

# Dej-Udom & Associates

## Business and Legal Update

September 2014

---

---

### COUNTDOWN 2015

#### ASEAN Economic Community

##### **American Chamber of Commerce Survey**

The American Chamber of Commerce in Singapore published its annual regional survey, ASEAN Business Outlook Survey 2015. Senior executives from 588 US companies in ASEAN with an annual turnover of US\$50 million to \$1 billion were surveyed. The survey says that Indonesia, Vietnam, and Myanmar are still the top three business destinations in the ASEAN region for US companies. Indonesia topped the list despite the well-known problems foreign businesses regularly encounter in the country. From 2004 and 2012, the inflow from US companies into Indonesia was US\$ 65 billion. Corruption is still the biggest issue for US companies across the ASEAN region.

##### **ASEAN Integration Questioned**

A recent report by a major regional bank further questions the ability of the ASEAN countries to meet the 2015 integration deadline. The report states that Brunei, Indonesia, Malaysia, Philippines, Singapore and Thailand have nearly zeroed their tariff rates and are ready to implement the ASEAN Single Window - expedited customs clearance between the member states. However, Cambodia, Laos, Myanmar and Vietnam have fallen behind and are unlikely to meet the criteria for Single Window implementation. The authors believe the region will still benefit even if all the countries do not meet the 2015 deadline.

##### **Cambodia News**

###### **Integration Good for Country**

A major ratings firm says the ASEAN Economic Community integration will be a milestone event for Cambodia and support its economic development goals of raising investment to beyond 25% gross domestic product (GDP) and of sustaining 7% annual GDP growth.

##### **Indonesia Update**

###### **Plantations Law**

The Indonesian government removed a foreign ownership clause from the final draft of the plantations law that would have limited foreign ownership to 30%, instead of the currently allowed 95%. Nonetheless, the new law will require plantation owners to give 20% of their concessions to the local people and help them establish their own plantations.

###### **Unlimited Flights to Jakarta**

The Indonesian government finally signed the first ASEAN aviation pact and will allow ASEAN airlines to make unlimited flights to Jakarta by the end of 2015. Liberalization of the region's air traffic sector has been held up by Indonesia's refusal to sign on. Experts expect additional Indonesian cities to sign on now that the capital, Jakarta, has done so. The Philippines is now the only ASEAN country to not sign the first pact.

###### **Myanmar Watch**

###### **Common Visa Scheme**

Myanmar has entered into talks with the other nine ASEAN countries to waive visa requirements under the ASEAN common visa scheme. Under the scheme, nationals from one ASEAN country will not need a visa to enter another ASEAN country for tourism purposes. Currently, Myanmar only has reciprocal visa agreements with Cambodia, Indonesia, Laos, Philippines and Vietnam.

###### **Foreign Banks Approved**

The Central Bank of Myanmar (CBM) gave preliminary approval to nine foreign banks to start banking operations in Myanmar. The nine banks now have 12 months to prepare for opening, but must still receive a final license from the CBM. The banks will be allowed to offer a full range of banking services and products to foreign and local companies and domestic banks.

###### **Laos News**

###### **'Battery of Asia'**

To become the 'Battery of Asia,' Laos plans to build a transmission line through Thailand and Malaysia to carry electricity from its hydropower plants to Singapore. The connecting grid could help the four countries save US\$ 25 billion over a 10 year period.

## **THAILAND UPDATE**

### **Tax**

#### **New Personal Income Tax Rates**

The Cabinet approved a reduction in Thailand's personal income tax rates. Previously, the rates ran from 10-37%. Now, the rates range from 5-35%. Net income of THB 300,000 or more will be taxed at 5% and net income of over THB 4 million at 35%.

#### **Excise Taxes Dropped**

To help boost the tourism industry, the Excise Department announced that there will soon be a tax holiday for golf courses and health spas. The 10% excise tax on golf membership and greens fees and on spa treatment fees will be dropped. The department is also exploring other options such as allowing Thais to deduct THB 15,000 a year on domestic travel.

### **Trade**

#### **Competition Study**

A study by the Trade Negotiations Department found that Thailand's jewelry and ornaments industry and its rubber industry have the strongest capacity to compete in the coming ASEAN Economic Community export market. To increase the country's competitiveness in the region, the study also recommends that Thailand increase industrial efficiency and develop supply chains and information technology.

#### **Tariff Deadline**

The European Union's Generalized System of Preferences for Thai products will be terminated at the end of 2014. The Foreign Trade Department is advising Thai exporters to ship their products to Europe before December 24<sup>th</sup>, the last business day of 2014 due to a long official holiday. Beginning next year, tariff rates will rise by 2-12%, so a late shipment could be costly.

### **Business**

#### **Global Competitiveness Index**

Despite the political turmoil in the country, Thailand rose six places in the 2014-15 World Economic Forum's Global Competitiveness Index (GCI). Thailand now ranks at 31 out of the 144 included economies. Three Asian economies that rank in the top ten are Singapore, Japan, and Hong Kong.

### **Securities and Exchange**

#### **UN Initiative**

The Stock Exchange of Thailand (SET) committed itself to the UN Sustainable Stock Exchanges Initiative and is the first ASEAN exchange to do so. The initiative is a peer-to-peer learning platform that a bourse and its investors, regulators, and companies can use to promote long-term sustainability and enhance corporate transparency and the bourse's performance.

#### **New Auditor Class**

Due to a serious shortage of auditors qualified to audit listed companies in Thailand, there will not be enough auditors available for companies listed on the new Small and Medium Enterprise (SME) Board. To solve this problem, the Securities and Exchange Commission (SEC) will now have two classes of auditors. A first-tier group that can audit companies listed on the Stock Exchange of Thailand, and a second group that can only audit companies on the SME Board. The SEC is arranging training programs to encourage and help qualified auditors become certified to audit SME Board companies.

### **Board of Investment**

#### **Investment Update**

To date for the year 2014, the Board of Investment (BOI) has approved projects with a combined investment value of THB 400 billion, and the BOI secretary-general says that the BOI is on track to hit their 2014 target of THB 700 billion. To help Thai companies invest abroad, the BOI plans to set up offices in Myanmar, Indonesia and Vietnam in 2015. As part of its investment advisory services, the BOI has a new database for Thai investors and firms seeking business opportunities overseas.

### **Investment**

#### **Thai-Chinese Forum**

Thailand and China agreed to revive the Thai-Chinese Committee for Economic Cooperation, a forum launched in 2003 to help boost trade and investment. The first meeting to be held in Beijing will focus on Thai exports to China, specifically agricultural products, and Chinese investment in Thailand. China is Thailand's top export destination this year with trade worth THB 465 billion which accounts for 11% of Thailand's total exports.