

Thailand Business Environment and Investment Policies

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Kitakyushu, Japan

Outline

- Trade and Investment Environment
- Flood Prevention Schemes
- Investment Policies
- Sector of Opportunity
- BOI Services

TRADE & INVESTMENT ENVIRONMENT

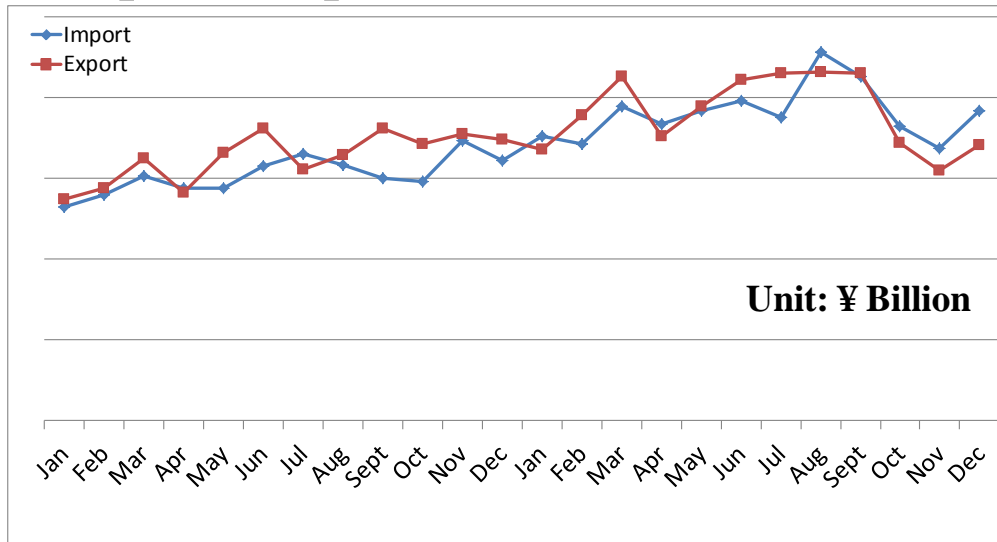
Thailand in Brief



Population: 67 Million
Labor Force: 39 Million



Import : Export, 2010 - 2011



GDP(2011): ฿27.54 trillion

World Bank: Thailand is an upper middle income country

Exchange rate:฿100=Bt38.27 in 2011

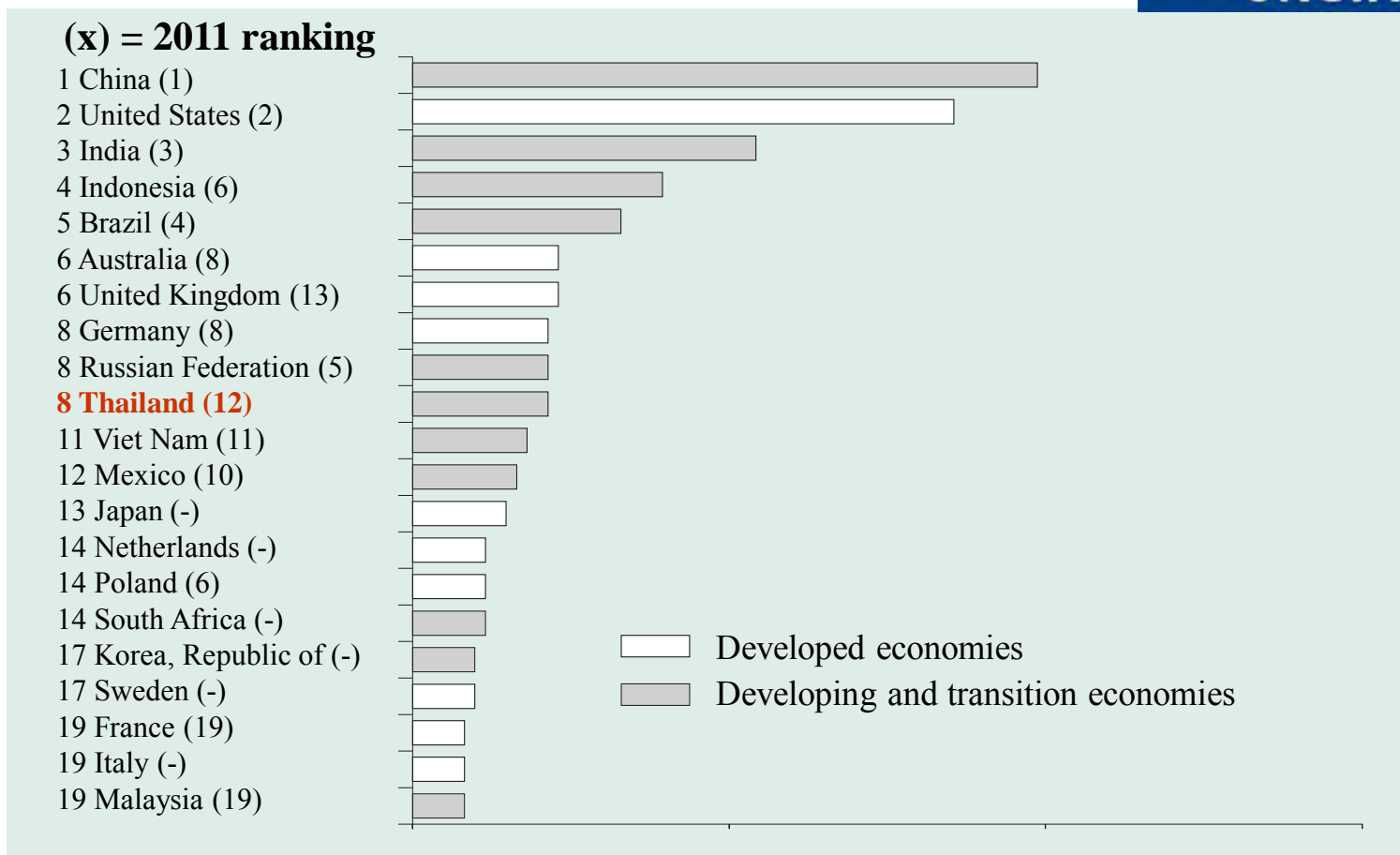
2012	2011		2012	2011	
1	1	Singapore	11	14	Finland
2	2	Hong Kong	12	10	Saudi Arabia
3	3	New Zealand	13	12	Canada
4	4	United States	14	9	Sweden
5	5	Denmark	15	11	Australia
6	7	Norway	16	17	Georgia
7	6	United Kingdom	17	16	Thailand
8	15	Korea, Rep	18	23	Malaysia
9	13	Iceland	19	19	Germany
10	8	Ireland	20	20	Japan

The World Bank Ranks Thailand the 4th Easiest Place in Asia to do Business and 17th in the World



TNCs' TOP PROSPECTIVE HOST ECONOMIES FOR 2012–2014

(PERCENTAGE OF RESPONDENTS SELECTING ECONOMY AS A TOP DESTINATION)



Cost-Competitive Location

THAILAND'S INFRASTRUCTURE: TRANSPORTATION SECTOR



Road

- National highway: **63,100** km.
- Rural road: **39,254** km.
- Local road: **101,845** km.



Water

- Total international deep sea port: **6** ports
- Laem Chabang: **7.7** Million TEUs/Year
- Bangkok: **1.34** Million TEUs/Year



Rail

- Single track: **3,885** km.
- Double & third track: **234** km.



Air

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



BILBEW - PH - On The BTS Station



- 304 Industrial Park
- AMATA Industrial Estate Developer
- Asia Industrial Estate
- GATEWAY CITY INDUSTRIAL ESTATE
- HEMARAJ
- Laem Chabang Industrial Estate
- Map Ta Phut Industrial Estate
- Padaeng Industrial Estate
- Ping Thong Industrial Estate
- ROJANA INDUSTRIAL PARK
- Wellgrow Industrial Estate
- International School & University
- Golf Course
- Hospital

Strategy 3: Development strategy for new economic areas

Road Link between Laem Chabang Sea Port and Dawei Sea Port



- - - - ACCESS ROAD between Dawei - Pu Nam Ron
(the middle section is under trail blazing process)
- Road between Pu Nam Ron - Thai-Myanmar border: total length of 4.4 Km. (the last 600 m. under construction)
- Road between Kanchanaburi - Pu Nam Ron: total length of 76 Km. (completed)
- - - - Motorway NO. 51 between Bangkok - Kanchanaburi: total length of 96 Km. (yet to be constructed)
- Road between Thai-Myanmar border - Pu Nam Ron - Route 323 - Route 4 - Route 356 -
Western Ring Road - Southern Ring Road - Route 34 - Route 7 connected to Laem Chabang Port
- Border Crossing
- - - - Single Dual Track Railway Alignment | Chachoengsao - Sriracha - Nakhon Ratchasima

Remarks:
 Total of 43 border crossings at Kanchanaburi
 The distance between NABULE and Dawei is 94 Km.

Selected Costs of Doing Business

- Corporate Income Tax: 23%(Jan 1,2012), 20%(Jan 1,2013)
- Personal Income Tax: 5 to 37% based on level of taxable income
- Value Added Tax: 7%
- Water Rates for business: ¥24 to ¥40 per cubic meter based on water volume used
- Electricity Rates for business (medium general service): ¥450 to ¥567 per kW based on level of voltage
- Selling Prices of Areas in Industrial Estate: ¥2 to ¥41 million per 1 rai (0.4 acres) based on location

SELECTED SALARIES FOR THAI WORKERS

- Engineer ¥46,088/month
- Sales Staff ¥ 38,407/month
- Office Clerk ¥ 25,604/month
- Driver ¥ 20,484/month
- Minimum Wage ¥568 - ¥768/day (*1 April 2012*)
(depending on location)

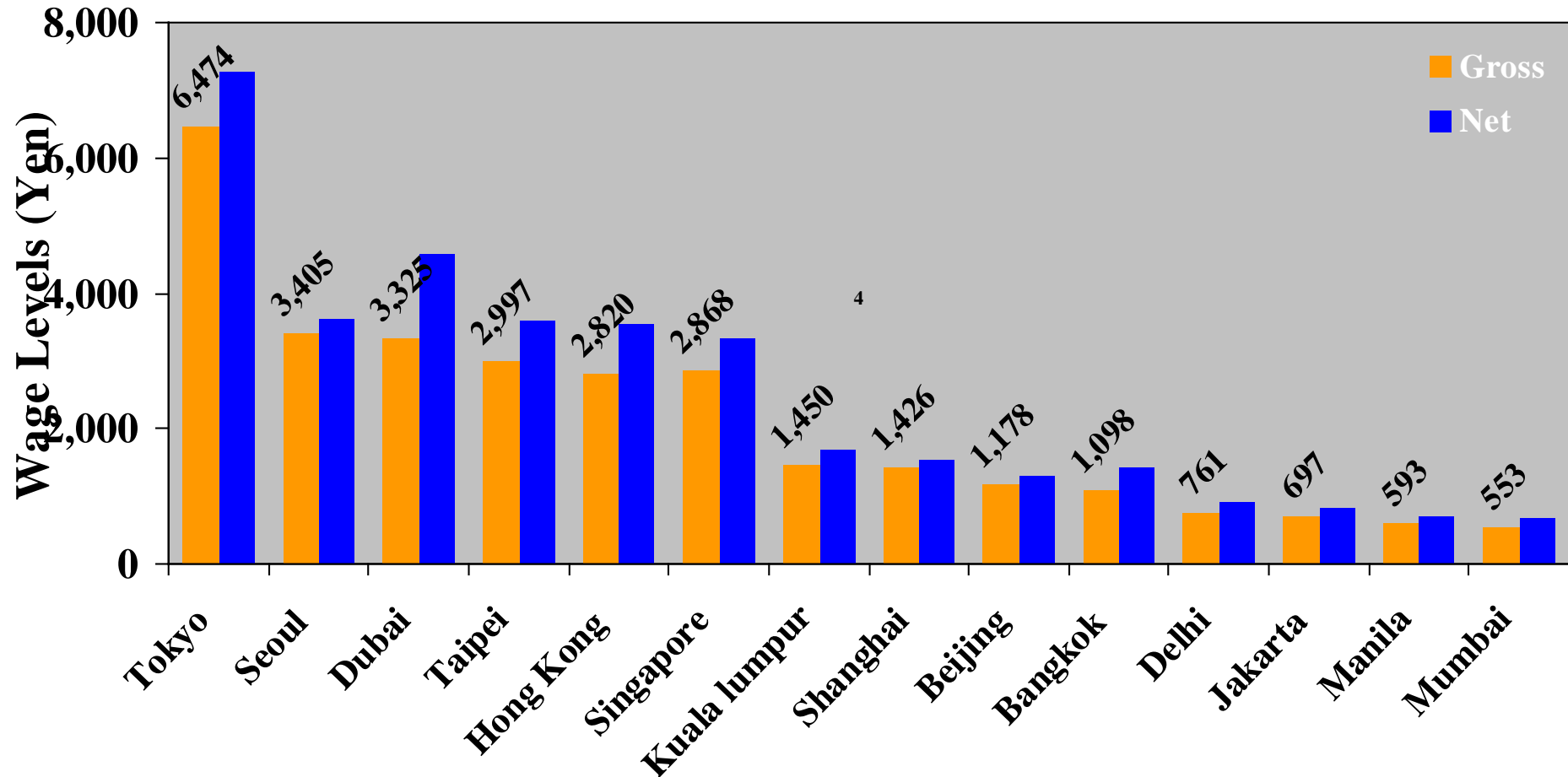
Number of working hours: 48/week

Social security contribution by employers

-Social security fund: 5% of salary

-Workman's compensation fund: 0.2 – 1.0% depending on the type of business.

WAGE COMPARISON



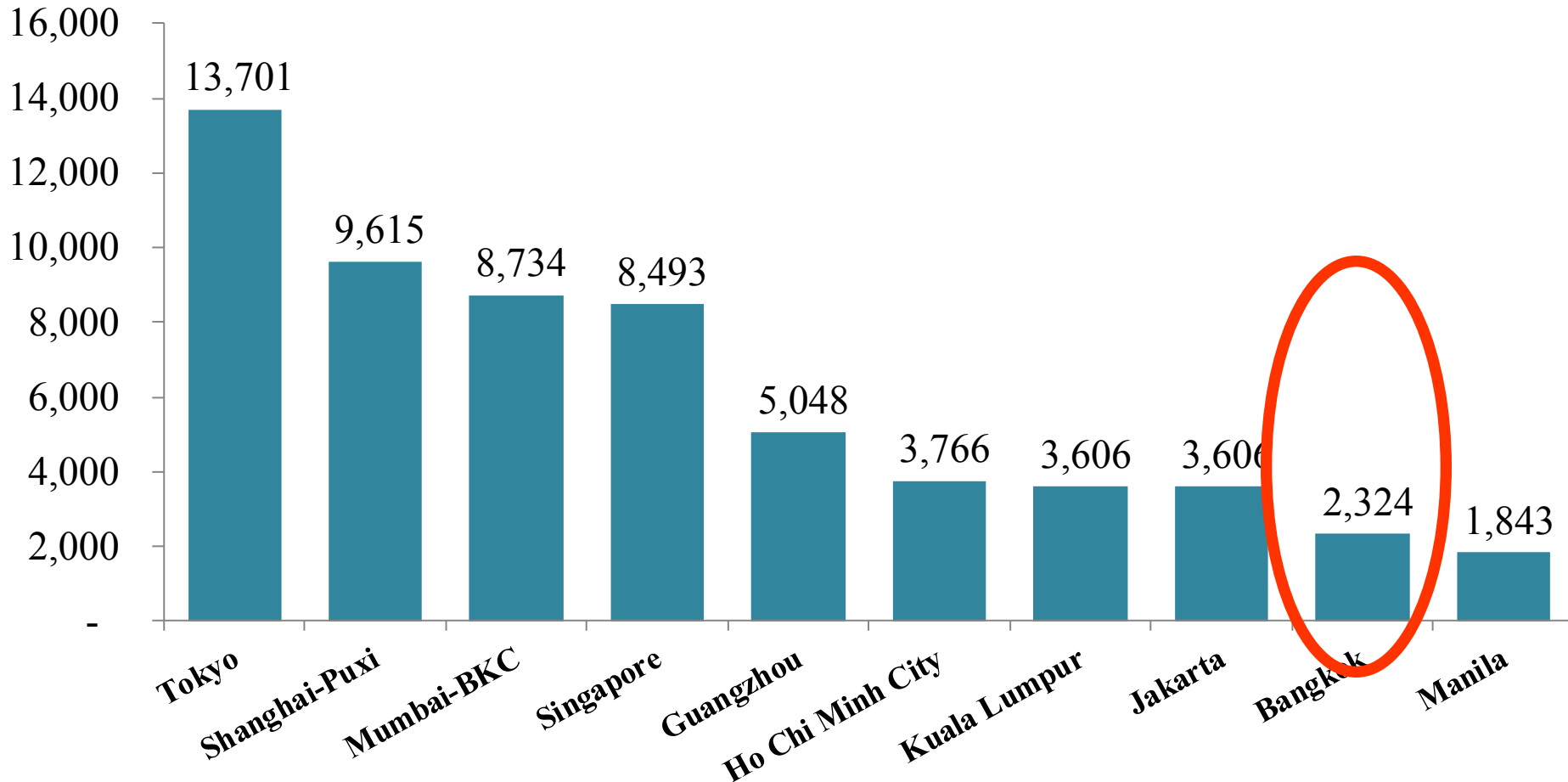
Cities ranked according to gross value of index

Source: UBS/Prices & Earnings March 2009 update August 2011

Exchange rate: US\$1=Bt31.29 and Yen100=Bt39.06 in Q2, 2012

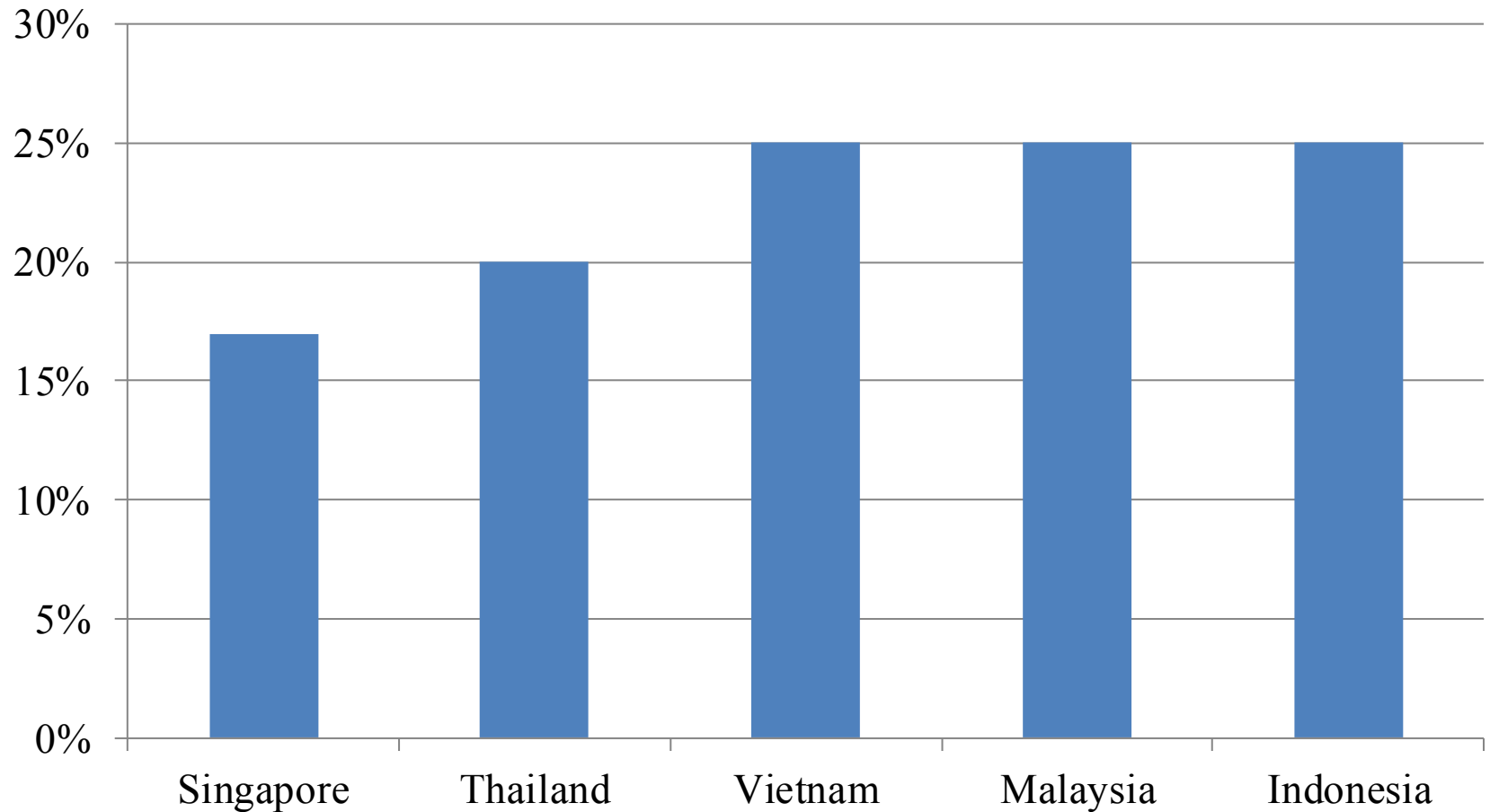
AFFORDABLE OFFICE SPACE

Yen/sq ft/annum



Source: CBRE MarketView Asia Pacific Office, Q2/2012 as of Aug 14, 2012
Exchange rate: US\$1=Bt31.29 and Yen100=Bt39.06 in Q2, 2012

ASEAN CORPORATE INCOME TAX 2013



ASEAN SNAPSHOT



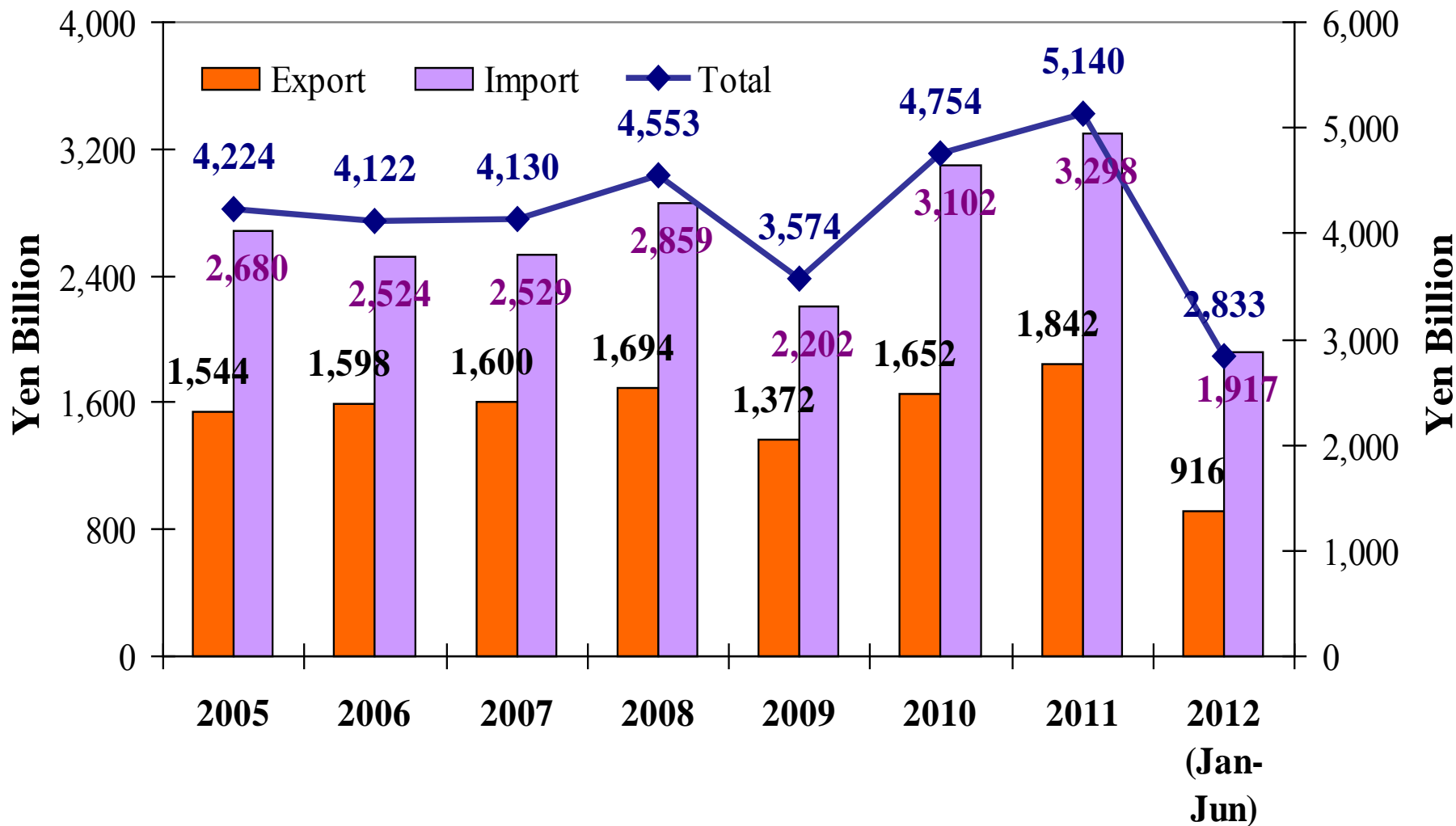
Macro-Economic Basics

- GDP (2011): ¥169.26 trillion*
- GDP per capita: ¥270,500
- GDP Growth: 5.7% and 6.4% in 2011-2012
- Population: 600 million people
- Area: 4.46 million km²

* IMF Forecast

Trade & Investment Figures

TRADE SUMMARY THAILAND/JAPAN



Source: MOC, as of Aug 15, 2012 Exchange rate: ¥100=Bt39.06 in Q2, 2012

PRINCIPAL EXPORTS TO JAPAN

Unit: Yen billion

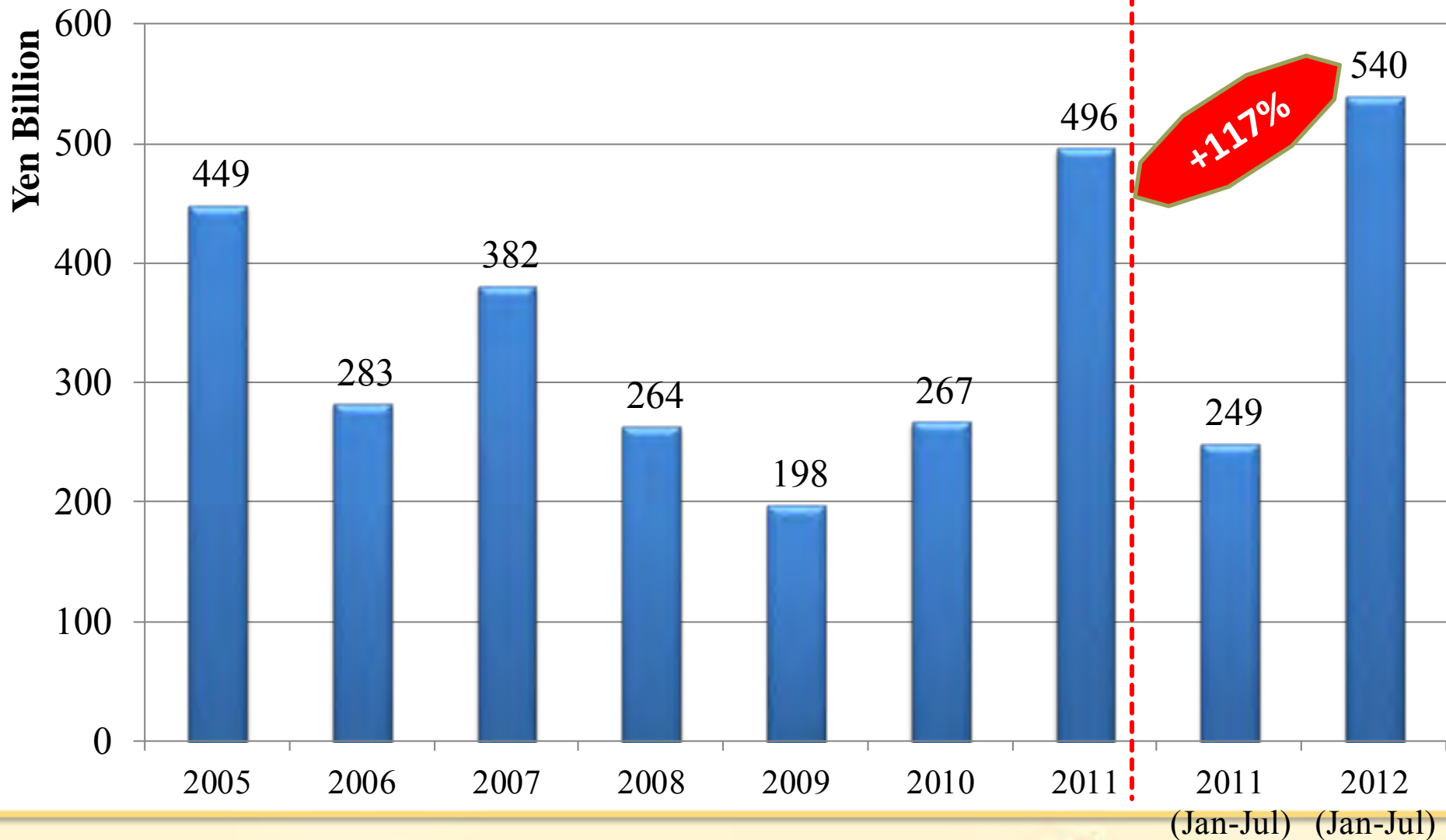
Description	2009	2010	2011	2011 (Jan- Jun)	2012 (Jan- Jun)	% Growth YOY
Motor cars, parts and accessories	48	97	97	43	59	38.44
Rubber	40	88	133	76	43	-43.17
Automatic data processing machines and parts thereof	88	100	74	40	42	5.09
Prepared poultry	58	60	71	32	39	24.80
Polymers of ethylene, propylene, in primary forms	24	35	63	33	36	7.02
Others	1,114	1,272	1,404	704	696	-1.06
Total	1,372	1,652	1,842	928	916	-1.24

PRINCIPAL IMPORTS FROM JAPAN

Unit: Yen billion

Description	2009	2010	2011	2011 (Jan-Jun)	2012 (Jan-Jun)	% Growth YOY
Machinery and parts	417	583	648	303	480	58.37
Iron, steel and products	261	432	446	216	231	7.03
Electrical machinery and parts	211	285	293	145	197	35.71
Parts and accessories of vehicles	180	307	315	145	195	34.40
Chemicals	166	227	237	123	111	-9.46
Others	967	1,268	1,359	661	702	6.26
Total	2,202	3,102	3,298	1,593	1,917	20.31

TREND OF JAPANESE APPLICATIONS



Japanese Investment Applications

Totals by Sector: 2006 – 2012 (Jan-Jun)

Sector	Projects	Yen Billion
Agriculture	90	108
Minerals and Ceramics	79	142
Light Industry	73	44
Auto and Metal Processing	1,091	1,112
Electrical and Electronics	453	612
Petrochemicals, Chemicals	308	240
Services and Infrastructure	474	132
TOTAL	2,568	2,389

Source: BOI, as of 17 July 2012 Exchange rate: ¥100=Bt38.27 in 2011

Flood Prevention Scheme

THAILAND'S COMPREHENSIVE WATER MANAGEMENT PROJECT

Areas	Measures	Cost (Bil.Yen)
Upstream region	Construction/repairation of dams and reservoirs	128
	Reforestation	26
	Others (improvement of waterways, upgrade of disaster prediction system and etc)	20
	Total	174
Midstream region	Development of "Gam Ling" (flood-peak absorption areas)	154
	Flood protection for urban areas	26
	Others	23
	Total	202
Downstream region (Greater Bangkok Area)	Construction of floodwalls	307
	Construction of flood protection area for economic zones (industrial estates)	51
	Others	33
	Total	392
Est. cost for Chao Phraya Basin		768
Other 17 basins		128
Total investment		896
Source: The strategic Formulation Committee for Water Resources Management		
Exchange rate:¥100=Bt39.06 in Q2, 2012		

THE PROGRESS OF DAM CONSTRUCTION IN IE AND INDUSTRIAL ZONE AND PARK. AS OF JUL 23, 2012

Industrial Estates/Zones/Park	Construction begins	Construction finishes	Progress Status	Budget (mil.bt)	Dam's length
Bang Pa In	Feb 1, 2012	Dec 31, 2012	60%	728	11 km.
Bangkadi	Mar 2, 2012	Aug 31, 2012	68%	272	8.5 km
Rojana	Feb 20, 2012	Aug 31, 2012	78%	2,233	77.6 km.
Hi-Tech	Mar 1, 2012	Aug 31, 2012	72.5%	500	13 km.
Navanakorn	Feb 15,2012	Aug 31, 2012	78%	700	18 km.

INVESTMENT POLICIES

BOI's Foreign Equity Participation Criteria

- 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

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

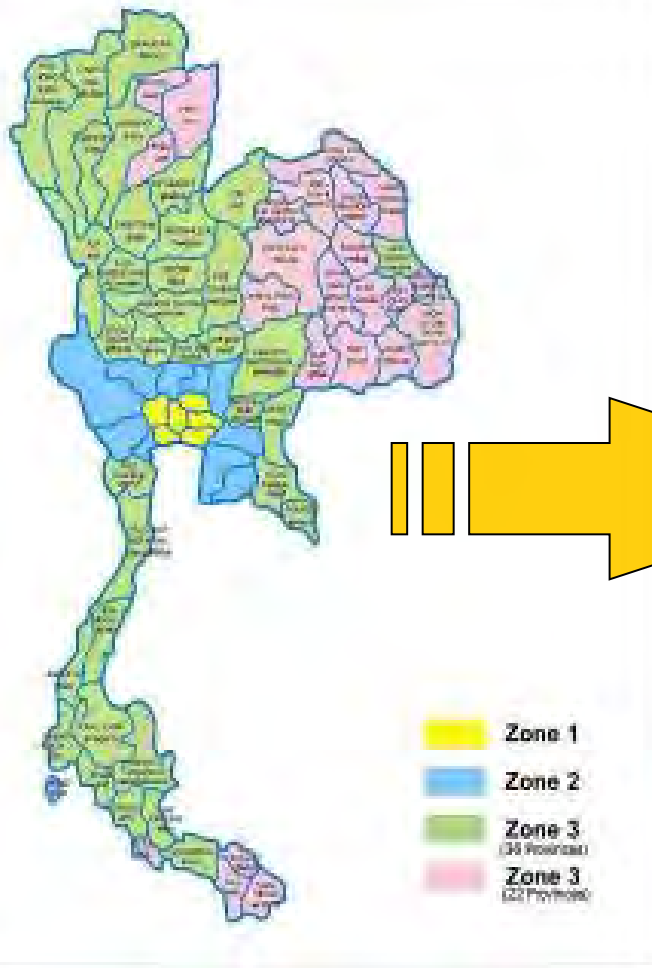
Non-Tax measures

- ❑ 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

ZONE-BASED TO SECTOR APPROACH



**Sector Matrix:
Incentives to strengthen
competitiveness**

**Strategic or Priority
Activities**

- **Maximum incentives regardless of location**
- **Customized packages**

Zone-Based

Incentives:

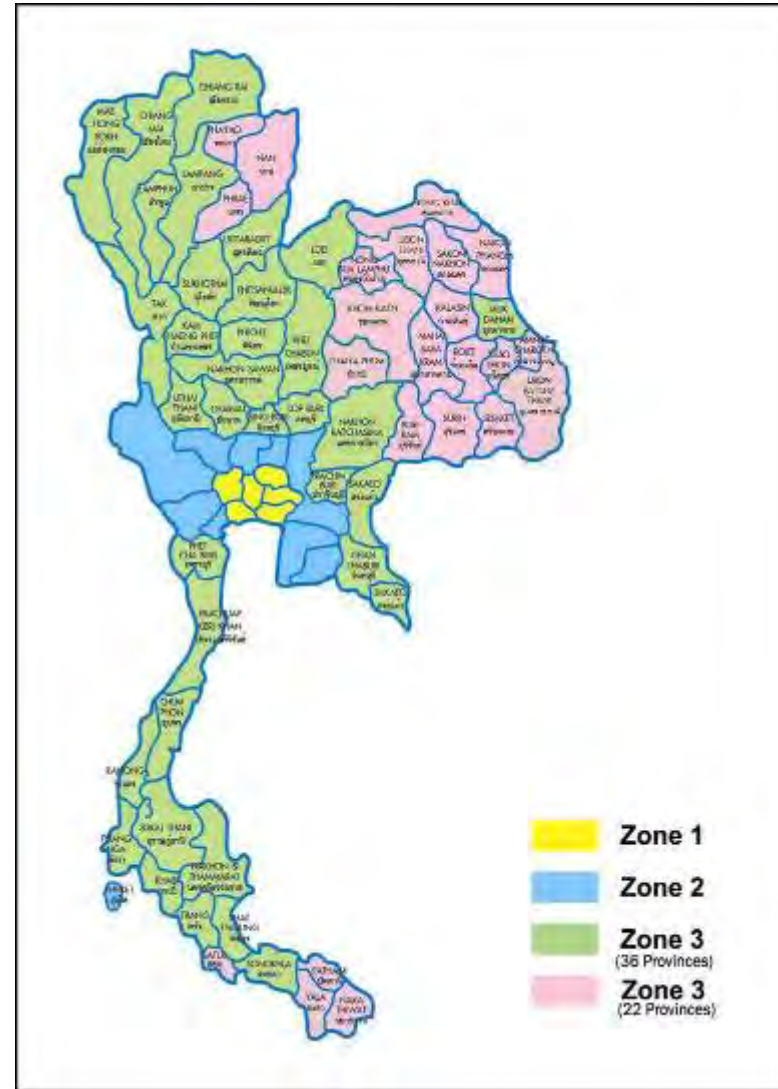
- **Zone 1**
- **Zone 2**
- **Zone 3**

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



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

SECTORS OF OPPORTUNITY

Target Industries for Investment to Thailand

- Automotives and parts
- Machinery
- Alternative Energy
- Recycling

Thailand: Asia's Automotive Hub


Unbeatable Thailand,
Unparalleled Opportunities



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

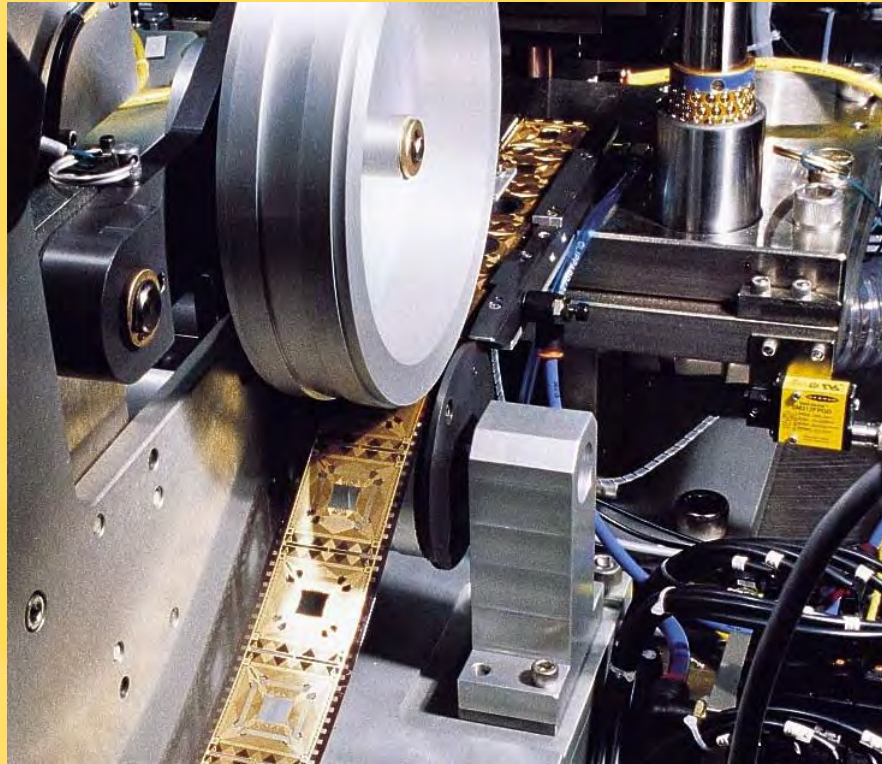
**High local
content :**
80-90% for
pick-up and
30-70% for
passenger car

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



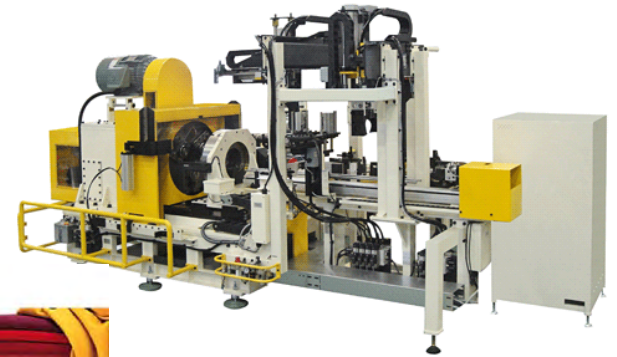
Machinery



Machinery to meet demand is in demand

OPPORTUNITIES IN MACHINERY

- Thailand continues to industrialize, but is dependent on foreign industrial machinery for immediate future.
- High demand for:
 - Food and farm machinery
 - Alternative energy/energy conservation machinery
 - Textile machinery
 - Automotive machinery
 - Mould & Die Industry



Specific Industrial Machinery Needed:

- Turning machines
- Drilling machines
- Milling machines
- Grinding machines
- Machine centers
- Gear cutting & finishing machines
- Die sinking EDMs
- Wire cut EDMs
- Laser beam machines
- Plasma arc cutting machines
- Electron beam machines
- Broaching machines

BOI Priority Activities – 8 years corporate income tax holiday, duty free machinery

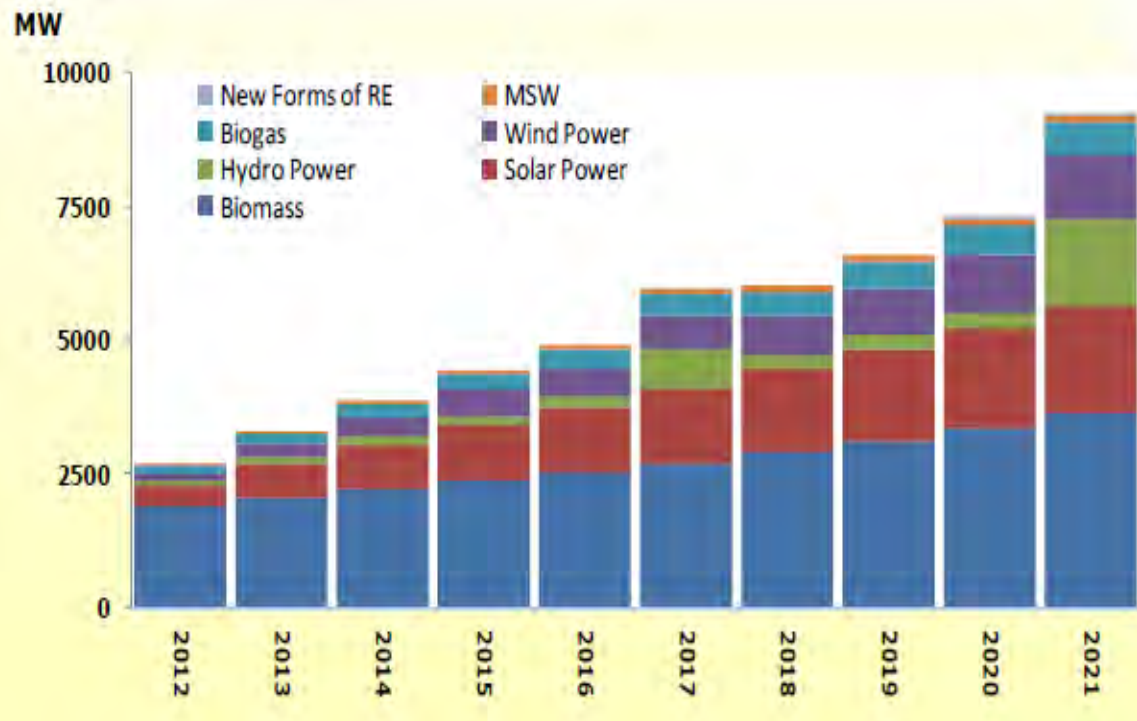


Alternative Energy

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.

Renewable Energy (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 energy	1 MW
Wave and Tides	2 MW



Incentives for Alternative Energy Projects

BOI Incentives

- Import duty exemption for machinery (all zones)
- 8-year corporate income tax exemption with no cap (all zones)
- Additional incentives for Zone 3
 - Additional 50% reductions of corporate income tax 5 years
 - Deductions for infrastructure construction costs
 - Double deduction on public utility costs

Support from Ministry of Energy

- Adder price for electricity from renewable source

Support from Ministry of Energy

- Adder price for electricity from renewable source
 - Solar 6.50 ฿/kWh (10 yrs.)
 - Wind 3.50 ฿/kWh (10 yrs.)
 - MSW 2.50 ฿/kWh (7 yrs.)
 - Micro hydro 0.80 ฿/kWh (7 yrs.)
 - Mini hydro 0.40 ฿/kWh (7 yrs.)
 - Biomass/Biogas 0.30 ฿/kWh (7 yrs.)

Recycling

BOI INCENTIVES FOR RECYCLING AND REUSE OF UNWANTED MATERIALS: **ELIGIBLE ACTIVITIES**

Separation of scraps

Gathering of scraps

Reuse of unwanted materials

Recycling of unwanted materials

Recovery of valuable substances from scraps



REUSE OF UNWANTED MATERIALS: CONDITIONS

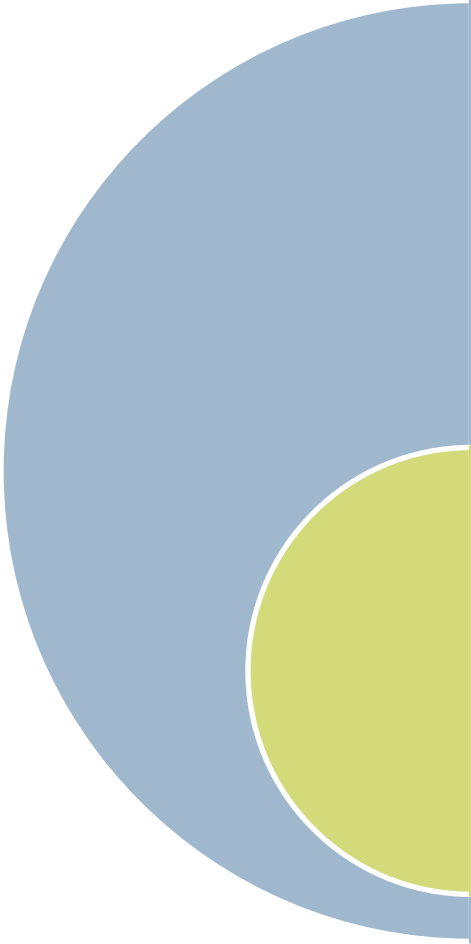


Projects must be approved by relevant government agencies and located in an industrial estate or promoted industrial zone.



Promoted activities cover only the separation, gathering, re-use, recycling and recovery of valuable substances from unwanted materials, which must be sourced domestically. (This category does not include further production of goods)

INCENTIVES FOR RECYCLING AND REUSE OF UNWANTED MATERIALS: RIGHTS AND BENEFITS



Exemption of import duties
on machinery for all zones.

Eight-year corporate income
tax exemption for all zones
(subject to the corporate
income tax exemption cap).

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.**

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Sonklin Ploymee
Director



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Thailand,
Unparalleled
Opportunities**

Thank you



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THAILAND
BOARD OF
INVESTMENT