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ROYAL DECREE

Issued under the Revenue Code

Regarding Reduction of and Exemption from Revenue Tax (No. 518),

B.E. 2554

BHUMIBOL ADULYADEJ, REX.

Given on the 29th Day of May B.E. 2554;

Being the 66th Year of the Present Reign.

His Majesty King Bhumibol Adulyadej is graciously pleased to proclaim that;

Whereas it is expedient to grant reduction of and exemption from corporate income tax in certain cases.

By virtue of section 187 of the Constitution of the Kingdom of Thailand and section 3 (1) of the Revenue Code as amended by the Revenue Code Amendment Act (No. 10), B.E. 2596 (1953), which contains certain provisions pertaining limitation on the rights and liberty of person, authorized by the provisions under Section 29 as well as Section 33 and Section 41 of the Constitution of the Kingdom of Thailand, King's most Excellent Majesty hereby enacts a Royal Decree as follows:

Section 1. This Royal Decree is called the "Royal Decree Issued under the Revenue Code Regarding Reduction of and Exemption from Revenue Tax (No. 518), B.E. 2554".

Section 2. This Royal Decree shall come into force as from the day following the date of its publication in the Government Gazette.

Section 3 In this Royal Decree:

"alien" means an individual whose nationality is not Thai;

"international procurement center" means a company incorporated under Thai laws to operate a business of procuring goods, raw materials and spare parts for resale to an associated enterprise;

"associated enterprise" means a company or registered partnership that is related to an international procurement center as follows:

(1) a company or juristic partnership that holds shares in the international procurement center, directly or indirectly, of not less than 25 percent of total capital;

(2) a company or juristic partnership whose international procurement center holds shares or is a partner holding an interest, directly or indirectly, of not less than 25 percent of total capital;

(3) a company or registered partnership that the company or juristic partnership under (1) holds shares or is a partner holding an interest, directly or indirectly, of not less than 25 percent of total capital;

(4) a company or juristic partnership which has the power to control the business or supervise the operation and management of an international procurement center;

(5) a company or juristic partnership whose an international procurement center has the power to control the business or supervise the operation and management;

(6) a company or juristic partnership whose the company or registered partnership under (4) has the power to control the business or supervise the operation and management.

Section 4 The rate of withholding tax on income tax shall be reduced and imposed at the rate of 15 percent of the income from assessable income derived by an alien from his or her employment in the international procurement center, which, when computed in accordance with Section 50 (1) of the Revenue Code, shall be subject to tax at the rate prescribed in the Schedule of Income Tax Rates annexed to Chapter 3 in Title 2 of the Revenue Code of more than 15 percent of income.

In the case where assessable income under paragraph one, when computed in accordance with Section 50 (1) of the Revenue Code, is subject to withholding tax at the rate of less than 15 percent of income, the alien who earns the income shall be entitled to exemption from including such income in computation of income tax in accordance with Section 6, when such alien allows the payer of income to withhold income tax at the rate of 15 percent of such income.

Section 5 An alien who is eligible under Section 4 must be an alien who works full-time at an international procurement center which has the qualifications under Section 11 and Section 12 and receives income under section 9 (1) and (2) in total not less than 50 percent of income under Section 9 (1) and (2) and income from purchasing of raw materials or parts in or outside Thailand and reselling of such raw materials or parts to its associated enterprise located in Thailand for manufacturing undertaken by such associated enterprise for five

consecutive accounting periods counting from the first accounting period under Section 10, and shall be granted such privilege during working in Thailand for period no longer than 5 years whether or not there travel out of Thailand from time to time during the period, , provided that the privilege is limited up to 3 high level executives or specialists whom an international procurement center registers to the Revenue Department in accordance with a form prescribed by Notification of the Director-General of Revenue Department.

In case that an international procurement center lacks any of qualifications under Section 9 (1) and (2) or has income from Section 9 (1) and (2) less than 50 percent of income from Section 9 (1) and (2) and income from purchasing raw materials or parts in or outside Thailand and reselling such raw materials or parts to its associated enterprise in Thailand for manufacturing undertaken by such associated enterprise in any accounting period, the privilege of an alien under Section 4 shall cease retroactively from the first taxable year and in the case that an alien who is entitled to the privilege under Section 4 does not work at an international procurement center in any taxable year, the privilege of an alien under Section 4 shall cease from that year onwards.

Section 6 The alien whose income tax has been withheld at the rate if 15 percent of the assessable income under Section 4, when the time is due for filing returns concerning assessable income, shall be exempted from inclusion of said assessable income for computation on income tax payment, provided in the case that the alien does not claim the refund of tax so withheld or the credit of tax so withheld, either in whole or in part.

In case that the alien has assessable income under Section 40 (4) and (8) of the Revenue Code and the income tax of which has already been withheld under Section 50 of the Revenue Code and is entitled to choose to pay tax under Section 48 (3) and (4) of the Revenue Code, the alien shall be entitled to tax exemption under paragraph one, when it appears that, in filing return concerning the assessable income, an alien has not included the assessable income under Section 40 (4) and (8) of the Revenue Code and the assessable income withheld tax under Section 4 for computation of income tax payment, however, the alien must not request, wholly or partly, for refund or credit of the tax so withheld.

Section 7 The income tax under Division 2, Chapter 3, in Title 2 of the Revenue Code, shall be exempted for an alien who works full time at an international procurement center, for the income received from the employment which occurs from sending an alien to work overseas. However, the assessable income must not be deducted as expense, either

directly or indirectly, in computation of income tax of the international procurement center or its associated enterprise located in Thailand.

Section 8 An alien who is eligible under Section 6 and Section 7 must be an alien who works full time at an international procurement center which has the qualifications under Section 11 and Section 12 for 5 accounting period consecutively counting from the first accounting period under Section 10, shall shall be granted such privilege during working in Thailand for period no longer than 5 years whether or not there travel out of Thailand from time to time during the period, provided that the privilege is limited up to 3 high level executives or specialists whom an international procurement center registers to the Revenue Department in accordance with a form prescribed by Notification of the Director-General of Revenue Department.

In case that an international procurement center lacks any of qualifications under Section 11 or Section 12 in any accounting period, the privilege of an alien under Section 6 or Section 7 shall cease retroactively from the first taxable year and in the case that an alien who is granted the privilege under Section 6 and Section 7 does not work at an international procurement center in any taxable year, the privilege of an alien under Section 6 and Section 7 shall cease from that taxable year onwards.

Section 9 The rate of income tax under (a) of (2) for a company or a juristic partnership of the Schedule of Income Tax Rates annexed to Chapter 3 in Title 2 of the Revenue Code shall be reduced and imposed at the rate of 10 percent on net profits of international procurement centers for 5 consecutive accounting periods counting from the first accounting period which is granted the rate of income tax to the following incomes:

(1) income from procurement and sale of goods overseas to its associated enterprise located abroad when the goods are not imported into Thailand,

(2) income from procurement of raw materials or parts in or outside Thailand and sale of such raw materials or parts to its associated enterprise located overseas for manufacturing of said associated enterprise.

Section 10 Counting accounting periods for purpose of under Section 5 Section 8 and Section 9 shall be as follows;

(1) in the case that the accounting period starts on or after the registration of international procurement centers under Section 11 (5), the said accounting period shall be counted as the first accounting period, or

(2) In the case that the registration of international procurement centers under Section 11 (5) takes place during any accounting period, such accounting period shall be counted as the first accounting period even though the period thereof is less than twelve months.'Section 11 International procurement centers that are eligible for privilege under Section 9 must possess the following qualifications:

(1) must have a paid-up capital of at least ten million Baht on the last day of each accounting period;

(2) must have the following expenses;

(a) operating expenses incurred in the course of businesses of the international procurement center that is paid to the recipients in Thailand at the amount of at least 15 million Baht in each accounting period. The said expenses do not include depreciation expense, operating expense paid out of Thailand, costs of raw materials, costs of goodwill, costs of copyright or other rights, costs of components and costs of packaging, or

(b) capital expenditures under Section 65 Ter (5) of the Revenue Code that the international procurement centers paid to the recipients in Thailand at the amount of at least thirty million Baht in each accounting period. The expenditures do not include investments in securities under the law governing securities and exchange;

(3) must have its associated enterprises that engage in business operations in accordance with the objective of the establishment, and there must be executives and personnel who actually work at the establishment. These must be in concurrence with the information reported to the Revenue Department;

(4) must have personnel who work at the international procurement centers with the minimum skills and knowledge as prescribed by Director-General of the Revenue Department;

(5) must register as international procurement centers in accordance with the rules, procedures and conditions as prescribed by Director-General of the Revenue

Department within 2 years from the date specified by Director-General of the Revenue Department.

Section 12 An international procurement center being received privilege under Section 9 from the third accounting period onwards must possess under Section 11 and possess the following qualifications;

(1) has revenue under Section 9 (1) and (2) in total of at least 1 billion Baht for each accounting periods,

(2) must pay remuneration to the personnel working in the businesses of the international procurement centers at the rate of at least two million and five hundred thousand Baht per person annually for at least three persons.

Section 13 In case that the international procurement centers appear to lack any qualifications as specified under Section 11 or Section 12 in any accounting period, the privilege under Section 9 shall end retroactively from the first accounting period.

Section 14 The Minister of Finance shall be in charge and control of the execution of this Royal Decree.

Countersigned by

Abhisit Vejjajiva

Prime Minister

Remarks :- The reason for the promulgation of this Royal Decree is because the Government has the policy to support the establishment of an international procurement center to promote the business of buying and selling goods outside Thailand and business of buying and selling raw material and parts in Thailand for the use in the manufacture of goods of foreign affiliates. This would reduce the costs of production for the buying and selling of goods, raw materials, or finished parts within industrial business group from foreign countries and also increase the foreign business' investment base of industrial business in Thailand. It is then deemed suitable to reduce the rates and exempt income tax for international procurement center and aliens performing duties in such center. Hence, it is necessary to enact this Royal Decree.

(Ref.: Government Gazette, Decree Issue, Volume 128, Part 31 Kor., 4thMay 2011)