

Knowing About “IBC” the Replacement of ROH and IHQ

Overview Information

Effective from 29th December 2018 onward, International Business Center (so-called “**IBC**”) tax incentives under the Royal Decree No 674 was enacted to replace all previous tax-incentivized of the Regional Operating Headquarters and International Headquarters (so-called “**ROH**” and “**IHQ**” respectively).

The existing ROH and IHQ companies are still eligible for the previous tax benefits under the existing conditions until expiration of their approval. However, those tax benefits granted to the ROH companies under the Royal Decree 405 approval – which does not have a time limit – shall enjoy the tax incentives merely until the end of the fiscal year 2020. In addition, under the Royal Decree No. 674, the existing ROH companies (under the Royal Decree No. 405) and IHQ companies can terminate their ROH and IHQ registrations and apply for the IBC without penalizations resulting from such terminations.

Conditions & Requirements

Only a company incorporated under the laws of Thailand and engaging in the following business activities with/to its affiliates in Thailand as approved by the Revenue Department (“**RD**”) can apply for IBC:

1. Providing administrative and technical support services;
2. Providing money management services; and/or
3. Providing international trading services.

Other essential legal requirements for applying the IBC companies are as follows:

1. The company (applicant) must file an application and obtain an approval from the RD;
2. The company must have its paid-up capital at least 10 million Baht on the last day of each financial year;
3. The company must provide qualifying support services or treasury services to its affiliated/associated companies;
4. The company must have at least 10 skilled full-time employees or at least 5 employees in case of IBC providing money management services; and
5. The company must have the local spending at least THB 60 million per fiscal period unless converted from ROH or IHQ.

Tax Incentives

Under the Royal Decree No 674, a granted IBC company shall enjoy 15 financial years (of the company) the following tax incentives from the date of approval by the Revenue Department:

1. Entitled to reduce its corporate income tax rates on the net profits from qualifying service fees and royalty incomes earned from its Thai and overseas affiliated/associated enterprises:
 - a. 8% when its annual operating expenditure of not less than 60 million Baht;
 - b. 5% when its annual operating expenditure of not less than 300 million Baht; and
 - c. 3% when its annual operating expenditure of not less than 600 million Baht.
2. Exempt from corporate income tax on dividends received from its associated companies;
3. Exempt from specific business tax on incomes from treasury services;
4. Exempt from withholding tax on dividends distributed by the IBC to its overseas shareholders that are paid out of the reduced-corporate income tax profits of the IBC's operations; and out of defined qualifying profits from the ROH's/IHQ's operations within one year after the conversion to an IBC is approved; and
5. Exempt from withholding tax on interest paid by the IBC to an overseas loan provider in connection with a loan obtained for re-lending due to its treasury activities.

Lastly, the IBC company's expatriated employees also can enjoy to a flat personal income tax rate of 15% for employment remuneration derived from working full time.



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