6. Conclusion

The CPF system has recently been ranked as one of the top ten pension schemes in the world by the Melbourne Mercer Global Pension Index, and has always been recognized internationally as a model for meeting social policy objectives.

costs, increasing unemployment risks due to volatile global economic conditions, and widening income gaps. The government will continue to fine-tune the CPF system to cater to these changing requirements so as to help Singaporeans cope and most importantly,

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Social Security and Pensions Systems

1. Introduction

Thailand introduced a social security system in 1952 but it was not until 1972 when, by the Notification of the Revolutionary Council, did it become statutorily effective. Under the new system, "social security" was established as one to which part of the funds are to be contributed by the employees and another part by the employer. The contributed funds shall be paid out to eligible persons under specified conditions.

Since then, the social security concept further developed and over time has become one of the country's significant policies.

At present, Thailand's social security system is composed of schemes based on the following legislation:

Social Security Fund under Social Security Act B.E. 2533

The Social Security Fund (SSF) aims to provide full social security and to protect employees in relation to working security in case of injury, illness or disability and death, and also covers personal welfare such as childbirth, child allowance, old age and unemployment.

Provident Fund under Provident Fund Act B.E. 2530

A Provident Fund (PF) may be voluntarily established by the employer and employees with the purpose of encouraging long-term contractual savings for employees at the time of their retirement, disability or unemployment. The PF aims to secure employees' finances and to inculcate the discipline of saving up on the part of the employees of either a private company or a state enterprise.

Government Pension Fund under Government Pension Fund Act B.E. 2539

The Government Pension Fund (GPF) is established to secure the payment of pension benefits to government officers who are members of the fund. The payment of pensions after the employees' retirement is intended not only to provide welfare benefits but also to encourage personal savings of the retirees. The GPF coverage is limited to the members of the fund.

2. Description of the Systems

2.1. The Social Security Fund

The SSF is mandated to be established for any business unit, private organization, firm or employer who employs one or more workers. It is administered by the Social Security Office of the Ministry of Labour. Employees are statutorily required to be members of the SSF.

The SSF covers all employees, both residents and non-residents, who are at least 15 years to 60 years of age and are actively employed by the employer on a monthly salary basis. The employee's dependents are also covered. The welfare benefits provided for by the SSF are illness, disability, death, old age, unemployment and childbirth.

Each employee is required to contribute 5% of their monthly wage or salary to the SSF. The contribution is subject to a monthly cap of THB 750. The employer is required to match the employee's contribution to the fund.

Upon termination of employment, the employees will receive the accumulated social security contributions. On reaching the retirement age of 60 years, employees will receive a pension at the rate of 20% of the average of their last 60 months' wages/salary.

In addition, compensation for termination or resignation from employment is provided to the employee, as follows:
– compensation of 50% of the employee's last wage or salary for a period of 180 days in the case that the employment is terminated by the employer; or

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– compensation of 30% of the employee's last wage or salary for a period of 90 days in the case that the employee voluntarily resigns from employment.

2.2. The Provident Fund

The PF is not compulsory. Any organization or firm may voluntarily establish a PF within a firm. Once established, the employer and employees are obliged to comply with the terms of the fund. The PF is administered by the PF Committee, which comprises representatives from both the employer as well as employees.

The PF has active salary-based member employees who remit monthly contributions to the fund. Monthly contributions of each employee shall be accumulated and payable after the termination of employment.

Each employee is required to contribute at least 2% but not more than 15% of monthly wage or salary to the PF. The agreed rate must also be contributed by the employer.

At termination of employment, the employees will receive the accumulated contributions during the employment.

2.3. The Government Pension Fund

The GPF is administered by the GPF Committee. Members of the fund are government officers in all government agencies.

Government officers must be registered as members of the GPF, and are thereafter required to contribute to the fund monthly at a rate based on their monthly salary. Members of the fund are eligible to avail of government welfare and to access government social incentives and loan projects.

Government officers who are the members are required to contribute 3% of their monthly salary and the government contributes at the same rate.

At retirement, the members of the GPF will receive three payments, as follows:
(1) a pension payment computed based on their last salary multiplied by number of years of service in the government agency;
(2) an annuity payment computed based on the average of their last 60 months' salary prior to retirement multiplied by number of years of service in the government agency and then divided by 50. However, the result of computation must not exceed 70% of the average of the last 60 months' salary; and
(3) an accumulated or lump-sum payment amounting to the accumulated contributions to the fund.

3. Tax Aspects

3.1. Contributions

Social Security Fund

Contributions made to the SSF are tax deductible to both employees and the employer for purposes of the annual income tax computation.

Yearly contributions are treated as a personal deductible allowance for the employees in their annual personal income tax computation. For the employer, the contributions made to the SSF are treated as deductible corporate expenses for purposes of their annual income tax computation.

Provident Fund

Contributions made to a PF are treated as a personal deductible allowance for the employee, subject to a cap of THB 300,000 per annum and must not exceed 15% of the annual wage or salary.

The deductible contributions under the SSF and PF do not cover foreign social security funds, provident funds/pension schemes that are paid by Thai resident or non-resident employees.

Government Pension Fund

Contributions made by members are treated as a tax-deductible allowance for annual personal income tax computation purposes. Note however that the annual deductions arising from such contributions are capped at THB 500,000.

Note however that if the government officer retires before reaching the age of 60, the deductions arising from the contributions in the year of retirement will not be subject to a cap.

3.2. Receipts (payouts)

Receipts of compensation under Thailand's social security schemes by residents of Thailand are exempt from tax, whether or not the recipients were residents of Thailand at the time they were making their contributions (i.e. at the time of their employment). Receipts of compensation under Thailand's social security schemes by non-Thai residents may only be exempt from tax if the conditions imposed by the specific funds are complied with. Thai residents are basically subject to income tax on pension income/social security/benefits paid from foreign countries when the income is remitted into Thailand.

Thailand currently has tax treaties with 56 countries. The pension article in these treaties generally provides that pension payments are taxable in the source state.

4. Others

Individuals may personally invest in the mutual funds established under the law governing securities. A Retirement Mutual Fund (RMF) is a kind of mutual fund established for the purpose of personal savings and security at the time of retirement.

A Long-Term Equity Fund (LTF) is established for the long-term investment by individuals in the securities market which provides benefits in the form of dividends. An individual may invest in an RMF or LTF but the investment must not be more than 15% of income or THB 500,000 whichever is the higher.

Contributions or investment in the RMF and LTF funds are deductible by individuals, subject to a cap of THB

500,000 per year. Capital gains received from the disposal of investment units in the funds is exempt from income tax.

Contributions made to foreign social security schemes are not eligible for tax deduction. Payouts to individuals who are no longer staying and who are no longer Thai residents are subject to tax in Thailand, such as capital gains from investment in the Funds.

4.1. Social security agreements

Thailand has not concluded any social security agreements to date.

5. Conclusion

Social security is one of Thailand's significant policy thrusts in order to maintain social stability and to secure citizens' well-being. Social security funds and the pension funds are established as a national/federal social security system. However, there are still peculiarities surrounding the system such as:
– low level of cooperation between social security agents, which reflects an inefficiency of exchanges of information;
– regulations relating to the social security agents' administration are not flexible and bureaucratically out of date; and
– incomplete related information databases.

Thailand is now increasing its bureaucratic administration efficiency relating to such funds. In addition, Thailand has set out strategic plans to develop the country's social security system. For example, its social security strategies for the period 2012 to 2016 are to (i) establish the overall social security system and to guarantee fundamental social security for the Thai society; and (ii) for all members of society to have access to the full social security system by 2016. Pursuant to the National Savings Fund Bill (2012), individuals who are at 15 years of age to 60 years of age will contribute to the National Savings Fund at THB 50 per month. The members will receive their savings at the age of 60 and are eligible to personal welfare after their retirement of 60 and over.