeling accuracy, and the absence of harmful substances. Additionally, the Thai government enforces strict regulations regarding the sale and consumption of alcoholic beverages, setting a legal drinking age of 20 years.

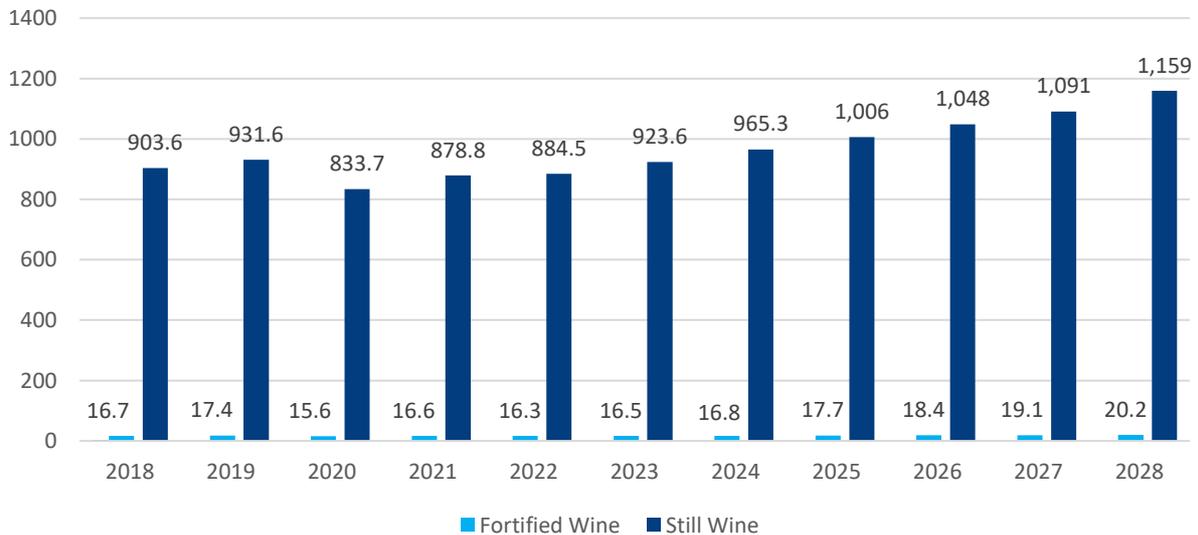


Figure 1. Revenue by segment in million U.S. dollars (updated as of November 2023).

Regulations

The Thai government has established comprehensive regulations to ensure the quality, safety, and authenticity of imported wines. These regulations are designed to safeguard consumers and maintain the integrity of the wine market.

Labeling requirements form a crucial aspect of the regulatory framework. Importers must ensure that wine labels contain accurate and transparent information, including the name of the producer, country of origin, grape variety, vintage, and alcohol content. Labels must also include any necessary warnings, such as the presence of sulfites, to comply with international standards.

Health and safety standards are also of paramount importance. Importers must ensure that imported wines adhere to quality control standards to protect consumers from health risks. The Thai FDA conducts regular inspections and testing to verify that imported wines meet these standards.

Furthermore, importers must pay applicable taxes and import duties imposed by the Thai government. These financial obligations help regulate the market, promote fair competition, and contribute to government revenue. Failure to comply with tax and duty requirements can result in penalties or legal consequences for importers.

Consumer Behavior and E-commerce Growth

Prior to the onset of the pandemic, the retail landscape in Thailand demonstrated a commendable adaptability to the burgeoning digital era. Proactively responding to shifting consumer preferences, numerous retailers had successfully integrated online platforms, employing sophisticated data analytics to comprehend and cater to evolving customer needs. However, the advent of the COVID-19 pandemic in early 2020 catalyzed a seismic transformation in consumer behavior, compelling a widespread shift towards online transactions, heightened social media engagement, teleconferencing via internet telephony, and an increased appetite for streaming services. This paradigm shift, particularly pronounced in the domains of business-to-consumer (B2C) sales and business-to-business (B2B) e-commerce, ushered in a surge in online shopping enterprises. The impetus behind this meteoric growth can be attributed to escalating internet and mobile phone usage, coupled with advancements in logistics and e-payment systems, collectively enhancing the convenience and consumer confidence associated with digital transactions. According to the Digital Economy Promotion Agency, the e-commerce market witnessed a revenue escalation to \$4,492 million in 2019, with a projected annual growth rate of 9.2 %, surging to an estimated value of \$6,384 million by 2023. Furthermore, the mobile commerce sector is poised for a compound annual growth rate of 12 %, envisaging a valuation of \$25 billion by 2023, propelled by escalating smartphone penetration (approximately 40%) and a well-established proclivity for mobile-driven shopping experiences over their desktop counterparts.

Compliance Frameworks for E-commerce Entities in Thailand

In the realm of online sales in Thailand, meticulous adherence to regulatory frameworks is imperative for e-commerce entities. The regulatory landscape encompasses multifaceted directives, notably including the Electronic Transactions Act (2001), the Commercial Registration Act (1956), the Direct Sale and Direct Marketing Act (2002) (DSDMA), and the recently promulgated Royal Decree on Operation of Digital Platform Services Which Require Notification (2022), slated to be enforced from 20 August 2023. A foundational requirement entails e-commerce operators securing commercial registration from the pertinent commercial registration office under the Commercial Registration Act. Additionally, if online trading is facilitated through digital channels, compliance with the DSDMA is mandated, necessitating potential registration with the Office of the Consumer Protection Board (OCBC). Furthermore, for online platforms falling under the purview of the Decree on Digital Platform Service Business—encompassing entities such as online marketplaces, social commerce platforms, food delivery services, space-sharing platforms, and online search engines—operators are obligated to furnish prior notification to the Electronic Transactions Development Agency (ETDA) before commencing operations. These regulatory measures extend their applicability to business-to-consumer (B2C) e-commerce enterprises, with the Direct Sale and Direct Marketing Act, Consumer Protection Act (1979), Decree on Digital Platform Service Business, and the Unfair Contract Terms Act (1997) assuming pivotal roles in fortifying diverse facets of consumer protection.

Duties, fees, and taxes for imported wines

To determine the total duties, fees, and taxes for imported wines into Thailand, it is necessary to consider several factors, including the customs duties, value-added tax (VAT), and specific excise tax applicable to alcoholic beverages. The specific rates may vary depending on the type and origin of the wine. Additionally, there might be other charges such as import fees and administrative fees.

In Thailand there is a 60% tariff on imported wines, and all other taxes are calculated based on the imports' cost, insurance, and freight (CIF) value, plus the tariff cost. Domestic wine taxes are calculated only on the cost of the wine itself and not on the remaining values of CIF and import tariff. This creates a heavier tax burden on importers and potentially provides a favorable advantage to domestic wineries. On the other hand, both domestic and foreign wineries are subject to the same rates for excise tax, municipal tax, health tax, and value-added tax (VAT). These tax rates are based on the CIF value plus the tariff, leading to a negative compounding effect for importers at each tax level

Here is a general overview of the taxes and duties that may apply to imported wines in Thailand:

1. **Customs Duties:** The rates for customs duties on wines can vary based on factors such as the country of origin and trade agreements. The rates range from 0% to several percentages of the customs value of the wine.
2. **Excise Tax:** Excise tax is imposed on alcoholic beverages in Thailand. The rates depend on the alcohol content and type of wine. There are different excise tax rates for still wine, sparkling wine, and fortified wine. The rates can vary widely, from a few baht to several hundred baht per liter. Generally, the excise tax for wine is calculated as 60% of the CIF value plus tariff, excise tax paid, and municipal tax.
3. **Import Fees and Administrative Charges:** Importing goods into Thailand may also incur additional charges such as import fees, handling fees, and administrative charges. These fees can vary depending on the customs clearance process and other factors.
4. **Municipal Tax:** The municipal tax is collected by the Ministry of Interior and applies to products that also incur an excise tax. The municipal tax rate is 10% of the amount of excise tax.
5. **Health Tax:** The health tax is calculated as 2% of the amount of the excise tax.
6. **Value-Added Tax (VAT):** The standard VAT rate in Thailand is 7%, which is calculated based on the total cost, including all other taxes (CIF, tariff, excise, municipal, and health taxes).

It's important to note that the calculation of duties, fees, and taxes for imported wines can be complex and subject to specific rules and regulations.

5 Steps for Importing Liquor to Sell in Thailand

Step 1: Requesting Permission to Sell Type 1 Liquor

The importer must apply for permission with the Excise Department, specifying the area of the import zone and distribution.

Step 2: Applying for Liquor Label Approval

The importer requests permission to write to the department and submits samples of liquor labels. The request, typed in Thai or English, must include the applicant's name, business location, liquor name, alcohol strength, liquor container size, and the producer's name and location, along with health warnings as announced by the Ministry of Public Health. Importers need proof of being the sole distributor, issued by a foreign liquor manufacturer or distributor, and a confirmation letter from the foreign liquor producer.

2.1: Submission of Recommended Retail Price

The importer must also submit a notification of the recommended retail price to the Excise Department. The recommended retail price considers production costs, management fees, and standard profit, ensuring it is not lower than the final selling price to the general consumer in the normal market, following criteria and procedures in ministerial regulations.

Step 3: Importer-Exporter Registration

The importer must register as an importer-exporter with the Customs Department and submit import information in the E-Paperless system.

Step 4: Submission of Excise Tax Payment

The importer submits tax payments to various agencies, including import taxes, Excise Department tax, tax for the interior, Import Value Added Tax, fund maintenance for health promotion, funds for the maintenance of the Public Broadcasting and Public Broadcasting Organization of Thailand, and the National Sports Development Fund maintenance.

Step 5: Receiving Liquor Stamps

Applicants must submit a form requesting permission to import liquor and receive liquor stamps to seal containers. After officials verify documents, they order stamp payment, and the stamped liquor is transported out of the customs checkpoint, concluding the process of bringing liquor into the Kingdom.

Wine Consumption Culture

Thailand has witnessed a significant rise in wine consumption and a growing appreciation for the culture surrounding it. Factors such as a burgeoning middle class, increased exposure to international travel, and evolving culinary trends have contributed to this shift.

Wine is no longer seen as an exclusive luxury but has become a part of social gatherings, celebrations, and fine dining experiences. Wine appreciation has gained traction through various avenues, including wine tastings, events, and educational initiatives. These initiatives aim to educate consumers about different wine regions, grape varieties, and pairing techniques, thereby enhancing their overall wine experience.

The rise in wine consumption has led to the establishment of wine bars and specialized retailers in major cities across Thailand. These establishments offer a wide selection of wines to cater to diverse preferences and budgets. Knowledgeable staff members are often available to assist customers in selecting wines based on their preferences and guiding them through the tasting experience.

Restaurants and hotels have also embraced the wine culture, incorporating extensive wine lists into their offerings.

Local vineyards and wineries have also gained recognition, contributing to the development of the domestic wine industry. Thai wine producers have embraced traditional winemaking techniques and experimented with grape varieties suited to the local climate. This has resulted in the production of high-quality wines, further fueling the interest in wine among Thai consumers.

Conclusion

Thailand's wine importation, regulations, and consumption have experienced significant developments in recent years. The government and regulatory bodies have implemented measures to ensure the authenticity and quality of imported wines, providing consumers with confidence in the products they purchase. This includes strict labeling requirements, certifications, and inspections to prevent counterfeit or substandard wines from entering the market.

The wine culture in Thailand has been growing steadily, and there is a noticeable increase in interest and knowledge about wines among consumers. This has led to the establishment of a vibrant wine scene, with wine bars, wine shops, and restaurants offering a wide range of options to cater to different preferences and budgets. Wine tasting events, festivals, and educational programs have also become more prevalent, further enhancing the overall wine experience for enthusiasts.

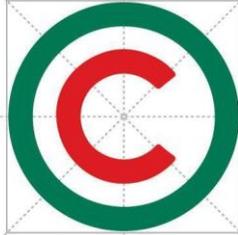
Additionally, Thai consumers are becoming more adventurous in their wine choices, exploring wines from different regions and grape varieties. This trend has prompted

importers to diversify their portfolios and introduce a broader selection of wines to meet the evolving preferences of the market.

Overall, Thailand's wine industry has witnessed positive growth and transformation, driven by the increasing demand for quality wines and the enthusiasm of consumers to explore and appreciate the world of wine.

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