

NEWSLETTER

No. 33
Edition August 2009

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1. The Cabinet Approves the Amendment Bill to Company Law

The Cabinet recently approves the Civil and Commercial Code Amendment Bill (“Amendment Bill”) as proposed by the Ministry of Commerce. The Department of Business Development, Ministry of Commerce proposes this Amendment Bill in response to private sector’s feedback about a burdensome statutory requirement on a newspaper publication, in which a limited company must publish a notice calling for any shareholders’ general meeting in a local newspaper under the existing law. Many businesses find this requirement too excessive and unnecessary.

To resolve this problem, the Amendment Bill removes the newspaper publication requirement from company law and only requires to a company to send a shareholders’ general meeting notice via registered mail except for the notice to holders of the bearer shares where the newspaper publication will still be required.

Besides removing the newspaper publication requirement, the Amendment Bill also introduces other positive changes to company law.

First, company directors will be allowed to conduct the board meeting electronically without the need to meet in person. Each director will no longer need to show up in person at a board meeting.

Second, the Amendment Bill offers some flexibility to a corporate registration. Under the existing law, any corporate registration must be made at the registration office of that part of Thailand where the head office of a company is situated. In practice, this means any registration of alterations to the official records of any company must be made at a registration office in a province where the company is headquartered.

The Amendment Bill will allow a corporate registration to be made at any registration office as the Minister prescribes. There will be no need to go to the provincial registration office where the company is headquartered to register any alterations to the official records of the company.

For more information, please contact us.

2. Revenue Ruling on Importer's Royalty Payment to Overseas

One revenue ruling gives an interesting aspect of the VAT consequences of importer's royalty payment to a foreign country. A revenue ruling is a response given by the Revenue Department to address the department's opinion and position on tax issues raised and sought by a taxpayer or a relevant party.

In this revenue ruling, the Customs Department had investigated and found out the customs declarations of the prices of imported goods, which were used as the base for computation of import duty and VAT of many importers. The investigation indicated that many importers failed to include the value of royalty as part of the sale price (customs value) of an imported good. Those customs declarations made by the importers resulted in the under-payment of import duty. In most cases, the Customs Department would consider imposing fines on the importers in lieu of the criminal prosecution and request the tax be paid in full along with the penalty.

In addition, in some cases where a royalty payment was made by an importer to a foreign country, the importer had already remitted VAT to the Revenue Department upon the payment of the royalty to an offshore business operator. The Customs Department asked the Revenue Department on the possibility of setting off the amount of VAT that an importer paid to the Revenue Department upon remittance of royalty to an overseas business operator with the amount of VAT that the importer had to pay upon the importation of a good.

In response to Customs Department's enquiries, the Revenue Department clarifies that importer's remittance of VAT to the Revenue Department upon the payment of royalty to an offshore business operator does not offset in any way the liability of the importer to pay VAT upon the importation of the good related to the royalty. The customs value of an imported good should be properly declared by an importer.

For more information, please contact us.

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NARIT & ASSOCIATES

Attorneys at Law

LEGAL AND TAX SERVICES

BANGKOK, THAILAND

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NARIT & ASSOCIATES is international law firm based in Bangkok, Thailand with principal areas of practice on Corporate & Commercial, Mergers & Acquisitions, Tax Planning, Litigation & Dispute Resolution, Business Contracts/Agreements, Real Estate & Construction, Insurance and Employment.

We have experiences in advising our clients, from publicly held companies, Thai subsidiaries of multinational corporations to foreign and private investors, across a broad range of matters, including acquisitions of local companies, formation of joint venture companies, international sales, investment/divestment, distributorship, commercial contract tax planning, cross border tax planning, transfer pricing, remittance of profit and tax dispute.

As we aspire to be a fast growing legal service provider in Thailand, we are pleased to offer our high quality legal services at a very competitive rate, as compared to those of other international law firms.

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For more detailed information,
please visit our website at

www.naritlaw.com

CONTACT INFO

OFFICE ADDRESS:
65/31 Chamnan Phenjati Business Center
2nd Floor, Rama IX Road
Huay Khwang, Huay Khwang
Bangkok 10320

TEL: +66 86 785 0793
+66 2248 2872
FAX: +66 2248 2873
E-MAIL: enquiry@naritlaw.com
WEBSITE: www.naritlaw.com