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Thought Leadership | Foreign Direct Investment

## Electric Vehicles in Thailand: A Promising Sector for FDI

Although young, Thailand's electric vehicles (EV) industry shows every sign of having a bright future. The first domestically produced EVs were brought to the Thai market as recently as 2009, with the Toyota Camry hybrid model. Since then, the sector has become hugely important to the Thai economy – with direct government support and an advantageous incentive structure all but ensuring rapid growth in the years ahead.

### Fast acceleration

Pandemic-related fluctuations aside, Thailand's automotive sector employs 850,000 people out of a total population of 70 million. As the country continues to build toward an Industry 4.0 model of advanced manufacturing, the automotive and related sectors are expected to grow further.

Recognizing this potential and the benefits it would bring, the Thai government has set highly ambitious targets for EV production and sales nationwide. Details of the plan are as follows:

- From 2035 onward, all vehicles sold in Thailand [will be electric](#). As intermediary steps, the country's Energy Ministry expects EVs to represent 30% of all new car registrations by 2025, and 50% by the end of the current decade. As of now, less than one percent (1%) of all vehicles on the road in Thailand are battery-powered. Also of note: While Thailand's auto sales as a whole fell by 26% in 2020, EV sales increased 1.4%.
- Also by 2035, Thailand wants every electric vehicle sold in the country to be [manufactured domestically](#). As an

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Get in touch

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intermediary step, the National New Generation Vehicle Committee, chaired by the Deputy Prime Minister and Minister of Energy, expects Thailand to produce 50% of all EVs sold domestically by 2030. This roadmap projects totals of 1.05 million EVs manufactured in Thailand by 2025, 6.2 million by 2030, and 18.4 million by 2035.

The president of the Federation of Thai Industries (FTI) said that these objectives – backed by real incentives, as we will see – could very well establish Thailand as a global EV production hub within 15 years.

### Fuel for growth

The numbers above include everything from 4-wheel to 2-wheel vehicles, including motorbikes and the 3-wheeled Thai tuk-tuks. Other sectors of the economy have already begun to anticipate the expected growth; a new Bangkok-based ride-hailing app called EvRiderz has already been released, connecting passengers with EV motorcycles for personal transport.

Numerous FDI opportunities are continuing to attract attention, from direct investment in EV production, to related sectors covering materials, construction and other services. With many other countries and industries expected to see a slow recovery from the COVID-19 pandemic, Thailand's EV sector stands out for its [high projected growth rate](#) moving forward.

This progress is being fueled by increased investment, which in turn is largely the result of generous government incentives. Thailand's Board of Investment (BOI) has already approved dozens of projects relating to EV production (totaling over US\$1.1 billion in value), with broad commitments to [continue its support](#).

Much of this BOI support comes in the form of various types of tax exemptions, but incentive packages cover other areas as well. The main benefits for qualifying projects are as follows:

- Exemption from corporate income tax (for up to 8 years)
- Exemption from import duty on machinery as well as on raw materials used to manufacture products for export
- Land ownership permits
- Relaxed rules on bringing in skilled workers
- Permission to remit money in foreign currency

## About Us

### Foreign Direct Investment Practice Group

We are commercially-minded and solutions-oriented legal advisors whose every move is made with your objectives in mind. We act as trusted legal and business advisors to leading international private and public corporations, start-ups, private equity funds, and foreign individuals on all aspects of their foreign direct investment (FDI) transactions in Thailand.

Our team has extensive experience in providing legal services to international clients on every aspect of investing in or expanding their business in Thailand. We help foreign clients navigate Thailand's foreign ownership laws to ensure that their businesses are structured and are carried on in compliance with legal requirements. We also regularly work with US clients on obtaining benefits under the Thai-US Treaty of Amity and Economic Relations.

Additional benefits are available for manufacturers located in the country's Eastern Economic Corridor (EEC), which continues to build extensive infrastructure to support a growing network of industrial estates.

Other government initiatives will also support the domestic EV sector, further encouraging FDI. Among these is a plan to increase public sector purchases of electric vehicles, while adding incentives to build more EV-charging infrastructure nationwide. Both PTT Public Company Limited (PTT) and EVLOMO Technologies Company Limited (EVLOMO) are also among those working actively to add charging stations, though this effort will need to grow as EV use becomes more common.

In terms of regulatory support, the government is developing testing standards for EV and related components, while also preparing measures to manage used EV batteries. The government has also begun to update and draft EV regulations and legislation.

As the country prepares for its EV boom, other types of organizations have also begun to adapt. Prominent public and private universities have started preparing students for careers in EV production and maintenance. And a major Thai energy provider, Global Power Synergy PLC, recently built a pilot plant for the manufacture of lithium semi-solid batteries.

### **Some bumps in the road**

Although electric vehicles are seeing increased popularity worldwide, they are particularly attractive for a nation plagued by persistent air pollution concerns within its crowded cities. A recent survey of Thai car buyers found that their [primary motivation](#) for considering the purchase of EVs was to reduce carbon emissions.

Still, it is worth understanding why [many remain hesitant](#) to purchase EVs. Higher prices are a major issue for many consumers who would otherwise consider buying electric vehicles. Others have cited the limited range between charges – and the current lack of convenient charging stations – as a notable sticking point.

Furthermore, Honda and Toyota both currently produce hybrid cars in Thailand, but neither enjoys anything like the kind of positive reputation that Tesla has earned elsewhere.

Looking at sales numbers: Just 1,308 EVs were sold in Thailand in 2019, and it may take some time to earn consumer trust before large numbers of people are willing to spend money on a new kind of high-end product. Still, trends are heading in the right direction. Although Thailand's EV sales grew by a modest 1.4% in 2020, such growth occurred at a time when total automotive sales fell by 26%.

Despite low sales numbers before and during the pandemic, the coming economic recovery is expected to lead to hundreds of thousands of EV sales within the next 5 years.

### **Vehicles for investment**

Thailand's EV sector has plenty of room to grow and tremendous potential for success in the years ahead. The BOI, eager to boost this productive corner of the economy, is offering generous incentives to attract FDI and turn Thailand into a regional EV production hub.

Taking full advantage of these incentives requires expertise, however. Government rules in this area are highly detailed, involving a complex application process and little room for error.

Businesses and investors can maximize their efforts with the help of expert legal and financial guidance. Our team at Kudun & Partners can clarify every relevant regulation, highlight the most promising paths forward and directly assist with important BOI applications.

For dedicated support regarding any aspect of investment in the automotive or other sectors, contact our team of legal specialists today.

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