

TCCT Makes Fair Trade Practice Guideline on Credit Terms for SMEs

The Office of Trade Competition Commission (TCCT) approves the Guidelines for Consideration of Fair Trade Practices Related to Credit Terms for SMEs as proposed by the subcommittee on 4th January 2021 and will be open to comments from relevant parties and the general public from 8 February to 12 March 2021

Mr. Santichai Santhawanpaet, Commissioner and Spokesperson of Trade Competition Commission, as the chairman of the subcommittee approving the guideline, stated that as the Center for Economic Situation Administration, headed by the prime minister, Gen. Prayut Chan-ocha, instructed the TCCT to set a credit term for SMEs within an acceptable limit (30 – 45 days) in accordance with studies by the Bank of Thailand, the TCCT established a subcommittee to examine, analyze and draft a guideline for such purposes with emphasis on credit term for SMEs as part of fair trade practices.

1. **Credit Term** – for general products, credit terms shall be 30 -45 days and only commercial, manufacturing, and service sectors related with agriculture will have credit terms shorter than 30 days, unless the parties agreed to have credit terms shorter than 30 days. Nevertheless, if the entrepreneur sets the credit term differently from the guideline, then there should be reasonable explanations in terms of business, marketing or strategy.
2. **Credit term counting** – the counting is started from the successful date of product/service delivery as agreed, along with paperwork.
3. **Credit payment** – shall have clear details and payment process. The entrepreneur is required to display evidence of its SME status to the other party.
4. **Potentially unfair trade practices**
 - 1) Postponement of payment beyond the credit term without reasons.
 - 2) Modification of contract terms and conditions without reasons
 - 3) Modification of credit term without the 60-day notice.
 - 4) Other controlling actions by any entrepreneur against SMEs such as special conditions, restrictions or harmful obstruction of SMEs' operations.

Mr. Santichai added that the TCCT will open a public and stakeholder feedback channel on www.TCCT.or.th and other public and private entities such as the Office of the National Economics and Social Development Council, the Bank of Thailand, the Office of Small and Medium Enterprise Promotion (OSMEP), the Board of Trade of Thailand, the Federation of Thai Industries, the Thai Retailers Association, etc. After conclusion of the feedback session, all feedback will be used for improvement of the draft guideline before enactment. It is believed that the guideline on credit terms will create a clear, correct, and fair practice that prevents bargaining power imbalance which might lead to unfair trade practice. Another benefit is the SMEs could have better cash flow.