

# Trade Alert

## Vol. 5 Issue 16

### 25 December 2018



#### BOI INTRODUCES THE IBC SCHEME TO REPLACE IHQ AND ITC ACTIVITIES

According to the Announcement of the Board of Investment (“BOI”) No. Ngor. 1/2018, the existing investment promotions for the International Headquarter (“IHQ”) and International Trading Centers (“ITC”) activities have officially been canceled to be in accordance with the Government’s policy in response to the implementation plan of the Inclusive Framework on the Base Erosion and Profit Shifting of the Organization for Economic Cooperation and Development (“OECD”). The amendment is effective on 11 December 2018. As a result, the applications for IHQ and ITC will no longer be accepted by the BOI.

Besides, in promoting the establishment of the international business center in Thailand to meet the goal of becoming regional and global hub for operation of services businesses in relation to the management and other related fields that are essential to the affiliated enterprises and the operation of international trading center, the BOI has announced a new scheme under the International Business Center (“IBC”) activity to replace the IHQ and ITC on the same date as above-mentioned according to the Announcement No. Sor. 6/2018.

To be eligible for investment promotion under the IBC activity, the applicant will be subjected to the following criteria and conditions:

1. Must contain the business plan related to the providing of services to affiliated enterprise(s) by having the scope of business as follows:
  - 1.1 Organizational administration and management and business planning
  - 1.2 Procurement of raw materials and Parts
  - 1.3 Research and development of products
  - 1.4 Technical support
  - 1.5 Marketing and sales promotion
  - 1.6 Human resources administration and training
  - 1.7 Business advisory services related to the financial
  - 1.8 Analysis and research on economic and investment
  - 1.9 Credit management and control
  - 1.10 Financial management of treasury center
  - 1.11 International trading center
  - 1.12 Other services as prescribed by the Revenue Department
2. The paid-up registered capital must not be less than 10 million baht.
3. Must employ at least 10 permanent employees that have knowledge and essential skills for the IBC. Except for the case where entities only provide treasury services for affiliated enterprise(s), at least 5 permanent employees that have knowledge and essential skills are required.
4. In case of business under international trading center activity, the scope of business under item 1.1-1.10 must also be operated at least 1 item.

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5. The project is not entitled to the exemption of import duty on raw materials and essential materials used in production for export.

6. The project is not eligible for merit-based privileges.

Unlike the IBC scheme to be launched by the Revenue Department which grants “Tax” incentives -- the official law has not been released yet -- the incentives of the IBC scheme granted by the BOI is regarded as “Non-tax” incentives under “B1 privilege” as shown below:

- Exemption of import duties on machinery (only those to be used for research and development, and training).
- 100% foreign ownership (except activities under List One annexed to the Foreign Business Act B.E. 2542 (1999) or stated in the laws).
- Permit to own land.
- Permit to bring in skilled workers and experts to work into the Kingdom.

Applicants are able to submit the applications to be granted the investment promotions under IBC activity with the BOI since 11 December 2018 onwards.

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If you have any comments or questions regarding Trade Alert or any matters discussed herein, or if you are interested in finding out more about Bolliger & Company Consulting services, please contact any of the persons below:

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