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New rates, system raise tax collection

INTRODUCTION OF ELECTRONIC PAYMENTS ALSO CITED IN PWC STUDY

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CHANGES IN THE taxation regime, including lower corporate rates, have enhanced Thailand's ability to collect revenue, according to a study by PricewaterhouseCoopers and the World Bank.

The streamlining of payments through an electronic system introduced in 2007 was also cited in the "Paying Taxes 2014" study.

Thailand has moved up from 96 to 70 out of the 189 tax systems monitored, beating China, India and Japan. Among Asean countries, Thailand was fifth behind Singapore, Brunei, Malaysia and Cambodia.

"The Thai tax system has seen several improvements in recent years as a result of government policies that include the long-awaited cut in the corporate income-tax rate to 20 per cent this year, which increased Thailand's competitiveness in terms of investment," Thavorn Rujivanarom, lead partner at PwC Tax & Legal Consultants, said yesterday.

Despite the progress, there is still room for improvement, especially in the time it takes corporations to prepare and transact tax payments.

"Corporate delay of tax payment is largely down to two things – the difference between corporate accounting systems and the tax-accounting system and the annual tax-payment system of Thailand, which requires us to pay twice instead of once per year," he said.

Three indicators were used to come up with the ranking –total tax rate (TTR) or the cost of all taxes borne, time to comply or the number of hours it takes to prepare, file and pay the three major types of taxes, and the number of payments or the frequency with which a company has to file and pay various types of taxes.

The three types of taxes are corporate income, value-added (VAT), and labour.

THAVORN

Andrew Packman, a tax partner at PwC UK, said corporate income taxes all around the world were tending to fall and many countries were trying to update their tax systems to ease the payment burden for businesses.

In Thailand, the TTR is 29.8 per cent of commercial profit or profit before all taxes. On average, companies spend 264 hours or 11 days to pay their taxes and the number of payments they have to make per year is 22.

The average TTR for Asian countries is 36.4 per cent and for the world 43.1 per cent. The average number of payments for Asia is 25.4 and the world is 26.7, while the hours spent for paying in taxes in Asia are 232 or 9.6 days and the world are 268 or 11.2 days.

Besides the introduction and promotion of an e-system to ease the burden of tax payment, the Revenue Department also plans to provide more incentives for taxpayers to choose to use this method.

Patricia Mongkhonvanit, senior tax economist at the Revenue Department, said it was possible to reform the system to allow corporates to pay tax once per year instead of twice and that she would bring the issue up at the department's next meeting.