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KPMG in Thailand



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Draft application format announced for International Business Center regime

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The Thai Revenue Department (“TRD”) has announced the draft application format for the new International Business Center (“IBC”) tax incentive regime, which was enacted by the Thai government in December 2018. An overview of the conditions of the IBC regime and the associated incentives is available [here](#).

This development follows the announcement of the proposed cancellation of all tax incentives granted under the existing International Headquarters (“IHQ”), Regional Operating Headquarters 2010 (“ROH 2010”) and International Trade Center (“ITC”) regimes, with effect from 1 June 2019 onwards for corporate income tax incentives and 1 January 2020 for personal income tax incentives. Further details of the proposed cancellation of these incentives are available [here](#).

The draft IBC application format has been announced for both new IBC applicants and existing IHQ (including Treasury Center), ROH and ITC beneficiaries who wish to convert to the IBC regime. Some key items included in the draft IBC application are as follows:

- General information of the company;
- Accounting period and effective start date of the IBC incentives;
- Business plan of the company, although this is not required for existing IHQ, ROH or ITC beneficiaries applying for IBC conversion;
- Details of the IBC's proposed activities, Thai and foreign affiliates and full-time expatriate employees. The TRD has clarified that an existing IHQ, ROH or ITC beneficiary may add or remove activities, affiliates and/or expatriate employees when it applies for IBC conversion; and
- Details of the skilled employees to be employed by the IBC. Note that an IBC is required to have at least 10 skilled employees (either Thai or foreign), or at least 5 skilled employees where the IBC provides only treasury management services.

As explained in previous KPMG tax newsletters, new applicants to the IBC regime must have annual business expenditure in Thailand of THB 60 million in order to be eligible for IBC benefits. However, existing beneficiaries of the ROH and IHQ regimes who convert to the IBC regime need only meet their existing annual Thai operating expenditure threshold of THB 15 million to be entitled to IBC benefits. Accordingly, existing IHQ, ROH and ITC beneficiaries who wish to convert to the IBC regime should lodge their applications before 1 June 2019, to ensure that they are able to take advantage of this lower expenditure threshold.

The TRD has stated that the timeframe for approval of IBC applications will be 30 working days for new applicants, and less than 30 working days for existing IHQ, ROH and ITC beneficiaries converting to the IBC regime. Given the tight approval timeframe, we encourage these existing beneficiaries to begin gathering information and completing the draft application, so that they are able to submit their IBC conversion application to the TRD as soon as the submission system is open. Applicants should allow enough time to collate accurate and sufficiently detailed information about the IBC, to reduce the need for follow-up enquiries from the TRD.

KPMG is at the forefront of these developments in Thailand and will arrange a public IBC update seminar to discuss these issues in greater detail. Details of this event will be made available shortly. KPMG would also be pleased to assist with the preparation of IBC applications for new applicants or current IHQ, ROH and ITC beneficiaries.

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