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Thailand's Special Economic Zones (SEZs): Updated Tax Incentives

Thailand's Special Economic Zones (SEZs) form a key part of the government's regional development strategy, aimed at stimulating investment, promoting cross-border trade, and reducing regional economic disparity. SEZs typically cover border areas and strategic provinces such as Tak, Sa Kaeo, Songkhla, and Nong Khai, and are managed by the Office of the National Economic and Social Development Council (NESDC).

SEZs provide a range of fiscal and non-fiscal incentives, with one of the most attractive being reduced corporate income tax (CIT) rates. These incentives were previously granted under various Royal Decrees

The incentive remains industry-specific, applying only to businesses operating in BOI-targeted sectors (i.e., Agriculture, Medical Product, Ceramic Products etc.). Notably, qualifying companies are entitled to a reduced CIT rate of 10%—half the standard rate of 20%—for ten consecutive accounting periods. This benefit applies only to income generated from production or services physically carried out within an SEZ, regardless of the location of the company's registered head office.

To access this incentive, companies in SZEs must comply with several conditions:

- Submit a formal notification to the Thai Revenue Department declaring their intent to claim the tax benefits;
- Refrain from using overlapping tax incentives under the BOI or any other Royal Decree;
- Maintain separate accounting records for SEZ and non-SEZ activities;
- Operate from a permanent establishment located within the SEZ:
    - For companies established after the Decree takes effect: permanent establishment must be a newly constructed permanent building;
    - For companies established beforehand: the SEZ facility must constitute a physical expansion of existing operations.

The reduced tax rate takes effect starting from the accounting period in which the company submits its formal notification to the Revenue Department—even if that period is shorter than 12 months. However, if a company fails to meet any eligibility requirement during any year, the tax benefit is immediately forfeited from that year onwards. The rationale behind this new decree is to strengthen the business environment in these zones by lowering the CIT rate and incentivizing sustained investment. The goal is to enhance economic activity within SEZs, promote industrial and service sector integration with core economic zones and neighboring countries.

Should you have any question, please do not hesitate to contact us via info@bgloballaw.com