

Thailand endorses Thailand Plus Package 7 in response to global trade tensions

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Executive summary

The Thai economic ministers endorsed the "Thailand Plus Package 7" on 6 September 2019 to attract foreign investors looking to relocate production bases to Thailand amid the current trade tensions and increased tariffs. Regulations that provide more details are expected to be issued shortly.

This Alert summarizes the Thailand Plus Package 7.

Detailed discussion

Thailand Plus Package 7 provisions

1. Additional tax incentives

In addition to the Board of Investment (BOI) base incentive, the BOI will offer an additional 50% corporate income tax reduction for a period of five years to projects with an investment of at least THB1 billion (US\$33 million). Investment applications must be filed with the BOI by the end of 2020.

2. Improved efficiency of government agencies

An investment coordination committee will be set up to assist investors resolve difficulties or require an immediate relocation of their business to Thailand. The BOI will be granted special authorization to consider and approve projects

that do not offer corporate income tax exemptions (i.e., taxpayers entitled to B1/B2 incentives¹), irrespective of the size of investment. Prior to the introduction of this package, any project with an investment exceeding THB200 million (US\$6.5 million) was required to be approved by a sub-committee formed by representatives of all ministries.

3. Advanced technology training

Additional tax deductions, equivalent to 200% of the advanced technology training expenditure, will be offered to companies with qualifying investments/expenditure for advanced technology training activities during 2019 and 2020.

4. Ease of doing business

The Ministry of Commerce will review the list of restricted businesses listed in the *Foreign Business Act* and amend clauses that may deter foreign investments in target industries. The BOI and other authorities will cooperate and share information/data of investors to facilitate the foreign investments in Thailand. Visa and work permit requirements/procedures will also be reviewed to expedite the hiring of foreign workers, especially highly skilled employees.

5. Special investment zones

The Industrial Estate Authority of Thailand will arrange and develop new locations to support foreign investments from specific countries.

6. Trade agreements

The Ministry of Commerce will determine whether Thailand should revive the Thailand-European Union (EU) free trade agreement (FTA) negotiations, and whether it should participate in the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP).

7. Additional deductions for investments in automation systems

Additional tax deductions will be offered for any expenses/investment costs incurred in installing automation systems during 2019 and 2020 that will ultimately improve production efficiency and strengthen the overall supply chain in Thailand.

Product origin rules

Thailand's extensive network of FTAs with trading partners, such as the Association of Southeast Asian Nations (ASEAN), China, Japan, Korea, Australia, New Zealand, India, Chile, Peru and Hong Kong, offers Thai manufacturers tariff free or reduced tariff access to these markets. The ongoing negotiations to create the world's largest economic bloc under the proposed Regional Comprehensive Economic Partnership and reopening of talks over the proposed Thailand-EU FTA and participation in the CPTPP will present additional opportunities. To qualify for reduced tariffs, investors must ensure that their sourcing strategy and production processes in Thailand meet the required product origin rules.

Endnote

1. B1/B2 BOI base incentives are non-tax incentives for eligible activities (e.g., import duty exemptions, land ownership, etc.).

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