

Update on BOI Investment Policies



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Presentation Outline

- Existing Policy Structure
 - Zone Based and Sector Approach
 - Skills, Technology, and Innovation (STI) Policy
- Recent Investment Policies
 - Investment for Sustainable Development
 - New Activity and rules and regulations
 - Emergency Policy for Flooding and Baht Appreciation

No restrictions on
foreign currency

100% foreign
ownership

**LIBERAL INVESTMENT
REGIME**

No export
requirements

No local content
requirements

Sectors for Investment



Agriculture



Mining,
Ceramics
Basic
Metals



Light
Industries



Metal
Products,
Machinery,
Transport



E&E

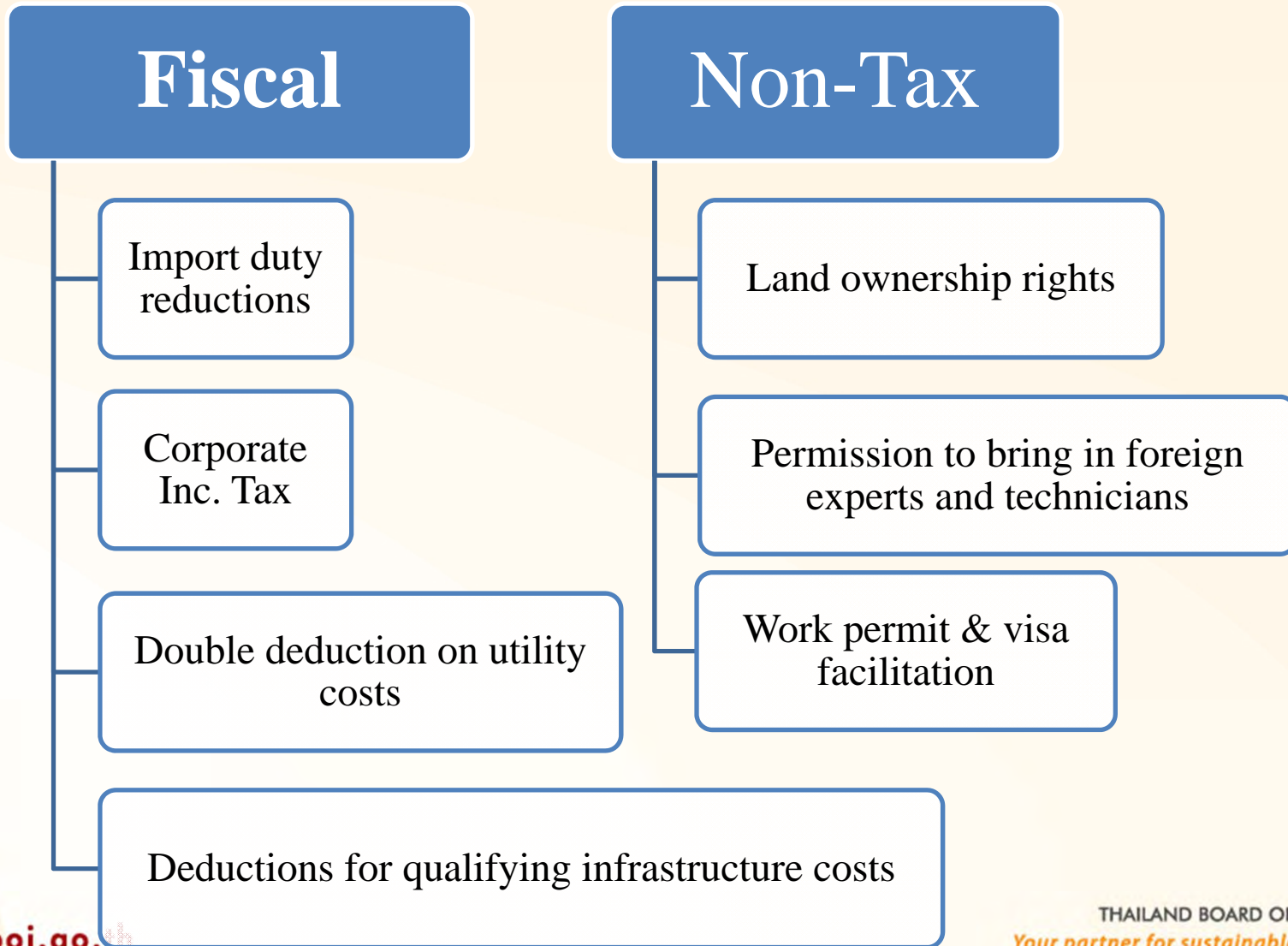


Chemicals,
paper,
plastics



Services

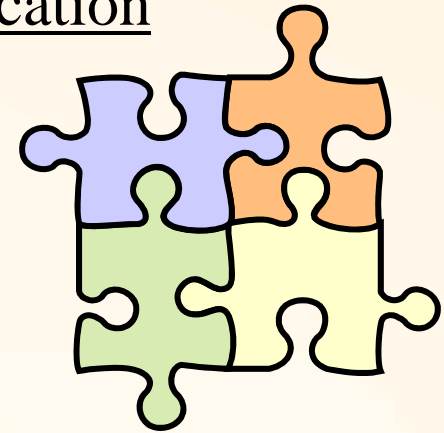
BOI's Investment Incentives



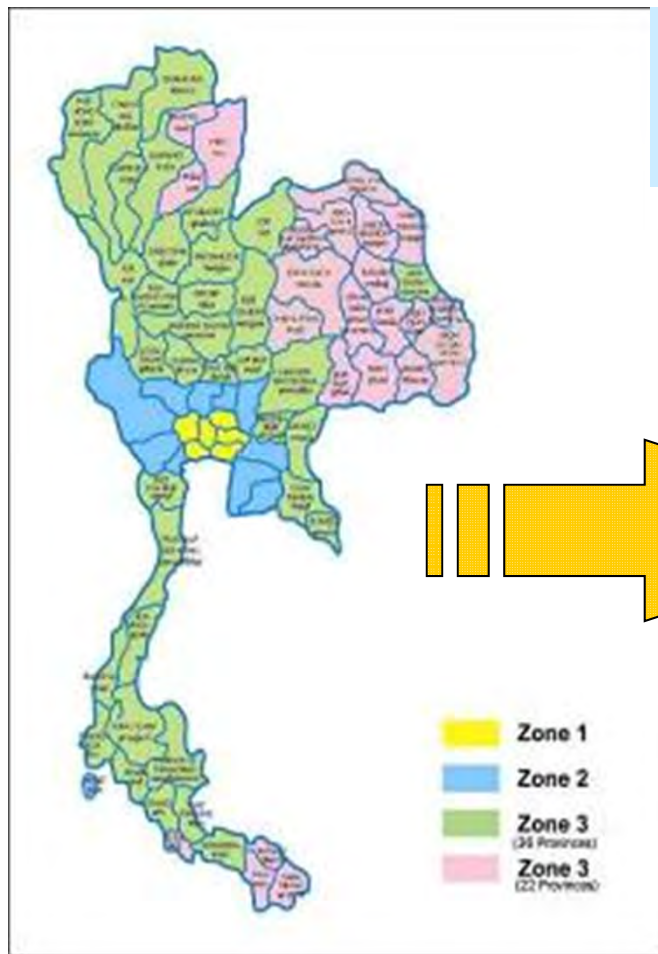
Major BOI Incentives Schemes

- 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”**



From Zone-Based to Sectoral Approach



**Sector Matrix:
Incentives to strengthen
competitiveness**

**Strategic or Priority
Activities**

- Maximum incentives regardless of location
- Customized packages

Zone-Based

Incentives:

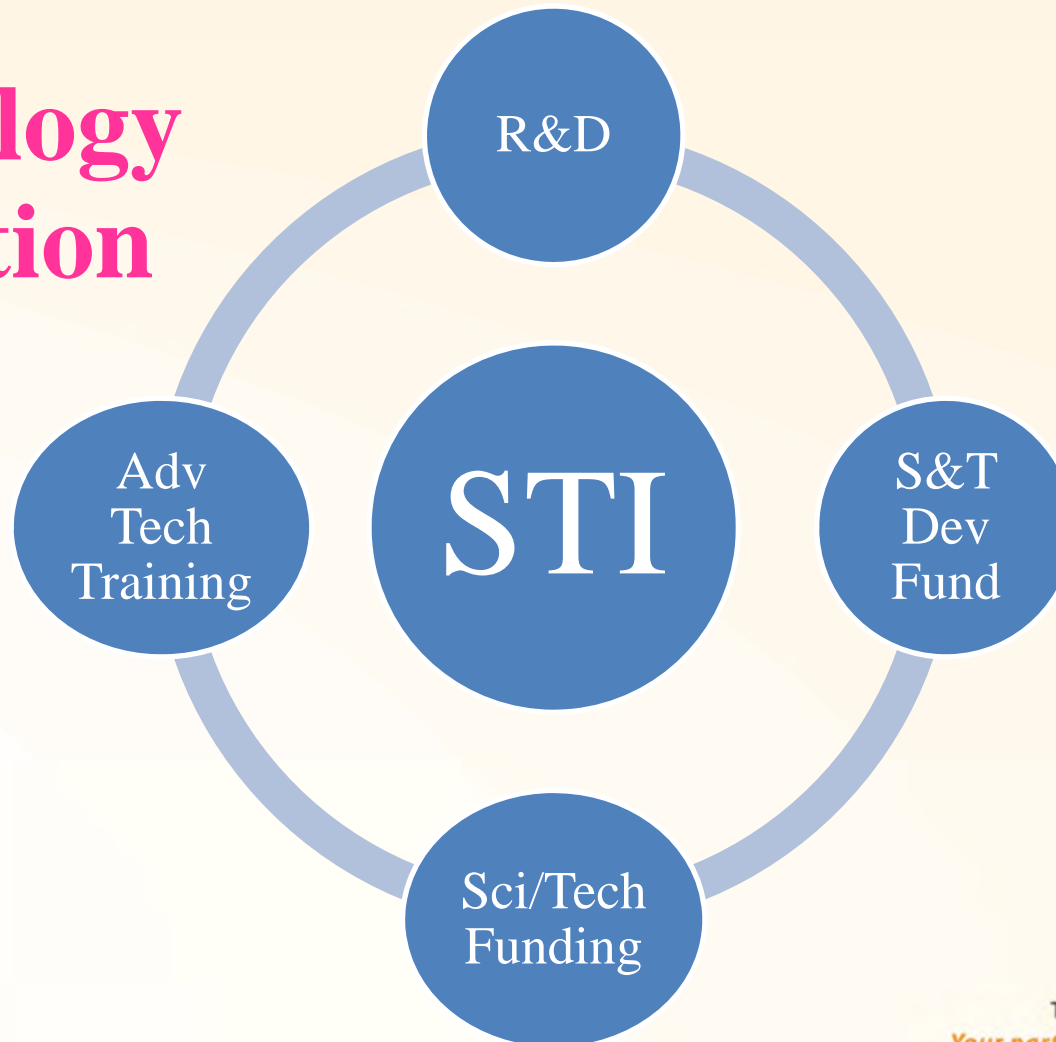
- Zone 1
- Zone 2
- Zone 3

Examples of Priority Activities

- Agriculture and agro-industries
- R&D
- Software development
- Molds & Dies
- Biotechnology
- Alternative energy
- Manufacture of hi-tech products e.g. advanced ceramics
- Waste recycling & recovery

Additional Incentive Package for STI:

Skills Technology Innovation



STI Incentives (Optional)

Investments and expenditures on:

Criteria

- Research and development or design
- Advanced technology training
- Funding educational and research institutions
- Support for 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 (CHF4.9 million), whichever is less	1	✓	✓
2% of the first 3 years' sale or at least Bt300 million (CHF 9.8 million), whichever is less	2	✓	✓
3% of the first 3 years' sale or at least Bt450 million (CHF 14.7), whichever is less	3	✓	✓

STI Incentives

Previous Condition	Revised Conditions
<ul style="list-style-type: none">• Only promoted activities that have not yet generated income can ask for STI incentives	<ul style="list-style-type: none">• Existing projects that have been granted <u>corporate income tax exemption under Section 31 and are already generating income</u> can now submit an STI application before their tax exemption period expires

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Recent Investment Policies

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THAILAND BOARD OF INVESTMENT
Your partner for sustainable investment

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**

Policies for 2010-2012

“Investment for Sustainable Development”

2) Measure to promote energy conservation, alternative-energy utilization or reduction of environmental impacts

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.

Additional tax incentives since 11 April 2011

Incentives for Measure to promote energy conservation and alternative energy utilization remain the same:

- **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.**

ONLY the project for Reduction of Environmental Impacts will now receive:

- **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.**

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- **Import duty exemption on machinery remains the same.**

Conditions:

- **This measure applies to existing projects only. In case of non-BOI promoted projects, the activity must be eligible for investment promotion by BOI.**
- **BOI-promoted projects can also apply for this measure when the tax exemption expires or in case the projects do not receive the corporate income tax exemption.**
- **The applicant must submit investment plan for machinery change to save energy, to introduce alternative energy into the project, or to reduce environmental impacts.(i.e. investment in upgrading technology machinery to reduce environmental impact or energy consumption at the stipulated ratio)**
- **Application shall be submitted by the end of 2012.**

Policies for 2010-2012

“Investment for Sustainable Development”

3) Measure to promote production efficiency improvement by technology upgrade for manufacturing of new products

Incentives

- 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.



Investment for Sustainable Development cont'd

Conditions:

- Product must be an upgrade from an existing project (promoted or otherwise).
- The manufacture of the new product must be included in the List of Activities Eligible for Promotion and be eligible for corporate income tax exemption.
- The project must invest in new high-tech machinery and improve an existing production line
 - Improvement of the existing production line does not include the assembly line
- New product means a product that is clearly differentiated from existing products and can be clearly identified under its new name
 - Products that are developed from an existing line, and which are different only by virtue of different specifications or design, are not eligible for promotion
- The application must be submitted together with the technology improvement investment plan by the end of 2012.

Extension of import duty exemption period for molds and dies

To enhance Thailand's investment potential:
Import duty period for molds and dies was extended in 2009

Please note that the expiration period of the extension is
31 December 2012

The measure to promote the existing activities or projects to receive both rights and benefits according to section 36(1) and (2)

Criteria:

- Must be existing project in following 4 industries, with a project size of not less than **Bt1 million** exclusive of land and working capital.
 - auto parts,
 - plastic or plastic coated products,
 - electronics products and parts,
 - electrical appliances and parts.
- Must be a project which is certified from the association or unit approved by BOI.

Incentives:

- Exemption of import duty on raw materials that to be produced for export in pursuant to the section 36(1) and (2) for 1 year. The extension of the exemption will be considered according to the BOI's rules and regulations.

Data Center (Activity 7.8.13)

Conditions:

- Projects must have high speed fiber-optic main communication systems throughout the area.
- Main telecommunications system must have a high-speed cable from data center to domestic and international communication centers.
- Continuous back-up of electricity supply must be installed.
- Project must have high efficiency of air conditioning and purifying system for efficient operation of equipments.
- Project must have the total area of no less than 5,000 sq.m.
- Project must provide following services for clients, such as, Server Co-location, Managed Service, Server Backup, Disaster Recovery Services (DRC), Professional Consultation for Data Center.

Incentives

- 1) Classified as a being of special importance and benefits to the country.
- 2) Exemption of import duty on machinery, regardless of zone.
- 3) 8-year exemption of corporate income tax for all zones (subject to the corporate income tax exemption cap).

BoI Measures for Flooding Crisis and Strong Baht Effect

Flooding Crisis & Stronger Baht Effect Remedies	
BoI measures	Tax privileges & other incentives
1) Increase efficiency and/or expand production	<ul style="list-style-type: none"> • Exemption of import duty on machinery replacing that damaged by flood • Applications to import machinery replacement must be submitted by December, 2011.
2 Baht relief	<ul style="list-style-type: none"> • The applicant must submit investment plan for machinery change that helps increase production capacity of existing project, e.g. automomation • Incentives: Import duty exemption for machinery and 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 • Applications must be submitted by the December, 2011. • Applies to BOI and non-BOI promoted companies

BoI Measures for Flooding Crisis and Strong Baht Effect

Flooding Crisis & Stronger Baht Effect Remedies	
BoI measures	Tax privileges & other incentives
3) Expand the number of industries to be eligible for privileges	<ul style="list-style-type: none"> Expand the number of industries permitted to waive import duty on raw materials used in export production by 10 industrial type from the current four. They are; apparel, leather goods, shoes, home ware, textiles, toys, sports goods, jewelry and ornaments, lenses and printing. Applications must be submitted by the December, 2011.

BOI Support Services



Investment Matchmaking Program

**1-Stop for visas & work permits:
work permits in 3 hours**

**Industrial Subcontracting Services
Vendors meet customers program
(BUILD Unit)**

ASEAN Supporting Industry Database

**Interaction with other govt. agencies
on behalf of investors**

Country desks

Overseas offices



- ❖ **Thailand's Biggest Fair Ever!**
- ❖ **10 - 25 November 2011**
- ❖ **IMPACT Exhibition and Convention Center**
- ❖ **Organized by Thailand Board of Investment**
- ❖ **More than 5 million visitors expected**

General Information



Show date : 10 - 25 November 2011 (16 Days)

Venue : IMPACT Exhibition and Convention Center (237,000 sq.m)

- Outdoor : Lakeside 166,000 sq.m
- Challenger 1-3 60,000 sq.m
- Hall 9 11,000 sq.m

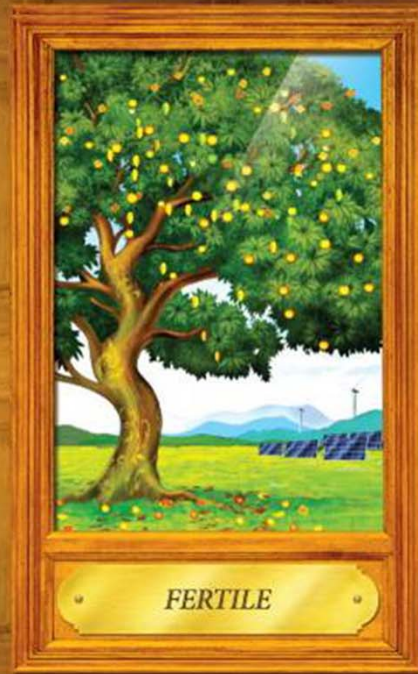
Exhibitors: 84 Outdoor Pavilions and more than 3,000 Indoor Booths

Visitors : More than 5 million visitors expected

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Thank you for your kind attention