

Think Asia, Invest Thailand – Thailand as a regional hub



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Thailand Board of Investment (BOI)
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Trade and Investment Environment “Gearing up for the AEC and GMS”

Thailand as a Regional Hub

- ✓ **New Investment Promotion Strategies**
- ✓ **Special Economic Zones**
- ✓ **International Headquarters (IHQ) and International Trading Centers (ITC)**

7-Year Investment Promotion Vision

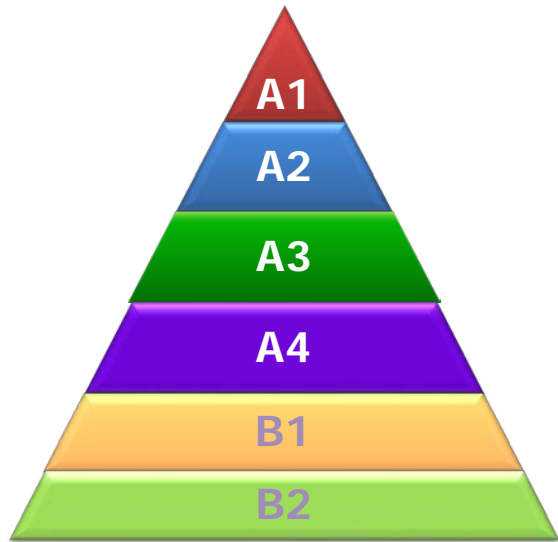
To promote valuable investment, both investment in Thailand and Thai overseas investment, to enhance Thailand's **competitiveness**, to overcome the “*Middle Income Trap*” and to achieve **sustainable growth** in accordance with the sufficiency economy philosophy

6 Major Points of Investment Promotion Policy

1. Promote investment that helps enhance **national competitiveness** by encouraging R&D, innovation, value creation in the agricultural, industrial and services sectors, SMEs, fair competition and inclusive growth

New Approach to Granting Investment Incentives

Activity-based Incentives



**Tax incentives based on
the importance of activities**
0 to 8 years of corporate income
tax exemption

+

Merit-based Incentives

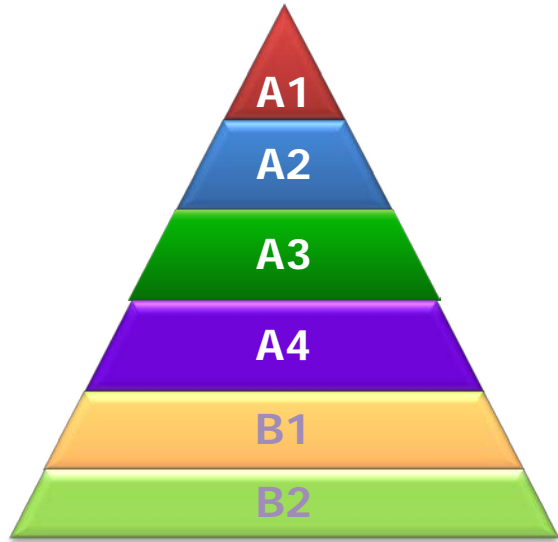
1. Competitiveness Enhancement
2. Decentralization
3. Industrial Area Development

**Grant additional incentives to encourage
more investment/expenditures that
benefit the country or overall industry**

Key Principles in Designing the Activity-Based Incentives

- **Level of technology**
- **Value creation**
- **Role in the supply chain**
- **Enhancing infrastructure**
- **Supporting government policy objectives e.g. digital economy, creative industries**

Activity-based Incentives



**Incentives based on
the importance of activities**

+

Merit-based Incentives

- 1. Competitiveness Enhancement**
- 2. Decentralization**
- 3. Industrial Area Development**

**Grant additional incentives to encourage
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Merit-based Incentives (1/5)

Merit on Competitiveness Enhancement

Additional CIT exemption will be granted in case of investment or expenditure on

- ✓ **R&D: in-house, outsourced in Thailand or joint R&D with overseas institutions**
- ✓ **Donations to Technology and Human Resources Development Fund, and support to educational institutes, specialized training centers, R&D institutes or governmental agencies in S&T field**
- ✓ **IP acquisition/licensing fees for commercializing technology developed in Thailand**
- ✓ **Advanced technology training**
- ✓ **Local supplier development (advanced technology training or/and technical assistance)**
- ✓ **Product & packaging Design: in-house or outsourced in Thailand, as approved by the Board**

Merit-based Incentives (3/5)

1. Merit on Competitiveness Enhancement (Cont.)

Additional CIT incentives will be granted depending on investment/ expenditure ratio (%)

Percentage of qualified Investment/ Expenditures to combined revenue of the first 3 years	Additional CIT Exemption (with additional cap)
1% or \geq 200 mil.baht	1 year
2% or \geq 400 mil.baht	2 years
3% or \geq 600 mil.baht	3 years

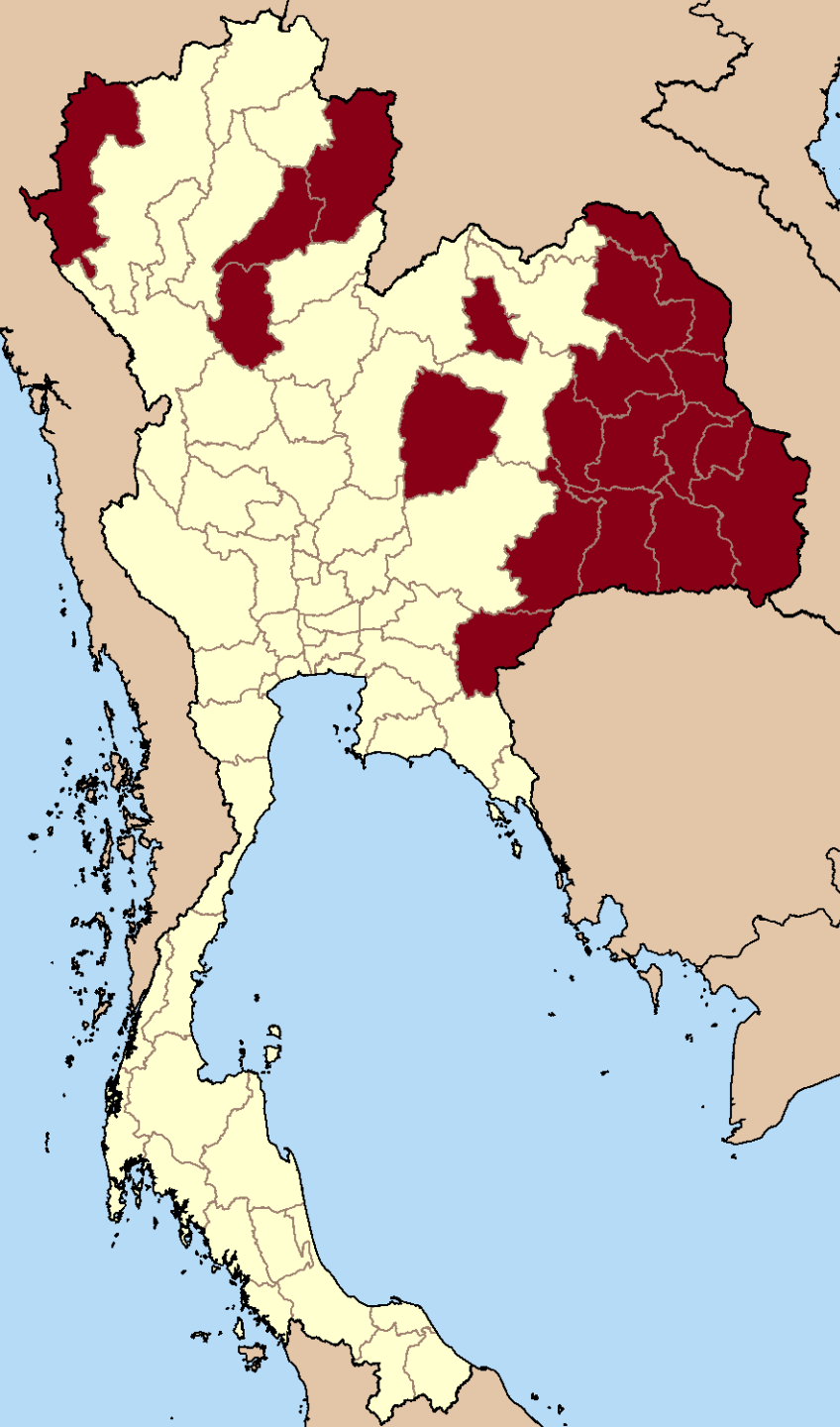
Merits on Decentralization

The 20 Poorest Provinces

(Kalasin, Chaiyaphum, Nakhon Phanom, Nan, Bueng Kan, Buri Ram, Phrae, Maha Sarakham, Mukdahan, Mae Hong Son, Yasothon, Roi Et, Si Sa Ket, Sakhon Nakhon, Sa Kaew, Sukhothai, Surin, Nong Bua Lamphu, Ubon Ratchatani and Amnatcharoen)

Additional tax incentives

- 3 more years of CIT exemption/50% reduction of CIT for 5 years
- Double deduction of public utilities costs
- 25% deduction of infrastructure costs in addition to normal capital depreciation



Merit on Industrial Area Development

Projects located in industrial estates or promoted industrial zones

1 additional year of corporate income tax exemption

6 Major Points of Investment Promotion Policy

1. Promote investment that helps enhance national competitiveness by encouraging R&D, innovation, value creation in the agricultural, industrial and services sectors, SMEs, fair competition and inclusive growth
2. Promote activities that are **environment-friendly, save energy or use alternative energy** to drive balanced and sustainable growth

Measures to Promote Productivity (effective on September 19, 2014)

1. Investment in machinery replacement for
 - Energy conservation
 - Use of renewable energy
 - Reduction of environmental impacts
 - Improvement of production efficiency i.e. automation
 - R&D activities or engineering designs
2. Benefits:
 - Exemption of import duty on machinery
 - Corporate income tax exemption for 3 years on 50 percent of the investment
3. Eligibility
 - Existing companies, BOI (with no corporate income tax exemption left or never granted) and non-BOI
 - In a BOI-eligible activity
 - Minimum investment of 1 million baht (0.5 million baht in case of SMEs)
 - Investment to be completed within 3 years after the BOI certificate issuance
 - Applications to be submitted by December 31, 2017

6 Major Points of Investment Promotion Policy

1. Promote investment that helps enhance national competitiveness by encouraging R&D, innovation, value creation in the agricultural, industrial and services sectors, SMEs, fair competition and inclusive growth
2. Promote activities that are environment-friendly, save energy or use alternative energy to drive balanced and sustainable growth
3. Promote **clusters** to create investment concentration in accordance with regional potential and strengthen value chains → **BOI has engaged a consultant to identify targeted areas.**

4. Promote investment in **border provinces in Southern Thailand** to help develop the local economy, which will support efforts to enhance security in the area

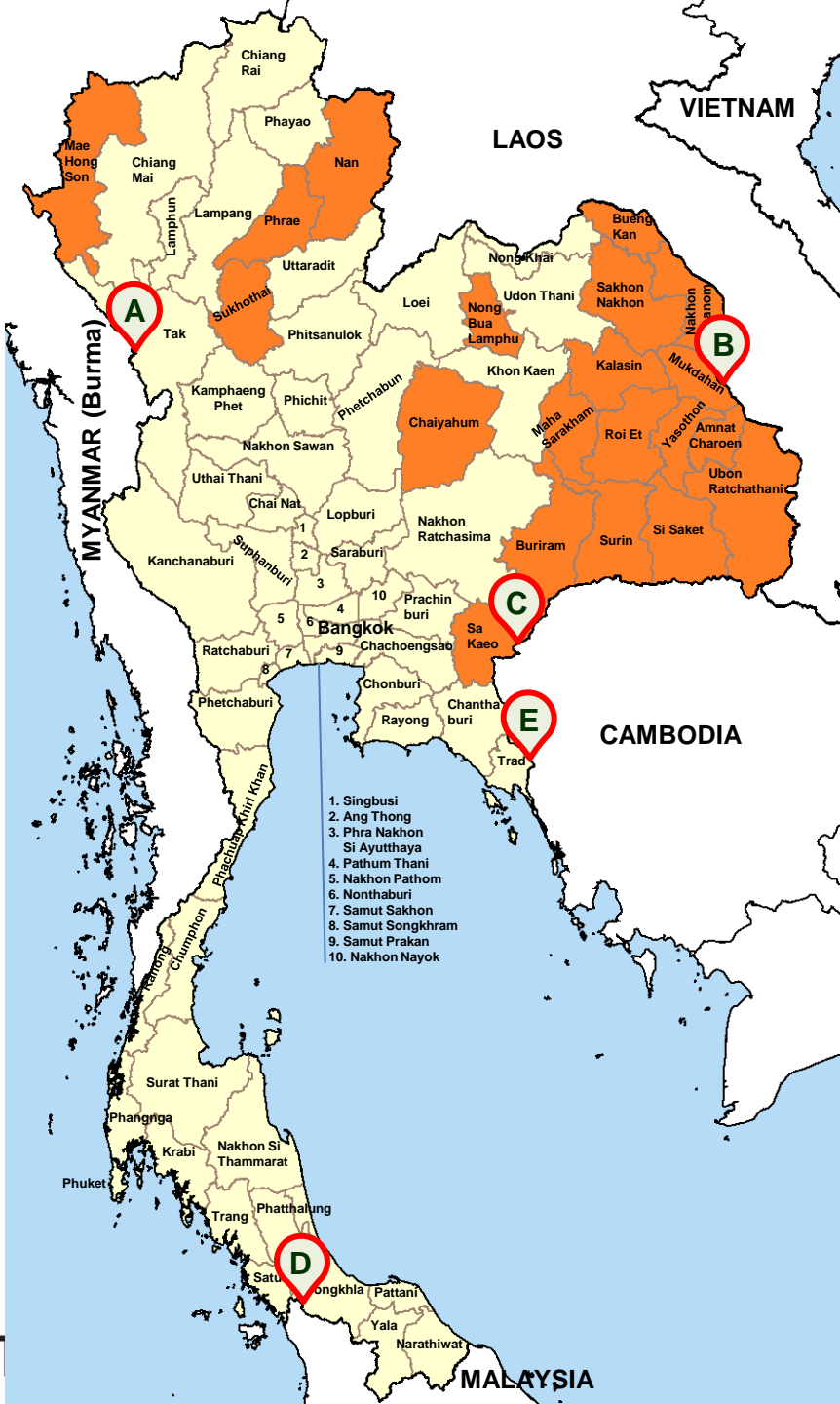
6 Major Points of Investment Promotion Policy (2/2)

4. Promote investment in border provinces in Southern Thailand to help develop the local economy, which will support efforts to enhance security in the area
5. Promote **special economic zones**, especially in border areas, both inside and outside industrial estates, to create economic connectivity with neighboring countries and to prepare for entry into the ASEAN Economic Community (AEC)

Thailand's overall border trade was US\$32.48 last year, Thai Chamber of Commerce forecasts rise by 10-20% a year, partly due to zero duties under the AEC.

Investment Promotion Policy for Investment in Special Economic Zones

● The 20 Provinces -> Merit on Decentralization



Initial phase of Special Economic Zones in 5 provinces

- A** Thailand-Myanmar border area, Tak province (8 sub-districts in Mae Sod/3 sub-districts in Pod Phra /3 sub-districts in Mae Ramad)
- B** Thailand-Laos border area, Mukdahan province (5 sub-districts in Muang/4 sub-districts in Wan Yai/2 sub-districts in Don Tan)
- C** Thailand-Cambodia border area, Sa Kaew province (3 sub-districts in Arangyapraphet/1 sub-districts in Wattana Nakon)
- D** Thailand-Malaysia border area, Songkhla province (4 sub-districts in Sadao)
- E** Thailand-Cambodia border area, Trat province (3 sub-districts in Khong Yai)

Investment Promotion Policy for Investment in Special Economic Zones

- Privileges on tax reduction/exemption. In case general activities are eligible for investment promotion
 - ➔ 3 additional years of corporate income tax exemption up to 3 years in total
 - ➔ A1 and A2 classified activity will obtain 50% tax reduction for 5 years

	A1	A2	A3	A4	B1	B2
<input type="checkbox"/> corporate income tax exemption	8	8	5	3	-	-
<input type="checkbox"/> Additional years of corporate income tax exemption	-	-	3	3	3	3
Period in total (year)	8	8	8	6	3	3
<input type="checkbox"/> additional 5-year 50% CIT reduction shall be granted instead	✓	✓	-	-	-	-

- Other privileges: Exemption of import duty on machinery/export-oriented raw materials, land proprietary, visa, work permit for skilled worker

Investment Promotion Policy for Investment in Special Economic Zones

- Privileges on tax reduction/exemption. In cases of target activities for special economic zones specified by the policy committee on special economic zone development,

	A1	A2	A3	A4	B1	B2
<input type="checkbox"/> corporate income tax exemption	8	8	8	8	8	8
<input type="checkbox"/> additional 5-year 50% CIT reduction shall be granted instead	✓	✓	✓	✓	✓	✓

- Other privileges: Exemption of import duty on machinery/export-oriented raw materials, land proprietary, visa, work permit for skilled worker

6 Major Points of Investment Promotion Policy (2/2)

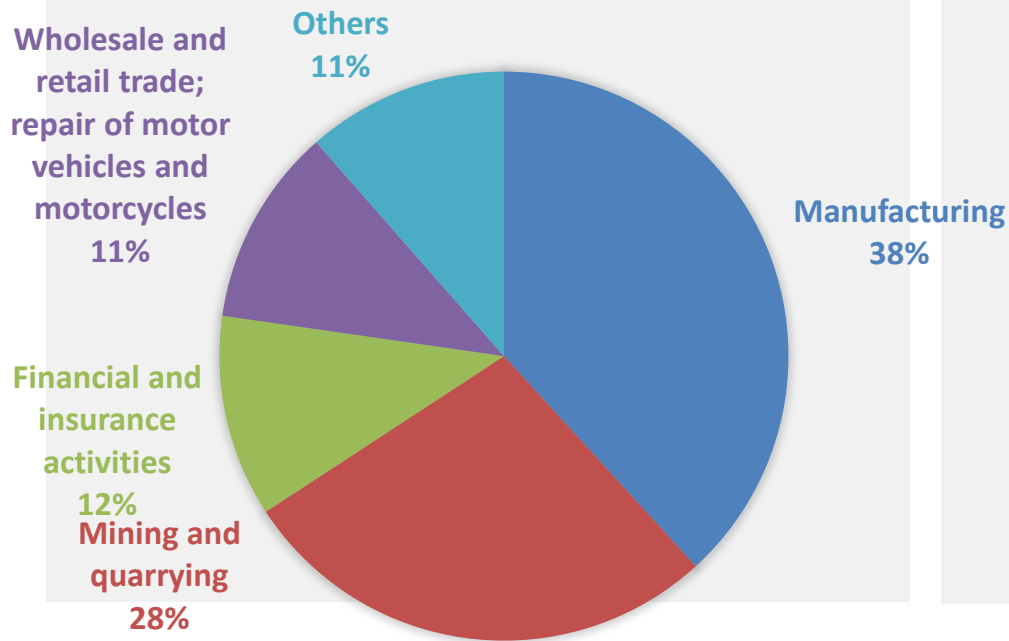
4. Promote investment in border provinces in Southern Thailand to help develop the local economy, which will support efforts to enhance security in the area
5. Promote special economic zones, especially in border areas, both inside and outside industrial estates, to create economic connectivity with neighboring countries and to prepare for entry into the ASEAN Economic Community (AEC)
6. Promote **Thai overseas investment** to enhance the competitiveness of Thai businesses and Thailand's role in the global economy

Thailand's Outward Investment by Sector and Destination

Two-thirds of OFDI derived from manufacturing sector and mining

Total Outflow Thai Direct Investment Aboard by sector (no trade credit*)

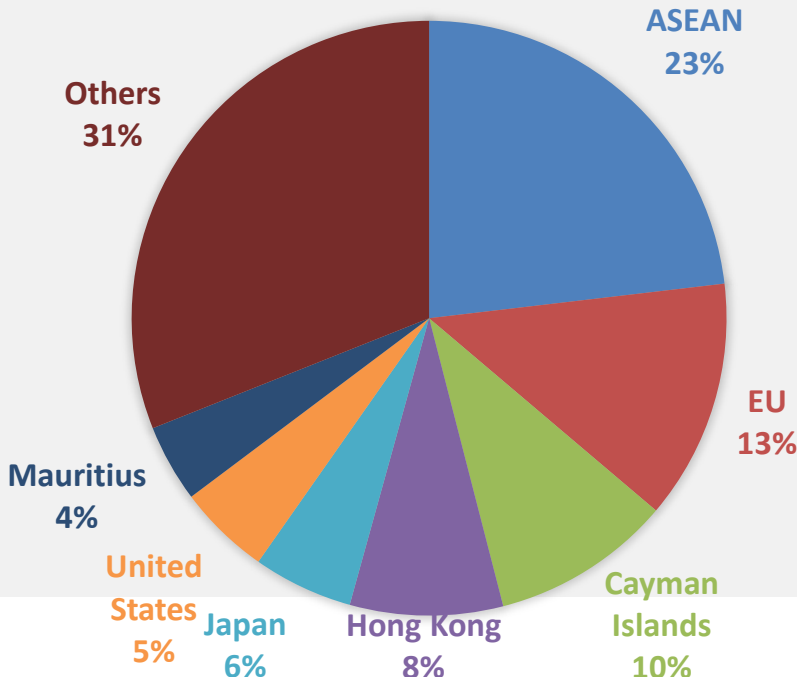
2010 – 2014 Q1-3 cumulative



One-fourth of OFDI goes to ASEAN

Total Outflow Thai Direct Investment Aboard by destination (no trade credit*)

2010 – 2014 Q1-3 cumulative



* Excluding transactions in trade credits between affiliated enterprises

BOI's Role in Promoting Thai Overseas Investment

**Establish
responsible body**

- **Thai Overseas Investment Promotion Subcommittee**
- **Thai Overseas Investment Promotion Division”**

**Provide information
&
Knowledge**

- **Thai Overseas Investment Development Center**
- **Thai Overseas Investment Information Center**
- **In-depth study on investment opportunities**
- **Seminars**
- **BOI's local experts and consultants (mobile unit) in target countries, such as Myanmar, Vietnam and Indonesia.**

**Explore investment
opportunities**

- **Business development missions**

**Coordinate problem
solving**

- **G2G negotiations**
- **Liase with local authorities**

International Headquarters and International Trading Centers

International Headquarters (IHQ)

- A juristic company incorporated in Thailand providing the following services to IHQ's branches or associated enterprises



International Headquarters (IHQ)

Revenue Department Scheme

Corporate Income Tax (*NP = Net profits, AE = associated enterprises*)

- exemption for income from services provided to foreign branches or AE;
- 10% for income derived from its branches or AE in Thailand
- exemption of NP from revenue from purchase and sale of goods to its foreign branches or AE and such goods are not imported to TH (OUT-OUT)

Personal Income Tax at the rate of 15% for expatriates in specialist or executive level working in IHQ.

Specific Business Tax exemption on loan taken out by IHQ to relend to its branches or AE in TH and abroad.

Withholding Tax exemption on interest received from its branches or AE in TH and abroad for loans granted in accordance with BOI regulations.

International Headquarters (IHQ)

BOI Scheme:

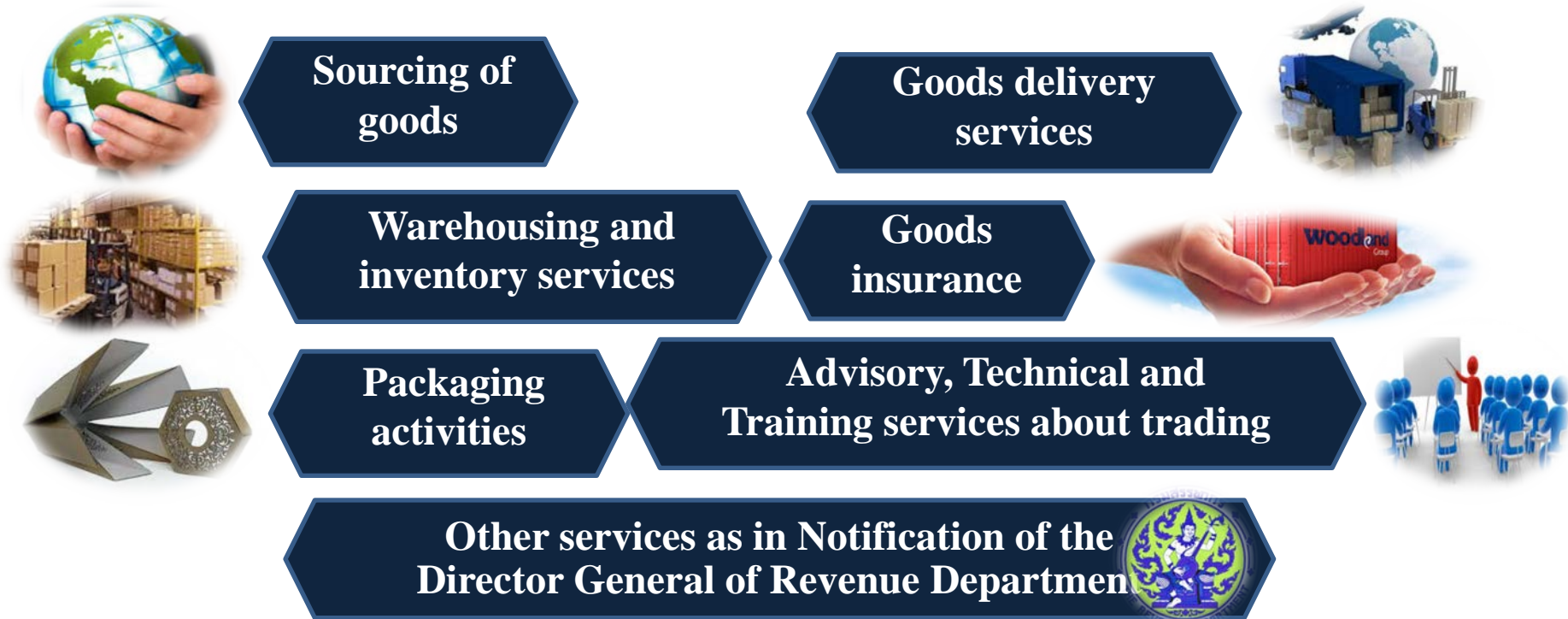
- Majority or total foreign ownership
- Permission to bring skilled workers and experts to work in promoted activities
- Permission to own land
- Repatriation of foreign currency
- Exemption of import duty on machinery (Only machinery for R&D and training activities)

International Headquarters (IHQ)-Requirement

Condition	Required by
Must supervise at least one associated enterprises overseas	BOI, RD
Paid-up registered capital must not be less than 10 million Baht	BOI, RD
Total business spending in Thailand of at least 15 million Baht/annum	RD

International Trading Centers (ITC)-Definition and Scope of Activities

- A juristic company incorporated in Thailand providing purchase and sale services as well as other related services to juristic companies incorporated in oversea.



Revenue Department Scheme

Corporate Income Tax

- CIT exemption of net profits from revenue from purchase and sale of goods to its foreign branches or associated enterprises and such goods are not imported to Thailand (OUT-OUT), including revenue from marketing and logistics abroad.

Personal Income Tax at the rate of 15% for expatriates in specialist or executive level working in ITC.

International Trading Centers (ITC)

BOI Scheme:

- Majority or total foreign ownership
- Permission to bring into the Kingdom skilled workers and experts to work in investment promoted activities.
- Permission to own land
- Repatriation of foreign currency
- Exemption of import duty on machinery

International Trading Centers (ITC)-Requirement

Condition	Required by
Paid-up registered capital must not be less than 10 million Baht	BOI, RD
Total business spending in Thailand of at least 15 million Baht/annum	RD

Thank you