

REGULATION, TAXATION AND INSURANCE

PROJECT TITLE: Enhancing climate resilience in Thailand through effective water management and sustainable agriculture

ACCREDITED ENTITY: UNDP

REGULATIONS, LICENSES AND PERMITS

Process of canal, dyke, ditch improvement for Ecosystem based Adaptation (EbA) structure and construction of the flood gate and related hydraulic structures in the irrigation area will follow and comply with the following regulations and related laws:

- 1) Ordinance and Building Control Act, B.E. 2522 (1979);
- 2) Engineering Act, B.E. 2542 (1999);
- 3) EIT-Thailand Engineering Standard and;
- 4) Guidelines and rules for designing irrigation projects, Royal Irrigation Department; and
- 5) Field Dykes and Ditches Act, B.E. 2505 (1962) regulated by the Royal Irrigation Department.

To implement the Climate Smart Farming, a drone will be used. According to Thailand's national aviation authority, flying a drone requires license from the Civil Aviation Authority of Thailand (CAAT). Drone will be registered with the National Telecommunications Commission (NBTC).

TAXATION

For any activities related to procurement of services through UNDP, the UNDP, as a subsidiary organ of the United Nations, is exempt from direct taxes such as income tax, and is entitled to reimbursement of indirect taxes, such as sales tax and VAT, on important purchases. This is derived from the Convention on the Privileges and Immunities of the United Nations, adopted by the General Assembly in 1946 (General Convention), Sections 7 and 8, respectively. The Thailand Ministry of Foreign Affairs presents its compliments to the UNDP and, with reference to the letter's Note No. ADM/250/24 (3/1), Application Serial No. UNDP/VAT/2013/7506/004790 dated 14th January 2013, requesting VAT exemption, confirmed that according to Section 80/1 (5) of the Revenue Code and the Notification of Director-General of the Revenue Department on Value Added Tax (No. 27) dated 19th February B.E. 2535 (1992), a supplier who sells goods or provides services to an International Organization is entitled to zero-percent VAT if such goods or services, excluding VAT on each sale, are not less than 5,000.00 Baht.

Since the aforementioned Section 80/1 (5) of the Revenue Code and the Notification of Director-General of the Revenue Department on Value Added Tax (No. 27), the VAT exemption will be applied for this project.

If the goods and services are procured directly by the Government of Thailand implementing partners, the Revenue Code, regulated by the Revenue Department, under the Thailand Finance Ministry will apply, including payment of taxes such as VAT according to the national rate, as applicable.

FOREIGN EXCHANGE

UNDP's currency hedging policy is based on the use of natural hedges (matching cash flows (i.e. revenues and expenses) in non-USD currencies) to the extent possible. UNDP Country Office bank account balances are managed not to exceed, approximately, one month's disbursement requirements to minimize risk.

INSURANCE AND WARRANTY

The Government signed a Special Fund Agreement with the UN in 1960. Consistent with the Article II, the responsibility for the safety and security of the Implementing Partner (executing entity) and its personnel and property, and of UNDP's property in the Implementing Partner's custody, rests with the Implementing Partner (Executing Entity). The Royal Irrigation Department (RID) is the Implementing Partner (Executing Entity). The life and health insurance package for the RID officials who work for this project is usually covered under the Thai civil servant remuneration package. As per UNDP rule and regulations, all UNDP's property in the RID's custody is required to be recorded as an asset (e.g. computer, printer, copy machine) and to be spot checked by the third party annually. The warrantee certificate of asset is required. For the flood gates and its utility in the project sites (river, field dykes, ditch, channel), the RID requires a contractor to follow the construction project's warranty term in accordance with the Field Dykes and Ditches Act, B.E. 2505 (1962) regulated by the Royal Irrigation Department and the Guidelines and rules for designing irrigation projects.

For the drones, the National Telecommunications Commission (NBTC) requires private drone users to purchase an insurance coverage for drones at the minimum of THB 1,000,000 (USD 33,000 approximately). However, Thai government agencies receive an exemption on this insurance coverage. Since the Royal Irrigation Department will procure the drones, there is no cost of insurance to this project.