

Fiscal Policy Research Institute Foundation

26 May 2011

Adjustment toward New Paradigm of Managing Thailand's Economic Policies

National Research Council of Thailand

วช.
NRCT

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FISCAL MODEL

Ministry of Finance : Revenue Structure

SBT

2 %

VAT

41 %

PPT

6 %

CIT

31 %

Other sources

10 %

Revenue Department

66 %

PIT

18 %

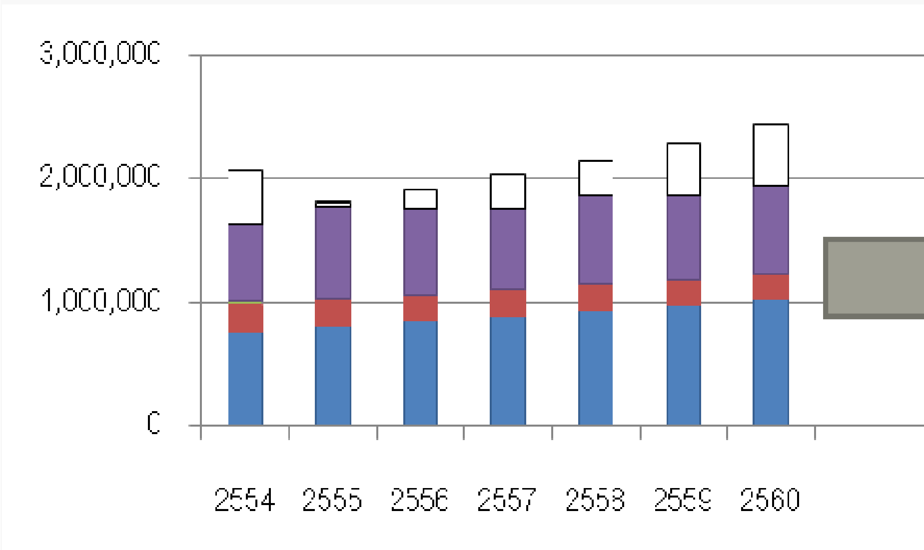
Customs Department

5%

Excise Department

18%

Government's Expenditure



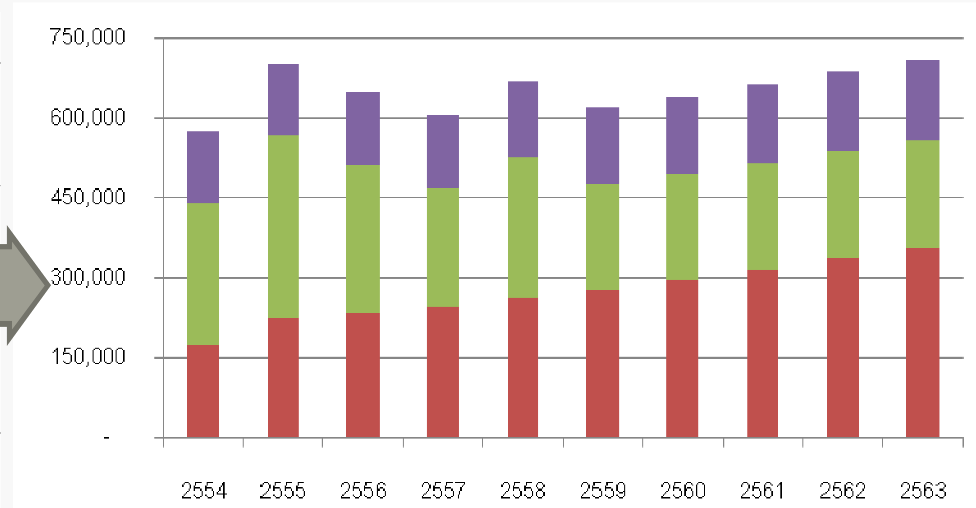
General Expenditure

Debt Repayment

Cash Reserve

New Expenditures

Fiscal Space



Subsidy to Local Governments

Expenditure Required by Law

New Educational and Health Care Policies

Conceptual Framework

Economics and Social Equality & Enhance Competitiveness

(Tool) Policy

Fiscal Sustainability

(Tool) Policy

Expenditure

Internal Forces

- Continuously growing expenditure
- General Expenditure keeps increasing
- Govt 's Investment is less than 25%
- Expansion of continuous expenditures from new policies
- Growing subsidy to local governments

Fiscal Risk

Fiscal Contingent Liability ;

- ✓ Aging Society
- ✓ Social Welfare Policies
- ✓ Agri Price Subsidy
- ✓ Flood Protection Project & Insurance

Revenue

Internal Forces

- Tax rate might not be fair to all income classes
- Coverage of tax base
- MoF's organization need restructuring
- BOI needs to be revised
- More Excise-Tax schemes to increase MoF's revenue

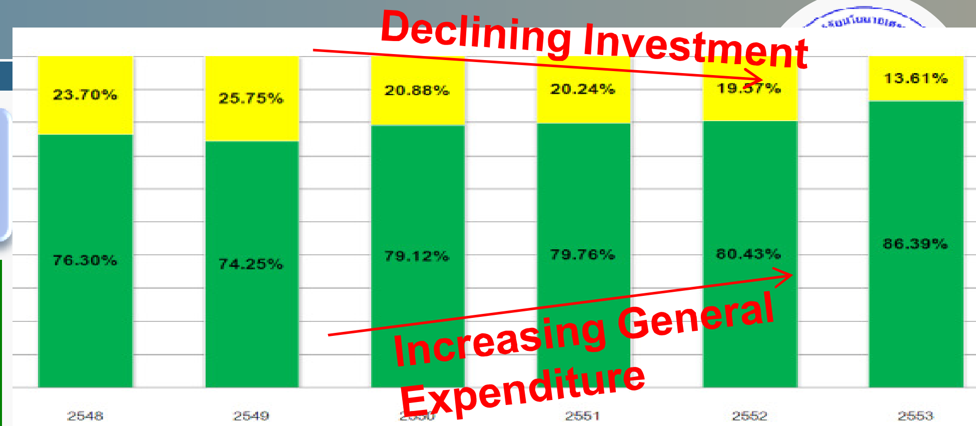
External Forces

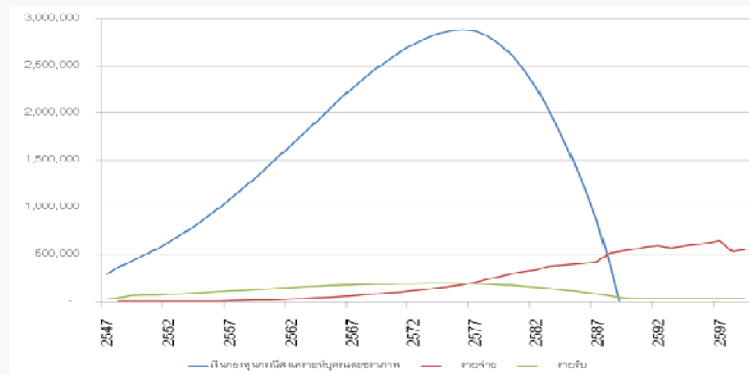
- AEC 2015 : Comparable tax rate *(Malaysia 25% Singapore 18%)*
- FTAs lower revenue from tariff
- Global Warming & Carbon Tax

Structural Problems

Structure of Government’s Expenditure

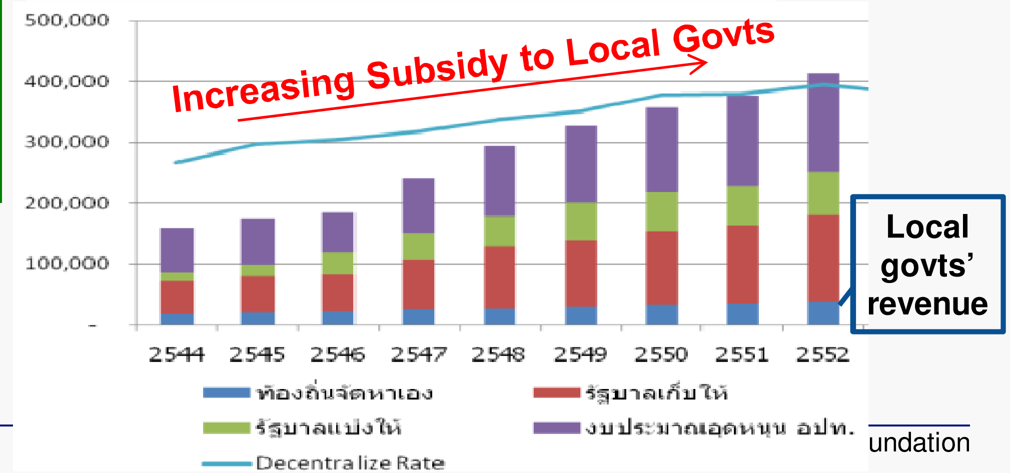
- Expenditure growing > Revenue expansion
- Continuous deficit leading to rising public debt
- Debt Service is increasing, but most are interest payment (not the principle repayment)
- Social Welfare Policies: Contingent Liability from Aging Society and Deficit Social Security
- Increasing subsidy to local governments
- Declining investment -> lower expansion of development’s infrastructure





Social Security will be deficit

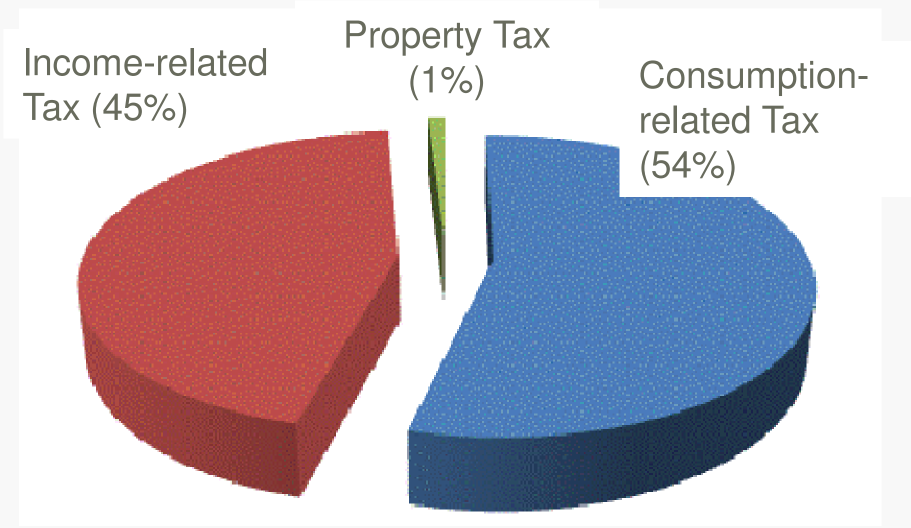
Source : FPRI’s social security model



Structural Problems

Structure of Government's Revenue

- Continuous budget deficit
- Tax base does not represent the actual structure of tax payers
- Rate of Property Tax is low -> leading to an income distribution problem
- Need more revenue from pollution tax (Polluter Pay Principle)
- Tax reduction benefits most of the high income class (unfair taxation scheme)



Tax revenue is mostly from consumption-related tax

Value of lost revenue caused by tax reduction offered to tax payers

	2543	2544	2545	2546	2547	2548	2549	2550	2551	2552	2553
ยกเว้นเงินได้สุทธิ	50,000 →		80,000 →		100,000 →				150,000 →		

35,687 ล้านบาท

ค่าลดหย่อน	2543	2544	2545	2546	2547	2548	2549	2550	2551	2552	2553
LTF					15% (300,000) →				15 % (500,000) +7แสน:Q4	15% (500,000) →	
RMF		15 % (300,000) ตั้งแต่ ต.ค. 44 →							15 % (500,000) +7แสน:Q4	15% (500,000) →	
ดอกเบี้ยที่อยู่อาศัย	50,000 →							100,000 →			
ประกันชีวิต	10,000 →		50,000 →					100,000 →			
ประกันสังคม	9,000 →										
กองทุนสำรองเลี้ยงชีพ	15 % (300,000) →										

25,310 ล้านบาท

Source : FPRI