

We're Back, Better Than Ever: A 21st Century approach to import Technology, Business, Knowhow and Talent to Thailand

How Thailand seek new ways to ramp FDI and Talents post-COVID?

Time for a Rethink

In addition to the Covid-19 outbreak and the ensuing lockdowns, Thailand has recently had to deal with a supply chain "nightmare" that has disrupted shipping and trade, affecting consumers through shortages and higher costs. Thailand has fared very well in the face of repeated pandemic waves and their associated economic implications thanks to its cautious but flexible strategy, which considered the effects on its crucial tourism industry. Visitors will also include business travelers as enterprises concentrate on recovering stronger and reevaluating their operations. The country is already experiencing an increase in tourists as a result of the relaxation of restrictions and the reopening on May 1. Many firms worldwide are attempting to avoid dependency in the wake of the new normal.

The Post-COVID Rebound is Taking Shape

The reopening, which did away with the requirement to quarantine and present an RT-PCR test upon arrival in Thailand, signals increased confidence and a sense of optimism on the part of the government, business community, and the general population and a positive outlook entering the second half of the year. However, uncertainties still exist with worries about growth and the threat of inflation. From an economic standpoint, now is a good time for Thailand to focus on specific advantages that highlight the country's strengths, such as the more agile landscape that is emerging for international companies beyond just labor costs and incentives, in addition to luring businesses that want to relocate or reshore. The government's promotion of International Business Centers (IBCs) and corresponding tax and non-tax incentives can help establish Thailand as a regional hub of ASEAN attracting an increased number of multinationals to locate their headquarters and shared services in the country.

An Enhanced Focus on IBC's Advantages

In addition to aligning Thailand's tax policies with international norms and enhancing the nation's competitiveness, the IBC system offers tax and non-tax measures that support Thailand's position as the Southeast Asian region's epicenter. Thailand's IBC, International Business Center, defined as "a company incorporated in Thailand that provides, managerial, technical, support, or financial management services to its associated enterprises, whether located in Thailand, or overseas," aside from the competitive incentives, are the additional benefits which Thailand offers, including a qualified and ready workforce, including university graduates who can contribute to the success of IBCs, a popular and attractive destination for expatriates and their families, supported by some of the best private schools and high standard of living at a reasonable cost, and an improved SMART Visa program, which streamlines the application process making it faster and easier for qualified experts, investors and entrepreneurs to live and work in Thailand in targeted sectors – with no work permit requirement and a maximum four-year validity period, together with additional privileges. Thailand BOI, which supports the Regional Headquarters business now called IBC, offers incentives which are significant, and a key factor in the decision-making process for international companies opting for IBC as they are exempt from import duties on machinery (used for R&D and training activities), have permission to bring-in skilled personnel and experts to work in the IBC's investment promoted activities, hold majority or 100% foreign ownership of the IBC, and have authorization to own land for use in the IBC's business. Thailand also revised the scope for IBC to provide flexible lending to associated enterprises – this includes foreign currency loans to

associated enterprises in foreign countries, Thai baht loans to associated enterprises in Thailand, Vietnam and countries bordering in Thailand.

Scope of Services under IBC

- 1) General administration, business planning and business coordination
- 2) Procurement of raw materials and components
- 3) Research and development
- 4) Technical support
- 5) Marketing and sales promotion
- 6) Personnel management and training
- 7) Financial advisory services
- 8) Economic and investment analysis and research
- 9) Credit management and control

- 10) Treasury Center (TC)
- 11) International trade
- 12) Any other services announced by the Revenue Department



Global Companies are Taking the Lead

Thailand is taking advantage of the rising investor interest, which is evident in the increase in projects that have been approved year over year. The BOI believes that the IBC will further boost confidence by luring in more investments and top talent that will support the country's long-term growth. Given the significant sums of money invested and the policies that have been passed to support important infrastructure projects in the nation, the comprehensive effort of the Thai government must also be considered. As the country's ports, rail, and road networks grow, this will provide an important "connectivity advantage," facilitating and improving logistics and integration with both sea and inland transport. Toyota, Nestlé, Huawei (ASEAN headquarters), Exxon, Michelin, Suntory, and Nissin Foods are just a few businesses who have built an IBC presence in Thailand for their international operations. Since 2019, the BOI's IBC has supported a total of 124 projects. With combined government support, including tax incentives from the Revenue Department, and the BOI's non-tax incentives and One-Stop Service, the country's strategic geographic location, top-notch connectivity and logistics, and a skilled workforce, Thailand is ramping up its strategic moves and competitiveness to compete on more advanced grounds in welcoming businesses that seek to accentuate Thailand as their regional hub and shared service center.

A New Long-Term Option for Foreigners with/without IBC

Throughout the decades, long before COVID-19, Thailand has consistently been among the top tourism destinations in the world, with Bangkok often taking the number one global destination city in the world, while Phuket and Pattaya also remain hugely popular. And although the pandemic impacted tourism worldwide, Thailand's quarantine-free reopening in May was a welcome change for visitors anxious to explore the Land of Smiles, with a further loosening set to take place provided the decline in infection rates continues. The government and tourism organizations are working to rebalance this important sector with the country's reopening to a new normal and the rapid shift to more environmentally conscious travel, which ranks highly among tourists worldwide, and in particular, Thai travelers who are strongly committed to sustainable journeys and respect for local communities – while travel platforms

are likewise updating their sustainability information, including accommodation providers that save energy and water, support local communities and protect nature. However, beyond the conventional travel market, one aspect with the reopening that is likely to gain attention is the rollout of the Long-Term (LTR) Visa, which is meant to provide an important boost to the Thai economy – and well-timed as the country opens up. To give a boost to the reopening, the government launched a set of incentives to attract long-staying foreign investors and foreigners which can help in attracting investments and skills with a longer-term win-win approach.

- Wealthy Global Citizens**: Wealthy individuals holding at least USD 1 million in assets and investment in Thailand
- Wealthy Pensioners**: Retirees aged 50 years and older who have an annual pension or stable income
- Work-From-Thailand Professionals**: Remote workers working for well-established companies overseas
- Highly Skilled Professionals**: Professionals or experts in targeted industries working for business entities or higher education institutes or research centers or specialized training institutions in Thailand or Thai government agencies
- Dependants**: Spouse and children under 20 years old of LTR visa holders (Maximum 4 dependants in total per one LTR visa holder)

A Win-win Strategy

To stimulate the economy, apart from IBC, the goal of the LTR visa is to attract high potential foreign residents to Thailand among four groups under the relatively new plan. An estimated one million qualified new foreign residents over a five-year period (2022-2026) is expected to generate one trillion baht in spending, 800 billion baht in investments, and 270 billion baht in tax income. The benefits include not being required to notify Thai authorities every 90 days (moving to annual periods), which is standard for conventional visa and work permit holders and a mild source frustration among visa holders. Moreover, and more importantly, the visa period is for a ten-year stretch (renewable after five years), providing significantly extended coverage and likely to be an important draw for applicants. The win-win approach is meant to attract and bring in qualified individuals with greater spending power than regular short-stay travelers, whose trips are for just a fixed period, while on the applicant side, LTR visa holders are those who know Thailand and would want to put down roots, buy homes, and work in advanced sectors and make business investments making productive use of their time.

Positive knock-on effects

As the LTR visa rolls out, on 1 Sept 2022, the five eligible groups who can qualify are high-income earners, retirees, highly-skilled workers, professionals working remotely from Thailand and their dependents. A notable benefit on the business side includes the removal of the requirement for employers to hire four Thai citizens per foreigner, making the process for hiring much easier. In this regard, LTR visa holders can help the broader economy while those in the information technology and engineering fields can potentially assist Thailand in valuable technological developments, AI, and data science, in line with Industry 4.0, while health care service providers can expect to benefit from the higher number of foreigners in the country demonstrating the knock-on benefits.

Home in the Land of Smiles

With the different visa classifications currently available, the LTR visa is likely to win out among foreigners given its simplicity and competitive benefits, namely property purchase eligibility and reduced personal income tax rates. The LTR visa is also meant to boost Thailand's competitive position within ASEAN and globally with a more streamlined process and an enhanced benefits package providing a more competitive choice to other countries around the world as well as those that much closer to home, including Malaysia's tightened Malaysia My Second Home (MM2H) eligibility criteria. While many countries are looking to attract investors, remote workers and the more affluent segment, the LTR visa looks to be the right fit given the valuable benefits accorded to visa holders, the incentivized long-term approach, and that Thailand remains a hugely popular country of interest to foreigners worldwide. The BOI's Expatriate Services Division is in charge of handling all inquiries and the processing of the LTR visa and is coordinating with the relevant government ministries as well as the NESDC in implementing this program. The country is already an important base for a large number of leading multinational corporations from around the world across a range of sectors – many of which are increasingly focused on advanced technologies and industries, and more sustainable solutions. The LTR visa, which is set to contribute to longer-term economic growth, can therefore serve as an important way to crowd-in a diverse and talented group of expatriates attracted to a country that is providing a far more convenient and attractive option to grow their inbound investments while also further showcasing Thailand as the preferred location for high potential foreigners looking to transition their new home. In return, with the new focus toward IBC and LTR, Thailand aims to uplift its own competency to leap forward out of its middle-income trap, to foster a more global environment with huge amount of innovations and talents to drive its long-term economy.