



กรมสรรพากร
THE REVENUE DEPARTMENT

Scope of IBC and Tax Incentive Scheme

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What is IBC

A company incorporated under the laws of Thailand for the purpose of providing administrative services, technical services, supporting services, or financial management services to its associated enterprises, or conducting international trade

Headquarters
Business

Treasury
Centre
Business

International
Trade
Business

Associated Enterprises

BOX1

A company which holds shares directly or indirectly in the IBC not less than 25% of the total capital

A company in which the IBC is directly or indirectly a shareholder not less than 25% of the total capital

A company in which the company in BOX 1 is directly or indirectly a shareholder not less than 25% of the total capital

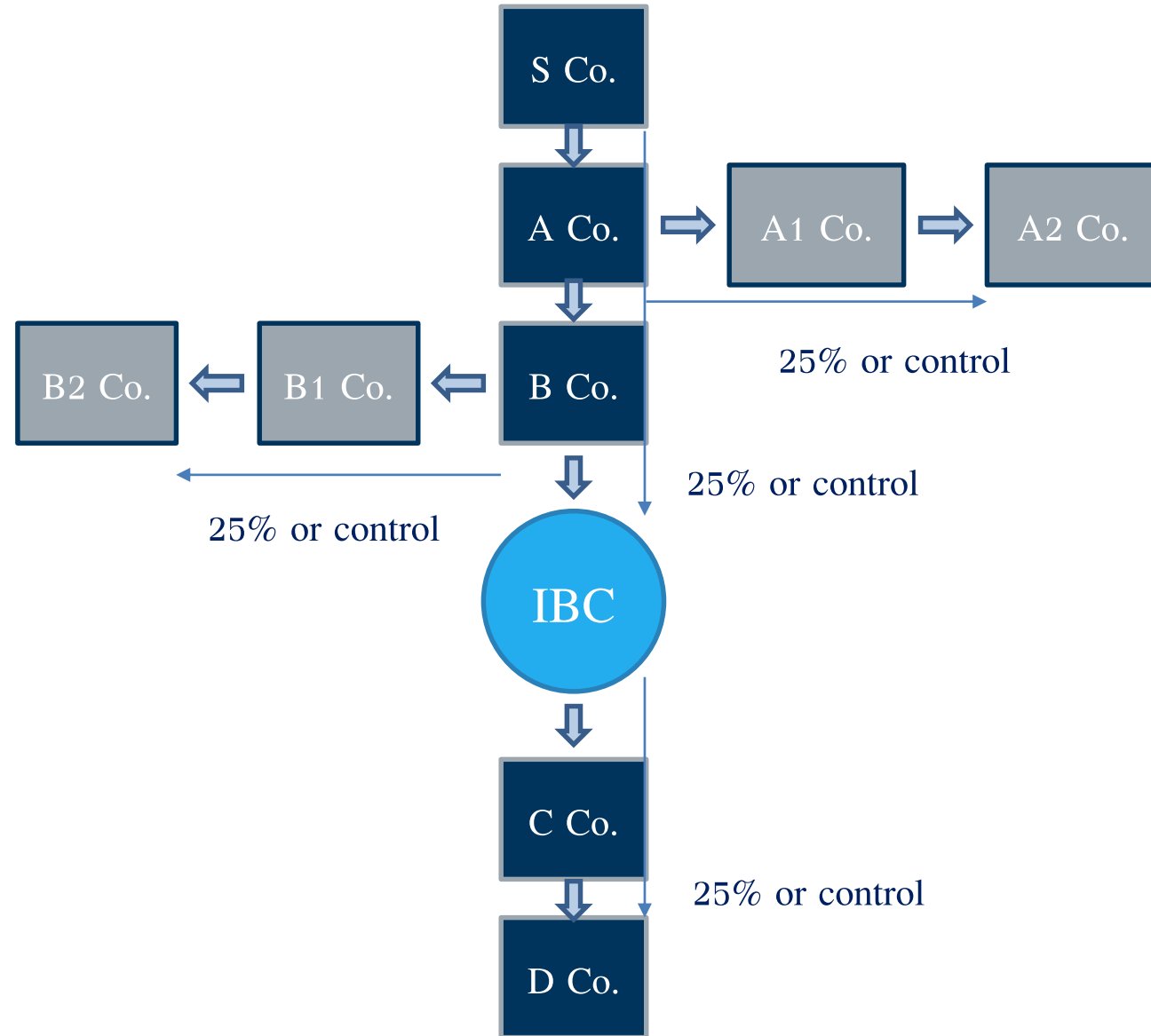
BOX4

A company which has the power to control or supervise the IBC

A company in which the IBC has the power to control or supervise

A company in which the company in Box 4 has the power to control or supervise

Associated Enterprises (cont.)



Corporate Income Tax Benefits

- The Reduction in corporate income tax (CIT) rate on net profits from the eligible IBC income
- The eligible IBC income includes:
 - Income derived from providing administrative services, technical services, supporting services, or financial management services to associated enterprises in Thailand or overseas
 - Royalties received from associated enterprises in Thailand or overseas but only those arising from the results of technological R&D carried out in Thailand

Corporate Income Tax Benefits (cont.)

- The eligible IBC income does not include income derived from conducting international trade.
 - The international trade business receives only personal income tax benefit.
- CIT rate will be reduced to
 - 8% if the IBC incurs expenditure paid to recipients in Thailand of 60 million Baht in the accounting period.
 - 5% if the IBC incurs expenditure paid to recipients in Thailand of 300 million Baht in the accounting period.
 - 3% if the IBC incurs expenditure paid to recipients in Thailand of 600 million Baht in the accounting period.
- The exemption from CIT on dividends received from associated enterprises in Thailand or overseas

Specific Business Tax Benefit

- The exemption from specific business tax (SBT) on gross receipts received from providing financial management services to associated enterprises in Thailand or overseas

Withholding Tax Benefit

- The exemption from withholding tax (WHT) on dividends paid by the IBC to companies or juristic partnerships incorporated under foreign laws and not carrying on business in Thailand
- The exemption from WHT on interests paid by the IBC to companies or juristic partnerships incorporated under foreign laws and not carrying on business in Thailand but only from loans taken out by the IBC to relend to its associated enterprises in Thailand or overseas for the purpose of providing financial management services

Personal Income Tax Benefit

- The reduction in personal income tax (PIT) rate from the progressive rates (maximum 35%) to 15% for expatriate employees working for the IBC

Duration

- 15 accounting periods
- The accounting period after the accounting period in which the application for IBC is approved becomes the first accounting period for IBC's tax benefits. OR
- The accounting period in which the application for IBC is approved becomes the first accounting period for IBC's tax benefits although the duration of such accounting period is less than 12 months.

Application

- Filing an application electronically
- Submitting a business plan, details of associated enterprises in Thailand and overseas, and other supporting documents electronically

*A company can apply for PIT benefit for international trade business only if it has and applies for tax benefits for headquarters business or treasury centre business

Application Requirements

- Having paid-up capital of at least 10 million Baht
- Having at least 10 knowledgeable and skilled employees or at least 5 knowledgeable and skilled employees if the IBC acts only as a treasury centre

Tax Reduction and Exemption Requirements

- Having paid-up capital of at least 10 million Baht
- Having at least 10 knowledgeable and skilled employees or at least 5 knowledgeable and skilled employees if the IBC acts only as a treasury centre
- Incurring expenditure paid to recipients in Thailand of at least 60 million Baht in the accounting period
- Having provided administrative services, technical services, supporting services, or financial management services to associated enterprises in Thailand or overseas

Tax Reduction and Exemption Requirements (cont.)

- Complying with other regulations prescribed by the Director-General of the Revenue Department

*If the IBC lacks any of the qualifications in any accounting period, its entitlement to tax benefits in that accounting period will be suspended.

**If the IBC's entitlement to tax benefits has been suspended continuously for at least 2 accounting periods or the IBC lacks the characteristic of the IBC company, the Director-General of the Revenue Department may revoke tax benefits with effect from the first accounting period.

Conversion from ROH or IHQ to IBC

- ROH1 regime will end in 31st December 2020.
- ROH2 regime will end in 31st May 2019.
- IHQ regime will end in 31st May 2019.
- Thailand encourages the existing ROH1, ROH2, and IHQ companies to convert to IBC companies.
- The requirement on incurring expenditure paid to recipients in Thailand can be lower than 60 million Baht for the IBC companies which are converted from the ROH1, the ROH2, or the IHQ companies.

Conversion from ROH or IHQ to IBC (cont.)

- The IBC companies which are converted from the ROH1, the ROH2, or the IHQ companies are permitted to comply with the requirement on incurring expenditure paid to recipients in Thailand set by their old regimes instead of such requirement set by the IBC regime.
 - For example, the IBC company which is converted from the IHQ company can have operating expenses paid to recipients in Thailand of at least 15 million Baht in order to receive the reduction in CIT rate to 8% and other tax benefits.
 - However, if such company wants to receive the reduction in CIT rate to 5% or 3%, it must incur expenditure paid to recipients in Thailand of 300 or 600 million Baht.

Conversion from ROH or IHQ to IBC (cont.)

- Thailand also encourages the existing ITC companies to expand their businesses to include headquarters business or treasury centre business and apply for IBC's tax benefits.

