

# **BOI's New Investment Promotion Policies**

## **Seven-Year Investment Promotion Strategy (2015-2021)**

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Acting Secretary General  
Thailand Board of Investment  
23 April 2015  
Seoul, Republic of Korea**

# Outline

Why Thailand

Investment Trend

New BOI Investment Policy

BOI Services

# Why Thailand

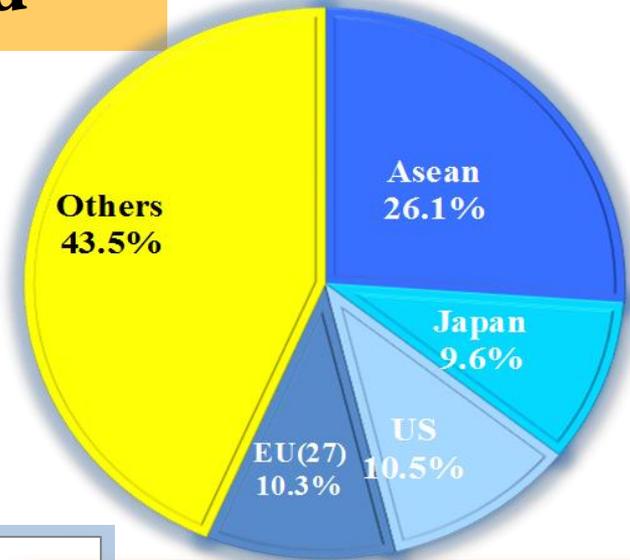


# Current Trade Scale in Thailand

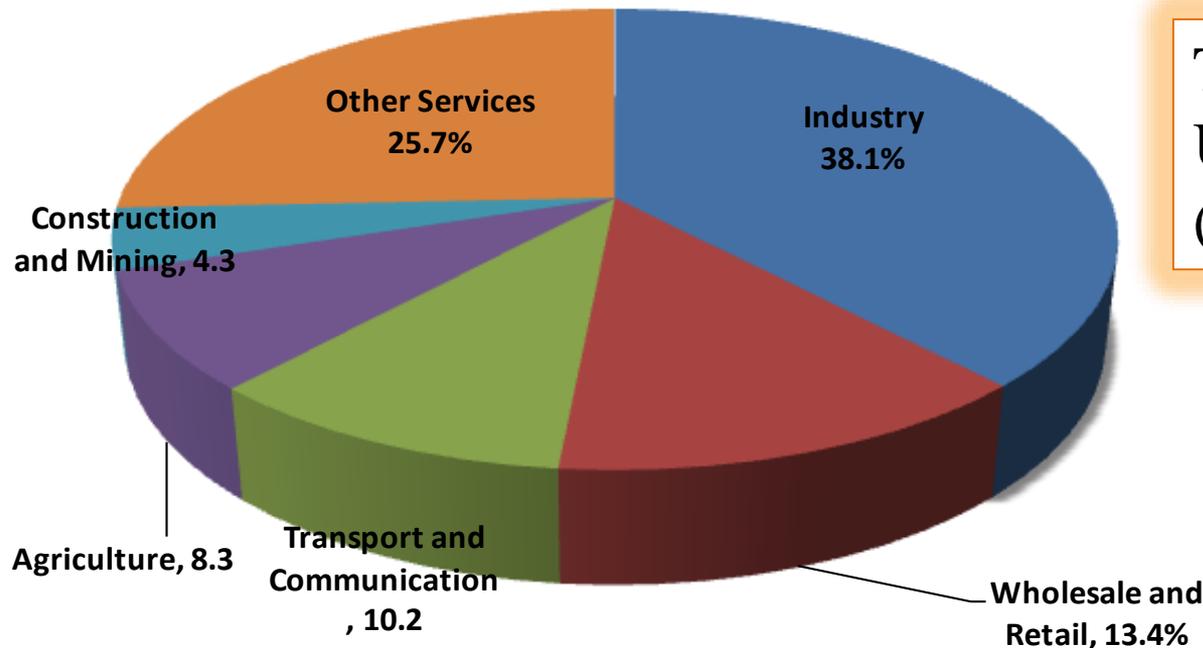
## Thailand & Korea Trade (2014)

Exports: US\$4.5 billion

Imports: US\$8.6 billion



Total Global Exports:  
US\$247.75 billion  
(2014)



# Investment by Global Companies

## Major determining Factors

- Well-developed Infrastructure
- Availability of Skilled Labours
- One Single Market (ASEAN)
- Tax Incentives & Non-Tax Incentives
- Good Expat Life & Cheap Living Cost

### E & E Industry

-  Thai Samsung Electronics Co.,Ltd
-  MAXON Systems (Thailand) Co., Ltd.
-  LG Electronics (Thailand) Co.,LTD.
-  Seagate Technology (Thailand) Ltd.

### Medical Industry

-  Cardinal Health 222 (Thailand) Ltd.
-  Greiner Bio-one (Thailand) Ltd.
-  GlaxoSmithKline (Thailand) Limited

### Automotive Industry

-  Tokai Rika (Thailand) Co.,Ltd
-  General Motors (Thailand) Ltd.
-  Ford Motor Company
-  Nissan Motor (Thailand) Co.,Ltd

### Steel Industry

-  POSCO (Thailand) Co.,Ltd.
-  Thai Dongbu Steel Co.,Ltd

# 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%

# Utilities price is very competitive against neighboring countries

## Electricity

## Water Rate

- Electricity rate is competitive compared to other countries in SE Asia

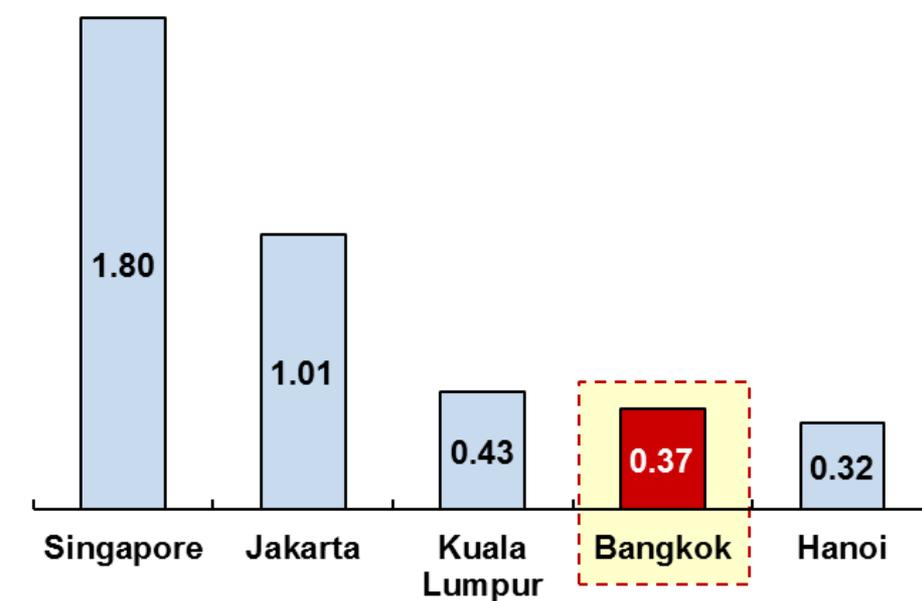
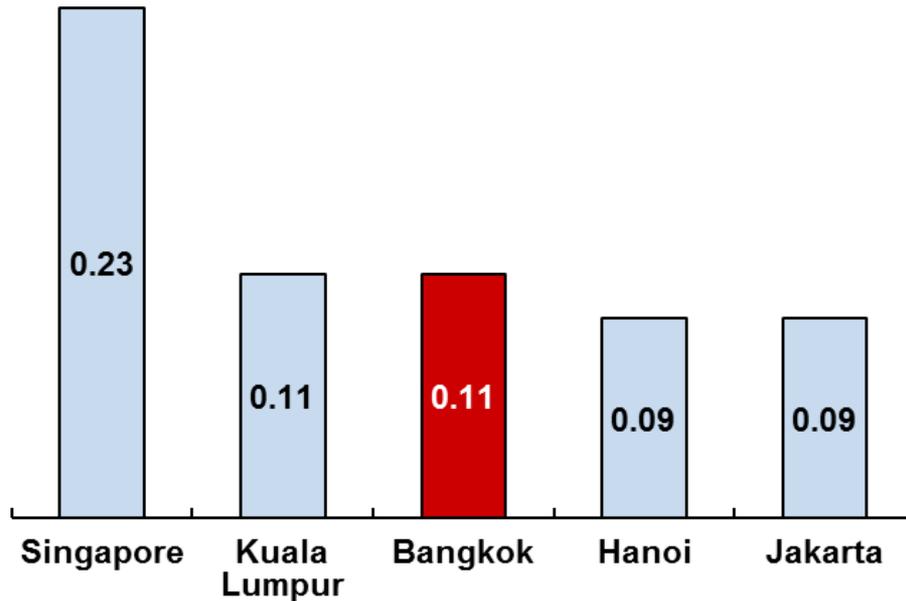
- Water rate in Thailand is lower than the regional average

### Electricity rate for general use

### Water rate for general use

(Unit: USD/Kwh)

(Unit: USD/m<sup>3</sup>)



# Strong Infrastructure



## Road

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



## Ports

- 6 deep sea ports : Laem Chabang: 7.7 Million TEUs/Year  
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

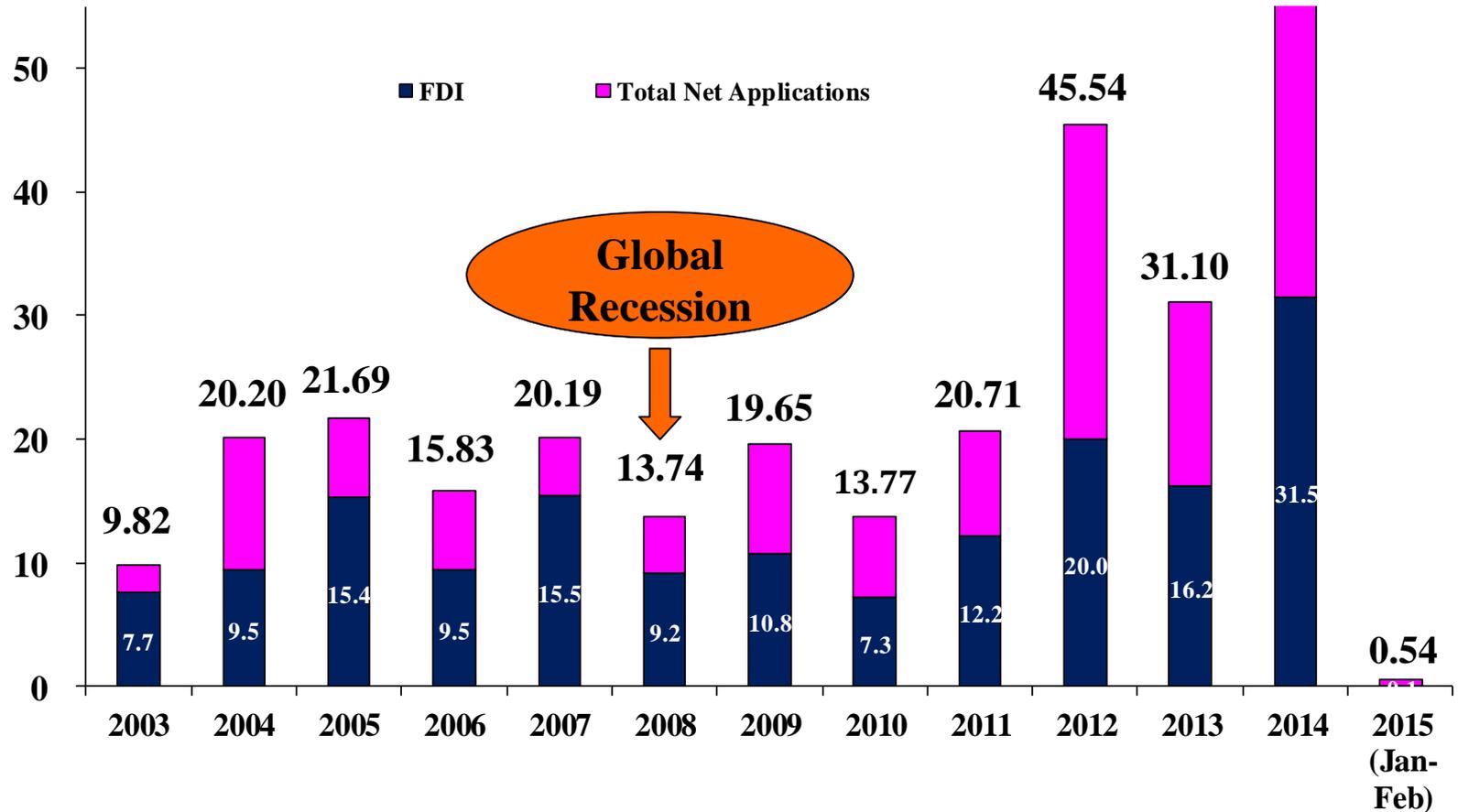
# Investment Trend

# Value of Applications Submitted 2003-2015 (Jan-Feb)

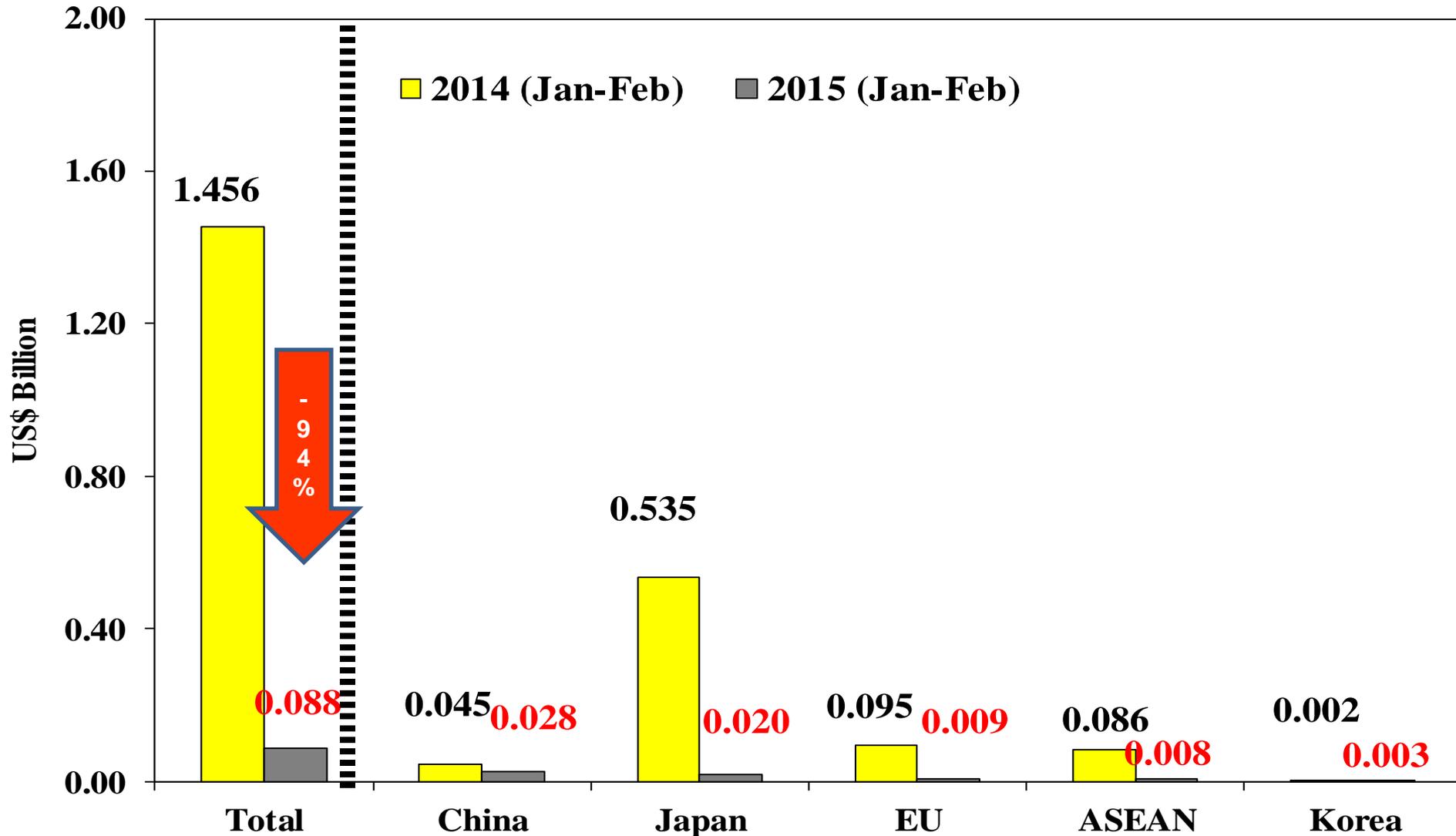
## (Comparison of Total investment and FDI)

**New record!**

US\$ Billion



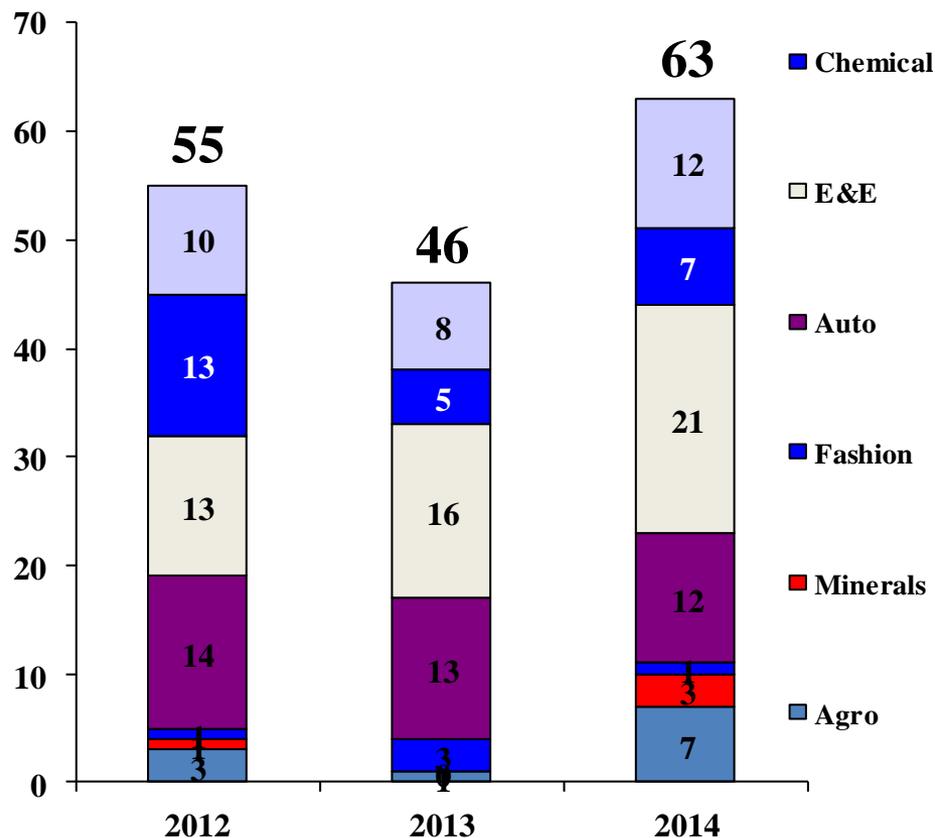
# Foreign Direct Investment Applications



# Comparison of Korean Applications for Investment

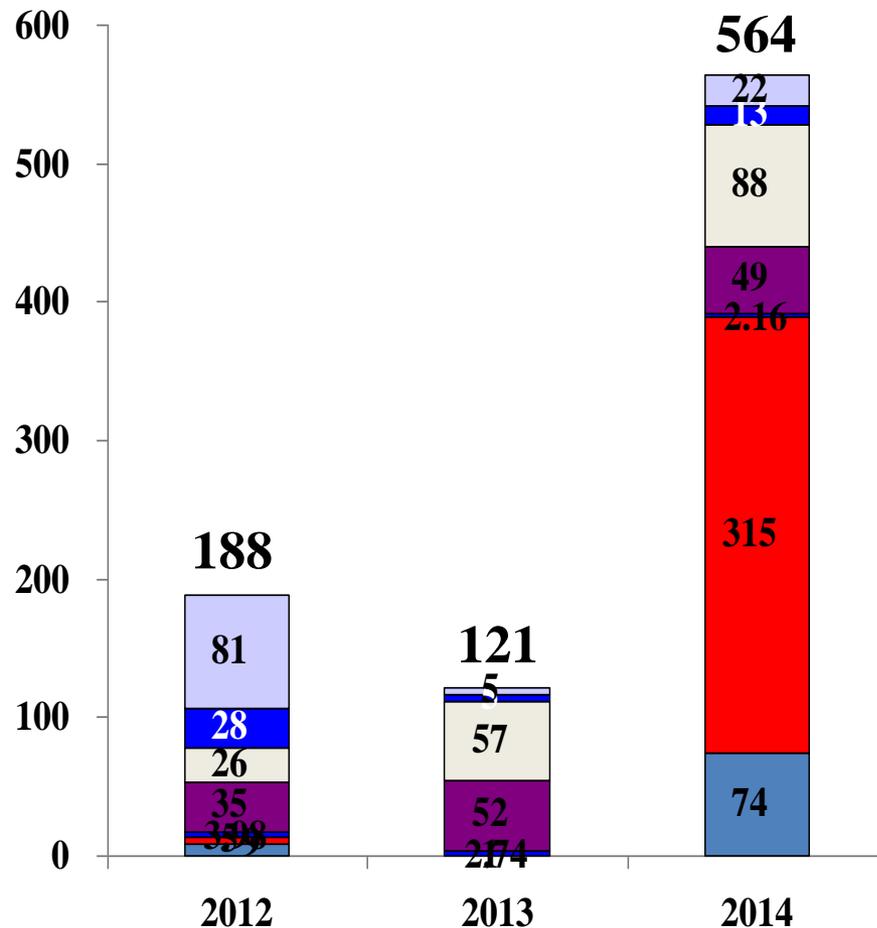
## Number of Projects

Number of Projects



## Amount Invested

US\$ Million



# South Korean Investment Applications

## Totals by Sector: 2008 – 2014

Sector	Projects	US\$ Million
Agricultural Products	18	73.9
Basic Metal/ Steel	8	315.3
Light Industries/Textiles	17	2.2
Metal Products and Machinery	67	48.7
Electric and Electronic Products	127	88.3
Chemicals and Paper	50	13.5
Services	60	22.4
<b>TOTAL</b>	<b>347</b>	<b>564.3</b>

# Sample of South Korean Investments

posco



SAMSUNG  
ELECTRO-MECHANICS



**maxon**  
MAXON SYSTEMS (THAILAND) CO., LTD.



# Sector of Opportunity from South Korea

Automotive  
& Auto parts



Electronics  
& Electrical  
Appliances



Petrochemical



Metal parts  
& Machinery



Pharmaceutical



Alternative  
energy



Agriculture  
& food  
processing



High-value  
added Service  
& R&D



Software  
and IT



**NEW**

# BOI Investment Policy

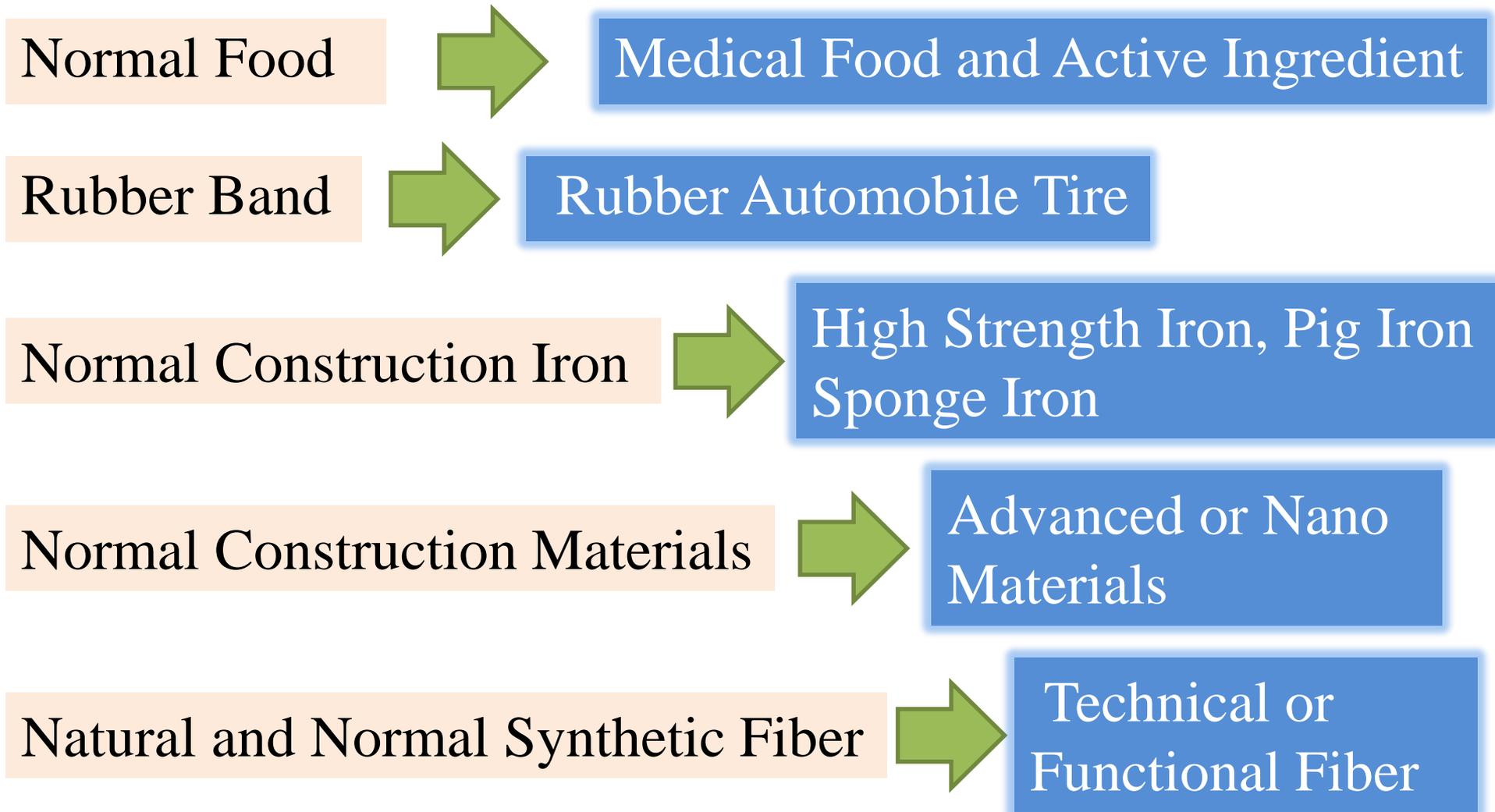
# THAILAND

## New Promotion Policies, More Competitive Economy

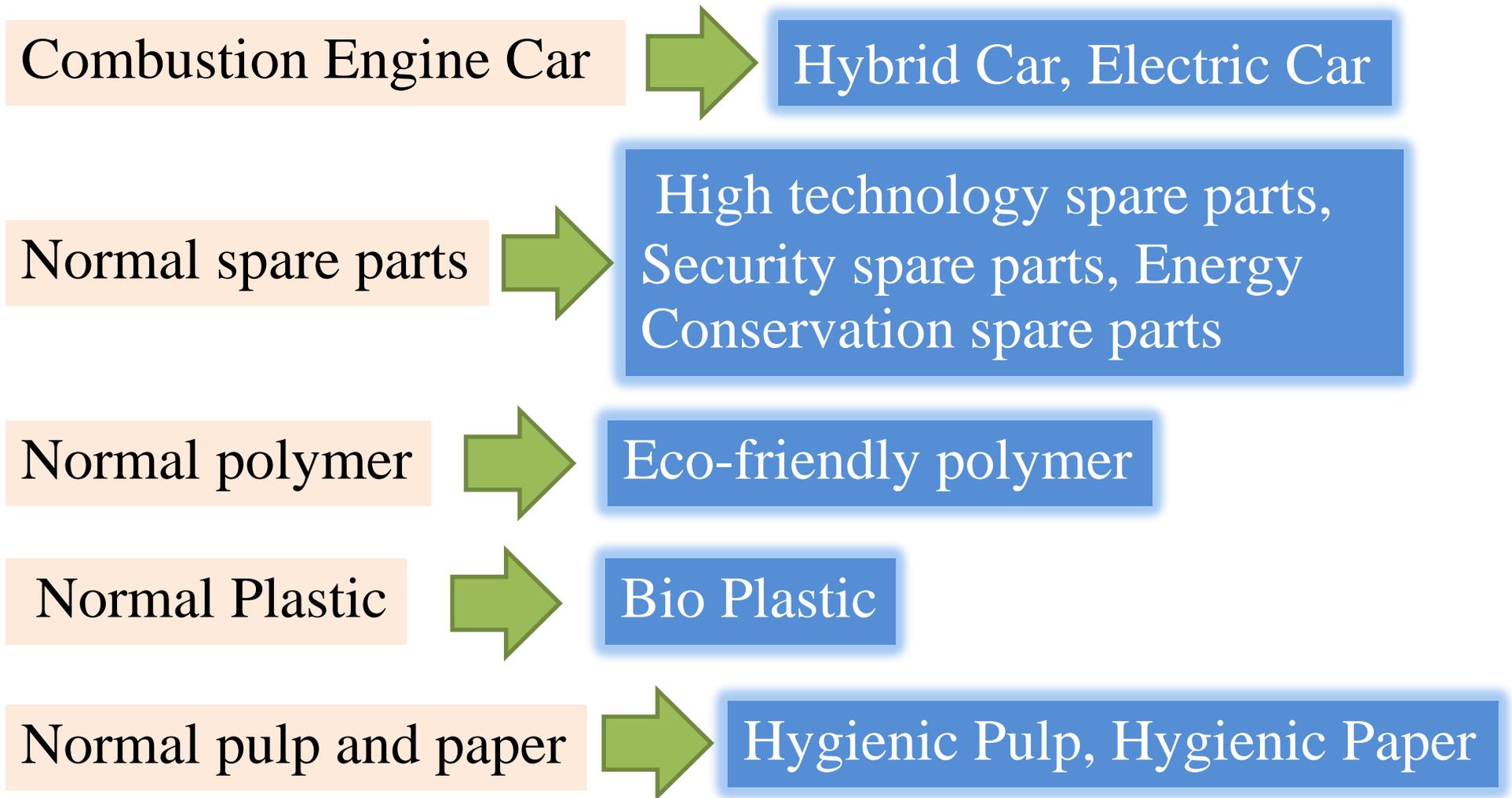


**INNOVATION**  
**HIGH VALUE-ADDED**  
**GREEN TECHNOLOGY**  
**RESEARCH & DEVELOPMENT**

# Shifting to Advanced Industries in New Promotion List



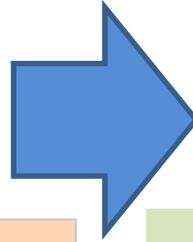
# Shifting to Advanced Industries in New Promotion List



# Shifting to Advanced Industries in New Promotion List

## Old Lines

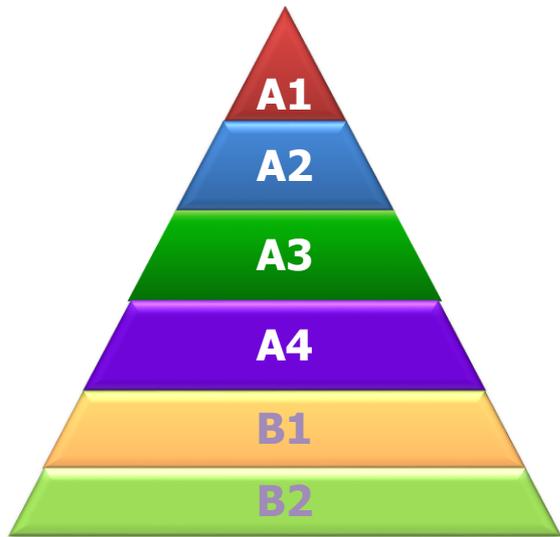
- Leather shoes
- Leather bags
- Sports Equipment
- Eye Glasses
- Toys
- Furniture



## New Lines

- Parts for Airplane
- Airplane Repairing Services
- Fuel Cell
- Medical Equipment
- Science Apparatuses
- Solar Cell
- Raw Material for Solar
- R & D
- Specific Training Center

## Activity-based Incentives



**Classified incentives based on the importance of activities**

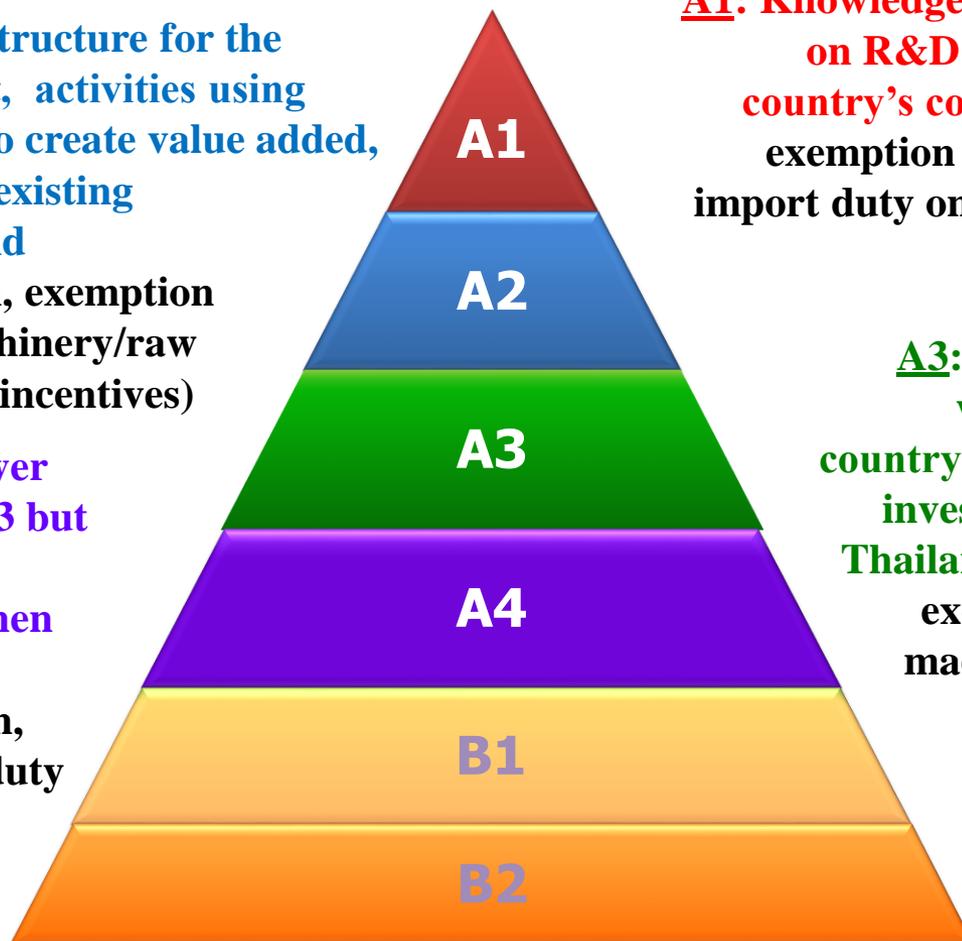
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## Merit-based Incentives

- 1. Competitiveness Enhancement**
- 2. Decentralization**
- 3. Industrial Area Development**

**Grant additional incentives to encourage more investment/expenditures that benefit the country or overall industry**

# Activity-based 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)**

**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)**

**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)**



# Merit-based Incentives

## 1. Merit on Competitiveness Enhancement

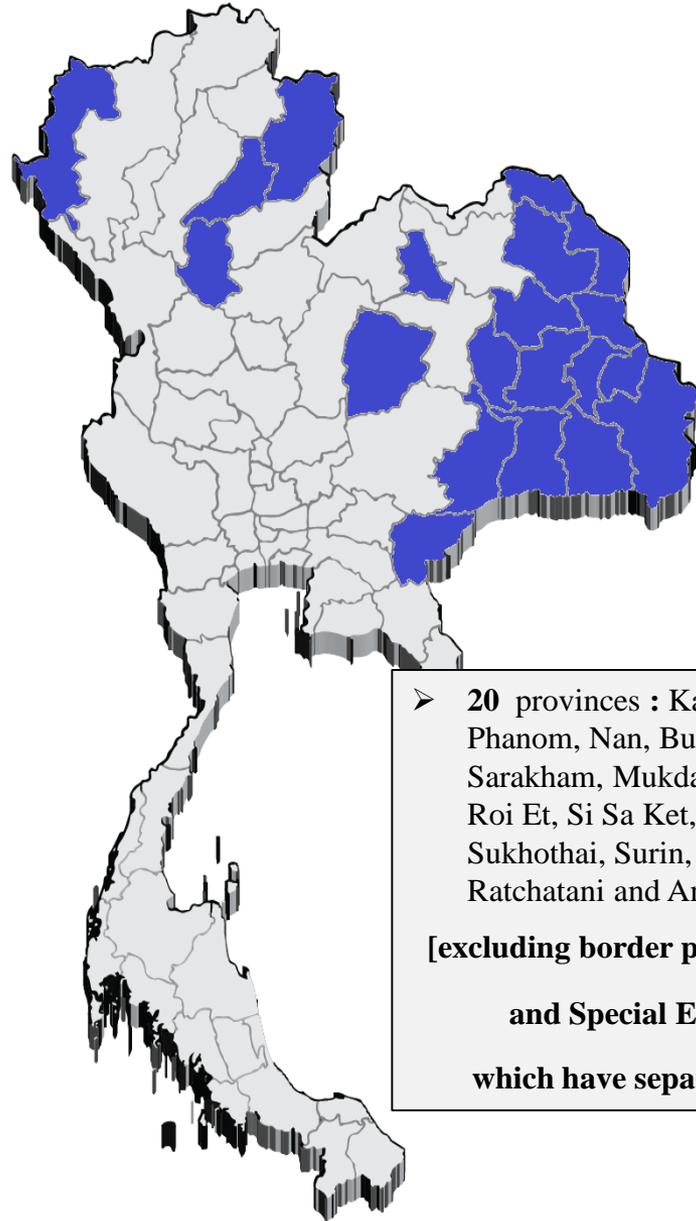
Additional Corporate Income Tax incentives will be granted depending on investment/ expenditure ratio (%) of Research Technology Development, and Advanced Technology training.

Percentage of qualified Investment/ Expenditures to combined revenue of the first 3 years	Additional CIT Exemption (with additional cap)
<b>1% or &gt; 200 mil.baht</b>	<b>1 year</b>
<b>2% or &gt; 400 mil.baht</b>	<b>2 years</b>
<b>3% or &gt; 600 mil.baht</b>	<b>3 years</b>

# Merit-based Incentives

## 2. Merit on decentralization

Projects located in 20 provinces with lowest per capita income



➤ 20 provinces : Kalasin, Chaiyaphum, Nakhon Phanom, Nan, Bueng Kan, Buri Ram, Phrae, Maha Sarakham, Mukdahan, Mae Hong Son, Yasothon, Roi Et, Si Sa Ket, Sakhon Nakhon, Sa Kaew, Sukhothai, Surin, Nong Bua Lamphu, Ubon Ratchatani and Amnatcharoen

[excluding border provinces in Southern Thailand and Special Economic Development Zones which have separate special incentive packages]

- 3 additional years of corporate income tax exemption
- Activities in Group A1 and A2 receive an additional 50% CIT reduction for 5 years after the end of CIT exemption period
- Double deductions from the costs of transportation, electricity and water supply for 10 years
- Additional 25% deduction of the cost of installation or construction of facilities

# Merit-based Incentives

## **3. Merit on Industrial Area Development**

**Projects located in industrial estates or promoted industrial zones**

**1 additional year of corporate income tax exemption**

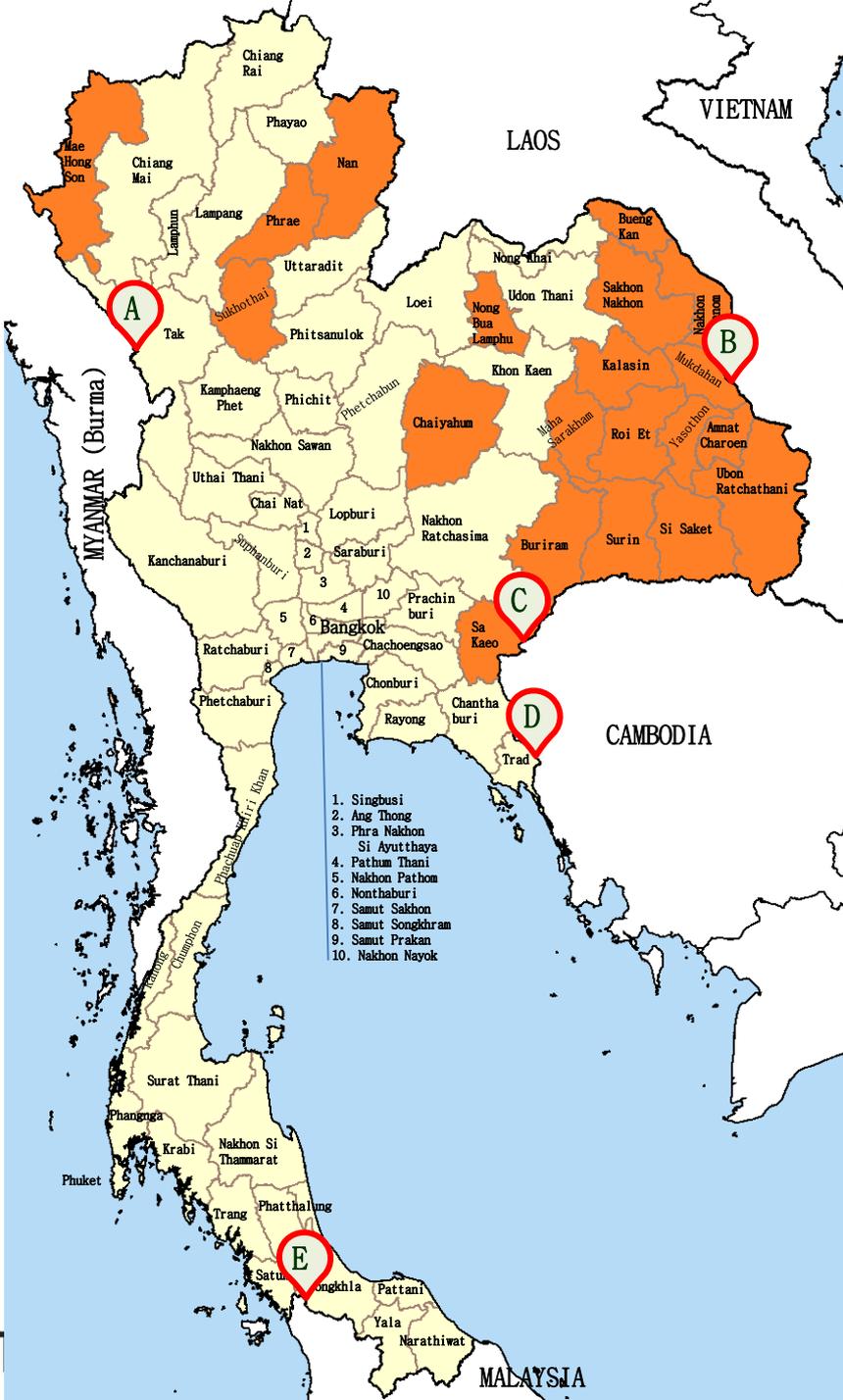
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# **Investment Promotion Policy for Investment in Special Economic Zones**

# Investment Promotion Policy for Investment in Special Economic Zones

## Initial phase of Special Economic Zones in 5 provinces

1st Phase



- 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 Kaeo province (3 sub-districts in Arangyapraphet/1 sub-districts in Wattana Nakhon)
- D** Thailand-Cambodia border area, Trat province (3 sub-districts in Khong Yai)
- E** Thailand-Malaysia border area, Songkhla province (4 sub-districts in Sadao)

# 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**

# Investment Promotion Policy for Investment in Special Economic Zones

- “13 groups of targeted activities” in special economic zone

**Agriculture, fishery and related industries**

**Textile, garment, and leather industries**

**Gem and jewelries**

**Automotive, machinery, and parts**

**Plastic production**

**Logistics**

**Ceramics**

**Furniture manufacturing**

**Medical equipment manufacturing**

**Electrical appliances and electronics**

**Medicine production**

**Industrial estates/zones**

**Tourism related industries**

# BOI Services

# 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**



# BUILD Activities

**ASID**



**Seminar**

**Sourcing  
Program**  
(sourcing@boi.go.th)

**VMC  
Road  
Show**



**Marketplace**

**Vendors  
meet  
customers**

**Business  
Matching**



# BOI Office in Seoul

## Seoul

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**Worakan Kosolpisitkul**  
**Director**

# Thank You

# 감사합니다



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