

ABSTRACT

Dual Income Tax System was firstly introduced in Nordic Countries such as Norway, Sweden, Finland and Denmark. At the end of 1980s, the personal income tax governed under the said taxation system is categorized into two types: Capital Income and Labor Income. Capital Income includes interest, dividend, capital gain derived from stocks, lands, rental, business profit. Labor Income includes salaries, wages, old-age pension, and fringe benefit which is not salaries or wages paid by employees, social security benefits. Labor Income is subject to the progressive rate. Meanwhile, Capital Income is subject to fix rate equivalent to the minimum rate of Labor Income to prevent any circumvention of the system. Apart from that, the taxation rate of the Capital Income is also equivalent to the taxation rate of the corporate income tax.

Additionally, with regard to Business Income of an ordinary person who is not an employee, Dual Income Tax has Income-splitting Rule, the special principle to differentiate the Business Income to Capital Income and Labor Income. After distinguishing the different types of taxable incomes, each type of taxable incomes shall be subject to its taxation rate, which is fair to all tax payers.

Differentiating two types of incomes and collecting taxes at the different rate derive from the theory stating that Capital Income has high flexibility and mobility. Collecting tax at the low and stable rate shall result in more effectiveness of the taxation system. Consequently, the Government can collect more taxes because there is no incentive in term of tax consideration to transfer the capital to countries at which the tax rate is lower. By contrast, Labor Income has lower flexibility. Therefore, the higher tax rate should be applied because the low tax rate would result in the excessive investment in Human Capital. Moreover, under Dual Income Tax System, Capital Income will no longer be subject to the different rate which is not fair among the various types of

Capital Income receivers. Thus the deficiency of the existing taxation system can be resolved.

After Nordic countries applied Dual Income Tax System distinguishing two types of income, Dual Income Tax, it appears that the said taxation system attracts the attention of the policy makers from many countries. The United States of America, the European Union, Japan and many other countries have been studying Dual Income Tax System. Even in the annual meeting of Organisation for Economic Co-operation and Development (OECD), the advantages and the disadvantages of Dual Income Tax has been discussed and criticized seriously.

Due to its inventiveness and its potential effectiveness of Dual Income Tax System, the study of the said taxation system should be conducted in dept with thoughtful analysis in order to apply with the taxation system of Thailand. This thesis is produced to study its origin, its history, the procedure of Dual Income Tax System and the method to collect income tax under Dual Income Tax System in Nordic Countries. Additionally, the benefit and its deficiency shall be discussed herein and be compared with the existing taxation system of Thailand. By doing so, this thesis shall provide a guideline for applying Dual Income Tax System in Thailand in the future.

After having studied Dual income Tax System, there are a number of different theories between Dual Income Tax System from the existing taxation system . The said different theories can be applied in Thailand, and would enhance the effectiveness of Thailand's taxation system.