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AUSTCHAM BREAKFAST BRIEFING ON “SETTING UP A BUSINESS IN THAILAND”

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TUESDAY 18 JULY, 2017
THE WORK LOFT, SILOM ROAD



Watson, Farley & Williams

Bangkok No 1 in Asia for launching a startup: survey

Bangkok is the best city in Asia to launch a startup and No 7 in the world, according to a new survey by PeoplePerHour that took into account the cost of living, rent, monthly salary and general ease or difficulty of starting a new business.

The freelance sourcing firm found Bangkok has been attracting financial technology and other startups that view it as an ideal hub from which to push into the Asean region given its location, huge population and growing middle-class.

According to the survey, Vancouver in Canada takes the top spot globally followed by Berlin and Manchester, England. In Asia, Bangalore was No 2 (it ranked 10th globally) followed by No 3 Kuala Lumpur (11th globally) and Singapore (12th).

Bangkok's ascendancy results from strong government support for startups in recent years as well as its cooperation with other stakeholders from the private sector, said Science and Technology Minister Atchaka Sibunruang.

The government has been emphasising the importance of new business developers

who can effectively and significantly drive economic growth, she added.

Already this year 1,500 of 8,000 proposed startups have launched in Thailand, creating over 7,500 jobs, Ms Atchaka said. Investment in this area has grown 150% year-on-year, she added.

Thailand can lure significant investment from new startups as they marvel at the business opportunities despite the tight regulations, said Pun-arj Chairatana, executive director of the National Innovation Agency (NIA).

He cited the case of Thai-based Fintech startup Omise, which has a Japanese partner, and which won a 1.8-billion-baht contract to set up a payment system for commercial banks.

He said Bangkok and Chiang Mai are home to groups of "digital nomads" who serve as freelance digital technology developers, but who find their businesses hobbled by restrictive regulations on visas, money transfers and other matters.

"The government has realised the problem and is trying to deal with it," Mr Pun-arj said.

"They may issue a 'talent visa' as is the

case in Japan and Europe. That's a good way to lure investment and promote close cooperation with local startups," he added.

Mr Pun-arj said the private sector is focussing more on helping startups, especially land developers. He said the NIA has signed a deal with True Cooperation to develop part of Punnawithi Road in the Sukhumvit area as a digital park or startup hub.

This month, the ministry's *Startup Thailand 2017: Scale up Asia* event saw over 42,000 participants and up to 30 billion baht in business generated, he said.

Hopes high for ease of doing business

Government upbeat about higher ranking

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The government is hoping for a better ranking for Thailand in the World Bank Ease of Doing Business Index this year, saying it has made a lot of progress on that front, from new business registrations to amended bankruptcy regulations.

Tossaporn Sirisamphan, secretary-general of the Office of the Public Sector Development Commission, said the office expects Thailand's ranking in the index to rise at least seven spots (to 39th).

Thailand's ranking in the index, which surveyed 190 countries, climbed to 46th from 49th last year. Thailand ranked ninth in Asia, trailing Singapore and Malaysia in Asean.

Mr Tossaporn said World Bank officials had collected information and updated Thailand's level of progress in May, with the report scheduled to be announced in October this year.

"The World Bank unofficially reported that Thailand has made very good progress in four key areas — starting businesses, registering assets, the system for taking

care of minor shareholders and better practices in handling bankruptcies," said Mr Tossaporn.

But he said the World Bank also suggested improvements could be made to integrate the portals developed by various ministries to help startups, as applicants still face unnecessary red tape.

The World Bank also said the volume of online service users working via those portals remains relatively low, falling short of international standards.

"Thailand should develop a one-stop portal to facilitate business startups in the same vein as Singapore's LicenceOne — a business-licensing portal aimed at delivering a more user-friendly and efficient licensing experience for businesses," said Mr Tossaporn.

The Singapore's one-stop portal simplifies the application and payment process for licence-related fees and allows businesses to apply for multiple licences simultaneously. Other features include the updating, renewal and termination of licences.

Mr Tossaporn said Prime Minister Prayut Chan-o-cha himself has already authorised the Office of the Public Sector Development Commission to create a similar one-stop licensing portal like LicenceOne, while the National Broadcasting

and Telecommunications Commission finally backed a 4-billion-baht budget to develop software for the one-stop licensing portal, for which the first phase is expected to finish over the next three to four months.

The first phase is set to include 20 licences out of a total of 300. The second phase aims to raise the number of licences to 80 by next year, increasing to 150 in 2018 and 300 in 2019.

Mr Tossaporn said the government has also approached the private sector to help facilitate bureaucratic reform under the Pracha Rat public-private collaborative model.

Those members of the private sector include former Bank of Thailand governor Prasarn Trairatvorakul, PTT president and chief executive Tevin Vongvanich, Kan Trakulhoon, the former president of Siam Cement Group, current SCG president Rungroj Rangsiyopas, and Ninart Chaitharapinyo, vice-chairman of Toyota Motor Thailand.

Company incorporation:

- Capital,
- Shareholders,
- Board and Directors,
- Reporting Requirements,
- Publically Audited Accounts

Foreign Affairs

Foreign Talent:

- 4:1 ratio,
- THB 2 mln,
- what is 'work'?

Foreign Shareholders:

- Minority and nominee shareholders
- Foreign shareholders as investors

Incubator/Seed Funding:

- Government and Private Schemes
- DTAC Accelerate Pre-seed Investment:
 - US\$15,000 to \$400,000 per start-up
 - 1,000 applications and 21 start-up teams have taken part in the final stage.
 - 21 start-ups combined revenue of over Bt2 billion in 2016
 - Raised Bt150 million from foreign investors (source: *The Nation*)
- BoI SME Incentives:
 - Majority Thai Ownership,
 - Minimum Capital THB 500,000,
 - Tax Incentives
 - 31.12.17 Application Deadline

Foreign Start-Ups:

- FBA:
 - Majority Thai Ownership
 - Control
 - Dividends
 - What if you want to sell?
- JV v Partnership v Franchise v Licensing?

Foreign Start-Ups:

- Foreign Exchange Restrictions
- Work Permits
- IP Protection
- Bol:
 - No specific category for start-ups and traditional focus on established companies setting up a Thai subsidiary
 - Software start-up: tax holiday and relaxed restrictions on foreign talent but minimum IT-related salaries of THB 1.5 mln per year

Speaker Profile



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Alan is a partner in the Bangkok office of Watson Farley & Williams and has been based in Bangkok since 2007. He regularly advises MNCs, international organizations, banks and financial institutions, individuals and service providers on investing in Thailand and on existing operations in Thailand.

Alan has recently advised a number of IT and high tech clients on setting up local, regional and global operations in Thailand and the region.

Alan read Law and Japanese at Sydney University. He is qualified to practice in England and Wales and Australia

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