

# Update on BOI Policies

**Dr. Atchaka Sibunruang**

*Secretary General*

**Thailand Board of Investment**

**19 November 2010**

# Presentation Outline

- **Current Investment Trends**
- **Investment Promotion Policy for Sustainable Development**
- **Change in Criteria of Visas and Work Permit Approval**
- **Data Center & Rice Milling**
- **Labor Shortage Alleviation**

# Current Investment Trends

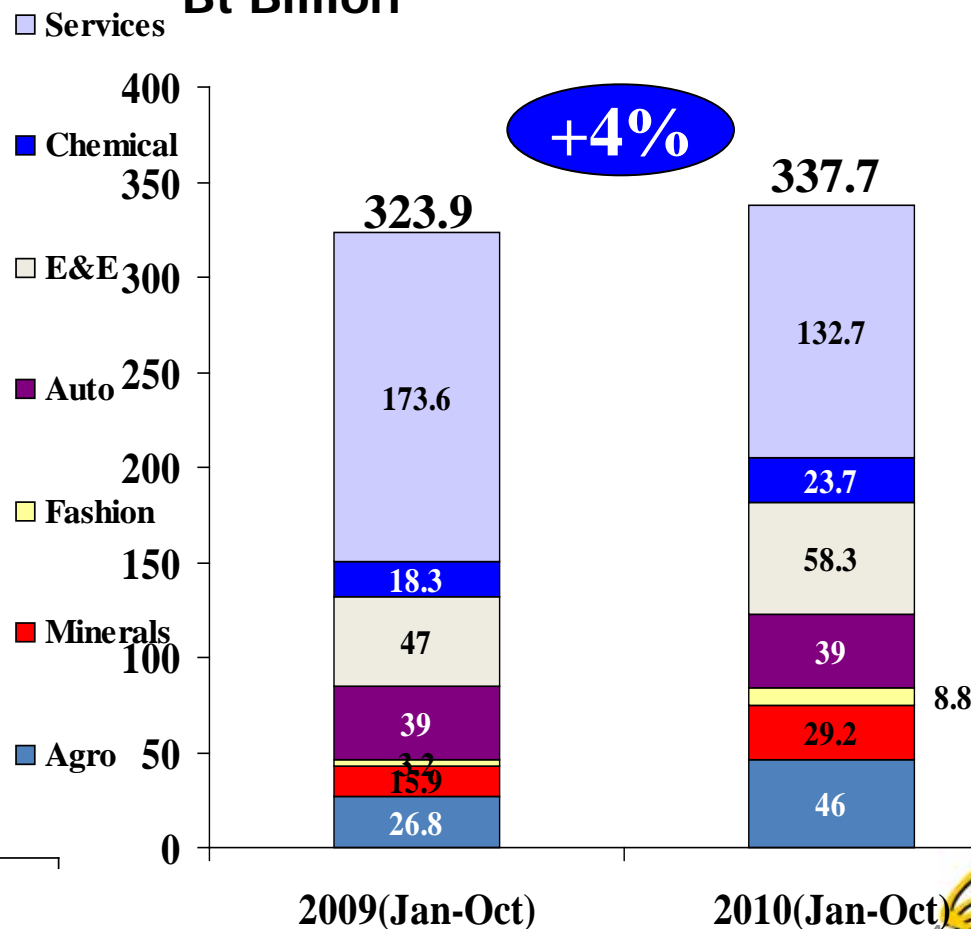
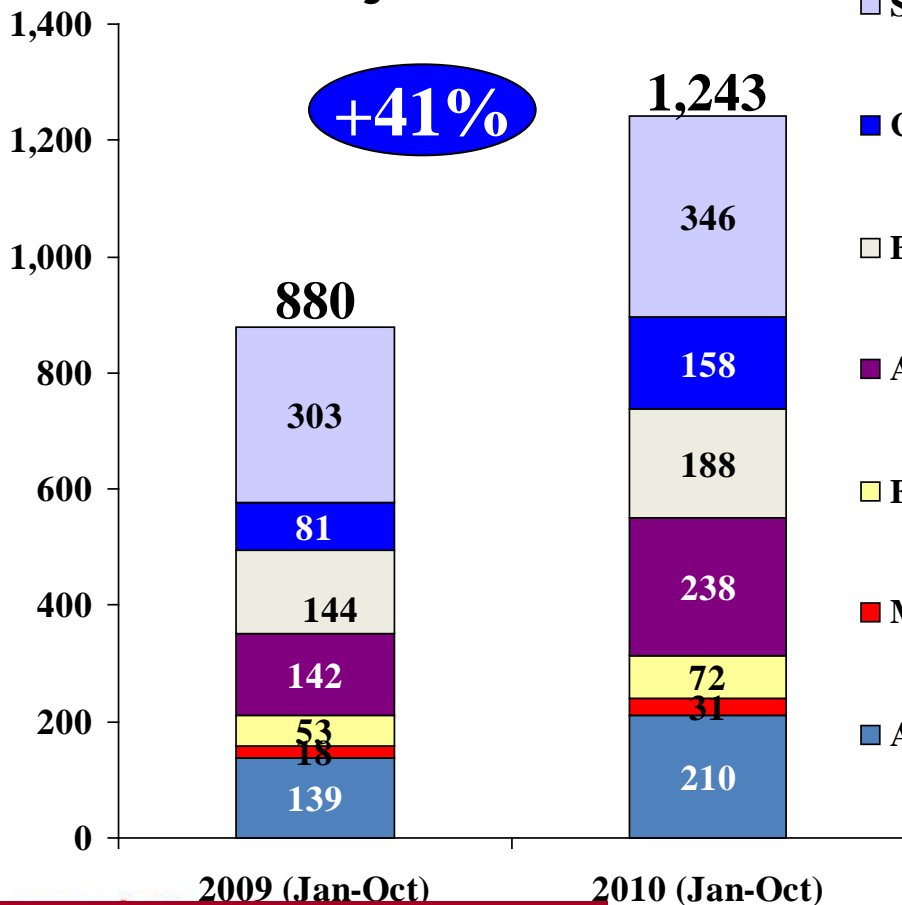
# Comparison of All Net Applications for Investment Promotion in the first ten month of 2009 and 2010 (Includes Foreign and Domestic Projects)

## Number of Projects

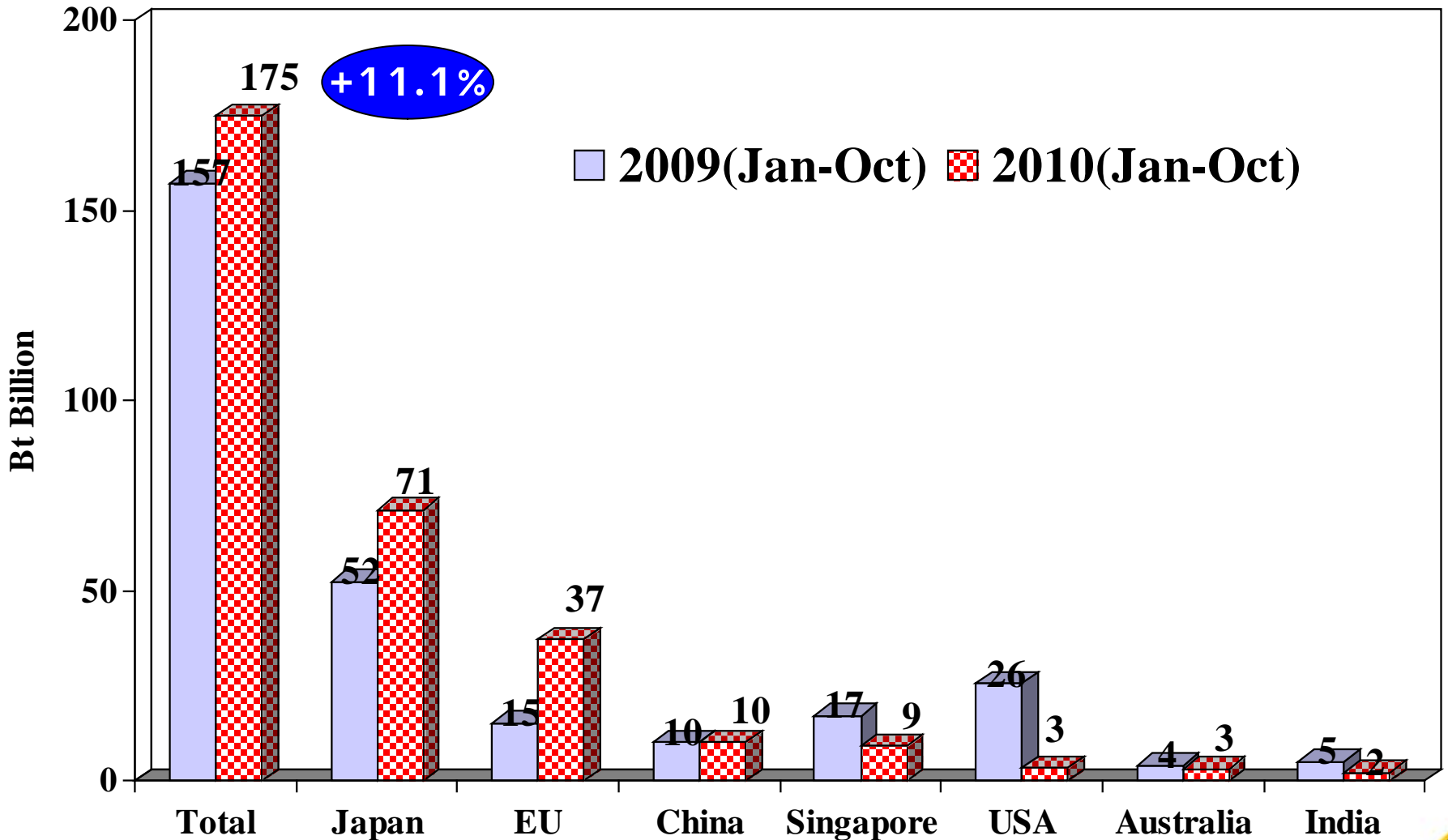
## Amount Invested

Number of Projects

Bt Billion



# Major Foreign Direct Investment Applications



# Investment Promotion Policy for Sustainable Development

## BOI: Your Partner for Sustainable Investment



# New Policies for 2010-2012

## “Investment for Sustainable Development”

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

### **3 Groups of Eligible 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**

# 1) Measure to promote energy conservation, alternative-energy utilization or reduction of environmental impacts (1/2)

## 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.
- Application of existing projects of all investment sizes under this measure shall be considered by BoI.



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

## Rights & benefits:

- **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.**
- **Corporate income tax exemption period shall start from the date of revenue derivation after promotion certificate issued.**

## 2) Measure to promote production efficiency improvement by technology upgrade for manufacturing of new products (1/3)

### Conditions:

- 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

## 2) Measure to promote production efficiency improvement by technology upgrade for manufacturing of new products (2/3)

### Conditions:

- **Product must be an upgrade from an existing project (promoted or otherwise).**

### **Project approval consideration:**

- **Approval will be granted for all existing projects that submit an application, regardless of zone.**

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

### Rights and benefits:

- **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.**

# 3) Measure to solve environmental problems (1/2)

## Conditions:

- Applicants must comply with the environmental management criteria and conditions specified by the government with pollutant values less than the legal control rate and must be in the following industries;
  - Oil refinery
  - Natural gas separation
  - Power generation
  - Chemicals and petrochemicals
  - Minerals and base metal
- This measure applies to the existing projects only, be it BOI or Non-BOI promoted.
- Projects must reduce the environmental impact according to criteria and methods specified by BOI.
- Applications must be submitted together with environmental impact reduction plan according to the criteria and methods specified by BOI by the end of 2012.
- Application of existing projects of all investment sizes under this measure shall be considered by BOI.

### 3) Measure to solve environmental problems (2/2)

#### Rights & benefits:

- **Import duty exemption on machinery used for machinery improvement to reduce the environmental impact.**
- **3-year corporate income tax exemption on the revenue of existing projects, accounting for 70% of the investment value of the improvement under this measure excluding cost of land and working capital.**
- **Corporate income tax exemption period shall start from the date of revenue derivation after promotion certificate issued.**

# Change in Criteria of Visas and Work Permit Approval

Measures	Previously	New regulation (effective since Dec 2009)
<b>Approval of visa &amp; work permit for managerial positions</b> - Companies with foreign shareholding more than 50% - Companies with foreign ownership less than 50%	Registered capital $\geq$ 20 million baht Registered capital $\geq$ 50 million baht	No condition no change
<b>First-time approval and extension of time period of visa &amp; work permit for foreigners</b> -Operation has not yet been started -Operation has been started -Researchers working for promoted R&D projects - Software and TISO Activities	1 year 2 years No special package 1 Year	} 2 years 4 years for first time approval and 2 years for extension of time period 1 Year

# New BOI Activities: Data Center

<b>Activity</b>	<b>Incentive</b>
7.8.13 Data Center	<ul style="list-style-type: none"><li>• 8-year corporate income tax exemption regardless of location</li><li>• Exemption of import duty on machinery regardless of location</li></ul>

Conditions: data center must have:

- Hi-speed fiber optic telecom. connection throughout the area
- Hi-speed telecom. connection with international and domestic telecom hub
- Continuous power distribution backup system & back up power generator
- High-efficiency air conditioning and filter system
- Area of not less than 5,000 square meters
- Complementary services for customers in data center e.g. server co-location, managed service, server backup service, disaster recovery services (DRC), data center (professional consultation) etc.



# Revised BOI Activities: Rice Milling

Activity	Incentive
1.14 Grading, packing and storage of plants, vegetables, fruits or flowers, using modern technology	<ul style="list-style-type: none"><li>• 8-year corporate income tax exemption</li><li>• Exemption of import duty on machinery</li></ul>

## Conditions:

In case of rice's quality grading, project must cover the entire process from drying, storing and milling

# Labor Shortage Alleviation

## Permission to use foreign non-skill labor in promoted projects.

15% of additional employment in existing project

### Conditions

1. Invest in Thailand for over 20 years
2. Total asset > 10 bil. Baht
3. Total employment > 10,000 people
4. Corporate income tax exemption already expired but need to increase employment in that project
5. Manufacturing sector only