

# Investment Climate Statement **Thailand**

January 2023

Mizuho Bank, Ltd  
Global Strategic Advisory Department

Mizuho Research & Technologies, Ltd.  
Research Division

**MIZUHO**

The Mizuho logo consists of the word "MIZUHO" in a bold, white, sans-serif font, positioned above a white horizontal line that curves slightly upwards at both ends.

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I. Country Profile

II. Investment-related Information

III. Establishing a Local Subsidiary

IV. Regulations, Incentives, Reference Information

# I. Country Profile

# I-1. Key Economic Indicators for Asia

Country/Region	China	Japan	South Korea	Taiwan	Singapore	Hong Kong
Population (millions)	1,412.6	125.2	51.6	23.3	5.3	7.4
Nominal GDP (USD 100 million)	183,212	43,006	17,342	8,287	4,236	3,684
Real GDP growth rate (y-o-y, %)	3.2	1.7	2.6	3.3	3.0	-0.9
GDP per capita	12,970	34,358	33,592	35,513	79,426	49,700
Estimated GDP growth rate (2023, %)	4.4	1.6	2.0	2.8	2.3	3.9
Credit rating (S&P) as of Oct. 2022	A+	A+	AA	AA+	AAA	AA+
Country/Region	India	Indonesia	Thailand	Malaysia	Philippines	Vietnam
Population (millions)	1,406.6	274.9	70.1	33.1	111.7	99.4
Nominal GDP (USD100 million)	34,686	12,894	5,348	4,341	4,017	4,138
Real GDP growth rate (y-o-y, %)	6.8	5.3	2.8	5.4	6.5	7.0
GDP per capita	2,466	4,691	7,631	13,108	3,597	4,163
Estimated GDP growth rate (2023, %)	6.1	5.0	3.7	4.4	5.0	6.2
Credit rating (S&P) as of Oct. 2022	BBB-	BBB	BBB+	A-	BBB+	BB+

Note 1: Data are for 2022 estimates; estimated GDP growth rates for 2023 are IMF estimates (based on figures released in October 2022).

Note 2: S&P rating criteria:

A : An obligor rated 'A' has strong capacity to meet its financial commitments but is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligors in higher-rated categories.

BBB : An obligor rated 'BBB' has adequate capacity to meet its financial commitments. However, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the obligor to meet its financial commitments.

BB : An obligor rated 'BB' is less vulnerable in the near term than other lower-rated obligors. However, it faces major ongoing uncertainties and exposure to adverse business, financial, or economic conditions, which could lead to the obligor's inadequate capacity to meet its financial commitments.

Sources: Compiled by the Global Strategic Advisory Dept. of Mizuho Bank, Ltd., (MHBK) based on IMF's World Economic Outlook Database October 2022 Edition

## I-2. Basic Data and Overview



### Basic Data

Population	70.1 million (approx. 56% of Japan's, FY2022, IMF estimate)
Square area	513,000 km <sup>2</sup> approx. (1.4 times Japan's size)
Capital	Bangkok (Population: 10.35 million, 2021, UN)
Language	Thai
Ethnicities	Thai (Chinese, Malay, etc.)
Religions	Buddhist 94%, Muslim 5%, Other 1%
Currency	Thai Baht (THB)
Politics	Constitutional monarchy Head of State: King Vajiralongkorn (Rama X); Legislature: Bicameral
GDP	Nominal GDP: USD 534.8 billion; Per capita GDP: USD 7,631 (FY2022, IMF estimate)
Real GDP growth rate	2.8% (FY2022, IMF estimate)
Major industries	Agriculture (rice, cassava, sugarcane, natural rubber) and manufacturing (automobiles, ICs, electrical products, food, textiles, clothing, etc.)

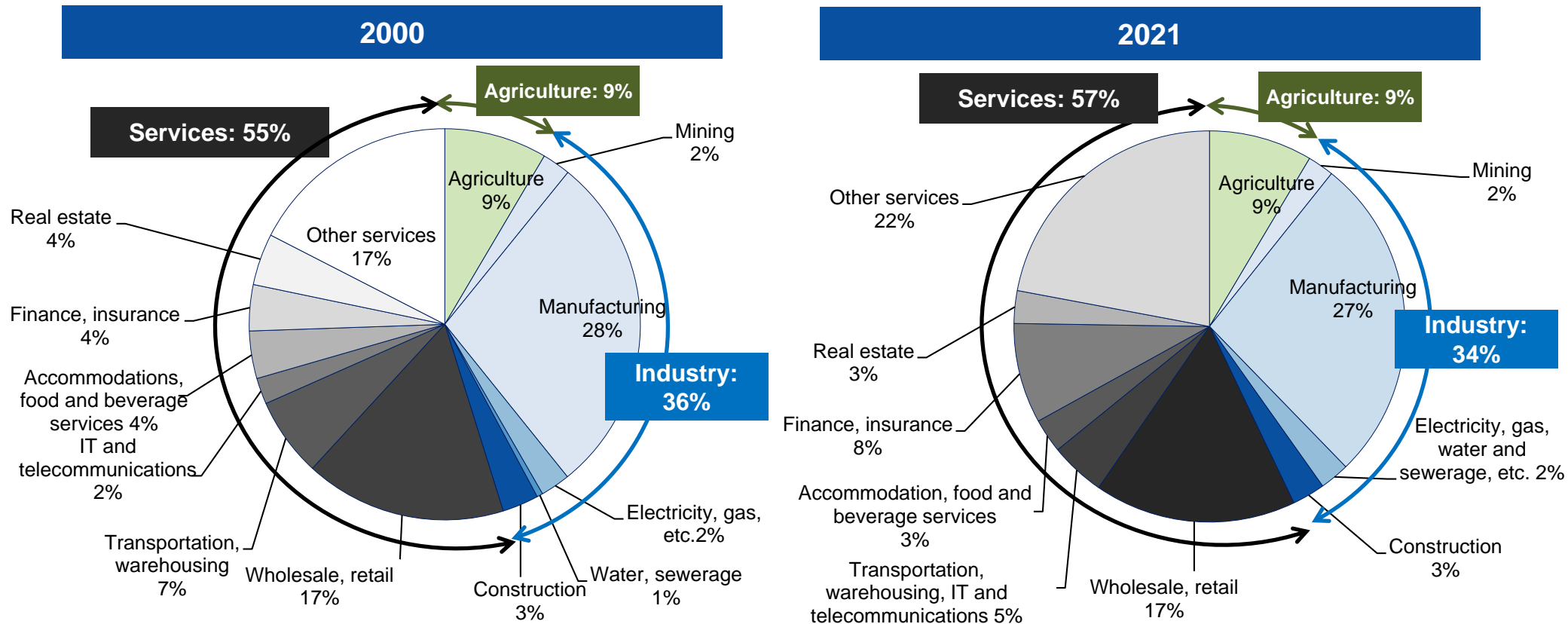
### Overview

- Located in the central part of the Indochinese Peninsula, the Kingdom of Thailand is one of the most industrialized countries in Southeast Asia.
- It was successfully industrialized from 1980 onward by the introduction of foreign capital, including capital from Japan.
- The Asian currency crisis that began in Thailand in 1997 had a serious impact on society, including neighboring countries, but the Thai economy recovered with support from the international community.
- Growth was low in 2014 due to anti-government protests, etc., but the GDP growth rate gradually recovered from 2015 onward. Growth was negative in 2020 due to COVID-19.
- In the general election of March 2019, the pro-military party won a majority and Prime Minister Prayut Chan-o-cha remained in office.
- In 2020, an order to dissolve the Future Forward Party triggered an intensification of anti-government protests led mainly by students. On November 4 that year, in order to end the demonstrations, the government announced that it would hold the referendum required to amend the Constitution.
- In 2021, the Constitutional Court of Thailand ruled that while the National Assembly's constitutional amendments are constitutional, two referendums are required.
- In 2022, an issue arose over Prime Minister Prayut's term of office but was settled when the Constitutional Court ruled that his term will end in April 2025.

## I-3. Economic Structure (Industry/Trade) (1): Industrial Structure

- In the 1980s, a rush of Japanese companies into Thailand led to development of the country's manufacturing industry, and this drove Thailand's economic growth for a long time.
- Japanese companies' style of business expansion changed from traditional export-oriented business to local-market-oriented business and a cross-border supply chain business.
- Reflecting the maturation of the Thai economy, the service sector accounts for more than half of GDP. Over the past 20 years, there has been no significant change in the GDP share of services, industry, or agriculture, etc.

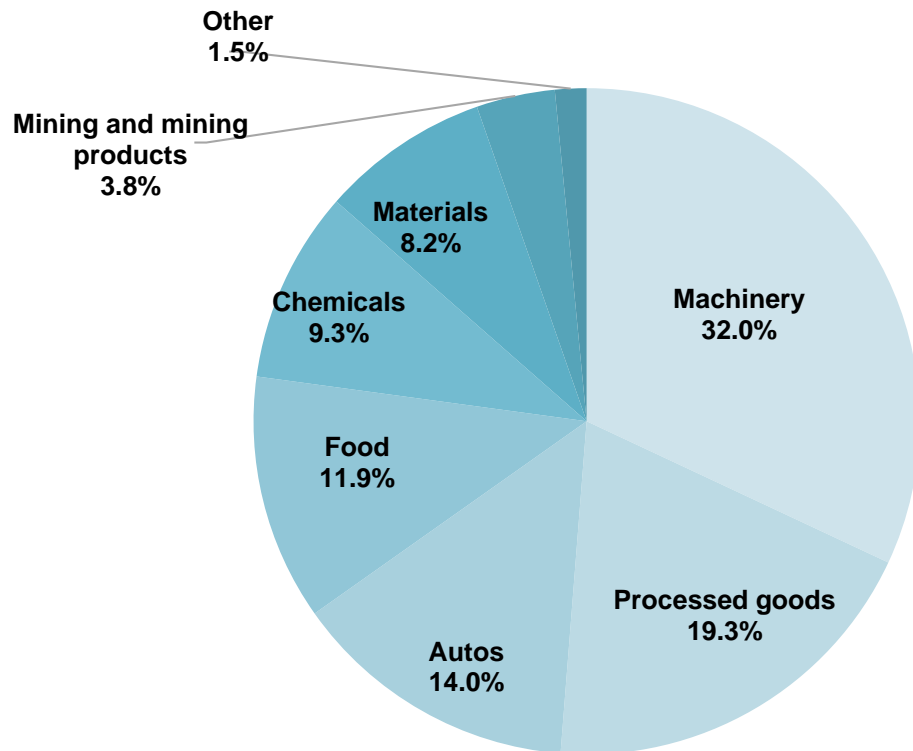
### GDP composition by industry (comparison of 2000 and 2021)



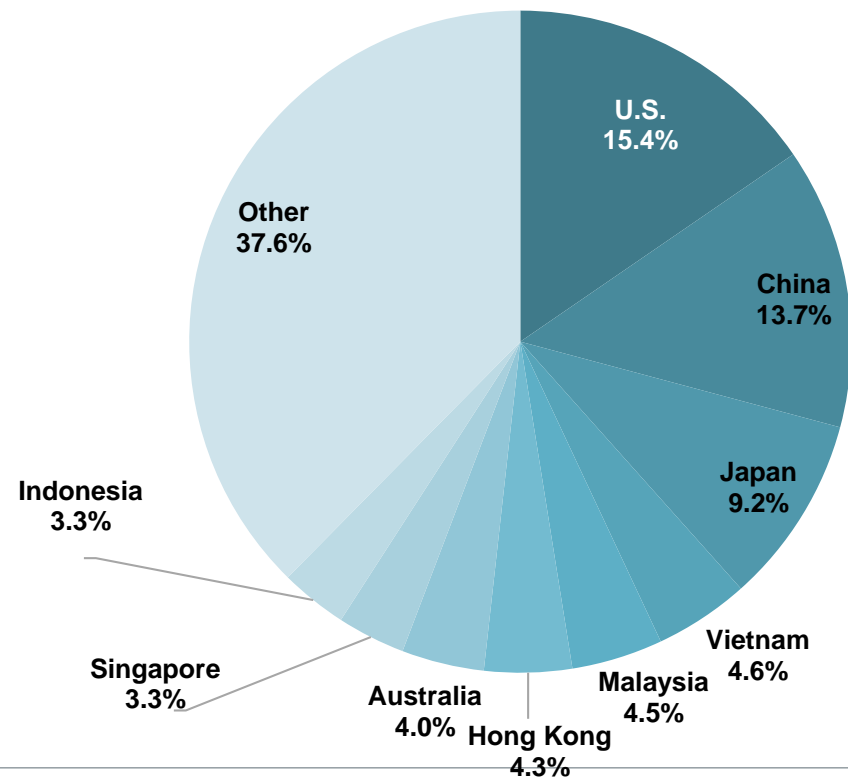
## I-3. Economic Structure (Industry/Trade) (2): Export Structure

- Processed goods such as machinery and parts account for a large share of exports. This is due to the concentration of the manufacturing industry in Thailand, which has a history of actively attracting investment.
- Currently, the top three export destination countries account for more than one-third of Thailand's total exports. That may change in the future due U.S.-China trade friction and the signing of the RCEP (Regional Comprehensive Economic Partnership) agreement, etc.

Breakdown of exports by goods (2021)



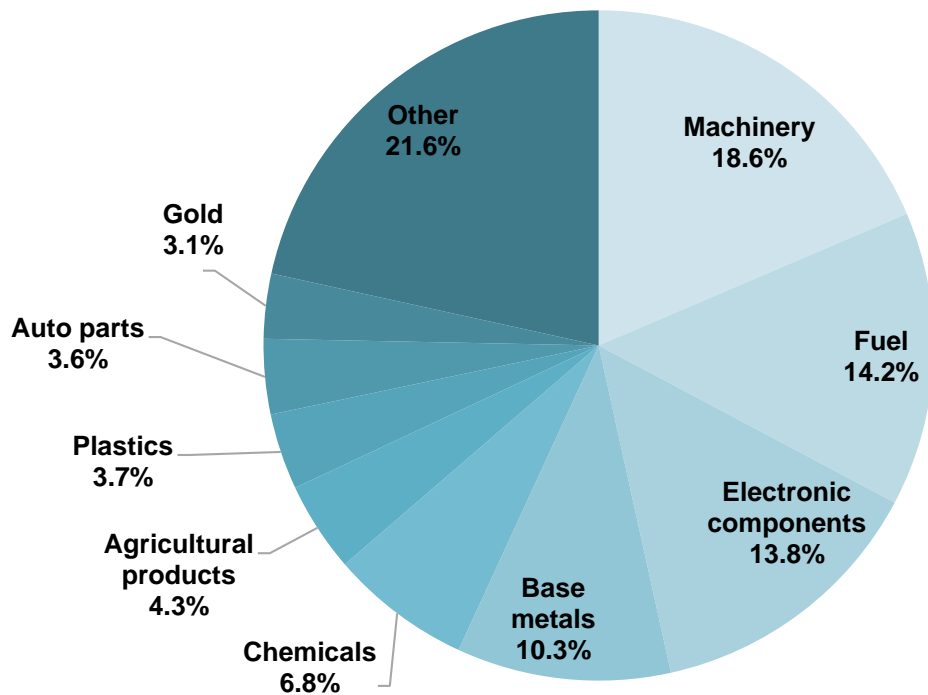
Breakdown of exports by country/region (2021)



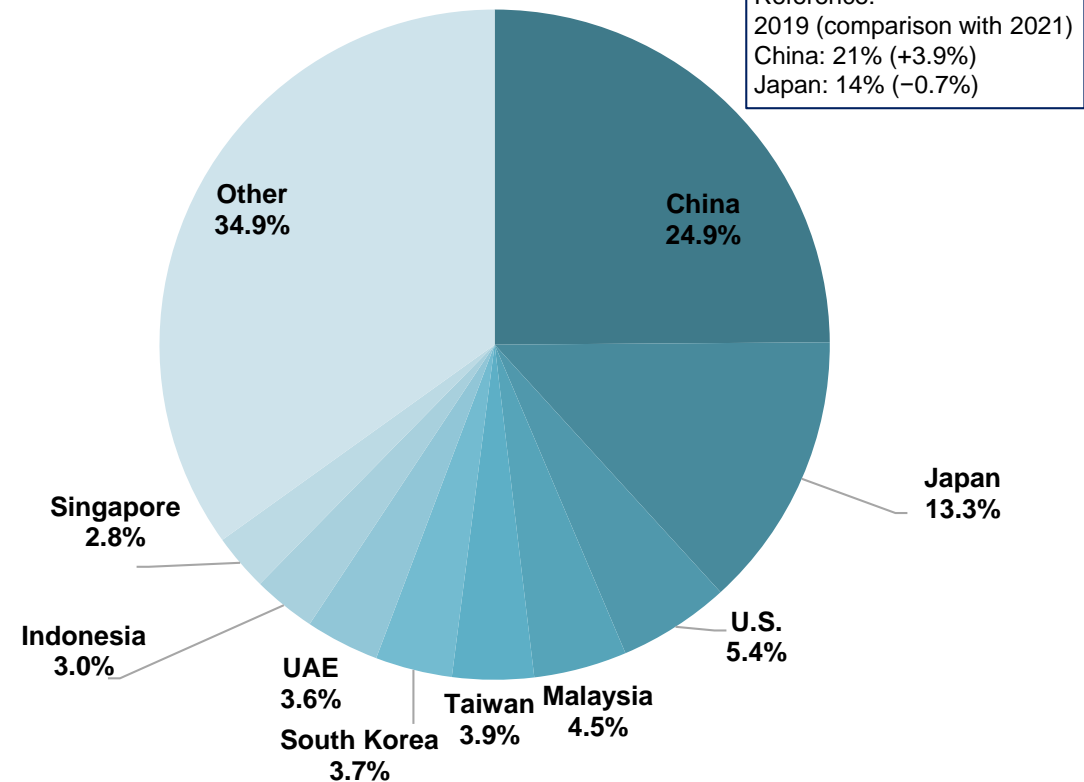
## I-3. Economic Structure (Industry/Trade) (3): Import Structure

- The manufacturing sector is the driving force of the economy. Thus, machinery, including parts and materials, and raw materials account for the largest share of imports.
- The largest source of imports is China, whose share is increasing year by year, followed by Japan and the U.S.
- In 2021, the value of imports from China decreased by about 1% compared to 2019 partly due to COVID-19, but the share of imports from China increased by about 4%. Meanwhile, the value of imports from Japan dropped by about 17% and the import share decreased by about 1%, widening the gap between China's and Japan's shares.

Breakdown of imports by goods (2021)



Breakdown of imports by country/region (2021)





## I - 4. Economic and Industry Characteristics

- In manufacturing, the automotive and electrical/electronic industries have a strong presence.
  - Recently, Thailand has continued to actively attract investment to foster advanced industries under the economic vision laid out in Thailand 4.0.\*
  - The agriculture, forestry, fisheries, and service industries are also important means of earning foreign currency.
- \* While Thailand's growth process has focused on agriculture (stage 1), light industry (stage 2), and heavy industry (stage 3), the national strategy is to move to the fourth stage of development where high value-added goods and services are created continuously through innovation and productivity improvement.

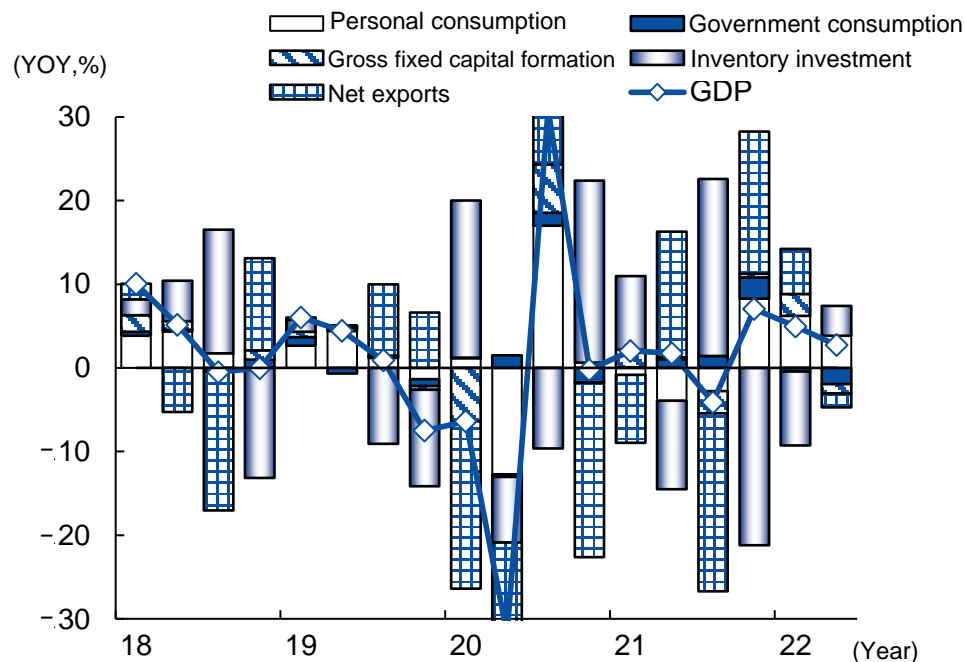
### Characteristics and trends of major industries

	Manufacturing	Agriculture, forestry, and fisheries	Service
Characteristics	<ul style="list-style-type: none"> <li>✓ Functions as the core base for auto production in Asia (the Detroit of Asia). Japanese manufacturers are unrivalled (90% of auto production).</li> <li>✓ The main exports are consumer appliances, HDDs, integrated circuits, and semiconductors. Among ASEAN members, Thailand has an advantage in its consumer appliance sector's well-developed parts industry.</li> </ul>	<ul style="list-style-type: none"> <li>✓ Even in recent years, this industry remains one of Thailand's important industries, accounting for just under 10% of nominal GDP and about 30% of the working population.</li> <li>✓ Major export crops are rice, cassava, sugar cane, and natural rubber.</li> </ul>	<ul style="list-style-type: none"> <li>✓ The service industry is subject to foreign investment restrictions with some exceptions. Entry with a majority of foreign capital is prohibited, except in cases where entry with 100% foreign capital is possible for retailers with a minimum capital of at least THB 100 million and a per store minimum capital of at least THB20 million (or THB200 million for both retail and wholesale).</li> </ul>
Recent trends	<ul style="list-style-type: none"> <li>✓ In 2020 and 2021, the market stagnated due to COVID-19, but it is recovering.</li> <li>✓ From 2020 onward, while demand for production of electronic equipment increased due to the global spread of telework, the shortage of semiconductors and other factors weighed on the electronics industry as a whole.</li> </ul>	<ul style="list-style-type: none"> <li>✓ In rice production, Thailand remained sixth in the world from 2018 to 2021.</li> <li>✓ Cassava, sugarcane, and other crops are gaining attention as biofuels.</li> <li>✓ The Thai government is supporting the advancement of agriculture using ICT and promoting "smart agriculture."</li> </ul>	<ul style="list-style-type: none"> <li>✓ International tourism income in 2019 exceeded 6 trillion yen, but due to COVID-19, a record low of 844 billion yen was posted in 2021, a decrease of 70% from the previous year.</li> <li>✓ Due to deregulation from the end of 2021, a recovery in international tourism to 50% of the pre-COVID-19 level is expected in 2022.</li> </ul>

## I-5. Economic Environment (1): Short-term Growth Trends

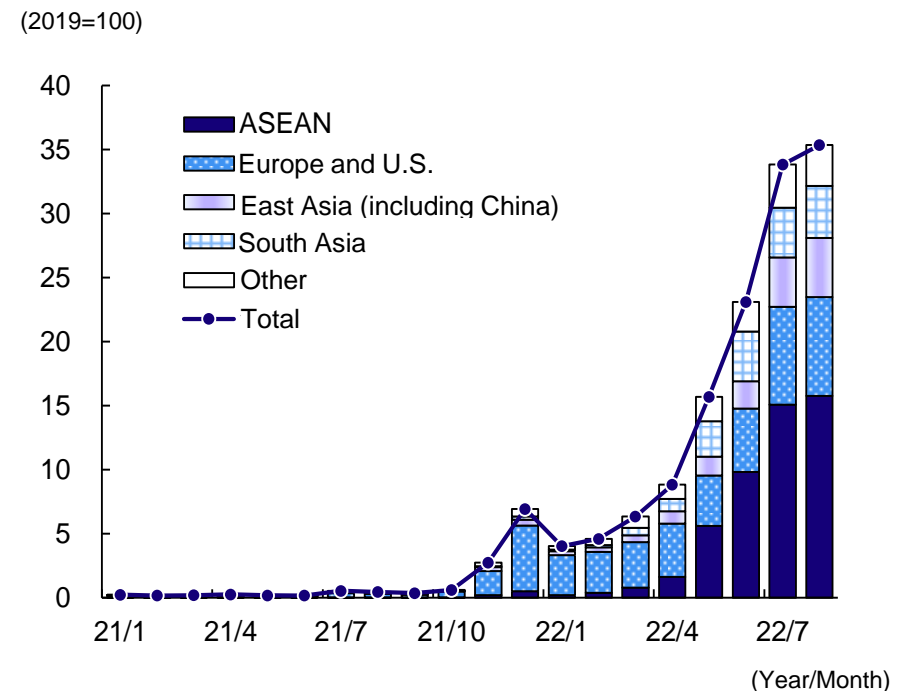
- In April-June 2022, real GDP growth slowed compared to previous quarter (5.0% YOY) to 2.7% YOY.
- Exports of goods were weak against the backdrop of stagnation in procurement of parts and materials from China due to the Shanghai lockdown and declining domestic demand in China.
- Although personal consumption remained firm, imports also accelerated, resulting in a negative contribution from net exports (exports minus imports).
- Although rising prices and interest rates will weigh on future growth, tourism, which accounts for 10% of GDP, is expected to recover and maintain a solid recovery trend, based on the prospect for a gradual return of Chinese tourists in the spring of 2023 due to China's relaxation of its zero-COVID policy.
- On the other hand, downward pressure on personal consumption will be exerted by rising prices and the accompanying (1) decline in purchasing power and (2) rising interest rates and increased debt repayment burdens.

### Real GDP growth rate



(Note: Inventory investment is calculated as the remaining amount after deducting each item from the total.)

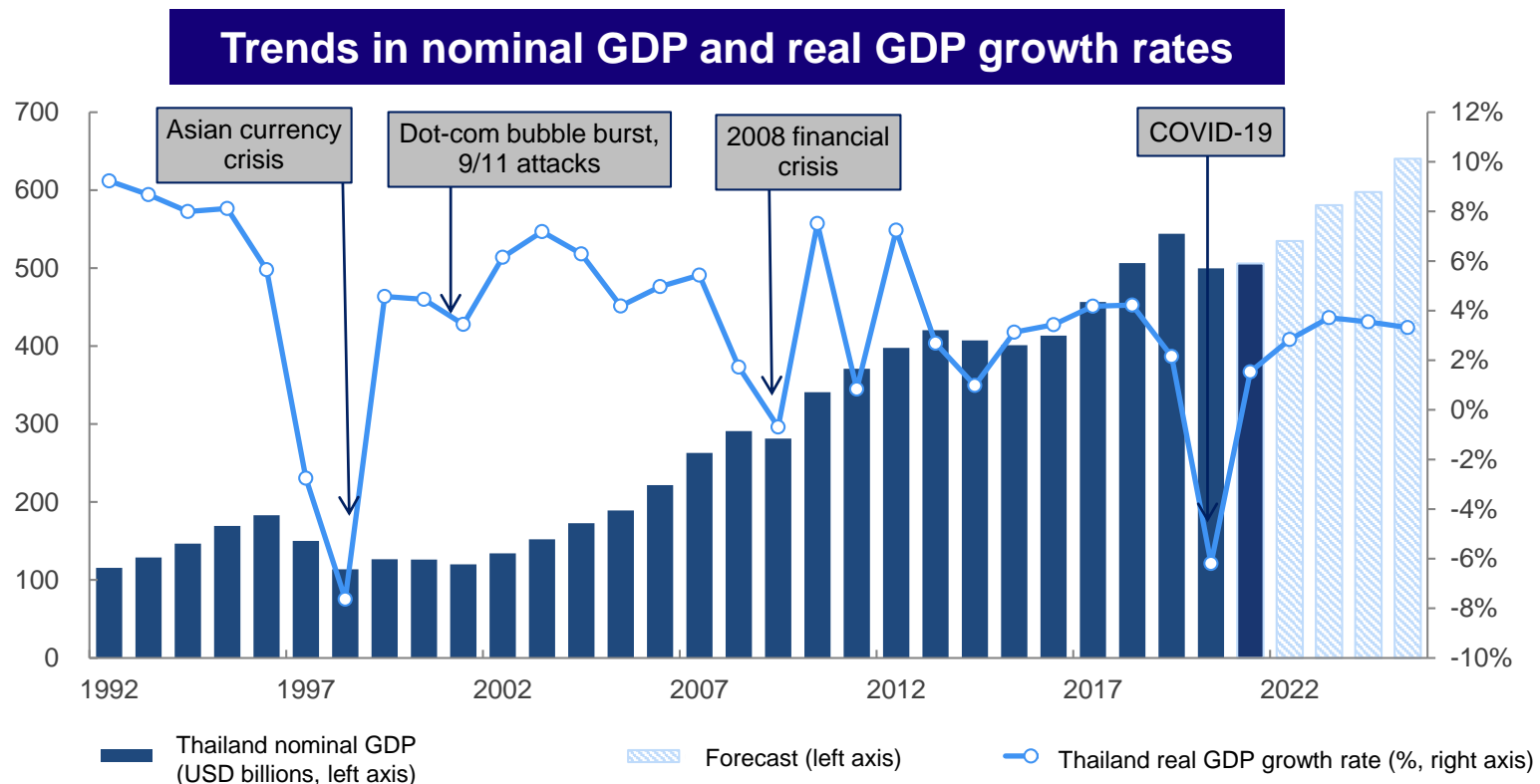
### Number of foreign visitors to Thailand (by region of trip origination)



Sources: Compiled by MHRT based on materials from Thailand's National Economic and Social Development Council and the Ministry of Tourism and Sports

## I-5. Economic Environment (2): Mid- to Long-term Growth Trends

- In the 1980s, Thailand began to aggressively attract foreign companies and saw export-oriented industrialization centered on manufacturing develop rapidly.
- Although the 1997 Asian currency crisis temporarily disrupted the Thai economy, the average annual growth rate recovered to about 5% by the mid-2000s.
- Subsequently, Thailand's growth rate fluctuated due to the 2007-2008 global financial crisis, major floods (2011), and a military coup (2014) and then remained relatively stable for a few years from 2015 to 2019.
- In 2020, growth was significantly lower due to COVID-19, which reduced capacity utilization in the manufacturing sector, impacted tourism, aviation, and other industries, and cooled consumption.
- Real GDP (IMF estimate) in 2022 is expected to grow 2.8%, up from 1.5% in 2021.



## II. Investment-related Information

## II-1. Labor-related Information (1): Visas and Employment Regulations

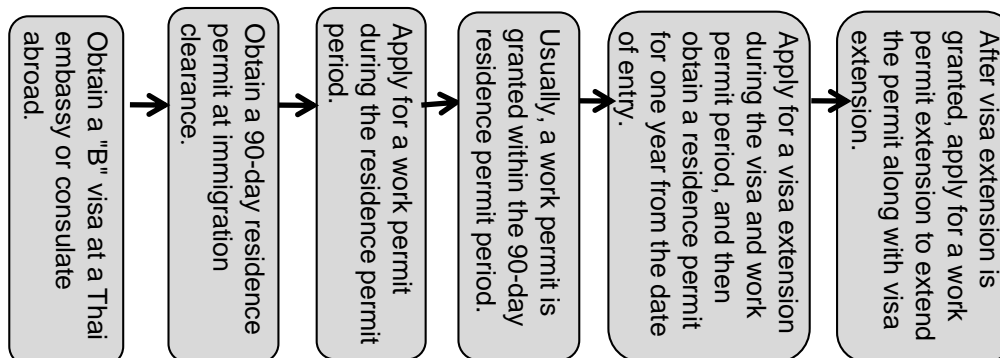
- Foreign nationals (including Japanese nationals) need to obtain a "B" visa (i.e., a non-immigrant business visa) and a work permit to work in Thailand after establishing a subsidiary in Thailand.
- In principle, at least four Thais nationals need to be employed to extend one foreigner's visa.
- In February 2018, the Smart Visa began to be issued to foreign nationals that work or invest in 13 industries. The acquisition of a work permit and the submission of a residence report, which is required every 90 days, are exempt if certain requirements are fulfilled.
- In June 2022, a long-term resident visa system was introduced for the purpose of attracting wealthy foreigners and investors to Thailand. As a result, it is now possible to apply for a visa that is valid for 10 years if certain requirements are met.

### Acquisition of a visa, etc., and points to note

#### Work visa and work permit

- ✓ Foreign nationals need to obtain both a "B" visa and a work permit to work in Thailand. A "B" visa is required to enter Thailand, while a work permit is required to work in Thailand.
  1. "B" visa  
Based on the *Immigrant Act* of Thailand, foreign nationals need to obtain a visa from the Thai Immigration Bureau as according to purpose of entry.
  2. Work permit  
Based on Thailand's *Alien Work Permit Act*, foreign nationals must obtain a work permit from the Ministry of Labour (Employment Bureau).
- ✓ These are issued by different authorities but are institutionally paired. A "B" visa can be renewed only when a work permit is renewed.

#### Acquisition flow



### Employment/dismissal regulations in Thailand

- ✓ In the case of dismissal for company reasons, the employer must pay dismissal allowance depending on the length of service.
- ✓ Companies employing 10 or more employees are obliged by law to prepare work regulations in Thai. The *Labour Protection Act* of Thailand specifies the minimum work regulations as follows:

Article 108, Paragraph 1 of the *Labour Protection Act*. Employers (companies) employing 10 or more employees must establish work regulations in Thai. The work regulations must contain at least the following details.

- (1) Work days, normal work hours, and break time
- (2) Principles on leave and granting leave
- (3) Principles on overtime work and holiday work
- (4) Day and place of payment of wages, overtime allowance, holiday allowance, and holiday overtime allowance
- (5) Principles regarding vacation and granting vacation
- (6) Discipline and sanctions for discipline violations
- (7) Petitioning
- (8) Dismissal, dismissal allowance, and special dismissal allowance

## II-1. Labor-related Information (2): Labor Cost

(USD)

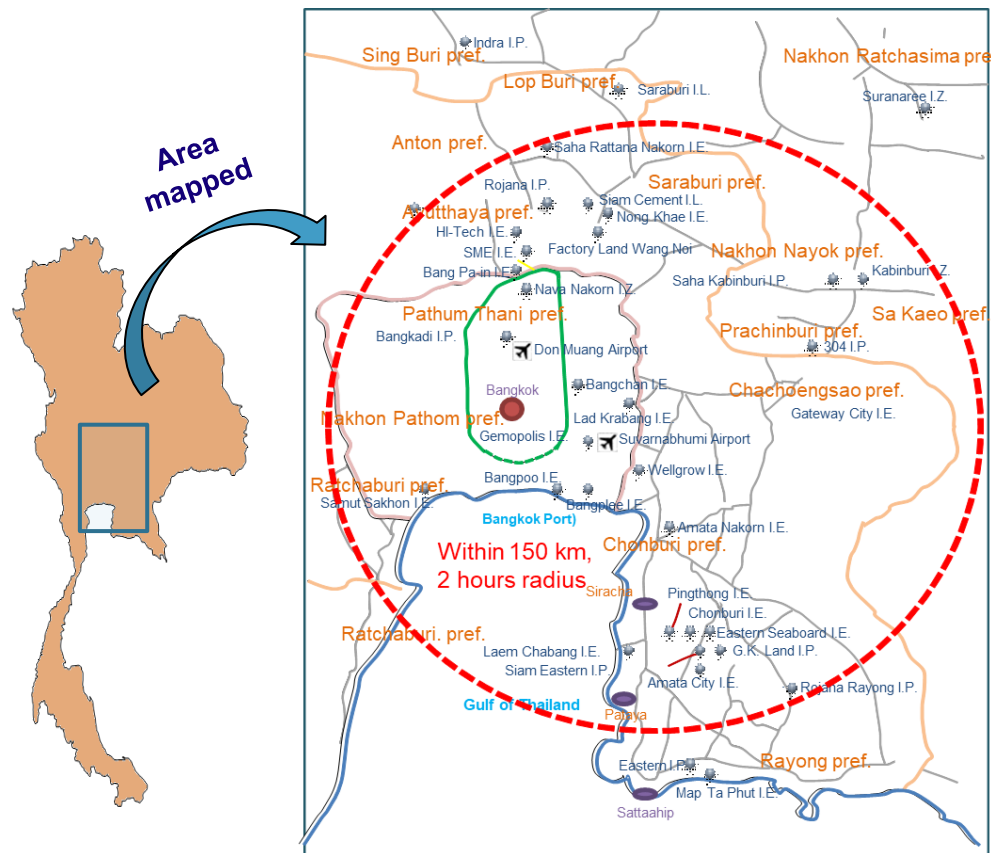
Country/region	Japan	China	Hong Kong	South Korea	Taiwan	Singapore	Malaysia	Thailand		
City	Yokohama	Shanghai	Shenzhen	Hong Kong	Seoul	Taipei	Kuala Lumpur	Bangkok		
Manufacturing	Workers' wages (general worker)	3,040	1,124	595	2,199	2,416	1,363	1,907	431	447
	Engineers	4,072	1,304	1,122	-	2,979	1,725	2,813	867	798
	Managers	5,190	2,509	1,601	4,027	3,768	2,419	4,306	1,650	1,629
Non-manufacturing	Staffs' wages (general level)	2,927	1,441	1,499	2,506	2,383	1,658	2,589	922	883
	Managers' wages	4,828	2,978	2,968	4,366	3,586	2,802	4,560	1,978	1,629
	Shop staffs' wages (Apparel)	2,074	-	1,088	1,668	2,962	1,125	1,041	493	373
	Shop staffs' wages (Food)	928	-	713	1,932	1,986	880	1,072	409	373
Legal minimum wage	9.82/hour	400/month	340/month	4.82/hour	1,651/month	867/month	—	288/month (1.31/day, 1.39/hour)	10.1 to 10.8/day	
Bonus payments (fixed bonus + variable bonus)	4.46 months' base salary	2.33 months' base salary	1.58 months' base salary	1.87 months' base salary	2.88 months' base salary	3.13 months' base salary	2.10 months' base salary	1.94 months' base salary	2.64 months' base salary	
Social security burden ratio (Employer's burden ratio)	15.045 to 15.245%	33.16 to 36.52%	20.74 to 34.49%	(1) 5% Less than 30,000 HKD monthly salary (2) 1,500 HKD 30,000 HKD and more monthly salary	9.98 to 28.48%	12.95%	17%	13.45 to 14.95%	5%	
Nominal wage increase rate	—3.8%(2020)	7.9%(2020)	9.1%(2020)	1.1%(2020)	0.27%(2020)	2.75(Jan. to Jul. 2021)	3.9%(2019)	Management: 5.15% Non-management: 4.96%(2019)	2.26%(2019)	

Country/region	Indonesia	The Philippines	Vietnam	Cambodia	Laos	Myanmar	India			
City	Jakarta	Manila	Hanoi	Ho Chi Minh	Phnom Penh	Vientiane	Yangon	New Delhi	Mumbai	
Manufacturing	Workers' wages (general worker)	421	272	241	266	222	210	181	261	328
	Engineers	582	409	471	508	408	360	329	510	944
	Managers	1,260	1,092	1,025	1,064	1,003	771	836	1,573	1,852
Non-manufacturing	Staffs' wages (general level)	507	594	595	647	530	530	477	628	712
	Managers' wages	1,216	1,481	1,249	1,412	1,343	1,253	1,118	1,727	1,971
	Shop staffs' wages (Apparel)	272~374	323~347	N/A	237~259	200~400	140	156~195	459~479	N/A
	Shop staffs' wages (Food)	204~408	323~347	N/A	302(City center)	190~400	130	140~156	483~597	242~269
Legal minimum wage	300/month	10.42 to 11.19/day	191/month	191/month	192/month	119/month	3.74/day	Unskilled: 188/month Semi-skilled: 207/month Skilled: 228/month	Unskilled: 146/month Semi-skilled: 161/month Skilled: 177/month	
Bonus payments (fixed bonus + variable bonus)	2.02 months' base salary	1.66 months' base salary	1.64 months' base salary	1.41 months' base salary	1.00 months' base salary	1.33 months' base salary	1.22 months' base salary	1.15 months' base salary	1.37 months' base salary	
Social security burden ratio (Employer's burden ratio)	7.7254 to 7.7404%	10%+100PHP	21.5%	21.5%	3.4%	6%(monthly salary 4.5 million LAK or less) 270,000 LAK(monthly salary over 4.5 million LAK)	age 60 or under: 7% over age 60 :7.5%	13% (ratio will fluctuate based on the amount )	13% (ratio will fluctuate based on the amount )	
Nominal wage increase rate	3.27%(2021)	0%(2019)	—	—	—	—	—	6.5%(2019)	6.4%(2019)	

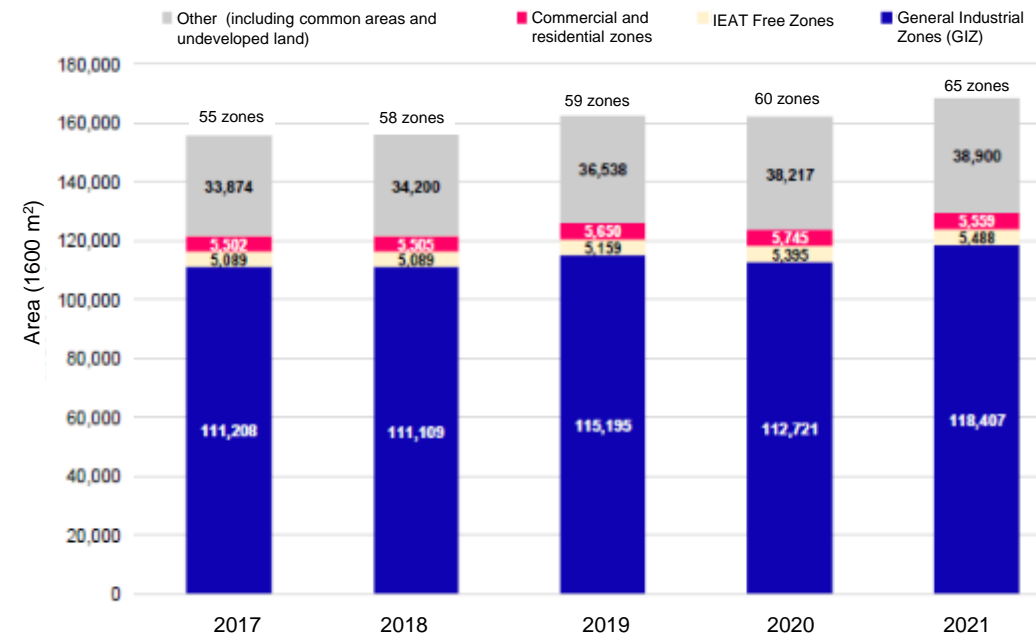
## II-2. Key Industrial Parks

- Since 1980, the demand for industrial land has increased rapidly mainly in the Bangkok metropolitan area, and industrial parks have been actively created and developed mainly by the private sector. As of the end of 2021, there are 65 major industrial parks (free zones), and so companies have many options.
- Foreign-affiliated companies can also purchase land through the use of the investment promotion system,\* and there is no regulation requiring the land to be returned after a certain period of time.
- The manufacturing industry is concentrated in the suburbs of the Bangkok metropolitan area which has good access to ports (including many river ports and deep-sea ports), and this shortens domestic transportation and delivery distances, contributing to lower logistics costs.



\*In principle, foreigners (including corporations) are not allowed to acquire land. However, companies receiving BOI promotion and companies located in industrial parks approved by the Industrial Estate Authority of Thailand (IEAT) may acquire land, regardless of the percentage of foreign investment.

### Changes in the cumulative area of industrial parks and the number of industrial parks



## III. Establishing a Local Subsidiary

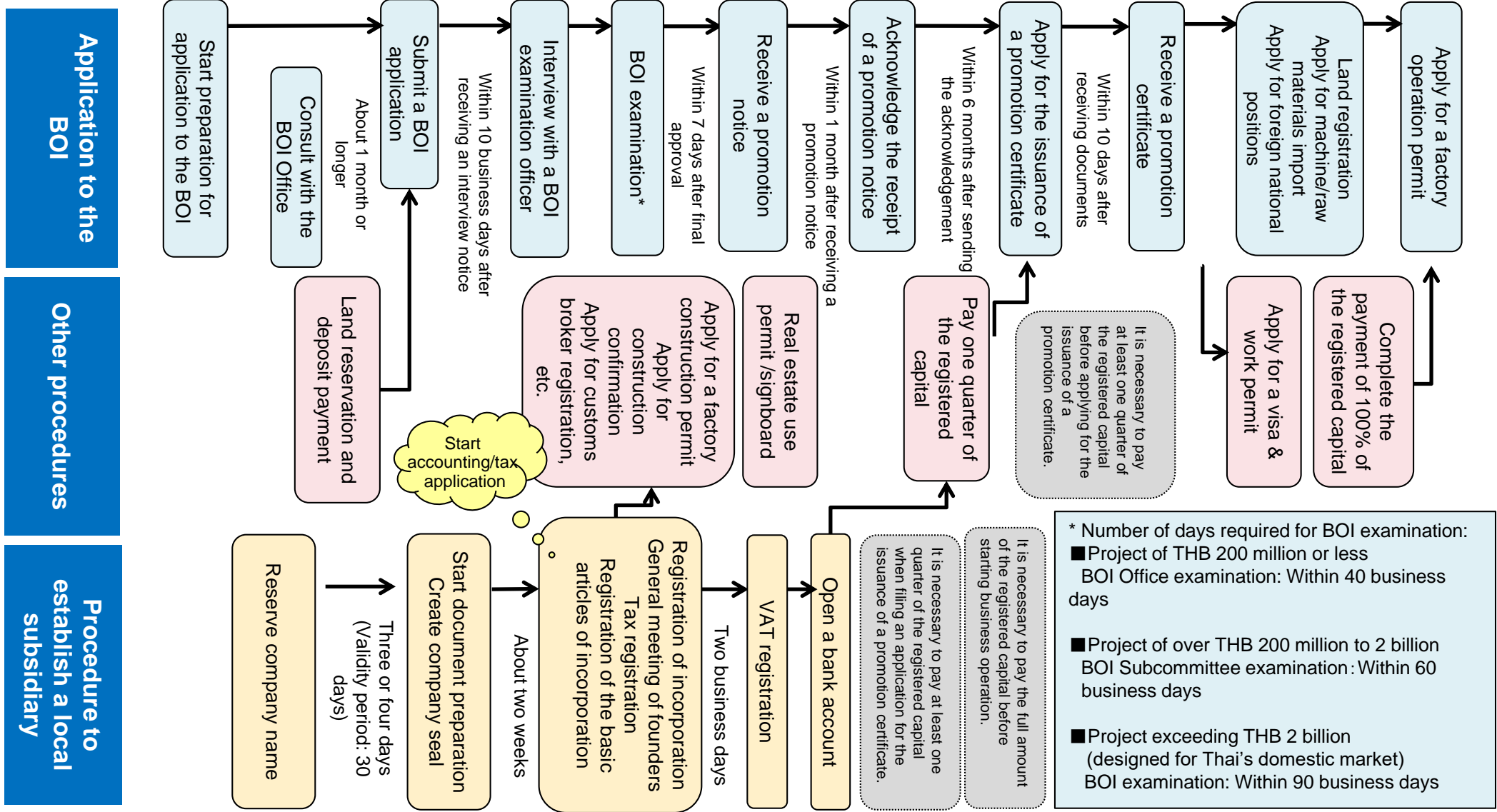


## III-1. Business Models

	1. Subsidiary	2. Branch	3. Representative office	4. Regional office
<b>Summary</b>	<ul style="list-style-type: none"> <li>✓ Subsidiaries are established in compliance with Thai laws. They have a separate corporate status from their Japanese head offices and have independence as a business operator.</li> <li>✓ There are restrictions on the investment ratio in industries subject to foreign capital regulations.</li> </ul>	<ul style="list-style-type: none"> <li>✓ Branch offices are established so that the Japanese head office can engage in business activities, etc., in Thailand. Their corporate status is dependent on the head office.</li> <li>✓ In general, except for industries such as financial institutions, expansion into Thailand using branches is not allowed.</li> </ul>	<ul style="list-style-type: none"> <li>✓ Representative offices are the bases of foreign corporations established for collecting information on the Japanese head office's goods and services in Thailand and for inspecting items exported to Japan.</li> </ul>	<ul style="list-style-type: none"> <li>✓ Regional offices are offices established by a foreign corporation. They control branches or affiliated companies located in Thailand and its surrounding area.</li> </ul>
<b>Sales activities</b>	<b>Possible</b> (Subsidiaries have independence as a business operator.)	<b>Possible</b> (A branch office of a foreign corporation is established for the purpose of conducting business that produces operating income.)	<b>Impossible</b> (Business activities with the aim of receiving operating profit are not permitted.)	<b>Impossible</b> (Regional offices are not permitted to derive income from their activities.)
<b>Foreign Business License (FBL)</b>	<b>Necessary</b> (If the industry is subject to foreign capital regulations) (Permission of the director-general of the Department of Business Development at the Ministry of Commerce might be required depending on the type of business, the investment structure, and whether or not investment incentives are applicable, etc.)	<b>Necessary</b> (Because this entity is subordinate to the head office, it is subject to foreign capital regulations, and the permission of the director-general of the Department of Business Development at the Ministry of Commerce is required. The valid period is five years, at maximum.)	<b>Unnecessary</b> (However, in order to satisfy the requirements for the preparation and submission of accounting documents under accounting law, a representative office must obtain a registration number and notify the Thai authorities of the business offices in Thailand in accordance with the notifications of the Department of Business Development at the Ministry of Commerce.)	<b>Unnecessary</b> (However, in order to satisfy the requirements for the preparation and submission of accounting documents under accounting law, a representative office must obtain a registration number and notify the Thai authorities of the business offices in Thailand in accordance with the notifications of the Department of Business Development at the Ministry of Commerce.)
<b>Taxes</b>	<b>Ordinarily, corporate tax of 20%</b>	<b>Ordinarily, corporate tax of 20%</b>	<b>No corporate tax</b> (Tax declarations [showing no taxable income] must be filed even though there is no corporate tax levied because there is no corporate income.)	<b>No corporate tax</b> (No corporate tax is levied, as regional offices are not permitted to derive income from their activities.)
<b>Initially required remittance amount</b>	Foreign-owned companies must have a minimum capital of THB 2 million or more (capital transfer of THB 2 million per foreign national required as a prerequisite for issuing a work permit). However, companies that have acquired a Foreign Business License (FBL) in a regulated industry under the <i>Foreign Business Act</i> are required to have THB 3 million or more. The BOI regulates the minimum capital depending on the type of business. Company registration is possible with paid-in capital of 25% or more. However, in the case of the BOI, paid-in capital of 100% is required to start operations.	Branches are obligated to bring foreign currency equivalent to THB 3 million or more.	Remittance of capital equivalent to THB 2 million is required	Remittance of capital equivalent to THB 2 million is required
<b>Period for establishment</b>	1 to 1.5 months if the data and documents that should be prepared are submitted smoothly; about 200 days if BOI application is required (For details, see page 18.)	About 200 days	About 1 month	About 1 month

## III-2. Procedure to Establish a Local Subsidiary

- Procedure for establishing a Japanese company's local subsidiary (application to the BOI and the subsidiary establishment schedule)



### III-3. Local Expenses

#### Rough standard of office rent, expatriate staff housing expenses, utility charges, etc.

Item	Monthly cost	Remarks
Office rent	(1) Times Square (Asok area): USD 22.5/m <sup>2</sup> (2) Exchange Tower (Asok area): USD 35.3/m <sup>2</sup>	<ul style="list-style-type: none"> <li>Management fees included for both buildings</li> </ul>
Service apartment	(1) Service apartment USD 1,091.2–1,765.1/month (Sukhumvit area, with maid services, 63–97 m <sup>2</sup> , including management fees) (2) Apartment: USD 2,727.9–3,851.2/month (Sukhumvit area, 170–210 m <sup>2</sup> , including management fees)	<ul style="list-style-type: none"> <li>There is no need to pay brokerage fees to real estate companies.</li> <li>Corporate contracts are limited because apartment owners' tax processing is complicated.</li> <li>There are many service apartments thanks to the construction boom. Rents vary by area, distance to the main street, space, building age, etc.</li> </ul>
Commercial electricity charge	<ul style="list-style-type: none"> <li>Basic monthly charge: USD 10.0</li> <li>Charge per 1 kWh: (1) USD 0.16 (2) USD 0.08</li> </ul>	<ul style="list-style-type: none"> <li>12 to 24 kV</li> <li>Charges vary depending on the usage time zone. (1) Peak time (09:00–22:00 on Monday to Friday) (2) Off-peak time (22:00–09:00 on Monday to Friday and on Saturday/Sunday/national holiday)</li> </ul>
Residential electricity charge	<ul style="list-style-type: none"> <li>Basic monthly charge: USD 1.22</li> <li>Charge per 1 kWh: (1) USD 0.10 (2) USD 0.14 (3) USD 0.14</li> </ul>	<ul style="list-style-type: none"> <li>Charges vary depending on the amount of use. (1) 1–150 kWh/month (2) 151–400 kWh/month (3) 401 kWh or more/month</li> </ul>
Commercial water charge	<ul style="list-style-type: none"> <li>Basic monthly charge: USD 2.89</li> <li>Charge per 1 m<sup>3</sup>: USD 0.30–0.51</li> </ul>	<ul style="list-style-type: none"> <li>Charges vary depending on the amount of use.</li> </ul>
Residential water charge	<ul style="list-style-type: none"> <li>Basic monthly charge: USD 1.44</li> <li>Charge per 1 m<sup>3</sup>: USD 0.27–0.46</li> </ul>	<ul style="list-style-type: none"> <li>Charges vary depending on the amount of use.</li> </ul>

## III-4. Opening a Bank Account

- To open a new account for a local subsidiary at the Bangkok Branch of Mizuho Bank, the procedures are as follows.
- An application to open an account can be made after the company is registered.

### Procedure for opening an account

- ✓ Steps for opening an account
  1. Register company → 2. Prepare documents required for account opening → 3. Submit documents required for account opening → 4. Receive the account number → 5. Deposit capital
- ✓ List of required documents
  1. Memorandum
  2. Article of association
  3. Affidavit of the office partnership and company registration
  4. Company's seal registration
  5. Shareholders list
  6. Certificate of incorporation of partnership and company registration
  7. Identification papers (passport for foreign nationals)
  8. Minutes of Board meeting for opening account including scope of payment authority and conditions for any payment
  9. Power of attorney and duty stamp or duty stamp fee
  10. Organization chart
- ✓ Application forms to be submitted to Mizuho Bank
  1. Application for opening account/Terms and Conditions for opening account
  2. Signature card
  3. Authorization of fund transfer form C/A or S/A
  4. Agreement
  5. Letter of indemnity: provisional transactions
  6. Application for new cheque book
  7. KIDS: Electronic advice statement transaction

### Considerations, account types, etc.

- ✓ In Thailand, capital can be paid into either a savings deposit account or a current deposit account.
- ✓ After submitting the required documents, the account opening is completed in about two weeks.
- ✓ Once the account opening is completed, the customer is notified about the account number by postal mail.
- ✓ Instead of a bank passbook, bank documents including credit advices and debit advices are issued when funds are deposited or withdrawn. Bank statements are issued monthly and contain the details of transactions. Daily fund management can also be conducted using Mizuho Bank's internet banking service, known as "Mizuho Global e-Banking."
- ✓ Account Types:
  - Current deposits: THB
  - Savings deposits: THB, USD, JPY, EUR, RMB, SGD, AUD
  - Time deposits: THB, USD, JPY, EUR, SGD, AUDNote: Consultation is required for savings deposit accounts or time deposit accounts in currencies other than the above.

## IV. Regulations, Incentives, Reference Information

## IV-1. Regulations for Foreign Investors (1)

- The entry of foreign-owned companies (with more than 50% foreign capital) is regulated in 43 industries divided into the three categories shown below on the right-hand side.

### Restrictions on foreign investment

#### **Foreign Business Act**

- ✓ The manufacturing industry is basically exempt from foreign investment restrictions.
- ✓ In some industries, there are restrictions on majority investment by foreign companies.

#### **Land Ownership**

- ✓ In principle, foreigners are not allowed to acquire land.
- ✓ However, companies receiving BOI promotion and companies located in industrial parks approved by the Industrial Estate Authority of Thailand (IEAT) may acquire land, regardless of the percentage of foreign investment.
- ✓ Under the *Land Code Amendment Act* amended in May 1999, it is possible to acquire a land area of 1 rai (1,600 m<sup>2</sup>) or less for residential use if certain conditions, such as investment of THB 40 million or more, are met.

### Regulated industries

#### **1. Foreign businesses prohibited from entry (9 industries): Mass media, etc.**

- ✓ Businesses that foreigners are not allowed to operate for special reasons

#### **2. Foreign businesses prohibited in principle but allowed with the permission of the Minister of Commerce after approval by the Cabinet (13 industries)**

- ✓ Businesses related to national security: Aircraft, domestic land transportation, marine air transportation, etc.
- ✓ Businesses related to the protection of culture and crafts: Thai arts, and arts and crafts trade, etc.
- ✓ Businesses related to the protection of environmental resources: Sugar production from sugarcane, etc.

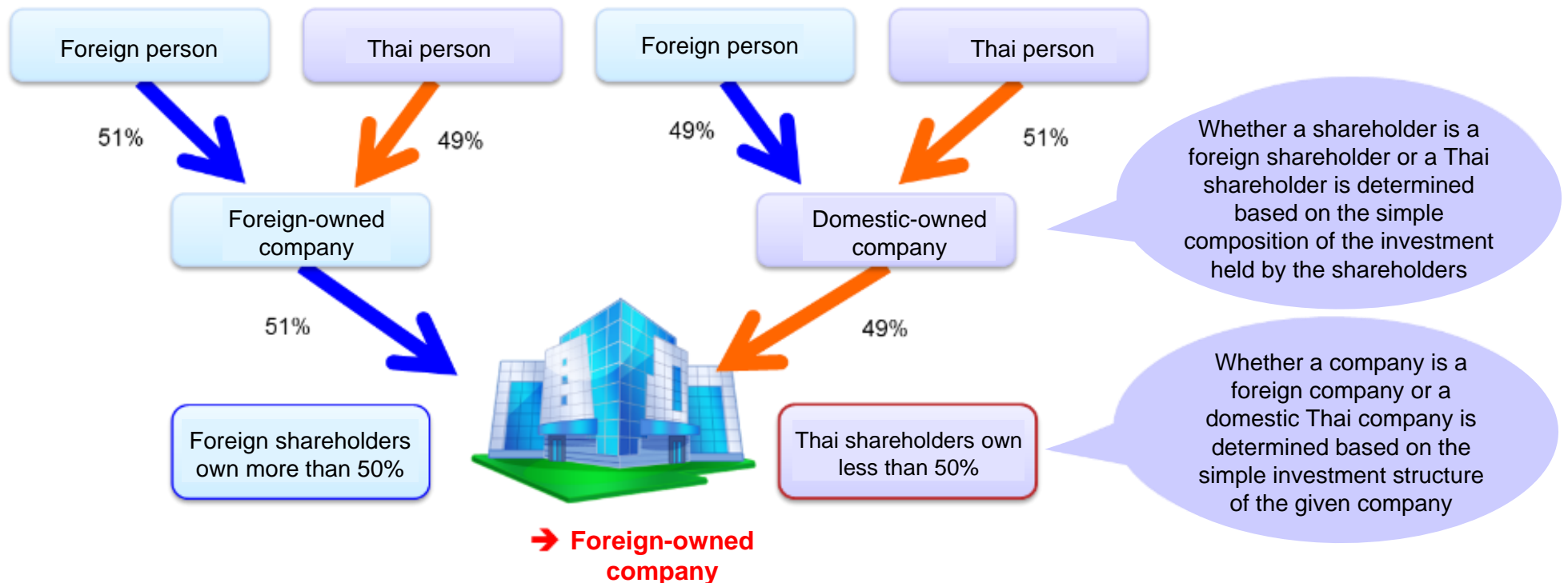
#### **3. Business areas where local companies cannot compete with foreign companies (21 industries)**

- (However, entry is allowed if approved by the director-general of the Department of Business Development of the Ministry of Commerce with the approval of the Foreign Business Committee)
- ✓ Retail businesses and legal or accounting services, etc., with capital of less than THB 100 million or capital of less than THB 20 million per store

## IV-1. Regulations for Foreign Investors (2)

### ■ The definition of a foreigner is as follows.

1. A natural person who is not a Thai national (i.e., is a foreign national), or
2. A legal entity that is not registered in Thailand (i.e., is a foreign corporation), or
3. A legal entity which is registered in Thailand (Thai corporation), and
  - (1) at least 50% of its capital stock is held by a foreign national or a foreign corporation
  - (2) the legal entity is a limited partnership or registered ordinary partnership in which a foreign national is the manager or co-manager, or
4. A legal entity that is registered in Thailand (Thai corporation) with at least 50% of its capital stock held by a foreign national under 1, 2, and/or 3 above.





## IV-1. Regulations for Foreign Investors (3)

Regulated industries	Type of business
List 1 Industries	(1) Newspaper publishing, television or radio broadcasting, (2) rice farming, field work, and landscaping, (3) animal husbandry, (4) forestry and wood processing from natural forests, (5) fishing in territorial waters of Thailand and its economic zones, (6) extraction of Thai herbs, (7) trading and auctioning of Thai antiques and antiquities, (8) business of making and casting Buddhist statues and making monks' bowls, and (9) land transactions
List 2 Industries	<p><b>Category 1: Businesses related to national security</b></p> <p>(1) Businesses manufacturing, selling, or maintaining the following goods: (a) firearms, ammunition, gunpowder, or explosives, (b) parts of firearms, ammunition, or explosives, (c) weapons, military ships, aircraft, or vehicles, (d) all accessories or components of military equipment</p> <p>(2) Domestic land, sea, or air transportation, including domestic air transportation</p> <p><b>Category 2: Businesses affecting arts, culture, traditional customs, and handicrafts</b></p> <p>(1) Trade in antiques associated with Thai industrial arts or handicrafts, (2) manufacture of wood carvings, (3) business of sericulture, Thai silk paper making, Thai silk bedding, or Thai silk textile printing, (4) manufacture of musical instruments for Thai music, (5) manufacture of gold, silver, metalwork inlay, bronze, or lacquer ware, (6) manufacture of crockery or pottery associated with the cultural arts of Thailand</p> <p><b>Category 3: Businesses that affect natural resources or the environment</b></p> <p>(1) Sugar manufacturing using sugarcane as a raw material, (2) salt field businesses, including salt fields using underground saltwater, (3) rock salt mining businesses, (4) mining industry, including blasting and crushed stone, (5) carpentry businesses for the purpose of making furniture or household goods</p>
List 3 Industries	(1) Rice polishing, grinding of rice and other grains, (2) aquaculture, (3) forestry, (4) manufacture of plywood, veneer, chipboard and hardboard, (5) manufacture of lime, (6) accounting, (7) legal services, (8) architectural design, (9) engineering, (10) construction (excluding construction of public facilities and telecommunication facilities for the development of social infrastructure requiring the use of special machinery, technology, and expertise with a minimum capitalization of at least THB 500 million from foreign nationals), (11) brokerages and agencies (excluding (i) brokerages and agencies of securities; futures trading of agricultural products or financial securities, (ii) trading necessary for manufacturing; brokerages or agencies for product discovery; and services necessary for manufacturing and technical services within the same company, (iii) brokerages, agencies, domestic or foreign market development and sales for the sale and purchase of Thai domestic and imported products with a minimum capital of THB 100 million, (12) auction businesses (excluding auctions via international bidding), (13) domestic trade of local agricultural products or agriculture-related products for which there is not yet any governing law (excluding agricultural futures trading on the Thai agricultural futures market where no delivery of agricultural products occurs in Thailand), (14) retail trade (minimum capital of less than THB 100 million, or minimum capital of less than THB 20 million per outlet), (15) wholesale trade (minimum capital of less than THB 100 million per outlet), (16) advertising, (17) hotel businesses, excluding hotel management, (18) travel agencies, (19) food and beverage sales, (20) plant seed, seedling, and breeding businesses, and (21) other service businesses. However, those specified by ministerial regulation are excluded.*

\* The following finance-related businesses and businesses to which special laws and certain back-office operations apply are exempted from foreign investment restrictions according to ministerial regulations.

Finance-related businesses: (1) Securities and other businesses under the *Securities and Exchange Act*, (2) derivatives business under the *Derivatives Act*, (3) trustee business under the *Trust for Transactions in the Capital Market Act*, (4) commercial banking business, (5) representative office of a foreign bank, (6) life insurance business, (7) non-life insurance business, (8) provision of Islamic banking services, (9) banking agent, (10) provision of escrow account services and escrow agency services, (11) management of private equity repurchase transactions, (12) acceptance of insurance applications and collection of insurance premiums, export deposits, and loan guarantees, (13) provision of financial services to financial institutions, companies in financial groups, the Bank of Thailand, or Thai government agencies, (14) leasing of real estate, (15) purchase or transfer of debt through financing transactions, (16) provision of cash management services, (17) provision of document preparation services related to customers' businesses, (18) receipt of, or handling applications for, payments, and (19) management of purchases on installment plans or leasing operations.

Businesses covered by special laws: (1) Asset management businesses to which laws on asset management companies apply, (2) foreign corporations' representative office service businesses related to international trade operations according to the *Regulations of the Office of the Prime Minister Governing Establishment of Visa and Work Permit Service Centre B.E. 2540 (1997)*, (3) foreign corporations' regional office service businesses related to international trade operations according to the *Regulations of the Office of the Prime Minister Governing Establishment of Visa and Work Permit Service Centre B.E. 2540 (1997)*, (4) service providers contracted by government agencies under the *Budgetary Procedures Act*, and (5) service providers contracted by state-owned enterprises under the *Budgetary Procedures Act*.

Certain back-office services: (1) Monetary loans to affiliates and group companies in Thailand, (2) leasing of office space to affiliates and group companies (including incidental utility services), and (3) advisory services to affiliates and group companies in the areas of business management, marketing, human resources, and information technology.



## IV-1. Regulations for Foreign Investors (4)

### Exemption system

- (1) Foreigners who operate businesses with permission from the Thai government
- (2) Foreigners who operate businesses based on trade treaties, etc. Example: *Thai-US Treaty of Amity and Economic Relations* (concluded in 1966)

U.S. companies can engage in businesses where foreign capital is regulated without being subject to the *Foreign Business Act*, even if they are majority-owned by U.S. capital, except in some industries (i.e., the six sectors of telecommunications, transportation, management of resources for others, banks handling deposits, pursuit of profits from land and natural resources, and domestic trading of Thai agricultural products).

- (3) Exemptions under the *Investment Promotion Act*, etc.
  - (i) Foreigners who have obtained approval for promotion under the *Investment Promotion Act* (BOI-approved companies)
  - (ii) Foreigners who have obtained an export license from the Industrial Estate Authority of Thailand (IEAT) under the *Industrial Estate Authority of Thailand Act*
- (4) Japan-Thailand Economic Partnership Agreement
  - (i) Wholesale or retail of goods produced in Thailand by the company or its group companies: Up to 75% Japanese investment (in the case of auto-related sales companies, goods produced in Japan may also be handled)
  - (ii) Maintenance or repair of goods produced in Thailand by the company or its group companies: Up to 60% Japanese investment
  - (iii) Logistics business: Japanese investment up to 51%
  - (iv) Advertising business: Japanese investment: up to 50%

▪ How to qualify for application of the *Thai-US Treaty of Amity and Economic Relations*

- (1) The company must be incorporated in Thailand or in the U.S.
- (2) The majority of the shares must be held by shareholders with U.S. nationality.
- (3) The majority of the directors must be U.S. or Thai.
- (4) If one person is given the right of representation (signing authority), he/she must be a U.S. or Thai national.
- (5) If co-signers are required, the majority of the signers must be U.S. or Thai nationals.

Note: In addition to the above, certification by the U.S. Embassy in Thailand is required.

Foreigners who are exempt must notify the director-general of the Department of Business Development at the Ministry of Commerce and obtain a Foreign Business Certificate.

## IV-2. Investment Promotion Systems (1)

- The main investment promotion system in Thailand consists of the basic incentives given according to the type of industry and technology.
- In addition, additional incentives are granted for projects that contribute to the improvement of Thailand's competitiveness, decentralization of industry, and industrial land development.
- In November 2022, the industry-based incentive package was altered to expand the benefits.

### Old incentive package

	Tax incentives			Non-tax incentives
	Exemption from corporate income tax	Exemption from machinery import tax	Exemption from raw materials import tax	<ul style="list-style-type: none"> <li>• Acquisition of visa and work permits</li> <li>• Permission to own land</li> <li>• No limit on amount of foreign currency taken out of Thailand</li> </ul>
<b>A1</b>	8 years (no maximum)	●	●	●
<b>A2</b>	8 years	●	●	●
<b>A3</b>	5 years	●	●	●
<b>A4</b>	3 years	●	●	●
<b>B1</b>	—	●	●	●
<b>B2</b>	—	—	●	●

### New incentive package

	Tax incentives			Non-tax incentives
	Exemption from corporate income tax	Exemption from machinery import tax	Exemption from raw materials import tax	<ul style="list-style-type: none"> <li>• Acquisition of visa and work permits</li> <li>• Permission to own land</li> <li>• No limit on amount of foreign currency taken out of Thailand</li> </ul>
<b>New A1+</b>	10-13 years (no maximum)	●	●	●
<b>A1</b>	8 years (no maximum)	●	●	●
<b>A2</b>	8 years	●	●	●
<b>A3</b>	5 years	●	●	●
<b>A4</b>	3 years	●	●	●
<b>B</b>	—	●	●	●

## IV-2. Investment Promotion Systems (2)

- Changes to the industry-based incentive package were announced in November 2022. (Features of industries that received the old and new incentives are as follow.)
- These incentives are effective from January 3, 2023.

### Features of industries receiving the old incentives

A	A1	Knowledge-intensive industry, R&D, etc.
	A2	Infrastructure development and industries with leading-edge technology
	A3	Industries with advanced technology
	A4	Industries that contribute to strengthening the supply chain
	B1	Supporting industries that do not require advanced technology (important supporting industries)
B2		

### Features of industries receiving the new incentives

A	New A1+	Upstream industry and targeted technology development projects (biotechnology, nanotechnology, and advanced materials technology) using advanced technology and innovation acquired via technology transfer in cooperation with academic and research institutions
	A1	Knowledge-based businesses with a primary focus on critical R&D that improves Thailand's long-term competitiveness
	A2	Infrastructure projects that contribute to the development of Thailand, projects with little or no investment in Thailand yet, and projects that use advanced technology to create value-added
	A3	Projects that use advanced technologies that are important for Thailand's development, although there are already a few investments in Thailand
	A4	Businesses that add value to domestic raw materials and strengthen the supply chain, although the technology is not as advanced as A1-A3
	B	Supporting industries that do not use advanced technology but are important to the value chain

## IV-2. Investment Promotion Systems (3)

- Standard investment incentives in Thailand are based on the *Investment Promotion Act* controlled by the BOI (Thailand's Board of Investment). However, there are incentives based on other policies, such as additional incentives for EEC (Eastern Economic Corridor) projects.
- With the enforcement of the Thai government's EEC policies, the promotion of investment in the EEC area has begun based on the *EEC Act* and on *BOI Notification No.2/2563*.

	Investment Promotion Act	Competitiveness Enhancement Act	EEC Act	BOI Notification No. 2/2563
Competent authority	BOI	BOI	EEC Office	BOI
Tax incentives	<ul style="list-style-type: none"> <li>• Exemption of import duties on machinery</li> <li>• Exemption of import duties on raw materials used in production for export</li> <li>• Exemption of import duties on materials for R&amp;D</li> <li>• Exemption/reduction of corporate tax, etc.</li> </ul>	<ul style="list-style-type: none"> <li>• Exemption of corporate tax (up to 15 years), etc.</li> </ul>	<ul style="list-style-type: none"> <li>• Exemption/reduction of corporate tax</li> <li>• Reduction of personal income tax</li> </ul>	<ul style="list-style-type: none"> <li>• Exemption/reduction of additional corporate tax in EEC areas</li> </ul>
Non-tax incentives	<ul style="list-style-type: none"> <li>• Land ownership</li> <li>• Facilitation of work permits and visa acquisition</li> <li>• Operation of business restricted by the <i>Foreign Business Act</i></li> </ul>	<ul style="list-style-type: none"> <li>• Subsidy from a THB 10 billion fund</li> </ul>	<ul style="list-style-type: none"> <li>• Land ownership</li> <li>• Facilitation of work permits and visa acquisition</li> <li>• Easing of some laws and regulations</li> </ul>	-
Comment	<ul style="list-style-type: none"> <li>• Benefits are generally obtained.</li> </ul>	<ul style="list-style-type: none"> <li>• There are not many case examples. The leading-edge technologies, such as AI and automatic driving, are relevant.</li> </ul>	<ul style="list-style-type: none"> <li>• Detailed rules, etc. are developed in series.</li> </ul>	<ul style="list-style-type: none"> <li>• Reinforcement of certain areas, such as human resources development, digital-related fields, and medical-related fields</li> </ul>

## IV-3. Corporate Law

- Public companies are regulated by the *Public Limited Companies Act* and private companies by the *Civil and Commercial Code*

	Content
Capital system	<ul style="list-style-type: none"> <li>✓ The minimum capital for foreign companies (with a majority of foreign capital) is at least THB 2 million. However, for industries that are regulated under the <i>Foreign Business Act</i> and are required to obtain special approval, the minimum capital is at least THB 3 million, in principle. When approval has been obtained under the <i>Foreign Business Act</i>, borrowing is limited to 7 times the capital. However, as a special temporary measure in response to COVID-19, there is an exemption (from September 18, 2020 to June 30, 2023) for financial service providers (excluding financial institutions in the <i>Financial Institution Business Act</i>) that receive financing from financial institutions or special financial institutions based on the <i>Financial Institution Business Act B.E. 2551 (2008)</i> and provide credit card financing, personal loans, leasing, hire purchases (installment sales contracts with title reserved), motorcycle hire purchases, or motor vehicle registration financing services. Thai companies (with a majority of Thai capital) are not subject to minimum capital rules.</li> <li>✓ Ownership of treasury stock is prohibited.</li> <li>✓ In principle, capital is freely transferable. However, restrictions on transfer may be established in a company's articles of incorporation or bylaws.</li> </ul>
Regulations on general meetings of shareholders	<ul style="list-style-type: none"> <li>✓ Annual general meeting of shareholders <ul style="list-style-type: none"> <li>• The first general shareholders' meeting after incorporation must be held within six months of the registration of the company's incorporation. Thereafter, it must be held once a year within four months after the end of the fiscal year.</li> </ul> </li> <li>✓ Extraordinary general meeting of shareholders <ul style="list-style-type: none"> <li>• Directors are permitted to call a general meeting at their discretion if they deem it necessary.</li> <li>• In the event of loss of half of the company's capital, the directors are required to call an extraordinary general meeting without delay to report the loss to the shareholders.</li> </ul> </li> </ul>
Regulations on directors	<ul style="list-style-type: none"> <li>✓ Since Thailand's <i>Civil and Commercial Code</i> does not specify the number of directors, a privately held company needs only one director at minimum. However, it should be noted that the ratio of Thai directors may be regulated depending on the type of business (e.g., transportation, warehousing, etc.). There is no obligation to establish a board of directors.</li> <li>✓ A public company must have at least five directors, and at least half of them must have a place of residence in Thailand. A board of directors must be established, and a board meeting must be held at least once every three months.</li> </ul>
Regulations on voting rights	<ul style="list-style-type: none"> <li>✓ As a general rule, resolutions are passed by a show of hands. If two or more shareholders demand a resolution by a vote before a resolution is passed by a show of hands, the resolution is passed by a vote. In the case of a vote, each share has one vote, whereas in the case of a show of hands, each shareholder present has one vote.</li> </ul>
Regulations on settlement of accounts	<ul style="list-style-type: none"> <li>✓ At least once a year, a balance sheet and income statement for the fiscal year in question must be prepared. The financial statements must be audited by an auditor and submitted to the general meeting of shareholders within four months of the end of the fiscal year. The directors must submit the financial statements adopted by the general meeting of shareholders to the Ministry of Commerce within one month of the general meeting of shareholders.</li> </ul>
Regulations on dividends	<ul style="list-style-type: none"> <li>✓ In principle, dividends must be approved at a general meeting of shareholders, but if the directors determine that the company's profits are sufficient to pay dividends, they can pay dividends during the term without a resolution at a general meeting of shareholders.</li> <li>✓ If a dividend resolution is passed at a general meeting of shareholders or at a meeting of the board of directors, the dividend must be paid within one month of the date of the resolution.</li> </ul>
Capital increase, capital reductions, mergers	<ul style="list-style-type: none"> <li>✓ Capital increases can be implemented only by way of shareholder allotment, in which new share subscription rights are allotted to existing shareholders in proportion to the number of shares they hold.</li> <li>✓ Capital can be reduced by reducing either the face value or the number of shares, and only up to 3/4 of the registered capital can be reduced.</li> <li>✓ The only method of merger is a merger into a new company. The new company's capital is equal to the total capital of the merged companies.</li> </ul>
Regulations on legal reserve	<ul style="list-style-type: none"> <li>✓ Must accumulate 1/20 of profit for each dividend until the amount reaches 1/10 or more of the registered capital</li> <li>✓ Withdrawal of this reserve and capitalization are not permitted, and it cannot be used until the company is liquidated.</li> </ul>
Capital remittance considerations	<ul style="list-style-type: none"> <li>✓ While remittances to local banks are possible, it may take several days to receive the funds (same-day deposits are possible when using Mizuho Bank).</li> </ul>

## IV-4. Foreign Exchange Controls (1)

- Thailand's Ministry of Finance has the ultimate responsibility and supervisory authority over currency exchange rate control, while the Bank of Thailand (BOT) is entrusted by the Minister of Finance with the practical operations involved in currency exchange rate control.

### Trade transactions

Trade transactions	1. Standard settlement methods	<ul style="list-style-type: none"> <li>✓ Standard settlement methods include (1) advance remittances, (2) import letters of credit, (3) bills of exchange (D/P, D/A), and (4) deferred payment settlements; the currency is not specified for payment or receipt of settlements.</li> </ul>
	2. Opening an import letter of credit (L/C)	<ul style="list-style-type: none"> <li>✓ Companies are free to open import letters of credit; to open a letter of credit, a company applies to a bank to open one by presenting invoices and other documents.</li> <li>✓ If the cargo requires an import license from Thailand's Ministry of Commerce, it shall be attached.</li> </ul>
	3. Export transactions	<ul style="list-style-type: none"> <li>✓ Exporting companies must settle within 360 days from the date of export (loading date) if the value of a single export is USD 1 million or more.</li> <li>✓ Companies receiving foreign currency as payment for exports must immediately deposit the received foreign currency into a baht or foreign currency account.</li> <li>✓ In the case of offsetting against foreign debt, the foreign exchange bank may approve a waiver of receipt of export proceeds, in which case the exporter must report to the BOT via the foreign exchange bank in the prescribed form.</li> </ul>
	4. Import transactions	<ul style="list-style-type: none"> <li>✓ Importers are free to withdraw foreign currency from their foreign currency deposit accounts for settlement of imports.</li> <li>✓ Importers are free to issue L/C's without the permission of the authorities.</li> <li>✓ Importers are required to notify the foreign exchange bank of the purpose of the transaction at the time of import settlement (or at the time of opening the L/C) and submit invoices and other transaction forms and ID.</li> </ul>

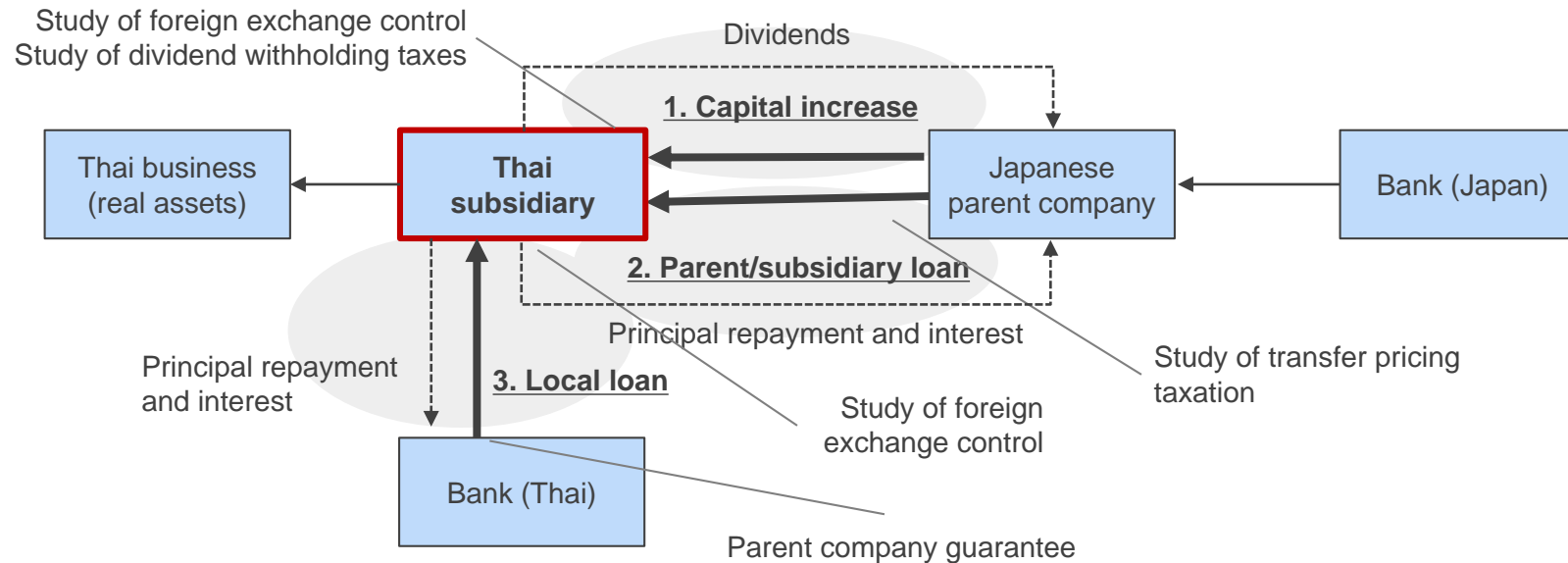
## IV-4. Foreign Exchange Controls (2)

### Non-trade and capital transactions

Non-trade transactions	1. Outgoing remittances	<p>(1) Non-trade transactions (transactions related to the provision of services such as insurance and transportation) can be freely paid in baht or foreign currency, in principle. Some transactions (e.g., payments for foreign exchange transactions and futures transactions in foreign countries) require prior approval of the BOT.</p> <p>(2) Prior approval of the BOT is not required for remittance of royalties and dividends, repayment of loans, return of profits, etc.</p> <p>(3) Prior BOT approval is not required for remittance of loans to persons residing outside of Thailand. The amendment effective May 13, 2022, also eliminates the maximum amount per remittance. However, for remittances of USD 200,000 or more per remittance, documents showing the remitter's ID and the purpose of the foreign exchange transaction must be submitted to the foreign exchange bank.</p> <p>(4) Regarding the obligation to submit transaction forms and other documents at the time of overseas remittance, there is an exemption for corporations registered in Thailand that meet the requirements of the BOT (i.e., a clear forex risk management policy, appropriate governance and internal control system, and international transactions totaling USD 1.5 billion or more over a three-year period). Corporations that meet these requirements are called "qualified companies." Qualified companies are not required to submit transaction forms or IDs to their banks for payment of goods, repayment of loans, remittance of profits, and purchase of overseas real estate.</p> <p>(5) Investments in foreign companies or foreign affiliates in which a Thai company owns more than 10% of the shares do not require prior approval of the BOT.</p> <p>(6) When remitting funds to acquire real estate abroad or lease rights to real estate abroad, or for the cost of decorating real estate abroad, the foreign exchange bank must be notified of the purpose of the transaction, and transaction forms such as invoices and ID must be submitted. In addition, under the amendment effective May 13, 2022, prior approval by the BOT is no longer required regardless of the amount of the remittance.</p>
	2. Incoming remittances	<ul style="list-style-type: none"> <li>✓ No restrictions on receiving baht from abroad</li> </ul>
	3. Receipt of foreign currency	<ul style="list-style-type: none"> <li>✓ A company receiving foreign currency of USD 1 million or more must deposit such foreign currency in a baht-denominated or foreign currency-denominated account within 360 days from the date of transaction; however, exemption from that provision can be requested from the BOT.</li> </ul>
Capital transactions	<ul style="list-style-type: none"> <li>✓ Foreign investment in Thailand may be either direct investment and asset management investment; non-residents may lend foreign currency to residents without restriction.</li> <li>✓ Capital and loans may be freely brought into Thailand but must be deposited into an authorized bank or foreign currency deposit account within a specified period; for foreign investment with promotion granted by the BOI, various promotion policies and special incentives are available.</li> <li>✓ Remittances of investment funds to the home country and repayments of foreign currency-denominated loans from overseas can be freely remitted on the condition that documentary evidence is submitted.</li> </ul>	



## IV-5. Financing (1): Conceptual Diagram of Financing

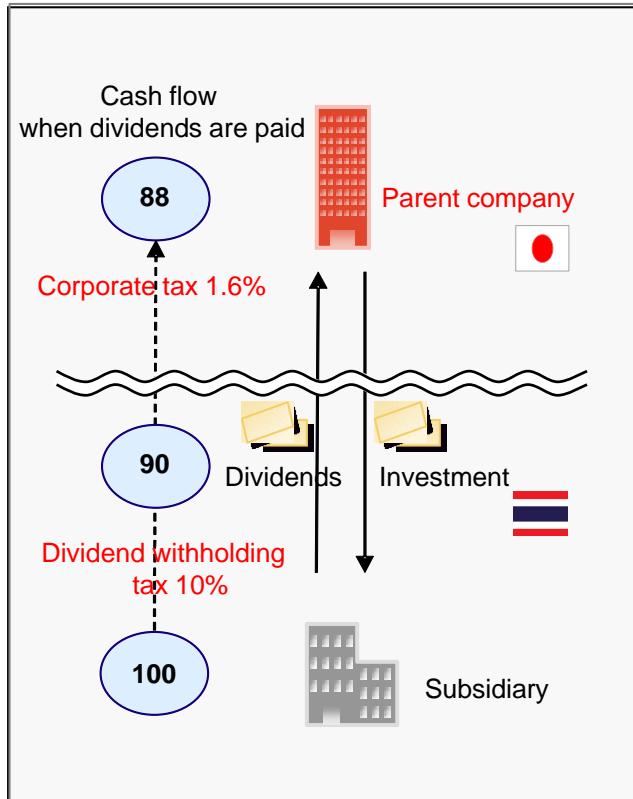


	Financing from Japan		Local financing
	1. Capital increase	2. Parent company-subsubsidiary loan	3. Local loan (including Mizuho Bank)
<b>Pros</b>	<ul style="list-style-type: none"> <li>✓ Free usage of funds</li> <li>✓ No interest payments required</li> </ul>	<ul style="list-style-type: none"> <li>✓ Easy to make credit decisions for loans due to the availability of financial information on subsidiaries</li> <li>✓ Repayment of loans from the parent company is intra-group, making it easy to adjust repayment terms.</li> <li>✓ Flexible financing is possible.</li> <li>✓ (In the case of a surplus,) the subsidiary can expect tax savings using liabilities.</li> </ul>	<ul style="list-style-type: none"> <li>✓ No need to consider transfer pricing taxation</li> </ul>
<b>Cons</b>	<ul style="list-style-type: none"> <li>✓ Attention to the capital contribution ratio is required due to foreign investment restrictions.</li> <li>✓ The principal of the capital increase is very difficult to recover.</li> <li>✓ A shareholders' meeting and registration procedures are required.</li> <li>✓ Dividend withholding tax (10%) is required.</li> <li>✓ Foreign exchange risk is borne by the subsidiary or the parent company (parent company-subsubsidiary loans denominated in THB are available).</li> </ul>	<ul style="list-style-type: none"> <li>✓ Transfer pricing tax must be considered.</li> <li>✓ There is withholding tax on interest (15%).</li> </ul>	<ul style="list-style-type: none"> <li>✓ Parent company guarantees may be required in some cases, and there is a need to consider whether or not to pay guarantee fees to the parent company.</li> <li>✓ Even with a parent company guarantee, interest rates tend to be higher than those in Japan.</li> </ul>

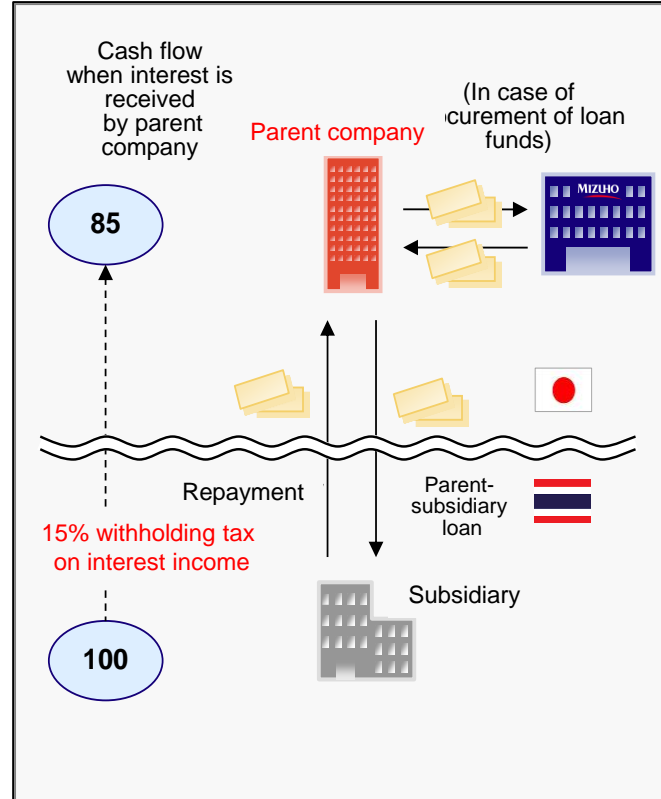


## IV-5. Financing (2)

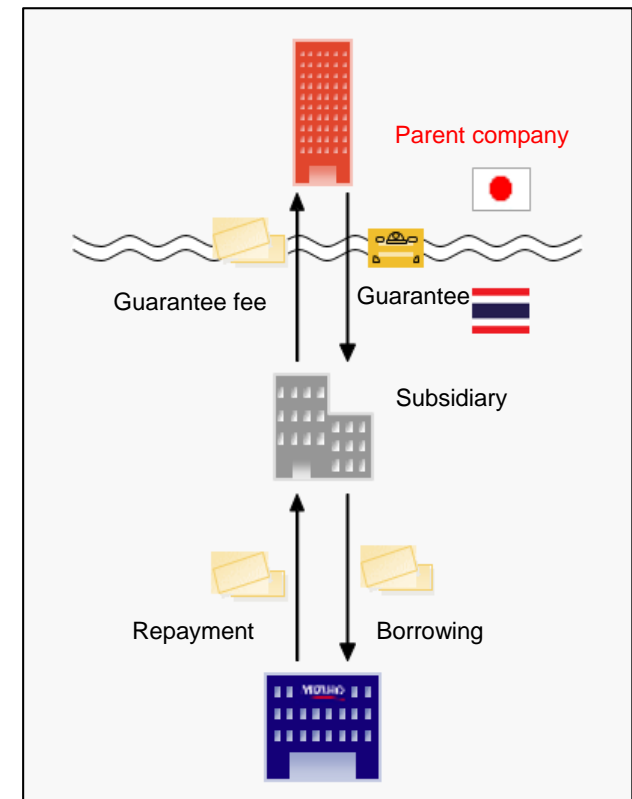
### Capital increase



### Parent-subsidary loan



### Local borrowing



- ✓ Attention must be given to investment ratio regulations.
- ✓ A capital increase requires a special resolution at a general shareholders' meeting. It will be necessary to hold general shareholders' meetings and follow procedures for registration of changes in the shareholders' list.
- ✓ The difficulty of recovering principal in the case of company liquidation, etc., is high (excluding the sale of equity shares).

- ✓ There is a relatively high degree of freedom in setting interest rates, conditions, etc.
- ✓ When setting interest rates, it is necessary to consider transfer pricing taxation.
- ✓ The fact that a 15% withholding tax is imposed on interest must be considered.

- ✓ Foreign exchange risk can be avoided by borrowing in local currency.
- ✓ In some cases, it is necessary to provide a guarantee from the parent company.
- ✓ Compared with other methods, procurement costs may be higher.

## IV-6. Fund Management (1)

### Regulations on fund management

#### Dividends

- Regulations under corporate law
- ✓ Principles of equity of shareholders  
For ordinary shares, it is necessary to distribute dividends evenly according to the shareholding ratio, but for preferred stock, different payout conditions can be set.
- ✓ Exclusive rights of general shareholders' meetings  
Resolution at a general shareholders' meeting is required for the payment of dividends. However, if the directors consider profits to be sufficient, it is possible to pay interim dividends.
- ✓ Profit available for dividends  
It is necessary to set aside 1/20 (5%) of profits (not stated explicitly, but normally available for dividends) as a retained earnings reserve for each dividend payment.
- ✓ Retained earnings reserve  
If the accumulated earnings reserve amount reaches 1/10 (10%) of registered capital, it is not necessary to continue funding the reserve.
- ✓ Illegal dividends  
If dividends are paid even though profits are not available for dividend payment, the company's creditors can claim the amount of the illegal dividends from shareholders.

#### Loans to foreign corporations

- Regulations under the foreign exchange control system
- ✓ Baht-denominated loans to parties outside Thailand are prohibited, in principle.
- ✓ There is no upper limit on loans to group companies (holding more than 10% of stock).
- ✓ Loans to non-group companies have an upper limit of USD 50 million, or equivalent, per year.
- ✓ Pre-approval from the BOT is required when exceeding the upper limit.
- ✓ When lending, it is necessary to submit the prescribed documents to the foreign exchange bank.
- Regulations under the *Foreign Business Act*
- ✓ To operate a lending business, foreign companies need to obtain a Foreign Business License (FBL) from Thailand's Ministry of Commerce in accordance with the regulations of the *Foreign Business Act*. In this case, the lending business is subject to a leverage regulation that limits loans within seven times of the capital.
- ✓ However, no FBL is required for loans to group companies in Thailand, based on a Ministry of Commerce order that came into effect in June 2019.
- ✓ Businesses that receive incentives from the BOI must obtain consent from the BOI for lending operations.

#### Overseas investment

- Regulations under the foreign exchange control system
- ✓ Remittance of investment funds to foreign affiliates
  - Investments in affiliates do not require prior BOT approval.
  - However, the transfer handling bank must be notified of the sender's ID and the purpose of the foreign exchange transaction.
- ✓ Acquisition of foreign securities (for investment purposes)
  - Prior BOT approval is required for the remittance of funds for investment in foreign securities.
  - However, investments that meet certain requirements and are made through securities brokers do not require BOT approval.
- ✓ Foreign real estate acquisition
  - For foreign real estate investment, the transaction handling bank must be notified of the transaction's purpose, and invoices, other transaction forms, and ID must be submitted to the bank.
  - In addition, prior BOT approval is required for foreign real estate investments exceeding USD 50 million per year.

## IV-6. Fund Management (2)

### Tax system for fund management

#### Dividends

- Handling of withholding tax on dividends paid (when paying dividends to shareholders)
  - ✓ The withholding tax is 10% when paying dividends from Thailand to Japan.
- Handling of corporate tax on dividends received when invested in a company in Thailand
  - ✓ Dividends are excluded from corporate income (tax exemption) if they are from a company of which shares are held for at least 3 months before or after the dividend payment date and if 25% or more of the voting shares are held. If the voting shares are less than 25%, then 50% of the dividends are included in corporate income. (When the paying company is a domestic Thai company, withholding tax of 10% is imposed at time of payment.)
  - ✓ Dividends are tax exempt if they are from a company that receives BOI incentives during the corporate tax exemption period.

#### Loans to foreign corporations

- Specific business tax
  - ✓ Even when ordinary corporations lend money, 3.3% of the interest (specific business tax of 3% + local tax of 0.3%) is levied, as is levied on commercial banks, since such lending is an activity resembling commercial banking. However, loans are tax exempt if they fulfill certain requirements, such as loans to companies if the lending company holds 25% or more of the voting rights of the borrowing company.
- Corporate tax
  - ✓ Regardless of the specific business tax mentioned above, interest income received is included in corporate income and is taxable income subject to corporate tax.

#### Overseas investment

- Corporate tax
  - ✓ Investment income is included in corporate income and is subject to corporate tax.
- Handling of corporate tax on dividends received when invested in a company outside Thailand
  - ✓ Dividends are tax exempt if they are from a company of which shares are held for at least 6 months before receiving dividends and of which 25% or more of the voting shares are held and which is located in a country with an effective corporate income tax rate of 15% or more.

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