

DEJ-UDOM & ASSOCIATES
BUSINESS AND LEGAL UPDATE

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POLITICAL UNREST

CONTINUED BANGKOK UNREST

Retail complexes, businesses and hotels in Bangkok's central shopping district have been closed since early this month after Red Shirt supporters of deposed Prime Minister Taksin Shinawatra occupied approximately three square miles of major thoroughfares. The closure of two of Bangkok's most fashionable streets has affected over 3,000 businesses and more than 65,000 workers. Tourists and business travelers have postponed visits and conventions, meetings and exhibitions have also been cancelled. The month of April started with violent clashes between security forces and the Red Shirts which claimed 21 lives. The Red Shirt demonstrators are calling for the government's dissolution before they give up their protest. Thousands of troops have been brought into the city, but so far have only been employed to guard areas that are not under Red Shirt control. Despite the problems in the center of Bangkok, business in other parts of the city and around the country continued to operate normally.

BANKING & FINANCE

ASSET SALE

The Thai Asset Management Corporation (TMAC) established after the 1997 financial crisis has announced the sale of 260 properties taken over from finance companies which were forced to close. The properties are primarily those which were not sold in previous sales and will now be discounted up to 50% in price. Before the TMAC is scheduled to cease operations in 2011, it must disperse of about 100 billion baht worth of assets it still holds.

LOAN TERMS EASED

Local bankers have announced that they are willing to ease loan terms of businesses such as hotels and tour operators who have been affected by the political crisis. Payments could be rescheduled in order to help the cash flow of businesses which have had to cease operations.

TAX

CABINET APPROVES PROPERTY TAX

The Cabinet has approved the Finance Ministry's property tax bill which is intended to reduce the enormous gap between the nations's rich and poor. In its present form the bill sets ceilings on tax rates for three different types of property: farmland to be taxed at not over 0.05%, residential to be taxed at not over 0.1% and others including commercial property and unused land to be taxed at not over 0.5%. The timeframe for the tax to become effective will be approximately four years as the bill must first be reviewed by the Council of State and government's legal advisor before it can be sent to Parliament.

LOSS REVENUE FROM TAX BREAKS

The Land Department's income from property transfer is expected to be reduced by about 30% for the year 2010. The special incentives for property transfer which were scheduled to expire on March 26, 2010, were extended until May 31, 2010. As a result, the land department plans to keep open all 400 branches around the country during the weekend of May 29 to 30. The incentives reduce the special business tax on land transfer from 3% to 0.1%, transfer fee from 2% to 0.01% and mortgage fee from 1% to 0.01%.

TAX BREAKS DUE TO UNREST

The government has announced that businesses located in the area of the political protests which have suffered from the demonstrations will be given a 180-day tax extension on tax payments and other financial commitments. The extensions include payments on value added tax, corporate tax, property tax and contributions to the Social Security Fund. The Labor Ministry also plans to register all employees who have been affected by the demonstrations.

RENEWABLE ENERGY TARIFF REVIEW

Due to the introduction of new technology which has reduced production costs, the tariffs for production of renewable energy will be adjusted. New rates will be announced in July.

INTELLECTUAL PROPERTY

STATUS REVIEW

Although the United States agrees that Thailand has made credible progress on protecting intellectual property rights, the Kingdom has not been removed from the US intellectual property "Watch List". However, the US has announced that it will conduct an Out-of-Cycle Review in Thailand to monitor the progress on specific IPR issues, which will help promote cooperation with a key trading partner.

SECURITIES & EXCHANGE

GOLD FUTURES DELAY

The introduction of the trading of mini-gold futures will most likely be delayed due to the political unrest and the need to hold further discussions with all parties involved. The Thailand Futures Exchange had originally planned to launch the trading of mini-gold futures next August.

CUSTOMS

LAW REVISION

The Customs Department has proposed changes to the customs laws in order to increase efficiency and transparency. The changes would greatly reduce the rewards paid to customs officials for uncovering violations. At present the law allows up to 55% of the fines and penalties to be given to government officials. The proposed law would also eliminate the section of the customs code which gives the director-general the right to set cost, insurance and freight values for tariff calculations. Finally, inspections of goods transshipped through Thailand would cease except in cases when the shipment is suspected of being illegal.

ENVIRONMENT

MA TA PHUT CONCERNS

As a result of environmental disputes with companies in Ma Ta Phut industrial estate, the government is trying to set up a temporary independent body to screen new industrial projects classified as potentially hazardous. The temporary body would operate for two years until a permanent one can be set up.

TRANSPORTATION

AIRPORT LINK TESTS DELAYED

Test runs of the Airport Rail Link have been delayed due to political unrest. In particular, testing the new link between the Phya Thai Skytrain station and the Airport Rail Link has not been possible because of the political disturbances in the area. Whether the new high speed service to Suvarnabhumi Airport can commence service as scheduled in July is not certain.

RAPID BUS SYSTEM

A new Bangkok rapid bus system will begin trial runs from May 15 to August 31, 2010. The service will run from Chong Nonsi on Rama III Road to the intersection of Ratchadaphisek and Ratchaphruek Roads.

TRADE

EU FREE TRADE AGREEMENT

The government intends to commence free-trade talks with the European Union (EU) in the near future. Negotiation guidelines are expected to be received from the Parliament before June. In particular, Thai food exporters are keen to see the talks go forward as they hope to benefit from the discussions.

BUSINESS

COMPOSITE MANUFACTURING

Thailand is developing as an important center for composite material production. Used in place of wood, aluminum or steel in automobiles, spacecrafts, sports equipment and building materials, the demand for composite materials has grown more than 10% over the past year.

FLIGHT CUTS

Thai Airways International has announced that it might cut flights by 15% due to the political unrest. The number of foreign tourists traveling to Thailand has greatly dropped off due to travel advisories issued by many foreign governments.

TOURISM SUPPORT

The government will support small and medium-size tourist businesses by pledging 5 billion baht to help rescue those affected by the unrest.

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