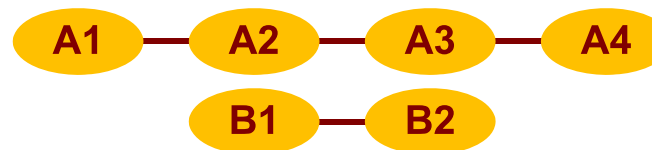


BOI Policy Update

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1 March 2016
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Current Investment Promotion Measures

Activity-based Incentives



Additional Incentives

Merit-based	6 Activities including R&D, Technology Fund Donation, IP Licensing Fee, Advanced Technology Training, Local Suppliers Development, Product & Packaging Design
Area-based	Industrial estates / promoted industrial zones Science and technology parks 20 provinces with lowest per capita income 4 southern border provinces + 4 districts in Songkhla (expire in 2017) 10 Special Economic Zones (expire in 2017 / Jun 2016) Cluster-based Investment : Super Cluster / other clusters (expire in 2016)

Investment Acceleration Measures

(for applications during Jan 2014 – Jun 2016)

Measures for Improvement of the Production Efficiency (expire in 2017)

- Machinery replacement for energy conservation, use of renewable energy and reduction of environmental impact
- Machinery replacement for improvement of production efficiency e.g. automation
- Investment in R&D activities and engineering design to improve the production efficiency

Activity-based Incentives

	Exemption of Corporate Income Tax	Exemption of Import Duty on Machinery	Exemption of import duty on raw material imported for use in production for export	Non-tax
A1	8 years (no cap) + Merit	✓	✓	✓
A2	8 years + Merit	✓	✓	✓
A3	5 years + Merit	✓	✓	✓
A4	3 years + Merit	✓	✓	✓
B1	0 year + Merit (for some activities)	✓	✓	✓
B2	-	-	-	✓




Merit-based Incentive

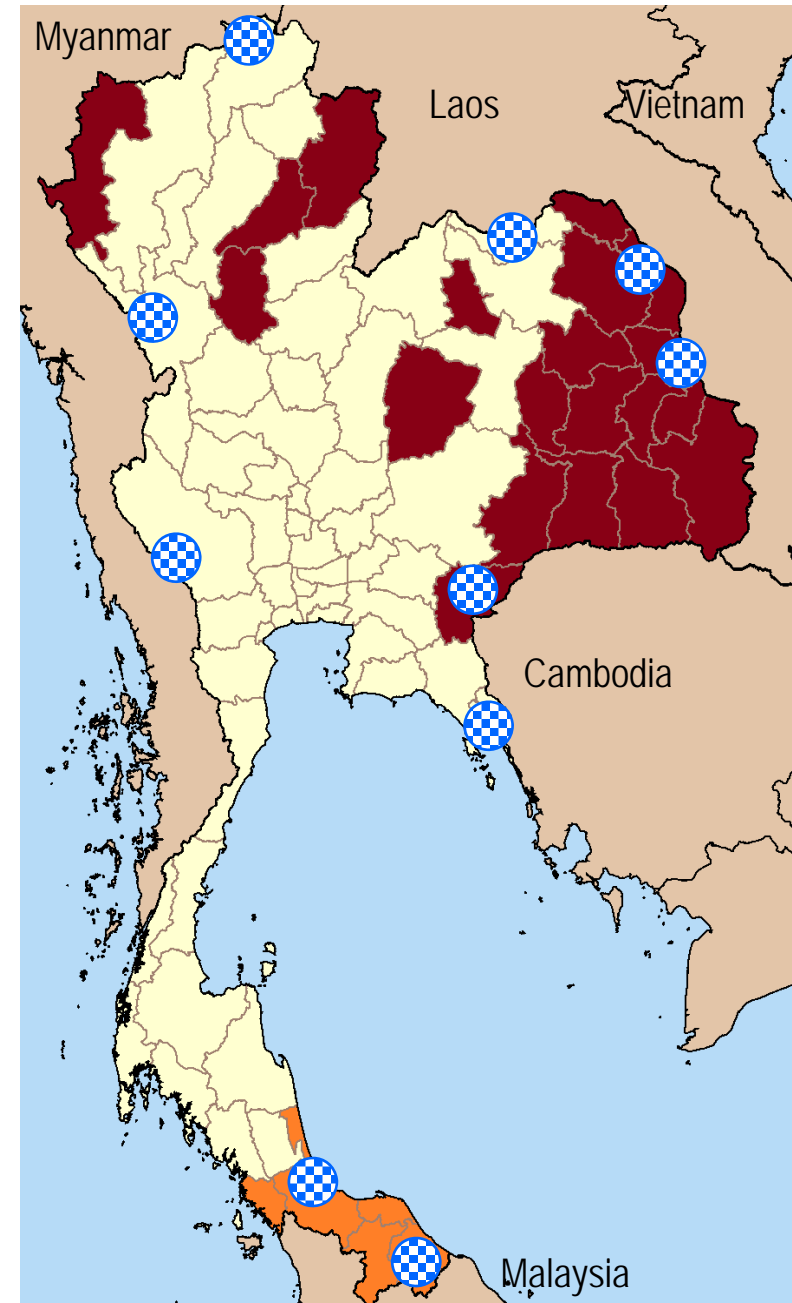
Types of Eligible Investment / Expenditure	Additional Cap
1. R&D: in-house, outsourced in Thailand or joint R&D with overseas institutes	200%
2. Donations to Technology and HRD Funds, educational institutes, specialized training centers, R&D institutes or governmental agencies in S&T field in Thailand	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	100%

Additional CIT exemption will be granted depending on investment or expenditure ratio in merit activities	
Percentage of qualified investment / expenditure to combined revenue of the first 3 years	Additional CIT exemption (with additional cap)
1% or \geq 100 mn	1 year
1% or \geq 400 mn	1 years
3% or \geq 600 mn	3 years
6	

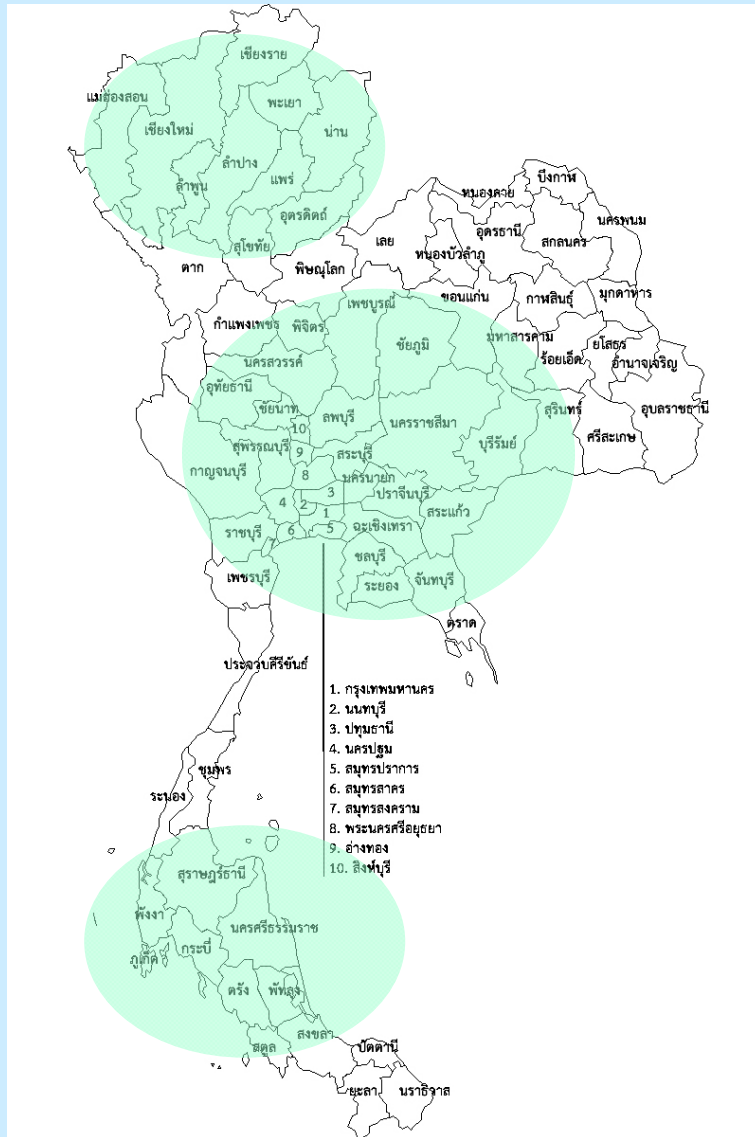
Area-based Incentives

Targeted Areas	Corporate Tax Exemption Incentives
Promoted industrial zones or estates	Additional CIT exemption for 1 year
Science and Technology Park	additional 5-year 50% CIT reduction (for 7 activities)
20 provinces with lowest per capita income	<ul style="list-style-type: none"> • 3 additional years of CIT exemption • In case of A1-A2 (8-year CIT exemption) additional 5-year 50% CIT reduction will be granted
Border Provinces in Southern Thailand	8-year CIT exemption (no cap) and 5-year 50% CIT reduction
Special Economic Development Zone	
<ul style="list-style-type: none"> • Targeted Activities 	8-year CIT exemption and 5-year 50% CIT reduction
<ul style="list-style-type: none"> • General Activities 	<ul style="list-style-type: none"> • 3 additional years of CIT exemption • In case of A1-A2 (8-year CIT exemption) additional 5-year 50% CIT reduction will be granted

-  **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)
-  **Southern Border Provinces** (Narathiwat, Pattani, Yala, Satun and 4 districts of Songkhla)
-  **Special Economic Zones** (Tak, Sa Kaew, Trat, Mukdahan, Songkhla, Nong Khai, Narathiwat, Chiang Rai, Nakhon Phanom, Kanchanaburi : 10 provinces, 23 districts, 90 sub-districts)



Concept of Cluster Development Policy



Cluster Development Policy

Develop potential and manufacturing based areas for target industries to support high technology activities and industries for the future that have linkages and supports between cluster compositions to enhance industrial competitive advantages

Cluster Qualifications

1

Concentration of industries in the strategic location

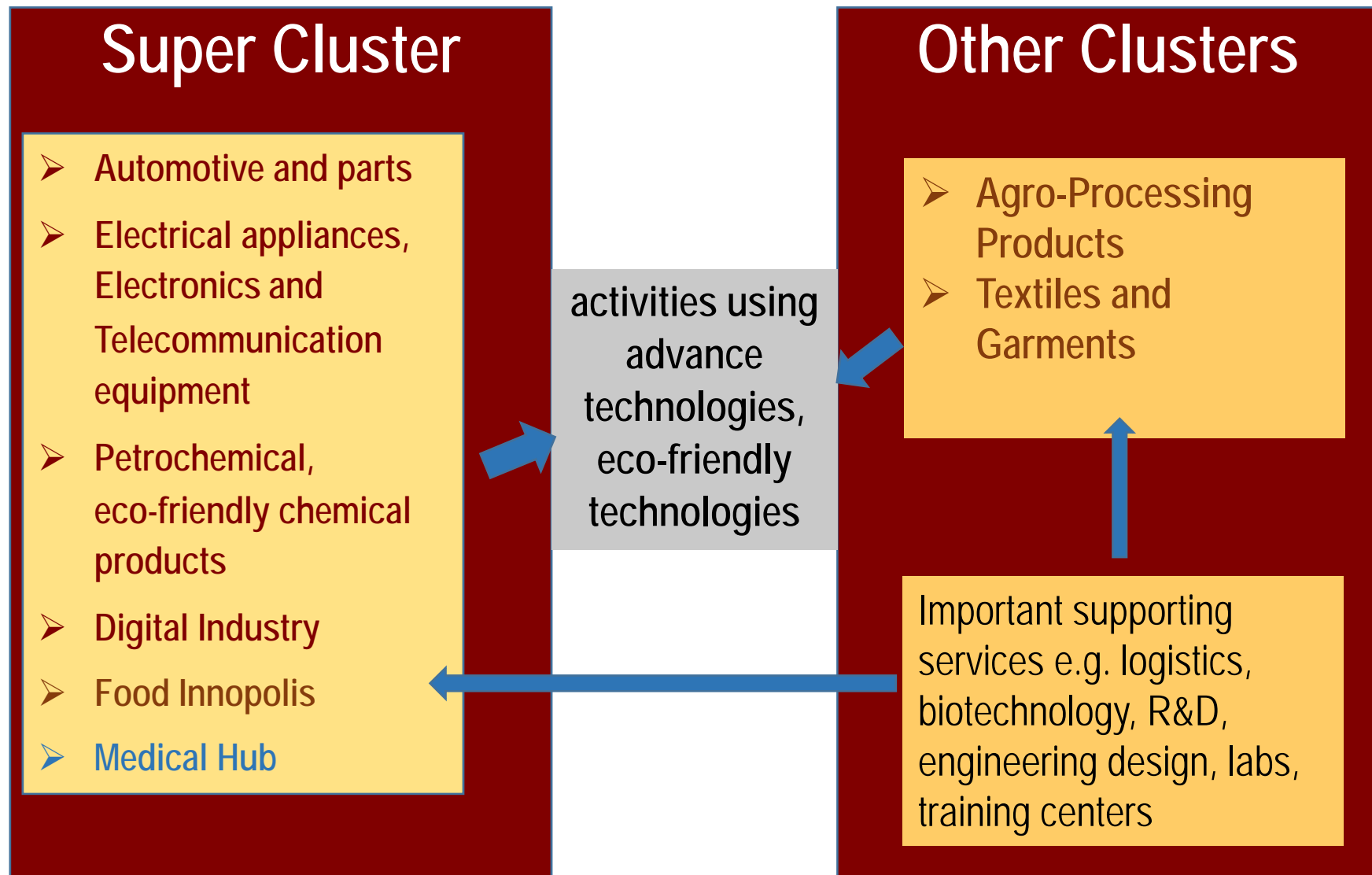
2

Linkage in the clusters to strengthen the value chain and increase industrial competitive advantage
(Upstream-midstream-downstream industries, supporting industries, academic and research institutions, government agencies, private organizations and other related compositions)

3

Contribution to local economy e.g. local employment, use of local raw materials, business linkage with local SMEs

Targeted Clusters



Incentives for Cluster-based Investment

Incentives	Super Cluster	Other Clusters
<p>Tax</p>	<p><u>BOI</u></p> <ul style="list-style-type: none"> 8-year corporate income tax exemption and additional 5-year reduction of 50% Import duty exemption on machinery 	<ul style="list-style-type: none"> 3-8 year corporate income tax exemption and an additional 5-year reduction of 50% Import duty exemption on machinery
	<p><u>Ministry of Finance</u> (under the consideration)</p> <ul style="list-style-type: none"> ✓ For industries with significant importance, the Ministry of Finance will consider granting 10-15 years corporate income tax exemption ✓ Personal income tax exemption for renowned specialists, both Thai and foreign 	
<p>Non-Tax</p>	<ul style="list-style-type: none"> Permission to own land Permission to bring in foreign experts and technicians 	

Incentives for Supporting Activities for Industrial Cluster Development

Knowledge-Based Activities	Incentives
<ul style="list-style-type: none">• Research and Development (R&D)• Biotechnology• Engineering Design• Scientific Laboratories• Calibration Services• Vocational Training Centers	CIT exemption for 8 years (no cap) and additional 50% CIT reduction for 5 years
Logistic Services	Incentives
<ul style="list-style-type: none">• Air Transportation Services• Rail Transportation Services• Loading/Unloading Facilities for Cargo Ship• Inland Container Depot (ICD)• International Distribution Center (IDC)	CIT exemption for 5 – 8 years and additional 50% CIT reduction for 5 years

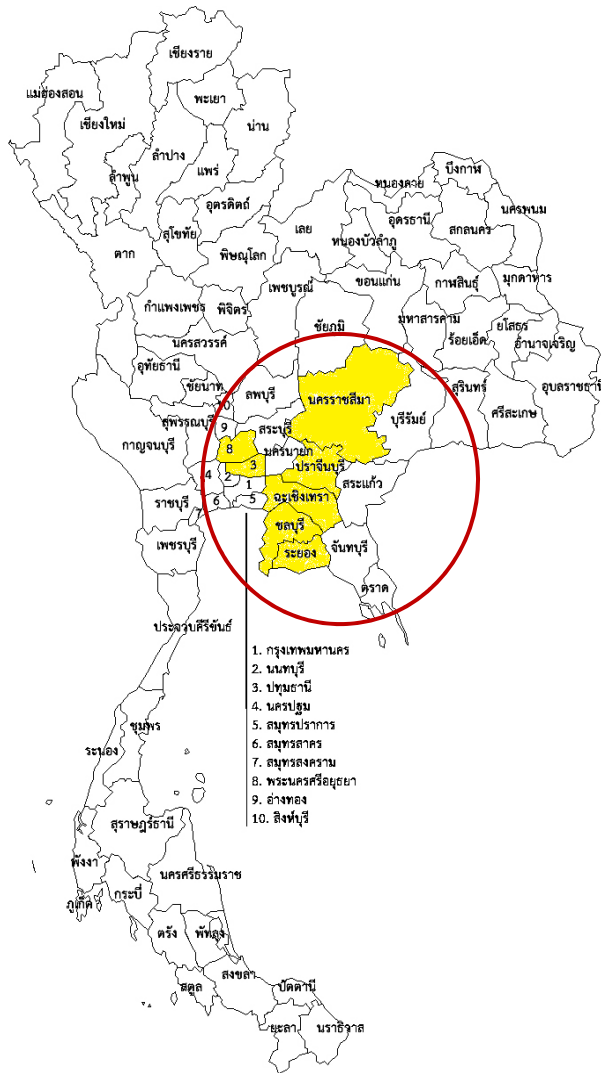
Obligatory Conditions to Receive Cluster Incentives



- Must have cooperation with academic institution / research institution / Center of Excellence in the cluster to develop human resource and improve the level of technology e.g.
 - Cooperation in the government program e.g. Talent Mobility / Work-integrated Learning / Co-operative Education / Dual systems
 - Cooperation in development of human resource or technology as approved by the Board of Investment

- Must apply for investment promotion within 2016 and must start operation within 2017 to accelerate investment, unless under necessity i.e. large-scale project, the BOI will consider relaxation as deemed appropriate.

Automotive Cluster



7 Provinces : Ayudhdhaya, Patumthani, Chonburi, Rayong, Chacheongsao, Prachinburi, Nakorn Ratchasrima

Target Activities

Manufacture of Motorcycle with engine size ≥ 248 CC. (only for projects with forming of engine parts)

Manufacture of Automobile Engines

Manufacture of Important Parts that are not locally produced or are few i.e.

- Parts using advance technology
- Safety and Energy Efficient System
- Equipment for Hybrid, EV, PHEV cars
- Fuel injection parts/ Transmission/ Engine System

Manufacture of Automobile Tires

Increasing incentives from B1 to A3-A4 for manufacture of vehicle parts

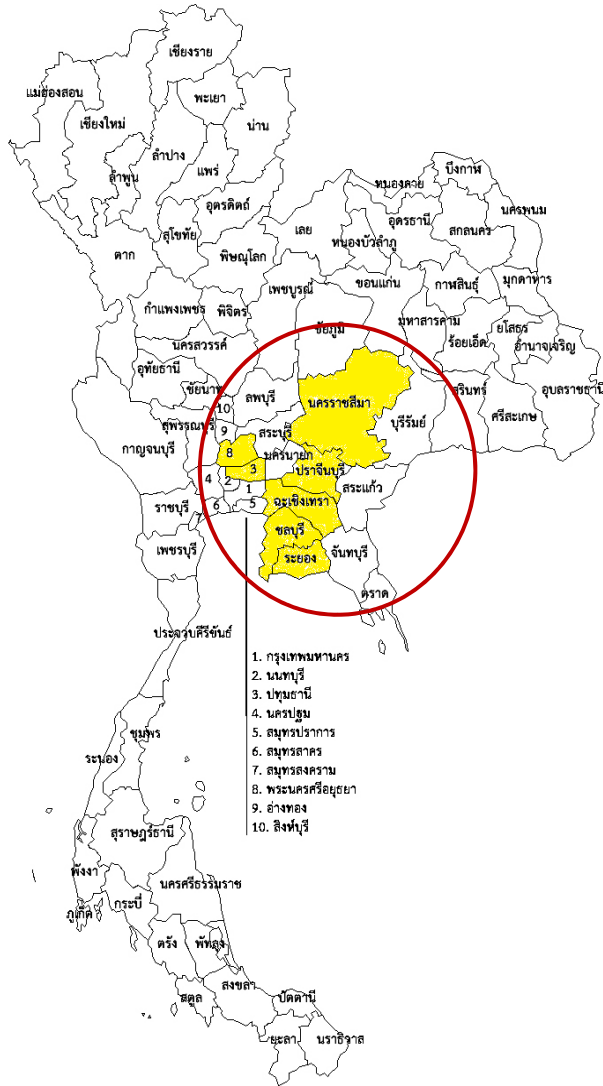
Group A3 (5-year CIT exemption) – Targeted activities in Super Cluster

- Manufacture of Fuel System Parts: Fuel Pump, Injection Pump, Injector
- Manufacture of Transmission System Parts e.g. Sun Gear, Ring Gear, Shift Gear
- Manufacture of Engine System Parts: Turbocharger
- Manufacture of Safety Parts: Inflator

Group A4 (3-year CIT exemption)

- Manufacture of Turbocharger Parts e.g. Turbine Blade, Turbine Housing, Bearing Housing
- Manufacture of Safety Parts: Initiator, Coolant Filter
- Manufacture of Brake System Parts e.g. Brake Booster, Brake Caliper
- Manufacture of Suspension System Parts: Shock Absorber, Ball Joint
- Manufacture of Steering System Parts: Power Steering Pump, Rack and Pinion Steering
- Manufacture of Cooling System Parts: Water Pump
- Manufacture of Exhaust System Parts: Catalytic Converter
- Manufacture of Air Conditioning System Parts: Air Compressor
- Manufacture of Ultimate Tensile Strength Steel
- Manufacture of Ball Bearing for vehicles

Electrical Appliances, Electronic and Telecommunication Cluster



7 Provinces : Ayuddhaya, Patumthani, Chonburi, Rayong, Chacheongsao, Prachinburi, Nakorn Ratchasrima

Target Activities

Electronic Design

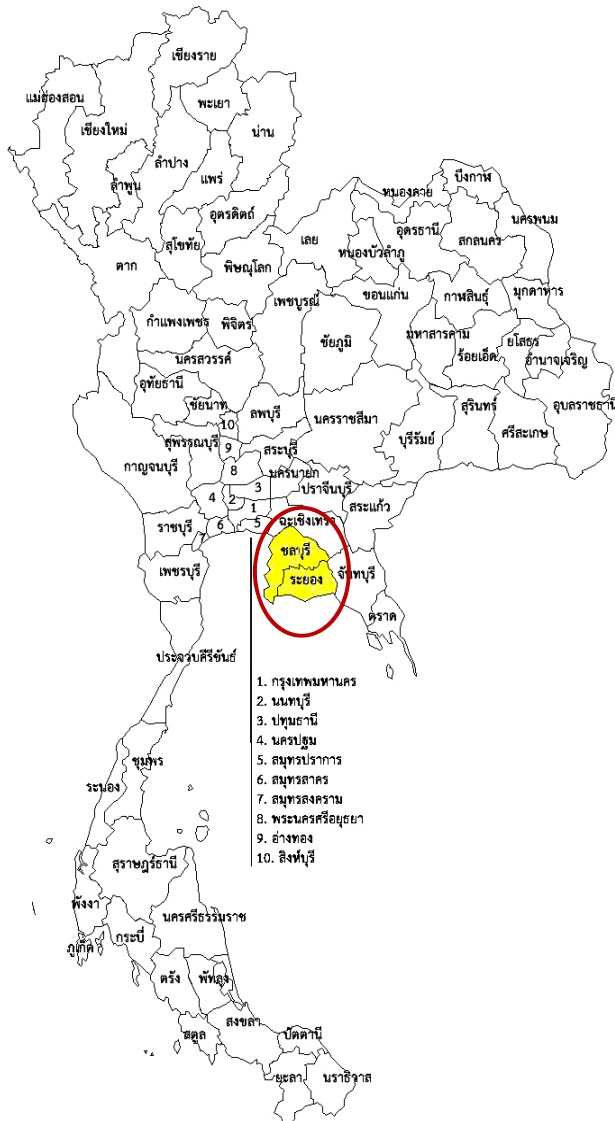
e.g. Microelectronics Design และ Embedded System Design

Electronic products and parts using advance technology

e.g. telecommunication equipment, electronic parts for medical devices / automotive / industrial works, Hard Disk Drive, Solid State Drive

Advanced Technology Electrical Appliances e.g. Internet of Things

Eco-friendly Petrochemical and Chemical Products Cluster



2 provinces : Chonburi and Rayong

Target Activities

Petrochemical or Specialty Chemical Products

Plastic or Bio-chemical products

Bio-plastic products

Manufacture of paper container coated with bio-plastic

Digital-based Cluster



2 provinces : Chiang Mai and Phuket

Target Activities

Software (Embedded Software, Enterprise Software, Digital Content)

Cloud Service

Data Center

Software Park

Movie Town

Thai Motion Picture Production and Motion Picture Supporting Services

Agro-Processing Cluster

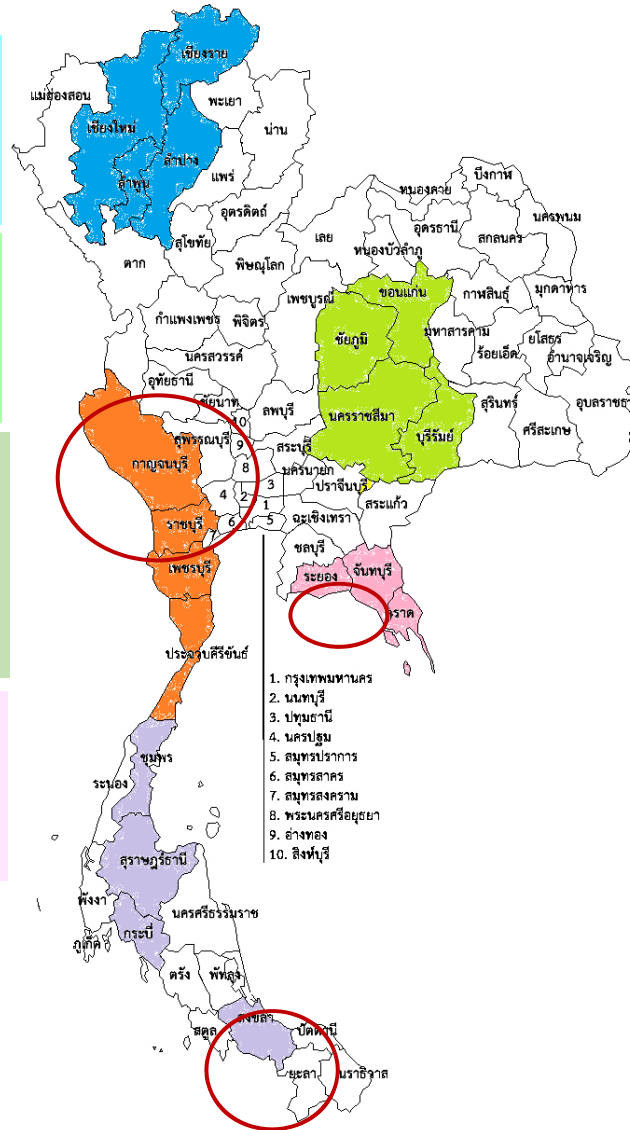
Northern Region (Chiang Mai, Chiang Rai, Lam Pang and Lam Phun)

Northeastern Region (Khon Kaen, Nakhon Ratchasima, Chaiyaphum, Buriram)

Lower Central Region (Kanchanaburi, Ratchaburi, Petchaburi, Prachuab Khiri Khan)

Eastern Region (Rayong, Chanthaburi, Trad)

Southern Region (Chumphon, Surat Thani, Krabi, Songkhla)



Target Activities

Plant and animal propagation

extracts/ product from extracts

Active Ingredient

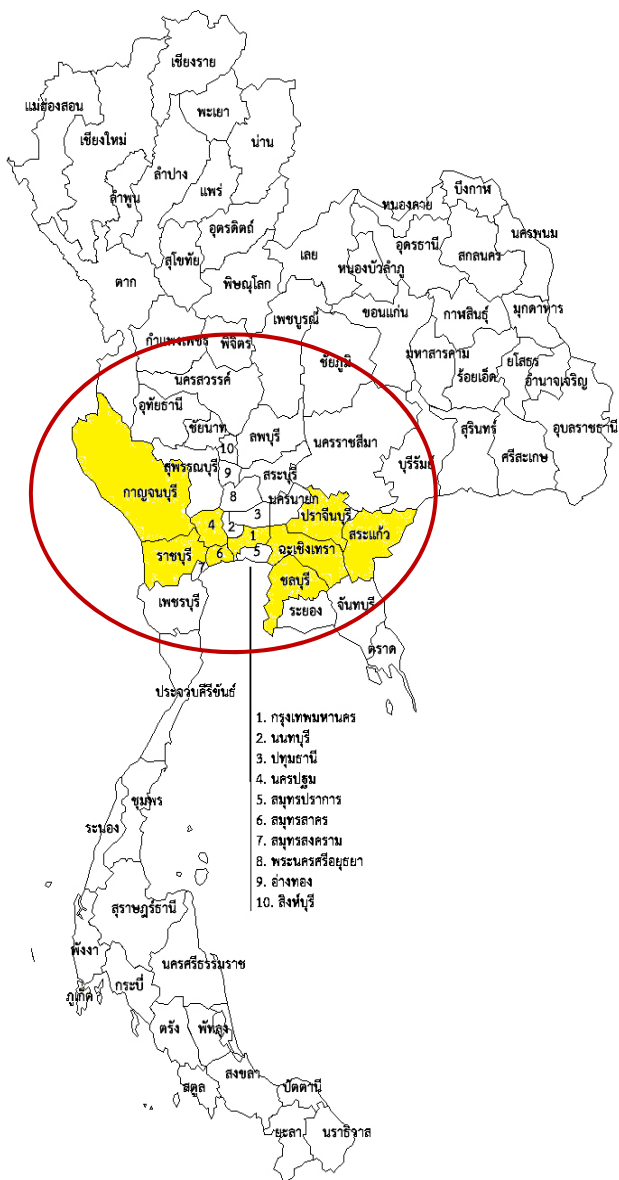
Medical Food / Food Supplement

Grading, packaging and storage of plants, vegetables, fruits or flowers using high technology

Trading centers for agricultural goods

Products manufactured from natural rubber

Textile and Garment Cluster



9 Provinces : Bangkok, Kanchanaburi, Nakhon Prathom, Ratchaburi, Samut Sakhon, Chon Buri, Chachoengsao, Prachinburi, Sakaeo

Eligible Activities

Functional Fiber/Recycled Fiber

Functional Yarn or Fabric

Bleaching, dyeing and finishing

Garments, clothing accessories, and household textiles

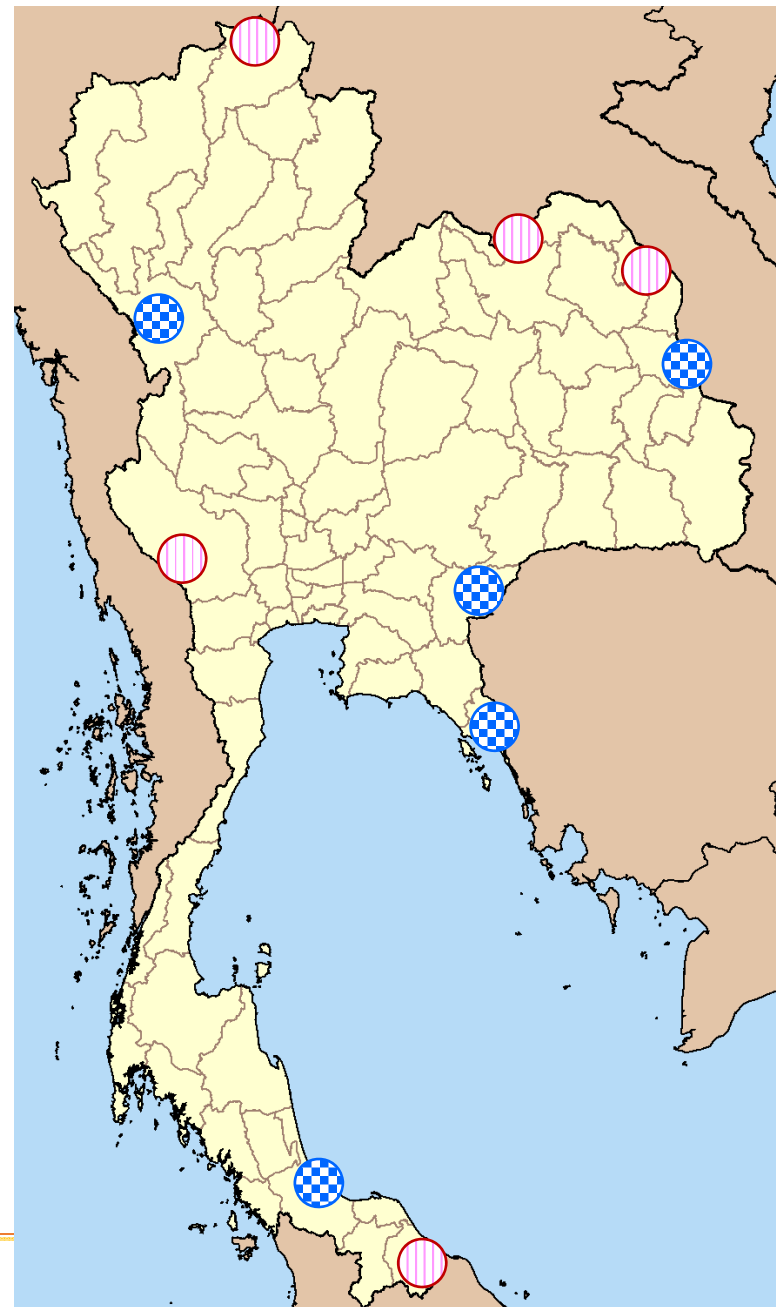
Creative Product Design & Development Center

Investment Promotion Policy for Special Economic Zones

Special Economic Zones in 10 Provinces

(23 districts; 90 sub-districts)

1 st Phase 	2 nd Phase 
Tak	Nong Khai
Sa Kaew	Chiang Rai
Trat	Kanchanaburi
Mukdahan	Nakhon Phanom
Songkhla	Narathiwat



Investment Promotion Incentives for Special Economic Zones

Target Activities	General Activities under the BOI's List of Eligible Activities
<ul style="list-style-type: none">• 8-year CIT exemption• 5-year 50% reduction of CIT	<ul style="list-style-type: none">• 3 additional years of CIT exemption• In cases where projects are already granted an 8-year CIT exemption, an additional 5-year 50% CIT reduction shall be granted instead
<ul style="list-style-type: none">• Double deductions from the costs of transportation, electricity and water supply for 10 years• Additional 25% deduction of the cost of installation or construction of facilities• Exemption of import duty on machinery• Exemption of import duty on raw materials used for export production• Other non-tax incentives• Permission to use foreign unskilled workers <p data-bbox="501 1264 1816 1353">Applications must be submitted by the end of 2017.</p>	

Investment Acceleration Measure

- Applications submitted during January 1, 2014 - June 30, 2016 (revenue must not be generated before the announcement date of the measure – Nov 16, 2015)
- Revenue must be generated by the end of 2017

Condition	Additional CIT Exemption
1. Actual investment (e.g. building construction/machinery) counting from the announcement date of the measure (16 Nov 2015) until June 2016 of at least 70% of total investment capital (excluding cost of land and working capital)	4 years + 50% reduction for 5 years
2. Actual investment of at least 50% within June 2016	3 years + 50% reduction for 5 years
3. Actual investment of at least 50% within December 2016	2 years + 50% reduction for 5 years
4. Actual investment less than 50% within 2016 but operation can be started and revenue can be generated within December 2017 .	1 year (for general area) 2 years (for SEZ)

Remark: *The total CIT exemption period shall not exceed 8 years.

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
Not over 5 years old (from manufacturing year to importing year)	✓	✓	X
Over 5 years up to 10 years old	✓	X	X
Over 10 years	X	X	X
Sea and Air Transport Activities and Mold and Dies (approved as deemed appropriate)	✓	✓	✓

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

Relocation

Types of Machinery	Allowed to be used in the project	Counted as investment capital for calculation of CIT exemption cap	Import Duty Exemption
Not over 5 years old (from manufacturing year to importing year)	✓	✓	X
Over 5 years up to 10 years old	✓	✓ (50% of book value)	X
Over 10 years	✓	X	X
Sea and Air Transport Activities and Mold and Dies (approved as deemed appropriate)	✓	✓	✓

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

Measures to Promote Productivity

(effective since September 19, 2014) (1/2)

Eligible investments

- Investment in machinery replacement for
 - Energy conservation
 - Use of renewable energy
 - Reduction of environmental impacts
 - Improvement of production efficiency i.e. automation
- R&D activities or engineering designs

Minimum Investment

1 million baht or 0.5 million baht in case of SMEs

Applicants

Existing BOI-promoted investment projects, with no corporate income tax exemption left or never granted or existing non-BOI investment in a BOI-eligible activity

Measures to Promote Productivity (effective since September 19, 2014) (2/2)

Benefits

- Exemption of import duty on machinery
- Corporate income tax exemption for 3 years on 50 percent of the investment

Deadline

- Applications to be submitted by **December 31, 2017**
- Investment to be completed within 3 years after the BOI certificate issuance

New Measures Approved on Feb 29, 2016 (1/3)

- Addition of new activities to the BOI activity list
 - High-value software development such as cybersecurity, business process, big data management
 - Digital services e.g. software platform, digital architecture design
 - Innovation incubation center
 - Food Innovation Estates
 - Repairing of on-board apparatus or equipment
- Change in conditions attached to BOI promotion e.g.
 - Relaxation of location regulations applied to textiles dyeing, finishing and printing
- Increase in tax incentives for some activities
 - Medical devices (high-risk, high-tech, commercialization of local R&D projects that have R&D activities)
 - Aircraft part manufacturing
 - Tourism services (ferry and marina services)

New Measures Approved on Feb 29, 2016 (2/3)

- Changes in existing cluster development packages
 - Addition of eligible activities
- Addition of new cluster development packages (super clusters)
 - Aerospace
 - Automation and Robotics
 - Food Innopolis

Q&A