

# Thailand's Economic Outlook and Policy Framework



1. Recent Economic Situation and  
Outlook

2. Economic Policies for Growth

Prepared by

Fiscal Policy Office

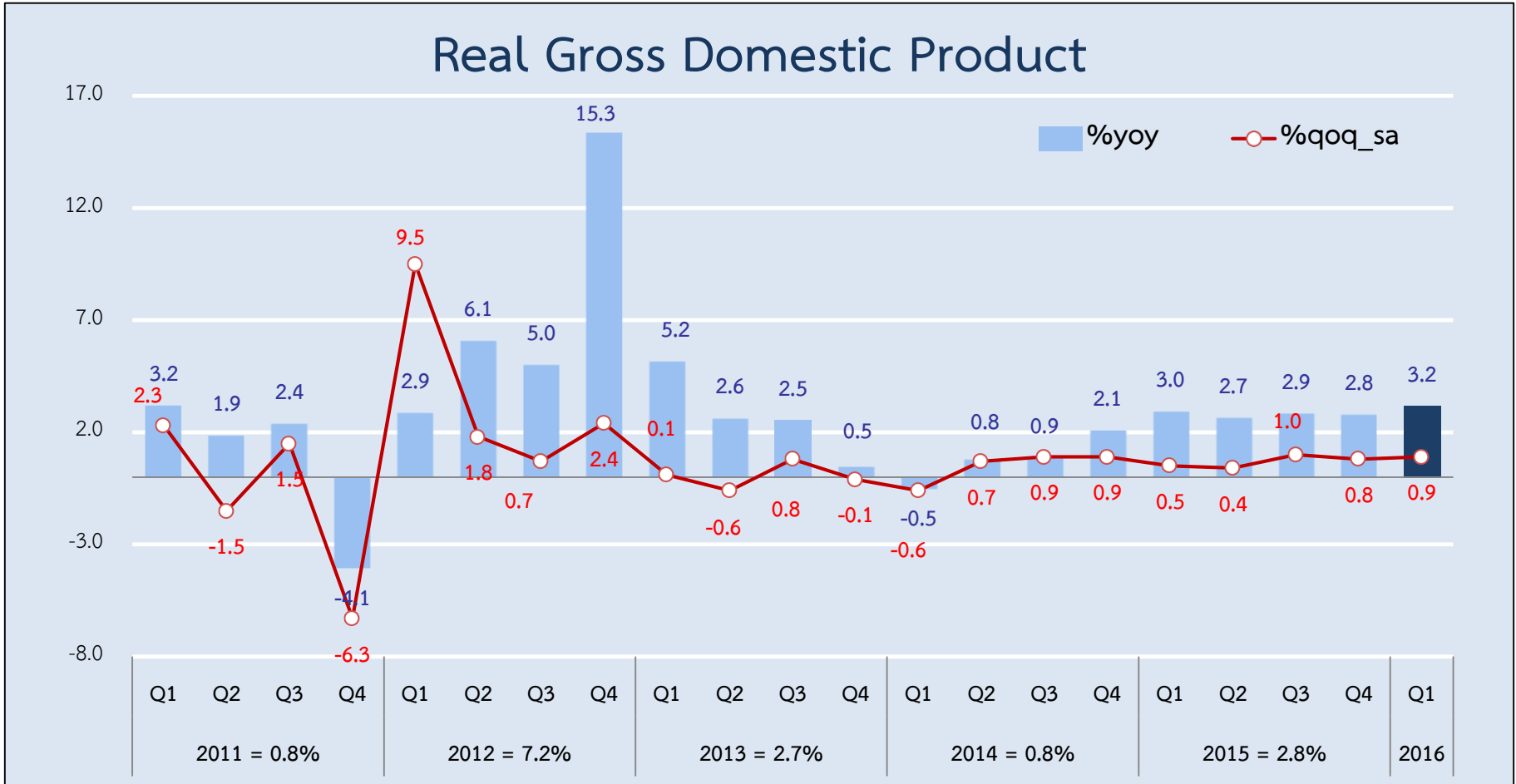
Ministry of Finance

June 2016

# 1. Recent Economic Situation and Outlook

# 1. Recent Economic Situation

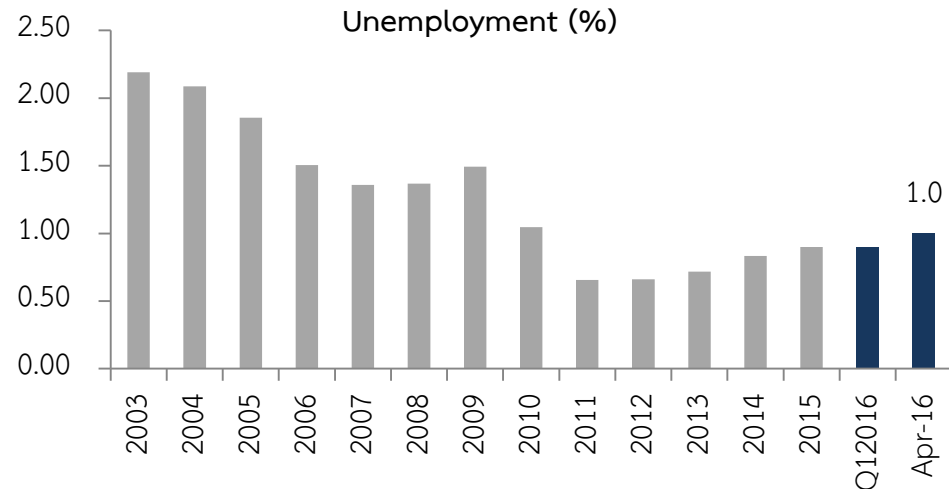
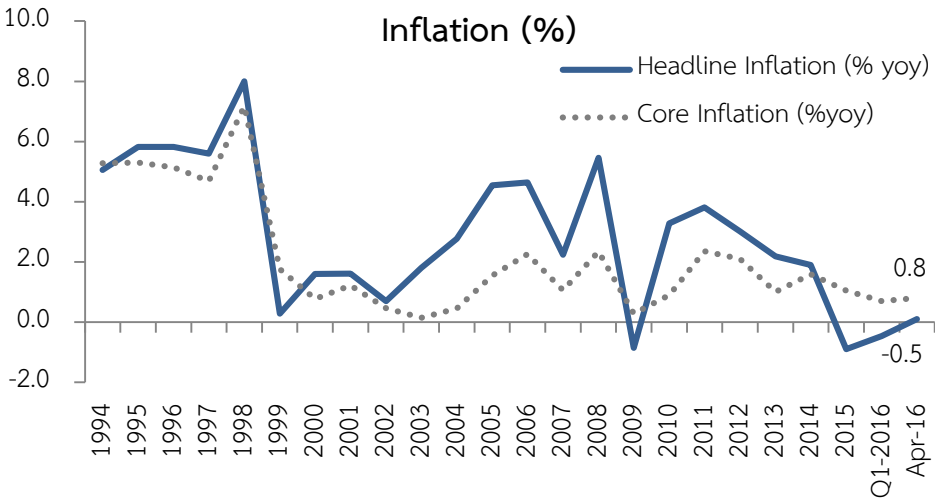
Thai economy in Q1/16 expanded by 3.2%, accelerating from the previous quarter mainly due to domestic demand while exports also improved



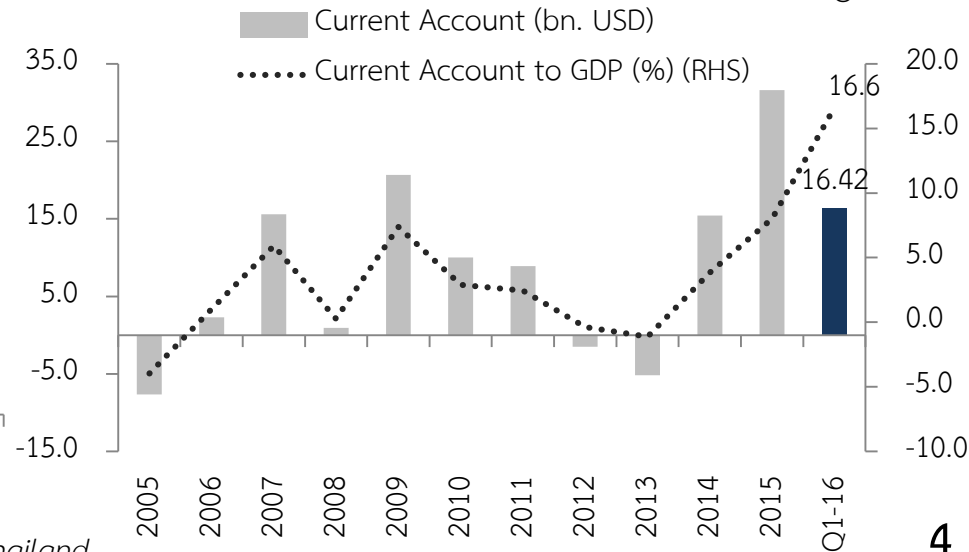
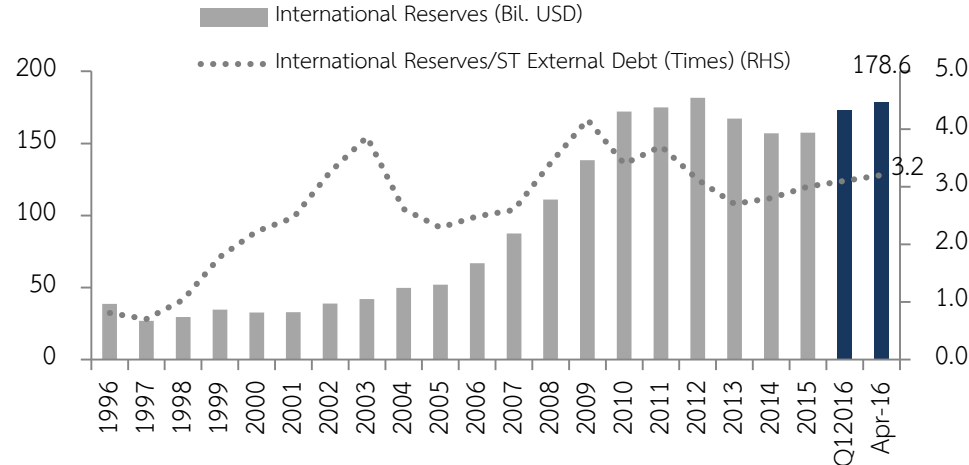
# 1. Economic Situations and Outlook: Internal and External Stability

Economic stabilities remain strong providing resiliency to the Thai economy to withstand negative shocks.

## Internal economic stability



## External economic stability

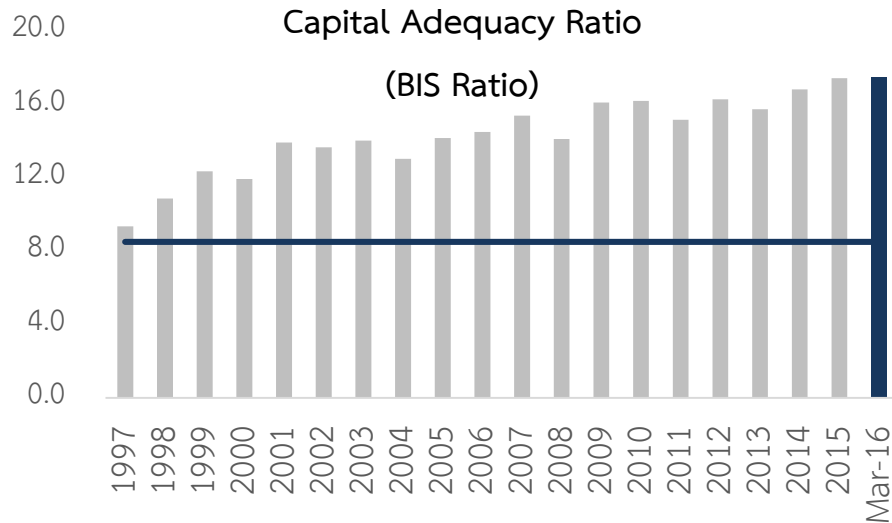
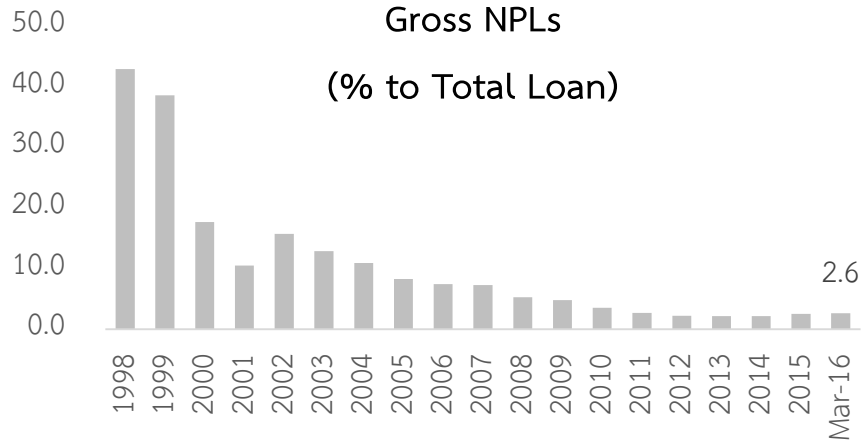


Source: Ministry of Commerce, National Statistics Office, and Bank of Thailand

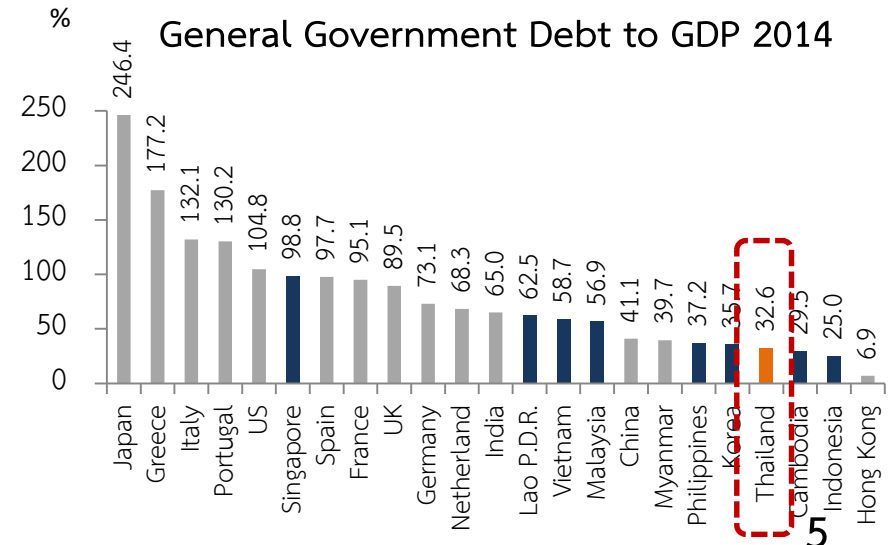
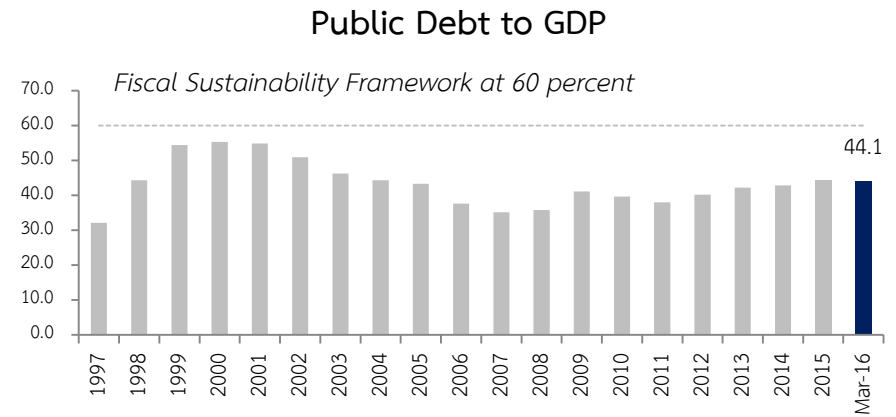
# 1. Economic Situations and Outlook: Financial and Fiscal Stability

Fiscal and financial indicators show financial soundness both in government and financial sectors.

## Financial Sector



## Fiscal Sector



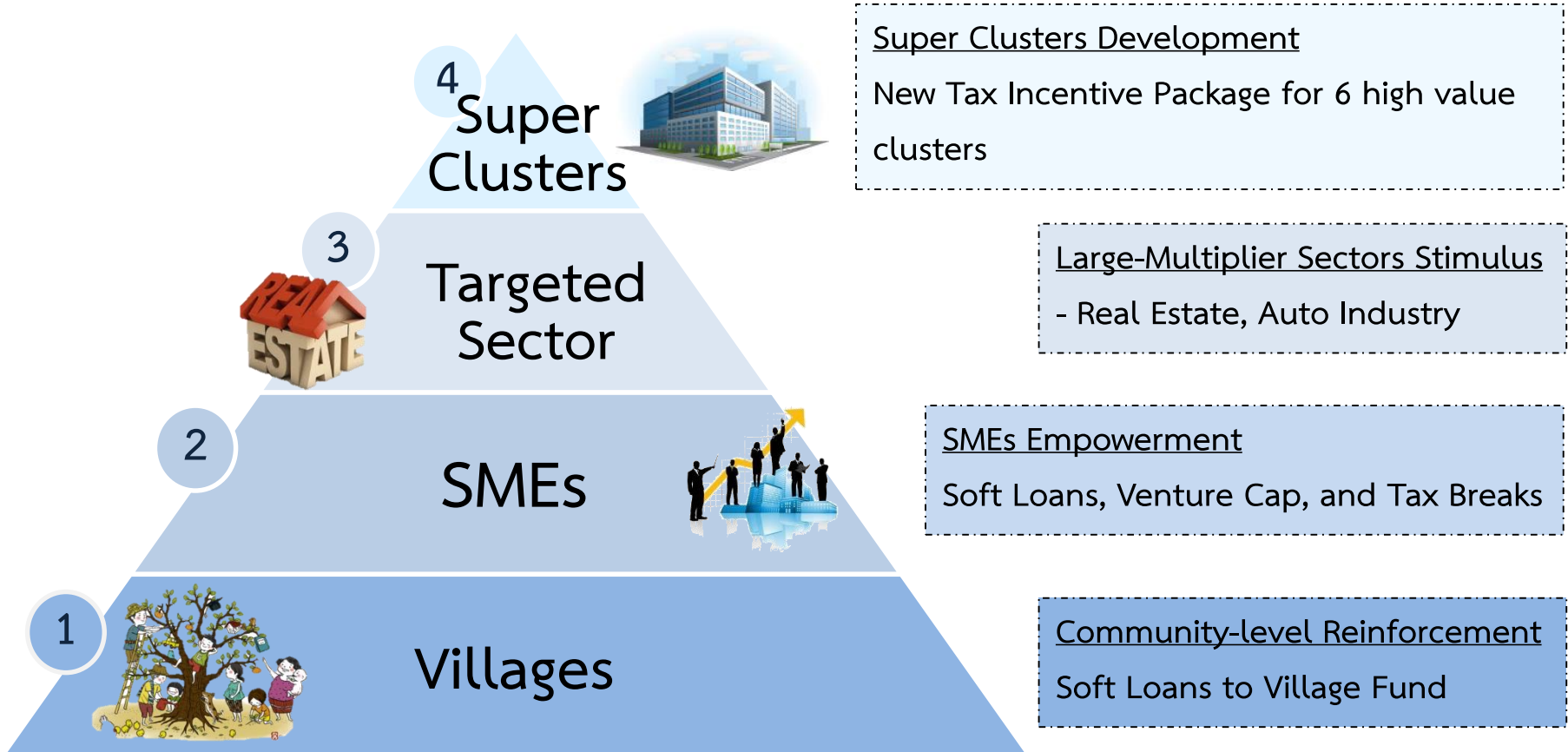
# 1. Recent Economic Situation and Outlook: Thailand's GDP Forecast for 2016

Growth (%yoy)	2013	2014	2015	2016f	
				as of Apr 16	range
Real GDP	2.7	0.8	2.8	3.3	3.0 to 3.6
- Real Private Consumption	1.0	0.6	2.1	2.1	1.8 to 2.4
- Real Public Consumption	2.5	2.1	2.2	3.2	2.9 to 3.5
- Real Private Investment	-1.5	-1.0	-2.0	3.0	2.7 to 3.3
- Real Public Investment	0.8	-7.3	29.8	8.9	8.6 to 9.2
- Real Exports of goods and services	2.7	0.2	0.1	3.2	2.9 to 3.5
- Real Imports of goods and services	1.6	-5.3	-0.4	0.4	0.1 to 0.7
Trade Balance (Bil.\$)	6.7	24.6	34.6	41.1	40.8 to 41.4
- Export of goods (in USD)	-0.1	-0.3	-5.6	-0.7	-1.0 to -0.4
- Import of goods (in USD)	-0.1	-8.5	-11.3	-4.5	-4.8 to -4.2
Current Account (Bil.\$)	-5.2	15.4	31.6	38.5	38.2 to 38.8
- Current Account (%GDP)	-1.1	3.8	8.0	9.7	9.4 to 10.0
Headline Inflation	2.2	1.9	-0.9	0.3	0.0 to 0.6
Core Inflation	1.0	1.6	1.1	0.8	0.5 to 1.1

## 2. Economic Policies for Growth

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4 Layers to thoroughly support economic growth and boost private investment





# 2. Economic Policies for Growth

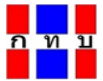
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Villages

## 2.1 Local-level short-term treatments and competitiveness enhancements

### 1. Village funds for investment projects



35,000 million baht  
(max of 500,000 baht each)

Status:

disbursed by 23,508 million baht

### 2. Village and sub-district funds for public utilities



15,000 million baht  
(maximum of 200,000 baht each)

Status: expected to begin  
disbursement in June 2016



### 3. Drought treatments and Competitiveness Enhancement

#### 3.1 Soft loans for urgent expenses in 1 year

6,000 million baht

Status: disbursed by 1,227 million baht

#### 3.2 Soft loans for SME per sub-district in 10 years

72,000 million baht

Status: disbursed by 9,316 million baht

#### 3.3 Soft loans to modify crops in 1 years

15,000 million baht

Status: disbursed by 5.6 million baht

60 bn baht soft loan to village funds

36 bn baht sub-district investment projects

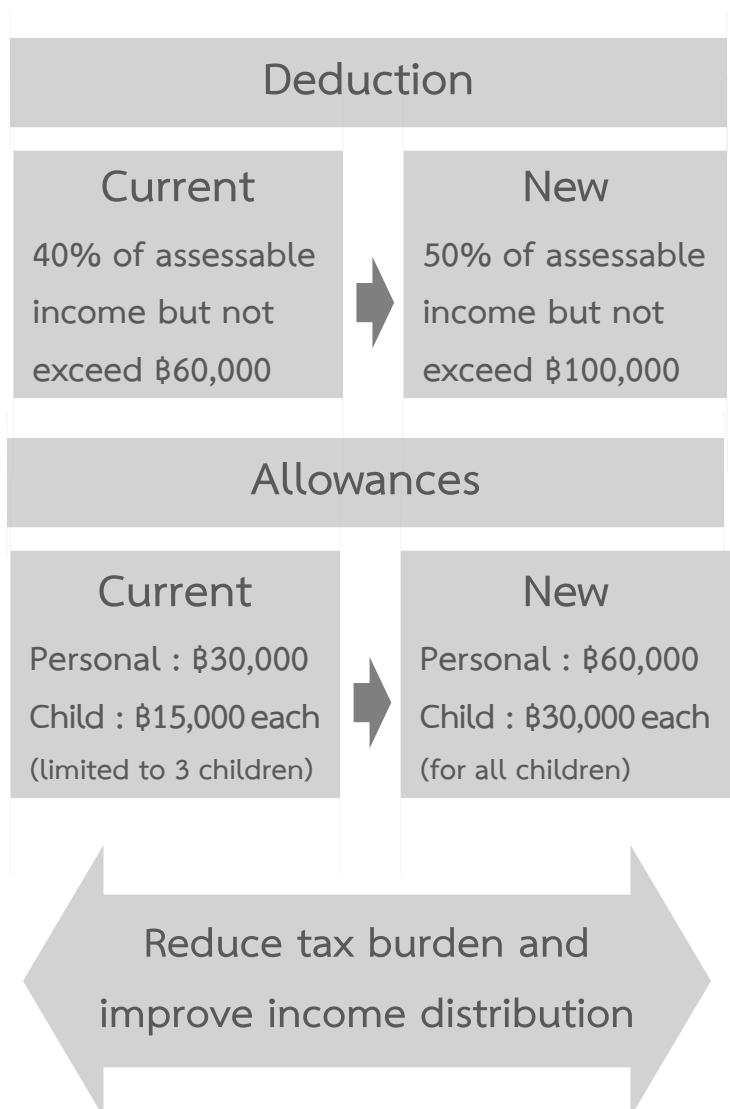
40 bn baht Small Public-sector projects

Data as of 6 Jun 2016

Photo credit: freepik, fotosearch



## 2.2 New PIT Deduction and Allowances for 2017 tax year onward



### PIT Structure

Personal Income Tax Structure	
Taxable Income up to 150,000 baht	Exempt
150,000 – 300,000 baht	5%
300,001 – 500,000 baht	10%
500,001 – 750,000 baht	15%
750,001 – 1,000,000 baht	20%
1,000,001 – 2,000,000 baht	25%
2,000,001 – <u>5,000,000</u> baht	30%
<u>5,000,001</u> baht and above	35%

## 2.3 SMEs empowerment

### 1. Financial Assistance

#### 1A. PGS5 Guarantee Scheme (100,000 million baht)



Thai Credit Guarantee

Max. 40 million baht/SME, 7year guarantee  
 Fee 1.75% per year  
 Status : 71,916 million baht loans guaranteed

#### 1B. Venture Capital Fund (6,000 million baht)

2,000 million baht

Status

Approved by 60 million baht

2,000 Million Baht, Signing MOU with KTB, NSTDA, &SEC in 1st Jun 16



Status

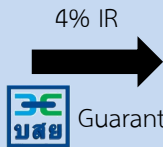
- Approved by 45 mn baht  
 - In process of due diligence of 20 mn baht

2,000 Million Baht



SMEs

#### 1C. Policy Loan (15,000 million baht)



4% IR

Status :

9,800 million baht

Guarantee

#### 1D. Credit Guarantee for Micro entrepreneurs (Phase II) (13,500 million baht)



Thai Credit Guarantee

Max. 200,000 baht/SME

Status : 168 million baht loans guaranteed

### 2. Tax Policy

#### 2A. Reduced CIT for SMEs

SMEs With net profit > 300,001 baht per year

Previous Tax rate

15-20% of Net Profit



Reduced tax rate

10% of Net Profit  
for 2 years

#### 2B. CIT Exemption for new start-up

New Engine of Growth



Agro-Product



High-tech, IT



R&D

#### 2C. SME One Bookkeeping

Tax Exemption and Exemption for Retroactive Tax Audit



Purpose: To encourage SMEs to consolidate financial accounts and enter tax system




## 2.4 Support Real Estate Sectors

### 1 Housing loans for low-middle income individual

-  Net income  $\leq$  30,000 baht/month
-  1 year duration (19 Oct 15 – 18 Oct 16)
-  30 years loan period at maximum
-  Approved **21,500 million baht**  
(budget capital 25,000 million baht)











### 2 Reduced property transfer and mortgage fees

- Reduce transfer fee from 2% to **0.01%** (of appraised value) 
- Reduce mortgage fee from 1%\* to **0.01%** (of mortgage value)   
\*up to 200,000 baht
- 6 months duration** 

### 3 Personal income tax deduction

-  use **20%** of real estate value for PIT deduction for 5 tax years starting on 31 Dec 16
-  Transfer within **13 Oct 15 – 31 Dec 16**
-  **1<sup>st</sup> time** ownership
-  **3M** Property value  $\leq$  3 million baht
- 5 Years** Holding period  $\geq$  5 years

### 4 Pracha Rath Housing project

- for **Low income** or **uncertain income earners** to own or fix property 
- 10 bn baht budget/bank**
  -   
  - 65 mn baht**
- 20 bn baht budget/bank**
  -  
  - 2.5 bn baht** **3.1 bn baht**
- 4% interest rate p.a. for 2 years** (30 billion baht budget) 
- 30 year loan** (40 billion baht budget) 

Picture credit: theNounProject.com, Data as of 16 May 2016

## 2.4 Seeding the New S-Curves

### Super Clusters Development

- ✓ Automobile and Parts
- ✓ Electrical Appliance, Electronics and Telecommunication
- ✓ Petrochemical and Environmentally
- ✓ Friendly Chemicals
- ✓ Digital
- ✓ Other Targeted Clusters: Agro Products, Textile and Apparel

Strengthen Value Chain, Linkages to research institutions and Universities  
Additional Support to R&D Activities

BOI Privileges (Tax and Non-Tax),  
Additional Tax Incentives  
(Up to 15 years),

### 10 Targeted Industries

#### Strengthen 5 Existing Industries (First S-Curves)

- ✓ Next-Generation Automotive
- ✓ Smart Electronics
- ✓ Affluent, Medical, and Wellness Tourism
- ✓ Agriculture and Biotechnology
- ✓ Food for the Future

#### Seeding 5 New Industries (New S-Curves)

- ✓ Robotics
- ✓ Aviation and Logistics
- ✓ Biofuels and Biochemical
- ✓ Digital
- ✓ Medical hub



Upgrading Existing Industries and  
Develop New Industries

BOI Privileges, Additional Tax Incentives,  
JV Fund for R&D investments

# 2. Economic Policies for Growth



## 2.5 Business Competitiveness Enhancement

CIT reduction to 20% permanently

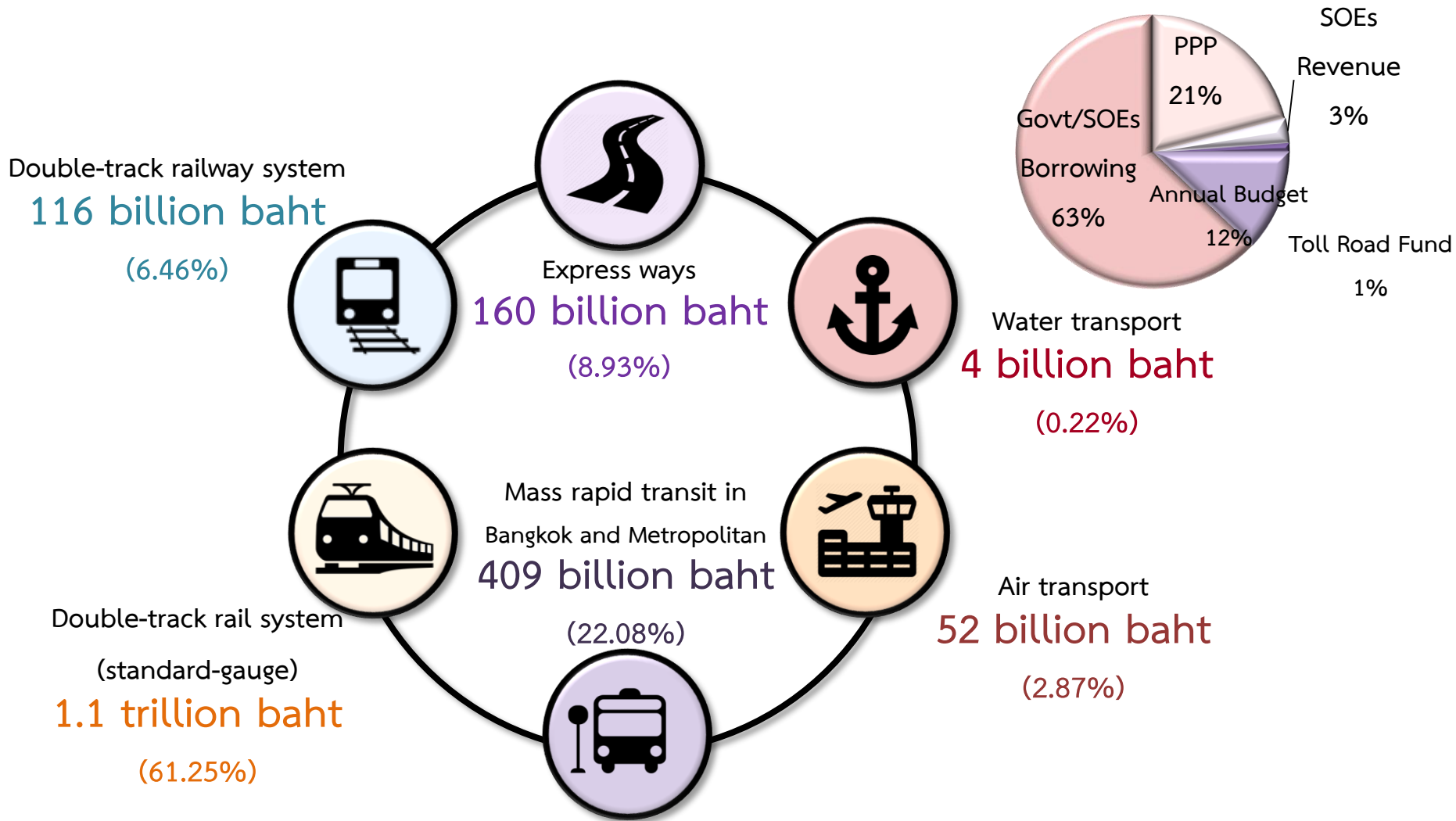
National E-Payment



## 2. Economic Policies for Growth



### 2.6 Logistic Infrastructure Investment Projects in FY2015-2023 (1.796 trillion baht)





### 2.7 PPP Fast Track for Infrastructure Investment

Reduce processing time to **9** months (from 2 years)

SEPO estimated that in 2015 many government investment projects will benefit from this scheme, for example

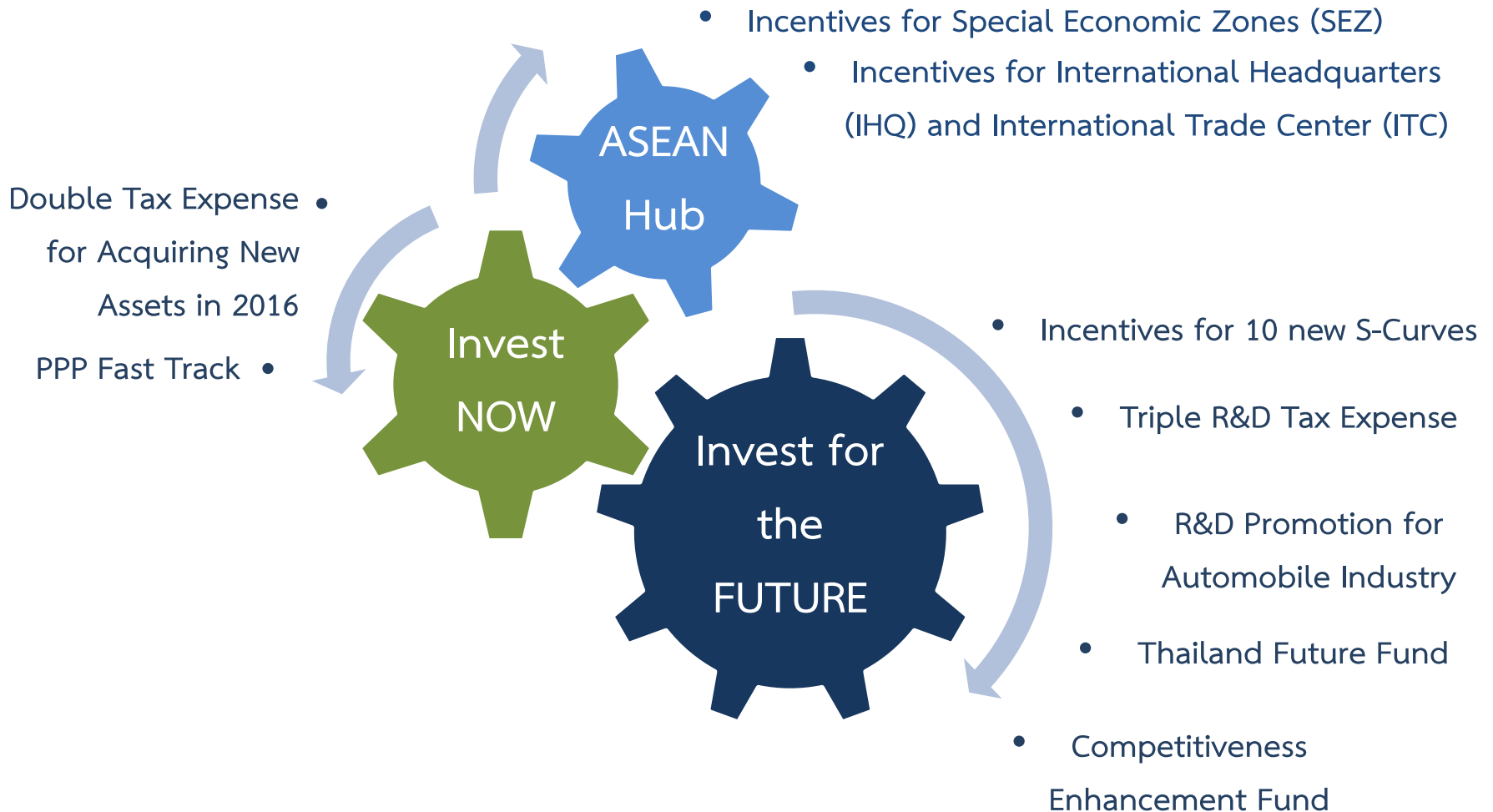
- Pink, Yellow, and Blue Rail line
- Motorway connecting Bangpain-Korat, and Bangyai-Kanchanaburi

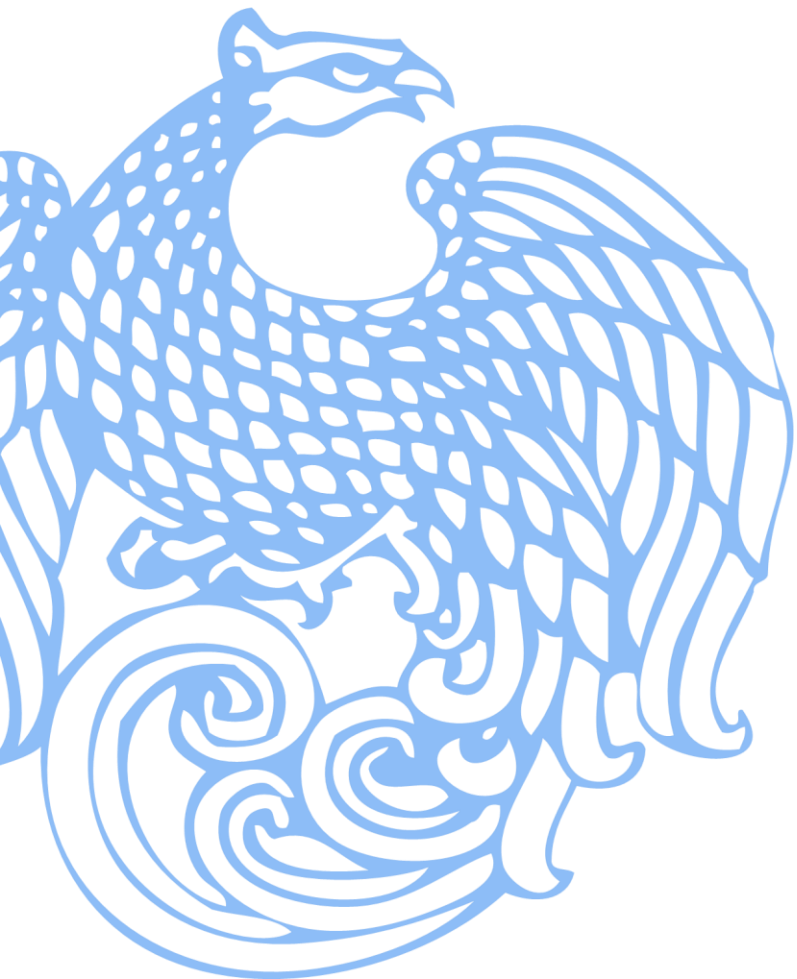
Investment Value worth 330 billion Baht



## 2. Economic Policies for Growth

### “Thailand Investment Year 2016”





Thank you