

Personal Income Tax Knowledge of Expatriates in Thailand

Jaruwan Saetao and Pratoomma Puriboriboon, Asia-Pacific International University, Thailand

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Abstract

The purpose of this research was to study the level of knowledge about personal income tax and to investigate the factors that influenced respondents' knowledge of personal income taxes. The sample group consisted of expatriates currently working in Thailand. A questionnaire was used for data collection from 130 respondents. The statistics used in data analysis were descriptive statistics, *t*-test, and the one-way ANOVA test. The research findings indicated that expatriates had a medium level of knowledge of personal income tax payments. It was also found that gender, age, average monthly income, and education level influenced the knowledge held by expatriates concerning personal income taxes. The research findings and recommendations made will be useful to relevant agencies, such as the Revenue Department, employing organizations, and educational establishments. These agencies could use this information as a guide in providing additional knowledge about issues where understanding is minimal. This will help taxpayers to prepare their returns accurately, and will strengthen the tax-liability awareness of all people living in Thailand.

Keywords: *Personal income tax, expatriate tax knowledge*

Introduction

Under tax laws, it is mandatory for the public to pay taxes to the government in order to support the operations of the country. Tax revenue plays an important role in the process of generating income and conducting different state activities. It promotes economic development, social welfare and improvement of the quality of life, efficient resource allocation, transportation, and other major projects (Amin et al., 2018). Thus, the collection of taxes from the public is an important revenue-raising device that helps in the administration of the country. There are several types of taxes levied by the government based on different tax schedules. These includes personal income tax that is levied on the income base, expenditure tax that is levied on the consumption base, and property taxes that are levied on the wealth or property base (Poungsangsuk et al., 2018). According to the Revenue Code, personal income tax is a type of tax collected from the general public on earnings or income that is required by law (Boonkuson et al., 2020).

For those who are liable to pay personal income tax in Thailand, the law sets a specific tax measure. Regardless of race or nationality, if income is generated in Thailand, it is subject to Thai income tax. Personal income tax information is important and beneficial to the government, since it reflects household income in terms of the salary base and deposit base that is generated each year. It also reflects the knowledge and understanding of personal income tax provisions (Teeratansirikool & Phutharat, 2016). If the taxpayers are aware of the correct tax payment, have a good knowledge of the taxation system, and pay taxes voluntarily, then they are regarded as good citizens of the country. The country, in turn, will enjoy full revenue collection from taxes (Nakeepate & Buasri, 2020). Therefore, having a knowledge of personal income taxes is essential so that taxpayers will have a better understanding of tax law and the tax compliance process. Additionally, this helps in planning tax payments and protecting individual interests, which includes tax deductions, accurate and complete calculation of taxable income according to the Government Revenue Code, and realistic estimates of tax returns. It is important to file tax returns within a specified period of time, because insufficient knowledge of the tax system may result in loss of personal benefits, risk non-compliance penalties, or lead to the eventual collection of back taxes (Bornman & Wassermann, 2020).

The present researchers were interested in studying the tax knowledge of expatriates in Thailand, specifically in relation to personal income tax. The objective was to provide guidelines for expatriates who come to work in Thailand so they have adequate knowledge about personal income tax. This will

function to strengthen their awareness of their civic rights regarding personal income tax and will be useful in effective tax planning.

Research Objectives

1. To study the level of knowledge about personal income tax among expatriates working in Thailand.
2. To compare the level of knowledge about personal income tax among expatriates working in Thailand as influenced by personal factors.

Literature Review

Personal Income Tax

Personal income tax is a tax levied on an individual's income during the previous year. This tax applies to individuals liable to pay personal income tax or to an individual who is in a general partnership, and even applies to individuals deceased during the tax year involving an undivided estate (Revenue Department, 2020). Principles are followed in the collection of taxes on all types of income. This includes any income that is tax exempt; such exemptions must be specified by law. To those who are liable to pay income tax in Thailand, the law provides tax measures based on the income source and their residence as stated in the Civil Code. It is understood that regardless of race or nationality, if the income arises from any income source in Thailand, it is subject to Thai tax. Moreover, any individual who resides in Thailand for 180 days is responsible to pay income tax from the source of income in that tax year. In addition, if income is earned from a source outside Thailand and the funds are brought into Thailand, then that income is subject to Thailand's income tax in the tax year (Rojanavanich et al., 2018).

The personal income tax rate is either a progressive tax or based on a ladder-like tax system where the higher the income, the higher the tax rate applied (the highest current personal income tax rate is 35%). The Revenue Department is the agency responsible for collecting income tax. Income earners have to report their income starting from January to March of the following year. In special cases, the law allows taxpayers to submit their personal income tax for the actual income earned in the first half of the year in order to alleviate the tax burden that must be paid at the end of the year. In some other cases, the law requires the employer to withhold tax on part of their income so that there is a gradual tax payment while the income is earned (Revenue Department, 2020).

Personal Income Tax Knowledge

Knowledge relates to the systematic perception of various subjects, the ability to compile or distinguish issues in detail and clearly prioritize them in an orderly way, making a logical comparison of various matters and applying this knowledge in real situations depending on individual experiences (Pati, 2017; Putsom, 2019). Tax knowledge, in this context, is the ability of taxpayers to understand various tax laws and regulations, and it is something that they need to understand and practice in order to preserve their personal benefits. It involves knowledge about the content of personal income tax, the method of tax calculation, expense deduction entitlements, and tax report filing that leads to better tax compliance levels (Susyanti & Askandar, 2019).

Because filing personal income tax paperwork is mandatory and there are penalties for tax avoidance and late filing, people naturally try to understand requirements in order to be able to file tax returns accurately and on time (Nakepate & Buasri, 2020). According to past studies, most Thai people have a medium level of knowledge and understanding about personal income tax. However, the most common problems among Thais is regarding personal income exemptions, expense deductions, withholding tax deductions, personal income tax rates, and filing tax returns. Another problem is the lack of training about taxation (Damrongchai & Purisan, 2018; Yosrikhun, 2018; Yensap, 2017). In the study of Salam et al. (2018), it was found that Ilorin University staff had relatively low knowledge of personal income tax matters, and one of the main problems was the lack of updates in regards to changing tax criteria (Nakepate & Buasri, 2020). Not understanding tax laws is an obstacle

for calculating taxes and annual personal income tax payments, and it is a drawback for filing taxes properly (Damajanti & Karim, 2017). One additional reason for non-compliance is that taxpayers perceive the tax system as complex. Tax knowledge is a factor that affects the behavior of taxpayers. The reality is that most taxpayers rely on the accounting department or tax experts to submit their tax returns due to lack of knowledge and understanding about taxes (Saad, 2014).

From the literature review, it is evident that Thai groups frequently showed a lack of knowledge and understanding of personal income tax. Expatriates were included in this study in order to provide a clearer picture about their level of knowledge and understanding of personal income tax in Thailand.

Research Methodology

Population and Sample

The population in this study consisted of expatriates who were authorized to work in Thailand, especially those 111,540 expatriates working under Section 59 of the Royal Decree Concerning the Management of Employment of Foreign Workers (Foreign Workers Administration Office, 2020). The sample size of 400 was determined using Yamane's schedule (Sincharu, 2017, p. 47). Those sampled included individuals in the teaching profession, various department managers, managing directors, senior management, and others. Because the sample group contained people with high education and salary bases, it was assumed that they had to pay personal income tax. Sampling was done using a convenience sampling method and involved a total of 130 respondents working at 5 organizations. This accounted for 32.5% of the ideal sample size but was sufficient for data analysis (Aaker et al., 2001). The period of data collection was between December 2020 and January 2021.

Research Instrument

A self-constructed questionnaire was verified for content accuracy by three experts. The instrument was revised according to the Index of Item Objective Congruence to verify the accuracy and comprehensiveness of the research items, taking into account the opinions of the experts. The questionnaire had a consistency index of .90 between the questions and the overall objectives. Baotham (2015) suggested that a consistency index .50 or higher is an acceptable value. This meant that the research questionnaire was appropriate for the designated purpose. The questionnaire was divided into two parts: (a) general information about expatriates working in Thailand, which included gender, age, average monthly income, and education level; and (b) opinions regarding knowledge about personal income tax payments of expatriates working in Thailand. This latter section consisted of eight questions that dealt with issues commonly encountered concerning personal income taxes. The questionnaire was constructed from personal knowledge and from reading, training, and information gleaned from others.

Measurement

The statistics used for data analysis were frequency, percentage, mean, standard deviation, independent *t*-test, one-way ANOVA, and Scheffe's method of comparison.

The scoring criteria (rating scale) used the same average for all ranges (Srisa-ard, 2011) as follows:

A mean value of 4.51–5.00	=	<i>a maximum level of knowledge</i> ;
A mean value of 3.51–4.50	=	<i>a high level of knowledge</i> ;
A mean value of 2.51–3.50	=	<i>a medium level of knowledge</i> ;
A mean value of 1.51–2.50	=	<i>a low level of knowledge</i> ;
A mean value of 1.00–1.50	=	<i>a minimum level of knowledge</i> .

Research Results

Demographic Profile of Respondents

The demographic data gathered are shown in Table 1. The majority represented in the sample group were males, nearly half were more than 40 years old, a majority earned 25,001–45,000 Baht per month, and most held a Master degree or above.

Table 1 Demographic Profile of Respondents (N = 130)

General Information	N	%
1. Gender		
Male	71	54.60
Female	59	45.40
Total	130	100
2. Age		
≤ 20 years old	0	0.00
21–30 years old	23	17.70
31–40 years old	43	33.10
> 40 years old	64	49.20
Total	130	100
3. Average Monthly Income		
≤ 25,000 Baht	21	16.20
25,001–45,000 Baht	86	66.20
45,001–65,000 Baht	20	15.40
> 65,000 Baht	3	2.30
Total	130	100
4. Education		
Bachelor degree or lower	56	43.00
Master degree or higher	74	57.00
Total	130	100

Table 2 shows that most expatriates working in Thailand had a medium level of knowledge of personal income tax. The statement "Payment of tax is a civic duty" had the highest mean ($\bar{X} = 4.47$), while "My employer explained to me about the Thai personal income tax system" had the lowest mean score.

Table 2 Mean and Standard Deviation of Personal Income Tax Knowledge of Expatriates in Thailand

Tax Knowledge	\bar{X}	SD	Level
1. I know that I must pay Thai personal income taxes.	4.35	0.85	High
2. Payment of tax is a civic duty.	4.47	0.76	High
3. I know how personal income tax is calculated.	3.13	1.18	Medium
4. I know about personal income tax deductions (spouse, donations, etc.).	3.28	1.13	Medium
5. I understand the personal income tax system in Thailand.	2.83	0.99	Medium
6. I know the surcharge penalty for not paying personal income tax on time.	2.79	1.04	Medium
7. My employer explained to me about the Thai personal income tax system	2.49	0.96	Low
8. My employing organization cares for, or handles my payment of personal income tax in Thailand.	4.15	0.97	High
Average	3.44	0.98	Medium

Comparisons of Differences in Personal Income Tax Knowledge in Regards to Gender, Age, Education Level, and Income Type

From Table 3, it was evident there were gender differences in knowledge levels among expatriates. Male respondents had a higher level of personal income tax knowledge than female respondents, and the difference was significant ($p < .05$).

Table 3 Comparison of Personal Income Tax Knowledge by Gender

	Male (n = 71)		Female (n = 59)		t	p-value
	\bar{X}	SD	\bar{X}	SD		
Overall Tax Knowledge	3.65	0.68	3.37	0.67	2.319	.022*

* $p \leq 0.05$

Table 4 data indicated that tax knowledge among expatriates working in Thailand differed according to age ($p < .01$). Based on Scheffe's method of comparison (Table 5), it was evident that the respondents in the age group of 21–30 years had less knowledge about personal income tax than those in the age groups of 31–40 years, and those more than 40 years old.

Table 4 Comparison of Personal Income Tax Knowledge by Age

Tax Knowledge	SS	df	MS	F	p
Between Groups	5.553	2	2.777	6.426	.002**
Within Groups	54.877	127	0.432		
Total	60.431	129			

** $p \leq .01$

Table 5 Scheffe's Post Hoc Analysis

Age (years old)	\bar{X}	21–30 (n = 23)	31–40 (n = 43)	≥ 40 (n = 64)
21–30	3.09	-	.003**	.011*
31–40	3.67	-	-	.759
≥ 40	3.58	-	-	-

* $p \leq .05$ ** $p \leq .01$

Knowledge about Thai income tax also differed significantly among expatriates with different average monthly income levels ($p < .01$; Table 6). Scheffe's method of comparison indicated that respondents with incomes less than 25,000 Baht had less knowledge about taxation from those who earned between 25,001–45,000 Baht and those who earned between 45,000–65,000 Baht (Table 7).

Table 6 Comparison of Personal Income Tax Knowledge by Income

Tax Knowledge	SS	df	MS	F	p
Between Groups	12.534	3	4.178	10.990	.000**
Within Group	47.897	126	0.380		
Total	60.431	129			

** $p \leq .01$

Table 7 Scheffe's Post Hoc Analysis

Income (Baht)	\bar{X} (n = 21)	≤ 25,000	25,001 – 45,000 (n = 86)	45,001 – 65,000 (n = 20)	> 65,000 (n = 3)
≤ 25,000	2.90	-	.000**	.001**	0.942
25,001–45,000	3.66	-	-	.996	.061
45,001–65,000	3.70	-	-	-	.067
> 65,000	2.67	-	-	-	-

** $p \leq .01$

It was found that respondents with different educational levels, perhaps not surprisingly, also had significantly different levels of knowledge about personal income tax ($p < .01$). Respondents with a Master's degree or above had a higher level of knowledge than those with Bachelor degrees or lower.

Table 8 Comparison of Personal Income Tax Knowledge by Education Level

	Bachelor or Below (n = 56)		Master or Above (n = 74)		t	p-value
	\bar{X}	SD	\bar{X}	SD		
Overall Tax Knowledge	3.30	0.69	3.69	0.64	-3.301	.001**

** $p \leq .01$

Discussion

The data collected in this study showed that the majority of respondents had a medium level knowledge of personal income tax. Even though most respondents realized their civic duty to pay personal income tax, many did not understand how to calculate personal income tax or the various deductions allowed by the law, which could result in the loss of personal tax benefits. Many expatriates did not know about the penalties levied when a tax return was not filed or if the personal income tax payment was not paid within the specified period. This is because employer organizations usually calculate tax payments for their employees. Prior to expatriate employees leaving employment, it is expected that employer organizations will provide comprehensive information about the calculation of their income tax. They should support their employees with new knowledge about Thai personal income tax by providing various tax-related information in English, because most documents and information is written in Thai. This would furnish employees with knowledge about filing personal income tax when they leave an organization, and consequently protect their personal benefits.

In addition, the results of the study showed that different gender group had different levels of knowledge about personal income tax. An explanation could be that in most families, males are the head and have a primary duty to manage family finances (Onputtha et al., 2018). However, according to statistics in Thailand, the number of single mothers is increasing. This may be on account of divorce, unplanned pregnancy, or the other party showing a lack of responsibility or being unready for change. Hence, many single mothers have to bear the burden of managing their own finances. As a result; women have begun to play a greater role in family financial management (Panmueng, 2017). This finding is consistent with the research of Poungsangsuk et al. (2018) and Yosrikhun (2018), who found that there were gender differences in knowledge about personal income tax. They also found that individuals within the age of 21–30 had less knowledge of personal income tax than those in the age group between 31–40, and also those above 40 years old. When people get older, they become more concerned with their health and stability, and consider making investments in property. Therefore, it is important to find out what type of life insurance, assets, or investments will provide tax deductions in order to properly plan tax payments and help alleviate the annual tax burden (Kadchaikarn, 2019). This finding is consistent with the research of Damrongchai and Purisan (2018), who also found that different age groups had different levels of knowledge and understanding regarding personal income tax matters.

Our study also found that individuals who attained different educational levels had different levels of knowledge about personal income tax. This finding is consistent with the research of Salam et al. (2018), Poungsangsuk et al. (2018), Yosrikhun (2018), and Yensap (2017). In addition, Nakeepate and Buasri (2020) also found that individuals with a higher level of education may have a better chance to study or research about income tax, which would contribute to having a higher level of tax knowledge. Our study also found that individuals with average monthly income of less than 25,000 Baht had a lower level of knowledge of personal income tax compared to those with an average monthly income of 25,001–45,000 Baht and 45,001–65,000 Baht. People with higher incomes classically pay higher taxes than those with lower incomes, according to progressive tax rates. On account of this, it is advantageous for them to study the tax system and its provisions to help with tax planning, and so pay less tax. In order to relieve the burden for taxpayers, stipulated deductions are permitted allowing personal income tax to be reduced (Kadchaikarn, 2019). Our finding is in accordance with the research of Nakeepate and Buasri (2020) & Yensap (2017), who stated that individuals with different net incomes per year had different levels of knowledge and understanding about personal income tax.

Conclusions and Recommendations

This study showed that expatriates working in Thailand have only a medium level of knowledge about the personal income tax system. The level of knowledge about personal income tax differed significantly with gender, age, education level, and average monthly income. Therefore, it is highly recommended that relevant agencies, employers, or departments should provide adequate personal

income tax training for expatriates in Thailand. In addition, support might be provided concerning the correct tax practices through consistent and continuous clarifications and training, especially in regard to the method used to calculate tax, the allowable expense deductions, and penalties for non-compliance.

In future studies, an in-depth interview approach would be useful in order to broaden the approach adopted in developing and promoting tax knowledge. This would make the research outcomes more comprehensive and valuable.

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