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THAILAND OF INVESTMENT

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Presentation Outline

- **Current Investment Incentive Scheme**
- **BOI's Flood Relief Measures**
- **Future Direction**

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Current BOI Incentive Scheme



Activities eligible for promotion

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



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

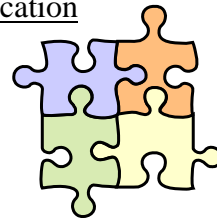
- **Minimum investment of 1 million baht excluding land cost and working capital**
- **Projects with investment of at least 500 million baht are required to submit a feasibility study.**



Major BOI Incentives Schemes

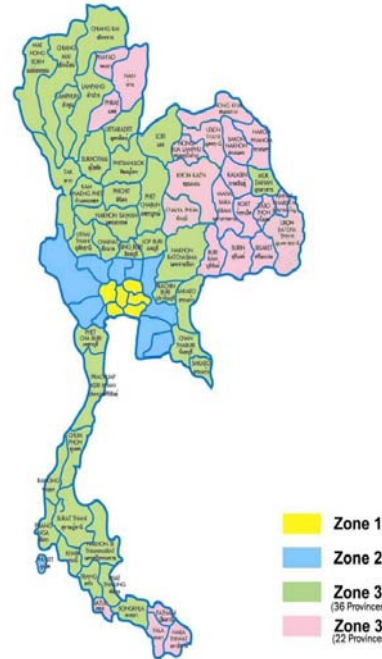
- Decentralization
 - Incentives vary according to zones
- Priority activities receive
 - 8-year corporate income tax exemption and exemption of import duties on machinery regardless of location
- Sector-specific policies
- Optional incentive scheme
 - STI Scheme
- Special temporary measures:

“Investment Promotion Policies for Sustainable Development”



BOI Basic Promotion Packages

3 Investment Promotion Zones to promote industrial decentralization



Zone: 1 2 3
Incentives: Lower → Higher Incentives

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* • 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"> • 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)

Inside Industrial Estates/Parks + Laemchabang IE* + Industrial Estates/Parks in Rayong*	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* (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 <div style="background-color: #4a7ebb; color: white; padding: 5px; text-align: center;"> <p>* Applications must be submitted by December 2014.</p> </div>

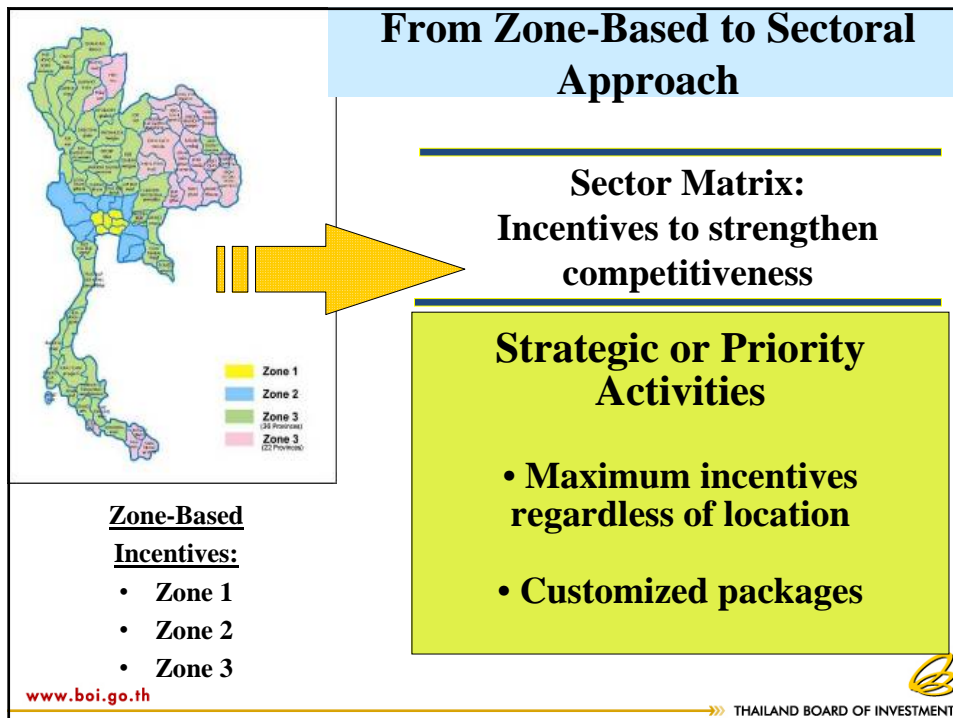


Zone 3 Incentives (22 provinces)

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

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



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

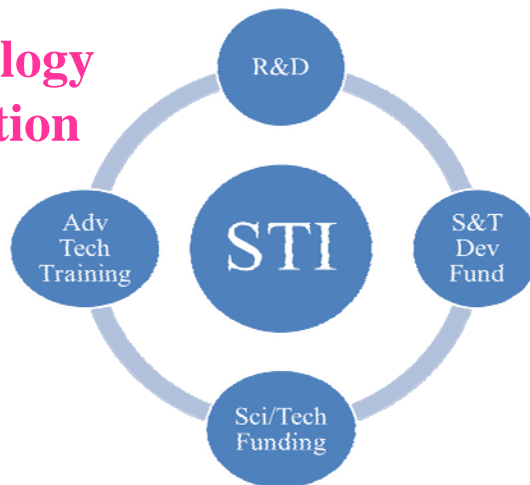
Incentives

- 8-year tax holidays
- exemption of import duties on machinery



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	✓	✓

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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

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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

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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

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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

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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.

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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.

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Policies for 2010-2012

“Investment for Sustainable Development”

4) 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.

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

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Measure to Encourage Companies to be Listed on SET and MAI

- 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.

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Flood Relief Measures



Measures to Minimize Business Interruption

1. Factories can be allowed to temporarily relocated elsewhere to continue their production for the period of 6 months from the application submission date. This temporary relocation period can be extended if necessary.
2. Manufacturing process can be allowed to be outsourced partially or wholly on a temporary basis.
3. The BOI, the Ministry of Labor and the Immigration Bureau help facilitate companies to bring in foreign experts and technicians to rehabilitate the factories



Measures to Reduce Tax Burdens

1. The importation of machinery for replacement is entitled to duty-free. (submission deadline: by the end of June 2012).
2. Raw materials imported damaged by the flooding can be counted as part of the waste allowance without any tax burden.
3. Additional years of corporate income tax exemption are offered to BOI-promoted companies directly affected by the recent flooding that are still during their tax holidays (Please see details in slide 4 & 5.)
4. Industrial estates that invest in flood prevention systems are also offered 8-year tax holidays with the corporate income tax exemption ceiling of 200% of their investment excluding land cost and working capital. (Please see details in slide 6.)

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Tax Incentives for Directly Flood-Affected Companies

Eligibility

- Existing BOI-promoted projects directly affected by flood
- Still have remaining unused corporate tax exemption period

Remark: An official announcement is to be issued soon.

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Incentives

1. Projects subject to a corporate income tax exemption cap

Remaining at original province	8-year corporate income tax exemption (subject to 150% cap on new investment * + remaining unused cap)
Relocation to another province	8-year corporate income tax exemption (subject to 100% cap on new investment * + remaining unused cap)

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

2. Projects not subject to a corporate income tax exemption cap

Companies can use option 1 above or the following scheme.

Remaining Corporate Income Tax Exemption Period	Additional Years of Corporate Income 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

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Tax Incentives for Industrial Estates

Conditions

- All industrial estates/zones
- Invest in flood-prevention infrastructure and system

Incentives

- 8-year corporate income tax exemption with cap of 200% of investment excluding costs of land and working capital

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Future Direction



Directions of Investment Promotion in the next 5 years

1. Strengthening country's foundations that lead to long-term industrial development
2. Creating balance bet. economy-society-environment as well as agriculture-industry-service which leads to sustainable development
3. Promoting diversified business and Global Niche using country's natural advantages
4. Strengthening Thai company's competitiveness and business opportunities
5. Decentralization

More effective incentives provision, wider investment support roles

More Effective incentives

- **More focused activities eligible for promotion from 243 to strategic activities such as**
 - Economic Foundation
 - Advanced Core Technologies
 - Natural Advantage
 - Competitive Advantage
- **More focused tax incentives to stimulate investment in strategic industry**

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More Effective incentives (cont.)

- **Readjust decentralization policy**
 - Special incentives for 25 disadvantaged provinces
 - Flagship Projects
- **Merit-based criteria**
 - R&D
 - Advanced technology training
 - Technology and HR Fund donation
 - Carbon reduction label
- **Economic Model Development** to screen activities and projects eligible for promotion

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Direction of BOI Roles and Incentives

(3/3)

Wider Investment Support Roles

- **Integrate investment package to promote strategic sectors**
- **Non-tax incentives**
- **One Stop Service i.e. information, consultation, permits for both FDI and Thailand overseas investment**
- **Expand industrial linkage development to cover more industries**
- **Thai & Foreign investors CRM activities**
- **Problem-prevention and problem-solving roles for investors**