

(Unofficial Translation)

Announcement of the Board of Investment

No. 5/2547

**Re: Policy on Investment Promotion of the Hard Disk Drive
Production Industry**

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To enhance international competitiveness and promote Thailand as a world production hub for Hard Disk Drive (HDD), by virtue of Section 16 and Paragraph 2 of Section 31 of the Investment Promotion Act of B.E. 2520, as amended by the Investment Promotion Act (No. 3) of B.E. 2544, the Board of Investment hereby issues this Announcement, prescribing criteria for investment promotion of the HDD production industry, as follows:

1. Production of the HDD and parts for HDD shall receive rights and benefits and observe conditions as set forth below:

1.1 General rights and benefits:

1.1.1 Exemption of machinery import duty, and permission for machinery importation for purposes of improving and replacing existing machinery at all times during the investment promotion period.

1.1.2 Exemption from corporate income tax , as following:

- (1) If located in Zone 1, the business shall be exempted from corporate income tax for a period of 4 years
- (2) If located in Zone 2, the business shall be exempted from corporate income tax for a period of 6 years
- (3) If located in Zone 3, the business shall be exempted from corporate income tax for a period of 8 years.

1.1.3 Investment in improvements in existing machinery shall be deemed part of the investment-promotion project and must have Board approval.

1.1.4 There must be a plan for the utilization of local raw materials and links with educational and/or research institutes, as well as the development of Thai entrepreneurs, with Board approval.

1.2 Additional rights and benefits:

Production of HDD and parts for HDD are regarded as industries of special importance and benefit to the nation. If a business achieves any of Clauses 1.2.1-1.2.5, it will not be subject to the cap on amount of corporate income tax exemption specified in Paragraph 2 of Section 31. If a business achieves any of Clauses 1.2.1-1.2.3, it shall be entitled to one additional year's corporate income tax exemption and an additional 2 years if

achieves any of Clauses 1.2.4-1.2.5, provided that the total exemption period does not exceed 8 years in aggregate.

- 1.2.1 Research and development or design expenditure of not less than 1-2 percent of annual sales, on average, over the first 3 years; or not less than 50 million baht in the case of HDD production; or not less than 15 million baht in the case of parts production for HDDs.
- 1.2.2 Employment of personnel holding a bachelor's degree or higher in science, engineering, or any other field related to research and development or design technology of not less than 5 percent of the total workforce over the first 3 years.
- 1.2.3 Expenses for training Thai personnel of not less than 1 percent of the payroll over the first 3 years.
- 1.2.4 Expenses for developing capabilities of Thai subcontractors or for supporting to related educational institutes shall be not less than 1 percent of annual sales, on average, over the first 3 years, or not less than 150 million baht in the case of HDD production, or not less than 15 million baht in the case of parts production for HDDs.
- 1.2.5 Establishment of a research and development center in Thailand, subject to Board approval, within 3 years from date of operation start-up

1.3 The additional period of corporate income tax exemption under Clause 1.2 shall begin after the exemption period under Clause 1.1.2, as the case may be, is over and total exemption period shall not exceed 8 years in aggregate.

2. A Subcommittee for Project Approval shall be authorized to grant approval in the event of Clauses 1.1.3 and 1.1.4.

3. Investment projects for HDD production or parts production for HDDs that have already received investment promotion, but not yet generated income, may apply for additional rights and benefits hereunder.

4. Consideration and examination of the employment of personnel holding a bachelor's degree or higher, in accordance with Clause 1.2.2, and of the conditions for ratios for expenditures in the training of Thai personnel, in accordance with Clause 1.2.3, shall be based on the company itself and not on the project for which investment promotion is being applied.

5. Investment projects for HDD production and/or parts production for HDDs not wishing to apply for additional rights and benefits hereunder shall receive rights and

benefits in accordance with the criteria set forth in Announcement of the Board of Investment No. 1/2543.

Effective from 3 March 2004, onwards.

Announced on 6 May 2004.

(–*Mr. Chavalit Yongchaiyut*–)
Deputy Prime Minister
Acting Chairman of the Board of Investment

