

Newsletter No 45

BOI Promotion: Trade and Investment Support

November 2009

Newsletter No 45

BOI Promotion: Regional Trade and Investment Support Offices

I. Introduction

The Thai Board of Investment (hereinafter referred to as “the BOI”) (the Thai Investment Promotion Agency) offers a wide list of promotions to both Thai and foreign companies. Incentives range from tax benefits such as tax holidays, allowing 100% foreign ownership in a company and the easier obtaining of work permits. Those promotions are related to specific industries which are identified as beneficial for the country.

One of such categories is the so-called **Trade and Investment Support**. This under category 7.15 Board of Investment Announcement No. 10/2552 stipulated promotion offers a wide range of eligible activities which can be applied for BOI promotion. Even though there are no tax benefits, such promotion enables the investor to hold 100% of the shares of his entity in Thailand and is therefore relevant to companies which do not qualify for any other promotion.

II. Eligible businesses

The scope of Business of Trade and Investment Support Offices (according to Office of the Board of Investment Announcement No. Por 12/2543) is as follows:

1. Monitoring and/or servicing affiliates
2. Advisory services on business operations except those engaged in buying and selling securities and foreign currency exchange. As for accounting, legal, advertising, architectural and civil engineering businesses, business licenses shall be obtained from the Department of Business Development or related governmental agencies prior to the promotion application.
3. Information services on goods sourcing
4. Engineering and technical services, except those related to architecture and civil engineering

Newsletter No 45

BOI Promotion: Regional Trade and Investment Support Offices

5. Testing and certifying standards of products, production and services that do not qualify for investment promotion under activity 7.13 (Scientific and Laboratories) of the list of promotional activities attached to Board of Investment Announcement No. 10/2552
6. Export trading
7. Business activities related to machinery, engines, tools and equipment such as:
 - Importing for wholesaling
 - Training services
 - Installation, maintenance and repairs
 - Calibration that does not qualify for investment promotion under activity 7.22 (Calibration Services) of the list of promotional activities attached to Board of Investment Announcement No. 10/2552
8. Software design and development that does not qualify for investment promotion under Software activity of the list of promotional activities attached to Board of Investment Announcement No. 10/2552
9. Wholesaling products.

Projects, which operate their business under any of the above type of activities could apply for investment promotion under the category of Trade and Investment Support Offices.

III. Further requirements

Applicants for this promotion must be either companies established under Thai law, or companies planning to establish under Thai law. Before applying, operating license must have been acquired from all relevant government agencies and the operating expenses of the applicant must be at minimum 10 million THB per year, which shall consist of sales and administrative expenses (as set forth in the Revenue Code). In general,

Newsletter No 45

BOI Promotion: Regional Trade and Investment Support Offices

a grace period is granted for the start-up phase. The operating plan must be approved by the BOI before entering the promotion under category 7.15.

Previously, the requirement to have operating expenses over 10 million THB was required from the first full fiscal year of operation. However, recently due to the economic situation, BOI loosened its approach and now requires the company to comply with the condition only, once an operating licence is applied for (latest after 3 years).

IV. Benefits for Regional Trade and Investment Support

In general the BOI offers two kinds of benefits: Tax-based incentives, such as tax holidays or tariff exemptions and duty reductions, and non-tax privileges, such as special rights guarantees, protections, easier granting of work permits, right to own land, and other permissions and services. The non-tax privileges are available to all BOI-promoted projects, regardless of location, industry, condition or category.

For the category “Trade and Investment Support”, only non-tax incentives are available. For foreigners, the probably most essential benefit is the right to hold 100% of the shares of the promoted company.

Besides this, BOI-promoted companies may also be granted the right of land ownership in Thailand which is generally very much restricted. However, the amount of land which may be owned by a foreign BOI promoted company is generally limited to the following (Announcement of the Board of Investment No. 2/2546, which gives BOI the right to increase the amount if deemed appropriate):

1. Land for the establishment of offices for promoted projects must not exceed 5 rai (1 rai amounts to 1,600 sqm)
2. Land for the residences of executives or experts must not exceed 1 rai
3. Land for the residences of employees must not exceed 2 rai.

Newsletter No 45

BOI Promotion: Regional Trade and Investment Support Offices

With regard to visas and work permits, staff of promoted companies are entitled to “One-Stop Service Centre,” which will considerably quicken the visa and work permit procedures. Foreigners can be brought into the country for feasibility studies, as well as technicians and experts, with very few limitations.

V. Summary

Announced in April 1996 by the BOI, the establishment of trade and investment support offices has become a very popular category of activities eligible for investment promotions. Although no tax benefit are granted, the right to own 100% of a company makes this promotion interesting especially for foreign service providers and traders, who are not eligible to any other investment promotion.

Generally, the requirements are quite wide so that many companies theoretically qualify. Most important restriction, however, is the requirement of selling and administrative expenses of more than THB 10 Million (approx. 200,000 Euro) per year.

Accordingly, promotion is only granted to companies of a certain size.

Although Lorenz & Partners Co., Ltd. always pays greatest attention on updating the information provided in this newsletter we cannot take responsibility for the topicality, completeness or quality of the information provided. None of the information contained in this newsletter is meant to replace a personal consultation. Liability claims regarding damage caused by the use or disuse of any information provided, including any kind of information which is incomplete or incorrect, will therefore be rejected, if not generated deliberately or grossly negligent.