

Thesis Title The Use of Dynamic Indices for an Analysis of the Tax
Revenue Structure of Bangkok Metropolis.

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Abstract

Bangkok Metropolis is a specially arranged local administrative unit. It, raises interesting issues because of its economic structure, economic activity expansion, and fiscal structural limitation of the local administrative unit with respect to its implication on economic fundamental function of the government.

The objectives of this study are to examine the tax revenue structure of Bangkok Metropolis, and the contribution of each category to the total revenue, as well as the tax performance using dynamic indices on two aspects of performance : revenue performance criterion using the tax buoyancy index ; and, revenue stability criterion using the tax elasticity index. The purpose of the study was to find out the capacity of the taxes in generating revenue to the government or the Bangkok Metropolis Administration, and to evaluate the tax revenue of Bangkok Metropolis with the estimated tax elasticity procedure. The information for the study was a set of secondary data, a time series covering fiscal years in 1980 through 1995, on six categories of taxes by means of the Ordinary Least Square technique. These taxes are the household and land tax, land development tax, signboard tax, sales tax (value-added tax and specific business tax), liquor and beverage tax, motor vehicle fees and tax respectively.

From the study it was found that the total tax revenue of Bangkok Metropolis shows a continuously increasing trend, particularly the sales tax (value-added tax and specific business tax), motor vehicle fees and tax, household and land tax all contributed to the growth of the total tax revenue. Nevertheless, the kinds of tax revenue that are related to the gross provincial product of Bangkok Metropolis show a lower average rate of growth than that of the gross provincial product. In addition, ratio of tax revenue to the gross provincial product was only 0.47% which is very low by the national standard, indicating that the Local Administration or Bangkok Metropolis has not fully exploited its own resource and potential. As for the tax revenue that is related to national gross domestic product it was found that the average rate of growth was higher than that of the gross domestic product, and ratio of tax revenue to the gross domestic product was 0.22% which seemed to be extremely low by any standard. It, therefore, can be said that the tax revenue transfer of the central government to the Local Administration or Bangkok Metropolis would not be able to meet the requirements of the actual economic condition reflection.

As for the dynamic indices of taxation analysis it was found that the tax buoyancy index of the household and land tax, land development tax, motor vehicle fees and tax were less than one ; yet, the signboard tax, sales tax (value-added tax and specific business tax), liquor and beverage tax indicated the tax buoyancy were greater than one. With such figures it can be said that the taxation system has a low capacity to raise revenue for the government. The tax elasticity index estimation for each category shows that the household and land tax, land development tax, signboard tax, motor vehicle fees and tax the tax buoyancy index was less than one. The sales tax (value-added tax and specific business tax), liquor and beverage tax, however, have tax elasticity greater than one. The tax categories with buoyancy index less than one would therefore contribute little to the maintenance of economic stability. In comparing the tax elasticity index of each category it was found that the household and land tax, signboard tax have tax buoyancy index smaller than the tax elasticity, consequently it indicates that the government would not be able to use the tax measures as policy instrument. Neither the

tax measures would adversely affect the capacity to raise revenue. Regarding the land development tax, motor vehicle fees and tax it was found that the government did not attempt to use them for raising additional revenue. Results of the study, therefore indicates that the taxation categories that the government can use as policy instrument for raising revenue were signboard tax, household and land tax respectively. On the other hand, the taxation categories that the government would not be able to use as policy instrument to raise tax revenue are the sales tax (value-added tax and specific business tax), liquor and beverage tax respectively.