

DEJ-UDOM & ASSOCIATES

Business and Legal Update

November 2013

COUNTDOWN 2015 ASEAN Economic Community

Missing the Chance for Profit Potential

A recent market study showed that top ASEAN countries are missing their profit potential because they are locked in a price war. Profits for companies in Singapore, Malaysia, Indonesia, Thailand, and the Philippines would rise if companies made small increases in their prices. The study analyzed trends for approximately 1,400 listed companies from the five countries.

AEC Advance Project

The Commerce Ministry and other Thai entities are joining force to create the "AEC Advance Project" aimed at assisting Thai businesses to be competitive in the ASEAN market. The project will commence next year and will provide local businesses with training on how to enter other ASEAN markets. Training will be conducted through provincial chambers of commerce or the Federation of Thai Industries offices.

Malaysia News

Surprise Increase in Property Taxes

Property taxes have been increased in Kuala Lumpur and surrounding districts by 10% to 200% depending on the location. This marks the first increase in property taxes in 21 years. The increase has met with complaints about the fact that there are no clear explanations for the different percentages levied on different properties.

Laos Update

Road Expansion Approved

Under a public private partnership supported by the World Bank and International Finance Cooperation (IFC) and in cooperation with the Lao Public Works and Transport Ministry, two major roads in Laos will be upgraded. One road links Vientiane to the northern Vangvieng district and the other runs south from Vientiane to the Pakxan district. The World Bank will assist to help ensure that the project is financially, socially, and environmentally sustainable in the long term.

Myanmar Watch

EU-Myanmar Task Force

The European Union-Myanmar task force met for the first time in Nay Phi Taw to discuss the building of an economic and political partnership. In particular, industry, SMEs, raw materials and standardization, and tourism were discussed. Approximately one hundred executives and business representatives from Europe participated.

Myanmar Amcham Chapter Launched

The American Chamber of Commerce launch of a Myanmar Chapter met with enthusiastic response from US companies and distributors of US products. Most US sanctions against doing business in Myanmar were waived in July of last year in response to Myanmar's political reforms. The new chapter plans to hold regular monthly meetings in Yangon.

World Bank Positive

The World Bank projects that Myanmar will continue to achieve a high economic growth rate over the next year. Foreign direct investment continues to increase after the passing of a new foreign investment law. Predictions are that next year's growth rate could reach as much as 6.9%.

IMF Data Dissemination System

Marking a major step for accurate statistical analysis, Myanmar joined the International Monetary Fund's General Data Dissemination System (GDDS). Comprehensive information about Myanmar's statistical information can now be found on the IMF's website at: <http://dsbb.imf.org/Applications/web/gdds/gddscountrylist/>

Indonesia Trends

Investment Policy Reforms Needed

A World Bank report notes that Indonesia must implement business reforms if it wishes to remain competitive in the region. Although the country remains attractive for investment due to its natural resources, there must be clearer investment policies for foreigners.



Tax

Deductible Expenses Doubled

The Revenue Department plans to increase tax-deductible expenses for individual tax payers to 120,000 baht which is double the current amount. Tax receipts will be required in order to benefit from the deduction. The change is being made in order to encourage taxpayers to obtain receipts for goods or services. The timeframe for introducing the change has not been set.

New Lower Personal Income Tax Rate

The Cabinet has approved an executive degree to expand the number of personal income tax brackets from five to seven for the 2013 and 2014 tax years and to lower tax rates. Persons with income of less than 150,000 baht will remain exempt from personal income tax. The maximum tax rate has been lowered from 37% to 35%.

Expanded VAT Probe

Eighteen Revenue Department officials are under investigation for their roles concerning irregularities in value-added tax (VAT) refunds. The cases involve incorrect claims for VAT refunds by an estimated 65 companies.

US-Thai Tax Bank Law Negotiations

House approval has been given to negotiate with the United States concerning an intergovernmental agreement on the US's Foreign Account Tax Compliance Act (FATCA). The act requires foreign financial institutions to report information to the US Internal Revenue Service about financial accounts held by US taxpayers or by foreign entities where US taxpayers hold a substantial ownership interest.

Immigration

New 30-Day Policy for Certain Nationals

Effective this month, the Thai Immigration Department will give nationals from the USA, UK, Canada, Germany, France, Italy, and Japan 30-day visa waiver stays when they enter Thailand at land border crossings. Other visa waiver nationals eligible for 30-days stays if they arrive by air will still only receive 15-day visa waiver stays when they enter Thailand by land.

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Banking

New AMLO Anti-Graft Regulations

The Anti-Money Laundering Office (AMLO) has initiated new measures that require financial institutions to monitor and report suspicious transactions made by government officials. Bank accounts of members of the legislative, judicial and executive branches of the government will be monitored.

New Border Country Rules

The Bank of Thailand (BOT) announced that travelers are now permitted to take 2 million baht across borders with neighboring areas such as Yunnan in China, Vietnam, and other neighboring countries. However, if more than 450,000 baht is taken out of Thailand, a declaration must be made to the Customs Department. The purpose is to expand trade in the ASEAN community.

Trade

Increase in Exports

The Commerce Ministry and other private organizations such as the Board of Trade have joined together to predict that Thailand's exports are expected to rebound to 5.9% growth next year. Exports have shown signs of reviving over the past quarter and are expected to grow based on the recovery of key sectors such as cars, rice, rubber, tapioca, and sugar.

Thai-India Free Trade Agreement

The long-awaited free trade agreement (FTA) between Thailand and India is expected to be signed in December. Thailand already has FTA agreements with seven other countries and is presently negotiating a pact with the European Union and four nations under the European Free Trade Association (EFTA).

Business

Thai and EU Cooperation

European Union and Thai Ministry of Industry representatives have signed Letters of Intent to promote closer business ties. The objective is to strengthen ties for small and medium size (SMS) enterprises and encourage sustainable tourism. SME-friendly legislation will be encouraged.