

Daily Thai News Updates: 8 August 2017

1. Labour Ministry inundated with employers and illegal workers

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

Hundreds of employers and their illegal migrant workers descended on the Labour Ministry on Tuesday morning in response to measures to alleviate the impact of new and stricter foreign labour law. Employers with more than 10 workers had to present documents such as pay records, contracts and employment conditions ahead of interviews. But employers with less than 10 workers do not require such documents and will be screened via an interview only. Officials aim to interview 500 applicants a day at the Din Daeng complex. The process follows more than 600,000 illegal migrant workers from Laos, Myanmar and Cambodia being registered at 100 temporary Labour Ministry centres across the country from July 24 to Monday. The centres were set up to ease the impact of the royal decree on Managing the Work of Aliens 2017, which was issued on June 23 and allows for heavy fines to be issued. The scale of the fines is currently being review. Waranon Pitiwan, director-general of the Labour Ministry's Department of Employment, said the next step of the process involves officials interviewing applicants within 30 days and issuing identification documents for labourers. Pitiwan said employers must then submit the documents for further processing at one-stop service centres being set up in Thailand by the workers' countries of origin.

2. The importance of the effective date in tax law

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

The government of Prime Minister Prayut Chan-o-cha has passed a number of tax laws and regulations -- far more than its predecessors in the previous decade of political turmoil -- since coming to power in 2014. Keeping track of the enforcement of these new rules is complicated, as some have retroactive effect and some grant grace periods. For example, to accelerate spending by the private sector, the government on July 9 this year announced Royal Decree No.642 to extend the double deduction for corporate income tax purposes to taxpayers hat have invested or will invest in qualifying assets such as machinery or computers between Jan 1 and Dec 31, 2017. Although Section 2 clearly states that the decree will come into force on the day after its publication in the Royal Gazette, which was July 10, subsequent provisions retroactively allow capital expenditure incurred before the enforcement date to qualify for the double

deduction...When it comes to effective dates, there is only one rule for taxpayers to follow. In claiming favourable tax treatment granted in new legislation or under a new interpretation made by a court, taxpayers must not only understand their entitlement, but also must be aware of precisely "when" such claims became available. This principle has been mentioned in recent Supreme Court cases...As the old rule subjected married couples to a heavier tax burden, the legislative change was based on Constitutional Court Decision No.17/2555 (2012), made on July 7, 2012: that the Revenue Code violated constitutional rights. The court based its ruling on the following passages from the charter: "All persons shall be equal before the law and shall enjoy equal protection under it. Males and females shall enjoy equal rights" and "The Constitution is the supreme law of the state. The provisions of any law, rule or regulation, which are contrary to or inconsistent with this Constitution, shall be unenforceable." The new constitution contains the same provisions.

3. Depa aims to curtail software slump

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

The software and service market in Thailand is expected to keep on declining in 2017-18 after its first contraction in a decade last year. The sector is expected to shrink by 4-5% a year due to economic slowdown, rapid change of business models and digital transformation. The Digital Economy Promotion Agency (Depa) is working hard to foster Thailand's software industry through tax incentives to encourage SMEs to use local software. It has set an ambitious goal to have the industry rebound to a value of 52 billion baht in 2017. Without such measures the local software and service industry is likely to continue to decrease by 4-5% a year, with its total value is estimated to be only 48.1 billion and 47.6 billion baht in 2017 and 2018, respectively. "Local software and service suffered a big impact from the popularity of cloud-based services and digital transformation which chased local players out of the market, and forced them to change their business models to software-enabled service," said Thanachart Numnonda, executive director of IMC Institute Inc, in the 2017 Thai software market survey, sponsored by Depa.

4. Non-EEC investors crying foul

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

Strong government support for investment in the Eastern Economic Corridor is adversely impacting other industrial zones outside the EEC, investors say. Thavich Taychanavakul, a managing director of Thai Industrial Estate Corporation, which run the high-tech industrial estate in Ayutthaya province, said that while the EEC will create a huge supply chain and regional hubs for several industries, other industrial zones should not be neglected. "We do not have any new support or promotions, which looks like a double standard favouring the EEC," Mr Thavich said, referring to the new incentives being showered on companies investing in the 30,000 rai across Chon Buri, Rayong and Chachoengsao. The EEC area is much smaller than the 164,000 rai scattered across 53 industrial estates nationwide that have helped attract foreign investment to support the economy since the founding of the Industrial Estate Authority of Thailand (IEAT) in 1972. IEAT governor Veerapong Chaiperm played down Mr Thavich's comments, saying the government pays attention to and promotes both EEC and non-EEC zones with investment privileges from the Board of Investment (BoI). Normal incentives include a 50% deduction in personal income tax and an eight-year tax exemption..."After being hit by the devastating flood in 2011, not a single rai of developed land in my industrial estate has been sold yet, though the land is about 40% cheaper than land prices in the EEC area," Mr Thavich said, referring to his high-tech industrial estate in Ayutthaya province. "We asked for an extension of the high-speed train to at least help reduce logistics costs, but the government has not responded to the proposal," he said.

5. Stronger baht seen as fleeting

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

The strength of the baht, which last week leapfrogged the Korean won to become the best-performing currency in Asia against the US dollar in 2017, will be short-lived and is not a threat to exports in the second half, says Finance Minister Apisak Tantivorawong. Mr Apisak pointed to two large foreign investments in Thailand in the first half as supporting factors in the baht's rise. He said the local currency was driven upward by a deal in which a Taiwanese bank paid 16.6 billion baht for a nearly 36% stake in SET-listed LH Financial Group Plc, the parent firm of Land and Houses Bank, as well as another foreign deal involving an investment in an insurance firm under

a commercial bank. He declined to reveal the insurer's name. LH Financial Group said in late July that a Taiwanese bank had paid 16.6 billion baht to subscribe to the company's newly issued shares. Mr Apisak said a trade surplus worth US\$3 billion (33.3 billion baht) a month on average also contributed to the rapid rise in the baht...Mr Apisak's comments echoed recent remarks by Don Nakornthab, senior director of the macroeconomic and monetary policy department at the Bank of Thailand, who said the baht's appreciation was not expected to greatly diminish Thai exporters' competitive edge...The baht is up more than 7% this year. In Monday's trade it touched 33.28 to the dollar, the highest level in more than two years.

6. Thai Union's Q2 earnings hit by rising tuna prices

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

Thai Union Group Plc (TU), the world's biggest maker of canned tuna products, reported a net profit decline of 7.6% year-on-year in the second quarter on higher tuna prices and a significant rise in financial costs. According to a company statement, net profit totalled 1.41 billion baht in the second quarter, down from 1.52 billion in the year-earlier quarter. The company said second-quarter gross profit fell by 14.5% year-on-year to 4.67 billion baht, while gross profit margin was 13.4%, down from 15.9% a year earlier. Higher raw material prices, particularly in the tuna business, along with multiple European currency depreciations, contributed to the weaker margin, TU said. Among Thai Union's three major businesses, pet care and value-added products saw the highest sales growth at 12.9% year-on-year to 4.5 billion baht in the second quarter...The US remained the largest market with 38% of total sales in the first six months, followed by Europe (33%), Thailand (8%), Japan (6%) and others (15%).

7. SMEs urged to raise sights on capital fund-raising efforts

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

Small and medium-sized enterprises (SMEs) have been urged to strengthen their fund-raising efforts to boost their business growth prospects. "Fund-raising is the weak point of SMEs. They have the potential to raise funds from the local [financial] market, capital markets and foreign markets," said veteran investment strategist and MOC Capital Berhad managing director Wong Jeh Shyan. "This will prepare and help them [to become familiar] capital market mechanisms," he said. Companies aiming for high business growth should think of issuing shares to qualified investors who can accept risks and recognise that they may lose money from investments, as

opposed to resorting to strictly raising from relatives and close associates, said Mr Wong. In Thailand, there are qualified investors such as those with high-net worth and ultra-high net worth. But Mr Wong said SMEs do not know how to reach out to these investors. He said qualified investors in Thailand should do more to make themselves approachable, while SMEs must learn to familiarise themselves with training opportunities on fund-raising. Globally-renowned industries, such as silk and food, are where the country has great business opportunities, said Mr Wong. "There are many small restaurants that have tom yum kung, tom kha kai, pad Thai on the menu but no one turns them into a brand," said Mr Wong. There are plenty of opportunities to grow businesses if entrepreneurs have the right mindset and financial roadmap, he said. Meanwhile, Nintita Loetrungsuphakun, founder of Clover Brilliant Education, said that despite the number of businesses registered in Thailand, many do not use capital mechanisms as they do not have a clear financial roadmap, said Nintita Loetrungsuphakun, founder of Clover Brilliant Education.

8. Plan to make better use of surplus fruits

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

The Commerce Ministry has joined with the Thai Chamber of Commerce to devise strategies for promoting Thai fruits at home and around the globe. The move is intended to tackle the problem of having abundant rare tropical fruits but failing to capitalise on them. Deputy Commerce Minister Sontirat Sontijirawong said the plan is part of the prime minister's push to make Thailand a nation known for its fruit. The Commerce Ministry will look at short-term strategies to help farmers who get low prices during the harvesting period, leaving their fruits to decay and decline in value. "For these short-term measures we need to work it out with our network, which comprises local agricultural cooperatives and communities, so we know when and how much fruit is coming onto the market and we can seek a way to deal with it properly," Mr Sontirat said. He said the policy would first focus on durian, mangosteen and fragrant coconut, which are popular among foreigners and a good fit for international markets. Thailand produces more than 500,000 tonnes of durian and 100,000 tonnes of mangosteen a year, of which 80% of the output is for export.