

Dej-Udom & Associates

Business and Legal Update

March 2016

ASEAN Economic Community News

US-ASEAN Connect

The United States and the leaders of the 10 ASEAN member countries launched the US-ASEAN Connect, an economic cooperation initiative, during last month's leadership summit in California. The initiative has four pillars. Business Connect to support increased commercial engagement between U.S. and ASEAN businesses in regionally important sectors. Energy Connect to assist in the development of power sectors using sustainable and innovative technologies. Innovation Connect to support Southeast Asia's entrepreneurs through policy support, technical support, and knowledge exchange. Policy Connect to support ASEAN in creating a stable policy environment favorable to trade and investment. The US government also agreed to establish centers in Singapore, Jakarta, and Bangkok to support the initiative and coordinate US economic engagement in ASEAN.

Myanmar Update

Online Export/Import Licensing

The Commerce Ministry of Myanmar plans to launch an online system for the issuance of export and import licenses in the 2016-17 fiscal year. Companies will be able to submit applications and make payments through the system. To help boost trade, the Commerce Ministry also issued 152 export item exemptions and 983 Harmonized System (HS) codes and exempted 166 import items and issued 279 HS codes.

Banking

Myanmar granted preliminary operating licenses to four Asian banks this month and now a total of 13 foreign banks can conduct business in the country. The four banks have 12 months to prove they can fulfill their declared business plans before being granted permanent licenses.

Vietnam News

Green Cities Project

Vietnam's Prime Minister approved US\$224 million to back the Secondary Cities Development Project (Green Cities). Over the next five years, three secondary cities will implement ways to make their environment healthier and more livable through improvements in their air, water, and land. The cities will concentrate on urban services, waste & sewage management and treatment, improving traffic systems and infrastructure, promoting development and tourism, and cutting pollution.

SME Challenges

The State Bank of Vietnam reports that due to rising demand for credit and the country's strong economic growth, bank lending will increase by up to 20% in 2016. However, small and medium-sized enterprises (SMEs) are having difficulty securing bank loans, even with their significant contribution to the country's economy. The government is implementing measures to support SMEs to make them more attractive for bank loans.

Philippines Watch

Foreign Investment Complications

Investors are currently encountering complications with disclosure procedures for foreign companies investing in the Philippines. Under the country's investment law, 100% foreign equity is allowed in all areas of investment except those reserved for citizens. Problematically, under the 1991 Foreign Investment Act, Negative List B lists the areas in which foreign investment is allowed and limits it to 40% foreign ownership.

Indonesia News

Logistics Hub

Indonesia's President simultaneously launched 11 of the country's first-ever bonded logistics centers as the first steps of Indonesia's goal to take over as the region's logistics hub.

Online Services Restrictions

To expand its tax base, Indonesia issued a new regulation that now requires foreign providers of over-the-top applications, mostly customer service, running on local networks to register as local entities or joint ventures.

THAILAND UPDATE

Legal News

E-Payment Law

The Royal Decree on the monitoring of electronic payment services of specialized financial institutions has just been announced and will take effect in July 2016. This act will apply to all e-payment services operated by government banks. The operation of such services will now be under the supervision of the Bank of Thailand. Service providers will have to either notify or seek licensing from the BOT.

Penal Code Amendment

The Act amending the Penal Code (No.31) entered into force on March 12, 2016 and empowers the Supreme Court to, at its discretion, order case transfers to other competent courts when the ongoing case may cause adverse or harmful effect to the parties, obstruct the proceedings, or affect the nation's interests.

ASEAN

Integrated Banking

The Bank of Thailand signed agreements with the central banks of Malaysia and the Philippines on market access and operational flexibility for lenders. These agreements are the foundation for future negotiations on the establishment of Qualified ASEAN Banks in each country and part of ASEAN's move toward an integrated banking market.

Trade

Rubber Exports

Thailand, Indonesia, and Malaysia cut their rubber exports this month to boost sales as prices have kept falling due to less demand from China. The countries will reduce shipments by 615,000 tons over the next six months of which Thailand will be responsible for half.

Intellectual Property

Counterfeit "Red Zones"

The Department of Intellectual Property announced that it plans to reduce the number of counterfeit sales "red zones" by half in 2017 and eradicate them by 2021. There are currently 29 areas considered "red zones" in Thailand.

Taxation

New Ruling for E-Commerce

A recent ruling by the Thai Revenue Department has increased opportunities for foreign digital commerce companies doing business with Thai companies. The ruling states that a foreign company that sells its products to a Thai company is not deemed to be carrying on business in Thailand and not liable for income tax. However, some transactions may be taxable depending on type of products sold.

Tax Exemptions

Thailand's Board of Investment (BOI) approved two new tax exemptions for local investment under the 'One Tambon One Manufacturer' program. There is a three-year exemption for big corporations who support local businesses, especially in agricultural processing, and a five-year exemption for agricultural processing plants built by local farmers and businesses.

Securities and Exchange

Record Dividend Payout

406 listed companies on the Stock Exchange of Thailand and the Market for Alternative Investment announced record-high combined dividend payments for 2015, a total of THB381 billion. Dividend payout ratio was over 60% with a dividend yield of 3.55%.

Bank of Thailand

Crisis Worries Eased

In a recent speech, the Governor of the Bank of Thailand (BOT) said that foreign holdings in Thai government bonds and BOT bonds were at only 9% and that corporate debt denominated in foreign currencies was also at a very low level. He said that due to this, it would be nearly impossible for Thailand to experience another financial crisis with massive capital outflows as in 1997.

Overseas Investment Approved

The Cabinet approved a new law that will let the Bank of Thailand (BOT) invest its international reserves in equity instruments overseas to help diversify risks. Initially, only 3-4% of the reserves can be invested. The BOT Governor says the new law will make risk management more effective and that the BOT is not setting up a sovereign wealth fund.