

# Call in for a Coffee

RSM Nelson Wheeler, Thailand

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## Introduction

Welcome to **RSM's** twenty second edition of "Call in for a Coffee." This edition focuses on some of the recent changes in the tax and labour regulations as well as the financial risks to both individuals, their dependants, employer companies and successors that do not have keyman cover in place. Furthermore, as we are approaching the festive season **RSM** is launching an appeal for support for a Health Project for Tribal people based in Northern Thailand which is called "the House of Love" (see **RSM News**).

## New Tax Measures for Low-Income Earners / Small and Medium Enterprises (SME's)

The Ministry of Finance has announced the following three new tax measures to help low-income earners and SME's:-

1. Lifting the ceiling on taxable income (assessable income - deductions - allowances) which is exempted from personal income tax from 80,000 Baht up to 100,000 Baht (effective for assessable income earned in and from the year 2004).
2. Lowering the rate of annual corporate income tax for SME's with paid up capital of not more than 5 million Baht which have a net profit of up to 1 million Baht from 20% down to 15 %. SME's with annual profits ranging from 1-3 million Baht and annual profits of at least 3 million Baht are required to pay corporate income tax of 25 percent and 30 percent, respectively (effective for accounting periods starting on and from 1 January, 2004).
3. Raising the ceiling on annual turnover of SME's which are not subject to VAT from 1.2 million Baht to 1.8 million Baht (effective for turnovers received on and from 1 April, 2005).

The above measures are intended to help ease the tax payment burden of low-income earners on SME's. These measures are likely to help increase domestic spending, one of the key-drivers of the current economic growth, and help sustain economic momentum. Domestic spending has been on the decline due to various negative factors and an increase in disposable income is likely to help kick-start consumer spending again.

## New Regulations for the Issuance of Work Permits

The Department of Employment has introduced new regulations with respect to the issuance of work permits by monitoring the registered capital of employers. Pursuant to these new regulations, the issuance of work permits shall be subject to the following conditions:-

- a. An entity with paid up capital of not less than 2 million Baht is entitled to apply for 1 work permit to each 2 million Baht of paid up capital but not exceeding 10 work permits.
- b. An entity registered abroad which carries on business in Thailand and imports funds from abroad for investment of not less than 3 million Baht is entitled to apply for work permits, equating to 1 work permit per 3 million Baht of registered capital but not exceeding 10 work permits.
- c. An entity registered outside Thailand which has operated its business in Thailand since before 30 October 2002 but has no evidence of funds remitted from abroad shall be entitled to a work permit based upon the condition that the balance in the bank account during the past 6 months is more than 3 million Baht. For each additional 3 million Baht on deposit the company is entitled to 1 work permit up to a maximum of 10 work permits.

If a foreign applicant has registered his or her marriage with a Thai spouse, the requirements with respect to registered capital of an employer shall be relaxed and reduced to one half of the normal requirements provided that the entity does not require more than 10 work permits.

## Exceptions allowing an entity to obtain more than 10 work permits

An Employer shall be entitled to apply for more than 10 work permits under one of the events listed below:

- (1) the employer has paid corporate tax of not less than 3 million Baht;
- (2) the employer carries on an import business and has remitted foreign currency into Thailand of not less than 30 million Baht;

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- (3) the employer carries on a travel business and has brought not less than 5,000 foreign tourists into Thailand during the preceding year;
- (4) the employer has at least 100 Thai employees;
- (5) the work requires sophisticated technology which Thai people cannot perform or the number of Thai workers are not enough for the domestic labour market, provided that such technology shall be transferred to at least 2 Thai people within a specific timeframe;
- (6) the work requires skilled technicians in specific field to complete projects within certain deadlines; and,
- (7) the work relates to the entertainment or music industry where the hire of overseas artists are provided occasionally and for a specified time.

#### **The Importance of Keyman Insurance Cover A Case Study**

The Managing Director of a Trading company which we cannot name, recently extended a Business loan for a new venture. As the main 'face' of the Company he travelled extensively developing his networking contacts around the Region for the various projects he was involved in. He had recently persuaded his fellow Directors and Shareholders to reject a merger offer with an International Group as he saw his firm as his passport to his eventual financial freedom when he came to sell his shares in what would be a larger Company prior to his retirement.

Two months ago he was diagnosed as having cancer of the colon and given six months to live. Although he had covered his personal liabilities, his mortgages and his children's university costs, there had been no Company Keyman cover put in place or share purchase partnership cover.

The sleeping 'partners' and company executives are now trying to find the finances to keep the Company afloat, to pay the business loan off, not to mention the funds to pay the right person to take over the very personal contacts that our client had developed. It is unlikely the company will survive.

**Keyman insurance cover puts the right money in the right hands at the right time.**

It is essential for every company to review its keyman insurance cover. **Barry Scaife** and **Christopher Coleridge Cole** are keyman cover experts and are available to assess your needs.

#### **RSM News**

As mentioned in the introduction, **RSM** has launched a Christmas appeal for both monetary and other donations for "**the House of Love**" in Chiangmai that looks after young children infected and affected by the HIV/AIDS virus ([www.hptp.org](http://www.hptp.org)). We would urge our readers to donate generously by contacting Sunisa Makotpate on 02 670 9002 and **RSM** will co-ordinate the delivery of such items to "**the House of Love**". The types of items required include domestic equipment, toys, clothes computers, printers, desks and whatever can make the short lives of these unfortunate children a little happier. Should you wish to make cash donations we suggest that you do so directly by sending cheques to **House of Love**, Box 29, Chiang Mai 5000, Thailand. **The House of Love** will issue a receipt for tax deduction purposes.

#### **Upcoming RSM Sponsored Events**

| <u>Date</u> | <u>Event</u>   | <u>Contact Details</u>                                      |
|-------------|--|---|
| 08.12.04    | Lighthouse Club Gathering<br>Bull's Head, Sukhumvit 33/1 | sunisa.makotpate@rsmnw.com                                  |
| 16.12.04    | BCCT Christmas Lunch<br>Conrad Hotel                     | <a href="http://www.bccthai.com">http://www.bccthai.com</a> |

#### **Free Consultation**

If your company has any issues requiring clarification with respect to legal, financial, taxation, accounting, auditing, wealth management or other problems, please contact the **RSM Team** and "**Call In For A Coffee**" for a free consultation.

Translation of business ideas into realistic projects requires expert advice. **RSM** can assist you in formulating practical solutions to obstacles which may be encountered while undertaking business in Thailand.

#### **Contact Details**

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