

BOI Incentives in Thai Aerospace

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The Thai government has identified the aviation industry as a key driver for the country's economic growth. To spur investment in aerospace manufacturing, the Government, through the Board of Investment (BOI), has introduced a number of incentives. The areas of focus include the manufacturing and repair of aircraft and aircraft components.

Most of the incentives involve tax exemptions. These include relief on corporate income tax (CIT) and import duties. Non-tax incentives include the right to operate a business with a foreign-majority owned structure, work permits for expatriate workers, foreign land ownership, and permits to take or remit foreign currency abroad. Below is a table highlighting the incentives.

MERIT-BASED INCENTIVES

Examples of merit-based incentives are as follows:

- Merits for competitiveness enhancement - These include projects that involve research, technology development and innovation, technology donations, human resource development funds, and IP acquisitions.
- Merits for development of industrial areas - These are for projects located within an industrial estate or a promoted industrial zone.
- Merits for decentralization - These include investment projects that are located in 20 designated low-income provinces. The provinces are: Kalasin, Chaiyaphum, Nakhon Phanom, Nan, Bueng Kan, Buri Ram, Phrae, Maha Sarakham, Mukdahan, Mae Hong Son, Yasothon, Roi Et, Si Sa Ket, Sakhon Nakhon, Sa Kaew, Sukhothai, Surin, Nong Bua Lamphu, Ubon Ratchatan, and Amnatcharoen (excluding border provinces in Southern Thailand and Special Economic Development



Zones which have separate special incentive packages).

As for the zoning, the BOI used to target zoning clusters for the aerospace industry, but by virtue of a recent BOI notification issued on November 29, 2016 the BOI cancelled the target clusters for the aerospace industry, and allowed projects to be set up in any area (subject to other laws, such as building control laws, town planning laws, etc.).

INDUSTRIAL ESTATE

In addition to the incentives, the government is establishing a specialized aerospace industrial estate at U-Tapao-Pattaya International Airport. The plan is being executed in three phases:

1. The Aerospace Industrial Estate - planned utilization is a total of 80 hectares;
2. Original Equipment Manufacturers - planned utilization of 50 hectares; and

3. Maintenance Repair Operation sector – planned utilization of 32 hectares.

CONCLUSION

Thailand is taking positive measures to promote investment in aviation. If the plans come to fruition, Thailand has the potential to become a central aviation manufacturing hub in Southeast Asia. To ultimately achieve that goal, along with economic incentives, the country must invest in research and development, as well as engineering and aviation training. The BOI has recognized this fact. Hopefully the combination of the right incentives and an improvement in human resources will enable Thailand to raise its aviation sector to new heights. ■

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BOI Incentives

| Activities | Group | Incentives* |
|--|-------|---|
| 4.11.1 Manufacture of aircraft or aircraft parts, such as airframes, critical components (e.g. engines and related parts, and propellers), appliances (e.g. flight recorders, radar), equipment and other components | A1 | <ul style="list-style-type: none"> • Eight-year corporate income tax exemption without being subject to a corporate income tax exemption cap. • Import duty exemption on machinery. • Exemptions on import duties for raw or essential materials used in manufacturing products for export. The exemption can be extended as deemed appropriate by the BOI. • Other non-tax incentives. |
| 4.11.2 Manufacture of onboard devices and equipment (except disposable and reusable aircraft utilities and supplies) such as seats, life vests, trolleys, galleys, etc. | A3 | <ul style="list-style-type: none"> • Five-year corporate income tax exemption. • Import duty exemption on machinery. • Exemption on import duties for raw or essential materials used in manufacturing products for export. The exemption can be extended as deemed appropriate by the BOI. • Other non-tax incentives. |
| 4.11.3 Repair of aircraft or aircraft parts | A2 | <ul style="list-style-type: none"> • Eight-year corporate income tax exemption. • Import duty exemption on machinery. • Exemption on import duties for raw or essential materials used in manufacturing products for export. The exemption can be extended as deemed appropriate by the BOI. • Other non-tax incentives. |
| 4.11.4 Repair of Onboard Devices and Equipment (except disposable and reusable aircraft utilities and supplies) | A4 | <ul style="list-style-type: none"> • Three-year corporate income tax exemption. • Exemption of import duty on machinery. • Exemption on import duties for raw or essential materials used in manufacturing products for export. The exemption can be extended as deemed appropriate by the BOI. • Other non-tax incentives. |
| 4.11.5 Manufacture of aerospace devices and equipment such as devices or equipment related to rockets/spacecraft/space vehicles/propulsion units and auxiliary equipment, etc. | A1 | <ul style="list-style-type: none"> • Eight-year corporate income tax exemption without being subject to a corporate income tax exemption cap. • Import duty exemption on machinery. • Exemption on import duties for raw or essential materials used in manufacturing products for export. The exemption can be extended as deemed appropriate by the BOI. • Other non-tax incentives. |
| 4.11.6 Aerospace Operating Systems such as search, detection, navigation, guidance, aeronautical, nautical system and instruments, etc. | A1 | <ul style="list-style-type: none"> • Eight-year corporate income tax exemption without being subject to a corporate income tax exemption cap. • Import duty exemption on machinery. • Exemption on import duties for raw or essential materials used in manufacturing products for export. The exemption can be extended as deemed appropriate by the BOI. • Other non-tax incentives. |

* The above tax incentives do not yet include the additional merit-based incentives which the BOI laid out in order to attract and stimulate more investment or spending on activities. These include: (i) merits for enhancing competitiveness; (ii) merits for decentralization; and (iii) merits for development of industrial areas. This means that these projects may receive additional CIT exemptions on top of what they receive from the criteria laid out in the activity-based incentives.