

# Investment Incentives & Opportunities

**Dr. Atchaka Sibunruang**  
**Secretary General**  
**Thailand Board of Investment**

**29 May 2012**  
**Sydney, Australia**

# Outline

- Trade and Investment
- Investment Environment
- Sector of Opportunities
- BOI Services

# TRADE & INVESTMENT



# Thailand in Brief



Population: 67 Million  
Labor Force: 39 Million

2<sup>nd</sup> largest economy  
in ASEAN



THAILAND is the world's

- 17<sup>th</sup> largest manufacturer
- 20<sup>th</sup> largest exporter of goods
- 33<sup>th</sup> largest economy

Per capita GDP(2011):  
A\$4,956

Thailand is an upper  
middle income country

Note: Exchange rate: A\$1=Bt31.46 in 2011

# THAILAND'S TOP 10 IMPORTS IN 2008 – 2011

Unit: A\$ Billion

|  | 2008          | 2009          | 2010          | 2011          |
|--|---------------|---------------|---------------|---------------|
| <b>Crude oil</b>   | <b>31.85</b>  | <b>20.93</b>  | <b>24.76</b>  | <b>32.02</b>  |
| <b>Machinery and parts</b>                               | <b>15.76</b>  | <b>13.23</b>  | <b>17.01</b>  | <b>19.35</b>  |
| <b>Jewelry including silver bars and gold</b>            | <b>9.39</b>   | <b>5.98</b>   | <b>10.15</b>  | <b>19.31</b>  |
| <b>Chemicals</b>   | <b>13.35</b>  | <b>9.48</b>   | <b>12.81</b>  | <b>14.47</b>  |
| <b>Iron, steel and products</b>                          | <b>14.56</b>  | <b>8.05</b>   | <b>11.92</b>  | <b>13.48</b>  |
| <b>Electrical machinery and parts</b>                    | <b>11.37</b>  | <b>10.28</b>  | <b>12.37</b>  | <b>12.94</b>  |
| <b>Electronic integrated circuits</b>                    | <b>9.72</b>   | <b>8.86</b>   | <b>10.96</b>  | <b>9.79</b>   |
| <b>Other metal ores, metal waste scrap, and products</b> | <b>8.45</b>   | <b>5.19</b>   | <b>7.64</b>   | <b>8.68</b>   |
| <b>Computers, parts and accessories</b>                  | <b>8.26</b>   | <b>7.47</b>   | <b>8.30</b>   | <b>8.34</b>   |
| <b>Parts and accessories of vehicles</b>                 | <b>4.24</b>   | <b>3.68</b>   | <b>6.01</b>   | <b>6.31</b>   |
| <b>Others</b>  | <b>62.55</b>  | <b>53.13</b>  | <b>64.20</b>  | <b>76.94</b>  |
| <b>Total</b>   | <b>189.51</b> | <b>146.27</b> | <b>186.14</b> | <b>221.64</b> |

Note: Exchange rate: A\$1=Bt31.46 in 2011

Source: Ministry of Commerce, as of January 23, 2012



  
**Unbeatable Thailand,**  
 Unparalleled Opportunities



# PRINCIPAL IMPORTS FROM AUSTRALIA

Unit: A\$ billion

| Description                                       | 2009        | 2010        | 2011        | 2011<br>(Jan) | 2012<br>(Jan) |
|---|-------------|-------------|-------------|---------------|---------------|
| Crude oil   | 1.02        | 2.00        | 1.97        | 0.30          | 0.11          |
| Other metal ores, metal waste, scrap and products | 0.67        | 0.66        | 0.83        | 0.05          | 0.06          |
| Vegetables and vegetable products                 | 0.22        | 0.22        | 0.30        | 0.02          | 0.06          |
| Iron, steel and products                          | 0.08        | 0.24        | 0.38        | 0.01          | 0.03          |
| Natural gas                                       | 0.03        | 0.09        | 0.15        | -             | 0.02          |
| Others  | 2.16        | 2.80        | 4.05        | 0.58          | 0.10          |
| <b>Total</b>                                      | <b>4.19</b> | <b>6.01</b> | <b>7.69</b> | <b>0.97</b>   | <b>0.39</b>   |



Source: MOC, as of March 16, 2012 Exchange rate: A\$1 = Bt31.46 in 2011

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# THAILAND'S TOP 10 EXPORTS IN 2008 – 2011

Unit: A\$ Billion

|   | 2008          | 2009          | 2010          | 2011          | Growth<br>(yoy) |
|---|---------------|---------------|---------------|---------------|-----------------|
| Automatic data processing machines and parts            | 19.24         | 17.34         | 18.96         | 16.33         | -13.91          |
| Motor cars, parts and accessories                       | 16.31         | 12.03         | 17.83         | 16.26         | -8.84           |
| Rubber  | 7.11          | 4.65          | 7.92          | 12.62         | 59.30           |
| Precious stones and jewellery                           | 8.71          | 10.61         | 11.66         | 11.80         | 1.21            |
| Refine fuels  | 8.26          | 5.87          | 7.09          | 8.88          | 25.22           |
| Polymers of ethylene, propylene, etc., in primary forms | 5.76          | 4.83          | 6.37          | 8.43          | 32.44           |
| Rubber products   | 4.76          | 4.86          | 6.47          | 8.04          | 24.35           |
| Chemical products                                       | 4.50          | 4.84          | 5.80          | 7.95          | 37.04           |
| Electronic integrated circuits                          | 7.56          | 6.98          | 8.11          | 7.57          | -6.72           |
| Rice  | 6.46          | 5.47          | 5.35          | 6.23          | 16.60           |
| Others  | 97.30         | 87.64         | 100.74        | 115.09        | 14.24           |
| <b>Total</b>  | <b>185.98</b> | <b>165.10</b> | <b>196.30</b> | <b>219.19</b> | <b>11.66</b>    |



Note: Exchange rate: A\$1=Bt31.46 in 2011

Source: Ministry of Commerce, as of January 23, 2012

  
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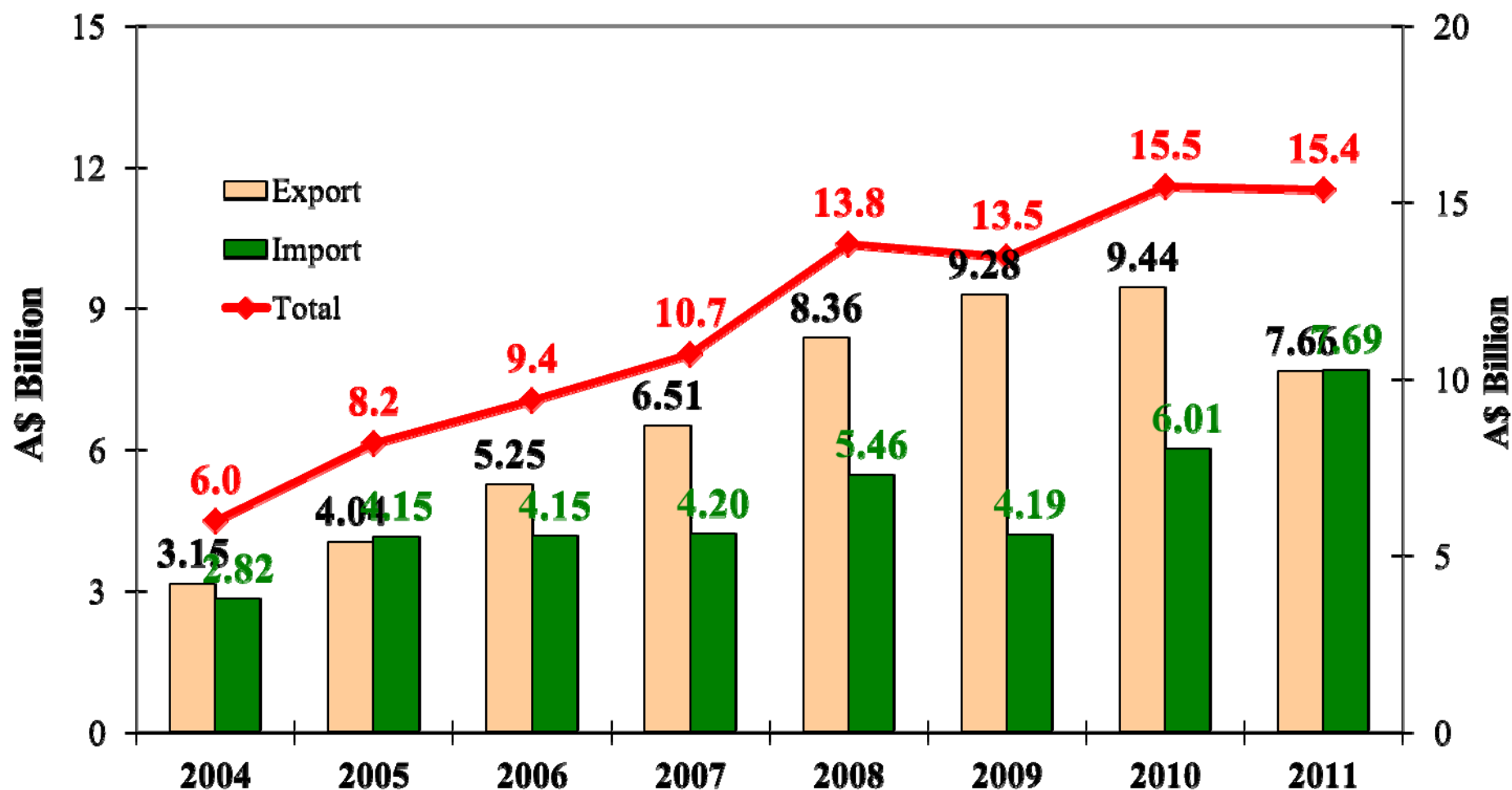
# PRINCIPAL EXPORTS TO AUSTRALIA

Unit: A\$ billion

| Description   | 2009        | 2010        | 2011        | 2011<br>(Jan) | 2012<br>(Jan) |
|---|-------------|-------------|-------------|---------------|---------------|
| Motor cars, parts and accessories                             | 2.32        | 3.25        | 2.47        | 0.20          | 0.14          |
| Precious stones and jewellery                                 | 2.23        | 1.53        | 0.73        | 0.01          | 0.08          |
| Refine fuels  | 0.12        | 0.12        | 0.18        | 0.03          | 0.04          |
| Air conditioning machine and parts thereof                    | 0.33        | 0.39        | 0.35        | 0.02          | 0.03          |
| Prepared or preserved fish, crustaceans, molluscs in airtight | 0.22        | 0.25        | 0.29        | 0.02          | 0.03          |
| Others  | 4.05        | 3.92        | 3.64        | 0.26          | 0.26          |
| <b>Total</b>  | <b>9.28</b> | <b>9.44</b> | <b>7.66</b> | <b>0.55</b>   | <b>0.57</b>   |

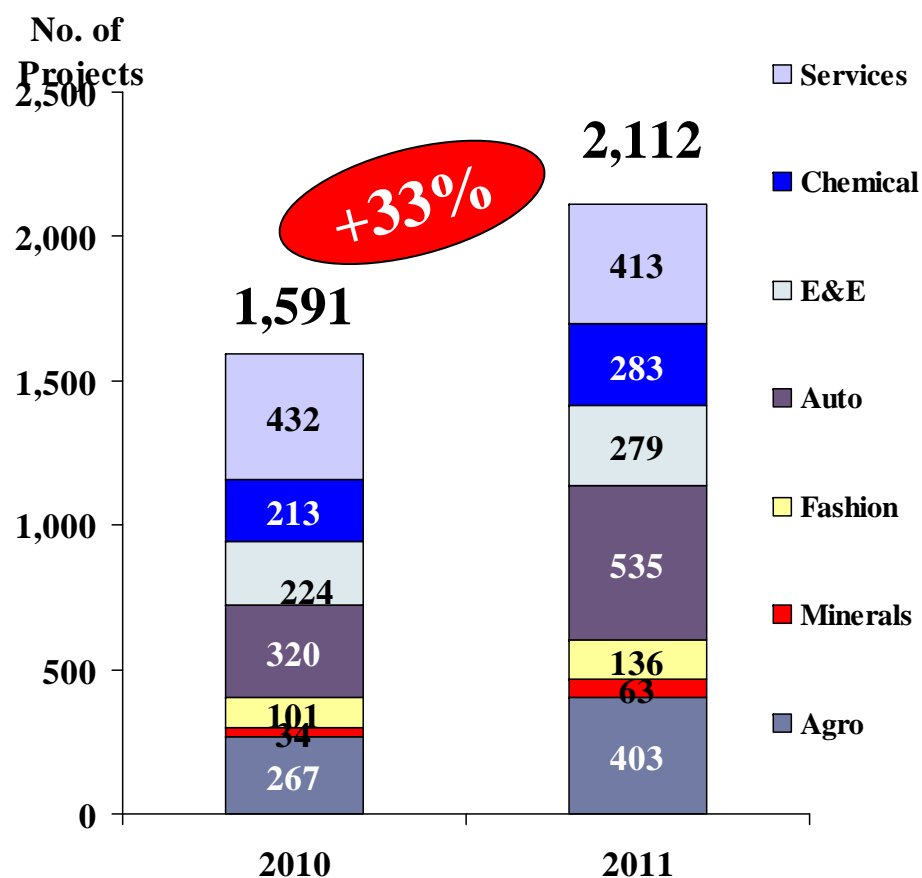


# TRADE SUMMARY THAILAND/AUSTRALIA

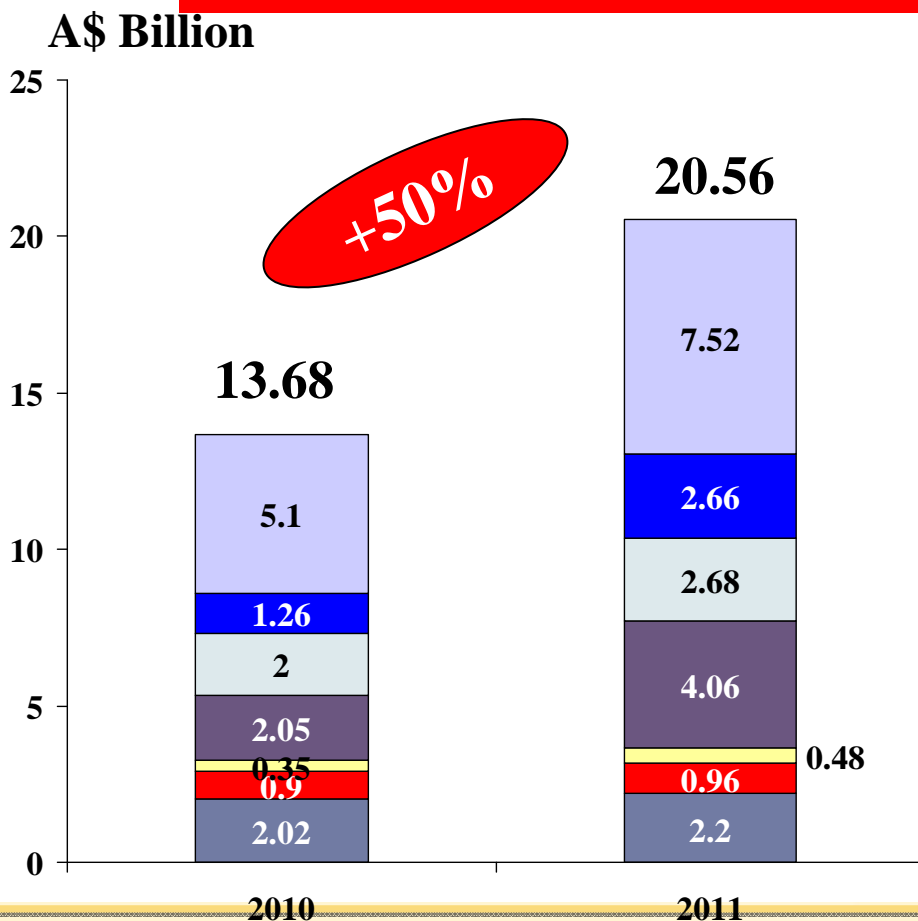


# Comparison of All Net Applications for Investment Promotion 2010 - 2011

## Number of Projects



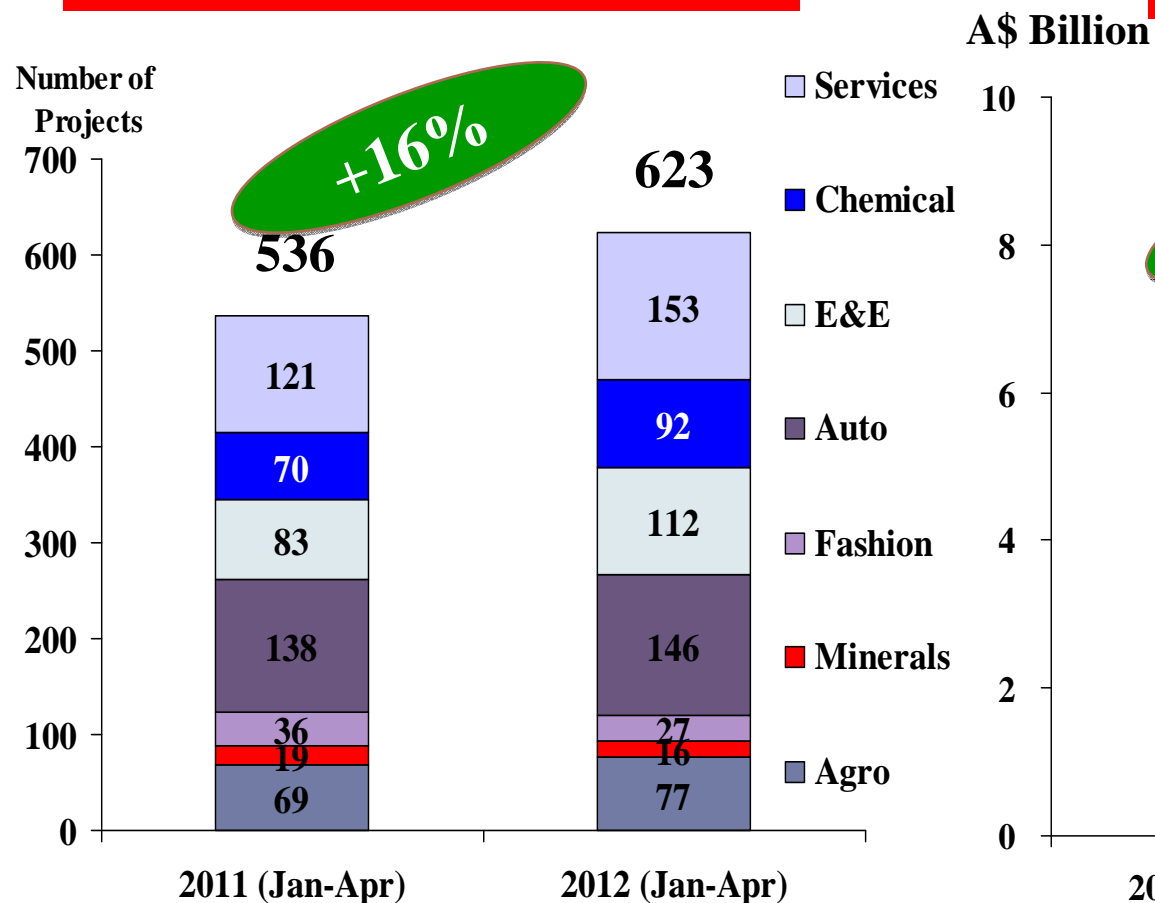
## Amount Invested



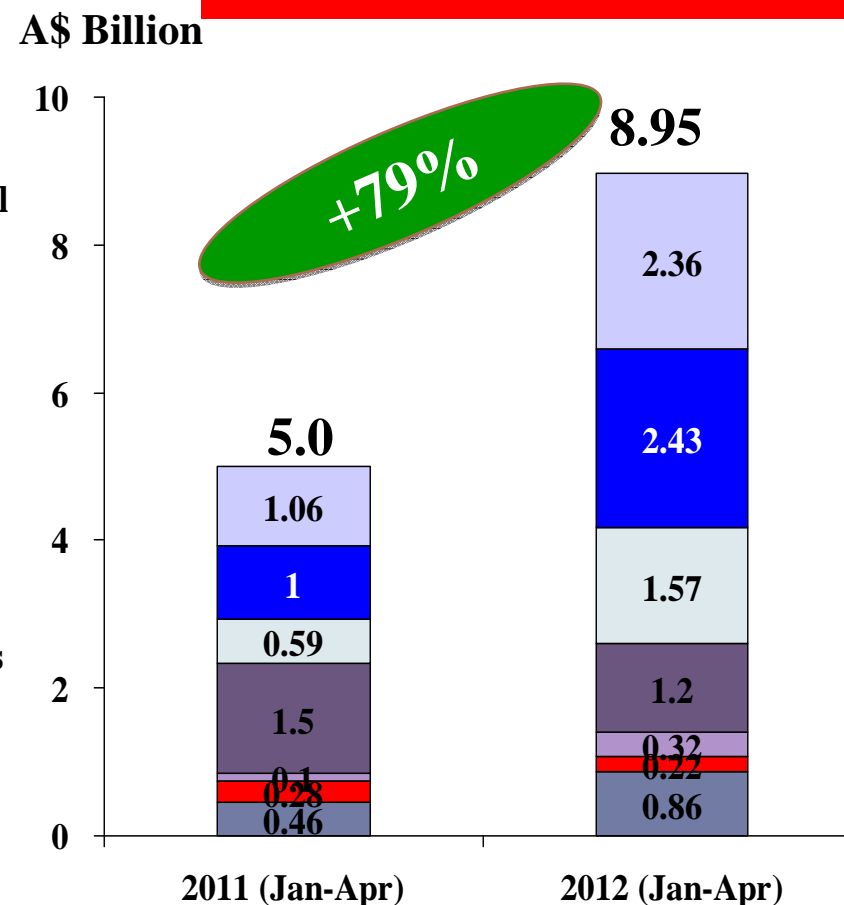
# Comparison of All Net Applications for Investment Promotion

Jan - Apr 2011 vs Jan - Apr 2012

## Number of Projects



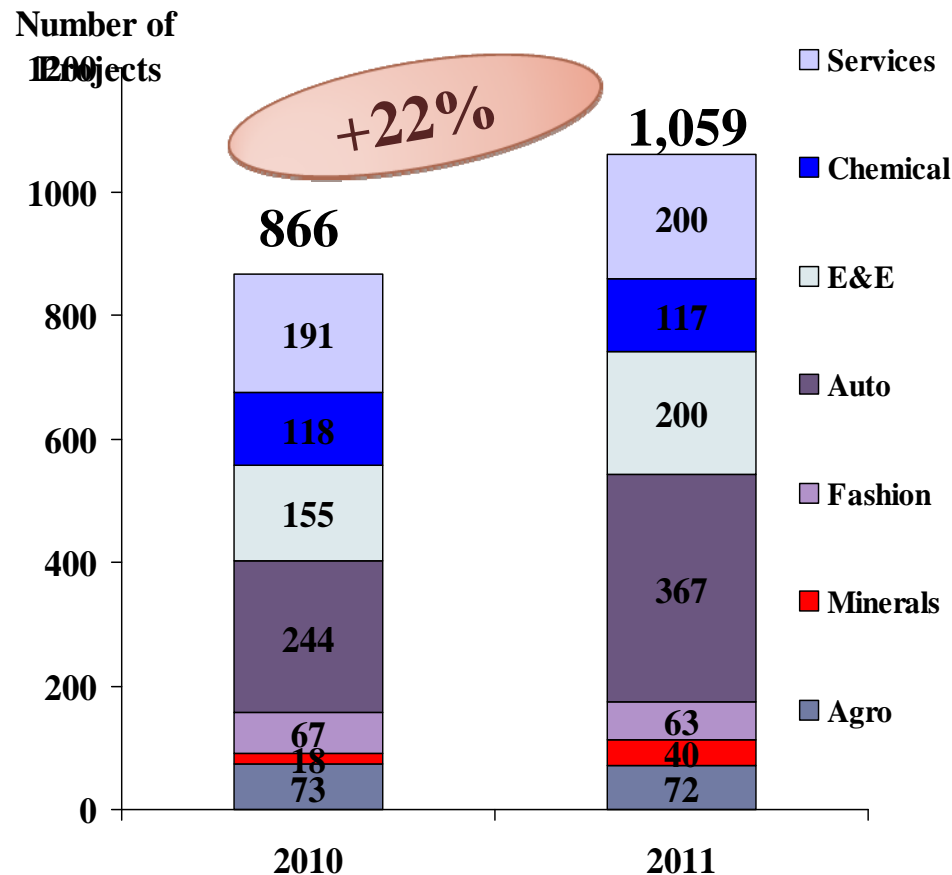
## Amount Invested



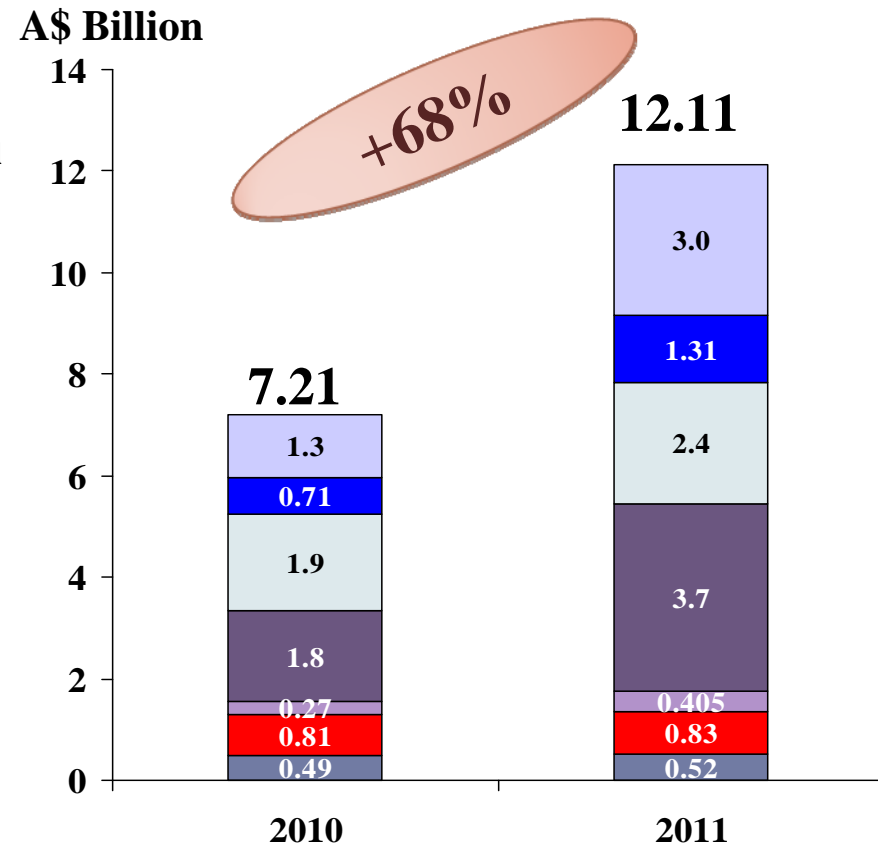
# Comparison of Net Foreign Applications for Investment

## 2010 vs 2011

### Number of Projects



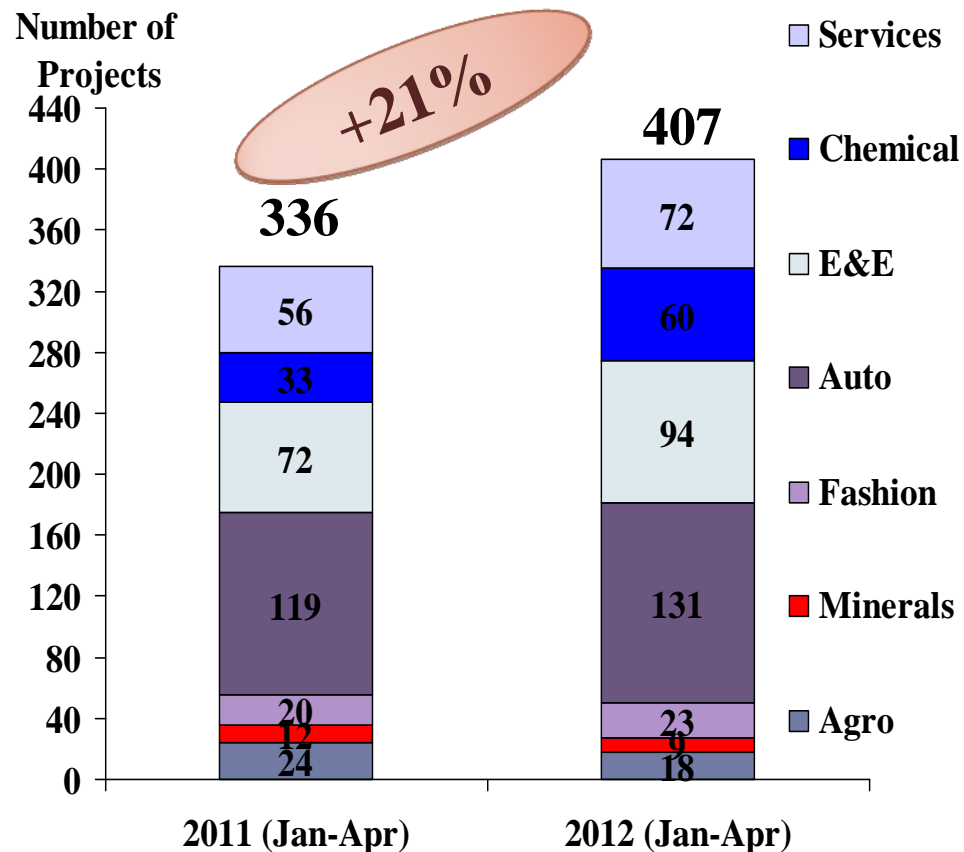
### Amount Invested



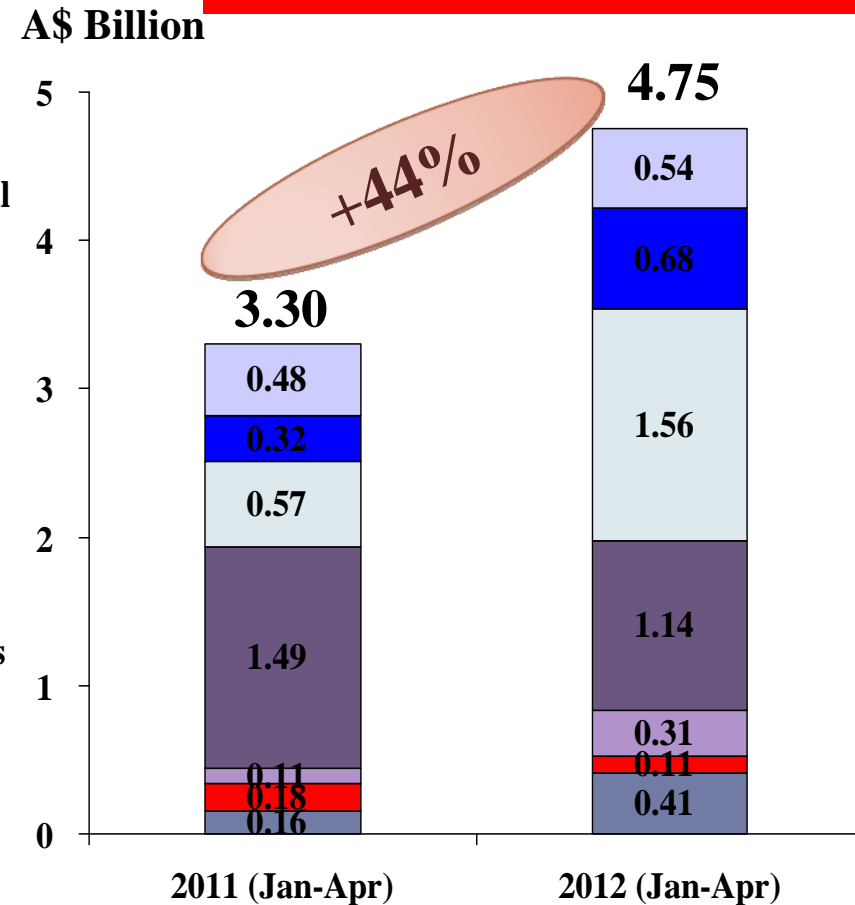
# Comparison of Net Foreign Applications for Investment

## Jan-Apr 2011 vs Jan-Apr 2012

### Number of Projects



### Amount Invested



# Australian Investment Applications

## Totals by Sector: 2006 – 2012 (Jan-Apr)

| Sector                           | Projects   | A\$ Million   |
|----------------------------------|------------|---------------|
| Minerals and Ceramics            | 3          | 163.42        |
| Metal Products and Machinery     | 43         | 117.38        |
| Agricultural Products            | 14         | 92.50         |
| Light Industries/Textiles        | 19         | 69.04         |
| Chemicals and Paper              | 9          | 56.75         |
| Services                         | 28         | 29.81         |
| Electric and Electronic Products | 19         | 21.78         |
| <b>TOTAL</b>                     | <b>135</b> | <b>550.68</b> |

Source: BOI, as of May 24, 2012 Note: Exchange rate:A\$1=Bt32.72 in Q1, 2012

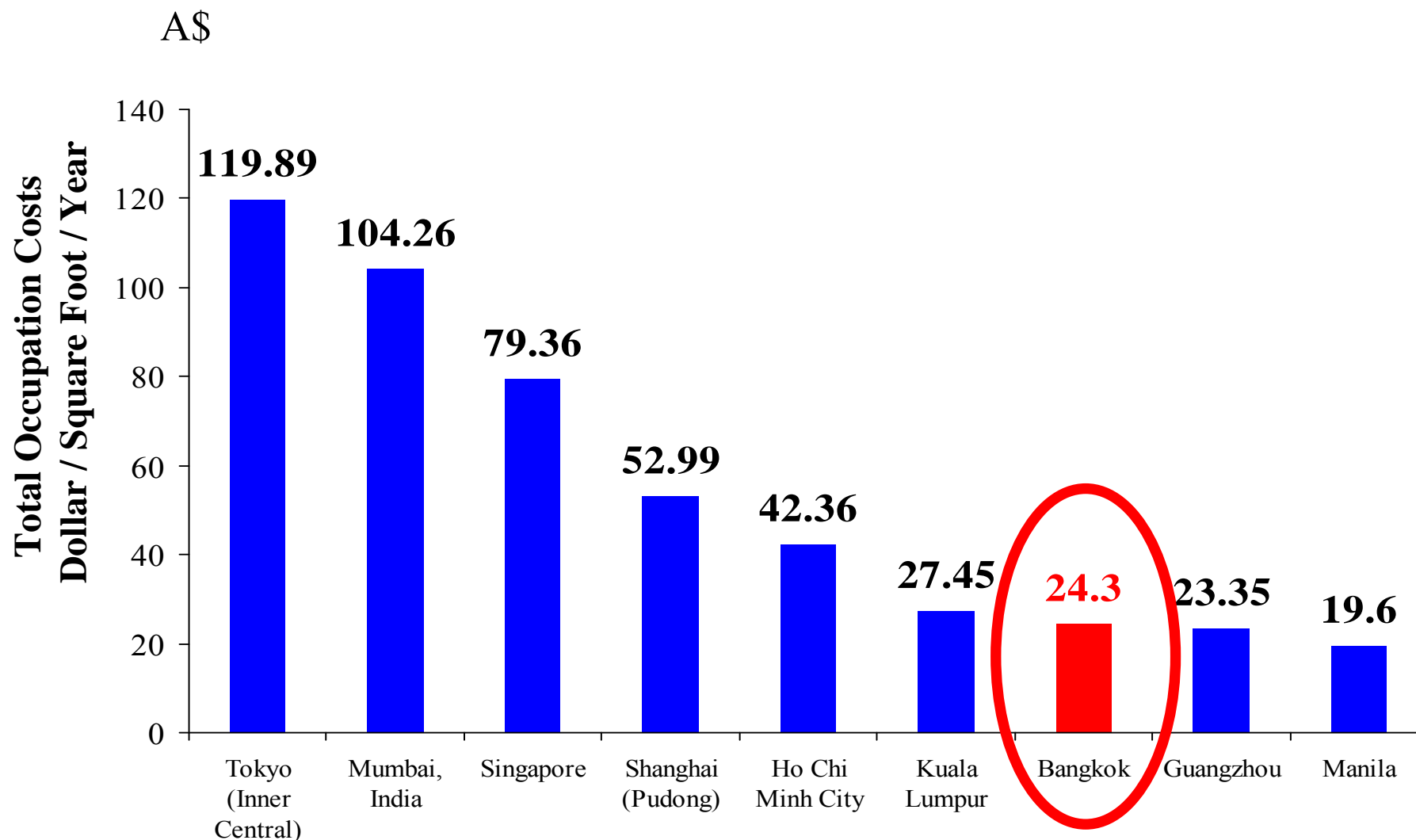
# EXAMPLES OF AUSTRALIAN INVESTMENT IN THAILAND



# **COST-COMPETITIVE LOCATION**



# AFFORDABLE OFFICE SPACE



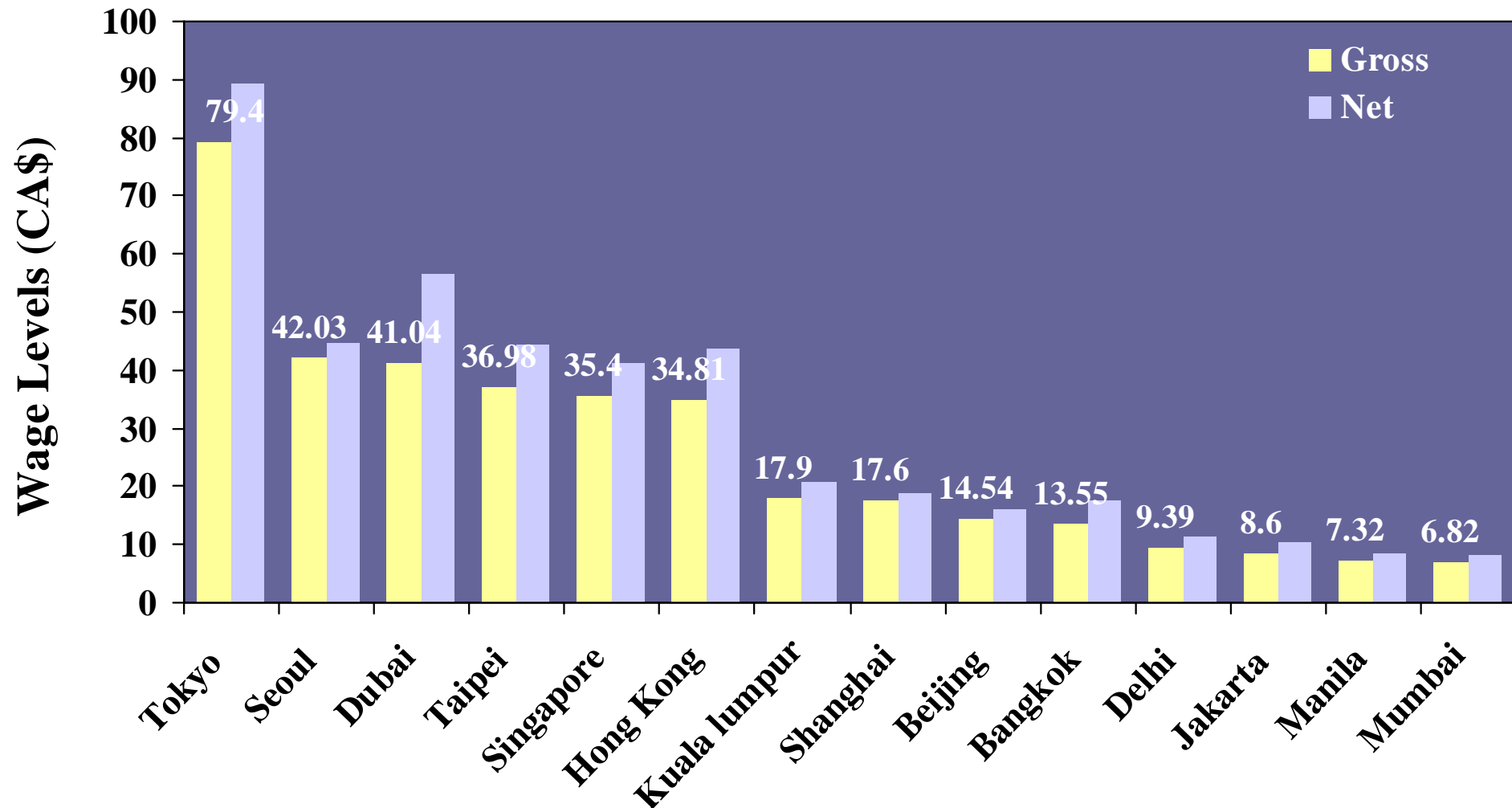
Note: Exchange rate: US\$1=Bt30.49 and A\$1=Bt31.46 in 2011

Source: CB Richard Ellis, Global Office Rents, Q1, 2011

  
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# WAGE COMPARISON 2011



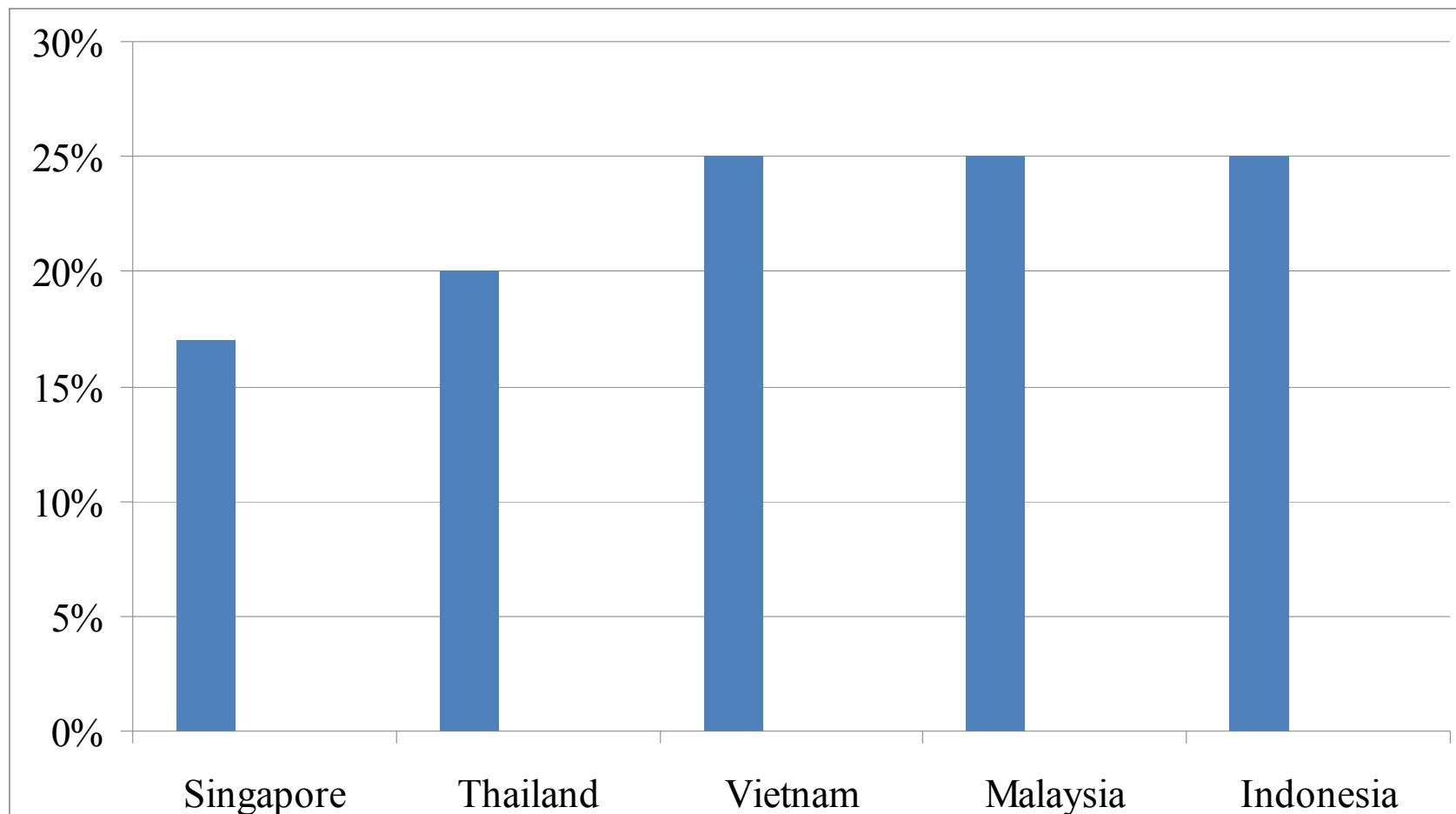
Cities ranked according to gross value of index  
Source: UBS/Prices & Earnings, August 2011

Note: Exchange rate US\$1 = Bt30.49 and CA\$1=Bt30.84 in 2011

  
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# ASEAN CORPORATE INCOME TAX 2013



Source: KPMG

  
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# BOARD OF INVESTMENT'S INCENTIVE SCHEME



## Thailand and the BOI offer:



# 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

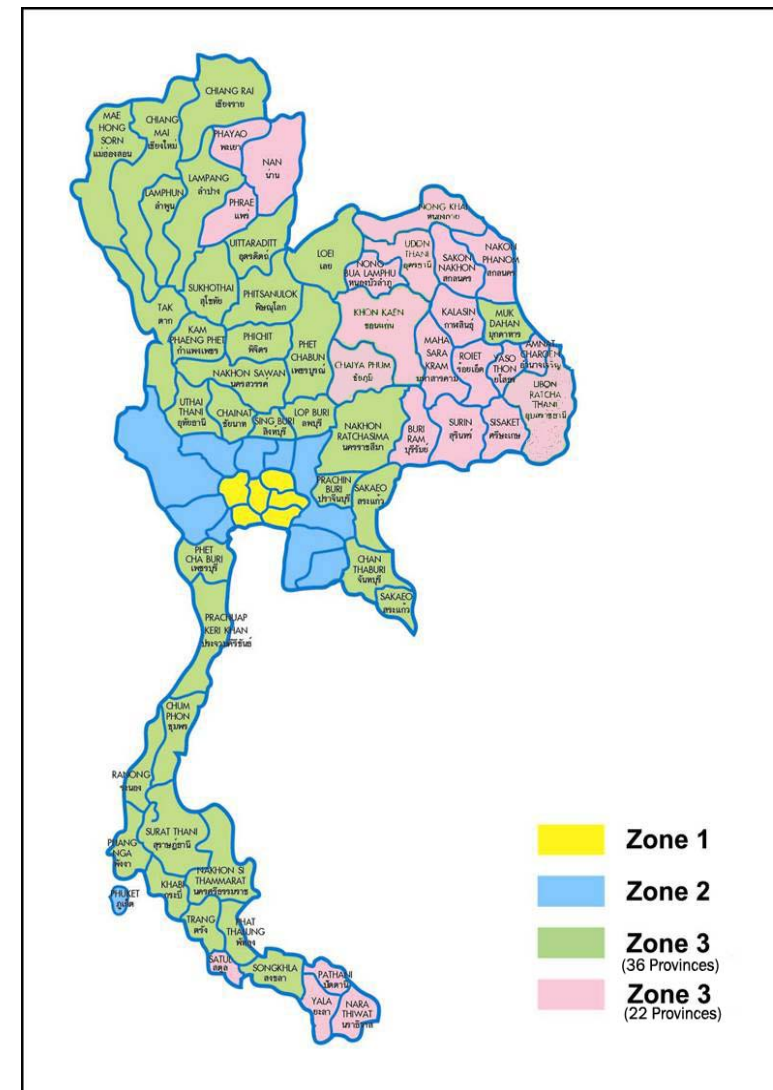
Visas & Work Permits are issued in 3 hours

# BOI ZONING INCENTIVES

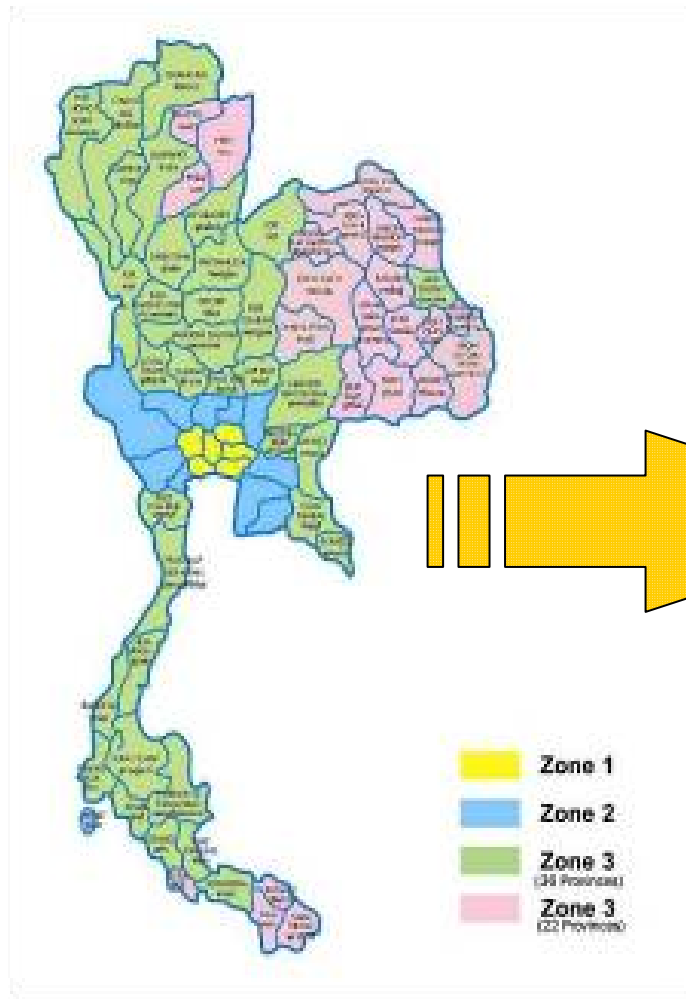
Zone: 1 2 3  
Incentives: Lower → Higher

| 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    |



# ZONE-BASED TO SECTOR 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

# STI INCENTIVES (OPTIONAL)

## Criteria

### Investments and expenditures on:

- Research and development or design
- Advanced technology training
- Funding educational and research institutions
- Contribution to Science and Technology Development Fund

| Required STI Investment & Expenditures                                     | Additional Year of Corporate Income Tax | Exemption of Import Duties on Machinery | Removal of Corporate Income Tax Exemption |
|--|---|---|---|
| 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                                       | ✓                                       | ✓   |

# 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.

# Policies for 2010-2012

## “Investment for Sustainable Development”

### 3) Measure to promote the 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.

# Sectors of Opportunities

# Thailand: Asia's Automotive Hub

  
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As of May 14, 2012

# THAILAND'S AUTOMOTIVE INDUSTRY OVERVIEW

**2011**

**Thailand:**

**14th** largest  
automobile  
producer in the  
world  
(13 assemblers  
1.46 mil. units  
50% export)

**2014**

**Target:**

**Top 10** in the  
world  
when local  
production  
projected at **2.43**  
million units

**High local  
content:**

- **80-90%** for  
pick-up trucks
- **30-70%** for  
passenger cars



# OPPORTUNITIES: COMPONENTS NEEDED IN THAILAND

- ✓ Automatic Transmissions
- ✓ Continuously Variable Transmissions (CVT)
- ✓ Traction motors for automobiles; e.g. hybrid or fuel cell cars
- ✓ Regenerative Braking System
- ✓ Electronic Stability Control (ESC)
- ✓ Rubber tires for vehicles





# Renewable Energy

## ALTERNATIVE ENERGY DEVELOPMENT PLAN (AEDP) 2012-2021

**AEDP 2012-2021, targeting to replace 25% of total fossil-fuel consumption with RE at the end of 2021 (9,201 MW).**

| Renewable Energy<br>( 9,198 MW) |          |
|---------------------------------|----------|
| Solar power                     | 2,000 MW |
| Wind power                      | 1,200 MW |
| Hydro power                     | 1,608 MW |
| MSW                             | 160 MW   |
| Biomass                         | 3,630 MW |
| Biogas                          | 600 MW   |
| New forms of RE (3 MW)          |          |
| Geothermal                      | 1 MW     |
| Wave and Tides                  | 2 MW     |



# Thailand's Food Industry



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# 2011 THAILAND'S TOP FOOD EXPORT CATEGORIES AND WORLD'S RANKING



**World's # 1 rice Exports**

**World's # 1 Cassava Exports**



**THAILAND**

12th in total  
food exports



**World's # 2 Sugar Exports**



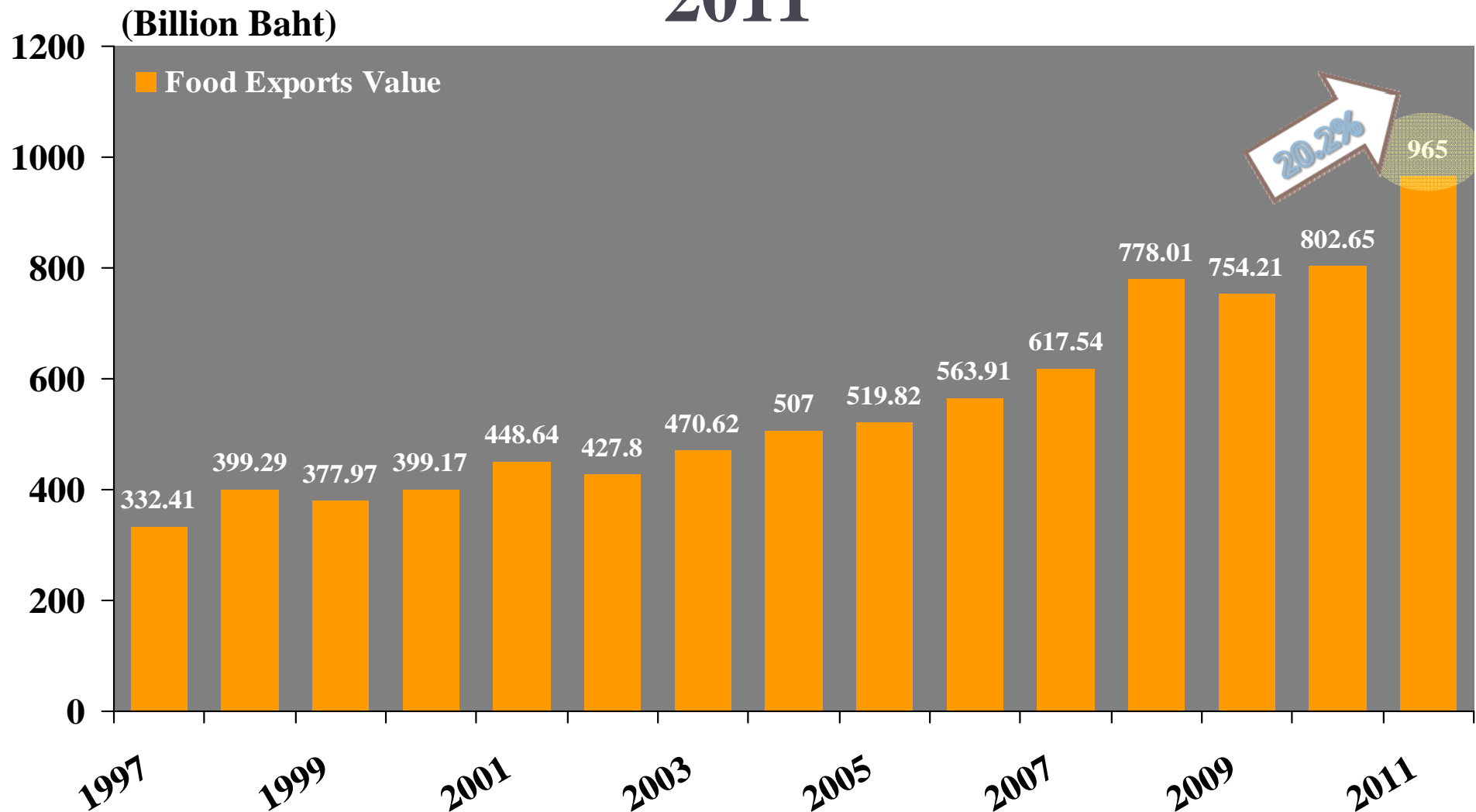
**World's # 3 Fishery Exports**



**World's Top 15 Fruit & Vegetable Exports**

Source: National Food Institute 2012

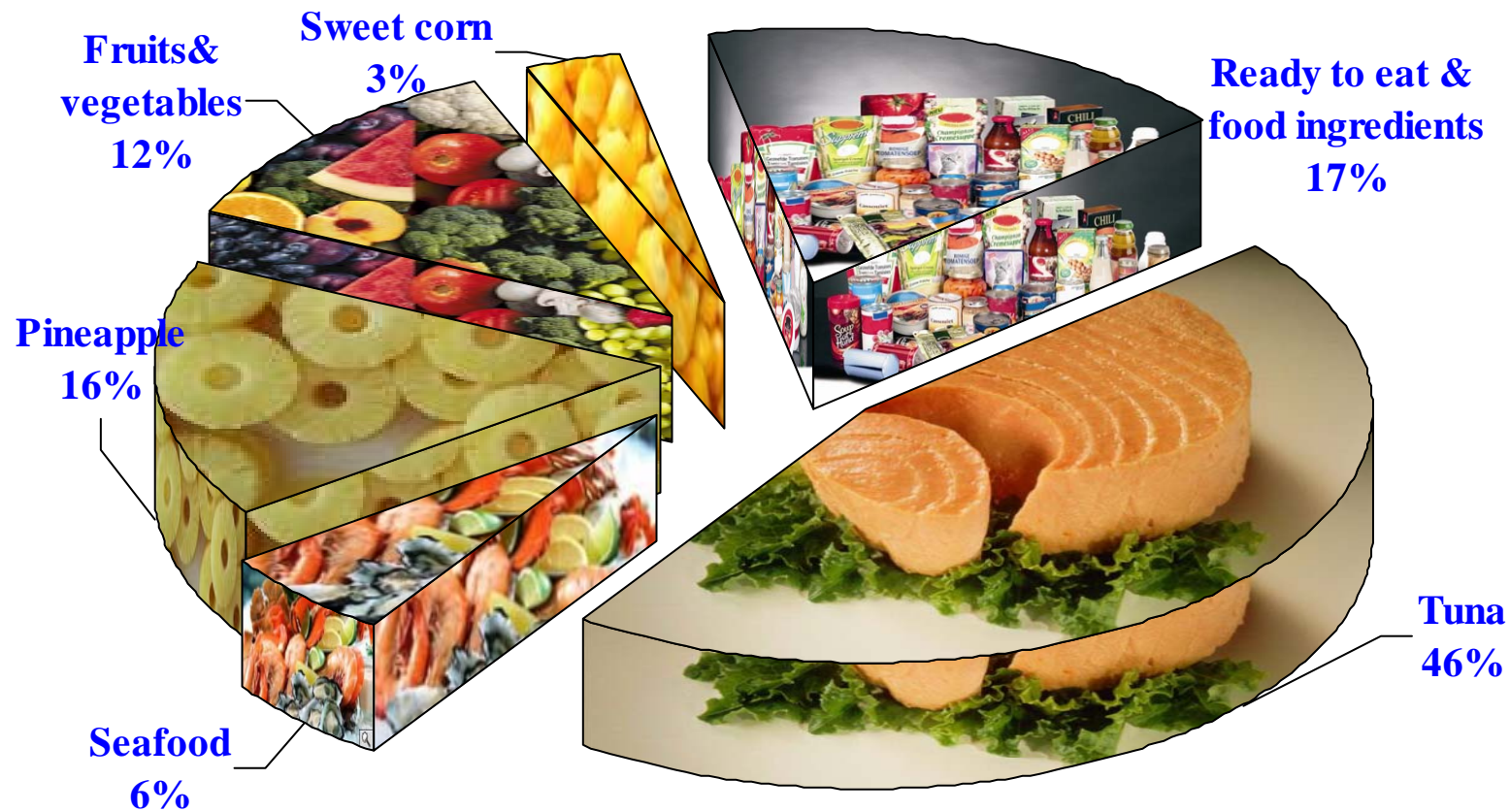
# THAILAND'S FOOD EXPORTS, 1997 – 2011



Source: National Food Institute (NFI) as of Feb 21, 2012

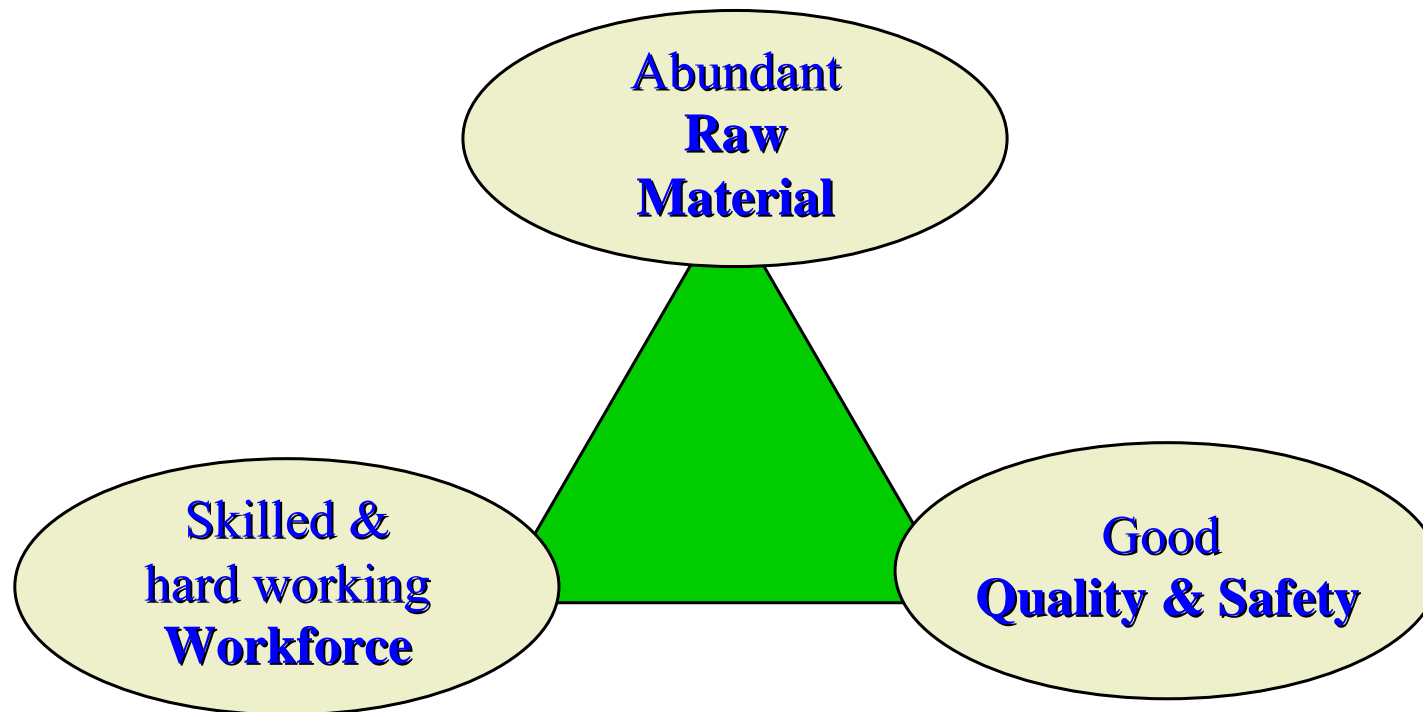


# Processed Food Export Share Value, 2011



# STRENGTHS OF THAI FOOD INDUSTRY

> 80% of raw materials used by the food industry are locally sourced at low prices



Size of workforce now > 39.5 million  
Minimum Daily Wage Bt300 (Bangkok)

GMP and International Standard  
Good Manufacturing Practices is a mandatory measure for 54 types of food products

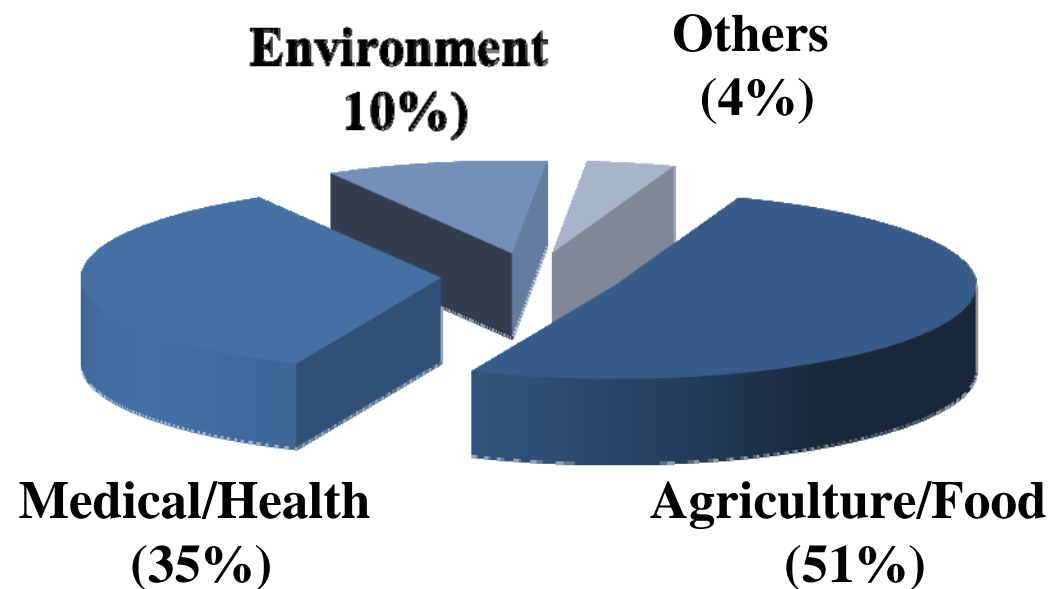
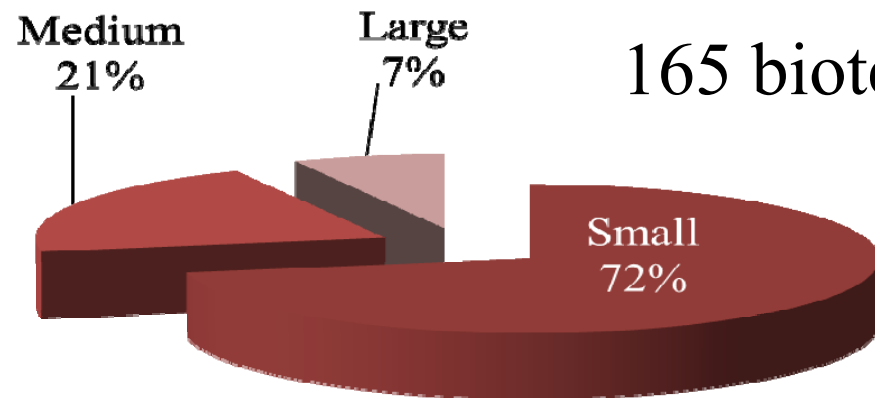
Source: Thailand Food Industry Outlook, Commercial Section, Royal Danish Embassy Mar 2011 Exchange rate: SEK1=Bt4.59 in Q1, 2012

  
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# BIOTECH BUSINESS IN THAILAND



# YACHT BUILDING

## Advantages

- Thailand is coastal country
- Lower labor costs compared with other countries
- Efficient skilled work force
- Excellent craftsmanship
- Expanding marine tourism

### Examples of Investors

Gold Coast Ships, Ltd.

Rolly Tasker

Alibi Co, Ltd

Thai Fiber Board Co, Ltd

Serenity Shipyard Ltd



# MACHINERY

- Thailand continues to industrialize, but is still dependent on imported machinery
- High demand for:
  - Food and farm machinery
  - Alternative energy/energy conservation machinery
  - Textile machinery
  - Automotive machinery
  - Mould & Die Industry
- Expanding machinery industry to serve growing demand in the region

Machinery imports totalled AUS 20 billion in 2011.





# HIGH VALUE ADDED SERVICES

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- **Services Industry account for about 50% of GDP**
- **Ample opportunities:**
  - Regional Operating Headquarters
  - Software development
  - Distribution Centers/Business Process Outsourcing
  - Logistics hub
  - Aircraft repair
  - Long-stay tourism facilities
  - Film & Entertainment



# Tax Package for Regional Operating Headquarters

| Benefit   | Benefit   | Benefit  |
|---|---|--|
| <p>For portion of income from<br/><b>OVERSEAS OPERATIONS</b></p> <p><b>0% CORPORATE<br/>INCOME TAX<br/>for 15 years</b></p>   | <p>For portion of income from<br/><b>LOCAL OPERATIONS</b></p> <p><b>10% CORPORATE<br/>INCOME TAX<br/>for 15 years</b></p> | <p>For income of<br/><b>EXPATRIATE<br/>EMPLOYEES</b></p> <p><b>15% PERSONAL INCOME<br/>TAX for 8 years</b></p>   |
| Key Conditions  |   | Key Conditions   |
| <ul style="list-style-type: none"> <li>- In 1<sup>st</sup> fiscal year, have one operating company in another country; a second within 3<sup>rd</sup> year; a third within 5<sup>th</sup> year</li> <li>- Have annual expenses in Thailand of Bt15 million, or have invested at least Bt30 million in Thailand</li> <li>- By end of 3<sup>rd</sup> year, 75% of ROH personnel to be qualified staff, and 5 persons earning at least Bt2.5 million annual salary and benefits per person</li> <li>- All companies must be real operating companies with a physical presence and staff</li> </ul> |   | <p><i>In addition to conditions for income from overseas and local operations:</i></p> <ul style="list-style-type: none"> <li>- Income generated from services to overseas companies must be at least 50% of total revenues</li> </ul> |

# SOME ROH INVESTMENTS IN THAILAND



GE Consumer Finance



amADEUS  
Your technology partner

**DENSO**

 **Nestlé**  
Good Food, Good Life

 **Clariant**



**ExxonMobil**



  
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# BOI SERVICES



## **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**



# One Start One Stop Investment Center



- 21 agencies facilitating company establishment in Thailand
- Help investors with applications to make sure investors know what is required to:
  - Register a company
  - Apply for investment promotion privileges
  - Obtain a foreign business license
  - Tax registration
  - Complete an environmental impact assessment
  - Obtain utilities, etc.
- OSOS staff will also accept applications for licenses and permits such as corporate name registration, corporate tax ID numbers, VAT registration, foreign business licenses, etc.

# BOI OFFICE IN SYDNEY

Suite 101, Level 1, George  
Street, Sydney, New South  
Wales 2000  
Australia

Telephone: +61 2 9252 4884

Fax: +61 2 9252 2883

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

Website: [www.boi.go.th](http://www.boi.go.th)



# THANK YOU



# BOI'S FLOOD RELIEF MEASURES

# 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<br>(subject to <u>150%</u> cap on new investment * + remaining unused cap) |
| Relocate to another province | 8-year tax exemption<br>(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 |
|--------------------------------|---|
| $\leq 5$ 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                      |

# Tax Incentives for Industrial Estates

- Incentives
- 8-year corporate income tax exemption with cap of 200% of investment excluding costs of land and working capital

## Conditions

- All industrial estates/zones
- Invest in flood-prevention infrastructure and system

# Special Tax Incentives for New/Expansion Investments in Ayudhya and Pathum Thani Provinces

## Eligibility

- New/ Expansion projects
- Promoted by BOI
- Located in industrial estates/zones in Ayudhya or Pathum Thani provinces

## Incentives

|              |  |
|--------------|--|
| Ayudhya      | 8-year tax exemption subject to <u>150%</u> cap on investment<br>+3-year 50% tax reduction |
| Pathum Thani | 8-year tax exemption subject to <u>150%</u> cap on investment                              |

## Conditions

Application must be submitted by **the end of 2012**



# Measures to Reduce Tax Burdens

- Exemption on import duty on replacement machinery

|   |                      |
|---|----------------------|
| <b>Number of<br/>projects/companies using<br/>BOI machinery<br/>replacement schemes</b> | <b>391 projects</b>  |
|   | <b>228 companies</b> |

- Imported raw materials damaged by flood can be counted as waste allowance without any tax burden.