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Recent BOI measures to enhance competitiveness of Thailand's advanced industries

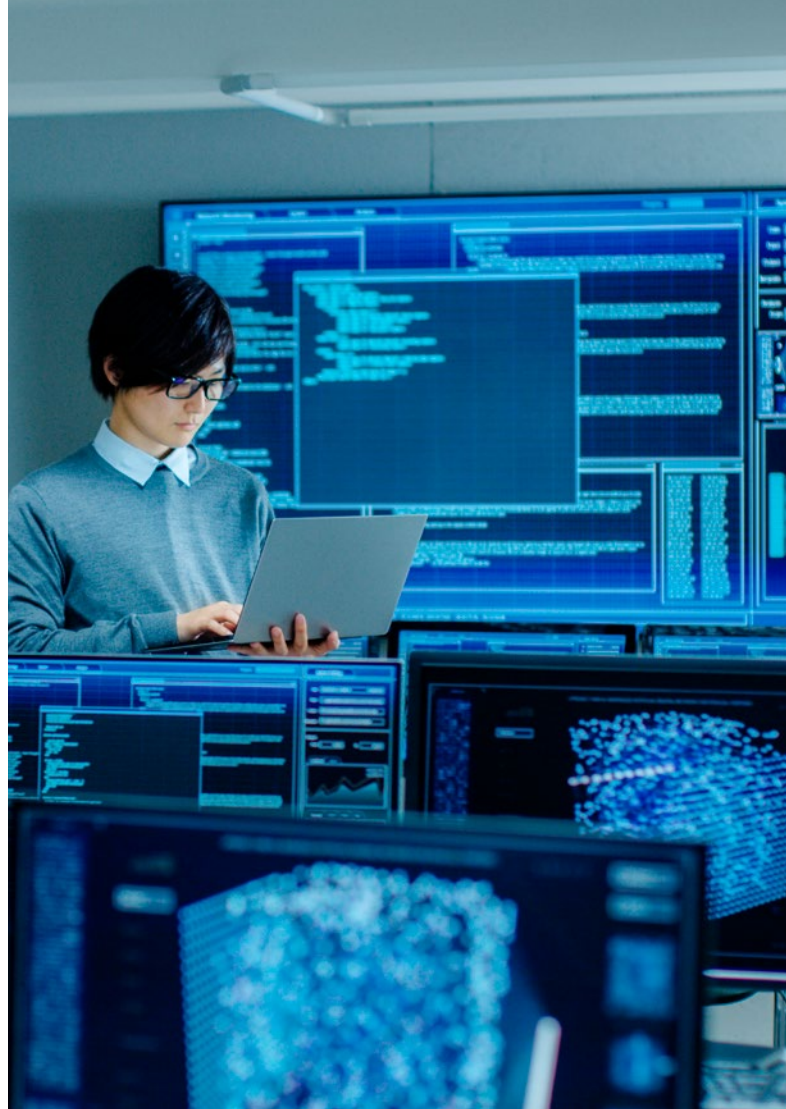
Enhanced incentives from the Thailand Board of Investment (BOI) have been established to encourage more investment in research and development (R&D) and engage the industry more actively in human resource development (HRD), and to attract additional investments in the growing semiconductor, digital and packaging industries. To enable continued innovation and encourage companies to step up their R&D, the BOI has established that projects which invest or spend at least 200 million baht or 1% of their total sales of the first 3 years will be entitled to longer tax breaks (up to a maximum of 13 years) with no corporate income tax exemption ceiling. The duration of the period of the tax holiday will depend on the amount of each company's R&D spending and investment. Additionally, companies that participate in apprenticeship programs or spend on advanced technology training will also enjoy greater tax incentives. "We see R&D and HRD being the most critical factors in strengthening the country's competitiveness" said Ms Duangjai Asawachintachit, Secretary General of the BOI, after a recent meeting chaired by Prime Minister Gen Prayut Chan-ocha.

The importance of advanced digital technology in Thailand, and the country's rapidly expanding digital economy has been further elevated by the Covid-19 crisis, which has seen a rising demand for electronics products of all sorts, along with the increased usage of digital services and platforms. As a result of the pandemic, the semiconductor industry has experienced a significant hike in demand; additionally, companies are looking for greater resilience in their global supply chains. Thailand therefore, with electronic products as one of the country's top export categories, aims to attract more semiconductor manufacturing to its shores. Major front-end capital-intensive and technology-intensive manufacturing projects, for example wafer fabrication, will be given a 10-year tax holiday while advanced integrated circuits, IC substrate and printed circuit board projects with machinery investments of at least 1.5 billion baht will be offered an 8-year tax break.

For businesses operating on the supply side of the digital economy, promotions are available to support the hiring and development of their IT workforce as well as for upgrading companies to

relevant international standards. Companies applying for BOI privileges under the single reorganized category “Development of Software, Digital Services Platform or Digital Content” will be eligible for 8-year tax holidays, with the yearly ceiling reflecting the cost of the salaries of their Thai IT personnel, their training expenses, and the costs of achieving international standard certifications such as ISO 29110 and CMMI Level 2 and above. “On the digital business side, the improved investment promotion aims to encourage the development of a broader pool of qualified Thai IT specialists, and to allow the creation of more competitive local platforms and IT operations,” Ms Duangjai said. Companies applying for this promotion must have salary expenses for IT personnel of at least 1.5 million baht and have substantial operations for the development of software, digital services platforms, or digital content in Thailand.

Thailand, the ASEAN leader in the adoption of 5G infrastructure, with auctions that were previously held in February of 2020, has long attracted investment from around the world in the electronics sector, with a promotion policy that covers the entire supply chain. As a result, Thailand is currently the 13th largest exporter in the world for electronic products and parts. To ensure that Thailand’s packaging industry also stays on top of the global trends in the sector and to encourage investment in technology and



environmental sustainability, as emphasized in the Government’s Bio-Circular-Green (BCG) model, the BOI is also offering enhanced investment incentives for the production of so-called smart packaging and environmentally friendly packaging, including those using recycled materials.

Additionally, there are special limited time incentives available for companies that are adopting digital technology or are implementing systems or engaged in activities such as software integration, artificial intelligence (AI), machine learning or big data analytics by the end of 2022. These projects, if approved, will be granted a 50% corporate income tax exemption for 3 years on their existing businesses. “We expect to see faster adoption of digital technologies including cloud computing through this incentive scheme,” Ms Duangjai said.



To assist companies looking to set up businesses focused on digital technologies, Thailand has established a new digital innovation precinct, Digital Park Thailand, strategically located in Chonburi province, to function as Thailand's innovation hub. Covering nearly one million square meters, the site aims to bring investors together under one roof where digital innovators can partner and support the growth of Thailand's innovative ecosystem and immersion programs. Its features a digital connectivity hub that acts as an international internet gateway and which includes both a satellite and space center, as well as a digital data hub. Included are eight digital clusters set to drive further growth as part of the country's digital industry promotions which include:

- Computer Hardware and Semi Superconductors;
- Smart Devices, IoT, and Robotics;
- Big Data and AI;
- Intelligent Platforms and Auto Systems
- Immersive Content;
- Satellite and Broadcast;
- Future Ultra High Broadband;
- Digital Tech Startups;

The project offers tremendous potential for investors looking to tap into the emerging opportunities offered by the kingdom's transformation to "Thailand 4.0". Numerous policies and incentives have been introduced by the government to facilitate investment in the Digital Park and to stimulate the country's digital transformation. The incentives include tax and non-tax measures including Research, Development, and Innovation (RDI) regulatory exemptions, investment facilitation, and opportunities for ASEAN integration in the digital development zone.

Reference

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