Thailand Public Revenue and Spending Assessment
How can Thailand’s government meet rising spending needs, while maintaining fiscal sustainability over time?

### The Fiscal Response to the Pandemic Was Substantial

- Budget deficits and public debt remained contained prior to the pandemic.
- Previous spending discipline allowed the government the fiscal space to respond to the COVID-19 pandemic with one of the largest packages in the region (~15% of GDP).

#### General government fiscal balance (% of fiscal year GDP, GCF basis)

- Total revenue vs. Total expenditure vs. General government deficit (as % of GDP)

#### While this fiscal response drove a sharp increase in public debt, at around 60% of GDP in 2022, the level of public debt remains contained relative to regional peers, and several factors mitigate the associated fiscal risks:
- Almost all denominated in local currency
- Largely held by Thai residents

### Spending Needs Are Pressing

- There are substantial unmet spending needs in the areas of social assistance, education, and climate adaptation.
  - Spending on social assistance (pre-pandemic) was low compared with international benchmarks, and benefit amounts are insufficient to meet recipients’ needs.
  - Spending per student at pre-primary and secondary levels is comparatively low, and learning outcomes are weak.
  - Significant investments in climate adaptation will be required to reduce vulnerability to climate change.

#### Population aging will create longer-run fiscal pressures:

- Directly through rising public pension and healthcare costs
- And via its influence on labour supply, human capital and potential growth

### Maintaining Fiscal Sustainability Will Be Challenging

- In the near term, government needs to reduce the fiscal deficit, but it has the fiscal space to pursue a relatively gradual ‘growth-friendly’ fiscal consolidation
  - Public infrastructure investment and spending in priority areas can increase, even as other spending unwinds
  - Over the longer term, efficiency gains can help to contain the increase in spending necessary to achieve desired objectives
  - But ultimately an increase in revenue will be necessary to meet these spending needs without jeopardizing fiscal sustainability

- Additional spending without revenue reforms would see public debt exceed 80% of GDP by the 2030s

- But with effort on tax reform, spending needs could be met while keeping public debt contained

### Revenue Collection Will Need to Increase

- Revenues remained stable at around 21% of GDP over the five years to 2020, and tax collection is lower than peers.

#### The ‘tax gap’ - the difference between Thailand’s actual and potential tax take is estimated at 5.6% of GDP

- Reforms could increase revenues by 3.5 percentage points of GDP by 2030, narrowing this estimated tax gap, promoting equity, and providing the revenue needed to fund elevated spending needs:
  - Returning the VAT rate to 10% and rationalizing exemptions (~2.4 ppts of GDP)
  - Broadening the personal income tax base by incentivizing tax filing and removing tax deductions and allowances (~0.8 ppts of GDP)
  - Expanding property tax collection by ensuring regular, simplified valuation updates based on market values (~0.3 ppts of GDP)