

Phuket Business Briefing on “Open for Business”

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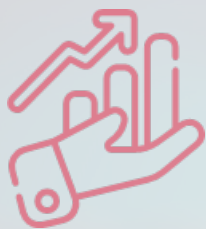


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ABOUT BDO

GLOBAL REVENUES

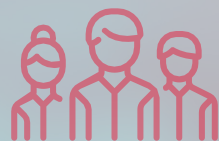
US\$ **10.3**
BILLION



+7.8%*

(at constant exchange rates)*

TOTAL HEADCOUNT



91,054

PEOPLE

+3.3%

GLOBAL FOOTPRINT



167

**COUNTRIES
& territories**

1,658

OFFICES



PERCENTAGE REVENUE BY REGION



12%

ASIA PACIFIC



35%

EMEA



53%

AMERICAS

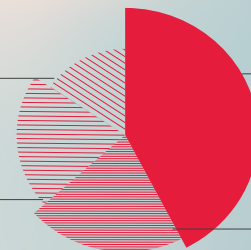
FEE SPLIT BY SERVICE LINE

15% BSO

21% ADVISORY

42% A&A

22% TAX



BDO RETHINK MODEL

RETHINK



1

Minimising the initial impact of the COVID-19 crisis on business operations.

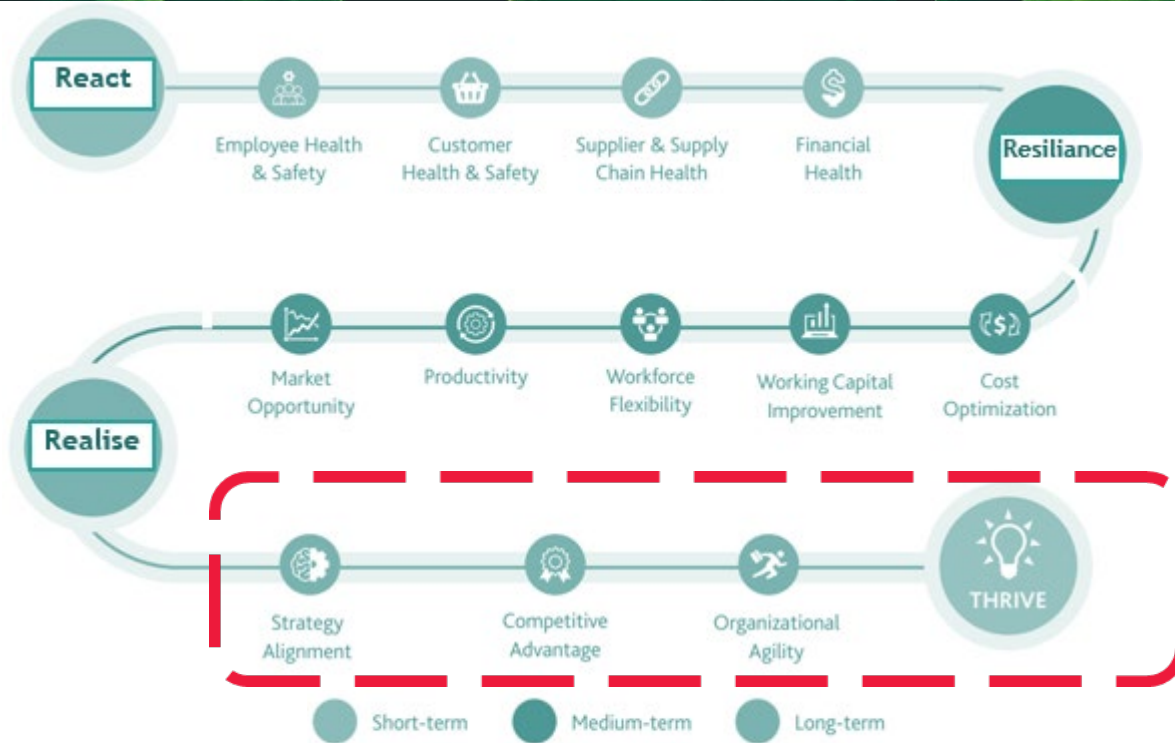
2

Maintaining business operations during 'lockdown' disruption by adapting to changing patterns.

3

Successfully adapting to new business models and ways of working needed to address essential and obligatory political, economic, socio-cultural, and technological changes.

WHERE ARE THE SUCCESSFUL BUSINESSES NOW??



THE NEW NORM - WHAT DOES IT MEAN FOR BUSINESS?

EMPLOYEE

- ▶ Balance between work from home and face to face
- ▶ No need to be located near the office (work from anywhere e.g. Phuket)
- ▶ Reduced international travel for meetings / conferences etc.

EMPLOYER

- ▶ Different business model
- ▶ Complete redesign of accommodation needs
- ▶ Change in compensation packages

WORKING FROM ANYWHERE

EMPLOYEE

- ▶ Personal income tax implications

EMPLOYER

- ▶ Corporate implications

Non-tax implications can be crucial:

- ▶ Regulatory
- ▶ Data Privacy
- ▶ Health & Safety
- ▶ Legal
- ▶ International health insurance
- ▶ Tax
- ▶ Payroll issues and Social security

THE FUTURE OF WORK IN THAILAND

10-year long term resident (LTR) visa (DRAFT):

- ▶ Long-Term Resident visa (LTR visa) for 10 years, including spouses and children.
- ▶ 90-day report is not required.
- ▶ Obtain a work permit after LTR approval/Allow to work without work permit for certain activities with limited of hours/week
- ▶ Personal income tax on income in Thailand at the same progressive tax rates as Thai nationals.
- ▶ Income tax exemption for income from abroad
- ▶ Right to own/lease long-term real estate, including land, subject to review every five years

THE FUTURE OF WORK IN THAILAND

The four groups that can apply for a 10-year LTR visa include (DRAFT):

- ▶ Wealthy global citizen - Income of at least \$80,000 over the past two years, assets of at least \$1 million, and invest at least \$500,000 in Thai government bond/Foreign direct investment (FDI)/real estate investment.
- ▶ Wealthy pensioner - 50 years old and above with a pension of at least \$40,000 over the past two years and invest at least \$250,000 in Thai government bond/FDI/ real estate investment or 50 years old and above with a pension of at least \$80,000 if no investment.
- ▶ Work from Thailand professional - Foreign workers with employers outside of Thailand, more than five years of working experience and making at least \$80,000 over the past two years or \$40,000 per year for certain cases.
- ▶ High-skilled professional - Working in targeted industries, such as infrastructure buildings, logistical and digital systems and making at least \$80,000 over the past two years or \$40,000 per year in certain cases.

WHERE WERE WE?

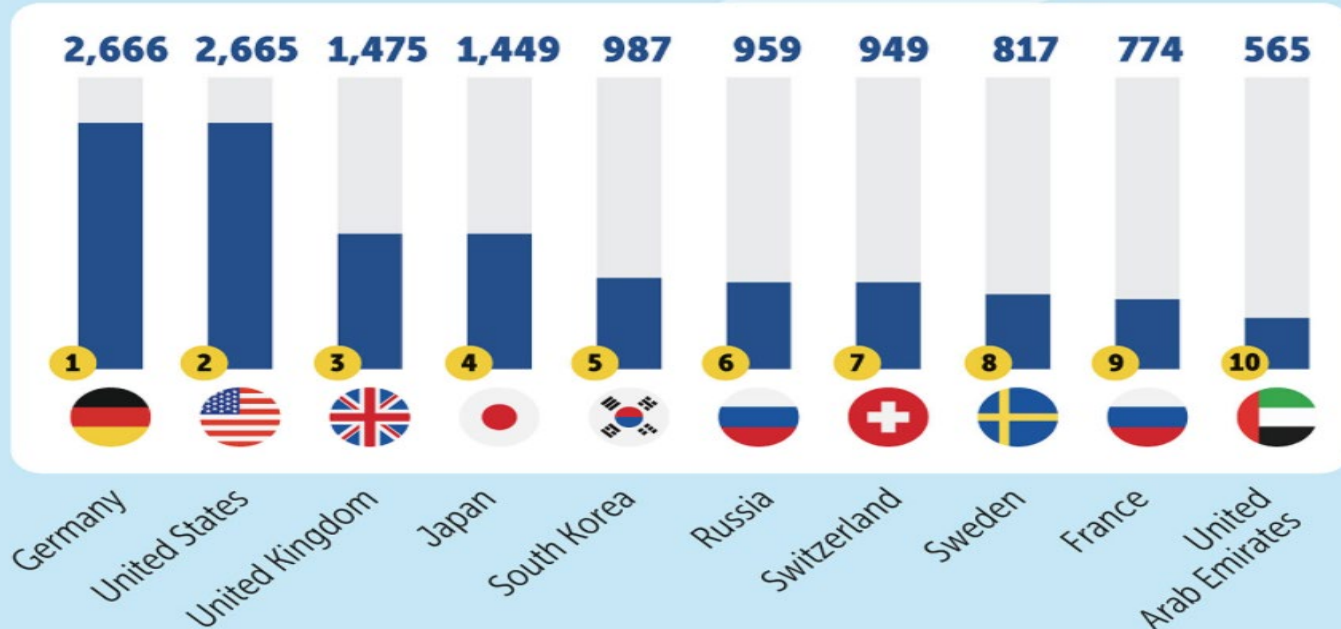
- ▶ Tourism previously accounted for 12% of the countries GDP
- ▶ Approximate ratio of 15:85 local tourists to foreign tourist in Phuket
- ▶ 43,000 daily arrivals in to Phuket
- ▶ Tourism in Phuket drives 90% of the economy
- ▶ Chinese tourists represented 25%-30% of tourists on Laguna resorts

Select Countries / Regions	Arrivals in December 2019	Where are we now?
ASEAN	1,111,305	Travel opening up
China	851,385	Aiming for zero infections, hard quarantine on return
Europe	873,550	Travel opening up
South Asia	233,281	Travel opening up
Russia	222,564	Still in lockdown and restrictions
USA	131,047	Travel opening up

WHERE ARE WE NOW?

NATIONAL LEAGUE TABLE

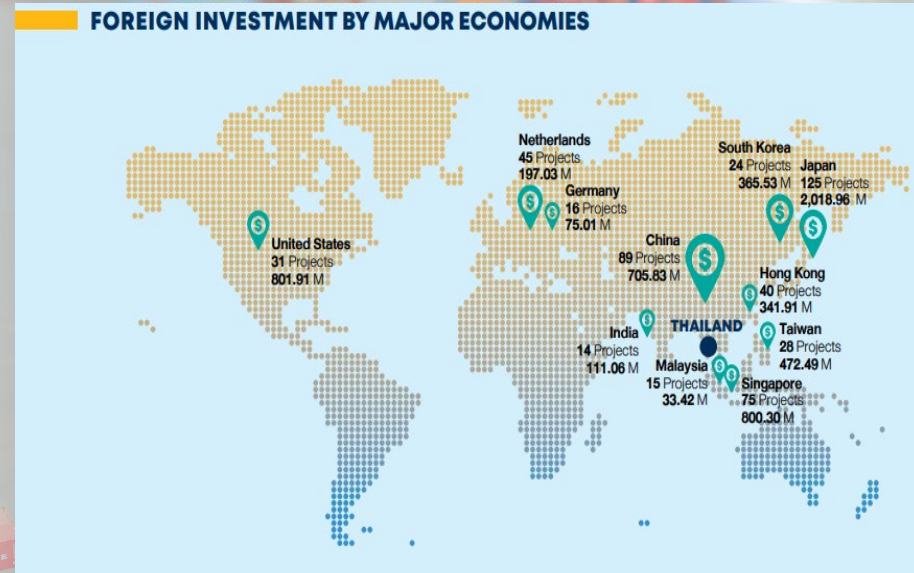
The top 10 countries from where most visitors to Thailand came between Nov 1 and 7 following reopening



NEW FOREIGN DIRECT INVESTMENT YEAR TO DATE



Source: Board of Investment review to 30/09/2021



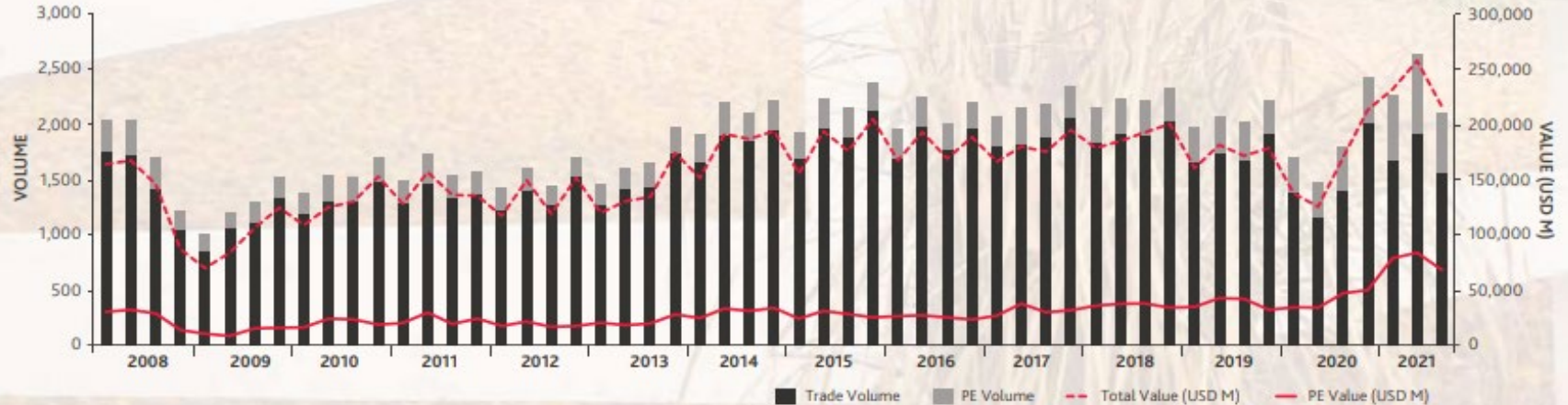
WHAT DOES THIS MEAN FOR PHUKET?

- ▶ Increased M&A activity in the tourist industry to either dispose of surplus assets or take advantage of market conditions
- ▶ Different type of tourist requires different style accommodation (Longer stay versus bus tours)
- ▶ Needs to be a shift in marketing messages (health and safety focus)
- ▶ In short term shift in arrivals by Country



M&A ACTIVITY ON THE RISE DRIVEN BY PE's

GLOBAL MID-MARKET M&A



BDO GLOBAL CORPORATE FINANCE

1,546 COMPLETED DEALS IN 2020
 WITH A TOTAL DEAL VALUE OF **\$83.5bn**

32% PRIVATE EQUITY DEAL INVOLVEMENT
23% OF OUR DEALS ARE CROSS BORDER

ONE OF THE MOST ACTIVE ADVISERS GLOBALLY*
2,500 CORPORATE FINANCE PROFESSIONALS
120 COUNTRIES PROVIDING DEDICATED CORPORATE FINANCE SERVICES

*1st most active M&A Advisor Globally – Pitchbook league tables 2020

1st most active Advisor & Accountant Globally 2020 – Pitchbook league tables 2020

2nd leading Financial Due Diligence provider Globally – Mergermarket global accountant league tables 2020

THE FUTURE



MAIN DRIVERS IN SELLING A BUSINESS



▶ Management



▶ Nonrecurring expenditure



▶ Profitability



▶ Forecasts



▶ Working capital



▶ Capital expenditure



▶ Legal

Board of Investment

▶ Board of Investment

BOI is the most preferred route for foreign ownership, provided within the promotable business activities.

It must be a new project plan with new investment.

Incentives

- ▶ Majority foreign ownership
- ▶ Ability to hire expatriate employees without the 4:1 ratio requirement
- ▶ Permission to own land for use in the BOI business.
- ▶ Hotel has not less than 100 rooms, a minimum investment per room must be at least than 2 million Baht. Alternatively, if the hotel has less than 100 rooms, a minimum investment is THB 500 million (excluding land cost and working capital).

STRUCTURING & TP CONSIDERATIONS

► Repatriation of funds

Dividend payment is the most common way of repatriating funds to offshore shareholders but may not always be the most tax efficient mode.

- Dividend payment can only be done if the company is in a profitable position.
- The effective tax on dividend may be more costly than the other mode of repatriation of funds.

Royalty payments are not too common because of the complexity around transfer pricing. However, it may be tax efficient in certain situations.

- Need to be done at arm's length (transfer pricing).
- Proper substantiation (benefit, necessity, etc.) and agreement must be maintained.

Service payments are generally not subject to withholding taxes

- Substance is key.
- Need to be at arm's length (transfer pricing).
- Proper substantiation and agreement must be maintained.

Tax Refund in Thailand

Challenges for tax refund applications

- ▶ How to pass a rigorous tax audit on all types of taxes.
- ▶ Appropriate tax or VAT invoicing. The minimum requirements or contents of a valid tax/VAT invoice must be met. The taxpayer will be unable to claim input tax from an invalid VAT invoice.
- ▶ Various reconciliations to identify the reason for any discrepancy. Otherwise, a tax assessment will be made on unexplained discrepancy.
- ▶ Withholding tax certificate: Original and complete certificates must be kept and made available for inspection by the RD officer.
- ▶ Transfer pricing documentation: Companies with related party transactions must have a transfer pricing documentation in place.
- ▶ Management fees: Payment of services availed from related parties (especially management services) must adhere to the conditions provided under TP regulations.

DISCUSSION ON TAX LOSS CARRY FORWARD

► Loss carry forward (in process)

In June 2021, a discussion on extending the use of the tax loss carry forward (from the current 5-year period to 10 years) for businesses in the tourism industry was commenced by the Tourist Partner Association. The aim of which is to suggest remedial measures and revitalize the tourism industry.



ADDITIONAL DEDUCTION ANTIGEN TEST KITS (ATKs)

- ▶ On 14 September 2021, the Cabinet approved a DRAFT Royal Decree to support companies in procurement of COVID-19 antigen test kits.
- ▶ Payment period: From 14 September 2021 to 31 March 2022.
- ▶ Additional deduction of 50% of expenses (1.5 times).

