



## Legal News

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## BOI to Promote Investment on Research and Development and Advanced Engineering Designs

The Board of Investment (“BOI”) has launched a measure, which become effective on 19 August 2014, to encourage existing projects, regardless whether they are BOI promoted or non – BOI promoted projects, to invest in research and development and/or advanced engineering design in order to be more efficient. The existing BOI promoted projects may apply for this measure once the corporate income tax exemption or reduction period expires or in case the project does not receive corporate income tax exemption.



In case of non – BOI promoted projects would like to apply for this measure, the project must be eligible for investment promotion.

The incentives available under this measure are:

- Exemption of import duty for machinery in all zones; and
- 3-year corporate income tax exemption on the revenue of an existing project, accounting for 50 percent of the investment under this measure, excluding cost of land and working capital in upgrading process, starting from the date the promotion certificate is issued by the BOI.

The BOI recently has announced further explanation of this measure on 7 April 2016 and the details are summarized as follows:

- Investment on research and development, such as, investment for product improvement to be more effective or newly model product development
- Advanced engineering design, such as, production design to be more effective or to reduce waste from the production
- Certain costs of research and development or advanced engineering design eligible for this measure are salary and wages of researchers or technicians, tool or instrument, raw material or necessary material for research and development and advanced technology training for instance
- Cost of research and development or advanced engineering design to be calculated for corporate income tax exemption according to this measure must be the cost of research and development or advanced engineering designs that has occurred from the submission date of investment promotion application together with the form applying for the incentives from this measure within the period of corporate income tax exemption which must be submitted before 31 December 2017.

## The Investment Promotion Policy in Local Investment

On 11 April 2016, the Board of Investment (BOI) issued Announcement No. 5/2559 in order to encourage local investment by promoting processed agricultural products (to add value to agricultural products), promoting establishment of local markets and supporting and introducing the development of local tourism. The details of the Announcement are as follows:

1. Adding business activity category 1.21 manufacture of herbal products, natural extracts or natural ingredient products in Section 1 of the List of Activities Eligible for Investment Promotion under the BOI's Announcement No. 2/2557
2. Promoting the following processed agricultural business activities to receive the benefits and enjoy incentives granted from BOI under this promotion policy
  - Business activity category 1.1 Manufacture of biological fertilizers, organic fertilizers, nano-chemical and bio-pesticides
  - Business activity category 1.14 Manufacture of natural rubber products
  - Business activity category 1.15 Manufacture of agricultural by-products or agricultural wastes
  - Business activity category 1.16 Manufacture of fuel from agricultural products, including agricultural wastes or scraps or garbage
  - Business activity category 1.17 Manufacture or preservation of food, beverages, food additives or food artificial ingredients
  - Business activity category 1.21 Manufacture of herbal products, natural extracts or natural ingredient products
3. Indicating the conditions, rights and incentives granted to the investors or entrepreneurs who support or cooperate with the local organizations for the purpose of conducting business and investing in the processed agricultural products

Examples of incentives and privileges granted under this promotion policy

- Corporate income tax ("CIT") exemption (for the ratio not exceeding 100% of total investment (excluding cost of land and working capital) and other incentives and privileges in accordance with the criteria prescribed in BOI Announcement No. 2/2557 dated 3 December 2014, whereas the conditions of each business activities will vary depending on the business activity
4. Adding business activity category 7.25 Community products distribution centers in Section 7 of the List of Activities Eligible for Investment Promotion under the BOI's Announcement No. 2/2557



5. Adding business activity category 7.26 Development in local tourism in Section 7 of the List of Activities Eligible for Investment Promotion under the BOI's Announcement No. 2/2557

Investors who wish to receive this promotion must submit their application to the BOI within 30 December 2016 and start manufacturing or operating services and generate income within 31 December 2017.

### The Investment Promotion Policy – Food Innovation

On 11 April 2016, BOI issued Announcement No. 6/2559 for the purpose of promoting investment in food industrial innovation. The details of the Announcement are as follows:

1. Adding business activity category 7.9.1.8 Industrial estate or industrial zone for the food innopolis in a science and technology park in Section 7 of the List of Activities Eligible for Investment Promotion under the BOI's Announcement No. 2/2557 with the benefits and incentives granted under business activity category A1
2. Specifying the following targeted business activities as located in an industrial estate or industrial zone for food innopolis
  - Business activity category 1.2 Plant or animal breeding (only those that are not eligible for biotechnology activity)
  - Business activity category 3.9 Creative product design and development center
  - Business activity category 7.11 Research and development
  - Business activity category 7.12 Biotechnology
  - Business activity category 7.13 Engineering design
  - Business activity category 7.14 Scientific laboratories
  - Business activity category 7.15 Calibration services
  - Business activity category 7.19 Vocational training centers



The listed business activities are eligible to enjoy the benefits and incentives granted under the Super Cluster policy or general policy. In order to receive the benefits and incentives under the Super Cluster policy, the investors shall comply with the conditions set forth hereunder:

- 1) There must be a cooperation with educational institutions, research institutes or center of excellence, located in the Special Economic Development Zones in a form of cluster;
- 2) The application for investment promotion must be submitted within 30 December 2016; and
- 3) The business activity must generate the first income within 31 December 2017

The incentives and benefits granted under the form of Super Cluster are listed as follows:

- CIT exemption benefit for 8 years

- An additional five-year 50% reduction on CIT from net profits after the end of the designated CIT exemption period
- Other incentives granted as per the terms and conditions under the BOI's Announcement No. 2/2557 dated on 3 December 2014

The Incentives and benefits granted under the general policy thereof are as follows:

- Incentives granted under any other terms and conditions of the BOI's Announcement No. 2/2557 dated on 3 December 2014
  - An additional five-year 50% reduction on CIT from net profits after the end of the designated CIT exemption period
3. The BOI stipulates and approves that the industrial estate and industrial zone for food innopolis developed by the Ministry of Science and Technology as a Science and Technology Park.

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## **Contact**

### **Poljun Divari**

#### **Director, Tax & Legal Services**

Tel: +66 (0) 2034 0000 ext 11231

Email: [pdivari@deloitte.com](mailto:pdivari@deloitte.com)

### **Pornpun Niyomthai**

#### **Director, Tax & Legal Services**

Tel: +66 (0) 2034 0000 ext 10404

Email: [pniyomthai@deloitte.com](mailto:pniyomthai@deloitte.com)