

Paying taxes in Thailand: Why many people do not know where to start

Key Takeaways:

- Failure to file a tax return does not always indicate tax evasion. Some people do not know whether they must file, what documents they need or where to begin.
- More than half of Thailand's workforce is informally employed, often with irregular earnings, multiple income sources and no employer to organise their tax information.
- Tax compliance costs include not only the tax paid, but also the time, paperwork, knowledge and professional assistance required.
- Non-filers have different reasons for not complying. Those lacking knowledge, those facing high compliance costs and those deliberately evading taxes require different policy responses.
- An effective tax system must combine credible enforcement with simpler procedures for people who want to comply.

Not everyone who fails to file is evading tax

When people fail to file tax returns, they are often assumed to be evading tax. In reality, some do not know which income must be declared, which documents to keep or which form to use. Others may not realise that filing a return does not necessarily mean they will owe tax.

A survey by Thailand's National Economic and Social Development Council found that 57.9% of respondents had little or no knowledge of personal income tax. Among those required to file, 74.9% had not filed. Meanwhile, 65.6% did not know that filing could result in no tax being due or even a refund, while only 39.1% knew that freelance income must be declared.

Although lack of knowledge does not explain every case, these figures suggest that tax compliance depends not only on willingness to pay, but also on whether the system is clear and accessible.

Thailand's labour market makes compliance more difficult

In 2025, Thailand had approximately 39.9 million employed people, of whom 20.9 million, or 52.4%, were informal workers.

Unlike salaried employees, whose employers deduct withholding tax and prepare income certificates, informal and self-employed workers must often manage the process themselves. Their income may come from freelance work,

online sales, digital platforms or several other sources, requiring them to track income, documents and withholding tax throughout the year.

Broadening the tax base therefore requires more than stronger enforcement. The system must reflect a labour market in which many people do not receive a regular salary from a single employer.

Compliance costs go beyond the tax bill

Tax compliance involves more than the amount ultimately paid. It also requires time to track income, maintain records, understand tax rules and sometimes hire an accountant. Taxpayers must also bear the uncertainty and risk of making mistakes.

Large companies can manage these tasks through dedicated staff and established accounting systems. Small business owners, however, may need to handle sales, inventory, customers and financial records alone. Every hour spent navigating tax rules is time taken away from running their businesses.

The World Bank and OECD have noted that compliance costs tend to place a proportionally heavier burden on small businesses. Even when tax rates are relatively low, a system that is difficult, costly or time-consuming can discourage businesses from entering the formal economy.

Who are the non-filers?

Non-filers can be divided into three broad groups.

The first group does not understand what it is required to do. These taxpayers need clear, practical guidance suited to their occupations and income patterns.

The second group understands their obligations but finds compliance difficult or costly. Small business owners and self-employed workers may struggle to combine income from several sources, organise records or obtain help. They need simpler procedures, better organised information and accessible support.

The third group has the knowledge and ability to comply but deliberately conceals income. This group requires effective data use, audits and credible enforcement.

Treating all three groups in the same way may burden people who want to comply without addressing the obstacles that prevented them from filing correctly.

Three priorities for improving Thailand's tax system

1. Reduce the work required by taxpayers

The system should gradually move from requiring taxpayers to “fill in and calculate” everything themselves toward allowing them to “review and confirm” information.

Income, withholding tax and tax allowances already held by government agencies should be pre-filled wherever possible. Taxpayers would then review the information, correct errors and add missing details, reducing both filing time and the risk of mistakes.

Guidance should also reflect real situations. Online sellers, freelancers, platform hosts and people with several income sources often face different tax questions and need advice tailored to their circumstances.

2. Bring income information together

People with several income sources often struggle to determine their total annual income and withholding tax. Bringing this information together in one place and updating it throughout the year would reduce the need to search for documents or reconstruct records before the filing deadline.

However, such a system would require strong data security, protection of personal information and reliable recordkeeping. Taxpayers must also be able to review and correct inaccurate information.

3. Make the benefits of joining the formal economy more visible

The decision to enter the formal economy depends not only on the tax owed, but also on the benefits people expect to receive. The survey found that 70.8% of respondents would be willing to file tax returns in exchange for better welfare benefits. Experiences in Brazil and Uruguay also show that joining the formal economy can be linked to social protection.

For Thailand, this does not necessarily mean creating a new benefit for every taxpayer. Rather, the relationship between entering the formal system and access to rights and economic opportunities should be made more visible.

These may include access to social protection systems, government services, or proof of income that can be used to support access to financial services.

When these benefits become more visible, participation in the formal system may become more attractive than when individuals see only the obligations and costs associated with it.

Thailand needs more than enforcement

Broadening the tax base does not require choosing between strict enforcement and taxpayer assistance. An effective system needs both.

People who deliberately conceal income should be subject to effective detection, audits and appropriate enforcement action. At the same time, those who want to comply should face as little unnecessary time, paperwork and expense as possible.

Someone who refuses to pay tax and someone who does not know how to file represent different policy challenges. Stronger enforcement alone will therefore not be enough. Thailand must also ensure that people know where to begin and that complying with the law is not unnecessarily difficult.

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