

# Dej-Udom & Associates

## Business and Legal Update

October 2015

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### COUNTDOWN 2015

#### ASEAN Economic Community

##### Japanese FDI Growth

Japanese companies continue to show great interest in ASEAN investments and their foreign direct investment (FDI) flows into the region have increased significantly over the past four years. From 2011-2014, Japan was the second biggest foreign investor in ASEAN after the European Union and placed three times more FDI into ASEAN than into China in 2014. Thailand and Indonesia's biggest source of foreign capital comes from Japan.

##### Labor Sector Worries

Experts warn that some benefits of the ASEAN Economic Community integration may be curtailed if the agreements on labor and services are not fully implemented. Recent studies maintain that current policies are driving ASEAN's best workers to leave the region entirely. If this continues, a shortage of skilled workers in ASEAN is expected with the remaining high-skilled labor in the region needing more education and training.

##### E-Commerce Growth

Master Card announced that the Asia Pacific region is now the largest e-commerce region in the world with a growing consumer base that is twice as likely to buy online. In 2014, there was US\$ 567 billion in e-commerce transactions in the region. In the next 3 years, Indonesia, China, and India will lead in e-commerce growth.

##### Philippines News

###### Robust Banking System

A global credit rating agency says that the Philippine banking system is virtually immune to contagion from external shocks from the global economy. The agency says the country's banks are largely deposit funded and not dependent on external funding or the export sector.

##### Singapore Update

###### Intellectual Property Ranking

In the recently published International Intellectual Property (IP) Index 2015 which assessed the IP practices of 31 countries, Singapore ranked # 4 globally with a score of 25.38 out of 30 and #1 out of the 6 ASEAN countries assessed. Singapore ranked highly because of its strict IP laws and dedicated enforcement of them.

##### Indonesia News

###### Labor Policy Reversal

In a swift policy turnaround this month, Indonesia abandoned the strict labor rules for foreign workers introduced in June 2015. The now retracted rules required work permits for executives to travel to Indonesia for meetings and for non-resident board members and directors to have work permits. Also, companies would have had to hire 10 locals for every foreign employee.

##### Myanmar Watch

###### Foreign Exchanges Licenses Revoked

To help strengthen and protect the national currency and control "dollarization," the Central Bank of Myanmar revoked the foreign exchange licenses of thousands of businesses this month. The bank says the cancellation will promote the use of the national currency in payments for local goods and services and encourage the use of domestic credit and debit cards and other banking services.

##### Vietnam Update

###### Reforestation Requirements

Vietnam announced that it will no longer grant licenses for public and commercial projects that raze forest land do not replant during construction. The change was spurred by official reports of wide spread deforestation and little replanting.

##### Cambodia Watch

###### Petty Taxes Abolished

Cambodia's announced the cancellation of many petty taxes that target the country's working class. These include tariffs on motorbikes, tuk-tuks, and farm machinery and fees for vendors at state-owned markets. The cancellation also benefits the government as tax officials currently spend 60% of their time collecting petty taxes.

## **THAILAND UPDATE**

### **Legal News**

#### **Social Security**

The new Social Security Act took effect on October 20, 2015 and includes new benefits for insurers and enhanced coverage to temporary employers of all types within the government sector and extended coverage for Thai workers abroad. The changes cover healthcare, childbirth, and unemployment.

#### **Public-Private Partnership**

The new amendment of the Private Investment in State Undertakings Act BE 2556, also known as the Public-Private Partnership (PPP) law, will help ease the approval process for public-private investments. PPP investments under THB 5 billion will no longer have to be submitted to the PPP Policy Committee chaired by the prime minister. However, PPP investments from THB 1-5 billion must be submitted to a subcommittee that will decide if they will move forward to the PPP Policy Committee. PPP investments under THB 1 billion are open to private participation as long as the Finance Ministry's rules and regulations are complied with.

#### **Anti-Corruption**

Amendment 3 of the Anti-Corruption Act came in to effect on July 10, 2015. The Act now complies with international standards for anti-corruption. The amended Act covers offenses and punishments relating to bribery among state officials in Thailand and foreign countries and officials from international organizations. The National Anti-Corruption Commission can now investigate and file suits in Thailand and in foreign courts against Thai and foreign state officials, individuals in the private sector and international organizations.

### **Tax**

#### **New Car CO2 Excise Tax**

The Finance Minister confirmed that the new excise tax on new cars based on carbon dioxide (CO2) emissions will come into force in January 2016. The excise tax will now be based solely on CO2 emissions, not engine size. Price increases for smaller cars will be THB 85-160,000 and THB 200,000+ for bigger cars. Eco-car prices should only rise by THB 10,000 to 15,000.

### **Expatriate News**

#### **US Passport Update**

Starting in 2016, US citizens will no longer be able to add an additional 48 pages to their passports and will have to apply for a new passport when running low on blank pages.

### **Industrial Estates**

#### **New Privileges Approved**

The cabinet recently approved a plan to increase privileges to industrial estates to help make Thailand more competitive within ASEAN. The new privileges include a 10-15 year tax holiday and up to 5 more years with a 50% tax reduction for six industry superclusters in six industrial estate areas and a 3-5 year tax holiday with a possible 50% tax reduction for 5 years in two regular industry clusters in two industrial estate areas.

### **Import-Export**

#### **News**

The United State has extended its Generalized System of Preferences (GSP) which gives tariff waivers to 11 Thai products. Thai exporters will save THB 70 million a year in import tariffs. The amended Export and Import Goods Act comes into force on December 14, 2015 and will control the import, transit, and trans-shipment of controlled and prohibited goods.

### **Revenue**

#### **Transfer Pricing Crackdown**

Like other ASEAN member states, Thailand is cracking down on transfer pricing and a new law will soon come into effect. The Revenue Department will focus on transfer pricing and start aggressively auditing and charging companies who run afoul of the new law. Previously, transfer-pricing audits were only done by a specialized team, but now general audit teams will focus on transfer-pricing irregularities during regular tax audits.

### **Securities and Exchange**

#### **Foreign Currency Settlement**

The Stock Exchange of Thailand (SET) announced that it plans to let foreign investors settle trade sharing in foreign currency including the US dollar and the Chinese yuan. The SET wants to boost foreign participation in Thailand's stock market and increase overall trading.