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New promotion and investment policy at the Board of Investment (BOI)

The BOI is mapping out its new five-year promotion policy (2013 – 2017) and plans have recently been presented. There will be a fundamental shift in Thailand's promotion policy. The new regime takes effect mid-year, and is based on the 11th National Economic Development Plan.

The Thailand BOI has begun public hearings on the proposed changes to its investment promotion policy, kicking off a series of five such hearings on 14 January at the Queen Sirikit Convention Center before a crowd of several hundred. To meet the goals set for Thailand's economic restructuring, the BOI will become more focused and incentives prioritized by the importance of the activity. It will move from a sector-based incentive scheme to one that is merit-based, with additional incentives to encourage competition enhancing activities such as research and development and environmental protection. Consequently, zone-based incentives will come to an end as new regional clusters are promoted. The BOI will add investment facilitation to attract new investors, along with its tax incentives, and will work to create a better investment environment. In addition to promoting inbound investment, overseas investment will be added to the BOI mandate, and a better evaluation will be made of the benefits and cost-effectiveness of investment promotion.

Included in the presentation was a list of ten industrial groups for promotion by the BOI under the revised strategy, including the following:

- * Basic infrastructure and logistics
- * Basic industry
- * Medical devices and scientific equipment
- * Alternative energy and environmental services
- * Services that support the industrial sector
- * Advanced core technologies
- * Food and agricultural processing industry
- * Hospitality and wellness
- * Automotive and other transport equipment
- * Electric and electrical appliances

Within this mix of industrial activities, about 30 will be granted a maximum of eight years corporate income tax exemption, while another 70 (approx.) will receive some form of CIT exemption, less than the maximum period. About 30 activities will continue to receive import duty exemption on machinery and raw materials, while 80 activities will be dropped from the BOI incentive list, although all will continue to benefit from the BOI's new facilitation activities.



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THE ART OF BEING LOCAL WORLDWIDE



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At the same time, Thailand's corporate income tax rate has been lowered again this year to 20%, making it very competitive within the region. On the whole, the change includes a focus on cluster promoted industry rather than a broad based "zone" approach, and also a significant reduction in tax holidays.

One of the first consequences was the nervous reaction of Thailand's big car part makers. They are calling on the government to exercise caution in mapping out the BOI's new five-year promotion policy. In fact, only 15% of auto-part companies are wholly owned by Thais, and they engage mostly in original-equipment manufacturing (OEM) for car makers. Under the current Investment Promotion Act, the BOI sets local content requirements to at least 40% of car production.

Mr Pramot, a former president of the Thai Auto-Parts Manufacturers Association, said the board should require automakers claiming new promotional privileges to use more parts from Thai-owned suppliers. He said Thai auto-part makers are in a good position to produce replacement-equipment manufacturer (REM) parts under their own brands to meet both domestic and global demand.

This new BOI promotion policy will mean numerous changes for industries and investors. For more than a decade we have seen only minimal changes, and therefore these steps should be considered to be absolutely necessary. However, as aforesaid, due to the consequences, key industries will lose their position and it is crucial that all industries on the "exit list", should apply as soon as possible, in order to secure incentives under the old scheme. Source: Board of Investment, Bangkok Post

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