



Newsletter No. 206 (EN)

**BOI Promotion:
Cluster and Super Cluster**

March 2016

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I. Introduction

The Thai Board of Investment (“BOI”) is a governmental agency under the direct administration of the Prime Minister’s office to promote investment in Thailand. It provides general investment information and services and offers certain promotions to both Thai and foreign investors. The BOI is well established and very active in this field. In 2015, 2,237 projects received BOI promotion, 1,151 of which were foreign investments (more than ten percent foreign capital). The total value of foreign investment was THB 348.5 billion (approx. EUR 8.77 billion).

The BOI generally grants activity-based incentives which include

- tax incentives (corporate income tax exemption for up to 8 years, exemption from import duty on machinery and raw materials) and
- non-tax incentives (possibility for foreigners to own 100% of the company and to own land, easier obtaining of visas and work permits for expats).

In addition to these incentives under the “general” promotion system, the recently announced cluster promotion grants reduced corporate income tax (50% of the normal rate) for 5 years on top of the tax exempt period under the general BOI promotion, as well as 8 years corporate income tax exemption for “super cluster” projects (not on top, i.e. the tax exempt period is maximum 8 years).

The intention of the new cluster promotion is “[...]to strengthen the value chain and to consequently create future industries, to enhance investment competencies to attract value added investment from existing and

*new investors, and to decentralize developments, as well as create opportunities for SMEs[...]”*¹

II. Eligible Activities and Incentives

The BOI grants its cluster promotion only to specific industries, for example:

- Automotive & Parts
- Electrical Appliances
- Textile and Garment Industry
- Electronics and Telecommunication Equipment
- Digital Economy
- Petrochemical and Eco-Friendly Chemical Products
- Agro-processing Industry

The BOI grants the following cluster incentives to eligible projects:

<p>0% CIT for 8 years (only super cluster)</p> <p>(capped at the maximum investment amount, not including cost of land and working capital, unless CIT exemption <u>without</u> cap is already granted under general BOI promotion)</p>	<p>½ CIT rate for 5 <u>additional</u> years</p>
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¹ BOI Announcement No. 10/2558 “Cluster Investment Promotion Incentives and Privileges on the Special Economic Development Zones”, available at http://www.boi.go.th/upload/content/BOI%20Annou nccmen10_2558_final_31681.pdf.

Eligible projects must apply for investment promotion within 30 December 2016 and start generating revenue within 31 December 2017 (unless extension is granted by the BOI on a case-by-case basis).

Another condition is to have cooperation with academic institutions, research institutes or Centers of Excellence in the Special Economic Development Zones.

III. Promoted Projects

1. Super Cluster

In order to be eligible for “super cluster” promotion, projects must be located in specific provinces designated as Special Economic Development Zones, depending on the type of industry.

Amongst others, the following activities fall under the “super cluster” promotion:

No. ²	Activity	Special Economic Development Zone	Super Cluster Promotion	General BOI Promotion
4.7	Manufacture of automobile engines	Ayutthaya, Pathum Thani, Chonburi, Rayong, Chacheongsao, Prachinburi, Nakhon Ratchasima	8 years CIT exemption* + 5 years reduced CIT rate (50% of normal rate)	3-5 years*
4.8	Manufacture of vehicle parts			8 years*
4.12	Manufacture of motorcycles			5 years *
5.1.1	Manufacture of advanced technology electrical products			5 years*
5.5	Manufacture of material for microelectronics			5-8 years*
5.6	Electronics design			8 years (no cap)
5.7	Software			0-8 years (no cap)
6.2	Manufacture of eco-friendly chemicals or polymers or products from eco-friendly polymers	Chonburi, Rayong		5-8 years*
7.9.2.2	Software parks	Chiang Mai, Phuket		8 years (no cap)
7.10	Cloud service			8 years (no cap)
				* CIT exemption capped at the amount of total investment.

(non-exhaustive list)

² Numbering in accordance with the List of Activities Eligible for Investment Promotion, stipulated in BOI Announcement No. 2/2557 “Policies and Criteria for Investment Promotion”, available at <http://www.boi.go.th/upload/content/newpolicy-announcement%20as%20of%202013%203%2058%203499.pdf>.

2. Target Cluster

Amongst others, the following projects in the agro-processing and textile/garment industry are eligible for “target cluster” promotion:

No. ³	Activity	Special Economic Development Zone	Cluster Development Promotion	General BOI Promotion
7.1	Public utilities and basic services (container yards, loading/unloading facilities for cargo ship, commercial airports)	Any of the above	additional 5 years reduced CIT rate (50% of normal rate)	5-8 years*
7.3.1	Rail transport systems			8 years*
7.4.2	International distribution centers (IDC)			5 years*
7.11	Research and development			8 years*
7.19	Vocational training centers			8 years*
(non-exhaustive list)				*CIT exemption capped at the amount of total investment.

³ Numbering in accordance with the List of Activities Eligible for Investment Promotion, stipulated in BOI Announcement No. 2/2557 “Policies and Criteria for Investment Promotion”.

3. Cluster Development

In addition to the above, the following infrastructure projects supporting cluster development are also eligible for investment promotion:

No. ⁴	Activity	Special Economic Development Zone	Target Cluster Promotion	General BOI Promotion	
1.18	Manufacture of medical food or food supplements	Chiang Mai, Chiang Rai, Lampang, Lamphun, Khon Kaen, Nakhon Ratchasima, Chaiyaphum, Kanchanaburi, Ratchaburi, Petchaburi, Prachuab Khiri Khan, Rayong, Chanthaburi, Trat, Chumphon, Surat Thani, Krabi, Songkhla	additional 5 years reduced CIT ¹ rate (50% of normal rate)	8 years*	
1.20	Trading centers for agricultural goods			5 years*	
1.2	Plant or animal breeding			8 years*	
1.8	Grading, packaging and storage of plants, vegetables, fruits or flowers			5-8 years*	
1.14.2	Manufacture of rubber products			Kanchanaburi, Rayong, Songkhla	8 years*
3.1	Manufacture of textile products or parts			Kanchanaburi, Nakhon Pathom, Ratchaburi, Samut Sakorn, Chonburi, Chacheongsao, Prachinburi, Sa Kaeo	0-8 years*
3.9	Creative products design and development center	Bangkok		8 years (no cap)	
				* CIT exemption capped at the amount of total investment.	

(non-exhaustive list)

⁴ Numbering in accordance with the List of Activities Eligible for Investment Promotion, stipulated in BOI Announcement No. 2/2557 "Policies and Criteria for Investment Promotion".

III. Additional Incentives

Furthermore, the Ministry of Finance is currently considering granting the following additional incentives for industries with significant importance:

- Extension of the corporate income tax exemption for 10 – 15 years;
- Exemption of personal income tax for international specialists in specific areas (both Thai and foreigners); and
- Granting residence permits to leading foreign experts.

However, these additional incentives are not yet officially announced.

IV. Summary

The BOI's cluster promotion aims at creating regional investment concentration to ex-

exploit regional potential and to strengthen value chains.

In combination with the new (general) investment promotion strategy, this offers numerous investment opportunities for investors. After 15 years of minimal changes, this policy is an appropriate adjustment within an overall positive development.

Since additional incentives were introduced by the BOI, it may be worth reviewing the current investment structure and considering new investments taking these new promotions into account.

In particular, projects eligible for cluster promotion should consider setting up in one of the respective Special Economic Development Zones in order to profit from the additional tax incentives granted under the cluster promotion.

*We hope that the information provided in this newsletter was helpful for you.
If you have any further questions please do not hesitate to contact us.*

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