Number
41

TRADE & INVESTMENT IN THAILAND

AN UPDATE ON BUSINESS DEVELOPMENT IN THAILAND

E-NEWSLETTERS, 1 - 31 JANUARY, 2016

A BRIEF OVERVIEW ON THAILAND'S INDUSTRIAL POLICY MAKER AGENCIES

An overseas investor who is interested in investing in Thailand might have ever thought about the Thai industrial sector if he or she is serious about doing business there. The following briefly outlines an overview of the industrial policy of the Kingdom of Thailand under the supervision of seven governmental agencies, respectively.

(1) The Ministry of Finance of Thailand has a duty to administer taxes and duties and to provide tax refunds on exports. It was involved in large-scale industrial projects in the role of deciding on government equity participation, arranging public foreign borrowing to support the project, and extending protection through tariffs.

(2) The Board of Investment of Thailand undertakes a major role in providing investment incentives (both tax and non-tax) and facilitating inbound direct foreign investment into Thailand. This includes promoting labour-intensive industries, exports, and regional decentralisation of industry.

(3) The Ministry of Commerce of Thailand is the country's controller of prices and international trade, in particularly the outbound trade and investment of Thai people globally.

(4) The Ministry of Industry of Thailand works on issuing factory licenses, drawing up industrial regulations, and enforcing zoning laws. It also provides technical assistance, management training, and financing for small- and medium-sized enterprises.

(5) The Industrial Finance Corporation of Thailand lends long-term funds to medium-and large-scale firms from credit given by the government.

(6) The Bank of Thailand provides foreign exchange and rediscount facilities to selected industries and exporters at concessionary terms and

(7) The National Economic and Social Development Board is responsible for establishing policy guidelines and targets for the industrial sector.

Moreover, it is worth-knowing for international investors to know about the following factual background of Thailand to understand the country's previous business and economy directions.

In 1982, the Industrial Restructuring Committee of Thailand was founded to coordinate the various governmental and private agencies and to formulate detailed policy proposals in line with economic development plans of the country. Import tariffs were the most important protective measure used for the industrial sector. In the 1960s, the nominal tariff rates ranged quite low only from 25 to 30 percent. In the 1970s, the rate increased to a range of 30 to 55 percent for consumer goods. By the end of 1978, nine import categories had tariff rates over 90 percent, including alcoholic beverages, shoes, perfume, cosmetics, and automobiles.

In the early 1980s, the Thai government attempted a more uniform tariff structure and lower protectionism in conformity with the Fifth Economic Development Plan. The adjustments included a tariff reduction to 60 percent on 270 categories of imported commodities; a change in tariffs to 30 percent for 1,970 items; and an increase in rate to 5 percent for those exempted unnecessary items. Goods that were considered essential, such as milk for infants or fibers used in textiles were still under the exemption.

Other protective measures of Thai Government's counted in price controls, which were quite widespread in the 1970s but were relaxed in early 1980s, except on petroleum products, white sugar, and sweetened condensed milk. Quantitative restrictions on imports were increased in the early 1980s also to cover forty-six products. Regulations requiring a certain percentage of domestic content in manufactured imports included 30 to 40 percent for commercial vehicles, 45 percent for automobiles and 70 percent for motorcycles.

For the latest Thailand's economic directions, The Prime Minister of Thailand, General Prayut Chan-o-cha has pointed out five keys to boost the economic direction of Thailand in 2015. Here is a summary of this direction and his guidance.

First, the Thai government will foster and alleviate the difficulties of fellow agriculturists and low-income earners.

Second, it will build local and regional stable economies.

Third, it will concentrate on improving the quality of Thai products by the promotions of processing and packaging of SME products, including industrial products.

Fourth, it will enhance mega investments, in order to lay down a strong economic foundation, special economic zones, infrastructure improvement, and regional connectivity.

And fifth, it will create trade and investment with other nations to furthermore connect and strengthen diplomatic relations.

That's how Thailand's Prime Minister, General Prayut delivered his commitment in reviving and promoting the economy of Thailand, and he has actually already allocated a new team to lead the country's economic program during the next phase of his government. Further details, please see http://bit.ly/1O3VWKj.

(Source of Information: http://countrystudies.us/thailand/66.htm and http://bit.ly/1O3VWKj)

THAILAND BOARD OF INVESTMENT, AUSTRALIA

CONTACT US
THAILAND BOARD OF INVESTMENT
(BOI SYDNEY OFFICE)
SUITE 101, LEVEL 1
234 GEORGE STREET, SYDNEY
NSW 2000, AUSTRALIA

PHONE: +612 9252 4884
EMAIL: SYDNEY@BOI.GO.TH

Number
41
TRADE & INVESTMENT IN THAILAND
AN UPDATE ON BUSINESS DEVELOPMENT IN THAILAND
E-NEWSLETTERS, 1 - 31 JANUARY, 2016

"THAILAND: A REGIONAL TRADING AND MODERN INDUSTRY HUB"

Noteworthy Thailand's Economic Development Policies from Former Deputy Prime Minister Pridiyathorn Devakula on "Thailand: A Regional Trading and Modern Industry Hub" at Shangri-La Hotel, Hong Kong on 25 June 2015

According to a long term goal of Thailand's Economic Development Policies, Thai Government hopes to move Thailand's economic ranking from an upper middle income country to an upper income country. The first job of the Thai Government in doing so is to restore peace and confidence of the country and people to bring its business back to normal operation and increased production.

In this regard, there have been signs of this already emerging through recent improvements in GDP growth at 3.0 percent in the first quarter of this year, and with a full year forecast by National Economic and Social Development Board (NESDB) between 3.0 and 4.0 percent. This forecast is in line with that of many other institutions including the World Bank's at 3.5 percent. However, another indication that confidence in Thailand is growing can be found in the fact that The Board of Investment (BOI) closed its investment record last year with the level of achieved investment applications.

Notably, it was since the beginning of this year, Thailand Board of Investment has been implementing its new investment policy offering a revised set of incentives to support business development goal in the Kingdom of Thailand. The Thai industrial base has been modernised to promote industries with high and clear technologies, innovation, efficiency and creativity as well as research and development. All of which contributes to high value added manufacturing and a more mature economy. For instance, the technology ladder from food processing are moved up to the manufacture of medical foods; from the production of natural and normal synthetic fibres to the more complex technical and functional fibres; electric appliances to the internet of things and vehicles to hybrid and electric cars, plastics to bio-plastics among many others.

Moreover, Thailand's Cabinet approved the new initiatives being taken in Thailand to promote International Headquarters (IHQ) and International Trading Centres (ITC). Under this scheme, a foreign company of at least one overseas operation ownership can form its regional headquarters in Thailand, and will be granted to receive an exemption from the collection of income tax from dividend and capital gains received from investing in overseas subsidiaries. This is to say that an 'at least one' overseas operation foreign owned company will be exempted from any tax on income received from providing services to subsidiaries such as training services, treasury management services, and procurement services. Foreign expats working at an IHQ will be offered personal income tax reduction by half to 15 percent. Meanwhile, an IHQ can perform an ITC activity and also enjoy benefits such as exemption from any tax on the profit from trading of products purchased from foreign sources and sold to foreign destinations, or the so-called out-out trading. In addition to this, an IHQ will be entitled to have non-tax benefits from the BOI such as rights to own land and support to get visas and work permits. With respect to the ITC scheme, a foreign company without any operations overseas can apply to be an international home to buy and sell goods and provide trading related services to its customers. An ITC will enjoy tax exemption for out-out trading for 15 years and personal income tax reduction to 15 percent, similar to an IHQ, as well as non-tax incentives from the BOI.

The new policy of the Thai Government virtually positions Thailand to become a trading hub within ASEAN and to maximize the benefits of the ASEAN Economic Community. The potential that exists for trade and investment within the AEC moves from considerable to staggering when Thailand adds intraregional trade with China, the engine of regional and global growth. Deputy Prime Minister Pridiyathorn Devakula pointed out to international business people to imagine the potential of an IHQ and/or ITC in Thailand meeting the growing demand of China's consumers and of the needs of its industries for parts and components through Thailand's supply chain. With new simplified qualifications and improved incentives for an IHQ and/or ITC, Thailand can practically attain its goal of becoming a regional trading union.

Furthermore, the Thai Government has put in place the framework for a digital economy in Thailand as a cooperative effort between the public and private sectors. With the Government working with the private sectors to develop hard infrastructure such as national broadband network, a spectrum to provide 4G wireless broadband services, the establishment of a gigantic national government data centre with enough capacity to serve private firms and increasing the number of international internet gateway facilities. The Thai Government is alongside addressing soft infrastructure, referring to legislative changes that need to be made and new or adjusted regulations. This embraces such laws as those related to cyber security, e-commerce, electronic signature and paperless public services. The additional legal protections should enhance private sector confidence. All of these changes and improvements should result in better access to services and information, improved productivity and create the environment for developing ideas through access to venture capital. Next, The Thai Government additionally approved an enormous plan to build dual track rail system for cargo transportation throughout the country while medium speed and high speed trains will be introduced to connect Thailand with neighbouring countries. This includes the construction of medium speed standard gauge railways with the cooperation of China. A Memorandum of Understanding between these two nations was signed in December 2014 to develop a rail link between Bangkok and its port facilities to north-eastern Thailand, 873 kilometres of track, which will facilitate the shipment of goods by rails into and from southern China.

In conclusion, with the road connectivity and potential rail connectivity, the advancement in the payment and banking system, the modern business and trading facilities, the Thai Government has moved forward to attract foreign investments to Thailand by using Thailand not only for a production base, but also for a product trading base. As a consequence, this would enable Thailand to be in the position of a trading hub of the region, especially for the sub-region of ASEAN.

THAILAND BOARD OF INVESTMENT, AUSTRALIA
CONTACT US
THAILAND BOARD OF INVESTMENT
(BOI SYDNEY OFFICE)
SUITE 101, LEVEL 1
234 GEORGE STREET, SYDNEY
NSW 2000, AUSTRALIA
PHONE: +612 9252 4884
EMAIL: SYDNEY@BOI.GO.TH