

Opportunities with Thailand Board of Investment

**Duangjai Asawachintachit
Assistant Secretary General
Thailand Board of Investment**

Nordic Chambers of Commerce Breakfast Meeting

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Sheraton Grande Hotel
Bangkok, Thailand**

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 activities in list 1 of the Foreign Business Act

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
- Temporary scheme—Thailand Investment Year

Policy Measures from 14 September Board Meeting

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

Zone 2 Incentives

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

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

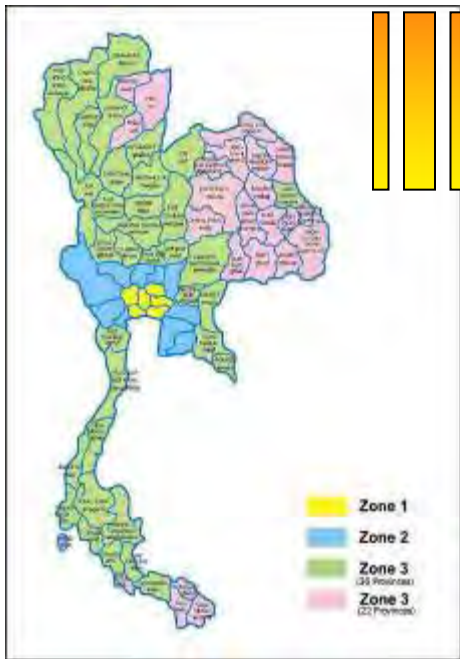
*** Applications must be submitted by December 2014 for projects located in Laem Chabang IE and industrial estates/parks in Rayong.**

Zone 3 Incentives (22 provinces)

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

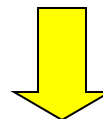
Priority Activities

Zones



Sector Matrix: Incentives to strengthen competitiveness

Priority Activities

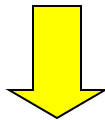


- Maximum incentives
regardless of zone**
- **8-year exemption of corporate income tax**
 - **Exemption of import duties on machinery**

Zone-Based Incentives:

- **Zone 1**
- **Zone 2**
- **Zone 3**

Lower incentives



Higher incentives



Examples of Priority Activities

- Agriculture and agro-industries
- Supporting industries
- R&D
- Software
- Molds & Dies
- Biotechnology
- Alternative energy
- Manufacture of hi-tech products

Sector-Specific Incentive Package

Some examples

Tourism Sector

Examples of Tourism Activities Eligible for Investment Promotion

Activities	Incentives/Condition
<ul style="list-style-type: none"> • Tourism promotion activities (e.g. marina, amusement parks, cultural and handicraft centers, aquarium, motor racing tracks, open zoo, cable cars) • Activities to support tourism (e.g. convention halls, international exhibition centers) 	<ul style="list-style-type: none"> • Exempt from import duty on machinery regardless of zone • Corporate income tax Exemption <p>Zone 1: 5 years Zone 2: 7 years Zone 3: 8 years</p>
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"> • At least 100 keys or minimum investment of 500 million baht, excluding land cost and working capital • Incentives vary according to locations
<ul style="list-style-type: none"> • Retirement homes • Rehabilitation centers 	Exemption/reduction of import duties on machinery
Long stay business	Non-tax incentives only
Service industrial estates/parks	<ul style="list-style-type: none"> • Minimum area of 500 rai • Factory area of no more than 10% of total area • Equipped with public utilities and facilities required by IEAT

Regional Operating Headquarters

- Revenue Department: Special tax scheme
- BOI: Non-tax incentives
 - 100% foreign ownership
 - right to own land
 - facilitation as regards visas and work permits
- A working group chaired by Deputy Finance Minister assigned to consider new measures to promote ROH

Incentives for Electrical and Electronics Industries

E&E Investment Incentives

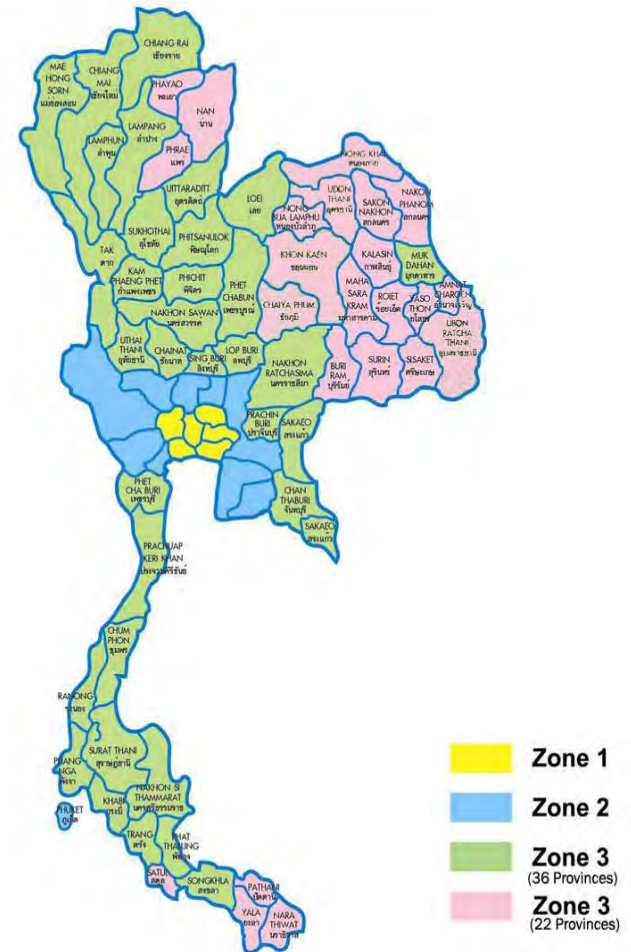
- 1. General investment projects**
- 2. High-value, long-term investment**
 - 5 year plan, investment value > 15 billion baht
 - Special incentive
- 3. Higher value, long-term investment**
in pioneer or priority sectors (>30 billion baht)
 - Customized incentive package

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

Car Assemblers:

<p>•Duty on Machinery</p>	<p>50% reduction</p>	<p>50% reduction</p>	<p>Exempt</p>
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Component Parts Manufacturers:

<p>• General</p>	<p>Machinery Duty: 50% reduction Corporate Income tax exemption: In IE - 3 years</p>	<p>Machinery Duty: 50% reduction Corporate Income tax exemption: In IE - 7 years Outside IE - 3 years</p>	<p>Machinery Duty: Exempt Corporate Income tax exemption: exempt 8 years</p>
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<p>• High-Tech</p>	<p>Exempt from machinery import duties</p>		
	<p>Exempt from corporate income tax for 8 years</p>		
	<p><u>Examples:</u> Electronic Fuel Injection Systems, ABS Brake Systems, Substrates for Catalytic Converters, NGV Parts, Molds/Dies</p>		

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**



Eco-Car Parts

- **To reduce manufacturing costs for eco-cars, in July, the Board approved a 90% reduction of import duties on raw materials and parts used in eco-cars.**
 - **The incentive will remain in place for two years, with annual review**

International Distribution Centers

- The BOI is promoting Thailand as a primary site for International Distribution Centers (IDC)
- To enhance the transfer of technology in the logistics business, the BOI has revised the criteria for approving IDC projects as follows:
 - Projects that apply within 2009 will receive an 8-year corporate income tax holiday, regardless of location
 - This 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 (no time limit)

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**

Additional Incentives for Technology Upgrade

Additional Incentives For Investment in a Technology Upgrade to Manufacture a New Product (1/2)

Criteria

- The project must invest in new high-tech machinery to improve an existing production line and make it possible to manufacture a “new” product.
- The **new product** must be among the List of Activities Eligible for Promotion and be eligible for corporate income tax exemption.
- Product must be an upgrade from an existing project (promoted or otherwise).
- The application must be submitted together with the technology improvement investment plan by the end of 2009.

Additional Incentives For Investment in a Technology Upgrade to Manufacture a New Product (2/2)

Rights and benefits:

- **Exemption from import duties on machinery, regardless of zone.**
- **Exemption from corporate income tax for 3 years, regardless of zone. The benefit from this exemption may not exceed 100% of the project's investment value.**

Incentives for Efficiency Improvement Investments

Additional Incentives for Efficiency Improvement (1/2)

- **The BOI meeting on 8 Dec 2008 approved support measures for efficiency improvement investment.**
- **Eligible activities: All BOI categories that invest in machinery that will**
 - (1) Reduce energy consumption**
 - (2) Use alternative energy**
 - (3) Reduce impacts on environment**

Additional Incentives for Efficiency Improvement (2/2)

Incentives

- **Exemption of import duty on machinery**
- **Exemption of corporate income tax for 3 years totaling 70% of investment**

Criteria

- **Must submit applications by the end of 2009 and complete the investment by the end of 2011**

Measure to Encourage Companies to be Listed on SET and MAI

- 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 for the corporate income tax exemption cap removal must be submitted to BOI before the applicant receives approval for SET or MAI listing.
- Cap removal 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.

Thailand Investment Year Package 2008-2009

Thailand Investment Year Package

(One Country One Zone)

Incentive

- **Import duty exemption on machinery**
- **8-year corporate income tax exemption**
- **Additional privileges**
 - **50% reduction of corporate income tax on net profit for five years after expiry of tax holiday**
 - **Double deduction of transportation, electricity and water supply costs as per condition, procedure, and duration set by the Board**
 - **Deduction from net profit for facility installation and construction costs but not exceed 25% of investment capital in addition to depreciation deduction**

Target Industries under Special Package

Group 1 Energy savings and alternative energy businesses

Group 2 High-tech businesses

Group 3 Environmentally friendly materials and products businesses

Group 4 Mega-projects

Group 5 Tourism and real estate businesses

Group 6 High-tech agro businesses

Energy-saving and Alternative Energy Businesses

Activities

- **1.26 Manufacture of alcohol or fuel from agricultural products, including scrap, garbage, and/or waste**
- **4.24 Manufacture of energy-conserving machinery or equipment, or manufacture of machinery or equipment which uses alternative energy**
- **4.25 Manufacture of fuel cells**
- **5.5.24 Manufacture of solar cells**
- **7.1.1 Power generation from alternative energy (wind/biomass/ agriculture materials/gas)**
- **4.26 Manufacture of engines, machinery, and accessories for natural gas vehicles**
- **4.27 Assembly of natural gas vehicles, especially buses or heavy trucks**
- **7.29 Natural gas service stations for vehicles**

High-tech Businesses (1 of 3)

Activities

- **2.19** Manufacture of advanced ceramics
- **3.1** Manufacture of natural or synthetic fibers
 - functional fiber
- **3.9** Manufacture of medical supplies or medical equipment
- **3.14** Manufacture of scientific equipment
- **4.2** Manufacture of machinery and equipment
 - transmissions for tractors
- **4.7** Manufacture or repair of aircraft, including parts or onboard equipment

Environmentally-friendly Materials and Products

Activities

6.17 Eco-friendly chemicals business

6.18 Eco-friendly products business

- **Eco-friendly packaging**
- **Eco-friendly plastic or polymer products**

Mega-Projects Related Business

Activities:

- **4.6 Manufacture of trains or electric trains or parts (only with rail system).**
- **2.11 Manufacture of steel pipes or stainless steel pipes (only manufacturers of pipes with a minimum diameter of 1,200 mm. will be eligible for this incentive)**
- **2.20 Manufacture of pre-stress concrete for public utilities only.**
- **6.9 Manufacture of plastic or plastic coated products (only manufacturers of pipes with a minimum diameter of 1,200 mm. will be eligible for this incentive).**
- **4.2 Manufacture of machinery and equipment (only manufacturers of water pumps with pipe diameter of not less than 30 inches will be eligible for this incentive).**

Tourism and Real Estate

Activity	Condition
Service estates/parks	At least 80% of the total area is allocated for businesses related to tourism.
Tourism promotion services <ul style="list-style-type: none"> • Ocean marina services • Tour boat or yacht renting • Amusement parks • Cultural centers • Aquariums • Racing tracks • Open zoos • Cable cars 	The projects must be located in a tourism estate/park and must be eligible for corporate income tax exemption.
Activities to support tourism <ul style="list-style-type: none"> • Convention halls • International exhibition centers • Hotels 	The projects must be located in a tourism estate/park and must be eligible for corporate income tax exemption.
Movie towns	-

High-tech Agricultural Material-based Business

Activities

- **1.11 Manufacture or preservation of food or food ingredients using modern technology (except drinking water and ice cream)**
- **1.11.10 Medical Food (new BOI category)**
- **4.8 Manufacture of vehicle tires**



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@boi.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**

Agencies Represented

- **Ministry of Commerce**
 - *Business Development Department*
- **Ministry of Finance**
 - *Revenue Department*
 - *Customs Department*
 - *Excise Department*
- **Ministry of Energy**
 - *Energy Business Department*
 - *Department of Mineral Fuels*
- **Ministry of Industry**
 - *Office of the Board of Investment*
 - *Department of Industrial Work*
 - *Department of Mining and Primary Industries*
 - *Industrial Estate Authority of Thailand*
- **Ministry of Interior**
 - *Department of Lands*
 - *Department of Public Works and Town and Country Planning*
 - *Provincial Electricity Authority*
 - *Metropolitan Waterworks Authority*
 - *Provincial Waterworks Authority*
- **Ministry of Labor and Social Welfare**
 - *Social Security Office*
 - *Labor Welfare and Protection Department*
- **Ministry of Natural Resources and Environment**
 - *Natural Resource and Environment Planning and Policy Office*
- **Ministry of Public Health**
 - *Food and Drug Administration*
- **Ministry of Tourism and Sports**
- **Ministry of Transport**
 - *Land Transport Department*

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 will move to the same facility as the OSOS.
- The existing office on Phaholyothin office will cease operations on December 25, 2009
- If your visas and work permits are set to expire at end of year, you need to process your renewal prior to Christmas Eve.

BOI in Stockholm

Ms. Chollada Areerajakul

Director

Thailand Board of Investment, Sweden Office

Stureplan 4C, 4th Floor

114 35 Stockholm

Tel: 08 463 11 58, 08 463 11 72,

08 463 11 74 - 75

Fax: 08 463 11 60

Email: chollada@boi.go.th

Website: www.boi.go.th