

**SPEECH**  
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**Deputy Minister of Finance**

**ROH Open Forum 2**  
**Monday 24 May, 2010**

Distinguished Ladies and Gentlemen – thank you for being here.

I am grateful to see so many people here, today, on the first working day after the traumatic events of last week. I know that many of you in the audience will have suffered personally or have had to accommodate enormous disruptions in your work and in your lives. Thank you sincerely for having made the effort to be here.

In the past few days, we have all been witness to scenes that are so terribly out of character for Thais. To our foreign delegates here, I would like to apologise, on behalf of all Thais, for what has happened.

And for the many Thai delegates here, I share in your pain. And, I know that you share in my wishes and prayers for a rapid healing of the wounds that have been inflicted on our society.

But in all of this pain I still look to the future with optimism.

That optimism comes, first of all, from the friendship and genuine goodwill that Thailand enjoys from its resident expatriates. Simply looking at this room today, I know that all Thais are fortunate to have friends such as you. Despite all that has happened, you have still chosen to be here this morning, and to give Thailand an opportunity to deepen its relations with its international business partners.

Each and every representative of an international company sitting in this room is an ambassador for Thailand, whether that person is a Thai or another national.

Each and every one of you is one of the most important global allies that Thailand could have. That's a valuable national asset – one that never appears on any ledger, but one that I value greatly. I thank you from my heart for championing Thailand in the dozens of emails that you must have written and the teleconferences that you must have attended in the last weeks to explain what has been happening here, and for the dozens more that are to come... Please do keep championing Thailand.

My other reason for optimism is that I know how Thais are all people who would rather look to the future, rather than the past, when dealing with difficult circumstances. This forgiving nature, this important part of Thai DNA, is what has helped Thailand rebuild, regenerate, and succeed throughout history. I have no doubt, when looking out there at the horizon, that this DNA will continue to help our democratic and plural society to grow.

This is unlikely to be the last of any differences that will exist in Thailand, as in any plural society. How we handle those differences, and how we resolve them, is what will distinguish us. Because, when a government knows how to handle differences, no matter how those differences are being expressed by its citizens, it will also help our society learn how to express differences, properly and within the bounds of the law.

And that is what we, as government, must always keep in mind when faced with challenges and the temptations of shortcuts. The 'good' that we have seen in all of this is that it was possible for the rule of law to reassert itself, and that it did not take the installation of a repressive regime to do so.

It is my firm conviction that political issues subside in an environment where businesses flourish and people are focused on bettering their lives and enjoying the fruits of prosperity.

And it is for that reason that the programme we are announcing today is of such importance.

I know I raised a few eyebrows when I said I would be holding this Open Forum on this day, even before we knew what was about to happen on Monday last.

And I know I raised even more eyebrows when I said we would continue with it, even after our capital city came to a standstill at the height of the confrontations.

I decided to go ahead with the session because I believe doing nothing is certainly not going to make Thailand any more attractive to investors...

And now, here we are today, on the first working day after the confrontations, already out of the gate with a package that looks to the future and to helping companies operate more competitively in the region, and led by the prime minister, personally.

I hope that tells you something about the commitment of this prime minister and this government to regional and global business.

I hope it tells you something about our commitment to do everything within our power to enhance the competitiveness of the private sector.

**And I hope it tells you something about our commitment to not letting the management of political affairs completely distract and overwhelm us from our job of doing the right things to drive our economy forward and focusing on the needs of the business community.**

I would now like to share with you the incentives we are offering to companies that locate regional functions in Thailand - which we are calling 'regional operating headquarters'.

Essentially, what we are saying is that if your company provides any services to companies outside of Thailand, we will call that function a 'regional operating headquarters'. You need only serve one other country in the first year, two others in the third year and three others in the fifth year to qualify to be considered a regional operating headquarters and, therefore, qualify for special tax and other privileges.

Typically, the services that could be put into a regional operating headquarters would be:

- Business management and administration
- Sourcing of raw materials, parts and finished products
- Research and development
- Technical assistance
- Marketing and sales promotion
- Regional human resources training
- Business advisory services
- Investment feasibility studies and analyses
- Credit management and control, and...
  
- other services approved by the Revenue Department on a case-by-case basis

The benefits we are offering regional operating headquarters are substantial and the most competitive in the region.

- For income earned on these services provided to companies outside of Thailand, there will be zero corporate income tax for fifteen years.
- For income earned on these services provided to entities inside of Thailand, there will be only 10 percent corporate income tax, again, for fifteen years.

- We are also offering substantial personal income tax benefits. Expatriate employees will, for eight years, be taxed at only 15 percent.

Only these personal income tax benefits will be subject to a requirement that income generated from services to overseas companies must be at least 50% of ROH's total revenues.

- Next to these tax benefits, the Bank of Thailand will also be supporting ROH companies by making foreign currency dealings of regional operating headquarters easier. There are a whole host of new regulations that improve convenience and reduce costs through the relaxation of conditions governing the operations of a Treasury Center. For example, the ROH can now transfer, lend or borrow from affiliated companies in foreign currency rather than being compelled to convert into Thai baht.
- And the BOI, too, has swung its full support behind the ROH programme with the reduction of paperwork required from ROH companies as well as sharp reductions in the amount of time required to turn around requests and considerations.

The full details of the new tax and Treasury Centre benefits as well as the BOI benefits are on the BOI website for your reference.

Thanks to the prime minister's full backing, this package of ROH benefits will become effective as of 1<sup>st</sup> of June – in just over a week's time.

Looking ahead, we have more good news...

We are currently also preparing to include 'trading activities' within the list of qualified services for an ROH. I expect, we should be able to complete that work within August of this year, at the latest.

To accelerate the deployment of the ROH programme, I have here with me, today, some of the most senior officers of the Ministry of Finance including the Permanent Secretary, as well as the Directors-General of the Revenue Department and the Fiscal Policy Office. Also present are very senior representatives of the Bank of Thailand and the Board of Investment. They are ready to answer any questions that you may have and to provide you with immediate clarification on any areas of uncertainty.

May I now please invite questions from the floor.

## **Closing**

Ladies and gentlemen - Thank you for having taken the time to be here today and for the lively discussion. I hope you have found the session open and informative.

I have noted the feedback and the additional input you have given during today's session and will review them with my teams.

I thank and urge you to keep championing Thailand as a regional operating headquarters for one of your functions. These new terms make it easier for a company to qualify as a regional operating headquarters; they make it easier for ROH companies to operate by reducing bureaucratic and regulatory encumbrances, and, I hope, they have also made it financially more attractive through the tax incentives.

Thank you for being a friend to Thailand.

*[Approx 13 minutes]* hb23May2010