

Legal Update

Thai Stock Market in High Score of Corporate Good Governance

The World Bank evaluated Thailand stock market at 69% to reach international standard on corporate good governance, well above South Korea, Indonesia and the Philippines. This shall be the best indicator which will be present in the conference of ASEAN finance minister in London this month in order to boost foreign investors' confidence in Thai capital market. *(The National September 8, 2005)*

Tax Incentive for Thailand Future Contract Market

In order to encourage the future contract market, which is expected to inaugurate in Thailand on November 1, 2005, the Cabinet therefore approved in principle in the Cabinet's meeting held on September 13, 2005 the draft Ministerial Regulations No... (B.E...) and the draft Royal Decree issued under the Revenue Code prescribing the business which is exempted from Specific Business Tax (No...) B.E.... as proposed by the Ministry of Commerce. According to the drafts, follows the significant issues on proposed tax incentives:

1. Personal income tax on assessable income derived from selling of future contract which is made in accordance with the law governing future contract through OTC for future contract selling, only in case there is no delivering of commodity, from 1 November 2005, shall be exempted; and
2. Specific business tax for the business of selling of future contract which is made in accordance with the law governing future contract through OTC shall be exempted.

(Cabinet Synopsis No. 09-1/, September 13, 2005)

TH – EU Subsidy Agreement

As a result of the 5th enlargement as to member parties of the European Union (EU) to include the new ten countries from Central and Eastern Europe, the cabinet agreed and approved, in its meeting held on September 13, 2005, on the entering into the agreement on subsidy thereof to be made by and between Thailand and EU. The cabinet also agreed on the draft of letter exchanging negotiation conclusion in respect of the subsidy by the effect of the 5th enlargement of EU's member parties according to GATT's Code No. 24(6). It is expected that Thailand will gain tax benefit in six million Euro of net gain annually. The groups of Thai commodities expected to gain the benefits are lorry /pick up car, electrical motor and wire/wire fire. In the contrary, Thai canned fish and rice will get the mire effect because of the higher tax, provided that the value of export of such goods are annually 11.4 million Euro and 10 million Euro respectively. EU, therefore, provide to Thailand the subsidy for the processed - fish made from tuna and sardine with zero tax rate under quota system, and increase quota volume for rice for the another 1,200 tons with zero tax rate under quota system. *(Cabinet Synopsis No. 09-1/, September 13, 2005)*

Excise Tax Reduction for Ethanol Engine Vehicle

The draft Finance's Ministerial Regulations Re: Reduction of Excise Tax (NO. ...) was approved in principle by the Cabinet at the meeting held on 6 September 2005 in order to be in accordance with the government's policy on energy saving promotion measures. The lower excise tax of 20% ad valorem rate shall apply to those private vehicles and passenger vehicles with not exceeding 10 seats, which consume fuel combined with at least 20% ethanol. The excise tax reduction is proposed to be effective on 1 January 2009 onwards. *(Cabinet Synopsis No. 08-1, September 6, 2005)*

Customs Free Zone Moving into Paperless Systems

The Free Zone Division of the Customs Department has adopted electronic container and seal systems in order to become a paperless organization within three years. The new systems are expected to facilitate the control of both releasing and transferring import and export of items of goods and cargo/inventory to reduce documentation and time by controlling inventory cost. Through a connection to a server, data read from the seal will automatically be sent to the internet, thus enabling relevant parties and officials to trace the movements of imported/exported items. *(The Nation, September 5, 2005)*

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Rearranging of Household Identification Number in BKK

Since the existing census registration system is seemed not to meet international standard and would cause difficulty in identifying of each household situation, Bangkok Metropolis Administration (BMA), therefore, proposes to conduct the rearranging of the existing household identification number over 35 districts in Bangkok areas, e.g. the Districts of Don Muang, Lak Si, Lad Krabang, Lad Prao, Jatuchak, Din Daeng, Sathorn, Huaykwang and Bangrak. This will also be made in support to the election of Bangkok's senators to be held in the year 2006. Even though BMA will inform that the process thereof will be made simply, however, troubles may effect to those business operators which are required by law to make registration or notification of change of their registered address information with the relevant government agencies, e.g. Department of Business Development, Revenue Department, Customs Department, FDA and etc. BMA therefore now temporarily hold the process without specific period in order to reckon on this complication.

Compulsory 6% Salary Contribution for new Governmental Fund

The Finance Ministry will conclude a compulsory saving plan to the Cabinet by the end of September 2005. The plan shall be made to support the governmental mega project by way of the establishment of national pension fund, which is proposed to come into effect in the year 2007. Each of the employer and its employee shall be subject to making compulsory contribution into the fund in the amount of at least 6% of the employee's salary. As a result, the contribution rate in the existing provident fund is proposed to be reduced, or the provident fund may be considered cessation. (*WWW.manager.co.th, September 13, 2005*)

New Laws and Regulations

Ministerial Regulations Governing Prescription of CD Products and Equipment of Machinery Thereof B.E. 2548 (A.D. 2005)

Effective: 29 August 2005

Relevant Authority: The Ministry of Commerce

Significant Issue: The Ministerial Regulations were issued in pursuance to Sections 3 and 4 of the CD Product Manufacturing Act B.E. 2548 (A.D. 2005), in order to clarify and include the following products as particulars to the meaning of "CD Products" and "Machinery" under the Act.

- A. The following equipments shall be considered as CD products:
- (1) Compact disc (CD)
 - (2) Digital versatile disc (DVD)
 - (3) Stamper
- B. The following apparatus shall be considered as a machinery:
- (1) Signal Processing System for Laser Beam Recorder
 - (2) Equipment for Spin Coating Glass Master with a Photo Resist or Non Photo Resist Layer for Laser Beam Recorder
 - (3) Metaliser for Laser Beam Recorder
 - (4) Integrated Optical Disc Replication Line
 - (5) Mould for use in manufacturing of CD products
 - (6) Metaliser for Applying a Reflective Layer to Optical Disc
 - (7) Equipment for Spin Coating Optical Disc with a Lacquer Coating
 - (8) Bonding System for DVD products manufacturing machine