

Daily Thai News Updates: 22 May 2017

1. Extra tax perks mulled for having more kids

Source: Bangkok Post ([Link](#))

The Finance Ministry is considering additional tax incentives to encourage people to have more children as Thailand becomes an ageing society, according to a source familiar with the matter. The Fiscal Policy Office (FPO) has been assigned to study benefits which would be suitable for the government's financial position, said Deputy Finance Minister Wisudhi Srisuphan. Thailand has earlier been recognised by the World Bank and the International Monetary Fund for its achievements regarding birth control, but it is facing a labour shortage, with local operators needing to hire migrant workers from neighbouring countries. The government is giving a 600-baht monthly welfare benefit for newborn babies until the age of three, up from 50 baht in the past. The ministry earlier abolished the cap on the child tax credit, which was limited to three children, whether biological or adopted. The allowance per child was also doubled to 30,000 baht. The FPO is now mulling doubling the child allowance to 60,000 baht for the second child as among the incentives for families to have more children, said the source. In principle, the Finance Ministry aims to encourage people who are physically and financially ready to give birth to more children to boost the population.

2. No plan to hike VAT rate, says Somkid

Source: The Nation ([Link](#))

Deputy Prime Minister Somkid Jatusripitak said on Friday that the proposal to increase value-added tax (VAT) was an old one and the public should not worry about it. He was referring to the proposal by the National Legislative Assembly on Thursday to increase the VAT rate to 8 percent from 7 per cent. “The tax hike must come at the right time and in the right economic conditions,” he said. The Finance Ministry will look into it, he added.

3. Foreign orders boost rice
Source: Bangkok Post ([Link](#))

Millers and exporters are more upbeat about rice prices and shipment prospects after the surge in foreign rice purchase orders in the past couple of weeks. According to Charoen Laothamatas, president of Thai Rice Exporters Association, the most recent foreign purchase orders were made despite the stronger baht, and boosted the domestic prices of all types rising 20-30% from a few weeks ago. "There are now purchase orders for nearly 100,000 tonnes of hom mali rice and 100,000 tonnes of white rice 100% grade B from Iran, which is regarded as a premium market," said Mr Charoen. "In addition, here are many purchase orders from Africa for parboiled rice." Mr Charoen said he also believed the Philippines will call a new bid for at least 250,000 tonnes, while Bangladesh recently opened the bids for 50,000 tonnes of parboiled rice. Mr Charoen predicted Thailand's rice shipments will exceed 9.5 million tonnes this year.

4. Exports near double digit growth in April as rubber prices up
Source: Bangkok Post ([Link](#))

Thailand's exports grew 8.49% last month compared to the same period the year before, marking two months of consecutive growth. The country's exports in April reached US\$6.86 billion, or 539.84 billion baht, up 8.49% on the year before. In March, exports rose 9.22% to \$20.89 billion after declining 2.76% year-on-year in February, according to government sources. The Commerce Ministry will announce the figures to the media today. Ghanyapad Tantipitapong, chairwoman of the Thai National Shippers' Council, said last month's exports figure did not come as a big surprise given that last year's was so low. The growth in this year's export value was driven by rising prices of natural rubber products, along with heightened demand for electronic goods and food processing products. Seasonal changes also contributed, she said, adding that importers from Europe and America have increased their orders of Thai goods to cope with consumer demand over the summer season.

5. Finishing touches for RCEP

Source: Bangkok Post ([Link](#))

Trade ministers of the 16-member Regional Comprehensive Economic Partnership (RCEP) are set to conclude modalities for liberalisation of trade in goods, services and investment at a two-day meeting ending Monday. Ronnarong Phoolpipat, deputy director-general of Trade Negotiations Department and chief negotiator, said Commerce Minister Apiradi Tantraporn assigned Winichai Chaemchaeng, vice-minister for commerce, to attend the third special meeting of RCEP trade ministers in Hanoi on her behalf, aiming to wrap up the final details on trade and investment liberalisation under the RCEP framework. "At the meeting, trade ministers have to make the final decision on modalities that cover all facets, be it the opening of trade in goods, services, investment, intellectual property, state and state enterprises' procurements, after which the agreement will be proposed at the leaders' summit in November," Mr Ronnarong said. According to Mr Ronnarong, the 18th round of the RCEP trade negotiation committee held May 6-12 in Manila made good progress, with member countries proposing to open additional items to free trade such as industrial goods, agricultural products, processed food, petrochemicals, plastic pellets, textiles, frozen seafood, sugar, tapioca products, and canned vegetables and fruits...The RCEP was launched in November 2012 with the aim of establishing deeper economic cooperation among the 10 Asean members and six trading partners: China, India, Japan, South Korea, Australia and New Zealand. The member countries represent 29% of global trade.

6. Bt 20 bn to connect all villages

Source: The Nation ([Link](#))

The Digital Economy and Society (DE) Ministry says more than Bt20 billion is being spent to ensure that every village in the country has access to broadband Internet by the end of next year. It also plans to see 500,000 jobs in the digital workforce developed within five years. DE Minister Pichet Durong-kaverroj said the nationwide broadband network would provide download speeds of at least 30 megabits per second and free Wi-Fi to all 74,965 of the country's villages. The network already covers 43,533 villages. Of the remaining number, TOT will provide coverage to 24,700 by the end of this year. The remaining 15,732 villages will be covered by |the National Broadcasting and Telecommunications Commission, which is expected to be implemented by the end of next year. Meanwhile, the DE Ministry plans for businesses in remote areas to be able to

sell their products online. It will provide an e-commerce platform and an e-payment system to communities so that they can create and develop online businesses. The ministry says it will also provide an e-health system so that people living in remote communities can access quality public healthcare.

7. Three years of wasted opportunity for tax reform

Source: The Nation ([Link](#))

“Reform before election” has been the theme of the coup d’etat led by General Prayut Chan-ocha who promised sweeping economic and political reforms. Needless to say over the past three years, the government has mishandled economic reforms, in particular tax reforms. The National Legislative Assembly (NLA) appointed by the junta has been trying to do something about tax reform by proposing to increase the value-added tax rate to 8 per cent from 7 per cent. Deputy Prime Minister Somkid Jatusripitak denied such a move on Friday and added that a VAT rate increase had to come at the right time and in the right economic conditions. Somkid may be right as the overall economy remains weak and a tax hike could potentially dampen economic recovery. Thailand can learn from Japan’s experience. Prime Minister Shinzo Abe increased the sales tax rate in 2014 but instead of boosting economic recovery, it had a negative impact on consumer spending. Thailand had to increase the VAT rate to 10 per cent in August 1997 under conditions set by the International Monetary Fund in exchange for a financial bail-out during the Asian financial crisis. The IMF forced Thailand to adopt austerity measures, including the VAT hike, aimed at strengthening the fiscal position and winning market confidence. The VAT rate hike increased revenue in fiscal 1998 to Bt163 billion from Bt 139 billion in the year before, according to the BOT’s annual economic report issued in 1999. In response to the NLA proposal last week, Somchai Sujjapongse, permanent secretary for finance at the Finance Ministry, plans to ask the Cabinet to extend the 7 per cent VAT rate, which will come to an end by the end of September, for another year....His reason was the same: hiking the VAT rate could impact the economy. It is now almost certain that the government will not increase the VAT rate this year or next year. Looking at the next 3-5 years, the chance to raise the VAT rate is still slim as the government needs domestic consumption to drive economic growth. Thailand is becoming an ageing society and raising the consumption tax rate would hit consumer spending hard. However, the rising cost of public healthcare, education and other social welfare as well as investment for the future would

continue to put pressure on the annual budget, making it necessary for the government to raise revenue, without relying on borrowings.