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Thai Legal News Flash

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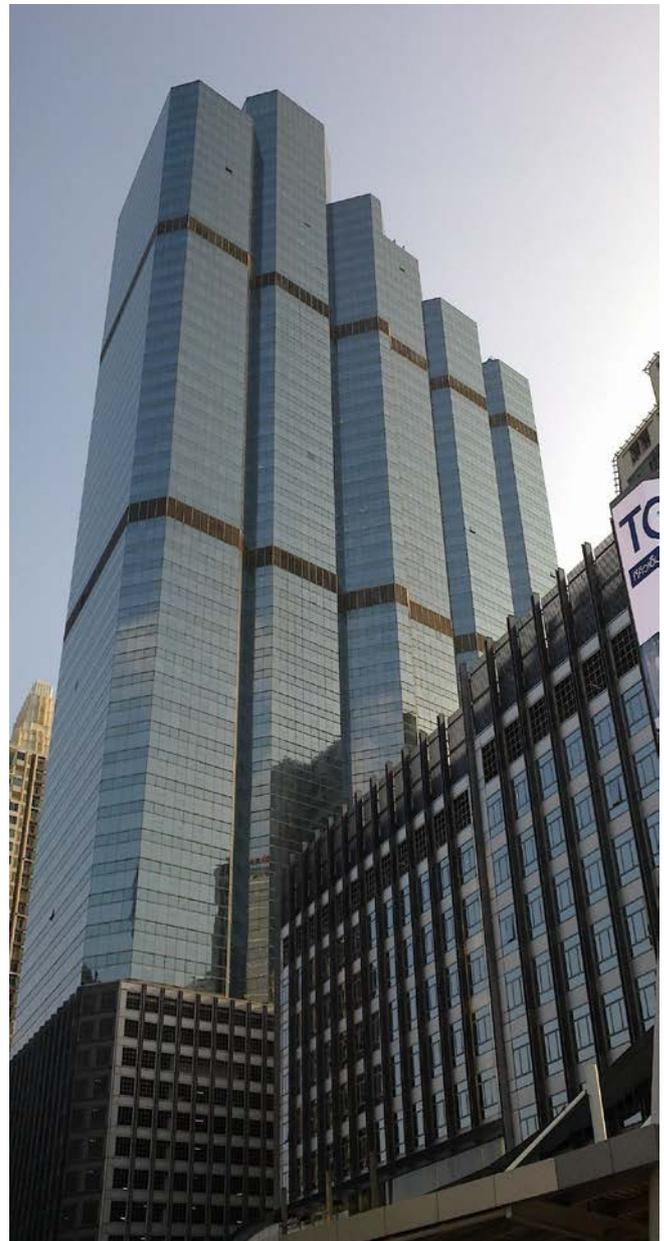
Thailands Transformation to a Cashless Society

Elections scheduled for 2018

National elections are going to be held in February 2018, according to Deputy Prime Minister Wissanu Krea-ngam. For the elections, however, no exact date and timetable has been set until now.

At the same time, Wissanu Krea-ngam commented that the time can only be roughly estimated and no specific schedule for the election has been issued so far. In the light of these statements doubts remain about the credibility of the envisaged timeframe.

Last August, a national referendum was held through which the new Constitution has been approved. However, the government is still reviewing this. The approved constitution, as amended, should be transmitted to His Majesty King Maha Vajiralongkorn Bodindradebayavarangkun for royal endorsement by 18 February.



Empire Tower Building at South Sathorn Road, Bangkok

Prime Minister Prayut Chan-o-cha emphasized that a strategy plan consists of political tasks and objectives, and consequently, the implementation of the time-plan would appear to be secondary.

Free Trade Agreement with Sri Lanka is to be signed in August this year

A free trade agreement (FTA) between Thailand and Sri Lanka is scheduled for signature in August this year, according to Deputy Prime Minister Somkid Jatusripitak. Bilateral trade is expected to be tripled within five years to 52.5 billion baht.

The trade dialogue started in 2016 during the Deputy Prime Minister's official visit to Sri Lanka. At the same time, it was intended to encourage strategic cooperation in specific fields between the two countries. The aim is to achieve substantial mutual economic benefits.

In addition, Thailand and Sri Lanka signed a memorandum of understanding on technical cooperation, a letter of intent on cooperation in small and medium-sized enterprise development and a joint action programme on tourism for the two-year period 2016-2018.

The Deputy Prime Minister stated that Sri Lanka offers a variety of attractive areas for investment, such as electronics, consumer products and industrial estates.

Mr Somkid added that the Sri Lankan economy is picking up and develops well as a gateway to the SAARC region. Industrial estate development should be realized comparably as at the Tilawa industrial estate in Yangon, being a joint project between the state and private sector in Myanmar. By doing so, this development was accelerated. Sri Lanka is regarded as an attractive investment location due to its low wages and cheap production processes.

Moreover, Sri Lanka already enjoys close partnerships with India and Pakistan. FTAs have been concluded with those countries. Exports were worth \$436.9 million. However, imports fell by 26.1% to \$39.9 million.

The Commerce Ministry estimates the two-way trade between the both countries to amount to a total of \$476.9 million in 2016.

Ease on the requirements for foreign investors in aviation projects

As the Thai government aims to promote the Thai aviation industry and enhance Thailand to become an aviation hub in Southeast Asia, a new bill on civil aviation has been approved by the cabinet and is expected to be enforced by September 2017, as Transport Minister Arkhom Termpittayapaisith told the cabinet. This law addresses, at least

for certain sectors, the longstanding restrictions on foreign direct investments in Thailand.

According to the government, aviation, among other industries like robotics and logistics, is an industry for the future for Thailand that has to be specifically promoted. The bill changes the existing law, which required 51% of aviation companies and projects to be controlled by individual Thai shareholders. Those parts of the Civil Aviation Law of 1954 and the revolutionary article No 58 (1972) regarding ownership have been considered to be a hindrance to the planned development of Thai aviation and the related industry and therefore have been amended and revoked.

Under the new bill, the Civil Aviation Board (CAB), which is related to the Department of Civil Aviation, is fully authorized to decide the proportion of foreign ownership needed in Thailand's aviation businesses, said Kobsak Phutrakul, assistant minister to the Prime Minister's Office. The board will be chaired by the Thai transport minister.

Mr Phutrakul added that many foreign and European aviation-related companies are keen to invest in the Eastern Economic Corridor Development project in Thailand's Eastern Seaboard area. For investors in this zone, promotional privileges will be granted, including land leases for 50 years and extensions of 49 years, visa-free grants for the import of skilled labor and executives, as well as special tax advantages will be granted.

The law governing the EEC development is expected to enter into force in the middle of 2017.

Thailand's Transformation to a Cashless Society

As in numerous other countries, "FinTech" is transforming the financial landscape in Thailand, as financial transactions are shifting from traditional cash-based towards electronic payments. Over the past years, online transactions in the banking system grew by an increasing proportion of 30 – 50 % while branch transactions declined by 5 - 10 %.

In order to convert Thailand into a "cashless society", the Thai government launched a government-sponsored initiative called "National e-Payment Master Plan". This Plan consists of 4 main schemes that will be set up in two phases.

PromptPay, the main system for transactions, is the electronic money transfer service at all major Thai banks for C2C transfers that already has been launched in January and is operated by Thai Military Bank (TMB). The original launch date was in October, but has been postponed due to technical problems coming from differences between the systems in local bank branches and the UK-based payment infrastructure operator, hired to develop PromptPay.

According to Dr. Somchai Sujjapongse, permanent Secretary for Finance, the next step for the PromptPay System will be the availability for fund transfers by institutions and corporations. The registration for legal entities for B2B money transfer shall be launched on March 1st, 2017. For P2P, registration for electronic money transfer will be open from March 27th, 2017 onwards, according to the assistant governor for money transfer system and financial technology. P2P transactions are e-money transfers made from one person to another via an intermediary, e.g. PayPal.

Commercial and state-run banks should keep a close watch on the applications of legal entities to ensure that the registration procedure is transparent in order to minimize the risks for financial institutes associated with the use of PromptPay services.

The money transfer service will then integrate an electronic tax system for which the government will enable electronic submission of tax documents like e-Tax invoices and e-Receipt and is planning to process tax refund through PromptPay.

By implementing this Plan, according to Dr. Sujjapongse, transaction costs and cash handling costs will be reduced and economic activities will be done faster, safer and more cost-efficiently.

Service charges for PromptPay are:

Transactions up to 5,000 THB	No fee
5,000 THB – 30,000 THB	2 THB per transaction
30,000 THB – 100,000 THB	5 THB per transaction
More than 100,000 THB	No more than 10 THB per transaction

Further measures for improving the transaction efficiency are the planned implementation of public cloud technology for financial services and automation for branches.

For cloud technology, Microsoft is in discussion with the Bank of Thailand to provide artificial intelligence means to support the “National e-Payment Master Plan” with security monitoring systems for higher efficiency and detection of ATM malware, as the financial sector is one of the top targets for Cybercrime. According to Keshav Dhakad, regional director for the digital crime unit at Microsoft Operations, Thailand ranked in 2016 among the top 5 countries in Asia Pacific with the highest number of malware infections.

The Siam Commercial Bank embraces automation to improve transaction efficiency and launched a business branch for SMEs and installed a cheque deposit machine that accepts up to 30 cheques per deposit, which is a service available for the first time in Thailand. SCB plans to close 30-40% of its physical branches. The Thanachart Bank launched one cashless branch, called “Thanachart Express” that uses automation to operate all transactions instead of bank staff.

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Rödl & Partner

„Only if we stick together as a team are we able to build new constellations of human towers and so continue to develop ourselves.“

Castellers de Barcelona



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