



Tax and Legal Newsletter

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Legal Updates: New Lending Services for Trade and Investment Support Offices (TISOs) and International Business Centres (IBCs)

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Thailand is forging ahead with its aim to become the center for international business for the Asian business community and it has now introduced revised rules which allow Trade and Investment Support Offices (TISOs) and businesses categorized as International Business Centers (IBCs) to be able to lend funds to both their associated enterprises in Thailand and their associated enterprises overseas.

This measure provides the ability for TISOs and IBCs to provide funds to associated enterprises to meet their funding requirements. The funding measure was brought about by Notification No. Sor. 3/2564 which was issued by the Thai Board of Investment (“BOI”) and provided a revision to the scope of services relating to TISOs and IBCs, as seen on the Schedule annexed to the Notice (No. 2/2557, dated 3 December 2014) at the BOI (the “Notification”).

TISOs and IBC’s already enjoy various incentives and benefits under the BOI promotion categories of 7.7 and 7.34 respectively and this is yet another benefit for those entities to increase Thailand’s regional and global competitiveness.

TISOs are normally support offices that compliment an organisations main or primary business and can include both connected and non-connected activities. IBCs are slightly different in that they can act as the international headquarters of an international group or organisation by providing various support activities and services.

More specifically, the Notification extends the scope of operations for both TISOs and IBCs to include:

1. The provision of loans in a foreign currency to associated enterprises overseas;
2. The provision of loans in Thai Baht to associated enterprises in Thailand; and,
3. The provision of loans in Thai Baht to associated enterprises in the Socialist Republic of Vietnam and countries that border Thailand; on condition that the loan funds are used by the receiver of the loan only for trade or investment in Thailand or in Thailand’s border countries.



Tax and Legal Newsletter

PKF

Project condition for operating lending services

In itself, it is not sufficient for a company to be categorised and awarded the status of TISO or IBC and then just provide loans to associated enterprises, it must still satisfy the conditions of:

- a) Operating at least one TISO or IBC required business activity; and,
- b) Not providing financial management business operations of a treasury center (operating under the law on exchange control).

TISO and IBC permitted business activities

The business activities permitted to be undertaken by TISOs and IBCs are as follows:

a) Trade and Investment Support Office (TISO):

- (1) Advisory services on business operations (except those engaged in buying and selling securities and foreign currency exchange).

Accounting, advertising, architecture, civil engineering and legal businesses must obtain business licenses from the Department of Business Development (BDB) or related government agencies prior to submitting their investment promotion application.

- (2) Information services on goods sourcing.
- (3) Engineering and technical services (except those related to architecture and civil engineering services).
- (4) Business activities relating to engines, equipment, machinery and tools, for example:
 - Importing such items for the wholesale market;
 - Training services;
 - Installation, maintenance and repair; and,
 - Calibration.
- (5) Wholesaling products manufactured in Thailand.
- (6) Outsourced international business processes which are provided through telecommunication networks (internet) and include the provision of administrative services, finance and accounting services, human resource services, sales and marketing services, customer services, and data processing, etc.



Tax and Legal Newsletter

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b) International Business Center (IBC):

- (1) General business management, business planning, and business cooperation.
- (2) Procurement of raw materials and parts.
- (3) Research and development of products.
- (4) Technical support.
- (5) Marketing and sales promotion.
- (6) Human resources management and training.
- (7) Financial advisory services.
- (8) Economic and investment analysis and research.
- (9) Credit management and control.

In addition, it is worth mentioning that domestic lending to affiliated companies and group companies has been an allowable business activity for 'foreign owned' businesses in Thailand from the time when the Ministry of Commerce (MOC) issued Ministerial Regulation (No. 4) B.E. 2562 under the Foreign Business Act B.E. 2542 (1999) to exempt the business of domestic lending services between juristic persons (companies) that are affiliated companies and group companies.

Therefore, by virtue of the MOC Ministerial Regulation, foreign owned companies in Thailand that have not been granted incentives by the BOI or granted Foreign Business Licenses by the MOC are still able to legally provide domestic loans to their affiliated companies and group companies.



Tax and Legal Newsletter



Concluding Remarks

The change in the scope to increase what TISOs and IBCs can do is very welcomed. These categories of business can now lend funds (in accordance with the exchange control regulations) to related companies both locally in Thailand and overseas.

This is an important step because it brings TISOs and IBCs in line with foreign owned companies in Thailand which were not granted any promotion benefits under BOI but could engage in domestic lending to the affiliated companies and group companies without having to obtain permission from any government authority. Against that background, it now makes TISOs with their non-tax incentives and IBCs with their tax and non-tax incentives even more attractive for foreign organisations to utilise.

In addition to the new lending incentive, other non-tax incentives awarded to both TISOs and IBCs include the ability for the TISO or IBC company to have 100% foreign ownership, fast tracked visas and work permits for foreign employees, and the ability to own land for the operation of the promoted businesses. TISOs and IBCs, with the incentives they offer, present two business entities which will appeal to multinational organisations when considering where to base their centre of operations in Asia, if not globally.

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