

## **Abstract**

The allocation of tax between the government and local authorities (local government organizations) includes the allocation of types of taxes which can be demanded and money taxed to local authorities. The allocation of tax is a part of the decentralization of public finance, whose purpose is to authorise local authorities to set up its own resources so as to be able to successfully perform their missions. Under Thai laws, there are six taxes, namely income tax, corporation tax, value add tax, revenue stamp, customs duty and excise, which are put in the same kind. This is because they can only be demanded by the government and under the Code of Revenue. According to the Code, the government is responsible for collecting the taxes which will subsequently become public revenue. By contrast, there are three kinds of local taxes. The first kind concerns the taxes which are collected by local authorities by themselves. It consists of building and land tax, local administration tax, signboard tax, killing brute tax, swallow's nest tax and maintain local government tax. The second one consists of value add tax, individual business tax, excise and liquor tax which are collected by the government, but allocated to local governments. The last type is vehicle circulation tax which is collected by the government, but wholly delivered to local authorities. The allocation of tax between the government and local authorities can also be possible in the form of grants.

The principle of allocation of tax becomes more sophisticated after the promulgation of the Constitution BE 2540. Section 284 of the Constitution states that for the purpose of the continual development of decentralisation to a higher level, there shall be the law determining plans and process of decentralisation. Subsequently, an act concerning plans

and process of decentralisation was issued in accordance with this provision.<sup>1</sup>

In this dissertation the study of the allocation of taxes concerns four problem:

1. the problem concerning the clarity of principles which are applicable to the allocation of tax between the government and local authorities;
2. the problem concerning the government's attempts to replace grants with money taxed;
3. the problem concerning the government's imposition of conditions which must be satisfied by local authorities in order to acquire the taxes allocated;
4. the problem concerning the disarray of laws regarding local taxes and consequently affecting the allocation of tax.

By studying principles concerning the allocation of tax particularly the principle of separation of the government and local authorities' jurisdictions and the principle of allocation of taxes between the government and local authorities and by comparing to the allocation of tax in three different countries namely England, France and Germany, the research hereby proposes solutions to the problems as follows:

First, clear principles relating to the allocation of taxes between the government and local authorities should be set up. In order to establish such principles both two factors namely types of missions and tax deduction (???) should be taken into account. If types of missions are

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<sup>1</sup> The Plans and Process of Decentralisation Act BE 2542 became effective on 18 November 2542.

applied, there will be four types of government taxes, namely golf course tax, race track tax, Turkish massage tax and nightclub and discotheque tax which will become local taxes. Furthermore, the German principle of joint tax should be adopted to allocate 15 per cent of personal and corporate income taxes each to local authorities. This way can achieve a goal of the Plans and Process of Decentralisation Act that local authorities' incomes shall be at least 25 per cent of state's incomes.

Second, there should be an increase in kinds of local taxes, for example car pollution tax and special assessment tax. The former is available in England whose local authorities are responsible for road maintenance, safety and healthy concerning the use of roads. It is therefore reasonable that car pollution tax belongs to local authorities so as to meet their expenditure. The latter, which is for the first time introduced in England, and then a number of European countries such as France, Germany and Belgium, is based on increasing value of lands which arise from the exploitation of public utilities. Special assessment tax is a property-based tax. According to the Benefit and Tax Efforts principles, this type of tax should be localised.

Third, the solution to the problem concerning the government's imposition of conditions which must be satisfied by local authorities in order to acquire the taxed allocated is that the government's imposition should be replaced with tax sharing system whereby the government collects taxes and give a share of money taxed to local governments. The method of tax sharing should be detailed by the Local Government Organisation Committee.

Lastly, there should be a codification of local laws concerning local incomes. A code should be comprised of tax and no tax incomes. It aims to bring about the unity of local tax system.