

Sunthree Aramraung 2007: The Effect of Income Tax Structure on Consumption Expenditure in Thailand. Master of Economics, Major Field: Economics, Department of Economics. Thesis Advisor: Assistant Professor Supachat Sukharomana, Ph.D. 106 pages.

The main objective of this study is to identify the effect of the changes in the income tax structures during the period of 1980-2003 on consumption expenditure. By using the secondary data of consumption expenditure GDP and tax revenue over from NESDB, 1980-2003 the consumption equations and the income tax equation are estimated with respect to the dummy variable of income tax structure.

The empirical study shows that when the government changes income tax structure the marginal propensity to consume (MPC) has also been changed. There were six adjustments on income tax structure during the period of 1980-2003 and the MPC is changed from 0.7709 to 0.8558, and to 0.8466, to 1.8595 and 1.8928. Given the same level of disposable personal income, changes in tax structure income consumption expenditure of households.

For each time of tax structure adjustment, it was estimated that the marginal propensity to tax or the tax rate has been reduced. It was reduced from 9.33 percent to 8.48 and to 6.93, 5.76, 5.19 and 3.39 percent subsequently.

It can be concluded that the change in tax structure induces an increase in consumption expenditure. The change also increases demand for consumption. The government spending multiplier and tax multiplier are also increased.

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