

Fiscal Policy Management in Thailand

Fiscal Analysis and Forecasting Workshop
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Fiscal Policy Management

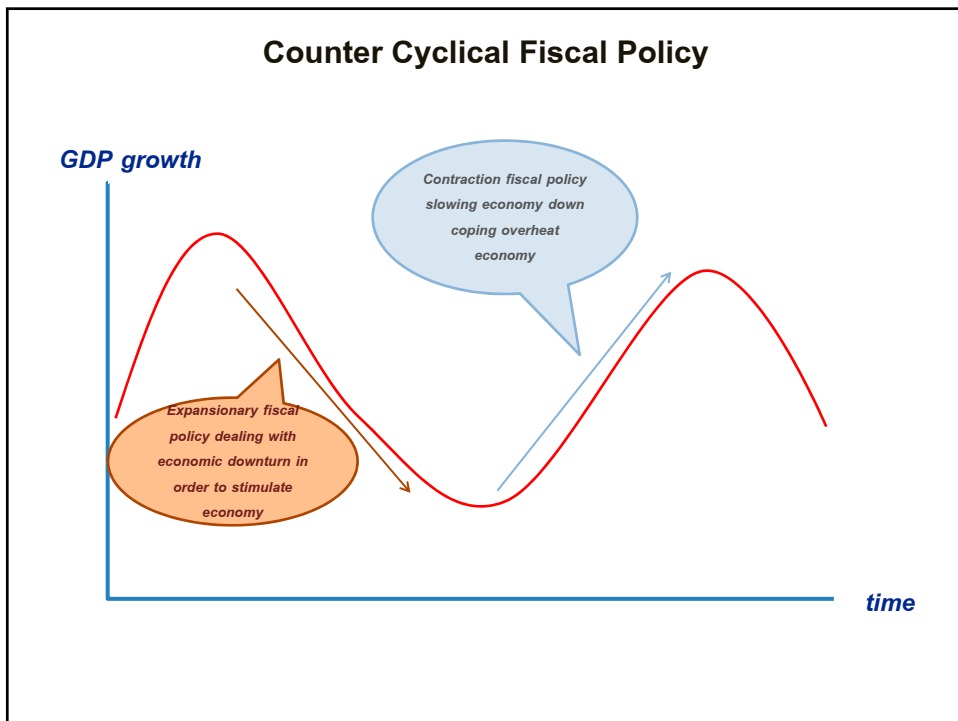
Revenue Forecasting

Expenditure Formulation

Cash and Debt Management

Fiscal Sustainability



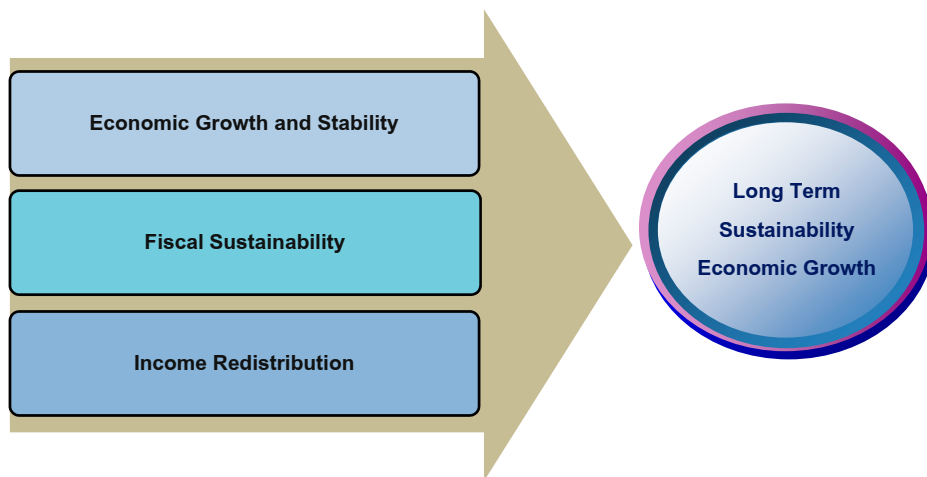


Fiscal Policy & Economy

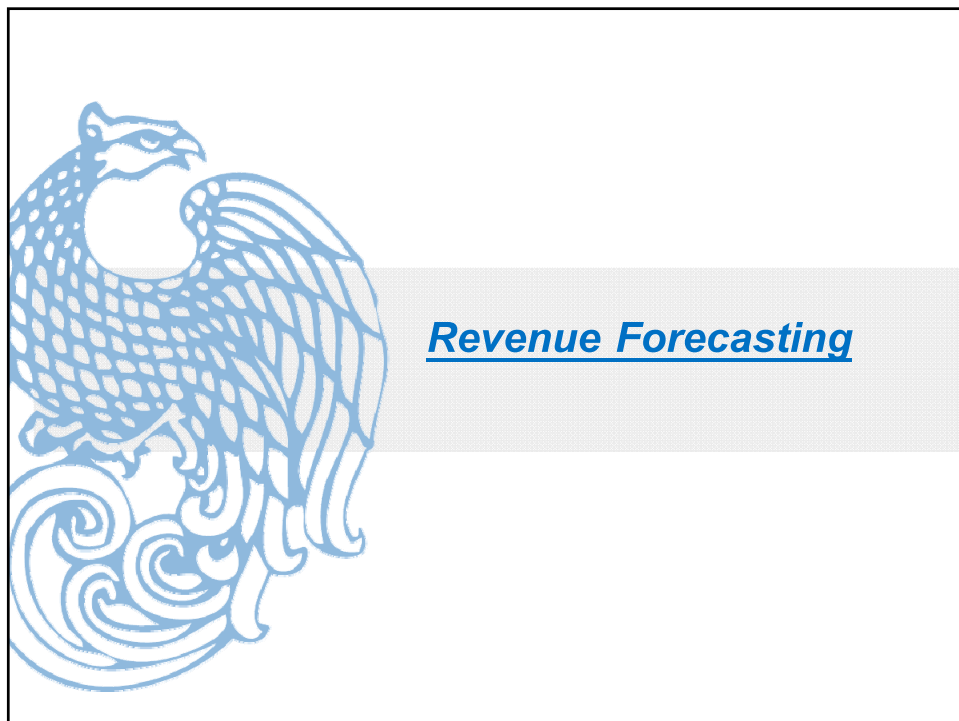
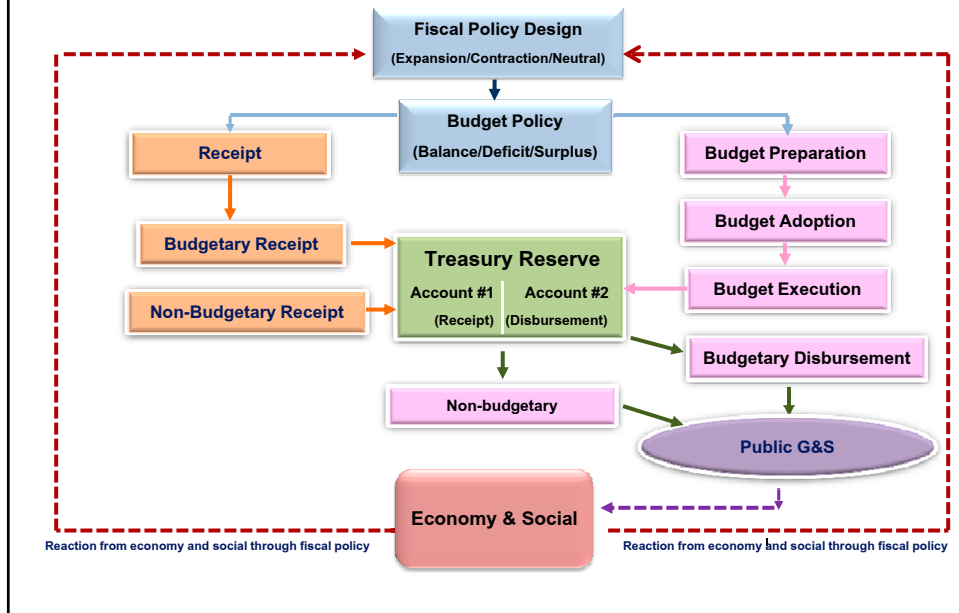
$$\text{GDP} = C + I + G + (X - M)$$

Fiscal Policies	Objectives	Methods
Contraction	Trim down domestic demand aiming to decrease national income and cooling down overheated economy	<ul style="list-style-type: none">▪ Surplus budget▪ Tax increase
Expansion	Enhancing domestic demand aiming to increase national income	<ul style="list-style-type: none">▪ Deficit budget▪ Tax reduction

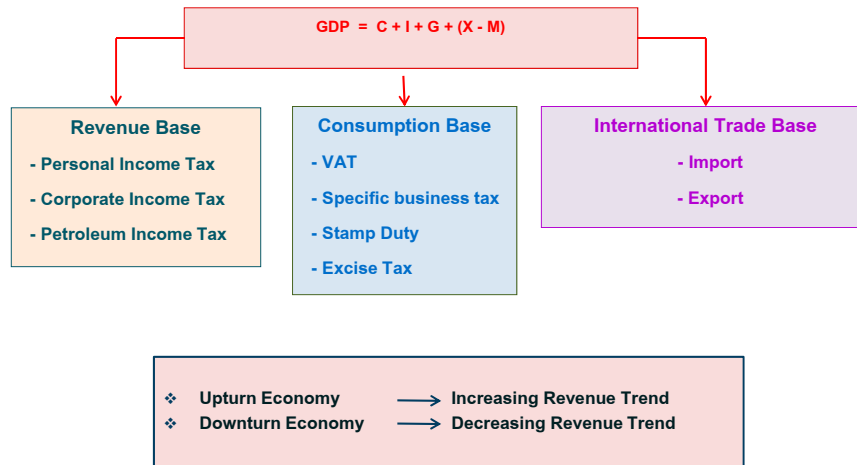
Long-term Fiscal Policy



Fiscal Policy Framework



GDP & Taxation



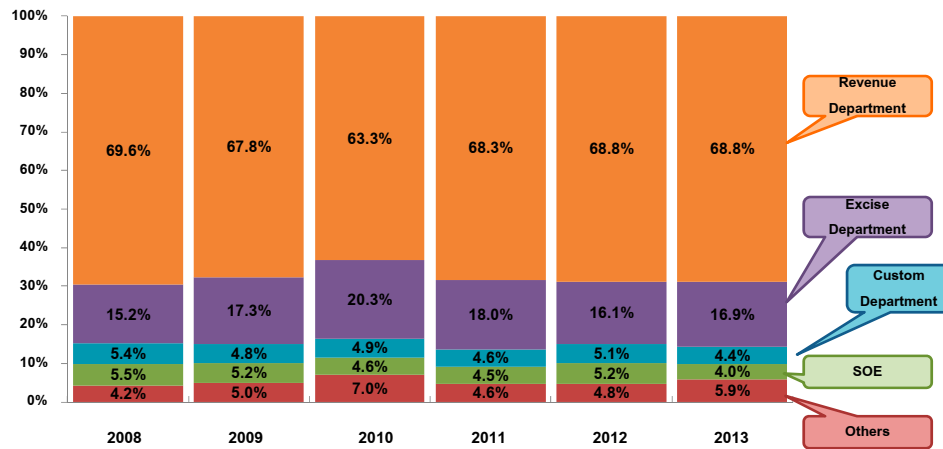
Revenue Policies

Revenue Management

Source	Categories
• Revenue Department	Personal Income Tax, Corporate Income Tax, Petroleum Tax, Value Added Tax, Specific Business Tax, Stamp Duty
• Excise Department	Oil, Tobacco, Liquor, Beer, Automobile, Beverage, Electrical appliances, Motorcycle, Battery
• Custom Department	Import Duty, Export Duty
• SOE	SOE-Remittance Dividend
• Others	Mining-royalty Petroleum-royalty Licensing Fees and Others

Revenue Structure

✓ 90% of revenue collection come from 3 main collected departments

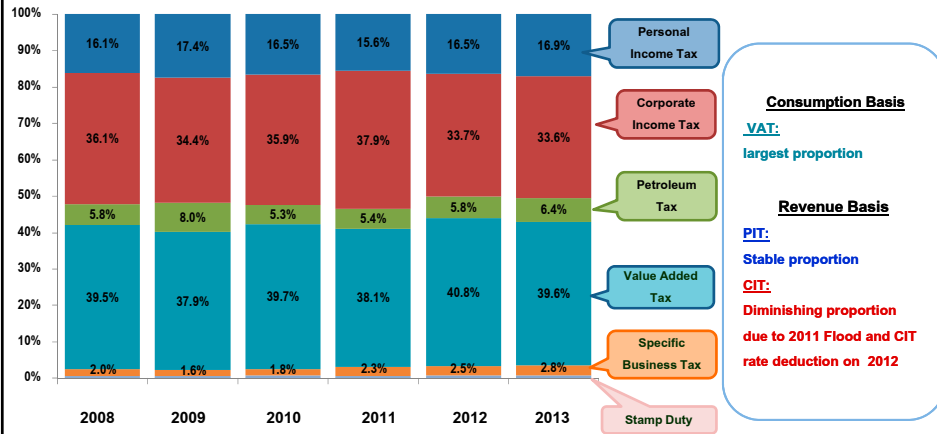


Revenue Structure

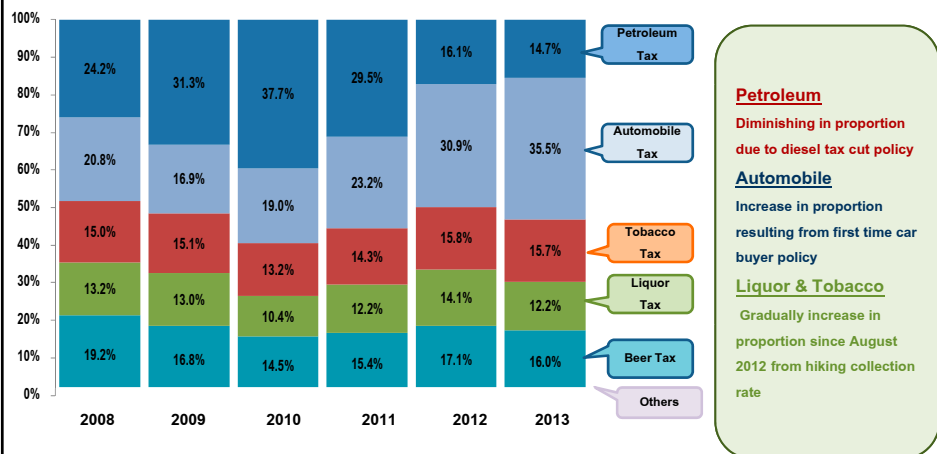
Percent

Categories	2008	2009	2010	2011	2012	2013
Personal Income Tax	11.2	11.8	10.4	10.6	11.3	11.6
Corporate Income Tax	25.1	23.3	22.7	25.8	23.1	23.0
Value Added Tax	27.4	25.6	25.1	26.0	28.0	27.2
Excise Department	15.1	17.3	20.3	18.0	16.1	16.8
Import Duty	5.3	4.6	4.7	4.5	4.9	4.3
SOE	5.5	5.1	4.6	4.4	5.2	4.2
Treasury Department	0.3	0.2	0.2	0.2	0.2	0.3
Other Government Agencies	4.2	5.0	7.0	4.6	4.8	5.9
Others	5.9	7.1	5.0	5.9	6.4	6.7
Total	100.0	100.0	100.0	100.0	100.0	100.0

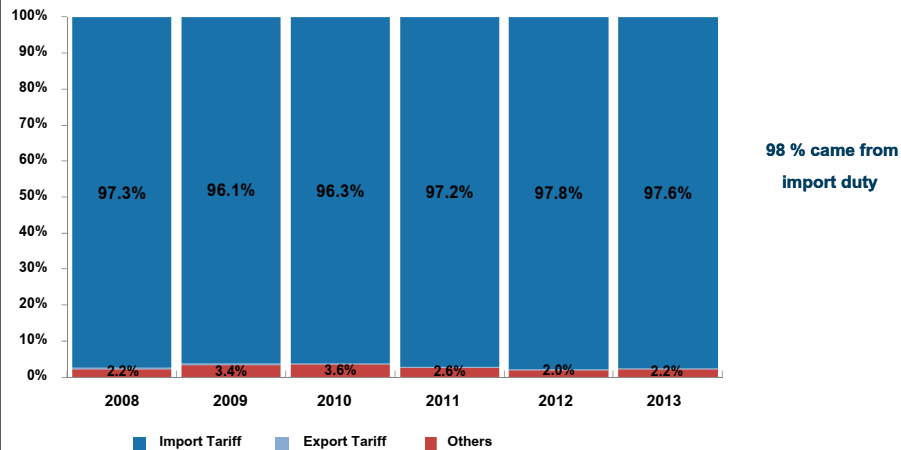
Revenue Department Collected Structure



Excise Department Collected Structure



Custom Department Collected Structure



FY 2014 Revenue Projection

Revenue projection on FY 2014 is expected be 2.275 Trillion BHT higher than FY 2013 by 175,000 million BHT (8.3%), 17.2% for the revenue to GDP ratio

	Estimated Revenue		Changes Over	
	2013	2014	Amount	%
1. The Revenue Department	1,774,000	1,890,550	116,550	6.6
2. The Excise Department	412,000	463,700	51,700	12.5
3. The Customs Department	115,900	131,800	15,900	13.7
4. Total from 3 Department	2,301,900	2,486,050	184,150	8.0
5. State Enterprises	100,000	116,000	16,000	16.0
6. Others	109,100	116,250	7,150	6.6
7. Total (Gross)	2,511,000	2,718,300	207,300	8.3
8. Deduct	411,000	443,300	32,300	7.9
9. Total (Net)	2,100,000	2,275,000	175,000	8.3

Assumptions

1. Economy

- GDP 4.5
- Inflation 3.2 %
- Nominal GDP 7.7 %

2. Include tax restructuring resulting in revenue loss for 49,900 million BHT

- CIT cut (22,500 million BHT)
- Restructuring PIT (25,000 million BHT)
- First time home buyer policy (2,400 million BHT)

Revenue Projection Preparation

- Economic Assumptions
- Involved Factors
- Previous collected data
- Selected Method

Revenue Projection Assumptions

- Real GDP Growth
- Inflation
- Export growth
- Consumption growth
- Exchange rate
- World Oil Price
- Bank Deposit
- Interest Rate

Revenue Analysis

$$1. \text{ Effective Tax Rate : ETR} = \frac{\text{Tax revenue}}{\text{Tax Base}}$$

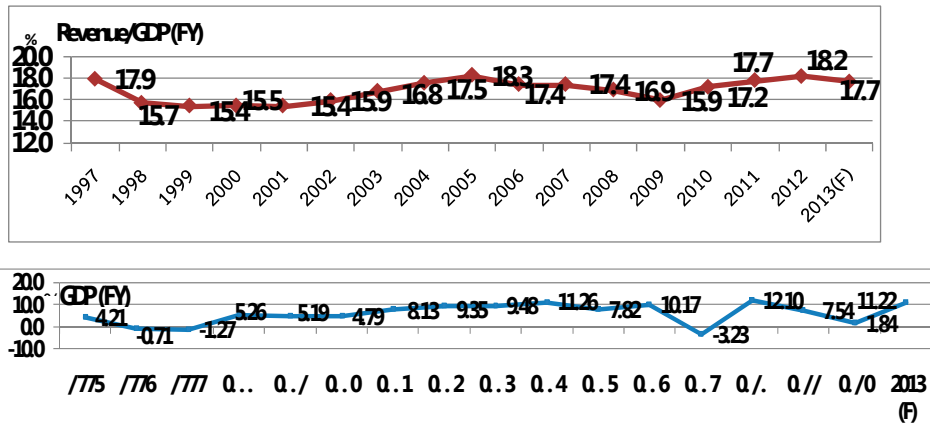
$$2. \text{ Tax Buoyancy} = \frac{\text{Percentage change in taxation}}{\text{Percentage change in GDP}}$$

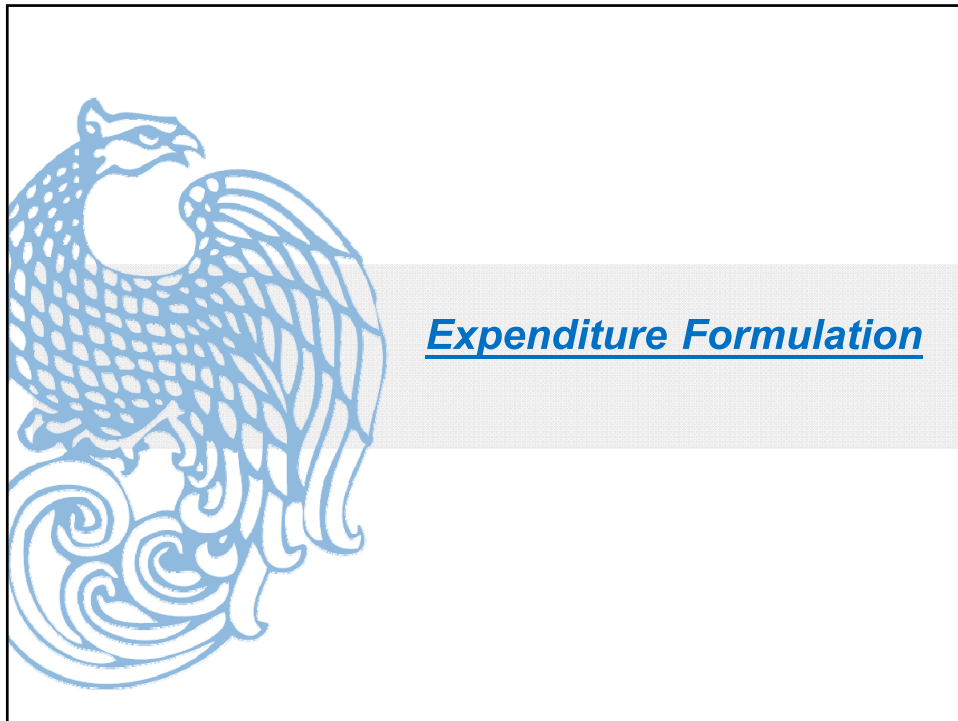
3. Revenue/GDP

Revenue / GDP Correlation

Revenue to GDP will be in line with economic expansion.

Economic expansion has resulted hiking in revenue to GDP, vice versa.





Expenditure

- Budget formulation process accordance to The Budget Procedure Act B.E. 2502 (A.D.1959)
- Annual Budget ACT

Methodology

- Design suitable budget structure to current economic situation and built up fiscal space for new fiscal policy
- Macro & Micro Concerns
 - Macro: optimize budget structure under the concern of long-term fiscal discipline, economic objectives, and sustainable growth
 - Micro: the main concerns cover necessity, public services, income redistribution, and improving quality of life

Expenditure

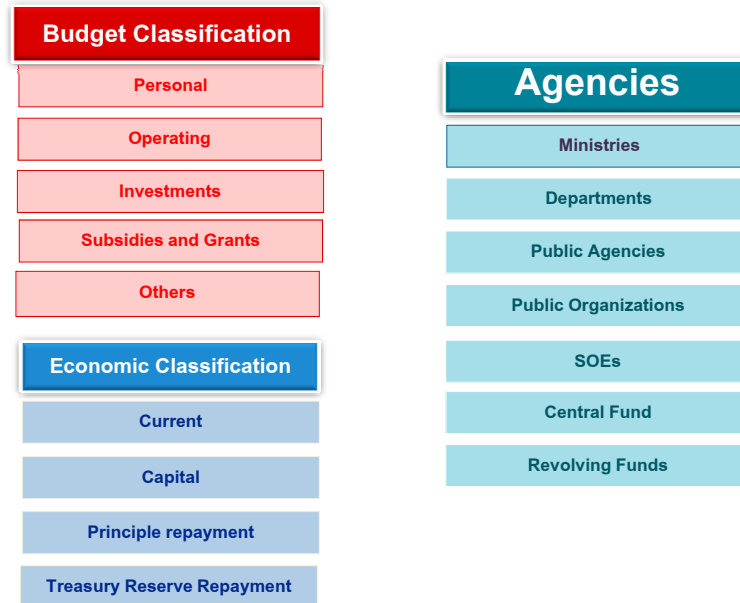
Key concern on Budget Structure

- Budget Structure: Current economic and fiscal situations, response to government policies
- Current Expenditure: Efficiency and sufficiency
- Principle Repayment: Fiscal discipline and management efficiency
- Capital Expenditure: Prioritize capital expenditure by considering country strategy and readiness of implementing agencies

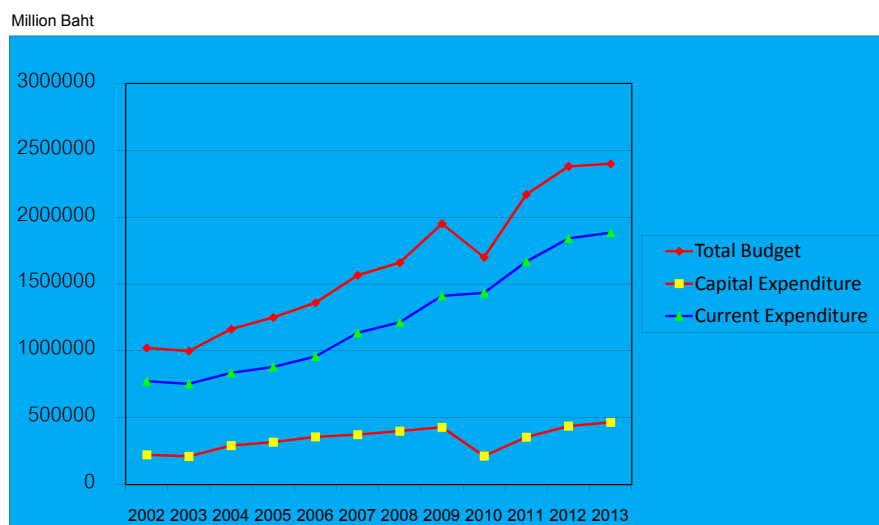
Budget Analysis Methodology

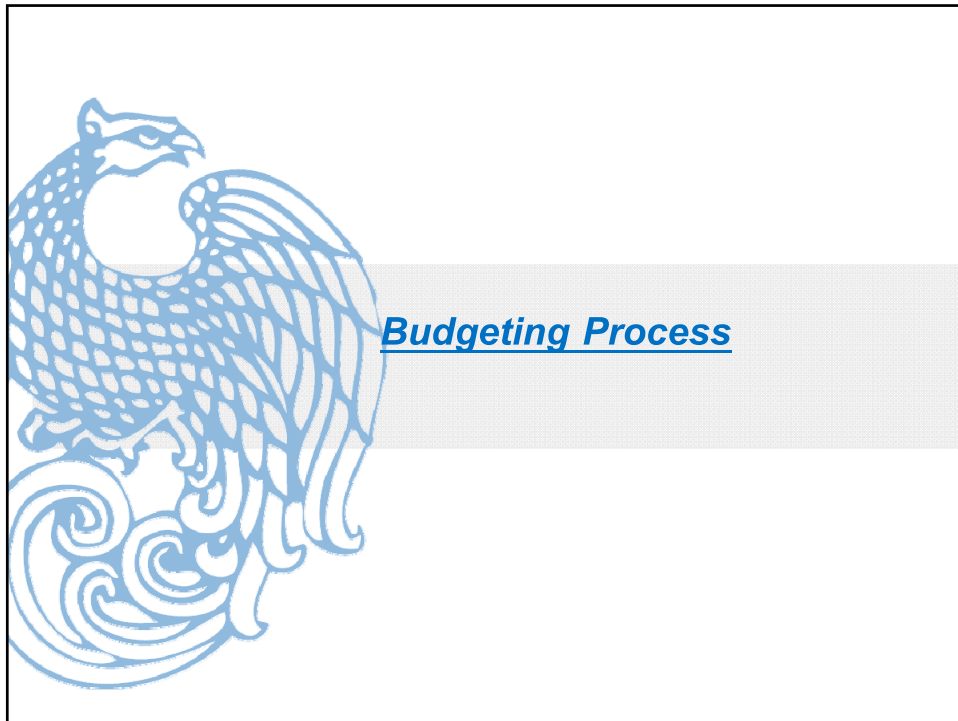
- Macro view on budgeting under the concern of off-budget financing; loans, external funding
- In line with national plans & strategies
- Equally distribution
- Avoid operational replicate
- Value for money and Economic value
- Absorptive Capacity
- Proceeding continue projects

Budget Allocation



Budget Structure FY 2002 - 2013





Budget Preparation

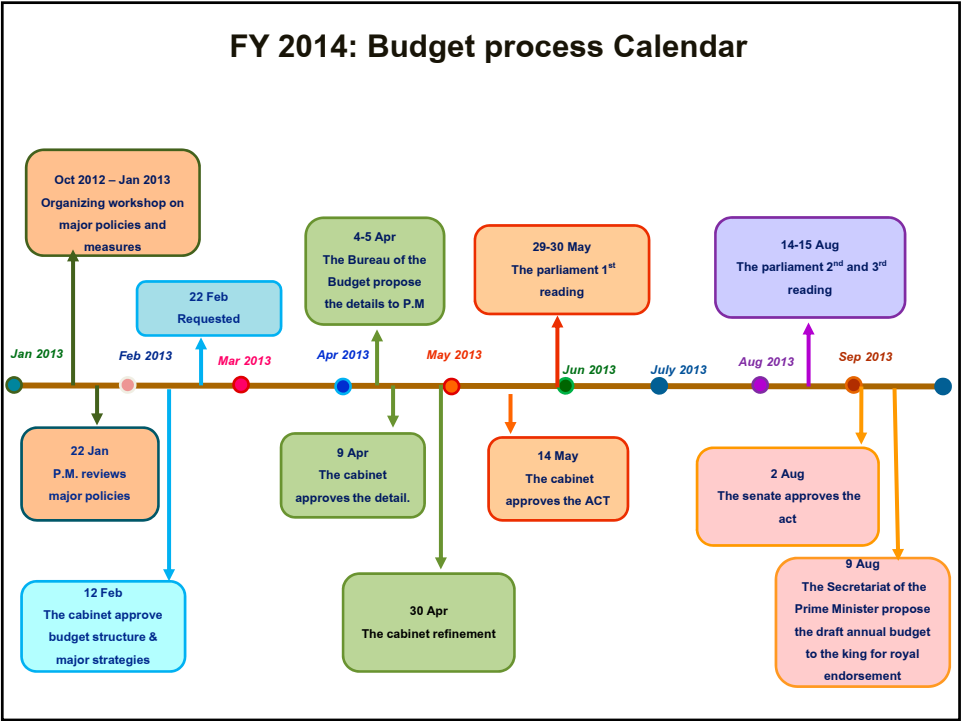
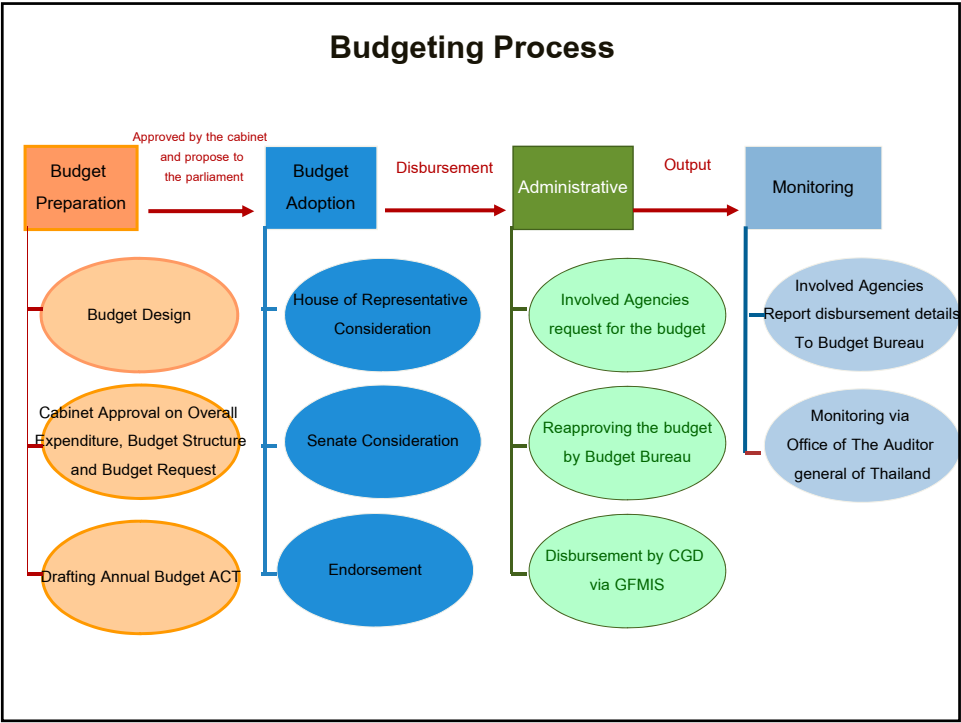
❖ Revenue Projection: MOF

Working Committee on Tracking Revenue Collection

- Bank of Thailand
- Budget Bureau
- National Economic and Social Development Board (NESDB)
- Revenue Department, Excise Department, Custom Department, Treasury Department, State Enterprise Policy Office, Fiscal Policy Office (Committee Secretariat)

❖ Budget Planning: 4 Main Economic agencies

- MOF
- Bank of Thailand
- Budget Bureau
- NESDB





Budget Structure FY 2014

Budget Strategies for 2014 Budget

■ *Fiscal sustainability concern*

■ *Enhancing Disbursement Efficiency*

■ *Shaping Agencies Strategies to be in line with National Social and Economic Policies; AEC, Urgent Issues etc*

■ *Tailoring Policies to Serve Local Necessities; social equality, improve quality of life*

■ *Both of Budgetary and Off-budgetary projects has been analyze together under the concern of projects linkage*

■ *Review and reallocate budget from less necessary project to more necessary and urgent Project under the Budget Framework*

Budget Structure

Million BTH

Budget Structure	FY 2012	FY 2013	FY2014
1. Total Budget	2,380,000	2,400,000	2,525,000
(% of GDP)	20.2	19.5	19.1
1.1 Current Expenditures	1,855,841	1,900,477	2,017,244
(% of GDP)	15.7	15.5	15.2
(% of the budget)	78	79.2	79.3
1.2 Expenditures for replenishment of treasury account balance	53,918	0	13,424
(% of GDP)	0.5	0	0.1
(% of the budget)	2.3	0	0.5
1.3 Capital Expenditures	423,387	450,374	457,000
(% of GDP)	3.6	3.7	3.5
(% of the budget)	17.8	18.7	18.1
1.4 Principle Repayment	46,854	49,150	53,208
(% of the budget)	2	2.1	2.1
2. Estimated Revenue	1,980,000	2,100,000	2,275,000
(% of GDP)	16.8	17.1	17.2
3. Deficit / overbalance (1-2)	-400,000	-300,000	-250,000
(% of GDP)	-3.4	-2.4	-1.9
4. GDP	11,794,200	12,295,000	13,242,000

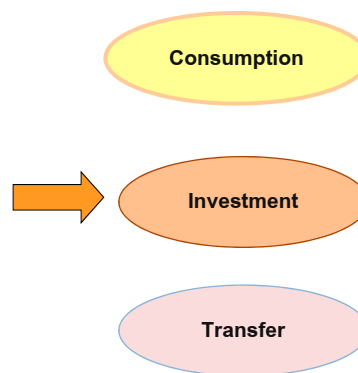
Source : Bureau of the Budget

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Budget Structure and Economic Impact

Current Expenditures (70-85%)
Capital Expenditures (12-26%)
Principle Repayment (3-4%)

Object of Expenditures	% of the Budget	% of the 2014 Budget
Personnel	24 - 27	24
Operations	9 - 11	9
Investments	8 - 12	12
Subsidies	24 - 27	28
Others	27 - 29	27



Actual Expenditures FY 2007-2013

FY	Budget Expenditure (Million BTH)	Current Year Disbursement (% of the budget)	Carry over Budget Disbursement (% of the total budget)
2007	1,566,200.0	1,466,915.2 (93.6)	112,594.6 (7.2)
2008	1,660,000.0	1,541,847.5 (91.2)	140,947.5 (8.5)
2009	1,951,700.0	1,771,446.4 (90.8)	183,692.9 (9.4)
2010	1,700,000.0	1,663,095.4 (97.8)	102,636.8 (6.0)
2011	2,169,967.5	2,056,352.1 (94.8)	157,631.6 (7.3)
2012	2,380,000.0	2,148,475 (90.3)	146,852 (7.5)
2013	2400,000.0	2,171,459.5 (90.5)	231,022.0 (9.6)



Cash Management

Treasury Reserve Management

Treasury Reserve: high liquidity asset at Treasury

Objectives:

Supporting disbursement with the concern of managing cost

Component:

Treasury Reserve at Bank of Thailand

Cash at Provincial Treasury

Cash at Treasury Department

Deposit at Commercial Bank

Liquidity Management

Revenue Projection

Expenditure Projection

Treasury Reserve Management
Treasury Reserve Management Working Committee

Deficit Financing
Deficit Financing Working Committee



Public Debt

- Public Debt Management Act, B.E. 2548 (2005)
- **Component**
 - **Direct Government Debt**
 - **Non-financial SOE Debt**
 - **Financial SOE Debt (Government Guarantee)**
 - **Financial Institutions Development Fund (FIDF)**
- **PDMO has been in charge with debt obligation and management**

Fiscal Discipline

Public Debt Management Act, B.E. 2548 (2005)

➤ Budget deficit financing in domestic currency

20% of annual budget and supplementary budget

+

80% of principle repayment budget

➤ Raise loan in foreign currency not exceed 10% of annual budget with an aim for economic and social development

➤ Guarantee loans shall not exceed 20% of annual budget and supplementary budget

Debt Obligation & Management

❖ Obligation

- Domestic Financing →
- Foreign Financing

T-bill : Short-term (less than 1 year)

Promissory Note: Medium-term (1- 5 years)

Government Bond : Long-term (more than 3 years)

❖ Debt Reconstruction

- PREPAY
- REFINANCE
- ROLL OVER



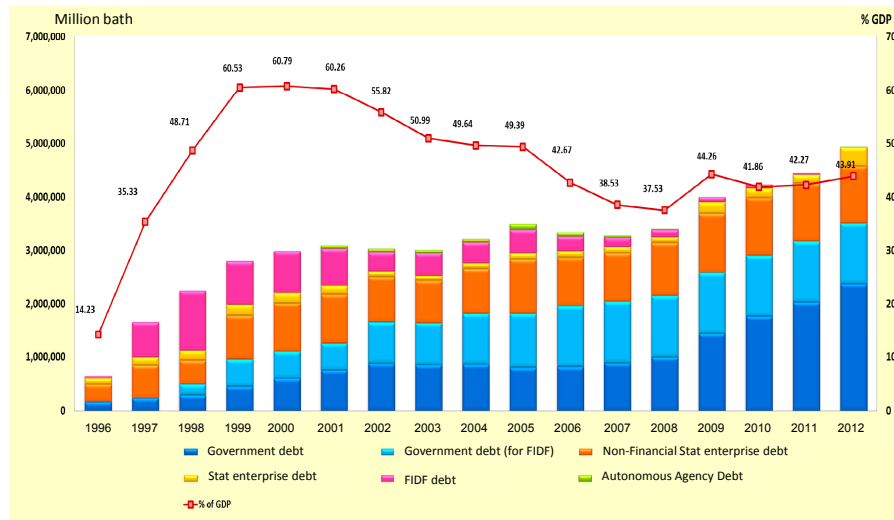
Fiscal Sustainability Framework

- ❖ Debt to GDP ceiling at 60%
- ❖ Debt Service to Budget at 15%
- ❖ Capital expenditure to Budget 25%

Sustainability Target Indicator	Nov 01 – Jun 02	Jun 02 – Jul 03	Jul 03 – Apr 04	Apr 04 – 16 Aug 09	17 Aug 09 - Present
- Public Debt / GDP (CY) (%)	≤ 65.0	≤ 60.0	≤ 55.0	≤ 50.0	≤ 60.0
- Debt Services / Total Budget (%)	≤ 16.0	≤ 16.0	≤ 16.0	≤ 15.0	≤ 15.0
- Budgetary balance (Million Baht)	Balance in FY2009	Balance in FY2008	Balance in FY2005	Balance in FY2005	Balance in FY2005
- Capital Budget / Total Budget(%)	N/A	N/A	N/A	≥ 25.0	≥ 25.0

Public Debt to GDP

Public Debt 2006 – 2012 (30th September 2012)



PDMO

Public Debt: Mostly in Domestic Debt

Public debt classify by type (Mar 14)

Million BHT

	Public Debt	External Debt		Domestic Debt	
	Amount	Amount	%	Amount	%
1. Government debt	3,919,398	73,281.2	1.9	3,846,117.1	98.1
2. Non-Financial State Enterprise Debt	1,091,895	306,940	28.1	784,955	71.9
3. Financial State Enterprise Debt (Guaranteed Debt)	532,183	3,151	0.6	529,033	99.4
4. Other Agencies Debt	6,914	0	0	6,914	100
Total	5,550,391	383,372	6.9	5,167,019	93.1

PDMO

Public Debt: LT-debt is the majority

Public debt classify by maturities (Mar 14)

Million BHT

	Public Debt	LT-debt		ST-debt	
	Amount	Amount	%	Amount	%
1. Government debt	3,919,398	3,828,398	97.7	91,000	2.3
2. Non-Financial State Enterprise Debt	1,091,895	1,065,687	97.6	26,208	2.4
3. Financial State Enterprise Debt (Guaranteed Debt)	532,183	527,721	99.2	4,462	0.8
4. Other Agencies Debt	6,914	6914	100.0	-	-
Total	5,550,391	5,422,470	98.0	107,895	2.0

PDMO

(Draft) Public Finance Act.

- Enhance fiscal discipline and transparency
- Fiscal Discipline: major issues
 - Government's duty to implement fiscal policy effectively and take into account the economic stability and sustainability
 - Government to conduct medium term fiscal plan (3 years) with annual revision
 - Government must take into account all fiscal burden
 - Any revenue from government agencies that will not be submitted to the treasury must be authorized by separate Act/Regulations
 - Other issues covering revenue, expenditure, budget formulation, debt, cash and asset management

Fiscal Risk



Fiscal Risk from Operation

Current Fiscal Risk

Economic Fluctuation



Revenue

Tax

Non-tax

Medium-term Fiscal Risk

Infrastructure Development



Expenditure

Current

Capital

Off-budget



Fiscal Risk

