

BOI's New Investment Promotion Policies

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(1) New investment promotion policies

(2) Criteria for investment promotion

- **Criteria for project approval**
- **Criteria for granting investment incentives**

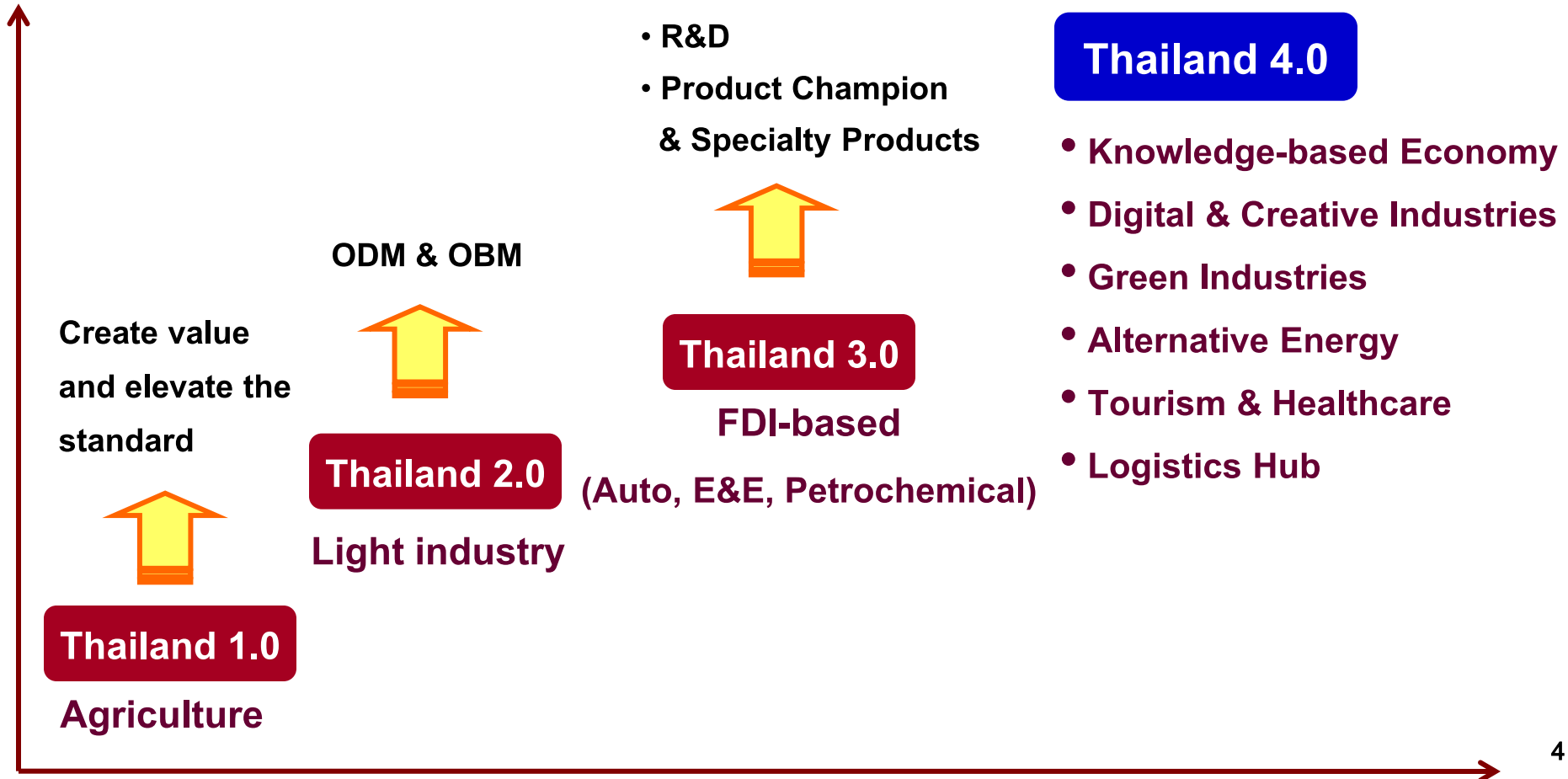
(3) Measure for improvement of production efficiency

1. New Investment Promotion Policies Under Seven-Year Investment Promotion Strategy (2015-2021)



Thailand's Future Industry Direction

(Data compiled from 11th National Economic and Social Development Plan and Thailand's Industrial Development Plan)



1. **Promote investment that helps enhance national competitiveness** by encouraging R&D, innovation, value creation in the agricultural, industrial and services sectors, SMEs, fair competition and inclusive growth
2. **Promote activities that are environment-friendly**, save energy or use alternative energy to drive balanced and sustainable growth
3. **Promote clusters** to create investment concentration in accordance with regional potential and strengthen value chains
4. **Promote investment in border provinces in Southern Thailand** to help develop the local economy, which will support efforts to enhance security in the area
5. **Promote investment in special economic zones**, especially in border areas, both inside and outside industrial estates, to create economic connectivity with neighboring countries and to prepare for entry into the ASEAN Economic Community (AEC)
6. **Promote Thai overseas investment** to enhance the competitiveness of Thai businesses and Thailand's role in the global economy

2. Criteria for Investment Promotion

**(Apply to applications for investment promotion
submitted since 1st January 2015)**

(1) Criteria for project approval

(2) Criteria for granting investment incentives

1. Competitiveness Enhancement

- Value-added not less than 20% of revenues except for projects in agricultural products, electronic products, and coil centers which must have value added of at least 10% of revenues
- Modern production process must be used
- Projects that have investment capital of 10 million baht or more (excluding cost of land and working capital) must obtain ISO 9000 or ISO 14000 certification or similar international standard certification within 2 years from the full operation start-up date, otherwise CIT exemption shall be reduced by one year

Criteria for Project Approval

Criteria for imported used machinery : **General case**

	Types of Machinery	Allowed to be used in the project	Counted as investment capital for calculation of CIT exemption cap	Import duty exemption
1	New Machinery	✓	✓	✓
Imported Used Machinery				
2	Not over 5 years old (from manufacturing year to importing year)	✓	✓	X
3	Over 5 years up to 10 years old	✓	X	X

Remarks: *No. 2 and 3 must obtain machinery performance certificate from trusted institutes identifying machinery efficiency, environmental impact, energy usage and fair value.*

Criteria for imported used machinery : Factory relocation case

	Types of Machinery	Allowed to be used in the project	Counted as investment capital for calculation of CIT exemption cap	Import duty exemption
1	New Machinery	✓	✓	✓
	Imported Used Machinery			
2	Not over 5 years old	✓	✓	X
3	Over 5 years up to 10 years old	✓	✓ (Cap 50% of machinery book value)	X
4	Over 10 years	✓	X	X

Remarks: No. 2-4 must obtain *machinery performance certificate* from trusted institutes identifying machinery efficiency, environmental impact, energy usage and fair value.

Criteria for imported used machinery : **Other case**

Types of Machinery	Allowed to be used in the project	Counted as investment capital for calculation of CIT exemption cap	Import duty exemption
Sea and Air Transport Activities and Mold and Dies (approved as deemed appropriate)	✓	✓	✓

2. Environmental Protection

- Adequate and efficient measures to protect environmental quality and to reduce environmental impact must be installed. The Board will give special consideration to the location and pollution treatment of a project with potential environmental impact.
- Projects or activities with type and size that are required to submit environmental impact assessment reports must comply with related environmental laws and regulations or cabinet resolution.
- Projects located in Rayong province must comply with the Office of the Board of Investment Announcement No. Por 1/2554.

3. Minimum Capital Investment and Project Feasibility

- The minimum investment required for each project is **1 million baht** (excluding cost of land and working capital). As for **knowledge-based services** (i.e. R&D, software development, creative design, electronic design and engineering design, the required minimum investment is based on the minimum **salaries expense of personnel in the specified field of at least 1.5 million baht/year.**
- For newly established projects, the debt-to-equity ratio must not exceed **3 to 1.** Expansion projects shall be considered on a case-by-case basis.
- Projects with investment value of over 750 million baht, (excluding cost of land and working capital) must submit **the project's feasibility study.**

BOI's Investment Promotion Incentives

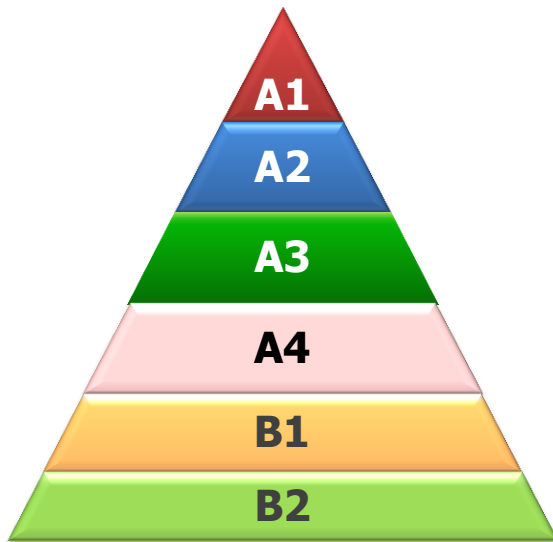
TAX Incentives

- **Import duty reduction or exemption on machinery and raw materials**
- **Corporate income tax holidays up to 8 years; additional 50% reductions for 5 years**

NON-TAX Incentives

- **100% ownership in manufacturing and many services sector**
- **Permission to own land**
- **Permission to bring in foreign experts and technicians**

Activities-based Incentives



**Classified incentives based on
the importance of activities**

+

Additional Incentives

1

Merit-based Incentives

e.g. R&D, Advanced technology training, Local supplier development, Product and packaging design

2

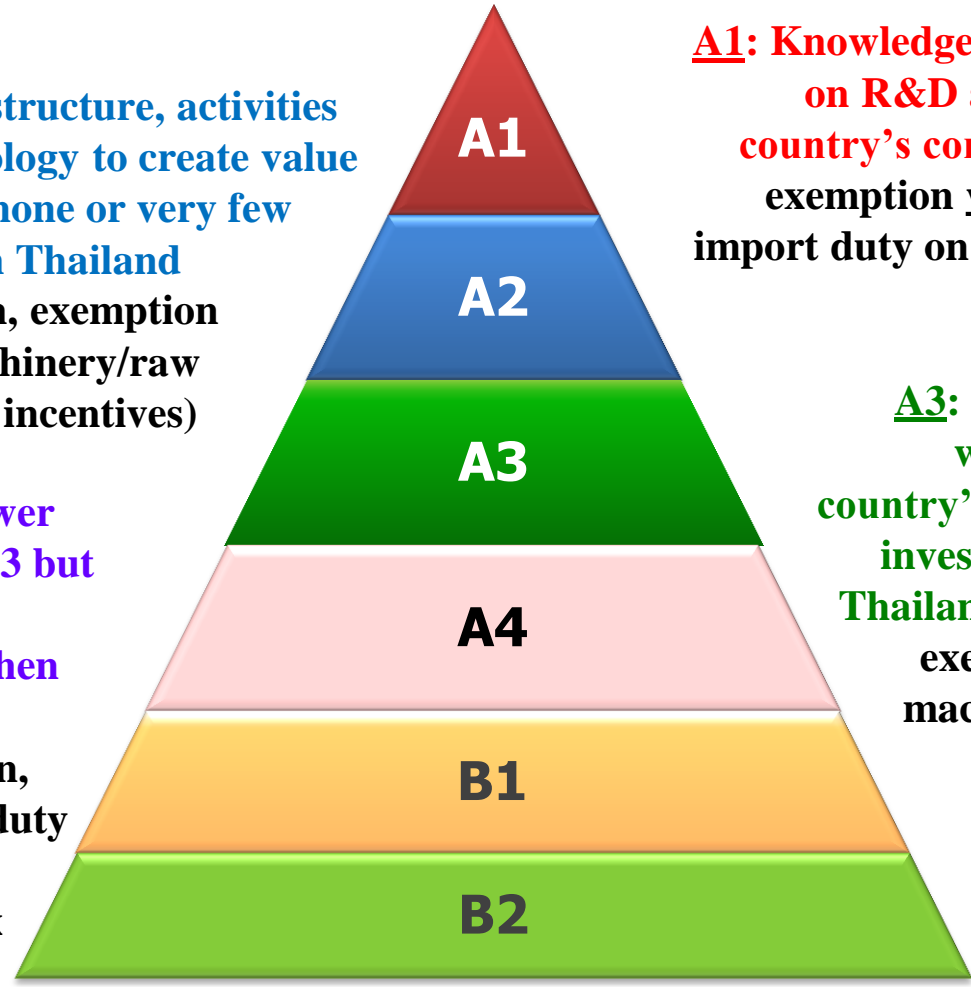
Area-based Incentives

- Provinces with lowest per capita income
- Special economic zones
- Southern border provinces
- Industrial estates / Promoted industrial zones

3

Additional incentives for SMEs with at least 51% Thai shareholding in 38 activities

Activity-based Incentives



A2: Activities in infrastructure, activities using advanced technology to create value added products, with none or very few existing investments in Thailand (8-year CIT exemption, exemption of import duty on machinery/raw materials and non-tax incentives)

A4: Activities with lower technology than A1-A3 but add value to domestic resources and strengthen supply chain (3-year CIT exemption, exemption of import duty on machinery/raw materials and non-tax incentives)

A1: Knowledge-based activities, focusing on R&D and design to enhance the country's competitiveness (8-year CIT exemption without cap, exemption of import duty on machinery/raw materials and non-tax incentives)

A3: High technology activities which are important to the country's development, with a few investments already existing in Thailand (5-year CIT exemption, exemption of import duty on machinery/raw materials and non-tax incentives)

B1/B2: Supporting industries that do not use high technology but are still important to value chain
(B1 : Exemption of import duty on machinery/raw materials and non-tax incentives
B2 : Exemption of import duty on raw materials and non-tax incentives)

1 Merit-based Incentive

Types of Eligible Investments/Expenditures	Additional Cap
1. R&D: in-house, outsourced in Thailand or joint R&D with overseas institutes	200%
2. Donations to Technology and HRD Funds, educational institutes, specialized training centers, R&D institutes or governmental agencies in S&T field in Thailand, as approved by the Board	100%
3. IP acquisition/licensing fees for commercializing technology developed in Thailand	100%
4. Advanced technology training	100%
5. Development of local suppliers with at least 51% Thai shareholding in advanced technology training and technical assistance	100%
6. Product & Packaging Design: in-house or outsourced in Thailand, as approved by the Board	100%

Additional CIT exemption will be granted depending on investment or expenditure ratio in merit activities

Percentage of qualified investment/ expenditures to combined revenue of the first 3 years	Additional CIT exemption (with additional cap)
1% or \geq 200 mn. baht	1 year
2% or \geq 400 mn. baht	2 years
3% or \geq 600 mn. baht	3 years

2 Additional Area-based Incentives



20 Provinces with Lowest Per Capita Income (Kalasin, Chaiyaphum, Nakhon Phanom, Nan, Bueng Kan, Buri Ram, Phrae, Maha Sarakham, Mukdahan, Mae Hong Son, Yasothon, Roi Et, Si Sa Ket, Sakhon Nakhon, Sa Kaew, Sukhothai, Surin, Nong Bua Lamphu, Ubon Ratchatani, Amnatcharoen)



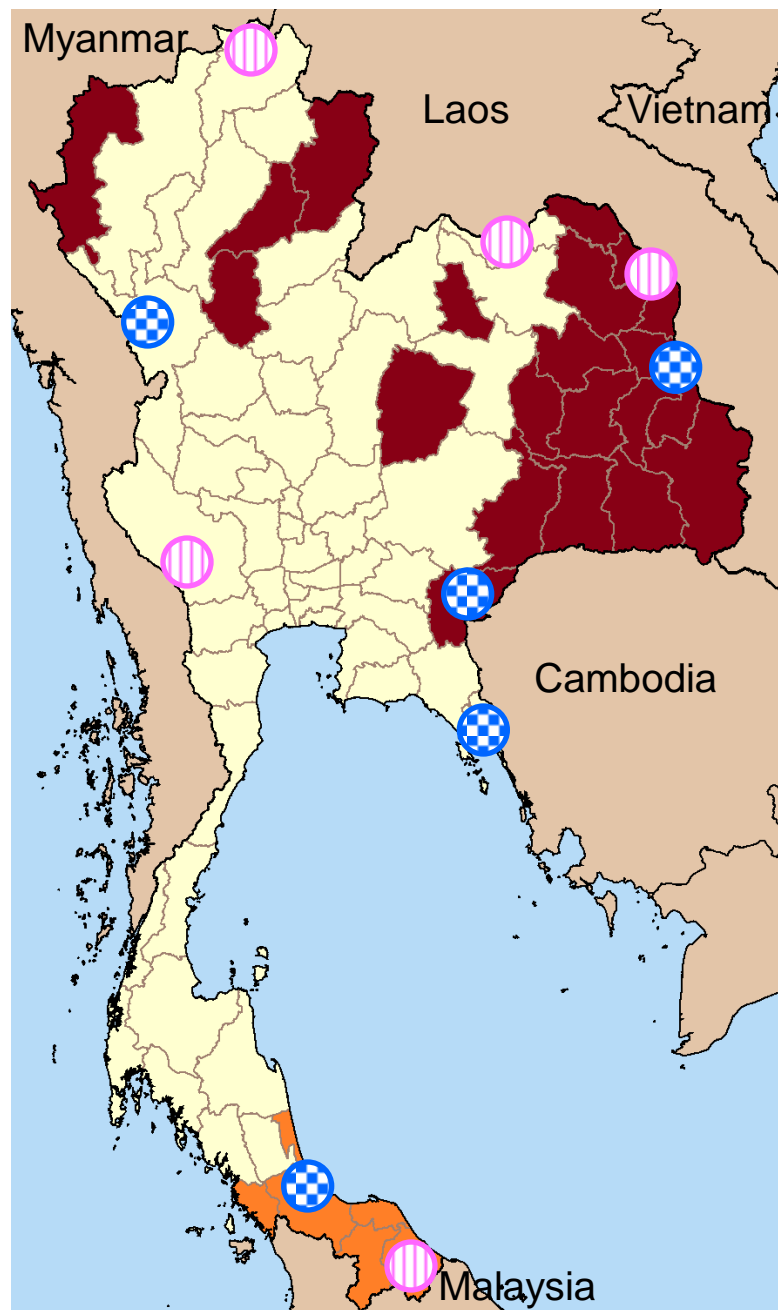
Special Economic Zones (initial phase)
(Tak, Sa Kaew, Trat, Mukdahan, Songkhla :
5 provinces, 10 districts, 36 sub-districts)



Special Economic Zones (2nd phase)
(Nong Khai, Narathiwat, Chiang Rai,
Nakhon Phanom, Kanchanaburi :
5 provinces, 13 districts, 54 sub-districts)



Southern Border Provinces
(Narathiwat, Pattani, Yala, Satun and
4 districts of Songkhla)



2 Additional Area-based Incentives

	Area	Incentives
1	20 Provinces with Lowest Per Capita Income	<ul style="list-style-type: none"> • 3 additional years of CIT exemption • For activities in Group A1-A2 : additional 50% CIT reduction for 5 years after the end of CIT exemption period
2*	Special Economic Zones	
	<ul style="list-style-type: none"> • General Activities 	<ul style="list-style-type: none"> • 3 additional years of CIT exemption • For activities in Group A1-A2 : additional 50% CIT reduction for 5 years after the end of CIT exemption period
	<ul style="list-style-type: none"> • Target Activities 	CIT exemption for 8 years + 50% CIT reduction for 5 years
3*	Southern Border Provinces	CIT exemption for 8 years (without cap) + 50% CIT reduction for 5 years
4	Industrial Estates / Promoted Industrial Zones	1 additional year of CIT exemption

* For special economic zones and southern border provinces, foreign unskilled workers will be permitted to use in the projects. Applications must be submitted by the end of 2017.

- ✓ ***Labor-intensive industries***
- ✓ ***Industries that use agricultural raw materials
or raw materials from neighboring countries***
- ✓ ***Not heavy industries***
- ✓ ***Not industries that cause pollution***

Target Activities in Special Economic Zones

Industries	Tak	Sa Kaew	Trat	Mukdahan	Songkhla
1. Agriculture, Food Processing	✓	✓	✓	✓	✓
2. Ceramic Products	✓				
3. Textile, Garment, Leather Products	✓	✓			✓
4. Furniture	✓	✓			✓
5. Gems & Jewelries	✓	✓			
6. Medical Equipment	✓	✓			
7. Automotive, Machinery & Parts	✓	✓			
8. Electrical & Electronic Products	✓	✓		✓	
9. Plastic Products	✓	✓			
10. Medicine	✓	✓			
11. Logisitcs	✓	✓	✓	✓	✓
12. Industrial Estate / Zones	✓	✓	✓	✓	✓
13. Tourism Related Activities	✓	✓	✓	✓	✓

Finance Ministry's incentives for special economic zones

(Cabinet resolution, 20 April 2015)

Tax Incentive	Corporate income tax reduction from 20% to <u>10% for 10 years</u> for newly registered businesses or expansion of existing businesses
Condition	<ul style="list-style-type: none">• Must register by the end of 2017• Must not be promoted by BOI• Must not use tax incentive under MOF's SMEs taxation scheme

❖ **38 Eligible Activities:**

- **Agriculture and Agricultural Products (8 Activities)** such as Animal propagation or animal husbandry; Grading, packaging and storage of plants, vegetables, fruits or flowers; Natural rubber products
- **Mineral, Ceramics and Basic Metals (5 Activities)** such as Glass or ceramic products; Cast iron/steel parts; Forged iron/steel parts
- **Light Industry (7 Activities)** such as Textile products; Bags or Shoes; Sports Equipment; Musical Instruments; Furniture; Gems and Jewelry
- **Metal Products, Machinery and Transport Equipment (5 Activities)** such as Metal Products; Machinery and equipment; Vehicle parts; Building or repair of ships
- **Electronics and Electrical Appliances Industry (5 Activities)** such as Electrical products; Electronic products; Software
- **Chemicals, Paper and Plastics (4 Activities)** such as Plastic products for industrial goods; Plastic products from recycled plastic; Medicine; Printed matter
- **Service and Public Utilities (4 Activities)** such as Logistics service centers; Thai motion picture production; Motion picture supporting services: Hotels

❖ **Incentives:** 2 additional years of CIT exemption

❖ **Merit-based Incentives:** Required minimum investment/expenditure lowered by 50% as compared to the normal criteria

Example: 1 more year of CIT exemption to be granted if qualified investment/ expenditure account for at least 0.5% of total sales of the first 3 years

❖ **Conditions:**

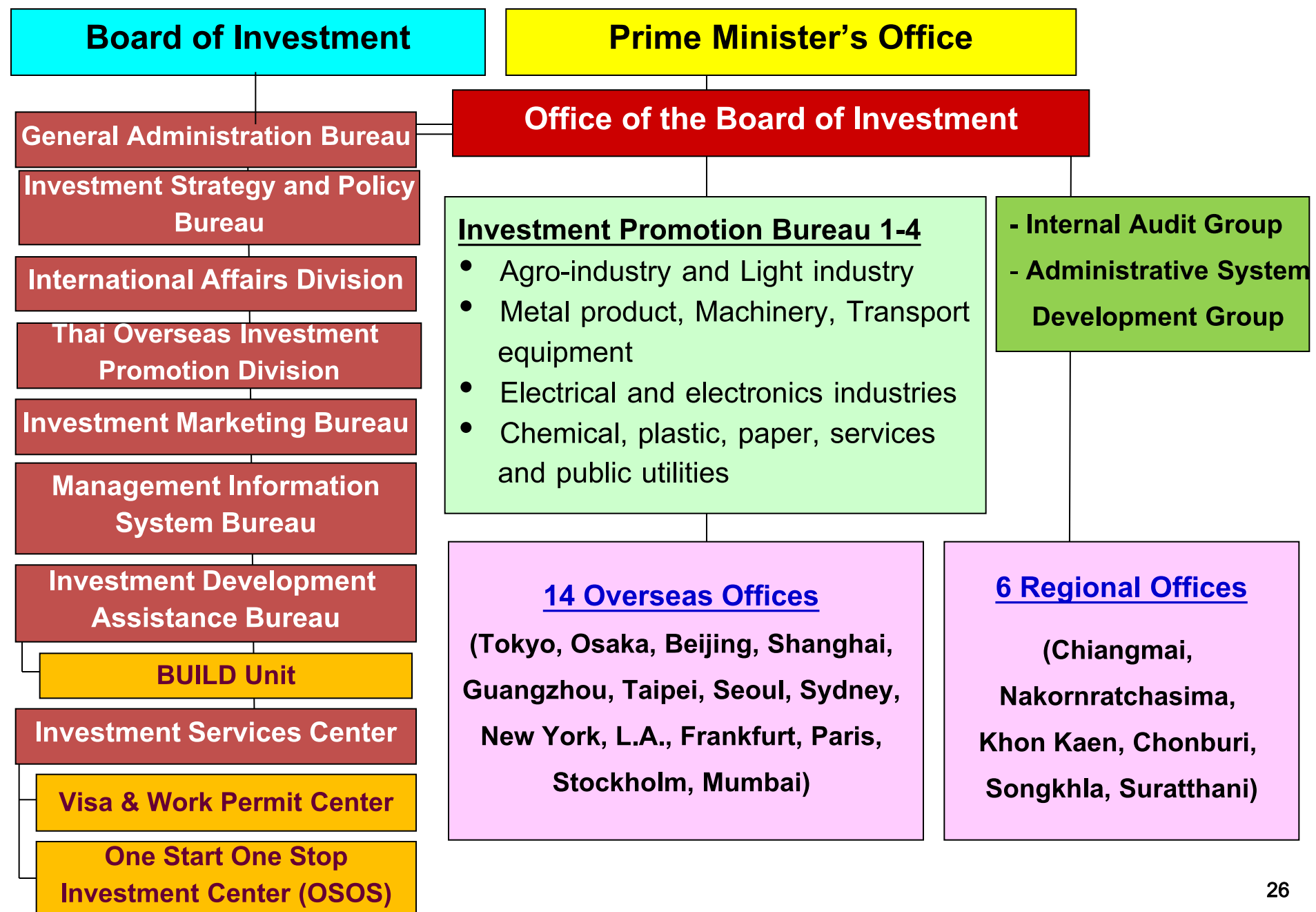
- **The minimum investment requirement is 500,000 Baht** (excluding cost of land and working capital)
- **Not less than 51 percent of the registered capital must be Thai**
- **The ratio of debt to equity should not exceed 3 to 1**
- **Projects are allowed to use domestic used machinery of not more than 10 million baht and investment in new machinery must account for at least 50% of the value of machinery in the project**
- **For total investment (both BOI and Non-BOI projects), the net fixed asset or investment (excluding cost of land and working capital) must not exceed 200 million Baht.**

3. Measure for improvement of production efficiency

(BOI Announcement 1/2557 ;

Applications must be submitted by the end of 2017)

1. **Objectives**: to upgrade machinery for energy conservation, alternative energy utilization, reduction of environmental impact as well as to encourage R&D and engineering design to improve production efficiency.
2. **Eligible projects**: Existing projects, whether BOI or non-BOI promoted.
3. **Benefits**:
 - 3.1 Exemption of import duty for machinery
 - 3.2 CIT exemption for 3 years on the revenue of an existing project, accounting for 50% of the investment under this measure.
4. **Conditions**:
 - 4.1 Investment amount must not be less than 1 million baht, excluding cost of land and working capital.
 - 4.2 Applications must be submitted by the end of 2017 and project must complete implementation within 3 years from the issuance date of the promotion certificate.





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