

Investment Promotion Direction

Agricultural and Agro-Industries, and Light Industries

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14 January 2013

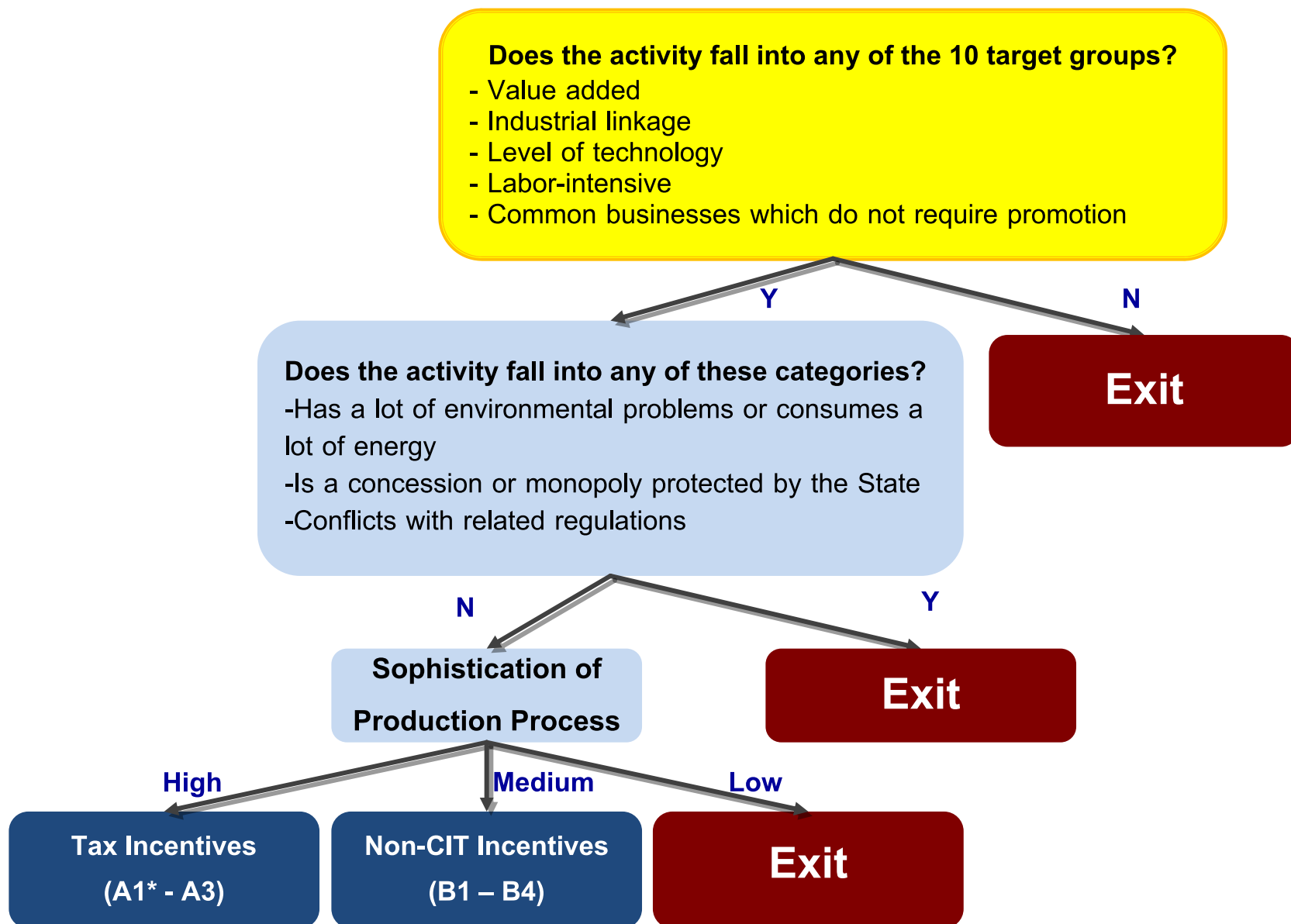
Promote investment which will support sustainable growth and help Thailand overcome “Middle Income Trap”

- **Promote competitiveness development and value creation of industrial sector**
- **Promote green industry to drive balanced and sustainable growth**
- **Promote new industrial clusters in the regions**
- **Promote Thai overseas investment in order to increase competitiveness of Thai businesses**

10 target activities that will transform Thai economy



Industry Group	Agriculture	Light
1. Basic infrastructure and logistics		
2. Basic industry		✓
3. Medical devices and scientific equipment	✓	✓
4. Alternative energy and environmental services	✓	
5. Services that support industrials sectors		
6. Advanced core technology		✓
7. Food and agricultural processing	✓	
8. Hospitality & Wellness		
9. Automotive and transport equipment		
10. Electronics and electrical appliances		



Consideration guidelines

1. Sophistication of production process

- The more sophisticated and advanced technology, the better the incentives.

2. Comparison of tax incentives between Thailand and competitors (Malaysia, Indonesia, Vietnam)

- Are the new incentives attractive enough for investors ?
- The company data representing promoted activity and actual data from each country calculated by using Marginal Effective Tax Rates (METR), which is an investment attractiveness indicator of each country.
- METR covers the tax structure, tax incentives, accounting method and other factors, excluding non-tax incentives.

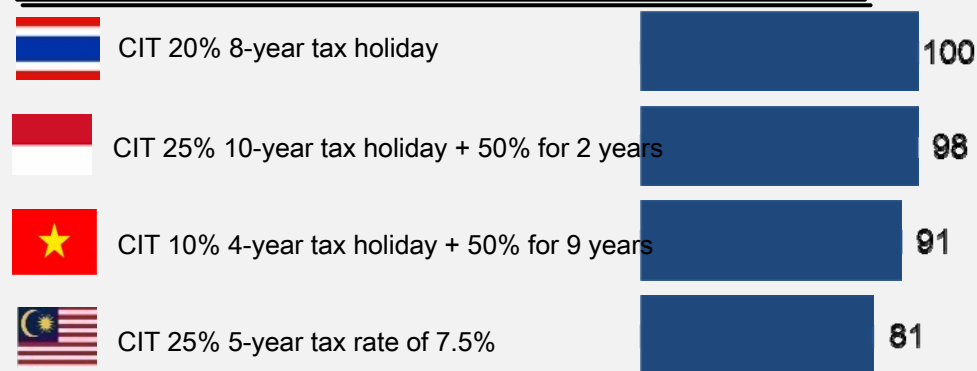
CIT Incentives

CIT incentives	A1* 8 Yrs. Without cap	A1 8 Yrs	A2 5 Yrs	A3 3 Yrs
Sophistication of production process	High ←————→ Low			

The appropriate incentives that can be competitive.

This is the sample result from Marginal Effective Tax Rate calculation.

METR in Food Supplement Manufacturing (data retrieved from sample company's financial statement)



(Higher scores are more attractive to investors. The most attractive country will have an index value equal to 100.)

Non-CIT Incentives

Consideration Guidelines

1. Activities eligible for non-CIT incentives must be in 10 target sectors, but the production process is less sophisticated.
2. Incentives granted vary depending on the need to import machinery or raw materials, to bring in skilled workers or foreign experts, and to own land.

	Incentives
B1	<ul style="list-style-type: none"> ● Import duty exemption on machinery ● Import duty exemption on raw materials used in production for export. ● Non-tax
B2	<ul style="list-style-type: none"> ● Import duty exemption on machinery ● Non-tax
B3	<ul style="list-style-type: none"> ● Import duty exemption on raw materials used in production for export. ● Non-tax
B4	<p>Non-tax e.g.</p> <ul style="list-style-type: none"> ● Permission to own land ● Permission to bring in skilled workers and foreign experts to work in promoted projects

New Form of Incentives (More Merit, More Incentives)

Basic Incentives

	New Project	Expansion Project
A1*	8 years without cap	8 years without cap
A1	8 years	8 years
A2	5 years	3 years
A3	3 years	1 year

Expansion project is a project that existing BOI-promoted companies apply for promotion to invest in existing product without using more advanced technology or production process.

Merit-based Incentives

(Only activities in Group A1, A2, and A3)

R&D (whether it is in-house, cooperation with educational or research institution, or donation to Technology and Human Resources Development Fund) The number of additional years of CIT exemption depends on the percentage of R&D expenditures to revenues:

- 1 % or not less than 150 million baht, one additional year of CIT exemption
- 2 % or not less than 300 million baht, two additional years of CIT exemption
- 3% or not less than 450 million baht, three additional years of CIT exemption and CIT exemption cap will also be removed.

Environment (Obtain ISO 14000 certificate, Carbon Footprint or other standards approved by the Board of Investment) one additional year of CIT exemption

Projects located within industrial estates / promoted industrial zones one additional year of CIT exemption

Incentives
to be granted

A1
8-yr-CIT
exemption
(with cap)

1. Manufacture of medical food
2. Manufacture of food supplements
3. Manufacture of biofuels from cellulose and bio-hydrogenated diesel (BHD)

A2
5-yr-CIT
exemption
(with cap)

1. Manufacture of fuels from scraps, garbage and / or waste (e.g. animal dung, plastic scraps, used tyres and etc.) and plants (e.g. sugarcane, cassava, palm, algae and jatropha and etc).
2. Manufacture of processed food (except drinking water, ice cream, confectionary, chocolate, snacks, bakery, instant noodles, chewing gum, soft drinks, alcoholic beverages, or caffeinated beverages and projects that only involve mixing and diluting processes.)
3. Manufacture of food additives or food ingredients (except sugar, and manufacture of food additives or food ingredients that involve only mixing, grinding, fermenting or diluting processes)

A3
3-yr-CIT
exemption
(with cap)

1. Manufacture of herbal extracts
2. Plant propagation and development
3. Manufacture of natural rubber products (except simple processing e.g. concentrated latex, rubber sheet, blocked rubber and compounded rubber etc.)
4. Manufacture of products made from agricultural by-products or waste with innovation or high production technology, (except those which involve simple production process only e.g. drying, compressing, and etc.)
5. Manufacture of oils or fats from plants or animals

B2

**Import duty
exemption on
machinery**

1. Manufacture of dextrin or modified starch.
2. Grading, packaging and storage of plants, vegetables, fruits or flowers (except rice) using modern technology

Exit group

- Hydroponics cultivation
- Forestry plantation
- Manufacture of biological fertilizers, organic fertilizers or soil conditioner
- Manufacture of animal feed or mixes for animal feed
- Crop drying and silo facilities
- Deep sea fishery
- Slaughtering
- Tanneries, leather finishing, or fur dressing
- Manufacture of candy, chocolate and gum.
- Manufacture of products from herbs
- Cold storage or Cold storage and cold storage transportation
- Farm Management

Light industry: Group A and Group B

<u>A1</u> 8-yr-CIT exemption (with cap)	<ol style="list-style-type: none">1. Manufacture of Class III medical devices (high risk)2. Manufacture of fibers using high technology e.g. technical or functional fibers etc.
<u>A2</u> 5-yr-CIT exemption (with cap)	<ol style="list-style-type: none">1. Manufacture of Class II medical devices (medium risk)2. Manufacture of functional yarn or functional fabric3. Manufacture of scientific equipment
<u>A3</u> 3-yr-CIT exemption (with cap)	<ol style="list-style-type: none">1. Manufacture of lenses which are not classified as medical device, sunglasses lenses or cosmetic lenses (e.g. camera lenses and lenses for scientific devices etc.)2. Manufacture of Class I medical devices (low risk) except cotton, bandage, cast, gauze, elastic fixation, gown, drape, medical cap and face mask
<u>B1</u> Import duty exemption on machinery and essential raw materials used in production for export	<ol style="list-style-type: none">1. Manufacture of sunglass lenses; cosmetic lenses; and eyeglass frames and parts.2. Manufacture of natural or synthetic fibers that are not classified as functional or technical fibers.
<u>B2</u> Import duty exemption on machinery	<ol style="list-style-type: none">1. Manufacture of sanitary napkins and absorptive pads

Light Industry: Exit Group

Activities to be deleted from the list of eligible activities

- Yarn spinning
- Manufacture of fabrics
- Bleaching, dyeing, and finishing
- Printing and finishing
- Manufacture of garments
- Manufacture of parts or accessories for garments
- Manufacture of household textiles
- Manufacture of carpets
- Manufacture of trawling nets
- Manufacture of shoes or parts
- Manufacture of luggage or parts
- Manufacture of sports equipment or parts
- Manufacture of products from leather or artificial leather
- Production related to the gem and jewelry industry
- Manufacture of stationery or parts
- Manufacture of toys

Activities to be deleted from the list of eligible activities

- Manufacture of musical instruments
- Manufacture of artificial goods
- Manufacture of furniture or parts
- Manufacture of abrasive paper
- Manufacture of cotton, bandage, cast, gauze, elastic fixation, gown, drape, medical cap and face mask

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