



ASEAN Business Guide

Thailand

2018 edition



ASEAN Business Guide

This country report is extracted from *ASEAN Business Guide: The economies of ASEAN and the opportunities they present.*



THAILAND

Despite challenges, the Thai economy continues to expand, with support from public investment and the tourism industry. Currently, the country is undergoing developments that would position it as an investment hub for the region, and is employing strategies to make starting business in Thailand easier and more attractive.

The government launched the Thailand 4.0 strategy to allow the country to overcome several economic challenges by using new growth engines to build economic prosperity, social security and sustainability. Economic and social reforms are taking place to ensure sustainable development and political stability. Moreover, numerous infrastructure developments are in the pipeline to make the country more investment friendly.

As part of Thailand 4.0, the government earmarked the Eastern Economic Corridor (EEC) as a pilot area-based development zone to attract investors. Within the EEC, certain previous restrictions for foreign investors are lifted, including the reduction of certain tax and regulatory requirements. The EEC targets 10 key industries including digital, medical services, logistics and aviation and smart electronics.

We expect continuous growth as Thailand continues to develop and promote investments.

In Thailand, KPMG has a long tradition of professionalism and integrity. Combined with our dynamic approach to serving clients in a digitally driven world, our expertise in Audit, Tax, and Advisory services has seen us work with renowned companies to help them solve complex challenges, disrupt sectors and grow. Collaboration and innovation are ingrained in our approach, with our people aiming to provide genuine, sustainable value for our clients.

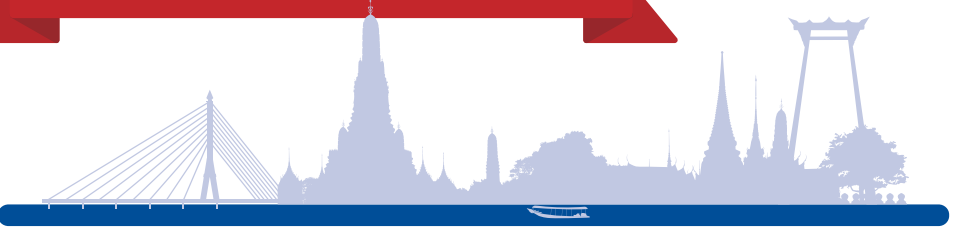


Winid
Silamongkol

Chief Executive Officer
KPMG in Thailand,
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THAILAND

KEY COUNTRY FACTS



Thailand is located in the center of the Greater Mekong Subregion (GMS) and has become a regional logistics and trading hub thanks to its well-connected road network.¹

The Thai economy expanded continuously throughout 2016, supported by public investment and the tourism industry, despite facing numerous challenges. Thailand has undertaken economic and social reforms to ensure sustainable development, and is actively seeking to strengthen relationships with trading partners, including ASEAN countries, in order to remain competitive.

This combination of good transport connections, national reforms and strong relationships with ASEAN countries means Thailand continues to be an attractive regional hub.



GOVERNMENT

Constitutional monarchy



POPULATION

68.1
MILLION (2016)



CURRENCY

Thai Baht (THB)



LANGUAGES

Thai (official), English, ethnic and regional dialects

RELIGIONS

Buddhism, Islam, Christianity, Hinduism, Taoism, Confucianism

Source: Economist Intelligence Unit, Association of Southeast Asian Nations

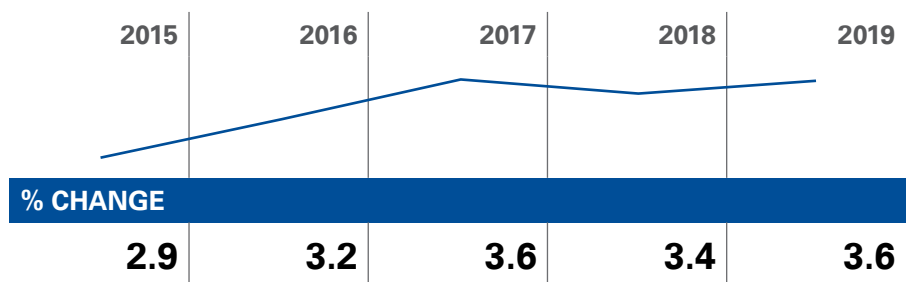
GROWING ECONOMY

In 2018, Thailand was ranked 26th out of 190 economies on ease of doing business, retaining its spot in the top 50. Thailand has made it easier to start a business, including the creation of a single window for registration payment, reducing the time taken to obtain a company seal as well as streamlining legal provisions for company liquidation.²

Thailand is rated as a BBB+ country³, with more than USD121 billion in assets under management and a market capitalization of USD349 billion.

Economic Performance

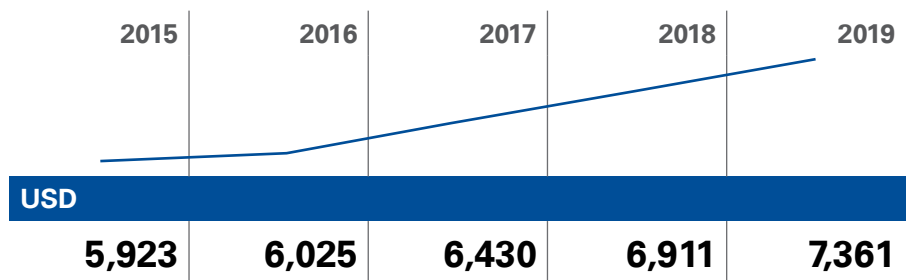
GDP constant prices*



* 2010 market price; percentage change after 2016 are estimates

Source: National Economic and Social Development Board (NESDB) Thailand; BMI Research, Thailand Country Risk Report, second quarter of 2017

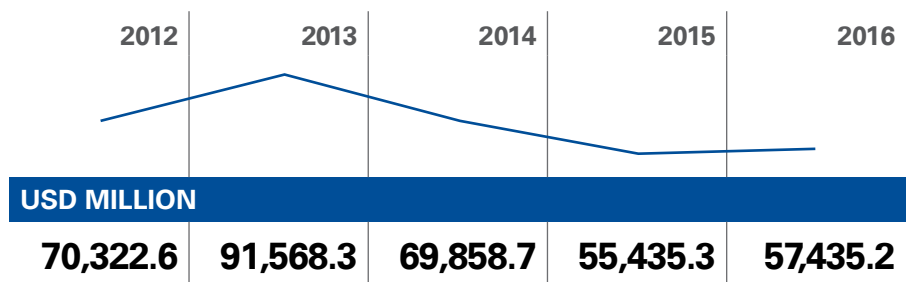
GDP per capita, current prices (CAGR 4.44%)



Figures after 2016 are estimates

Source: BMI Research, second quarter of 2017

Foreign direct investment inflows



Source: Bank of Thailand

Main FDI investors



Japan
USD 10.4 bil



China
USD 9.0 bil



Hong Kong
USD 5.0 bil



Singapore
USD 3.7 bil



Germany
USD 3.4 bil

Source: Bank of Thailand. Figures as of 2016.

MOVING TO THAILAND 4.0

The government is implementing a number of measures to shift the country from a production-based to a service-based economy, promoting technology, creativity and innovation in the industries under focus. Successful implementation of the Thailand 4.0 policies could support the country's development as a regional hub.

Due to its abundance of agricultural products, decent infrastructure and road network, combined with investment promotion incentives, Thailand offers attractive investment opportunities.

Regulatory reform



- The 20-year National Strategy acts as a mandatory guide for policy-making with the aim of creating a stable development path over the next two decades
- Targets in the 2012-2016 iteration included a score of at least 5 in the Transparency International Corruption Perceptions Index as well as placing priority on national security and public administration reform⁴

Better intellectual property rights regime



- Enacted amendments to the Trade Secret Act to cover online copyright infringement; and the Copyright Act which substantially reduced the penalties for trade secret disclosure by officers
- Amended the Trademarks Act and introduced a new trademark filing system to enable Thailand to accede to the Madrid Protocol in 2017. The amendments include streamlining the trademark registration process and prohibiting illegal refiling, in order to bring the country's regulatory regime up to date with technological changes⁵

Rankings

+ All rankings are global unless otherwise indicated

Source: *Doing Business 2018*, World Bank; *Corporate Governance Watch 2016*, CLSA, Asian Corporate Governance Association (ACGA); *Corruption Perceptions Index 2016*, Transparency International; *Global Competitiveness Index 2017-2018*, World Economic Forum; *Global Innovation Index 2017*, Cornell University, INSEAD and WIPO

Index	Ranking ⁺
Ease of Doing Business	26
Corporate Governance Watch (Asia)	5
Intellectual Property Protection	106
Transparency of Government Policymaking	83
Corruption Perceptions Index	101
Global Competitiveness Index	32
Global Innovation Index	51

Sustained growth



- Mainly supported by strong external demand, a growing population and government policies aimed at boosting consumption and investment, including ramping up public spending on infrastructure⁶

Digital economy



- Thailand aims to reform five key industries – automotive, electronics, affluent medical and wellness tourism, agriculture, and biotechnology – as part of its ‘S-Curve’ economic strategy, and is now working on five more including robotics, aviation and logistics, biofuels and biochemicals, digital industry and medical services
- The government has created new digital innovation-based services and digital infrastructure to boost GDP with the goal of becoming an innovation-driven economy by 2036⁷

Low unemployment rate



- Predominantly youthful workforce with basic literacy and numeracy skills
- Has a primary education enrolment rate of 96.6% with positive outlook for basic skills⁸
- Human resource development to serve next-generation industries according to Thailand 4.0 policy. This will include up-skilling labor and recruiting more foreign workers to help develop Thailand’s existing and new industries such as robotics, aviation and logistics, biofuels and biochemical, digital, and medicine⁹

Tax incentives



- Parliament passed an amendment to the Revenue Code permanently reducing the corporate income tax rate to 20%. The initial rate was reduced from 30% to 23% in 2012, and to 20% in 2013, helping to support Thailand to remain competitive in the ASEAN region
- To stimulate the Thai economy, a temporary reduction of VAT from 10% to 7% has been extended
- A similar trend has been seen in respect to personal taxation
- Tax incentives available for:
 - Board of investment incentives
 - International headquarter and international trade center incentives
 - Small Medium Enterprises
 - Accelerated depreciation on newly acquired equipment
- Other factors:
 - No controlled foreign corporation rules
 - Foreign and domestic dividends exemption subject to conditions
 - 60 double tax agreements in place
 - No indirect transfer rules

Trade agreements



- Thailand has signed more than ten trade agreements (including both bilateral and multilateral)

Bilateral FTAs

Agreements signed between Thailand and a single trading partner



Thailand-Australia Free Trade Agreement

- Eliminates Australia's 5% import tax on automotive vehicles and parts
- Australian investors can have majority ownership in certain sectors including telecommunications, computers, construction, education, distribution, tourism, and mining¹⁰



Thailand-Bahrain Framework Agreement

- Due to difficulties in implementation, Bahrain has advised Thailand to negotiate at the level of the Gulf Cooperation Council (GCC), of which Bahrain is a member¹¹



Thailand-India Framework Agreement

- Reduction of tariffs on 82 agricultural and industrial items by 50% including various fruits, wheat, sardines, salmon, mackerel, and processed crab
- It also covers other major Thai exports such as gems and jewelry, household electrical appliances, integrated circuits, furniture and auto parts¹²



Japan-Thailand Economic Partnership Agreement

- Provides preferential tariff reductions and cooperation programs¹³



Thailand-New Zealand Free Trade Agreement

- Tariffs and quotas on all New Zealand's exports will be progressively eliminated by 2025
- More relaxed rules around temporary entry into Thailand for New Zealand business travelers¹⁴

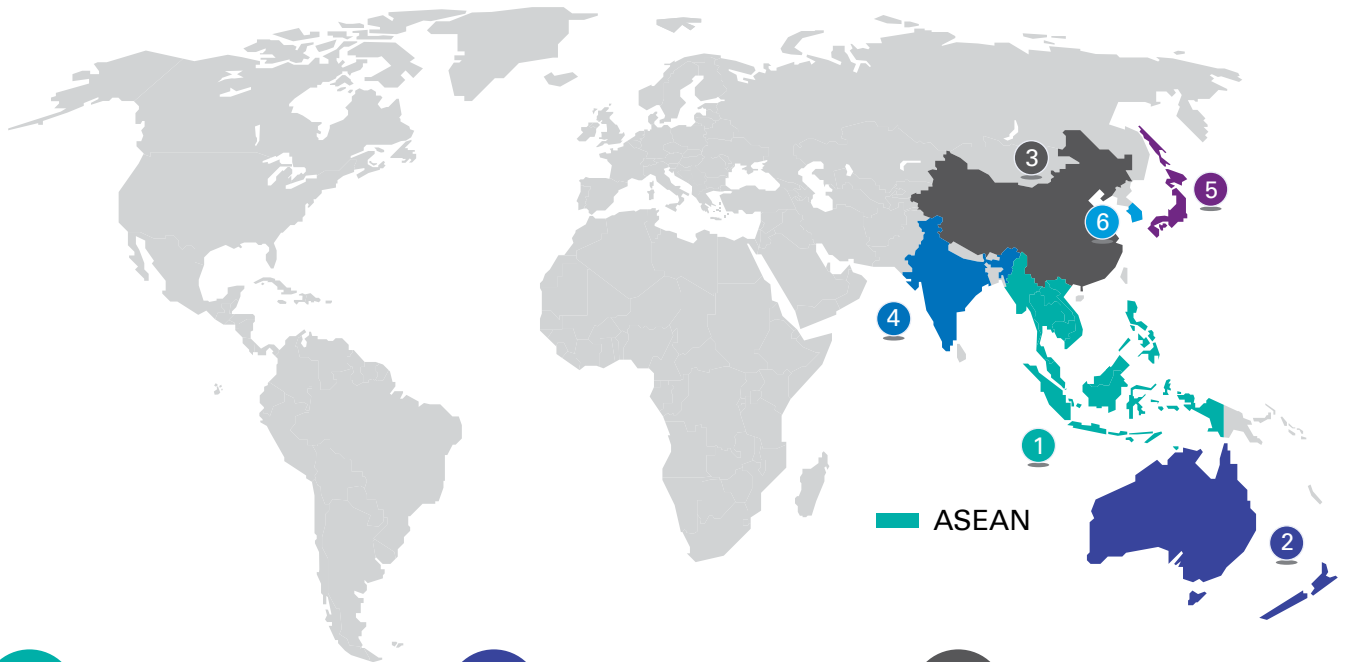


Thailand-Peru Free Trade Agreement

- Tariff reduction on 70% of the total tariff lines¹⁵

Regional FTAs¹⁶

Agreements signed between Thailand and a group of trading partners



1 ASEAN Free Trade Area

- Elimination of tariffs on more than 99% of products
- Allows for back-to-back shipment of goods between member countries
- Allows for third-party invoicing of goods
- Allows for ASEAN cumulation

2 ASEAN-Australia-New Zealand Free Trade Agreement

- Elimination of tariffs on more than 90% of the products with the exception of exclusions
- Allows for back-to-back shipment of goods between member countries
- Allows for third-party invoicing of goods
- Allows for ASEAN cumulation

3 ASEAN-People's Republic of China Comprehensive Economic Cooperation Agreement

- Elimination of tariffs on at least 90% of the products
- Allows for back-to-back shipment of goods between member countries
- Allows for third-party invoicing of goods
- Allows for ASEAN cumulation

4 ASEAN-India Comprehensive Economic Cooperation Agreement

- Elimination of tariffs on at least 80% of product lines with the exception of exclusions
- Allows for back-to-back shipment of goods between member countries
- Allows for third-party invoicing of goods
- Allows for ASEAN cumulation

5 ASEAN-Japan Comprehensive Economic Partnership

- Elimination of tariffs on at least 90% of product lines with the exception of exclusions
- Allows for back-to-back shipment of goods between member countries
- Allows for third-party invoicing of goods
- Allows for ASEAN cumulation

6 ASEAN-(Republic of) Korea Comprehensive Economic Cooperation Agreement

- Elimination of tariffs on at least 90% of product lines with the exception of exclusions
- Allows for back-to-back shipment of goods between member countries
- Allows for third-party invoicing of goods
- Allows for ASEAN cumulation



Concluded / signed FTAs

Completed negotiations

- BIMSTEC (Bangladesh, India, Myanmar, Sri Lanka, Nepal, Bhutan, and Thailand)
 - The framework agreement on the BIMSTEC FTA was signed in 2004, but is not yet fully operational¹⁷
- ASEAN-Hong Kong, China Free Trade Agreement¹⁸



FTA under negotiation

- Regional Comprehensive Economic Partnership

DRIVING GROWTH THROUGH INNOVATION

For Thailand to become an innovation-driven economy by 2036, the Thai government initiated the “Thailand 4.0” policy for sustainable growth. The economy is currently in a good position, with gradual economic improvements supported by a domestic infrastructure spending drive, and the political outlook in the near-term is stable.¹⁹

Driven by recovering exports, an improving farm sector and rising private consumption, Thailand’s GDP growth in the first quarter of 2017 was at 3.3%, the fastest in three quarters. Consequently, the forecast for 2017 and 2018 GDP growth is revised up from 3.0% to 3.6% and 3.4%, respectively. This is mainly supported by an improved tourism sector, continued government spending and higher household purchasing power.²⁰

Emerging industries



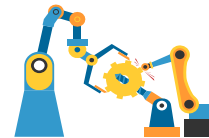
Food, Agriculture and Bio-Technology²¹

- Smart farming systems are a key development of agricultural startups
- Technology-driven farming startups will create economic drivers to support the country’s digital ecosystem



Health and Medical Technology²²

- Develop biomedical vaccines, Thai herb industry, as well as industry for aging population
- To be the ‘Medical Hub’ of ASEAN by 2025



Robotics and Smart Devices and Mechatronics²³

- Transform industries requiring high-skilled labor and service sectors through robotics technology



Digital Industries²⁴

- Focus on Internet of Things, digital analytics and cybersecurity
- Apply digital technologies in smart cities in key provinces such as Chiang Mai, Phuket and Nakorn Nayok

Infrastructure and supported industries²⁵

- Develop new growth hubs such as EEC which covers Rayong, Chonburi and Chachoengsao provinces
- Offer incentives to support EEC as an important center for trade, investment, regional transportation and a strategic gateway to Asia

Endnotes

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¹³ <http://www.thaitradefair.com/about-ditp/>

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1 office



THAILAND
1 office



VIETNAM
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- Fundamental to a risk-based audit approach is understanding the way our clients run their businesses and drive performance.
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- Through two main service lines: tax consulting and tax planning and compliance, KPMG's tax practice consistently provides proactive advice and quality service. Our tax consulting service lines cover mergers & acquisitions & government incentives, global transfer pricing services, global indirect tax services, financial services tax and international tax. Our multi-national clients enjoy this single point of contact in Asia Pacific for all regional tax issues.
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- Our Advisory practice assembles skilled and experienced professionals in multi-disciplinary groups tailored to the needs of individual clients and their unique circumstances.
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- We offer our clients a single point of contact to help streamline the relationship and enhance its productivity and usefulness to them.
- We understand and respect clients' needs and aspirations. Clients can draw from a range of management and risk consulting services covering a broad spectrum of business activity.

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