

Question and Answer Session

- 1. Why does the BOI want to promote the creation of clusters under its new policy instead of zones and regions under the existing policy? How can you be sure it will enhance development in the provinces?**

A: In regard to the reasoning behind the BOI's cluster methodology, as you may be aware, when originally we had attempted to promote centralization by having three distinct zones; in actuality after several years of testing the results were not effective. Whereby the areas or "zones" we had attempted to promote did not see the investment didn't go to those areas.

Under the new cluster methodology, there are two main considerations we take into account, being: industrial based considerations and area based consideration. For area based considerations, we allow the local province in question to have a say in what kinds of industries they would want in that area. These areas are able to provide us with recommendations which industries they would like to promote according to the capacity in that area.

Investors can submit their proposal to BOI, and the BOI will grant you special incentives which are suitable for the area where the project will be located. The local administration of the area has the power to request for additional budget from the government. We want to be clear that this is not 1 way promotion, and we have built up the new policy after conducting in depth research with local areas. This direction depends on what investor or the local administration wants to propose to the BOI, and will be determined on a case-by-case basis.

- 2. Where the new promotion plan actually reduces incentive; do you think that this can have a negative impact on existing businesses?**

Overall, you may get the impression that we have reduced incentives; however if you look at the infrastructure we have currently and the knowledge that we have currently, I believe that our competitiveness remains the same and the incentives offered are proportionate. That being said, in some industries, we have to admit that Thailand cannot be, or Thailand is no longer the so called "hub" or "center" for that industry. As such we have to progress toward the so called "value added" industries.

So we understand that some industries will move overseas, we think that Thailand want to focus on those industries which we can compete in both regionally and globally. The BOI believes that we have given the highest form of incentives that are feasible for our goals; and again I firmly believe that by looking at the incentives offered under the new policy, Thailand is still an attractive destination for investment.

3. As you may be aware those Thai investors who invest overseas face many challenges; do you think the BOI can adequately support them on facing such challenges?

There are 3-4 things we have seen that outbound investors want to know, being:

- (a) Taxation issues (and whether there exist any promotion and incentive in that regard)
- (b) The BOI can support Thai outbound investors by providing investment information in regard to foreign policies to such investors;
- (c) Possible channels for investing; and
- (d) methodology for investing overseas.

If you look at our website we have all this information there.

To improve our knowledge about investing in neighboring countries the BOI conduct business tours on target countries. Every year we conduct a study tour to look at the investment feasibility for all Thai investments in potential target countries.

To further support outbound Thai investors we hold seminars and sessions conducted by experienced Thai investors who have experience investing in neighboring countries.

We have found that many outbound Thai investors enquire about the legal aspects of investing in foreign countries which are subject change all the time and can be complicated to understand. To provide additional support, the BOI have legal advisers for investing in neighboring countries who are resident in our BOI office. Our legal advisers have focused on Myanmar, Lao and Indonesia first.

My last comment on this point is in regard to SMEs; we understand that those SMEs wanting to invest overseas must be both strong and capable. The BOI assist them by providing training and information to strengthen their understanding of the various issues involved.

4. This new direction of the BOI; when does it start? and how does it impact on the current development plan?

The new plan will be effective from 1 January onwards. All applications before then will be subject to the existing policy and will be granted the incentives under the current policy.

5. When you talk about value added, and you say it has to be minimum 20%. What do you mean by value adding?

Value added means the current revenue of the project minus the facility and utility expenses. Our value added considerations compare the ratio of such expenses to the revenue of the project.

6. Is it possible for some businesses to obtain an extension for the current application? I.e. those who want to continue and extend the current incentives being offered?

For some time now we have received many questions on this topic and we at the BOI understand that there any many of you who are affected by this new direction of ours; these businesses point out that they have not had the time to make changes to their existing businesses to be able to conform to the new policy.

I however would like to apologize that I cannot answer your question at this point of time, as we are to have a meeting later this month and after I can confirm to you the possible reliefs we can give you for the current businesses. The new incentives are available to those who apply next year.

7. Can a Thai company with 100% Thai shareholding qualify for the incentives being offered or not?

Yes. Again we would like to emphasize that all companies are eligible to apply for these incentives; no matter if the company is a JV or 100% Thai company or foreign company; all must qualify for these incentives. The BOI do not discriminate on this issue.

8. For zone 3 businesses located, are they qualified for new incentives?

In regard to the new incentives; because we had used zoning for a long time in the past, we have shifted our system to a new direction. If you want to know whether you qualify; please refer to the material distributed as the new incentives are no longer zone based. If you are still uncertain, please come visit our offices.

9. If a business qualifies for the A1 incentives, can such a business also qualify for other incentives to further enhance its competitiveness?

The BOI consider that those businesses which qualify for the A1 incentives are those businesses using advanced technology, and have already been provided with an 8 year exemption corporate income tax and do not require the merit based incentives as they are already deemed to be the “merit business”.

10. For IHQ promotion, do you have any regulation from the BOI when can we see this?

For international headquarters the incentives offered are from group B1. As there are many agencies involved in the creation of an IHQ, being the Bank of Thailand, the Ministry of Finance and the Revenue Department, additional tax based incentives will be issued by these other agencies. However, please note that the qualification criteria will remain the same.

11. Please advise on this situation: What if a business has already obtained BOI card; and the business would like to invest more, is it possible to obtain the merit-based incentives?

If a business has already been granted incentives, and would like to obtain the merit-based incentives, we request that such businesses submit an application to do so before the expiration of the CIT and after 1 January 2015 when the incentives become available.