ASEAN Economic Community News

Civil Service Declaration
At the 30th ASEAN Summit in Manila, the heads of the ASEAN member states signed the Declaration on the Role of the Civil Service as a Catalyst for Achieving the ASEAN Community Vision 2025. The Declaration emphasizes the civil service’s role in providing good governance and vital public services and driving national and social development. The Declaration includes initiatives to enable ASEAN’s civil services to reach the highest standards of professionalism, efficiency, effectiveness, transparency, responsiveness, participatory approach, and accountability. At present, mechanisms to ensure the adoption of good governance need to be developed.

Trade Barrier Scorecard
Due to concerns on the growth of non-tariff barriers (NTBs) and non-tariff measures (NTMs) over a 15-year period, ASEAN plans to implement a scorecard that will track each ASEAN country’s efforts to reduce their trade barriers. The number of NTBs and NTMs rose from 1,634 in 2000 to 5,975 in 2015. For ASEAN to increase its trade from the current US$2.6 trillion to US$9.2 trillion in 2050, it must reduce its trade barriers. This will include lowering the costs of conducting trade, including port charges and customs procedures.

Single Aviation Market
Regional aviation industry experts say that ASEAN needs to keep liberalizing its aviation sector. While ASEAN’s air sector has improved dramatically in recent years, major changes are needed for the sector to become truly open. Needed measures include a common visa for the ASEAN member states and a move away from joint ventures to full ownership. Better planning and development of the region’s airports is also required.

Vietnam Watch
Convenience-Store Growth
A global food and grocery research firm maintains that the Asian convenience-store market is going to surge in the next four years. Vietnam is in the lead with an expected compound annual growth of 37% with the Philippines at 24% and Indonesia at 16%. The firm forecasts that the Asian grocery market will reach US$4.8 trillion by 2021, bigger than Europe and North America combined.

Intellectual Property
Vietnam’s Ministry of Information and Communication (MIC) and Ministry of Science and Technology (MOST) released a joint circular on .VN domain name dispute resolution. The circular contains clear rules and procedures between the relevant authorities involving the change, return, or revocation of infringing .VN domain names. IP rights holders can now file complaints with the MIC and MOST on infringing .VN domain names. The Authorities can now issue administrative decisions to implement administrative measures against infringers.

Indonesia Update
Money Changer Crackdown
To combat the use of foreign currencies in crimes such as graft, drugs, money laundering, and terrorism, Indonesia is cracking down on unlicensed money changers. Under the new measures, a money changer must now be registered as a legal business entity with a minimum capital of IDR100-250 million. However, money changers that don’t comply, risk getting closed down or an IDR1 billion fine. Free licenses from the BOI were available from October 2016 to April 2017.

Philippines News
Remittances Up
While remittances to developing countries declined in 2016, inflows to the Philippines grew by 5%. Over 10% of the country’s population works overseas and sent USD30 billion back to the Philippines in 2016. The Philippines is third in the world in total remittances behind India and China. Remittances make up 10% of the country’s GDP.
THAILAND UPDATE

Taxation
Tax Fraud
An amendment to Thailand’s Revenue Code, which came into effect on April 2, 2017, increases the penalties for tax fraud and tax evasion. Fraudulent filing for tax refunds of THB2 million or more or tax evasion of THB10 million or more will now be considered a serious money laundering offense. Thailand is implementing and complying with the Financial Action Task Force’s requirements to combat money laundering.

SME Tax Scheme
The Revenue Department says that only 40% of Thailand’s small and medium-sized enterprises (SMEs) have entered into the new single-account tax payment scheme by the March 2017 deadline. Many SMEs use multiple bank accounts to hide actual earnings in order to reduce corporate income tax payments. Incentives to join the scheme included a zero tax burden for the 2016 accounting year and corporate income tax rate reductions.

Social Security
Increased Benefits
The Cabinet approved laws earlier this month that will increase benefits under Article 40 of Thailand’s Social Security Act for voluntarily insured persons. The increased benefits include a per day payment for hospitalization to make up for lost income, an increase in death and funeral assistance compensation, monthly child support, and a one-time old age pension.

Care for Elderly
Housing Complexes
By 2025, over 20% of Thailand’s population will be aged 60 or older. Part of the government’s plan for the country’s aging society is to build housing complexes that include healthcare services for senior citizens. The complexes will operate in cooperation with a local hospital and be built on state land. The Treasury Department plans to develop the first five complexes in Samut Prakan, Chiang Mai, Chon Buri, Nakhon Nayok and Prachuap Khiri Khan.

Investment
Lease Periods Extended
The Cabinet approved in principle a bill which will extend the land lease periods to encourage investment into Thailand’s Eastern Economic Corridor. Eligible foreign investors will be permitted 50-year leases for residential development and 99-year leases for commercial and industrial areas. In all other areas in Thailand, foreigners are only eligible for 30-year residential leases and 50-year leases for industrial and commercial use.

Business
Franchise Industry
The Department of Business Development (DBD) expects Thailand’s franchise industry to grow by 10% in 2017. Food and beverage, services, beauty and spa, retail, and education franchise businesses have proven to be popular and profitable. There are 1500 franchise operators in Thailand and the franchise industry is expected to grow to THB330 billion baht this year. The DBD is also promoting the expansion of Thai franchises overseas which generated THB80 billion in 2016.

SMEs
Hong Kong Trade
The governments of Thailand and Hong Kong signed a memorandum of understanding (MOU) to promote product distribution online for small and medium-sized enterprises (SMEs). The Hong Kong Trade Development Council will promote the products of 200 Thai SMEs on its website and encourage the use of Thailand as a production and distribution center.

Investment
FDI Ranking
Thailand has moved up to number 19 on AT Kearney’s 2017 Foreign Direct Investment Confidence Index (FDICI). The Kingdom is now ranked as the second most attractive investment destination in ASEAN with Singapore leading as number one. The FDICI measures and analyzes how a country’s political, economic, and regulatory changes will affect future foreign direct investment inflows.
Thailand Legal Review

New Excise Tax Act

Of particular interest are the new rules for the calculation of the assessable value for the collection of the tax on commodities and services. Formerly, the tax to be collected was based on either the value or quantity of commodities or services, whichever was higher. Under the new Act, both value and quantity will be used in the tax calculation.

Value now refers to the ‘recommended retail price’ replacing the ex factory price or the cost, insurance, freight (CIF) price previously used. The new taxable value will be generated from the assessment of a product’s production cost, management cost, and standard profit which shall be disclosed by the enterprise to the authority for examination. The Excise Department is empowered to establish a new recommended retail price if it is found that the trader has used an unreasonably low price.

The excise tariff has also significantly increased; for example, beer and wine will now be taxed at 3,000 baht per liter of pure alcohol, up from the previous rate of 300 and 2,000 baht respectively. A new alcohol sales license is now 100,000 baht a year. However, these figures are the maximum rates. The actual rates will be prescribed in the relevant Ministerial Regulations.

Penalties have also changed. The fine for selling alcohol without license is now a maximum of 100,000 baht, instead of the 5,000 baht penalty that has been in place since 1950.

New Anti-Competition Act
The National Legislative Assembly approved the Trade Competition Act B.E. 2560 which will become effective 90 days after its publication in the Royal Gazette. The new Act should come into force before December this year. The Act’s new implementing rules and regulations must be adopted within the first year the law becomes effective and a new Trade Competition Board must be appointed within 9 months. Until the new regulations are adopted and the new board is in place, the previous Trade Competition Act will remain in force and the current board will stay in place.

The Office of Thai Trade Competition Commission (OTCC) which enforces the Act, currently part of the Department of Internal Trade at the Ministry of Commerce (MOC), will now be independent from the MOC. The OTCC will be a juristic person with its own budget and staff. The OTCC will have wider powers and will be able to issue rulings, prescribe administrative penalties, and settle cases.

New Judiciary e-Filing System
The Supreme Court General Assembly has approved The Regulation of the President of the Supreme Court prescribing the implementation of the e-Filing Judiciary System 2017 which was published in the Royal Gazette on 3 May 2017 and officially came into effect from that date. The first courts which implemented the system were the Thon Buri Civil Court and the Bangkok South Civil Court. The e-Filing System will exclusively apply to certain civil cases, i.e., Consumer Cases (Loans, Credit Cards, Hire-Purchase). The required proof of identify, ID card, passport, or lawyer’s license, and other documents as announced by the Administrative Office of the Court of Justice, must be submitted in person with the registration for an account at the aforesaid courts.

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