Abstract

The Local Development Tax and House and Land Tax both of which have been levied for a long period of time were considered to be no longer relevant to the prevailing situation of Thailand. Both types of taxes were therefore to be replaced by the proposed Land and Building Tax. This study was undertaken to review the impacts of this new piece of legislation on land use and landownership. The objectives of the study were (1) to review the experiences of Japan, South Korea and Indonesia regarding collection taxes on land and building, (2) to assess the understanding of Local Government Authorities (LGA) on the Land and Building Tax, (3) to assess the readiness of LGAs in collecting the Land and Building Tax, (4) to analyse the attitudes of the people who will be subject to the payment of the new tax and (5) to assess the potential impacts of the Land and Building Tax on land use and land ownership. Data was collected fro 15 districts, 3 Districts from the five provinces selected as case study areas, namely Nonthaburi, Chainat, Chiang Mai, Ubon Rachathani and Nakhon Sri Thammarat. In each District, 10 LGA staffs and 30 local residents were interviewed. The total number of respondents interviewed included 150 respondents from LGA and 450 local residents.

Among the findings of the study were that Japan, South Korea and Indonesia were already collecting taxes similar to the proposed Land and Building Tax. The tax rates varied according to the size of landholding and land use. LGAs were responsible for tax collection. Land and property valuation were undertaken once every three years. In Thailand, the proposed Land and Building Tax followed the Capital Value System where tax levied was based on the value of land and building minus the depreciation value. The new tax would widen the tax base. Similar to the countries reviewed, LGAs would be responsible for tax collection. Given the expansion of the tax base, revenue of LGAs would increase reducing the dependency on revenue allocated by the Central Government. In principle, the new tax would also have the effect of stimulating greater efficiency in land use.

Although not yet been approved by the parliament, LGAs have received some information the Land and Building Tax. Results showed that 36.2% of LGA staffs interviewed agreed with the principles of the new Land and Building Tax whereas around 30.9% did not agree because they believed that the new tax would increase the burden of the taxpayers. Around 20.8% said that while they agreed with some aspects of the new tax, there were other issues which they disagreed with. The remaining 12.1% did not have any opinion. Regarding the proposed tax rate, LGA staffs generally agreed with the tax rate levied on land, agricultural land and for unutilized land. Most did not agree with the concept of collecting tax on land used for residential purposes feeling that the rate was too high. The new tax would contribute to reducing problems of land concentration. LGAs in general would be prepared to collect the new tax subject to the availability of basic infrastructures such as database on landownership, land tax map and registry of landowners and property ownership.

As for the attitude of the local residents, 42.7% did not agree with the principles of the new Land and Building Tax, 30.9% agreed whereas 25.7% were not sure. The main reason for disagreeing with the new tax was that the rate levied on land used for residential purpose was too high and there was uncertainty whether revenue collected

would be used for the benefit of the local community. There was also uncertainty over the valuation of land and property. Those who agreed thought that the new tax might reduce problems of un-used land, that local revenue would increase. The new tax would also reduce the tax burden for some. There were those who agreed that tax rates should differ according to the level of development and to the concept that the tax rate on un-used land should double every 3 years since this would encourage those who had many parcels of land to sell them. Nevertheless, even those who agreed with the overall principle of the new tax had reservations regarding collecting tax on residential land without certain exemptions.

To support the principle of decentralization and expanding the scope of LGA's responsibilities, the government should provide clarity over the certain provisions of the Land and Building Tax prior to enacting the law. At the same time, the general public has to be well informed to ensure their understanding and cooperation. Information dissemination must be launched both at the national level and at the local level. To ensure efficiency and effectiveness, various preparatory measures have to be expedited such as operational and coordination procedures among concerned agencies, preparation of land tax maps, registry of land and property owners, land and property valuation, training and capacity building of executing staffs and facilities to launch the operational systems of tax collection.