

ABSTRACT

The objective for doing the Thesis “VAT problems on secondhand goods” is to study the way that how Thailand collect for VAT charged in secondhand goods. The study is done by comparison and analyzes for objectives details and methodology applies for VAT charged on secondhand goods in foreign country. In order to consider for suitability and effectiveness method to achieve the best result in implementation.

In the study of VAT practice, there is no double taxation in general as VAT would be collected from value that added in each production process and it is allowed to registered persons to ask for VAT refund (or by credit) when they do a purchase. In the same time, when those persons sell products, VAT would be charged from full products' price. In this case, final consumer would take full response of VAT. Anyway, double taxation could be occurred when final consumer or non registered person resell their assets, which already cover up with VAT, as secondhand goods. Registered person who bought secondhand goods to use for business purpose would not be able to ask for input tax refund for VAT cover up in those secondhand goods. This affects businesses to take the hidden VAT which would be included in their cost of products or services. In case that the traders purchased secondhand goods from non registered persons to sell to next buyer, besides VAT that already covered up in those secondhand goods themselves, the traders would collect VAT again from overall price that already charge from final consumer or non registered person. This occurred as double taxation on former VAT basis.

As double taxation mentioned above, there would have an affect in products' price to be higher as higher in products' cost. This creates an unfair practice for the person who bought secondhand goods till it drive to tax avoidance attempt. Thus it should take into consideration for finding the solutions to solve these problems. In Thailand, there is no legal legislation involves in VAT collection for secondhand goods. When doing research study in VAT treatment on secondhand goods in different

countries, we found 3 existing ways to relief for secondhand goods' problems. 1. Give credit when product purchased. 2. Taxing only the margin on sale (Margin scheme) 3. Taxation on discount selling price (Discounted sale price scheme).

From the study, we could conclude that the method of giving credit when products purchased could reduce double taxation, which is treated as if to purchase by registered persons. The other 2 solutions would help to relief when selling the products. Margin scheme would collect VAT from margin of secondhand goods, excess of sell price over purchase price. And discounted sale price scheme would collect VAT from secondhand goods' selling price bases that have been reduced in proportion.

When compare 3 ways of secondhand goods' VAT relief that exist in different countries, margin scheme is the suitable way to apply in Thailand. This method is the effective method that helps to reduce double taxation which actually occurred, and fair to both purchasers and traders who operate in secondhand goods transaction. Therefore there is an idea to propose for adding in legal legislation by specifies the characteristic and conditions of margin scheme to reduce double tax problems.