Abstract

A venture capital is a type of business that provides financial assistance to illiquid entrepreneurs; in particular, for small and fledgling firms. Venture capitalists will invest through shareholding in entrepreneurs and grant financial assistance to such entrepreneurs and, will also become an incubator thereto by providing the entrepreneurs with administrative and financial advice, for the purpose of supporting the growth thereof. Venture capitalists will earn remuneration primarily in the form of capital gains derived from shareholding therein; as a result, remuneration of venture capitalists is gained based upon the value that is added through the investment in the entrepreneurs.

Considering the recommendation of the Organisation for Economic Co-operation and Development, every state should reduce its restriction on investment and should introduce a back-end incentive to venture capitalists who receives the dividends and capital gains derived from its investment. Furthermore, in the countries that initiate a policy to stimulate venture capital investments, the public sector may invest in entrepreneurs by itself; nevertheless, in order to encourage venture capital investments from the private sector, the public sector should eventually exit from the status as investors. In addition, every state should render assistance to 'angel investors', since they are the investors capable of incubating technology assistance thereto. As for the state that has multiple secondary markets, it would be desirable that all the markets be amalgamated for a good governance of the country.

In Thailand, many investors consider tax incentives as the key factor to induce investment of venture capitalists. According to the study, tax measures in Thailand have many conditions and constraints on preferential treatment, which disappoint the expectation of venture capitalists desiring entitlement of privilege from tax measure; e.g., there is a rigorous enforceability constraint in the conditions on the investment by venture capitalists; the size limitation on small and medium enterprises works as obstacle to venture capitalists in developing business rapidly; some business entities,

such as registered partnerships or individuals having an investment amount not exceeding Baht ten million, cannot enjoy tax privileges; after the secondary market accepts the securities of the entrepreneur as registered securities and the venture capitalist exits from the investment, the venture capitalist will no longer enjoy some tax privileges that could be received in the case of the exit before listing in the secondary market; and some tax measures do not allow foreign venture capitalists or foreign venture capital entities to enjoy tax privileges in Thailand. By contrast, some tax measures may make venture capitalists consider tax planning or tax avoidance by making good use of the gap of laws; e.g., there is no condition as to maximum amount of investment in the entrepreneurs requesting for financial assistances; there is no deadline for exit imposed on the venture capitalists; and the fact that venture capitalists could engage in businesses other than venture capital investment may allow the venture capitalist to conceal the source of capital gains that are in fact received from venture capital investment.

Consequently, in comparison with the tax measures in Australia and with the recommendation of the Organisation for Economic Co-operation and Development, the government should reduce constraints on venture capital investment and should exit from the status as the public venture capitalist on the verge of the growth of the private venture capital investments under the tax stimulus measures.