

APPENDIX A

Table A.1

Summary of Government's Incentives for Industrial Development 1958 - 1971

Government Agency	Act	Measures
The Board of Investment ¹	<ul style="list-style-type: none"> Act of the Promotion of Industries (1958) - Announcement of the Revolutionary Party No. 33 (1959) Act of the Investment Promotion 1960 	<ul style="list-style-type: none"> - Guarantees against state competition and nationalization - Providing income tax holidays for 2 - 5 years - Permission for promoted foreign investors to own land - Exemption from import duties on machinery & components - Exemption from or reduction of import duties on raw materials - Exemption from or reduction of export duties - Import bans and surcharges on competing imports

Table A.1

Summary of Government's Incentives for Industrial Development 1958 - 1971

(continued)

Government Agency	Act	Measures
The Board of Investment	Act of the Investment Promotion 1960	- Permission to remit foreign exchange abroad
		- Allowance for import-competing firms to bring in foreign technicians or experts
		- Income-tax holidays up to 5 years
		- Exemption from import duties and business tax on machinery purchases
		- The list of activities eligible for promotion was added
	Act of the Investment Promotion 1962 with amendments in 1965	- Industrial estates were added to the list of activities eligible for promotion

Table A.1

Summary of Government's Incentives for Industrial Development 1958 - 1971

(continued)

Government Agency	Act	Measures
The Bank of Thailand		<ul style="list-style-type: none"> - Short-term credit to industrial enterprises in the form of rediscounts for promissory notes through commercial banks to finance the purchase of raw materials (This facility was introduced in 1963) - This rediscount facility was expounded to finance sales of industrial production (from 1964 - 1969)
The Industrial Finance ² Corporation of Thailand (IFCT)		<ul style="list-style-type: none"> - Medicine and long term loans to industrial enterprises with a fixed interest rate of 1 - 2 percent lower than that of commercial banks

Table A.1

Summary of Government's Incentives for Industrial Development 1958 - 1971

(continued)

Government Agency	Act	Measures
The Small Industry Finance Office (SIFO)		<ul style="list-style-type: none"> - Low-interest medium and long term loans to small scale industrial firms with fixed assets or registered capital not more than 5 million baht (since 1964 onwards) - Providing machinery on hire purchase arrangements and offered credit guarantee service
The Ministry of Industry		<ul style="list-style-type: none"> - Primary activities involve extension and training

Source: Compiled from Atchaka Sibunruang, Industrial Development Policies in Thailand, A report prepared for the World Bank, 1986.

Notes. ¹The BOI's incentives were granted to promoted activities only. Industries were classified into Groups A, B, and C. Those group A were considered to be the most "vital and necessary" to the Thai Economy, including basic metals, chemicals etc.. Those are Group B were somewhat less "vital and necessary". They were simply the assembly stage of Group A industries. Group C included all other industries deemed worthy of promotion

²Projects eligible for IFCT loans were those which produced for export, saved energy or develop new source of energy, locate in the regions, involved transfers of appropriate technology and had environmental controls.

Table A.2

Summary of Government's Incentives to Promote Industrialization 1972-1987

Government Agency	Act/Year of enacting	Measures
<u>1. General Incentives</u>		
<u>for Investment</u>		
1.1 The Board of Investment	Investment Promotion Law (1972)	<ul style="list-style-type: none"> - Most of the non-tax incentives remained the same as of 1960s - Full exemption from import duties and business taxes on imported machinery - Income-tax holidays was changed from 5 years to 3-8 years - Tax exemptions or reductions on imported raw materials were granted only to export activities - Surcharges on competing imports at a rate not exceeding 50 percent of their c.i.f prices for a period of one year

Table A.2

Summary of Government's Incentives to Promote Industrialization 1972-1987

(continued)

Government Agency	Act/Year of enacting	Measures
The Board of Investment	Investment Promotion Law (1977)	<ul style="list-style-type: none"> - Special rights and benefits to firms engaged in exporting activities and those operating in the Investment Promotion Zones - Import duties and business taxes on machinery were changed from fully exempted to all promoted from 0 % to 100 % depending on the BOI's discretion - Import duty and business tax reductions on raw materials of up to 90% was granted on an annual basis (as compared to no exemptions in the previous law) excepting for exporting activities

Table A.2

Summary of Government's Incentives to Promote Industrialization 1972-1987
(continued)

Government Agency	Act/Year of enacting	Measures
2. <u>Financial Assistance</u>		
2.1	The Bank of Thailand (BOT)	- Short-term credit was provided to any industries based on an assessment of their contribution to economic development and their linkages with other industries.
2.2	IFCT	- The incentives were the same as the previous period - Since March 1983, IFCT has charged every project the same interest rate of 14.5% except for special loans e.g. buyer's credit lines, mixed financing lines and other credit lines mobilized for particular services.

Table A.2

Summary of Government's Incentives to Promote Industrialization 1972-1987
(continued)

Government Agency	Act/Year of enacting	Measures
2.2	IFCT	<ul style="list-style-type: none"> - Since April 1984, The IFCT has provided special loans for small-scale industries i.e. those with fixed assets less than 10 million baht with maturity period of 5 years - The IFCT's interest rate was reduced to 13.75% for loans approved after March 26, 1986. (the lending rate of commercial banks was 15% per annum)
3. <u>Export Promotion</u>		
3.1	BOI's incentives	<ul style="list-style-type: none"> - Exemption from both import duties and business taxes on imported raw materials and components - Exemption from both import duties and business taxes on re-exported items

Table A.2

Summary of Government's Incentives to Promote Industrialization 1972-1987

(continued)

Government Agency	Act/Year of enacting	Measures
3.1 BOI's incentives	Investment Promotion Act (1972)	<ul style="list-style-type: none"> - Exemption from business taxes for the producer or seller of domestic raw materials on supplies to promoted activities
	Investment Promotion Act (1977)	<ul style="list-style-type: none"> - Exemption from both export duties and business taxes on products or commodities exported - Permission to deduct from the profits on which corporate income tax is assessed an amount equal to 2% of any increase in income derived from export activities over the previous years, excluding costs of insurance and transportation - The deduction from the taxable corporate income was raised to 5%

Table A.2

Summary of Government's Incentives to Promote Industrialization 1972-1987

(continued)

Government Agency	Act/Year of enacting	Measures
3.1 BOI's incentives	The Announcement of the BOI No.1/1983	<ul style="list-style-type: none"> - Exemption from corporate income tax for another year the promoted projects which generates foreign earnings amounting to at least US\$ 500,000 annually during the first 3 years - Granting promotion privileges to international trading company to boost the development of the Thai trading company to become a complete export oriented Thai enterprise, including supply of data on export opportunities, to improve the quality of Thai products.

Table A.2

Summary of Government's Incentives to Promote Industrialization 1972-1987

(continued)

Government Agency	Act/Year of enacting	Measures
3.2 Import Duty and Tax Refund		
3.2.1 Customs Department	The National Executive Council Decree 329 (December, 1972)	<ul style="list-style-type: none"> - The exemption rate on imported raw materials 100% if the products were actually exported within a year after the raw materials are imported - Producers were allowed to use a bank guarantee for the total amount of taxes on material
3.2.2 Fiscal Policy (January 1972) Office		<ul style="list-style-type: none"> - Tax rebates with specific rates on imported inputs were provided to exporters. The refunding of taxes included excise taxes, municipal taxes business taxes, customs duties and other taxes and charges added in the costs of materials, equipment, spare parts, machinery, fuel and power.

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Summary of Government's Incentives to Promote Industrialization 1972-1987
(continued)

Government Agency	Act/Year of enacting	Measures
3.3 Bonded Factories & Export Processing Zones	1982	<ul style="list-style-type: none"> - The bonded factory system allows large firms engaged exclusively in manufacturing for export to completely bypass customs procedures for their imported inputs used for producing manufactured exports (1982) - Producers in Export Processing Zones have been provided the bypass customs procedures (1982)
3.4 Export Credit		<ul style="list-style-type: none"> - The rediscount facility with maturity period 90 days provided to export commodities.

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Summary of Government's Incentives to Promote Industrialization 1972-1987

(continued)

Government Agency	Act/Year of enacting	Measures
3.4.1 The Bank of Thailand	1983	<p>- The maturity period was extended to 180 days (The amount of rediscounted finance that is granted depends on the supporting documents provided by the exporter : exporters can obtain an amount equal to 40% of warehouse receipts; 70% against contracts or orders; 80% against letters of credit and 90% against bills of exchange. In 1978, the BOT started a scheme to help small exporters by providing them a special rediscount facility with a credit allowance up to 100% of the promissory notes with a maximum amount of credit of 500,000 baht).</p>

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Summary of Government's Incentives to Promote Industrialization 1972-1987

(continued)

Government Agency	Act/Year of enacting	Measures
3.5 Supporting Services to Exporters		
- The Department of Commercial Relations		<ul style="list-style-type: none"> - Providing information on potential markets and Identifying buyers, - Providing relevant training and helping exporters to deal with any problems encountered in the business of exporting
3.6 The Commercial Counselors		
		<ul style="list-style-type: none"> - Promoting Thai trade interests overseas by negotiating with government officials to solve commercial problems, facilitating inter-governmental contracts and preparing trade treaty negotiations

Table A.2

Summary of Government's Incentives to Promote Industrialization 1972-1987

(continued)

Government Agency	Act/Year of enacting	Measures
3.6 The Commercial Counselors		- Providing market information, answering trade queries, identifying export opportunities and helping to arrange trade missions and trade fairs
3.7 The Export Development Fund		- Arranging export promotion activities e.g. trade missions, fairs and negotiations
3.8 The Export Development Committee	development strategy	- Designing and implementing export

Source: Compiled from Atchaka Sibunruang, Industrial Development Policies in Thailand, A report prepared for the World Bank, 1986.