

(Unofficial Translation)

Announcement of the Board of Investment

No. 1/2557

Measure to Promote Improvement of Production Efficiency

To promote improvement of production efficiency for manufacturing by upgrading technology and machinery for energy conservation, alternative energy utilization or reduction of environmental impacts, as well as to encourage research and development and advanced engineering design involvement,

By virtue of section 16, paragraph 2, and sections 18, 28 and 31 of the Investment Promotion Act of B.E. 2520, the Board of Investment hereby announces the following measures:

1. Measure to promote energy conservation, alternative energy utilization or reduction of environmental impact.

1.1 This measure applies to existing projects only, be it BOI or Non-BOI promoted. In the case of non-BOI promoted projects, the activity must be eligible for investment promotion by the Board of Investment.

1.2 BOI-promoted projects can also apply for this measure when the corporate income tax exemption or reduction period expires or in case the respective project(s) does not receive the corporate income tax exemption.

1.3 The minimum capital investment requirement of each project must not be less than 1 million Baht (excluding cost of land and working capital). This requirement does not apply to Small and Medium Enterprises (SMEs) projects. The minimum capital investment requirement of each SME project must not be less than 500,000 Baht (excluding cost of land and working capital).

- 1.4 Small and Medium Enterprise (SMEs) project qualifications are:
 - 1.4.1 The total capital investment (excluding cost of land and working capital) of all the applicant's BOI and non-BOI promoted projects combined must not exceed 200 million Baht.
 - 1.4.2 Thai Nationals must hold shares totaling not less than 51 percent of the registered capital.
- 1.5 The applicant must submit an investment plan for machinery change or upgrade to save energy, to introduce alternative energy into the project, or to reduce environment impacts by implementing one of the following:
 - 1.5.1 Project must invest in upgrading machinery to modern technology that reduces energy consumption at the stipulated ratio.
 - 1.5.2 Project must invest in upgrading machinery to use alternative energy at the stipulated ratio to the total energy consumption.
 - 1.5.3 Project must invest in upgrading machinery to reduce environmental impacts; namely, reducing waste, waste water or exhaust air according to the stipulated criteria.
- 1.6 The following incentives shall be granted:
 - 1.6.1 Exemption of import duty for machinery regardless of zone.
 - 1.6.2 Three -year corporate income tax exemption on the revenue of an existing project, accounting for 50 percent of the investment under this measure, excluding cost of land and working capital.
 - 1.6.3 Corporate income tax exemption period shall start from the date of revenue derivation after promotion certificate issuance.
- 1.7 Application shall be submitted by December 31, 2017 and project must complete the implementation within three years from the date the promotion certificate is issued.
- 1.8 Application of existing projects of all investment sizes under this measure shall be considered by the Office of the Board of Investment.

2. Measure to promote improvement in production efficiency by upgrading technology and machinery for manufacturing.

2.1 This measure applies to existing projects only, be it BOI or non-BOI promoted.

2.2 BOI-promoted projects can also apply for this measure when the corporate income tax exemption or reduction period expires or in case the projects do not receive the corporate income tax exemption.

2.3 The minimum capital investment requirement of each project must not be less than 1 million Baht (excluding cost of land and working capital). This requirement does not apply to Small and Medium Enterprise (SMEs) projects.

The minimum capital investment requirement of each SME project must not be less than 500,000 Baht (excluding cost of land and working capital).

2.4 The Small and Medium Enterprise (SME) project qualifications are:

2.4.1 The total capital investment (excluding cost of land and working capital) of all of the applicants BOI and non-BOI promoted projects combined must not exceed 200 million Baht.

2.4.2 Thai Nationals must hold shares totaling not less than 51 percent of the registered capital.

2.5 The applicant must submit an investment plan for machinery change or upgrade according to the stipulated criteria. For instance, the upgrading of a production line to an automated system for production efficiency improvement.

2.6 The following incentives shall be granted:

2.6.1 Exemption of import duty for machinery regardless of zone.

2.6.2 Three -year corporate income tax exemption on the revenue of an existing project, accounting for 50 percent of the investment under this measure, excluding cost of land and working capital of the upgrading process.

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

2.7 Application shall be submitted by December 31, 2017 and project must complete the implementation within three years from the date the promotion certificate is issued.

2.8 Application of existing projects of all investment sizes under this measure shall be considered by the Office of the Board of Investment.

3. Measure to promote the investment on research and development and advanced engineering designs for efficiency improvement.

3.1 This measure applies to existing projects only, be it BOI or non-BOI promoted.

3.2 BOI-promoted projects can also apply for this measure when the corporate income tax exemption or reduction period expires or in case the projects do not receive the corporate income tax exemption.

3.3 The minimum capital investment requirement of each project must not be less than 1 million Baht (excluding cost of land and working capital). This requirement does not apply to Small and Medium Enterprises (SMEs) projects. The minimum capital investment requirement of each SME project must not be less than 500,000 Baht (excluding cost of land and working capital).

3.4 The Small and Medium Enterprise (SME) project qualifications are:

3.4.1 The total capital investment (excluding cost of land and working capital) of all of the applicants BOI and non-BOI promoted projects combined must not exceed 200 million Baht.

3.4.2 Thai Nationals must hold shares totaling not less than 51 percent of the registered capital.

3.5 The applicant must submit an investment plan for research and development or advanced engineering designs according to the stipulated criteria.

3.6 Project must invest in research and development or advanced engineering designs no less than 1 percent of the total revenue for the first three years from the date of application submission. And for SMEs, projects must invest in research and development or advanced engineering designs no less than 0.5

percent of the total revenue for the first three years from the date the application is submitted.

3.7 The following incentives shall be granted:

3.7.1 Exemption of import duty for machinery regardless of zone.

3.7.2 Three –year corporate income tax exemption on the revenue of an existing project, accounting for 50 percent of the investment under this measure, excluding cost of land and working capital of the upgrading process.

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

3.8 Application shall be submitted by December 31, 2017 and project must complete the implementation within three years from the date the promotion certificate is issued.

3.9 Application of existing projects of all investment sizes under this measure shall be considered by the Office of the Board of Investment.

Effective from August 19, 2014 onwards

Announced on September 16, 2014

(General Prayuth Chan-ocha)

Chairman of the Board of Investment