
# Tax Reform and Policy in the Age of COVID-19

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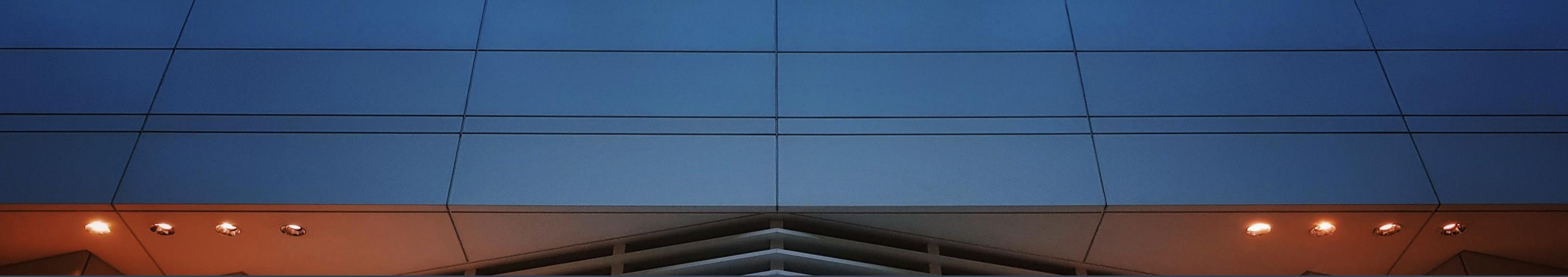
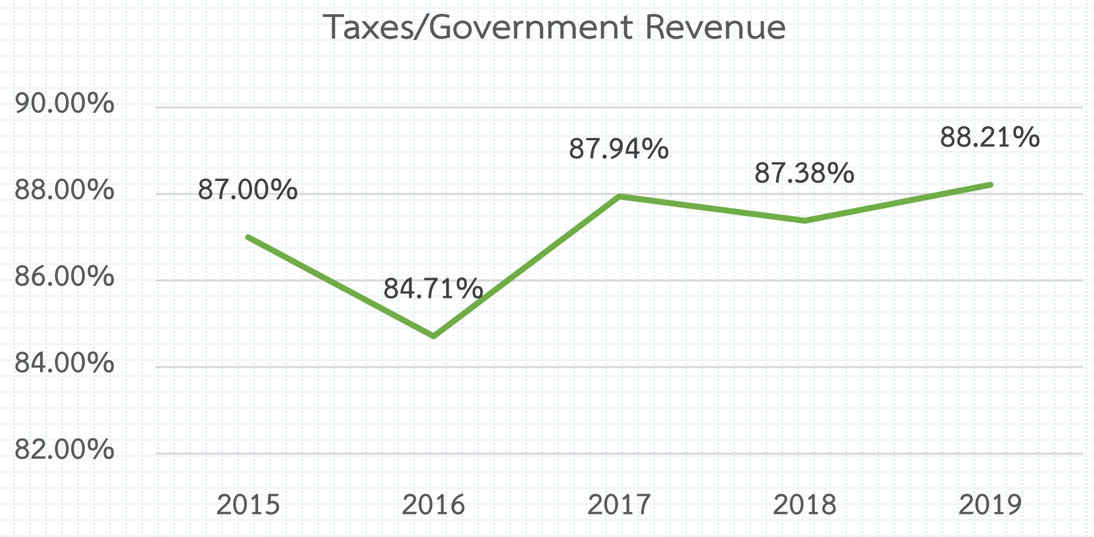
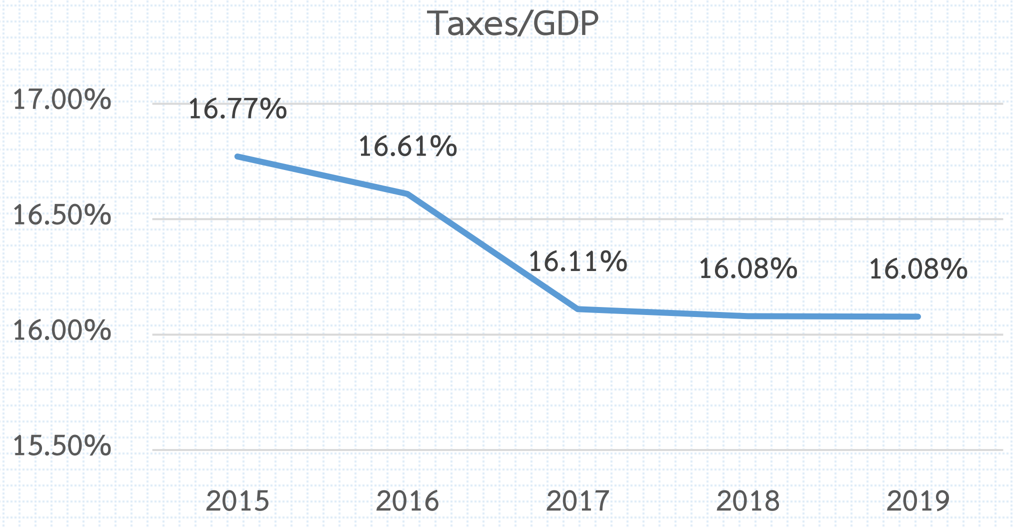
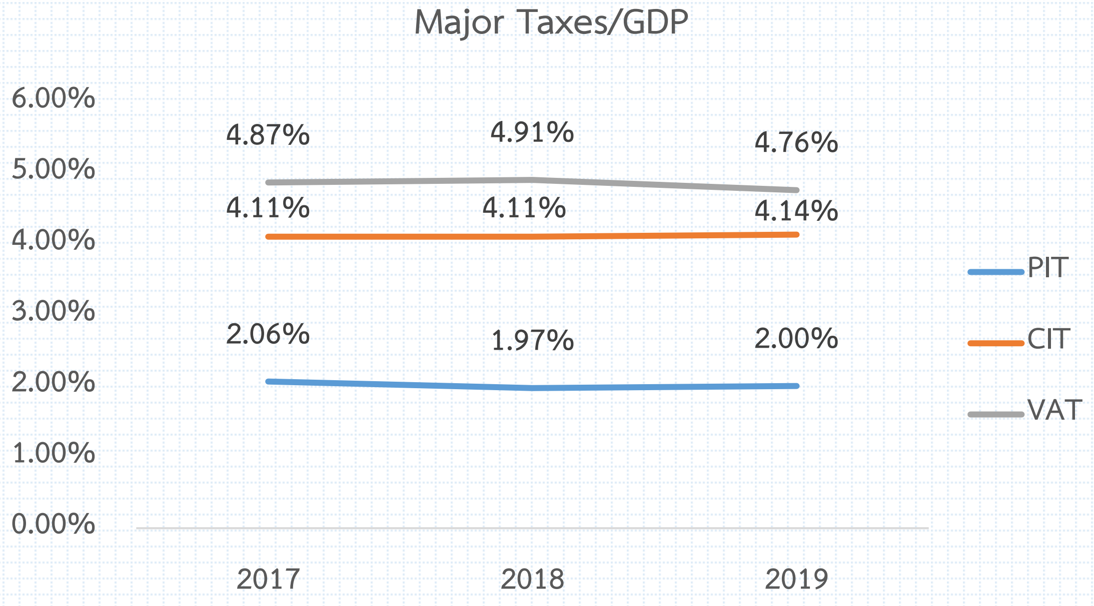


# Taxes in Thailand

# The Big Picture



# Main Types of Taxes

Personal Income Tax (PIT)

Corporate Income Tax (CIT)

Petroleum Income Tax (PITA)

Inheritance Tax

Value Added Tax (VAT)

Specific Business Tax (SBT)

Stamp Duty

Excise Tax

Import Duty

Export Duty

# Sources of Taxes

กรมสรรพากร
THE REVENUE DEPARTMENT

| | |
|---|---|
| Personal Income Tax | Net income |
| Corporate Income Tax | Net profit (gross income for foundations and associations) |
| Petroleum Income Tax | Net profit |
| Inheritance Tax | Value of legacy |
| Value Added Tax | Value of goods or services |
| Specific Business Tax | Gross revenue |
| Stamp Duty | Execution of certain documents or instruments |

กรมสรรพสามิต
THE EXCISE DEPARTMENT

| | |
|---|---|
| Excise Tax | Suggested retail price or quantity/weight of the goods |

กรมศุลกากร
The Customs Department

| | |
|---|---|
| Customs Duties | Value of imports (CIF) or value of exports (FOB) |

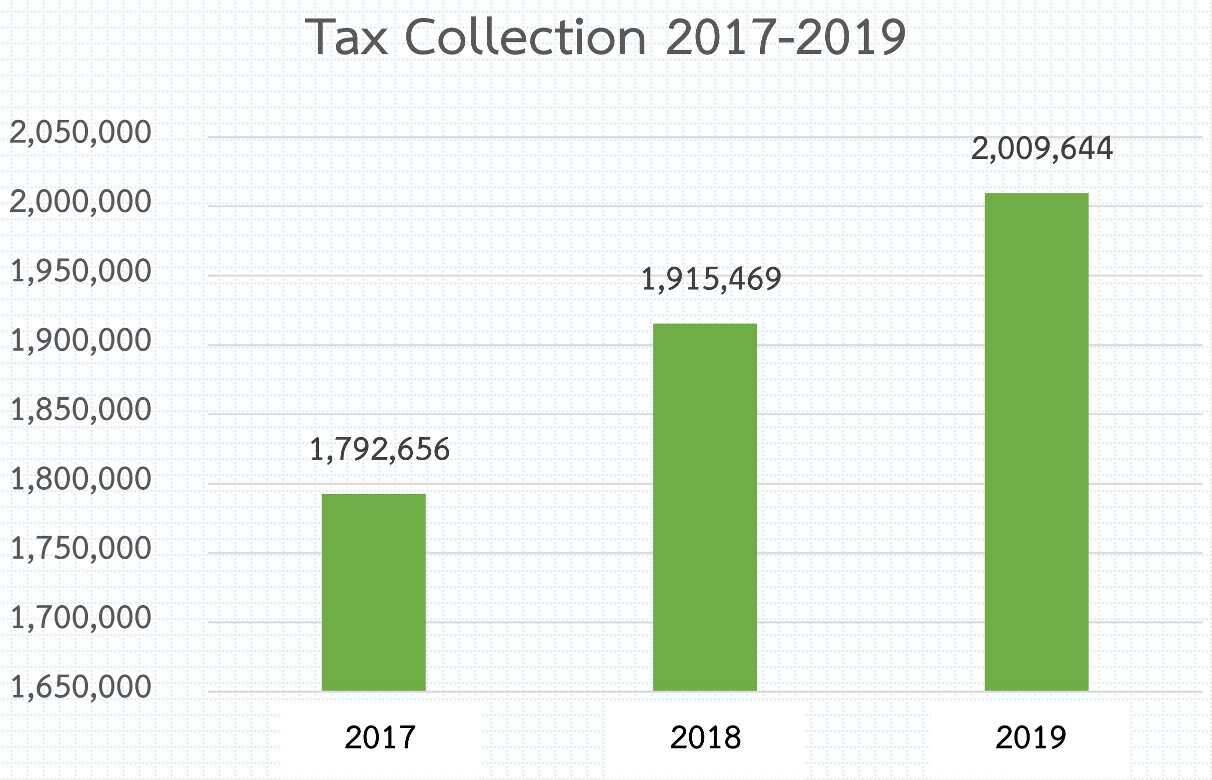
# Local Taxes

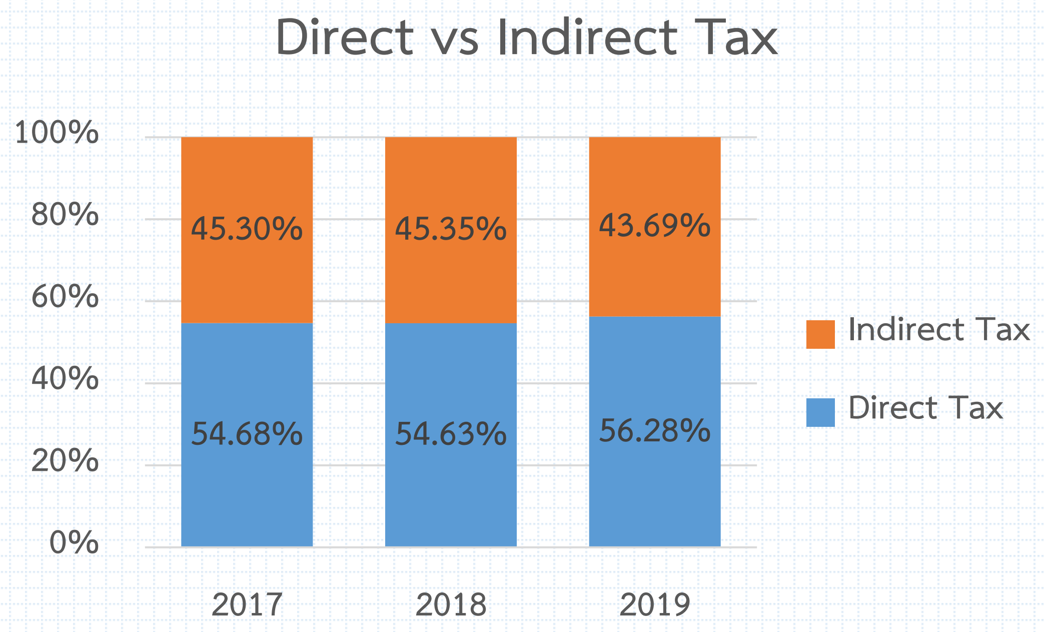
Land and Building Tax

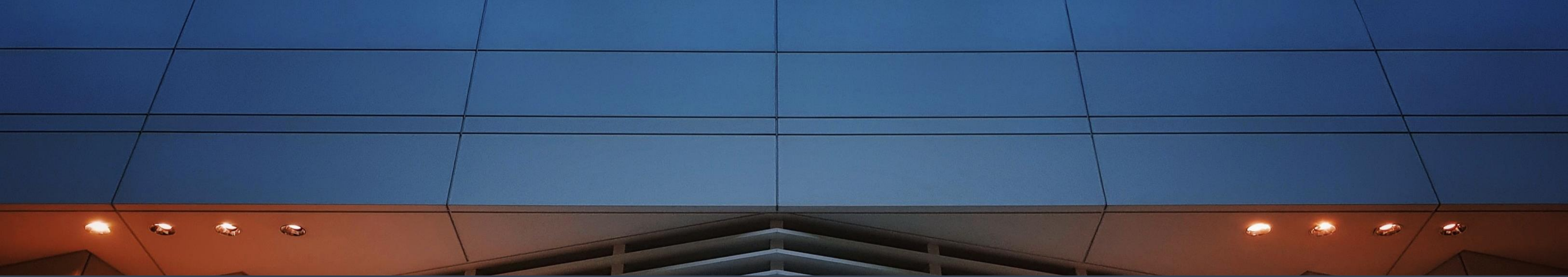
Other Revenue


VAT and SBT allocated

# Tax Collection





# Responses to COVID-19

# OECD Report

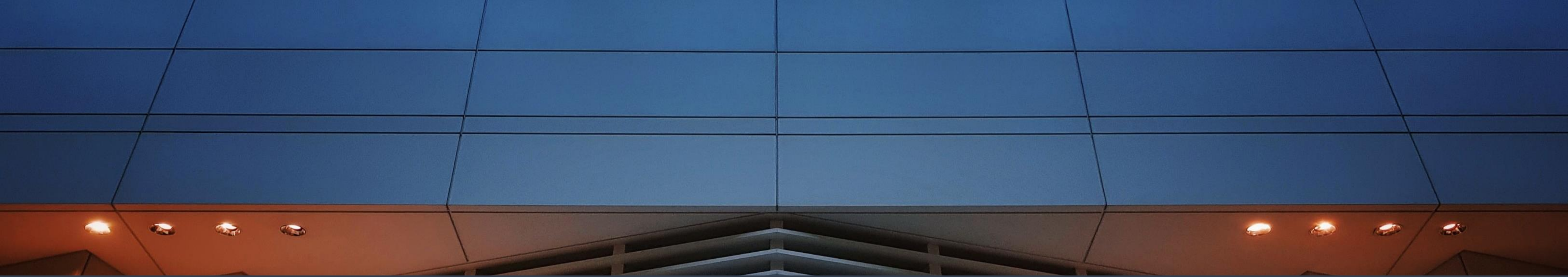
“Tax Administration Responses to COVID-19: Measures Taken to Support Taxpayers”

**Extend – Defer – Suspend - Support**

1. Additional time for dealing with tax affair
   - 1.1 Extension of filing and tax payment deadline
   - 1.2 Remitting penalties and interest
   - 1.3 Deferral of tax payments
   - 1.4 Easier access to debt payment plans and extension of plan duration
   - 1.5 Suspension of debt recovery
2. Quicker refunds to taxpayers
3. Temporary changes in audit policy
4. Enhanced taxpayers services and communication initiatives

# Thailand's Measures

| | |
|---|---|
| Extend | • Extension of filing and tax payment deadline |
| Support | • Reduction of withholding tax rate<br>• Increased tax deductibility of SMEs' loan interest<br>• Increased tax deductibility of SMEs' salary costs<br>• Deduction for donations to support COVID-19 measures<br>• Tax allowance for SSF investment<br>• Income tax exemption for healthcare workers<br>• Increased tax allowance for health insurance premiums<br>• VAT exemption for imports of medial supplies<br>• Quicker refunds to good exporters |



# Tax Reform

# Constitution of the Kingdom of Thailand

Section 258 National reform in various areas shall be carried out to at least achieve the following results:

f. Economy:

(3) Improving the taxation system with a view to promoting fairness, reducing disparity, increasing State revenues from various sources in an efficient manner...

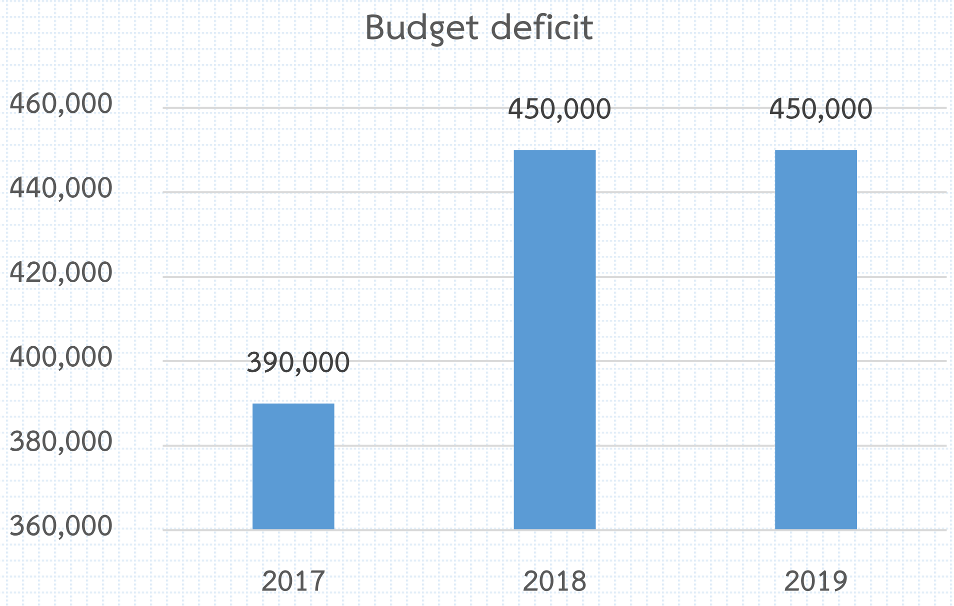
# National Plans for Reform

National Strategy 2018 - 2037

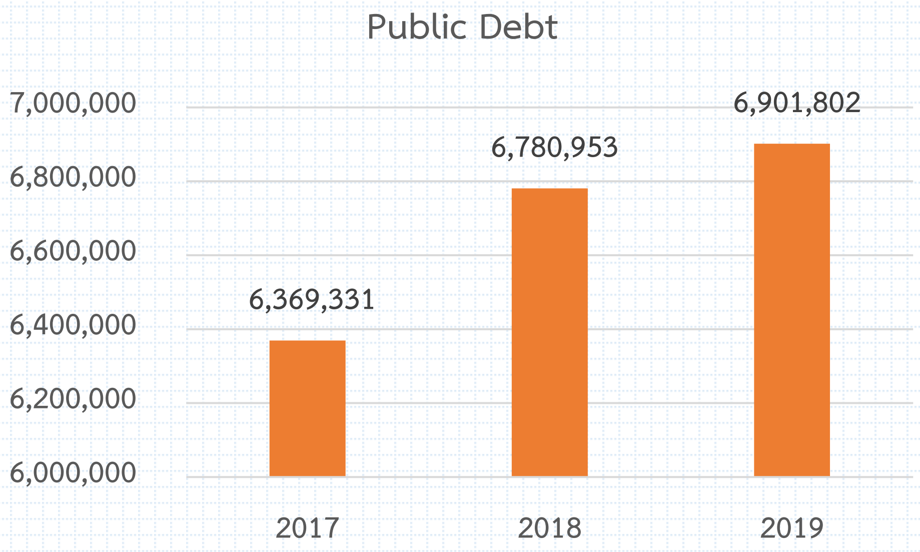
National Reform Plans

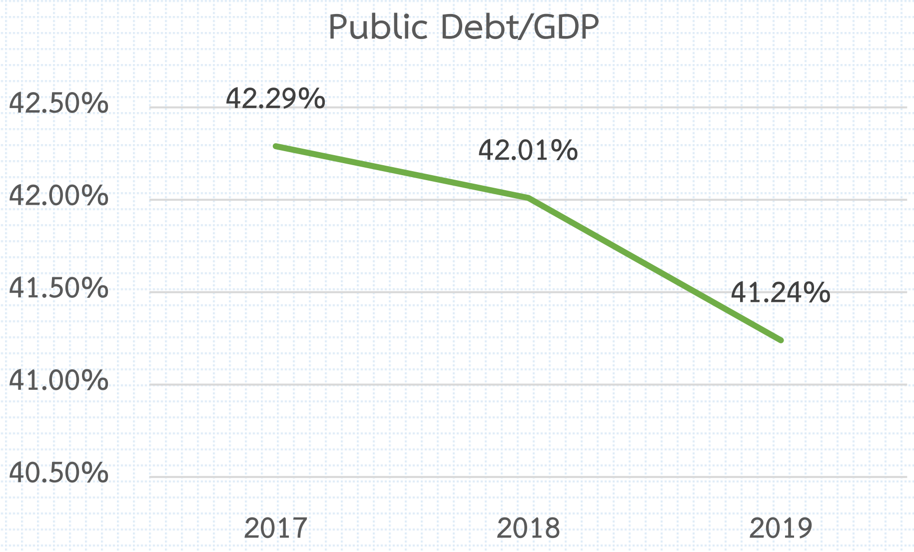
Proposals from the Private Sector

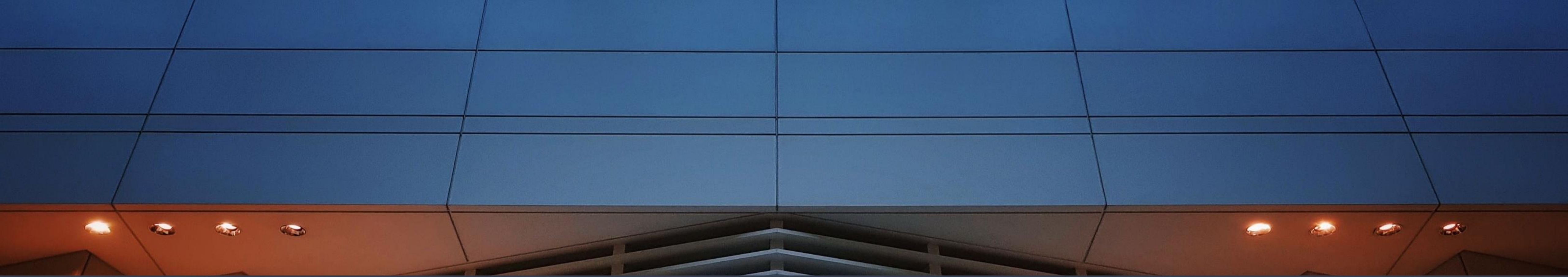
# Government Budget and Public Debt




| | 2017 | 2018 | 2019 |
|---|---|---|---|
| Budget deficit/GDP | 2.6% | 2.7% | 2.6% |





# Role of Tax

# Main Role of Tax


Provide revenue to the government

- Invest in infrastructure to overcome middle-income trap
- Provide welfare to Thai people – income and healthcare

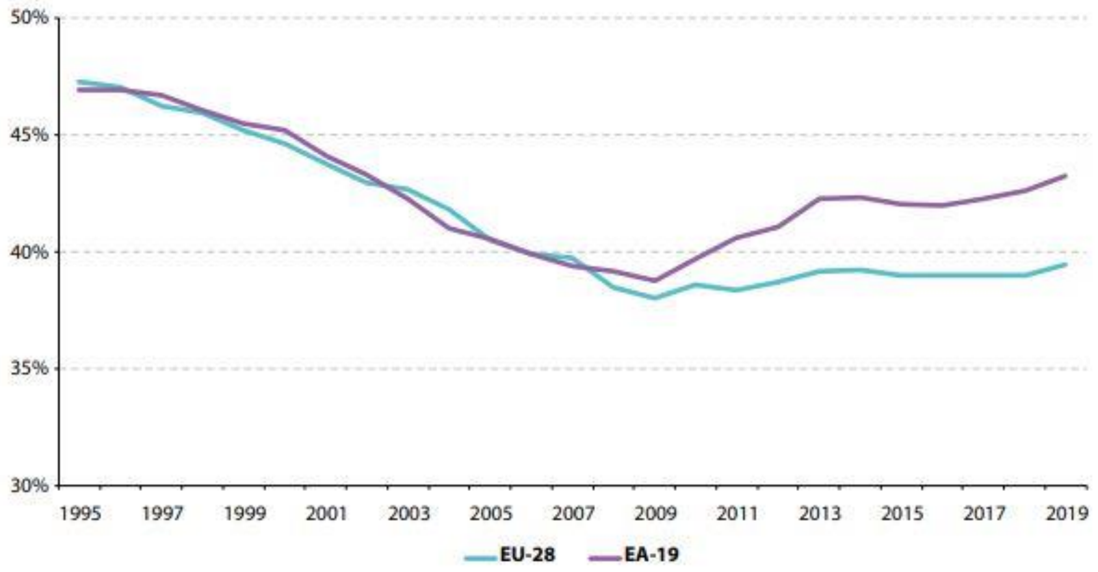
To alleviate poverty and inequality and to raise the standard of living

# Can we increase the tax rate?

**PIT**

Freer movement of labour – high skilled/global talent esp. STEM

## EU member states' PIT trend




Source: EU

## Maximum PIT rates in ASEAN

| | |
|---|---|
| Thailand/Philippines/Vietnam | 35% |
| Indonesia | 30% |
| Malaysia | 28% |
| Myanmar | 25% |
| Laos | 24% |
| Cambodia/Singapore | 20% |
| Brunei | 0% |

**Rate increase:**

- Incentive to move
- Tax planning
- Higher cost for good taxpayers

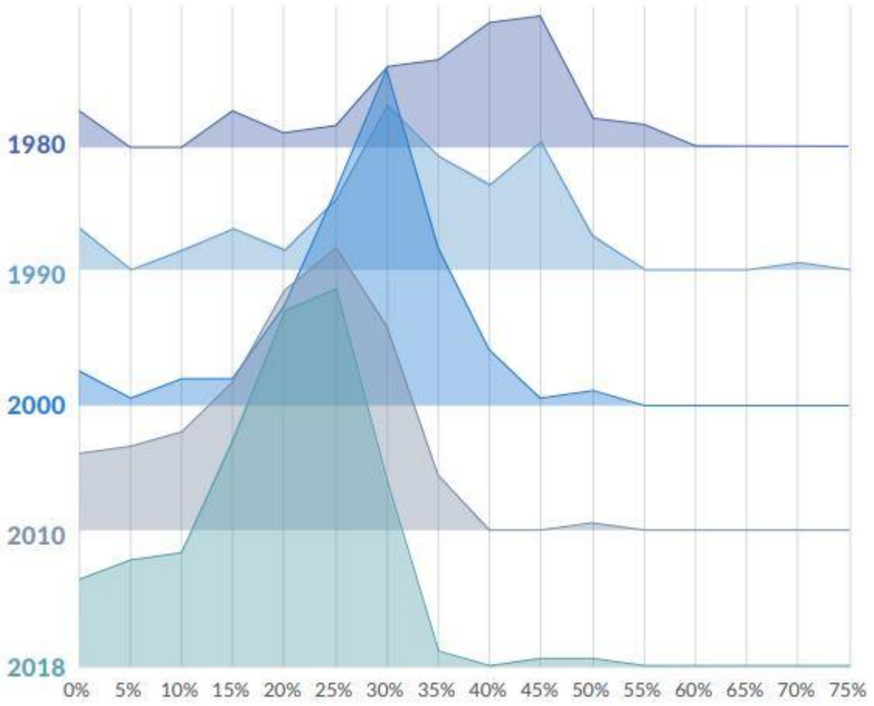
# Can we increase the tax rate?

CIT

## Globalisation

Free movement of capital and investment

The Worldwide Distribution of Statutory Corporate Income Tax Rates, 1980-2018




Source: Tax Foundation

## CIT Rates in ASEAN

Singapore 17%

Brunei 18.5%

Thailand/Cambodia/Vietnam 20%

Laos/Malaysia 24%

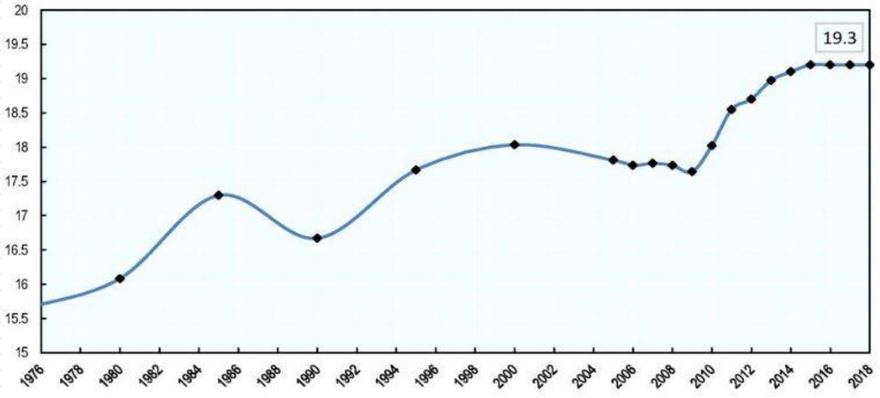
Myanmar/Indonesia 25%

Philippines 30%

# Can we increase the tax rate?

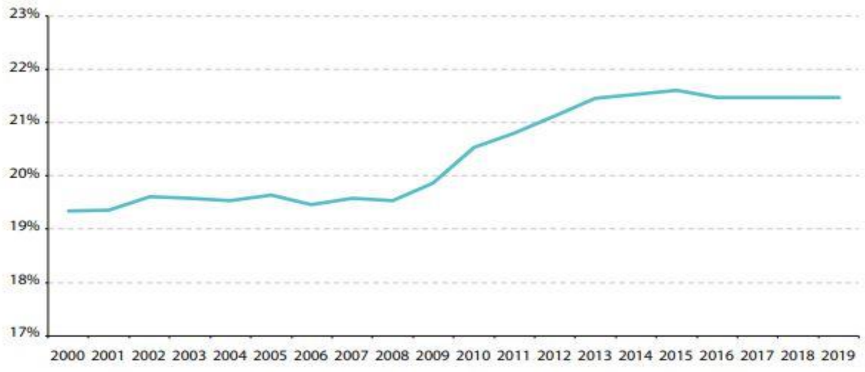
## VAT

Average VAT (OECD members)



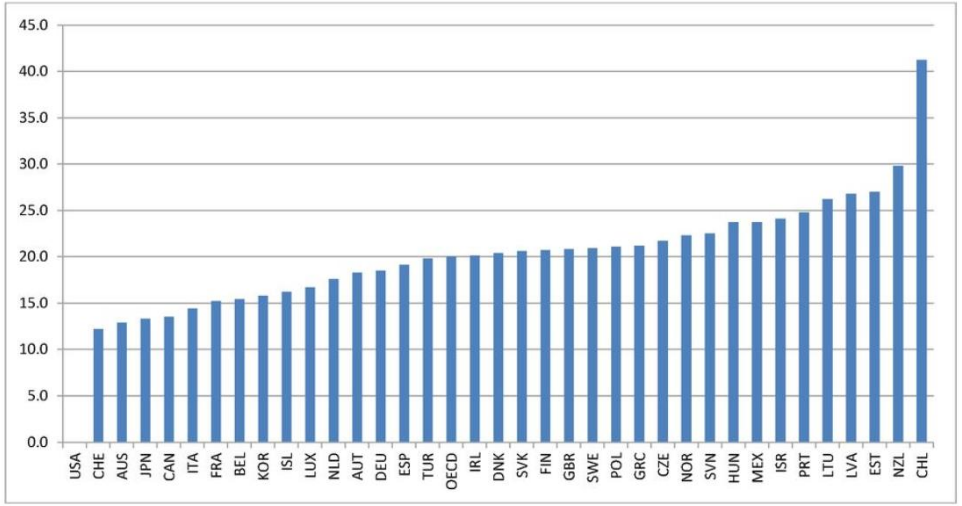

Source: OECD

Average VAT (EU member states)



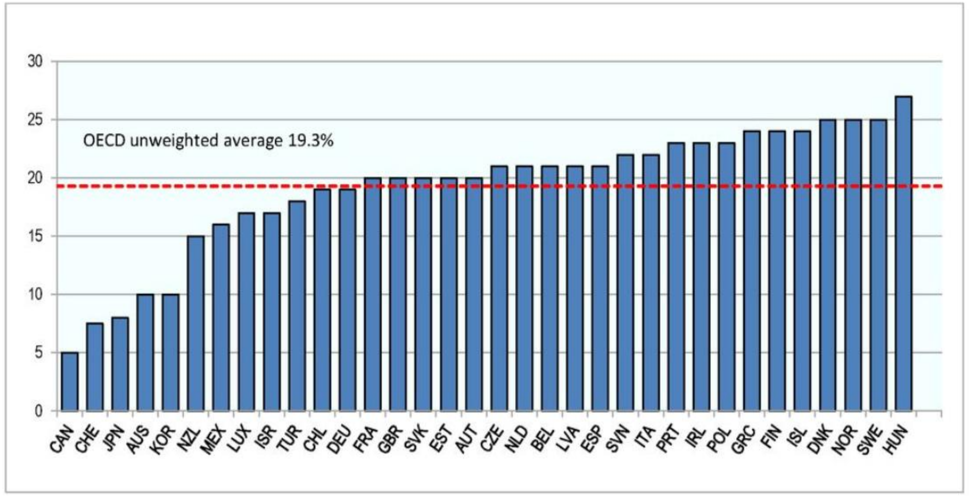

Source: EU

VAT as % of total taxation




*Source*: Adapted from (OECD, 2018[1]) *Revenue Statistics 2018*, OECD Publishing, Paris.

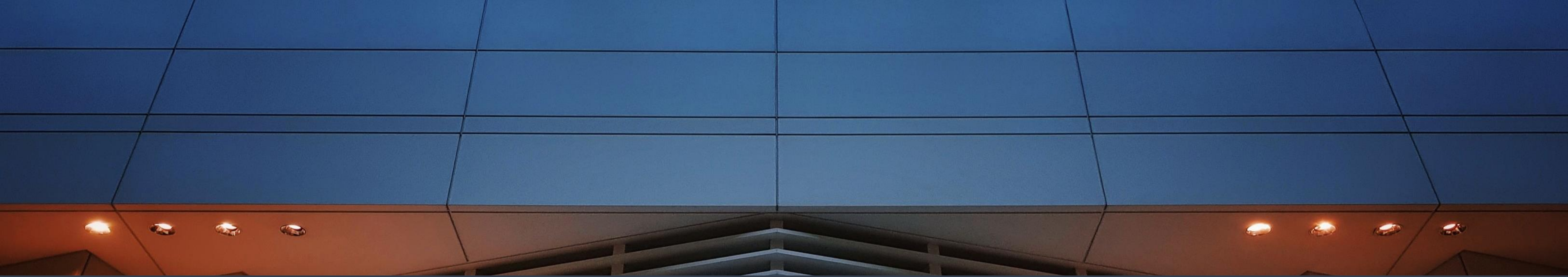
VAT rates in OECD countries, 2018




## ASEAN

Max 12%

Min 7%



# Tax Base Broadening

# Base Erosion and Profit Shifting

MNEs

Base erosion and profit shifting (BEPS)

Inclusive Framework on BEPS

## BEPS 15 Action Plans

### Coherence
- Hybrid Mismatch Arrangements (2)
- Interest Deductions (4)
- CFC Rules (3)
- Harmful Tax Practices (5)

### Substance
- Preventing Tax Treaty Abuse (6)
- Avoidance of PE Status (7)
- TP Aspects of Intangibles (8)
- TP/Risk and Capital (9)
- TP/High Risk Transactions (10)

### Transparency
- Methodologies and Data Analysis (11)
- Disclosure Rules (12)
- TP Documentation (13)
- Dispute Resolution (14)

Digital Economy (1)

Multilateral Instrument (15)

Minimum standards

Global Forum on Transparency and Exchange of Information for Tax Purposes

# Digital Economy

Physical Presence

Digital Presence

| | |
|---|---|
| VAT | Requires non-resident suppliers (including platforms) to register, collect, and remit VAT to the country where the consumer is resident. |
| Income Tax | • Unified Approach<br>• GLOBE (effective minimum tax rate) |

# Thailand’s Implementation

**Implemented**

- Transfer Pricing

**In Process**

- VAT on Digital Economy
- Exchange of Information

**Base Broadening**

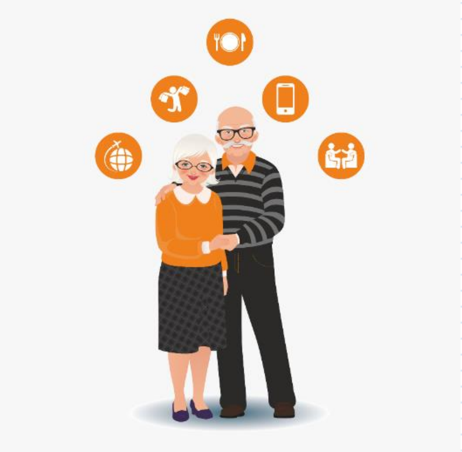
- Digital Technology
- Data Analytics
- Other measures e.g. Single Account Scheme

# Aging Society


Tax on Savings

Tax on Investment

Enough money for retirement?



# Raising Competitiveness

Fiscal discipline

BOI – Tax holiday, expense deduction


- Tax Administration
- Taxpayer Services

Global Rankings

| | 2019 | 2018 | 2017 |
|---|---|---|---|
| World Bank | 21 | 27 | 26 |
| World Economic Forum | 40 | 38 | 34 |
| IMD | 25 | 30 | 27 |

# Reducing Inequality

Inheritance Tax

Property Tax

Structural changes

- Unnecessary tax deductions
- Unearned income

Horizon and

Vertical Equity

Competitiveness

Cost-benefit analysis

# In a Nutshell

Provide revenue to the government

Raise competitiveness

Reduce inequality

Bill of Rights 1689

“No Taxation without Representation”