

Updates on Investment Promotion Policies

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Deputy Secretary General
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Bangkok

How to Get BOI Promotion

Activities eligible for promotion

- Agriculture and agro-industries
- Metal-working and minerals
- Light industries
- Chemicals and petrochemicals
- Electrical and electronics
- Services and public utilities

Approving Body

- Investment of < 40 million baht with no environmental issues → BOI executives to approve in 15 working days
- Investment of between 40 and < 200 million → working group to approve within 40 working days
- Investment of between 200 and <750 million → subcommittee to approve within 60 working days
- Investment of at least 750 million → Board to approve within 90 working days

Project Approval Criteria

- Value added at least 20% (except electronic products, agriculture and agro processing, and projects the Board deems appropriate)
- Registered capital at least 25% of total investment (D/E no more than 3 to 1)
- Modern production machinery and process (Second-hand machinery is also allowed if certification is obtained.)
- Adequate environmental protection

- **Minimum investment of 1 million baht excluding land cost and working capital**
- **Projects with investment of at least 500 million baht are required to submit a feasibility study.**

Feasibility Study (for projects with over 500 million baht of investment)

Information required

- Status of the overall industry
- Appropriateness of the project
 - Investor
 - Financial aspect
 - Competitiveness
 - Technical aspect
 - Environmental impacts
 - R&D
- Impacts on the economy
- Government assistance needed

BOI's Current Foreign Equity Participation Policies

- ❑ no restriction on foreign shareholding in manufacturing
- ❑ 100% foreign shareholding allowed in some services
- ❑ At least 51% Thai ownership is required for activities in list 1 of the Foreign Business Act

BOI Investment Incentives

BOI Tax Incentives -1

Corporate Income Tax

Starting from the first day of income

- 3 to 8 years of corporate income tax exemption (section 31)
 - Without a ceiling in case of projects deemed of special importance and benefits to the country
- 50% reduction of corporate income tax for 5 years (section 35 (1))
- Double deduction of transportation, water and electricity costs for 10 years (section 35(2))
- Deduction of 25% of infrastructure construction and installation costs for a period of 10 years (section 35(3))

BOI Tax Incentives -2

Corporate Income Tax (con't)

- Exemption from taxation of revenues from goodwill and royalties derived from the contracts approved by the Board during 5 years of the first revenues earned from the promoted project (section 33)
- Exemption of income tax on dividends distributed by companies enjoying tax holidays (section 34)

BOI Tax Incentives -3

Import Duties

- Exemption of import duties on machinery (section 28)
- Reduction of import duties on machinery (section 29)
- Exemption of import duties on raw materials used for the manufacture of exports (section 36(1) and 36(2))
- Reduction of import duties on raw materials used for the production for the local market (section 30)

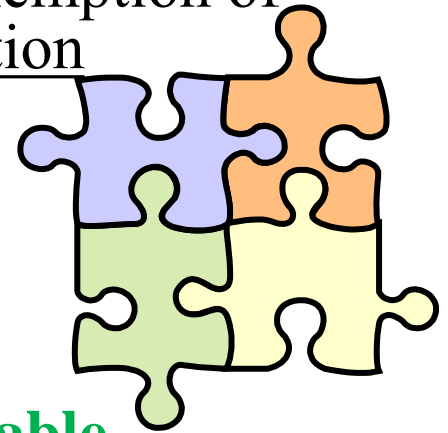
BOI Non-Tax Incentives

- Relaxed rules on foreign equity participation
- Permission to own land (for foreign companies)
- Permission to bring in foreign technicians and experts
(access to services provided by One-Stop Service center for Visas and Work Permits: renewal granted within 3 hours)

Current Criteria in Granting Tax Incentives

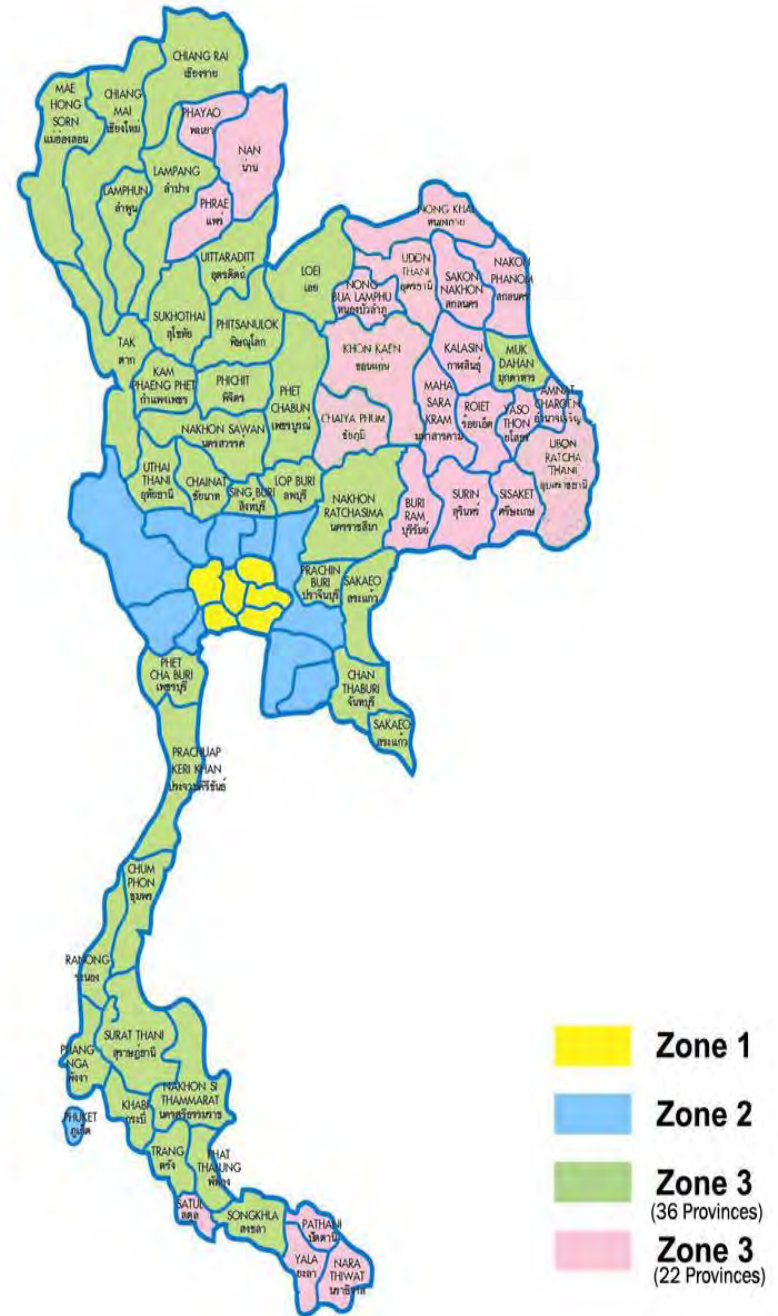
Major BOI Incentives Schemes

- Decentralization
 - Incentives vary according to zones
- Priority activities receive
 - 8-year corporate income tax exemption and exemption of import duties on machinery regardless of location
- Sector-specific policies
- Optional incentive scheme
 - STI Scheme
- Special temporary measures:
 - **“Investment Promotion Policies for Sustainable Development”**
 - **“Flood Relief Measures”**



BOI Basic Promotion Packages

3 Investment Promotion Zones to promote industrial decentralization



Zone: 1 2 3
Incentives: Lower → Higher Incentives

BOI Zoning

Zone 1 (6 provinces)

Bangkok, Nakorn Pathom, Nonthaburi, Patumthani, Samutprakan
and Samutsakorn

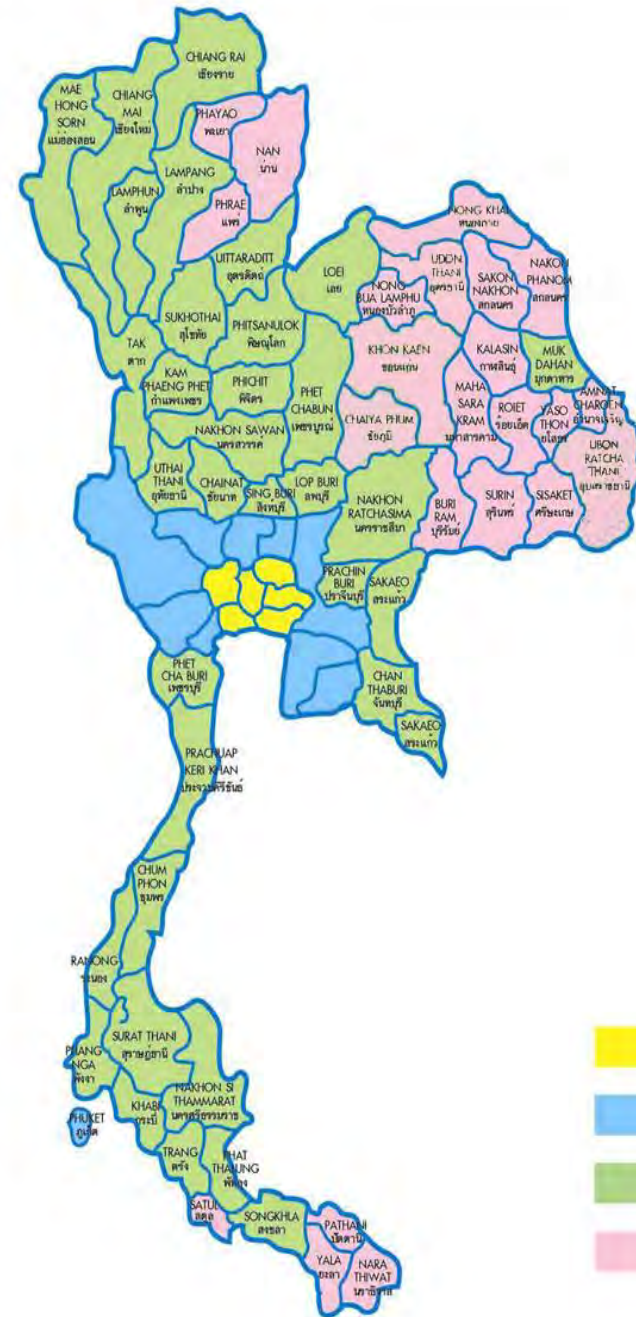
Zone 2 (12 provinces)

Kanchanaburi, Chachengsao, Chonburi, Nakorn Nayok, Ayuddhaya,
Phuket, Rayong, Rachaburi, Samutsongkram, Saraburi, Supanburi
and Angthong

BOI Zoning

Zone 3 (59 provinces)—Investment Promotion Zone

- (1) 36 provinces
- (2) 23 provinces



Zone 1 Incentives

Inside Industrial Estates/Parks	Outside Industrial Estates/Parks
<ul style="list-style-type: none">○ 3-year corporate income tax exemption○ 50% reduction of import duties on machinery if import tariff is at least 10%○ Exemption of import duties on raw materials used for the manufacture of exports	<ul style="list-style-type: none">○ 50% reduction of import duties on machinery if import tariff is at least 10%○ Exemption of import duties on raw materials used for the manufacture of exports

Zone 2 Incentives

Inside Industrial Estates/Parks	Outside Industrial Estates/Parks
<ul style="list-style-type: none">○ 7-year corporate income tax exemption*○ Exemption of import duties on machinery○ Exemption of import duties on raw materials used for the manufacture of exports	<ul style="list-style-type: none">○ 3-year corporate income tax exemption○ 50% reduction of import duties on machinery if import tariff is at least 10%○ Exemption of import duties on raw materials used for the manufacture of exports

*** Applications must be submitted by December 2014.**

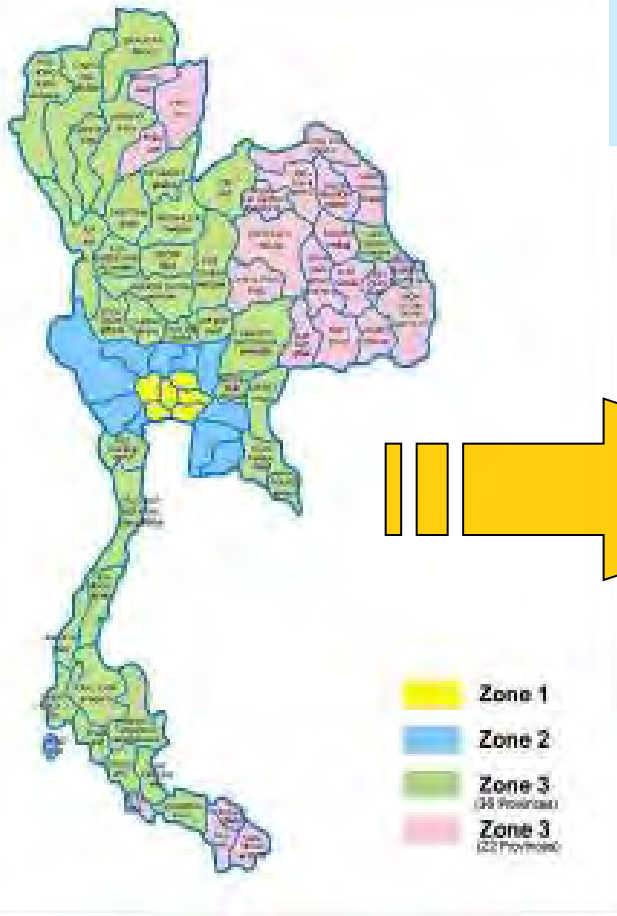
Zone 3 Incentives (36 provinces)

<p>Inside Industrial Estates/Parks + Laem Chabang IE* + Industrial Estates/Parks in Rayong*</p>	<p>Outside Industrial Estates/Parks</p>
<ul style="list-style-type: none"> ○ 8-year exemption of corporate income tax ○ Exemption of import duties on machinery ○ 50% reduction of corporate income tax for 5 years after tax holidays ○ Double deduction of transportation, water and electricity costs for 10 years ○ 25% deduction from net profits of infrastructure construction and installation costs for 10 years ○ 75% reduction of import duties on raw materials used for domestic market* (not applicable to Laemchabang & IE/IP in Rayong) ○ Exemption of import duties on raw materials used for exports 	<ul style="list-style-type: none"> ○ 8-year exemption of corporate income tax ○ Exemption of import duties on machinery ○ 25% deduction from net profits of infrastructure construction and installation costs for 10 years ○ Exemption of import duties on raw materials used for exports
	<p>* Applications must be submitted by December 2014 for projects located in Laem Chabang IE and industrial estates/parks in Rayong.</p>

Zone 3 Incentives (23 provinces)

Inside Industrial Estates/Parks	Outside Industrial Estates/Parks
<ul style="list-style-type: none"> ○ 8-year exemption of corporate income tax ○ Exemption of import duties on machinery ○ 50% reduction of corporate income tax for 5 years after tax holidays ○ Double deduction of transportation, water and electricity costs for 10 years ○ 25% deduction from net profits of infrastructure construction and installation costs for 10 years ○ 75% reduction of import duties on raw materials used for domestic market ○ Exemption of import duties on raw materials used for exports 	<ul style="list-style-type: none"> ○ 8-year exemption of corporate income tax ○ Exemption of import duties on machinery ○ 50% reduction of corporate income tax for 5 years after tax holidays ○ Double deduction of transportation, water and electricity costs for 10 years ○ 25% deduction from net profits of infrastructure construction and installation costs for 10 years ○ Exemption of import duties on raw materials used for exports

From Zone-Based to Sectoral Approach



Zone-Based

Incentives:

- Zone 1
- Zone 2
- Zone 3

Sector Matrix:
Incentives to strengthen competitiveness

Strategic or Priority Activities

- Maximum incentives regardless of location
- Customized packages

Examples of Priority Activities

- Agriculture and agro-industries
- Identified high-tech auto parts
- Machinery and equipment
- Mold and dies
- Alternative energy
- Mass transit systems and transportation of bulk goods
- Forged steel parts
- Waste recycling & recovery

Incentives

- 8-year tax holidays (with cap)
- exemption of import duties on machinery

Priority Activity that has special importance and benefits to the country

Incentives (regardless of locations)

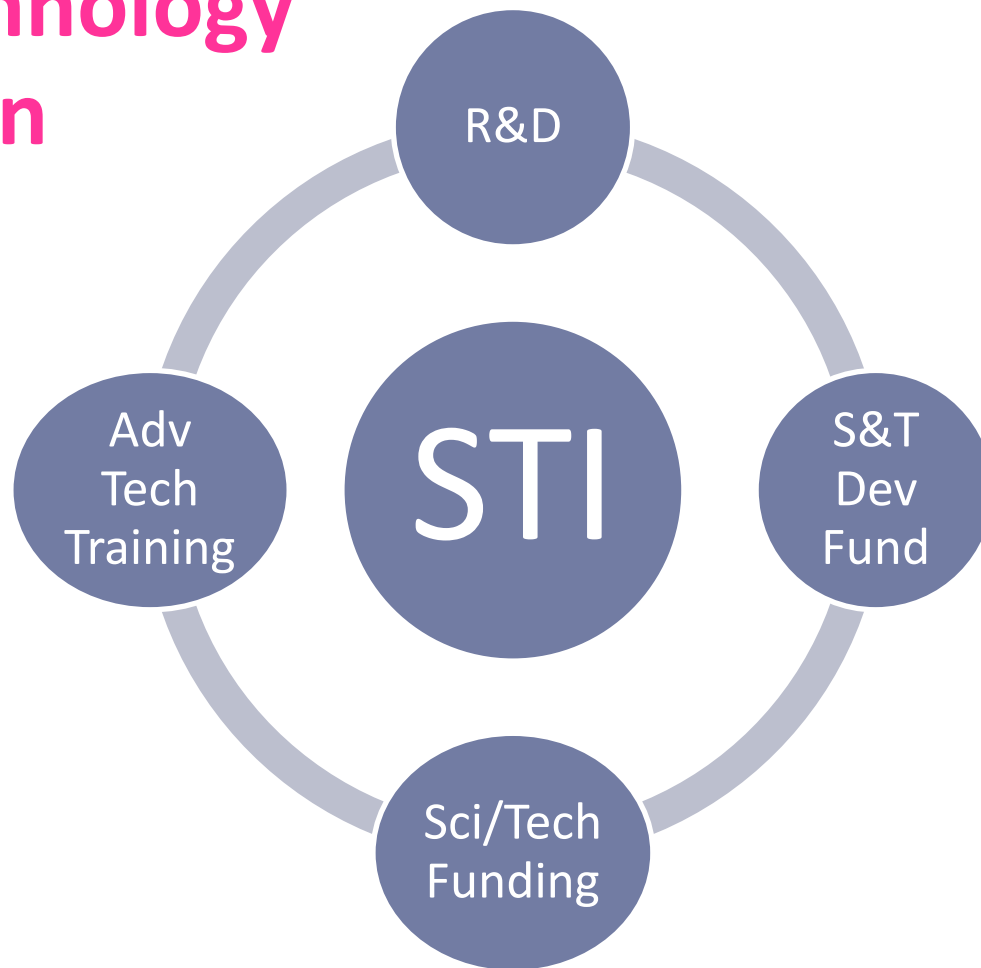
- 8-year tax holidays **with no cap**
- Exemption of import duties on machinery

Activities--Examples

- Human resource development
- Biotechnology
- Machinery and equipment with engineering designs
- Shipbuilding and repairing
- Manufacture and repair of aircraft and parts or equipment
- Eco-friendly chemicals
- Eco-friendly products

Additional Incentive Package for STI:

**Skills Technology
Innovation**



STI Incentives (Optional)

Criteria

Investments and expenditures on:

- Research and development or design
- Advanced technology training
- Funding educational and research institutions
- Contribution to S&T Development Fund

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 Bt150 million, whichever is less	1	✓	✓
2% of the first 3 years' sale or at least Bt300 million, whichever is less	2	✓	✓
3% of the first 3 years' sale or at least Bt450 million, whichever is less	3	✓	✓

Who can apply for STI incentives?

- Existing projects that have been granted corporate income tax exemption under Section 31 and are already generating income can now submit an STI application before their tax exemption period expires
- Existing projects that have not been granted corporate income tax exemption and that want to ask for STI incentives are required to submit their applications when they submit the BOI application

Policies for 2010-2012

“Investment for Sustainable Development”

Application submission deadline: **December 31, 2012**

1. Special incentives for 3 groups of targeted activities

- 1) **Manufacture of eco-friendly material and product, e.g. bioplastics**
- 2) **Energy saving and alternative energy**
- 3) **High technology activities e.g. industrial electronics, electronic parts for vehicles, biotech, nano-tech, functional fiber etc.**

Incentives

- **Exemption of import duties on machinery**
- **8-year exemption of corporate income tax with no cap**
- **5-year 50% reduction of corporate income tax on net profit**
- **10-year double deduction of transportation, electricity and water supply costs**
- **deduction from net profit of 25% of investment in infrastructure installation and construction costs in addition to normal capital depreciation**

Targeted Industries

1) Activities related to energy conservation and alternative energy

- 1.18 Manufacture of alcohol or fuel from agricultural products, including scrap, garbage and/or waste
- 4.2.3 Manufacture of energy-conserving machinery or equipment or machinery or equipment which uses alternative energy
- 4.15 Manufacture of fuel cells
- 7.1.1 Production of electricity or steam power
 - For cases that use alternative energy such as energy from agricultural materials, biogas and wind energy

2) Activities related to eco-friendly materials and products

- 6.3 Manufacture of eco-friendly chemicals
- 6.4 Manufacture of eco-friendly products

Targeted Industries

3) High technology businesses

- 1.11.10 Manufacture of medical food
- 2.5.3 Manufacture of advanced ceramics
- 2.19 Manufacture of nano materials or products from manufactured nano materials
- 3.1.1 Manufacture of natural or synthetic fibers – only manufacture of functional fiber
- 3.9 Manufacture of medical equipment
- 3.10 Manufacture of scientific equipment
- 4.2.1 Manufacture of machinery, equipment and parts that have engineering design
- 4.2.2 Manufacture of farm machinery or equipment and food processing machinery or equipment
- 4.2.4 Manufacture or repair of mould and die – only manufacture of mould and die and parts
- 4.9 Manufacture, repair or conversion of aircraft, including aircraft parts and equipment or onboard equipment
- 4.10 Manufacture of vehicle parts
 - Automatic Transmissions
 - Continuously Variable Transmissions (CVT)
 - Traction motors for automobiles; e.g. hybrid or fuel cell cars
 - Electronic Stability Control (ESC)
 - Regenerative Braking Systems
 - Rubber tires for vehicles

Targeted Industries

3) High technology businesses (cont.)

- 5.4.3 Manufacture of industrial electronics
- 5.4.4 Manufacture of telecommunication equipment
- 5.5.1 Manufacture of semiconductors
- 5.5.2 Manufacture of memory storage equipment – only manufacture of Hard Disk Drive (HDD), Solid State Drive (SSD) and HDD and SSD parts
- 5.5.4 Manufacture of parts for telecommunication equipment
- 5.5.5. Manufacture of parts for medical electronics
- 5.5.6. Manufacture of parts for agricultural electronics
- 5.5.7 Manufacture of electronic parts for vehicles
- 5.5.10 Manufacture of solar cells and raw materials for solar cells
- 5.5.12 Manufacture of flat panel display
- 5.6 Manufacture of material for microelectronics
- 5.7 Electronic design
- 7.18 Human resource development
- 7.19 Biotechnology
- 7.20 Research and development
- 7.21 Scientific laboratories
- 7.22 Calibration services

Policies for 2010-2012

“Investment for Sustainable Development”

2) Measure to promote energy conservation and alternative-energy utilization

Incentives

- Import duty exemption on machinery.
- 3-year corporate income tax exemption on the revenue of existing projects, accounting for 70% of the investment under this measure excluding cost of land and working capital.

Eligibility

- BOI-promoted projects of which tax holidays have expired or those which are not granted tax holidays
- non-BOI projects

Conditions

- Investment must be completed within 3 years after the issuance of the investment promotion certificate.
- Energy consumption must be reduced to the level determined or alternative energy must be utilized in the ration determined.

Application submission deadline: December 31, 2012.

Policies for 2010-2012

“Investment for Sustainable Development”

3) Measure to promote or reduction of environmental impacts

Incentives

- Import duty exemption on machinery.
- 8-year corporate income tax exemption on the revenue of existing projects, accounting for 100% of the investment under this measure excluding cost of land and working capital.

Eligibility

- BOI-promoted projects of which tax holidays have expired or those which are not granted tax holidays
- non-BOI projects

Conditions

- Investment must be completed within 3 years after the issuance of the investment promotion certificate.
- Impacts on the environment must be reduced according to the criteria determined.

Application submission deadline: December 31, 2012.

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.
- Applications for this incentive must be submitted before December 31, 2012.

Special Conditions for Investment Applications in Rayong Area (1/2)

- 1. Areas required to have special environmental control in place include Map Ta Phut sub-district, Huai Pong sub-district, Noen Phra sub-district, Tab Ma sub-district in Muang Rayong district, Map Kha sub-district in Nikom Pattana district, Ban Chang sub-district in Bang Chang district in Rayong, and coastal areas and industrial estates of IRPC Public Company Limited**
- 2. Indications for consideration of pollution management in the targeted zones**
 - (1) Oxides of Nitrogen (NO_x) and Sulphur Dioxide (SO₂). There are goals for reducing the emission rate and processing the impact assessment by using mathematical modeling.**
 - (2) Three types of VOCs, which are Benzene; 1,3-Butadiene; and 1,2-Dichloroethane. The actual measurement in Map Ta Phut and vicinity exceeded safety standards.**

Special Conditions for Investment Applications in Rayong Area (2/2)

Conditions for considering investment promotion are as below:

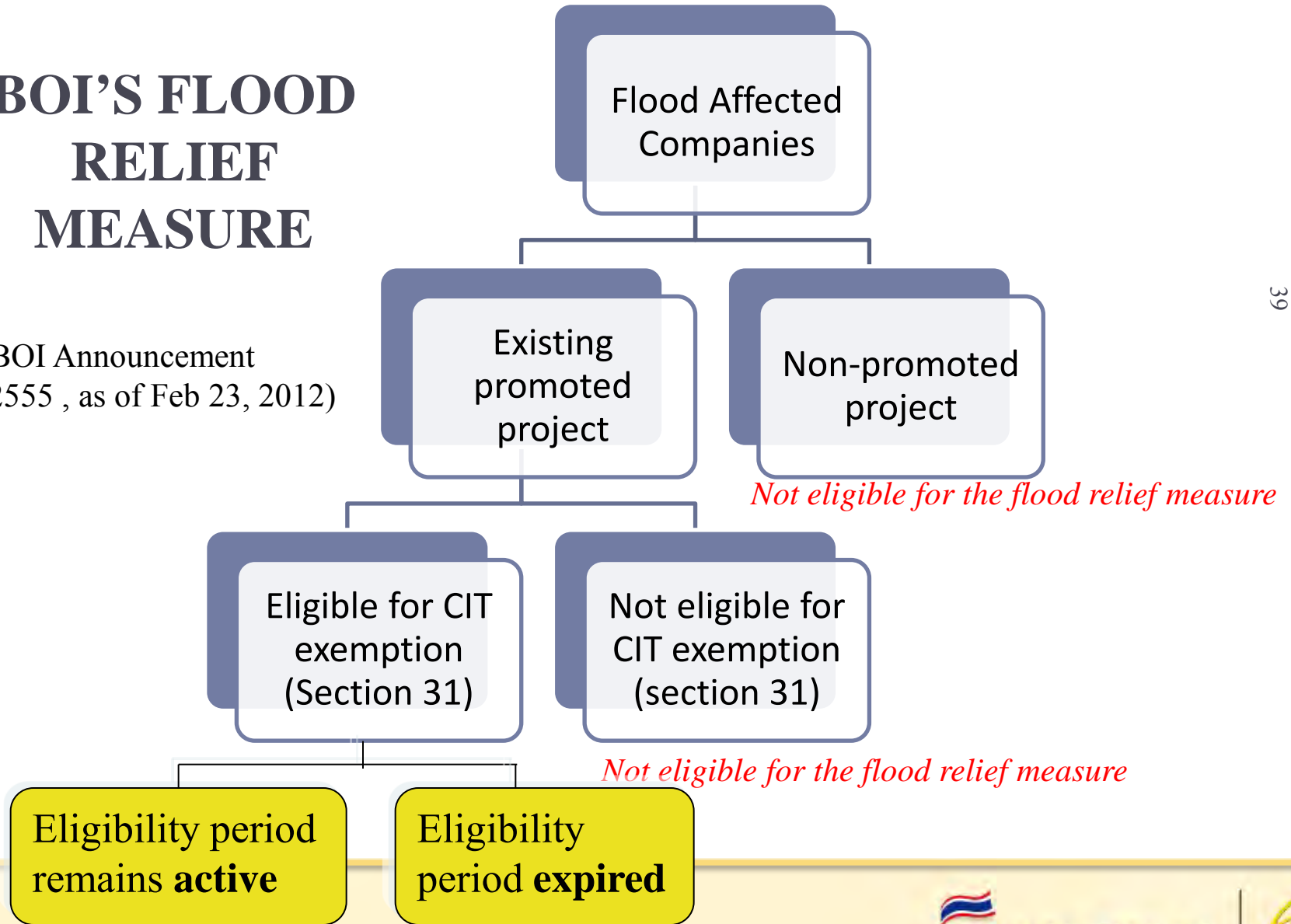
1. Projects with non-emission of NO_x, SO₂ and VOCs to be considered as general promotion.
2. Projects with probable emission of NO_x and SO₂ to be considered if the project complies with the conditions. The project's improvement will be action to reduce environmental impact in accordance with an 80-20 emission reduction of NO_x and SO₂ in the reservation scheme.
3. Projects with probable emission of three types of VOCs must comply with the following conditions:
 - (1) Operations must not release any additional emission above the existing overall emission.
 - (2) Projects to use advanced technology (Best Available Technology / Best Practices) for low environmental impact.
4. Projects with probable emission of NO_x, SO₂, and three types of VOCs must have ESA / EIA / EIA reports approved prior to promotion certificate issuance.

Flood Relief Measures

- BOI Announcement 1/2555
- BOI Announcement 2/2555

BOI'S FLOOD RELIEF MEASURE

(Ref: BOI Announcement No.1/2555 , as of Feb 23, 2012)



TAX INCENTIVES FOR FLOOD-AFFECTED BOI COMPANIES

Eligibility

- BOI-promoted projects that are flooded
- Still enjoy corporate income tax exemption

Remark: Official announcement is effective from 29 December 2011 onwards

1. Projects with corporate income tax exemption cap

Remain at existing province	8-year tax exemption (subject to <u>150%</u> cap on new investment * + remaining unused cap)
Relocate to another province	8-year tax exemption (subject to <u>100%</u> cap on new investment * + remaining unused cap)

Remark: * All fixed assets (except land) including cost of repairs of existing machinery and replacement machinery previously imported under the BOI scheme.

Tax Incentives for Flood-Affected BOI Companies

2. Projects without corporate income tax exemption cap
Companies can use option 1 above or the following scheme.

Remaining Tax Exemption Period	Additional Years of Tax Exemption to be Granted
≤ 5 years	+ 3 more years
$> 5-6$ years	+ 2 more years & 2-year 50% tax reduction
$> 6-7$ years	+ 1 more year & 4-year 50% tax reduction
$> 7-8$ years	+ 5-year 50% tax reduction

MEASURES FOR INDUSTRIAL ESTATES OR ZONES



8 year corporate income tax exemption.

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200% of tax deduction (previously 100%) of investment value excluding land cost and working capital.



The industrial zone operator must invest in developing infrastructure and service charge must be fair to investors as well.

(Ref: BOI Announcement No.1/2555 , as of Feb 23, 2012)

Flood Relief Measures under BOI Announcement No 2/2555

Eligibility

- New investors
- Expansion of existing BOI-promoted investors
- Located in industrial estates or parks in Pathumthani and Ayutthaya

Incentives

- Corporate income tax exemption
 - Pathumthani: 8-year tax holidays with 150% cap
 - Ayutthaya: 8-year tax holidays with 150% cap + 3 years of 50% reduction
- Exemption of import duties on machinery

Application Submission Deadline: December 2012