

Thailand, a perfect place for your business to grow



**“Update from the BOI-outlook and priorities
for foreign investment in Thailand”**

24 August 2011

AustCham, Bangkok

THINK ASIA, INVEST THAILAND

www.boi.go.th



THAILAND BOARD OF INVESTMENT

Update on BOI Policies and Measures

Activities Eligible for BOI Promotion



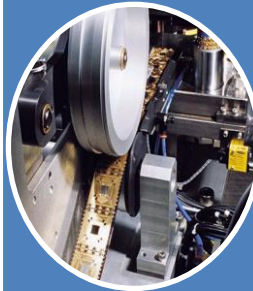
Agriculture



Mining,
Ceramics
Basic
Metals



Light
Industries



Metal
Products,
Machinery,
Transport



E&E



Chemicals,
paper,
plastics



Services



BOI Foreign Equity Participation Policies

1

**No foreign equity restriction
in manufacturing**

2

**100% foreign ownership *
allowed in many services**

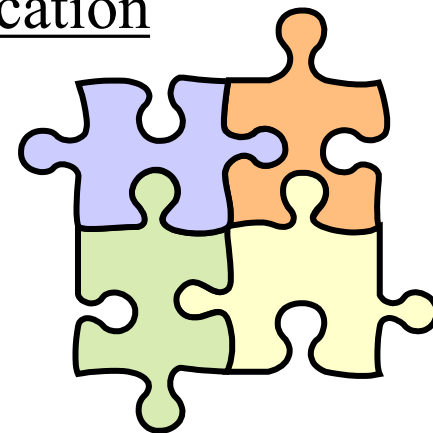
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**Thai majority shareholding in
agriculture, fisheries, mining
and services in list 1 of FBA**

Major BOI Incentives Schemes

- Decentralization
 - Incentives vary according to zones
- Priority activities receive
 - 8-year corporate income tax exemption and exemption of import duties on machinery regardless of location
- Sector-specific policies
- Optional incentive scheme
 - STI Scheme
- Special temporary measures:

**“Investment Promotion Policies
for Sustainable Development”**



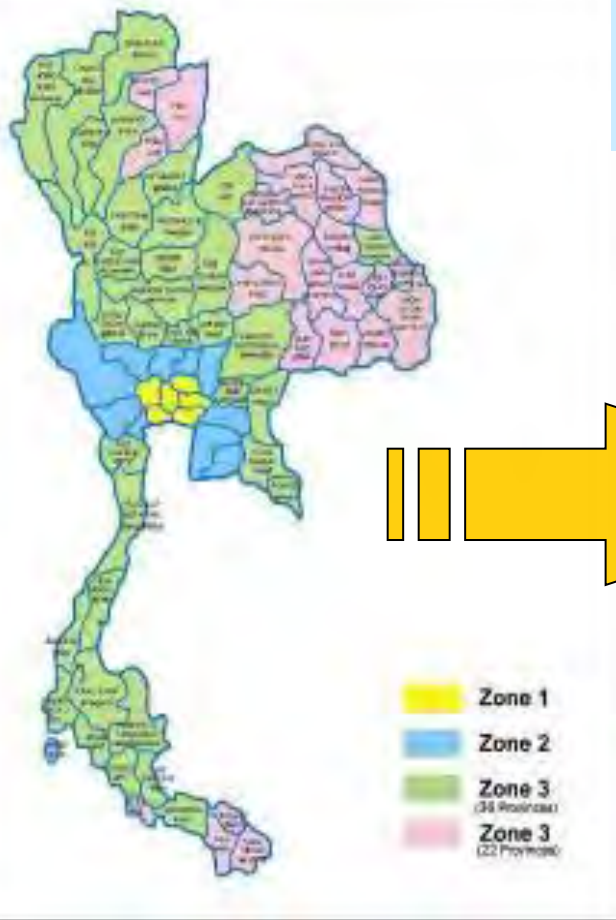
BOI Basic Promotion Packages

3 Investment Promotion Zones to promote industrial decentralization



Zone: 1 2 3
Incentives: Lower → Higher Incentives

From Zone-Based to Sectoral Approach



Zone-Based

Incentives:

- Zone 1
- Zone 2
- Zone 3

Sector Matrix:
Incentives to strengthen competitiveness

Strategic or Priority Activities

- **Maximum incentives regardless of location**
- **Customized packages**



Examples of Priority Activities

- Agriculture and agro-industries
- R&D
- Software development
- Molds & Dies
- Biotechnology
- Alternative energy
- Manufacture of hi-tech products e.g. advanced ceramics
- Waste recycling & recovery

Incentives

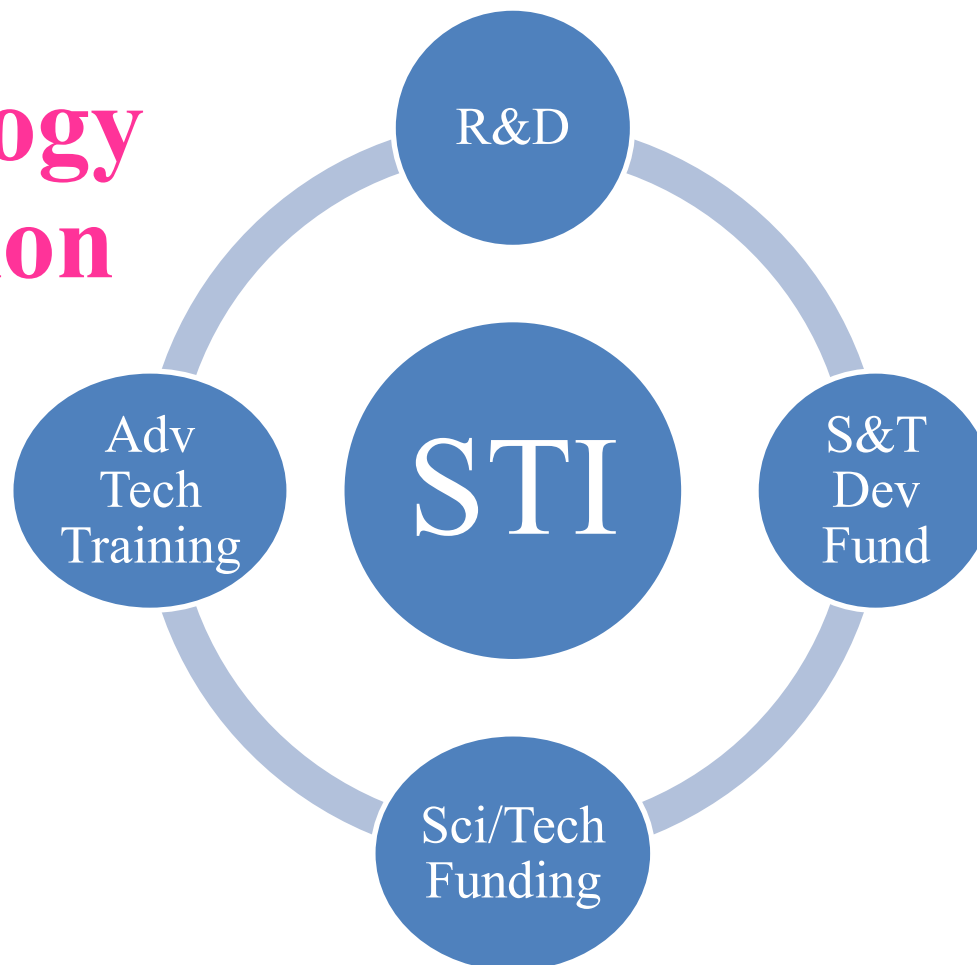
- 8-year tax holidays
- exemption of import duties on machinery

Additional Incentive Package for STI:

Skills

Technology

Innovation





STI Incentives (Optional)

Criteria

Investments and expenditures on:

- Research and development or design
- Advanced technology training
- Funding educational and research institutions
- Contribution to S&T Development Fund

Required STI Investment & Expenditures	Additional Year of Corporate Income Tax Exemption	Exemption of Import Duties on Machinery	Removal of Corporate Income Tax Exemption Cap
1% of the first 3 years' sale or at least Bt150 million, whichever is less	1	✓	✓
2% of the first 3 years' sale or at least Bt300 million, whichever is less	2	✓	✓
3% of the first 3 years' sale or at least Bt450 million, whichever is less	3	✓	✓



Who can apply for STI incentives?

- Existing projects that have been granted corporate income tax exemption under Section 31 and are already generating income can now submit an STI application before their tax exemption period expires
- Existing projects that have not been granted corporate income tax exemption and that want to ask for STI incentives are required to submit their applications when they submit the BOI application

Policies for 2010-2012

“Investment for Sustainable Development”

Application submission deadline: **December 31, 2012**

1. Special incentives for 3 groups of targeted activities

- 1) Manufacture of eco-friendly material and product, e.g. bioplastics
- 2) Energy saving and alternative energy
- 3) High technology activities e.g. industrial electronics, electronic parts for vehicles, biotech, nano-tech, functional fiber etc.

Incentives

- Exemption of import duties on machinery
- 8-year exemption of corporate income tax with no cap
- 5-year 50% reduction of corporate income tax on net profit
- 10-year double deduction of transportation, electricity and water supply costs
- deduction from net profit of 25% of investment in infrastructure installation and construction costs in addition to normal capital depreciation

Targeted Industries

1) Activities related to energy conservation and alternative energy

- 1.18 Manufacture of alcohol or fuel from agricultural products, including scrap, garbage and/or waste
- 4.2.3 Manufacture of energy-conserving machinery or equipment or machinery or equipment which uses alternative energy
- 4.15 Manufacture of fuel cells
- 7.1.1 Production of electricity or steam power
 - For cases that use alternative energy such as energy from agricultural materials, biogas and wind energy

2) Activities related to eco-friendly materials and products

- 6.3 Manufacture of eco-friendly chemicals
- 6.4 Manufacture of eco-friendly products

Targeted Industries

3) High technology businesses

- 1.11.10 Manufacture of medical food
- 2.5.3 Manufacture of advanced ceramics
- 2.19 Manufacture of nano materials or products from manufactured nano materials
- 3.1.1 Manufacture of natural or synthetic fibers – only manufacture of functional fiber
- 3.9 Manufacture of medical equipment
- 3.10 Manufacture of scientific equipment
- 4.2.1 Manufacture of machinery, equipment and parts that have engineering design
- 4.2.2 Manufacture of farm machinery or equipment and food processing machinery or equipment
- 4.2.4 Manufacture or repair of mould and die – only manufacture of mould and die and parts
- 4.9 Manufacture, repair or conversion of aircraft, including aircraft parts and equipment or onboard equipment
- 4.10 Manufacture of vehicle parts
 - Automatic Transmissions
 - Continuously Variable Transmissions (CVT)
 - Traction motors for automobiles; e.g. hybrid or fuel cell cars
 - Electronic Stability Control (ESC)
 - Regenerative Braking Systems
 - Rubber tires for vehicles

Targeted Industries

3) High technology businesses (cont.)

- 5.4.3 Manufacture of industrial electronics
- 5.4.4 Manufacture of telecommunication equipment
- 5.5.1 Manufacture of semiconductors
- 5.5.2 Manufacture of memory storage equipment – only manufacture of Hard Disk Drive (HDD), Solid State Drive (SSD) and HDD and SSD parts
- 5.5.4 Manufacture of parts for telecommunication equipment
- 5.5.5. Manufacture of parts for medical electronics
- 5.5.6. Manufacture of parts for agricultural electronics
- 5.5.7 Manufacture of electronic parts for vehicles
- 5.5.10 Manufacture of solar cells and raw materials for solar cells
- 5.5.12 Manufacture of flat panel display
- 5.6 Manufacture of material for microelectronics
- 5.7 Electronic design
- 7.18 Human resource development
- 7.19 Biotechnology
- 7.20 Research and development
- 7.21 Scientific laboratories
- 7.22 Calibration services

Policies for 2010-2012

“Investment for Sustainable Development”

2) Measure to promote energy conservation and alternative-energy utilization through machinery replacement or adjustment

Incentives

- Import duty exemption on machinery.
- 3-year corporate income tax exemption on the revenue of existing projects, accounting for 70% of the investment under this measure excluding cost of land and working capital.

Eligibility

- BOI-promoted projects of which tax holidays have expired or those which are not granted tax holidays
- non-BOI projects

Conditions

- Investment must be completed within 3 years after the issuance of the investment promotion certificate.
- Energy consumption must be reduced to the level determined or alternative energy must be utilized in the ration determined.

Application submission deadline: December 31, 2012

Policies for 2010-2012

“Investment for Sustainable Development”

3) Measure to promote or reduction of environmental impacts through machinery replacement or adjustment

Incentives

- Import duty exemption on machinery.
- 8-year corporate income tax exemption on the revenue of existing projects, accounting for 100% of the investment under this measure excluding cost of land and working capital.

Eligibility

- BOI-promoted projects of which tax holidays have expired or those which are not granted tax holidays
- non-BOI projects

Conditions

- Investment must be completed within 3 years after the issuance of the investment promotion certificate.
- Impacts on the environment must be reduced according to the criteria determined.

Application submission deadline: December 31, 2012.

Policies for 2010-2012

“Investment for Sustainable Development”

4) Measure to promote production efficiency improvement by technology upgrade for manufacturing of new products

Incentives

- Exemption from import duties on machinery, regardless of zone.
- Exemption from corporate income tax for 3 years, regardless of zone. The benefit from this exemption may not exceed 100% of the project’s investment value.

Application submission deadline: December 31, 2012.

Measures to help alleviate the impact of Baht appreciation

(1/2)

Incentives

- Import duty exemption on machinery.
- 3-year corporate income tax exemption on the revenue of existing projects, accounting for 70% of the investment under this measure excluding cost of land and working capital.

Eligibility

- BOI-promoted projects of which tax holidays have expired or those which are not granted tax holidays
- non-BOI projects

Conditions

- Investment must be completed within 3 years after the issuance of the investment promotion certificate.
- An investment plan to change machinery leading to an increase in production capacity must be submitted.
- Corporate income tax exemption period shall start from the date of revenue derivation after promotion certificate issuance.

Application submission deadline: December 31, 2011

Measure to help alleviate the impact of Baht appreciation (2/2)

2) Exemption of import duties on raw materials for exports

- Must be existing project in following industries, with a project size of not less than **Bt1 million** exclusive of land and working capital.
 - Garments and textiles
 - Leather products and footwear
 - Furniture
 - Toys and sporting goods
 - Ornaments and jewelry
 - Lenses
 - Printing
- Must be a project which is certified from the association or unit approved by BOI.
- Exemption of import duties on raw materials used in the manufacture for exports will be granted 1 year and may be renewed.
- Applications must be submitted by **December 31, 2011**.

Special Conditions for Investment Applications in Rayong Area (1/2)

- 1. Areas required to have special environmental control in place include Map Ta Phut sub-district, Huai Pong sub-district, Noen Phra sub-district, Tab Ma sub-district in Muang Rayong district, Map Kha sub-district in Nikom Pattana district, Ban Chang sub-district in Bang Chang district in Rayong, and coastal areas and industrial estates of IRPC Public Company Limited**
- 2. Indications for consideration of pollution management in the targeted zones**
 - (1) Oxides of Nitrogen (NO_x) and Sulphur Dioxide (SO₂).** There are goals for reducing the emission rate and processing the impact assessment by using mathematical modeling.
 - (2) Three types of VOCs, which are Benzene; 1,3-Butadiene; and 1,2-Dichloroethane.** The actual measurement in Map Ta Phut and vicinity exceeded safety standards.

Special Conditions for Investment Applications in Rayong Area (2/2)

Conditions for considering investment promotion are as below:

1. Projects with non-emission of NO_x, SO₂ and VOCs to be considered as general promotion.
2. Projects with probable emission of NO_x and SO₂ to be considered if the project complies with the conditions. The project's improvement will be action to reduce environmental impact in accordance with an 80-20 emission reduction of NO_x and SO₂ in the reservation scheme.
3. Projects with probable emission of three types of VOCs must comply with the following conditions:
 - (1) Operations must not release any additional emission above the existing overall emission.
 - (2) Projects to use advanced technology (Best Available Technology / Best Practices) for low environmental impact.
4. Projects with probable emission of NO_x, SO₂, and three types of VOCs must have ESA / EIA / EIA reports approved prior to promotion certificate issuance.



Additional information can be accessed at
www.boi.go.th.

All BOI publications in English can be
downloaded from the BOI website.



Medium-term Outlook and Focus



Policy Trend

- Revamp of BOI scheme to respond to the reduction of corporate income tax rate
- Scheme better targeted
- Enhanced investment-related services
- Enhanced role in promoting Thai investment overseas

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ASEAN 2015



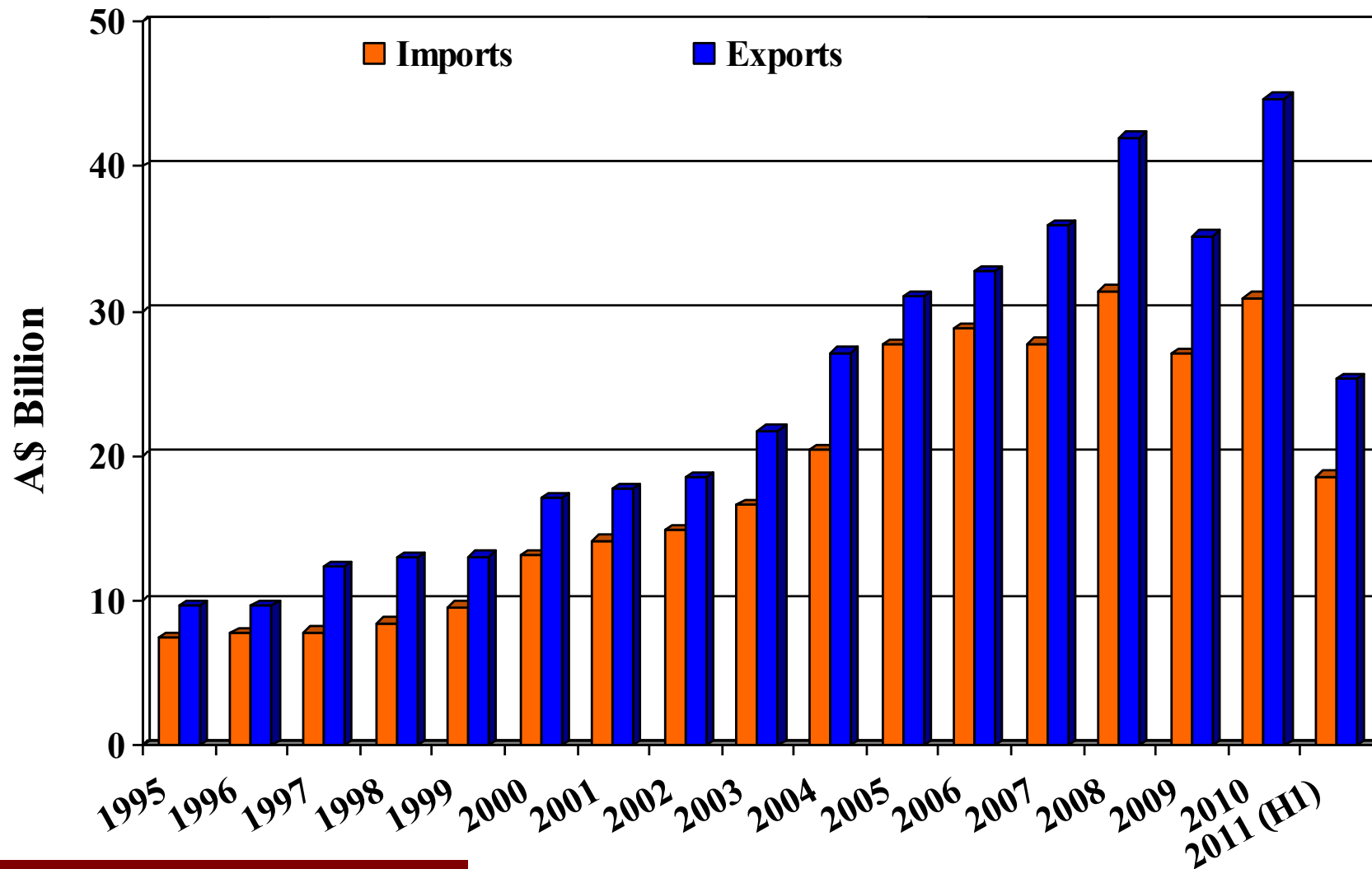


The Importance of ASEAN

Indicators (2008)	ASEAN	Thailand
Populations	583 million	66 million
GDP	US\$ 1.5 trillion (2.5% of world GDP)	US\$ 274 billion (0.5% of world GDP)
Total trade (export-import)	US\$1.7 trillion	US\$353 billion
FDI	US\$70 billion	US\$11 billion
Tourists	65.1 million	14.6 million



Thailand-ASEAN Trade



Source: MOC, as of July 22, 2011

Note: AS\$1=Bt31.43 in 2011



ASEAN Economic Community (AEC)

‘Three Pillars’

- ASEAN Economic Community (AEC)
- ASEAN Political Security Community (APSC)
- ASEAN Socio-Cultural Community (ASCC)

Accelerated to 2015


(ASEAN Summit, Cebu, January 2007)


AEC Blueprint 2015

1. Trade in Goods (ATIGA)

Intra-ASEAN Trade

Single Market & Production Base

ASEAN 6  **Tariff 0% by 2010**

CLMV  **Tariff 0% by 2015**

Thailand's Sensitive Items * **Tariff < 5% by 2015**

(*Cut flowers, dried coconut, potato and coffee)

AEC Blueprint 2015

1. Trade in Goods (ATIGA)

Non-Tariff Barriers: NTBs

ASEAN 5 → **Eliminated in 2010**

Philippines → **Eliminated in 2012**

CLMV → **Eliminated in 2015**

Tariff Quota

Imported Licensing

AEC Blueprint 2015

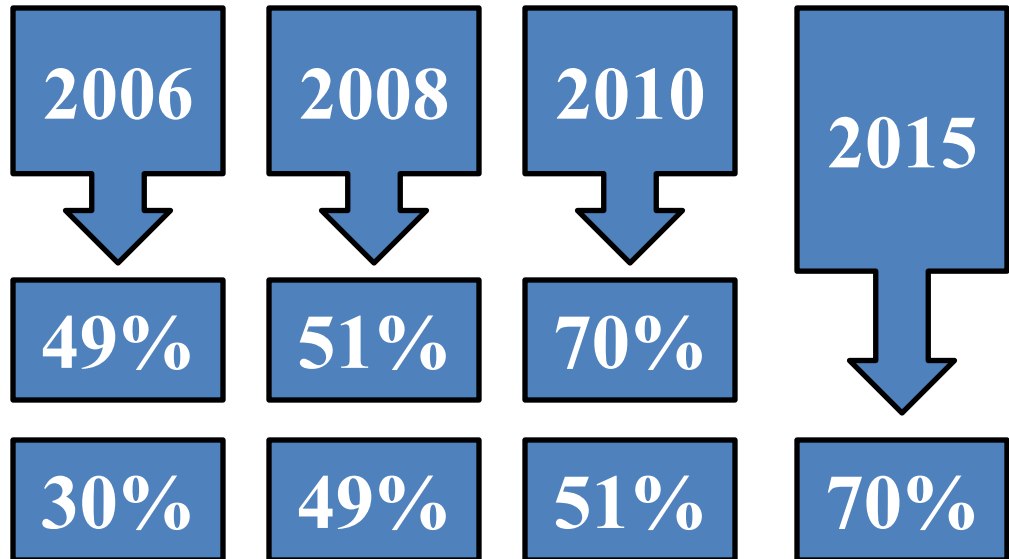
2. Trade in Services (AFAS)

Allow more equity ownership for ASEAN investors

Logistics: 70% in 2013

PIS 12 groups

Other groups



PIS: Priority Integration Sectors:

**Agro-based products, Automotive, Electronics, Fisheries,
Rubber-based products, Textile and Clothing, wood-based products,
ICT, Health, Tourism, Airlines and Logistics**

AEC Blueprint 2015

3. Investment (ASEAN Comprehensive Investment Agreement-ACIA)

- **Coverage: Liberalization, Protection, Promotion and Facilitation**
- **Investment Liberalization: Manufacturing, Agriculture, Mining, Fisheries, Forestry, and Services Incidental to these five sectors**
- **Principle:**
 - **Progressive Liberalization**
 - **No backtracking**
- **ASEAN investors will be treated the same as the local entrepreneurs except in those in the exclusion list**



AEC: FAQ

- Will Australian businesses with majority foreign ownership in other ASEAN markets be able to freely invest in Thailand and vice versa?
- Will businesses be able to freely employ labor from other ASEAN markets?



- ❖ **Thailand's Biggest Fair Ever!**
- ❖ **10 - 25 November 2011**
- ❖ **IMPACT Exhibition and Convention Center**
- ❖ **Organized by Thailand Board of Investment**
- ❖ **More than 5 million visitors expected**



General Information

Show date : 10 - 25 November 2011 (16 Days)

Venue : IMPACT Exhibition and Convention Center (237,000 sq.m)

- Outdoor : Lakeside 166,000 sq.m

- Challenger 1-3 60,000 sq.m

- Hall 9 11,000 sq.m

Exhibitors: 84 Outdoor Pavilions and more than 3,000 Indoor Booths

Visitors : More than 5 million visitors expected

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Thank You
Q&A