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# Investing in Thailand

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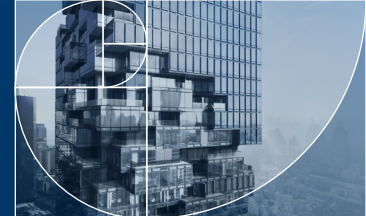


Mahanakorn Partners Group (MPG) is a leading multidisciplinary professional services firm, whose mission is to be a One-Stop Platform to assist virtually any company or individual with a wide-range of Legal, Accounting, Auditing, Tax Advisory, and Management Consulting service offerings.

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: 70,083,695 (2022 census)



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 2021: USD 546 billion  
(per capita: USD 7,808)



Labor Force: ~ 38 million (June 2021)



Median age total: 40.1 years (2021 est.)



Population growth rate: 0.18% (2022 est.)



Unemployment rate: 1.5% (2022 est.)



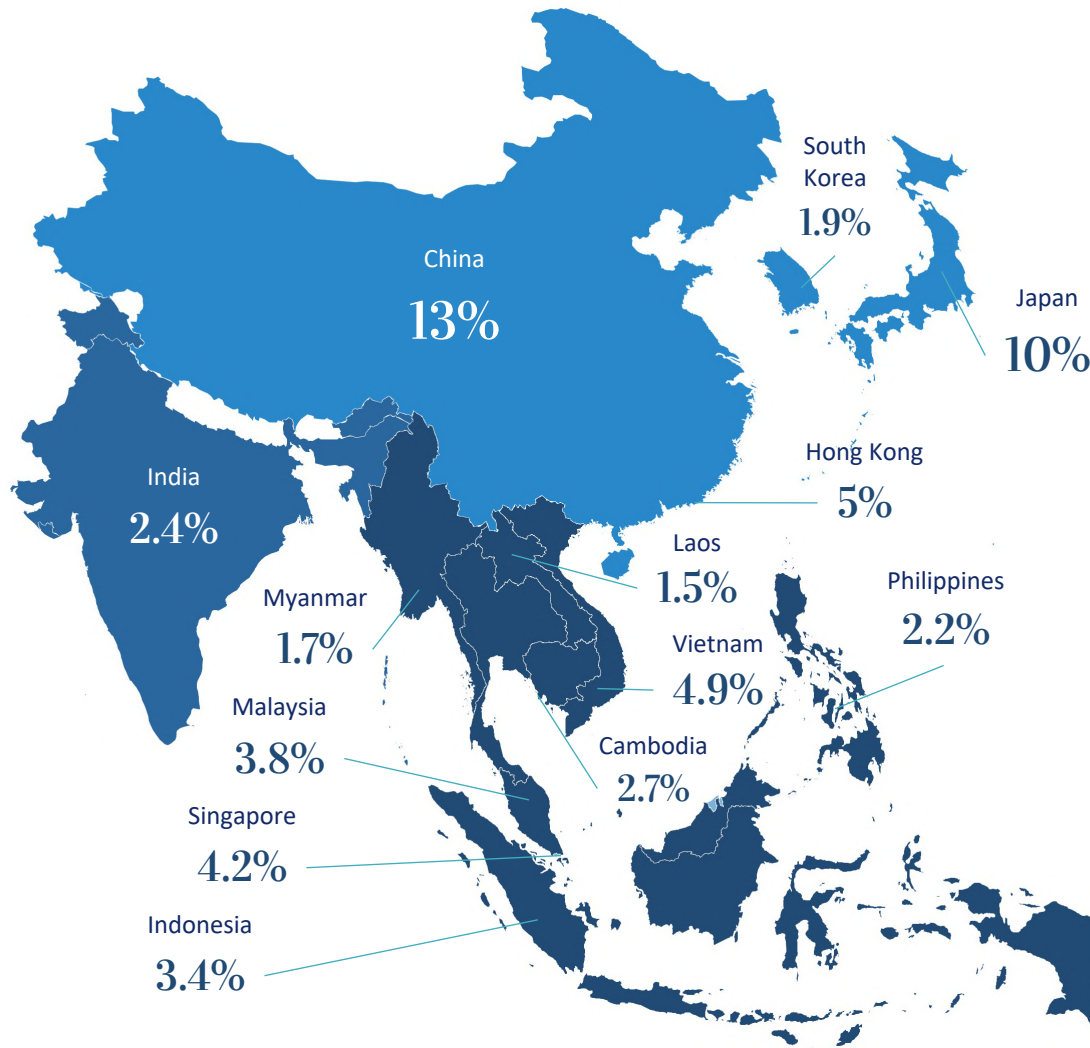
Airports: 38 airports  
(7 international airports)



Railway: 4,429 Km



Roads: 390,026 Km



**Figure 1:** Major destinations of Thailand's 2022 exports in Asia (USD 129B)

### 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 21<sup>st</sup> in the World Bank Group's Doing Business 2020 report.



Cost-effective, skilled, and diversified workforce.



FDI Stock (2020, USD million): 271,827



FDI Inward Flow (2020, USD million): - 6,100



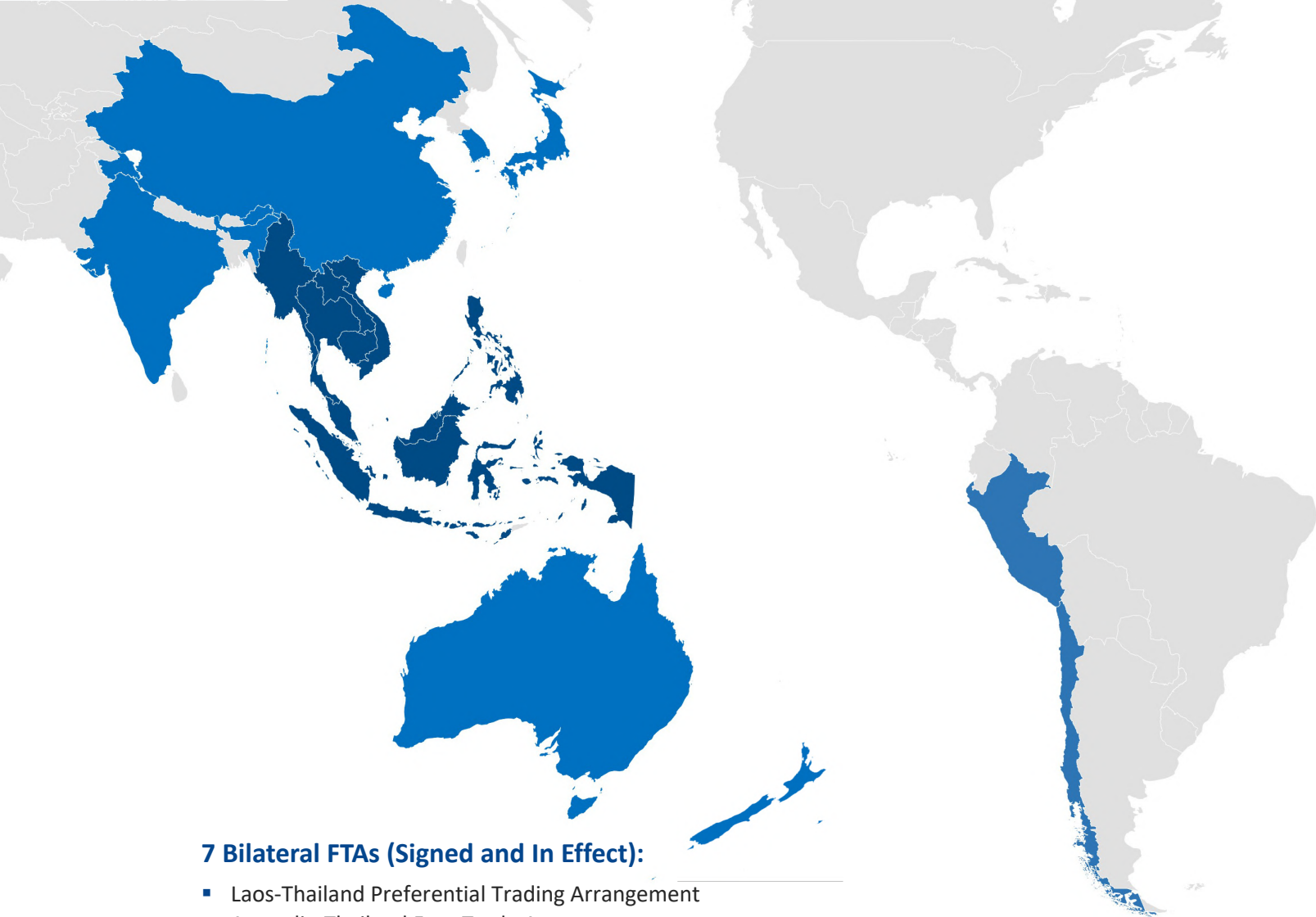
Number of Greenfield Investments (2020): 71



Value of Greenfield Investments (2020, million USD): 1,983



## 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.

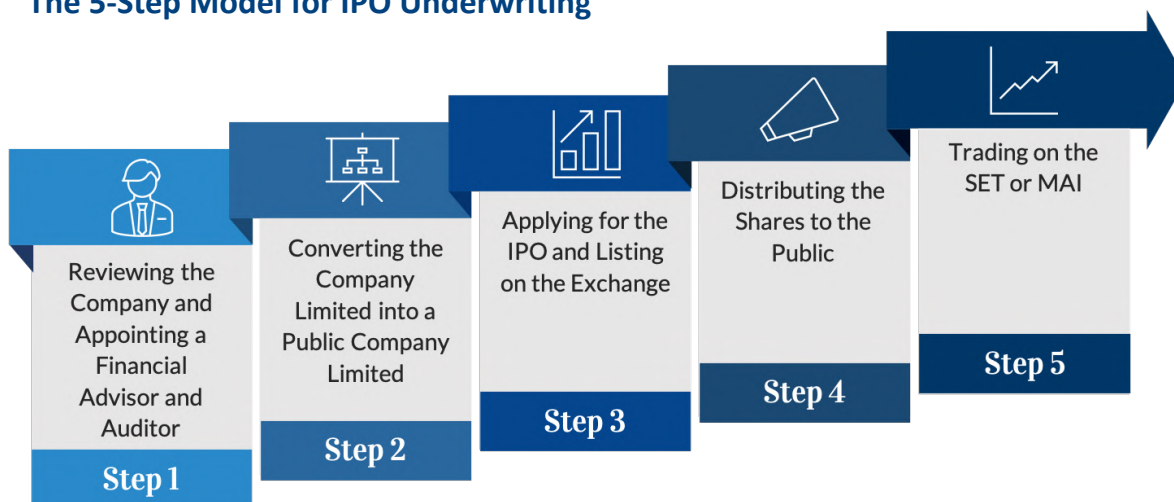
Types of Businesses	Features	Timeline
Limited Companies	<b>Private limited companies:</b> <ul style="list-style-type: none"> <li>A minimum of 3 shareholders</li> <li>Foreigners can own no more than 49% of the shares</li> </ul> <b>Public limited companies:</b> <ul style="list-style-type: none"> <li>A minimum of 15 shareholders and 5 directors</li> <li>May apply to list their securities on the Stock Exchange of Thailand</li> </ul>	2 Weeks
Partnerships	<b>Ordinary partnerships:</b> <ul style="list-style-type: none"> <li>Partners are jointly and severally liable for all obligations</li> <li>If registered are taxed as corporate entities</li> <li>If unregistered are taxed as individuals</li> </ul> <b>Limited partnerships:</b> <ul style="list-style-type: none"> <li>Are registered are taxed as corporate entities</li> <li>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</li> </ul>	2 Weeks
Branch Offices	<ul style="list-style-type: none"> <li>May engage in trading activities and generate income</li> <li>Its activities almost always fall under laws that require special registrations (e.g., VAT)</li> </ul>	3-6 Months
Representative Offices	<ul style="list-style-type: none"> <li>May not generate income</li> <li>May only engage in 5 activities: <ol style="list-style-type: none"> <li>Reporting</li> <li>Advising</li> <li>Sourcing</li> <li>Inspecting</li> <li>Disseminating information</li> </ol> </li> </ul>	3-6 Months
U.S. Treaty of Amity Co	<ul style="list-style-type: none"> <li>Permitted to maintain a majority shareholding or to wholly own the company</li> <li>Receive national treatment and are exempt from most of the restrictions on foreign investment imposed by the Foreign Business Act of 1999.</li> </ul>	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



# How to Conduct an IPO in the Thai Stock Exchange

Thailand's Initial Public Offering (IPO) process is a complex procedure governed by the Securities and Exchange Act B.E 2535 (1992) (Securities and Exchange Act).

## The 5-Step Model for IPO Underwriting



## The IPO and Listing Process



### Financial Advisor

Must be SEC-approved. Conducts due diligence and establishes standard internal control systems



### Auditor

Must be SEC-approved. Focuses on reviewing and improving the internal audit system.



### Lawyer

Assists throughout the offering process. Advises on risks and compliance and drafts documents

## Applying for the IPO and Listing on the Exchange



The two general methods of underwriting are:

- 1. Firm underwriting:** All securities must be distributed by the underwriter. If the underwriter is not successful in doing so, they must purchase the remainder of the undistributed securities.
- 2. Best effort underwriting:** The underwriter need only use its best efforts to distribute as many securities as possible. Any undistributed securities do not need to be bought by the underwriter.



### Timeline

The entire IPO and listing process takes **one to two years**.





## 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 <sup>1</sup>	1%
Royalties <sup>2</sup>	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
<b>Capital Gains</b>	
•Individual Investor •Juristic Investor	•Tax exempt •No withholding tax but must pay Corporate Income Tax
<b>Dividends</b>	
•Individual Investor	•10% withholding tax on any dividend income •10% withholding tax on any mutual fund dividend income •Dividends from any BOI company are tax exempt
•Corporate Investor	•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
<b>Interest Income</b>	
•Individual Investor	•15% withholding tax
•Juristic Investor	•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 six (6) working days of business leave per year, and the employer must pay a maximum of 6 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.

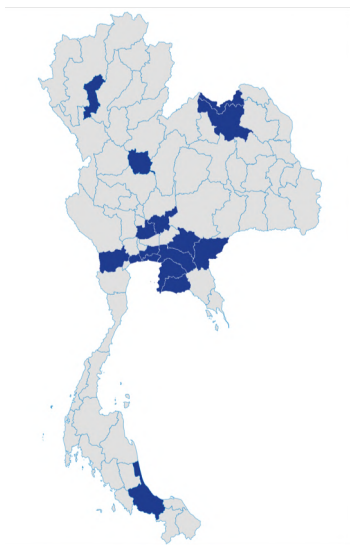
## Interest on Statutory Payments

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

# 7 Investment Promotion

## Foreign Direct Investment Incentives

Generally speaking, Thailand's investment promotion schemes privilege businesses whose activities include research and development, or which use high-technology in their operations. In 2015, Thailand's Board of Investment (BOI), a government agency whose express purpose is to promote direct investment in Thailand, drastically changed the country's investment promotion concept in order to emphasize innovation, environmentally-friendly activities, regional clusters of activities that strengthen value chains, and development in the south and in border regions. Subsequently, in addition to Industrial Estates, in 2015 Thailand launched the Special Economic Development Zones (SEZ) initiative in order to encourage the formation of specialized clusters in border regions.

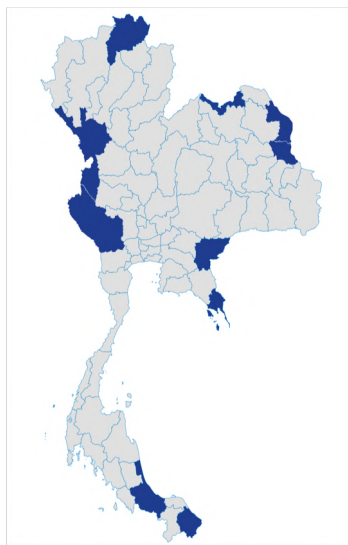


Industrial Estates in Thailand (IEAT)

### 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.

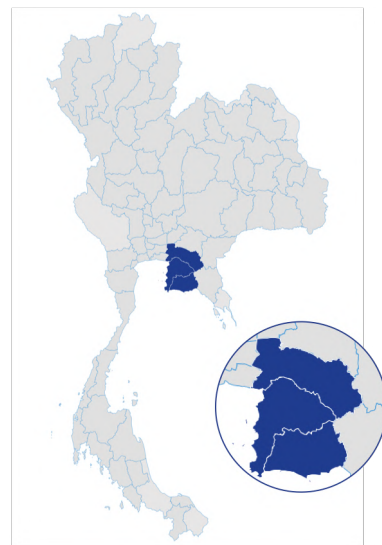


Special Economic Development Zones (SEZ)

### 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.





# BOI Promotion in Thailand

## The Board of Investment

The Board of Investment (BOI) is Thailand's principal government organization encouraging investment opportunities in Thailand. The BOI offers incentives to its certified companies by way of major tax waivers, easing of foreign equity restrictions and increased land ownership opportunities for foreign entities. Through these incentives, the BOI aims to develop and innovate business and technology in Thailand, as well as to increase economic growth.

## Why Apply for a BOI Promotion?

BOI promoted companies may enjoy certain tax and non-tax incentives. Such incentives can be particularly attractive to foreign investors who may otherwise be subject to stringent rules and regulations when conducting business activities in Thailand.

### Tax Incentives

BOI certified companies may be eligible for an exemption of Corporate Income Tax for up to eight years, an exemption or reduction of import duties for raw materials, as well as a decrease of taxes on dividends payable to shareholders. Further tax incentives include deductions on transportation, electricity, water and project's infrastructure installation costs.

### Non-Tax Incentives

Non-tax privileges allow a promoted company to hire foreign skilled workers and experts without having to hire four Thai employees for each foreign employee. The BOI further provides for an express procedure for non-immigrant visas and work permits through its 'One-stop Visa' process. Non-tax incentives also permit 100% foreign ownership of the company, as well as the option for foreign companies to own land in Thailand.



**Figure 4.** BOI Tax and Non-Tax Incentives.



## Eligibility

Companies wishing to apply for a BOI promotion must meet the following eligibility criteria:

1. Possess a capital investment of at least 1,000,000 Thai baht;
2. Have a minimum of three registered shareholders;
3. Be a registered company in Thailand; and
4. Apply in one of the eligible industries.

## Eligible Industries



**Figure 5:** Eligible Activities for BOI Promotion

## How to Obtain BOI Promotion

There are seven essential steps to successfully applying for a BOI promotion. The process can be complex, and companies should always ensure to obtain legal advice prior to applying for a BOI promotion certificate.



**Figure 6:** How to Obtain BOI Promotion.



The BOI offers two types of incentives—activity-based incentives and merit-based incentives.

**Activity-based incentives** are granted to certain activities, knowledge-based or which use high-technology, which enhance Thailand’s research and development capacities and overall competitiveness. The amount and type of tax incentives granted to a business depend on how the BOI classifies their activities, which range from tax to non-tax incentives.

**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. Like the activity-based incentives, the amount and type of the tax incentives granted depends on how the BOI categorizes the project’s business activities and merits. Additionally, the BOI offers **Merit-based incentives for Competitiveness Enhancement**, which are entitled to additional CIT exemption limits (as percentages of investment or expenses), as follows:

- ✓ **300%** – Research and development of technology and innovation.
- ✓ **200%** – Training or job training to develop skills in technology, and innovation for students studying science and technology; Licensing fees for commercialized technologies developed in Thailand; Advanced technology trainings; Development of local suppliers of raw materials or parts; and Product and packaging designs.
- ✓ **100%** – Donations to technology and personnel development funds, educational institutions, specialized training centers in science and technology

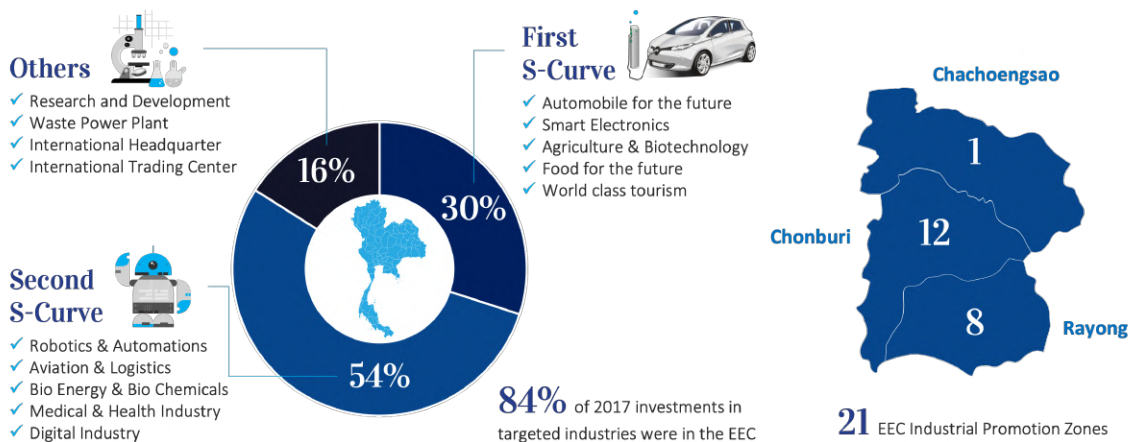


**Figure 7: Types of Investment Incentives depending on the Activity Group**



## 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		





## Eastern Economic Corridor (EEC)

In recent months, and amid the COVID-19 pandemic, Thailand's BOI engineered various incentives to attract investment in the EEC and further stimulate economic activities and growth for the region.

### Projects located in the Industrial Estate

- ✓ Must invest in targeted activities
- ✓ Must invest in Industrial Estate or Zones
- ✓ Activity Groups A3 and T



### Projects engaged in HR development

- ✓ Must invest in targeted activities
- ✓ Must invest in Industrial Estate or Zones
- ✓ Activity Groups A1, A2, A3 and T



### Projects located in the promoted zones for specific industries



EEC of Innovation (EECi)



Eastern Airport City (EECa)



Digital Park (EECd)



Thammasat Integrated Medical Innovation Center (EECmd)



Genomics Thailand (EECg)

### Incentives

Activities in Group A1, A2, or A3	50%	<b>CIT reduction</b> for 2 years on top of the standard package
Activities in Group A3	100%	<b>CIT exemption</b> for 1 year on top of the standard package
Targeted core technology development & enabling services	100%	<b>CIT exemption</b> for 1 year on top of the standard package



## 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](http://www.sbf.org.sg)



We are passionate  
about **exceeding** your  
expectations

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