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Investing in Thailand

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The Mahanakorn Partners Group (MPG) is a leading multidisciplinary professional services firm, whose mission is to be a One-Stop Platform to assist virtually any company or individual with a wide-range of Legal, Accounting, Auditing, Tax Advisory, and Management Consulting service offerings.

MPG is headquartered in Thailand, with an ASEAN presence and a global footprint. We strive to cultivate a personal environment where each client receives professional, consistent and dependable advice. Our lawyers, accountants, auditors, business consultants and administrative staff are committed to supporting our clients in seamlessly navigating through the complexities of business, regulatory and legal matters, domestically and internationally.

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1 Demographics

Thailand in Figures



-  Political System: Unitary parliamentary constitutional monarchy
-  Capital: Bangkok
-  Legislature: National Assembly
-  Population: 69,930,514 (2021 estimate)
-  Currency: Baht (THB)
-  Language: Thai (official), Isan, Kam Mueang, Pak Tai
-  Provinces: 76
-  Total Area: 513,120 Sq. Km
-  Neighbours: Myanmar, Lao PDR, Cambodia, Malaysia
-  Time Zone: UTC+7 (ICT)
-  GDP 2020: USD 509.2 billion (per capita: USD 7,282)
-  Labor Force: 37.44 million (March 2020)
-  Median age total: 40.1 years (2021 est.)
-  Population growth rate: 0.25% (2020 est.)
-  Unemployment rate: 1.5% (December 2020)
-  Airports: 38 airports (7 international airports)
-  Railway: 4,429 Km
-  Roads: 390,026 Km

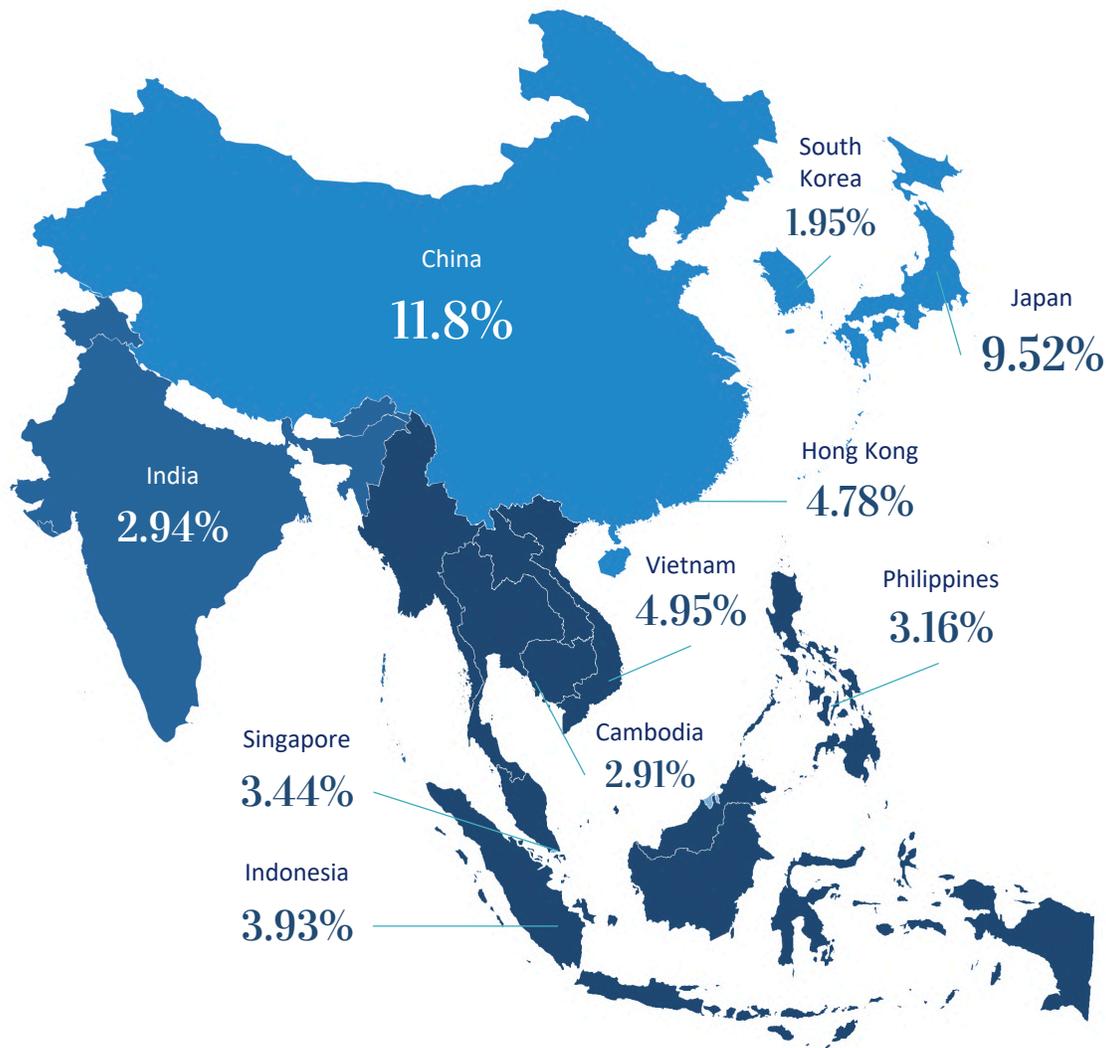


Figure 1: Major destinations of Thailand's 2018 exports in Asia (USD 262B)

Why Thailand is a good business destination



Gateway to ASEAN and Southwest Pacific.



Government policy is favorable to free trade and investment (BOI, EEC, IPA).



Second largest economy in Southeast Asia.



Ranked 21st in the World Bank Group's Doing Business 2020 report.



Cost-effective, skilled, and diversified workforce.



FDI Inward Flow (million USD): 4,146



FDI Stock (million USD): 254,416

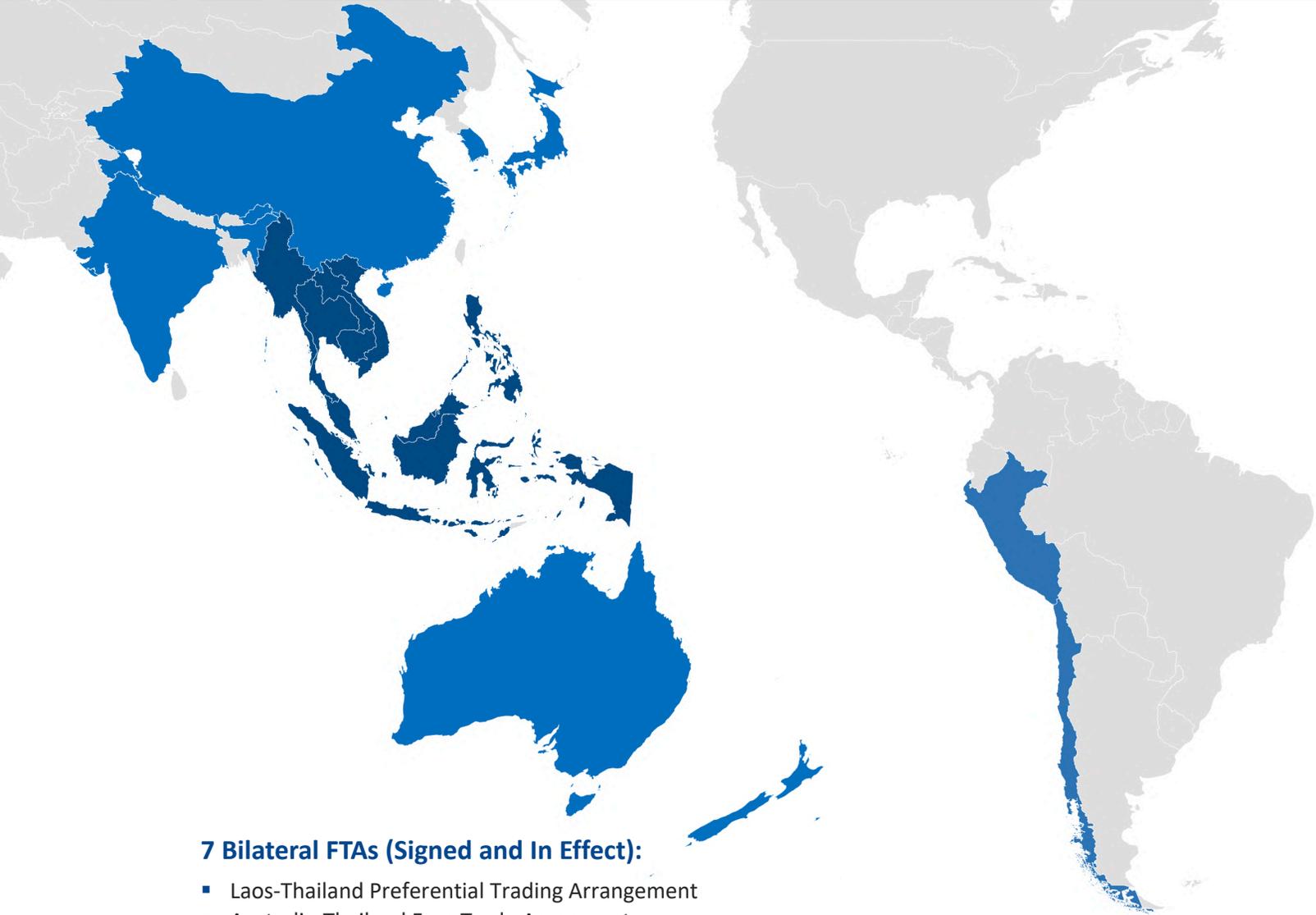


Number of Greenfield Investments: 143



Value of Greenfield Investments (million USD): 4,646

3 Free Trade Agreements



7 Bilateral FTAs (Signed and In Effect):

- Laos-Thailand Preferential Trading Arrangement
- Australia-Thailand Free Trade Agreement
- New Zealand-Thailand Closer Economic Partnership Agreement
- People's Republic of China-Thailand Free Trade Agreement
- Japan-Thailand Economic Partnership Agreement
- Thailand-Peru Free Trade Agreement
- Thailand-Chile Free Trade Agreement

8 Regional FTAs (Signed and In Effect):

- Regional Comprehensive Economic Partnership (RCEP) Agreement
- ASEAN Free Trade Area (AFTA)
- ASEAN-India Comprehensive Economic Cooperation Agreement (ASEAN-India CECA)
- ASEAN-People's Republic of China Comprehensive Economic Cooperation Agreement (ACFTA)
- ASEAN-Republic of Korea Comprehensive Economic Cooperation Agreement (AKFTA)
- ASEAN-Japan Comprehensive Economic Partnership (AJCEP)
- ASEAN-Australia and New Zealand Free Trade Agreement (ASEAN-ANZ FTA)
- ASEAN-Hong Kong, China Free Trade Agreement (ASEAN-Hong Kong, China FTA)

4 Doing Business



Types of Businesses in Thailand

Thailand recognizes private as well as public limited liability companies, partnerships, foreign businesses, branches and other forms of corporate entities.

Types of Businesses	Features	Timeline
Limited Companies	<p>Private limited companies:</p> <ul style="list-style-type: none"> A minimum of 3 shareholders Foreigners can own no more than 49% of the shares <p>Public limited companies:</p> <ul style="list-style-type: none"> A minimum of 15 shareholders and 5 directors May apply to list their securities on the Stock Exchange of Thailand 	2 Weeks
Partnerships	<p>Ordinary partnerships:</p> <ul style="list-style-type: none"> Partners are jointly and severally liable for all obligations If registered are taxed as corporate entities If unregistered are taxed as individuals <p>Limited partnerships:</p> <ul style="list-style-type: none"> Are registered are taxed as corporate entities Comprise two kinds of partners: at least one whose individual liability is limited to the amount of capital contributed to the partnership, and at least one who will be jointly and unlimitedly liable for all obligations 	2 Weeks
Branch Offices	<ul style="list-style-type: none"> May engage in trading activities and generate income Its activities almost always fall under laws that require special registrations (e.g. VAT) 	3-6 Months
Representative Offices	<ul style="list-style-type: none"> May not generate income May only engage in 5 activities: <ol style="list-style-type: none"> Reporting Advising Sourcing Inspecting Disseminating information 	3-6 Months
U.S. Treaty of Amity Co	<ul style="list-style-type: none"> Permitted to maintain a majority shareholding or to wholly own the company Receive national treatment and are exempt from most of the restrictions on foreign investment imposed by the Alien Business Law of 1972. 	3-6 Months
Foreign Businesses	Foreigners can hold 100% of the company's share value	3-6 Months
BOI Companies	See Chapter 7	3-6 Months
IBCs	See Chapter 7	> 6 Months

Tax Compliance

Corporate Income Tax

Corporate Income Tax (CIT) rate for most companies in Thailand: 20%.

CIT rate for SMEs (paid-up capital < THB 5 million and annual net profits < THB 3 million): 15%

Withholding Tax

Types of income	Withholding tax rate
Dividends	10%
Interest ¹	1%
Royalties ²	3%
Advertising Fees	2%
Services and professional fees	3 % if paid to Thai company or foreign company having permanent branch in Thailand; 5% if paid to foreign company not having permanent branch in Thailand
Prizes	5%

Notes

- (1) Tax will be withheld on interest paid to associations or foundations at the rate of 10%.
- (2) Royalties paid to associations or foundations are subject to 10% withholding tax rate.
- (3) Government agencies are required to withhold tax at the rate of 1% on all types of income paid to companies.

Value Added Tax (VAT)

The statutory rate of VAT is 10%, but successive Royal Decrees have reduced the rate to 7%.

Personal Income Tax

Taxable Income	Tax Rate
0 – 150,000 THB (189,999 THB if the taxpayer is older than 65 years)	Exempted
150,001 – 300,000 THB	5%
300,001 – 500,000 THB	10%
500,001 – 750,000 THB	15%
750,001 – 1,000,000 THB	20%
1,000,001 – 2,000,000 THB	25%
2,000,001 – 4,000,000 THB	30%
4,000,001+ THB	35%



Specific Business Tax (SBT)

Types of income	Tax base	Tax rate
Banking, finance and similar business	Interest, discounts, service fees, other fees, profits from foreign exchange	3%
Business of finance, securities and <i>crédit foncier</i>	Interest, discounts, service fees, other fees, profits from foreign exchange	3%
Life insurance	Interest, service fees and other fees	2.5%
Pawn brokerage	Interest, fees, remuneration from selling overdue property	2.5%
Transactions like commercial banks'	Interest, discounts, service fees, other fees, profits from foreign exchange	3%
Sale of real estate	Gross receipts	0.1%
Sale of securities	Gross receipts	0.1% (exempted)

Capital Gains Tax (CGT)

Types of Income	Tax Rate
Capital Gains	
<ul style="list-style-type: none"> •Individual Investor •Juristic Investor 	<ul style="list-style-type: none"> •Tax exempt •No withholding tax but must pay Corporate Income Tax
Dividends	
<ul style="list-style-type: none"> •Individual Investor 	<ul style="list-style-type: none"> •10% withholding tax on any dividend income •10% withholding tax on any mutual fund dividend income •Dividends from any BOI company are tax exempt
<ul style="list-style-type: none"> •Corporate Investor 	<ul style="list-style-type: none"> •10% withholding tax if the taxpayer is not a listed company. •Tax exempt if the taxpayer is a listed company and has held the related shares or investment units for three or more months before and after the date of dividend payment. •Tax exempt if: (a) the taxpayer is a juristic entity holding 25% or more of the votable shares of the firm issuing dividends; and (b) the issuing company does not hold any shares issued by the taxpayer •Dividends from any BOI company are tax exempt
Interest Income:	
<ul style="list-style-type: none"> •Individual Investor 	<ul style="list-style-type: none"> •15% withholding tax
<ul style="list-style-type: none"> •Juristic Investor 	<ul style="list-style-type: none"> •1% withholding tax.



6 Employment

Work Permits

Foreigners must obtain a valid work permit in order to legally work in Thailand. Work permits state foreign workers' current occupation, job description and the companies they are employed by.

Social Security Fund Contributions

In compliance with Section 39 of the Social Security Act, employers and employees must make statutory monthly contributions to the Social Security Fund (SSF). Both employers and employees contribute 5% of wages with a cap of THB 750.

Severance Pay

Severance pay is an amount of money an employer owes to an employee in lieu of notice, in exchange for the employee's agreement to sever an employment contract forthwith.

Length of Employment	Severance Pay Amount
120 days < 1 year	30 Days Worth
1 year < 3 years	90 Days Worth
3 years < 6 years	180 Days Worth
6 years < 10 years	240 Days Worth
10 years < 20 years	300 Days Worth
≥ 20 years	400 Days Worth

Business Leave

An employee is entitled to at least 3 working days of business leave per year, and the employer must pay a maximum of 3 working days.

Maternity Leave

The statutory maternity leave is 98 days per pregnancy, with up to 45 days wages during the leave.

Temporary Suspension of Business

An employer must pay wages during temporary suspension of business operations at least once a month at the employee's workplace or other places consented to by the employee.

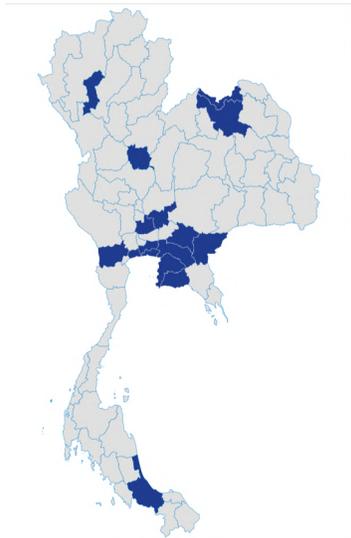
Interest on Statutory Payments

Where an employer defaults on payments owed to employees, the employee is entitled to receive interest at the rate of 15% per year.



Foreign Direct Investment Incentives

Thailand's FDI incentives are targeted at businesses which are engaging in research and development (R&D) activities and those which utilise high-technology in their operations.

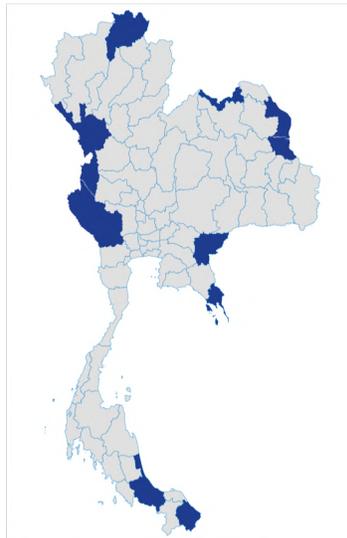


Industrial Estates in Thailand (IEAT)

IEAT

The Industrial Estate Authority of Thailand (IEAT) regulates 55 industrial estates in operation across 16 provinces. Industrial estates offer:

- Tax and non-tax privileges to industrial operators;
- Right to own land;
- Visa and work permit facilitation for foreign skilled workers (and their spouses and dependents);
- Right to send money abroad;
- Right to receive additional privileges from the BOI.



Special Economic Development Zones (SEZ)

SEZ

The Special Economic Zones (SEZ) are in 10 provinces in border areas of Thailand. Companies in the SEZs enjoy:

- CIT exemption up to 8 years, followed by a 50% CIT reduction up to 5 years;
- 10-year 200% deduction from the costs of transport, electricity, water supply.
- 25% deduction from the cost of installation or construction of facilities.
- Exemption of import duties on machinery and raw materials for export.



Eastern Economic Corridor (EEC)

EEC

The Eastern Economic Corridor (EEC) is an ASEAN-leading economic zone for industrial, infrastructure, and urban development across three provinces. It is characterized by:

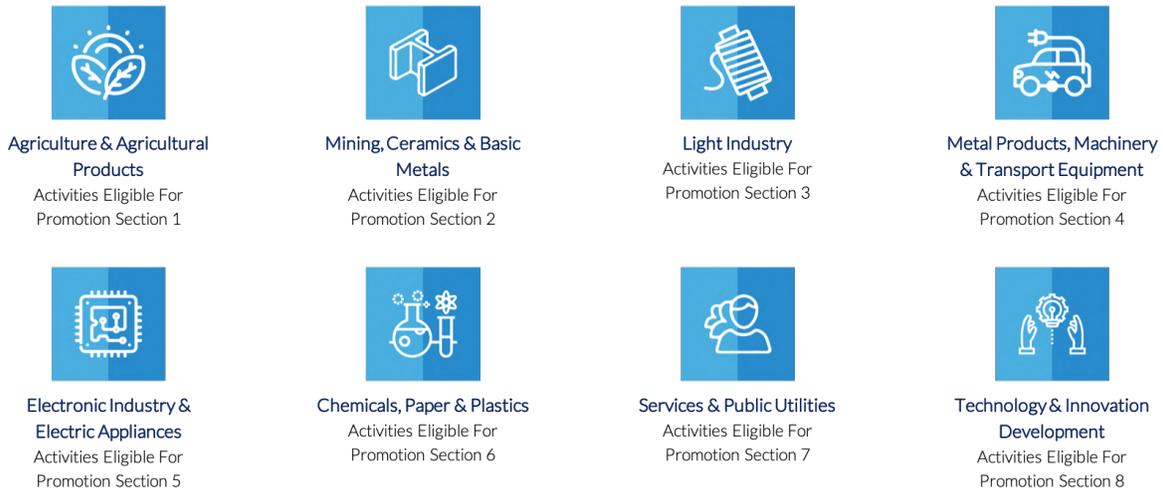
- CIT exemption up to 13 years, possibly ensued by 50% reductions;
- (EECi) Support for R&D projects;
- (EECd) Support for digital innovation and investment;
- (EECa) An airport-centered development area.

Board of Investment (BOI) Thailand

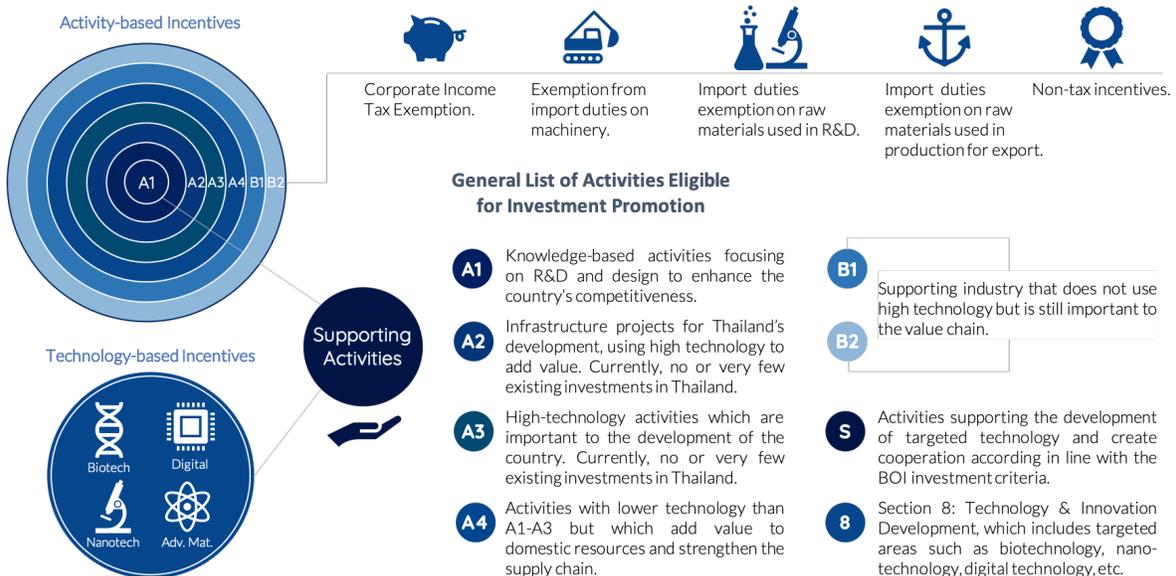
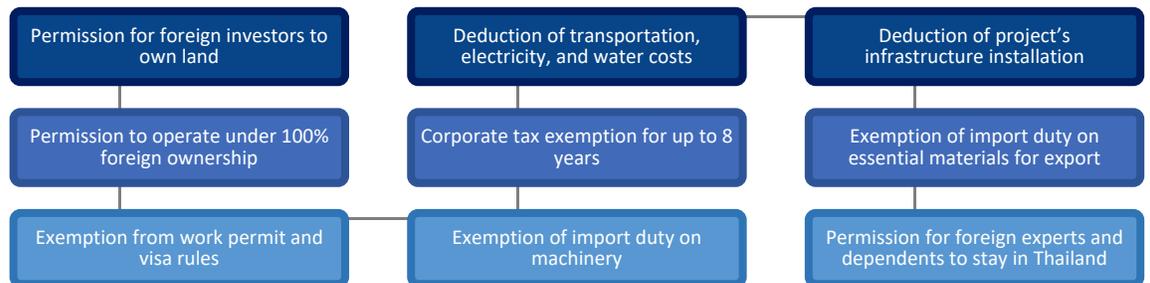
The Board of Investment (BOI) Thailand is the principal government agency for encouraging investments in Thailand by offering tax and non-tax incentives to eligible companies, including waiving restrictions on foreign equity and land ownership for foreign entities.



BOI Thailand promotes investments in specific activities and investment zones. Activity-based incentives are granted to eight knowledge-based or high-technology activities:



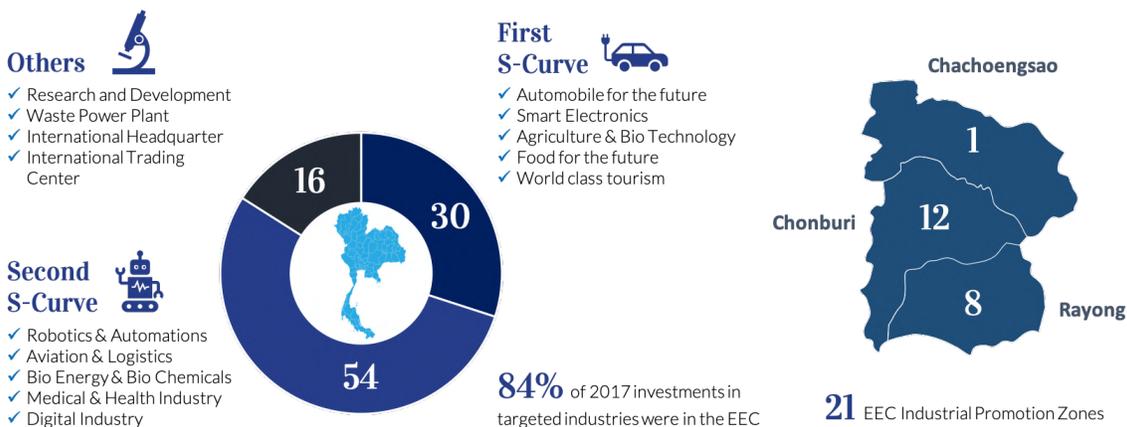
Merit-based incentives are additional incentives granted to projects which augment Thailand's competitiveness, contribute to decentralization, or aid the development of industrial estates and promoted industrial zones. BOI incentives include:





Eastern Economic Corridor (EEC)

The Eastern Economic Corridor (EEC) is an ASEAN-leading economic zone for industrial, infrastructure, and urban development across the three provinces of Chonburi, Rayong, and Chachoengsao. To be eligible for EEC promotions, the business must operate in one of the 10 targeted industries encompassing automotive, smart electronics, agriculture and biotechnology, food processing, and tourism, and next-generation industries such as automation and robotics, aviation and logistics, biofuel and biochemicals, digital, and medical and healthcare.



All investors in EEC zones are entitled to exemption from corporate income tax for up to thirteen years, possibly paired with subsequent 50% reductions, although the length of time they are granted the tax privileges for will vary depending on the business activities and the zone the investment is located in.

EEC Zones	Incentives	For targeted industries in each EEC zone				For eligible activities in EEC	
		Section 8	A1	A2	A3	Section 8	A1-A3
EECI, EECD, EECA	CIT Exemption	10+3 Years (no cap)	8+4 Years (no cap)	8+4 Years	5+2 Years	10+1 Years (no cap)	5-8 Years (standard)
	50% CIT reduction	-	-	-	5 Years	-	3 Years
21 Industrial Estates designated by the EEC Policy Committee	CIT Exemption	10+2 Years (no cap)	8 Years (no cap)	8 Years	5 Years	10+1 Years (no cap)	5-8 Years (standard)
	50% CIT reduction	-	5 Years	5 Years	5 Years	-	3 Years
19 other BOI-promoted industrial estates and zones	CIT Exemption	10+1 Years (no cap)	8 Years (no cap)	8 Years	5 Years		
	50% CIT reduction	-	3 Years	3 Years	3 Years		



International Business Center (IBC)

In the OECD's 2017 Progress Report on Preferential Regimes, Thailand's International Headquarters, Regional Headquarters, Treasury Centre and International Trade Centre regimes were all identified as Preferential Regimes featuring harmful tax practices. In response to this, the four regimes were suspended in October 2018, paving the way for the new International Business Centre (IBC) tax incentive regime. An IBC provides managerial, technical, supporting, financial management, or international trading services to affiliated foreign or Thai enterprises.

To be eligible for the IBC scheme, a company must meet the following requirements:

1. The company is incorporated under Thai law;
2. The company has a paid-capital of at least THB 10 million at the end of each accounting period;
3. The total operation expenses paid to Thai recipients must be at least THB 60 million per accounting period;
4. The company must hire at least 10 permanent employees.

Qualifying IBCs are entitled to a slew of tax benefits applied for through the Revenue Department, including:

1. A reduced corporate tax rate on qualifying income for a standard period of fifteen years;
2. Tax exemption on both domestic and foreign sourced dividend income derived from affiliates;
3. Withholding tax exemption on dividends paid to offshore shareholders and on interest payments to foreign beneficiaries in relation to loans for treasury activities;
4. Exemption from specific business tax on qualifying treasury center income;
5. Flat personal income tax rate of 15% for eligible expatriate employees.

IBCs promoted by the BOI are also entitled to receive non-tax incentives, such as:

1. Permission for 100% foreign ownership of the IBC;
2. Visa and work permit privileges for foreign nationals working for the IBC;
3. Permission to own land for use in the business of the IBC;
4. Machinery used for R&D or in training may receive an import duty exemption.





As the apex business chamber, the Singapore Business Federation (SBF) champions the interests of the business community in Singapore in trade, investment and industrial relations. Nationally, SBF acts as the bridge between businesses and Singapore government to create a conducive business environment. Internationally, SBF represents the business community in bilateral, regional and multilateral fora for the purpose of trade expansion and business networking.

In 2020, SBF launched GlobalConnect@SBF to partner Singapore companies looking to expand overseas. With a focus on ASEAN, frontier and emerging markets, FTA education and outreach, and markets along the Belt and Road, GlobalConnect@SBF supports companies' business expansion plans to new markets.

For more information about SBF, visit www.sbf.org.sg



We are passionate
about **exceeding** your
expectations

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