



Global Investment and Innovation Incentives (Gi³) Alert

Update on investment incentives in Thailand per the BOI Announcements

Introduction

Following the Press Release No. 140/2563 (Or.59), the Thailand Board of Investment (“BOI”) issued the Announcement of BOI No. 1/2564 to promote the productivity improvement in four aspects including energy conservation, machinery upgrade and replacement, Research and Development (“R&D”) and engineer designs, and upgrade towards international standards for sustainability. In order to support the use of modern machinery and automation system for manufacturing or service, the BOI issued the Announcement of BOI No. 2/2564 to grant additional incentives for the activities in group B.

Moreover, the BOI has issued the new promotion package for the manufacture of Electronic Vehicle (“EV”) and parts under the Announcement of BOI No. 3/2564 as well as recently adding four new activities to promote Thailand as an international medical hub and a regional investment and trading centre as referred to Announcement of BOI No. Sor 1/2564. It is noted that the requirements for each measure provided above may be varied.

Who will benefit

Foreign investors and domestic companies, both large scale project and SMEs, who are interested in investing in the newly promoted projects according to the amount of investment required by the BOI and those projects currently being promoted by the BOI for which their corporate income tax exemption is about to be expired.

What to know

1. Measures to Promote Productivity Improvement

To encourage the investment in targeted measures, the BOI has offered the special benefits by providing Corporate Income Tax (“CIT”) exemption for a period of three years with a limit of 50% or 100% of the investment amount and

the exemption of import duties on machinery. The applicant must invest at least one million Baht (excluding cost of land and working capital) in the project or 500,000 Baht for Small and Medium Enterprises (“SMEs”) and must comply with general and specific conditions for the business promotion under the BOI.

The productivity improvement measures include the followings:

- Energy conservation, alternative energy utilization, or reduction of environmental impact;
- Machinery upgrade and replacement;
- R&D and engineer designs; and
- Upgrade towards international standards for sustainability

The type of incentive and deadline to submit the application are summarized as follows:

Type of incentive	<ul style="list-style-type: none"> • CIT exemption for 3 years with a limit of 50% or 100% of the investment amount (excluding cost of land and working capital) based on each type of productivity improvement • Exemption of import duties on machinery
Deadline	<ul style="list-style-type: none"> • The submission for promotion is available until the last working day of the year 2022. • The implementation plan must be completed within 3 years from the promotion certificate issuance date.

2. Additional incentives for the use of modern machinery and automation system

To encourage the business operators to use modern machinery and implement the automatic or robotics system for manufacturing or service, the BOI has issued the announcement supporting projects which is promoted by the BOI at the moment and granted with incentives in group B (exclusion of those explicitly prohibited by the BOI) to be eligible for additional CIT exemption, with the following requirement:

Conditions	Type of incentive
Automatic or robotics systems implementation for manufacturing or service	CIT exemption for 3 years with a limit of 50% of the investment amount (excluding cost of land and working capital)
Investment in automation systems associating or supporting the local automation industry for at least 30% of the total cost of machinery used under the proposed project	CIT exemption for 3 years with a limit of 100% of the investment amount (excluding cost of land and working capital)

The deadline to submit the application for promotion is available until the last working day of the year 2022.

3. New Promotion Package for EV Production

The Thailand BOI approved the promotion package for production of EV, parts, and equipment by granting qualifying investors with a CIT exemption, provided that certain investment conditions are met. The promotion package covers a comprehensive range of the production of EV, parts and equipment with benefits and conditions as summarized below:

Promoted activity (New Promotion Package for EV Production)		CIT exemption	Requirements of additional incentives
1.	Four wheelers for Battery Electric Vehicle (“BEV”), Plug-In Hybrid Electric Vehicle (“PHEV”) and Hybrid Electric Vehicle (“HEV”)		
	1.1. BEV and substantial parts production (in combination of manufacturer and supplier as a “Package” plan) with an investment at least 5 billion Baht	8 years	Investment in R&D
	1.2. PHEV and substantial parts production (in combination of manufacturer and supplier as a “Package” plan) with an investment at least 5 billion Baht	3 years	-
	1.3. BEV or PHEV and substantial parts production (in combination of manufacturer and supplier as a “Package” plan) with an investment less than 5 billion Baht	3 years	Only if meeting other requirements for BEV only
2.	Electric motorcycles, three-wheelers, buses, and trucks with batteries in package	3 years	Only if meeting other requirements
3.	Parts and equipment for EV, e.g. batteries, Traction Motor (within the list specified by the BOI)	5 to 8 years depending type of parts and equipment	Only if meeting other requirements
4.	Building or repair of ships	8 years	-
5.	High energy density storage	5 to 8 years depending type of storage equipment	An additional import duty reduction

Additional incentives can be applied if the investment project for the BEV production of four wheelers with an investment of at least five billion Baht has an investment in R&D. Other requirements for the BEV production with the investment of lower than five billion Baht to obtain additional CIT exemption are commencement of the production by year 2022, production of important parts in addition to the basis requirement within three years from the date of EV production, minimum production of 10,000 units per year within any three years from the date of EV production or investment in R&D.

The CIT exemption will also extended in the case of the production of motorcycles, three wheelers, buses and trucks if other requirements such as commencement of the production by year 2022 (for motorcycles only), production of electronic battery starting from module process or production of other important parts within three years from the date of issuing a BOI certificate, or investment in R&D are met.

In order to provide more attractive promotion package, the Thailand BOI will grant an additional incentive of 90% reduction of import duty for two years on raw or essential materials which are not locally available for the production of EV battery and high energy density storage in respect of production process of cell and module.

4. Newly Added Activities as Promoted by the BOI

The BOI has included four activities to be promoted by granting with tax and non-tax incentives. These four activities are:

- Senior care hospital;
- Senior care centre or care centre for dependent persons;
- Clinical Research, i.e. Contract Research Organization (“CRO”) and Clinical Research Centre (“CRC”); and
- International Procurement Office (“IPO”).

It is noted that the general conditions set by the BOI must be met as well as the specific conditions for each activity in order to be applicable. The promotion for the above mentioned list covers a wide range of incentives as summarized below:

Promoted activity		CIT exemption	Requirements
1.	Senior care hospital	5 years	<ul style="list-style-type: none"> • Must have scope of service as prescribed by the BOI • A capacity of at least 50 beds
2.	Senior care centre or care centre for dependent persons	3 years	<ul style="list-style-type: none"> • Must have scope of service as prescribed by the BOI • A capacity of at least 50 beds • Thai shareholders of not less than 51% of capital
3.	Clinical Research		
	3.1 CRO 3.2 CRC	<ul style="list-style-type: none"> • 8 years without a limit of investment amount • Import duty exemption of goods imported to be used in R&D and all relevant testing 	<ul style="list-style-type: none"> • Must fall under the scope of work specified by the BOI • Minimum expenditure for hiring new Thai employees in a role relating to clinical research at least 1.5 million baht annually or invest one million baht (excluding cost of land, working capital and vehicles)
4.	IPO	No CIT exemption	<ul style="list-style-type: none"> • Must have scope of service as prescribed by the BOI • Paid-up capital of at least 10 million baht • Must source raw materials, parts and components for using in manufacturing industry and do so domestically as a minimum

What's next?

Foreign and domestic investors are highly recommended to review your business and investment to see if there are eligible activities as promoted by the BOI to enjoy any non-tax and/or tax incentives. Our Deloitte's Gi3 professionals can advise whether your business and investment plan is eligible for existing and new investment incentives. We can help you with:

- Review of your business (activity) and investment and perform feasibility study for the eligibility of the promoted activities by the BOI;
- Preparation of the BOI application;
- Liaison with the BOI authorities and following up on the application to support application for the BOI's approval; and
- Setting up of guidance and internal BOI compliance including trainings.

For further information or support, do not hesitate to reach out to our Deloitte Gi³ professionals.

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