

Independent Study Paper Title : The Limitation of Using the Net Worth Method
To Suppress Corruption

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ABSTRACT

Currently, corruption is widely found and practiced in numerous ways using complex and elaborate methods. The law sometimes lacks the ability to be strictly enforced especially when it comes to establishing prove of a persons individual wealth. Application of appropriate tax methods can be an effective alternative and be used for tax assessment and to appraise the amount of tax and a person's wealth, all which are theoretical possibilities. According to the "Net Worth Increasing Method" which the Thai tax system applies under the provision of section 49 of the Thai Revenue Code, this special method of assessment can be used effectively in order to assess the increase of wealth in the taxable year and applies it directly with a tax rate. However, the Revenue Code of Thailand defines the special process to be applied following a general method. It generates a loophole in case of limited time available to issue summons which is a precondition for making a tax assessment. Moreover, as the purpose of Net Worth Method is to suppress corruption, the size of general tax prescription is rather short.

It is found that the special method of assessment under Section 49 requires an approval of the Director-General when applied following the general method. This application generates both advantages and disadvantages for effective law enforcement. The disadvantages being that in the provision of the period of time to issue summons for making assessment and prescription directly creates an obstacle to the enforcement of the Net Worth Method. In contrast to this and from the study about tax assessment of the US, by Net Worth Method, such is much more effective. In the US, there is no separation between special methods and general methods of proving the net income of a taxpayer. Moreover, the Internal Revenue Services (IRS)

officer can apply the Net Worth Method to determine the net income of taxpayer at anytime. The Net Worth Method requires an approval of the Group Manager in the case that there is a reasonable doubt of tax evasion. The limited time is not in a specific period time of 3 years unlike other methods of proving. The Net Worth Method has more special characteristics in order to suppress corruption. For comparison, the effective way to suppress corruption by using Net Worth Method in Thailand should not relate to period of time and prescription of issuing summons in order to increase an opportunity for the tax official to assess the tax taxpayers for their wealth. Nevertheless, the issuing of summons should still be used in order to protect the taxpayer's right.

The author's recommendations are going to offer the prescription equal to the criminal law prescription for making assessment using special methods, the Net Worth Method. This is because the Net Worth Method aims to suppress corruption and corruption directly relates to criminal law offences. Also to eliminate the limitation of time to issue summons, which is the starting point and important condition and distinction whether the tax assessment official has the power of assessment or not. Most importantly, all recommendations are made with the taxpayer's rights in mind.

