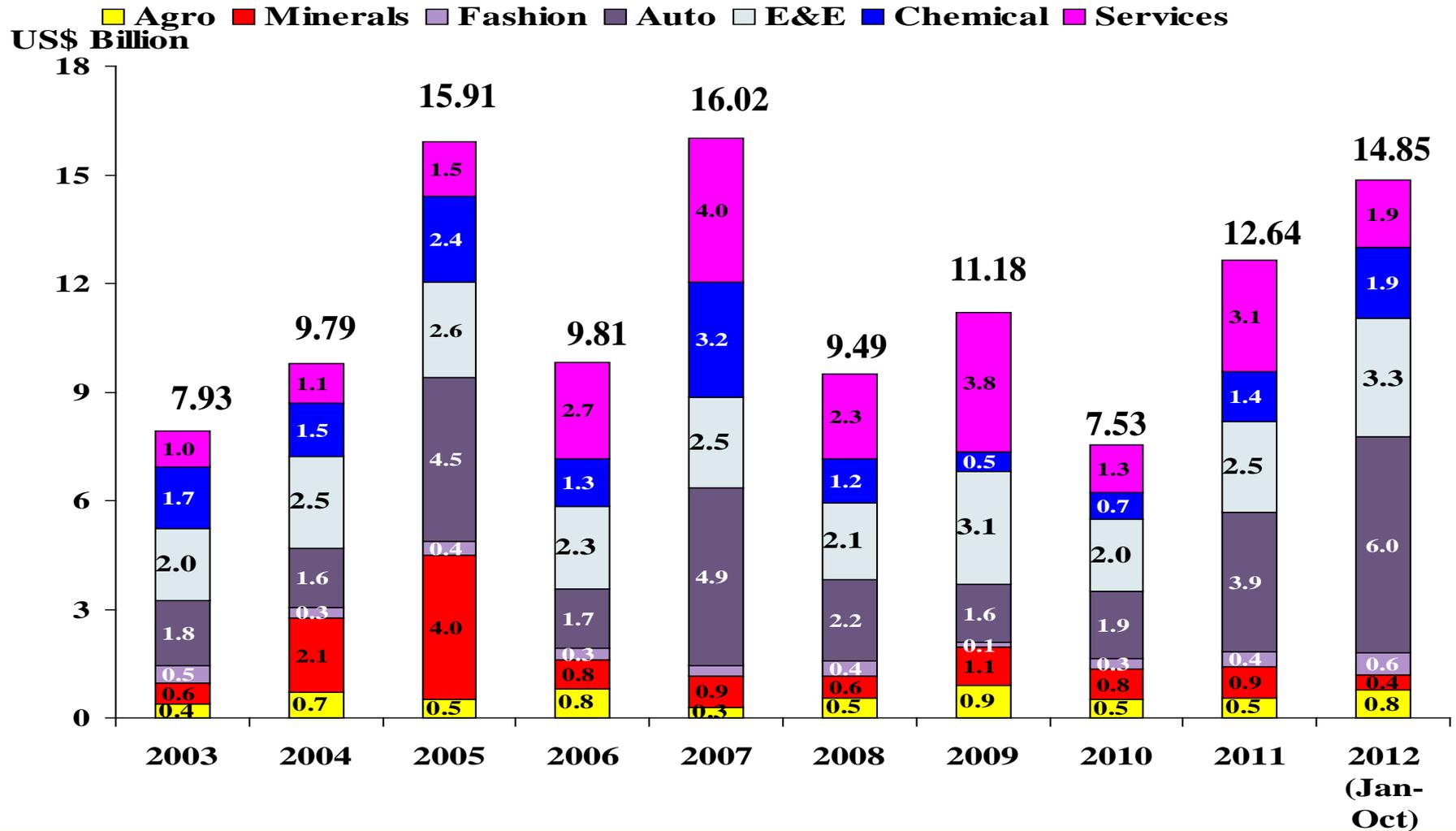


Thailand Board of Investment-Policy Update

Duangjai Asawachintachit
Deputy Secretary General
Thailand Board of Investment
29 November 2012

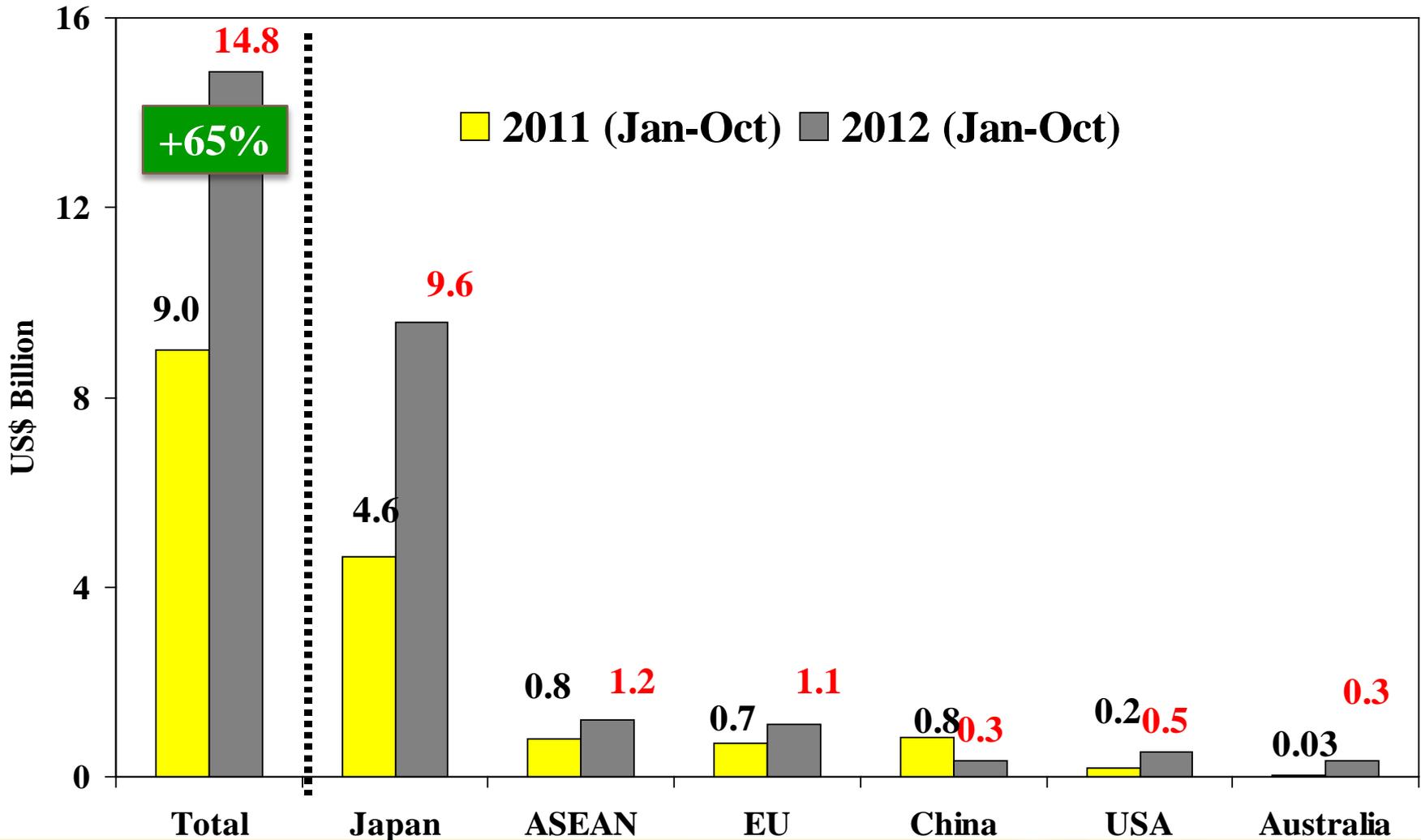
INVESTMENT SITUATION

NET FOREIGN APPLICATIONS SUBMITTED 2003-2012 (JAN-OCT) BY SECTOR



Source: BOI, as of Nov 26, 2012 US\$1=Bt31.36 in Q3,2012

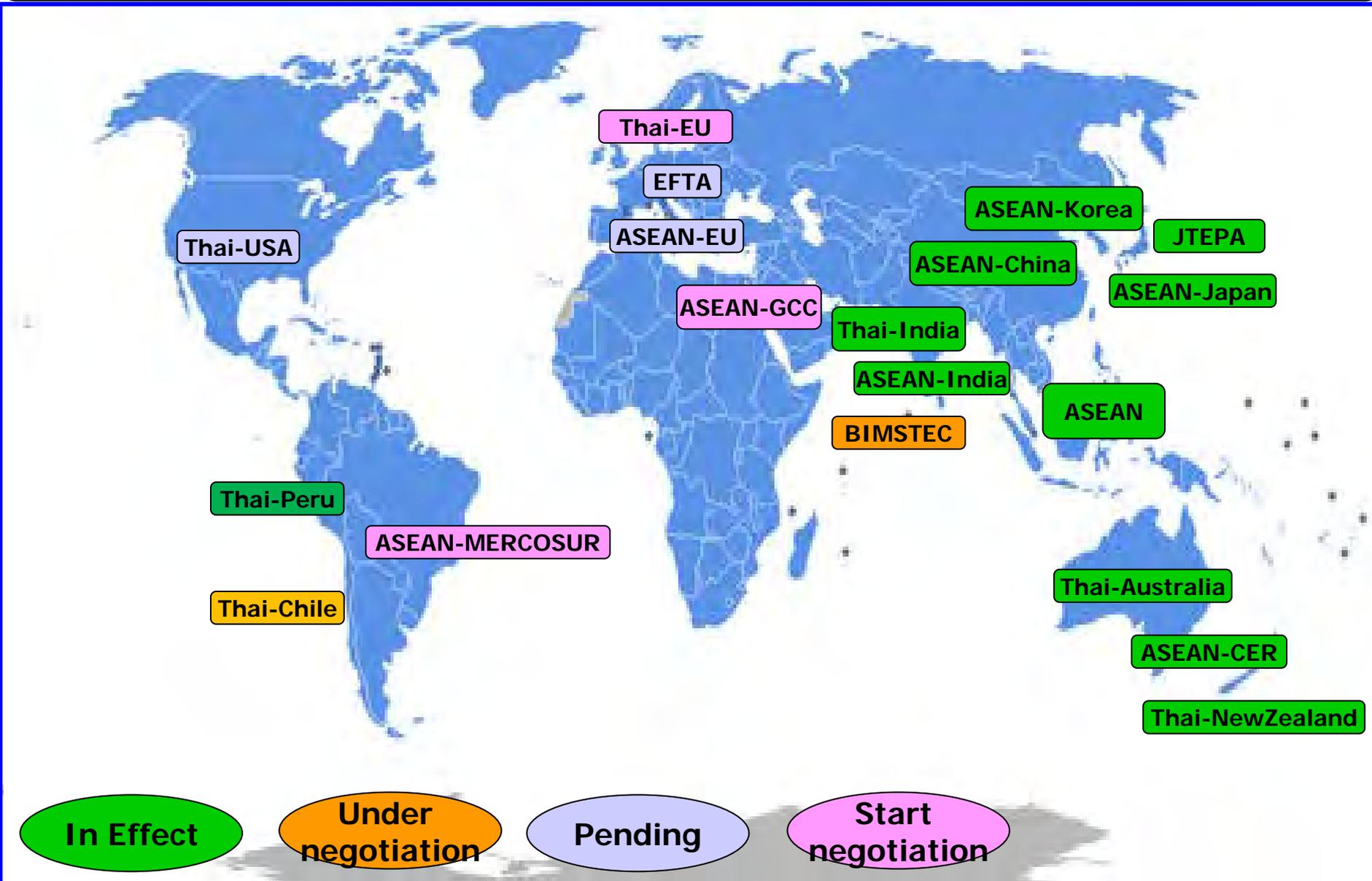
FOREIGN DIRECT INVESTMENT APPLICATIONS



Source: BOI, as of Nov 26, 12, 2012 US\$1=Bt31.36 in Q3,2012

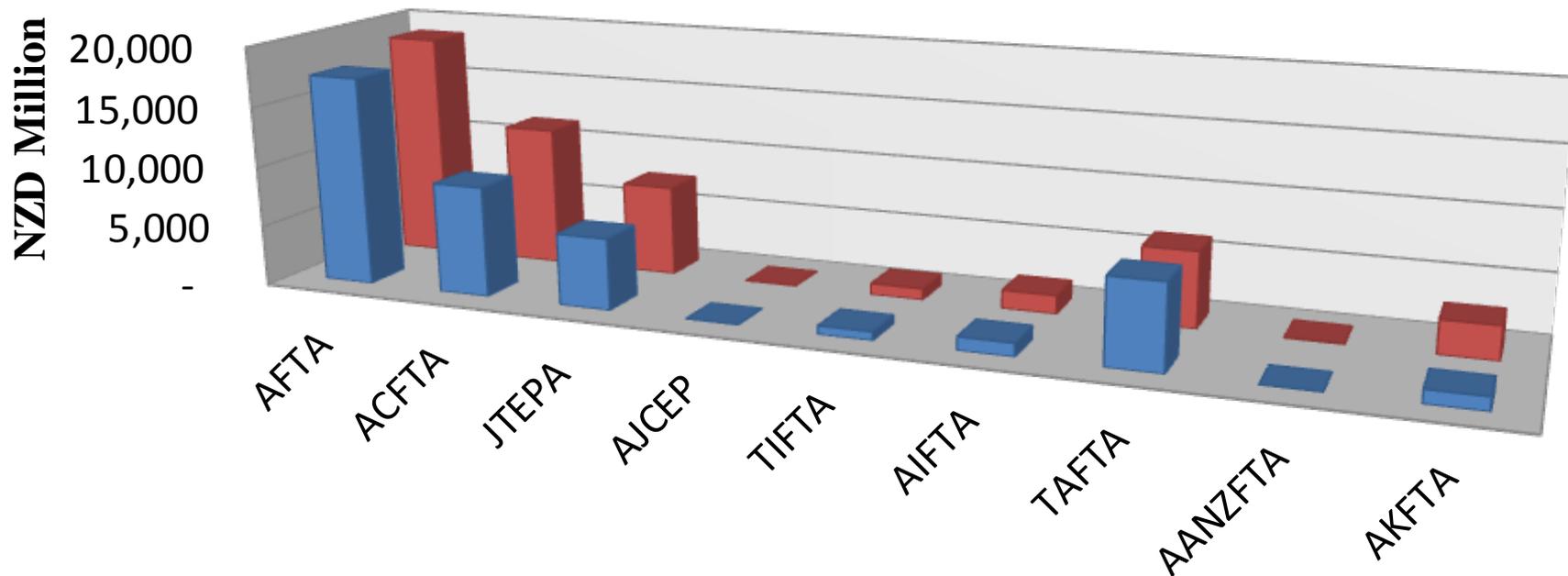
MARKET POTENTIAL

Thailand's FTA and Trade Partners



THAILAND'S EXPORTS WITH FTAS' PARTNERS, 2010-2011

Thailand's Exports with ASEAN+1 & FTAs, 2010-2011



	AFTA	ACFTA	JTEPA	AJCEP	TIFTA	AIFTA	TAFTA	AANZFTA	AKFTA
■ 2010	17,347	9,119	5,902	32	700	1,083	6,943	33	1,089
■ 2011	18,778	11,579	7,470	59	925	1,514	6,229	114	2,739

Source: www.moc.go.th as of July 03, 2012
 Note: US\$1=Bt31.36 and NZD1=Bt25.35 in Q3, 2012

Thailand and the BOI offer:



BOI's Current Foreign Equity Participation Policies

- ❑ no restriction on foreign shareholding in manufacturing
- ❑ 100% foreign shareholding allowed in some services
- ❑ At least 51% Thai ownership is required for activities in list 1 of the Foreign Business Act

TAXATION

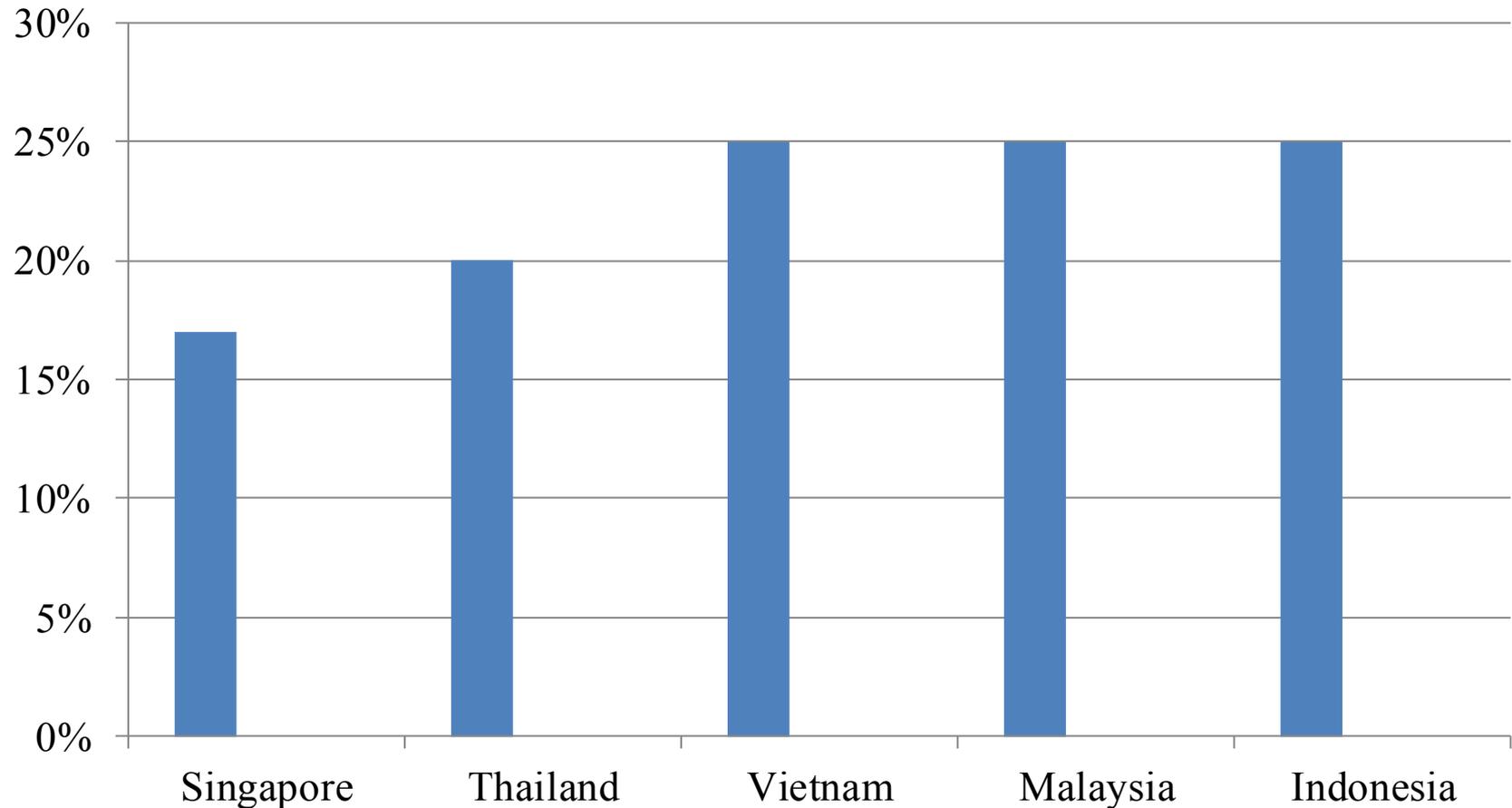
- **Corporate income tax**
 - **0, 10%** for regional operating headquarters
 - **15-23%** for net profits (for firms with capital of ≤ 5 million baht)
 - **23%** of net profits (for other firms)
- **VAT – 7%**
- **Remittances: 10%** of gross remittances
- **Withholding: 10-15%**
- **Personal income:**
 - **0-37%** (sliding scale)
 - **15%** flat rate for expats working for regional operating headquarters

Tax Package of Regional Operating Headquarters

Benefit	Benefit
<p>For portion of income from OVERSEAS OPERATIONS</p> <p>0% CORPORATE INCOME TAX for 15 years</p>	<p>For portion of income from LOCAL OPERATIONS</p> <p>10% CORPORATE INCOME TAX for 15 years</p>
<p>Key Conditions</p> <ul style="list-style-type: none"> - In 1st fiscal year, have one operating company in another country; a second within 3rd year; a third within 5th year - Have annual expenses in Thailand of Bt15 million, or have invested at least Bt30 million in Thailand - By end of 3rd year, 75% of ROH personnel to be qualified staff, and 5 persons earning at least Bt2.5 million annual salary and benefits per person - All companies must be real operating companies with a physical presence and staff 	

Benefit
<p>For income of EXPATRIATE EMPLOYEES</p> <p>15% PERSONAL INCOME TAX for 8 years</p>
<p>Key Conditions</p> <p><i>In addition to conditions for income from overseas and local operations:</i></p> <ul style="list-style-type: none"> - Income generated from services to overseas companies must be at least 50% of total revenues

ASEAN CORPORATE INCOME TAX 2013



BASIC BOI PRIVILEGES AND MEASURES

Tax Incentives

- ❑ Corporate income tax holidays up to 8 yrs
 - Additional 50% reductions of corporate income tax for 5 yrs
- ❑ Import duty reductions or exemptions on machinery and raw materials
- ❑ Double deduction of public utility costs
- ❑ Deductions for infrastructure construction/installation costs

Non-Tax measures

- ❑ Land ownership rights for foreign investors
- ❑ One Stop Services Center (OSOS)
- ❑ Work permit/visa facilitation for foreign experts and technicians

One-Stop-Shop

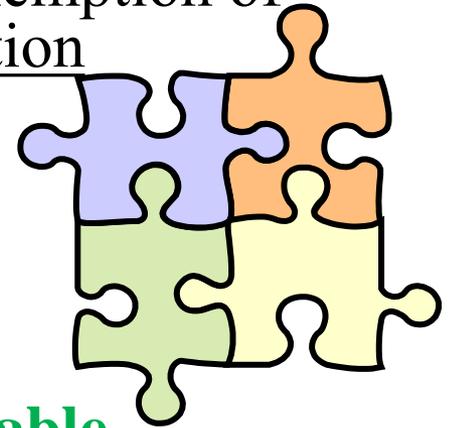
Visas & Work Permits are issued in 3 hours

Activities Eligible for BOI Promotion

- Agriculture and agro-industries
- Metal-working and minerals
- Light industries
- Chemicals and petrochemicals
- Electrical and electronics
- Services and public utilities

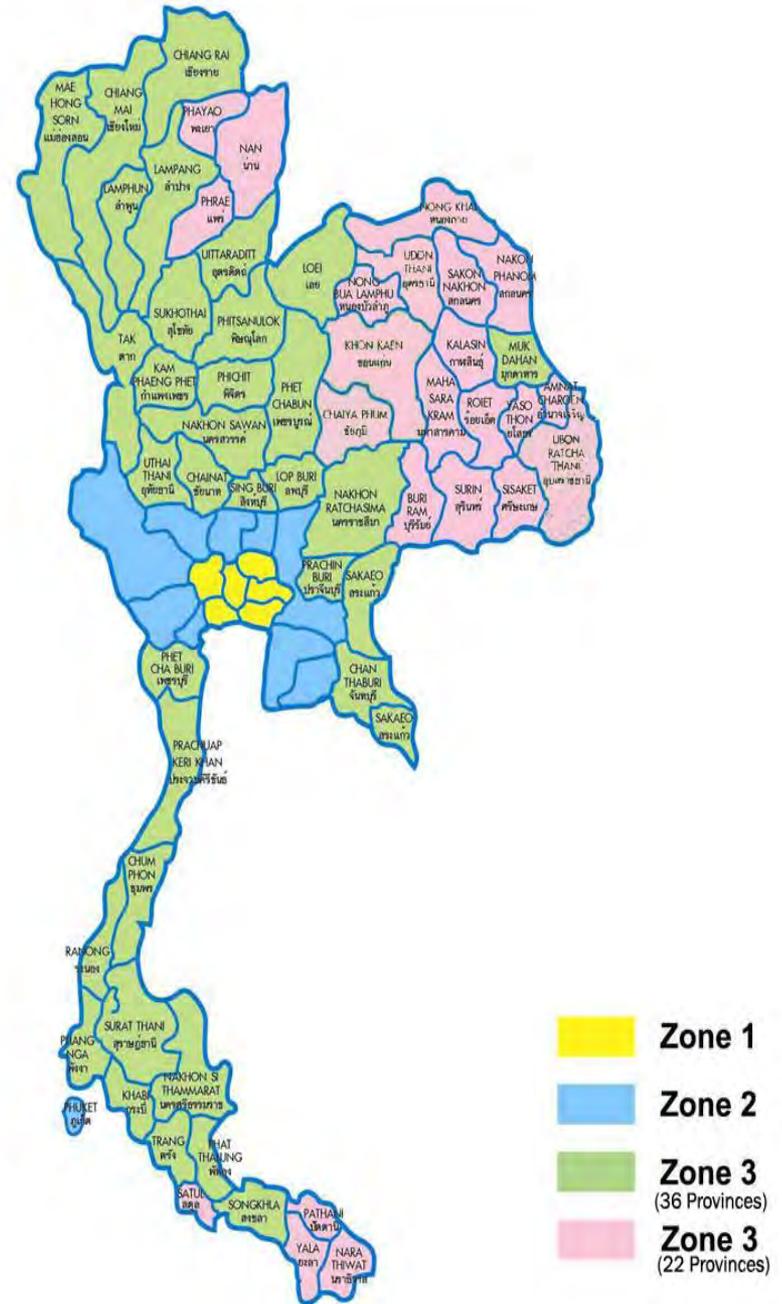
Major BOI Incentives Schemes

- 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”**
 - **“Flood Relief Measures”**



BOI Basic Promotion Packages

3 Investment Promotion Zones to promote industrial decentralization



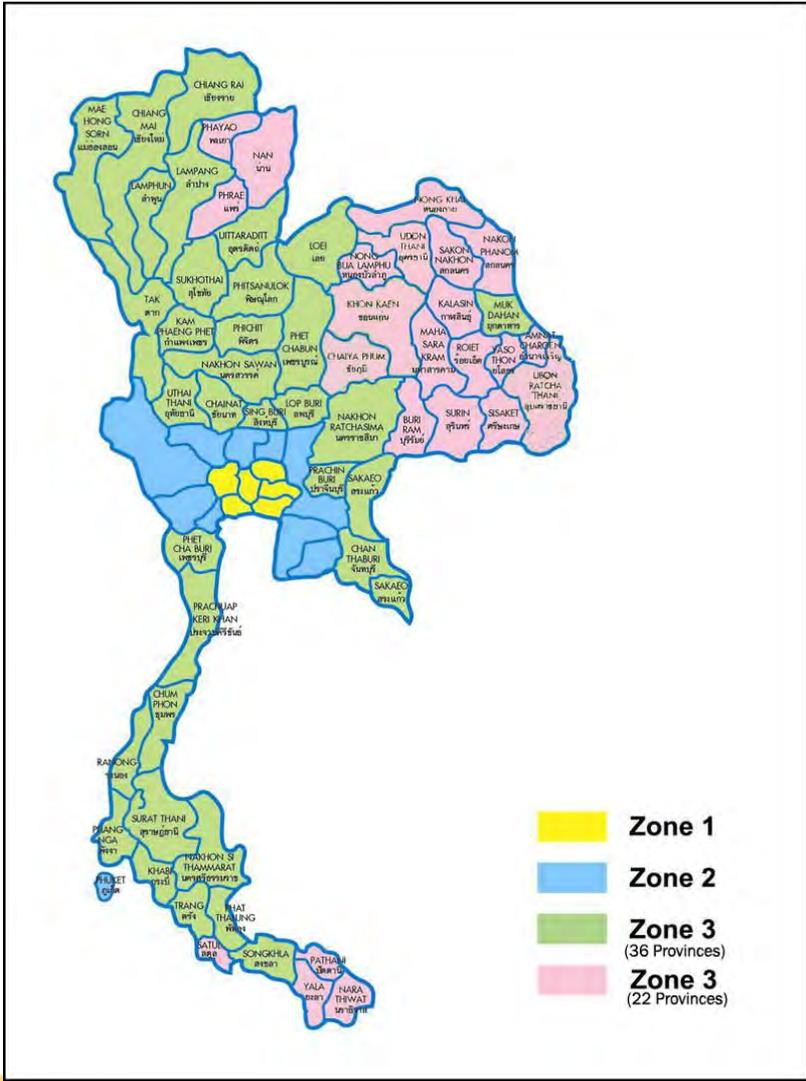
Zone: 1 2 3
Incentives: Lower → Higher Incentives

BOI ZONING AND INCENTIVES

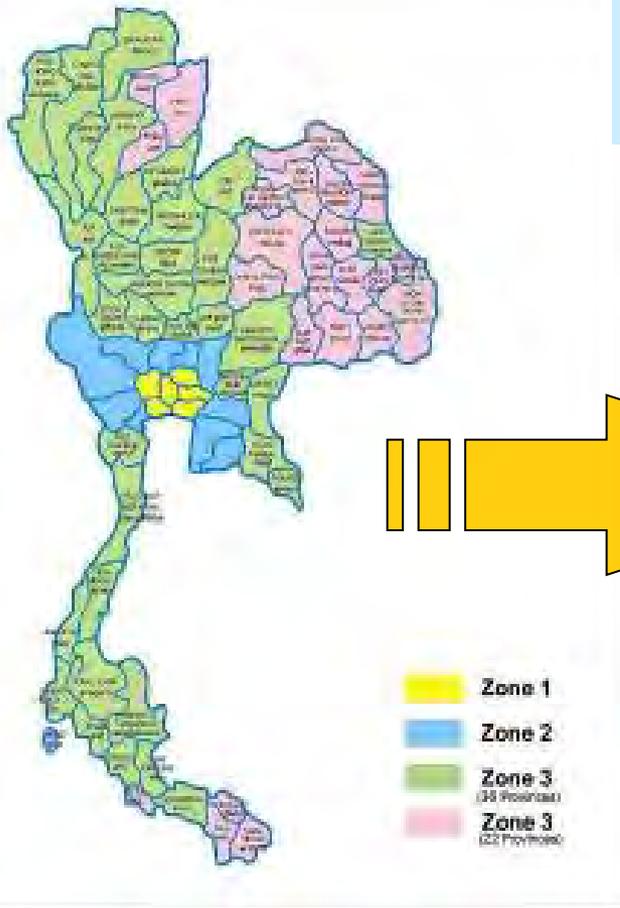
Zone: 1 2 3
 Incentives: Lower → Higher

Import Duty Privileges	Outside I.E	Inside I.E
Zone 1	50% Reduction	50% Reduction
Zone 2	50% Reduction	Exempt
Zone 3	Exempt	Exempt

Corporate Income Tax	Outside I.E	Inside I.E
Zone 1	No Privilege	3 years
Zone 2	3 years	7 years
Zone 3	8 years	8 years



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
- Identified high-tech auto parts
- Machinery and equipment
- Mold and dies
- Alternative energy
- Mass transit systems and transportation of bulk goods
- Forged steel parts
- Waste recycling & recovery

Incentives

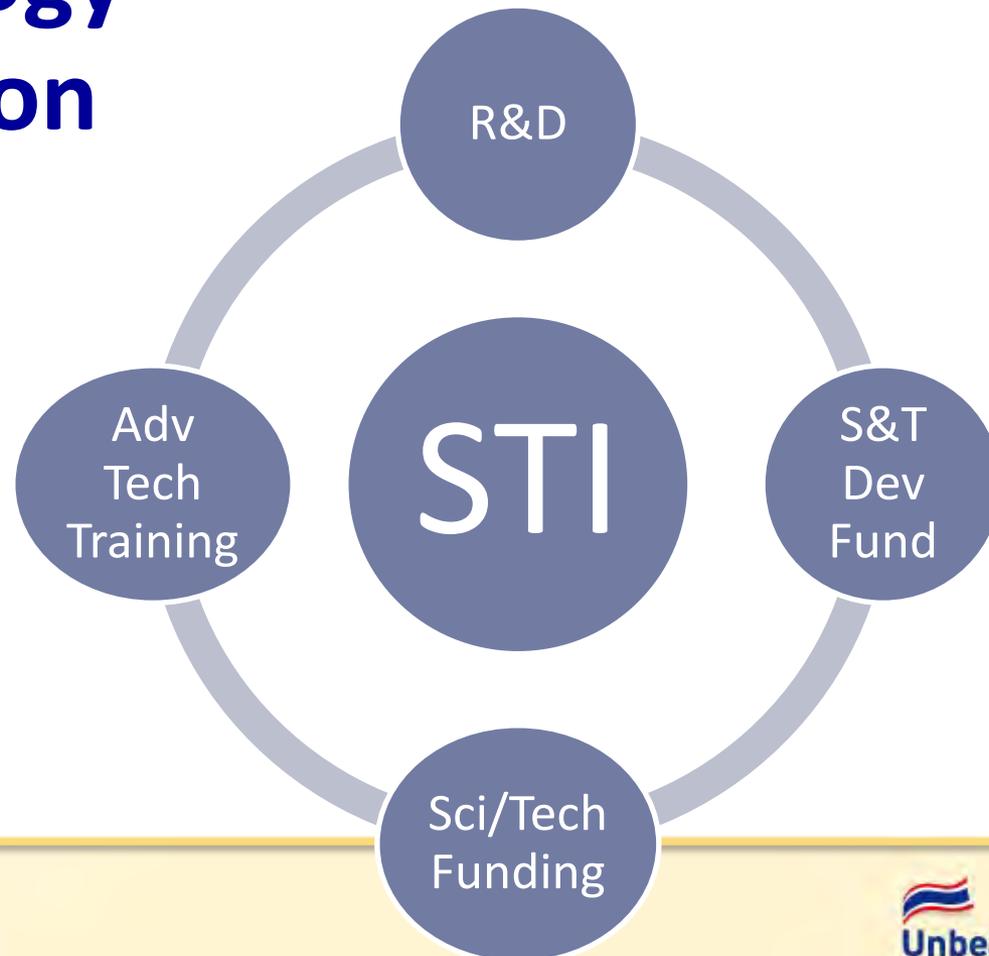
- 8-year tax holidays (with cap)
- exemption of import duties on machinery

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	✓	✓

Examples of MNCs Establishing R&D Centers in Thailand



MONSANTO



AJINOMOTO

Examples of Thai-owned Large Firms Significantly Expanding R&D Investment



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**

Policies for 2010-2012

“Investment for Sustainable Development”

2) Measure to promote energy conservation and alternative-energy utilization

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

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.

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

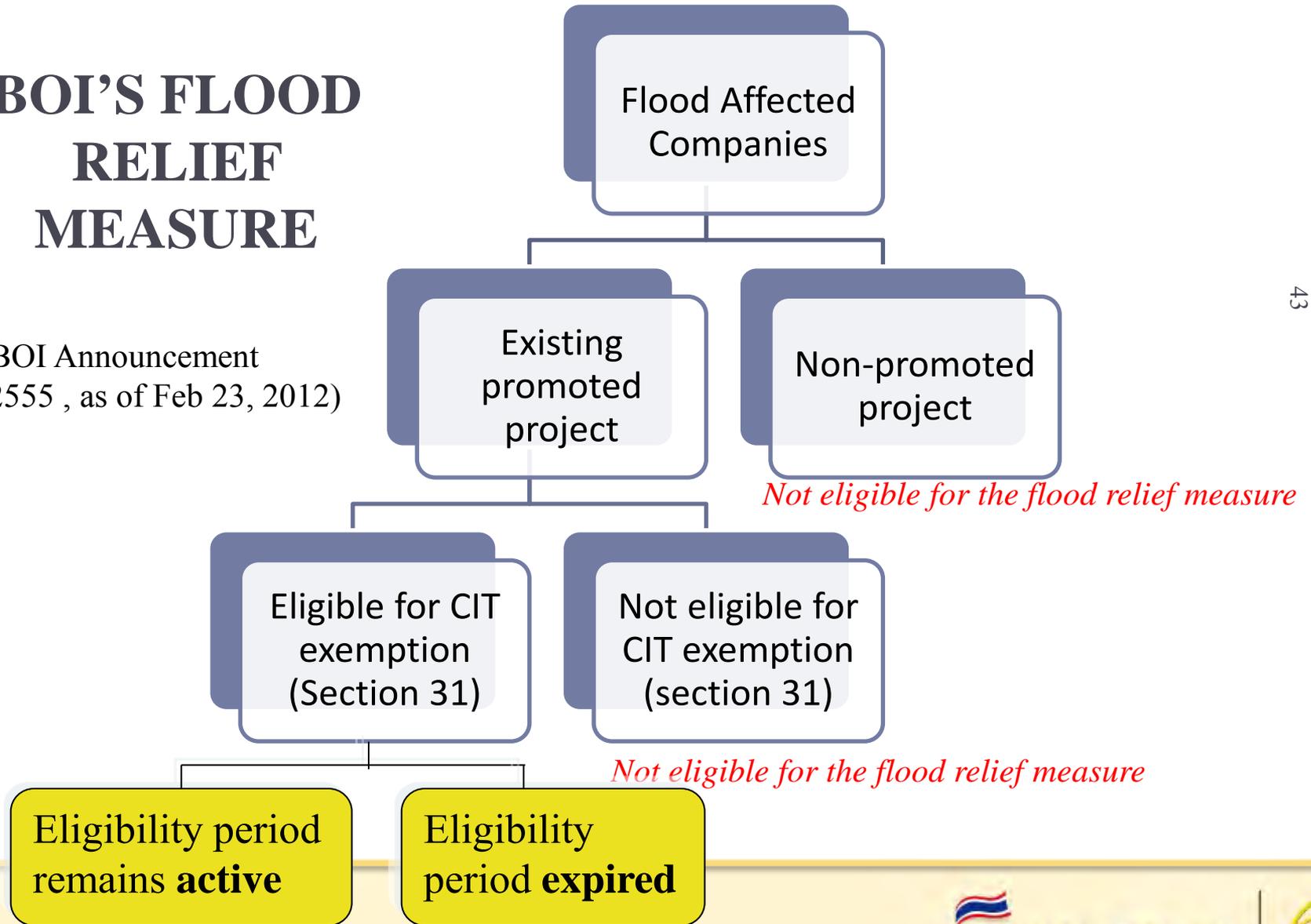
1. Areas required to have special environmental control in place include Map Ta Phut sub-district, Huai Pong sub-district, Noen Phra sub-district, Tab Ma sub-district in Muang Rayong district, Map Kha sub-district in Nikom Pattana district, Ban Chang sub-district in Bang Chang district in Rayong, and 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.

Flood Relief Measures

- BOI Announcement 1/2555
- BOI Announcement 2/2555

BOI'S FLOOD RELIEF MEASURE

(Ref: BOI Announcement No.1/2555 , as of Feb 23, 2012)



TAX INCENTIVES FOR FLOOD-AFFECTED BOI COMPANIES

Eligibility

- BOI-promoted projects that are flooded
- Still enjoy corporate income tax exemption

Remark: Official announcement is effective from 29 December 2011 onwards

1. Projects with corporate income tax exemption cap

Remain at existing province	8-year tax exemption (subject to <u>150%</u> cap on new investment * + remaining unused cap)
Relocate to another province	8-year tax exemption (subject to <u>100%</u> cap on new investment * + remaining unused cap)

Remark: * All fixed assets (except land) including cost of repairs of existing machinery and replacement machinery previously imported under the BOI scheme.

Tax Incentives for Flood-Affected BOI Companies

2. Projects without corporate income tax exemption cap
Companies can use option 1 above or the following scheme.

Remaining Tax Exemption Period	Additional Years of Tax Exemption to be Granted
≤ 5 years	+ 3 more years
$> 5-6$ years	+ 2 more years & 2-year 50% tax reduction
$> 6-7$ years	+ 1 more year & 4-year 50% tax reduction
$> 7-8$ years	+ 5-year 50% tax reduction

MEASURES FOR INDUSTRIAL ESTATES OR ZONES



8 year corporate income tax exemption.

46



200% of tax deduction (previously 100%) of investment value excluding land cost and working capital.



The industrial zone operator must invest in developing infrastructure and service charge must be fair to investors as well.

(Ref: BOI Announcement No.1/2555 , as of Feb 23, 2012)

Flood Relief Measures under BOI Announcement No 2/2555

Eligibility

- New investors
- Expansion of existing BOI-promoted investors
- Located in industrial estates or parks in Pathumthani and Ayutthaya

Incentives

- Corporate income tax exemption
 - Pathumthani: 8-year tax holidays with 150% cap
 - Ayutthaya: 8-year tax holidays with 150% cap + 3 years of 50% reduction
- Exemption of import duties on machinery

Application Submission Deadline: end of December 2012

BOI SUPPORT SERVICES



Investment Matchmaking Program

**1-Stop for visas & work permits:
work permits in 3 hours**

**Industrial Subcontracting Services
Vendors meet customers program
(BUILD Unit)**

ASEAN Supporting Industry Database

**Interaction with other govt. agencies
on behalf of investors**

Country desks

Overseas offices

ASEAN SUPPORTING INDUSTRY DATABASE (ASID)

www.asidnet.org

- Information and profiles of companies in supporting industries and manufacturers of parts and components in 10 ASEAN countries



One Start One Stop Investment Center



**More Convenience,
less time,
more efficiency!**



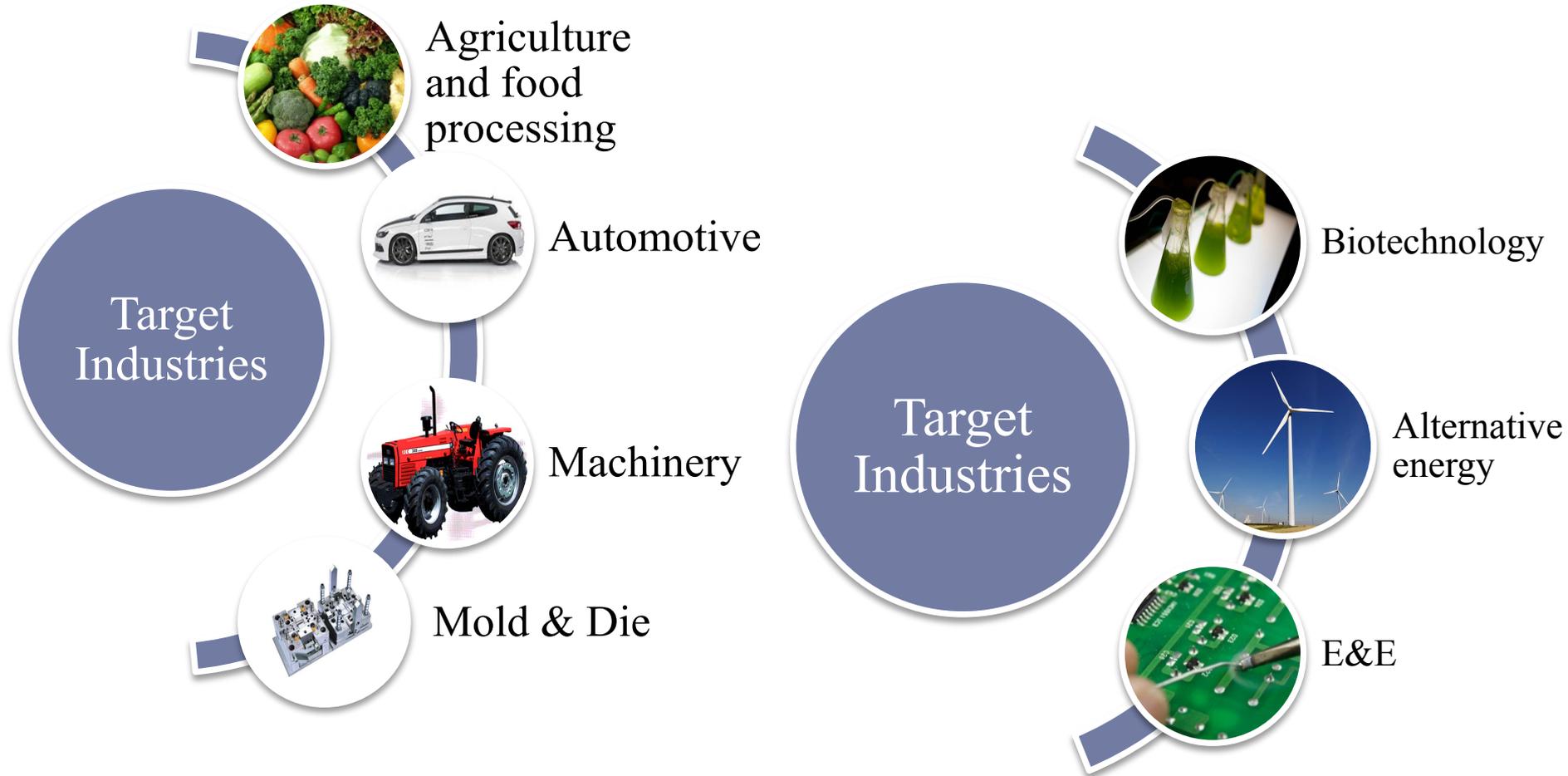
18th Floor, Chamchuri Square Building

319 Phayathai Road, Pathumwan

Domestic Call: 0 2209 1100, Inter. Call: (66 2) 209 1100

Email: osos@boi.go.th

Sectors of Opportunity



THAILAND'S AUTOMOTIVE INDUSTRY OVERVIEW

Thailand:
15th largest
automobile
producer in
the world in
2011

Target:
Top-10 by
2014, when
local capacity
projected at
2.43 million
units

Output:
14 assemblers
with a
combined
production of
1,457,795
units in 2011
(50.46% for
export)

**High local
content :**
80-90% for
pick-up and
30-70% for
passenger car

Thailand Renewable Energy Development Plan

Committed to the development of low-carbon society

Government Funding
On R & D Activities

Alternative Energy Development Plan (AEDP: 2012-2021)

Encouraging Private-Led
Investment

Target 25 % of RE in Total Energy Consumption By 2021

New type of energy		Solar	Wind	Hydropower	Bio energy			Bio fuel		
Tidal Wave	Geothermal	2,000	1,200	1,608MW	Biomass	Biogas	Solid waste	Ethanol	Bio-diesel	New types to replace diesel (hydrogen)
2MW	1MW	MW	MW		3,630MW	600MW	160MW	9ML/d**	5.97ML/d	25ML/d
3MW*		3,200MW			4,390MW			To substitute for fossil fuels by 44%		

Rank	Country	Export Value (DKK Billion)
1	China	3,983.5
2	Hong Kong	1,453.1
3	United States	1,299.8
4	Germany	1,081.5
5	Japan	1,012.3
6	Singapore	908.0
7	South Korea	816.6
8	Netherlands	737.6
9	Taiwan	680.3
10	Mexico	558.5
11	Malaysia	478.0
12	France	331.7
13	Thailand	316.6
14	Italy	273.0
15	Czech Republic	257.5

TOP 15 COUNTRIES FOR GLOBAL ELECTRICAL & ELECTRONICS INDUSTRY IN 2011

**In 2011,
Thailand is
ranked # 13 for
World's
Exporting value
in E&E market**

Source:

Global Trade Atlas, April 2012 US\$1=Bt31.36 and DKK1=Bt5.27 in Q3, 2012

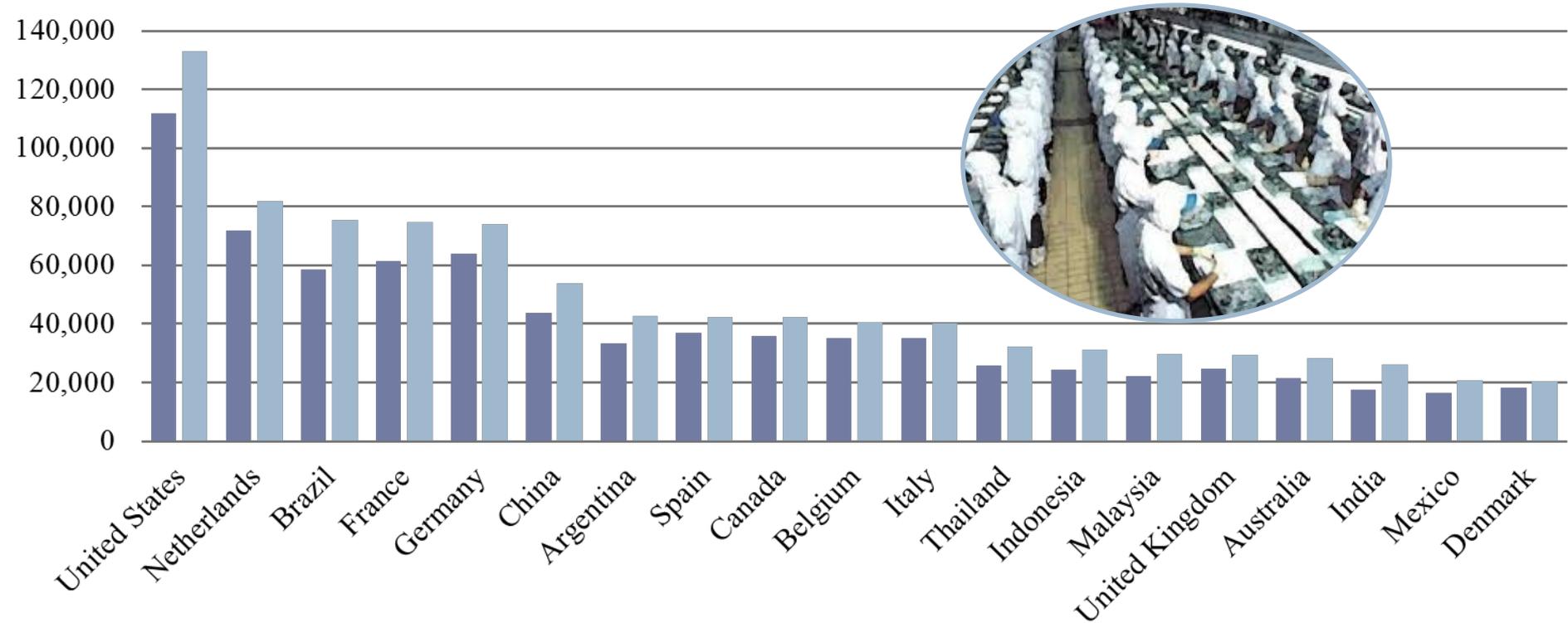

Unbeatable Thailand,
Unparalleled Opportunities


THAILAND
BOARD OF
INVESTMENT

THAILAND'S TOP FOOD EXPORT CATEGORIES AND RANKING (2011)

Thailand is Ranked #12 for World's Food Exports

■ 2010 ■ 2011



SOME ROH INVESTMENTS IN THAILAND



GE Consumer Finance



amaDEUS
Your technology partner

DENSO



ExxonMobil

