

BOI: Eastern Economic Corridor (EEC) – New Benefits

13 September, 2018

Introduction

Following the February 2018 approval of the Bill on development of the Eastern Economic Corridor (“EEC”) which designated three Eastern provinces, Chachoengsao, Chonburi, and Rayong as the EEC, Thailand’s Board of Investment (“BOI”) released Notification BOI No. 3/2561 regarding measures for investment promotion in the EEC. However, this Notification was recently cancelled by the Notification of the BOI No. 6/2561, issued on 3 August B.E. 2561 (2018) and published on the BOI website (see www.boi.go.th and www.eeco.or.th) on 17 August 2018. According to this new notification, the goal is to not only stimulate investment in target industries in the Promoted Zone of the EEC, but to also encourage private participation in the development of human resources.

Promoted Zone

The Promoted Zone of the EEC consists of the following:

1. Special Promoted Zone for Specific Areas:

a. Eastern Airport City or EEC-A

The promoted activities in EEC-A, are, for example:

- Manufacture or repair of Aircraft or Aerospace Devices and Equipment;
- Air transportation services; and
- Aircraft or Aerospace Industrial Zone or Industrial Estate.

b. Eastern Economic Corridor of Innovation or EECi

The promoted activities in EECi are, for example:

- Plant or animal breeding (only those that are not eligible for biotechnology activity);
- Manufacture of fuel from agricultural scraps, or garbage or waste from agricultural produce, e.g. biomass to liquid (BTL);

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- Biogas from wastewater, manufacture of medical food or food supplements, manufacture of automation machinery and/or automation equipment with engineering design;
- Assembly of Robots or Automation Equipment and/or Automation Parts;
- Manufacture of aerospace devices and equipment such as devices or equipment related to space craft, satellites, rocket propulsion systems, electronic and aerospace communication equipment, search, detection and navigation instruments, etc.;
- High Value-added Software;
- Digital Services;
- Research and development;
- Biotechnology;
- Engineering design;
- Scientific laboratories; and
- Human Resources Development (only in respect of science and technology).

c. Digital Park Thailand or EECd

The promoted activities in EECd, are, for example:

- Electronics design;
- Embedded software;
- Enterprise software and/or digital content;
- Digital Services;
- Data center;
- Cloud Services;
- Research and development; and
- Digital Technology Development.

2. Promoted Zone for Target Industries (as announced and prescribed by the EEC Development Policy Committee):

Promoted Zone for Target Industries further specifies specific target industries in each Promoted Industrial Estate or Industrial Zone listed in item 3. below. For example, for Section 7: Service and Public Utilities, the specific target industries include Cloud Services and International Distribution Center, and for Section 8: Technology and Innovation Development, the specific target industries include Digital Technology.

3. Promoted Industrial Estate or Industrial Zone:

The promoted activities in the Industrial Estate or Industrial Zone are, for example:

- Section 1: Agriculture and Agricultural Products;
- Section 2: Mineral, Ceramics and Basic Metals;
- Section 3: Light Industry;
- Section 4: Metal Products, Machinery and Transport Equipment;
- Section 5: Electrical Appliances and Electronic Industry;
- Section 6: Chemicals, Plastics and Papers;
- Section 7: Service and Public Utilities; and
- Section 8: Technology and Innovation Development.

Conditions

To fulfill the goals of the Notification, the BOI has created tax incentives for those investing in the Promoted Zone, with the requirement to cooperate with an educational institution or program to develop human resources or technology. In particular for the development of human resources, a cooperative plan with the institution or program identified to accept students for vocational training must be submitted. The BOI has set a minimum number of students to be accepted, which varies depending on the zone under which the project is applying, and the number of employees required for the project.

Rights and Benefits

The tax incentives granted to investments in each Promoted Zone that meet the conditions are as follows:

Promoted Zone: Eastern Airport City or EEC-A:

1) Target Activities specified under annex 1, clause 1 of the notification:

- Exemption from juristic person income tax for an additional 4 years. Examples of activities include: the activity of manufacture of aircraft or aircraft parts, the activity of repair of aircraft or aircraft parts, and the activity of manufacture of aerospace devices and equipment and aerospace operating systems; and
- Exemption from juristic person income tax for an additional 2 years and juristic person income tax allowances on net profits from investment at 50% the normal rate for a period of 5 years from the expiry of the exemption from juristic income tax. Examples of

activities include: the activity of manufacture of onboard devices and equipment, the activity of air transportation services, and the activity of aircraft or aerospace industrial zone or industrial estate.

2) Target Activities specified under annex 3 of the notification (except for the activity of production from metal or alloy powder):

- Exemption from juristic person income tax for an additional 1 year. Examples of activities include: the activity of targeted core technology development, the activity of research and development, the activity of engineering design, the activity of scientific laboratories, the activity of calibration services, and the activity of human resources development, provided it must support development of Target Technologies; and
- Juristic person income tax allowance on net profits from investment at 50% the normal rate for a period of 3 years from the expiry of the exemption from juristic income tax for the rest of the activities not mentioned above.

Promoted Zone: Eastern Economic Corridor of Innovation or EECi:

1) Target Activities specified under annex 1, clause 2 of the notification:

- Exemption from juristic person income tax for an additional 3 years. Examples of activities include: the activity of targeted core technology development, the activity of research and development, the activity of engineering design, the activity of scientific laboratories, the activity of calibration services, and the activity of human resources development, provided it must support development of Target Technology;
- Exemption from juristic person income tax for an additional 4 years. Examples of activities include: the activity of manufacture of active ingredients from natural raw material, the activity of automation machinery and/or automation equipment with engineering design, the activity of embedded software, and the activity of recycling and reuse of unwanted materials, etc.; and

- Exemption from juristic person income tax for an additional 2 years and juristic person income tax allowance on net profits from investment at 50% the normal rate for a period of 5 years from the expiry of the exemption from juristic income tax. Examples of activities include: the activity of improvement of plant or animal breeding, the activity of assembling of robots or automation equipment and/or automation parts, and the activity of digital services etc.
- 2) Target Activities specified under annex 3 of the notification (except for target activities under clause 4.2.1 (target activities unspecified yet):
- Juristic person income tax allowance on net profits from investment at 50% the normal rate for a period of 3 years from the expiry of the exemption from juristic income.

Promoted Zone: Digital Park Thailand or EECd:

- 1) Target Activities specified under annex 1, clause 3 of the notification:
- Exemption from juristic person income tax for an additional 3 years. Examples of activities include: the activity of digital technology development, the activity of research and development, the activity of engineering design, the activity of scientific laboratories, the activity of calibration services, and, the activity of human resources development, provided it must support development of Digital Technology;
 - Exemption from juristic person income tax for an additional 4 years. Examples of activities include: the activity of electronics design, the activity of embedded software, the activity of software park, the activity of cloud services, and the activity of calibration services, etc.; and
 - Exemption from juristic person income tax for an addition 2 years and juristic person income tax allowance on net profits from investment at 50% the normal rate for a period of 5 years from the expiry of the exemption from juristic income tax for the activity of enterprise software, and the activity of digital services.

2) Target Activities specified under annex 3 of the notification, (except for target activities under clause 4.3.1 (target activities unspecified yet):

- Exemption from juristic person income tax for an additional 1 year. Activities include: the activity of biotechnology development, the activity of nanotechnology development, and the activity of human resources development, provided it must support development of Target Technology; and
- Juristic person income tax allowance on net profits from investment at 50% the normal rate for a period of 3 years from the expiry of the exemption from juristic income tax for the rest of the activities not mentioned above.

Promoted Zone: Promoted Zone for Target Industries (as announced and prescribed by the EEC Development Policy Committee):

1) Target Activities specified under annex 2 of the notification (the target industries as announced and prescribed):

- Exemption from juristic person income tax for an additional 3 years. Activities include: the activity of targeted core technology development, the activity of research and development, the activity of engineering design, the activity of scientific laboratories, the activity of calibration services, and the activity of human resources development, provided it must support development of Target Technology; and
- Juristic person income tax allowance on net profits from investment at 50% the normal rate for a period of 5 years from the expiry of the exemption from juristic income tax for the rest of the activities not mentioned above.

2) Target Activities specified under annex 3 of the notification (except for the activity of manufacture of electrical products):

- Exemption from juristic person income tax for an additional 1 year. Activities include: the activity of targeted core technology development, the activity of research and development, the activity of engineering design, the activity of scientific laboratories, the activity of calibration services, and the activity of human

resources development, provided it must support development of Target Technology; and

- Juristic person income tax allowance on net profits from investment at 50% the normal rate for a period of 3 years from the expiry of the exemption from juristic income tax for the rest of the activities not mentioned above.

Promoted Zone: Promoted Industrial Estate or Industrial Zone:

1) Target Activities specified under annex 3 of the notification:

- Exemption from juristic person income tax for an additional 1 year. Activities include: the activity of targeted core technology development, the activity of research and development, the activity of engineering design, the activity of scientific laboratories, the activity of calibration services, and the activity of human resources development, provided it must support development of Target Technology; and
- Juristic person income tax allowance on net profits from investment at 50% the normal rate for a period of 3 years from the expiry of the exemption from juristic income tax for the rest of the activities not mentioned above.

In the case that exemption of juristic person income tax is granted for more than 8 years, juristic person income tax allowances on net profits from investment at 50% the normal rate shall not be granted.

Note: should rights and benefits under EEC measures be granted, the project would not be eligible for additional rights and benefits for development of the industrial zone under the Notification of the BOI No.2/2557.

Application Timeline

Applications for promotion must be submitted between 1 January 2018 to 30 December 2019, and submission to request additional rights and benefits under this notification must be made before 30 December 2019.

This publication is intended to highlight an overview of key issues for ease of understanding, and not for the provision of legal advice. If you have any questions about this publication, please contact your regular contact persons at Mori Hamada & Matsumoto or Chandler MHM Limited, or any of the Key Contacts listed to the right above.