

**Royal Decree issued under the Revenue Code Regarding Reduction and
Exemption from Revenue Taxes (No. 508) B.E. 2553**

BHUMIBOL ADULYADEJ P.R.

Given on the 27th day of October B.E. 2553

Being the 65th Year of the Present Reign

By Royal Command of His Most Excellent Majesty King Bhumibol Adulyadej, it is hereby proclaimed that

Whereas it is deemed proper to reduce and exempt income tax in certain cases.

Be it, therefore, enacted a Royal Decree by the King's Most Excellent Majesty, in exercise of the power under 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. 2496 that certain provisions concerning the rights and liberty limitation of a person can be authorized by the provisions under Section 29 as well as Sections 33 and 41 of the Constitution of the Kingdom of Thailand, as follows :

Section 1

This Royal Decree is called the "Royal Decree Issued under the Revenue Code regarding Reduction and Exemption from Revenue Taxes (No. 508), B.E. 2553"

Section 2

This Royal Decree shall come into force on and from the date following the date of its publication in the Government Gazette.

Section 3

"Relevant company or juristic partnership" shall be inserted between the definitions of "Regional Operating Headquarters" and "Supporting services" in Section 3 of the Royal Decree issued under the Revenue Code regarding Reduction and Exemption from Revenue Taxes (No. 405) B.E. 2545

"Relevant company or juristic partnership" means a company or juristic partnership which uses the outcome of the technological research and development carried out by the Regional Operating Headquarter to manufacture goods or to provide services to the Regional Operating Headquarter, Associated enterprises, or the Regional Operating Headquarters' branches located outside Thailand.

Section 4

Paragraph two of Section 8 of the Royal Decree issued under the Revenue Code regarding Reduction and Exemption from Revenue Taxes (No. 405) B.E. 2545 shall be abolished.

Section 5

This following provision shall be inserted as Section 10/1 of the Royal Decree issued under the Revenue Code regarding Reduction and Exemption from Revenue Taxes (No. 405) B.E. 2545.

“Section 10/1

The Regional Operating Headquarter recording under Section 10 (4) and receiving the rights in a tax reduction and exemption under Section 8 or Section 9 is not entitled to receive the rights in a tax reduction and exception under Section 11/2, Section 11/3 or Section 11/4”

Section 6

These provisions shall be inserted as Sections 11/1, 11/2, 11/3, 11/4, 11/5, 11/6, 11/7, 11/8, 11/9, 11/10 and 11/11 of the Royal Decree issued under the Revenue Code Regarding Reduction and Exemption from Revenue Taxes (No. 405) B.E. 2545.

“Section 11/1 Income tax rate shall be reduced and income tax shall be exempted under the rules prescribed by Section 4, Section 5 or Section 6 for foreigners working regularly in the Regional Operating Headquarter during their employment in Thailand for no more than eight consecutive years, regardless to whether or not they occasionally depart Thailand during such period, but only the executive or expert recorded by the Regional Operating Headquarter to the Revenue Department as the Director-General prescribes.

Regional Operating Headquarter under the first paragraph shall fulfill the qualification prescribed under Section 11/6 or Section 11/7, as the case may be; and shall derive income from service providing or royalties as issued in the second paragraph of Section 11/2.

Section 11/2 The rate of income tax stated at (a) of (2), for companies or juristic partnerships, under the Income Tax Rate Schedule annexed to Chapter 3, Title 2 of the Revenue Code shall be reduced to the rate of ten percent on the net profits of the Regional Operating Headquarter for ten consecutive accounting periods for the following incomes :

- (1) income from the provision of services performed by the Regional Operating Headquarter to their associated enterprises established in Thailand ;
- (2) interest received from associated enterprises or foreign branches of the Regional Operating Headquarter, but only in respect of interest on the loans acquired by the Regional Operating Headquarter for the purpose of re-lending ;
- (3) royalties received from associated enterprises or foreign branches of the Regional Operating Headquarter or from relevant company or juristic partnership, but only in respect of the royalties arising from the results of technological research and development carried out in Thailand by the Regional Operating Headquarter.

The Regional Operating Headquarter that is to enjoy the rights to income tax reduction under (2) or (3) in any accounting period, shall derive income within such accounting period from services provided to associated enterprises or branches outside Thailand, or from royalties received from associated enterprises or branches outside Thailand or from relevant company or juristic partnerships, but only in respect of the royalties arising from the results of technological research and development carried out in Thailand by the Regional Operating Headquarter. Incomes from services or royalties paid from or in oversea shall not be less than fifty percent of total incomes earned by the Regional Operating Headquarter.

Section 11/3 Income tax shall be exempted under Division 3, Chapter 3, Title 2 of the Revenue Code to the Regional Operating Headquarter, for the income from service performed by of the Regional Operating Headquarter to associated enterprises in oversea or foreign branches of the Regional Operating Headquarter for ten consecutive accounting periods.

Section 11/4 Income tax under Division 3, Chapter 3, Title 2 of the Revenue Code shall be exempted for the Regional Operating Headquarter having income from service rendering or royalties as stated in paragraph 2 of Section 11/2 on their assessable incomes which are dividends received from associated enterprises incorporated under the laws of Thailand, or the laws of foreign country, for ten consecutive accounting periods.

Section 11/5 In the case of income tax rate reduction or tax exemption under Section 11/2, Section 11/3 or Section 11/4, an accounting period may be counted as follows:

- (1) An accounting period commencing in or after the recording date as the Regional Operating Headquarter under Section 11/6 (6), shall count such accounting period as the first accounting period or
- (2) A record as The Regional Operating Headquarter under Section 11/6 realized during any accounting period shall count such accounting period as the first accounting period although its period is less than twelve months.

Section 11/6 The Regional Operating Headquarter that is to enjoy the rights to income tax reduction and exempt under Sections 11/2, 11/3 and 11/4 shall possess the following qualifications :

- (1) Having a paid-up capital on the last day of each accounting period at least ten million bahts.
- (2) Rendering services to their associated enterprises or branches outside Thailand in at least ;
 - (A) One country in the first and second accounting periods,
 - (B) Two countries in the third and fourth accounting periods and,
 - (C) Three countries from the fifth accounting period.
- (3) Having these expenses ;
 - (A) Operating expenses concerning business of The Regional Operating Headquarter paid to recipients in Thailand in an amount not less than fifteen million bahts for each accounting period but shall not include the depletion of assets, operating costs paid abroad, raw material cost, goodwill, copyrights or annex rights, accessory expense, packaging cost or
 - (B) Capital expenditure in accordance with Section 65 Ter (5) of the Revenue Code which paid by The Regional Operating Headquarter to recipients in Thailand in an amount not less than thirty million bahts in each accounting period but shall not include investment cost in the security under the Securities and Exchange law.
- (4) Having the associated enterprises or branches outside Thailand that operate business as stated in the initial object as well as executive officers and operating officers that work within a place of business as recorded to the Revenue Department.
- (5) Having the operating officers in the Regional Operating Headquarter with skills and minimum knowledge as prescribed by the Director-General.

- (6) Having given notification of the operation as a Regional Operating Headquarter in accordance with the rules, procedures and conditions prescribed by the Director-General of the Revenue Department.
- (7) Complying with other rules, procedures and conditions prescribed by the Director-General of the Revenue Department.

Section 11/7 The Regional Operating Headquarter that is to enjoy the rights under Sections 11/2, 11/3 and 11/4 from the third accounting period shall be qualified under Section 11/6, as well as these following qualifications ;

- (1) Having officers under Section 11/6 (5) undertaking the employment in the Regional Operating Headquarter in an amount not less than seventy five percent of all total officers and,
- (2) Paying a remuneration to officers undertaking the employment of the Regional Operating Headquarter in a rate not less than two million and five hundred thousand bahts per year each for the amount of officers, at least five persons.

Section 11/8 Recorded Regional Operating Headquarter under Section 11/6 (6) in order to receive the rights of tax reduction and exemption under Section 11/2, Section 11/3 or Section 11/4 is not entitled to claim the rights to reduce and exempt income tax under Section 8 or Section 9.

Regional Operating Headquarter can not be simultaneously recorded as the Regional Operating Headquarter under Sections 10 (4) and 11/6 (6) and is not entitled to claim the rights to reduce or exempt income tax under Section 8 or Section 9, also the rights to reduce or exempt income tax under Section 11/2, Section 11/3 or Section 11/4.

Section 11/9 The Regional Operating Headquarter possesses the qualifications under Section 11/6 and if afterwards, is qualified under Section 11/7 as prescribed, for ten accounting periods consecutively in income tax reduction or exemption. In the case where the tenth accounting period has an accumulated operating expenses of the Regional Operating Headquarter paid in Thailand more than one hundred and fifty million bahts for ten consecutive accounting periods, shall enjoy the rights to income tax reduction and exemption under Section 11/2, Section 11/3 or Section 11/4 for five accounting periods further.

Section 11/10 In the case where the Regional Operating Headquarter fails to meet qualification as prescribed under Section 11/6 or Section 11/7 in any accounting period, shall end the rights to income tax reduction and exemption under Sections 11/2, 11/3 or Section 11/4 from the first accounting period.

Section 11/11 Income tax under Division 3 Chapter 3 Title 2 of the Revenue Code shall be exempted for companies or juristic partnerships incorporated under foreign laws and not carrying on businesses in Thailand on their assessable incomes which are dividends received from the Regional Operating Headquarter under Section 11/6 or Section 11/7, as the case may be, that derive incomes from service providing or royalties under the paragraph 2 of Section 11/2”

Countersigned

Abhisit Veja- jivas

Prime Minister

Remarks :

The justification on issuance of this Royal Decree is to increase the tax privileges provided by the Royal Decree issued under the Revenue Code regarding Reduction and Exemption from Revenue Taxes (No. 405) B.E. 2545, to the Regional Operating Headquarter and the foreigners undertaking the employment of such Regional Operating Headquarter, including the company or juristic partnership which is a shareholder of the Regional Operating Headquarter in order to promote and attract the investment of foreign companies through incorporation of Regional Operating Headquarter that will create an investment atmosphere in Thailand especially in the service sector. Besides, to import a foreign currency and rise the operating expenditure of the Regional Operating Headquarter, also the foreigners having the knowledge and ability of management, service providing of the Regional Operating Headquarter to work in Thailand that will encourage a know-how transfer.