

ANS Highlights

A Professional Newsletter

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CHANGE IN ACCOUNTING PROCEDURES

Thailand has changed its accounting practices from the equity method to the cost method as mandated starting this year to fall in line with international accounting practices, says Keseree Narongdej, the president of the Federation of Accounting Professions.

Listed company financial statements are likely to present lower profits for their first quarter accounting periods as companies cannot add profits from subsidiaries to the parent directly. Rather, income gained from a subsidiary will be shown as dividend income.

The new equity method should not affect valuations for listed

companies, as most analysts use the consolidated statements to evaluate the companies share price, instead of the single statements.

Under the new accounting method, most conglomerate companies would most likely recognize less dividend income from their subsidiaries in the first quarter, although the income would still be seen overall on the consolidated balance sheet.

The accounting change will affect the company balance sheets and net profits, whereas on a consolidated case, the balance sheet and cash flows statement will remain unchanged overall.



PROPOSED FOREIGN BUSINESS ACT AMENDMENT

Recently, the Cabinet principally approved the amendment of the Foreign Business Act B.E 2542 (1999) as proposed by the Commerce Ministry despite the amendment being vigorously opposed by the Joint Foreign Chambers of Commerce and Trade, which asserts that it will discourage foreign investment and, furthermore, requested the government to study the proposed measures for 6 more months.

The main points of the revisions as currently published are stated as follows:

1. To amend the definition of "Foreigner". Before the new proposals the definition had only accredited ownership of shares to define a foreign company as one having foreigners holding 50% or more of the direct shareholdings.

The amended Act will provide that companies controlled by foreigners in terms of voting rights (i.e. 50% or greater) or control under the law or company regulation would be classified as foreign, even if their direct shareholdings were in a minority.

The proposed amendment stated that foreign companies will have a transition period to register with the Ministry of Commerce to continue business operations for an indefinite period regarding business that are of the List 3 type and for 2 years for business under List 1 & 2.

2. Increase the fine for violating the law to an amount of Baht 500,000 to 5 million or Baht 50,000 to 250,000 per day.

3. Revise the list of businesses under List 3 by:

- Excluding certain businesses that are controlled under other legislation, e.g., bank and other financially related businesses and tour businesses.

- Revising the exemption for conducting retail or wholesale businesses, meaning all businesses of retailing and wholesale trade will have to get permission under the proposed amendment.

Note that the changes to the Foreign Business Act will not affect Businesses that are not regulated by The Act, i.e., the manufacturing businesses, companies under the Treaty of Amity between Thailand and USA and companies under a BOT privilege.

The proposed amendments will become law after approval by the Council of State.



TEMPORARY VAT REGISTRATION

The Revenue Department has recently issued Notification of Director-General No. 169 in regards to the value added tax that allows a taxpayer to register for VAT on a temporary basis.

This applies to suppliers abroad that sell goods in Thailand in its normal course of business in a tax free zone.

The particular cases covered in the Notification are as follows:

1. Export of goods from the tax free zone out of Thailand, which is entitled for VAT at rate of 0%.
2. Sale of goods in the tax free zone to the customers located in the tax free zone or the bonded warehouse

pursuant to the Customs law, which is entitled to the VAT at rate of 0%

3. Selling goods in the tax free zone to the customers who only became consignee in respect to such goods.

The temporary VAT registration will expire upon the termination of the agent.

THE MINISTRY OF COMMERCE REVISIONS ON COMPANY REGISTRATION CRITERIA

On September 27, 2006 The Department of Business Development issued new regulations effective January 1, 2007 and onwards. A summary of the changes to the Regulations is as follows:

1. Amendment to the rules and the application form for registration and dissolution of a Partnership and Limited Company e.g.,

- Unless stipulated in the Articles of Association the liquidators must be all the company's directors.

- The MOC will inform the Revenue Department of the registration of dissolution with the MOC within the 15th of the month following registration.

- The list of shareholders filed after the statutory meeting must show that all the promoters are shareholders and hold at least 1 share.

2. Amendments to the rules and form for filing the financial statements with the MOC by having the following entities attaching SBC.3/1 Form.

- Company limited or public company limited which has foreign shareholders holding at least 1% of the voting rights.

- Limited Partnerships with a foreign partner or a joint venture with a foreigner.

- Foreign juristic entities doing business in Thailand.

3. The Ministry also announced that CPA's would be given the right to certify the signatures of MOC application forms.

EXTENDING CORPORATE

The Cabinet is expected to extend the reduced 25% tax rate on corporate income tax for newly SET listed companies for three accounting periods.

The corporate income tax rate for companies listed newly on the MAI market is expected to be 20% also for three accounting periods.

Both rates are less compared to the normal rate of 30% that would have otherwise applied.

FILING PERSONAL INCOME TAX RETURN REMINDER

The deadline for filing the 2006 yearly personal income tax return is Monday, April 2, 2007.

Mandatory penalties of Baht 200 will be levied for filing after the deadline, and a surcharge of 1.5% per month of the outstanding tax payable will be levied on late payments.

INCOME & EXPENSES REPORT

The Revenue Department issued Notification of the Director-General No.161 requiring the preparation of a report for the income and expenses for the taxpayer in categories of letting property, professional service, contract of work as well as business.

The report must be prepared in Thai or if it is made in foreign language, the Thai translation must be attached. Moreover, the report shall be recorded within 3 days from the date in which the income is derived or expenses are incurred. Failure to comply with this requirement is subject to fine not to exceed Bath 2,000.



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