Customs Alert

New government incentives for Thai Electric Vehicle (EV) industry

Introduction

At the beginning of 2022, the Thai National Committee on Electric Vehicles, chaired by the Prime Minister and the Ministers of Industry, Transport and Energy, agreed on a number of new support measures, to further develop and expand the electric vehicle (EV) industry in Thailand, including subsidies and a wide range of customs and excise duty incentives. The measures have since been implemented into law by the Ministry of Finance, and the Customs & Excise Departments and will complement existing tax and non-tax incentives for EV manufacturers under the Board of Investment (BOI) and the Eastern Economic Corridor (EEC).

What to know

In line with the global movement to mitigate climate change, Thailand presented in 2021 its Bio-Circular Green (BCG) economic model which contains a strategic action plan towards a more sustainable future for the country. Simultaneously, Thailand 4.0, another government initiative, aims to push the country's industrial base higher up the value chain by transitioning into a more innovative and value-based economy. Under both key policies, it is one of the government's priorities to make Thailand an EV manufacturing hub that supplies domestic, APAC and global markets, similarly as it has been doing for traditional combustion engine cars.

To do so, the government aims to leverage the automotive industry's existing capabilities in Thailand, its access to foreign markets through Free Trade Agreements (FTAs) and pair it with a combination of tax holidays, subsidies, customs & excise privileges, and infrastructural capacity building.

The latest round of incentives puts a specific focus on customs & excise privileges for industrial operators in Thailand, including the following:

A. **Completely Built Up (CBU) Battery Electric Vehicles (BEV) with no more than 10 seats and a suggested retail price (SRP) of not more than 2 million Thai baht:**

- General import duty rates will be reduced from 80% to 40% in the period 2022-2023.

- Duty exemptions for imports under FTA with duty rates below 40% or duty reduction to 40% if the FTA rate is higher than 40%
- Excise tax reduction from 8% to 2% for the period of 2022-2025

B. **CBU BEVs with not more than 10 seats that have a battery size of more than 30 KW/hr with a SRP of more than 2 million Thai baht but not more than 7 million Thai baht:**

  - General import duty rate will be reduced from 80% to 60% in the period 2022-2023
  - Duty exemptions for imports under FTA with duty rates not exceeding 20% or duty reduction to 20% if the FTA rate is higher than 20%
  - Excise tax reduction from 8% to 2% for the period of 2022-2025

C. BEV motorcycles with a SRP of not more than 150,000 Thai baht:

- The excise tax rate will remain at 1% according to the criteria set by the Excise Department.

D. Free Zone privileges for imports of battery cells

- Battery cells that are imported into a Thai Free Zone and used in the manufacture of batteries for BEVs will be considered as 'originating' in Thailand. This localization will allow Free Zone manufacturers to include the value of the battery cells into the required 40% Local Value Content (LVC) which is necessary to obtain duty exemptions for CBU BEVs that are sold into the Thai domestic market.

E. Import duty exemptions for BEV parts

- Parts that are imported during the period 2022-2025 including batteries, traction motor, compressor for electric vehicles (battery type), battery management system (BMS), driving control unit (DCU), onboard charger, PCU inverter, DC/DC converter and Reduction Gear (including sections of these parts) will receive duty exemptions (0%) under the Customs Tariff Decree if used in the local manufacture of BEVs.

To benefit from the above incentives, companies must be industrial operators in Thailand, authorized distributors of Thai Free Zone operators or have a manufacturing agreement with either a Free Zone operator or a BOI certified Thai manufacturer of BEVs.

To benefit from the import duty reductions for CBU BEVs specifically, companies will also have to commit to certain local BEV production quota. Finally, an agreement must be put in place between the applicant-company and the Thai Excise Department. So far, three companies have signed an agreement with the Excise Department.

What can you do?

Automotive companies that are making strategic decisions on their EV manufacturing and supply chain should review the new incentives to assess the potential advantages, qualification requirements and conditions.

Since the new EV incentives can be utilized in combination with other EV support measures in Thailand under the BOI/EEC and with existing customs & trade privileges such as Free Zone, Section 12 duty privileges and FTAs, an in-depth location feasibility study of Thailand's BEV landscape would be highly recommended for those companies that are planning the location(s) of their BEV manufacturing bases.

For more information or support, Deloitte can assist you. Our Global Trade Advisory team has extensive experience in the Thai automotive industry and has supported multiple global automotive OEMs and their suppliers with strategic location feasibility studies, customs & trade assessments, customs compliance reviews, duty privileges and trade preferences, application procedures and government outreach.

Contacts

Nu To Van, Partner Global Trade Advisory
ntovan@deloitte.com

Sujitra Sukpanich, Director Global Trade Advisory
ssukpanich@deloitte.com

Tom Cachet, Senior Manager Global Trade Advisory,
tocachet@deloitte.com

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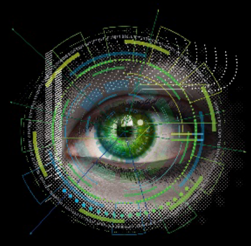

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