



# Legal News Update

KPMG in Thailand



Issue 13 : May 2022

## Efficiency Enhancement Measure for Digital Technology Adoption

In March 2021, **The Announcement of No. 4/2564 Efficiency Enhancement Measure for Digital Technology Adoptions (the “Measure”)** was made by the Board of Investment (“BOI”). This Measure would encourage further implementation of digital technology. In fact, we see a growing trend of companies aiming to utilize digital technology to implement new operations and improve operational efficiency.

We recommend reading this newsletter to understand this Measure, especially if you are considering the following:

- Looking for an additional tax incentive from BOI.
- Improving operations through digital technology or implementing/re-implementing new IT systems or utilizing artificial intelligence (“AI”) or big data for business

### Incentives from the investment promotion

Three-year corporate income tax exemption is granted. Corporate income tax exemption applies for 50% of the investment capital (excluding cost of land and working capital) in digital technology adoption under this Measure.

### Conditions for applying to the investment promotion

1. The application must propose a plan to implement one of the following technologies to increase production or service efficiency:

- a) Software, programs or information technology used to be internally integrated or externally connected, or both, with at least three functions of data link for resource management e.g., ENTERPRISE RESOURCE PLANNING (ERP) etc.

b) AI, machine learning, and utilizing big data or data analysis e.g., ROBOTIC PROCESS AUTOMATION (RPA) etc.

c) Software, programs or information technology that connects with the government's online services e.g., Connected to the National E-Payment System.

2. The minimum investment capital or expenditure<sup>\*1</sup> of each project must not be less than 500,000 baht (excluding cost of land and working capital) for Small and Medium Enterprises ("SMEs") and the minimum investment capital of each project must not be less than one million baht for non-SMEs.

<sup>\*1</sup>With regards to the calculation of investment capital or expenditure (excluding cost of land and working capital) under this Measure will be as follows:

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| <p><u>Full</u> investment or expenditure</p> <p><i>Example: If this clause is applied and the actual investment amount is two million baht, the amount of corporate income tax exemption would be one million baht. Such tax exemption is calculated at 50% of two million baht of the actual investment.</i></p> | <ul style="list-style-type: none"><li>o For utilizing software, programs or information technology according to item (a) and (c) which is developed or improved by <u>entrepreneurs in Thailand certified by related agencies.</u></li><li>o For applying AI, machine learning, and utilizing big data and data analytics according to item (b).</li><li>o For renting/using a cloud service or a data center <u>in Thailand.</u></li></ul> |
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| <p><u>Half</u> of the investment or expenditure</p> <p><i>Example: If this clause is applied and the actual investment amount is two million baht, the amount of corporate income tax exemption would be THB 500,000. As half of the actual investment will be considered as an investment or expenditure, in this case the tax exemption is calculated at 50% of <u>one million baht of the investment or expenditure.</u></i></p> | <ul style="list-style-type: none"><li>o For utilizing software, programs or information technology according to item (a) and (c) which is developed or improved by <u>entrepreneurs in Thailand not certified by related agencies, or entrepreneurs in foreign countries.</u></li><li>o For renting/using a cloud service or a data center <u>in foreign countries.</u></li></ul> |
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### What to do next

Digital technology adoption should be considered, and the company should assess whether digital technology brings a return on investment for the company; not only beneficial from an operational perspective but also from a tax perspective. The application for the Measure must be submitted by December 30, 2022, and the project must complete implementation within three years of the date the promotion certificate is issued.

### How can KPMG Law assist you?

With our experience of other cases under this Measure we can provide legal advice, and assist with filing applications for permission and notification to the BOI. For more information, please feel free to contact us.

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