Abstract

Value-added tax (VAT) is a proper consumption taxing system appropriate for assessing from sales of goods and services. It is an indirect taxation which is fair to the manufacturing system and causes no double taxation burden. However, its implementation in each country depends on economic and social nature of that specific country in order to design a proper taxation method for each transaction to ensure complete and most effective VAT system.

Financial service is a type of transactions many countries in the world are facing problems in selecting VAT assessing method due to practical difficulties in determining actual added value of services hidden within interest and exchange rates based on each transaction. Many countries, therefore, have different forms of problem solutions, mostly by granting VAT exemption to financial service and to assess VAT at zero for financial service export.

However, though VAT exemption helps solving the problem on practical restrictions but if care is not exercised in its proper implementation in each step of service it will result in tax credit cycle interruption and cause double taxation. Consequently, New Zealand, which previously has exempted taxes on goods and services from all steps of financial service, currently amended the law governing taxes on goods and services to adopt the zero rate only for financial services rendered to registered entrepreneurs mainly operating businesses subject to taxes on goods and services to enable financial middlemen, who are service providers, to apply for input tax refunds paid together with their operating expenses based on the output tax at the rate of zero. That helps reducing not only costs of financial service providers, but also the costs of investments of recipients of the services, who operate the businesses of sales of the goods or services subject to taxes, because the taxes are not doubled into the service charges, and also eliminates the problem on economic and business organization form distortion and helps promoting hire of works and services from third parties and developing financial service export.

As for Thailand, the transition of tax structure to value-added taxation through crediting method using tax invoices in lieu of commercial tax does not apply to all types of services, particularly the financial service, because the Government cannot clearly determine or compute VAT from business operation. The financial service is, therefore, treated as a business outside the VAT system, but subject to the specific business tax which is similar to the former commercial tax. Besides the specific business tax burden, another main problem is that the service providers also bear the input tax burden paid together with operating costs but is not refundable. If a financial service provider operates types of business both subject to VAT and not subject to VAT, the service provider is required to distribute input tax between the 2 types of business, thus causing problem in determining proportion of the input tax creditable from the output tax on a proper basis. Moreover, being in the specific business tax system prevents the financial service providers to apply the zero rate in the VAT system to overseas financial services or financial service export.

This thesis is based on study of the above-mentioned and other impacts related to the country's tax and economic methods. It is deemed appropriate to repeal the specific business taxation from the financial service and to transfer the financial service into the VAT system to enable the financial service export to apply the zero rate similar to other countries all over the world. It is recommended that the same taxation form as that of the goods and service taxation of New Zealand be adopted.