

# **New Investment Promotion Policy and Investment Opportunities in Thailand**

## **Thailand Board of Investment**

**Mrs. Siriporn Nurugsa**

**Executive Director**

**Los Angeles, California**

**July 2015**

# Partners and Allies



**"In the Asia-Pacific region, we will continue to look to Thailand as a partner and ally,"**

**President Obama, February 2015**

# Investor Testimonials



*“We are not low-cost manufacturing but we are high-tech manufacturing. Human resources here are professional with a good cost structure.”*

**--Jeff Nygaard, Senior VP and Global Head of Operations, Seagate Technology**



*“We relocated nine senior executives from Singapore to Thailand resulting in significant cost of living and operational savings.”*

**--Roger Nesti, Director of International Real Estate, Kellogg Company**

# Success Stories of US Companies



Honeywell

DELPHI



Microsoft



MICROCHIP



# Outline

**Thailand in Brief**

**Competitive**

**BOI Policy & Services**

**Investment Opportunities**

# Thailand in Brief

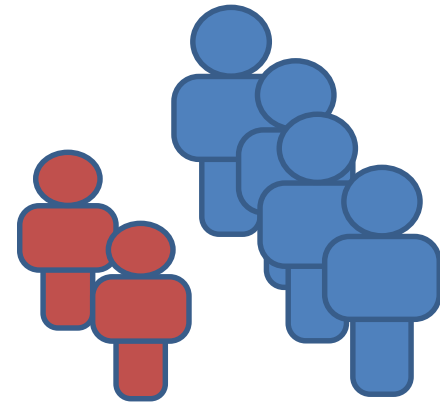
GDP US\$385 Billion (2013)

US\$5,647 per capita

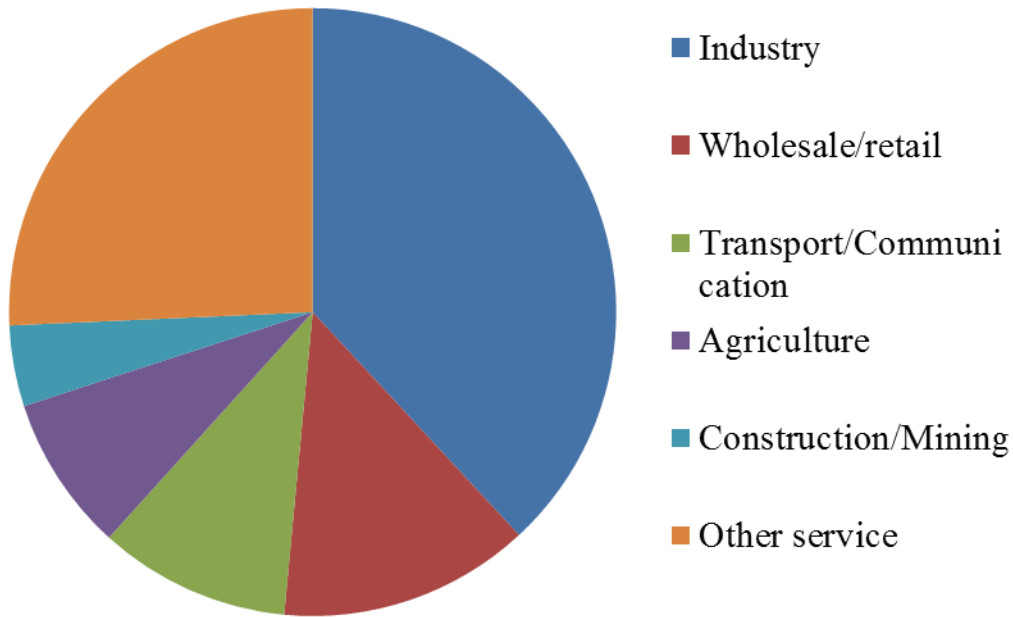
Population 67 Million

Labor Force 39.13 million

# Fast Facts



## Thailand

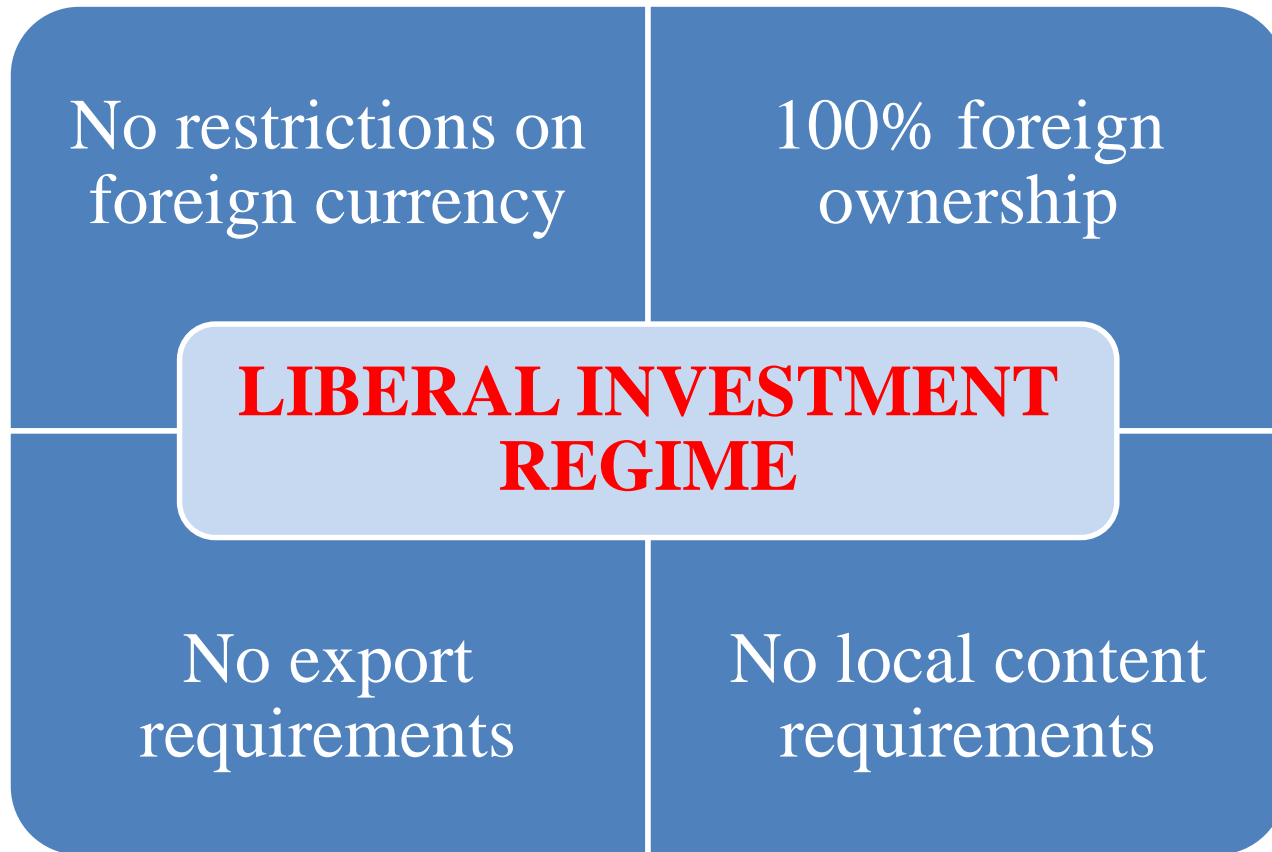


**ASEAN's 2<sup>nd</sup>  
Largest Economy**

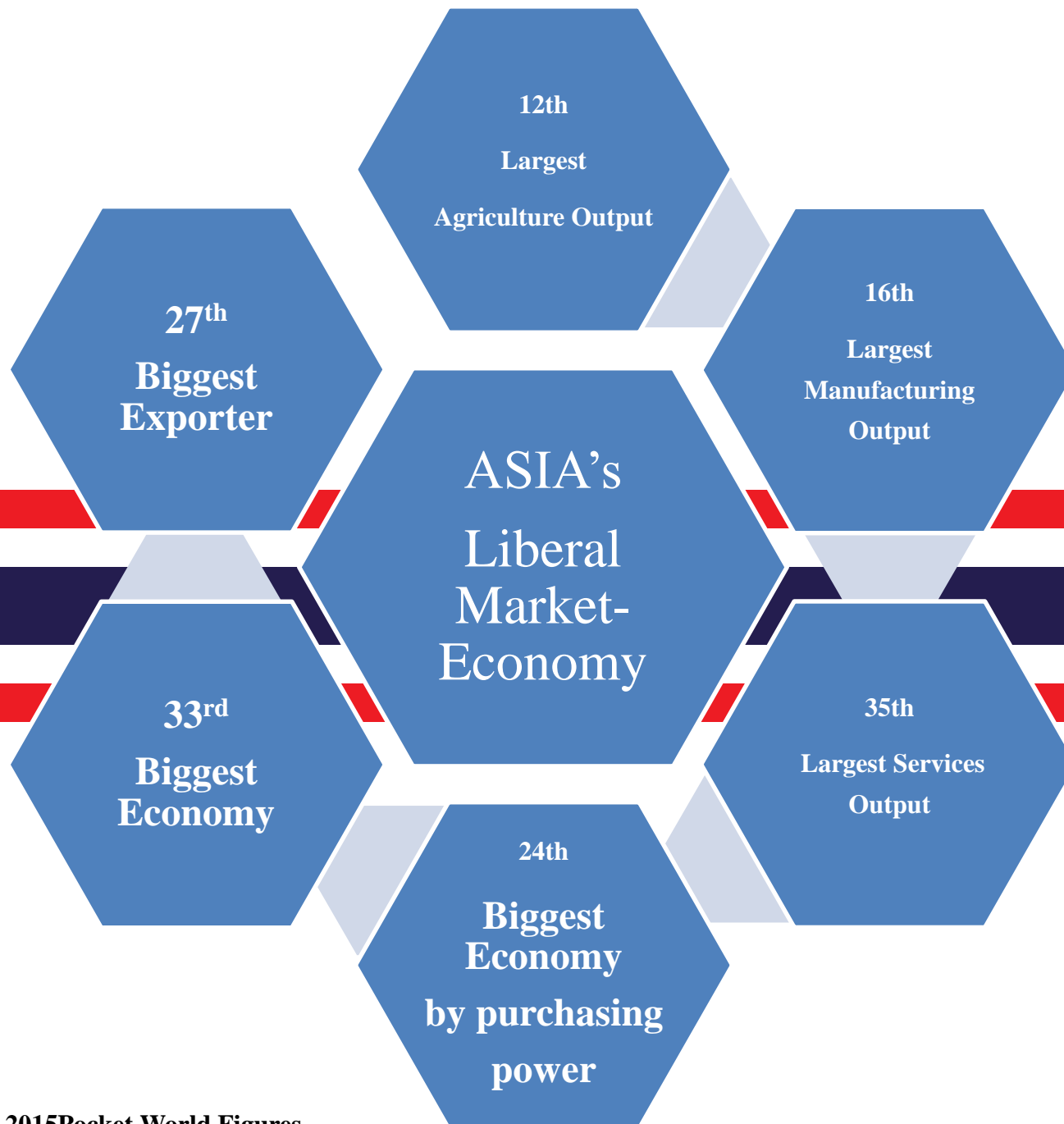
**an Upper Middle  
Income Country**

Sources: NESDB as of Nov 17, 2014

# Thailand and the BOI offer:









# Thailand: (Baa1 stable) ratings

**Very strong government financial position, well-diversified economy and high foreign reserves**

*"Thailand's low funding costs and favorable debt structure, which stem from prudent monetary policy and debt management, are a core strength in the government's debt carrying capacity" says Steffen Dyck, a Vice President and Senior Analyst at Moody's.*

Source: Moody's as of 28 May 2015

# Thailand: the Crossroads of ASEAN

## 10 Countries, One Single Market in 2015



<b>GDP</b>	<b>US\$ 2.3 trillion</b>
Population	616 million
Foreign Direct Investment	US\$ 111 billion
GDP Growth	5.7% (2011) 6.4% (2012) 5.2% (2013) 4.9% (2014)

**ASEAN's GDP to double to US\$4.7 trillion in 2020**

# A Base of Operations for Greater Mekong Sub-region

GMS GDP  
appx US\$1trillion

Market of 300m

Per capita US\$2,950





Thailand was the only GMS country open to external markets prior to the late 1980s

Today, most GMS countries offer cheap labor although infrastructure remains a challenge

- According to the AEC Blueprint CLMV countries' Tariffs will be removed by 2015.
- “ASEAN Single Window” streamlining customs procedures and expediting cargo. Cross-border trade saving cost and time for customs clearance.
- GMS offers comparative advantage in primary industries needed by other ASEAN countries
  - \*agro-industry, garment and mining sectors

# Competitive

# Thailand's Cost Advantages



## Office Space

- Grade A CBD US\$26.17 per square metre per month
- Grade B non-CBD rent of US\$17.36 per square metre per month



## Construction Costs

- Standard Low Rise Factory US\$469-\$594
- Office, High Quality: US\$875 - \$1031



Corporate tax rate 20%

Sources: CBRE, Tractus-Asia



# Cost of Living Survey

Bangkok: Great lifestyle:  
Low cost

2013	2014	
3	7	Tokyo
5	4	Singapore
13	14	Seoul
57	66	Yangon
66	88	Bangkok



(Ranking out of total 211 cities)

Source: Mercer Cost of Living 2014

# Highly Ranked



**UNCTAD**

**Thailand 8<sup>th</sup> top prospective host economy 2014-2016**



**World Bank**

**26th easiest place to do business in the world and 2<sup>nd</sup> among emerging economies of East Asia**

# Strong Infrastructure



## Road

- National highway: 61,747 km.
- Motorway & expressway: 313 km.



## Ports

6 deep sea ports : Laem Chabang: 7.7 Million TEUs/Year and Bangkok: 1.34 Million TEUs/Year



## Rail

- Single track: 3,685 km.
- Double & third track: 358 km.



## Air

- Suvarnabhumi airport: 45 Million populations / Year
- Don Muang airport: 36 Million populations /Year
- Phuket airport: 6.5 Million populations/Year
- Chiang Mai airport: 8 Million populations/Year

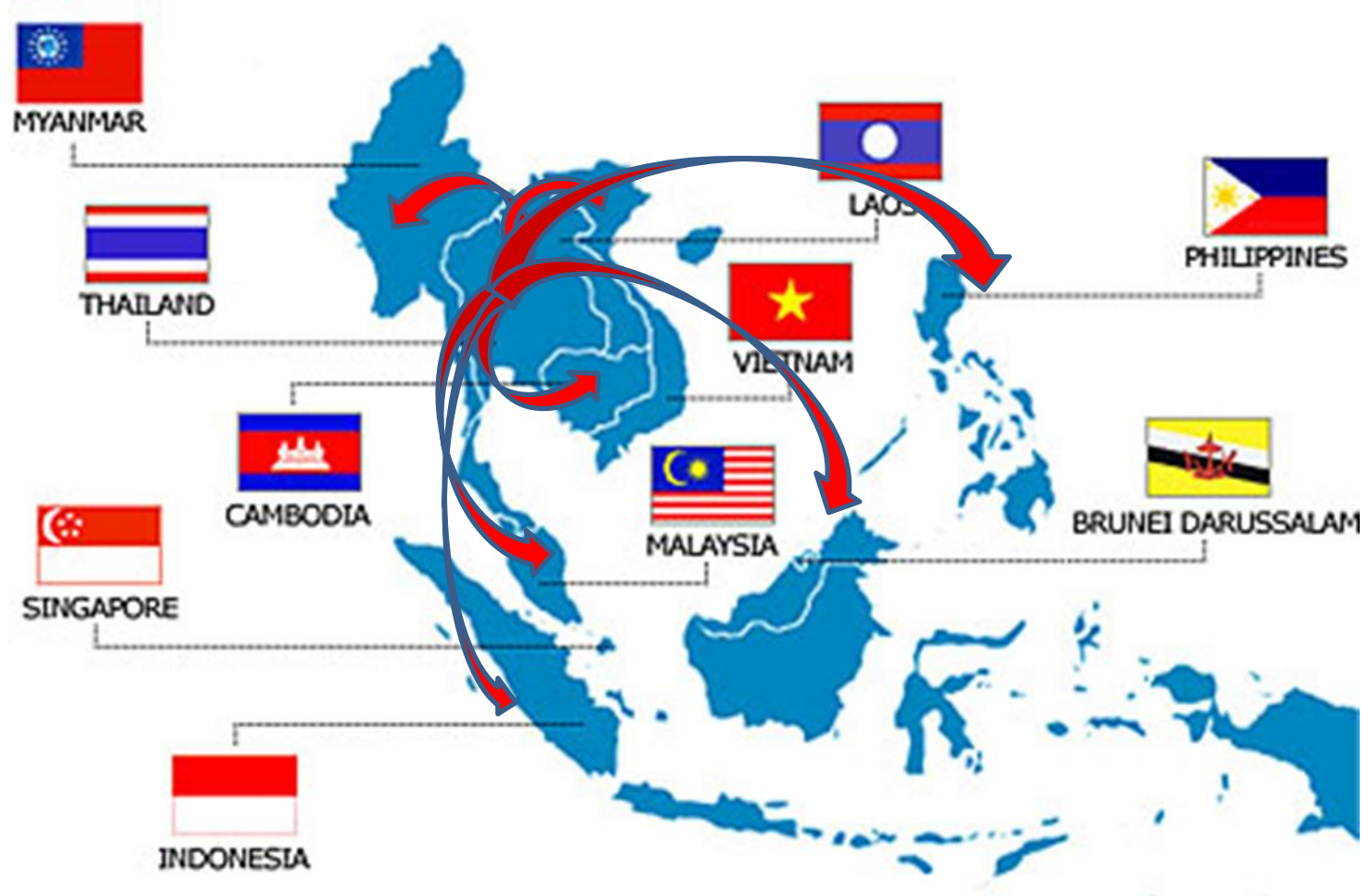
# GMS Infrastructure Development



- North-South Corridor
- North-Eastern Corridor
- East-West Corridor
- Southern Corridor
- Central Corridor
- Southern Coastal Corridor

**GMS  
CORRIDORS**

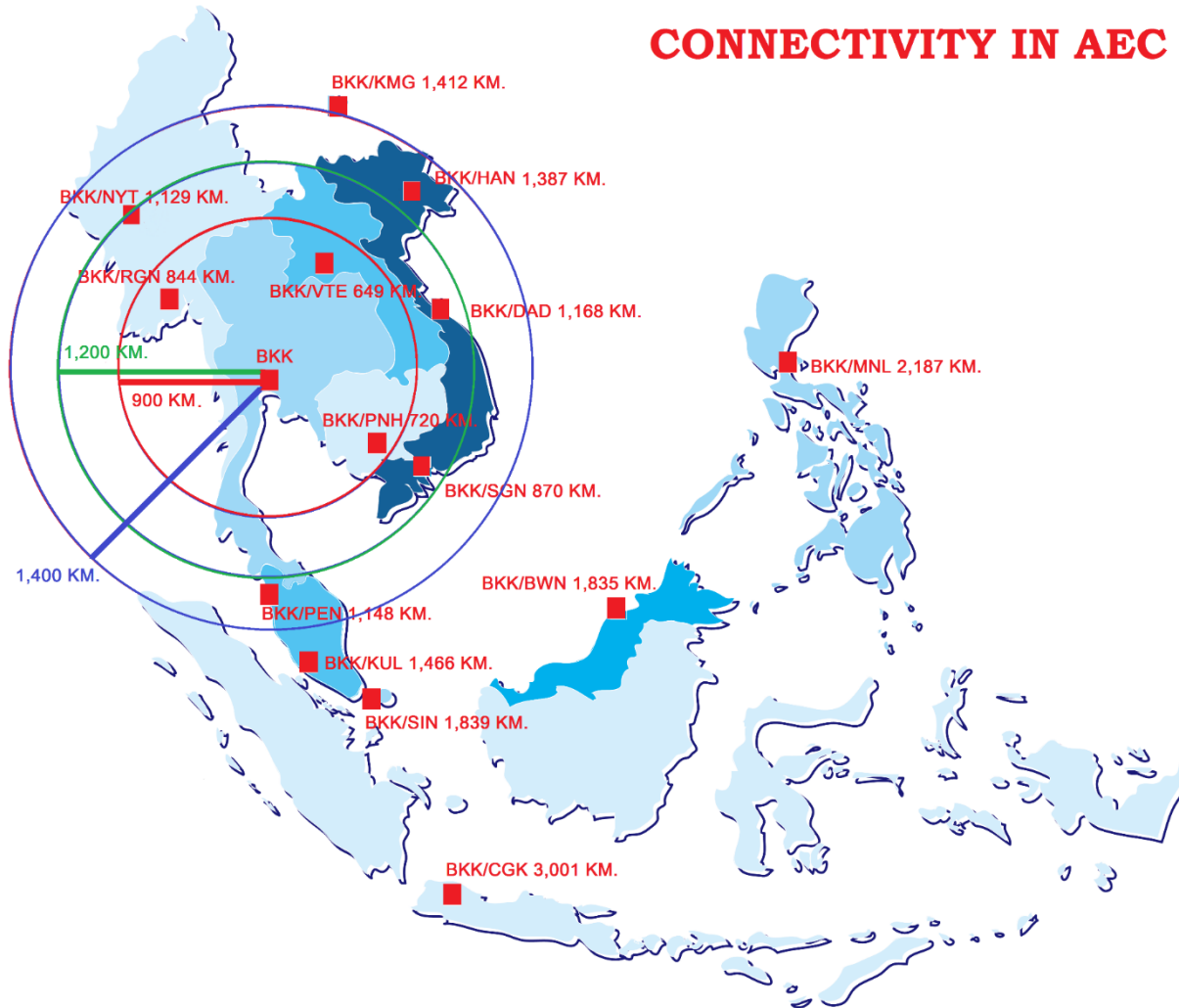
# Thailand: Improving Regional Connectivity

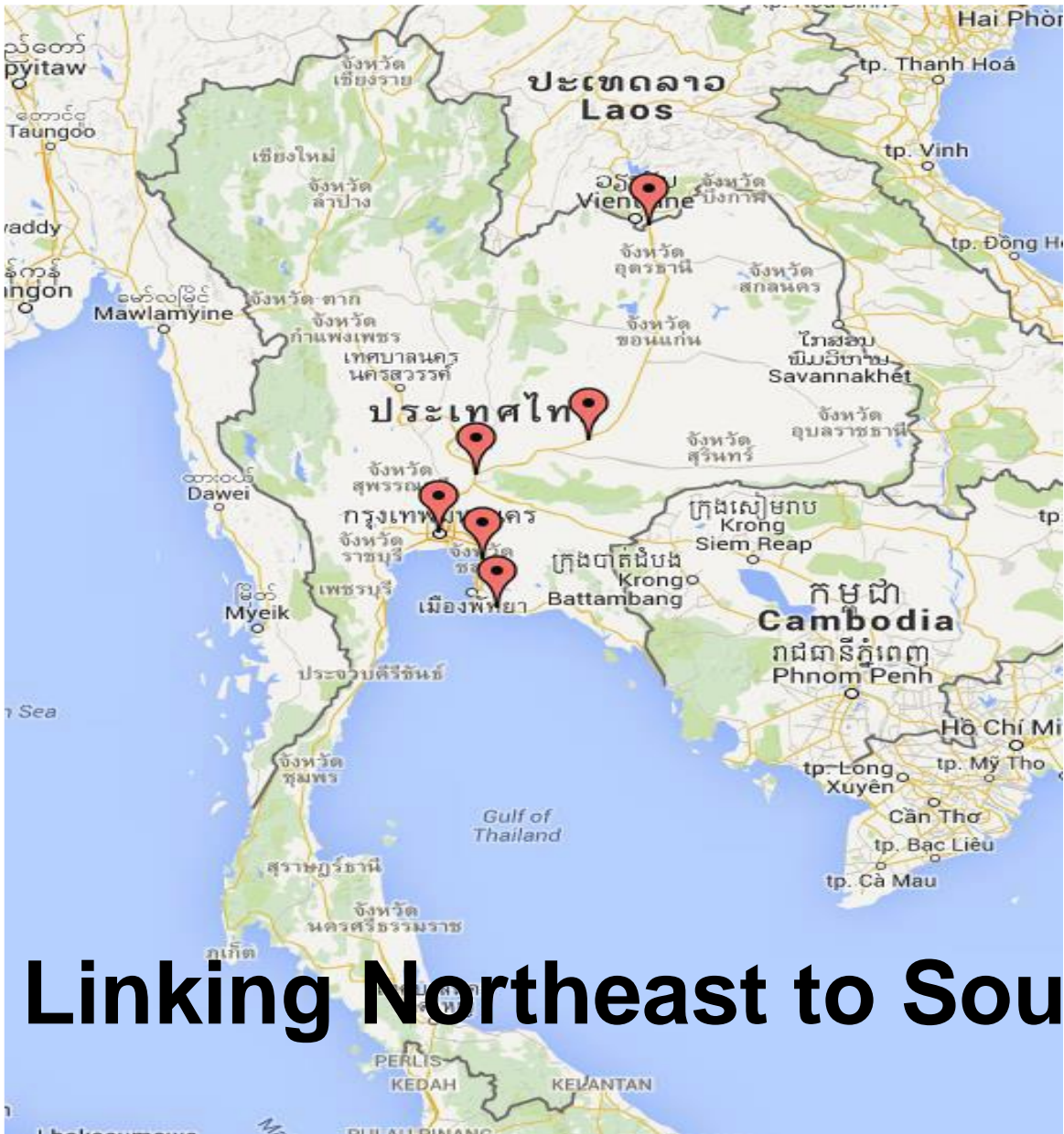


# Strategic Location : Gateway to ASEAN



# CONNECTIVITY IN AEC





- Saraburi-BKK
- Rayong-Saraburi
- 9/2015
- Saraburi-Nakhon Ratchasima
- Nong Kai
- 12/2015

# Linking Northeast to Southern China



# 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)

1. Singbusi
2. Ang Thong
3. Phra Nakhon Si Ayutthaya
4. Pathum Thani
5. Nakhon Pathom
6. Nonthaburi
7. Samut Sakhon
8. Samut Songkhram
9. Samut Prakan
10. Nakhon Nayok

# Policies and Services

# THAILAND

New Policies, More Competitive Economy

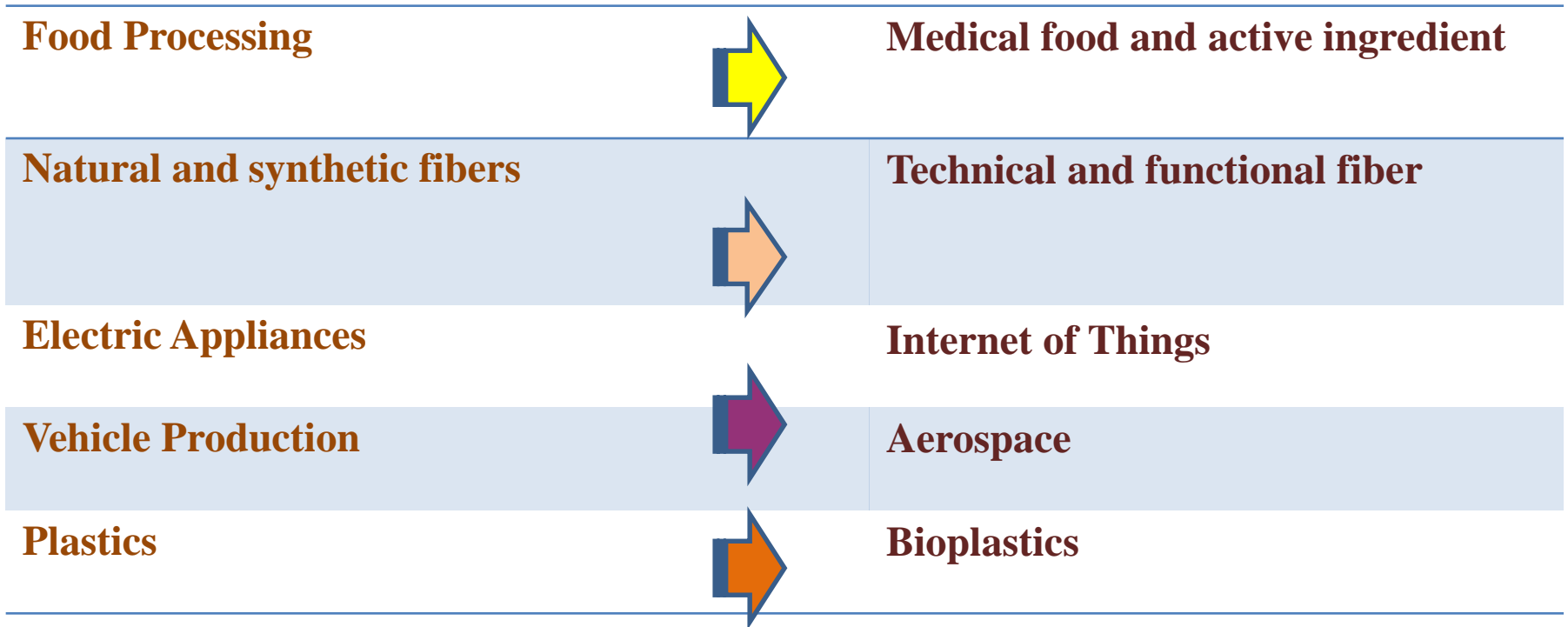


**RESEARCH  
INNOVATE  
SUCCEED**





# Shifting to High Value Added



# New Industries



THAILAND  
BOARD OF  
INVESTMENT

Think Asia, Invest Thailand

## Cloud services



## biotechnology



## Aerospace



## Nanotechnology

# **BOI offers attractive tax investment incentives**

**Import duty exemptions/ reductions**

**Corporate Income Tax Exemption for up to 8 years**

**50% reduction of corporate income tax for up to 5 years**

**Double deduction on utility costs**

**Deductions for qualifying infrastructure costs**

**A1 Knowledge-based, focus on R&D and Design**

**A2 Infrastructure, value added with none or few existing in Thailand**

**A3 High-technology investments with few existing in Thailand**

**A4 Lower tech, but add value to domestic resources and supply chain**

**B1 Value to supply chain**

**B2 Value to supply chain**

A1 through B1 all receive exemption of import duty on machinery/raw materials and non-tax incentives. B2 receives only exemption on raw materials.

# Thailand

## Your International Trading Center



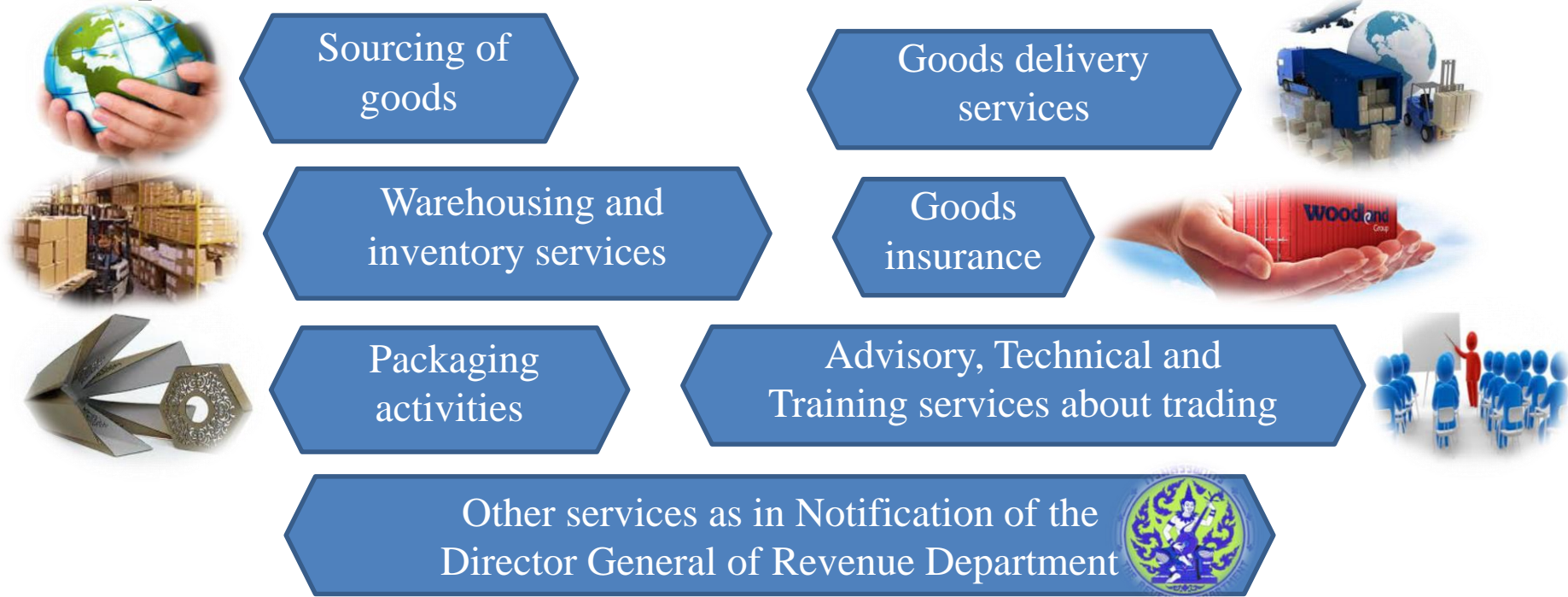


- A juristic company incorporated in Thailand providing the following services to IHQ's foreign branches or associated enterprises



# International Trading Centers (ITC)

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



- The paid-up registered capital must not be less than 10 million baht.
- Have total ITC business spending of at least 15 million baht per year in Thailand

## Revenue Department incentives:

### 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.

# 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

# **Thailand BOI Serves Investors**

**Investment Matching and  
Industrial Subcontracting Assistance**

**1-Stop Visas/Work Permits  
Within 3-hours**

**Inter-agency support and country  
desks**

**ASEAN Supporting Industrial Data  
Base (ASID)**

**Overseas offices and outbound  
investment assistance**

# One Start One-Stop Investment Center (OSOS)

Facilitate  
business  
negotiation

Easing & speeding  
procedures for new  
investors to start up  
a business

Consolidating staff  
from numerous  
investment-related  
agencies

OSOS

Assist investors with various  
applications

- Register a company
- Obtain investment promotion privileges
- Obtain a foreign business license
- Complete an EIA report
- Permission to use land for industrial operations
- Utilities, etc.

visa & work  
permit  
renewal  
across the hall



# ASEAN Supporting Industry Database (ASID)



- Information and profiles of companies in supporting industries and manufacturers of parts and components in 10 ASEAN countries
- ASID can be easily accessed via the internet at [www.asidnet.org](http://www.asidnet.org)
- Contact: **BOI Unit for Industrial Linkage Development (BUILD)**

Email: [build@boi.go.th](mailto:build@boi.go.th)

Tel: + 66 553 8111 ext. 7



# BUILD Activities

ASID

Seminar

Sourcing  
Program

(sourcing@boi.go.th)

VMC  
Road  
Show

Vendors  
meet  
customers

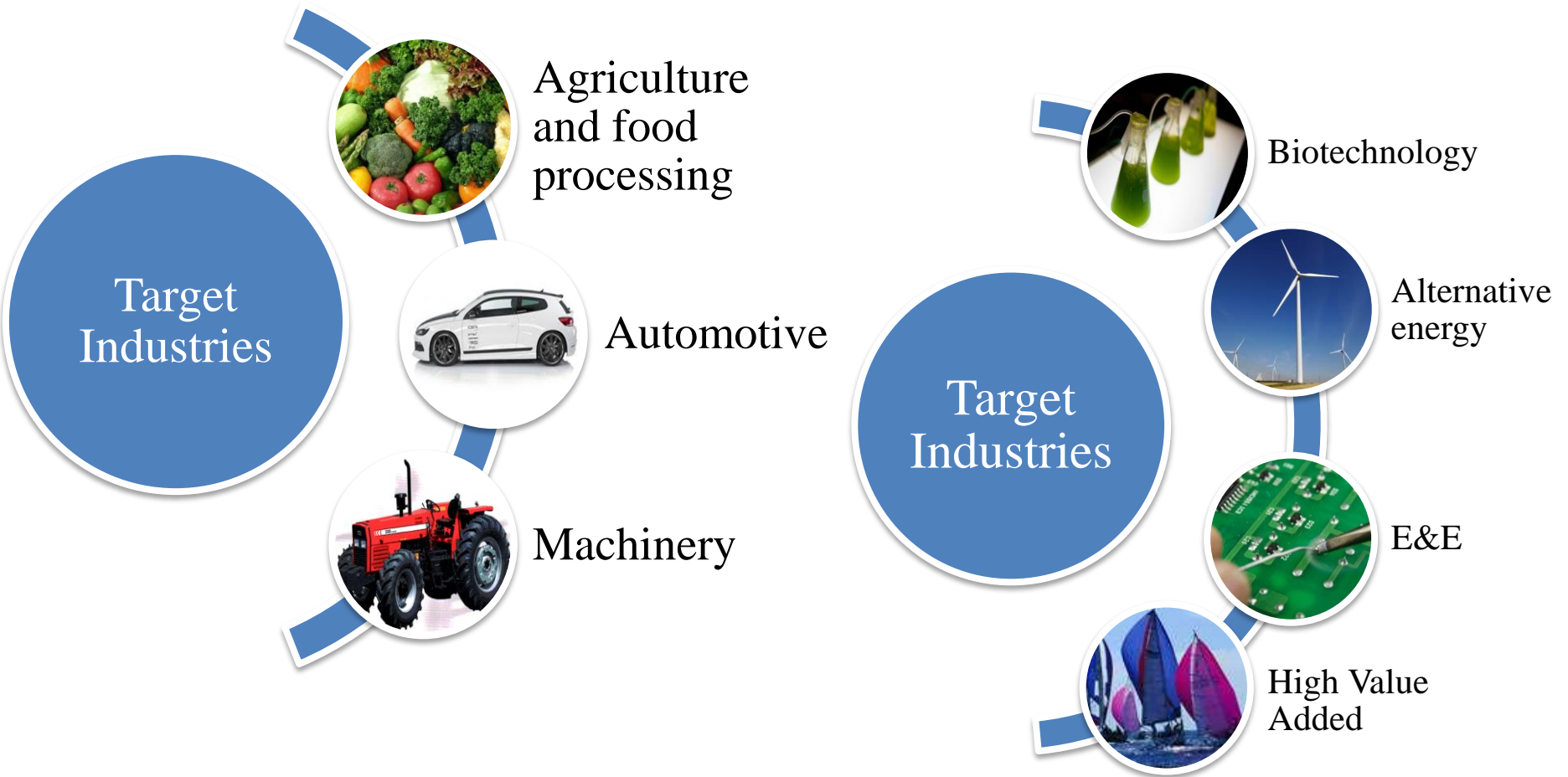
Marketplace

Business  
Matching



# Investment Opportunities

# Sectors of Opportunity



# BOI Promotes Agriculture Industry

Among others:

1.17 Manufacture or preservation of food, beverages, food additives or food ingredients using modern technology (A3)

1.18 Manufacture of medical food or food supplements (A2)

# BOI Promotes Aircraft Industry

4.11 Manufacture, repair or conversion of aircraft, including aircraft parts and equipment or onboard equipment:

4.11.1 airframe, airframe parts, major aircraft appliances, e.g. engine, aircraft parts, propeller, and avionics (A1)

4.11.2 other aircraft parts , and onboard devices and equipment (except disposable and reusable aircraft utilities and supplies) (A3)

4.11.3 repair or conversion of aircraft, parts and equipment (A2)

Source: BOI Announcement 2557 3 December 2015  
Effective as of 1 January 2015

# Biotechnology: BOI Eligible Activities

**Biotechnology (7.12)**  
**A1 Incentives**

Seed & Plant R&D

Biopharmaceutical agents R&D

Diagnostic kits for health,  
agriculture, food and environment R&D

Biomolecule & bioactive compounds using  
microorganisms, plant cells and animal cells R&D

Manufacture of raw materials and/or essential materials  
used in molecular biological experiment

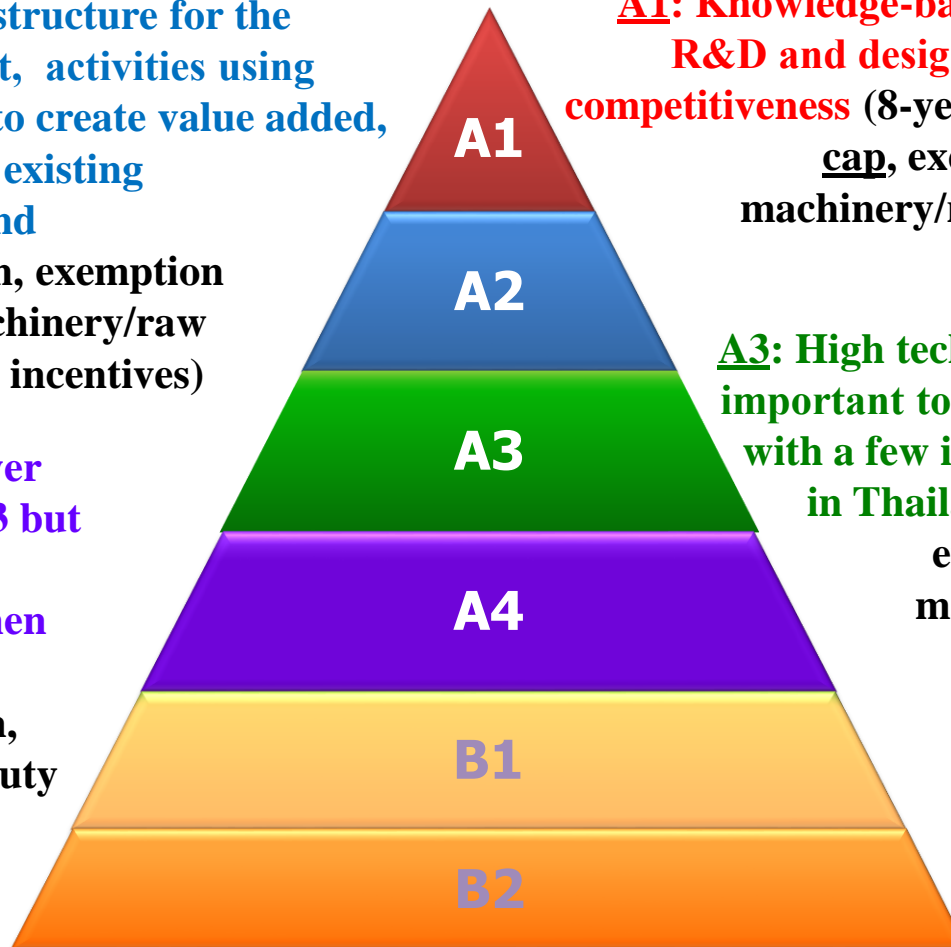
Biological substances analysis and/or synthesis services  
Quality control and product validation services

Source: A Guide to BOI 2013 as of Mar 24, 2014

# Activity-based Incentives

**A2:** Activities in infrastructure for the country's development, activities using advanced technology to create value added, with none or very few existing investments in Thailand (8-year CIT exemption, exemption of import duty on machinery/raw materials and non-tax incentives)

**A4:** Activities with lower technology than A1-A3 but add value to domestic resources and strengthen supply chain (3-year CIT exemption, exemption of import duty on machinery/raw materials and non-tax incentives)



**A1:** Knowledge-based activities, focusing on R&D and design to enhance the country's competitiveness (8-year CIT exemption without cap, exemption of import duty on machinery/raw materials and non-tax incentives)

**A3:** High technology activities which are important to the country's development, with a few investments already existing in Thailand (5-year CIT exemption, exemption of import duty on machinery/raw materials and non-tax incentives)

**B1/B2:** Supporting industries that do not use high technology but are still important to value chain  
(**B1** : Exemption of import duty on machinery/raw materials and non-tax incentives  
**B2** : Exemption of import duty on raw materials and non-tax incentives)

*Thank you*