



## The perfect location

Thailand's economy and markets are rapidly developing, not least because it is geographically placed in the centre of Asia where more than half of the world's population reside. This makes Thailand a perfect location from which to operate a global finance centre or position a holding company or park the global headquarters.

This realisation has hit many multinational groups with the result that more and more groups are relocating or repositioning activities in Thailand. Not surprisingly, this activity has not escaped the attention of the Thai Government who have responded by creating a new special type of business entity with some very attractive incentives and benefits from which such activities can be operated. The newly created business entity is known as an International Business Centre (IBC).

Notably, the tax exemptions and benefits obtained by operating as an IBC include:

- A Special Business Tax exemption which applies to income (gross receipts) from financial management services (a treasury centre) provided to associated enterprises in Thailand or overseas;
- A corporate income tax exemption on dividends received from associated enterprises in Thailand or overseas;
- A reduced rate of corporate income tax which applies to IBC income and can be as low as 3% i.e., income derived from providing administrative services, technical services, supporting services, or financial management services to associated enterprises in Thailand or overseas **and** royalties received from associated enterprises in Thailand or overseas arising from technological R&D carried out in Thailand;
- An exemption from withholding tax on:
  - Dividends paid by the IBC to companies (or juristic partnerships) incorporated under foreign laws and not carrying on business in Thailand; and,
  - Interest paid by the IBC to companies (or juristic partnerships) incorporated under foreign laws and not carrying on business in Thailand (but only on loans taken out by the IBC to relend to its associated enterprises in Thailand or overseas for the purpose of providing financial management services); and,
- A reduction in the personal income tax rate to 15% for qualifying expatriate employees working for the IBC.

### PKF Comment:

The new IBC entity is a new business entity with incentives and reliefs to encourage and house certain activities including management, technical, and support services and treasury management services. To find out more about relocating these activities to Thailand and benefitting from the IBC reliefs and incentives available, or establishing a business in Thailand, please contact Philip Bond at [philip.bond@pkf.com](mailto:philip.bond@pkf.com)