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NEWSLETTER

Tax Update:

Negative Income Tax in Thailand: Towards Inclusive Welfare and Tax Compliance

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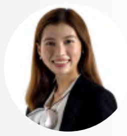

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On 15 August 2025, the Permanent Secretary of Ministry of Finance announced the Ministry's plan to implement a **Negative Income Tax system** with the primary objective of enhancing efficiency in welfare eligibility and distribution. The implementation would need to establish an integrated dataset, referred to as the "Data Lake", with a centralized repository encompassing information concerning more than 60.8 million individuals and over 600,000 businesses. According to the Ministry, the Negative Income Tax framework is expected to become fully operational by 2027.

Thailand's personal income tax currently applies only to individuals whose income exceeds a certain threshold, while those earning below this level are exempt. Moreover, there is no mechanism to verify whether individuals whose income exceeds the taxable threshold have filed their tax returns. This gap creates loopholes in compliance monitoring and results in significant revenue losses for the government. Against this backdrop, the introduction of a Negative Income Tax has been presented as a potential structural reform.

NEGATIVE INCOME TAX OVERVIEW

A Negative Income Tax is a taxation and social welfare mechanism designed to integrate income or welfare support by government with the tax system. Under this framework, all individuals are required to file an income tax return regardless of whether their income reaches the taxable threshold. Individuals whose income exceeds the threshold continue to pay personal income tax in accordance with existing rates, while those earning below the threshold receive direct government financial welfare e.g. subsidy, living allowance, medical treatment etc.

At this stage, no official announcement has been issued concerning the specific income threshold and the type of welfare to be supported by government under the Negative Income Tax system, which shall be subject to determination and official announcement by the competent government authorities.

IMPLICATIONS FOR INDIVIDUALS

- **Providing financial support for low-income individuals:** Low-income individuals who are not currently part of the tax system would receive welfare e.g. medical treatment or subsidies based on their income level, offering direct financial relief and improving living standards.
- **Mandatory tax compliance:** Undeclared income individuals, those whose earnings exceed the taxable threshold but have never filed tax returns, would be required to file a tax return. Such taxpayers may also be subject to retrospective tax audits.
- **Potential barriers:** Marginalized or hard-to-reach groups may face difficulties in accessing the tax filing system to claim benefits, which could create an additional burden for these individuals.
- **Limited eligibility:** Individuals with no income may continue not filing a tax return and may not be eligible for government welfare.

IMPLICATIONS FOR THE GOVERNMENT

- **Integration of the informal sector into the tax system:** By requiring all individuals to file personal income tax returns to access government welfare, the Negative Income Tax serves as a mechanism to gradually bring workers and earners from the informal economy into the formal tax framework.
- **Expansion of the tax base and Enhanced Revenue Collection Efficiency:** As more previously non-reporting individuals enter the tax system, the overall tax base is broadened, leading to improved revenue collection and a more accurate and comprehensive understanding of income.
- **Tools for monitoring:** The mandatory tax returns filing alone without tools or mechanism to inspect tax returns filing compliance may not be effective in expanding the tax base. In this regard, AI may be a more effective tool for inspecting income earners to expand the tax base.