



Fair Trade Practices Concerning Credit Term for SMEs Providing Products or Services

Trade Competition

Latest, the Trade Competition Commission announced its notification regarding the guidelines on fair trade practices concerning credit term for SMEs who provide products or services (the “Notification”). The Notification will fully be effective on 15 December 2021.

In accordance with the Notification, only SMEs that are (i) a manufacture having employees not more than 200 persons or having annual revenues not exceeding THB 500,000,000 (Five Million Baht); and (ii) service providers, retail business, or wholesale business having employees not more than 100 persons or having annual revenues not exceeding THB 300,000,000 (Three Million Baht), will be beneficial from this credit term regulation.

It should be brought to attention that the Notification specifies not only criteria for considering fair trade practices but also criteria for considering unfair trade activities. Particularly, there are three criteria for considering fair trade practices concerning the credit terms that are as follows:

- (i) Credit Term: this must not be longer than 30 or 45 days depending on business sectors; yet these terms may be determined otherwise with a reasonable reason.
- (ii) Term Counting for trade credit: the starting date is the date that the products or the services, as the case may be, together with relevant documents have been delivered completely. In case of consignment, the starting date will be the date that the products have been sold at the agreed quantity.
- (iii) Credit Payment: the credit payments process must clearly be expressed to SMEs in line with normal trade practices.

Last but not least, any action prolonging the payments for products or services after the regulated credit term without reasonable reasons; or change to the credit term or other conditions under the contracts without reasonable reasons or without a prior notice of more than 60 days would potentially cause such action by the SME’s business partner be regarded as unfair practices.