Electronics SMEs Industry Notes

By Nussara Meesen

1. Definition of Electronics SMEs

The term "small and medium enterprises" in Thailand are referred to businesses that are commercially registered and have a certain number of employment and asset size as determined by the Promotion of Small and Medium Enterprises Act B.E. 2543 (2000). The electronics sector falls under the production-type enterprises which are classified as those with less than 50 and 200 employees, and the asset values of less than 50 and 200 million Baht.

Type	**Employment** (persons)		**Total Asset Value** excluding land asset (million Baht)	
	Small	Medium	Small	Medium
Production	< = 50	51-200	< = 50	51-200
Service	< = 50	51-200	< = 50	51-200
Retail	< = 15	16-30	< = 30	31-60
Wholesale	< = 25	26-50	< = 50	51-100

According to a recent research done by the Policies and Strategic Plan Bureau under the Office of Small and Medium Enterprises Promotion (OSMEP), the existing classifications of SMEs in Thailand are not relevant to the SMEs business structures in real situation, which subsequently may cause some small enterprises unable to outreach to the government's supportive measures. It proposed that SMEs term be re-defined, for example, using annual income as parameters in stead of employment or total asset values, and segregating production sector from and service sector by providing some specific criteria.[1]

SMEs have played a very important role in Thailand's economic development, generating both employment and income. In 2011, there are about 2.6 million enterprises, 99.76% of them are SMEs. The employment of SMEs sector accounts for 78% of the total employment, and accounts for 36.6% of the country's Growth Domestic Product (GDP), at the value of US$128 billion (or 3,859,587.6 million Baht) [2]

2. Electronics SMEs Government Regulatory Body

There are two main state agencies dealing with SMEs in electronics sector. One is the OSMEP which is responsible for providing policy and plan for SME promotion. It plays a central role in coordinating with other public agencies and state enterprises engaging with the SMEs, and serves as SMEs national database which disseminates relevant information to entrepreneurs. The other agency is the Electrical and Electronics Institute (EEI), an industrial specific body responsible for developing and promoting the electrical and electronics industry. It is to enhance the industry's capacity in the areas of production, export, and research and development for the industry's competitiveness in international trade.[3] Both supporting units are under the auspices of the Ministry of Industry.

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[1] Office of Small and Medium Enterprises Promotion, *The Report of SMEs Situations in 2011 and 2012,* Chapter 9 Laws and Regulations that Have Impact on SMEs, available at: http://www.sme.go.th/Lists/EditorInput/DispF.aspx?List=15dca7fb%2Dbf2e%2D464e%2D97e5%2D440321040570&ID=1865 (accessed on 30 November 2012)

[2] Office of Small and Medium Enterprises Promotion, Executive summary and Chapter 4, Number of Enterprises and Employment, cited.

[3] See Office of Small and Medium Enterprises Promotion, available at http://www.sme.go.th
And The Electrical and Electronics Institute, available at http://www.thaieei.com

In terms of regulatory body, all manufacturing industries including electronics small and medium enterprises are subject to supervision and inspection of Department of Industrial Works, Ministry of Industry. The Department is responsible for ensuring a factory business and its manufacturing process involiving with hazardous materials, safety and environment issues are in compliance with relevant laws and international regulations. [4]

3. Electronics SMEs Policy Framework

There is no specific policy for SMEs in the electronics sectors, but two relevant national master plans are overlapped in the promotion of SMEs and the electronics industry sector. They are;

3.1 The 3rd SME Promotion Plan (2012-2016)[5]. It serves as policy framework and master plan for OSMEP to enhance the sustainable growth and competitiveness of Thai SMEs in the global context. The plan's objectives are;

- To increase the number of commercially registered business of not less than 250,000 small and medium enterprises
- To enhance in-depth competitiveness competency of not less than 3,000 enterprises in selected groups by 2016
- To revise relevant rules and regulations to facilitate the SME operations and reduce obstacle where possible.

The electronic sector, as part of the technology and innovation industry, is one of five industries that is selected under the plan to receive the government's support. Other target industries are agriculture and agricultural processing, creative economy industry, retail and wholesale, and tourism and service industry.

3.2 The National Industrial Development Master Plan (2012-2031). Issued by the Ministry of Industry, the 20-year National Industrial Development Plan is a long-term policy framework for development of key industries by focusing on value creation, productivity with the synergy of innovation, knowledge and technology. Its priorities include upgrading and creating the sustainable entrepreneurs, upgrading human resources, and enhancing relevant rules and regulations. The electronics industry was selected among seven other industries to be developed under the plan. The government's specific measures to develop the electronics industry included[6];

- *Provide skilled labour force to the industry*: Develop skilled resources in accordance with the industry's need, enhance development of labour in the informal educational sector
- *Improve production efficiency*: Upgrade the manufacturing system from labour intensive to semi-automation industry, develop more precision manufacturing platform, push for the knowledge and technology transfer from multinational companies with the production base in Thailand

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[4] See Department of Industrial Works, available at http://oaep.diw.go.th/diw/

[5] Office of Small and Medium Enterprises Promotion, *The 3rd SME Promotion Plan (2012-2016),* available at http://www.sme.go.th/SiteCollectionDocuments/แผนการส่งเสริมวิสาหกิจขนาดกลางและขนาดย่อม%20ฉบับที่%203/OSMEP%20MasterPlan3.pdf (Thai language)

[6] The office of Industrial Economics, Ministry of Industry, *National Industrial Development Master Plan 2012-2030,* page 40-44 kor, available at http://www.oie.go.th/sites/default/files/attachments/industry_plan/National_Industrial_Development_Master_Plan.pdf

- *Upgrade the SME entrepreneurs*: Improve manufacturing and quality to meet with production standards, support the investment in the upstream electronics manufacturing by creating long-term tax incentives
- *Strengthen the supply chain*: Upgrade the SME entrepreneurs to improve manufacturing and quality to meet with production standards, enhance the investment in the upstream manufacturing by creating long-term tax incentives
- *Supporting structures*: Establish a design center, enhance development in material technology, enhance modern but low-cost prototype-related tools, as well as improve and relax some regulations.

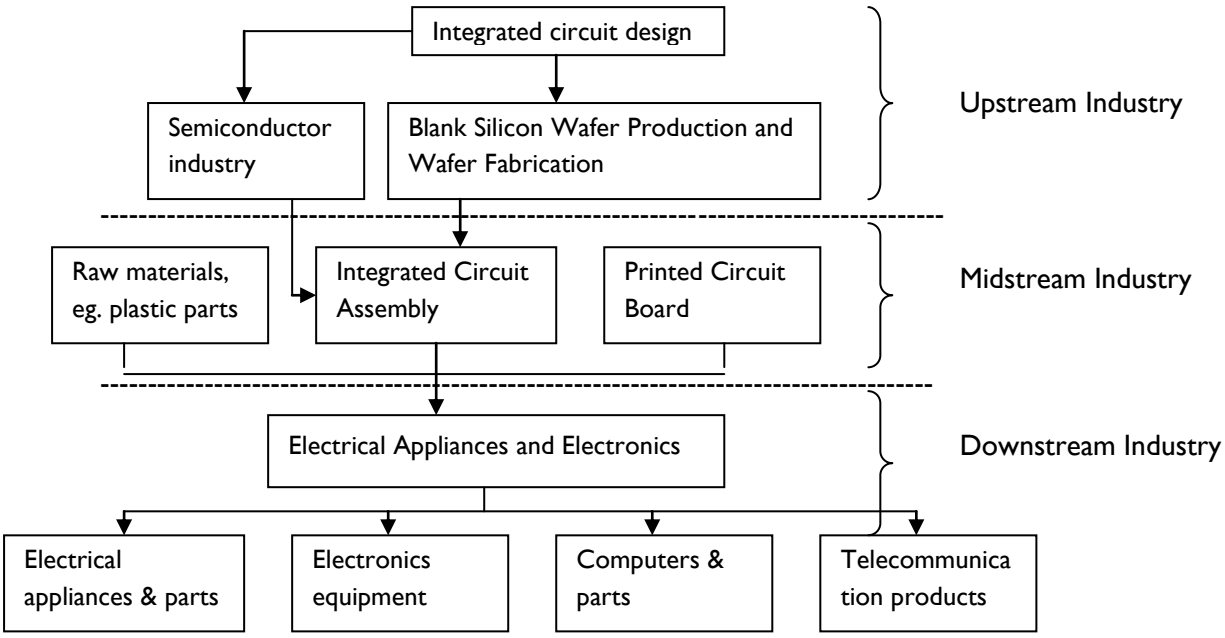
4. Electronics SME Laws and Regulations

The small and medium enterprises are subject to the Small and Medium Enterprises Promotion Act B.E.2543 (2000), which aims at promoting the development and benefits of enterprises in production, services and trading both retails and wholesale sectors. The law is in charge by the National Committee on SME Promotion chaired by the Prime Minister. Concerned persons and agencies are to obey the commanding issued by the Committee, otherwise they are subject to be fined of 10,000 Baht. Under the law, the SMEs are entitled to the SME Promotion Fund. But their entitlement can be withdrawn if a fraud has been found.

5. Electronics SME Industry Status

The electronics industry in Thailand has always been referred together with the electrical appliances, called the electrical and electronics (E&E) industry. The industry note will focus the electronics industry only, but to a certain extent, some relevant information on both electronics and electrical industry sector are presented together.

The electronics industry's supply chain involves process of upstream, midstream, and downstream manufacturing. There is a variety of electronics products, but the supply chain of electronics industry can be generally prescribed in a diagram below;



Source: The Report of SMEs' Economics Conditions in Electrical and Electronics sector
Available: http://www.sme.go.th/Pages/home.aspx#page=page-act

Thailand has long been serving as production base for electronics midstream manufacturing (components & modules). A semi-finishing factory may import raw materials

and parts for component manufacturing, and subsequently supply them for finished-product assembly at a larger factory which is located within the country or abroad, eg, China, Japan, Europe and USA.[7] Since the electronics industry requires a high cost of investment and high technology, most of the major players in this industry in Thailand are foreign or joint-venture companies.

5.1 Infrastructure

A majority of electrical and electronics enterprises are located in the central part of Thailand, followed by the eastern, northeastern, northern and southern parts of Thailand respectively.[8] The central provinces , particularly Nakorn Ratchasima, Lopburi, Prachinburi, Ayuthaya, Saraburi, Petchaburi, Samutsakorn and Ratchaburi, as well as Laemchabang Industrial Complex in Chonburi, and Rayong in the eastern part are preferable locations because they are close to Bangkok (2-3 hours in driving) and not far from the international seaport. Lamphun province of the north is also convenient for air-shipment.[9]

In addition, a number of industrial estate areas all over the country can be rented, leased or sold according to the Industrial Estate Authority Act B.E.2522 (1979). Some industrial estates are export-processing zones (EPZ) that have with investment promotion schemes issued by the Thailand Board of Investment. The schemes include[10];

- Zone-based tax incentives. They are: 1. corporate income tax holiday between 5 to 8 years depending on industrial zone. 2. Reduction or exemptions of excise tax on machinery, tool and equipment and parts necessary for manufacturing or building installations, depending upon zone
- Non-tax incentives. They are: 1. Land ownership rights for foreign investors, 2. Permission to bring in foreign experts and technicians, and 3. one-stop economical service at the EPZs for production, trading and servicing businesses.

5.2 Offshore attractiveness factors

At present, leading electronics multinational companies, particularly hard disk drive manufacturers have relocated their manufacturing bases from developed countries to Southeast Asia, particularly Singapore, Thailand, and Malaysia. China is also included. As for Thailand, the driving forces that draw foreign investment to the country are;

- Competitive workforce: There is skilled, diligent, reliable and well-educated workforce with more than a hundred thousand of engineers. This could save operational cost on employment
- Strong supporting electronics industry in place, eg, precision industry.
- Multinational companies can make use the maximum working hours between 60 and 84 hours per week as permitted by the Labour Protection Act.
- In comparison with developed countries where trade unions are active, worker representation system in Thailand is not strong. There are only 1,371 registered labour unions, accounting less than one percent of a total of 400,000 private companies nation-wide.[11]

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[7] ASEAN-SMEs Regional Gateway, 'The structure of Thailand's electrical and electronics industry', http://smeasean3.bizidea.co.th/industry-02-02.php

[8] Electrical and Electronics Institute, 'Structure of Thailand's E&E Industry,' May 2012, http://eeiu.thaieei.com/SiteAssets/Pages/viewpage5/Thailand_and_Industry.pdf

[9] Preechametta, Araya, PhD, "Quality Ladder, Industry Churning, and Provincial Growh: Evidence for Thailand", July 2011, page 8-11, Faculty of Economics, Thammasat University, Thailand.

[10] For more information, go to Board of Investment, http://www.boi.go.th/

[11] Department of Labour Protection and Welfare, 2013. Number of labour organization in the whole Kingdom, as of January 2013. Available at: http://relation.labour.go.th/attachments/category/69/number%20of%20labour%20organization%2001_2013.pdf, and Social Security Office. Number of enterprises 2003-2013. Available at: http://www.sso.go.th/sites/default/files/R_D122012/statisticsmid2_en.html (accessed on 22 March 2013)

5.3 Tax and regulatory incentives

The electronics SMEs sector is not entitled to any specific tax incentives. But all manufacturers in the electrical appliance and electronics sector, including the SME ones, are able to apply for exemptions of import duties on raw materials, supplies and equipments for their respective manufacturing. There are 48 items on top of old items, which include but are not limited to[12];

- The electrical appliances: washing machine, refrigerator, rice cooker, iron, microwave ovens, vacuum machine, hair dryer, kettle, toaster, evaporative air-cooling machine, etc
- The electronics machines/equipments: television, radio, CD/DVD machine, tape recorder, hard disk driver printer, multifunctional printer, digital camera, video camera recorders, etc.
- Components and subcomponents: motor, compressor, integrated circuit, air-conditioning components, etc.

5.4 Size of the electronics sector and the SME as a sub-sector

According to the Electrical and Electronics Institute, there are a total number of 2,017 factories in electrical and electronics industry, 783 of which are in the electronics sector. Out of this, 80.5% or 630 manufacturers are small and medium enterprises. The small enterprises account the most (441 factories) as they supply parts and components to medium and larger enterprises for assembly.

The industry employs 571,943 workforce, 36.5 percent of them or 208,983 persons are concentrated in small and medium enterprises. The employment of SMEs in electrical and electronics industry accounts for 1.9% of the employment in SMEs sector, or 1.6% of the total employment.[13]

Electrical and electronics enterprises according to sizes (October 2011)

(unit: enterprises / employees)

Type of specific industry	Total	Small	Medium	Large
Electrical	807 (198,415)	558 (42,830)	149 (43,516)	100 (198,415)
Electronics	783 (336,951)	441 (38,315)	189 (61,488)	153 (237,148)
Trader	154 (5,562)	138 (3,710)	11 (1,122)	5 (730)
Supporting Service	42 (1,219)	39 (1,126)	2 (72)	1 (21)
Non-Specify	165 (26,639)	104 (8,509)	31 (5,848)	30 (12,282)
Software Computer	83 (3,157)	74 (2,197)	5 (210)	4 (710)
Total	2,034 (571,943)	1,354 (96,687)	387 (112,296)	293 (362,960)

Source: Electrical and Electronics Institute, 'Structure of Thailand's E&E Industry
Available: http://eeiu.thaieei.com/SiteAssets/Pages/viewpage5/Thailand_and_Industry.pdf

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[12] The Announcement, dated 27 April 2012, was issued by the Finance Ministry, which was in accordance with the Decree on the Integrated Tariff Database A.D. 2530 (1987). Available at: http://www.thaieei.com/neweei/Industrial_Clustering_Service_Center.php (in Thai) (accessed on 12 March 2013)

[13] Electrical and Electronics Institute, cited, and Office of Small and Medium Enterprises Promotion, *The Report of the SMEs situation 2011-2012',* Chapter 4: Number of Enterprises and Employment , cited.

5.5 Penetration and access

With the ongoing removal of tariffs, the 10 member states of ASEAN collectively represent a key destination for Thailand's exports to the region, which offers nearly 600 million consumers. In the massive single market called the ASEAN Economic Community (AEC) by the year 2015, materials access and market penetration will be completely wide open for electronics manufacturers. Moreover, Thailand's free trade agreements with many countries such as Australia, New Zealand, India and Japan will also enhance its regional market access.

6. Performance of Electronics Sector and SMEs in Electronics Sector

6.1 Historical share of industrial output

The electrical and electronics industry has played a significant role for the country's trade and investment for more than 30 years. The starting point dated back to the 1960s when the Thai government began to promote the industrial manufacturing for import substitute, subsequently followed by export promotion policies in the 1970s to generate the country's national income. This gave rise of the electrical and electronics industry, which has been ranking the country's top ten export products since the 1980s.[14]

In 2011, the electrical and electronics industry contributed almost 23% of Thailand's annual revenues, generating US$ 53.10 billion, and employed half of million people. The electronics industry alone earned US$33 billion in export.[15]

6.2 Industry's Growth and Market Size

6.2.1 Export growth and growth cycle stage

The electronics industry has been experiencing quite strong and steady growth in the past five years. The export values grew 20% from US$26.4 in 2006 to US$33 in 2010. But the export dropped in 2011 due to the massive flooding, which affected seven industrial complexes where many electronics factories are located. This caused slower capacity rehabilitation and lower utilization which subsequently resulted in manufacturing decrease for 25% in the first nine months of 2012 (January-September). Nevertheless, the electronics industry has been forecasted to recover and surge ahead to the total value of US$ 32.18 billion in exports, according to the Electrical and Electronics Institute. It sees 3.8% growth in the electronics sector in 2012. [16]

Nevertheless, the country's sustained rise in electronics production and exports has been accompanied by an increase of electronics imports, primarily semiconductors, discrete components and electronics subcomponents. The total value of electronics imported into Thailand in 2011 was approximately US$ 25.3 billion.

	Export Values (US$ billion)						Import Values (US$ billion)					
Products	2006	2007	2008	2009	2010	2011	2006	2007	2008	2009	2010	2011
Electrical	14.86	16.33	17.76	15.65	20.27	22.11	11.20	12.61	14.54	12.72	16.47	18.04
Electronics	26.47	29.61	29.25	26.82	33.04	30.96	20.17	21.79	21.53	19.14	24.57	25.37
Total	41.33	45.94	47.01	42.47	53.31	53.07	31.37	34.40	36.07	31.86	41.04	43.41

Source: Electrical and Electronics Institute, 'Industry profile',

[14] Sukhothai Thammathirat Open University, "The Study of the Effect of Industrial Promotion Policy on Thai Electronic Industrial Development' (B.E 2554), http://www.stou.ac.th/offices/ord//pac/file/hum&soc10.pdf

[15] Electrical and Electronics Institute, 'Industry Profile', http://eeiu.thaieei.com/SiteCollectionDocuments/201204 Electrical%20and%20Electronics%20Industry%20Profiles.pdf

[16] Electrical and Electronics Institute, 'Electrical and Electronics Situations, November 2012 ', cited.

Available: http://eeiu.thaieei.com/SiteCollectionDocuments/201204-Electrical%20and%20Electronics%20Industry%20Profiles.pdf

6.2.2 Export markets

In 2011, Thailand's major electronics export markets are ASEAN (16%), mainland China (18%), the EU (14%), the United States (14%), Japan (8%) and others (30%). In 2012, the proportion has been decreased 5-13% depending on the region, except the US market which sees 17.2% growth compared to 2011. This stems from an increasing demand of supplies after the market had been recoiled for several years, the Electrical and Electronics Institute says.

Thailand is ranked as the 13th for the world' exporting value in electronics and electrical market, following France and Malaysia. Thailand's electronics export approximately accounts for 1.9% of the total global electronics export values.[17]

6.2.3 Export products

In 2011, Thailand's main electronics exports were hard disk drives (HDD), integrated circuits (ICs), which accounted for approximately 60% and 29% of the total electronics exports, respectively. The rest are transistors, semiconductors, radio frequency identification (RFID), and wireless devices.

6.3 Competitive rivalry

The main rivalry in the electronics industry, particularly the manufacturing of computer parts, is Singapore, Malaysia, Vietnam, and China.[18]

Singapore: The country has high-skill workforce in design and computer chip manufacturing, and has expertise is in research and development and high skill production.

Malaysia: In 2011, Malaysia was ranked 11th for the world' exporting value in electronics and electrical market, above France and Thailand. Malaysia has upgraded its electronics industry from the low-cost labour intensive to be high-skill labour industry, and has more focused on research and development and design and development.

Vietnam: The country has gained more attention from multinational companies for establishing electrical manufacturing base in the country. The Vietnamese government has promoted attractive foreign investment promotion's scheme. The country also has cheaper labour cost comparing to Thailand.

China: A major rivalry non-ASEAN country. Although China is one of the major export markets for Thailand's electronics industry, the country offers a mix of skilled and cheaper labour cost with strong local suppliers and infrastructure to be manufacturing base. China has been considered as an influential rival in the electronics industry since it joined the World Trade Organization in 2001.

7. **Challenges in the Electronics Industry.**

There are both strength and weakness for the electronics industry in Thailand. The country has long been an established production base of foreign investment in the electronics industry, with an expertise in precision manufacturing. It is enhanced by strong supporting industries with skilled, diligent, reliable and well-educated workforce.[19] The majority of players, however, are multinational companies or branches of MNC while there are a few numbers of Thai entrepreneurs. This causes lacks of proactive research and

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[17] Board of Investment, Thailand Investment Review, Vol 22, No8, August 2012. 'Expertise, New Investment Keep Thai E&E Industry at the Top'. http://www.boi.go.th/tir/issue_content.php?issueid=92;page=42

[18] ASEAN-SMEs Regional Gateway, 'Thailand's Rivalry in the ASEAN Market,' http://smeasean3.bizidea.co.th/industry-01-06.php

[19] BoI, cited.

development to enhance local SMEs entrepreneurs. Confidence-building and infrastructure improvement in light of the late 2011 massive flooding, as well as the rise in minimum wage base of 300 Baht/day nation-wide effectively in 2013 are also factors of concerns. These pose challenges in the Electronics industry as follows[20];

7.1 Opportunities:

a. ASEAN's free trade agreement and ASEAN Economic Community in 2015: The ten member countries are to drop trade tariffs among them to zero and liberalize investment sectors. This offers the free flow of goods, services, capital and skilled people across the region, seeking trade alliances, and 600 million consumers.

b. There is an increasing number of exemptions of import duties on raw materials, supplies and equipments for electronics manufacturing in Thailand.

c. Further development of upstream industry will enhance a development of product design

d. To secure more investment in high-technology and precision manufacturing, and to possibly expand main production line from hard disk drive to nano-technology products

e. Manufacturing process will be developed into semi-automation, which will enhance faster and more flexible production.

7.2 Constraints:

a. An increase of competitive market in ASEAN: Other ASEAN countries may offer more competitive tax incentives to attract foreign investment. Conglomerate companies that mostly are buyers, have more bargaining power.

b. SMEs will be mostly affected by an increase of minimum wages. They may be unable to adjust with higher cost, whereas the prices of products are hardly moved up.

c. Rapid change in technology may cause short-term product life-cycle. Local manufacturers have to adjust themselves with this trend.

d. Lack of workforce at the undergraduate, vocational as well as operational levels, including those in product designs and development

e. Lack of proactive marketing abroad, and lack of building Thai branding

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20 Compiled from Electrical and Electronics Institute, Report of the E&E Situation, November 2012, http://eeiu.thaieei.com/Lists/IUHighlight/Attachments/277/รายงานสถานการณ์ฯเดือนพฤศจิกายน2555.pdf, Ministry of Industry, 'The National Industrial Development Master Plan 2012-2031,' http://www.oie.go.th/sites/default/files/attachments/industry_plan/National_Industrial_Development_Master_Plan.pdf. Department of Trade Negotiations, Ministry of Commerce 'Summary Report of the Workshop on Upgrading Thai Enterpreneurs' Capability and Government's Support,' 5 June 2012

f. Lack of knowledge, design and capital, so electronics part manufacturers are unable to meet with the demands of downstream industry.

8. Future Direction of Electronics Sector and SMEs sub-sector

The Thai government deemed the value creation in the electronics industry very important. Under the National Industrial Development Master Plan 2012-2030, the government agreed to promote the related development in the manufacturing of hard disk drives which are the country's top electronics products in export. It would also promote the Electronics Manufacturing Service (EMS). This is to prepare electronics as a "new wave products" industry in the future, and upgrade Thailand to be a leader in this industry in ASEAN, according to the Thai government's vision towards this industry. [21]

The vision underlined the important issues found in the Electrical and Electronics Institute's 2007 preliminary study on the feasibility of value creation in Thailand's electronics industry. The study pointed out that the industry lacked particularly IC design, wafer fabrication design and production, and marketing. Moreover, Thailand had no wafer fabrication for commercial domestic market, unlike Singapore and Malaysia where there were wafer fabrication manufacturing, both from foreign investment and public investment. No research and product design development has been cultivated that much in Thailand. This mainly stems from the fact that most of Thailand's SMEs in electronic sector are subcontracting manufacturers or suppliers to foreign or joint venture companies where research is conducted abroad. This indicated that Thailand's electronics industry is still a low-value added industry and needs a push on upgrading towards value creation.[22]

9. SME Tax and Regulatory Incentives and Finance Facilities

Generally, the SMEs are entitled to basic incentives scheme as follows;

9.1 Exemption and Reduction of Corporate Income Tax

SMEs with the registered capital of not more than 5 million Baht are entitled to exemption and Reduction of Corporate Income Tax as follows;

1-300,000 Baht of net profit	tax exemption
300,000-1,000,000 Baht of net profit	15% rate
1,000,001 Baht up of net profit	20% rate

9.2 Financial Facilities

There are several capacity building programs designed to motivate and develop SME capabilities in many areas[23]. They are;

9.2.1 Capacity Building Funds. There are several funds with different objectives managed by OSMEP. For example,

- Grant support for business development in areas of intellectual property, marketing opportunities and managerial and business solutions

- Consultancy Fund. It is to engage consultants for advice on both business development and problems-solving for SMEs.

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[21] The Ministry of Industry, "National Industrial Development Master Plan 2012-2030" page 40 kor. http://www.oie.go.th/academic/node/536

[22] The Electrical and Electronics Institute, " The Feasibility Study of the Value Creation in the Electronics Study for the Forward and Backward Linkages," May 2007, P.1-2

[23] For more information, please take a look at OSMEP, Capacity Building Fund, available at: http://eng.sme.go.th/Lists/EditorInput/DispF.aspx?List=15dca7fb%2Dbf2e%2D464e%2D97e5%2D440321040570&ID=773

- Internationalization Fund. It is the financial support for SMEs to expand its market abroad.

- Intellectual Property Fund. It is for SMEs to take their products, services, information technology to apply for intellectual property protection.

9.2.2 Venture Capital Funds.

SMEs in some target industries and characteristics can apply for venture capital investment to improve their competitiveness. The OSMEP will select and classify targeted SMEs to join with a public or private venture partner.[24]

9.3 Other short-term incentive measures

The Thai government has issued short and medium-term measures to help SMEs in extraordinary circumstances from time to time, such as relief measures following the floodings in 2011. The latest measures, which are mix of financial supports and tax incentives, were to help SMEs to cope with the impact of the official minimum wage increase policy effective in 2013, and to enhance SMEs' competency. They are:

Relief measures on 2013 Minimum Wage Increase and the Enhancement of SMEs' Competence As of 9 January 2013		
Measures	**Conditions**	**Responsible State Agency**
1. Productivity Improvement Loan	Comprise of a. loans for machinery upgrading, and b. loans for business enhancement Target: small enterprises Amount of Loan: < 5 million Baht Duration of borrowings and payback: 7 and 5 yrs respectively Effective: until 31 December 2015	SMEs Bank
2. Portfolio Guarantee Scheme	Target: SMEs in all sectors Amount of portfolio guarantee: 40 million Baht per enterprise Duration of portfolio guarantee: 7 years Effective: 1 January 2013-31 December 2015	Thai Credit Guarantee Corporation, Ministry of Finance
3. Portfolio Guarantee Scheme for new/start-up entrepreneurs	Target: SMEs operating businesses < 3 years Effective: until 31 December 2015	Thai Credit Guarantee Corporation, Ministry of Finance
4. Payment of differences on 300 Bht minimum wage adjustment can be deducted as 1.5 times expense prior to tax payment	Effective: until 31 December 2013	Revenue Department, Ministry of Finance
5. Exemption on corporate income tax	For the purpose of SMEs upgrading machinery to enhance production efficiency Effective: until 31 December 2013	Revenue Department, Ministry of Finance
6. Exemption on Machinery depreciation	100% deduction in the first year for depreciation of new machinery, rather than normal practice of 5 consecutive years Effective: until 31 December 2013	Revenue Department, Ministry of Finance
7. Expenses on skill development can be deducted as 2-times expense prior to tax payment		Department of Skill Development, Ministry of Labour

[24] For more information, please take a look at OSMEP, Venture Capital Fund for SMEs, available at http://eng.sme.go.th/Lists/EditorInput/DispF.aspx?List=15dca7fb%2Dbf2e%2D464e%2D97e5%2D440321040570&ID=763

Source: Office of Small and Medium Enterprises Promotion (OSMEP).
Available: http://www.sme.go.th/SiteCollectionDocuments/300/คู่มือ%20300.pdf

10. SME Basic Laws

Small and medium enterprises in Thailand are subject to as many as 80 relevant local laws. For some basic laws that SMEs should be aware of, it can be divided into five groups. They are

10.1 Laws on business registration. E.g. the Commercial Registration Act B.E.2499 (A.D.1956)[25]

10.2 Laws on intellectual property. E.g. Patent Act B.E.2499 (1956)[26]

10.3 Laws on supervision of business operations. There are several;

10.3.1 The Labour Protection Act B.E.2541 (1998) and B.E.2551 (2008):[27] It regulates the rights and duties of the employers and employees and lays down the minimum labour and employment requirements and standards in general.

10.3.2 The Labour Relations Act B.E.2518: It deals with the process of negotiations and bargaining in relation to labour issues between the employers and employees

10.3.3 The Act on the Establishment of Labour Courts and Labour Procedure B.E.2522 (1979)

10.3.4. The Social Security Act B.E.2533 (1990), No 2- B.E. 2537 (1994), and No 3-B.E.2542 (1999): It lays down a platform of legal benefits provided to employees in regards with sickness or injury out of work, birth delivery, disability, death, children allowance, unemployment and retirement[28]

10.3.5. The Workmen's Compensation's Fund B.E.2537 (1994): A requirement for employers to make compensation to employees who sustain work-related injuries, illness or death[29]

10.3.6 The Factory Act B.E.2535 (1992): Law governing the engagement in a factory business and supervision of the factory. [30]

10.4. Laws on the benefits of SMEs. The Small and Medium Enterprises Promotion Act B.E.2543 (2000)

10.5 Laws on the protection of consumers. E.g. Liability for Damages Arising from Unsafe Product B.E.2551 (2008)[31]

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[25] Available: http://www.thailawforum.com/database.html
[26] Available: http://www.thailandlawonline.com/translations/patent-law-in-thailand
[27] Available: http://www.labour.go.th/en/attachments/article/18/Labour_Protection_Act_BE1998.pdf
[28] Available http://www.thailawforum.com/database1/social-security-act.html
[29] Available: http://www.thailandlawyercenter.com (Thai)
[30] Available: http://oaep.diw.go.th/diw/laws_con.php?idcon=10&idmanu=8
[31] Available: http://www.ctlo.com/mediacenter/Publications/2011-03-28-ProductLiability-En-WN.pdf