

## **Updates on BOI Policies and Measures**

**Duangjai Asawachintachit**  
**Assistant Secretary General**  
**Thailand Board of Investment**  
Email: [duangjai@boi.go.th](mailto:duangjai@boi.go.th)

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## **Activities eligible for BOI promotion**

- **Agriculture and Agricultural Products**
- **Mining, Ceramics and Basic Metals**
- **Light Industry**
- **Metal Products, Machinery and Transport Equipment**
- **Electronic Industry and Electric Appliances**
- **Chemicals, Paper and Plastics**
- **Services and Public Utilities**

## BOI's Current Foreign Equity Participation Policies

- ❑ no restriction on foreign shareholding in manufacturing
- ❑ 100% foreign shareholding allowed in many services
- ❑ At least 51% Thai ownership is required for investment in agriculture, husbandry, mineral exploration and mining, and services in list 1 of the Foreign Business Act



## Project Approval Criteria

- Value added at least 20% (except electronic products, agriculture and agro processing, and projects the Board deems appropriate)
- Registered capital at least 25% of total investment (D/E no more than 3 to 1)
- Modern production machinery and process (Second-hand machinery is also allowed if certification is obtained.)
- Adequate environmental protection

- **Minimum investment of 1 million baht excluding land cost and working capital**
- **Projects with investment of at least 500 million baht are required to submit a feasibility study.**



# BOI Incentives

## TAX Incentives

- **Import duty reductions or exemptions on machinery and raw materials**
- **Corporate income tax holidays up to 8 years**
- **Additional 50% reductions for 5 years**
- **Double deduction of public utility costs**
- **Deductions for construction/installation costs infrastructure**

## NON-TAX Incentives

- **100% ownership land rights for foreign investors**
- **Permission to bring in foreign experts and technicians**
- **Work permit & VISA facilitation**

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## Major BOI Incentives Schemes

- Decentralization
  - Incentives vary according to zones
- Priority activities
  - 8-year corporate income tax exemption and exemption of import duties on machinery regardless of locations
- Sector-specific policies
- Optional incentive scheme
  - STI Scheme
  - MAI/SET Scheme



## Policy Measures from 14 September 2009 Board Meeting

- **Addition of New Activities Eligible for Investment Promotion**
- **Improvement of Incentives for Existing Eligible Activities**
  - More activities classified as “priority”
  - Enhanced incentives for various activities
  - Relaxation or elimination of conditions

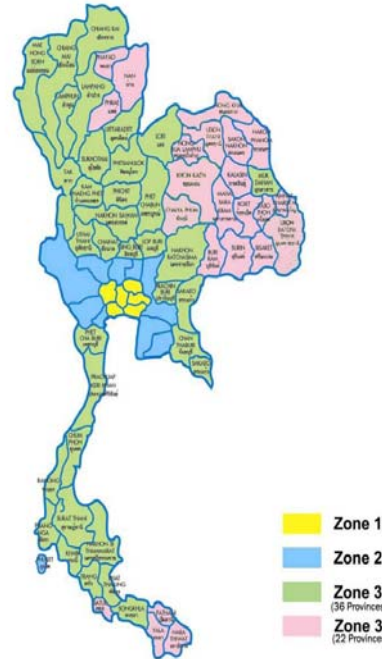


## Decentralization



## Zone-Based Incentives

- Zone 1 (6 provinces)
- Zone 2 (12 provinces)
- Zone 3 (58 provinces)—  
Investment Promotion Zone
  - (1) 36 provinces
  - (2) 22 provinces



Zone: 1 2 3  
Incentives: Lower → Higher Incentives

## Zone 1 Incentives

Inside Industrial Estates/Parks	Outside Industrial Estates/Parks
<ul style="list-style-type: none"> <li>• 3-year corporate income tax exemption*</li> <li>• 50% reduction of import duties on machinery if import tariff is at least 10%</li> <li>• Exemption of import duties on raw materials used for the manufacture of exports</li> </ul>	<ul style="list-style-type: none"> <li>• 50% reduction of import duties on machinery if import tariff is at least 10%</li> <li>• Exemption of import duties on raw materials used for the manufacture of exports</li> </ul>

## Zone 2 Incentives

Inside Industrial Estates/Parks	Outside Industrial Estates/Parks
<ul style="list-style-type: none"> <li>• 7-year corporate income tax exemption*</li> <li>• Exemption of import duties on machinery</li> <li>• Exemption of import duties on raw materials used for the manufacture of exports</li> </ul>	<ul style="list-style-type: none"> <li>• 3-year corporate income tax exemption</li> <li>• 50% reduction of import duties on machinery if import tariff is at least 10%</li> <li>• Exemption of import duties on raw materials used for the manufacture of exports</li> </ul>

**\* Applications must be submitted by December 2014.**



## Zone 3 Incentives (36 provinces)

Inside Industrial Estates/Parks + Laem Chabang IE* + Industrial Estates/Parks in Rayong*	Outside Industrial Estates/Parks
<ul style="list-style-type: none"> <li>• 8-year exemption of corporate income tax</li> <li>• Exemption of import duties on machinery</li> <li>• 50% reduction of corporate income tax for 5 years after tax holidays</li> <li>• Double deduction of transportation, water and electricity costs for 10 years</li> <li>• 25% deduction from net profits of infrastructure construction and installation costs for 10 years</li> <li>• 75% reduction of import duties on raw materials used for domestic market* (not applicable to Laemchabang &amp; IE/IP in Rayong)</li> <li>• Exemption of import duties on raw materials used for exports</li> </ul>	<ul style="list-style-type: none"> <li>• 8-year exemption of corporate income tax</li> <li>• Exemption of import duties on machinery</li> <li>• 25% deduction from net profits of infrastructure construction and installation costs for 10 years</li> <li>• Exemption of import duties on raw materials used for exports</li> </ul>

**\* Applications must be submitted by December 2014 for projects located in Laem Chabang IE and industrial estates/parks in Rayong.**



## Zone 3 Incentives (22 provinces)

Inside Industrial Estates/Parks	Outside Industrial Estates/Parks
<ul style="list-style-type: none"> <li>• 8-year exemption of corporate income tax</li> <li>• Exemption of import duties on machinery</li> <li>• 50% reduction of corporate income tax for 5 years after tax holidays</li> <li>• Double deduction of transportation, water and electricity costs for 10 years</li> <li>• 25% deduction from net profits of infrastructure construction and installation costs for 10 years</li> <li>• 75% reduction of import duties on raw materials used for domestic market</li> <li>• Exemption of import duties on raw materials used for exports</li> </ul>	<ul style="list-style-type: none"> <li>• 8-year exemption of corporate income tax</li> <li>• Exemption of import duties on machinery</li> <li>• 50% reduction of corporate income tax for 5 years after tax holidays</li> <li>• Double deduction of transportation, water and electricity costs for 10 years</li> <li>• 25% deduction from net profits of infrastructure construction and installation costs for 10 years</li> <li>• Exemption of import duties on raw materials used for exports</li> </ul>

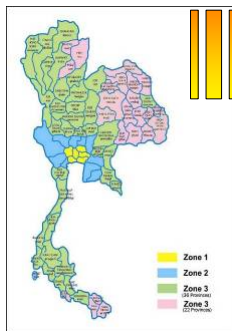
## Corporate Income Tax Exemption Cap

- The total amount of corporate income tax to be exempted **must not exceed** the total investment excluding land cost and working capital
- In some cases, this cap (ceiling) can be removed.

# Priority Activities



## Zones



### Zone-Based Incentives:

- Zone 1 Lower incentives
- Zone 2
- Zone 3 Higher incentives

## Sector Matrix: Incentives to strengthen competitiveness

### Priority Activities

- Maximum incentives regardless of zone
- 8-year exemption of corporate income tax (with or without cap depending on categories of activities)
  - Exemption of import duties on machinery



## Examples of Priority Activities

- Agriculture and agro-industries
- R&D
- Software
- Molds & Dies
- Biotechnology
- Alternative energy
- Manufacture of hi-tech products e.g. advanced ceramics
- Waste recycling & recovery



## Sector-Specific Incentive Package

Some examples only!



## Tourism Sector

### Examples of Tourism Activities Eligible for Investment Promotion

Activities	Incentives/Condition
<ul style="list-style-type: none"> <li>• Tourism promotion activities (e.g. marina, amusement parks, cultural and handicraft centers, aquarium, motor racing tracks, open zoo, cable cars)</li> <li>• Activities to support tourism (e.g. convention halls, international exhibition centers)</li> </ul>	<ul style="list-style-type: none"> <li>• Exempt from import duty on machinery regardless of zone</li> <li>• Corporate income tax Exemption               <ul style="list-style-type: none"> <li>Zone 1: 5 years</li> <li>Zone 2: 7 years</li> <li>Zone 3: 8 years</li> </ul> </li> </ul>
Tour boat and yacht renting	Exemption of import duty on machinery and 5-year corporate income tax exemption

### Examples of Tourism Activities Eligible for Investment Promotion

Activities	Incentives/Condition
Hotel	<ul style="list-style-type: none"> <li>• At least 100 keys or minimum investment of 500 million baht, excluding land cost and working capital</li> <li>• Incentives vary according to locations</li> </ul>
Retirement homes/ Rehabilitation centers	Exemption/reduction of import duties on machinery
Service industrial estates/parks	<ul style="list-style-type: none"> <li>• Minimum area of 500 rai</li> <li>• Factory area of no more than 10% of total area</li> <li>• Equipped with public utilities and facilities required by IEAT</li> </ul>

### International Distribution Centers

- Exemption of import duties on machinery regardless of locations
- 8-year corporate income tax exemption for projects located in logistics parks
- 5-year corporate income tax exemption for projects located outside logistics parks
- Income entitled to corporate income tax exemption excludes revenue derived from domestic distribution, customs procedures, and freight/air bookings.
- Foreign equity participation has been relaxed to allow majority or total foreign ownership in IDC.

## Many More Services Eligible for BOI Promotion

e.g.

- Movie town
- Thai film production and services to film production
- Service industrial estates
- Energy service company (ESCO)



## Incentives for Electrical and Electronics Industries



## *E&E Investment Incentives*

- 1. General investment projects**
- 2. High-value, long-term investment**
  - 5 year plan, investment value > 15 billion baht
  - Special incentive
- 3. Higher value, long-term investment in pioneer or priority sectors (>30 billion baht)**
  - Customized incentive package

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## **Basic Incentives for E & E**

Exemption on import duties for machinery  
 Permission to import machinery to improve or replace existing machinery for the life of the project

Tax holidays	Zone 1	: 5 years
	Zone 2	: 6 years
	Zone 2 in IE	: 7 years
	Zone 3	: 8 years



**Remarks: Priority activities such as production of wafers and solar cells still receive maximum 8-year exemption regardless of location**

IE = Industrial estates/industrial parks

## Incentives for Automotive Assembly and Auto Parts



AUTO	Zone 1	Zone 2	Zone 3
<b>Component Parts Manufacturers:</b>			
<ul style="list-style-type: none"> <li>• General</li> </ul>	Machinery Duty: 50% reduction Corporate Income tax exemption: In IE - 3 years	Machinery Duty: 50% reduction Corporate Income tax exemption: In IE - 7 years Outside IE - 3 years	Machinery Duty: Exempt Corporate Income tax exemption: exempt 8 years
<ul style="list-style-type: none"> <li>• High-Tech</li> </ul>	Exempt from machinery import duties		
	Exempt from corporate income tax for 8 years		
	<u>Examples:</u> Electronic Fuel Injection Systems, ABS Brake Systems, Substrates for Catalytic Converters, NGV Parts, Molds/Dies, NGV/LNG Cylinder Tanks		



## New Automotive Policy

- **On June 10, 2009, the Board of Investment announced it would promote large-scale investments for vehicles not yet produced in Thailand that use new technology**
  - The policy is designed to attract international automakers looking to restructure by relocating production facilities overseas
  - This policy is certain to expand the range of opportunities for manufacturers of automotive parts and components



## New Automotive Policy (Criteria)

- Investment in new assembly line
- Minimum investment of 10 billion baht, exclusive of land cost and working capital
- Actual production of at least **100,000 vehicles** per annum in any year during the first five years of operation
- The project must include the production of a new model that has never been manufactured in Thailand and the production of automobiles equipped with high-technology systems (e.g. hybrid drive, brake energy regeneration, electronic stability control, etc.), as approved by the Board of Investment
- Must submit investment plan/sourcing plan for parts and component to the Board of Investment for approval
- **Applications must be submitted by the end of 2010.**
- Extension of timeframe specified in investment promotion certificate is not permitted.



## New Automotive Policy (Incentives)

- **Corporate Income Tax Holiday**
  - 5-year corporate income tax holiday for projects with investment of at least 10 billion baht excluding land cost and working capital
  - 6-year corporate income tax holiday for projects with investment of at least 15 billion baht excluding land cost and working capital
  - One additional year of corporate income tax holiday for projects submitted by the end of 2009
- **Exemption of import duties on machinery, regardless of location**
- **Additional incentives in accordance with the BOI Announcement No. 1/2000, except additional 5 years of 50% reduction of corporate income tax**

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Note: Corporate income tax exemption may not exceed capital investment, not including land and working capital



## Manufacture of Automobile Parts for Eco-Cars

- **Manufacture of automobile parts for international-standard eco-cars (4.29)**
  - Exempt from import duty on machinery, regardless of zone
  - Corporate income tax exemption for not more than eight years, regardless of zone
  - 90 percent reduction of import duties on raw materials and finished auto parts for 2 years

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## **Optional Incentive Scheme**



## **Skill, Technology & Innovation (STI) Incentives**



## STI Incentives

### Qualified STI Investments and expenditures

- Research and development or design
- Advanced technology training
- Funding educational and research institutions
- Donations that contribute to the NSTDA matching fund\* (The BOI shall consider contributions to other similar public or private-sector matching funds (subject to BOI approval) as counting towards eligibility under the STI program.)

\* To enhance competitiveness (e.g. HRD, R&D, technology and innovation, SME promotion, including testing centers for industrial standards certification), on Sept 14, 2009, the Board approved establishment of a matching fund for technology and human development under the National Science and Technology Development Agency (NSTDA).

## Criteria in Granting STI Incentives

Required STI Investment & Expenditures	Additional Year of Corporate Income Tax Exemption	Exemption of Import Duties on Machinery	Removal of Corporate Income Tax Exemption Cap
1% of the first 3 years' sale or at least 150 million baht, whichever is less	1	✓	✓
2% of the first 3 years' sale or at least 300 million baht, whichever is less	2	✓	✓
3% of the first 3 years' sale or at least 450 million baht, whichever is less	3	✓	✓

## STI Incentives

- Projects that have been granted corporate income tax exemption under Section 31 and are already generating income can submit an STI application any time before their tax exemption period expires.
- Projects that are not eligible for corporate income tax exemption and that want to apply for STI incentives are required to submit their STI applications at the same time they submit the BOI application

## Measure to Encourage Companies to be Listed on SET and MA I

- To encourage BOI-promoted companies to be listed on SET or MAI, the BOI has approved the removal of the corporate income tax exemption cap on the BOI-promoted projects of these companies once they are listed on SET or MAI.
- Applications must be submitted to BOI before the applicant receives approval for SET or MAI listing and before Dec 2012.
- The removal of corporate income tax exemption cap will be applicable to all projects of which corporate income tax exemption is still in effect (still in the tax holidays period and cap not yet exhausted) when SET/MAI listing is approved.
- Only activities classified by the BOI as “priority and of great importance to the country” are eligible.

**New Policies for 2010**

New direction to encourage

**“Investment for Sustainable Development”**

- (1) Certain measures of “2008-2009 Investment Year” which have expired, but are considered useful for sustainable development
  - Eco-friendly
  - Alternative energy
  - Hi-tech industries
- (2) HRD measures necessary for a knowledge-based economy
- (3) Measures to strengthen Science & Technology (S&T) development
- (4) Environment and community friendly investment promotion policies: measures such as eco-town and eco-industrial estate
- (5) Measures to support creative industries and healthcare industries



One Start One Stop Investment Center

**18th Floor, Chamchuree Square Building**  
**319 Phayathai Road, Pathumwan**  
**Bangkok 10330, Thailand**  
**Tel: 66(0)2 209 1100**  
**Email: [osos@boei.go.th](mailto:osos@boei.go.th)**

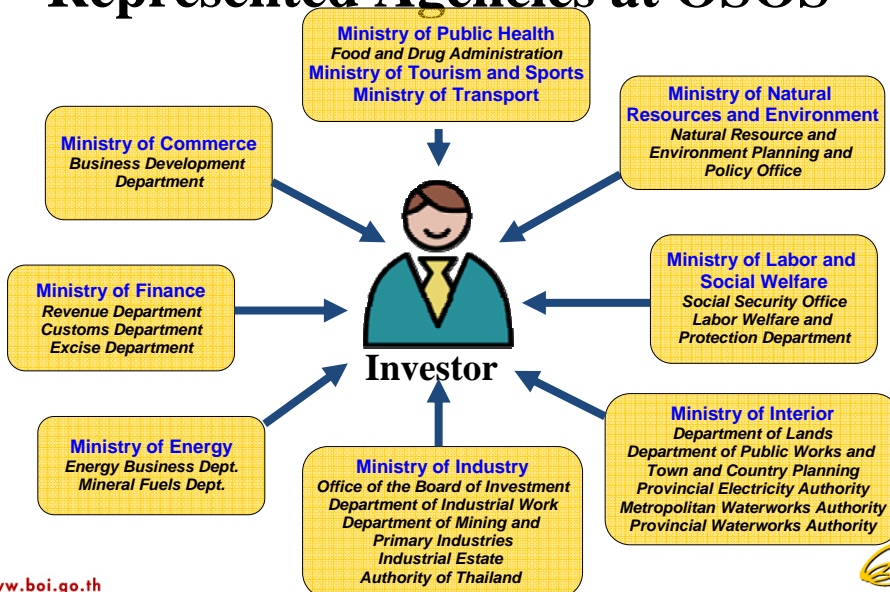




- **Opens on November 23, 2009**
- **Objectives**
  - Facilitate entry of new investors
  - Assist businesses looking to expand
  - Serve as a focal point for dealing with relevant government agencies
- **Who can use services**
  - Open to all businessmen
    - Big and small
    - Domestic or foreign
    - BOI-promoted or not



## Represented Agencies at OSOS



## Services

- Staff from relevant agencies will also be available for consultations on a range of topics.
- Help investors with applications to make sure investors know what is required to:
  - Register a company
  - Apply for investment promotion privileges
  - Obtain a foreign business license
  - Tax registration
  - Complete an environmental impact assessment
  - Obtain utilities, etc.
- OSOS staff will also accept applications for things such as corporate name registration, corporate tax ID numbers, VAT registration, foreign business licenses, investment promotion incentives, etc.

## One Stop Service Center for Visas and Work Permits

- To further facilitate investors, effective **January 4, 2010**, the One-Stop Service Center for Visas and Work Permits has moved to the same facility as the OSOS.
- BOI procedures related to visas and work permits have been further streamlined
  - Number of days required
  - Types of documents required
  - Length of stay (2 years instead of 1 year)

# Further Info on BOI Schemes



- Thank you
- Q&A