ISSN: 2454-1907
DOI: 10.5281/zenodo.1494330

International Journal of Engineering Technologies and Management Research
A Knowledge Repository
IJETMR

TAXATION SYSTEM: A COMPARISON BETWEEN THAILAND AND THE PHILIPPINES

Rattana Pinthong [1], Paiboon Pajongwong [1], Thamrongsak Svetalekth [1]
[1] Department of Accounting, Faculty of Business Administration, Kasetsart University

Abstract:
The purpose of this research to study of taxation system, taxpayers, taxation agencies, tax rates, penalties, term and conditions of tax privileges and comparative analysis of taxation systems between Thailand and Philippines. The findings of tax system comparison were the difference of tax collection organization between Thailand and Philippines, however, both countries have the same tax system that are tax baskets, tax regulations, tax benefits. From these findings can be concluded that taxpayers or entity in Thailand has more advantage than Philippines's in tax allowance regulations, personal tax income allowance favoured to taxpayers for lower tax rate. Moreover, the tax rate in Thailand is lower than in Philippines resulting to proprietors or investors could bring these proceeds to expand their business or investment, finally, it will generate economic growth.

Keywords: Taxation System; Tax Baskets; Tax Rate; Comparison; Advantage.

Cite This Article: Rattana Pinthong, Paiboon Pajongwong, and Thamrongsak Svetalekth. (2018). "TAXATION SYSTEM: A COMPARISON BETWEEN THAILAND AND THE PHILIPPINES." *International Journal of Engineering Technologies and Management Research,* 5(10), 154-158. DOI: 10.5281/zenodo.1494330.

1. Introduction

Tax measure is a heart of the country's administration. Each country uses it as a tool to reduce inequalities and create fairness for people in the country, as well as a tool to strengthen the economic capabilities of the country. The ASEAN Economic Community (AEC) has been officially launched with the objective of opening up the market to move more production factors among the member countries in terms of goods, services, investment, and labors, including to create of competing capacities for equitable economic development, to reduce the gap in national development and social inequality. Thus, each country is interested in the policies of each member country to bring about the improvement, modification and change of the country's policies for development of equality. The Philippines is one of the members of the ASEAN Economic Community, which has similar economic conditions to Thailand. Khuanchai Techsensakula (2015) referred to the economic situation in the Philippines that they had an average growth rate of 6.2% between 2010 and 2015. This shows that the Philippines is a developing country and has become one of the fastest growing economies in Asia, it is then worth noting that one of the factors that could lead to better economic situation in the Philippines. Previously, Chonlatarn Wisarutwong et al., (2008), conducted a comparative study of excise tax in Thailand, Singapore, Philippines, Korea, Australia, and the European Community and found that each country had a different

 ISSN: 2454-1907
DOI: 10.5281/zenodo.1494330

proportion of excise tax to the retail price. Moreover, Thailand and the Philippines have a broader range of proportions than any other countries, showing a difference in the tax burden on retail prices for the same type of alcohol. According to a study by Auyporn Futrakool (2014(, who conducted a comparative study of Automotive Industry Tax structure of Thailand with ASEAN, it is found that the excise tax structure of Thailand is more complicated than that of Indonesia and the Philippines.

The purpose of this study is to introduce the taxation system of Thailand and the Philippines in the year 2017, to study and compare the similarity and difference of each type of taxation to be the information to those who are interested and to use for the investment decision of entrepreneurs who are deciding to do business in the Philippines.

2. Method

In the study, the researcher has defined research methodology as a qualitative research method, comprising of researching from books, academic articles, taxation law, revenue code, and academic information obtained from the electronic search, then collected the information, processed, summarised and analysed the comparison the taxation system of Thailand and the Philippines, from the type of tax imposed in each country, tax base, tax rate, terms and conditions of each country's tax benefits.

3. Results and Discussion

Based on the study of the taxation system of the two countries, the researcher found that there were differences in the tax authorities. In Thailand, the main tax authorities are The Revenue Department (RD), Excise Department (EXCISE) and The Customs Department (TCD). While the Philippines, there is no an Excise Department, only the Bureau of Internal Revenue (BIR) and the Bureau of Customs (BOC) are responsible for imposing tax in the country. Although there are differences between the tax authorities of both countries, the type of taxation that each country imposes, the proportion of tax revenue imposed by both countries is classified by the type of taxation are similar.

Table 1: Deductions allowance for the Calculation of PIT

Allowance (Exemptions)	**Thailand**	**Philippines**
Personal allowance	✓	✓
Spouse allowance	-	✓
Child allowance	✓	✓
Parents allowance	✓	✓
Additional Exemption	✓	-
Life insurance premium	✓	-
Approved provident fund	✓	-
Contributions long term equity fund	✓	-
Home mortgage interest	✓	-
Social insurance contributions	✓	-

 ISSN: 2454-1907
DOI: 10.5281/zenodo.1494330

From table1 is shown that Thailand has more tax allowance regulations than the Philippines. This means that individuals can bring tax to deduct more. As a result, the taxable income is lower. In addition, the tax rate structure is one thing that the researcher is considered. Personal income tax rates of both countries are imposed according to progressive rates are given in table 2.

Table 2: Comparison income for PIT between Thailand and the Philippines

Unit: Baht

Transaction	**Thailand**	**Philippines**
Annual income	1,000,000	1,000,000
Deduct Expenses	100,000	400,000
Income after expenses	900,000	600,000
Deduct Exemptions		
Personal allowance	60,000	34,960
Additional Exemption	-	34,960
Spouse allowance	60,000	34,960
Child allowance	60,000	34,960
Net income	720,000	460,160
Tax rate	15%	32%
PIT	60,500	122,779

Tax deduction and Exchange rate were referred at March 31, 2017 (1 Peso=0.6992 Baht).

The corporate income tax rates generally in Thailand and the Philippines are 20% and 30% respectively. However, the two countries have granted the privileges, exemptions, and reduced tax rates for juristic person who has the qualification as defined by that country.

Value added tax)VAT(had difference in each country that VAT in Thailand as 7% whereas Philippines is levied at 12% as shown in Table 3.

Table 3: Comparison VAT between Thailand and the Philippines

Transaction	**Thailand**	**Philippines**
VAT Register	Person or entity who supplies goods or provides services has an annual turnover 1,800,000 baht per year	Person or entity who supplies goods or provides services has an annual turnover 1,342,114 baht per year
VAT rate	7%	12%

For those who are responsible for paying specific business taxes (the Philippines called Percentage Tax), are the entrepreneur who is not registered VAT, and operate the business in a specific manner as required by law. Based on the study of the requirements of both countries, it found both the similarities and differences of the business that are subject to specific business taxes)SBT(are given in table 4.

Table 4: Comparison SBT between Thailand and the Philippines

Type of business	**Thailand**	**Philippines**	**Result**
1. Banking, Finance and similar business	✓	✓	Same
2. Life Insurance	✓	✓	Same
3. Pawn Brokerage	✓	-	Different

 ISSN: 2454-1907
DOI: 10.5281/zenodo.1494330

4. Real estate	✓	-	Different
5. sale of securities in a securities market	✓	✓	Same
6. Domestic carriers and keepers of garages	-	✓	Different
7. International carriers	-	✓	Different
8. Franchise Grantees: Radio television broadcasting electric gas and water utilities	-	✓	Different

From the table 4 shown that pawn business and commercial real estate are not subject to the specific business tax of the Philippines. While Thailand does not have the requirements of the specific business tax of the land transport service, airlines/carriers international freight forwarder, franchisee of Radio/TV Broadcasting Business, Public Utility Service Business of Electricity, Gas, Water, and renters or operators Cabaret Club, Karaoke and Karaoke Machine, Organizer Boxing Business, Commercial Basketball Competition, and Gambling/Horse Racing Business comparing to the Philippines. However, the fact that the above businesses do not conform to the business rules that are subject to the specific business tax of that country, does not mean that those businesses are not taxable. It may be necessary to consider other types of taxation.

Table 5: Comparison main excise tax between Thailand and the Philippines

Type of business	**Excise tax rate**			
	Thailand		**Philippines**	
	Ad valorem (%)	**Per volume (baht)**	**Ad valorem (%)**	**Per volume (baht)**
1. Petroleum and petroleum products	23	6.50 baht per liter	-	3.74 baht per liter
2. Beverage	25	0.77 baht per 440cc.	-	-
3. Automobiles	50	-	60	-
4. Perfume and cosmetic	15	-	-	-
5. Nightclub and discotheque	10	-	18	-
6. Gambling	20	-	30	-
7. Liquor	48	1,000 baht per litre	20	572.57 baht per litre
8. Tobacco and cigarettes	90	1.10 baht per gram	20	1 baht/cigarette 4.09/cigar
9. Playing cards	-	100 baht per 30 cards	-	-

Excise tax rate and Exchange rate were referred at March 31, 2017 (1 Peso=0.6992 Baht).

The highest rate of excise tax in Thailand was imposed at the rate of 90% is tobacco and alcohol is imposed at the rate of 225 baht per litre. It shows that Thailand concerns on consuming products that could have the greatest negative impact on health and morals, as it is imposed at the highest rate to reduce consumption. At the same time, Philippines imposed excise tax rates at the highest rate in cars that were imposed at a rate of 60%, and alcohol was imposed at a tax rate of only 818.90 peso per liter)about 572.57 baht per liter(. It shows that the Philippines gives the importance on

ISSN: 2454-1907
DOI: 10.5281/zenodo.1494330

products that cause air pollution and consuming products that could have a negative effect on health, and morals by imposing high tax rates on these products to reduce consumption.

4. Conclusions

Thai taxpayers have advantage over those who are in the Philippines in terms of deduction requirements and the personal income tax deduction as in Thailand is higher than in the Philippines, which is beneficial to taxpayers at low rates. Moreover, each type of tax rate in Thailand has a lower rate compared to the Philippines. As a result, the entrepreneurs or the investors have to pay less income tax to government at a lower rate. This makes the entrepreneurs to take the remaining profits to invest for expanding business. In addition, the country's economic condition has more improved as well.

References

[1] Khuanchai Techsensakula (2015) “The Philippines economics New wave of Asia” Prachachatbusiness (Online). http://www.prachachat.net/news_detail.php?newsid=1450612149, September 15, 2015.
[2] Chonlatarn Wisarutwong (2008), A comparative study of excise tax in Thailand, Singapore, Philippines, Korea, Australia, and the European Community 1st edition Bangkok Charerndeemonkong Printing.
[3] Auyporn Futrakool (2014(, who conducted a comparative study of Automotive Industry Tax structure of Thailand with ASEAN. Report to Ministry of Foreign affairs, August 2016.
[4] The Abrea, Raymond A. 2016. Got a Question About Taxes? Ark the Tax Whiz! Rappler 2016 Edition. Pasig City: Inkwell Publishing Co.,Inc.
[5] Bureau of Interal Revenue. 2016. "Comparative Internal Revenue Collections and Goals by Tax Type". Annual Report 2015. 60.
[6] Deloitte Touche Tohmatsu Limited. 2017. International Tax Philippines Highlights 2017. 1-2.
[7] Republic of the Philippines, Bureau of Customs. 2015 Annual Report (Online). http://customs.gov.ph/boc-annual-report/, December 20, 2016.
[8] Republic of the Philippines, Bureau of Internal Revenue. Tax Information (Online). http://www.bir.gov.ph/index.php/, December 10, 2016.
[9] The World Bank Group. 2017. GDP growth (annual %) (Online). http://data.worldbank.org/indicator/NY.GDP.MKTP.KD.ZG, December 10, 2016.

*Corresponding author.
E-mail address: rattana.pint@ ku.th