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Updates on the BOI's Investment Promotion Packages and Conditions during the 1st and 2nd Quarter of 2022

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As we will continue to do, we would like to summarize updates with respects to the Board of Investment of Thailand's (the "BOI") material investment promotion packages and conditions from time to time.

Please find below our summary of the updates occurring during the 1st and 2nd quarter of 2022.

1. Amendments to the Conditions of Certain Eligible Activities

1.1 **Electric Vehicle Charging Stations**¹

To allow small companies and startups to be eligible for activity 7.35: Electric vehicle charging stations, the BOI removed some burdensome requirements as follows:

- the requirement to obtain ISO 18000 certification within three (3) years from the date of issuance of a BOI certificate; and
- the restriction making it so that the project cannot obtain additional incentives from other authorities.

Therefore, as a result of such amendment, the projects will be able to receive additional incentives from other authorities and will no longer have to comply with the ISO requirement.

In addition, the BOI has added the following conditions:

- as an alternative to the requirement of the project to have an EV Smart Charging System development plan, the applicant may choose to submit either a plan to connect an EV Smart Charging System to an integrated platform or a central platform for managing an EV Charging Network Operator System; and
- the project must comply with the laws and regulations regarding the standards and safety of the relevant authorities (e.g., Ministry of Energy, Metropolitan Electricity Authority, Provincial Electricity Authority and Ministry of Industry).

Regarding the tax incentives, the BOI has added an alternative tax incentive scheme for the case where a project cannot meet the minimum requirement for the number of chargers², under which the project will obtain a three (3)-year CIT³ exemption instead.

1.2 **Manufacture of high energy density battery (EV battery)**⁴

In principle, the BOI will grant a 90% reduction of import duties on raw and essential materials to the applicant for the maximum period of two (2) years according to Section 30 of the Investment

¹ BOI Announcement No. Sor.2/2565 dated 9 June 2022

² The previous requirement only applied to projects involving at least 40 quick chargers, 25% of which are DC type of the total chargers using in the project, which will be entitled to a five (5)-year CIT exemption.

³ "CIT" means Corporate Income Tax.

⁴ The resolution of the BOI dated 13 June 2022

Promotion Act of 1979. Under this amendment, the BOI has further granted an additional three (3)-year reduction, resulting in a five (5)-year reduction in total for both existing and new projects. However, it will apply only to projects involving cell and module production processes.

Other material conditions and incentives will be further published in the official announcement.

1.3 Smart industrial estates or zones⁵

Formerly, in order to be eligible for the activity of smart industrial estates or zones, the BOI required the project to provide the mandatory smart system services in seven (7) key sectors, i.e., Smart Facilities, Smart IT, Smart Energy, and Smart Economy, Smart Good Corporate Governance, Smart Living, and Smart Workforce. According to the amendment, the BOI has relaxed such requirement to having at least five (5) key smart systems, which must comprise four (4) mandatory sectors, i.e., Smart Facilities, Smart IT, Smart Energy, and Smart Economy, and at least one of the following three (3) optional smart systems, i.e., Smart Good Corporate Governance, Smart Living, and Smart Workforce.

Other material conditions and incentives will be further published in the official announcement.

1.4 Manufacture of natural extracts or products from natural extracts⁶

Previously, the manufacture of natural extracts or products from natural extracts, which is eligible for the BOI promotions, did not cover products such as medicine, soap, shampoo, toothpaste, and cosmetics. Based on the recent amendments, the BOI has removed such condition and has extended the scope of the product coverage to cover herbal medicines, food supplements, cosmeceuticals, and other products which use herbs as raw materials.

In this regard, the BOI has revised the scope of activity 1.11.1: Manufacture of natural extracts, or products produced from natural extracts in a continuous manner within the same project and added the new conditions as follows:

- In the case where advanced technology is used:
 - the project must use advanced extraction technology; and
 - the product must be registered as an herbal product, or equivalent, with the Food and Drug Administration or other authorities which has international standard or equivalent before receiving first revenue from the project.

The tax incentives will remain unchanged in the case where the project will be entitled to an eight (8)-year CIT exemption.

- In the case where general modern technology is used:
 - the product must be registered as an herbal product, or equivalent, with the Food and Drug Administration or other authorities which has international standard or equivalent before receiving first revenue from the project; and
 - if the applicant uses the research conducted by public sectors or the research conducted in collaboration with public sectors for commercial manufacture, it will be entitled to an additional one (1)-year CIT exemption.

The tax incentives will remain unchanged where the project will be entitled to a five (5)-year CIT exemption.

In addition, the BOI has added new conditions for activity 1.11.2: Manufacture of products from

⁵ *Ibid.*

⁶ BOI Announcement No. Sor.1/2565 dated 18 March 2022

natural extracts without use of the extraction processed for natural raw materials as follows:

- the product must be registered as an herbal product, or equivalent, with the Food and Drug Administration or other authorities which has international standard or equivalent before receiving first revenue from the project;
- the project must obtain production facility certification, such as GMP certification, in accordance with PIC/S guidelines or equivalents by the due date of commencement of operation; and
- if the applicant uses the research conducted by public sectors, or the research conducted in collaboration with public sectors for commercial manufacture, it will be entitled to an additional one (1)-year CIT exemption.

Regarding the tax incentives, the BOI has extended the additional tax incentive to a five (5)-year CIT exemption⁷.

2. New Eligible Businesses

The following activities have been added as new businesses eligible for the BOI promotions:

Eligible activities	Material conditions and incentives
Digital trade center for agricultural products ⁸	<ul style="list-style-type: none"> - the project must have no less than 51% Thai shareholders. - the project must have a platform for providing farmers and business operators, including a system to monitor and control agricultural products, provided that there must be a developing process or the project must hire other persons in the country to develop the software or platform used in the project. - the agricultural products must be sold on a B2B (Business-to-Business) basis only. - the project must have a traceability system and a quality control system, such as a laboratory for quality testing. - the project will be entitled to a five (5)-year CIT exemption.
Agriculture-food industrial estate or industrial promotion zone ⁹	<ul style="list-style-type: none"> - the project must not be located in either Bangkok or Samut Prakarn Province. In addition, the total area of the project must not be less than 200 rai, including the area for the industrial operation, but at least in the range of between 60% and 75% of the total area. - at least 80% of the entire area must be utilized for operation facilities in the agricultural industry, agricultural processing, food processing, activities utilizing agricultural products, by-products, agricultural scraps or wastes used as main raw materials, including scientific and technological support and personnel development services. - the project must utilize the following services and facilities: <ol style="list-style-type: none"> a) laboratory/testing facilities; b) institutions for training or developing agricultural or food knowledge; and c) basic utilities which are suitable and standardized or as per the details approved by the BOI. - the project will be entitled to a five (5)-year CIT exemption.
Development of smart systems for use in industrial estates or smart industrial	<ul style="list-style-type: none"> - the development plan of the project must be approved by the co-working board between the Industrial Estate Authority of Thailand and the BOI. - the project is entitled to an eight (8)-year CIT exemption. - other material conditions and incentives will be further published in

⁷ The previous tax incentives under activity 1.11.2: Manufacture of products from natural extracts without use of the extraction processed for natural raw materials did not provide any CIT exemption.

⁸ BOI Announcement No. Sor.1/2565 dated 18 March 2022

⁹ BOI Announcement No. Sor.1/2565 dated 18 March 2022

Eligible activities	Material conditions and incentives
zones ¹⁰	the official announcement.

3. Others: Measure allowing BOI-promoted foreign companies to own land for using as the office and residence¹¹

The BOI restored the measure allowing BOI-promoted foreign companies to own land for using as the office of the project and the residence of executives and foreign experts, including the residence of employees, to further facilitate the business operations of foreign investors in Thailand - which previously expired on 31 December 2017. Basically, the main conditions, as follows, are almost the same as its predecessor measures:

- the applicant must have the paid-up registered capital of at least THB 50,000,000;
- the requirements of area utilization under the project are:
 - land for using as the office of the project must not exceed five (5) rai;
 - land for using as the residence of executives and foreign experts must not exceed ten (10) rai; and
 - land for using as the residence of employees must not exceed twenty (20) rai.
- the land must be sold within one (1) year from the date of cessation of the project.
- the applicant must submit the application to the BOI by 31 December 2027.

Other material details and conditions will be further published in the official announcement.

Should you require further details of any measures, or wish to receive further updates, please feel free to contact us.

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¹⁰ The resolution of the BOI dated 13 June 2022

¹¹ *Ibid.*

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