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Comparison of the Personal Income Tax in Selected Countries

Komparace osobní důchodové daně ve vybraných zemích

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Declaration of Utilisation of Results from the Diploma Thesis
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Annexes

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The declaration

"Herewith I declare that I elaborated the entire thesis, including all annexes independently."

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Content

1.Introduction

The importance of taxes is linked to the existence of the state. Since the state needs funds to function, it is taxes that make it the main source of income to the state budget. As a result, it has to finance government spending and fulfill its allocation, redistribution, stabilization and fiscal functions.

The most important in most countries is personal income tax, which is given the highest degree of complexity, fairness and economic efficiency. It was first introduced in 1799 in Great Britain to finance wars against Napoleon. First, only income from profits was subject to taxation. The tax was extended to all incomes in 1803. In other developed countries this tax appeared only in the late 19th century and in the first decades of the 20th century. The personal income tax has a number of good features that do not occur at the same time for other taxes. It allows the redistribution of income among the members of the society and thus their more even distribution. Tax revenue is flexible. Tax does not cause price distortions. It is considered a good macroeconomic stabilizer. The taxpayer's tax burden is obvious here. In addition, the tax that is subject to tax is also the source of its payment, and thus there is no solvency problem.

Significant economic growth in Asian countries has been observed in recent years, even higher than in the European Union and the United States of America. This positive development, which is expected in the future, results in an increase in demand for a wide range of goods and services. With these facts and cheap labor, Asian countries represent new opportunities for business and investment. For this reason, it is good to know their personal income taxation system.

The aim of this thesis is to compare personal income tax on selected types of taxpayers in selected countries with a focus on income based on personal income tax legislation in Thailand, Vietnam, Laos, Cambodia, Philippines, Malaysia, Singapore, Hong Kong, India and Indonesia

The work will be divided into three thematic parts. The first part will focus on the characteristics of personal income tax. This chapter will also describe social security contributions and define the tax burden indicators for international comparison. The second part will be devoted to the description of legislative adjustments of personal income tax in individual selected countries, which will then be compared. The third part will focus on the analysis and comparison of the tax burden of selected types of taxpayers in selected countries.

2.Characterization of personal income tax

In the first part of this chapter, taxes will generally be characterized. A tax will be defined and its functions described. Also, the tax principles to be met and their tax classification will be mentioned. Subsequently, the personal income tax will be described in more detail. Attention will be paid to its history, subject matter, tax base and tax liability, rates and other possible ways of taxation. In the end of the chapter, social security contributions will be characterized and tax burden indicators for international comparison will be defined.

2.1 Characteristics of taxes

Tax is the transfer of funds from the private to the public sector. It can be defined as a mandatory, irreversible, legally prescribed payment to the public budget. This is a non-purpose and non-equivalent payment, which is repeated at regular intervals or is paid only occasionally under certain circumstances. The tax is irreversible because, unlike a loan, no specific claim arises from the entity after payment. Ineligibility for a taxpayer means that he does not know what will be financed from these funds. The non-taxable nature of the tax means that there is no entitlement to the equivalent of the payment.

Taxes carry a whole range of functions in the economy. The most important are allocation, redistribution, stabilization and fiscal functions. The allocation function ensures effective allocation of resources in the economy, i.e. addresses the issue of the placement of government expenditures and the optimal distribution between private and public consumption. The redistribution function results in the redistribution of part of the pensions away from richer individuals to the poorer ones. The stabilization function serves to mitigate cyclical fluctuations in the economy in order to ensure sufficient employment and price stability. The fiscal function is to raise funds into the public budget, which then finances public spending. *(COWLEY, Nick (Ed.). Global individual tax handbook 2008.)*

2.2 Tax Policy

There are a number of requirements for tax systems and individual taxes. The aim is to ensure that they properly fulfill their function and are considered as good tax systems. The tax policy to ensure "good taxes" is as follows:

Efficiency - Taxes should not interfere with the efficient allocation of resources in the economy, and at the same time they should not cause more administrative costs than necessary. And Positive influences on economic behavior of subjects, respectively. Reduction of negative effects (tax incentives) - Taxes are required not to have an adverse effect on the economic behavior of entities. Also have Justice - the essence of justice is primarily redistribution effect. Taxes should ensure a more even distribution of pensions than those flowing from market conditions. And Proper action on macroeconomic aggregates - the tax system needs to be very flexible to help at macroeconomic level to fulfill the redistribution, allocation and stabilization function of fiscal policy. There also legal excellence and political transparency - the more pressing the fulfillment of this requirement is, the more individual freedom is preferred. *(COWLEY, Nick (Ed.). Global individual tax handbook 2008.)*

2.3 Classify of tax

Taxes can be classified according to different criteria. Taxes are most often classified according to the taxpayer's income, according to the tax entity, the taxable entity, according to the taxpayer's income ratio, according to the tax value based on the tax base, according to the degree of progress.

The basic and best-known classification is based on the taxpayer's income, both direct and indirect taxes. Direct taxes are assessed by the taxpayer on his or her income or property, Indirect taxes are paid and collected in the prices of goods, services, rentals and transfers and therefore do not take into account the pension and property situation of a person.

Further sorting of the tax is according to the tax entity. The basis is the definition of an economic subject who is forced to pay a tax. The subject can be an individual, a household, both spouses, all members of the household, a firm and a corporation. An individual is an individual who is shown by his or her name, permanent residence and a unique character. Within the household, the head of the family acts as a tax-payer and carries the tax for the household as a whole. The subject may also be both spouses under the joint taxation of spouses, when all their income is added up and divided by two. This is a marital splitting which, in the case of progressive tax rates, can ensure a reduction in the overall tax liability. The more demanding option is full splitting, which summarizes the income of all members of the household and then divides by the number of all or only employees of the household. An entity may also be represented by a company, a corporation, a legal person defined by the name, a legal form registered in the company list and an assigned identification number.

Within the classification of taxes according to the object of the tax is defined the subject to which the tax is connected and the reason for its deduction and on that basis is divided into taxes: pensions, which are imposed on the pensioner's pension, yield based on the external realities of earnings property, through which real estate and movable property are taxed from the head, which the taxpayer pays because of his existence turnover taxes imposed on the manufacturer's turnover. Consumer products that affect the consumption of all or just selected product groups, of business transactions related to mostly speculative financial transactions. *(HUGHES, Jane F. The theory, principles and management of taxation: an introduction. London: Routledge, Taylor & Francis Group, 2015.)*

When classifying taxes according to their respecting the income ratio of the taxpayer, personal and in-tax taxes are distinguished. Personal taxes take into account the taxpayer's pension situation. They are assessed on the basis of their personal income or entrepreneurial income. In-house taxes do not respect the payer's ability to pay. They are taken out of ownership or acquisition of certain property, purchase or consumption of goods and services.

Depending on the tax value based on the tax base, the taxes are divided into unit and ad valorem taxes or value. Unit tax is determined from the tax base, in natural terms. Otherwise, it is the ad valorem tax, the amount of which is determined by the tax base in monetary units, most often a percentage.

Taxes can also be classified according to the degree of their progress. Depending on how the rate of taxation changes with a change in retirement, we differentiate between taxes progressive, proportional and regressive. In the progressive tax with the taxpayer's income growth, the rate of tax is increasing. On the contrary, this is the case for a regressive tax, which is the taxpayer`s income increase and the tax burden will increase either. Proportional tax means that the average tax burden on the taxpayer does not change with the growth of the pension.

2.4 Personal income tax

In most countries personal pension taxes are considered the most important. They are given the highest degree of complexity, fairness and economic efficiency. They have a number of good features that do not exist at the same time for other taxes. Such as, for example, that a progressive personal income tax permits redistribution of income between members of the society and thus a more even distribution. Tax revenues are flexible. This is reflected in the growth of personal pensions and the shift of taxpayers to higher tax bands. While it is a disadvantage for taxpayers, as they are increasingly contributing to their earnings, public budgets bring greater stability and give the government more room for decision-making. The tax also does not distort prices. The reason is that the tax levied on pensions does not primarily affect the price of goods and services. However, it is criticized for the distortion between the cost of labor and leisure. Personal income tax is considered a good macroeconomic stabilizer. The size of the taxpayer's tax burden is obvious here. The taxpayer has no problem calculating personal income tax on his income. So, he has more insight into how much he will pay. In addition, the taxable income is at the same time the source of its payment and, therefore, there is no solvency problem

2.4.1 History of personal income tax

Personal income tax was first introduced in the UK in 1799 to finance wars against Napoleon. First, only income from profit was subject to taxation. The tax spread to all revenues was in 1803. After the victory over Napoleon was temporarily canceled, but due to war debt and lack of public revenue it was restored.

In other developed countries, this tax has generally only come to the end of the 19th century and the first decades of the 20th century. But the personal income tax was introduced in China at Han dynasty. (*Tax Systems and Tax Reforms in South and East Asia: Overview of Tax Systems and main policy issues)*

The personal pension tax had only a few percentages when it came into being and related only to high pensions. Between the world wars and especially after the Second World War, these rates are constantly rising. In the 1960s, in some countries (eg in the United Kingdom and the US), the highest pensions are taxed up to more than ninety percent.

Efforts to reduce tax rates and progress appear in the 1980s. At that time and in the early 1990s, reforms of the tax system have been issued that change the tax mix. There is a reduction in rates, some up to tens of percent. Efforts to extend the basis of personal income tax are enforced by removing existing tax exemptions, tax exemptions and some deductible items from the tax base. The aim is to simplify the entire tax system.

2.4.2 Subject of the tax

The subject of personal income tax is defined as the income earned by the taxpayer for the taxable period. Many individuals are retired from a variety of sources, and they can also deal with money, as well as various benefits in kind and incomes of a different nature. The goal of fair taxation is that the pension tax should include as many different pensions as possible. For this reason, personal income tax should be a universal synthetic tax, which will sum up the different forms of taxpayer's income from all sources and will uniformly apply to these different types of income through its uniform legal regulation. Only in this way can these different incomes be comprehensively covered.

The main revenues from personal income tax arise from income from work, business, rent, public income and realized capital gains. Income are the largest share. While public income is subject to tax in most countries, private income is usually excluded from taxation. However, interest may be deducted from such deferred funds. Capital returns in some countries are not included in the taxpayer's total income, but a special tax on capital gains is taxed. It is therefore a general definition of where different countries may access different taxes for their income.

2.4.3 Tax base and tax liability

The tax base is the sum of all taxable income less the eligible expenditure incurred to achieve it. The tax base thus obtained is further regulated by tax relief, which may be of a dual nature, both standard and non-standard.

Standard tax relief takes the form of a predetermined fixed amount that reduces the tax base if the taxpayer complies with the conditions for granting it. The purpose of these deductions is to take into account the social status of the tax entity. Typically, standard tax reliefs commonly used include, for example, basic relief for the taxpayer, non-self-reliant income, marital status, dependent children, invalidity, dependents, deductible social security contributions, etc.

Non-standard tax credits are items that the taxpayer can deduct from the tax base in the demonstrably spent amount. Since deductions depend on actual expenditure, they are usually limited to a certain amount. Non-standard tax reductions serve primarily to stimulate taxpayers to a particular socially desirable behavior, such as saving, participating in pension funds, insurance, or a certain type of investment. As a result, these deductions can be deducted from the tax base, for example, paid interest on certain types of credit, retirement benefits or investment relief, medical expenses and charitable donations.

Differences in tax relief can also be taken from another perspective. In that case, concessions may be considered as standard only if they are available to all taxpayers. On the other hand, the relief that only certain groups of taxpayers can obtain is referred to as specific.

The adjusted tax base for tax relief will then calculate the amount of tax. The tax can be calculated in several ways, for example by a formula, a percentage of the tax base, by using tables. Most often, however, the calculation is made using the tax bands and the applicable tax rates.

The resulting of tax liability can be reduced by tax deductions. These discounts can be applied by all taxpayers, can be used by targeted groups or can be used to stimulate certain activities. As tax deductions are deducted from tax, they will, unlike tax deductions, be the same for all taxpayers. The tax liability can be deducted from tax deduction items in tax system. (*Tax Systems and Tax Reforms in South and East Asia: Overview of Tax Systems and main policy issues)*

2.4.4 Tax rate

The tax liability is assessed for a personal income tax using a relative tax rate. Depending on the tax base, the tax rate may be proportional or progressive or regressive.

The proportional tax rate, which is also called linear, is usually set as a percentage of the tax base that does not change with the growth of the pension. In the end, tax increases with tax base growth in the same ratio. Its advantage is the simplicity of tax calculation.

A progressive tax rate is a rate whose value increases with increasing income. It has, as a rule, significant redistribution effects. For the calculation, the so-called band rates are most often used, whereby the tax base is divided into several bands, for which a higher tax rate is gradually set. *(JAMES, R. Simon and Christopher NOBES. The economics of taxation: principles, policy and practice. 13th ed. Birmingham: Fiscal Publications, 2013.)*

The regressive tax is uniformly taxed, and the income of low-income earners is higher than that of high-income earners. This is in contrast to progressive taxes, which account for a large percentage of high-income earners. *(JAMES, R. Simon and Christopher NOBES. The economics of taxation: principles, policy and practice. 13th ed. Birmingham: Fiscal Publications, 2013.)*

2.4.5 Other ways of taxing personal income

As can be seen from the principle of justice, a personal tax should cover, as far as possible, all the taxpayer's income, which should be taxed according to the same rules. However, for reasons of simplicity and administrative difficulty, easier control of tax collection and tax evasion, some tax revenues are treated differently.

Personal income tax is usually paid on the basis of a taxpayer's tax return. In most countries, however, it can be directly deducted at source. This procedure is practiced on revenue from which the tax would be levied in a complex way and unnecessarily burdened the taxpayer. In this case, the tax payer will pay for it in the case of the income provider. The taxpayer will receive a net income and therefore do not have to file a tax return.

Another possible way of taxing personal income is a flat tax, which is introduced to reduce administrative burdens. It mainly concerns small individual businesses and trades. There are two methods of using a flat rate tax. This method is irrefutable and irreversible. The irrevocable method establishes the taxpayer's obligation to accept the amount of the lump-sum tax he is charged on the basis of an estimate of net profit based on external features. In the case of a reversible method, the taxpayer has the possibility to appeal against the assessed tax liability and thus to prove the achievement of a lower profit by keeping the accounts.

An absolute amount, when the amount of tax liability is fixed in advance by a lump sum. the percentage rate in which the amount of tax liability is set as a percentage of earned income

Other ways of taxing personal income include a flat tax. Equal tax on personal income has three parameters, namely the tax base, the non-taxable minimum and the uniform rate of tax. The essence is that a single tax rate is taxing part of the income exceeding the non-taxable minimum. As part of this tax, the taxpayer has the opportunity to include the full value of the new investment in tax expense, but all other tax reliefs, discounts and tax rebates are abolished. The introduction of a flat tax should eliminate the demotivating effects of progressive taxation on tax payers and reduce tax evasion.

2.5 Social insurance

Social security contributions are one of the youngest taxes. They were introduced at the end of the 19th century and only then were civil servants. In the context of the increasing need to cover social spending, they have been generalized over the next few years.

Social security contributions have many characteristics that are very close to taxes. For this reason, they are often classified among the taxes even though they do not exactly meet the conditions. Taxes include primarily duty and regularity of payment. It is also important that the amount of the contribution is mainly determined by the amount of the pension from which it is paid. In addition, the social security system does not take into account factors typical of insurance premiums such as the sex of the insured person, age, health status, etc.

The purpose of social security contributions is to cover the costs associated with the need to secure the following payments: which are old-age and disability pensions and sickness benefits. Unemployment benefits and compensation for accident at work and health services.

The basis for calculating social security contributions is mostly gross wages, which are not deducted from deductible items or other tax reliefs. Social security contributions are paid by employees, employers and self-employed persons. Employees are a special category of payers of premiums, as part of their tax liability is in most cases funded by the employer. Depending on which party's labor market the tax deducts, it is distinguished from: wage tax, which is part of the tax paid to the employer and payroll tax, which is part of the tax paid by employees

Rates of social security contributions are mostly linear. However, a minimum assessment tax base and a ceiling for their payment are in place, which may cause the impact of payments to be regressive. In such a case, the contributions may be against the principle of vertical justice applied to personal income tax. Another distortion is also perceived as their distortive effect on the labor market. *(JAMES, R. Simon and Christopher NOBES. The economics of taxation: principles, policy and practice.)*

Revenue from social security contributions varies considerably between countries. They are not even introduced in some countries. In this case, the system needs are covered by the state budget from taxes or on a private basis

2.6 Tax burden indicators

From the macroeconomic point of view, the tax quota indicator is most often used to measure the tax burden of the population and its comparisons between countries. The tax quota is the ratio of total government revenue from taxes to gross domestic product at current prices and can be expressed using the

$$Tax\ Quata(\%) = \frac{Total\ tax\ receipts}{GDP} \bullet 100 \qquad (2.1)$$

The tax quota expresses how much of each newly created value is selected as a tax. Depending on what is included in total tax revenue, the tax quota is distinguished between simple and compound. In the case of a composite tax quota, total tax revenues, including social security contributions, are calculated, unlike a simple tax quota to which the social security income does not include

The tax quota structure, which is referred to as the tax mix, varies from country to country. Differences can be found both in terms of the types of taxes they are created and in terms of tax determination. There are two or three types of taxes in the tax mix of each country that make up a substantial part of the total tax revenue. High income taxes are usually represented in developed countries with good tax morals. In countries with poor morale and low pensions, direct taxes cannot be too high, and governments are therefore trying to generate revenue in public budgets by increasing indirect taxes on consumption *(JAMES, R. Simon and Christopher NOBES. The economics of taxation: principles, policy and practice.)*

To compare the tax burden between countries, an aggregate tax quota is used for which all tax revenue is calculated. A partial analysis of the tax burden can also be made. Indirect taxes and direct taxes are divided into personal pension taxes and corporate taxes

From the microeconomic point of view, the comparison of the tax burden is carried out using a taxpayer's tax burden indicator, which can be expressed by.

$$The\ tax\ burden = \frac{Tax\ liability}{Gross\ income} \qquad (2.2)$$

Depending on the structure of the reader, this indicator may have two forms. If only the tax liability is placed in place of the reader, it is the actual tax burden on the taxpayer. In the case that both the tax liability and the social security contributions are included in the numerator, this is the total tax burden of the taxpayer *(J.K. Lasser's. Your Income Tax 2019 Wiley; Professional edition February)*

3. Descriptive of legislative adjustments for personal income tax of selected countries

In the following chapter, the individual legislative adjustments of personal income tax in selected countries for 2018 will be described. Their systems of paying compulsory social security contributions will also be mentioned. At the end of the chapter a comparison of individual legislation will be made.

The following countries were selected to compare personal income tax: Thailand, Vietnam, Laos, Cambodia, Malaysia, Philippine, Singapore, India, Hong Kong, Indonesia. Those countries are located on the Asian continent. They were chosen mainly because they have seen significant economic growth in the past years, which is expected in the future.

As a result, there is an increase in demand for a wide range of goods and services. Another significant advantage is cheap labor. Against this background, these countries are new opportunities for entrepreneurs and investors.

3.1 Basic information about Thailand

Thailand is a country in Southeast Asia, bordering Myanmar in the north and north, bordering the Lao People's Democratic Republic and Cambodia in the east, Malaysia and the Gulf of Thailand in the south, and the Andaman Sea in the southwest. A unified kingdom of Thailand was established in the mid-14th century. Originally known as Siam, the country was renamed Thailand (the country of freedom) in 1939. The capital of Thailand is Bangkok, the currency is Thai Baht (THB) and the official language is Thai.

Thailand is the second largest economy in Southeast Asia after Indonesia. With a sound infrastructure, a free enterprise economy and a policy of universal support for investment, Thailand has a strong economic strength in history. However, due to domestic political turmoil and sluggish global demand, it experienced a slow growth from 2013 to 2015, which inhibited Thailand's traditionally strong exports, mainly electronics, agricultural products, automobiles and parts, and processed foods. The GDP growth rate in 2017 was 3.9%, which is expected to be around 4.1% in 2018 and 3.8% in 2019.

3.1.2 Personal income tax of Thailand.

Residents and non-residents in Thailand are taxable income for employment or business in Thailand, whether in Thailand or outside Thailand. Residents earning income from abroad should pay income tax if they send money to Thailand in the year, they receive the remittance from Thailand.

The measurable income of Thai residents and non-residents comes from employment or business in Thailand, whether they are paid in Thailand or abroad. Residents who earn income from abroad should be taxed on the income if they are remitted to Thailand in the year they receive.

The taxable income of Thailand has several parts.

Employment income. All benefits from employment can be assessed unless the law explicitly waives them. And Tax-Exempt benefits include medical expenses and travel expenses that are fully and exclusively incurred by employees in performing their duties.

The Self-employment and business income. Taxable self-employment and operating income include taxable income minus deductible expenses and allowances

Capital gains. The gains from stock sales are usually subject to PIT. The proceeds from the sale of real estate are subject to PIT restrictions.

Table 3.1 Personal income tax rate of Thailand per year

Net income (THB)	PIT rate (%)
0 to 150,000	Exempt
150,001 to 300,000	5
300,001 to 500,000	10
500,001 to 750,000	15
750,001 to 1,000,000	20
1,000,001 to 2,000,000	25
2,000,001 to 5,000,000	30
Over 5,000,000	35

Source: PWC global tax guide

Residents are referring residents who have lived in Thailand one or more times in any tax year (calendar year) for a total of 180 days or more.

And the deduction items in Thailand has 7 parts.

They are Charitable donations which Contributions to educational institutions, public health agencies, approved charities and educational technology development funds can be deducted. Life insurance premium in Thailand is If the insurance policy is at least 10 years and the insurance company operate the life insurance business in Thailand, the taxpayer can pay the deduction fee. Health insurance premiums in Thailand is fees paid by taxpayers to life insurance companies or non-life insurance companies in Thailand for their own health can be deducted. Cost of antenatal care and childbirth in Thailand is fee paid by the taxpayer or spouse for antenatal care and childbirth allows 60,000 baht per pregnancy. Mortgage interest expense is the mortgage interest earned on the purchase or construction of residential buildings in Thailand can be deducted up to 100,000 baht. Social security fund contributions: The contribution to the government's Social Security Fund is also deductible which is 5% of the monthly income. And the limit amount and the maximum amount is 750 Baht.

Personal allowance: The spouse of the taxpayer and the taxpayer can each receive a personal allowance of 60,000 baht (provided that the taxpayer’s spouse does not submit his or her own tax refund). Each child also receives a THB 30,000 allowance, and a second child born in or after 2018 will receive an additional THB 30,000, which deducts a parental allowance of 30,000 baht per parent. Non-residents are allowed to deduct spouses, children and parents only if they live in Thailand.

In addition, it is allowed to deduct 60,000 baht per person for the care of disabled or incapacitated family members and to care for 60,000 baht for disabled or incapacitated persons other than family members.

Tab 3.2 Tax credit for dependent per year

Benefit	Amount *THB
Personal allowance	60000
Spouse allowance	60000
Child allowance	30000 per child
Parental support allowance	30000 per parent
disable allowance	60000 per person
social security	not exceed 9000

Source: PWC global tax guide

And the way to payment of individual tax is paid by the employee is withheld by the employer. All individuals who earn income in Thailand during the calendar year must submit a personal income tax return to the tax office at the end of March. And married persons are taxed jointly or separately in the taxpayer election, and employment income and all other types of income are jointly taxed.

3.2 Basic information of Vietnam

Vietnam is located in central Southeast Asia with a land area of 331,689 square kilometers. It borders China in the north, Laos and Cambodia in the west, and the East China Sea in the east. Viet Nam is in an ideal position for overall economic development, especially in trade and tourism. Its capital is Hanoi, and its currency is East (VND). Vietnamese is the national and official language of Vietnam.

3.2.1 Personal income tax of Vietnam

According to the Personal Income Tax (PIT) Act, taxpayers are residents and non-resident individuals whose income is subject to tax.

The taxable income of tax residents is subject to Vietnam Personal Income Tax (PIT), regardless of where they are collected or collected. Employment income is taxed at progressive rates.

And for residence in Vietnam is from the date of individual arrival in Vietnam, Vietnam spent 183 days or more in 12 months.

Employment income is taxed at progressive rates. Employment income includes all cash compensation and in-kind benefits. The progressive tax rate for Vietnamese and foreign residents is 5% to 35%, and the non-resident fixed tax rate is 20%. When calculating the taxable income, foreign currency income is converted into Vietnamese Dong.

Employment income exempt: A one-time allowance to transfer Vietnamese nationals to Vietnam under a labor contract or transfer letter, and a one-time allowance from Vietnam to overseas. And Tuition fees paid by employers for children from kindergarten to high school education. Also, Round-trip airfare is provided to foreign employees and Vietnamese foreign employees once a year. And Housing, electricity, water and related services for employers, as well as housing built by industrial park employees or employers in industrial parks. And Provide financial support to employees and their family members for post-tax funds for employers of deadly disease treatment or medical treatment.

Tab 3.2 Personal income tax of Vietnam

Annual taxable income (mil VND)	Monthly taxable (mil. VND) income	PIT rate
0 to 60	0 to 5	5
60 to 120	5 to 10	10
120 to 216	10 to 18	15
216 to 384	18 to 32	20
384 to 624	32 to 52	25
624 to 960	52 to 80	30
more than 960	more than 80	35

Source: PWC global tax guide

Deduction for Vietnam personal income tax are Social, health and insurance costs:

mandatory employee SI, HI and UI contributions can be used for PIT purposes. And the Social security contribution for personal is 8% per month. And have limit which is 20 times minimum salary. (minimum salary in Vietnam 2019 is 27,800,000 per month). And Charitable donations: Contributions to certain approved charities can be deducted. And Personal allowances are allowed as follows: Personal allowance: VND 9 million per month. This tax will be automatically granted to all tax residents.

3.3 Basic information of Laos

The Lao People's Democratic Republic (PDR) is a landlocked country in Southeast Asia, bordering Myanmar and China in the northwest, bordering Vietnam in the east, Cambodia in the south, and Thailand in the west. The Lao People's Democratic Republic is ruled by a one-party Communist government. It was a former French colony and gained independence in 1954. The population is about 7 million and most people live in rural areas. Laos is the official language and French is still used in certain parts of the Vientiane capital. Thailand is common in border areas and capitals. The official currency of the Lao People's Democratic Republic is Kip (LAK), but Thai baht (Thailand) and US dollar (US dollar) are also common in many border areas.

3.3.1 Personal income tax of Laos.

Laos and foreigners earn income in the Lao People's Democratic Republic in the form of wages, in-kind benefits and other remuneration, all at the same personal income tax rate (PIT).

The tax subject of Laos individual tax is People earning income in Laos; individuals living in Laos work abroad and earn income, and are exempt from paying income tax abroad; Lao employees work in foreign embassies, consulates or international organizations and generate income in Laos; in Laos Work with foreigners working in Laos or foreign countries, unless otherwise provided in the applicable double taxation agreement

Employment income includes wages, bonuses, overtime pay, wage advances, gratuities, management board membership allowances, and other cash or in-kind benefits.

The exempt income in Laos are whose income up to LAK 1,000,000; Marital support to the wife or child of up to 18 years old

Tab 3.3 Personal income tax of Laos per month

from	to	computation	tax rate
0	1000000	1000000	0
1000000	3000000	2000000	5
6000000	12000000	6000000	10
12000000	24000000	12000000	12
24000000	40000000	16000000	20
40000000	above		24

Source: PWC global tax guide

In Laos the pension funds and certain other welfare funds are deductible.

In Laos there have personal standard deduction which is 1000000 for one person. And there only has personal standard deduction for adults.

And the Social security contribution is Laos is 6% of gross income and the limit is the 4.5 million of LAK.

3.4 Basic information of Cambodia.

Cambodia is a country in Southeast Asia, bordering the Lao People's Democratic Republic in the northeast, bordering Thailand in the northwest, Vietnam in the east, and the Gulf of Thailand in the southwest. Cambodia gained independence in 1953 and is a member of the Association of Southeast Asian Nations (ASEAN). Cambodia has a multi-party democracy under the constitutional monarchy, with Phnom Penh as its capital. The official language of Cambodia is Khmer and the currency are Riel (KHR).

3.4.1 Personal income tax Cambodia

Cambodian residents and non-resident individuals must pay a payroll tax to earn income from their employment activities and impose a withholding tax on certain types of income.

The residence in Cambodia is 182 days in any 12-month period ending in the current tax year. Which applies the progressive tax rate.

And the non-residence tax in Cambodia is the Flat tax rate which is 20%

The employment income for taxation in Cambodia applies employment income, remuneration, wages, bonus, overtime, compensation and fringe benefits.

The exempt tax income is Reimbursement of employment-related expenses; Indemnity for a layoff within the limit provided in the Labor Law; Salaries of members of the National Assembly and Senate, and employees of approved diplomatic and international aid organizations

Tab 3.4 Personal income tax of Cambodia per month

Monthly salary (KHR)	Tax rate (%)
0 to 1000000	0
1000001 to 1500000	5
1500001 to 8500000	10
8500001 to 12500000	15
Over 12500000	20

Source: PWC global tax guide

The allowance for spouses without income and minor children is 150,000 KHR per person, which can be deducted from taxable wages.

Employers must provide Occupational Risk Taking (ORC) and health care payments to the National Social Security Fund (NSSF). And the ORC rate is 0.8% per month, and the HCC is the 2.6% per month.

3.5 Basic information of Malaysia.

Located in Southeast Asia, Malaysia is divided into two non-adjacent areas by the South China Sea: The Peninsula of Malaysia (West Malaysia) bordering Thailand and the Borneo area of Malaysia bordering Indonesia and Brunei (i.e. East Malaysia). Malaysia is divided into 13 states and 3 federal districts, Kuala Lumpur is the capital, and

Putrajaya is the seat of the federal government. The official language of Malaysia is Malaysian and the currency is Malaysian Ringgit (MYR).

3.5.1 Personal income tax Malaysia.

Residents and non-residents are the subject of Malaysian income tax, and the resident subject follows stay in Malaysia 182 days of a calendar year. They are present in Malaysia during the calendar year for at least 90 days.

Non-resident tax in apply as flat tax which the tax rate is 28%

Employment income in Malaysia are wages, salary, remuneration, leave pay, fees, commissions, bonuses are arising from employment.

Tab 3.6 Personal income tax in Malaysia per month

Taxable income (MYR)		Tax on Column 1(MYR)	tax on excess (%)
Over	Not Over		
5000	20000	0	1
20000	35000	150	3
35000	50000	600	8
50000	70000	1800	14
70000	100000	4600	21
100000	250000	10900	24
250000	400000	46900	24.5
400000	600000	83650	25
100000	1000000	133650	26
1000000		237650	28

Source: PWC global tax guide

Deductions in Malaysia: Charitable donations: Contributions to approved institutions or organizations can be deducted but are not restricted.

The SSC for Malaysia is the 11% of the cross income of the employees.

And the personal allowance for Malaysia is follows Tab 3.7

Tab 3.7 Personal allowance in Malaysia per year

allowance	MYR
self	9000
spouse	4000
child younger than 18	2000
child older than 18	8000

Source: PWC global tax guide

We can see from the Tab 3.7 here is self-deduction for one personal is 9000MYR and the spouse for 4000 MYR. For whom has child which is under 18 there has personal deduction is 2000 MYR.

3.6 Basic information of Philippines.

The Philippines is strategically located on the southeast coast of the Asian continent, flying to most major Asian countries for 4 hours or less. Its strategic location makes it possible to bridge the East and West cultures and produce a rich history of influence in Asia, Europe and the United States. The Philippines is considered to be the third largest English-speaking country in the world. The capital of the Philippines is Manila and the currency is the Philippine Peso (PHP).

3.6.1 Personal income tax of Philippines.

Resident citizens are required to pay a global tax. Non-resident citizen are tax subject in Philippine. And non-resident citizens and foreigners, regardless of whether they live in the Philippines or not, are taxed only on income in the Philippines.

Resident foreigners who come to the Philippines and stay for more than 180 days in any calendar year will be considered as non-resident foreigners who are engaged in trade or commercial activities in the Philippines.

The non-residence tax in Philippines is apply as the flat tax which is 25%

Employment income includes all compensation for the services provided by the employee to the employer under the employer-employee relationship. And also included wages, salaries, allowances.

Tab 3.8 Personal income tax of Philippines per year

Taxable income (PHP)		Tax on column 1(PHP)	tax on excess (%)
Over	Not Over		
0	250000	-	0
250000	400000	-	20
400000	800000	30000	25
800000	2000000	130000	30
2000000	8000000	490000	32
8000000		2410000	35

Source: PWC global tax guide

Social security contributions (maximum mandatory contributions) are not included in the total tax revenue. If the family unit's total income does not exceed 250,000 Philippine pesos, you can also deduct health insurance annual premiums up to 2,400 Philippine pesos.

And in Philippines there has no SSC can be deductible and also no personal allowance and credit.

3.7 Basic information of Singapore

Singapore is an island country in Southeast Asia, located on the southern edge of the Malay Peninsula, between Malaysia and Indonesia. The official languages are English, Malay, Chinese and Tamil, and the currency is Singapore Dollar (SGD).

Singapore is one of the most prosperous countries in the world, with strong international trade links (the port is one of the busiest ports in the world to handle tonnage), and its per capita gross domestic product (GDP) is comparable to or exceeds that of many countries.

3.7.1 Personal income tax in Singapore

Regardless of whether the remuneration is paid in or outside Singapore, the employment income of a person’s Singapore service is subject to tax.

The resident in Singapore is stay or work in Singapore for 183 days or stay continuous 3 years.

And non-resident tax in Singapore is apply by the flat tax rate which is 15%.

Exempt tax for resident Singapore is the income from sources outside Singapore.

Taxable employment income includes cash compensation, wages, wages, holiday wages, directors' fees, commissions, bonuses, tips, allowances, employee stock plan income, and allowances for service compensation. And the tax rate is follows tab 3.8.

Tab 3.9 personal income tax of Singapore per month

taxable income (SGD)		years of assessment 2018 and 2019	
over (column1)	Not Over	Tax on column 1 (SGD)	Percentage on excess (%)
0	30000	-	2
30000	40000	200	3.5
40000	80000	550	7
80000	120000	3350	11.5
120000	160000	7950	15
160000	200000	13950	18
200000	240000	21150	19
240000	280000	28750	19.5
280000	320000	36550	20
320000		44550	22

Source: PWC global tax guide

The deduction in Singapore has Spouses, can no longer choose to transfer eligible deductions (including excess capital subsidies, trade losses, donations and rental deficits) to each other. And Charitable donations which in general, for approved charities, eligible contributions from foundations and funders, you can apply for a 250% deduction.

And the personal allowance follows Tab 3.9

Tab 3.10 personal allowance in Singapore per year

Deduction	SGD
Supported spouse relief	2000
handicapped spouse	5500
child	4000

Source: PWC global tax guide

Those personal allowance can be accepted for taxpayer whose age under 55 years old.

And the spouse relief is extension of traditional wife relief designed to provide recognition to male and female taxpayers who support spouses. And working mother`s child relief are available for married women working in Singapore.

The Social security contribution for Singapore residence tax payer. The rate is 20% for employees and the maximum limit is 1200 SGD.

3.8 Basic information of India

India is a country in Southeast Asia. It is the seventh country by geographical region. The country with the second largest population has a population of more than 1.25 billion. It is the most populous democracy in the world. It is in the Indian Ocean to the south, the Arabian Sea in the southwest, and the Bay of Bengal in the southeast. It shares land borders with Pakistan in the West; Bhutan, the People's Republic of China, Nepal to the northeast; and Bangladesh and Myanmar to the east. It is divided into 29 states and 7 coalition regions, with New Delhi as its capital. The official language of India is Hindi and English, and the currency is the Indian Rupee (INR).

3.8.1 personal income tax of India.

The personal income tax in India is depends on the situation of the residence in a calendar year. All wage income associated with services provided by India is considered cumulative or generated in India, regardless of the location or recipient's residency status.

If stay in India less than 183 days, it seems the exemptions income.

Tab 3.11 Personal income tax of India per year

		tax 1st column	percentage on excess
0	250000	0	0
250000	500000	0	5
500000	1000000	12500	20
1000000		112500	30

And in India. There has no personal allowance and child allowance and single parents support can be accepted in to tax deduction.

The social contribution security in India is the fixed 4% of the monthly income. The limit is the 150000 INR per month.

3.9 Basic information of Hong Kong

Hong Kong is located in East Asia on the southeast coast of China. The official languages of Hong Kong are Chinese and English, and the currency is Hong Kong dollars (HKD). Hong Kong continues to closely link its currency to the US dollar (US$) and maintains the 1983 arrangement.

Hong Kong is one of the freest economies in the world. The Hong Kong SAR Government has long supported the policy of "municipal promotion and minimal government intervention" in order to create a business-friendly environment in Hong Kong. Hong Kong became a member of the Asia-Pacific Economic Cooperation Organization in 1991 and became a member of the World Trade Organization (WTO) on January 1, 1995.

3.9.1 Personal income tax of Hong Kong

The tax subject of Hong Kong tax system is during any tax year, individuals who have earned or generated income from services in Hong Kong or Hong Kong or in Hong Kong are subject to salaries tax during a period of more than 60 days of visit.

The employment taxable income includes all cash emoluments and bonuses and gratuities. If an employee's employment income comes from Hong Kong, even if he or she does not normally reside in Hong Kong, the employee is still subject to salaries tax.

3.9.1 Personal income tax of Hong Kong

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The employment taxable income includes all cash emoluments and bonuses and gratuities. If an employee's employment income comes from Hong Kong, even if he or she does not normally reside in Hong Kong, the employee is still subject to salaries tax.

The social security in Hong Kong is the 5% of the monthly earing

Tab 3.12 personal income tax of Hong Kong per month

Net taxable income (HKD)		Tax on column1 (HKD)	percentage on excess (%)
over (column 1)	Not over		
0	50000	-	2
50000	100000	1000	6
100000	150000	4000	10
150000	200000	9000	14
200000		16000	17

The Deduction item in Hong Kong has Charitable donations which if the total tax for a year is not less than HK$100, you can donate cash charitable donations to approved charities.

And the personal allowance is available under salaries tax for individual whose income level are below a specific level. And it follows Tab 3.12

Tab 3.13 personal allowance in Hong Kong per year

personal allowance	HKD
prescribed allowance	132000
married	264000
first child to ninth child	120000
each child born	120000
single parent allowance	132000

In Hong Kong there has standard personal allowance which is 132000 HKD for one person. For those who has spouse and child there also have deduction which is for spouse is 264000 HKD and for child is 120000 HKD

3.10 Basic information of Indonesia

Indonesia is located between the Indian Ocean and the Pacific Ocean on the equatorial coasts of Asia and Australia. It is divided into 34 provinces and Jakarta is the capital. The official language of Indonesia is Indonesian and the currency is the rupee (IDR).

3.10.1 personal income tax of Indonesia

The tax subject of personal income tax in Indonesia is resident taxpayers' tax global income. Non-residents are only taxed on income from Indonesian sources.

In Indonesia the residence tax is means 183days spend in Indonesia and the tax subject becomes the residence tax subject.

And the non-residence tax in Indonesia is flat tax rate which is 20% in respect of their Indonesian-sourced income.

Employees' taxable income includes wages, wages, commissions, bonuses, pensions, directors' fees and other work compensation.

And the social security is possible to account into the tax deduction which is fixed 12% for employees and the maximum amount is 8million IDR/month.

Tab 3.14 personal income tax of Indonesia per month

From	To	Tax	From the tax base beyond
0	50,000,000	2,500,000	5%
50,000,001	250,000,000	30,000,000	15%
250,000,001	500,000,000	62,500,000	25%
500,000,001	-	30% of relevant amount	30%

Source: PWC global tax guide

The deduction item in Indonesia is Charitable donations certain donations can be deducted, such as national disasters, research and development, educational facilities, sports development and social infrastructure. Some religious donations can also be deducted if paid to certain government-approved institutions.

And the personal allowance in Indonesia based on Tab 3.12

Tab 3.15 personal allowance in Indonesia per year

	as of 1 January, 2016
Taxpayer	54000000
wife	4500000
Dependents family members in direct blood line (max 3) each	4500000

In Indonesia there has personal deduction for taxpayer which is standard deduction and spouse and child. But the child in Indonesia only direct blood line child can be accepted the personal allowance. Which means the adopt child cannot be accepted the personal allowance for dependents.

4. Comparison of personal income tax for selected types of taxpayers

This chapter thesis will compare personal income tax in Thailand, Vietnam, , Laos, Cambodia, Malaysia, Philippines, Singapore, Hong Kong, India, Indonesia. The subject of comparison is income from dependent activity; therefore, the other personal income is different in different countries, and it could not be compared. And the calculation is based on average annual wage of selected countries in 2018. The comparison will be made as of 31 December 2018. To take account the multiplier times annual average wage from 0.5 to 5, the reason of it is to cover wild range of personal income tax and compare it to show the personal income tax in different income level. And for each country has its own currency. The calculations will be based on the average annual wage, and since its last known value is for 2018, the comparison will be made as of 31 December 2018. To account for both low income and high-income taxpayers, multiples of the average wage of 0.5 are used. to 5. As each country has its own currency, the comparison will be made using the tax burden indicator in relation to (2.4).

In comparison, different family situation will be captured on three types taxpayer. This following taxpayer are follows: (P1) single individual which has no children and spouse. (P2) Marriage individual who has one kid and wife without income. (P3) Single parent with one kid

4.1 Analysis of personal income tax within each country

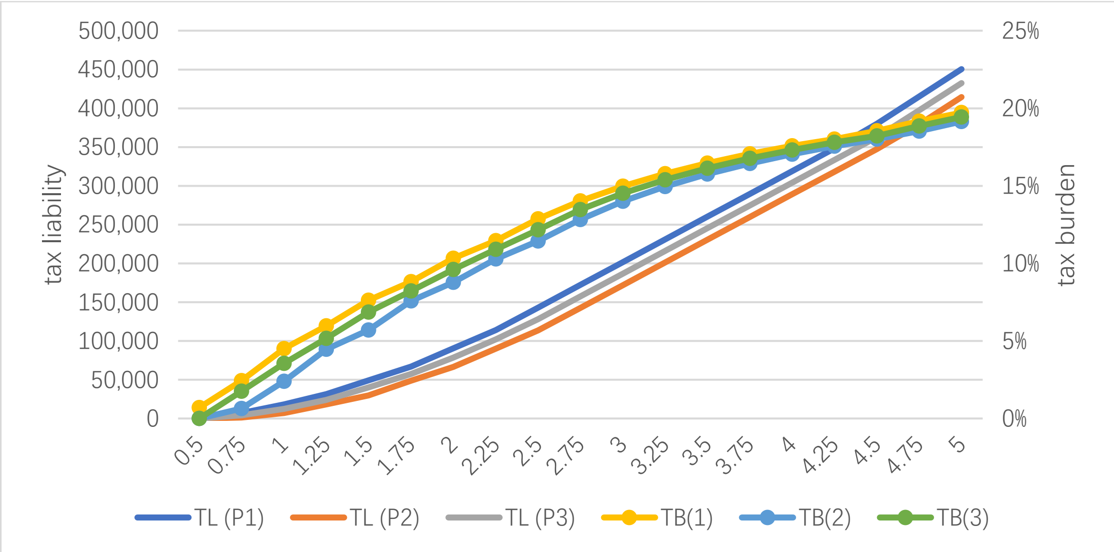
In this sub-chapter will be analyzed personal income tax in each country. For specified types of taxpayers, their tax liability and tax burden will be calculated from 0.5 to 5 times the average annual wage. The resulting results will then be evaluated and compared.

4.1.1 Analysis of personal income tax of Thailand

The analysis of personal income tax in Thailand was based on the described in Chapter 3.1 For each type of taxpayer, the amount of tax liability was calculated. The annual average in Thailand was 1,172,376 THB in 2018. And the standard deduction in Thailand is 60,000, social security contributions were deducted from the gross wage.

The tax base thus obtained was then multiplied by the relevant tax rate and the resulting value reduced by deduction. In Thailand the tax rate is the progressive tax rate.

Chart 4.1 Personal income tax in Thailand in different income level

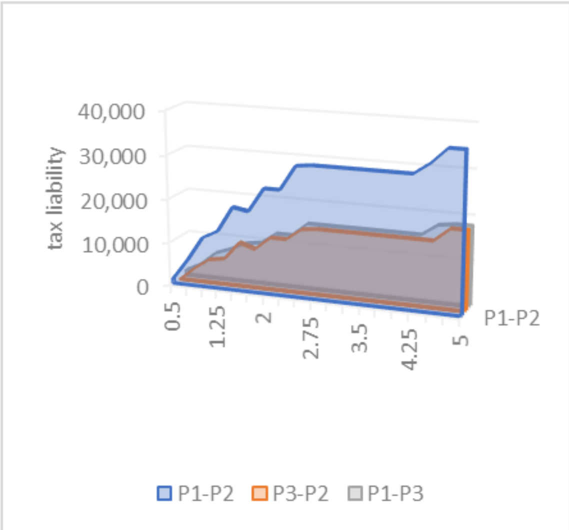


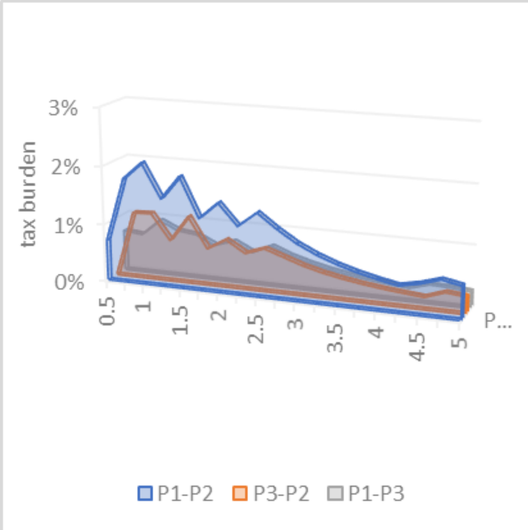
Source: own calculation

Figure 4.1.1 shows the development of the tax burden and the tax liability of individual taxpayers. The curves of the quantities shown are initially linear and reach zero as taxpayers in the first tax bracket are exempt from tax in Thailand. Furthermore, a concave development of the tax burden in individual tax zones, which taxpayers achieve at different levels of income, can be observed. Also, the chart It shows the tax burden and tax liability of individual taxpayer in the range of 0.5 to 5 times the average annual wage. Tax burden and tax liability with taxpayer revenue growth and rising. Which is because in Thailand there imply the progressive tax rate which is cause more fairly to the society.

The differences between taxpayers are quite obvious here and are shown in more detail in Graph 4.1.1 and 4.1.2.

Graph 4.1Difference of tax liability   Graph 4.2 Different of tax burden





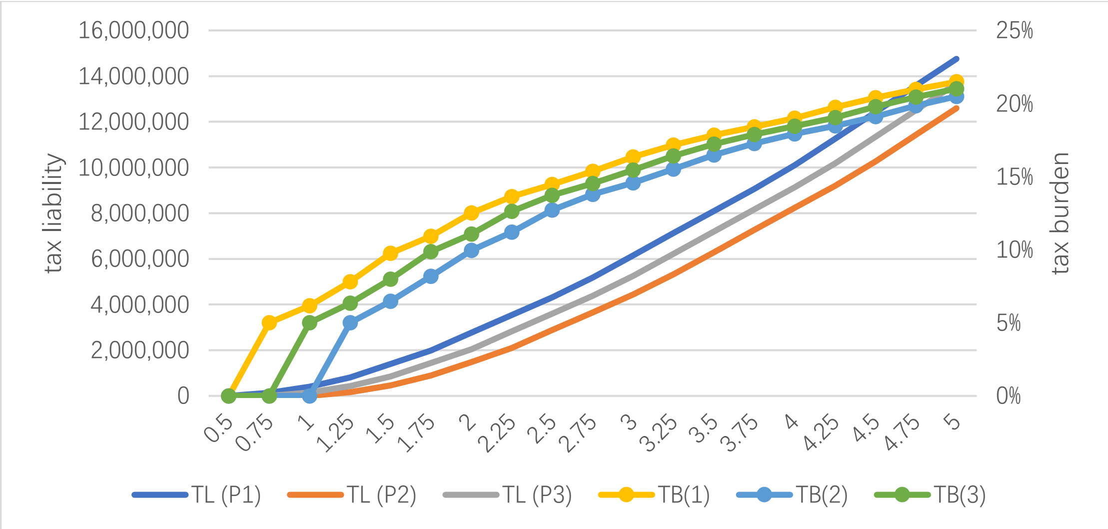
Source: own calculation

The biggest difference in taxation is between the taxpayer P1 and P2, because the taxpayer P2 also applies deductions for his wife, children and their education. And P3-P2 there also has some big different, because the P3 taxpayer accept the child allowance.

4.1.2 Analysis personal income tax of Vietnam

The personal income tax in Vietnam was analysis on the Chapter 3.2 and the average annual wage in Vietnam 208,308,984 VND and the standard deduction is Vietnam is 9,000,000 VND, in Vietnam, the progressive tax rate is used. And the social security contribution rate is 10.5%.

Chart 4. 2 personal income tax in Vietnam in different income level

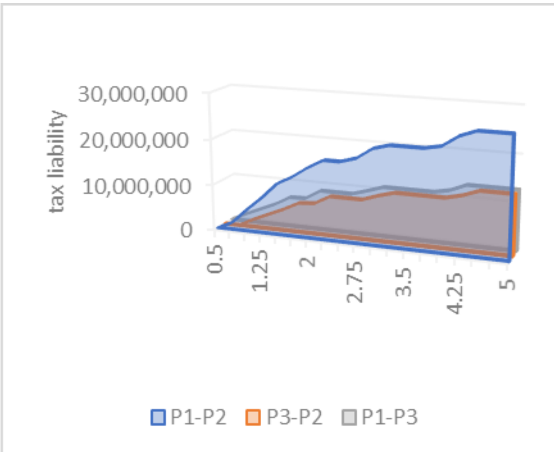


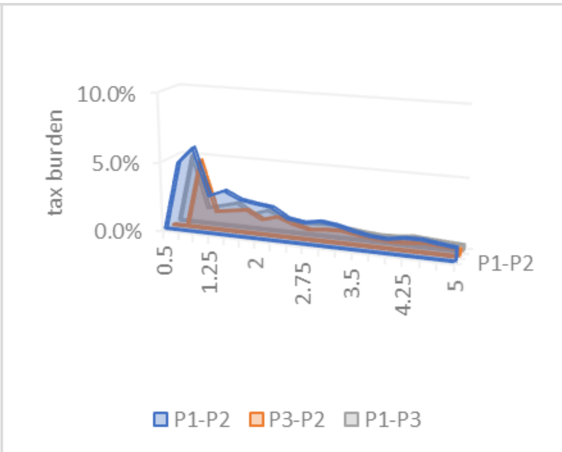
Source: own calculation

Chart 4.2 shows the growing development of tax burden and tax liability and the tax burden and the tax liability with wage incomes grow at a similar rate. However, the rate of tax burden growth with rising income is increase. And because of the progressive tax rate, the more income individual gets, the more tax liability they have. And the chart also shows the lowest tax liability in the chart is from taxpayer 2 (P2) and the tax burden also the lowest appears in the taxpayer 2 (P2).

Graph 4. 3 Difference of tax liability

Graph 4. 4 Difference of tax burden





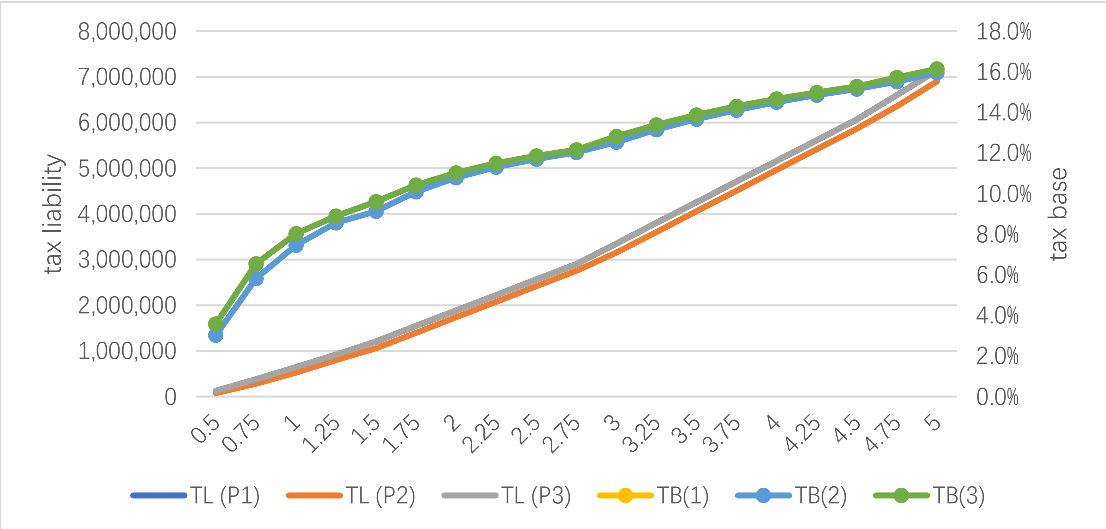
Source: own calculation

From the Graph it shows the tax liability the most different between different tax payer is P1-P2 because the P2 taxpayer can accept personal allowance and dependent allowance and child allowance, so the taxpayer liability less than taxpayer 1 (P1), and for the tax burden, the most different is P1-P2. The reason also relative the different apply the different personal allowance.

4.1.3 Analysis personal income tax of Laos.

The calculation of personal income tax in Laos was made using the legislation described in Chapter 3.3. It was based on the average annual wage for 2018, which was 171035356 LAK. The tax base is calculated to gross wage reduced by deductible items. In Laos the progressive tax is introduced. After the gross wage has been reduced by a deductible item, a tax base will arise from which the tax is subsequently calculated. In Laos, a progressive tax rate is introduced, whereby taxpayers are divided into seven tax brackets at the appropriate rate according to the tax base.

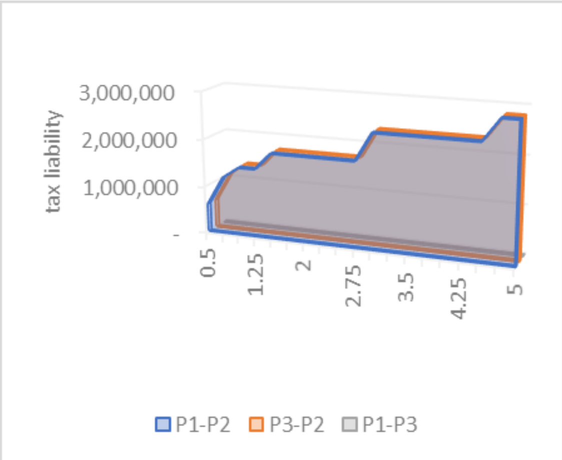
Chart 4. 3 personal income tax in Laos in different income level



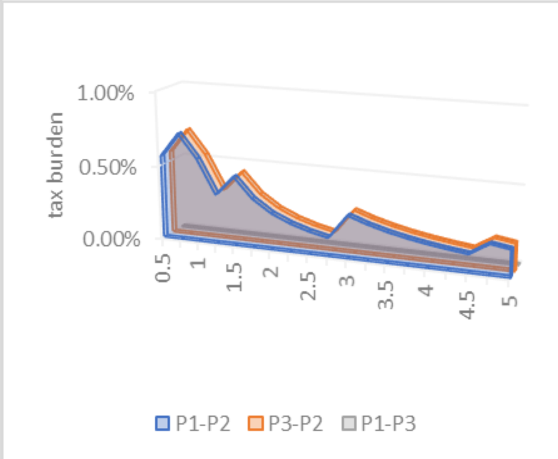
Source: own calculation

From the chart it shows the change of tax liability and the tax burden from different income level. And it obviously the tax liability for tax payer (P1) and taxpayer (P3) is the same, also the tax burden, in Laos, there has no tax deduction for the child. For the single parent, it only can be deducted by the personal allowance. So, it`s the same. And it also shows when the income increased, the tax burden for different income level of taxpayer will increase, and the increase rate for (P1) or (P2) are almost the same.

Graph 4. 5 Difference of tax liability



Graph 4.6 Difference of tax burden



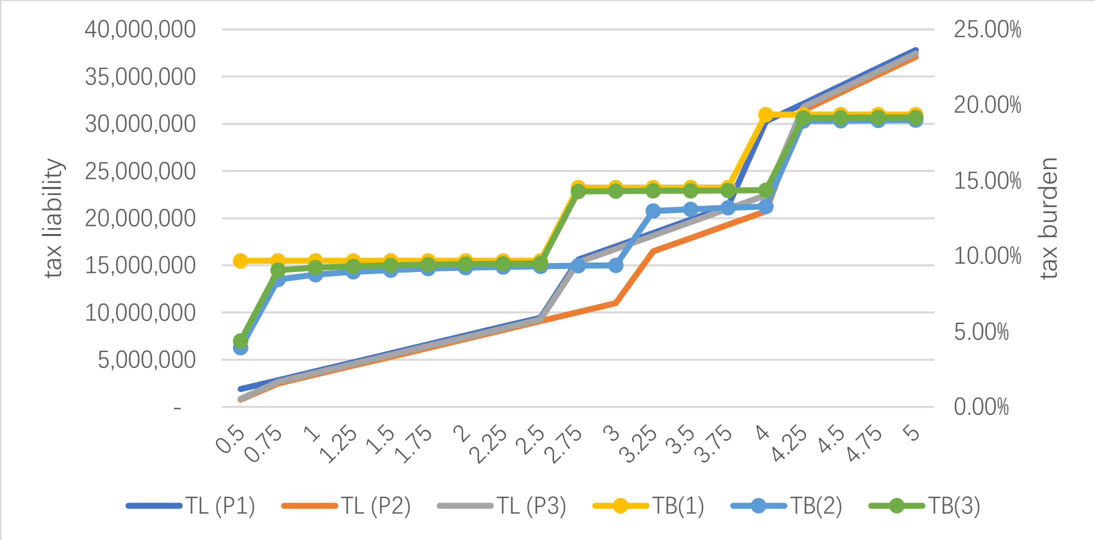
Source: own calculation

From the graph, it shows the different between different taxpayer`s tax liability and tax burden are focus on the P1-P2. Because of the P1-P3 equal to zero, so the P3-P2 has the same value to the P1-P2. Because the couples (P2) can be deduction to two times of personal allowance. So, there has difference to the taxpayer 1 (P1)

4.1.4 Analysis personal income tax of Cambodia

The analysis of personal income tax of Cambodia was introduced on the legislation described in chapter 3.4. The calculation was based on an average annual wage of KHR 39,057,936 and the gross wage was deduction by wife which is 150,000 KHR and child also can deduct 150,000KHR and the progressive tax rate was applied to the tax based received, depending on its amount. whereby taxpayers are divided into five tax brackets at the appropriate rate according to the tax base.

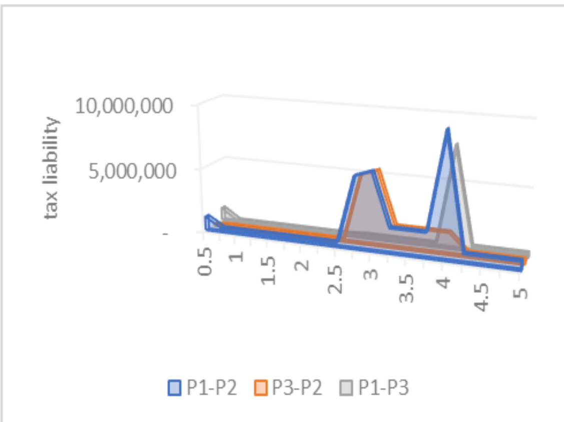
Chart 4.4 personal income tax in Cambodia in different income level



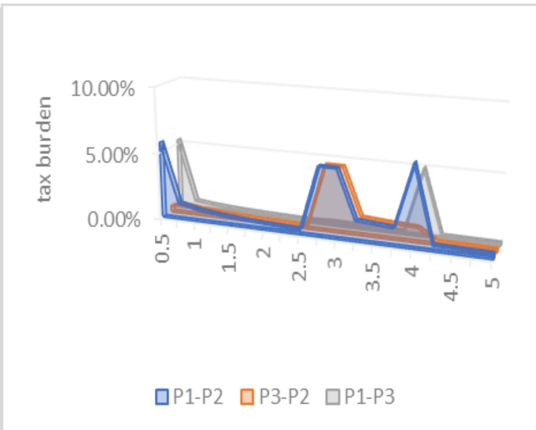
Source: own calculation

From the chart it shows the tax burden of taxpayer 2 (P2) and taxpayer3 (P3) are less than taxpayer 1 is because those two kinds of tax payer can be accepted the tax deduction to the taxpayer 1 (P1). And the they are almost the same increase rate. The taxpayer2 (P2) and taxpayer 1 (P1) of the tax burden after 0.75 times annual wage, the trends of them are almost the same.

Graph 4.6 Difference of tax liability



Graph 4.7 Difference of tax burden



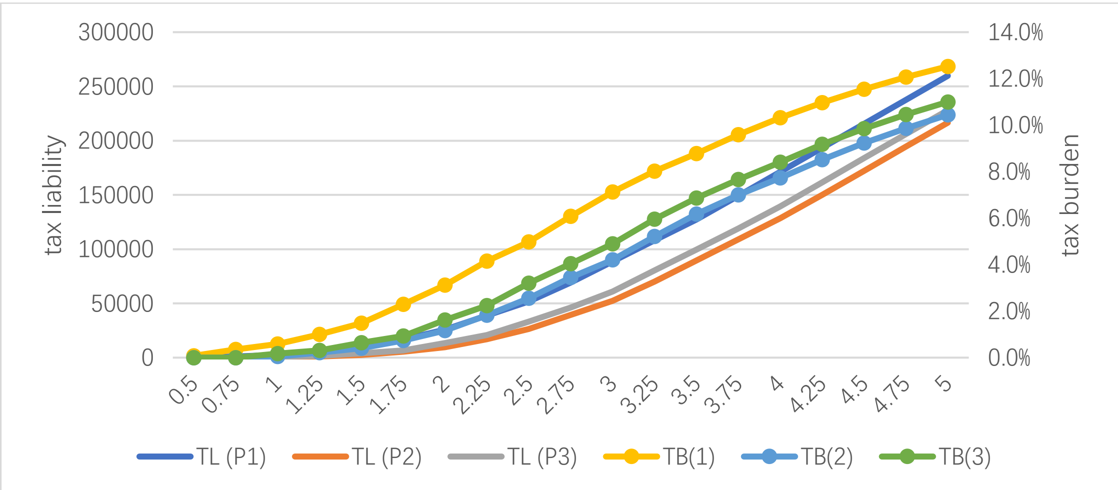
Source: own calculation

From both graph it shows the most difference of tax liability and tax burden of different tax payer. The most difference between them is P1-P2 of the tax burden and tax liability. In Cambodia. There has wife and child deduction. So, the tax base of them are different. So, make big gap between them of the tax burden and tax liability.

4.1.5 Analysis personal income tax of Malaysia

The calculation of personal income tax in Malaysia was made using the legislation described in Chapter 3.5. It was based on the average annual salary for 2018, which was 34,560 RM. The tax base from which the tax is subsequently calculated corresponds to the gross wage reduced by deductible items. And there are 10 five tax brackets at the appropriate rate according to the tax base.

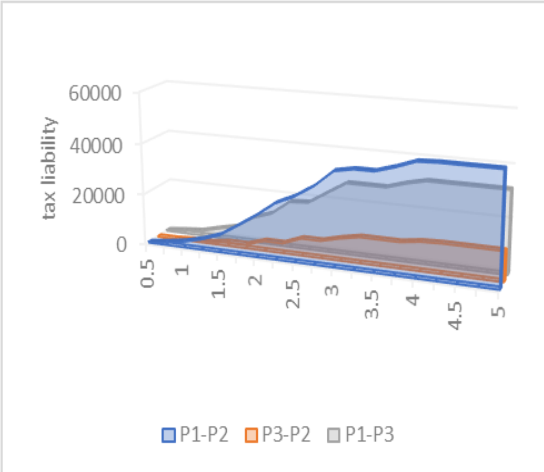
Chart 4.5 Tax liability and tax burden in Malaysia in different income level



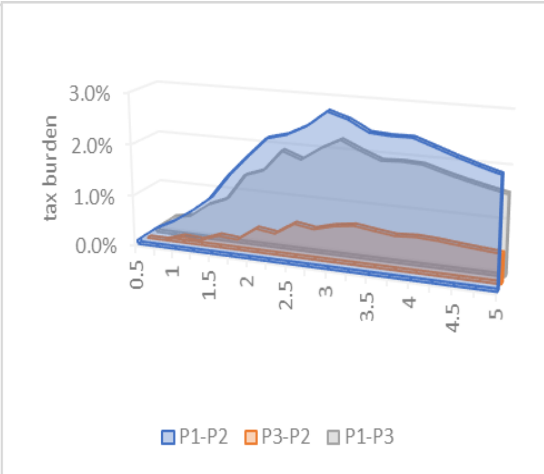
Source: own calculation

Chart shows the development of the tax burden and the tax liability of individual taxpayer at different wage level. The tax burden for different taxpayer is almost the same trends shows in the chart. And the tax burden is increase by the increase of tax liability. From the chart three kinds of taxpayer `s tax liability and the tax burden are increase almost the same rate. And the lowest tax burden and tax liability belongs to taxpayer 2 (P2).

Graph 4.8 Difference of tax liability



Graph 4.9 Difference of tax burden



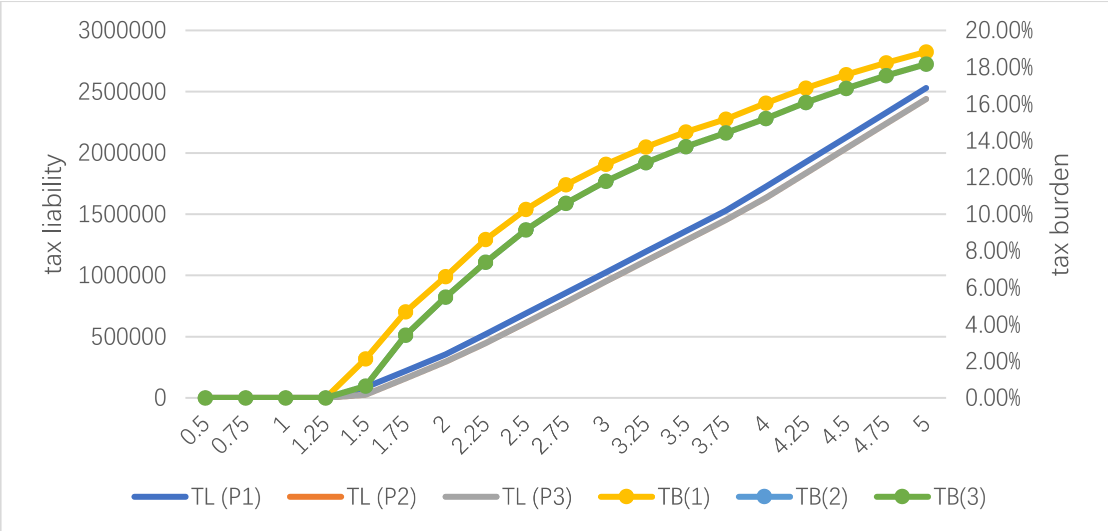
Source: own calculation

The biggest difference between those tax payers are P1-P2, and the tax the most difference is also the P1 to P2. Malaysia has deduction item to support the wife and the child. Which mean there has huge gap between marriage taxpayer and single tax payer.

4.1.6 Analysis personal income tax of Philippines.

The basis for the analysis of personal income tax in Philippines was the legislation mentioned in Chapter 3.6. The calculation was made using the average annual wage, which in 2018 amounted to 804,808 PHP. The tax base corresponds to the gross wage, less any deduction and social security contributions. Philippine's legislation introduces a progressive tax rate that is different for the six tax bases determined by the tax base, which is determined by multiples of the minimum annual wage.

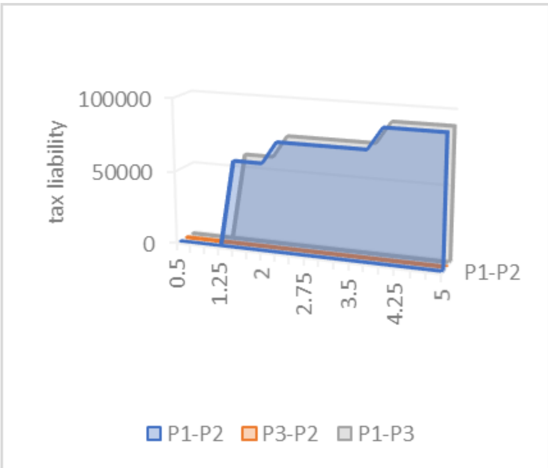
Chart 4.6 Tax liability and tax burden in Philippines in different income level



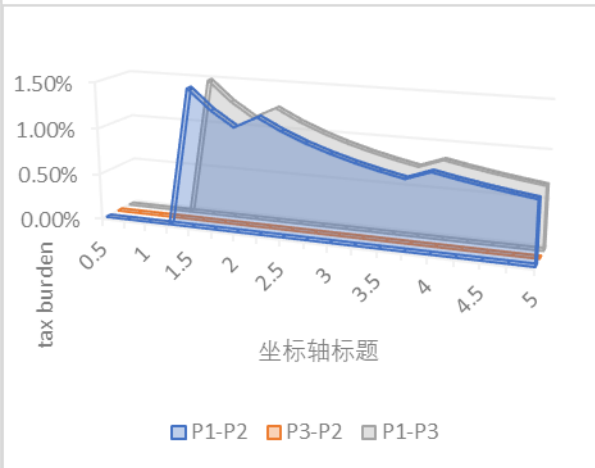
Source: own calculation

Chart 4.6 shows that the tax burden and the tax liability are increasing as the taxpayer's income increases. The tax burden increase by the increase of the tax liability, and tax liability start at 0 point which means the lower income taxpayer do not have any tax liability and tax burden. And the increase speed of tax burden is higher than increase speed of tax liability.

Graph 4.10 Difference of tax liability



Graph 4.11 Difference of tax burden



Source: own calculation

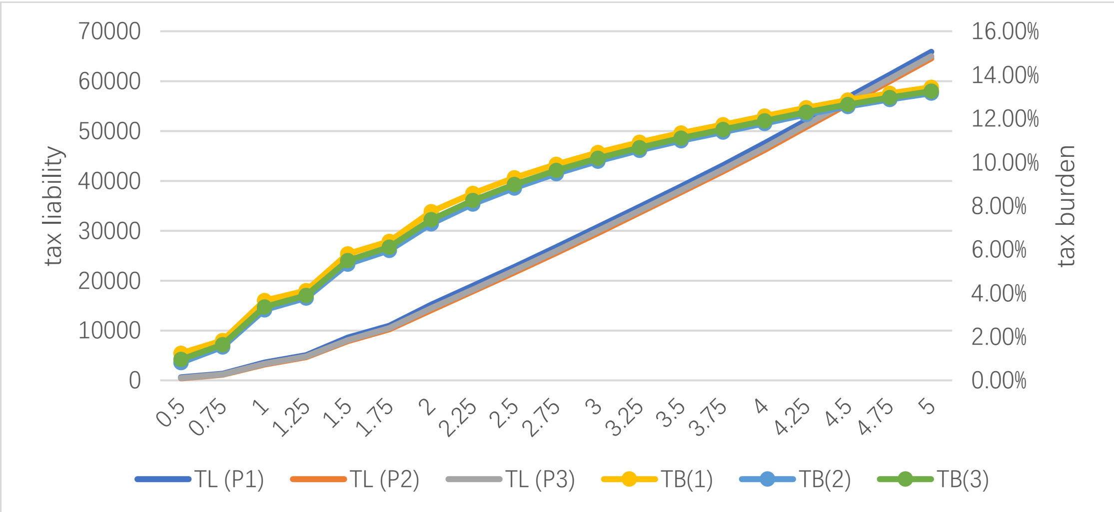
The biggest difference also appears P1-P3, and P1- P3 is same with P1-P2, because in

Philippines, there has no spouse deduction, so the tax base of P2 and P3 is the same, and they both have child allowance, so they have gap between P1.

4.1.7 Analysis personal income tax of Singapore.

The personal income tax in Singapore was analyzed on the basis of the legislation mentioned in Chapter 3.7. In 2018, the average annual wage amounted to 98,100 SGD. In Singapore, the tax base corresponds to the gross wage. To calculate the tax, a progressive tax rate that varies across ten tax brackets is used.

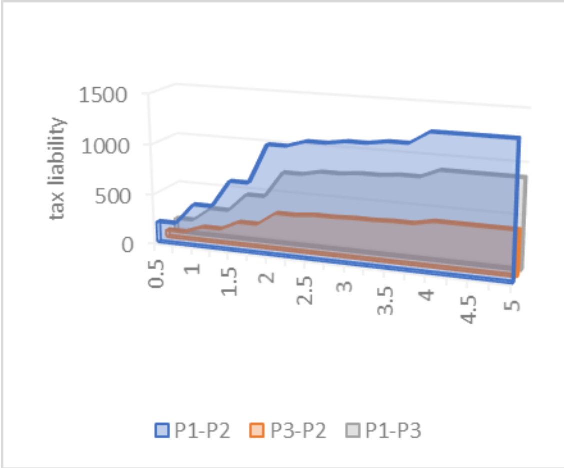
Chart 4.7 Tax liability and tax burden in Singapore in different income level



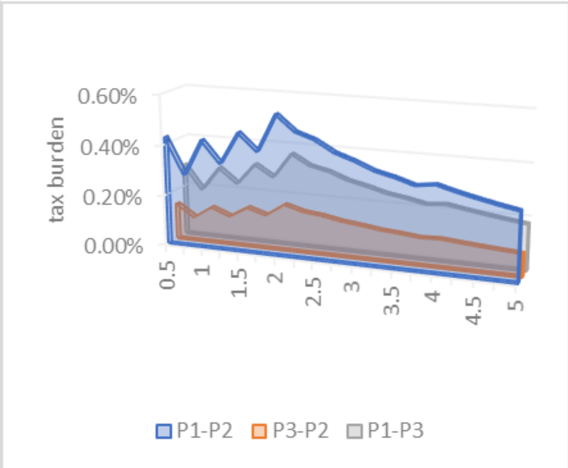
Source: own calculation

Chart 4.6 shows the growing tax burden and tax liability with increasing taxpayer income. The tax liability of taxpayers P1, P2 and P3 is nearly zero for 0.5 times the average wage after the application of tax credits. From the chart it shows the change of tax burden and tax liability, they are positive relative. When the tax liability increases the tax burden increase. And whatever kind of taxpayer. When the income times 0.5 they are both into the first tax zone. And after that to 2.75 they are in the second tax zone. And after that to 5 they are in the third tax zone.

Graph 4.12 Difference of tax liability



Graph 4.13 Difference of tax burden



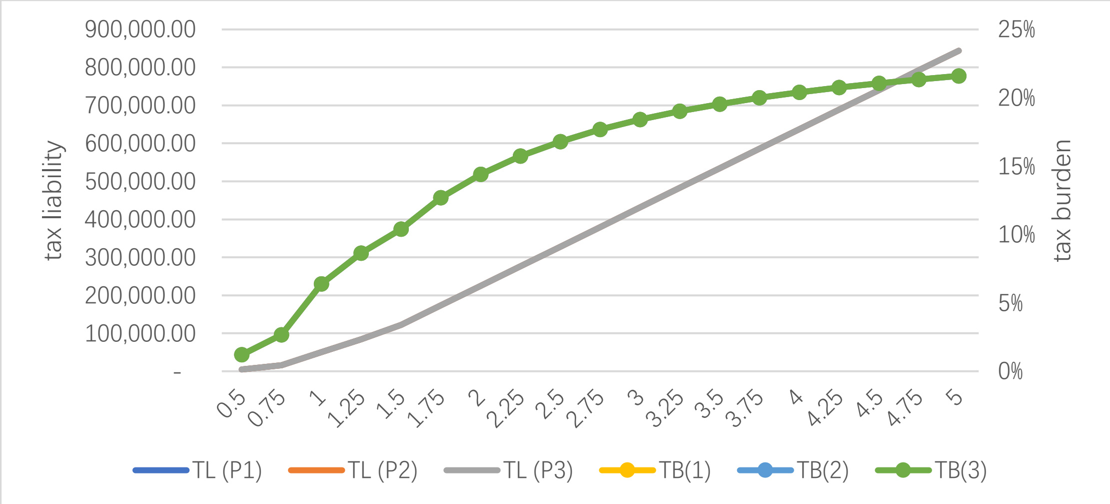
Source: own calculation

The most difference between taxpayers are P1-P2 and next is P1-P3. In Singapore there has no personal allowance, and taxpayer 2 (P2) have less tax liability than taxpayer 1 (P1) and also the taxpayer 3 (P3) also have less tax liability and tax burden than P1.

4.1.8 Analysis personal income tax of India.

The analysis of personal income tax in the India was carried out using legislation approximated in chapter 3.8. The average annual wage used in the calculation is 200,700 INR for 2018. The tax base is determined by reducing gross wages to deductions, additional and. The progressive tax rate is used to calculate the tax. The resulting value has yet to be reduced by a tax credit. And there are 4 tax brackets in India progressive tax system

Chart 4.8 Tax liability and tax burden in India in different income level



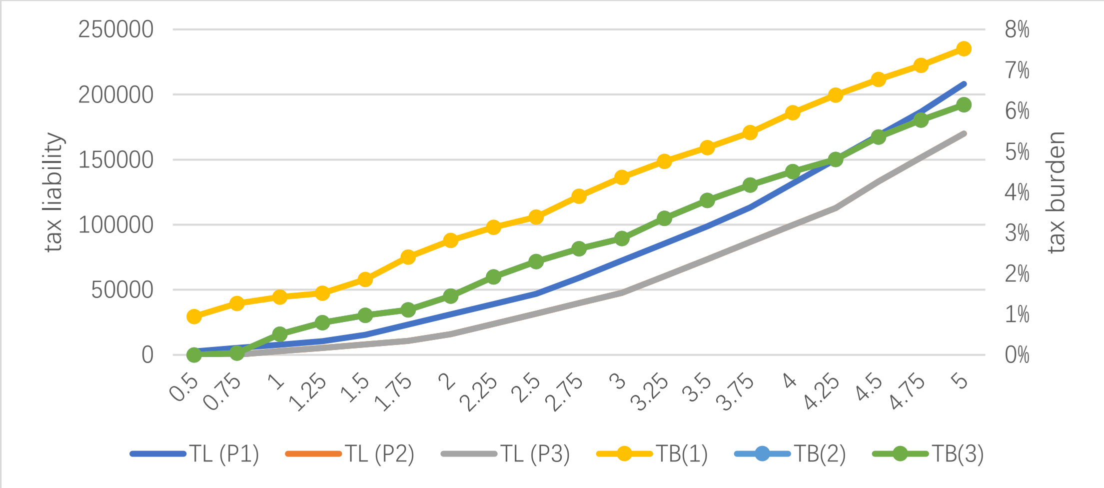
Source: own calculation

Chart shows the growing development of tax burden and tax liability. However, the rate of tax burden growth with rising income is falling. Taxpayers move up to the average wage in the second taxation zone, from 1.25 times they reach the 3rd zone and from the double the average wage to the 4th zone.

4.1.9 Analysis personal income tax of Hong Kong.

The analysis of personal income tax in the Hong Kong was carried out using legislation approximated in chapter 3.7. The average annual wage used in the calculation is 552,996 HKD for 2018. The tax base is determined by reducing gross wages to deductions, additional and special deductions. The progressive tax rate is used to calculate the tax. The resulting value has yet to be reduced by a tax credit.

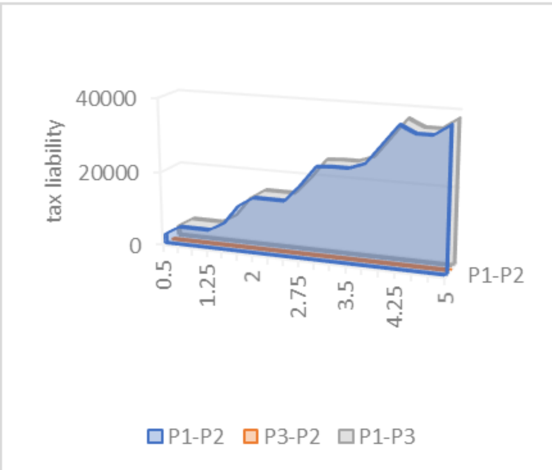
Chart 4.8 Tax liability and tax burden in Hong Kong in different income level



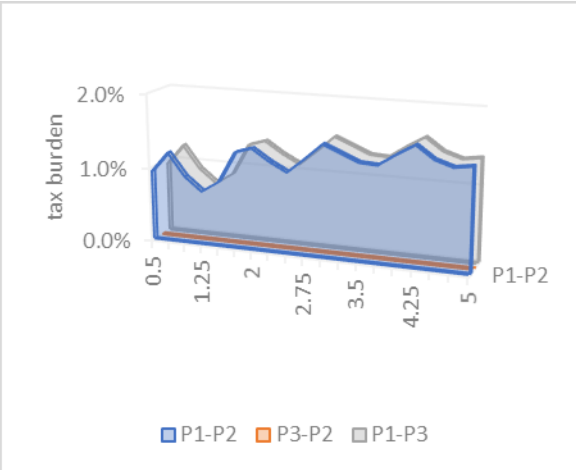
Source: own calculation

From the Chart 4.7, the tax burden and the tax liability with wage incomes grow at different rate. For all kinds of taxpayer, the tax burden increased more faster than tax liability. For tax payer P1, they have more tax liability than other two kinds of taxpayer, and also have more tax burden than other two kinds of taxpayer. In Hong Kong the deduction item for child is quite high, so it causes the situation of the P1 have quite lot different tax liability than other kinds of taxpayers.

Graph 4.14 Difference of tax liability



Graph 4.15 Difference of tax burden



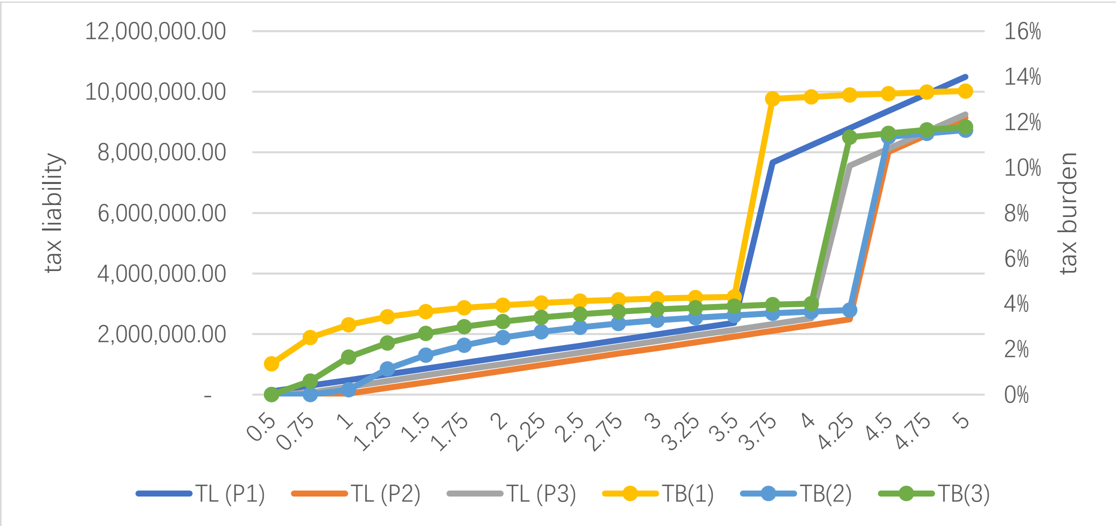
Source: own calculation

The biggest gap between those taxpayers are P1-P2. In Hong Kong, there has deduction for wife and children, and also plus the standard deduction. Which shows those two kinds of taxpayer will have huge different in Hong Kong

4.1.10 Analysis personal income tax of Indonesia.

The analysis of personal income tax in the India was carried out using legislation approximated in chapter 3.9. The average annual wage used in the calculation is 15.696,457 IDR for 2018. The tax base is determined by reducing gross wages to deductions, additional and. The progressive tax rate is used to calculate the tax. The resulting value has yet to be reduced by a tax credit. And there are 4 tax brackets in India progressive tax system.

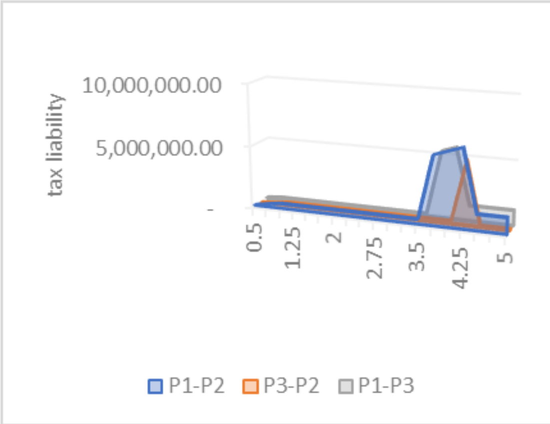
Chart 4.9 Tax liability and tax burden in Indonesia



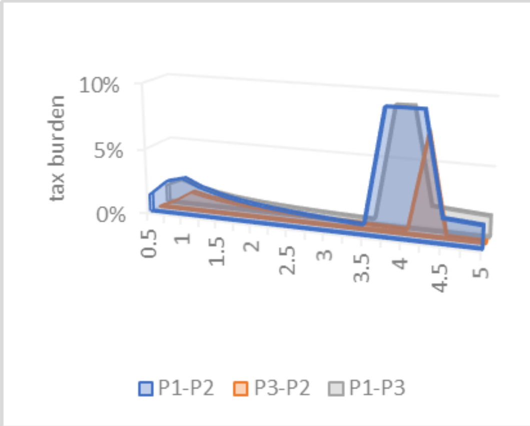
Source: own calculation

From the chart it shows the tax liability and tax burden of different taxpayer, and the tax burden increase by the increase of tax liability, after 3.25 time the annual wage, the tax burden increases very fast. The development and amount of tax burden and tax liability varies slightly from taxpayer to taxpayer.

Graph 4.16 Difference of tax liability



Graph 4.17 Difference of tax burden



Source: own calculation

The biggest difference can be seen between the free taxpayer P1 and the married taxpayer P3. In addition, since P3 taxpayer cuts the tax base by deducting child allowances, and deduction item to support the single parents.

4.2 Comparison of tax burden with personal income tax for selected taxpayers

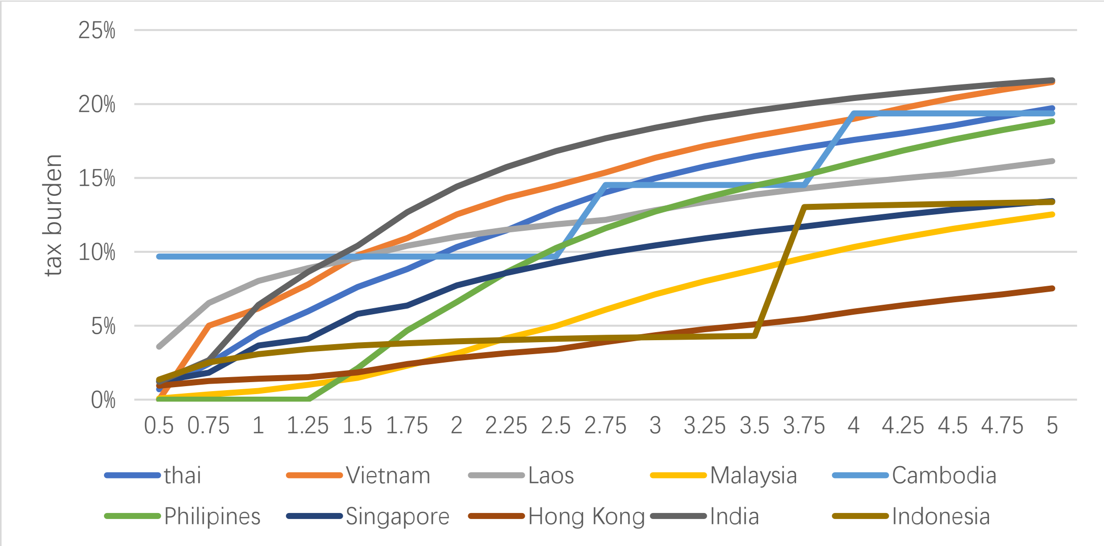
This chapter focuses on the comparison of personal income tax according to the above defined taxpayers P1, P2 and P3. They will compare their tax burden in each country with wage earnings of 0.5 to 5 times the average wage. Subsequently, it will be examined what part of the gross wage income of the average wage and twice the average wage is the net wage, tax and social security contributions. The tax base will also be evaluated, the amount and possible adjustments in each country affecting the resulting value of the tax liability.

4.2.1 Comparison of the personal income tax burden with the taxpayer P1.

In this chapter, the personal income tax that P1 taxpayer, who is single and without children, is compared. Individual countries approach the taxation of this type of taxpayer differently. In calculating tax liability every selected countries has their social security contribution rate, but wage earnings are reduced by a fixed or percentage fixed Thailand, Vietnam, Laos, and in Cambodia, Malaysia, Philippines, Singapore, Hong

Kong, and Indonesia, for P1 taxpayer, they have fix amount for deductible items, but in India, they only have Social security contribution and standard deduction items. The resulting values of the tax burden of the P1 taxpayer for different wage income levels in individual countries are shown in Chart 4.11

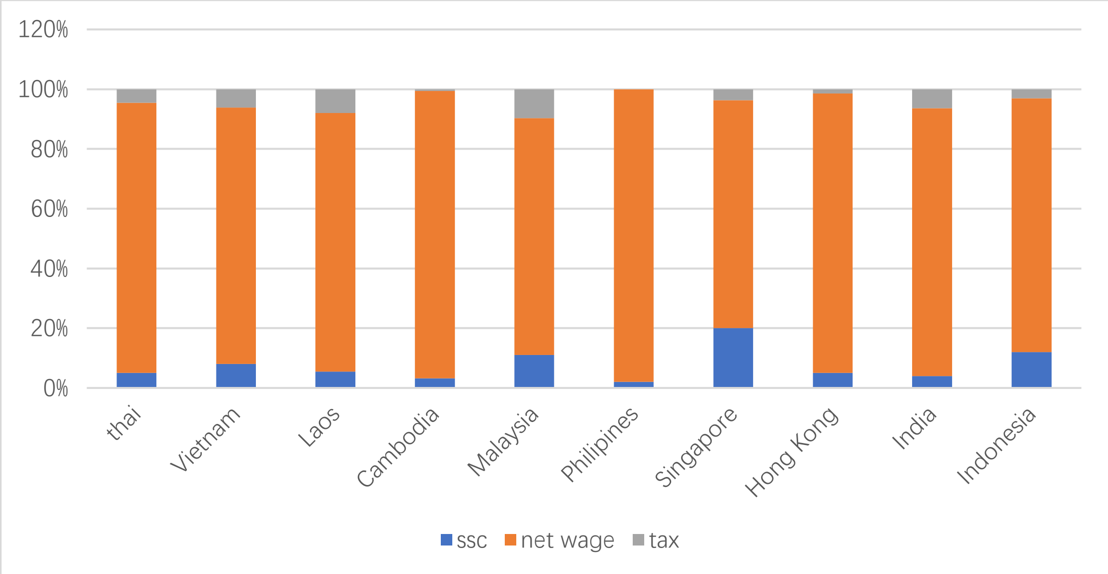
Chart 4.11 Tax burden of taxpayer P1 in individual countries in different income level



Source: own calculation

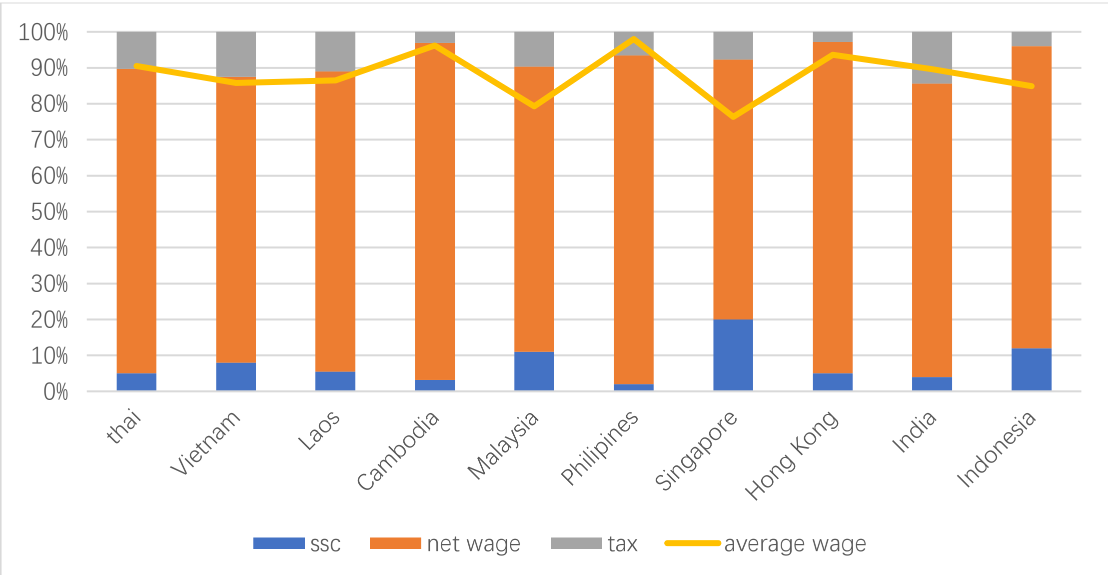
Chart 4.12 shows a predominantly rising tax burden with increasing income. And we can see the tax burden, the highest level is in the India. Which is 21%. and the lowest tax burden is in the Hong Kong, which is 9%. And the large spread of tax burden can be seeing is India, where the difference between highest and lowest is 22%. And from the chart it shows the Cambodia have different curve shape than other countries, it shows trapezoid, which shows us at a specified interval of multiplier factors times the annual average wage in Cambodia, the P1 taxpayer have the same tax burden. And other countries the shape shows increase very regularly with the increase of the annual wage times the multiplier factors.

Graph 4.16 Proportion of gross wage tax and SSC



Source: own calculation

Graph 4.17 Double proportion of gross wage tax and SSC

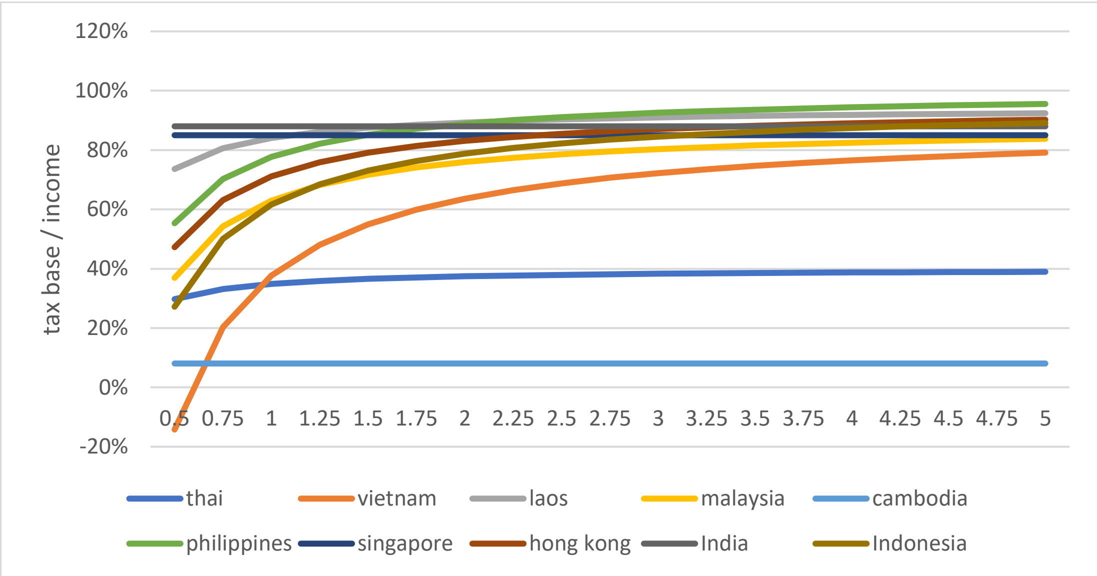


Source: own calculation

In Tab 4.1 shows how much of the gross wage in each country is net wage, tax and social security contributions. The average wage and double average wage are examined. With an average wag, the lowest net wage can be found is Singapore. And the highest tax burden is in the Philippines. And the second highest net wage is in the Cambodia.

The double average wage recorded the biggest change in net wage in Philippines is 7% because in Philippines there has no social security contribution deduction. So net wage will higher than other countries.

Tab 4.1 P1 taxpayer tax base in individual countries



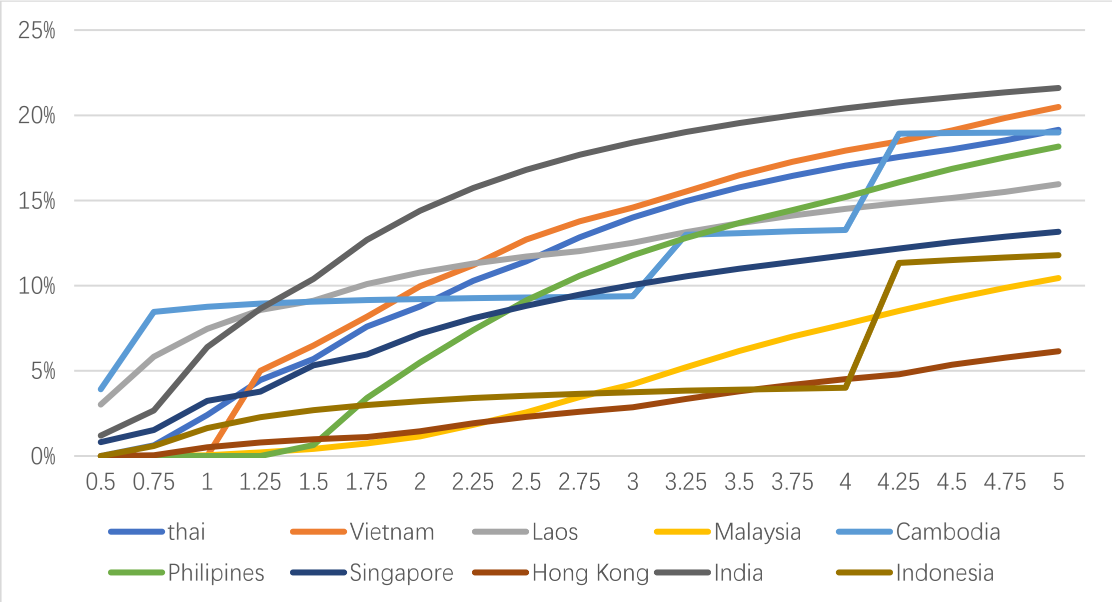
Source: own calculation

Tab 4.1 shows the tax base of the P1 taxpayer for different levels of wage income in each country. The highest tax base is India, because there has no deduct for any items only have social security contribution can be deducted. And other countries, the social security contribution paid by employees. And the taxpayer P1 can apply deductions from the tax base. As most deductions are in the form of a fixed amount, the tax base is most reduced by the taxpayer with the least income. The lowest tax base can be found is Thailand, but it increases by the annual wage level increased.

4.2.2 Comparison of the personal income tax burden with the taxpayer P2.

A P2 taxpayer who subsequently compares the pension tax is a married man with a wife and one child. On the basis of this social situation, in most of the selected countries he is allowed to claim additional tax benefits that P1 is not entitled to. In Thailand, Vietnam, Laos, Malaysia, Philippines, Singapore, Hongkong, Indonesia, they are allowing deduct children from tax base. In addition to Indonesia, he is also allowed to reduce his tax base by spending on their education in these countries. In Indonesia, P2 is entitled to a deduction for being married. In India there has no deduction for spouse and children. India do not offer P2 taxpayer any additional tax advantage. The development of the tax burden of P2 in selected countries is shown in Chart 4.13.

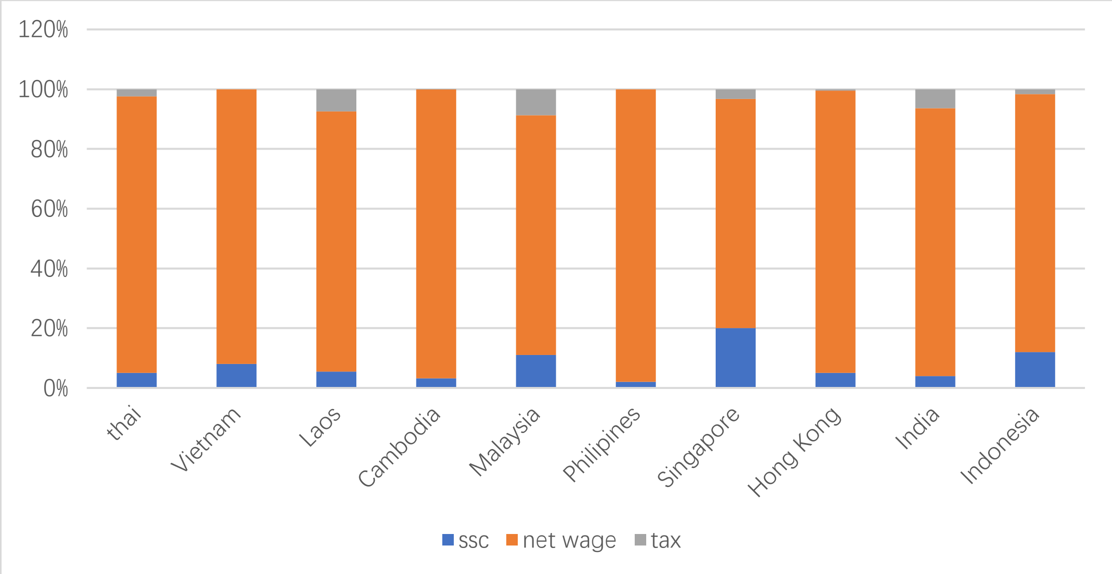
Chart 4.13 tax burden of P2 in selected countries in different income level



Source: own calculation

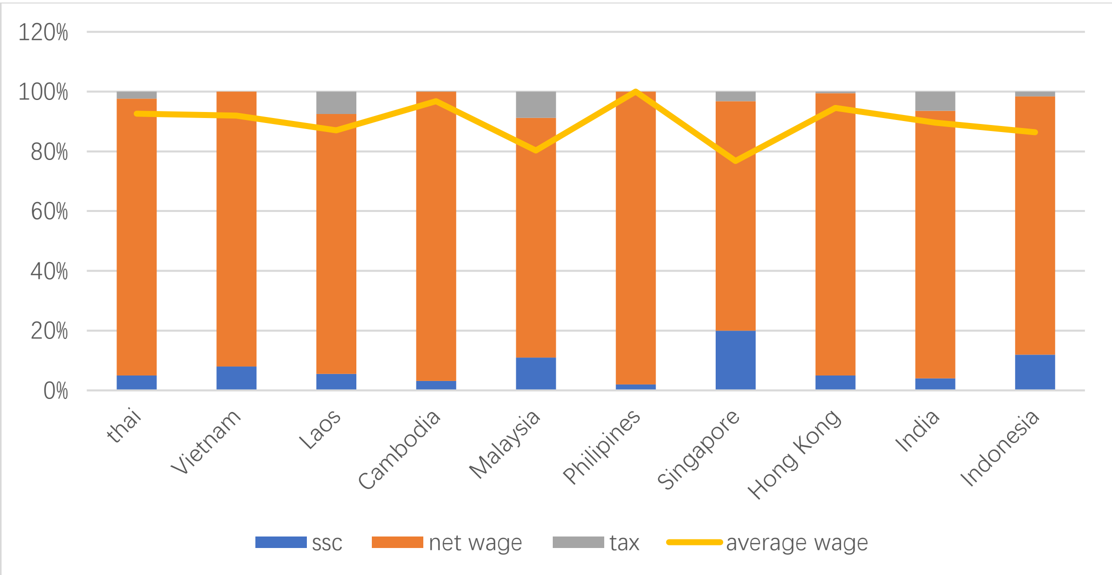
The tax burden of P2 taxpayer in all countries is growing with wage earnings. From the chart it shows the largest spread is in the India which is 20%, because in India there has no child and spouse deduction for taxpayer 2 (P2) and the difference in taxation the smallest in Hong Kong. And in average, the highest taxpayer is in the India. And in average wage times 0.5 the most heavily tax burden appears in Thailand. When the average wage times 5 the most heavily taxpayer is in the India. In 5 times the average wage the least taxpayer is in the Hong Kong. In Hong Kong there has some tax advantage for taxpayer 2 which is the tax allowance for tax payer and the tax rate over all level of income is not high.

Graph 4.18 Proportion of gross wage tax and SSC



Source: own calculation

Graph 4.19 Double proportion of gross wage tax and SSC

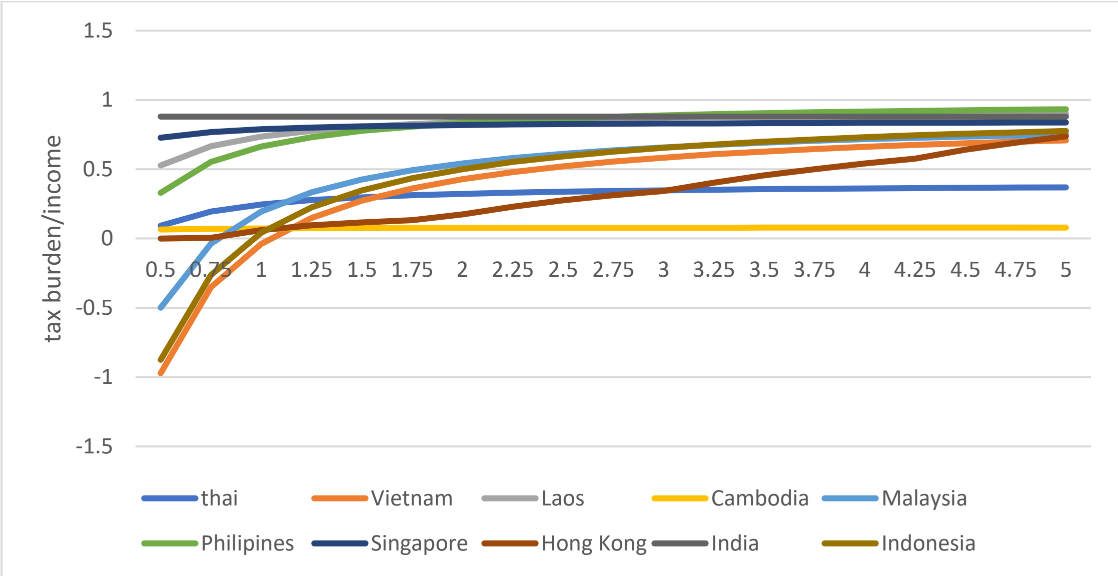


Source: own calculation

It can be seen from Graphs 4.18 and 4.19 that the highest net wages and at the same time the lowest taxation are achieved by the taxpayer P2 in Thailand, which in Thailand there has standard deduction and spouse allowance and child allowance for taxpayer 2. The lowest net wage is in the Singapore, because from the chart it shows the tax in

Singapore is not high. But the SSC in Singapore is highest among those countries which is 20%. It causes the situation the Singapore net wage is lowest among those countries.

Tab 4.2 P2 taxpayer tax base in individual countries



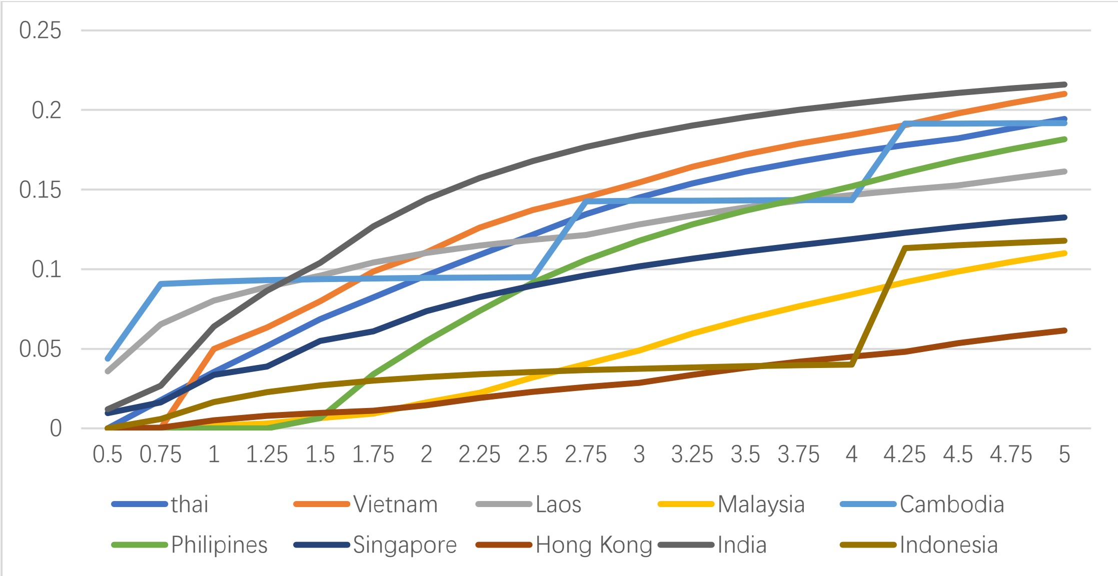
Source: own calculation

The chart shows the tax base in It also remains unchanged in, India and, as P2 does not allow any further deductions to take account of his family situation. And in Vietnam there start at negative number, is because the tax base can be deduction for the children and spouse and also the children`s education. Which means more deduction than other countries? In case of low wage income, the P2 taxpayer can get negative values after applying all deductions.

4.2.3 Comparison of tax burden with personal income tax at taxpayer P3

In this chapter, personal income tax will be compared to taxpayer P3, who is a single parent with one child. As a single parent in Thailand Indonesia India, is not entitled to a tax advantage for her wife against a P2 taxpayer. In other cases, the conditions for the taxpayer P3 are the same as for the taxpayer P2. The course of the tax burden of the P3 taxpayer in selected countries is further shown in Chart 4.14.

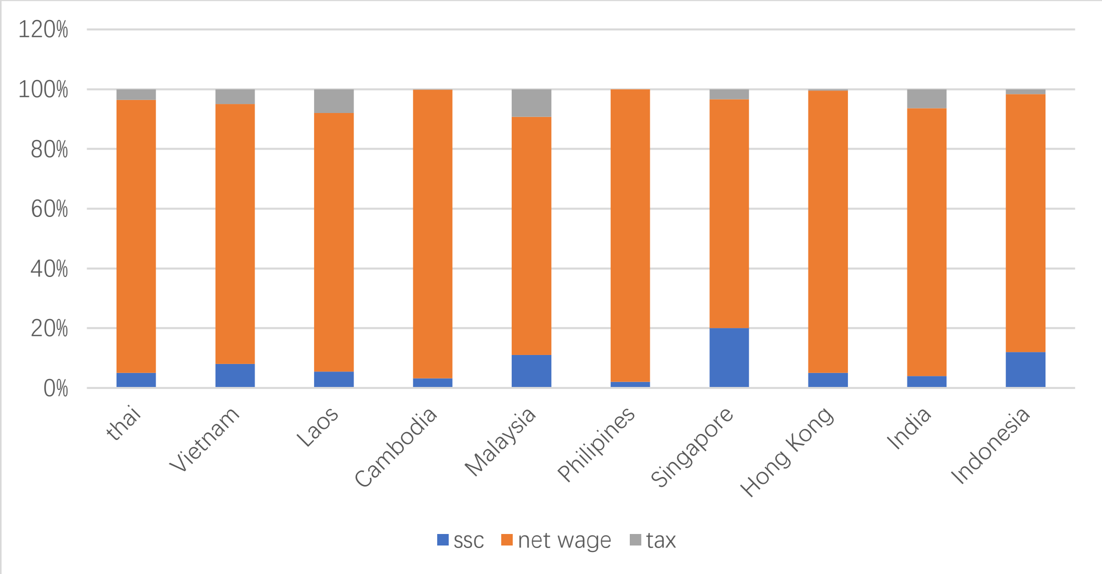
Chart 4.14 tax burden of P3 in selected countries.



Source: own calculation

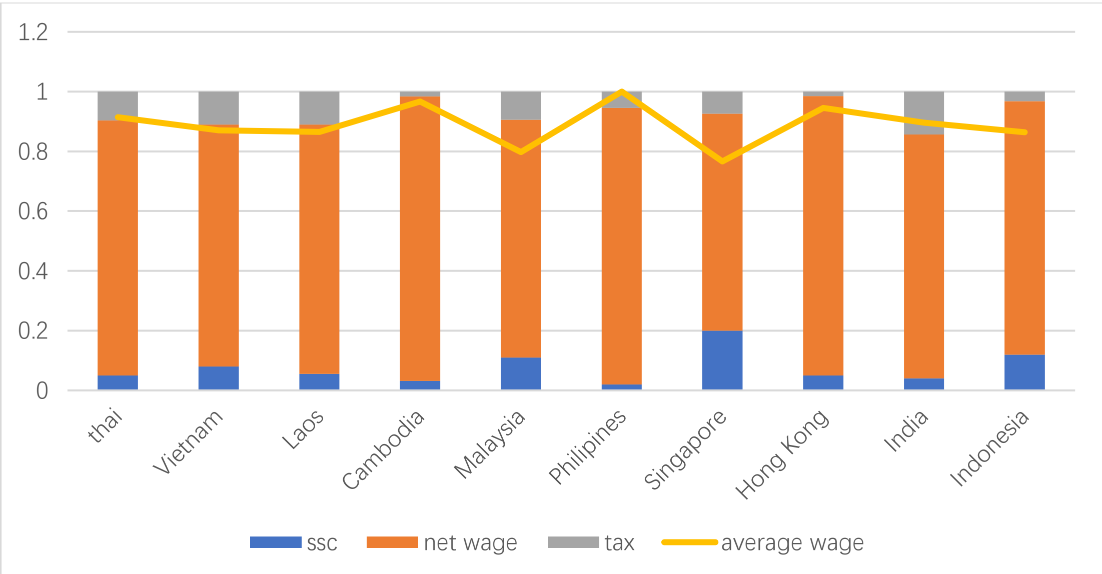
The development of the tax burden of the taxpayer P3 is growing in individual countries. The Thailand and India are start with 0% of tax burden. largest spread in taxing taxpayers with different income levels is Vietnam shows the largest different is 20%. And because of the India has no deduction for every taxpayer, so the tax burden of P3 in India still same with other two kinds of taxpayer. And in the chart, it also shows the tax burden of P3 in Hong Kong is the lowest over those countries. Because in Hong Kong there has support to single parents. Which is a tax advantage among those countries.

Graph 4.20 Proportion of gross wage tax and SSC



Source: own calculation

Graph 4.21 Double Proportion of gross wage tax and SSC

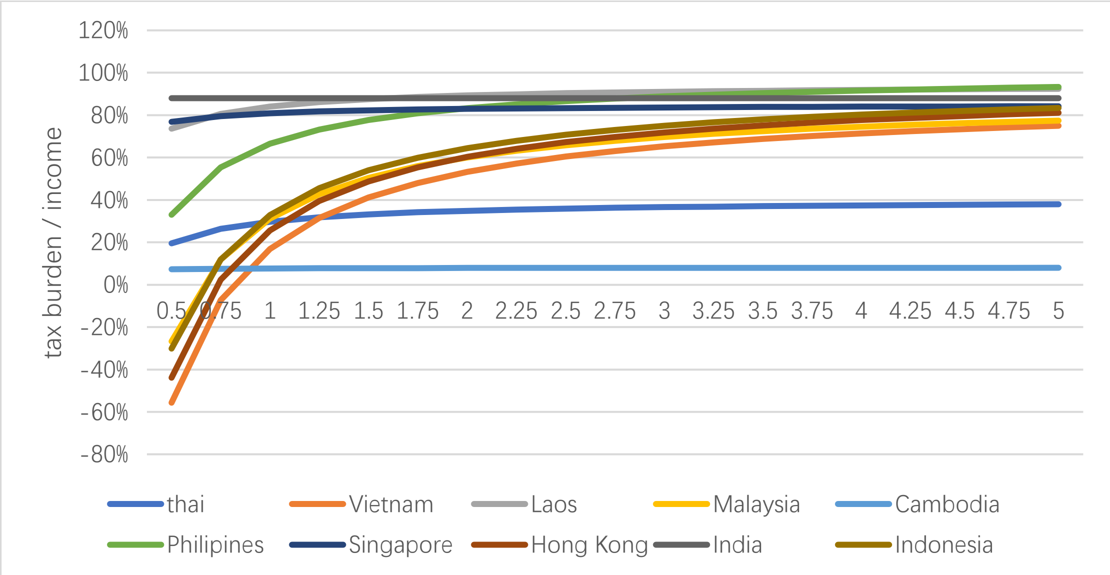


Source: own calculation

In the chart 4.20 it shows the highest net wage is in the Philippines which is 100% where the remainder is no social security contributions, because the taxpayer is not subject to tax on this income level. and the lowest net wage is in the Singapore which is 75% and as shown in chart 4.20, with double the average wage, net wage in

Philippines and also is the highest level among those countries. And the net wage of Thailand, Vietnam and Laos has decreased. And in India because the tax base of those three kinds of taxpayers is the same, so there has no change compare to P1and P2

Tab 4.3 P3 taxpayer tax base in individual countries



Source: own calculation

From the chart it shows the Vietnam start at negative, in the previous chart they all shows in the 0.5 times the annual wage, the Vietnam`s tax payer is start at negative, which means they don`t have any tax liability in that income level. And the India still remain the same. And compare to P2 taxpayer, the Malaysia tax base has increased a lot, the reason is in Malaysia there has no single parents support, and the deduction for child is compare to P2 they are same. So, the tax base increased a lot.

4.3 Summary of achievements

Previously, personal income tax was analyzed in Thailand, Vietnam, Laos, Malaysia, Cambodia, Philippine, Singapore, Hong Kong, the India, Indonesia, and then compared to taxpayers who were defined to represent different social situations. Their tax burden at different wage income levels of 0.5 to 5 times the average wage was assessed. This chapter summarizes the results achieved.

In most of the countries under comparison, a progressive tax rate is used to move towards personal income taxation. In addition to the tax rate, the resulting tax burden on taxpayers also influences the possibility of applying deductible items or tax discount. In Thailand, there are allows deduction in form of deduction of certain income values for all taxpayers. And in Thailand and Indonesia and Singapore, Hong Kong, Philippines spouse and children can be the independent tax deduction items. In India there has no personal allowance and tax deduction items.

And in analyzing the personal income tax, the tax burden shows the most different country is India. There has no deduction item apply for different tax payer. And the difference between 5 times annual wage and 0.5 times annual wage is 22%.

The P1 taxpayer is the most taxed on average is in Malaysia and the least is Hong Kong. In Hong Kong, there has SSC and tax deduction for taxpayer 1 (P1) and the deduction for tax payer 1 is quite high. And in most countries, up to 0.5 times the average wage, there has no taxation. Which means the taxpayer have zero tax burden. And the P1 taxpayer in selected country, the tax burden increase by the income increase. And the most net wage country is in Singapore, because in Singapore, it has the highest SSC among all selected countries. Which is 20%. It because it has the least net wage among all selected countries

The P2 taxpayer the most tax payer is in the Malaysia, and the Philippines has the most net wage. The reason of Philippines has most net wage is there having no SSC apply for personal deduction. And after deducted the allowance for child and spouse, the average annual wage has no tax burden. Even double the annual wage, the tax burden is 1% which is very low level of tax burden. For other countries, except India, they have allowance for spouse and child, they have less tax base than other kinds of tax payer which is P2 and P3. So, it because they are in the different tax bracket. And even double annual wage of the tax base in those countries, the net wage and the tax are almost don`t have change in tax payer 2.

For P3 tax payer, the most taxpayer is in the Malaysia. And the most net wage also in Philippines. In those selected countries, they most don`t have any single parents support. And the least annual wage is also in Singapore. And compare the annual wage and double annual wage of selected countries. The most change of proportion is in the India. And next is in the Vietnam. In Vietnam has 7 tax brackets and the allowance for child are quite high. So, after double the annual wage, the tax burden changes a lot.

5.Conclusions

The aim of this diploma thesis was to compare personal income tax on selected types of taxpayers in selected countries with a focus on income based on legislative adjustments of personal income tax Thailand, Vietnam, Laos, Cambodia, Philippines, Malaysia, Singapore, Hong Kong, India, and Indonesia.

The thesis was divided into three thematic parts. In the first part, taxes, their functions, principles and classification were generally defined. Subsequently, the personal income tax was described in more detail. The chapter also characterized the contributions to social security and defined indicators of tax burden for international comparison.

The second part was devoted to the description of legislative adjustments of personal pension tax in selected countries. Also mentioned were their systems for paying compulsory social security contributions. There are a number of differences between the country's legislative arrangements. The most important ones include the method of determining the tax base and taking into account the taxpayer's social situation in the form of deductions from the tax base or tax discounts.

What is also important is the type of tax rate applied in the countries in question, where the sliding progressive tax rate is mostly used.

The third part was focused on analyzing and comparing the tax burden of selected types of taxpayers in selected countries, while taxpayers were defined to represent different social situations. Their tax burden was assessed at different wage levels.

First, personal income tax was analyzed in each country, we found the social security contribution not take into account in India.

The comparison of the tax burden of individual taxpayers between countries showed that the taxpayer P1 (single, without children) has on average the lowest tax liability in Hong Kong. And the largest is India. The taxpayer P2 (married to a wife and one children) is on average the least taxed in the Hong Kong. And the largest is in Malaysia the taxpayer P3 (single child with one children) is on average the lowest tax burden in Hong Kong. And the largest is in Malaysia.

The Hong Kong has 6 tax brackets. And Hong Kong can be applied the single parent's allowance. and the high-income level tax rate is not quite high compare with other countries, so Hong Kong has tax advantages for different tax payers.

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List of abbreviations

THB	Thai baht
VND	Vietnamese dong
LAK	Lao Kip
KHR	Cambodian riel
RM	Malaysian ringgit
PHP	Philippine peso
SGD	Singapore dollar
HKD	Hong Kong dollar
INR	Indian rupee
Rp	Indonesian rupiah

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Ostrava date: 27/06/2019

Student Signature:

List of Annexes

Annex 1 Annual average wage in different countries of taxpayer 1 (P1)

Thailand	408950.4
Vietnam	6536378.39
Laos	8049626.18
Malaysia	21758.4
Cambodia	3150673.504
Philippines	173876
Singapore	83385
Hong Kong	32778.85
India	687582.72
Indonesia	9668598.72

Annex 2 Annual average wage in different countries of taxpayer 2 (P2)

Thailand	288950.4
Vietnam	-663621.61
Laos	7049626.18
Cambodia	2850673.504
Malaysia	6758.4
Philippines	148876
Singapore	77385
Hong Kong	2826.924
India	687582.72
Indonesia	668598.72

Annex 3 Annual average wage in different countries of taxpayer 3 (P3)

Thailand	348950.4
Vietnam	2936378
Laos	8049626
Cambodia	10758.4
Malaysia	3000674
Philippines	148876
Singapore	79385
Hong Kong	11778.85
India	687582.7
Indonesia	5168599

Annex 4 Tax liability of taxpayer 1 (P1) of different countries

Thailand	18,395
Vietnam	403,638
Laos	645,955
Malaysia	203
Cambodia	315,067
Philippines	-
Singapore	3,587
Hong Kong	656
India	50,016
Indonesia	483,429

Annex 5 Tax liability of taxpayer 2 (P2) of different countries

Thailand	6,948
Vietnam	-
Laos	525,955
Malaysia	18
Cambodia	285,067
Philippines	-
Singapore	3,167
Hong Kong	236
India	50,016
Indonesia	33,430

Annex 6 Tax liability of taxpayer 3 (P3) of different countries

Thailand	12,395
Vietnam	146,819
Laos	645,955
Malaysia	58
Cambodia	300,067
Philippines	-
Singapore	3,307
Hong Kong	236
India	50,016
Indonesia	33,430