

■ MORE TAX BRACKETS 'FAIRER' 2A

ANALYSIS

MORE TAX BRACKETS WOULD MAKE THE NEW SYSTEM FAIRER

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THE NATION

Questions have been raised over who will benefit the most from the government's planned personal income tax cut – lower-middle-income or upper-middle-income earners.

Under the new structure, which raises the number of tax brackets from five to seven and will be implemented next year, it would appear at first glance that lower-middle-income earners stand to gain the most.

But judging from the effective tax rate – total tax liability divided by one's taxable income and multi-

plied by 100 – the upper-middle-income set will benefit more.

KPMG International has calculated that under the new tax structure, individuals with net taxable income of Bt500,000, Bt1 million and Bt4 million will see their total taxes reduced by 21 per cent, 15 per cent and 7 per cent, respectively.

However, when one compares the effective tax rates, individuals with net taxable income of Bt500,000 will see their taxes reduced by 1.5 per cent, whereas those with net taxable income of B1 million will save 2 per cent. Higher earners with net taxable income of Bt4 million or more will see their tax rate reduced by 1.75-2 per cent.

According to Benjamas Kullakattimas, tax partner at KPMG Thailand, if the government wants to benefit middle-income earners – who form a major group of taxpayers – the number of income brackets covering tax rates

of between 5 and 20 per cent should be increased.

"This would increase the tax savings for the lower- to middle-income earners, leading to higher consumption and savings, benefit-

ing the economy in the long run," she said.

"The revision will benefit those in the income bracket between Bt1 million and Bt4 million the most. Based on the current structure, a 30-per-cent rate is applied to this

income bracket. Under the new structure, the tax rate is reduced to 25 per cent for net taxable income from Bt1 million-Bt2 million. With the large scale of the income bracket [Bt1 million], the individuals

who fall within this scale would receive more benefit from the tax-rate reduction."

According to data compiled by PwC Thailand, in 1974, when the highest personal income tax rate was 60 per cent, there were 12 income brackets. Those with tax-

able income of over Bt1 million were subjected to the highest rate. The number of brackets was reduced to 11 in 1980, when the highest rate was adjusted to 65 per cent. In 1982, the number of brackets was increased to 13, with the highest rate remaining at 65 per cent.

In 1986, the number of brackets was cut to 11 with the highest rate dropping to 55 per cent. The rate was maintained when the rule was amended, to reduce the number of brackets to six. In 1991, the number of brackets was maintained but the highest rate was cut to 50 per cent.

The current structure has been in place since 1992.

According to Thaipublica.org, the Revenue Department's data shows that of 38.4 million workers in 2009, 9.22 million or 24 per cent were subject to personal income taxation. Their combined income accounted for Bt3.08 trillion, equivalent to 34 per cent of gross domestic product. Yet, only 2.66 million actually paid taxes, worth Bt198 billion.