

Protecting and Enhancing Value Throughout Your Enterprise



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NEWSFLASH

Introduction of International Business Centers (Applications for tax incentives under ROH I, ROH II, IHQs, Treasury Centers, & ITCs discontinued¹)

- THAILAND -

Dated October 11, 2018 the Ministry of Finance of Thailand announced² that the existing tax incentives for Regional Operating Headquarters (“ROHs”) etc. will be repealed³ and replaced by the new concept of International Business Centers (“IBCs”). The tax regimes that are cancelled are the following:

- (a) ROH I under: Royal Decree issued under the Revenue Code governing the Reduction of the Rate and Exemption from Revenue Taxes (No. 405) 2545 (2002)
- (b) ROH II under: Royal Decree issued under the Revenue Code governing the Reduction of the Rate and Exemption from Revenue Taxes (No. 508) 2553 (2010)
- (c) International Headquarters (“IHQs”) and Treasury Centers (“TCs”) under: Royal Decree issued under the Revenue Code governing the Reduction of the Rate and Exemption from Revenue Taxes (No. 586) 2558 (2015)
- (d) International Trading Centers (“ITCs”) under: Royal Decree issued under the Revenue Code governing the Reduction of the Rate and Exemption from Revenue Taxes (No. 587) 2558 (2015)

New applications under these old regimes has ceased to be accepted from October 10, 2018 by the Revenue Department.

The main tax incentives under the new IBC regime are as follows:

¹ Existing ROH I, ROH II, and IHQs can continue to enjoy existing tax privileges, and may convert into an IBC.

² http://www.mof.go.th/home/Press_release/News2018/149.pdf

³ Existing ROH I, ROH II, and IHQs can continue to enjoy existing tax privileges, and may convert into an IBC.

1. **Corporate Income Tax (“CIT”)**: The CIT rate applicable to taxable income arising from qualifying **Service Income**, **TC Income**, and **Royalty Income** will be subject to the following three rates, depending on the amount of qualifying expenditure;
 - 8%, if the expenditure is 60 million Baht or more;
 - 5%, if the expenditure is 300 million Baht or more;
 - 3%, if the expenditure is 600 million Baht or more.
2. **Dividend Income**: Dividends which the IBC receives from associated enterprises, whether they are registered in Thailand or foreign, will be exempt from inclusion into taxable income for CIT purposes;
3. **Withholding Tax (“WHT”): Dividend Distributions** and **Interest** payments made by an IBC to overseas will not be subject to WHT.
4. **Personal Income Tax (“PIT”)**: The PIT rate for foreign employees (expatriates) working for an IBC will be 15%, if requirements are satisfied.
5. **Specific Business Tax (“SBT”)**: Qualifying TC income will be exempt from SBT.

The main conditions for qualifying as an IBC include the following:

- **Minimum Paid-Up Capital:** 10 million Baht
- **Minimum Annual Expenditure** paid in Thailand: 60 million Baht
- **Minimum Number of Employees:** 10 employees (5 in the case of TC activities.)

Transitory provisions for existing ROHs etc. have also been announced.

It remains to be seen whether or not the Board of Investment (“BOI”) will make changes or additions to its regime for IHQs and ITCs.

For more information regarding our tax advisory services, please contact. We can provide relevant services, such as supporting clients with their application for IBC status to enjoy the tax benefits.

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