

FAQs

Applying for investment promotion for an International Business Center (IBC) activity.

1. At least how many countries must an IBC provide services to its foreign affiliates?

At least one country.

2. What job positions are included in the ten-employee requirement for an IBC? Does this cover current employees?

The ten-employee criterion covers both existing and new employees in all positions of skilled workers who are knowledgeable and operate under IBC operations.

3. What cost items can be included in the minimum investment requirement of 1 million baht (excluding land and working capital)?

The minimum investment requirement of 1 million baht can be categorized into 2 cases as follows:

- 1) In a case of a newly established company that has never conducted business, the investment can include construction or rental costs for more than 3 years; costs of machinery or rental costs for more than 1 year, machinery testing, and installation; expenses before a full operation, and other asset costs.
- 2) In a case of an established company that has been operating other businesses, the investment will include costs of construction or rent for more than 3 years, costs of machinery or rental costs for more than 1 year, machinery testing, and installation.

4. What machinery expenditures are considered as investments, given that IBC activities mostly include office work such as business planning and consulting?

In the context of IBC operations, "machinery" refers to the equipment utilized to service clients and is within the promoted business scope. Consequently, if the company is promoted for business planning or consulting services, the machinery will consist of computers, software, printers, and telephones. If the company provides R&D and training services to its affiliates, the machinery may include equipment used in research and training for employees.

5. What are examples of other asset costs that can be accounted for as investments?

Other asset costs include costs of office furniture and automobiles.

6. If a company has conducted business in the country and has a paid-up registered capital of above 10 million baht, must it raise its registered capital by an additional 10 million baht to apply for investment promotion in the IBC activity?

The company is not required to increase its registered capital by 10 million baht if its debt-to-equity ratio in its financial statement does not exceed 3 to 1. If the debt-to-equity ratio exceeds 3 to 1, the company may consider increasing registered capital to meet the calculation conditions of debt-to-equity ratio for each project.

7. If the company wants the treasury center to serve its affiliates and group companies, must it obtain approval from the Bank of Thailand before applying for BOI promotion?

The company must first apply for a treasury center license from the Bank of Thailand before applying for investment promotion for a treasury center. It is not required for the company to obtain a license on the application submission date for investment promotion, but the company must provide proof of applying for a treasury center license from the Bank of Thailand. Nonetheless, the company must have obtained a treasury center license before the issuance of the BOI investment promotion certificate.

8. If a company wants to operate the trading business only, can the company apply for investment promotion under the IBC activity?

The company will not be eligible to apply for investment promotion under the IBC activity because the primary obligation of the activity is to service its affiliates and group companies before engaging in trading business.

9. Must trading businesses under the IBC be restricted to affiliates and group companies?

No, it is not necessary. The promoted IBC activity can purchase goods from any company and sell to companies outside the corporate group.

10. Can a trading business under the IBC engage in domestic retail trading (Retail trading means selling goods to end-users)

No, this is not allowed. If the company wants to engage in domestic trading, it may only do so through wholesale trading. If the company sells to clients in other countries, it may engage in both retail and wholesale trading.

FAQs Tax Incentives for International Business Center (IBC)

Expatriate Employees

1. How to determine the number of days that an expatriate employee stays in Thailand?

Ans: From the border entry and exit information.

2. In case that the company cannot foresee whether an expatriate employee will stay in Thailand at least 180 days within the tax year, how should the company withhold his/her income tax?

Ans: Withhold the income tax in accordance with the rate stipulated under the section 50 of the Revenue Code.

3. If the company has already been granted IBC's tax benefits, and later submits additional list of expatriate employees eligible for personal income tax incentive at the end of tax year, when will such expatriate employees start receiving personal income tax benefit? And are they required to stay in Thailand at least 180 days in that tax year?

Ans: The personal income tax benefit will start from the day that expatriate employees start working full-time for IBC. Such expatriate employees must stay in Thailand at least 180 days except for the first and the last tax years that they receive personal income tax benefit.

4. If an expatriate employee received income from onshore and offshore (The associated enterprise had paid the person and the payment was reimbursed by the IBC thereafter.) from IBC. Is such employee eligible for personal income tax rate reduction to 15% for all the income he/she received?

Ans: Only the income received from IBC is eligible for personal income tax rate reduction.

5. Does the average monthly income of 200,000 Baht include bonus?

Ans: Yes.

Eligible Income

1. Are the profits from foreign exchange, and income from currency swap, bank's deposit interest, and default interest eligible for corporate income tax incentive?
Ans: If they are IBC's income, they are eligible for corporate income tax incentive.
2. Are the treasury center's income from investment and income from interest rate or foreign exchange rate risk management eligible for corporate income tax incentive?
Ans: If they are income from providing treasury center services to associated enterprises, they are eligible for corporate income tax incentive.
3. Is the treasury center's income from cash pooling eligible for corporate income tax incentive?
Ans: If it is income from providing treasury center service to associated enterprises, it is eligible for corporate income tax incentive.

Expenditure Requirements

1. Are the interest expenses and foreign exchange costs included in the required expenditures (amount of at least 60 million baht)?
Ans: If they are paid to a recipient in Thailand, they can be included in the required expenditures.
2. Are the expenses of international trading center included in the required expenditures (amount of at least 60 million baht)?
Ans: No.
3. Are the expenses of purchasing capitals included in the required expenditures (amount of at least 60 million baht)?
Ans: If they are paid to a recipient in Thailand, they can be included in the required expenditures.
4. If there are expenses of IBC and non-IBC that cannot be separated, how should they be allocated?
Ans: Allocate based on revenue.

Employee Requirements

1. How to determine whether an employee is a full-time employee?

Ans: Consider whether an employment contract states that such person is a full-time employee.

2. Do the employees who have the knowledge and skills necessary for IBC include Thai employees?

Ans: Yes.

3. If the treasury center wishes to apply for additional IBC's activity (i.e. headquarters or international trading center), when should the company satisfy the 10-employee requirement (at the time of applying or at the end of accounting period)?

Ans: At the time of applying for additional IBC's activity.

Application Submission

1. If the information for IBC application is incomplete, can the company provide additional information, or the company needs to start the application process again?

Ans: The company should provide complete information when submitting the application.

2. How long does the application approval process take?

Ans: The approval process for IBC takes no longer than 30 business days. The approval process for changing IBC's activities takes less time.

Others

1. Does borrowing Thai baht by the treasury center include the issuance of corporate bond?

Ans: Yes.

2. Can IBC do out-out trading?

Ans: Yes, but it does not receive corporate income tax incentive.

3. To receive corporate income tax incentive for royalty income, can such royalty be derived from research and development carried out partly in Thailand and partly in foreign countries.

Ans: The research and development must be carried out only in Thailand.

4. How many associated enterprises must IBC have?

Ans: There is no requirement on the minimum number of associated enterprises.

5. If the company has IBC and non-IBC activities, when paying out dividends to shareholders, will the dividend payment receive withholding tax exemption for the whole amount?

Ans: The withholding tax exemption is only applied on the dividends that are paid out of the income derived from providing management services, technical services, supporting services, or financial management services to associated enterprises.

FAQ

Services providing to associated enterprises

1. Question: What is a definition of “foreigner”?

Answer: The following person or juristic person is defined as a foreigner:

- (1) a natural person not of Thai nationality;
- (2) a juristic person not registered in Thailand;
- (3) a juristic person registered in Thailand, being of the following descriptions:

- (a) being a juristic person at least one half of capital shares of which are held by persons under (1) or (2) or a juristic person in which investment has been placed by the persons under (1) or (2) in the amount at least equivalent to one half of the total capital thereof;
- (b) being a limited partnership or a registered ordinary partnership the managing partner or the manager of which is the person under (1);
- (4) a juristic person registered in Thailand at least one half of the capital shares of which are held by persons under (1), (2) or (3) or a juristic person in which investment has been placed by the persons under (1), (2) or (3) in the amount at least equivalent to one half of the total capital thereof;

2. Question: How much is the fee for a foreign business licence and certificate?

Answer: (1) Licence application fee is 2,000 Baht.

- (2) Licence for any business in List Three: 5 Baht for every one thousand Baht of registered capital, provided that the minimum fee is 20,000 Baht and the maximum fee is 250,000 Baht.
- (3) Certificate application fee is 2,000 Baht.
- (4) Certificate fee is 20,000 Baht.

3. Question: How long does it take for approval a foreign business license?

Answer: (1) DBD will conclude the application details to the Sub-Committee and Foreign Business Commission for an approval.

- (2) The consideration period for approval of the application must be finished within 60 days. Operating business can be done after obtaining the license. After the Director-General's approval, the DBD will notify the applicant and issue the license within 15 days.
- (3) In case of disapproval, written notification will be sent to an applicant within 15 days and the applicant is entitled to appeal to the Minister of Commerce within 30 days (no application



FAQ

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form is required). It can be written as a letter by submitting to DBD. The appeal consideration period will not exceed 30 days.

4. Question: Where can foreigners apply for foreign business licence or certificate?

Answer: (1) Venue for applying for a foreign business licence is at Foreign Business Administration Division, the Department of Business Development, Ministry of Commerce, Nonthaburi, Tel (662) 5474425-26, Fax (662) 5474427 -28.

(2) Applying for e-Foreign Certificate is now only in the case of foreigners operate business promoted under Thai Investment Promotion law.

5. Question: How much is the minimum capital required to operate a business?

Answer: The minimum capital to be used by a foreigner for the commencement of the operation of a business (as specified in the Lists annexed of FBA) in Thailand shall not be less than three million Baht.

**Department of Business Development
Foreign Business Administration Division**



Frequently Asked Questions

Q1. Is there any minimum requirement on the amount of registered capital in order to operate as a Treasury Center¹?

Answer: There is no minimum requirement on the amount of registered capital. However, if the Treasury Center is a foreign business², it must have the debt-to-equity ratio in accordance with the requirement under the related laws and regulations of the Ministry of Commerce.

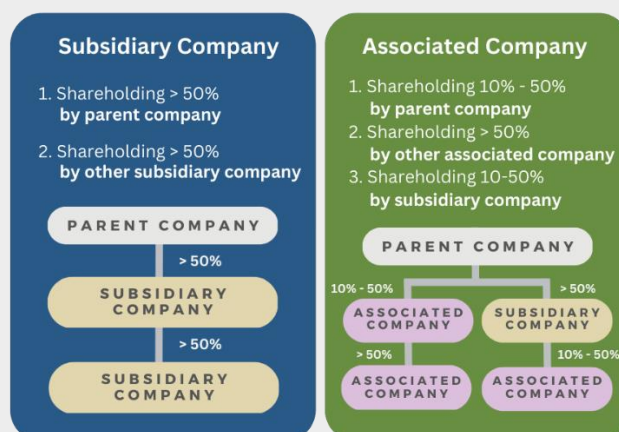
Q2. How much shareholding should a Treasury Center have in its conglomerate group?

Answer: A Treasury Center has to be in the same *business network* as its conglomerate group.

Note :

1) Business Network means a parent company and its affiliated companies.

2) Affiliated Company means a subsidiary or an associated company of a parent company.



Q3. If a company wishes to undertake a business as an *International Business Center* (IBC) and also wishes to manage foreign currencies under the scope of Treasury Center business for its conglomerate group, how can it apply for license?

Answer: The company can submit an application for a Treasury Center license to the Bank of Thailand (BOT) in parallel with the application for investment promotion to the BOI. However, the decision will be finalized by the BOI only after the company has been granted a license to operate a Treasury Center.

¹ under the Foreign Exchange Regulations.

² under the Foreign Business Act, B.E. 2542 (1999).