

BOI's Support for SMEs

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Q1: Does the BOI promote large investment projects only?

Net Applications Submitted to BOI Classified by Investment Size

Unit: No. of projects

| Investment size | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 (Jan-Mar) |
|-------------------------------|--------------|--------------|--------------|--------------|--------------|-------------------|
| <= 20 Million Bt. | 280 | 312 | 338 | 365 | 342 | 87 |
| 21- 200 Million Bt. | 684 | 639 | 571 | 533 | 668 | 141 |
| 201- 500 Million Bt. | 217 | 192 | 202 | 198 | 227 | 38 |
| 501- 1,000 Million Bt. | 67 | 60 | 84 | 64 | 194 | 22 |
| > 1,000 Million Bt. | 67 | 88 | 88 | 71 | 104 | 23 |
| Total net applications | 1,315 | 1,291 | 1,283 | 1,231 | 1,535 | 311 |

Every year, at least 20% of projects applying for BOI have investment of no more than 20 million baht.



Source: BOI Information Technology, as of May 10, 2010

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Q2: How I can benefit from BOI promotion?

**Preliminary Checklist
for Applying for BOI Promotion**

- 1. Minimum investment: 1 million baht
excluding land cost and working
capital**
- 2. Eligible activities or not**



Activities eligible for BOI promotion

- **Agriculture and Agricultural Products**
- **Mining, Ceramics and Basic Metals**
- **Light Industry**
- **Metal Products, Machinery and Transport Equipment**
- **Electronic Industry and Electric Appliances**
- **Chemicals, Paper and Plastics**
- **Services and Public Utilities**

The list of eligible activities was last updated in October 2009.



BOI's Current Foreign Equity Participation Policies

- ❑ no restriction on foreign shareholding in manufacturing
- ❑ 100% foreign shareholding allowed in many services
- ❑ At least 51% Thai ownership is required for investment in agriculture, husbandry, mineral exploration and mining, and services in list 1 of the Foreign Business Act



Project Approval Criteria

- Value added at least 20% (except electronic products, agriculture and agro processing, and projects the Board deems appropriate)
- Registered capital at least 25% of total investment (D/E no more than 3 to 1)
- Modern production machinery and process (Second-hand machinery is also allowed if certification is obtained.)
- Adequate environmental protection

Projects with investment of at least 500 million baht are required to submit a feasibility study.



BOI Incentives

TAX Incentives

- Import duty reductions or exemptions on machinery and raw materials
- Corporate income tax holidays up to 8 years
- Additional 50% reductions for 5 years
- Double deduction of public utility costs
- Deductions for construction/installation costs infrastructure

NON-TAX Incentives

- 100% ownership land rights for foreign investors
- Permission to bring in foreign experts and technicians
- Work permit & VISA facilitation

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Think Asia, Invest Thailand

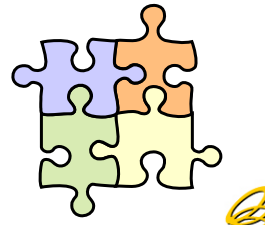
Corporate Income Tax Exemption Cap

- The total amount of corporate income tax to be exempted **must not exceed** the total investment excluding land cost and working capital
- In some cases, this cap (ceiling) can be removed.



Major BOI Incentives Schemes

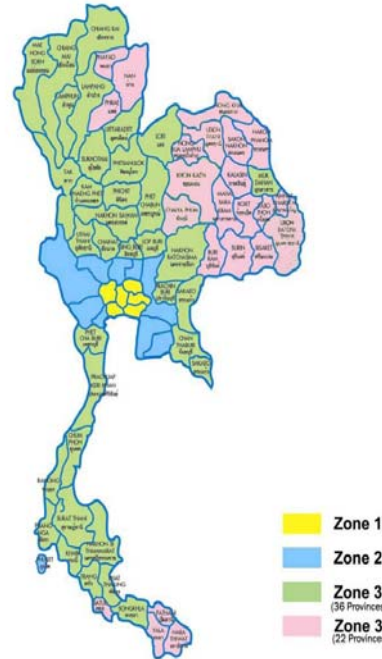
- Decentralization
 - Incentives vary according to zones
- Priority activities
 - 8-year corporate income tax exemption and exemption of import duties on machinery regardless of locations
- Sector-specific policies
- Optional incentive scheme
 - STI Scheme
- Special temporary measures



Decentralization

Zone-Based Incentives

- Zone 1 (6 provinces)
- Zone 2 (12 provinces)
- Zone 3 (58 provinces)—
Investment Promotion Zone
 - (1) 36 provinces
 - (2) 22 provinces



Zone: 1 2 3
Incentives: Lower → Higher Incentives

Zone 1 Incentives

| Inside Industrial Estates/Parks | Outside Industrial Estates/Parks |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none"> • 3-year corporate income tax exemption* • 50% reduction of import duties on machinery if import tariff is at least 10% • Exemption of import duties on raw materials used for the manufacture of exports | <ul style="list-style-type: none"> • 50% reduction of import duties on machinery if import tariff is at least 10% • Exemption of import duties on raw materials used for the manufacture of exports |

Zone 2 Incentives

| Inside Industrial Estates/Parks | Outside Industrial Estates/Parks |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none"> • 7-year corporate income tax exemption* • Exemption of import duties on machinery • Exemption of import duties on raw materials used for the manufacture of exports | <ul style="list-style-type: none"> • 3-year corporate income tax exemption • 50% reduction of import duties on machinery if import tariff is at least 10% • Exemption of import duties on raw materials used for the manufacture of exports |

*** Applications must be submitted by December 2014.**



Zone 3 Incentives (36 provinces)

| Inside Industrial Estates/Parks + Laem Chabang IE* + Industrial Estates/Parks in Rayong* | Outside Industrial Estates/Parks |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none"> • 8-year exemption of corporate income tax • Exemption of import duties on machinery • 50% reduction of corporate income tax for 5 years after tax holidays • Double deduction of transportation, water and electricity costs for 10 years • 25% deduction from net profits of infrastructure construction and installation costs for 10 years • 75% reduction of import duties on raw materials used for domestic market* (not applicable to Laemchabang & IE/IP in Rayong) • Exemption of import duties on raw materials used for exports | <ul style="list-style-type: none"> • 8-year exemption of corporate income tax • Exemption of import duties on machinery • 25% deduction from net profits of infrastructure construction and installation costs for 10 years • Exemption of import duties on raw materials used for exports |

*** Applications must be submitted by December 2014 for projects located in Laem Chabang IE and industrial estates/parks in Rayong.**



Zone 3 Incentives (22 provinces)

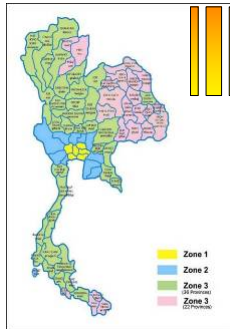
| Inside Industrial Estates/Parks | Outside Industrial Estates/Parks |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none"> • 8-year exemption of corporate income tax • Exemption of import duties on machinery • 50% reduction of corporate income tax for 5 years after tax holidays • Double deduction of transportation, water and electricity costs for 10 years • 25% deduction from net profits of infrastructure construction and installation costs for 10 years • 75% reduction of import duties on raw materials used for domestic market • Exemption of import duties on raw materials used for exports | <ul style="list-style-type: none"> • 8-year exemption of corporate income tax • Exemption of import duties on machinery • 50% reduction of corporate income tax for 5 years after tax holidays • Double deduction of transportation, water and electricity costs for 10 years • 25% deduction from net profits of infrastructure construction and installation costs for 10 years • Exemption of import duties on raw materials used for exports |



Priority Activities



Zones



Zone-Based Incentives:

- Zone 1 Lower incentives
- Zone 2
- Zone 3 Higher incentives

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Sector Matrix: Incentives to strengthen competitiveness

Priority Activities

Maximum incentives regardless of zone

- 8-year exemption of corporate income tax (with or without cap depending on categories of activities)
- Exemption of import duties on machinery



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Examples of Priority Activities

- Agriculture and agro-industries
- R&D
- Software
- Molds & Dies
- Biotechnology
- Alternative energy
- Manufacture of hi-tech products e.g. advanced ceramics
- Waste recycling & recovery

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Sector-Specific Incentive Package

e.g.

- Electrical & Electronics Industry
- Automotive Industry
- Tourism Industry



Skill, Technology & Innovation (STI) Incentives



STI Incentives

Qualified STI Investments and expenditures

- Research and development or design
- Advanced technology training
- Funding educational and research institutions
- Donations that contribute to the NSTDA matching fund* (The BOI shall consider contributions to other similar public or private-sector matching funds (subject to BOI approval) as counting towards eligibility under the STI program.)

* To enhance competitiveness (e.g. HRD, R&D, technology and innovation, SME promotion, including testing centers for industrial standards certification), on Sept 14, 2009, the Board approved establishment of a matching fund for technology and human development under the National Science and Technology Development Agency (NSTDA).

Criteria in Granting STI Incentives

| Required STI Investment & Expenditures | Additional Year of Corporate Income Tax Exemption | Exemption of Import Duties on Machinery | Removal of Corporate Income Tax Exemption Cap |
|-------------------------------------------------------------------------------|---------------------------------------------------|-----------------------------------------|-----------------------------------------------|
| 1% of the first 3 years' sale or at least 150 million baht, whichever is less | 1 | ✓ | ✓ |
| 2% of the first 3 years' sale or at least 300 million baht, whichever is less | 2 | ✓ | ✓ |
| 3% of the first 3 years' sale or at least 450 million baht, whichever is less | 3 | ✓ | ✓ |

STI Incentives

- Projects that have been granted corporate income tax exemption under Section 31 and are already generating income can submit an STI application any time before their tax exemption period expires.
- Projects that are not eligible for corporate income tax exemption and that want to apply for STI incentives are required to submit their STI applications at the same time they submit the BOI application

Special Temporary Measures Investment Promotion for Sustainable Development

- Target sectors
- Energy conservation and reduction of environment impact
- Technology upgrading



Special Scheme for Targeted Sectors

Eligible Activities

- Activities related to manufacture of eco-friendly material and product, e.g. bioplastics
- Energy saving and alternative energy
- Activities that involve high technology, e.g. automotive electronics, biotech, nano-tech, Functional textile

Incentives

- Exemption of import duties on machinery
- 8-year exemption of corporate income tax with no cap
- 50% reduction of corporate income tax on net profit for 5 years
- double deduction of transportation, electricity and water supply costs for 10 years
- deduction from net profit of 25% of investment in infrastructure installation and construction costs in addition to normal capital depreciation

Application submission deadline:
December 2012



Additional Incentives for Energy Conservation Reduction of Environmental Impact (1/2)

Eligible activities

All BOI categories that invest in machinery that will

- (1) Reduce energy consumption
- (2) Use alternative energy
- (3) Reduce impacts on environment



Incentives

- Exemption of import duty on machinery
- Exemption of corporate income tax for 3 years totaling 70% of investment



Additional Incentives for Energy Conservation Reduction of Environmental Impact (2/2)

Criteria

- **Must submit applications by the end of 2012 and complete the investment within 3 years of investment promotion certificate issuance**
- **BOI-promoted projects applying for this incentive must have reached the end of their corporate income tax exemption or did not receive any corporate income tax exemption.**
- **Both BOI and non-BOI companies can apply for this incentive.**

Additional Incentives For Investment in a Technology Upgrade to Manufacture a New Product (1/2)

Criteria

- **The project must invest in new high-tech machinery to improve an existing production line and make it possible to manufacture a “new” product.**
- **The new product must be among the List of Activities Eligible for Promotion and be eligible for corporate income tax exemption.**
- **Product must be an upgrade from an existing project (promoted or otherwise).**
- **The application must be submitted together with the technology improvement investment plan by the end of 2012.**

Additional Incentives For Investment in a Technology Upgrade to Manufacture a New Product (2/2)

Rights and benefits:

- Exemption from import duties on machinery, regardless of zone.
- Exemption from corporate income tax for 3 years, regardless of zone. The benefit from this exemption may not exceed 100% of the project's investment value.



SMEs Scheme (since Nov 16, 2009)

Reference: BOI Announcement No. 1/2553 dated Jan 5, 2010



Conditions

- Each project must not exceed **Bt20 million** (excluding costs of land and working capital). In total, the company must have net fixed assets or investment size (excluding cost of land and working capital) of not more than Bt 200 million.
- Minimum investment: 500,000 baht excluding land cost and working capital
- Thai national not less than **51%** of the registered capital.
- Use of local used machinery worth not more than **Bt10 million** in the project
- Investment in new machinery not less than 1/4 of the value of used machinery.
- The Debt/Equity ratio not exceeding 3:1
- Projects in the identified activities only (**52 BOI categories**)
- Application submitted by **December 31, 2011**.



Incentives

- Exemption of import duty on machinery regardless of zone.
- 8-year corporate income tax exemption regardless of zone **without cap on the amount of corporate income tax exemption.**
- Other privileges shall be granted according to the BOI Announcement No.1/2543.



Further Info on BOI Schemes

Q3: Are there any BOI services for SMEs apart from tax incentives?

BOI Unit for Industrial Linkage Development (BUILD)

- Established in 1992
- To promote and develop supporting industries
- To act as an intermediary between manufacturers of finished products and small and medium parts manufacturers :
 - LSEs and SMEs
 - FDI and domestic firms
 - Parts buyers and parts producers



Target Sectors for promoting linkages

- **Automotive**
- **Electronics**
- **Electrical Appliances**
- **Machinery and Equipment**

Including metal working, plastics, rubbers, electronics parts, etc.



BUILD Activities

- (1) Provision of information : act as a facilitator by gathering and disseminating information on linkages opportunities
 - ASID Database
- (2) Matchmaking: more active role and focusing on specific capabilities and needs of individual buyers and suppliers
 - **Vendors meet Customers (VMC)**
 - VMC Roadshows
 - Subcontracting fairs and exhibition e.g. Subcon Thailand



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Statement on the Current Political Situation in Thailand

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SUBCON Thailand has emerged as one of the most important regional events in the Asean region today. More than just a show, it is now a central meeting point for subcontractors and manufacturers – both of whom have genuine matching needs. World class manufacturers from the automotive, electrical and electronic industries are here seeking reliable suppliers, while subcontractors are looking to link up with quality manufacturers. And the partnership rate is impressive—as high as 74% according to post show research from the 2009 event. [Read more](#)

SUBCON Thailand 2010 Exhibitors

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A WIN-WIN SITUATION AT SUBCON 2010

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- **Opens on November 23, 2009**
- **Objectives**
 - Facilitate entry of new investors
 - Assist businesses looking to expand
 - Serve as a focal point for dealing with relevant government agencies
- **Who can use services**
 - Open to all businessmen
 - Big and small
 - Domestic or foreign
 - BOI-promoted or not



Services

- Staff from relevant agencies will also be available for consultations on a range of topics.
- Help investors with applications to make sure investors know what is required to:
 - Register a company
 - Apply for investment promotion privileges
 - Obtain a foreign business license
 - Tax registration
 - Complete an environmental impact assessment
 - Obtain utilities, etc.
- OSOS staff will also accept applications for things such as corporate name registration, corporate tax ID numbers, VAT registration, foreign business licenses, investment promotion incentives, etc.



Thank you
Q&A

