

Changing Thailand's Future with Tax Reform

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ABSTRACT

At present, Thailand is facing an urgent need for tax reform that can alleviate its long-term fiscal deficit, a condition that is threatening to destabilize the country's economy. The approach that should be taken to solve this problem is to raise tax revenue while simultaneously reducing economic inequality. Policy measures to be taken under this approach include the enlargement of the tax base by registering more people to pay income taxes, the reduction of unnecessary tax benefits, and the expansion of wealth-based taxes. In addition, the government should reform its expenses. In the case that the government chooses to raise tax revenue by a means that does not promote the reduction of inequality, such as raising the VAT rates, the government should make sure that its expenses prioritize improving the welfare of the poor and the disadvantaged. More importantly, for all the changes associated with tax reform to be achieved successfully, fiscal transparency is needed. Fiscal transparency helps inform people how their taxes are being spent, allowing changes associated with tax reform to be understood and accepted. Finally, tax reform also requires a reform of politics and governance. Democratic participation is needed at all levels of government to allow people the opportunity to monitor and help make decisions related to taxation. Decentralization of governance should also be pursued together with fiscal decentralization, in order to equip local governments with more resources and a better ability to respond to the diverse needs of different localities.

Keyword: Thailand, Tax Reform, Fiscal Sustainability, Inequality

JEL Classification: H20, H23, H25

1. Changing Thailand's Future with Tax Reform

A proposal for tax reform often provokes public concerns, for it may relate to a rise in tax payments. Tax reform, however, can also provide opportunities for the improvement of millions of lives. Rather than just hoping for the smallest amount of tax to be paid, it is more important to recognize the opportunities that are opened by improvements in the tax system.

A better tax system can lead to development in several aspects. As a crucial source of government resources, adequate tax revenue sustains the government's operation and enables more government investments. A better tax system contributes to a reduction of economic inequality, gives incentives to stimulate economic growth, and creates disincentives to reduce undesirable economic activities, such as those which generate pollution. It also supports decentralization of governance, allowing the government to be more responsive to local needs. It is worth recognizing that tax reform is not just about the government gaining a greater share of resources, but for the process of tax reform to be successful, it also needs to achieve changes in the objectives and roles of the government, in order to have a government that is more effective in improving the quality of people's lives.

The main objective of this paper is to outline a vision of tax reform for Thailand, explain why reform is needed, in what areas, and how to carry it out. This paper identifies four areas where reform can be focused; 1) promoting sustainable economic growth; 2) reducing inequality; 3) promoting decentralization; 4) solving environmental problems. The paper will be divided into 4 sections, with each section pointing to reform that can fulfill each of these objectives. The paper ends with the summary of the reform content into "ten principles for tax reform in Thailand."

This paper is part of the "Policy Community on Taxation", a collaboration between Friedrich-Ebert-Stiftung (FES) Thailand, Thailand Development Research Institute (TDRI), and the Faculty of Economics, Thammasat University. The project ran a series of meetings from late-2015 to 2016 to promote dialogues on tax reform for Thailand. The participants of the meetings came from different sectors, including the government, NGOs, academia, and the private sector. The outcomes of these dialogues are summarized into the content of this paper.

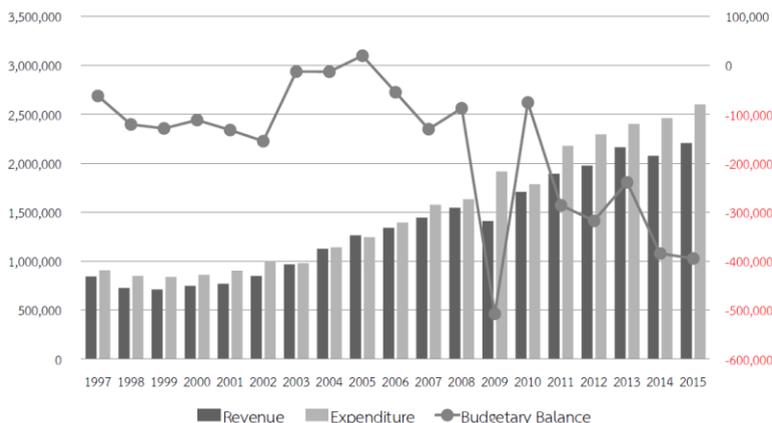
2. Tax Reform to Promote Sustainable Economic Growth

While a change in the tax system is often seen cautiously, for it can create a negative impact on economic growth, a failure to improve the tax system can also be equally detrimental to growth, particularly in the long run. Thailand's tax system can be improved to promote sustainable economic growth in two ways: 1) by promoting fiscal sustainability; and 2) by providing the right incentives for investment.

2.1. Promoting fiscal sustainability

The sustainability of a country's fiscal system relates directly to its economic conditions. Recent proposals by the Thai government to raise tax revenue actually reflects the worsening fiscal situation of the country. Thailand's government budget has been in deficit for most part of the past two decades. Since 1997, barring just one year in 2005, Thailand has had fiscal deficit every year (see Figure 1). Such long-term fiscal deficit reflects the inability of the Thai government to raise adequate revenue, and subsequently leads to two other problems.

Figure 1. Thai Government Budget Balance 1997-2015
 (Unit: Millions of Baht)



Source: Siriprapanukul (2016)

Firstly, the government currently lack resources for public investment. Over the past two decades, there has been a drastic fall in the proportion of government budget available for public investment. The budget for public investment fell from 24-26 percent of the total budget during 1998-2007, to just 18-19 percent during 2008-2016. Such a drastic reduction has subsequently led to lost opportunities in crucial areas of development, such as the failure to upgrade infrastructure. Such a lost opportunity can have a crucial impact on Thailand's competitiveness over the long run.

Secondly, public debt is now rising. From 2001-2015, Thailand's budget deficit constantly increased, with the annual deficit sitting at more than 3 trillion Baht annually. While Thailand's current public debt level stands at 43 percent of GDP, a level that is still not high when compared globally, this level of debt is likely to continue to rise in the future. A major cause of the rising trend of public debt in Thailand is the country's rapid move toward an aging society. In the upcoming

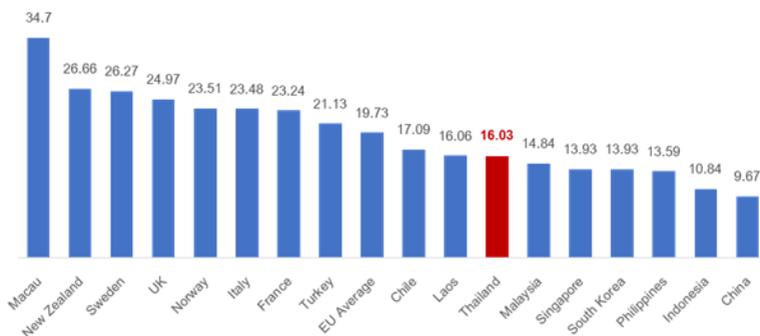
decades, the increase in the old-age population will create pressure for the government's welfare expenditure to increase, while the decline in working age population is likely to reduce the capacity of the government to raise revenue.

A study by Chucherd et al. (2016) suggests that without tax reform that can raise tax revenue or reduce government expenses, Thailand's public debt is projected to rise above the level of 60 percent of GDP by 2027. The rise in public debt can be harmful to long-term economic growth, due to its potential in instigating an economic recession or even an economic crisis. A sustained rise in public debt can lead to a fall in the government's credit rating, causing a subsequent increase in the cost of borrowing for the private sector, and a stagnation of the overall economic growth.

To deal with the concerns over the long-term budget deficit, the government faces a crucial need to find ways to raise tax revenue. There remains an important question as to whether collecting more tax will harm the efficiency of the Thai economy. A study by the World Bank points out that there is in fact ample room in the Thai economy for a rise in taxes (Kwaja & Iyer, 2014). This study suggests that Thailand's tax revenue, currently standing at 16-17 percent of GDP (see Figure 2), can be raised to 25 percent of GDP without harming the overall efficiency in the economy.

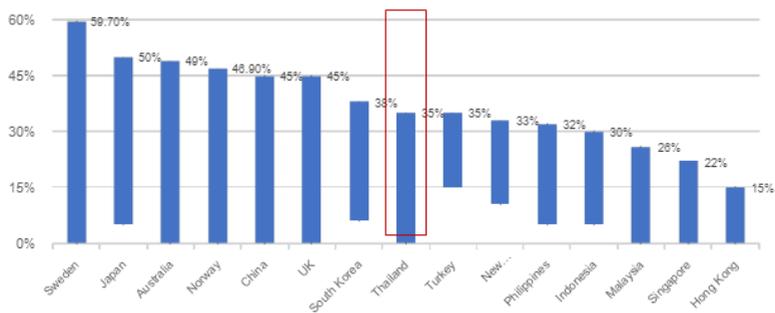
Thailand's reduced tax intake was impacted by a number of conditions. The rates of Value Added Tax (VAT), personal income tax, and corporate income tax in Thailand are still relatively low when compared globally, especially when compared to developed countries (see Figures 3 - 5). Furthermore, Thailand's very large informal economy means a large section of its population are yet to be registered as part of the base for the country's income taxes.

Figure 2. Tax Revenue as a Percentage of GDP by Country (2014)



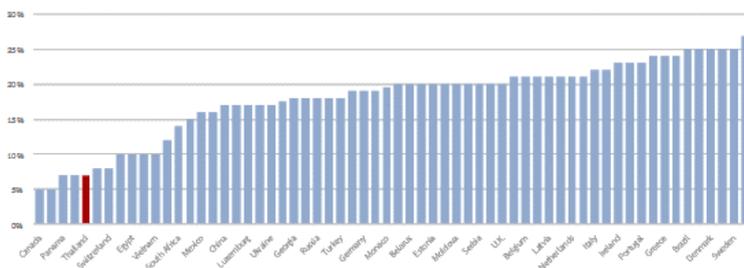
Source: World Bank (2014)

Figure 3. Personal Income Tax Rates of Bottom and Top Tax Brackets by Country (2015)



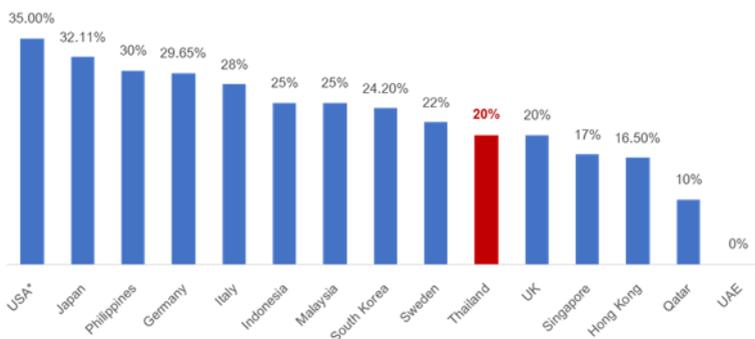
Source: World Bank (2015)

Figure 4. Value Added Tax Rates by Country (2015)



Source: Siriprapanukul (2016)

Figure 5. Corporate Income Tax Rate by Country (2015)



Source: World Bank (2015)

Two approaches should be considered to raise the tax revenue in Thailand. Firstly, the government should put efforts into enlarging the tax base. Due to the large informal economy, there are approximately 28 million people who are currently unregistered in the income tax system. This is a very large number when compared with those who are registered, which is only currently around 10 million (Siriprapanukul, 2016). The inclusion of more people into the tax base, via the use of new technology and better government monitoring, will not

only alleviate the government's budget deficit, but will also bring more justice for people who already pay taxes.

Secondly, the government can raise the tax rates. At present, the VAT rate seems most likely to receive a raise. This is because the VAT rate is less complicated to raise, and will result in an immediate and large rise in the government revenue. Furthermore, Thailand's VAT rate is already in the process of adjustment, with a rise from 7 to 9 percent currently postponed until 2018. However, it is important to recognize that using VAT to raise revenue will not be helpful to alleviate Thailand's inequality problem. VAT is a tax with regressive structure, with the poor having to pay VAT more than the rich as a percentage of their income. Hence, in the case the VAT rate is raised, the government needs to make sure that more benefits will be returned to the people, especially in the form of welfare spending to the poor.

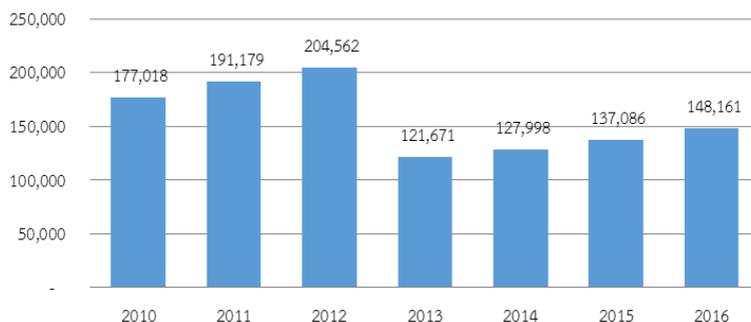
At a broader level, any attempt by the government to increase tax revenue has to occur together with an attempt to improve the quality of spending. The government needs to make sure that its spending is made efficiently on things that are worthwhile for the people. This can only occur with the promotion of transparency, allowing the people to see how their taxes are being spent to generate benefits for them.

2.2. Providing the right incentives for investment

The Thai government has provided tax benefits to promote foreign investment in the country. In recent years, this measure has been increasingly adopted to counter the decline in foreign investment. Thailand's foreign direct investment has slowed down when compared to other countries in the region. Giving tax benefits to encourage foreign and private investment, however, comes at a significant cost. In 2016, the tax benefits granted by Thailand's Board of Investment (BOI)

led to a loss in corporate tax revenue of around 150,000 million Baht (see Figure 6). This is a large proportion when compared to the total amount of corporate income tax, which in 2015 was 560,000 million Baht.

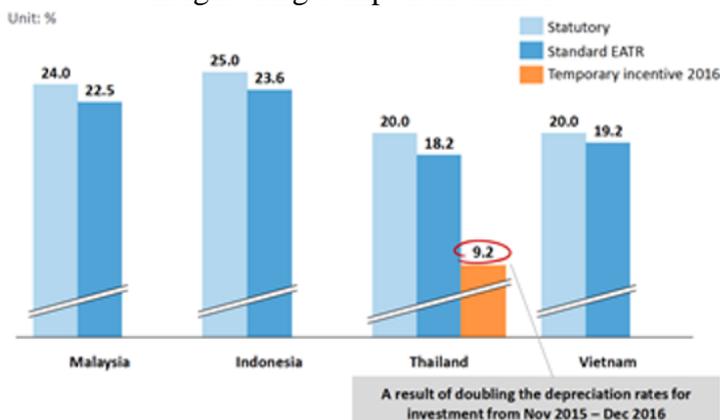
Figure 6. Estimated Corporate Income Taxes (CIT) lost from BOI's tax benefits (Unit: Millions of Baht)



Source: Siriprapanukul (2016)

More importantly, giving such a tax benefit may not even help achieve the desired objective. A study by Muthitacharoen (2016) found that the Effective Average Tax Rate (EATR) that foreign investors are actually facing in Thailand is already lower than its neighboring countries that are competing to attract foreign investment. Hence, the tax incentives that Thailand is providing are already attractive, requiring no need for further reduction to promote foreign investment (see Figure 7).

Figure 7. Effective Average Tax Rate of Thailand and its neighboring competitors in 2016



Source: Muthitacharoen (2016)

To provide the right tax incentives for investment, it is important for the government to review the cost and benefits of existing measures. There needs to be an evaluation on whether the loss in tax revenue is made up for adequately by the achievement of the measures' objectives.

It is worth noting that there are a host of other factors that also have a crucial role in attracting foreign investment. One of the factors is the difficulty in doing business resulting from the complexity of regulations. Muthitacharoen (2016) found that the difficulty of complying with the tax regulations in Thailand is higher than its competitors. Firms operating in Thailand face complicated procedures related to tax payments. Such complex regulations can be reduced to help promote investment in Thailand without causing any loss in tax revenue. Another fact which is influential in attracting foreign investment, especially in the long run, is the quality of infrastructure. Rather than losing tax revenue from giving tax benefits, more tax revenue is needed to allow the government to invest in upgrading infrastructure.

3. Tax Reform to Reduce Inequality

A tax system can also have a crucial function in redistributing income and reducing economic inequality. For Thailand, a country that has long suffered from economic inequality, this function can be highly relevant. Not only is economic inequality in Thailand a problem in itself, it is also associated with many problems that the country is facing, especially the political conflict that has destabilized the country in the past decade.

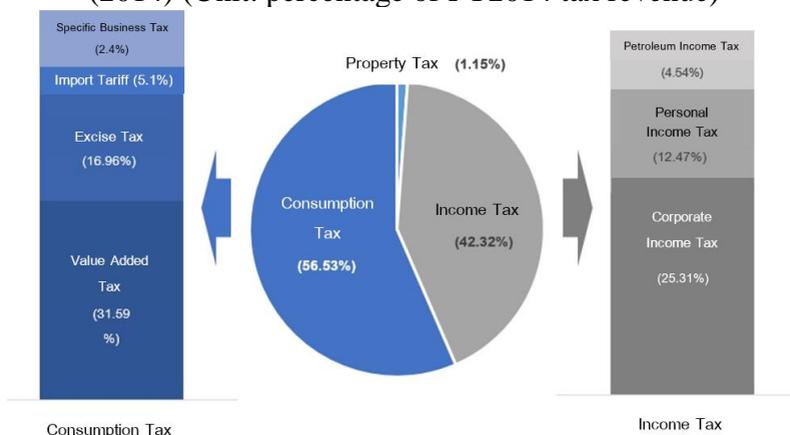
Examining the nature of Thailand's economic inequality raises a further need for redistribution of wealth and income. Phongpaichit and Baker (2016) explain that a crucial feature of Thailand's economic inequality is the concentration of income and wealth in the hands of the "top 1 percent" of the population. They cited a study by Pootrakool (2013) to highlight the fact that in the past 30 years, the top 1 percentile of income in Thailand has seen their income grow 2.8 times more than the average rate. The Global Wealth Report, published by Credit Suisse in 2016, suggests that the top 1 percent wealthiest in Thailand holds as much as 58 percent of the country's wealth. The report ranks Thailand as the country with third highest wealth inequality in the world (Credit Suisse, 2016).

With the inequality problem characterized as the "top 1 percent problem", Thailand's inequality problem is not just relevant to the poor, but is important for most of the population. Such a characteristic implies that most of Thailand's population have failed to gain an adequate share of the benefits from economic growth in their country. Thus, to most of Thailand's population, having a tax system that promotes redistribution from the wealthiest to the rest will be beneficial.

At present, Thailand's tax system has a limited capacity to redistribute. Overall, Thailand's tax system has a low level

of progressiveness when compared to other countries, especially those which are developed. Taxes that have the strongest presence in the Thai system are consumption-based taxes, such as the VAT and excise taxes. In 2014, these taxes comprised 57 percent of total tax revenue (see Figure 8). As the consumption-based taxes have a regressive nature, its strong presence limits the overall progressiveness of the Thai tax system.

Figure 8. Sources of Tax Revenue by Categories of Taxes (2014) (Unit: percentage of FY2014 tax revenue)



Source: Anapibut (2016)

Thailand’s income-based taxes, comprising of personal income tax and corporate income tax, comprise of 42 percent of total tax revenue. While these taxes have a progressive structure, their progressiveness is compromised by two factors. The first factor is the availability of tax benefits that are biased toward the rich. These benefits include, for example, allowing investment in Long-Term Funds (LTF) and Retirement Mutual Funds (RMF) to be used in reducing personal income tax payments. The availability of these benefits compromise the

progressiveness of Thailand's personal income tax system (see for example, Table 1, on the progressiveness of personal income tax after LTF), while those who utilize such benefits are often the rich. The second factor is the complexity of rules and regulations related to income taxes. There are 2,060 laws associated with income taxes in Thailand. This creates complexity and loopholes that the rich and wealthy can maneuver to their advantage, while others cannot.

Another feature of Thailand's tax system that demonstrates its lack of progressivity is a very limited presence of wealth-based taxes. Wealth taxes, such as taxes on inheritance or land, have a strong potential to redistribute, especially in the context of high wealth inequality. At present, these taxes provide only about 1 percent of tax revenue.

How can Thailand's tax system be reformed to reduce inequality? The need to solve the inequality problem must be recognized simultaneously with the need to expand tax revenue. The government must prioritize the reform options that can fulfill both the objectives of enlarging revenue and improving redistribution. There are three options that can fulfill this criteria.

Firstly, the roles of taxes with a progressive structure, especially wealth-based taxes, should be expanded. While the Thai government has recently made attempts to issue some of these taxes, such as the inheritance tax, their actual impact is still limited. This is because these recent attempts still contain exemptions and loopholes that allow the taxes to be avoided, especially by the rich. Thus, there is a need for the implementation of these taxes to be reviewed in order for the current problem to be fixed. In addition, the government should study other forms of wealth taxes, looking at the possibility of new taxes, such as a tax on capital gains from the stock market.

Table 1. Long-term Fund and Progressiveness of the Personal Income Tax

Assessable Income [1]	Taxable Income [2]	Maximum Accumulated Tax in The Bracket [3]	Effective Tax Rate without LTF [3]/[1]	Maximum Deductible LTF [1] x 15% But Not Exceeding 500K Baht [4]	Taxable Income after LTF Deduction [2]-[4]	Maximum Accumulated Tax in The Bracket after LTF Deduction [5]	Effective Tax Rate with LTF Deduction [5]/[1]
240,000	150,000	-	0.0%	-	-	-	0.0%
390,000	300,000	7,500	1.9%	58,500	241,500	4,575	1.2%
590,000	500,000	27,500	4.7%	88,500	411,500	18,650	3.2%
840,000	750,000	65,000	7.7%	126,500	624,000	46,100	5.5%
1,090,000	1,000,000	115,000	10.6%	163,500	836,500	82,300	7.6%
2,090,000	2,000,000	365,000	17.5%	313,500	1,686,500	286,625	13.7%
4,090,000	4,000,000	965,000	23.6%	500,000	3,500,000	815,000	19.9%

Source: Tax Policy Community (2016)

Secondly, there is a need to improve the current nature of income-based taxes to raise their progressiveness. An obvious measure here is to review and reduce the tax benefits that are not necessary, and also give advantages to the rich.

Thirdly, the government must put serious efforts into promoting the transparency of its fiscal system. ‘People participation’ should be promoted to monitor government action and contribute to decision-making. More transparency can only come when information related to tax and government expenses are readily available for people to access. Such transparency will enable people to know how their taxes are being used, and whether the taxes are getting spent efficiently to generate benefits back to the people.

It is important not to forget that the tax system is directly influenced by politics. In a political system that limits opportunities for most people to participate, while allowing only a small number of people to accumulate political power, the rich can easily resist any attempt that may threaten to take away their wealth. Such a system is likely to allow the rich to defy the tax reform that would promote substantive redistribution. Hence, a political reform that enhances democracy is a precondition for the success of a tax reform that could reduce inequality.

4. Tax Reform to Promote Decentralization

Improving the tax system is connected the improvement of governance through decentralization. Decentralization helps bring a number of benefits. It can make public services more responsive to local needs. Devolving power and roles to local governments helps bring them closer the people, and allows more information about local demands to be incorporated in policy making. Moreover, decentralization enables people at the local level to gain the sense of ownership over their local governments. As a key element of a broader

process of decentralization, fiscal decentralization is indispensable in bringing about these benefits.

Although the process of decentralization process has been embarked upon in Thailand since 1990, its progress has stagnated, especially during the past 10 years. The main impediment of such a progress is the complexity and the inability to change Thailand's bureaucratic system. Moreover, the country's fiscal structure also represents another problem. 85 percent of the revenue of local governments (Local Administrative Organizations) in Thailand still comes from the central government, in the form of allocations and subsidies. The revenue that local governments collect by themselves comprises of less than 10 percent of their total budget (Laovakul, 2016).

The limited ability to collect their own revenue imposes a number of limitations on the roles of local governments. It limits their autonomy and capacity to improve their public services. Without being responsible and accountable directly to the taxes provided by locals, local government officials may also lose their motivation to provide better services. Lastly, having local governments receiving a large proportion of their revenue from the central government open ways for intervention into local politics by politicians and political parties at the national level.

A major way to promote decentralization through tax reform is to equip local governments with the ability to collect their own revenue. Local governments should be supported to collect some types of taxes from people in their locality. These taxes can include, for example; taxes on land and buildings in the locality, and fees that reflect the usage of services and facilities provided by the local government.

To allow local governments to collect their own revenue, regulations should also be revised to promote greater autonomy of local governments. Local governments should be

given the ability to design some forms of local taxes. Yet, with local governments gaining more power, local participation should be enhanced to ensure transparency and accountability in the operation of local governments.

More importantly, other aspects of decentralization need to be achieved together with fiscal decentralization. For a broader process of decentralization in Thailand to be successful, there needs to be reform of the bureaucratic system. More tasks and responsibilities have to be devolved to local governments, especially those related to the provision of local services. Local governments should be given some ability to design their own services, in order for them to be more responsive to different needs in different localities.

Finally, specifically for Thailand, there is a need for a clearer division of roles and responsibilities among the country's three levels of governance; the central government, regional government, and local government. Thailand's bureaucratic system has suffered due to the overlapping of roles and the confusion in responsibilities among its three levels of governance. Without solving this problem first, it will be difficult for the process of decentralization to progress. The problem can be solved by differentiating the roles clearly among the three levels, for example, having the central government making plans and strategies, the regional government performing tasks of coordinators, and the local government as the main provider of services.

5. Tax Reform to Solve the Environment Problem

In contrast to other objectives, using taxes as a measure to deal with environmental problems has not received much attention in Thailand. This perhaps reflects the overall lack of awareness in Thai society on environmental issues. Thailand still faces an urgent need to curb its environment problems; the

current level of air pollution in Bangkok, for example, is among the worst in the world (Achavanuntakul, 2016).

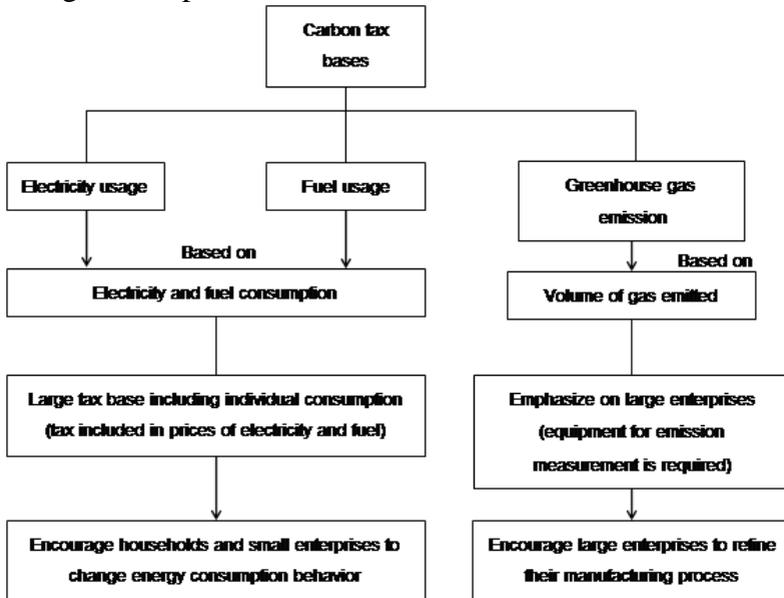
Tax measures have actually been utilized in various countries to deal with environmental problems. These measures are aimed at raising the cost of activities that create negative impacts on the environment, by internalizing the cost to those who create it. The rise in cost is aimed to help reduce the amount of activities that create a negative impact on the environment. Alternatively, tax measures can also be used to encourage the change in behavior of producers or consumers, bringing them toward economic activities that are more environmental friendly.

Reflecting the country's lack of awareness on environmental challenges, Thailand has made very limited progress in developing tax measures to help solve environmental problems. In the past 5 years, there have actually been attempts to pass new laws to provide a framework for the measures, for example the draft law on Fiscal Measures for Environmental Protection Act. However, this attempt failed due to lack of support, constraints from legal technicalities, and difficulty in designing the actual implementation of the law. Such an experience reflects the challenges that are likely be faced by similar attempts in the future.

Putting aside the aforementioned challenges, there are at least two ways for the Thai government to adopt tax measures to solve environmental problems. Firstly, taxes can be collected from carbon emissions. This so called “carbon tax” has been adopted in a number of developed countries such as Finland, Sweden, the United Kingdom, and Canada. The carbon tax has had an instrumental role in reducing the use of fossil fuel in these countries, and in supporting the development of alternative sources of energy. There are different options for a carbon tax to be collected in Thailand

(see Figure 9). Like a number of developed countries, this tax can be collected based on the consumption of fuel. Other options include collecting this tax from the use of electricity, or collecting it directly from carbon emissions.

Figure 9. Options for Carbon Tax Collection in Thailand



Source: Tax Policy Community (2016)

Secondly, taxes or fees can be collected from the use of goods that generate pollution, such as plastic bags or foam containers. Doing so will raise the cost of using these goods, subsequently discouraging their use. Still, there are concerns that this type of tax could cause the price of products to rise for consumers, and in particular cause the poor to suffer more than other groups. To ease such a concern, the government can choose to subsidize environmentally-friendly products, making them more affordable to the poor.

To gain more support for the introduction of these taxes, the revenue coming from them can be “earmarked” for specific types of expenses. By doing so, tax payers can see more clearly what they get in return from their increase in tax payment. There is also a need to make sure that the earmarking process is open for democratic participation, and can constantly reflect people's demands.

Despite the concerns among producers that environmental tax measures will raise their cost of production, there are in fact ample benefits to be noted. Having these measures can help improve Thailand’s reputation on the global market. This can be a vehicle for Thailand to gain more of a competitive edge over its competitors, particularly in developed countries that contain a large number of consumers who are environmentally conscious.

6. Summary: Ten Principles of Tax Reform for Thailand

Thailand is facing a number of challenges. Its economic growth has slowed down, while its society is aging fast. The Thai government has had a long-term fiscal deficit, a risk to sustainable economic growth that is likely to continue in the coming decades. At the same time, the country's high level of economic inequality persists. Its governance remains deeply centralized, and Thai society lacks awareness over its growing environmental problems. All these problems need to be taken into account in an attempt to reform Thailand's tax system. Thailand's "Policy Community on Taxation" has deliberated on the necessary elements of a tax reform for Thailand. The outcome of the discussion can be summarized into the "ten principles" as follows:

- 1. Generating tax revenue at the same time as reducing inequality.** The overall framework of tax reform for

Thailand is to prioritize measures that can simultaneously raise revenue for the government, while at the same time redistribute income from the rich to the poor.

2. **Expanding the tax base while reducing unnecessary tax privileges.** At present, enlarging government revenue is necessary to ensure fiscal sustainability. An approach that should be prioritized is to enlarge the tax base by bringing more people to register their personal income tax and corporate income tax. In addition, the government should reduce the complexity of rules and regulations related to income tax, and limit unnecessary tax benefits, such as tax benefits from investments in LTF and RMF. These tax benefits have not only led to a loss of tax revenue, but disproportionately advantage the rich.
3. **Expanding tax revenue from wealth-based taxes.** The government should expand the capacity to collect more taxes from wealth, such as inheritance taxes and land taxes. Although the revenues generated from these measures may not be significant, their existence has crucial implications for the reduction of inequality. However, the implementation of these measures needs to be made carefully to avoid generating unintended impacts on the poor and the middle class.
4. **Reviewing current tax benefits.** Tax benefits provided to promote investments, such as those given by Thailand's Board of Investment (BOI), should be regularly evaluated. There needs to be a consistent review of the benefits, to monitor whether the given benefits are fulfilling their objectives. The government should also look more toward other options in promoting investments, such as promoting the ease of doing

business and reducing the cost of compliance to procedures in tax payments.

5. **Restructuring government expenditure.** In the case that the government chooses to generate revenue through measures that are not directly helping to reduce inequality, it should make sure that the need to address the economic inequality is answered through government expenditure. The government must ensure that its expenditure is structured in a way that helps promote welfare to the poor and the disadvantaged.
6. **Developing new forms of taxes.** The government should look into the possibilities of issuing new forms of taxes, such as the earmarked tax. By explicitly specifying the uses of the revenue, the earmarked tax can provide a transparent link between tax revenue and government expenses. Another form of tax that the government should consider is a capital gains tax applied to the gains from the stock market. As a form of wealth tax, such an option can promote equality at the same time as generating revenue. However, the impact of these taxes needs to be studied carefully before their actual implementation.
7. **Promoting fiscal decentralization.** Rules and regulations should be improved to give local governments more autonomy and capacity to manage their own fiscal budget. Instead of receiving subsidies and allocation from the central government, local governments should have the ability to collect their own revenue, collect local taxes such as land and building taxes, and collect fees for local public services. Local governments should also be given some freedom to design their services, in order to respond to the demand of people in their own locality.

8. **Adopting tax measures to solve environmental problems.** The government should consider introducing new forms of environmental taxes, such as a carbon tax. Doing so will help promote Thailand's reputation in the global market. It can enhance the competitiveness of Thailand's exports, especially to countries with strict environmental standards. In addition, the government may consider collecting taxes and fees to raise the cost and reduce the use of products such as plastics bags and foam containers. To reduce the negative impacts from such a measure on consumers, revenue generated can be used to subsidize more environmentally friendly products.
9. **Promoting fiscal transparency.** Information on taxes and government expenses should be made open to the public. Doing so not only makes sure that the public knows how their taxes are being spent, but it also helps people acknowledge the benefits they receive from their taxes and accept changes resulting from the tax reform process. Fiscal transparency also encourages the government to improve the quality of their spending.
10. **Restructuring political structure.** It must be recognized that any change in the tax system is connected to the wider political structure, with the change inevitably affected by negotiations between interest groups that are politically and economically powerful. Thus, a necessary condition that will enable tax reform to be more beneficial to ordinary people is the promotion of 'people participation' in the reform process, and in monitoring and determining the direction of government policies. Finally, for a reform to be successful, the scope of tax reform should be extended to cover the broader reform of institutions associated

with administering tax policies, tax collection, and the allocation of tax revenue.

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Appendix

Thailand’s Policy Community on Taxation

“Thailand’s Policy Community on Taxation” arose from a collaboration between Friedrich-Ebert-Stiftung (FES) Thailand, Thailand Development Research Institute (TDRI), and the Faculty of Economics, Thammasat University. The aim of the project was to create a group of policy advocates that share the vision in building an accountable tax system that promotes equality and sustainable growth in Thailand. The project also sought to expand the network toward allies who share the same vision in disseminating the ideas and the proposal for Thailand’s tax reform.

Thailand’s Policy Community on Taxation connected actors from different social sectors, including the academia, public sector, private sector, and civil society. The project brought them together to exchange their insights and knowledge, especially on the problems relate to the tax system of Thailand, and the approach for the improvement of such a system.

Thailand’s Policy Community on Taxation held 6 meetings from November 2015 to September 2016. Each of the meetings discussed a major aspect of Thailand’s tax system, covering aspects that range from redistribution, decentralization, promotion of sustainability, improvement of competitiveness, and enlargement of tax revenue. The discussion of these aspects was synthesized in the final meeting that aimed at drafting a policy proposal. Each of the policy community meeting started with the invited experts outlining the points for discussion, followed by open exchange of ideas by the participants.

The 6 meetings that were organized as part of Thailand's Policy Community on Taxation were:

1. *Building Thailand Policy Community on Taxation*, 28 November 2015, Centara Grand at Central Ladprao, Bangkok
2. *Tax Reform to Promote Redistribution and Reduction of Inequality*, 27 February 2016, Banyan Tree Hotel Bangkok
3. *Tax Reform and Decentralization*, 1 May 2016, Banyan Tree Hotel Bangkok
4. *Tax Reform to Promote Sustainability and Competitiveness*, 18 June 2016, Eastin Grand Hotel, Bangkok
5. *Tax Reform to Enlarge Revenue*, 16 July 2016, Eastin Grand Hotel, Bangkok
6. *Proposal for Thailand's Tax Reform*, 16-18 September 2016, Sampran Riverside Hotel, Nakorn-Pathom