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Missed Out on Investment Promotion? Operating business in the 'Free Zone' may be interesting for you

It is well known that the Board of Investment of Thailand (BOI) has long been regarded as the most direct route for foreign investors seeking to establish a foothold in Thailand. To attract the foreign investors, the BOI generally offers tax and non-tax incentives, such as corporate income tax exemptions, exemption of import duties on machinery and raw materials, permit to own land, permit to take out or remit money abroad in foreign currency, or even, permit to bring into Thailand skilled workers and experts to work in investment promoted activities, to the foreign investors.

However, not every business activity qualifies for the BOI promotions. Many service-oriented businesses, manufacturing and trade companies, or support operations may find themselves outside the BOI's promoted categories. Yet, this does not mean Thailand is closed to foreign participation. In fact, the investors operating their businesses in a 'Free Zone' located in industrial estates can also be eligible for competitive incentives provided by the Industrial Estate Authority of Thailand (IEAT).

According to the Industrial Estate Authority of Thailand Act B.E. 2522 (1979) (IEAT Act), industrial estates can be divided into two types, i.e., (i) General Industrial Zone and (ii) Free Zone. Both zones provide non-tax incentives to operators doing business in the industrial estate, covering:

(i) Permit to own land in the industrial estate regardless of nationality of such operator;
(ii) Permit to bring into Thailand skilled workers and experts to work in their business; and
(iii) Permit to take out or remit money abroad in foreign currency.

In addition to the above non-tax benefits, operators located in the Free Zone may further qualify for the following exclusive incentives:

(i) Exemption on import duty, value added tax, and excise tax, for

(a) goods imported into the Kingdom and taken into a free zone, which are machinery, equipment, tools and appliances, including components thereof which are necessary for the manufacture of goods or for commercial purposes, as the case may be, and goods used in the building, assembly or installation as a factory or building in the free zone;
(b) goods imported into Thailand and taken into a free zone for use in the manufacture of goods or for commercial purposes;

(c) goods imported into Thailand and taken into a free zone under (b), including products, by-products, and other things obtained from the manufacture within the free zone, if exported, shall be exempted from export duty, value added tax and excise tax.

(ii) Exemption of Imported goods for export: In the case of importation of goods into Thailand, or in the case of taking raw materials within Thailand into a free zone for manufacture, mixing, assembly, packing, or doing anything with such goods, with an aim to export the same out of Thailand, such goods shall be exempted from enforcement of the law in the part relating to control of importation, exportation, possession or utilization thereof, or in the part relating to control of standards or qualities, affixing of any marks or signs thereon, but excluding the law governing customs.

Even without BOI promotion, Thailand still offers multiple pathways for foreign investors to succeed. The Free Zone incentives, coupled with Thailand's strategic location and robust infrastructure, make the country an appealing base for regional operations. With careful planning and professional guidance, investors can identify the most suitable structure to maximize their benefits and ensure sustainable growth in Thailand.

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