

Seven-Year Investment Promotion Strategy (2015 - 2021)

Investment Promotion Criteria and Activities

To promote valuable investment, both investment in Thailand and Thai overseas investment to enhance Thailand's competitiveness, to overcome the "*Middle Income Trap*" and to achieve sustainable growth in accordance with the sufficiency economy philosophy

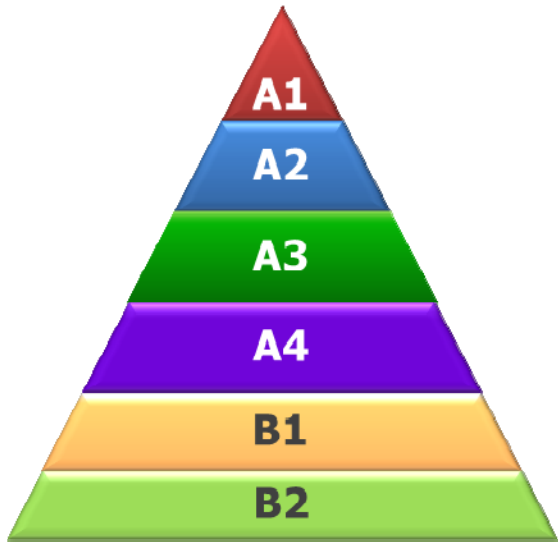
6 Major Points of Investment Promotion Policy (1/2)

1. **Promote investment that helps enhance national competitiveness** by encouraging R&D, innovation, value creation in the agricultural, industrial and services sectors, SMEs, fair competition and inclusive growth
2. **Promote activities that are environment-friendly**, save energy or use alternative energy to drive balanced and sustainable growth
3. **Promote clusters** to create investment concentration in accordance with regional potential and strengthen value chains

6 Major Points of Investment Promotion Policy (2/2)

4. **Promote investment in border provinces in Southern Thailand** to help develop the local economy, which will support efforts to enhance security in the area
5. **Promote special economic zones**, especially in border areas, both inside and outside industrial estates, to create economic connectivity with neighboring countries and to prepare for entry into the ASEAN Economic Community (AEC)
6. **Promote Thai overseas investment** to enhance the competitiveness of Thai businesses and Thailand's role in the global economy

Activity-based Incentives



**Incentives based on
the importance of activities**

+

Merit-based Incentives

- 1. Competitiveness Enhancement**
- 2. Decentralization**
- 3. Industrial Area Development**

**Grant additional incentives to encourage
more investment/expenditures that
benefit the country or overall industry**

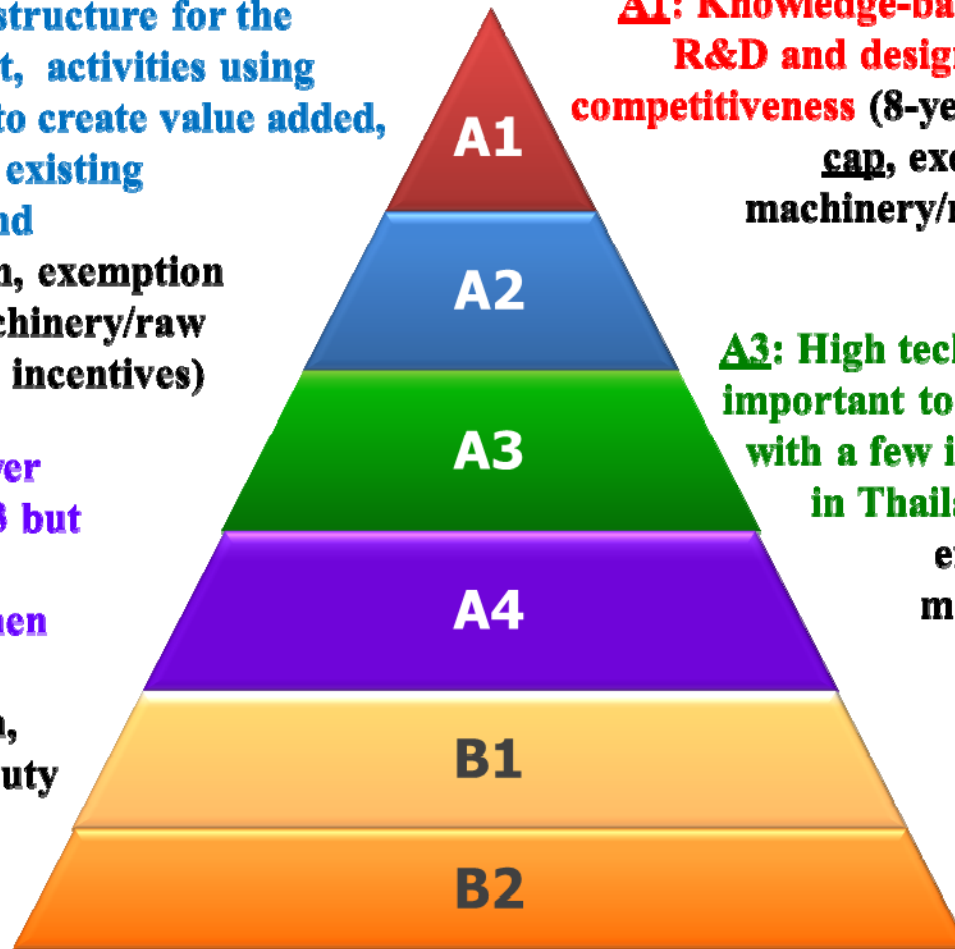
Activity-based Incentives

A2: Activities in infrastructure for the country's development, activities using advanced technology to create value added, with none or very few existing investments in Thailand

(8-year CIT exemption, exemption of import duty on machinery/raw materials and non-tax incentives)

A4: Activities with lower technology than A1-A3 but add value to domestic resources and strengthen supply chain

(3-year CIT exemption, exemption of import duty on machinery/raw materials and non-tax incentives)



A1: Knowledge-based activities, focusing on R&D and design to enhance the country's competitiveness (8-year CIT exemption without cap, exemption of import duty on machinery/raw materials and non-tax incentives)

A3: High technology activities which are important to the country's development, with a few investments already existing in Thailand (5-year CIT exemption, exemption of import duty on machinery/raw materials and non-tax incentives)

B1/B2: Supporting industries that do not use high technology but are still important to value chain

B1 : Exemption of import duty on machinery/raw materials and non-tax incentives

B2 : Exemption of import duty on raw materials and non-tax incentives)



Examples of GROUP A Activities (1/2)

Group	Example Activities
A1	<ul style="list-style-type: none">• Production of electricity or electricity and steam from garbage or refuse derived fuel• Creative product design and development center• Electronics design• R&D
A2	<ul style="list-style-type: none">• Manufacture of active ingredients from natural raw materials• Manufacture of technical fiber or functional fiber• Manufacture of vehicle parts using high technology• Manufacture of parts for organic and printed electronics (OPE)• Manufacture of Active Pharmaceutical Ingredients• Rail transport services

Examples of GROUP A Activities (2/2)

Group	Example Activities
A3	<ul style="list-style-type: none">• Manufacture of biological fertilizers, organic fertilizers, nano-organic chemical fertilizers and bio-pesticides• Manufacture or preservation of food, beverages, food additives or food ingredients using modern technology• Manufacture of automobile engines• Industrial estate or industrial zone for environmental protection
A4	<ul style="list-style-type: none">• Manufacture of products from agricultural by-products or agricultural waste• Manufacture of Recycled Fiber• Heat Treatment• Assembly of machinery and machinery equipment• Manufacture of products from hygienic paper

Merit-based Incentives (1/5)

1. Merit on Competitiveness Enhancement

Additional CIT incentives will be granted depending on investment/expenditure ratio (%)

Types of Eligible Investments/Expenditures	Additional Cap
1. R&D: in-house, outsourced in Thailand or joint R&D with overseas institutes	200%
2. Donations to Technology and Human Resources Development Funds, educational institutes, specialized training centers, R&D institutes or governmental agencies in S&T field in Thailand, as approved by the Board	100%
3. IP acquisition/licensing fees for commercializing technology developed in Thailand	100%

Merit-based Incentives (2/5)

1. Merit on Competitiveness Enhancement (Cont.)

Types of Eligible Investments/Expenditures	Additional Cap
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, as approved by the Board	100%

Merit-based Incentives (3/5)

1. Merit on Competitiveness Enhancement (Cont.)

Additional CIT incentives will be granted depending on investment/ expenditure ratio (%)

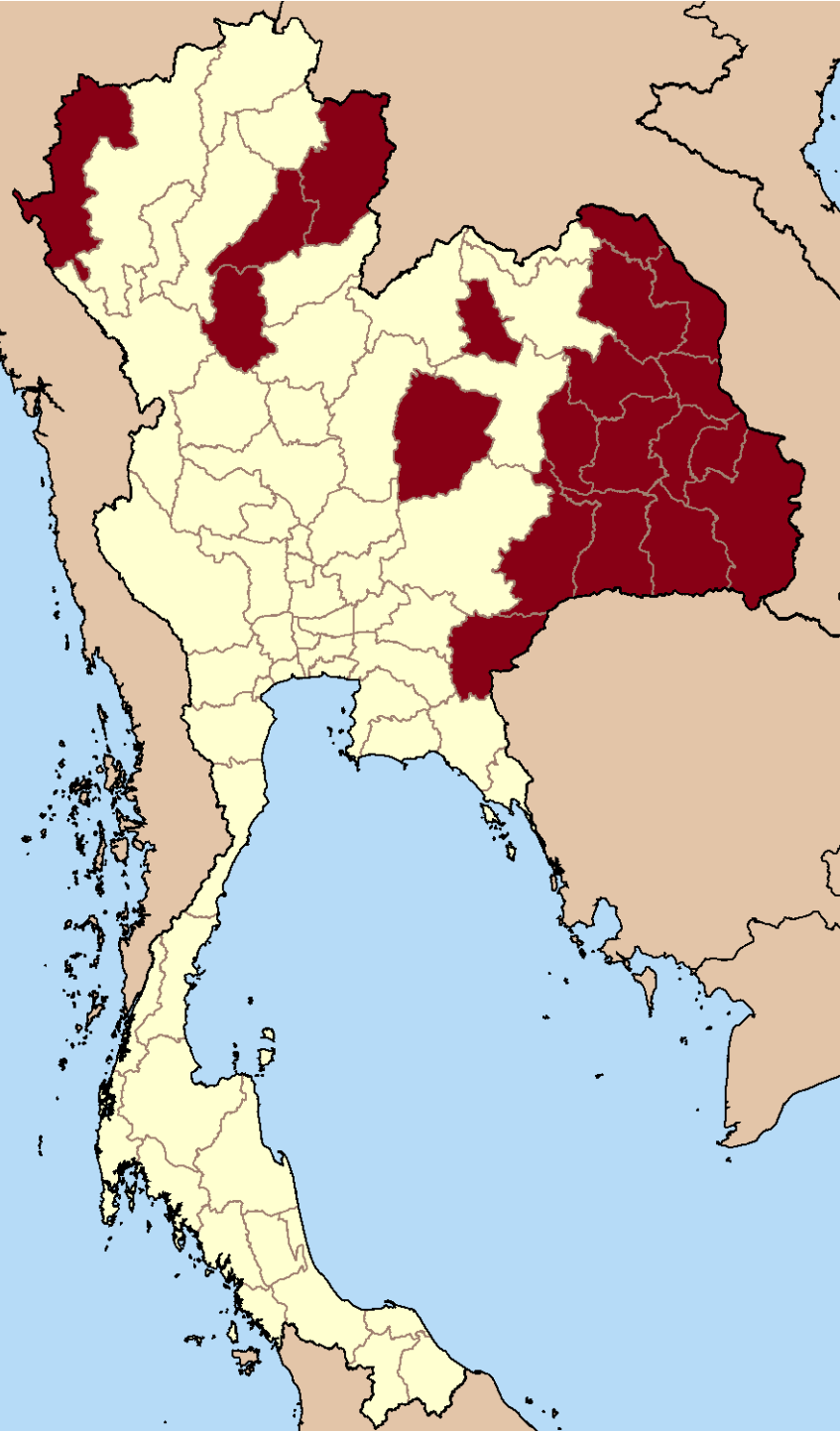
Percentage of qualified Investment/ Expenditures to combined revenue of the first 3 years	Additional CIT Exemption (with additional cap)
1% or \geq 200 mil.baht	1 year
2% or \geq 400 mil.baht	2 years
3% or \geq 600 mil.baht	3 years

Merit-based Incentives (4/5)

2. Merit on Decentralization

Projects located in 20 provinces with lowest per capita income

- 3 additional years of corporate income tax exemption
- Activities in Group A1 and A2 receive an additional 50% CIT reduction for 5 years after the end of CIT exemption period
- 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



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
and Amnatcharoen



Merits on Decentralization

3. Merit on Industrial Area Development

Projects located in industrial estates or promoted industrial zones

1 additional year of corporate income tax exemption

Criteria for Project Approval (1/4)

1. Development of Competitiveness in Agricultural, Industrial and Service sectors

- Value-added not less than 20% of revenues except for projects in agriculture and agricultural products, electronic products and parts and coil centers which must have value added of at least 10% of revenues
- Modern production process must be used
- Projects that have investment capital of 10 million baht or more (excluding cost of land and working capital) must obtain ISO 9000 or ISO 14000 certification or similar international standard certification within 2 years from the full operation startup date, otherwise corporate income tax exemption shall be reduced by one year
- For concession project and the privatization of state enterprise project, the criteria shall be based on Cabinet's decisions in 1998 and 2004

Criteria for Project Approval (2/4)

- Criteria for Granting Approval for Imported Used Machinery

	Types of Machinery	Allowed to be used in the project	Counted as investment capital for calculation of CIT exemption cap	Import Duty Exemption
1	New Machinery	✓	✓	✓
Imported Used Machinery				
2	Not over 5 years old (from manufacturing year to importing year)	✓	✓	X
3	Over 5 years up to 10 years old (Press Machine only)	✓	✓	X
4	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.

2. Environmental Protection

- **Adequate and efficient guidelines and measures to protect environmental quality and to reduce environmental impact must be installed. The Board will give special consideration to the location and pollution treatment of a project with potential environmental impact.**
- **Projects or activities with type and size that are required to submit environmental impact assessment reports must comply with related environmental laws and regulations or Cabinet resolution.**
- **Projects located in Rayong must comply with the Office of the Board of Investment Announcement No. Por 1/2554.**

Criteria for Project Approval (4/4)

3. Minimum Capital Investment and Project Feasibility

- The minimum capital investment requirement of each project is **1 million baht** (excluding cost of land and working capital). As for **knowledge-based services** i.e. creative product design and development center, electronic design, software, R&D and engineering design, the minimum capital investment requirement is based on the minimum **salaries expense of personnel in the specified field of at least 1.5 million baht/year** according to conditions of each activity.
- For newly established projects, the debt-to-equity ratio must not exceed **3 to 1**. Expansion projects shall be considered on a case-by-case basis.
- Projects with investment value of over 750 million baht, (excluding cost of land and working capital) must submit **the project's feasibility study**.

Other Special Policies

- ✚ **Measures to Enhance Capabilities of **Small and Medium Enterprises (SMEs)****
- ✚ **Investment Promotion Policy for Industrial Development in **Border Provinces in Southern Thailand****
- ✚ **Investment Promotion Policy for Investment in **Special Economic Zones****

Measures to Enhance Capabilities of SMEs

❖ 38 Eligible Activities:

- **Agriculture and Agricultural Products (8 Activities)** such as Animal propagation or animal husbandry; Grading, packaging and storage of plants, vegetables, fruits or flowers; Natural rubber products
- **Mineral, Ceramics and Basic Metals (5 Activities)** such as Glass or ceramic products; Cast iron/steel parts; Forged iron/steel parts
- **Light Industry (7 Activities)** such as Textile products; Bags or Shoes; Sports Equipment; Musical Instruments; Furniture; Gems and Jewelry
- **Metal Products, Machinery and Transport Equipment (5 Activities)** such as Metal Products; Machinery and equipment; Vehicle parts; Building or repair of ships
- **Electronics and Electrical Appliances Industry (5 Activities)** such as Electrical products; Electronic products; Software
- **Chemicals, Paper and Plastics (4 Activities)** such as Plastic products for industrial goods; Plastic products from recycled plastic; Medicine; Printed matter
- **Service and Public Utilities (4 Activities)** such as Logistics service centers; Thai motion picture production; Motion picture supporting services: Hotels

Measures to Enhance Capabilities of SMEs

- ❖ **Incentives:** additional two years of corporate income tax exemption
- ❖ **Merit-based Incentives:** Required minimum investments/expenditures lowered by **50%** as compared to the normal criteria

Example: 1 more year of corporate income tax exemption to be granted if qualified expenditures/investment account for at least 0.5% of total sales of the first 3 years

- ❖ **Conditions:**
 - The minimum capital investment requirement is **500,000 Baht** (excluding cost of land and working capital)
 - Not less than **51 percent** of the registered capital must be Thai
 - The ratio of debt to equity should not exceed **3 to 1**
 - Projects are allowed to use domestic used machinery of not more than **10 million baht** and investment in new machinery must account for at least **50%** of the value of machinery in the project
 - For total investment (both BOI and Non-BOI projects), the net fixed asset or investment (excluding cost of land and working capital) can not be more than **200 million Baht**.

**** Applications must be submitted within December 31, 2017 ****

Investment Promotion Policy for Industrial Development in Border Provinces in Southern Thailand (1/6)

Focus on promoting investment in 4 border provinces in Southern Thailand and 4 districts in Songkhla

1. General case all activities eligible for promotion will receive the maximum tax incentives, as follows:

- **Exemption of import duty on machinery**
- **75% import duty reduction on raw materials used in manufacturing for domestic sales for 5 years.**
- **8-year corporate income tax exemption (without cap)**
- **Additional 5-year 50% reduction of corporate income tax**
- **Double deductions from the costs of transportation, electricity and water supply for 15 years**
- **Additional 25% deduction of the cost of installation or construction of facilities**

Investment Promotion Policy for Industrial Development in Border Provinces in Southern Thailand (2/6)

1. General case (Cont.)

Conditions

- **Minimum capital investment requirement is at least 500,000 baht (excluding cost of land and working capital).**
- **Projects are allowed to use domestic used machinery of not more than 10 million baht and investment in new machinery must account for at least one fourth of the value of domestic used machinery.**

**** Applications must be submitted within December 31, 2017 ****

Investment Promotion Policy for Industrial Development in Border Provinces in Southern Thailand (3/6)

2. **Special case** Existing companies, whether or not located in border provinces in Southern Thailand, will receive tax incentives for both existing projects and new projects in 4 border provinces in Southern Thailand and 4 districts in Songkhla.

Existing projects 3-year corporate income tax exemption (subject to cap which accounts for 100% of investment capital in new projects, excluding cost of land and working capital)

New projects

- Exemption of import duty on machinery
- 75% import duty reduction on raw materials used in manufacturing for domestic sales for 5 years.
- 8-year corporate income tax exemption (without cap)
- Additional 5-year 50% reduction of corporate income tax
- Double deductions from the costs of transportation, electricity and water supply for 15 years
- Additional 25% deduction of the cost of installation or construction of facilities

Investment Promotion Policy for Industrial Development in Border Provinces in Southern Thailand (4/6)

2. Special case (Cont.)

Conditions

- Minimum capital investment requirement is at least 500,000 baht (excluding cost of land and working capital).
- Projects are allowed to use domestic used machinery of not more than 10 million baht and investment in new machinery must account for at least one fourth of the value of domestic used machinery.
- **Applications for new projects** must be submitted within December 31, 2017 with confirmation letter on existing investment.
- **Applications for existing projects** must be submitted when the new projects are complete and ready for operation start-up.

Investment Promotion Policy for Industrial Development in Border Provinces in Southern Thailand (5/6)

3. Promotion of industrial estates or industrial zones and projects located inside industrial estates or industrial zones or clusters in border provinces in Southern Thailand will receive the maximum incentives, as follows:

- **Exemption of import duty on machinery**
- **75% import duty reduction on raw materials used in manufacturing for domestic sales for 5 years.**
- **8-year corporate income tax exemption (without cap)**
- **Additional 5-year 50% reduction of corporate income tax**
- **Double deductions from the costs of transportation, electricity and water supply for 15 years**
- **Additional 25% deduction of the cost of installation or construction of facilities**

Investment Promotion Policy for Industrial Development in Border Provinces in Southern Thailand (6/6)

3. Promotion of industrial estates or industrial zones and projects located inside industrial estates or industrial zones or clusters in border provinces in Southern Thailand (Cont.)

Conditions

- If the first project is submitted within December 31, 2017 and expansion project is submitted and generates income before the end of the corporate income tax exemption period of the first project, the first project can be merged into the expansion project.
- The first project must have investment of at least 500,000 baht (excluding cost of land and working capital).
- The expansion project must have investment of at least 25% of the investment, excluding cost of land and working capital of the first project, and not less than 500,000 baht (excluding cost of land and working capital).
- Projects are allowed to use domestic used machinery of not more than 10 million baht and investment in new machinery must account for at least one fourth of the total value of domestic used machinery.
- Use of foreign unskilled workers is allowed.

**** Applications must be submitted within December 31, 2017 ****

Investment Promotion Policy for Investment in Special Economic Zones (1/3)

- ❖ **Must be special economic zones specified by the policy committee on special economic zone development**
- ❖ **At present, the committee has initially identified areas in 5 border provinces to be developed as special economic zones, namely,**
 1. Tak province 14 sub-districts with border areas in 3 districts
 2. Mukdahan province 11 sub-districts with border areas in 3 districts
 3. Sa Kaew province 4 sub-districts with border areas in 2 districts
 4. Songklah province 4 sub-districts in Sadao district
 5. Trat province 3 sub-districts in Klongyai district

Investment Promotion Policy for Investment in Special Economic Zones (2/3)

Incentives

- ❖ **In case general activities are eligible for investment promotion,**
 - **Projects shall receive the following incentives:**
 - **3 additional years of corporate income tax exemption**
 - **In cases where projects are already granted an 8-year CIT exemption, an additional 5-year 50% CIT reduction shall be granted instead**
 - **Double deductions from the costs of transportation, electricity and water supply**
 - **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**

Investment Promotion Policy for Investment in Special Economic Zones (3/3)

Incentives

- ❖ **In cases of target activities for special economic zones specified by the policy committee on special economic zone development,**
 - **Projects shall receive the following incentives:**
 - **8-year corporate income tax exemption and additional 5-year 50% reduction of corporate income tax**
 - **Double deductions from the costs of transportation, electricity and water supply**
 - **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**

**** Applications must be submitted between January 1, 2015 and December 31, 2017 ****