
Thailand International Business Center (IBC)

January 2019

On 28 December 2018, Royal Decree No. 674 was published in the Royal Gazette to improve tax measures to replace the Regional Operating Headquarters (ROH) and the International Headquarters (IHQ) schemes. The law intends to address the concerns set out by the OECD's Inclusive Framework on Base Erosion and Profit Shifting (BEPS) of which Thailand is a member.

What is IBC?

An IBC is a Thai company, engaging in providing the following services to affiliates in Thailand and foreign countries.

- Administrative and technical support services;
- Treasury services; and/or
- International trading services.

Tax Incentives

IBC will enjoy the following tax incentives for 15 accounting periods.

Corporate Income Tax: Reduced rate will apply on net profits from the provision of support services, treasury services and royalty income from affiliates either in Thailand or in foreign countries based on the annual operating expenditure, i.e. 8%, 5% and 3% when annual operating expenditure is THB 60-300, THB 300-600 and THB 600 or more respectively. Dividend received from affiliates is exempt from corporate income tax.

Personal Income Tax: 15% flat rate will apply to expatriates hired for working with IBC in Thailand.

Withholding tax: Exempt for the payment of dividend and interest to foreign companies.

Specific Business Tax: Exempt for income from treasury services.

Conditions

1. Be a Thai company with paid-up capital on the last day of accounting period of THB 10 million or more;
2. Have 10 or more employees with the necessary knowledge and skills for an IBC, or 5 or more employees in the case of providing treasury center only;
3. Have annual operating expenditure paid to recipients in Thailand of at least THB 60 million;
4. File an application and obtain the approval from the Revenue Department; and
5. Comply with the Revenue Department's additional rules, procedures and conditions which will be published later.

Existing ROH and IHQ Companies

Existing ROH and IHQ companies can either choose to enjoy tax incentives under the ROH and IHQ scheme or change to apply for IBC scheme with some relaxations on the annual operating expenditure.

Author's Note:



The tax incentive under the IBC scheme will be provided to the companies, which fully comply the rules, procedures and conditions provided by the Royal Decree and its successive subordinates. Nonetheless, the law contains ambiguity, which will be further clarify by the Revenue Department.

In addition, there is an important aspect to consider among the existing ROH and IHQ companies. With the conditions of either ROH or IHQ companies cannot be applied to those of IBC's, the companies should carefully observe whether convert into IBC. In this sense, the consideration must be made on a case-by-case basis.

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