

DEJ-UDOM & ASSOCIATES
BUSINESS AND LEGAL UPDATE

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FINANCE

BANKRUPTCY

The Justice Department is concerned about the increase in the number of people involved in bankruptcy cases and suggests that laws concerning debt be changed. Some financial institutions are exploiting a loophole in the law by delaying legal action against debtors. As a result, interest payments grow so large that the debtor must declare bankruptcy. The Justice Ministry wants the law on compulsory performance of debt payment to be changed.

NO INTEREST RATE FREEZE

The Bank of Thailand (BOT) has turned down the private sector's request to freeze interest rates, insisting that rates should move in line with the market. In addition, the government has said that it will not intervene in the exchange rate.

SECURITIES & EXCHANGE

FOREIGN LISTINGS

The Securities and Exchange Commission (SEC) will now permit primary listings of foreign companies on the Stock Exchange of Thailand (SET). Foreign companies which have never listed before on other exchanges will only be considered if they are large by market standards and if they are registered in countries which have internationally accepted laws and regulations protecting investors.

IT MASTER PLAN

The Stock Exchange of Thailand intends to make significant changes to its IT systems in order to facilitate cross-boarder trading in equities, derivatives and debt instruments. The project will require large investments in software.

FOREIGN SALES OF SHARES

The Thai stock market is feeling the effects of foreigners selling their shares due to the political unrest. Investors are shifting to other regional stock markets.

TAX

HOTEL AND TRAVEL TAX DEDUCTION

In order to help boost the local hotel business, private individuals will be permitted to deduct up to 15,000 baht in hotel room charges from their personal income tax. In addition, individuals who buy tour packages from registered tour companies can also claim deductions of baht 15,000. Tax breaks are also being offered to companies which organize seminars in the country or participate in local or overseas trade exhibitions. Hotel tax deductions will be for stays from June 15 until December 31, 2010.

FILM INDUSTRY TAX MEASURES

A number of tax incentives to stimulate the film industry have been proposed to the cabinet. The proposals include value added tax refunds, a 20% to 25% tax credit for foreign films and a personal income tax exemption for foreign actors.

EXEMPTIONS FOR READING

The government is considering a series of tax reduction measures to encourage reading. Proposals include eliminating value added tax on books, newspapers and magazines. Readers could also claim up to 10,000 baht in personal income tax deductions for expenditures on books and other reading materials. Firms which donate reading materials to state agencies or educational organizations could receive double tax deductions.

GREEN TAX BREAKS

New tax incentives to encourage the use of green products are being considered. Tax incentives for green products and raw materials used to produce biodegradable substances are being proposed.

PROPERTY

OVERSUPPLY

The number of unsold properties has increased by nearly 3% since last year. Due to concerns about the political situation, the market is not expected to improve in the second quarter of the year.

LEGISLATION

CREDIT CARD PROTECTION

A draft of a new bill intended to protect consumers from credit card company abuse has been approved by the Cabinet. The Credit Card Business Act has been proposed in order to help reduce consumer credit card debt. At present credit cards issued by non-bank institutions charge higher fees than those issued by banks. The new act would standardize the industry.

INFRASTRUCTURE INVESTMENT

Amendments are being made to the Public Private Joint Venture Act in order to speed up private participation in government infrastructure projects. Under the existing law state contracts with the private sector of over one billion baht require extensive scrutiny. As a result in the past projects have been divided up into smaller ones in order to avoid lengthy reviews.

ENVIRONMENT

KHAO YAI ROAD CONSTRUCTION HALT

Construction on a section of the road to Khao Yai National Park has been halted following protests from environmental groups. Environmentalists complain that the project was undertaken without proper public hearings.

MAP TA PHUT

After seven months of preparation a specially appointed panel has set up the procedures for industries to follow in order to comply with Article 67 (2) of the Constitution which states that projects which are deemed harmful to the public must be evaluated on their environmental and health impact. In total 65 projects in the Map Ta Phut Industrial Estate were suspended by the Administrative Court which ruled that the projects did not comply with Article 67 (2).

BIODEGRADABLE PLASTIC POTENTIAL

According to the National Innovation Agency Thailand has the potential to be a biodegradable plastic center. The nation has a high annual production of cassava which can be used to make tapioca starch which can be turned into biodegradable plastics. In addition, Thailand already has in place enough manufacturing facilities which can be used for the production of various biodegradable plastic products.

AUTOMOBILE

NEW FORD PLANT

Local banks have given Ford Motor Company a loan to relocate its passenger car plant from the Philippines to Thailand. The new plant which will go into production in 2012 will be located in Rayong. Outside of China, Thailand is the largest manufacturing center for Ford.

TRADE

EXPORT INCREASE

The Commerce Ministry reports that Thai exports are likely to increase by as much as 18% this year. In May exports increased for the seventh straight month and were 42% more than those recorded for May 2009.

ENERGY

RENEWABLE INCENTIVES

The Energy Ministry has announced plans to change the tariffs imposed on renewable energy projects. New feed-in tariffs will be applied to all new renewable energy operators, except for solar power. In the case of solar power there will still be added tariffs but at a lower rate.

ACCOUNTING

NEW ACCOUNTING STANDARDS

Effective in 2011 all Thai companies, not just listed ones, will be required to meet the International Accounting Standards (AIS). In particular, companies will need to review their dividend payment policies.

BUSINESS

POSITIVE JAPANESE OUTLOOK

Despite the recent political troubles in Thailand, Japan has chosen the Kingdom as the first country in the region to launch a small business networking project. The Fukuoka prefecture's Commerce and Industry Department and the Thai Industrial Association have signed an agreement to undertake the project "Business Networking for Asian SMEs". Cooperation between the two countries is intended to support and encourage small and medium size businesses from Japan to invest in Thailand and vice versa.

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