

# Trade Alert

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## THE BOARD OF INVESTMENT (“BOI”) HAS APPROVED THE INVESTMENT PROMOTION FOR BUSINESS RELATED TO RAIL SYSTEM INDUSTRY TO DEVELOP THAILAND RAIL SYSTEM

At present, the Government of Thailand has a plan to build more than 6,000 kilometers of the rail network nationwide. This includes a dual-track train, electric train, and high-speed train with the aims to address the increasing future demand for rail networks and to reduce dependence on imports of rail systems.

Therefore, in order to encourage and accelerate the investment on the production of trains, parts, and equipment relating to rail system industry in conformity with the said plan, the BOI has issued the new announcement known as “BOI Announcement No. Sor. 2/2562 on Promotion of Rail System Industry” (“Announcement”) on 12 February 2019. This Announcement grants an investment promotion to the business operation related to manufacturing and/or repairing of rolling stocks, parts, or equipment for rail system that located in all provinces, except in Bangkok.

Despite the aforesaid announcement date, this Announcement is applied to the application that is submitted to the BOI from 11 January 2019, of which the essential details are as follows:

### I. Eligible activities for investment promotion

According to clause 1 of the Announcement, the BOI had amended the terms in activity 4.10 of Section 4 in the List of Activities Eligible for Investment Promotion annexed to the BOI announcement No. 2/2557 dated 3 December 2014 and replaced them with the terms to provide investment promotion on the business operation

related to manufacturing and/or repairing of rolling stocks, parts, and equipment for rail system.

Under this business activity, the BOI has divided the promoted activity into 3 categories as follows:

- 1) Manufacture of trains and/or rolling stocks such as passenger cars and cargo cars;
- 2) Repair of trains or parts, or rail system equipment; and
- 3) Manufacture of rail system parts or equipment such as main structure, rolling stocks, or bogie.

Each category will be eligible for different privileges depending on the category/sub-category that they fall under.

### II. Additional rights and privileges

To encourage and accelerate the investment on railway system industry in order to fulfill the government’s goal, the BOI has provided the following privileges in addition to those given under each business category, provided that the business operator submits the application during 11 January 2019 to 30 December 2021:

- 1) For the business operation which located in Khon Kaen or Nakhon Ratchasima provinces, the business operator shall be entitled to an additional 50% corporate income tax deduction under the BOI announcement No. 2/2557 dated 3 December 2014 for a period of 5 years from the expiry date of the corporate income tax exemption.

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- 2) As for the business operation located in provinces other than Bangkok, Khon Kaen, and Nakhon Ratchasima, the business operator shall be entitled to an additional 50% corporate income tax deduction under the BOI announcement no. 2/2557 dated 3 December 2014 for a period of 3 years from the expiry date of the corporate income tax exemption period.

### III. Conditions for obtaining additional privileges

Apart from the prescribed period for submission of application, the business operator must also comply with the following conditions in order to obtain the additional privileges provided by the BOI:

- 1) The business operator must operate the business related to manufacturing and/or repairing of trains, parts, or rail system equipment while his project must have received not more than 8 years in total of corporate income tax exemption from various investment promotion measures.
- 2) The business operator must not request for the extension of period for all processes, which are from acceptance of resolution to start-up of operation. This is to stimulate and accelerate the investment on rail system industry.
- 3) The business operator must submit the request for start-up of full operation together with the evidence presenting the qualifications of the promoted project in accordance with the prescribed conditions to the BOI before the expiration of the corporate income tax exemption period according to Section 31 for both time duration and amount of income exempted.

According to the aforementioned details, it could be seen that the BOI has issued the measures to stimulate and accelerate the investment on rail system industry in Thailand, for example, a measure which provides additional privileges to the business operator who submits the application within 30 December 2021 and a measure which prohibits the business operator from requesting to extend the period of start-up of full operation. These measures are believed to assist the Thai government to rapidly achieve the goal, which is to expand the rail network nationwide.

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