

Investment Climate Statement **Thailand**

May 2024

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, curved horizontal line that resembles a stylized wave or a bridge.

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	Thailand	Vietnam	Indonesia	Philippines	Malaysia	Singapore
Population (millions)	70.2	100.3	277.4	112.9	33.1	5.9
Nominal GDP (USD 100 million)	5,149	4,337	13,712	4,366	4,156	5,014
Real GDP growth rate (y-o-y, %)	1.9	5.0	5.0	5.6	3.7	1.1
GDP per capita	7,337	4,324	4,942	3,868	12,570	84,734
Estimated GDP growth rate (2024, %)	2.7	5.8	5.0	6.2	4.4	2.1
Credit rating (S&P) as of Apr. 2024	BBB+	BB+	BBB	BBB+	A-	AAA
Country/Region	Japan	China	South Korea	Cambodia	Laos	Myanmar
Population (millions)	124.6	1,411.4	51.6	17.0	7.7	54.2
Nominal GDP (USD100 million)	42,129	176,620	17,128	419	152	645
Real GDP growth rate (y-o-y, %)	1.9	5.2	1.4	5.0	3.7	2.5
GDP per capita	33,806	12,514	33,192	2,460	1,976	1,190
Estimated GDP growth rate (2024, %)	0.9	4.6	2.3	6.0	4.0	1.5
Credit rating (S&P) as of Apr. 2024	A+	A+	AA	n.a.	n.a.	n.a.

Note 1: Data are for 2023 estimates; estimated GDP growth rates for 2024 are IMF estimates (based on figures released in April 2024).

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.

Source: Compiled by the Global Strategic Advisory Dept. of Mizuho Bank, Ltd., (MHBK) based on IMF's World Economic Outlook Database April 2024 Edition

I-2. Basic Data and Overview



Basic Data

Population	70.2 million (approx. 56% of Japan's, FY2023, IMF estimate)
Square area	513,000 km ² 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 514.9 billion; Per capita GDP: USD 7,337 (FY2023, IMF estimate)
Real GDP growth rate	2.7% (FY2024, IMF estimate)
Major industries	Agriculture (rice, cassava, sugarcane, natural rubber) and manufacturing (automobiles, ICs, electrical products, food, textiles, clothing, etc.)

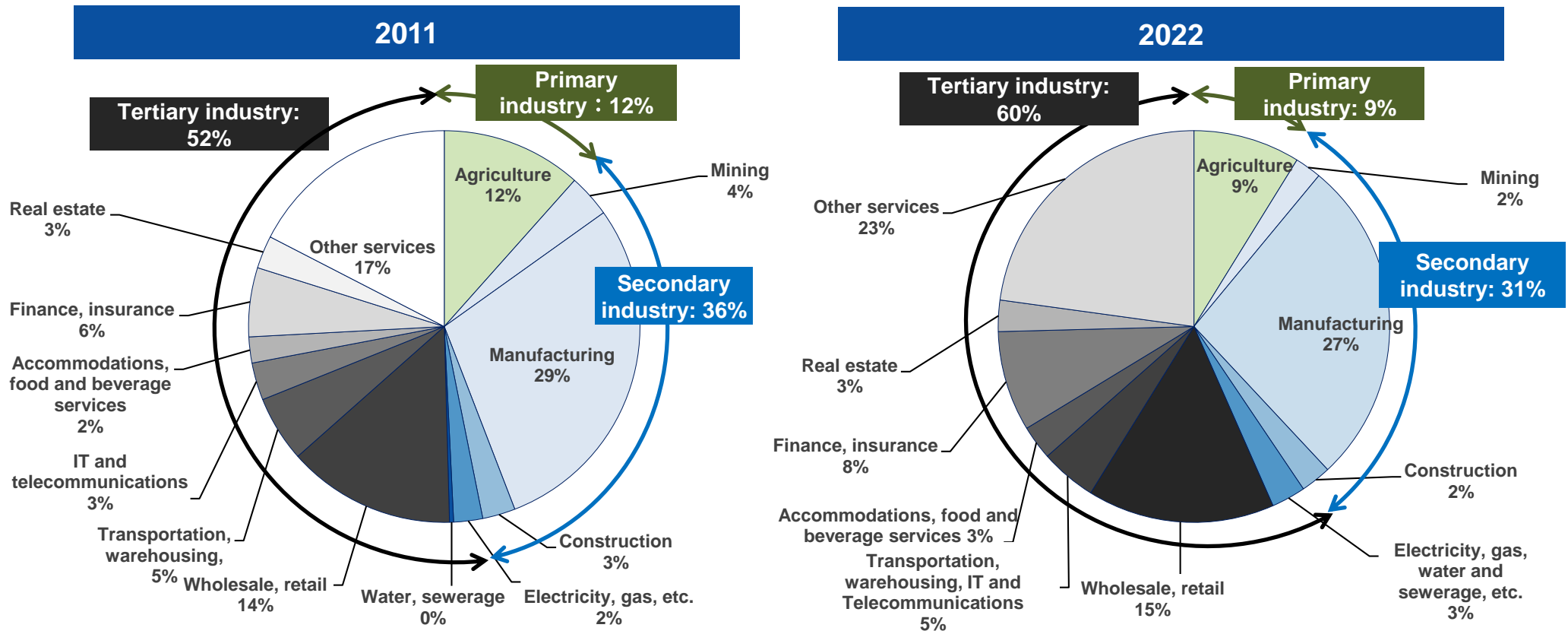
Overview

- Located in the central part of the Indochinese Peninsula, the Kingdom of Thailand is one of the most industrialized countries in Southeast Asia.
- Since 1980, successful industrialization has been achieved through the introduction of foreign capital, notably including that 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 May 2023 general election, the Move Forward Party and the Pheu Thai Party, a lineage of former Prime Minister Thaksin Shinawatra, won a landslide victory.
- Despite efforts to form an eight-party coalition government, Pita Limjaroenrat, the leader of the Move Forward Party which received the most votes, failed to secure a majority in the prime ministerial election due to a lack of support from conservatives, a requirement for the position.
- In response, the Pheu Thai Party, the second-largest party, formed an 11-party coalition government in August 2023 with former opposition parties, excluding the Move Forward Party. Supported by this coalition, Srettha Thavisin was elected as the 30th Prime Minister of Thailand.

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.
- The forms of business expansion have shifted from the traditional export-oriented type to the local market-oriented type and the cross-border supply chain.
- Reflecting the maturity of the economy, tertiary industry accounts for more than half of Thailand's GDP. Over the past 10 years, the share of tertiary industry in the GDP has increased by 8%, while the share of secondary and primary industry has decreased.

GDP composition by industry (comparison of 2011 and 2022)

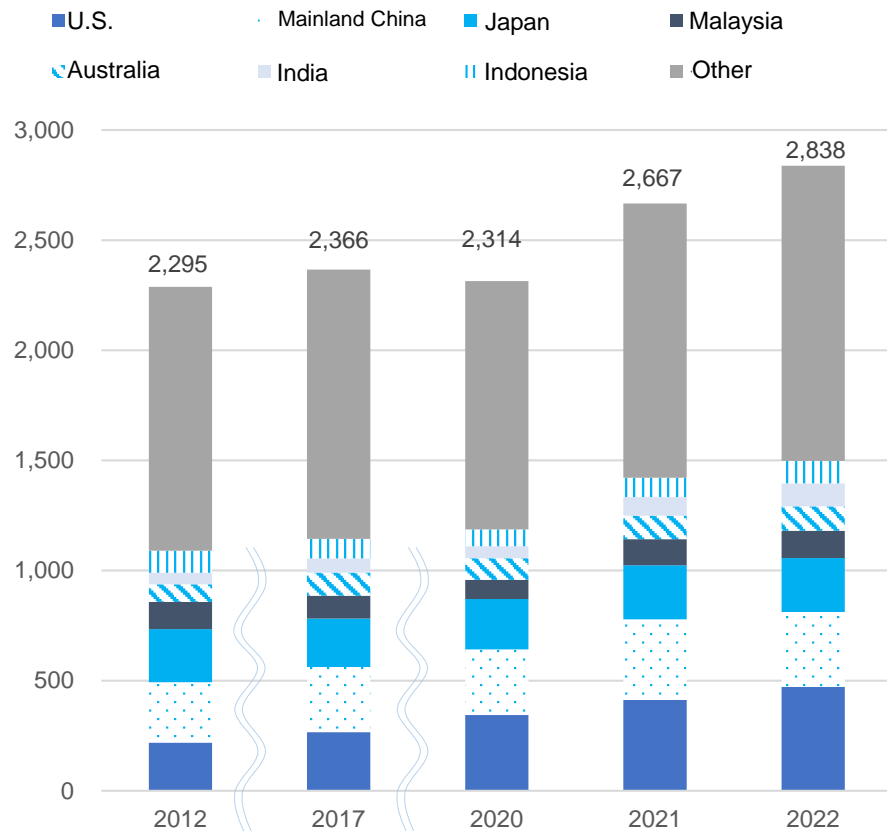


I-3. Economic Structure (Industry/Trade) (2): Trend of Export Values

- Total exports increased steadily over the decade from 2012 to 2022, with the exception of 2020, which was affected by the COVID-19 pandemic. By country/region, the U.S., China, and Japan together accounted for nearly 40% of Thailand's exports, followed by Malaysia, Australia, and India.
- In terms of export items, a significant portion of the export value was contributed by industrial products, including machinery, precision instruments, electrical machinery, and chemical parts, as well as by agriculture, forestry, and fishery products.

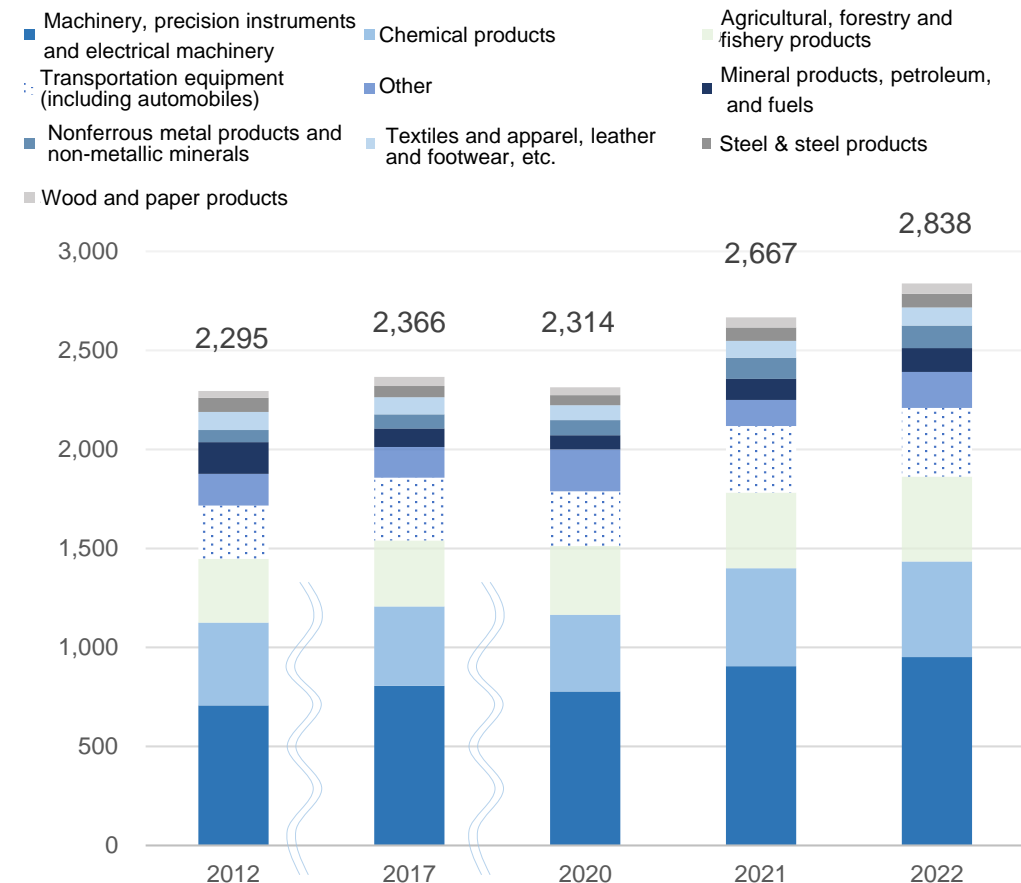
Trend of exports by county and region

(USD 100 million)



Trend of export value by product category

(USD 100 million)



Note: "Other Asian countries/regions" represents the total trade value of countries/regions that are not separately aggregated in the source data, including Taiwan.
Export item classification is based on the two-digit HS code classification.

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

Breakdown of Export Values (by Country/Region and Export Item Category)

- The largest export destinations for Thailand's most significant exports, which include machinery, precision instruments, and electrical machinery, is the U.S. For other major export items such as chemical products, and agricultural, forestry, and fishery products, China is the primary export destination.

(USD 100 million)

Export breakdown (by country/region and export item category)

	Agricultural, forestry and fishery products	Mineral products, petroleum, and fuel	Chemical products	Wood and paper products	Fibers & textiles, clothing, leather, footwear, etc.	Steel and steel products	Non-ferrous metal products and non-metallic minerals	Machinery, precision instruments, electrical machinery	Transportation equipment (including automobiles)	Other	Export total by country and region (USD 100 million)
U.S.	10.2%	0.3%	13.6%	4.8%	19.8%	21.5%	15.0%	27.0%	5.8%	17.5%	472
Mainland China	23.4%	4.4%	21.6%	36.5%	7.2%	2.9%	14.4%	7.7%	2.8%	1.7%	340
Japan	10.4%	1.1%	8.8%	3.9%	9.4%	9.7%	16.7%	9.8%	5.6%	4.3%	245
Malaysia	4.1%	12.5%	5.0%	4.1%	1.6%	5.6%	3.0%	3.6%	6.1%	1.2%	124
Australia	2.4%	1.4%	2.6%	1.1%	1.5%	3.0%	1.9%	1.9%	16.1%	3.0%	111
India	3.1%	1.8%	6.0%	2.7%	4.0%	6.7%	7.9%	2.7%	1.2%	5.8%	104
Indonesia	3.8%	2.4%	4.9%	3.9%	4.4%	5.4%	3.0%	2.6%	5.9%	0.5%	102
Other	42.6%	76.1%	37.5%	43.0%	52.1%	45.2%	38.1%	44.7%	56.5%	66.0%	1,341
Export items total (USD 100 million)	429	120	483	52	91	70	114	951	347	182	2,838

Note 1: Percentage of each export item category by export destination country; the cells with the highest percentage are shown in gray.

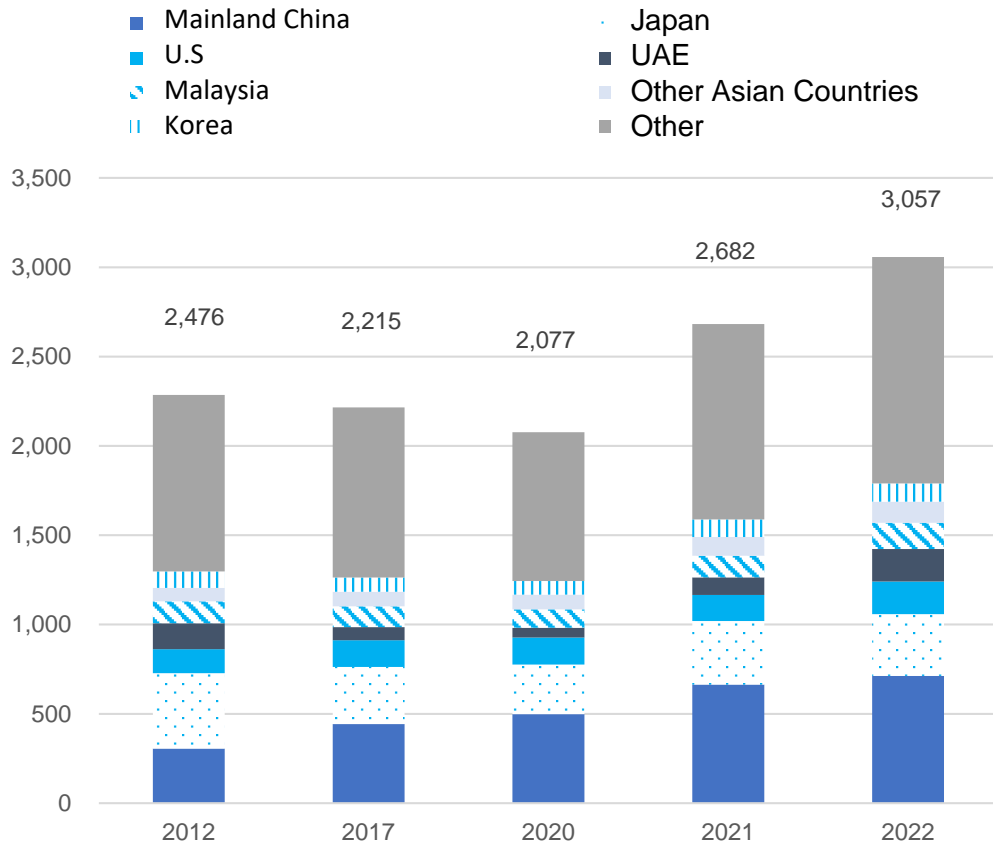
Note 2: "Other Asian countries/regions" represents the total trade value of countries/regions that are not separately aggregated in the source data, including Taiwan. Export item classification is based on the two-digit HS code classification.

I-3. Economic Structure (Industry/Trade) (4): Trend of Import Values

- Over the 10-year period from 2012 to 2022, the top exporter of Thailand's shifted from Japan to China. While imports from Japan have remained stable, those from China have shown a continuous increase.
- In terms of import categories, machinery, precision instruments, and electrical machinery used in manufacturing, along with mineral products, petroleum, and fuel, have consistently accounted for about 50% of the total imports each year.

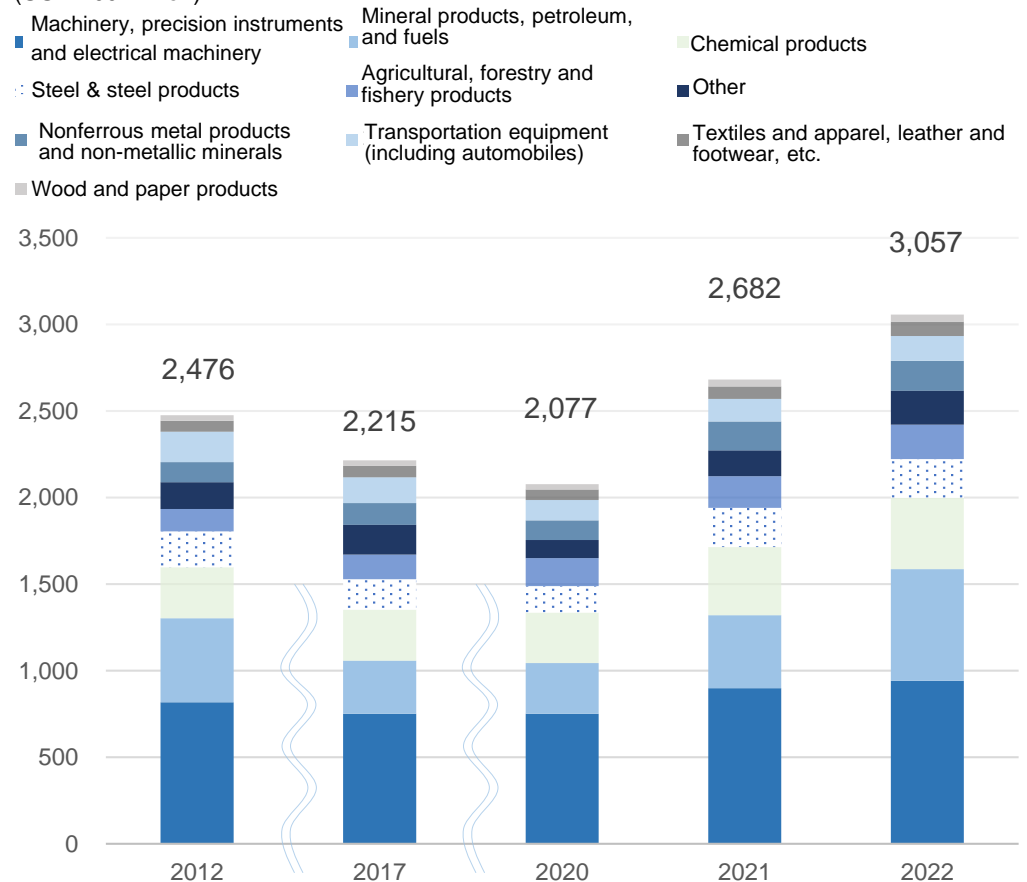
Trend of imports by country and region

(USD 100 million)



Trend of import value by product category

(USD 100 million)



Note: "Other Asian countries/regions" represents the total trade value of countries/regions that are not separately aggregated in the source data, including Taiwan. Export item classification is based on the two-digit HS code classification.

I-3. Economic Structure (Industry/Trade) (5): Breakdown of Import Values (by Country/region and Import Item Category)

- Although imports from China are dominant for most items, imports from Japan are slightly higher for transportation equipment.
- The United Arab Emirates (UAE) is the main exporter of mineral products, petroleum, and fuels.

(USD 100 million)

Import breakdown (by country/region and export item category)

	Agricultural, forestry and fishery products	Mineral products, petroleum, and fuel	Chemical products	Wood and paper products	Fibers & textiles, clothing, leather, footwear, etc.	Steel and steel products	Non-ferrous metal products and non-metallic minerals	Machinery, precision instruments, electrical machinery	Transportation equipment (including automobiles)	Other	Import total by country and region (USD 100 million)
Mainland China	13.3%	1.4%	28.4%	23.3%	39.6%	31.9%	30.0%	36.4%	20.0%	11.7%	712
Japan	1.9%	0.3%	12.6%	7.5%	4.8%	29.9%	17.5%	14.9%	23.1%	5.2%	346
U.S.	7.2%	6.6%	7.2%	17.5%	4.9%	2.0%	2.6%	5.5%	13.3%	2.9%	183
UAE	0.3%	26.6%	0.2%	0.0%	0.0%	0.3%	2.3%	0.0%	0.1%	1.6%	181
Malaysia	3.2%	6.5%	6.5%	4.5%	0.8%	3.0%	3.5%	5.4%	2.7%	1.3%	147
Other Asian countries/regions	1.4%	0.0%	3.4%	1.8%	4.0%	4.0%	3.2%	8.6%	1.1%	0.4%	119
South Korea	2.0%	0.7%	5.7%	2.8%	2.0%	9.0%	4.0%	3.6%	1.9%	1.4%	102
Other	70.7%	57.9%	36.0%	42.6%	43.9%	19.9%	36.9%	25.6%	37.8%	75.5%	1,268
Import items total (USD 100 million)	198	645	411	41	83	224	173	942	143	196	3,057

Note 1: Percentage of each import item category by import destination country; the cells with the highest percentage are shown in gray.

Note 2: "Other Asian countries/regions" represents the total trade value of countries/regions that are not separately aggregated in the source data, including Taiwan.

Export item classification is based on the two-digit HS code classification.

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

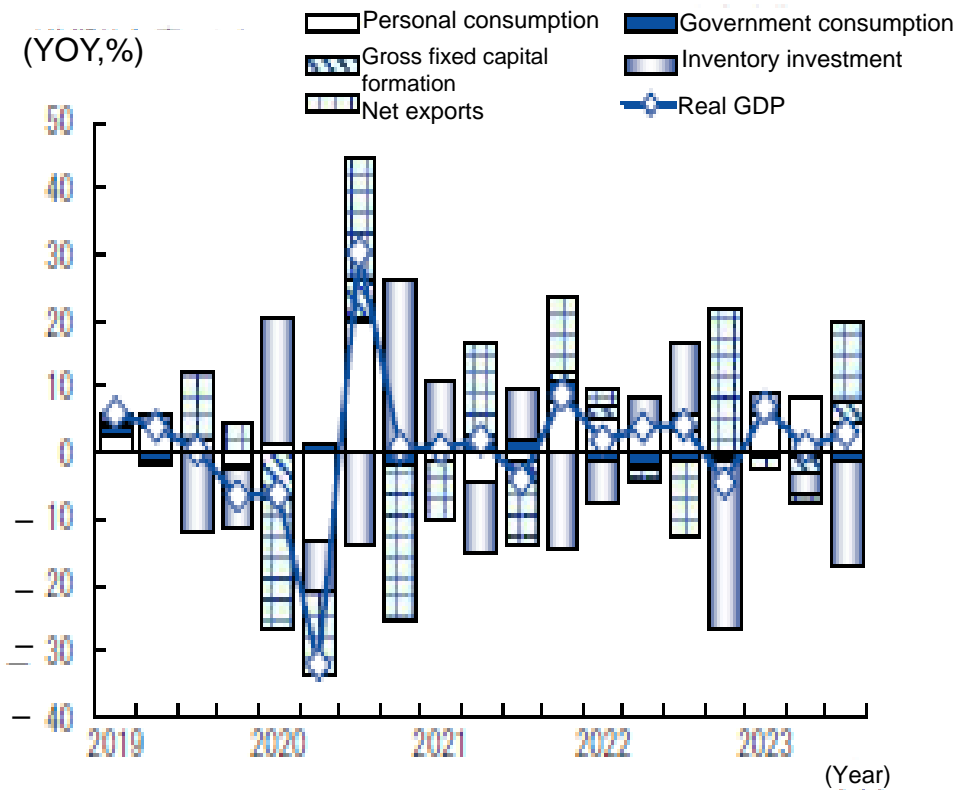
	Manufacturing	Agriculture, forestry, and fisheries	Service
Characteristics	<ul style="list-style-type: none"> ✓ Functions as the core base for auto production in Asia (the Detroit of Asia). Japanese manufacturers are unrivalled (90% of auto production). ✓ The main exports are consumer appliances, HDDs, integrated circuits, and semiconductors. Among ASEAN members, Thailand has an advantage in its consumer appliance sector’s well-developed parts industry. 	<ul style="list-style-type: none"> ✓ 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. ✓ Major export crops are rice, cassava, sugar cane, and natural rubber. 	<ul style="list-style-type: none"> ✓ 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).
Recent trends	<ul style="list-style-type: none"> ✓ In 2020 and 2021, the market stagnated due to COVID-19, but it is recovering. ✓ 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. 	<ul style="list-style-type: none"> ✓ In rice production, Thailand remained sixth in the world from 2018 to 2021. ✓ Cassava, sugarcane, and other crops are gaining attention as biofuels. ✓ The Thai government is supporting the advancement of agriculture using ICT and promoting “smart agriculture.” 	<ul style="list-style-type: none"> ✓ 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. ✓ The target for foreign tourists in 2023 was set at 30 million at the beginning of the year, and the number of tourists as of December 24, 2023 was 27.25 million, almost on track to meet the target.

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

■ Real GDP growth in July–September was +3.1% y-o-y, accelerating from the previous quarter (+0.9% y-o-y). However, the actual situation was not very favorable.

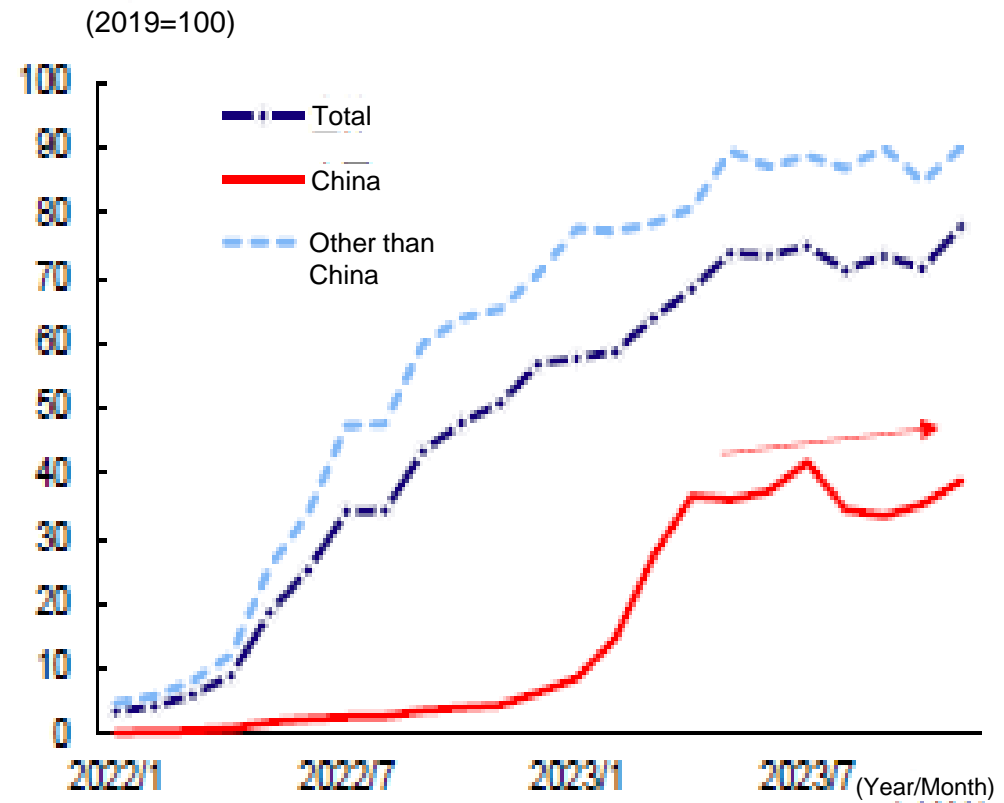
⇒ Although the contribution of net exports turned positive due to the recovery of inbound tourism, export growth was sluggish, and the positive result was due to the decline in imports caused by stagnant domestic demand.

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)



I-5. Economic Environment (2): Short-term Outlook

- In 2024, the growth rate is expected to be slightly higher than in 2023 due to measures to stimulate domestic consumption through digital money handouts and large investments from overseas, especially from Chinese companies.
- On the other hand, Thailand's economic structure is vulnerable to external demand factors, including a slowdown in the Chinese economy, which is increasing its presence in trade. This brings up the possibility of a downward revision of the outlook before the end of the year.

Summary of Asian economic outlook (short-term)

	2020	2021	2022	2023	2024 (%)
Asia	- 0.8	7.4	4.1	4.8	4.1
China	2.2	8.4	3.0	5.2	4.6
NIEs	- 0.6	5.7	2.1	1.5	2.2
South Korea	- 0.7	4.3	2.6	1.4	2.3
Taiwan	3.4	6.5	2.4	1.4	3.0
Hong Kong	- 6.5	6.4	- 3.7	3.2	2.9
Singapore	- 3.9	8.9	3.6	1.0	2.0
ASEAN5	- 3.5	3.4	5.5	4.0	4.5
Indonesia	- 2.1	3.7	5.3	5.0	5.0
Thailand	- 6.1	1.5	2.6	1.9	2.7
Malaysia	- 5.5	3.3	8.7	3.7	4.4
Philippines	- 9.5	5.7	7.6	5.6	6.2
Vietnam	2.9	2.6	8.0	5.0	5.8
India	- 6.0	8.9	7.0	7.8	6.8
Australia	- 1.8	5.2	3.8	2.1	1.5
Ref.NIEs + ASEAN5	- 2.4	4.3	4.4	3.5	4.9
Ref. Asia excluding China	- 4.0	6.3	5.4	4.9	4.9

Note: Real GDP growth rate (y-o-y, %); figures in the shaded areas are forecasts. Average figures are calculated based on the GDP share (PPP) by the IMF.

Sources: Compiled by MHRT based on releases by the IMF and the statistics of relevant countries and regions

II. Investment-related Information

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

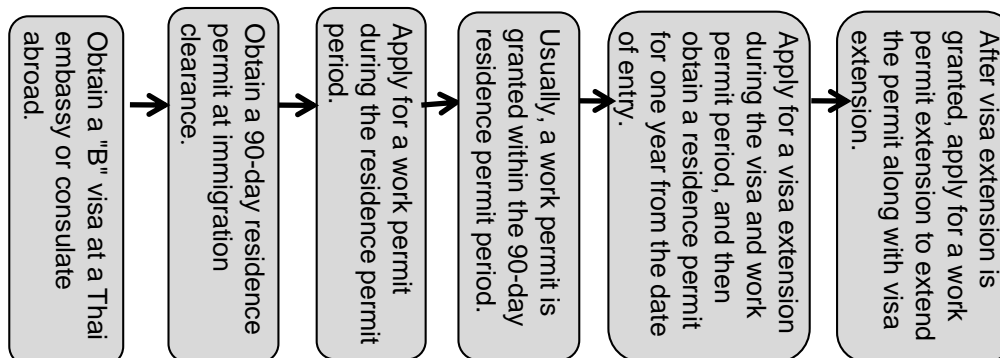
- Foreign nationals (including Japanese nationals) need to obtain a "B" visa (i.e., a non-immigrant business visa) and a work permit to work in Thailand after establishing a subsidiary in Thailand.
- In principle, at least four Thais nationals need to be employed to extend one foreigner's visa.
- In 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

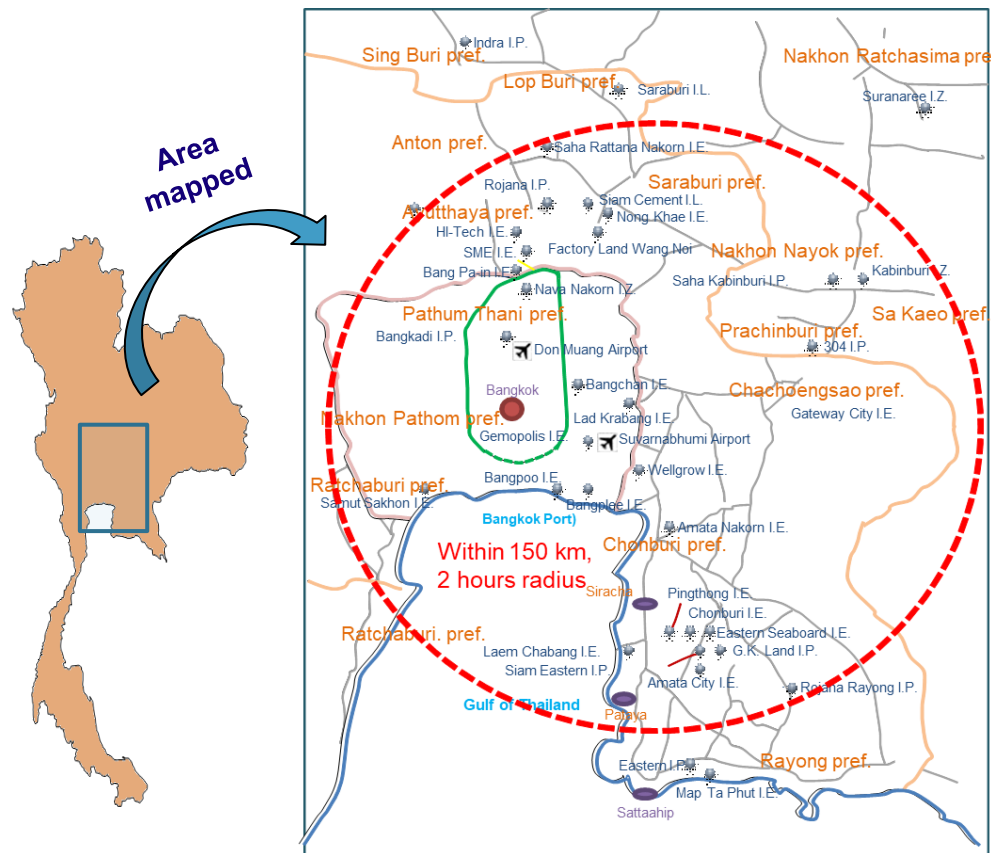
II-1. Labor-related Information (2): Labor Cost

(USD)

	Country/region	Japan	China	Hong Kong	South Korea	Taiwan	Singapore	Malaysia	Thailand	
	City	Tokyo	Shanghai	Shenzhen	Hong Kong	Seoul	Taipei	Singapore	Kuala Lumpur	Bangkok
Manufacturing	Workers' wages (general worker)	2,018	832	415	2,139	2,426	1,212	1,905	430	385
	Engineers	2,629	1,434	519	3,536	2,745	1,586	2,681	818	663
	Managers	4,210	2,217	1,036	4,889	3,678	2,264	4,195	1,649	1,884
Non-manufacturing	Staffs' wages (general level)	2,044	1,291	1,024	2,639	2,181	1,490	2,692	941	744
	Managers' wages	3,828	2,625	1,987	4,556	3,533	2,479	4,722	2,076	1,642
	Shop staffs' wages (Apparel)	2,722	-	1,450	1,702	2,933	1,068	1,268	507	321
	Shop staffs' wages (Food)	2,721	-	721	2,005	1,887	996	990	497	321
	Legal minimum wage	7.59/hour	375/month	329/month	5.1/hour	1,564/month	828/month (5.52hour)	—	317/month (14.6/day, 1.52/hour)	8.65 to 9.34/day
	Bonus payments (fixed bonus + variable bonus)	4.63 months' base salary	2.24 months' base salary	1.54 months' base salary	1.90 months' base salary	2.55 months' base salary	3.34 months' base salary	2.54 months' base salary	1.92 months' base salary	2.68 months' base salary
	Social security burden ratio (Employer's burden ratio)	15.71 to 25.37%	32.66 to 36.02%	19.74 to 33.49%	(1) 5% Less than 30,000 HKD monthly salary (2) 1,500 HKD 30,000 HKD and more monthly salary	2.55 to 30.1%	13.96%	17%	14.45 to 14.95%	5%
	Nominal wage increase rate	3.2%(2023)	6.9%(2023)	5.9%(2022)	3.0%(2023)	5.07%(2022)	1.57% (Jan. to Jul. 2023)	3.9%(2021)	Management: 5.26% Non-management: 5.35% (2022)	0.92%(2021)
	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)	407	294	250	311	246	97	92	281	469
	Engineers	614	495	519	591	497	179	198	516	768
	Managers	1,353	1,051	1,057	1,253	885	611	475	1,194	1,677
Non-manufacturing	Staffs' wages (general level)	590	516	759	721	547	422	431	585	722
	Managers' wages	1,470	1,863	1,544	1,546	1,303	1,151	922	1,644	1,584
	Shop staffs' wages (Apparel)	256~358	279~299	N/A	295~422	200~350	87	71~95	157~230	n.a.
	Shop staffs' wages (Food)	256~320	279~299	N/A	(1) 284 (2) 284	150~500	69	86~105	145~254	242~266
	Legal minimum wage	313/month	9.18 to 9.82/day	197/month (0.95/hour)	197/month (0.95/hour)	200/month	69.3/month	2.29/day	Unskilled: 203/month Semi-skilled: 224/month Skilled: 246/month	Unskilled: 145/month Semi-skilled: 159/month Skilled: 173/month
	Bonus payments (fixed bonus + variable bonus)	2.07 months' base salary	1.88 months' base salary	1.7 months' base salary	1.56 months' base salary	1.06 months' base salary	1.22 months' base salary	1.10 months' base salary	1.05 months' base salary	1.07 months' base salary
	Social security burden ratio (Employer's burden ratio)	10.24 to 11.74%	11.5%+100PHP	21.5% (social insurance premiums) 17.5% (foreign workers)	21.5% (social insurance premiums) 17.5% (foreign workers)	5.4%	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%	13%
	Nominal wage increase rate	7.17%(2023)	6.15 to 6.60%(2022)	—	—	—	—	—	3.9%(2021)	68.0%(2021)

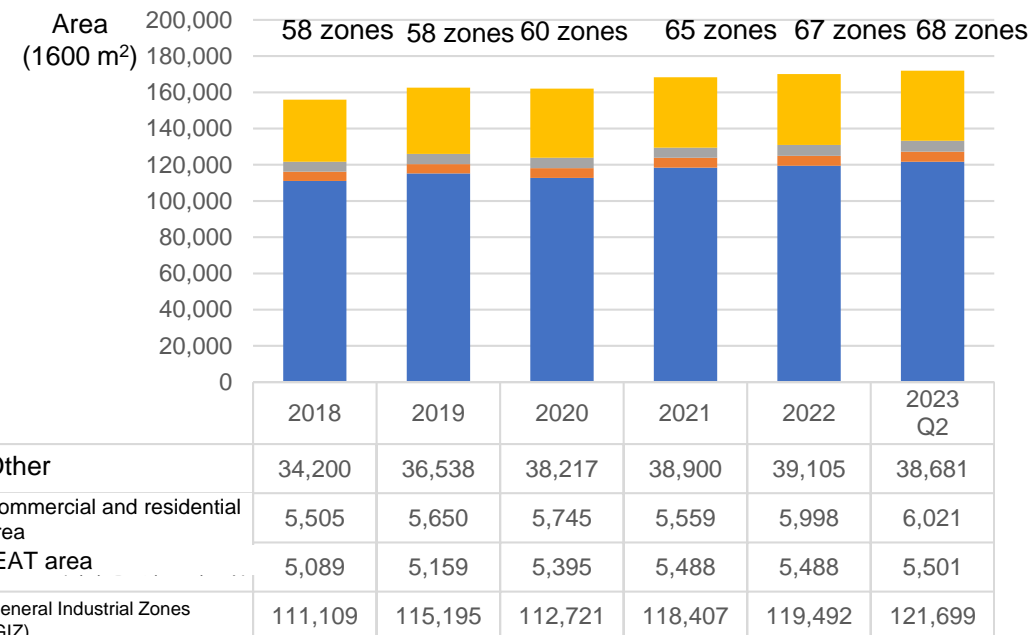
II-2. Key Industrial Parks

- 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. There are 89 industrial parks as of 2023, providing plenty of 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



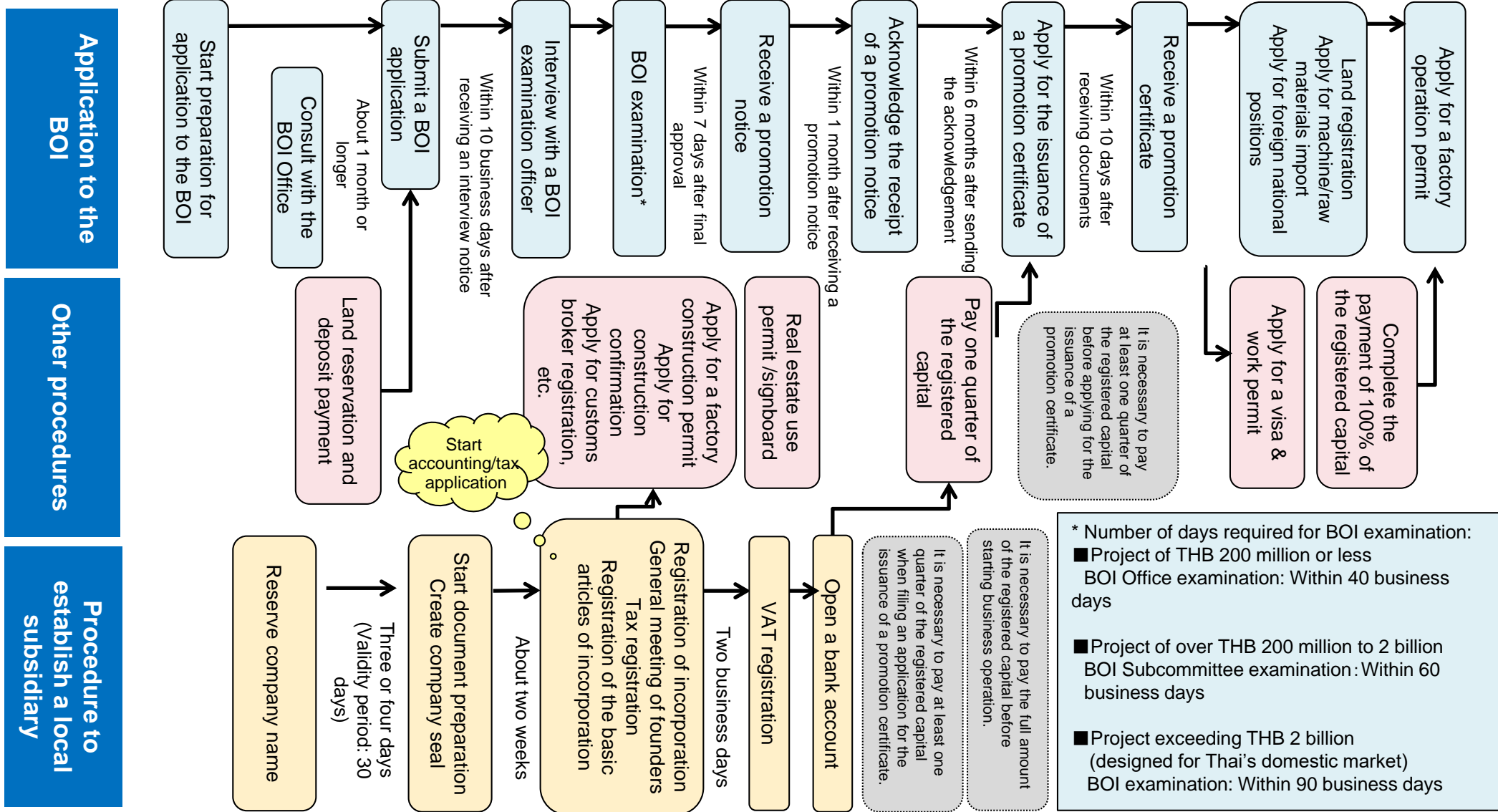
III. Establishing a Local Subsidiary

III-1. Business Models

	1. Subsidiary	2. Branch	3. Representative office	4. Regional office
Summary	<ul style="list-style-type: none"> ✓ 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. ✓ There are restrictions on the investment ratio in industries subject to foreign capital regulations. 	<ul style="list-style-type: none"> ✓ 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. ✓ In general, except for industries such as financial institutions, expansion into Thailand using branches is not allowed. 	<ul style="list-style-type: none"> ✓ 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. 	<ul style="list-style-type: none"> ✓ Regional offices are offices established by a foreign corporation. They control branches or affiliated companies located in Thailand and its surrounding area.
Sales activities	Possible (Subsidiaries have independence as a business operator.)	Possible (A branch office of a foreign corporation is established for the purpose of conducting business that produces operating income.)	Impossible (Business activities with the aim of receiving operating profit are not permitted.)	Impossible (Regional offices are not permitted to derive income from their activities.)
Foreign Business License (FBL)	Necessary (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.)	Necessary (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.)	Unnecessary (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.)	Unnecessary (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.)
Taxes	Ordinarily, corporate tax of 20%	Ordinarily, corporate tax of 20%	No corporate tax (Tax declarations [showing no taxable income] must be filed even though there is no corporate tax levied because there is no corporate income.)	No corporate tax (No corporate tax is levied, as regional offices are not permitted to derive income from their activities.)
Initially required remittance amount	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
Period for establishment	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: 17 (Asok area, 230 m ² or more) (2) Exchange Tower: 32 (Asok area, 250 m ² or more)	<ul style="list-style-type: none"> Management fees included for both buildings
Service apartment	(1) Serviced apartments: 897–1,451 (Phrom Phong area, 63–97 m ² , including management fees) (2) Apartments: 2,243–3,166 (Phrom Phong area, 170–210 m ² , including management fees)	<ul style="list-style-type: none"> There is no need to pay brokerage fees to real estate companies. Corporate contracts are limited because apartment owners' tax processing is complicated. There are many service apartments thanks to the construction boom. Rents vary by area, distance to the main street, space, building age, etc.
Commercial electricity charge	<ul style="list-style-type: none"> Basic monthly charge: USD 8.2 Charge per 1 kWh: (1) USD 0.18 (2) USD 0.11 	<ul style="list-style-type: none"> 12 to 24 kV 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)
Residential electricity charge	<ul style="list-style-type: none"> Basic monthly charge: USD 1.0 Charge per 1 kWh: (1) USD 0.11 (2) USD 0.14 (3) USD 0.14 	<ul style="list-style-type: none"> Charges vary depending on the amount of use. (1) 1–150 kWh/month (2) 151–400 kWh/month (3) 401 kWh or more/month
Commercial water charge	<ul style="list-style-type: none"> Basic monthly charge: USD 2.37 Charge per 1 m³: USD 0.25–0.42 	<ul style="list-style-type: none"> Charges vary depending on the amount of use.
Residential water charge	<ul style="list-style-type: none"> Basic monthly charge: USD 1.19 Charge per 1 m³: USD 0.22–0.38 	<ul style="list-style-type: none"> Charges vary depending on the amount of use.

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 m²) 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.

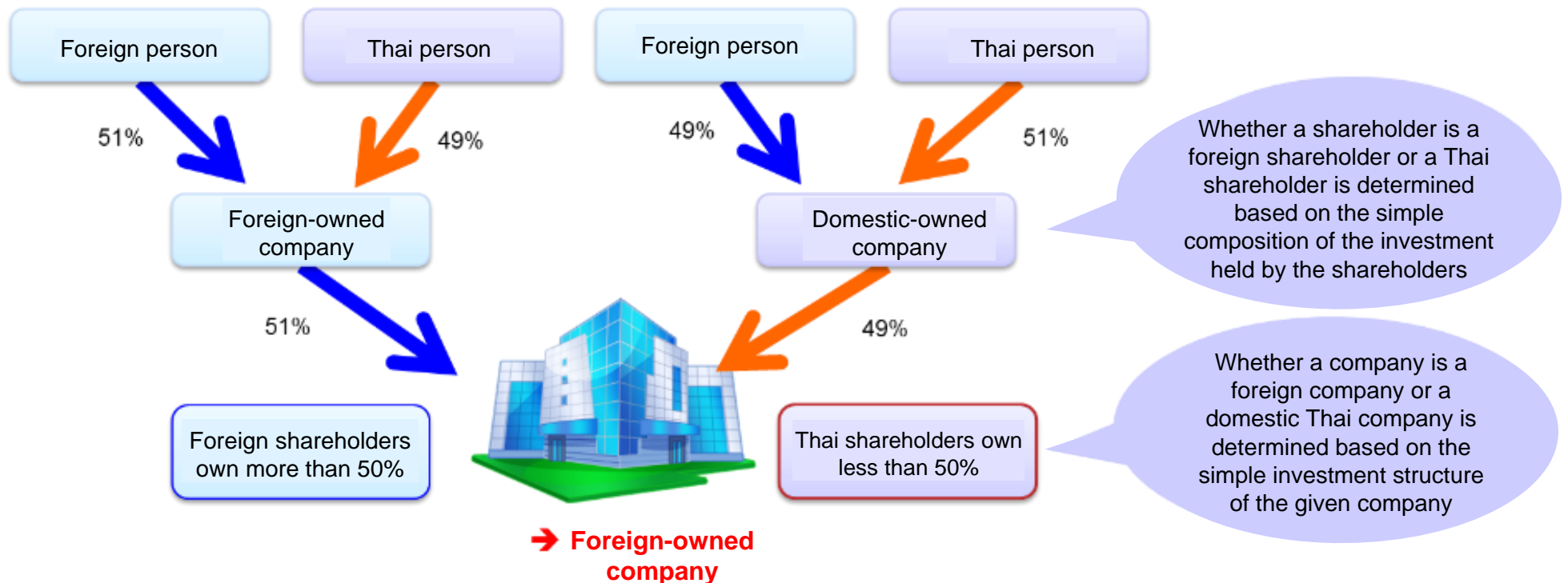
3. Business areas where local companies cannot compete with foreign companies (21 industries)

- (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>Category 1: Businesses related to national security</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>Category 2: Businesses affecting arts, culture, traditional customs, and handicrafts</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>Category 3: Businesses that affect natural resources or the environment</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%

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.

▪ 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.

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.
- Providing relief to qualifying companies with the introduction of the global minimum tax in 2023

Incentive package

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

Measures taken in connection with the introduction of the global minimum tax

- ✓ On March 7, 2023, Thailand approved the introduction of a global minimum tax system, which is scheduled to take effect in 2025. Under this system, any multinational group with consolidated sales exceeding 750 million euros will be subject to additional taxation in the country where the ultimate parent company resides, etc., if the effective tax rate in the country where the foreign subsidiary is located is less than 15%, until the effective tax rate reaches 15%.
- ✓ It has been pointed out that since the effective tax rate for companies receiving BOI benefits is below 15%, the ultimate parent company will be taxed up to 15% in the country where the ultimate parent company resides, etc. The BOI plans to implement the following relief measures to mitigate the impact on such companies.

	Existing BOI beneficiary companies	New BOI benefit applicants (on and after March 20, 2023)
Relief measures	Providing an option to convert from the current tax exemption to a 50% reduction in the regular corporate income tax rate, resulting in the application of a reduced corporate income tax rate of 10%	Providing an option to choose one of the following: <ul style="list-style-type: none"> i. Tax exemption with the flexibility to convert to a tax reduction scheme ii. Tax reduction
Applicable period	Twice the remaining full-year preferential period, up to a maximum of 10 years	Tax Exemption Scheme: Standard tax exemption periods applied according to the types of BOI businesses Tax Reduction Scheme: Twice the standard tax preferential period, up to a maximum of 10 years

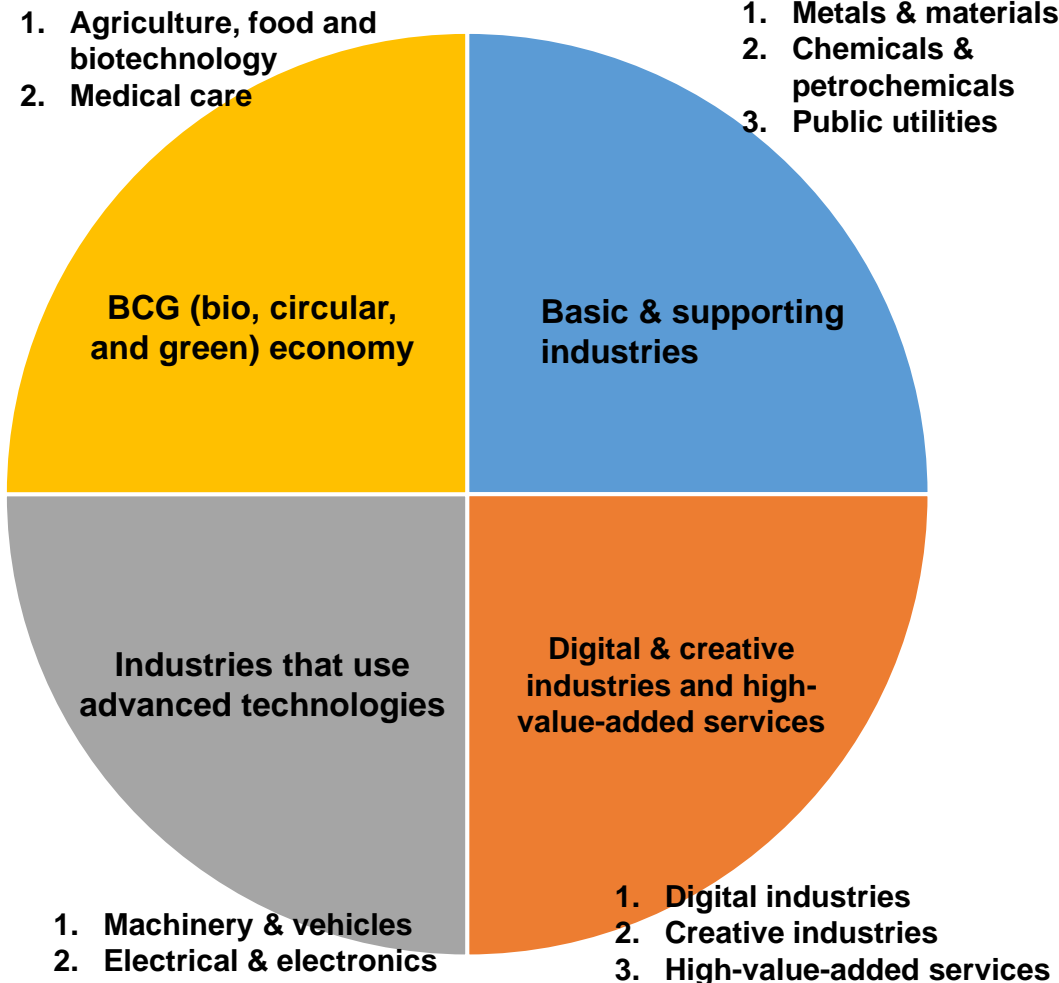
IV-2. Investment Promotion Systems (2)

- Changes to the incentive packages based on business type were announced in November 2022.
- In total, 409 business types in 10 categories are eligible for the incentive, and more may be added to the list.

Features of industries receiving the 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

Eligible business types (as of December 8, 2022)



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"> • Exemption of import duties on machinery • Exemption of import duties on raw materials used in production for export • Exemption of import duties on materials for R&D • Exemption/reduction of corporate tax, etc. 	<ul style="list-style-type: none"> • Exemption of corporate tax (up to 15 years), etc. 	<ul style="list-style-type: none"> • Exemption/reduction of corporate tax • Reduction of personal income tax 	<ul style="list-style-type: none"> • Exemption/reduction of additional corporate tax in EEC areas
Non-tax incentives	<ul style="list-style-type: none"> • Land ownership • Facilitation of work permits and visa acquisition • Operation of business restricted by the <i>Foreign Business Act</i> 	<ul style="list-style-type: none"> • Subsidy from a THB 10 billion fund 	<ul style="list-style-type: none"> • Land ownership • Facilitation of work permits and visa acquisition • Easing of some laws and regulations 	-
Comment	<ul style="list-style-type: none"> • Benefits are generally obtained. 	<ul style="list-style-type: none"> • There are not many case examples. The leading-edge technologies, such as AI and automatic driving, are relevant. 	<ul style="list-style-type: none"> • Detailed rules, etc. are developed in series. 	<ul style="list-style-type: none"> • Reinforcement of certain areas, such as human resources development, digital-related fields, and medical-related fields

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"> ✓ 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. ✓ Ownership of treasury stock is prohibited. ✓ In principle, capital is freely transferable. However, restrictions on transfer may be established in a company's articles of incorporation or bylaws.
Regulations on general meetings of shareholders	<ul style="list-style-type: none"> ✓ Annual general meeting of shareholders <ul style="list-style-type: none"> • 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. ✓ Extraordinary general meeting of shareholders <ul style="list-style-type: none"> • Directors are permitted to call a general meeting at their discretion if they deem it necessary. • 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.
Regulations on directors	<ul style="list-style-type: none"> ✓ 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. ✓ 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.
Regulations on voting rights	<ul style="list-style-type: none"> ✓ 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.
Regulations on settlement of accounts	<ul style="list-style-type: none"> ✓ 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.
Regulations on dividends	<ul style="list-style-type: none"> ✓ 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. ✓ 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.
Capital increase, capital reductions, mergers	<ul style="list-style-type: none"> ✓ 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. ✓ 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. ✓ 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.
Regulations on legal reserve	<ul style="list-style-type: none"> ✓ Must accumulate 1/20 of profit for each dividend until the amount reaches 1/10 or more of the registered capital ✓ Withdrawal of this reserve and capitalization are not permitted, and it cannot be used until the company is liquidated.
Capital remittance considerations	<ul style="list-style-type: none"> ✓ 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).

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

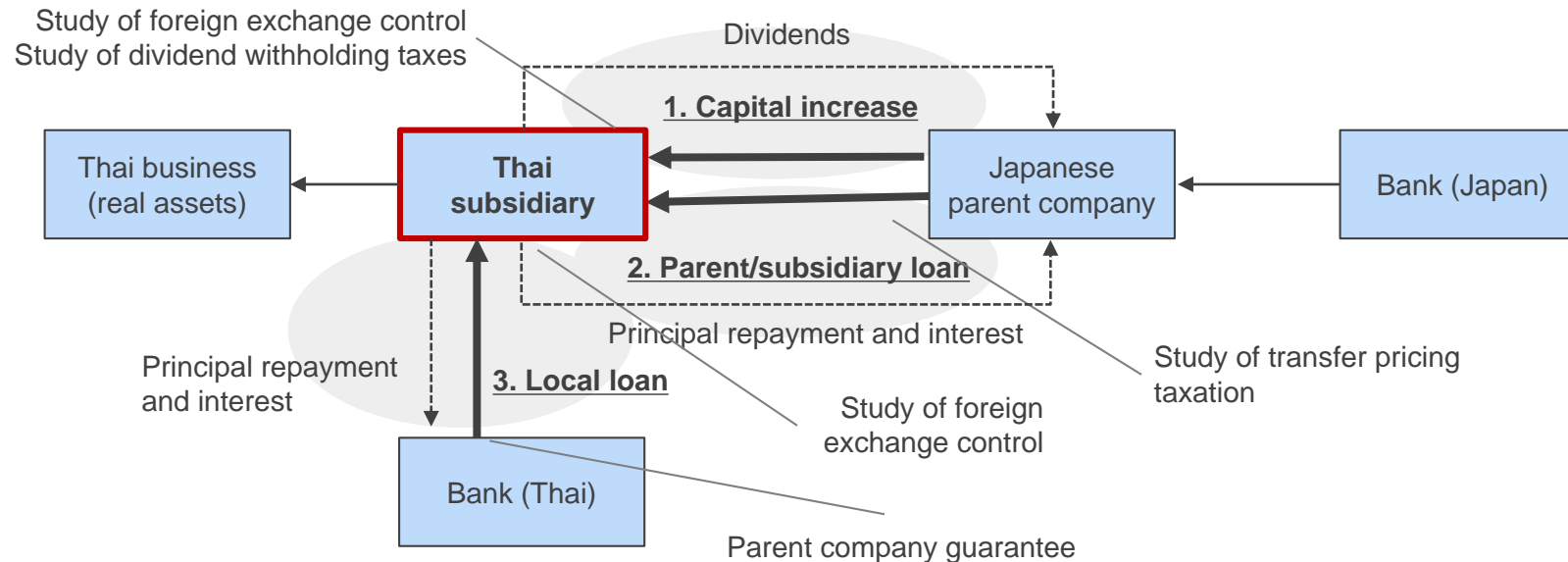
Trade transactions	1. Standard settlement methods	<ul style="list-style-type: none"> ✓ Standard settlement methods include (1) advance remittances, (2) import letters of credit, (3) bills of exchange (D/P, D/A), and (4) deferred payment settlements; the currency is not specified for payment or receipt of settlements.
	2. Opening an import letter of credit (L/C)	<ul style="list-style-type: none"> ✓ 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. ✓ If the cargo requires an import license from Thailand's Ministry of Commerce, it shall be attached.
	3. Export transactions	<ul style="list-style-type: none"> ✓ 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. ✓ Companies receiving foreign currency as payment for exports must immediately deposit the received foreign currency into a baht or foreign currency account. ✓ 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.
	4. Import transactions	<ul style="list-style-type: none"> ✓ Importers are free to withdraw foreign currency from their foreign currency deposit accounts for settlement of imports. ✓ Importers are free to issue L/C's without the permission of the authorities. ✓ 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.

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"> ✓ No restrictions on receiving baht from abroad
	3. Receipt of foreign currency	<ul style="list-style-type: none"> ✓ 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.
Capital transactions	<ul style="list-style-type: none"> ✓ Foreign investment in Thailand may be either direct investment and asset management investment; non-residents may lend foreign currency to residents without restriction. ✓ 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. ✓ 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. 	

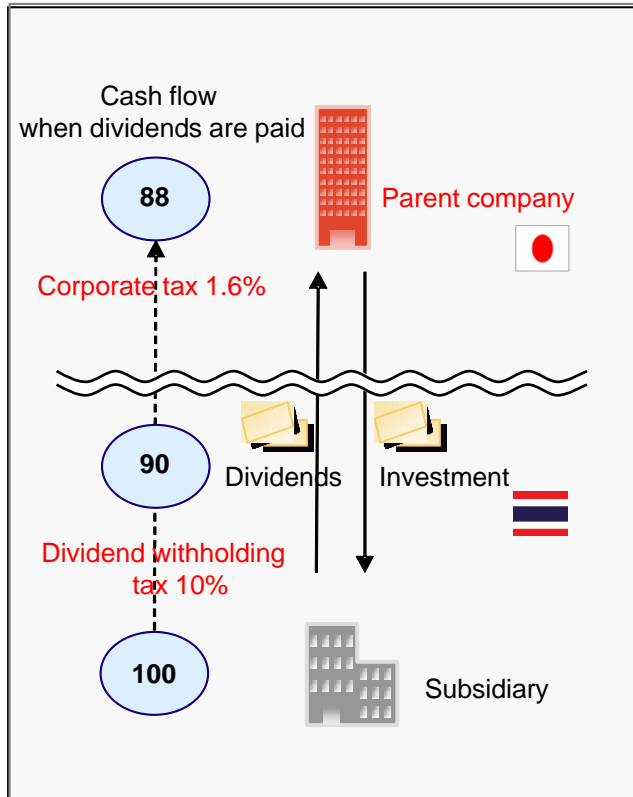
IV-5. Financing (1): Conceptual Diagram of Financing



	Financing from Japan		Local financing
	1. Capital increase	2. Parent company-subsubsidiary loan	3. Local loan (including Mizuho Bank)
Pros	<ul style="list-style-type: none"> ✓ Free usage of funds ✓ No interest payments required 	<ul style="list-style-type: none"> ✓ Easy to make credit decisions for loans due to the availability of financial information on subsidiaries ✓ Repayment of loans from the parent company is intra-group, making it easy to adjust repayment terms. ✓ Flexible financing is possible. ✓ (In the case of a surplus,) the subsidiary can expect tax savings using liabilities. 	<ul style="list-style-type: none"> ✓ No need to consider transfer pricing taxation
Cons	<ul style="list-style-type: none"> ✓ Attention to the capital contribution ratio is required due to foreign investment restrictions. ✓ The principal of the capital increase is very difficult to recover. ✓ A shareholders' meeting and registration procedures are required. ✓ Dividend withholding tax (10%) is required. ✓ Foreign exchange risk is borne by the subsidiary or the parent company (parent company-subsubsidiary loans denominated in THB are available). 	<ul style="list-style-type: none"> ✓ Transfer pricing tax must be considered. ✓ There is withholding tax on interest (15%). 	<ul style="list-style-type: none"> ✓ 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. ✓ Even with a parent company guarantee, interest rates tend to be higher than those in Japan.

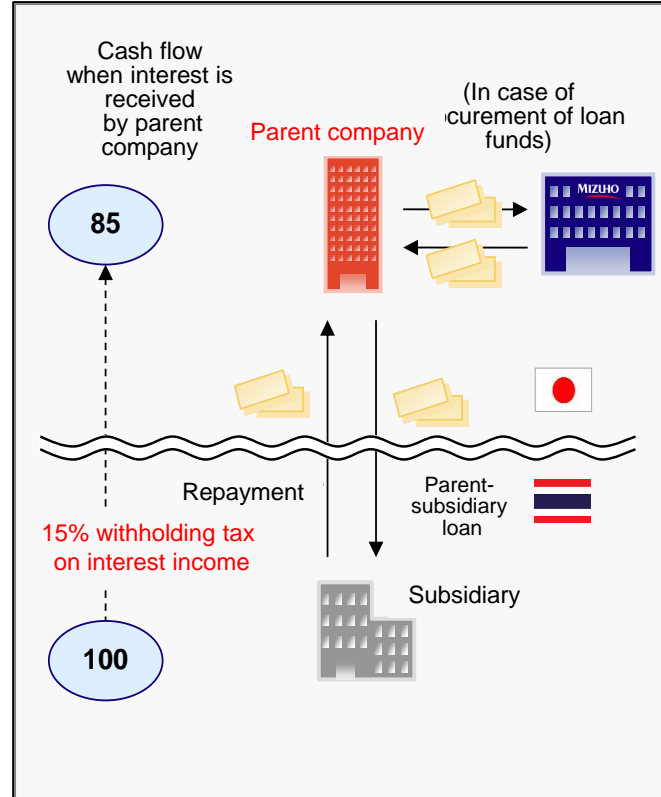
IV-5. Financing (2)

Capital increase



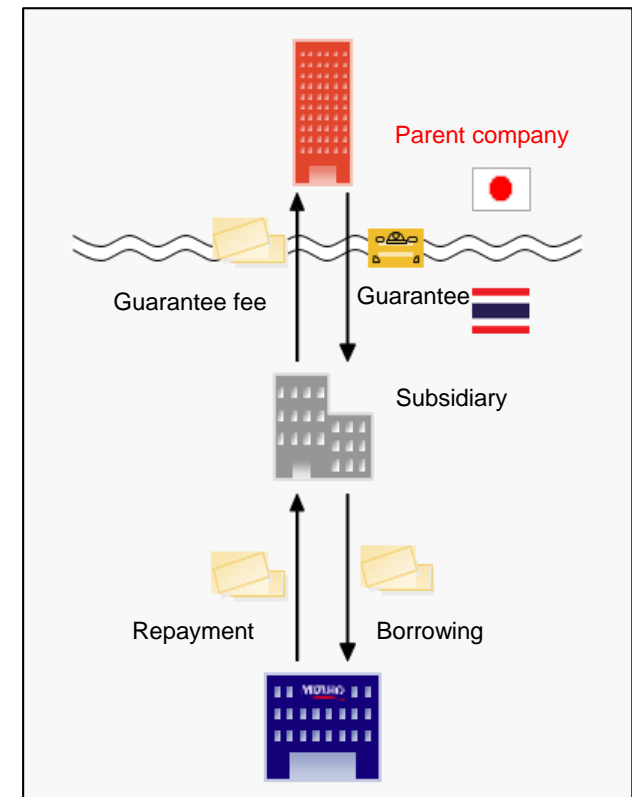
- ✓ Attention must be given to investment ratio regulations.
- ✓ A capital increase requires a special resolution at a general shareholders' meeting. It will be necessary to hold general shareholders' meetings and follow procedures for registration of changes in the shareholders' list.
- ✓ The difficulty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

Parent-subsidary loan



- ✓ 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.

Local borrowing



- ✓ 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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