

(Unofficial Translation)

**Announcement of the Board of Investment
No. 3/2557**

Investment Promotion for Industrial Development in the Southern Border Provinces

To promote investment in the Southern Border Provinces, by virtue of Sections 16, 18 and 35 of the Investment Promotion Act B.E. 2520, the Board of Investment hereby issues this announcement setting criteria for investment promotion as follows:

1. The Southern Border Provinces means Narathiwat, Pattani, Yala, Satun and four Districts in Songkhla, i.e. Jana District, Natawee District, Saba Yoi District and Taypa District.
2. General investment promotion for projects located in the Southern Border Provinces include:
 - 2.1 All eligible activities listed in the Announcement of the Board of Investment No. 2/2557 dated 3 December 2014, which prescribed investment in the Southern Border Provinces as projects of special importance and of benefit to the country, are entitled to the following incentives and conditions:
 - 2.2 Incentives:
 - 2.2.1 Exemption of import duty on machinery.
 - 2.2.2 Exemption of corporate income tax for a period of 8 years with no corporate income tax cap.
 - 2.2.3 A 75 percent reduction of the normal rate of import duty on raw materials or essentials used in the production of products to be sold domestically for a period of 5 years.
 - 2.2.4 A 50 percent reduction of the normal rate of juristic person income tax on the net profit deriving from the promoted activity for a period of 5 years, counting from the expiry date of the corporate income tax exemption.
 - 2.2.5 Permission to double deduct costs of transportation, electricity and water supply for a period of 15 years, counting from the date in which revenue is generated.
 - 2.2.6 Permission to deduct 25 percent of investment costs on the installation or construction of facilities used, counting from the date in which revenue is generated.
 - 2.2.7 Non-tax incentives.
 - 2.3 Conditions
 - 2.3.1 Project must have a minimum investment of 500,000 Baht (excluding cost of land and working capital).
 - 2.3.2 Permission to utilize used domestic machinery in the promoted project with a value not exceeding 10 million Baht and required investment in new machinery with an assessment that is not less than one quarter of the value of the used machinery.
 - 2.3.3 The application must be submitted by 31 December 2017.

3. Special measures for existing project applying for investment promotion in the Southern Border Provinces are as follow:

3.1 “Existing project” refers to all implemented projects, whether promoted or not, located in other areas or in the Southern Border Provinces, in which the activity must be eligible for investment promotion.

3.2 “New project” refers to a new investment project applying for investment promotion in the Southern Border Provinces, which is an existing juridical person according to 3.1, or a new juridical person, in which the group of owners of the existing project must be the principal shareholders.

3.3 Investors in the existing project who invest in new projects are entitled to the incentives of the existing project as well as of the new project with conditions as follow:

3.3.1 Incentives

Existing project

(1) Exemption of corporate income tax for a period of 3 years, not exceeding 100 percent of the new investment in the Southern Border Provinces(excluding cost of land and working capital).

(2) Non-tax incentives.

New project

(1) Exemption of import duty on machinery.

(2) Exemption of corporate income tax for a period of 8 years, with corporate income tax cap.

(3) A 75 percent reduction of the normal rate of import duty on raw materials or essentials used in the production of products to be sold domestically for a period of 5 years.

(4) A 50 percent reduction of the normal rate of juristic person income tax on the net profit deriving from the promoted activity for a period of 5 years, counting from the expiry date of the corporate income tax exemption.

(5) Permission to double deduct costs of transportation, electricity and water supply for a period of 15 years, counting from the date in which revenue is generated.

(6) Permission to deduct 25 percent of investment costs on the installation or construction of facilities used, counting from the date in which revenue is generated.

(7) Non-tax incentives.

3.3.2 Conditions

(1) Investment must not be less than 500,000 Baht (excluding cost of land and working capital).

(2) Permission to utilize used domestic machinery in the promoted project with a value not exceeding 10 million Baht and required investment in new machinery with an assessment that is not less than one quarter of the value of the used machinery.

- (3) Must submit investment promotion application for the existing project when the new project already has installed machinery and is ready for the commencement of operations.
 - (4) Must submit investment promotion application by 31 December 2017 with confirmation letter to invest in the existing project.
4. Investment promotion of industrial estates or industrial zones and projects located in the Southern Border Provinces or projects located in a Cluster that supports investment in the Southern Border Provinces.
 - 4.1 Project owner in an investment promoted industrial estate or industrial zone and projects located in a promoted industrial estate or industrial zone, which are located in the Southern Border Provinces or located in a Cluster that supports investment in the Southern Border Provinces, shall be entitled to the following incentives and conditions as specified by the Board:
 - 4.1.1 Investment in the first project shall be entitled to incentives as listed below:
 - (1) Exemption of import duty on machinery.
 - (2) Exemption of corporate income tax exemption for a period of 8 years, with no corporate income tax cap.
 - (3) A 75 percent reduction of the normal rate of import duty on raw materials or essentials used in the production of products to be sold domestically for a period of 5 years.
 - (4) A 50 percent reduction of the normal rate of juristic person income tax on the net profit deriving from the promoted activity for a period of 5 years, counting from the expiry date of the corporate income tax exemption.
 - (5) Permission to double deduct costs of transportation, electricity and water supply for a period of 15 years, counting from the date in which revenue is generated.
 - (6) Permission to deduct 25 percent of investment costs on the installation or construction of facilities used, counting from the date in which revenue is generated.
 - (7) Non-tax incentives.
 - 4.1.2 Conditions
 - (1) Investment must not be less than 500,000 Baht (exceeding cost of land and working capital).
 - (2) Permission to utilize used domestic machinery in the promoted project with a value not exceeding 10 million Baht and required investment in new machinery with an assessment that is not less than one quarter of the value of the used machinery.
 - (3) Permission to employ unskilled foreign labor in the promoted project, as conditioned by the Board.
 - 4.2 Investment in an expansion project, in the case that the promoted person has implemented the first project and already has submitted the application for project expansion under the same juridical person, as conditioned by the Board, which

allows the first project and the expanded project to be combined under the same project, shall be entitled to the following incentives and conditions:

4.2.1 Incentives

- (1) Exemption of import duty on machinery.
- (2) Exemption of corporate income tax for a period of 8 years, with no corporate income tax cap.
- (3) A 75 percent reduction of the normal rate of import duty on raw materials or essentials used in the production of products to be sold domestically for a period of 5 years.
- (4) A 50 percent reduction of the normal rate of juristic person income tax on the net profit deriving from the promoted activity for a period of 5 years, counting from the expiry date of the corporate income tax exemption.
- (5) Permission to double deduct costs of transportation, electricity and water supply for a period of 15 years, counting from the date in which revenue is generated.
- (6) Permission to deduct 25 percent of investment costs on the installation or construction of facilities used, counting from the date in which revenue is generated.
- (7) Non-tax incentives.

4.2.2 Conditions

- (1) Investment of the expanded project must not be less than 500,000 Baht (exceeding cost of land and working capital).
- (2) Used machinery with a value not exceeding 10 million Baht can be utilized in the promoted project. Also, the project requires an investment in new machinery with an assessment of not less than one quarter of the value of machinery already in use.
- (3) Permission to employ unskilled foreign labor in the promoted project, as conditioned by the Board.
- (4) Must submit investment application of the expanded project and must generate revenue before the expiry date of corporate income tax exemption of the first project.
- (5) The promoted person must be the juridical person that has submitted the first investment promotion application by 31 December 2017.

4.3 The Office of the Board of Investment must terminate the first promotion certificate and issue a new promotion certificate, thereby combining the first project and the expanded project.

This announcement shall be effective from 1 January 2015 onwards.

Announced on 18 December 2014

(General Prayut Chan-o-cha)
Chairman of the Board of Investment