

DEJ-UDOM & ASSOCIATES
BUSINESS AND LEGAL UPDATE

For more information view our web-page www.dejudomlaw.com

A Service for Our Clients

July 2010

FINANCE

NEW CREDITOR BILL

A new bill which is being introduced to protect borrowers has been proposed by the Finance Ministry. The bill will set up a formal legal framework for how creditors are permitted to pursue delinquent debtors.

ECONOMIC GROWTH

Despite the May political troubles, the Bank of Thailand (BOT) is projecting a strong economic outlook for Thailand for 2010. The central banks forecast that GDP growth could reach 7.5%.

SECURITIES & EXCHANGE

MORE ROAD SHOWS

The Stock Exchange of Thailand (SET) is planning a new road show to Singapore in August following this month's promotion of the Thai stock exchange in London. Ten listed companies participated in the London event.

RELAXED LISTING RULES

A government finance committee has advised that the government should relax listing regulations for small and medium size enterprises (SMEs) in order to ease listing on the Market for Alternative Investment (MAI). The move would help SMEs obtain financing at better rates.

FOREIGN INVESTMENT

INVESTMENT CURBS

A recent report prepared by the World Bank, *Investing Across Borders 2010*, has identified Thailand as having some of the strictest foreign equity ownership restrictions in the world. The survey which took into account 87 countries found that the majority of Thailand's main industrial sectors are subject to restrictions for foreign equity participation. Thailand's Foreign Business Act 2542/1999 contains the list of sectors and business activities in which foreign business capital is limited to less than 50%.

TAX

LISTED COMPANY TAX SUPPORT

There is a growing lobby for the government to reduce the corporate income tax for listed companies back to 25% after the program expired at the end of 2009. The Finance Ministry is now considering whether or not tax support for listed companies should be extended indefinitely. The decision is expected next month following a government review of the situation.

PERSONAL INCOME TAX

The Thai Development Research Institute (TDRI) has just completed a study which indicates that the government should change the personal income tax structure in order to collect taxes from high income earners. TDRI noted that more than half of those in the highest bracket are not currently paying as much tax as they should.

BOI OFFERS ENERGY TAX BREAKS

The Board of Investment (BOI) is offering three year tax waivers on import duties on energy saving machinery. To be eligible the BOI promoted companies must submit a report showing that the machinery will reduce energy consumption by at least 70%. Energy saving companies will also receive a 70% reduction in corporate income tax.

ONLINE TRANSACTION WATCH

The Revenue Department has been advised to create a team on internet specialist to uncover online tax evasion. Under the 2007 Computer Crimes Act the Revenue Department has full authority to investigate potential crimes.

GREEN TAX

The Finance Ministry and the Environment and Natural Resource Ministry are working together to formulate a green tax which could be passed by next year. The bill would offer businesses tax incentives for investing in waste treatment systems or for reusing or recycling materials. Businesses would be encouraged to use renewable energy.

BOARD OF INVESTMENT

SIGNIFICANT INCREASE

The Board of Investment (BOI) is experiencing a 46% increase in applications compared with the same period last year. They have received 632 new applications in the first half of 2010.

ACCOUNTING

NEW RESERVE REQUIREMENTS

Accounting firms will now be required to set aside 3% of their registered capital to be used in case of damages caused to third parties due to unprofessional practices. Details of the reserve must be submitted to the Federation of Accounting Professionals within 60 days after the end of each accounting year.

AUTOMOBILE

STRONG FORECAST

Thailand's auto industry is expected to set a new record this year as production continues to increase. Automobile production for the first half of the year expanded 97% over last year. Exports for both passenger cars and pickups also showed enormous increases over last year. In addition, the auto parts industry is also expected to boom after General Motors announced that once its new plants start operating the company expects to purchase US\$ one billion worth of parts over the next three years.

ELECTRIC VEHICLE PERKS

The German car manufacturer BMW is considering using Thailand as a base for the manufacturing of electric cars. The company hopes to obtain special investment privileges for the manufacture of environmentally friendly cars.

REGIONAL OFFICES

NEW INTEREST IN ROH

Following last month's approval of a new package of tax incentives for Regional Operating Headquarters (ROH) a number of companies have shown interest in obtaining ROH status. The incentives include tax waivers of up to 15 years for companies with operating bases in Thailand which are involved in services, business management and businesses which involve research and development.

INTELLECTUAL PROPERTY

LIST OF VIOLATORS

A group of Thai and foreign property rights owners recently submitted a list of intellectual property rights violators to the Commerce Ministry requesting that immediate action be taken to stop violations. The list included the names of 330 producers and traders of counterfeit and illegal goods.

SOUND AND SMELL

The Intellectual Property Department plans to submit a draft amendment to the Trademark Act to include the protection of the sound and smell of products.

CUSTOMS

REWARD SYSTEM REVISED

In response to complaints about lack of transparency, the Finance Ministry has proposed to amend the Customs Act concerning the rewards which are paid to custom official or outside informers who report violations. Currently 30% of the auction price of the goods is distributed to informers and 25% to customs officials.

CONCESSIONS

AUCTION OF 3G CONCESSIONS

The government's pending auction of 3G telecommunication licenses in September has been an important point of debate in recent months. The Prime Minister is seeking amendments to the telecom concessions in order to ensure fair competition.

BUSINESS

FAST TRACK REGISTRATION

The Commerce Ministry has introduced "Single Window Point" services in order to speed up the registration of new businesses. The registration process for new businesses will only take about one and a half hours instead of four days. The service will become fully operational nationwide on October 1, 2010. There are five offices in Bangkok. The World Bank has rated Thailand as 12th out of 183 countries for ease of doing business.

Dej-Udom & Associates

Bangkok, Thailand

Phone (662) 233-0055, Fax (662) 236-6681