

Newsletter

THAILAND: BOARD OF INVESTMENT ANNOUNCES INTERNATIONAL PROCUREMENT OFFICES ARE AGAIN ELIGIBLE FOR INVESTMENT PROMOTION

Introduction

The Board of Investment (the “BOI”), the regulatory body responsible for attracting foreign investment into Thailand, has expanded the list of business activities eligible for investment promotion. Notification No. Sor. 1/2564 Re: “Amending list of activities eligible for investment promotion under the Notification of the Board of Investment No. 2/2557” (the “Notification”) was issued on 13 January 2021, and adds international Procurement Office (“IPO”) business operations back onto the list of eligible business activities under Category 7 (Services and Public Utilities).

IPO businesses join International Business Centers (“IBC”) as business activities eligible for investment promotions. It is important to note that although there may be some overlap in the scope of business activities for IPOs and IBCs, some important distinctions between these two businesses exist which investors should be aware of. This briefing will provide an overview of the differences between the scope of business activities for IBCs and IPOs and will provide a summary of eligibility requirements and incentives for IPO businesses.

Background

IPOs were eligible for investment promotion until 2014. In 2014 they were removed by the BOI and replaced by International Trading Centers (“ITC”) and International Head Quarters (“IHQ”). The nature of the business operations of ITCs and IHQs were similar in scope to that of IPOs. In 2018, the BOI replaced ITCs and IHQs with IBCs as a business activity eligible for an investment promotion. IBC business activities were similar in scope to that of ITC and IHQ activities.

The Notification reintroduces IPOs, under Category 7.37, as business activities eligible for investment promotion. However, IBCs remain eligible for investment promotions, as well. Despite similarities in scope between IPOs, ITCs and IHQ in 2014, and similarities between ITCs and IHQs with IBCs in 2018, some important differences between the scope of IBCs and IPO business operations are evident based on the Notification.

Scope of business comparison: IBCs and IPOs

Scope of IBC business operations

The main scope of activities for an IBC project would be services provided to affiliates such as general business management, procurement of raw materials, and research and development of products. In addition, under the scope of activities of an IBC project, international trading business operations are also promoted. However, the scope of the international trading business activities under an IBC project must include at least two trading activities, out of the following:

- (i) IN-OUT (domestic procurement for export);
- (ii) OUT-IN (import for domestic wholesale);
- (iii) OUT-OUT (overseas procurement for overseas sale); or
- (iv) IN-IN (domestic procurement for domestic wholesale).

Key Contacts



Susumu Hanawa
TEL +66-2-009-5127 Ext. 3203
susumu.hanawa@mhm-global.com



Tananan Thammakiat
TEL +66-2-009-5000 Ext. 3202
tananan.t@mhm-global.com



Piyawanee Watanasakolpunt
TEL +66-2-009-5000 Ext. 3113
piyawanee.w@mhm-global.com



Nathaorn Yingseree
TEL +66-2-009-5000 Ext. 3113
nathaorn.y@mhm-global.com

CHANDLER MHM

Chandler MHM Limited
36th Floor, Sathorn Square
Office Tower
98 North Sathorn Road
Silom, Bangrak, Bangkok 10500
Thailand
www.chandlermhm.com

A company wishing to apply for the BOI promotions for international trading business activities under an IBC project must also engage in other services provided to its affiliates under the scope of that IBC project.

Scope of IPO business operations

While the international trading business activities under an IBC project requires the promoted company to engage in certain international trading activities as mentioned above, under the scope of an IPO project, a promoted company will be eligible to engage in either or both domestic wholesale and/or export activities.

Eligibility requirements

An IPO project will be eligible for an investment promotion if its business activities include all of the following:

- (1) procurement of raw materials, parts, and components used in the manufacturing industry;
- (2) ownership or rental of a warehouse and management of inventories with IT-based systems used exclusively for warehouse management;
- (3) appropriation activities for procurement and management of products (e.g., product quality inspection, product packaging, etc.);
- (4) procurement of goods must come from various suppliers, including local sources;
- (5) domestic wholesale and/or overseas export activities; and
- (6) a minimum registered capital of THB 10 million.

Incentives

Promoted IPO projects are entitled to B1 incentives. B1 incentives grant a promoted operation exemption from import duty on machinery and raw materials for use in products for export and other non-tax incentives. There are no corporate income tax incentives under B1 incentives.

Conclusion

Thailand continues to increase investment opportunities with the aim to solidify its position as a global center for trade and investment, a production base, and as a regional business hub. The Notification's reintroduction of IPOs as investment promotion eligible business provides another avenue for investors to enter the Thai market.

If you would like to discuss the issues raised in this article further or related issues, please contact the authors listed in the right-hand column.