



# **Progress on the Formulation of Five-Year Investment Promotion Strategy (2015 - 2019)**

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**June 30, 2014**

# Key Features of the New Investment Promotion Strategy

# New Investment Promotion Direction for Thai Economy Restructuring

(1/3)

	Present	New	Action
<b>1</b>	<b>Broad-based investment promotion</b>	<b>Focus &amp; Prioritized investment promotion</b>	<ul style="list-style-type: none"><li>▪ Refocus the activities eligible for promotion</li><li>▪ Prioritize: Incentives vary, depending on the importance of activity</li></ul>
<b>2</b>	<b>Sector-based Incentives</b>	<b>Sector &amp; Merit-based Incentives</b>	<ul style="list-style-type: none"><li>▪ Reduce basic tax incentives</li><li>▪ Provide additional incentives based on projects' merits to encourage competitiveness enhancement activities such as R&amp;D, design, advanced technological training, and local supplier development</li></ul>

# New Investment Promotion Direction for Thai Economy Restructuring

(2/3)

	Present	New	Action
3	<b>Zone-based incentives</b>	<b>Promote New Regional Clusters</b>	<ul style="list-style-type: none"><li>▪ Abolish zone-based incentives</li><li>▪ Promote new industrial clusters in each region or border area to create new investment concentration</li></ul>
4	<b>Tax Incentives – oriented promotion</b>	<b>Tax Incentives &amp; Facilitation – oriented promotion</b>	<ul style="list-style-type: none"><li>▪ Focus on facilitation through non-tax incentives and one stop service</li><li>▪ Improve investment rules and regulations, reduce barriers to create better investment environment</li><li>▪ Promote and coordinate human resources development to support industrial sector</li><li>▪ Integrate supports from various government agencies as a package</li></ul>

# New Investment Promotion Direction for Thai Economy Restructuring

(3/3)

	Present	New	Action
<b>5</b>	<b>Promote inbound investment</b>	<b>Promote both inbound &amp; outbound investment</b>	<ul style="list-style-type: none"><li>▪ <b>Promote overseas investment more actively in order to increase the competitiveness of Thai businesses</b></li></ul>
<b>6</b>	<b>Evaluation by Applications</b>	<b>Evaluation by Outcomes</b>	<ul style="list-style-type: none"><li>▪ <b>Set clear KPIs to measure benefits and cost-effectiveness of investment promotion</b></li></ul>

# Proposed Investment Promotion Criteria

# Activities Eligible for Promotion under the New Strategy

**Group A** : Activities that will receive corporate income tax exemption

**Group B** : Activities that will NOT be entitled to corporate income tax exemption, but will receive the following investment facilitation measures

- Duty exemption on machinery
- Exemption of import duties on raw materials for the manufacture of exports
- Non-tax incentives, namely
  - Permission to own land
  - Facilitation as regards visa and work permits

# Activities Eligible for Promotion under the New Strategy

## **Group A : Activities that will receive the corporate income tax exemption**

<b><u>A1</u></b>	<ul style="list-style-type: none"><li>• Activities deemed to be of high importance</li><li>• Not capital-intensive, but knowledge-based</li><li>• Crucial to the country's long-term competitiveness development</li></ul>
<b><u>A2</u></b>	<ul style="list-style-type: none"><li>• Activities using high technology and a very complicated production process</li><li>• Capital-intensive</li><li>• These include basic infrastructure necessary for the country's development, important basic industries and activities important to environmental protection.</li><li>• Since none or very few of these activities exist in Thailand, it is necessary to grant the highest corporate income tax exemption to stimulate the investment.</li></ul>
<b><u>A3</u></b>	High-tech industries that are already present in Thailand but still important to the country's future development.
<b><u>A4</u></b>	Activities with lower technology or less complicated production process than A1-A3 but help add value to domestic resources and strengthen supply chain of the industries in which Thailand has competitiveness as global production base.



# Grouping of Activities Eligible for Promotion under the New Strategy

**Group B : Activities in list B should still be promoted but corporate income tax exemption deemed unnecessary**

## Exit Group

- Activities that have low value added, low technology, uncomplicated production process, low industrial linkage; labor-intensive industries; activities that are widely operated without being promoted
- Activities that have high environmental impacts
- Concession or monopoly that is protected by the government
- Activities that conflict with related rules and regulations

# Proposed Criteria in Granting Incentives

**Basic  
Incentives**



**Merit-based Incentives**

# Basic Incentives

## Group A of Promoted Activities

	CIT Exemption
<b>A1</b>	<b>8 years (without cap) + Merit</b>
<b>A2</b>	<b>8 years + Merit</b>
<b>A3</b>	<b>5 years + Merit</b>
<b>A4</b>	<b>3 years + Merit</b>

List A will also receive the following tax incentives

- Exemption of import duties on machinery
- Exemption of import duties on raw materials for the manufacture of exports
- Non-tax incentives, namely
  - Permission to own land
  - Facilitation as regards visas and work permits

## Group B of Promoted Activities

<b>B1</b>	<b>Machinery, Raw Materials and Non-tax</b>
<b>B2</b>	<b>Non-tax only</b>

### Remarks

New projects and expansion projects receive the same incentives.

# Merit-based Incentives

## 1. Merit on competitiveness enhancement

### Qualified Investment/ Expenditures

#### 1. R&D

- in-house R&D
- outsourcing research in Thailand
- donation to Technology and Human Resources Development Fund/ educational or research institute/ governmental agency
- IP acquisition /licensing fee for commercializing technology developed in Thailand

#### 2. Product & packaging design

- in-house
- outsourcing in Thailand

#### 3. Advanced technology training

#### 4. Development of local suppliers with at least 51% Thai shareholding (in advanced technology training and technical assistance)

Additional incentives vary depending on investment/ expenditure ratio:

Percentage of qualified Investment/ Expenditures to combined revenue of the first 3 years	Additional CIT Exemption (subject to 60% cap on qualified investment/ expenditures)
1%	1 year
2%	2 years
3%	3 years

## 2. Merit on industrial area development and decentralization

**Projects located in industrial estate or promoted industrial zones** : one additional year of CIT exemption

**Projects located in the specified 22 provinces and 4 districts in Songkhla province**

3 additional years of CIT exemption but activities in Group A1 or A2 which already receive 8-year CIT exemption will instead receive 5 additional years of 50% reduction of CIT.

**All activities in Group A and some specified activities in Group B can apply for merit-based incentives.**

## Disadvantaged Areas

- Currently zone 3 (special), excluding Udonrthani and Nongkhai
- Maehongson
- 4 districts of Songkhla (Jana, Nathawee, Thepa, and Sabayoi)

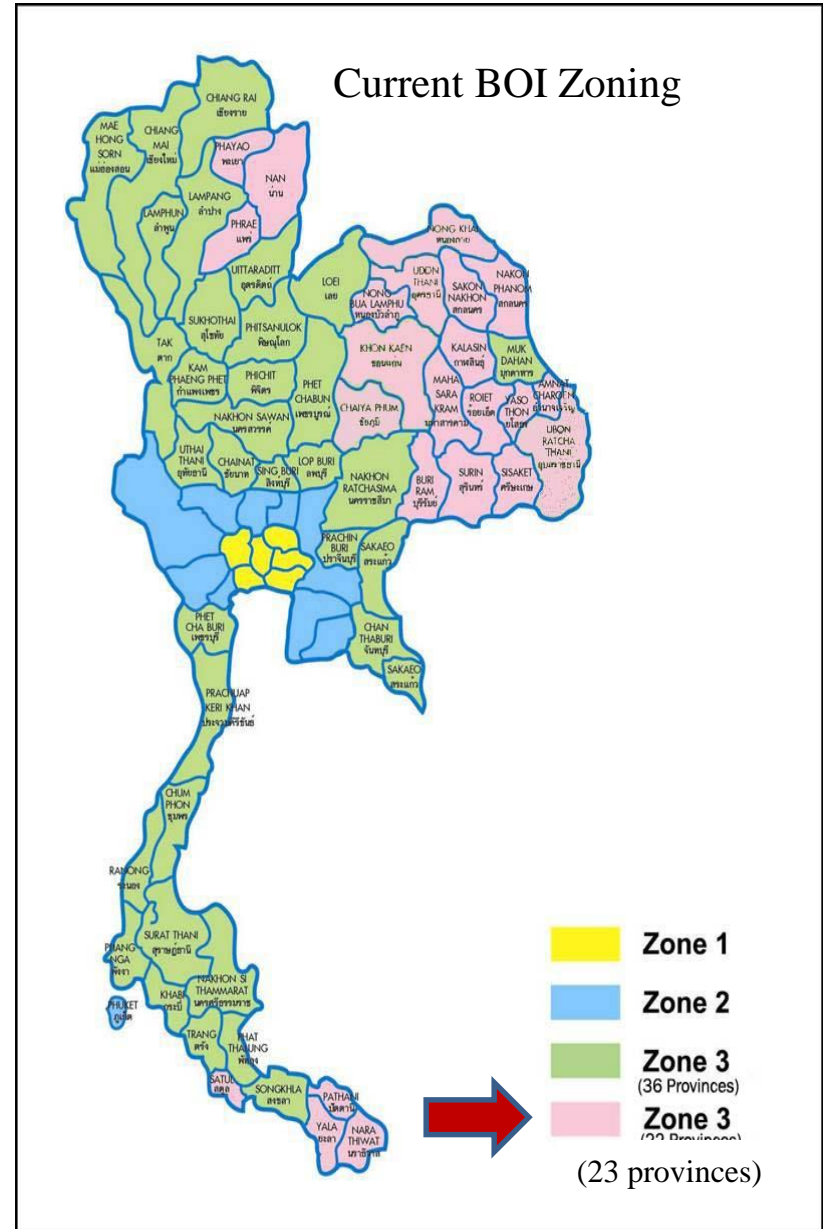
## Additional Incentives Granted

### A1 & A2 Activities

5 additional years of 50% reduction of CIT

### A3 & A4 activities

3 additional years of CIT exemption



# Proposal on Project Approval Criteria

# Project Approval Criteria (1/2)

## Issues

1

### Benefit to National Economic Restructuring

## Criteria

- Value added not less than 20% of sales revenue (except for agricultural activities, electronic products and parts and coil center, value added must not be less than 10% of sales revenue )
- Use of modern production process and new machinery (In case of used imported machinery, import duty exemption will be granted if the machinery is not over 5 years old, counting from the manufacturing year to the importing year, and a machinery performance certificate must be submitted). Machinery to be used in the project must not be more than 10 years old except in case of necessity, the Board of Investment will consider on a case-by-case basis.
- Projects with investment of at least 10 million baht (excluding cost of land and working capital) must obtain ISO 9000 or ISO 14000 certification or equivalent international standard certification within 2 years from start-up date, otherwise CIT exemption will be reduced by 1 year.

## Supporting Information

- Value added per worker (baht/person)
- Number of skilled workers (technician level or higher) employed as a percentage of total employment (%)
- Total HR training costs as a percentage of total salary expenditure (%)
- Product and technology development plan (except project in service sector)

# Project Approval Criteria (2/2)

	Issues	Criteria	Supporting Information
2	Environmental Impact	<ul style="list-style-type: none"> <li>Adequate and efficient environmental protection systems</li> <li>Projects located in Rayong shall follow the <i>Office of the Board of Investment Announcement No. Por 1/2554</i> dated May 2, 2011</li> </ul>	<ul style="list-style-type: none"> <li>Energy cost as a percentage of total production cost (%)</li> </ul>
3	Project Feasibility	<ul style="list-style-type: none"> <li>Investment of not less than 1 million baht (excluding cost of land and working capital)</li> <li>Corporate debt to equity ratio should not exceed 3 to 1 for new projects. Expansion projects are considered on a case-by-case basis.</li> </ul>	<ul style="list-style-type: none"> <li>IRR and capital payback period of project</li> <li>Project with investment of <u>over 750</u> million baht (excluding cost of land and working capital) must submit a project feasibility study</li> <li>Business experiences and duration of business operation in Thailand</li> </ul>



# Time Frame for Implementing New Strategies

# Time Frame for Implementing New Strategy

Actions	Time frame
1. Presentation to the Board of Investment and drafting of the New Investment Promotion Strategy announcement	July-August 2014
2. Effective Date of the New Investment Promotion Strategy	<u>1<sup>st</sup> January</u> <u>2015</u>

*Thank You*