



Global Investment and Innovation Incentives (Gi³) Alert

Update on investment incentives in Thailand per the BOI Announcements

Introduction

The Thailand Board of Investment (“**BOI**”) introduces several announcements aiming at boosting investment in Thailand. The BOI has issued Announcement No. 4/2564 providing the rules and conditions for a new category of investment promotion under the measure to promote productivity improvement for the use of “Digital Technology”. Moreover, the Announcement No. 5/2564 is released to provide the special investment promotion for large-scale project with THB one Billion in investment. The Announcement No. Sor. 2/2564 is issued to grant the promotion for eligible project located in southernmost region and Special Economic Zone (“**SEZ**”). The BOI has issued the Announcement No. 17/2564 on the incentives granted to the eligible activities which to be listed in the Stock Exchange of Thailand (“**SET**”) or registered in the Market for Alternative Investment (“**MAI**”). It is noted that the requirements for each measure provided above may be varied. Lastly, the BOI provides new guideline on the Raw Material Tracking System (“**RMTS**”), which is a primary platform for those obtaining import duty exemption on raw materials and wishing to enjoy the mentioned incentives.

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 expire or their use of RMTS for duty exemption is required to be updated.

What to know

1. Digital Technology under Measures to Promote Productivity Improvement

In order to encourage the business operators to use digital technology, the BOI has offered to support the existing projects whether presently being promoted

or not. The project must fall under the eligible activities and comply with conditions as prescribed by the BOI. Whilst, the promoted project can only apply after its expiration of Corporate Income Tax (“CIT”) exemption/reduction benefit, the investment capital is required at least THB one Million (excluding the cost of land and working capital). However, the capital investment is required at Baht 500,000 for Small and Medium Enterprises (“SMEs”). The implementation plan for adopting digital technology to be used shall be presented to the BOI and include the followings:

- Using software, program, or Information Technology (“IT”) system in the company for resource management in order to improve productivity or service efficiency by linking information between integrated internal and/or external system of at least three functions; or
- Using Artificial Intelligence (“AI”), Machine Learning, or Big Data for data analytics; or
- Using software, program, or IT system linking to government’s systems, e.g. national e-payment.

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% of the investment amount (excluding cost of land working capital)
Deadline	<ul style="list-style-type: none"> • The submission for promotion is available until last working day of the year 2022. • The implementation plan must be completed within 3 years from the promotion certificate issuance date.
Investment or expenditure	<ul style="list-style-type: none"> • 100% of investment or expense for software, program, or IT system will be counted as investment capital if they were developed by the entrepreneur in Thailand and certified by relevant authorities*. • 100% of investment or expense for AI, Machine Learning, or Big Data will be counted as investment capital. • 100% of expense for renting or using Cloud Service or Data Center from developer in Thailand. • 50% of investment or expense for software, program, or IT system will be counted as investment capital if they were developed by the entrepreneur in Thailand but it has not been certified by relevant authorities. • 50% of expense for renting or using Cloud Service or Data Center from overseas developer.

**The list of the relevant authority is under the preparation by the BOI*

2. Accelerating Investments in Large Scale Project

In order to stimulate investment in targeted industries, the BOI has approved the investment stimulation measure of an additional 50% CIT reduction for a period of five years to be granted to the eligible activities with A1, A2, and A3 incentives (except the project which does not have a permanent domicile or the project with the condition to locate in southern provinces or SEZ) which entitled with CIT exemption for no more than 8 years in total. To be qualified for this measure, at least THB one Billion must be invested within 12 months after the issuance of the promotion certificate. The successful project is required to submit the evidence of actual investment within 18 months after the issuance of investment promotion certificate and is prohibited from extending the period of

BOI promotional acceptance and the due date of issuance of BOI promotion certificate.

Type of incentive	<ul style="list-style-type: none">• 50% CIT reduction for five years after the expiration of CIT exemption period
Deadline	<ul style="list-style-type: none">• The submission for promotion is available from 4 January to 30 December 2021.

3. Amendment of the Promoted Activities

The BOI has repealed the previous investment promotion conditions on location of the eligible projects and amended the following eligible activities to be located in SEZ, Narathiwat, Pattani, Yala, Satun and four designated district in Songkla Province which are Jana, Thepha, Na Thawi, and Saba Yoi. The eligible activities which fall under this announcement are:

- Category 2.17 Manufacture of construction materials and pre-stressed concrete for public utilities;
- Category 6.15 Manufacture of body care products such as soap, shampoo, toothpaste and cosmetics;
- Category 6.16 Manufacture of plastic products for consumer goods such as plastic packages;
- Category 6.17 Manufacture of pulp or paper, e.g. paper boxes; and
- Category 7.24 Building development for industrial and/or warehouse factories.

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

4. Measure for a promoted company to be listed in SET or registered in MAI

The BOI has officially granted the promotion to the company to be registered in the SET and MAI which meets the requirements as prescribed by the BOI. The company shall fall under the eligible activity and is granted with the CIT exemption in order to be entitled to this measure.

In addition, the currently promoted company which its CIT exemption has not yet been expired can also apply for this measure. The company shall register to the SET or MAI prior to the application to the BOI. Kindly note that this does not apply to the company which has been listed in the SET or MAI prior to the effective date of this measure.

Type of incentive	<ul style="list-style-type: none">• 100% CIT exemption on the investment capital
Deadline	<ul style="list-style-type: none">• The submission for promotion is available until the last working day of the year 2022.

5. New Guideline on RMTS

The BOI regulates the RMTS which at the present is a platform to report, manage, and obtain the import duties exemption incentives on raw materials granted to a promoted project.

The guidelines below should be followed in order to enjoy the import duties exemption on raw materials:

- The promoted project must submit an application for requesting to utilize the import duties right via the online platform assigned by the BOI. The application includes the formula and max stock, the release of raw material, warranty, the permission to export the raw materials abroad, and modification of the stock for import duties. In case where the promoted project wishes to exercise/transfer its right for import duties exemption, i.e.

import raw materials as registered in the system, it shall report via this platform.

- The online application is subject to the Transaction Act B.E. 2544 (A.D. 2001), Personal Data Act B.E. 2562 (A.D. 2019), and Cyber Security Act B.E. 2562 (A.D. 2019).
- The formula and max stock shall be provided to the BOI via online platform together with the supporting documents such as the title of the reference formula, the primary and secondary name of raw materials, photos, manufacturing process, etc.

Please note that other functions are also available within this platform for the promoted project to manage and secure its right for import duties on raw materials.

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;
- Setting up of guidance and internal BOI compliance including trainings; and
- Assisting with new guidelines and practical issues including reporting for RMTS.

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

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