



INVESTMENT SERVICES CENTER
THE BOARD OF INVESTMENT
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PRESS RELEASE

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**BOI announces several measures to stimulate large investment,
grassroot economy and capital market**

Thailand Board of Investment (BOI) approved promotion measures to boost investment across all levels from large projects in targeted industries to grassroot economy. These measures also included Smart City Promotion, a measure to promote development of innovation and digital ecosystem as well as a measure to attract promoted companies to be listed on the Stock Exchange of Thailand.

Ms. Duangjai Asawachintachit, Secretary General of the Board of Investment (BOI), said after a board meeting chaired by Prime Minister Gen. Prayut Chan-ocha that the board agreed with the proposed special investment promotion measures aiming at encouraging the private sector to invest in targeted industries within 2019. Business activities in focus are large projects with high impact on the national economy which require advanced technology, or are in knowledge-based industries that promote national economy's value and competitiveness.

The measure will be effective immediately for applications submitted from 19 November 2018 to the end of 2019. If approved, the applicants will receive additional incentives on top of normal incentive scheme, i.e. 50% reduction of corporate income tax for three years. Projects eligible under this measure can be in any activities (except those without specific location, such as air and sea transport services) that have minimum investment value of 1,000 million baht, not including cost of land and working capital. Qualified investment projects must be those eligible to corporate income tax exemption of at least five years and not over eight years. They can be located in any area except Bangkok. In addition, the promoted company is required to follow all BOI's designated timeline.

An improved measure to support grassroot economy

The board also approved an improvement of a Local Investment Promotion Measure to further stimulate investment on a grassroot level. The improved measure will be effective for applications submitted from 2 January 2019 to the end of 2020.

The objective of this measure is to encourage large enterprises to support local organizations, such as local administrative office, cooperatives and community enterprises. The supporting enterprises will have to jointly develop and follow cooperation plans with their selected local organization. Minimum financial support for each project must be at least one million baht. In case that an enterprise supports several organizations under the same project, the total supporting amount for each organization must be at least 200,000 baht. Example activities aiming at enhancing local organization's capability are supports on machinery purchase/donation, product and packaging design that highlights uniqueness of local products, assistance for the implementation of IOT in developing tourist attraction, development of Smart Tourism system to support the integration of information for tourist attractions, etc.

The eligibility of this improved measure has been expanded for both supporters and local organizations. Local organizations receiving the supports can be within light industry and community tourism in addition to only agriculture allowed in the original measure. The supporting enterprises can now be any activity within BOI's eligible activity list, instead of only agriculture activities.

Enterprises that support local organizations will be eligible for 3-year tax exemption for their existing business activity. The total tax holiday value is no more than 120% of the investment capital or the actual expenses related to the support, such as plant construction, machinery and tools, and training costs, etc.

Promotion Measure for "Smart City"

The board also approved investment incentive scheme for Smart City to encourage investment in developing Smart City, smart systems and smart industrial estates or smart industrial parks. The measure will upgrade people's quality of life according to Thailand 4.0 initiative goal.

Three business activities eligible under this measure are:

1. Smart City Development: Key conditions for this investment are that the investor must provide Smart Environment system and at least one out of the following six systems – Smart Mobility, Smart People, Smart Living, Smart Economy, Smart Governance and Smart Energy. The projects must also have a majority of Thai shareholder.

In case that an investor can provide service of all the seven systems, BOI will offer 8-year corporate income tax exemption (with investment cap). However, if the investment project does not cover services for all the seven systems, BOI will grant 5-year tax holiday. For the projects located in the Eastern Economic Corridor (EEC), 50% tax reduction for five years will be given after the original tax holiday period ends.

2. Smart City System Development: A major condition is that the project must be part of the Smart City Development project approved by organizations directly responsible for Smart City development. An approved project developing systems for Smart City

that provides service of all the seven aforementioned systems will be granted 8-year corporate income tax exemption (with investment cap). However, in case that the project develops systems for the Smart City that does not cover all seven system service, BOI will offer 5-year tax holiday. Projects located in EEC will receive 50% tax reduction for another five years after the original tax holiday period ends.

3. Smart Industrial Estate or Zone: A key condition is that the investment project must provide all the seven smart systems -- Smart Mobility, Smart People, Smart Living, Smart Economy, Smart Governance, Smart Energy and Smart Environment. Projects under this category will receive 8-year CIT exemption with investment cap and the projects must also have a majority of Thai shareholder.

To ensure that Smart Cities are developed within the direction set by the relevant committee or organizations, the board required that the applicants must be approved by the organizations directly in charge of the Smart City development before applying for BOI investment incentives.

Promotion Measure for the development of innovation and digital ecosystem

The board also approved investment promotion measure to support the development of innovation and digital ecosystem. Requirements for applications for Innovation Incubation Center are revised in several areas. For example, required facility area is increased from currently 300 square metres to 1,000 square metres. In addition, the eligible projects must include innovation incubation plan approved by the BOI to ensure concrete development and incubation for entrepreneurs.

The board approved a new investment promotion category, Maker Space or Fabrication Laboratory providing machinery and tools used for making prototype products. This will help reduce costs for entrepreneurs who wish to develop their own prototypes. Eligible project must allocate space for such laboratory for innovation and prototype creation. Basic infrastructure as high-speed fiber optic communication system and power backup system must be included. Eligible projects will receive five years of tax holiday and import duty exemption on machinery.

The board also approved a new investment promotion category for Co-Working Space to attract global companies with strong developer community. This will connect local developer with the global community and encourage startups and venture capitals from all over the world to invest in Thailand. A major condition is that the co-working space must cover at least 2,000 square metres and the investment, excluding cost of land and working capital, of at least 10 million baht. The promoted projects will receive duty exemption on import machinery.

Encourage companies listing on SET

The board also introduced a measure to encourage BOI promoted companies to be listed on the Stock Exchange of Thailand (SET). This would strengthen Thailand's Stock Market as the nation's major source of fund mobilization. BOI promoted companies listed on SET will receive corporate tax exemption for another 100% of the investment capital (excluding cost

of land and working capital). The measure is effective from 19 November 2018 until 30 December 2020.

Foreign worker rules relaxed

The board reviewed the current requirement that allows promoted projects to hire only unskilled labour under MOU. From 1 January 2019, therefore, the rules are relaxed. Promoted projects are allowed to hire any type of legal foreign workers, not limited only to those under MOU, to comply with the foreign worker management policy introduced by the Ministry of Labour.

9-month application and expansion of targeted industries and EEC

BOI Secretary General also reported that during the first nine months of 2018 (January-September 2018), a total of 1,125 project applications have been received, representing a total investment value of 377,054 million baht. Considering the number of projects, a total number increased by 10% from the same period last year (1,021 projects from January-September 2017). The investment value is at the same level of last year's 373,908 million baht.

Considering the investment sector, statistics showed that investment in targeted industries has increased by 69% compared to that of last year. In the first nine months in 2018, the total number of application in the targeted industries was 525 projects with a total investment of 290,482 million baht (compared to 171,584 million baht in the same period last year). The top industries with the largest investment application value are green petrochemical and chemicals, automotive and parts, tourism, agriculture and biotechnology, and digital.

In EEC, a significant increase has been observed both in terms of project number and value. In the first nine months of this year, BOI receives applications from 288 projects, an increase of 13% from the same period last year (255 projects), representing investment value of 230,554 million baht, a remarkable increase of 117% from 106,126 million baht in the same period last year.

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