

Property Tax in Thailand: An Assessment and Policy Implications*

Duangmanee Laovakul
Assistant Professor
Faculty of Economics
Thammasat University
Bangkok, Thailand
duangmanee@econ.tu.ac.th

* Some findings of this article were publicly released in the presentation (and subsequent work) titled “Land and Inheritance taxes: Who own, who pay and who get benefit?” given by the author during the Thammasat Economic Focus No.2 held at the Faculty of Economics, Thammasat University, Bangkok, on December 1, 2014.

ABSTRACT

This paper explores the ways in which the proposed new Land and Building Tax bill could be used to increase local government revenue and reduce wealth inequality in Thailand while rationalizing the current system of land taxes. After comparing the current system to the new proposed system, it finds that the new bill would be fairer, as it would be a more reasonable tax rate, and more broadly (and fairly) collected, and would do so based on current land values, not the values calculated in 1981. Additionally, by having the tax collected and used at a local level, it would promote fiscal decentralization and local governmental accountability.

Keywords: Land and Building Tax, inequality, fiscal decentralization, local government

JEL Classification: H20, H41, H70

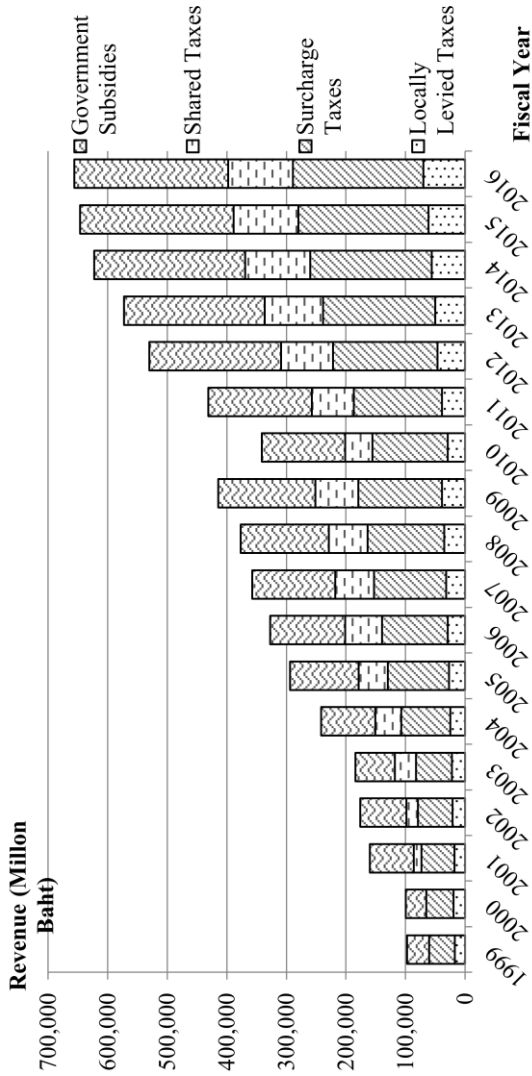
1. Introduction

Even though Thailand's economy and society have been developing for many decades, Thailand still faces inequality problems, including economic, societal and political inequalities. Fiscal policy is one of the tools for alleviating such inequality. The government can implement fiscal policies using both tax and expenditure policies. This article focuses on tax policies in the context of property taxes (i.e. Land and building taxes).

Normally, there are 3 types of tax bases; income base, consumption base and property base. Generally, both developed and developing countries impose a mix of taxes on these 3 tax bases. In the case of Thailand, the government primarily imposes taxes mainly on the income base (such as personal income tax and corporate income tax (and consumption base (such as value added tax and excise tax). We do not really cover our property base. Currently, the only significant property taxes are the Inheritance tax (which was recently introduced in February 2016), the Local development tax and the Building and land taxes which have a lot of problems and tax loopholes.

The Local development tax and the Building and land tax are revenues which are collected by the local governments as their own source of revenue. The share of locally levied taxes is very low (around 10% of all local government revenue) since 1999 (see Figure 1). The Local development tax and the Building and land tax do not significantly contribute to local government revenue. This has strong implications for inequality measures, as the study of land distribution in Thailand shows that Thailand's distribution of land holdings is highly concentrated (Laovakul, 2013).

Figure 1: Structure of Local Government Revenue: 1999-2016



Source: Office of the Decentralization to the Local Government Organization Committee

Property taxes can be one of the important instruments to alleviate the inequality in the society, as well as being a good source of local revenue. Thus, any reforms in Thailand's tax system should include reforms to property tax. This article emphasizes on a proposal of Land and building tax bill which will be able to increase local government tax revenue and can be an instrument to reduce the inequality in Thailand.

2. Theories of property taxes

In constructing a theory of property taxes, it is important to distinguish between residential property taxes, which economists generally consider to be a useful form of taxation for certain purposes, and non-residential (commercial) property taxes, which are more complex. In both cases, the advantages and disadvantages of each tax are dependent on several factors, such as income levels and inequality levels, the uses of the tax, the existence of competing jurisdictions that respond to taxpayers by tailoring spending and tax levels to local residents, who are free to move to other areas with a differing mix¹. Put simply, while a properly designed and administered property tax can bring in revenue at low administrative cost with minimal evasion, the context matters.

A *residential property tax* has several advantages over other taxes. The primary benefit is that the level of this tax can be easily linked to the quantity and quality of the public goods and services being provided by the local government. So taxes paid on the residential property to fund something local, such as a school, are clearly connected to the service being provided. If the local school operates well, property values go up – which benefit the property owners far more than the 1-5% increase in their taxes. And they get a better

¹ See details in Slack (2010), 1-4.

school, with the obvious benefits that entail. Conversely, if taxes go up and schools deteriorate in quality, local voters know whom to blame. Finally, residential property taxes are very hard to avoid, as long as the assessed value of the property is defined consistently across the district, it is clear and fair, and it is extremely difficult for people to hide their land or houses. Thus, they are administratively easy to implement.

For these benefits to happen, three conditions must be met. Firstly, the property tax must be assessed at a local level, and the money must be administered and spent at the local level. Secondly, the local governments must be responsive to their local citizens. Higher taxes will only be tolerated to the extent that they are linked to better services. This, of course, implies that the local government must not only have the responsibility to provide the goods, but it must also have the power to do so. Finally, it is important that each local government be given the discretion not just to administer the programs, but also to do so in different ways. Therefore, different localities can offer different packages of goods to citizens, at different overall price levels, and the citizens in turn can either collectively reject the deals through voting when they do not like the package, or they can individually reject (or approve) of the deal by moving out of (or into) those localities that they feel strongly about.

Even if all of the above are true, there are still some unavoidable costs associated with a personal property tax. One is that the tax incidence may be such that much of the costs are pushed onto others. A second consideration is that local residents may not be very sensitive to property taxes and service benefits, and thus will tolerate bad outcomes for long periods of time. A third issue is that local property taxes are highly visible. They are typically collected once a year, and there is no withholding on them, you cannot hide them

from the voters. Finally, no matter how small a property tax is, at the margin it will distort the housing market in such a way that smaller houses, fewer land improvements, and lesser value-enhancing renovation will occur.

While the above considerations suggest some difficulties with residential property taxes, when they are properly administered they are still, on balance, the best option and seem to offer real advantages over other taxes that could be levied. Local government, funded by local taxes will be much more accountable to local taxpayers than would be the case if they paid a higher national valued added tax (VAT), which went to the central government, which then got distributed back to the locality which is now accountable to the central government, as opposed to the local voters. Local services are much clearer to local communities than what is going on far away, and a reliance on a very visible tax serves as a natural check on politicians. Higher taxes can be collected if and only if the local government can show they are delivering services worth the money. And taxpayers will recoup at least some of the taxes, if their property values go up. All taxes create distortions, administrative and political costs, and opportunities for mismanagement and corruption, but local property taxes strongly coupled to independent local governments seem to be a good way to minimize these problems while still delivering effective local services.

A tax on *non-residential property*, (hereafter referred to as a '*commercial property tax*'), while superficially similar to a residential property tax, is much less clear cut of an effective system, for several reasons. Businesses are usually more mobile than residents, and thus are more sensitive to taxes than consumers. Therefore, we would expect them to quickly move as the taxes go up, unless they can simply pass the tax on to the consumer. Hence, business taxes are much more likely to either not be paid, or to be paid indirectly by

residents in their role as local consumers. Secondly, commercial property generally consumes less public goods than local residents do, especially in developed countries where they often provide their own garbage services, security, and sewage, and they do not consume welfare services, healthcare or schooling. As such, the link between who pays for the services and who benefits from them is not clear cut.

This problem is magnified by the fact that there are almost always fewer commercial enterprises in a given locality than residential properties, so the commercial properties may be under-represented in the political process. It will always be tempting for local politicians to try and tax the local commercial properties to pay for public services. If the tax can be shifted to local consumers or out of district holders of the capital or consumers of the good, then local goods are being paid for by non-local people, or indirectly by locals who do not know they are paying it. If the tax burden cannot be paid, the business leaves, and taxes are not paid². In other words, the tight link between who pays tax, and who benefits from the goods it produces is much less tight when talking about commercial property taxes than when talking about residential property taxes.

This is not to say that commercial property taxes cannot be or should not be assessed. But the economic argument for doing so is somewhat weaker, especially when one adds in that local businesses generally consume less of the public services that the local government provides.

² Valuable public goods (such as parking services in the mall or private security) provided by the commercial enterprise are also discontinued.

3. Current Property Taxes in Thailand

Besides the recently implemented inheritance tax, the current property taxes in Thailand are the Building and land tax and the Local development tax. These 2 types of taxes have a lot of tax loopholes and cannot create revenue for the local governments as they should.

Currently, the Local development tax is collected based on assessed values of the land that is far below the actual market value of the land and with many exemptions. Thus, the cost of holding land and buildings, even if they are being used unproductively or not used at all, is very low. This leads to inefficient land and building usage, a lot of vacant land and high concentration of land holding (see details in section 4).

The draft of the Land and building tax bill is an important bill which will create a real property tax bill in Thailand. This new tax will benefit citizens, the state as well as the local governments.

3.1 The Main Contents of the Building and Land Tax Bill and the Local Development Tax Bill

The Building and land tax bill was issued in 1932, which levies a tax on buildings or construction and the land adjacent to those buildings or construction. The Local development tax bill was issued in 1965, which levies taxes on land owned by the individuals or groups who have possessory right over state land. The main contents of the Building and land tax bill and the Local development tax bill are shown in Table 1.

Table 1 The Main Contents of the Building and Land Tax Bill and the Local Development Tax Bill

	Building and land tax	Local development tax
1. Property	• Building used for rental, commercial	• Land for agricultural and

	and industrial purposes.	residential purposes.
2. Tax base	<ul style="list-style-type: none"> Rental value of buildings and land including the value of machine. 	<ul style="list-style-type: none"> The assessed value of land during 1978 – 1981
3. Tax rate	<ul style="list-style-type: none"> 12.5% of the rental value 	<ul style="list-style-type: none"> Progressive tax rate for lower assessed value of land and then regressive for high assessed value of land.
4. Exemption /Deduction	<ul style="list-style-type: none"> Exemption for residential buildings resided by owners and vacant buildings. 	<ul style="list-style-type: none"> Tax deduction based on land area (50 square wahs – 5 rais) which are determined by each jurisdiction. Land used for Herbaceous plants grown by owner: 5 baht per rai. Land used for herbaceous plants grown by renter: half rate

Source: Fiscal Policy Office

3.2 Problems and Tax Loopholes of the Building and Land Tax and the Local Development Tax

Problems and tax loopholes of the Building and land tax are as follows³ (see Table 2).

³ Laovakul (2012); *Summary and Analysis of Draft Land and Building Tax Bill*, 5.

1. The tax base is the annual rental value and this rental income is also counted in personal income tax base. Thus, Building and land tax will duplicate the personal income tax. In other words, citizens have to pay double taxes. In general, the property tax base should be the assessment or the market value of land and buildings.
2. The local governments receive a tiny amount of the Building and land tax revenue due to the following reasons.
 - The tax exemption on land and buildings which the owners use as their own residence. This leads to a narrow tax base and also creates difficulties in trying to separate between the usage of land and buildings for residential purpose or commercial purpose (i.e. for rent).
 - There is no standard “annual rental value” for tax base. Thus, the tax base depends on the reported rental value from the owners. In the case of using their own buildings for commercial purposes, there is no market rental value to calculate taxes. The tax base is then judged based on the discretion of the officers with opportunities for corruption that entails.
 - The government does not have the monitoring and enforcement measures it needs to scrutinize the real tax payers. Moreover, the fees and penalty assessed for tax evasion are also low, and do not serve as a meaningful deterrent.
3. There is a cost to prove that the buildings are really vacant as reported or not.
4. The tax rate of the Building and land tax is high (12.5%) which creates high tax burden on entrepreneurs. This will be an incentive for tax evasion.

Problems and tax loopholes of the Local development tax are as follows⁴ (see Table 2).

1. Residential buildings are exempted from Local development tax which benefits the wealthier who own big piece of land and houses.
2. The current tax base is the assessed value of land during 1978 – 1981 which is very obsolete and has never been updated since then. The land is undervalued, and local governments will get less tax revenue. With low tax cost, rich people tend to buy more land for speculation.
3. The tax base is narrow because of varieties of tax exemptions and deductions as mentioned in Table 1.
4. Local development tax has a regressive tax structure. The tax burden falls disproportionately on lower value of land. Moreover, the tax rate is low when compared to that of abroad.

Table 2 Tax Loopholes and Problems of the Building and land tax and the Local development tax

	Building and land tax	Local development tax
1. Tax base	<ul style="list-style-type: none"> • The duplication between the Building and land tax and personal income tax which both imposed on the same tax base. • Corruption is easy to happen because the annual rental value depends on the officers' discretion. • For industrial purpose, the value of the machine on that piece of land is also included in the tax 	<ul style="list-style-type: none"> • Tax base covers only value of land not building. • The assessed value of land is from the year 1978 – 1981 and has not been updated since then. The local governments get less tax revenue because the assessed value of land is less than its actual value. People have an incentive to buy land for speculation

⁴ *ibid.*, 6.

	base.	because of the low cost of land holding.
2. Tax rate	<ul style="list-style-type: none"> The entrepreneurs have an incentive to evade taxes because of the high tax rate. 	<ul style="list-style-type: none"> The regressive tax rate <ul style="list-style-type: none"> ❖ When the assessed value of land is less than 30,000 baht per rai, the average tax rate is 0.5%. ❖ When the assessed value of land is more than 30,000 baht per rai, the tax rate is 0.25%. The tax rate is very low compared to that in foreign countries.
3. Tax exemption and tax deduction	<ul style="list-style-type: none"> No tax on residential land and buildings which the owners reside in. Thus, the tax base is narrow. This exemption is a loophole for tax avoidance. There is cost of determining which land and buildings are really vacant and subject to tax exemption. 	<ul style="list-style-type: none"> Tax base is narrow because of tax exemptions and deductions and varies across locality.

Source: Fiscal Policy Office

4. Land Holding Concentration in Thailand

The total area of Thailand is 320.70 million rai (51.2 million hectare)⁵ which composes of 130.74⁶ million rai (40.88%) under the Department of lands, 34.76 million rai (10.87%) under Agricultural land reform office, 144.51 million rai (45.19%) as natural forest reserve, and 9.78 million rai (3.06%) as state lands (see Table 3).

The regular land title, known as '*chanot*' (meaning *titled land*) covers 95 million rai (14.4 million hectare). Based on Laovakul (2013), there were 15,900,047 people who own titled land in 2012. The average owner holds 5 rais 3 ngans and 87 square wahs of land. There are 15,687,551 individuals (98.7%) who own land under personal ownership. The average individual owner holds 5 rais 2 ngans and 76 square wahs. There are 212,496 juristic persons (1.3%) own land under corporate ownership. The average corporate owner holds 26 rais 1 ngan and 85 square wahs. Land holding concentration in Thai society is very high. The Gini coefficients are 0.886, 0.881 and 0.953 for overall land holding, individual personal land holding and juristic personal land holding respectively (see Table 4)⁷. The largest area which is held by an individual land owner is 631,263 rais.

⁵ 1 rai = 0.16 hectare, 1 ngan = 0.04 hectare and 1 square wah = 0.0004 hectare

⁶ Regular land titles and temporary or special titles.

⁷ The calculation does not include people who do not own any land.

Table 3 Total Area in Thailand in 2010s

Land Types	Area (million rai)
National Forest Reserve	144.54 (45%)
Department of Lands	130.74 (41%)
Agricultural Land Reform Office	34.76 (11%)
State Land	9.78 (3%)
Total	319.82

Note: Each type of land data is collected during different time period so the total area in this table is different to the total area in Thailand (320.70 million rai).

Source: Laovakul (2013)

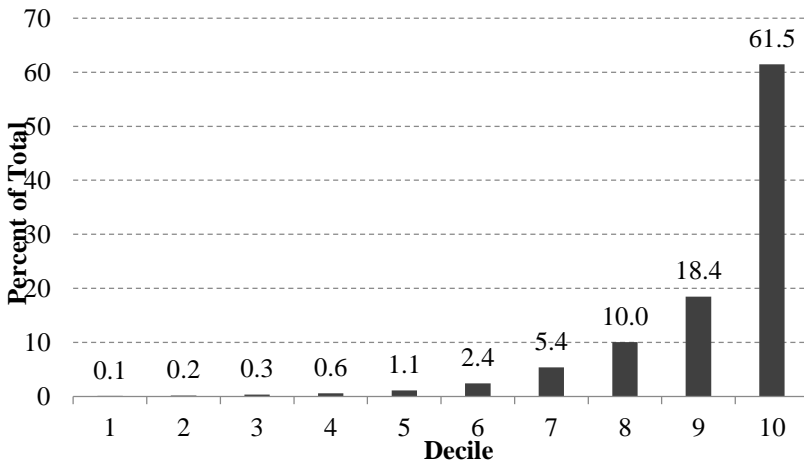
Table 4 Number and Percentage of Land Owners, Average Owner Land Holding and the Gini Coefficients for Overall Country, Classified by Types of Land Owner: 2012

Types of Land Owner	Land Owner		Average Owner Land Holding			Gini coefficient
	Number	%	Rai	Ngan	Square wah	
Overall	15,900,047	100.0	5	3	87	0.886
Individuals	15,687,551	98.7	5	2	76	0.881
Juristic persons	212,496	1.3	26	1	85	0.953

Source: Laovakul (2013)

When classifying land holding in Thailand into deciles (see Figure 2), the result shows that the tenth decile (the largest holders) holds more than 60 percent of the total titled land, the remaining 90 percent of land owners holds less than 40 percent of the total titled land. Moreover, the top 50 titled land owners hold 6.4 percent of the total. The top one percent (the largest holders) holds 23.74 percent of the total titled land or one fourth of the total titled land (see Table 5). This data reflects the high concentration of land holding in Thailand.

Figure 2: Titled Land Holding in Thailand by Deciles: 2012



Source: Laovakul (2013)

Table 5 Top One Percent Titled Land Holding in Thailand: 2012

	Number of Land Owners	Area		
		Rai	Ngan	Square Wah
Top 1%	159,007	22,522,047	3	53
Percent	1	23.74		
Total	15,900,047	94,868,613	2	39

Source: Laovakul (2014)

Around 50 percent of titled land owners (7,979,128 owners) hold no more than 1 rai. Moreover, 72.08 percent of titled land owners (1,461,334 owners) hold no more than 5 rais, which means most people in Thailand, who own land, hold 5 or lesser rai of land.

5. The Main Contents of the Draft Land and Building Tax Bill

The Building and land tax bill and the Local development tax bill will be terminated after implementing the Land and building tax bill. The Land and building tax should benefit taxpayers who will get benefits from the public services which are provided by local governments (benefit principle).

The justification of the new Land and building tax bill are as follows:

1. It is a fair tax with a reasonable rate. Local governments can use this tax revenue to locally develop their jurisdictions.
2. It should enhance effective land usage.

3. The local government should have enough revenue to provide good quality public services.
4. It links local revenue to local expenditures, which will create accountability with the local administrators.

The main contents of the draft Land and building tax bill can be summarized as follows⁸:

1. Tax payers are the owners of land and building and people who have possessory right over state land and building.
2. The local governments are the tax collectors and tax revenue belongs to the local governments.
3. The tax base is the assessed value of land, buildings and apartments.
4. There are 3 ceiling tax rates categorized by land and building usage (agricultural purposes, residential purposes and other purposes such as for commercial endeavors). Agricultural land gets the lowest rate while the other purposes are taxed at a higher rate. The examples of the proposed ceiling tax rates are shown in Table 6.
5. The vacant or underutilized land will be taxed at a higher rate and the rate will be increased according to the number of years the land is not utilized.

The examples of the proposed ceiling tax rates shown in Table 6.

⁸ The main contents from draft Land and building tax bill was passed the office of the council of state, No. 194/2554 and the revised versions after that. The main contents in different versions of the bill are the same but there are some changes in details. Since it is still a draft bill, we can see the new revised version after one another.

Table 6 Examples of the Proposed Ceiling Tax Rates

Agricultural Purpose	Residential Purpose	Other Purposes	Vacant Land
0.05	0.1	0.5	2
1	0.1	2	2
0.5	1	4	4
0.25	0.5	2	2
0.2	0.5	2	5

Source: Draft Land and building tax bill (2011), Matchon Online (2012), Leenothai (2014), Bangkokbiznews (2015) and the Ministry of Finance (2016).

6. Home owners and farmers may get tax deductions or exemptions. Examples of the proposals for tax burden relief on home owners and farmers are as follows.

- Allowing tax exemption for home owners by area such as those whose land is not more than 50 square wahs or those apartment owners with an area less than 50 square meters are exempted from the tax.
- Home owners get tax exemption by the value of land and buildings as follows:
 1. The owners of the property with less than some certain amount such as 3 million baht do not have to pay tax.
 2. If the property value is less than 2 million baht, the owners pay 25% of their tax burden. If the property value is between 2 – 4 million baht, the owners pay 50% of their tax burden. If the property value is

more than 4 million baht, there is no tax deduction⁹.

3. 50% tax deduction from its tax base (maximum 1 million baht).
 - The tax base of agricultural and residential purposes in the first 3 years counts only the land value (excluding building value).
 - For agricultural purpose, if the land value is less than 1.5 million baht, the owners will be exempted from tax.
 - Allow tax exemption for property used for agricultural and residential purposes (applicable only to owner-occupied residences) with a value of less than 50 million baht.
7. The local governments have the authority to increase their tax rates up to the ceiling rates and will be able to reduce the amount of tax exemptions and tax deductions lower than the criteria which are stated in the bill¹⁰.
8. From the most recent draft Land and building tax bill which the cabinet approved on June 7, 2016, the actual tax rates for each categories are shown in Table 7.

⁹ Retrieved from

<http://www.bangkokbiznews.com/news/detail/660180>.

¹⁰ In order to do so, that means the local governments need to get the approval of the citizens in their jurisdictions.

Table 7 The Proposed Actual Land and Building Tax Classified by Land and Building Usage

Agricultural Purposes		Residential Purposes		The Other Purposes		Vacant Land	
Value (Million Baht)	Tax Rate (%)	Value (Million Baht)	Tax Rate (%)	Value (Million Baht)	Tax Rate (%)	Years	Tax Rate (%)
≤ 50	Exempted	owner occupied only		≤ 20	0.3	1-3	1
> 50-100	0.05	≤ 50	Exempted	> 20-50	0.5	4-6	2
> 100	0.10	> 50-100	0.05	> 50-100	0.7	> 6	3
		> 100	0.10	> 100-1,000	0.9		
		The other houses		> 1,000-3,000	1.2		
		≤ 5	0.03	> 3,000	1.5		
		> 5-10	0.05				
		> 10-20	0.10				
		> 20-30	0.15				
		> 30-50	0.20				
		> 50-100	0.25				
		> 100	0.30				

Source: The Ministry of Finance (2016).

Table 8 The Main Contents of the Draft Land and Building Tax Bill

Tax Payer	<ul style="list-style-type: none"> • The owners of land and buildings. • The citizens with possessory right over state owned land and buildings.
Tax Base	<ul style="list-style-type: none"> • The value of property (land, buildings and apartments) calculated from the assessed value of land, buildings and apartments. • For industrial purpose, exclude the value of the machines in the tax base.
Ceiling Tax Rate	Agricultural purpose < Residential purpose < Other purposes
Vacant Land or Underutilized Land	The tax rate is higher than other categories and will be increased according to the number of years for which land is not utilized.
The Actual Tax Rate	Determined by a committee and revised every 4 years.

Source: Summarized from the draft Land and building tax bill (2011) and its proposals thereafter.

6. Why the Land and Building Tax Should Be Imposed in Thailand?

If the Land and building tax is imposed, there are some advantages over the earlier bills, such as:

1. Imposing Land and building tax is an important tax reform which can reduce the inequality in the society since the tax base is based on wealth. This type of tax follows “the ability to pay principle” which implies that citizens who own a higher value of property will pay more taxes than those who own a lesser value of property.
2. The assessed value of the property is the tax base so the officers do not have to use their discretionary

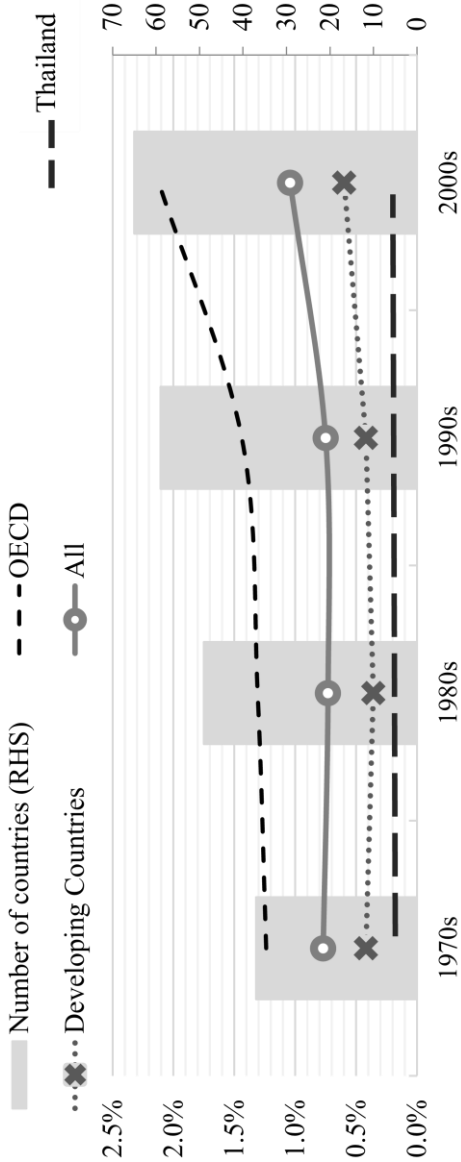
- decision making. This should reduce corruption and the use of tax loopholes.
3. The Land and building tax has a wide tax base which covers most property owners resulting in an increase in local tax revenue. The local tax revenue should be increased by at least 30,000 – 40,000 million baht. The actual tax revenue will increase depending on the final size of tax exemptions and tax deductions. Recently, the locally levied tax (the Building and land tax and the Local development tax) contributed less than 10% of the local government's revenue (see Table 9). The proportion of Thai property tax to gross domestic product is just 0.2%, which is very small compared to the other countries in the world (see Figure 3).
 4. The tax rate is flat, so it will not be a regressive rate the way Local development tax is.
 5. Locally levied taxes such as the Land and building tax supports fiscal decentralization. The local governments will have their own source of revenue to provide social services to meet the needs of citizens in their jurisdictions.
 6. The Land and building tax will promote accountability in the jurisdictions. The citizens have to pay taxes each year so they will monitor their local government's administrative performance to make sure that it is worth their money.

**Table 9 Tax Revenue from the Building and Land Tax and the Land Development Tax:
2008 – 2013**

Types of Tax Revenue	2008	2009	2010	2011	2012	2013
Locally Levied Taxes	32,211.80	38,745.96	29,110.41	38,400.00	43,745.41	48,326.55
Percentage	8.62	9.35	8.54	9.20	9.09	9.03
Building and land tax	17,164.77	18,881.25	14,172.15	18,926.22	21,067.04	23,103.25
Percentage	4.59	4.56	4.16	4.53	4.38	4.32
Local development tax	1,274.87	1,364.11	1,026.88	1,473.45	904.24	933.85
Percentage	0.34	0.33	0.30	0.35	0.19	0.17
Total	18,439.64	20,245.36	15,199.03	20,399.67	21,971.28	24,037.10
Percentage	4.93	4.89	4.46	4.89	4.56	4.49
Total	373,728.20	414,382.23	340,995.18	417,450.00	481,304.24	535,368.87
Percentage	100.00	100.00	100.00	100.00	100.00	100.00

Source: Laovakul (2014).

Figure 3 The Proportion of Property Tax to Gross Domestic Product Abroad Compared to Thailand



Source: Norregaard (2013).

7. Local governments can impose a higher tax rate on a vacant and underutilized land. This will increase the cost of holding land to owners who do not use their land productively. Thus, they will need to either utilize their land to earn some income, or sell it to somebody who can fruitfully utilize it. Land should be used more efficiently.
8. Land holding cost to land speculators is also increased from imposing Land and building tax. Land speculation will decrease depending on how close are the tax rate and the percentage change in land price each year. Table 10 shows that the land price in 2016-2019 will increase by an estimated 7% over 2012-2015 prices. If the maximum Land and building tax rate is 3%, it is still lower than past increases in land price. The Land and building tax will probably not cause significant reduction in the concentration of land holding in the near future, but this is a good start.

Table 10 The Comparison of Percentage Change in the Assessed Value of Land between 2012 – 2015 and 2016 - 2019

Area	The Percentage Change in the Assessed Land Value per Year (%/year)
Whole country	6.93
Bangkok	3.95
The other provinces	6.97
Surrounding Bangkok	4.74
Central	5.70
North	9.33
East	5.75
Northeast	8.38
South	5.26
West	9.90

Source: The Treasury Department

7. Recommendation for Property Tax Reform in Thailand

Based on the above information about Thailand's current property tax and the concentration of land holding, my recommendations for property tax reform are as follows¹¹:

1. The government and the legislative branch should pay more attention to property tax reform proposal and pass the tax bill.
2. Tax exemptions and tax deductions should be as small as possible, to protect only the truly poor, in order to broaden the base as much as possible and to avoid tax loopholes in the future.
3. One way to reduce tax burden for home owners or farmers would be for the government to allow tax payers to deduct property taxes that they pay from their personal income tax. There should be a ceiling amount for tax deductions. For instance, not more than 20,000 baht per year.
4. Vacant land possessed by government offices should be returned to the state so that such land can be distributed or leased to the needy who have no land for cultivation or shelter.
5. Even though some pieces of property are exempted from tax payment, taxes should still be estimated and shown to the public. It is only fair that all know the magnitude of tax exemption.
6. The local government should have some measures to monitor the usage of land. Otherwise, tax evasion will become an issue.

¹¹ Laovakul (2014), Laovakul (2016a) and Laovakul (2016b).

7. The central government should support the assessed land value by pieces which will be an important factor to calculate tax base for Land and Building Tax.
8. The local governments need to communicate with their citizens and explain to them how important Land and building tax is and what benefits they can get by paying taxes.
9. If we would like to reduce the inequality of land holding, the flat tax rate may not be sufficient as a tool to alleviate land concentration in Thailand. The government may have to implement one additional tool which is a progressive tax rate.

References

- Laovakul, D. (2012). Summary and Analysis of Draft Land and Building Tax Bill. Supported by Legislative Process Development for Supporting People Participation in Thailand Project, in Thai.
- Laovakul, D. (2013). The Concentration of Wealth in Thai Society. In Towards a More Equitable Thailand: A Study of Wealth, Power and Reform Project. Supported by Thailand Research Fund, Office of the Higher Education Commission and Chulalongkorn University, conducted by Pasuk Phongpaichit, in Thai.
- Laovakul, D. (2014). Land and Inheritance taxes: Who own, who pay and who benefit? Thammasat Economic Focus, No. 2, available at http://www.tef.econ.tu.ac.th/wp-content/uploads/2015/03/02_TEF-Final-paper.pdf, in Thai.
- Laovakul, D. (2016a). Concentration of Land and Other Wealth in Thailand. in Unequal Thailand: Aspects of Wealth and Power. Chapter 2. Pasuk Phongpaichit and Chris Baker (Eds), National University of Singapore Press.
- Laovakul, D. (2016b). The Model for Improving Land Tax to Promote Land Distribution in Thailand. Supported by the Thailand Research Fund, in Thai.
- Leenothai, S. (2014). Summary of the Main Contents of the Draft Land and Building Tax Bill or the Property Tax. Presented at a Seminar on “The Land and Building Tax or the Property Tax for Fairness and Reducing the Inequality” at Khonkaen University, December 12, 2014, in Thai.

Norregaard, J. (2013). Taxing Immovable Property Revenue Potential and Implementation Challenges. IMF Working Paper.

Office of the Council of State. Draft Land and Building Tax Bill, No. 194/2554, in Thai.

Slack, E. (2010). The Property Tax ... in Theory and Practice. IMFG Working Paper 02.

Bangkokbiznews Online (2015). The Minister of Finance Prepares to Submit the Draft Land and Building Tax Bill to the Cabinet. (2015, August 9). Retrieved from <http://www.bangkokbiznews.com/news/detail/660180>, in Thai.

Matichon Online (2012). The Ministry of Finance Pushes Forward the Draft Land and Building Tax Bill, Revises 4 Issues and Increases the Tax Ceiling Rates. (2012, September 11). Retrieved from http://www.matichon.co.th/news_detail.php?newsid=1347341486, in Thai.

Ministry of Finance (2016). Draft Land and Building Tax B.E..... The Ministry of Finance Press Release. (2016, June 7). Retrieved from <http://www.fpo.go.th/FPO/index2.php?mod=Content&file=contentview&contentID=CNT0015818&categoryID=CAT0000153>, in Thai.