

# *Thai Tax 2015 Booklet*

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The following tax incentives may be granted to investors:

1. Exemption from or reduction of import duties on imported machinery.
2. A reduction of up to 90% of import duties on raw or essential materials imported for manufacturing for domestic sale.
3. Exemption from corporate income tax with or without a cap equal to the amount of the investment, excluding the cost of land and working capital, for up to eight years depending on the promoted activity and the location.
4. Dividends derived by a shareholder from promoted enterprises are exempt from tax including withholding tax on dividends, during the period of corporate income tax exemption.
5. Exemption from import duties on raw or essential materials imported for manufacturing for export.

The BOI also grants the additional decentralisation merit for businesses that are located in “Investment Promotion Zones” which includes the following incentives:

1. Further three years’ tax exemption period from the standard incentives and activities that already have eight years’ tax incentives will receive a 50% of corporate income tax reduction on net profits derived from promoted activity for five years after the termination of a normal income tax holiday or from the date of earning income if no tax holiday is granted;
2. Double deduction from taxable income of the cost of transportation, electricity and water supply for ten years from the date when revenue was first derived from the promoted activity; and
3. 25% deduction from net profit of the project's infrastructure installation or construction costs in addition to normal depreciation; such deduction can be made from the net profit of one or several years within ten years from the date when revenue was first derived from the promoted activity.

Protection measures include the imposition of a surcharge on imports, import bans on competing products and the authority of the Chairman of the BOI to order any action or tax relief measures for the benefit of promoted projects.

### **IEAT free zone**

Under the Industrial Estate Authority of Thailand (IEAT) law, the free zone is designated for the operation of industrial activities, commercial activities or other businesses relating thereto, for the purpose of economics, national security, public well-being, environmental management or other necessities as prescribed by the Board of the IEAT, whereby goods taken into the area will be entitled to additional rights and privileges on tax and duty as well as special fees as provided in the law.

Industrial operators in an IEAT free zone will be granted additional privileges as follows:

1. Exemption from import duties, VAT and excise tax on machinery, equipment, tools and supplies (including components) which are essential for the production of goods or for commercial purposes and on materials to be used in the construction, assembly or installation of factories or buildings in the IEAT free zone. Consumer products or vehicles are not exempt.
2. Exemption from import duties, VAT and excise tax on raw materials imported and taken into an IEAT free zone for use in the production of goods or for commercial purposes. Exempt imported materials taken into an IEAT free zone for use in production include items from another IEAT free zone, promoted persons under BOI for export, bonded warehouse, items imported under bank guarantee for re-export of finished goods and items exempt under other laws.
3. Importation of goods into an IEAT free zone for producing, mixing, assembling, packing or processing of the goods for export out of Thailand are not subject to the law in relation to the control of importation or exportation, the control of standards or quality,

affixing of mark or any sign to those goods other than those required under the Customs law in accordance with the rules prescribed by the Board of Directors of the IEAT.

4. Goods manufactured in an IEAT free zone and sold in Thailand will be deemed as imported goods and subject to import duties and VAT. Sales between operators located in the IEAT free zones could be subject to VAT at the normal rate or at the zero rates.
5. The goods manufactured in an IEAT free zone which qualify under the rules of origin may be entitled to preferential duty rates on their removal to the Thai domestic market.

### **Customs free zone**

In order to support and promote the country's exports, a Customs free zone (CFZ) is an area designated for industrial or commercial operations or other businesses that are beneficial to the economy of the country, whereby the goods imported into or manufactured in this zone will be exempted from import duty, VAT and excise tax.

To qualify as a CFZ, an application to establish such zone must be submitted for the approval of the Director-General of the Customs Department. A company permitted to establish or operate in the CFZ must conclude a guarantee agreement with the Customs Department and conform strictly to all customs regulations and is required to pay an annual fee as fixed by the law.

An operator in a CFZ will be granted rights and privileges as follows:

1. Exemption from payment of import duties, VAT and excise tax on the acquisition (including the transfer from another free zone) of machinery, equipment, tools and supplies (including components) which are essential for use in industrial and commercial operations or any other businesses that are beneficial to the economy of the country.
2. Exemption from import duties, VAT and excise tax on raw materials imported and taken into a CFZ for use in the production