

Legal Update

7% VAT Rate Extended

The Cabinet approved in principal on August 9, 2005 to the draft Royal Decree issued under the Revenue Code Re: Reduction of VAT Rate (No. ...) B.E. ... in respect of the extension of the reduction of the existing 7% VAT rate (inclusive of municipal tax) for another two (2) years commencing from October 1, 2005 to September 30, 2007, as proposed by the Ministry of Finance. While, commencing from October 1, 2007 onward, the 7% VAT rate will be increased to be 10% (inclusive of municipal tax). The draft Royal Decree should be finalized and promulgated into the government gazette before the end of September 2005. (*Cabinet Synopsis No. 08/-1, August 9, 2005*)

Thai - HK Tax Treaty

The proposed Thai-Hong Kong Double Taxation Agreement (DTA) is expected to be completed and signed by both parties by the end of this year, provided that the Thai-HK DTA will come into effect on January 1, 2006 onward. It is then expected that HK's corporations would enjoy more benefit and get more opportunities, from the DTA, in expanding of their business engagement in Thailand, especially for the investment in stock market. (*The Nation, August 1, 2005*)

First CD Copyright Law in Thailand

Thailand's first CD copyright law had received royal approval on May 22, 2005 and will take into effect on August 29, 2005 in order to provide intellectual property rights protection for both Thai and foreign products. More stringent restrictions and penalties, including more fines and imprisonment term for copyright infringement are contained in the new law. With regard to the significant issues under the law, CD and DVD manufacturers must report to the Intellectual Property Department on their manufacturing machine number(s), raw-materials, stockpiles and warehouse. Purchasing of related raw materials thereof shall also be subject to reporting to the department within 30 days. Mould code, mastering code and copyright-owner code for all CD producers will also be fixed as well. (*The Nation, August 9, 2005*)

Government to Reckon ROH's Obstacle

Relevant government authorities, e.g. Revenue Department, BOI, BOT, Immigration Bureau and Department of Employment, invited members of foreign chambers of commerce to confer and discuss on the obstacle, in respect of the establishment and operation of "Regional Operating Headquarter" or ROH in Thailand, according to the previous governmental stimulate measure so granted by the government since 2002. From the meeting held on August 10, 2005 at the Revenue Department, the following issues were also raised, for discussion, in the meeting which should be now in the attention of the relevant authorities, in order to resolve current complication in ROH establishment and the granting of more suitable privileges for ROH to operate in Thailand.

1. BOI has been assigned to establish one-stop-service center in order to serve the investor in respect of granting or approving ROH's privileges, e.g. tax incentives and work permit and visa for ROH's expatriates.
2. Certain stringent restrictions in respect of granting of work permit for ROH's expatriates are seemed to be lessened.
3. The maximum term of employment of foreigner who will be able to enjoy personal income tax incentives may be extended from two (2) years to the appropriate employment term, which will be considered and described by the Revenue Department.

(www.rd.go.th/publish/24551.0.html, Revenue Department's news No. PorChorSor.21/2548))

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