



Running a Business in Thailand: A Guide for International Companies with a Focus on BOI Tax Benefits

Running a Business in Thailand: A Guide for International Companies with a Focus on BOI Tax Benefits

This article provides a comprehensive overview for foreigner investors looking to establish and operate a business in Thailand. It covers essential aspects of the Thai business landscape, including legal structures, regulatory requirements, and operational considerations. A key focus is on the tax benefits offered by the Thailand Board of Investment (BOI) and how these incentives can significantly enhance the profitability and competitiveness of foreign investments.

How to establish and operate a business in Thailand?



1. Understanding the Thai Business Environment

Thailand presents a dynamic and attractive market for international businesses. Its strategic location in Southeast Asia, coupled with a growing economy and a supportive government, makes it a compelling destination for investment. However, navigating the Thai business environment requires a thorough understanding of its unique characteristics.

2. Legal Structures for Foreign Companies

Foreign companies can establish a presence in Thailand through various legal structures, each with its own implications for liability, taxation, and operational flexibility. The most common options include:

- **Limited Company:** This is the most prevalent structure for foreign investors. It can be either a private limited company or a public limited company. A private limited company is suitable for smaller to medium-sized enterprises,

while a public limited company is typically used for larger ventures seeking to raise capital through public offerings.

- **Branch Office:** A branch office is an extension of the foreign parent company and operates under its name. The parent company is fully liable for the branch's obligations.
- **Representative Office:** A representative office is limited to non-revenue generating activities such as market research, quality control, and sourcing. It cannot engage in direct sales or commercial activities.
- **Partnership:** Foreigners can form partnerships with Thai nationals, but restrictions apply to the ownership and management control.

Choosing the appropriate legal structure is crucial and depends on the specific business objectives, investment scale, and risk appetite.

3. Regulatory Requirements and Compliance

Operating a business in Thailand involves adhering to various regulatory requirements. Key areas of compliance include:

- **Company Registration:** Registering a company with the Department of Business Development (DBD) is the first step. This involves submitting required documents, obtaining necessary approvals, and paying registration fees.
- **Foreign Business License (FBL):** Certain business activities are restricted to Thai nationals under the Foreign Business Act (FBA). Foreign companies engaging in these activities must obtain an FBL from the Ministry of Commerce.
- **Work Permits and Visas:** Foreign employees require work permits and visas to legally work in Thailand. The process involves meeting specific qualifications and complying with immigration regulations.
- **Taxation:** Businesses in Thailand are subject to corporate income tax (CIT), value-added tax (VAT), withholding tax (WHT), and other applicable taxes. Compliance with tax regulations is essential to avoid penalties.
- **Labor Laws:** Thailand has comprehensive labor laws governing employment contracts, wages, working hours, and employee benefits. Compliance with these laws is crucial for maintaining a positive work environment and avoiding legal disputes.

4. Tax Benefits from the Thailand Board of Investment (BOI)

The Thailand Board of Investment (BOI) plays a vital role in promoting foreign investment by offering a range of incentives, including tax benefits. These incentives are designed to attract investments in targeted industries and regions, contributing to the country's economic development.

5. BOI Investment Promotion

The BOI offers investment promotion in a wide range of industries, including:

- Agriculture and food processing
- Automotive
- Electronics
- Petrochemicals
- Tourism
- Software
- Research and Development

The specific incentives available depend on the type of business, location, and the level of technology involved.

6. Key Tax Incentives Offered by the BOI

The BOI offers a variety of tax incentives to promoted companies, including:

- **Corporate Income Tax (CIT) Exemption:** This is one of the most attractive incentives. The BOI may grant a CIT exemption for a specified period, typically ranging from 3 to 13 years, depending on the project's characteristics and location.
- **Reduction of Corporate Income Tax:** After the exemption period expires, the BOI may offer a reduction of CIT for a further period, typically 5 years.
- **Exemption of Import Duties on Machinery:** Promoted companies may be exempt from import duties on machinery used in their production processes.
- **Exemption of Import Duties on Raw Materials:** For export-oriented projects, the BOI may grant an exemption of import duties on raw materials used in the production of goods for export.
- **Deduction of Transportation, Electricity, and Water Costs:** Promoted companies may be allowed to deduct transportation, electricity, and water costs from their taxable income.

- **Double Deduction of Expenses for Research and Development:** The BOI encourages research and development activities by allowing promoted companies to deduct twice the amount of expenses incurred for R&D purposes.

7. Eligibility Criteria for BOI Incentives

To be eligible for BOI incentives, companies must meet certain criteria, including:

- **Investment Size:** The minimum investment size varies depending on the industry and project type. Investment size for BOI project is Baht 1 million in construction costs, machinery, and other assets. For digital related industry, minimum investment could be annual salary expenses for hiring of IT personnel for Baht 1.5 million.
- **Technology and Innovation:** Projects that incorporate advanced technology and innovation are more likely to be approved.
- **Location:** Investments in designated investment promotion zones may receive additional incentives.
- **Environmental Impact:** Projects must comply with environmental regulations and minimize their environmental impact.
- **Value Added:** Projects that generate significant value added to the Thai economy are favored.

8. Application Process for BOI Incentives

The application process for BOI incentives involves submitting a detailed proposal outlining the project's objectives, investment plan, and expected benefits. The BOI will review the proposal and assess its eligibility for incentives. The process can be complex and time-consuming, so it is advisable to seek professional assistance.

9. Operational Considerations

In addition to legal and regulatory requirements, international companies should consider the following operational aspects when doing business in Thailand:

- **Language and Culture:** Thai is the official language, and understanding Thai culture is essential for effective communication and building relationships.
- **Human Resources:** Recruiting and retaining skilled employees is crucial. Understanding Thai labor laws and cultural norms is important for managing employees effectively.
- **Infrastructure:** Thailand has a well-developed infrastructure, including roads, ports, and airports. However, infrastructure limitations may exist in certain areas.

- **Financial System:** Thailand has a sophisticated financial system with a range of banking and financial services available.
- **Intellectual Property Protection:** Protecting intellectual property is essential. Thailand has laws in place to protect patents, trademarks, and copyrights.

Conclusion

Thailand offers a compelling investment destination for international companies. By understanding the Thai business environment, complying with regulatory requirements, and leveraging the tax benefits offered by the BOI, foreign investors can enhance their profitability and competitiveness. Seeking professional advice from accounting firms and legal experts is crucial for navigating the complexities of the Thai business landscape and ensuring compliance with all applicable laws and regulations.

For personalized guidance on BOI applications, please contact us.



Chutinun Wannapirun
Legal Partner
PKF Legal (Thailand) Ltd.,
chutinun.w@pkf.co.th



Warintara Promsorn
Manager, Sriracha Branch
PKF Clarity (Thailand) Ltd.,
warintara.p@pkf.co.th



PKF Thailand
98 Sathorn Square Office Tower
Unit 2812, 29th Floor,
North Sathorn Road, Kwaeng Silom,
Khet Bangrak, Bangkok 10500

Tel: 02 108 1591
Thailand@pkf.co.th
www.pkf.co.th

PKF Thailand is a member of PKF Global, the network of member firms of PKF International Limited, each of which is a separate and independent legal entity and does not accept any responsibility or liability for the actions or inactions of any individual member or correspondent firm(s).