

## **Abstract**

This study analyzes the impact of bequest and bequest taxation on economic growth and income distribution using overlapping-generations general equilibrium model. Moreover, this study is also focusing on finding the solution of optimal taxation following Turnovsky (1996, 2000), when assuming that there are only two types of taxations in economy which are income taxation and bequest taxation. The results show that bequest taxation has no effect on economic growth because the macroeconomic capital accumulation is independent of bequest tax. Taxing on bequest also has positive effect on income distribution, which can be demonstrated using Lorenz curve. Moreover, on the solution of optimal taxation, this study suggests bequest taxation levied on giver should be zero because it distorts bequest giving decision, then bequest taxation should be levied on receiver only. This study also suggests independency between income taxation and bequest taxation because both types of taxation in this study are treated like lump sum taxes. Therefore, in the case of Pareto optimal, which all of taxation is redistributed equally as lump sum transfer, tax rate can be any value that satisfies government budget constraint. If policy makers need to develop bequest taxation system which currently does not exist in Thailand, they might need to consider the effective of redistribution which reducing income inequality in order to satisfy Pareto optimal condition. For the tax rate both income tax and bequest tax, the rate can be any value that is sufficient for redistribution.