

Criteria for Granting Tax and Duty Privileges as Investment Zones

Criteria for Granting Tax and Duty Privileges as Investment Zones

The Board stipulates 2 types of incentives as follows:

1. Activity-based incentives

The Board classifies 2 groups of incentives based on the importance of activities as follows:

Group A consists of activities that shall receive corporate income tax incentives, machinery and raw materials import duty incentives and other non-tax incentives. This group can be divided into 4 subgroups as follows:

Group A1 shall receive the following incentives:

- 8-year corporate income tax exemption without being subject to a corporate income tax exemption cap
- Exemption of import duty on machinery
- Exemption of import duty on raw or essential materials used in manufacturing export products for 1 year, which can be extended as deemed appropriate by the Board
- Other non-tax incentives

Group A2 shall receive the following incentives:

- 8-year corporate income tax exemption, accounting for 100% of investment (excluding cost of land and working capital)
- Exemption of import duty on machinery
- Exemption of import duty on raw or essential materials used in manufacturing export products for 1 year, which can be extended as deemed it appropriate by the Board
- Other non-tax incentives

Group A3 shall receive the following incentives:

- 5-year corporate income tax exemption, accounting for 100% of investment (excluding cost of land and working capital) unless specified in the list of activities eligible for investment promotion that the activity shall be granted corporate income tax exemption without being subject to a corporate income tax exemption cap
- Exemption of import duty on machinery
- Exemption of import duty on raw or essential materials used in manufacturing export products for 1 year which can be extended as deemed it appropriate by the Board
- Other non-tax incentives

Group A4 shall receive the following incentives:

- 3-year corporate income tax exemption, accounting for 100% of investment (excluding cost of land and working capital)
- Exemption of import duty on machinery
- Exemption of import duty on raw or essential materials used in manufacturing export products for 1 year, which can be extended as deemed it appropriate by the Board
- Other non-tax incentives

Group B consists of activities that shall receive only machinery and raw materials import duty incentives and other non-tax incentives. This group can be divided into 2 subgroups as follows:

Group B1 shall receive the following incentives:

- Exemption of import duty on machinery
- Exemption of import duty on raw or essential materials used in manufacturing export products for 1 year which can be extended as deemed it appropriate by the Board
- Other non-tax incentives

Group B2 shall receive the following incentives:

- Exemption of import duty on raw or essential materials used in manufacturing export products for 1 year which can be extended as deemed it appropriate by the Board
- Other non-tax incentives

2. Merit-based incentives

In order to attract and stimulate more investment or spending on activities that benefit the country or industry at large, the Board stipulates additional incentives based on merits of the projects as follows:

1. Merit on competitiveness enhancement

In case the projects have the following investments or expenditures:

1. **Research and development** in technology and innovation including in-house R&D, outsourcing R&D in Thailand or joint R&D with overseas institutes.
2. **Donations to Technology and Human Resources Development Funds, educational institutes, specialized training centers, research institutes or governmental agencies in the science and technology field in Thailand**, as approved by the Board
3. **IP acquisition/licensing fees for commercializing technology developed in Thailand**
4. **Advanced technology training**
5. **Development of local suppliers** with at least 51% Thai shareholding in advanced technology training and technical assistance or
6. **Product & Packaging Design**; either in-house or outsourcing in Thailand, as approved by the Board

Details shall be in accordance with criteria set by the Office of the Board of Investment.

Additional incentives shall be granted as follows:

- (1) One additional year of corporate income tax exemption will be granted if qualified investments or expenditures are not less than 1% of the project's total revenue of the first 3 years combined, or not less than 200 million baht, whichever is less. However, the total period of corporate income tax exemption shall not exceed 8 years.
 - (2) Two additional years of corporate income tax exemption accounting will be granted if qualified investments or expenditures are not less than 2% of the project's total revenue of the first 3 years combined, or not less than 400 million baht, whichever is less. However, the total period of corporate income tax exemption shall not exceed 8 years.
 - (3) Three additional years of corporate income tax exemption will be granted if qualified investments or expenditures are not less than 3% of the project's total revenue of the first 3 years combined, or not less than 600 million baht, whichever is less. However, the total period of corporate income tax exemption shall not exceed 8 years.
- The cap on additional corporate income tax exemption accounts for 200% of the investments and expenditures specified in No. 9.2.1(1) and 100% of the investments and expenditures specified in No. 9.2.1(2-6).

Merit on decentralization

Projects located in investment promotion zones specified in No. 8.1 shall receive additional incentives as follows:

1. Three additional years of corporate income tax exemption shall be granted. However, the total period of corporate income tax exemption shall not exceed 8 years. Projects with activities in **Group A1** or **A2** which are already granted 8-year corporate income tax exemption shall instead receive a 50% reduction of corporate income tax on net profit derived from promoted activity for 5 years after the corporate income tax exemption period expires.
2. Double deduction for transportation, electricity and water costs for 10 years from the date of first revenue derived from the promoted activity shall be granted.
3. Deduction from net profit of 25 percent of the project's infrastructure installation or construction costs shall be granted in addition to normal depreciation. 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.

Merit on industrial area development

Projects located within industrial estates or promoted industrial zones shall be granted one additional year of corporate income tax exemption. However, the total period of corporate income tax exemption shall not exceed 8 years.

This merit-based incentive shall not be granted to activities with conditions specifying that projects must be located within industrial estates or promoted industrial zones.

Projects Eligible for merit-based incentives application

1. Projects with activities in **Group A** can apply for merit-based incentives at the time of applying for investment promotion or after being promoted.

If the application is submitted after being promoted, promoted projects can apply for merit-based incentives whether or not revenue has already been derived from the projects. On the date of the application for merit-based incentives, the projects must have remaining corporate income tax exemption incentives under Section 31 of the Investment Promotion Act, both in terms of period and amount of corporate income tax exemption.

2. Projects with activities in Group B can apply for merit-based incentives No. 9.2.1 merit on competitiveness enhancement and 9.2.2 merit on decentralization and must submit the application for merit-based incentives at the time of applying for investment promotion only. This excludes activities for which the list of activities eligible for investment promotion specifies that they are not entitled to merit-based incentives.

Source: Announcement of the Board of Investment No. 2 /2557

Last Updated: November 2015

