

DEJ-UDOM & ASSOCIATES
BUSINESS AND LEGAL UPDATE

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

A Service for Our Clients

May 2010

POLITICAL UNREST

END OF DEMONSTRATIONS

The 68-day political anti-government rally organized by the Red Shirt movement in support of ousted former Prime Minister Taksin Shinawatra ended on May 19, 2010 when the military moved in to disband demonstrators. Red shirt protestors who had occupied the Ratcharapsong business area of central Bangkok since April 3, 2010 were finally disbursed. Before the streets were cleared 36 buildings belonging to state and private enterprises were torched, 85 deaths were reported and there were more than a thousand injuries. The economic losses are projected to be about 145 billion baht, which represents 1.1% of the gross national product. Losses to the tourist industry are calculated to be approximately 7.5 billion baht. The government estimated that about 20,000 people were jobless during the crisis due to the closure of many hotels and shops. The Finance Ministry has announced that tax incentives and direct cash handouts will be implemented to assist companies which have suffered losses from the riots. Financial institutions have already announced that they will waive penalty fees for late payments and will also offer debt restructuring for those affected by the troubles. The Bangkok Metropolitan Administration has been asked to provide a rent-free zone to small businesses and new tax incentives are planned to assist the tourism industry.

SECURITIES & EXCHANGE

CROSS-BORDER LISTINGS

The Stock Exchange of Thailand (SET) will delay the launch of cross-border listings by one month until September 2010. The postponement is due to delays in finalizing the legal framework for the process. The aim of the cross-listing is to support joint ventures which can be listed on the Lao stock exchange. Thai securities companies have been working to train Lao security regulators.

TAX

ROH 15 YEAR TAX WAIVERS

The Finance Ministry has announced a new tax package for Thai and foreign companies which set up Regional Operating Headquarters (ROH). Under the revised plan corporate income tax will be waived for 15 years. The zero tax rate applies to income earned from services provided to companies overseas. Corporate income gained from domestic services provided by the ROH will be taxed at a rate of 10% for 15 years. Foreigners working for ROHs will also be eligible for a reduced personal income tax rate of 15% for eight years. To qualify as an ROH a company must serve as the regional office for one country outside Thailand during the first year, for two countries by the third year and three countries by the fifth year. In addition, an ROH must show expenses within Thailand of at least 15 million baht per year or at least 30 million baht in foreign investment.

FINANCIAL MERGER TAX WAIVERS

The Cabinet has approved waivers on income tax, special business tax and stamp duty tax for financial institutions that will undertake mergers and acquisitions. The waivers are being implemented in order to encourage consolidation within the financial services industries.

LEGISLATION

SECURITIES DRAFT BILL APPROVED

The Cabinet approved amendments to the Securities and Exchange Act (SET). The changes are necessary to demutualize the SET and will help open Thailand to global financial markets.

PROTEST LAW CONSIDERED

A bill regulating protests by prohibiting protestors from blocking the entrance to public agencies, hospitals, schools and transportation terminals has been proposed. The bill was drafted by the Royal Thai Police last October but has been under review to determine if it violates the rights of people to hold public gatherings.

EMPLOYMENT

NEW BOI RULES FOR FOREIGNERS

The Board of Investment (BOI) has introduced new regulations concerning the qualifications of foreigners applying for work permits through the BOI. If the position applied for is a general level position (below the level of manager), the foreigner must have at least two years direct work experience in the position applied for, have a related educational background and be at least 22-years of age. If the position applied for is manager level and the educational background is not directly related to the job position, the applicant must have at least five-years work experience in a related field, and the applicant must be at least 27-years of age.

INTELLECTUAL PROPERTY

THAIS QUESTION U.S. WATCH LIST

The Thai government has sent a letter to the United States requesting clarification about the decision to keep Thailand on the Priority Watch List for intellectual property violations. According to the US, Thailand has been singled out as one of the 11 countries with the worst record for preventing copyright violations. Thailand claims that the US decision was not based on the most up-to-date information about recent activities to counter copyright violations.

TRANSPORTATION

RAPID BUS SYSTEM

A three-month trial run of the Rapid Bus System has been launched by the Bangkok Metropolitan Administration (BMA). The new bus system runs from Sathorn Road to Ratchaphruek Road. The service will be free until August 31, 2010.

LACK OF FOREIGN BIDS

The Mass Rapid Transit Authority (MTRA) has reported that very few foreign companies submitted bids for the design and construction of the new Blue Line underground mass transit system. Lack of foreign bids was attributed to concerns over ongoing political turmoil.

NEW SEAPORT

The Transportation Ministry has asked for Cabinet approval to build a new deep seaport at Pak Bara in the southern province of Satun.

ENERGY

POWER PLANT CODE

The Energy Regulatory Commission has introduced a new set of rules requiring small power plants to follow environmental protection requirements. The new code which came into effect this month applies to plants with a capacity of less than 10 megawatts. Such plants were previously not required to comply with environmental regulations.

ALTERNATIVE ENERGY PROJECTS

Thailand is launching a number of alternative energy projects. One project to generate power from wood chips at one hundred sites operated by the Forest Industry Organization is being funded by the Provincial Electricity Authority. The Asian Development Bank has made a loan for the development of a solar power plant in Lopburi.

COMMUNICATIONS

3G LICENSES

The National Telecommunications Commission has announced plans to award 3G or Third Generation licenses in September, and intends to auction three licenses if there are enough qualified bidders. The advantage of 3G systems is that they permit the simultaneous use of speech and data services.

BUSINESS

EXPORT GROWTH

Despite the political unrest, Thailand's exports are holding strong and expected to continue their upward trend for the rest of the year. During the first four months of 2010 exports were up 32.5%. Gains were made in new markets including India, China, the Middle East, Africa and Eastern Europe. However, the Thai government has expressed concern about the future of European exports due to the Greek economic crisis which could expand to the rest of Europe. At present the euro-zone is Thailand's second largest export market.

INVESTMENT APPLICATIONS UP

At the beginning of this month new investment proposals submitted to the Board of Investment (BOI) were up by 80% compared with May 2009. Japanese firms are the leading investors.

Dej-Udom & Associates

Bangkok, Thailand

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