

## **CHAPTER 3 BUSINESS PROMOTION INCENTIVES**

There are two governmental organisations that have authority to grant incentives in order to encourage both foreign and local investment in Thailand. Firstly, the Board of Investment (BOI) may grant general investment privileges. These are based on the location of the enterprise. Presently, there are three general regional zones to which are allocated different levels of investment privileges.

The other governmental organisation is the Industrial Estates Authority of Thailand (IEAT). This has authority to grant investment privileges to enterprises that are located specifically within industrial estates that have been developed either by the IEAT, or as a joint venture between the IEAT and a private entity.

### **Board of Investment**

**General** The BOI's powers are contained in the Investment Promotion Act (1977) and regulations issued under it. Its purpose is to administer a program of incentives for both Thai and foreign investors who wish to establish or expand suitable businesses in Thailand. In appropriate cases and in accordance with the guidelines listed below, the BOI grants special privileges to those who invest in approved projects.

**One Start One Stop Service Center** The BOI's one Start One Stop Service Center opened for business on 23 November 2009. It is located in one office in central Bangkok. Its purpose is to assist new investors entering Thailand and also existing investors, whether Thai or foreign. The OSOS will have advisors present from major agencies to advise investors, namely from the BOI itself, the Ministry of Industry, the Ministry of Commerce, the Industrial Estates Authority of Thailand, the Revenue Department and the Department of Export Promotion.

The purpose of the OSOS will be to help and advise investors with various matters including: company registration, applying for BOI privileges, applying for permission for majority foreign ownership of a business under the Foreign Business Act, completing an Environmental Impact Assessment Report (*necessary for large building projects*), and applications for building permits to use industrial land. It can also deal with applications for corporate tax or VAT registration.

**Doing business without BOI promotion** Whilst the BOI provides valuable incentives, many Thais and foreigners establish businesses without BOI assistance. Accordingly, investors should carefully consider the pros and cons of seeking BOI incentives before making an application.

**Foreign ownership** Foreign investors often desire to own all or at least a majority interest in their manufacturing subsidiaries established abroad. Where

such a subsidiary in Thailand seeks BOI privileges, the BOI may allow it to be majority or 100% foreign owned, subject to conditions.

**Application for privileges** Investors who wish to seek promotional privileges should file an application in duplicate. The application may be either granted, refused, or referred for further clarification.

**Promotional certificate** If the application is approved, the applicant will be notified and provided with an application form for a Promotional Certificate. Within the times provided or any extension permitted, the applicant must submit the completed form and show compliance with the following matters:

1. a Thai company has been incorporated;
2. the required amount of capital has been remitted into Thailand;
3. the nationality profile of the shareholders meets BOI requirements; and
4. the existence of any relevant agreements providing for the transfer of technology.

The Promotional Certificate will list all the special privileges granted to the promoted company. It is essential that it is correct in every detail since, for example, the Customs Department, will not permit the duty free importation of any goods that do not clearly conform to the description contained in the Promotional Certificate.

**Summary of BOI incentives** The incentives available from the BOI are listed below. Many of these incentives are generally available to businesses that are not BOI promoted. However, these benefits are often greatly facilitated for those with promotional privileges.

The most important privileges available are summarized as follows:

1. Permission for majority foreign ownership of a promoted business which would otherwise be restricted under Schedule 2 or 3 of the Foreign Business Act (see Chapter 1 *Foreign Business Restrictions*).
2. Exemption/reduction of import duties on machinery.
3. Reduction of import duties for raw or essential materials.
4. Exemption from corporate income tax for a period of three, five or eight fiscal years respectively in Zones 1, 2, and 3 (see below), depending on the size of the investment or the number of full time

employees. An extended tax holiday may be granted to businesses located in certain provinces in Zone 3 for an additional five years, subject to further requirements. Withholding tax on dividends may be exempt from tax for a period equal to the period of exemption from corporate income tax. Exemption from tax on payments of royalties and fees for up to five years.

5. In some cases, 50% reduction for corporate income tax.
6. Double deduction for the cost of transportation, electricity and water supply. Additional 25% deduction for the cost of installation or construction of facilities.
7. Permission for foreign nationals to enter Thailand for the purpose of studying investment opportunities.
8. Permission to bring into Thailand skilled workers and experts to work in investment promoted activities on more advantageous terms than permitted by the Ministry of Labour (see further Chapter 19 *Work Permits* and Chapter 20 *Immigration*).
9. Permission to own land for use in the promoted business (includes a small amount of land to be used for residential purposes).
10. Permission to transfer or remit money abroad in foreign currency.
11. Permission to remit capital, profits, interest and principal on foreign loans, royalties, fees or payment for other obligations in foreign currency.

**BOI policies concerning applications** The BOI has issued regulations that set out its general policies in relation to applications:

1. The efficiency and effectiveness of tax privileges will be enhanced. Privileges will be granted to projects that actually benefit the economy and good governance will be used for managing and supervising the application of tax and duty privileges. Promoted entities must report the operating results of their promoted projects to the Board of Investment for review prior to the application of tax and duty privileges for that year.
2. Every promoted project that has investment capital of 10 million baht or more (excluding land and working capital) must obtain ISO 9000 certification or similar international certification within a specified period of time.

3. Previous conditions regarding exports and use of local material are repealed, so that the criteria for promotion will be in line with international trade and investment agreements.
4. Special promotion shall be given to regions or areas with low income and inadequate investment facilities. Maximum tax and duty privileges will be offered to these regions or areas.
5. Importance is given to SMEs by applying a minimum level of investment capital of 1 million baht (excluding cost of land and working capital) for projects eligible for promotion.
6. Priority is given to activities in agriculture and agricultural products, projects related to technological and human resource development, public utilities and infrastructure, environmental protection and conservation and targeted industries.

**Criteria for project approval** BOI regulations set out the criteria for approval of a project:

1. Value added is not less than 20% of sales revenue, except projects that manufacture electronic products and parts, agricultural activities and products, and projects granted special approval by the BOI.
2. The ration of debt to equity should not exceed three to one for a newly established project. Expansion projects are considered on a case-by-case basis.
3. Modern production processes and new machinery are used, or the efficiency of old machinery is certified by reliable institutions and granted special approval by the BOI.
4. Adequate environmental protection systems are installed. The BOI will give special consideration to the location and pollution treatment of a project with potential environmental effect.
5. For projects with investment capital exceeding 80 million Baht (excluding the cost of land and working capital), the project's feasibility study must be submitted to the BOI.

**Concession project or privatization of a state enterprise** Here the BOI the criteria are as follows:

1. An investment project for a state enterprise under the State Enterprise Corporatization Act will not be entitled to grant promotion for a concession operated by the private sector and transfer of ownership to the government (Build, Transfer, Operate or Build, Operate, Transfer). The government agency

that owns the project and intends the concessionaire to obtain promotion privileges, will submit the project to the BOI at the time of its commencement and prior to any invitation to the private sector to join the bid. In the bid process, it must clearly state that bidders will be notified of any incentives to which they are entitled. In principle, the BOI will not grant promotion in the event the private sector has to pay compensation to the government for the concession, unless such payment is a reasonable amount for the investment that is used by the government.

2. For government projects using the BOO method, including those leased or managed by the private sector by paying a rental payment to the state, the BOI will apply normal criteria.
3. For privatization of state enterprises, if it requires governmental support, the appropriate budget should be determined after privatization as per the State Enterprise Corporatization Act. In the event of expansion after privatization, it may apply for promotion only regarding increased investment applying normal BOI criteria.

**Criteria for foreign shareholdings** The criteria for foreign shareholdings is as follows:

1. Projects in agriculture, animal husbandry, fisheries, mineral exploration and mining and service businesses under Schedule One of the Foreign Business Act: Thai nationals must hold not less than 51% of the registered capital.
2. Manufacturing projects: no equity restrictions for foreign investors.
3. The BOI may fix the amount of shares eligible to be held by foreign investors on promoted projects when deemed appropriate.

**Investment zones** Thailand is divided into three investment zones for BOI promotional purposes:

*Zone 1:* Bangkok, Samut Prakan, Samut Sakhon, Pathum Thani, Nonthaburi and Nakhon Pathom (six provinces).

*Zone 2:* Samut Songkhram, Ratchaburi, Kanchanaburi, Suphanburi, Ang Thong, Ayutthaya, Saraburi, Nakhon Nayok, Chachoengsao, Chon Buri, Rayong and Phuket (12 provinces).

*Zone 3* The remaining 58 provinces.

All Zone 3 provinces are designated as Investment Promotion Zones.

**Tax and duty privileges in each Investment Zone** The tax and financial privileges available on a zone by zone basis, are as follows:

*Zone 1 Approved projects located in Bangkok, Nakorn Pathom, Nonthaburi, Pathom Thani, Samut Prakan, and Samut Sakhon will be granted:*

1.1 50% reduction of import duties on machinery that is subject to import duties of not less than 10%.

1.2 Corporate income tax exemption for three years for projects located within industrial estates or promoted industrial zones, provided that such projects with capital investment of 10 million baht or more (excluding the cost of land and working capital) obtain ISO 9000 or similar international standard certification within two years of start-up date, otherwise the corporate income tax exemption will be reduced by one year.

1.3 Exemption from import duty on raw or essential materials used in the manufacturing of export products for one year.

*Zone 2 Approved projects located in Kanchanaburi, Chachoengsao, Chon Buri, Nakhon Nayok, Ayutthaya, Phuket, Rayong, Ratchaburi, Samut Songkhram, Saraburi, Supanburi, and Ang Thong will be granted:*

2.1 50% reduction of import duties on machinery that is subject to import duty of not less than 10% and exemption of import duty on machinery for projects located within industrial estates or promoted industrial zones.

2.2 Corporate income tax exemption for three years, increased to seven years for projects located within industrial estates or promoted industrial zones (N.B. *applications must be submitted by 31 December 2014*), provided that projects with capital investment of 10 million baht or more (excluding the cost of land and working capital) obtain ISO 9000 or similar international standard certification within two years of their start-up date, otherwise the corporate income tax exemption will be reduced by one year.

2.3 Exemption on import duties on raw or essential materials used in the manufacturing of export products for one year.

*Zone 3 -Approved projects located in the remaining 58 provinces will be granted as follows:*

3.1 Exemption on import duties on machinery;

3.2 Corporate income tax exemption for eight years provided that projects with capital investment of 10 million baht or more (excluding the cost of land and working capital) obtain ISO 9000 or similar international standard certification

within two years of start-up date, otherwise the corporate income tax will be reduced by one year.

3.3 Exemption of import duty on raw or essential materials used in the manufacturing of export products for five years.

3.4 Deduction from net profit of 25% of the project's infrastructure installation or construction costs in addition to normal depreciation, and such deduction can be made from the net profit of one or several years within 10 years from the date of first revenue derived from the promoted activity.

3.5 Projects located within industrial estates or promoted industrial zones in 36 provinces namely: Krabi, Kamphaeng Phet, Khon Kaen, Chanthaburi, Chai Nat, Chumphon, Chiang Rai, Chiang Mai, Trang, Trat, Tak, Nakhon Ratchasima, Nakhon Si Thammarat, Nakhon Sawan, Prachuab Khiri Khan, Prachin Buri, Phangnga, Phattalung, Pichit, Phitsanulok, Phetchaburi, Phetchabun, Mukdahan, Mae Hong Son, Ranong, Lop Buri, Lamphang, Lamphun, Loei, Songkhla, Sa Kaew, Sing Buri, Sukhothai, Surat Thani, Uttaradit, and Uthai Thani, as well as Laem Chabang Industrial Estate and industrial estates or promoted industrial zones in Rayong Province (*applications in Laem Chabang Industrial Estate and industrial estates or promoted industrial zones in Rayong must be submitted by 31 December 2014*) are granted tax and duty privileges under 3.1, 3.2, 3.3, 3.4 and the additional privileges as follows:

- 50% reduction of corporate income tax of net profit derived from its investment for five years after the exemption period.
- Double deduction for transportation, electricity and water costs for 10 years from the date of first revenue derived from promoted activity.
- 75% import duty reduction of the normal rate on raw or essential materials used in manufacturing for domestic sales for five years. The BOI will give approval for a period of a year. Similar raw or essential materials to the imports must not be available in Thailand in similar quality and quantity as necessary for the procurement. This incentive is not available to projects in Laem Chabang Industrial Estate and industrial estates or promoted industrial zones in Rayong Province.

3.6 Projects located in 22 provinces: Kalasin, Chaiyaphum, Nakhon Phanom, Narathiwat, Nan, Buri Ram, Pattani, Phayao, Phrae, Maha Sarakham, Yasothorn, Yala, Roi Et, Si Sa Ket, Sakhon Nakhon, Satun, Surin, Nong Khai, Nong Bua, Lamphu, Amnatcharoen, Ubon Ratchatani, and Udon Thani are granted tax and duty privileges under 3.1, 3.2, 3.3, 3.4 with additional privileges as follows:

- 50% reduction of corporate income tax of net profit derived from the investment for five year after the exemption period.

- Double deduction for transportation, electricity and water costs for 10 years from the date of first revenue derived from the promoted activity.
- 75% import duty reduction of the normal rate on raw or essential materials used in manufacturing for domestic sales for five years. The Board will give approval for the period of a year. Similar raw or essential materials to the imports will not be available in Thailand in similar quality and quantity as necessary for the procurement. This incentive is not available to projects in Laem Chabang Industrial Estate and industrial estates or promoted industrial zones in Rayong Province.

**Priority activities** BOI regulations also describe certain activities that are regarded as a priority for promotion, namely: agriculture and agricultural products, technological and human resource development, public utilities and infrastructure, environmental protection and conservation, and certain specifically targeted industries. These projects are entitled to the following privileges:

1. Exemption from import duty on machinery, regardless of location.
2. Corporate income tax exemption for eight years, regardless of location.
3. Other privileges as above, depending on the zone in which the project is located.

**Activities of special importance and benefit to Thailand** Activities classified as being of special importance and benefit to Thailand will be granted the following tax incentives:

1. Exemption of import duties on machinery for all zones.
2. Eight years corporate income tax exemption for all zones (NOT subject to the corporate income tax exemption cap).
3. Other relevant location-based incentives.

**Criteria for factory relocation** Specific criteria apply where a promoted business relocates into a different promotional zone.

**Investment promotion measures for target industries** The incentives available here are:

- Import duty exemption for machinery

- Eight-year corporate income tax exemption without being subject to a corporate income tax exemption cap. 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 for 10 years from the date of income derivation from promoted project
- 25% deduction of the cost of installation or construction of facilities in addition to normal depreciation deduction

**Conditions for promoted projects in target industries** The conditions for promoted projects in target industries are as follows:

- Projects can be located anywhere, except in Bangkok
- Applications must be submitted to the BOI by 31 December 2012
- Projects must be in the following activities:
  - (a) *Activities related to energy conservation and alternative energy*
    - Manufacture of alcohol or fuel from agricultural products, including scrap, garbage and/or waste
    - Manufacture of energy-conserving machinery or equipment machinery or equipment which uses alternative energy
    - Manufacture of fuel cells
    - Production of electricity or steam power or for cases that use alternative energy, such as energy agricultural material, biogas and wind energy
  - (b) *Activities related to eco-friendly materials and products*
    - Manufacture of eco-friendly chemicals
    - Manufacture of eco-friendly products
  - (c) *High technology businesses*
    - Manufacture of medical food
    - Manufacture of advanced ceramics
    - Manufacture of nano materials or products from manufactured nano materials

- Manufacture of natural or synthetic fibers -only manufacture of functional fiber
- Manufacture of medical equipment
- Manufacture of scientific equipment
- Manufacture of machinery, equipment and parts that have engineering design
- Manufacture of Manufacture of farm machinery or equipment and food processing machinery or equipment
- Manufacture or repair of mould and die -only manufacture of mould and dies
- Manufacture, repair or conversion of aircraft, including aircraft parts and equipment or onboard equipment
- Manufacture of vehicle parts namely automatic transmissions, continuously variable transmissions, traction motors for automobiles; e.g., hybrid or fuel cell cars, electronic stability control, regenerative braking systems, rubber tyres for vehicles
- Manufacture of industrial electronics
- Manufacture of telecommunication equipment
- Manufacture of semiconductors
- Manufacture of memory storage equipment (only manufacture of hard disk drive, solid state drive and HDD and SSD parts)
- Manufacture of parts for telecommunication equipment
- Manufacture of parts for medical electronics
- Manufacture of parts for agricultural electronics
- Manufacture of electronic parts for vehicles
- Manufacture of solar cells and raw materials for solar cells
- Manufacture of flat panel display

- Manufacture of material for microelectronics
- Electronic design
- Human resource development
- Biotechnology
- Research and development
- Scientific laboratories
- Calibration services

**Measure to promote energy conservation, alternative energy utilization or reduction of environmental impacts** These measures focus on upgrading machinery and improving technology to save energy and reduce environmental impact.

*Incentives:*

- Exemption of import duty for machinery
- Three year corporate income tax exemption on the revenue of existing projects, accounting for 70% of the investment under this measure excluding cost of land and working capital. The corporate tax exemption period will start from the date of income derived after the issue of the promotion certificate.

*Conditions:*

- This scheme applies to both BOI and non-BOI promoted existing projects under activities that are eligible for investment promotion.
- BOI-promoted projects can also apply for this scheme when the tax exemption or reduction period expires, or where the project does not receive corporate income tax exemption.
- The applicant must submit an investment plan for machinery change to save energy, to introduce alternative energy into the project, or to reduce environmental effect by implementing one of the following:
  - (a) Investment in upgrading the machinery to modern technology that reduces energy consumption at the stipulated ratio.

(b) Investment in upgrading the machinery in order to use alternative energy at the stipulated ratio to the total energy consumption.

(c) Investment in upgrading the machinery to reduce environmental impact, namely reducing waste, waste water or exhaust air according to the stipulated criteria.

Applications must be submitted to the BOI within 31 December 2012 and must complete implementation within three years from the date of promotion certificate issue.

Application for investment promotion under this scheme by existing projects of all investment sizes will be considered by the BOI.

**Schemes to promote production efficiency improvement by technology upgrade for manufacturing of new products** This scheme aims to encourage investors to make efficient use of their machinery and to be able to expand to a higher value product line while increasing revenue and maintaining employment.

#### *Incentives*

- Exemption of import duty on machinery, regardless of Zone
- Three year corporate income tax exemption on revenue derived from the production of new product, not exceeding 100% of the investment in upgrading the production line

#### *Conditions*

- This measure applies to both BOI and non-BOI promoted existing projects.
- Investors must invest in upgrading the existing production line to be able to manufacture new products. The new products manufactured from the upgraded line must differ from existing products and have a distinct name. The new product must also be in the list eligible for investment promotion with corporate income tax exemption privilege.
- The upgrading of the production line does not include upgrading of the assembly line.

An application with an investment plan for technology upgrade for manufacturing of new products must be submitted to the BOI within 31 December 2012.

Application for investment promotion under this measure by existing projects of all investment sizes will be considered by the BOI.

**Projects to solve environmental problems** This measure is designed to promote and encourage industrial plants to give priority to environmental management.

#### *Incentives*

- Exemption from import duty on machinery for machinery improvement to reduce the environmental impact.
- Three year corporate income tax exemption on revenue from existing projects, accounting for 70% of the investment value of the improvement under this scheme, excluding cost of land and working capital. The corporate tax exemption period will start from the date of income derivation after the issuance of promotion certificate.

#### *Conditions*

- Applicants must comply with environmental management criteria and conditions specified by the government with pollutant values less than the legal control rate and must be in the following industries: oil refinery, natural gas separation, power generation, chemicals and petrochemicals, or minerals and base metals
- This scheme applies to both BOI and non-BOI promoted existing projects.
- Projects must reduce their environmental impact according to criteria and methods specified by the BOI.
- Applicants must submit the application including a plan to reduce environmental impact according to the criteria and methods specified by the BOI by 31 December 2012 and complete implementation within 3 years from the date of promotion certificate issue.
- Application for investment promotion under this scheme by existing projects of all investment sizes will be considered by the BOI.

**Additional incentives under the Skill, Technology and Innovation (STI) scheme** Additional tax incentives are offered to encourage the development of skills, science technology, and innovation under the STI (Skill, Technology and Innovation) scheme. The following criteria apply:

1. Corporate income tax exemption in addition to that received on the basis of other BOI regulations; provided that the total period of corporate income tax exemption will not exceed eight years, as follows:

- (a) One additional year of corporate income tax exemption will be granted if there is investment or expenditure in research and development or design, advance technology training, supporting educational or research institutions or a donation to a Technology and Human Resources Development Fund, on condition that such investment or expenditure is not less than 1% of revenue from the investment project in the first 3 years, or not less than 150 million Baht, whichever is less.
- (b) Two additional years of corporate income tax exemption will be granted if there is investment or expenditure in research and development or design, advance technology training, supporting an educational or research institution or a donation to a Technology and Human Resources Development Fund, one condition that such investment or expenditure is not less than 2% of revenue from the investment project in the first 3 years, or not less than 300 million Baht, whichever is less.
- (c) Three additional years of corporate income tax exemption will be granted if there is investment or expenditure in research and development or design, advance technology training, supporting an educational or research institution or a donation to a Technology and Human Resources Development Fund, on condition that such investment or expenditure is not less than 3% of revenue from the investment project in the first 3 years, or not less than 450 million Baht, whichever is less.

Projects granted STI incentive approval and meeting applicable conditions will not be subject to the corporate income tax exemption cap.

2. Exemption from import duty on machinery for all zones

3. Investment or expenditure by the promoted person to develop Skill, Technology & Innovation can be made throughout the duration of corporate income tax exemption.

3. Projects that have been granted corporate income tax exemption under the Investment Promotion Act Section 31 and are already generating income must submit an STI application before their corporate 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.

4. The promoted entity must apply for the aforementioned rights and privileges according to the criteria prescribed by the BOI.

**Reporting operating results** All promoted business are required to report their annual operating results to the BOI for review, prior to the BOI granting tax and duty privileges for that year.

**BOI discretion** Although the BOI must follow the criteria above in considering investment promotion applications, it has discretion in certain cases to make a decision outside the guidelines expressed above.

**General requirements for activities eligible for promotion** Regulations have been issued by the BOI specifying general requirements for activities that are eligible for promotion:

1. A minimum level of investment capital (excluding cost of land and working capital) of one million baht is required for all types of activities eligible for promotion.
2. Promoted projects must comply with the conditions specified for each type of activity.
3. The rights and benefits provided for promoted projects must be in accordance with BOI regulations regarding policies and criteria for investment promotion.
4. The following activities have been designated as priority activities:
  - (a) Agriculture and agricultural products as follows: projects with direct involvement in technological and human resource development, specifically: research and development, scientific laboratories, calibration services, and human resource development.
  - (b) Infrastructure, public utilities and basic services, specifically the following: public utilities and basic services, mass transit systems and transportation of bulk goods.
  - (c) Environmental protection and conservation, specifically: industrial zones for environmental preservation, waste water treatment, disposal services for refuse, industrial waste or toxic chemicals.
  - (d) Target industries, specifically the following: manufacture of steel casting using induction furnace; manufacture of forged steel parts; manufacture of specified machinery and equipment; manufacture of sintered products; manufacture or repair of aircraft and aircraft parts; manufacture of vehicle parts, specifically: manufacture of ABS, substrate for catalytic converters, and electronic fuel injection systems; heat treatment; manufacture of material for microelectronics; electronic design; software; software parks; and international distribution centers.

**List of activities eligible for promotion** The BOI has issued a lengthy list of activities eligible for promotion grouped under seven headings:

- agriculture and agricultural products;
- mining, ceramics and basic metals;
- light industry;
- metal products, machinery and transport equipment;
- electronic industry and electrical appliances;
- chemicals, paper and plastics; and
- services and public utilities

The full list should be consulted to ascertain what activities are currently eligible for promotion, the benefits available and the foreign ownership limitations.

**Service activities eligible for promotion** During the past few years, the BOI has been expanding the list of service activities eligible for promotion. These include in general terms:

- Public utilities and basic services
- Natural gas service stations
- Tourism promotion services (includes oceans marinas, renting tour boats or yachts, amusement parks, cultural centres, aquariums, racing tracks, open zoos, cable cars, convention halls, international exhibition centres, hotels, retirement homes and care centres, health centres, long-stay business
- low or medium income housing,
- film production (includes support services or multimedia services),
- hospitals,
- industrial estates, factory and warehouse development, free trade zones, software parks, gem and jewellery zones, industrial zones for environmental preservation, printing industrial zones, movie towns, science and technology parks, logistics parks, service industrial zones, agro-industry processing zones,
- Mass transit systems and transport of bulk goods
- Distribution centres
- International Distribution centres
- International Procurement offices
- Regional Operating Headquarters (*see further Chapter 3 Business Organizations*)
- International trading companies
- Trade and Investment Support Office (*see further Chapter 3 Business Organizations*)
- International business process outsourcing
- Energy service companies
- Human resources development
- Biotechnology (including research and development, manufacturing and analysis)

- Research and development
- Scientific laboratories
- Calibration services
- Product design
- Design centres
- Product sterilization services
- Waste water treatment, disposal services, or transport of industrial waste or toxic chemicals
- Recycling and re-use of unwanted materials
- Coating or thickening of pipes for petroleum

The full list should be consulted to ascertain what activities are currently eligible for promotion, the benefits available and the foreign ownership limitations.

**BOI discretion to change eligible activities** The BOI may temporarily or permanently suspend activities on the investment promotion list at any time, if it considers that promotion is no longer needed. The BOI may also add new activities to the list, if it considers that such activities should be promoted.

**Incentive for listing of BOI promoted companies** In June 2009, the government announced that BOI promoted companies that list on the Thai stock market or the Market for Alternative Investment (the secondary market), before 31 December 2012, may enjoy their corporate tax break without the tax amount being capped by the paid up capital of the company, as usually applies.

**BOI overseas offices** As well as having several offices in Thailand, the BOI has offices in New York, Los Angeles, Paris, Frankfurt, Stockholm, Beijing, Shanghai, Guangzhou, Tokyo, Osaka, Taipei and Sydney and potential investors can make enquiries at the office that is closest to them.

### **Industrial Estates Authority of Thailand**

**The IEAT** The IEAT is a state enterprise established under the Ministry of Industry. It was created in order to implement the government's industrial development policy and provides investment incentives on a zoned basis.

Currently, IEAT manages 38 industrial estates consisting of 12 industrial estates owned and managed by IEAT, and 26 industrial estates jointly developed with the private sector.

**IEAT's duties** The IEAT's duties are:

- to establish industrial estates, and promote and support private sector or government agencies in setting up industrial estates.
- to set up and provide services for the facility and utility systems necessary for industrial and business operation.

- to promote and support the private sector to invest in and provide services for the facility and utility systems necessary for industrial and business operation.
- to organize and manage systems for environmental management and emergency prevention and response, and
- to grant permission and approval for business operation inside industrial estates, and to offer additional privileges, incentives, and facilitation to business operation and practices.

**IEAT One Stop Service Center** IEAT has a One Stop Service Center designed to provide information on investment opportunities and availability of land in industrial estates throughout Thailand. Investors can obtain information and advice about procedures for industrial set-up, incentives, privileges and other information on aspects of industrial investment. The Center can assist in submitting forms, issuing permits and licenses for factory establishment or joint venture with IEAT to develop an industrial estate.

**IEAT Zones** There are generally five zones within an IEAT estate:

1. *General Industrial Zone.* This is designated for industry generally and contains factories with intended output to either the domestic or overseas market.
2. *Export Processing Zone.* This is designated specifically for those enterprises that are manufacturing for export.
3. *Export Processing Zone (Special).* This is reserved for industries manufacturing for export and associated activities, e.g. trading, warehousing, transport, and research and development, etc.
4. *Commercial Zone.* This contains non-manufacturing activities such as banks, post offices etc. that support the activities of the industrial estate.
5. *Residential Zone.* This contains the housing accommodation for employers and employees.

**IEAT incentives available** The investment incentives offered by the IEAT are similar to those available from the BOI. Both the General Industrial Zone and the Export Processing Zone offer benefits relating to land ownership by a foreign entity, facilitation of work permits and visas for expatriates and remittance of foreign currency for the foreign entity. Additional benefits granted to those enterprises located in the Export Processing Zone relate to the exemption of import duties and VAT for the import of capital goods and spare parts, raw materials, packaging materials, the exemption of export duties and VAT on the export of goods and the exemption of export duties, import duties and VAT for local goods used in production.

**Other incentives** A person or company may also receive incentives in the form of clawback of import duty on materials imported in order to produce goods for export. Provided the goods are actually exported within the time permitted, there are tax rebates on components and machinery used for the production of goods for export, and below market interest rates provided as a packing credit for exporters.

**Future direction of the BOI** The fact that Thailand grants various incentives to exporters has been criticised by other countries, on the grounds that the incentives amount to improper subsidies. Some countries have threatened to impose countervailing duties on subsidized exports. The Thai government has acknowledged this and recognizes that the granting of extended tax holidays will have to end in the near future.

In response to this, the BOI is beginning to change its strategic role into a general information and advisory agency for foreign investment, with the ability to help foreign companies find manufacturing or joint venture partners, to set up manufacturing operations in Thailand, arrange OEM manufacturing, etc.

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