

Q&A Session, IPO&IBC Meeting on 22 April 2021

No.	Question
1	Please explain the differences among IBC, IPO, and TISO.
	<p>Activity 7.34 An International Business Center: IBC refers to the activity that mainly provides services for associated enterprises. The IBC acts in a similar manner as the headquarters or regional operating headquarters, and it can also conduct trading activities. However, in order to apply for promotion of the trading activities, it must initially conduct core business in providing services for the headquarters. Activity 7.37 International Procurement Office: IPO refers to the activity that procure raw materials, parts, and components from various sources for clients which are factories or dealers, both for domestic wholesale and/or exports. The IPO acts as a sourcing unit for factories or distributors. Activity 7.7 Trade and Investment Support Office: TISO refers to the activity that supports the investment of industries both in Thailand and abroad. Many scopes of business under this activity can apply for promotion e.g., engineering services; consulting services; machine installation, maintenance and repair. However, it must be noted that each activity has different conditions. (More information is available in the Investment Promotion Application Form Filling Guidelines.)</p>
2	Why did BOI reinstate the IPO? What are the differences among IBC, IPO, and TISO?
	<p>The BOI has repealed promotion of International Trading Center (ITC) and replaced with the IBC which incorporates the trading activities. However, as the company must conduct headquarters activities before being able to conduct trading activities, some companies which do not want to be the HQ cannot apply for promotion in the trading activities. In addition, as the Thai Government is determined to push Thailand forward to being the regional trading and investment center, it recognizes the importance of the IPO which is significant for the service sector in Thailand as it helps complete the supply chain. Therefore, the BOI reinstates the promotion of IPO in order to stimulate the country's economy and investment. For the differences among the IPO, IBC, and TISO, please refers to the answer in item 1.</p>
3	Is BOI considering a reinstatement of ITC?
	At the moment, the BOI has no plan to reinstate the promotion of ITC (in categories) because it is currently being promoted as part of the IBC.
4	What are the rights and restrictions of the promotion under the IPO activity?
	<p>Incentives: 1. Exemption of import duties for raw materials sold to manufacturers for producing, mixing, assembling, and exporting. 2. Exemption of import duties for machinery used in the IPO activity. 3. Majority of foreign shareholders. 4. Land ownership. 5. Visa and work permit for aliens working in the IPO projects. Conditions: 1. Must have paid up registered capital of 10 million baht. 2. Minimum investment of not less than 1 million baht within 3 years for activities such as asset procurement, rental fees, office renovation, etc. (excluding cost of land and working capital). 3. Other specific conditions for projects according to the announcement regarding activity 7.37 e.g., projects must have or rent a warehouse, must have warehouse management system, must have an appropriate system for inventory inspection, must purchase from at least 1 supplier in Thailand.</p>
5	Can companies apply for both TISO and IPO?
	A company can apply for promotion of both the TISO and IPO (separate application forms) because one company can apply for more than one activity as long as it follows the specific conditions of each activity.

No.	Question
6	Please explain the procedure for promotion application of IPO activity?
	Application can be submitted via e-Investment at the BOI's website at https://boi-investment.boi.go.th/public/index_en.php . The application form can be downloaded in PDF format for study at https://www.boi.go.th/upload/content/F%20PA%20PP%2003(Th)%20e-Form_6008fa2cee5a7.pdf After submitting the application, our staff will contact the applicant for interview on the project detail, then a report will be presented to the Board. The process duration is varied in line with the investment capital, for example, for an investment capital of less than 200 million baht (excluding cost of land and working capital) the process takes 40 working days as from the application submitting date; for an investment of 200 – 2,000 million baht, the process takes 60 working days, and for an investment of over 2,000 million baht, the process takes about 90 working days.
7	Is there a deadline for the new IPO incentive?
	At the moment, the deadline has not been set.
8	The promotion of ITC was abruptly ended in December 2018. Does the IPO promotion have a specific deadline?
	At the moment, the deadline has not been set.
9	When companies which already had the ITC incentives apply for IPO, do they need to return their ITC license?
	The ITC and IPO activities are similar services. As the IPO is part of the ITC, so the ITC license covers all IPO activities. The company can conduct all IPO activities using the ITC license without any specific conditions. It is not necessary to cancel the ITC license and apply for IPO license because the ITC conditions are more flexible. Therefore, the company that holds the ITC license does not need to apply for IPO license as they are the same services.
10	A company had received the IPO license under the old scheme which was repealed in 2014; can the company change to the new IPO license?
	It is not necessary to apply for new IPO license because the activities are similar, and the conditions, rights and incentives are not different.
11	Is it possible for company that currently holds the IBC license to apply for IPO? If not, can they return their IBC license and then apply for IPO license? Or can they change their license from IBC to IPO?
	The company that holds the IBC license can apply for promotion in the IPO activities because one company can apply for more than one license or activity. In this regard, the company must follow the conditions of each type of activity. However, the IBC license cannot be changed into the IPO license because they are different activities and services.
12	Can a company apply for promotion in the IPO in order to conduct service business?
	The company can apply for promotion in the IPO activities if it provides services in procurement of raw materials, parts and, components for domestic wholesale and/or exports. And it must follow the conditions of this category.
13	Is it possible for Japanese-Thai joint companies with Thai majority shareholders to apply for promotion of the IPO?
	A new registered company must be established in Thailand. The majority shareholders can be Thai or foreigners.

No.	Question
14	Can the IPO conduct the in-in, in-out, out-in, and out-out businesses?
	The IPO cannot conduct the 'out-out' activity (manufacturing and selling outside Thailand) because the condition stipulated that it must have domestic warehouse (own or rent) for inspection or repackaging before selling.
15	Please explain the conditions and specifications of warehouses and warehouse management software.
	There are no specifications regarding the size or type of warehouse but it should have appropriate size and equipment for the quantity and type of goods. The company can either rent a warehouse, or build/renovate its own warehouse. As for the software program, it is recommended that it must be able to update stock inventory real time, with details such as number of goods in stock, shelf number, etc. The software must also link to all related departments. The Office does not specify type of the software. However, manual system using computer programs such as Microsoft Excel or Microsoft Word that cannot be updated real time is prohibited.
16	Are there any specifications on warehouse management software for the IPO? If so, please explain.
	It is recommended that the software program must be able to update stock inventory real time, with details such as number of goods in stock, shelf number, etc. The software must also link to all related departments. The Office does not specify type of the software. However, manual system using computer programs such as Microsoft Excel or Microsoft Word that cannot be updated real time is prohibited.
17	Are there any specifications regarding the size of warehouse and warehouse management software for IPO? If so, please explain.
	There are no specifications regarding the size or type of warehouse. The warehouse should have appropriate size and equipment for the quantity and type of goods. The company can either rent a warehouse, or build/renovate its own warehouse. As for the software program, it is recommended that it must be able to update stock inventory real time, with details such as number of goods in stock, shelf number, etc. The software must also link to all related departments. The Office does not specify type of the software. However, manual system using computer programs such as Microsoft Excel or Microsoft Word that cannot be updated real time is prohibited.
18	Are there any specifications regarding the size of warehouse that is rented or built? If there are no specifications, is it possible to use the company's office space as a warehouse?
	There are no specifications regarding the size or type of warehouse. The warehouse should have appropriate size and equipment for the quantity and type of goods. The company can either rent a warehouse, or build/renovate its own warehouse. The company's office can also be used as a warehouse but it must be ensured that the lessor or owner allows such building to be used as a warehouse, and that there is no legal prohibition for such use.
19	In previous IPO condition, companies must use a BOI-approved software. Is this condition applied in the new IPO?
	This condition still remains. It is recommended that the software program must be able to update stock inventory real time, with details such as number of goods in stock, shelf number, etc. The software must also link to all related departments. The Office does not specify type of the software. However, manual system using computer programs such as Microsoft Excel or Microsoft Word that cannot be updated real time is prohibited.
20	Can a company rent a warehouse and outsource the QC and packaging processes?
	The company can rent a warehouse, and if so, it must notify the BOI upon applying for promotion. The warehouse must have the quality control and repackaging process.

No.	Question
21	Please clarify the definition of parts and components? Under the IPO, what products are components?
	The IPO can trade raw materials, parts and, components. This does not include final products (such as pen which does not need assembly before use). Therefore, the terms raw materials, parts and, components refer to materials that are not final products and need to be assembled into a product.
22	The IPO is eligible for an exemption of import duties on machinery used in the project. Is the machinery imported and sold to customers eligible for this incentive?
	Machinery is a final product and not raw materials, parts and, components. Therefore, the IPO is not allowed to sell machinery.
23	Under the old IPO, a company must procure materials from various sources, and at least 10% of the procurement must be from local suppliers. Does this condition apply in the new IPO?
	Presently, it is stipulated that the IPO must procure materials from at least 1 domestic supplier. As there is no minimum percentage of purchase, the company can purchase less than 10 percent from local supplier. However, an appropriate quantity of raw materials purchased in Thailand is recommended and not just to get around the BOI's condition.
24	Under the old IPO, a company must procure materials from local sources and export at least 10%. Does this condition apply in the new IPO?
	Presently, it is stipulated that the IPO must procure materials from at least 1 local supplier. As there is no minimum percentage of purchase, the company can purchase less than 10 percent from local supplier. However, an appropriate quantity of raw materials purchased in Thailand is recommended and not just to get around the BOI's condition. Moreover, there is no condition regarding the percentage of exports.
25	A wholesale company with Thai majority shareholders and a registered capital of 2 million baht wishes to be promoted in the IPO activity. It plans to increase its capital and transform the shareholder structure to be 100% foreign shareholders. Does the company need to increase its capital before the issuance of a promotion certificate, or upon submitting the promotion application?
	A capital increase of 10 million baht can be done and fully paid after submitting the application, but before the issuance of certificate. In the application form, it must be indicated that the company is increasing its capital.
26	A company has a 10-million-baht paid-up capital and a TISO license. If the company wishes to apply for the new IPO, does it need an additional 10-million-baht capital, or does it need to establish a new company?
	The BOI has set the debt-to-equity ratio at 3/1. We will check from the company's latest financial statement; if the ratio is less than the criteria of 3/1, the company does not need to increase its capital. The company can use its retained earnings or domestic or foreign loan for investment in the new project. However, if the D/E ratio is over 3/1, the company may need to consider increase its capital. This depends on the amount of investment in the IPO project. As for investment promotion of the IPO project, it can either be done through an existing company or a newly established company.
27	Is there a specific condition regarding number of staff in the IPO activity?
	There is no employment condition in the IPO project.

No.	Question
28	A company imports animal food from Japan, can it apply for promotion under the IPO?
	The company's activity must conform to the conditions of IPO which are limited to the procurement of raw materials, parts and, components. If the animal foods are final products ready for feeding animals, the company cannot apply for promotion as the IPO project.
29	Are components and final products of prefabricated houses eligible for IPO?
	The IPO is allowed only for trading of raw materials, parts and, components (not manufacturing, mixing or assembling). It does not include final products. The company must ensure that its goods are not final products. If the products are sold in the country, it must be wholesale only (not to end-users). For the prefabricated house, if the goods are parts or components, such as steel structures, and not a finished house ready to move in, it is in the IPO scope because the buyer (the contractor) have to assemble them into a house before selling to end users or house owners.
30	If prefabricated houses are not included in the IPO activity, does the company need to separate its account?
	Initially, it must be identified if the prefabricated house business is the trading of house parts and components, or if it is the selling of prefabricated houses. If it is the trading of parts and components (both domestic wholesale and exports), it is the IPO activity and the relevant BOI conditions must be observed. For other types of business e.g., selling of finished houses, or assembling or building of houses, the business operators must contact the Department of Business Development (DBD), the Ministry of Commerce, to check if it is included in the list attached to the Foreign Business Act, and if so, a Foreign Business License must be obtained from the DBD instead.
31	Does a company need to notify details of raw materials, parts, and components to the BOI in advance? Or can a company conduct a procurement of any types of goods? Are consumables, such as lubricant, included in the IPO?
	Details of the purchased raw materials, name of supplier and customer, as well as the industry of the goods to be sold must be indicated in the application. Moreover, if the company exercises the right on exemption of import duty, the material list and quantity must be notified for permission prior to importing. Lubricant used in the machinery is a ready-to-use or final product, therefore, it is not included in the IPO scope.
32	Are final products, which are accepted by the former ITC, included in the new IPO?
	IPO is not allowed to trade final products.
33	Corporate income tax exemption and personal tax exemption are granted under the former ITC. Are these incentives granted under the new IPO?
	IPO is not eligible for the rights and incentives on corporate income tax and personal income tax from the Revenue Department.

No.	Question
34	Please describe the incentives and conditions of the promotion under the IBC.
	<p>The BOI grants non-tax incentives for IBC activities, which are, for example, foreign majority shareholders, land ownership, and visa and work permit for aliens working in the country. In addition, the exemption of import duties on machinery is also granted for machinery used in product research and development, and trainings. The Revenue Department shall grant the incentives on corporate income tax exemption and personal tax exemption for aliens. Details and conditions are shown in these links: https://www.rd.go.th/fileadmin/images/IBC/Presentation%20by%20Revenue%20Department%20%28EN%29.pdf (English), and https://www.rd.go.th/fileadmin/images/IBC/Presentation%20by%20Revenue%20Department%20%28JP%29.pdf (Japanese). The conditions or limitations for IBC are: minimum investment capital of 1 million baht during the course of 3 years (excluding cost of land and working capital). This amount can include cost of assets used for providing services to clients, office renovation, office rental for a period of over 36 months, as well as a minimum of 10 employees (both Thais and aliens).</p>
35	Please explain the application process for the treasury center.
	<p>A license to operate a treasury center must be obtained from the Bank of Thailand. The company has to fill in the treasury center request form and prepare documents as stipulated by the Bank e.g., certificate of business registration, etc. It takes about 60 days for license issuance. For details and conditions, please enter the website: https://www.bot.or.th/Thai/FinancialMarkets/ForeignExchangeRegulations/ForeignMeansOfPaymenBusinesses/Pages/TreasuryCenter.aspx. The English and Japanese translation of the treasury center details and scope of works can be downloaded from https://www.rd.go.th/fileadmin/images/IBC/Presentation%20by%20Bank%20of%20Thailand%20%28EN%29.pdf (English) and https://www.rd.go.th/fileadmin/images/IBC/Presentation%20by%20Bank%20of%20Thailand%20%28JP%29.pdf (Japanese).</p>
36	Please describe the scope of eligible activities under the TISO.
	<p>A company can conduct one of the following activities: 1. Controlling and/or providing services for associated enterprises, as well as services on provision or rent out offices or factory buildings to associated enterprises. 2. Providing consultation and advice on business operations, except for trading of assets and foreign exchange, accounting and legal services, advertising, architecture, and civil engineering. Operators of such businesses must apply for a Foreign Business License from the Department of Business Development, (in case of foreign majority shareholders or 100% foreign shareholders). 3. Providing information on product procurement.</p> <p>4. Providing engineering and technical services, excluding architectural and civil engineering services.</p> <p>5. Business operations related to machinery and equipment i.e., import for selling, training, installation, maintenance and repair, and calibration.</p> <p>6. Wholesale of local manufactured products.</p> <p>7. International Business Process Outsourcing, e.g., Administration Services, Finance & Accounting Services, Human Resource Services, Sales and Marketing Services, Customer Services, Data Processing, through various communication platforms.</p>

No.	Question
37	Please describe the incentives under the TISO.
	Non-tax incentives, for example, foreign majority shareholders, land ownership, and visa and work permit for aliens working in the TISO project.
38	If a company is permitted to buy a land under the promoted TISO project, can the company rent such land to its associated enterprises?
	The TISO cannot rent out a land. However, the company can rent out part of the office space which is left unused by main TISO activities only to associated enterprises. The TISO cannot conduct building rental as core business according to item 1 of the scope of activities: controlling and/or providing services for associated enterprises, as well as services on provision or rent out offices or factory buildings to associated enterprises.
39	Is it possible for a company to buy the land that it is currently renting after it is granted a TISO incentive?
	The BOI shall approve the land ownership as necessary for use in the promoted activities in accordance with its scope of services.
40	A company wishes to conduct trading activities but it does not conduct manufacturing activities. What should it do?
	Trading business is a service activity according to List Three of the Foreign Business Act B.E.2542 (1999) of the Department of Business Development (DBD). The Act stated that in case the company has a majority of foreign shareholders, it must apply for Foreign Business License (FBL) from the DBD. If it is the activity eligible for promotion by the BOI, an application can be submitted in advance, and as soon as the promotion certificate is issued, the company can then apply for Foreign Business Certificate (FBC) from the DBD without a need to apply for FBL.