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Thailand's Transition to a Negative Income Tax System

The Finance Ministry is currently transitioning toward a Negative Income Tax system, which is a workfare model designed to replace traditional welfare with targeted cash transfers for employed individuals whose income falls below a specified threshold. Under this framework, eligibility is strictly contingent upon mandatory employment and the filing of a Personal Income Tax return, ensuring that benefits act as a work incentive rather than a deterrent. The proposed structure involves three stages consisting of the phase in for annual income of 32,000 baht or less, the plateau for annual income between 32,000 to 36,000 baht, and the phase out for annual income between 36,000 to 60,000 baht, with a maximum annual transfer of 12,000 baht. By leveraging existing tax infrastructure, the system aims to lower administrative costs while incentivizing the massive informal sector in Thailand, which accounts for 57.2 percent of GDP, to enter the formal tax system. Unlike minimum wage mandates or crop subsidies, this approach is noted for its ability to address income inequality without distorting market mechanisms, making it a pivotal shift in Thai fiscal policy that requires strategic attention regarding its impact on labor formalization and compliance