

# **BOI Policy Update**

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# **Thailand Investment Year Package 2008-2009**

# Thailand Investment Year Package

## (One Country One Zone)

### Incentive

- **Import duty exemption on machinery**
- **8-year corporate income tax exemption**
- **Additional privileges**
  - **50% reduction of corporate income tax on net profit for five years after expiry of tax holiday**
  - **Double deduction of transportation, electricity and water supply costs as per condition, procedure, and duration set by the Board**
  - **Deduction from net profit for facility installation and construction costs but not exceed 25% of investment capital in addition to depreciation deduction**

# Target Industries under Special Package

**Group 1** Energy savings and alternative energy businesses

**Group 2** High-tech businesses

**Group 3** Environmentally friendly materials and products businesses

**Group 4** Mega-projects

**Group 5** Tourism and real estate businesses

**Group 6** High-tech agro businesses

# Group 1 Energy saving and alternative energy businesses

## Activities

- **1.26** Manufacture of alcohol or fuel from agricultural products, including scrap, garbage, and/or waste
- **4.24** Manufacture of energy-conserving machinery or equipment, or manufacture of machinery or equipment which uses alternative energy
- **4.25** Manufacture of fuel cells
- **5.5.24** Manufacture of solar cells
- **7.1.1** Power generation from alternative energy (wind/biomass/ agriculture materials/gas)
- **4.26** Manufacture of engines, machinery, and accessories for natural gas vehicles
- **4.27** Assembly of natural gas buses or heavy trucks
- **7.29** Natural gas service stations for vehicles

# Group 2 High-tech businesses (1 of 3)

## Activities

- **2.19** **Manufacture of advanced ceramics**
- **3.1** **Manufacture of functional fiber**
- **3.9** **Manufacture of medical supplies or medical equipment**
- **3.14** **Manufacture of scientific equipment**
- **4.2** **Manufacture of machinery and equipment**  
- **transmissions for tractors**
- **4.7** **Manufacture or repair of aircrafts, including parts or onboard equipment**

# Group 2 High-tech businesses (2 of 3)

## Activities

- **4.8 Manufacture of**
  - **automatic transmissions, CVT transmissions, traction motors for vehicles such as hybrids or fuel cell cars**
  - **Electronic Stability Control (ESC)**
  - **Regenerative Braking System**
- **5.4.3 Manufacture of automated industrial automation equipment**
- **5.4.4 Manufacture of radio, television or telecommunications equipment and apparatus**
- **5.5 Manufacture of**
  - **Semiconductors, ICs, diode sensors, actuators, etc.**
  - **Hard Disk Drives and components**
  - **Telecommunications equipment**
  - **Automotive electronics**
  - **Agritronics**

# Group 2 High-tech businesses (3 of 3)

## Activities

- **5.6 Manufacture of material for all types of microelectronics**
- **5.7 All types of electronic design**
- **7.12 Research and development**
- **7.13 Scientific laboratories**
- **7.14 Calibration services**
- **7.15 Human resource development**
- **7.30 Biotechnology**

# Group 3 Environmental friendly materials and products

## Activities

### 6.17 Eco-friendly chemicals business

### 6.18 Eco-friendly products business

- **Eco-friendly packaging**
- **Eco-friendly plastic or polymer products**

# Group 4: Mega-Projects Related Business

## Activities:

- **4.6 Manufacture of trains or electric trains or parts (only with rail system).**
- **2.11 Manufacture of steel pipes or stainless steel pipes (only manufacturers of pipes with a minimum diameter of 1,200 mm. will be eligible for this incentive)**
- **2.20 Manufacture of pre-stress concrete for public utilities only.**
- **6.9 Manufacture of plastic or plastic coated products (only manufacturers of pipes with a minimum diameter of 1,200 mm. will be eligible for this incentive).**
- **4.2 Manufacture of machinery and equipment (only manufacturers of water pumps with pipe diameter of not less than 30 inches will be eligible for this incentive).**

# Group 6: High-tech agricultural material-based business

## Activities

- **1.11.10 Medical Food (new BOI category)**
- **4.8 Manufacture of vehicle tires**

**Extension of Deadline for Special  
Incentives for Projects in Industrial  
Estates/Parks in Zone 2, :Laem  
Chabang IE and Industrial  
Estates/Parks in Rayong**

- In March, the Board of Investment approved the extension of the following corporate income tax exemption for applications submitted by December 31, 2014

Projects in promoted industrial estates/parks in zone 2	7 years
Projects in Laem Chabang Industrial Estate	8 years
Projects in promoted industrial estates/parks in Rayong	8 years

# Revision of STI Incentives Condition

# STI Incentives

Investments and expenditures on:

## Criteria

- Research and development or design
- Advanced technology training
- Funding educational and research institutions

Required STI Investment & Expenditures	Additional Year of Corporate Income Tax Exemption	Exemption of Import Duties on Machinery	Removal of Corporate Income Tax Exemption Cap
1% of the first 3 years' sale or at least 150 million baht, whichever is less	1	✓	✓
2% of the first 3 years' sale or at least 300 million baht, whichever is less	2	✓	✓
3% of the first 3 years' sale or at least 450 million baht, whichever is less	3	✓	✓

# STI Incentives

## Previous Condition

- Only promoted activities that have not yet generated income can apply for STI incentives

## Revised Conditions

- Projects that have been granted corporate income tax exemption under Section 31 and are already generating income can now submit an STI application any time before their tax exemption period expires.
- Projects that are not eligible for corporate income tax exemption and that want to apply for STI incentives are required to submit their STI applications at the same time they submit the BOI application

# **Additional Incentives for Efficiency Improvement Investments**

## Additional Incentives for Efficiency Improvement (1/2)

- **The BOI meeting on 8 Dec 2008 approved support measures for efficiency improvement investment.**
- **Eligible activities: All BOI categories that invest in machinery that will**
  - (1) Reduce energy consumption**
  - (2) Use alternative energy**
  - (3) Reduce impacts on environment**

# Additional Incentives for Efficiency Improvement (2/2)

## Incentives

- **Exemption of import duty on machinery**
- **Exemption of corporate income tax for 3 years totaling 70% of investment**

## Criteria

- **Must submit applications by the end of 2009 and complete the investment by the end of 2011**

# **Additional Incentives for Technology Upgrade**

# Additional Incentives For Investment in a Technology Upgrade to Manufacture a New Product(1/2)

## Criteria

- The project must invest in new high-tech machinery to improve an existing production line and make it possible to manufacture a “new” product.
- The **new product** must be among the List of Activities Eligible for Promotion and be eligible for corporate income tax exemption.
- Product must be an upgrade from an existing project (promoted or otherwise).
- The application must be submitted together with the technology improvement investment plan by the end of 2009.

## Additional Incentives For Investment in a Technology Upgrade to Manufacture a New Product (2/2)

### Rights and benefits:

- Exemption from import duties on machinery, regardless of zone.
- Exemption from corporate income tax for 3 years, regardless of zone. The benefit from this exemption may not exceed 100% of the project's investment value.

# **Measure to Encourage Companies to be Listed on SET and MA I**

- To encourage BOI-promoted companies to be listed on SET or MAI, the BOI has approved the removal of the corporate income tax exemption cap on the BOI-promoted projects of these companies once they are listed on SET or MAI.
- Applications for the corporate income tax exemption cap removal must be submitted to BOI before the applicant receives approval for SET or MAI listing.
- Cap removal will be applicable to all projects of which corporate income tax exemption is still in effect (still in the tax holidays period and cap not yet exhausted) when SET/MAI listing is approved.

# **New Sector-Specific Policy Measures**

# New Automotive Policy

- **On June 10, the Board of Investment announced it would promote large-scale investments for vehicles not yet produced in Thailand that use new technology**
  - **The policy is designed to attract international automakers looking to restructure by relocating production facilities overseas**
  - **This policy is certain to expand the range of opportunities for manufacturers of automotive parts and components**

# New Automotive Policy (Incentives)

- **Corporate Income Tax Holiday**
  - **5-year corporate income tax holiday for projects with investment of at least 10 billion baht excluding land cost and working capital**
  - **6-year corporate income tax holiday for projects with investment of at least 15 billion baht excluding land cost and working capital**
  - **One additional year of corporate income tax holiday for projects submitted by the end of 2009**
- **Exemption of import duties on machinery, regardless of location**
- **Additional incentives in accordance with the BOI Announcement No. 1/2000, except additional 5 years of 50% reduction of corporate income tax**



## New Automotive Policy (Criteria)

- Investment in new assembly line
- Minimum investment of 10 billion baht, exclusive of land cost and working capital
- **Actual production of at least 100,000 vehicles per annum in any year during the first five years of operation**
- The project must include the production of a new model that has never been manufactured in Thailand and the production of automobiles equipped with high-technology systems (e.g. hybrid drive, brake energy regeneration, electronic stability control, etc.), as approved by the Board of Investment
- Must submit investment plan/sourcing plan for parts and component to the Board of Investment for approval
- **Applications must be submitted by the end of 2010.**
- Extension of timeframe specified in investment promotion certificate is not permitted.

# Solar Cell Production

<b>Previous Policy</b>	<b>New Policy</b>
<b>Only solar cell production is promoted</b>	<b>Additional upstream activities such as the manufacture of raw materials, pure silicon (99.9999%), wafer, and transparent conductive oxide (TCO) coating glass are also eligible for promotion and entitled to the maximum incentives.</b>

## Shipbuilding and Maintenance

<b>Previous Condition</b>	<b>Current Conditions</b>
<ul style="list-style-type: none"><li>• The project must be located in zone 2 or 3</li></ul>	<ul style="list-style-type: none"><li>• The project can be located in any zone</li><li>• Projects located in Zone 1 must obtain ISO 14000 certification within 2 years of beginning operation, regardless of the project's size</li></ul>

# International Distribution Centers

- The BOI is promoting Thailand as a primary site for International Distribution Centers (IDC)
- To enhance the transfer of technology in the logistics business, the BOI has revised the criteria for approving IDC projects as follows:
  - Projects that apply within 2009 will receive an 8-year corporate income tax holiday, regardless of location
    - This excludes revenue derived from domestic distribution, customs procedures, and freight/air bookings.
  - Foreign equity participation has been relaxed to allow majority or total foreign ownership in IDC (no time limit)

# Medium or Low-Cost Housing

	Previous Conditions	New Conditions
Minimum area/unit (sqm)	31 for all zones	<u>Zone 1</u> Apartment: 28 Detached house/townhouse: 70 <u>Zone 2 &amp; 3: 31</u>
Maximum selling prices (inclusive of land cost)	600,000 baht	<u>Zone 1</u> Apartment: 1 million baht Detached house/townhouse: 1.2 million baht <u>Zone 2 &amp; 3: 600,000 baht</u>
Minimum no. of units	Zone 1: 150 Zone 2: 75 Zone 3: 75	50 for all zones

**One-Start One-Stop Center for  
Investors**

- The BOI, as the secretariat, has been tasked to set up OSOS.
- A new committee has been appointed with DPM Korbsak as the Chairman and the Industry Minister as the Vice-Chairman.
- Major features of OSOS
  - Located in CBD –Chamchuree Square
  - Scheduled to be open for business in October 2009
  - Major related agencies to be represented at OSOS to handle applications and provide consultancy services
  - Registration and licensing services include
    - Company registration
    - BOI application
    - Tax registration
    - Foreign business license/certificate
    - Factory license
    - IEAT
  - One-Stop Service for Visas and Work Permits will move to the same location as “OSOS”.

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**THAILAND  
INVESTMENT YEAR  
2008-2009**

**THAILAND BOARD OF INVESTMENT**

