

## THAILAND

### INVESTMENT INCENTIVES FOR ELECTRIC VEHICLES



On 4 November 2020, the Board of Investment (BOI) announced new investment packages for businesses that manufacture electric vehicles, essential parts, or batteries. The new package replaced previous investment measures which expired in 2018.

#### **Manufacture of Electric Vehicles (EV)**

##### **1. Manufacture of EV passenger cars**

✓ Battery Electric Vehicles (BEV)

Projects with an investment capital of **5 million Baht or more** will receive an 8-year corporate income tax exemption, with the ability to extend if there is R&D investment.

Projects with an investment capital of **less than 5 million Baht** may enjoy a 3-year corporate income tax exemption, with the ability to extend if the project fulfills certain criteria (e.g., if production commences within 2022, additional part production, minimum production of 10,000 units within 3 years, and R&D investment/expenditures).

✓ Plug-in Hybrid Electric Vehicles (PHEV)

PHEV projects that manufacture at least three parts for EVs will enjoy a 3-year corporate income tax exemption.

##### **2. Manufacture of EV motorcycles, three-wheelers, buses, and trucks**



- ✓ The project will be entitled to a 3-year corporate income tax exemption, with the ability to extend if the project fulfills certain criteria (e.g., if production commences within 2022, additional part production, minimum production of 10,000 units within 3 years, and R&D investment/expenditures).

### **3. Manufacture of EV ships**

- ✓ An 8-year corporate income tax exemption will be granted to projects producing vessels with less than 500 gross tonnage.

#### **Manufacture of EV Parts**

The BOI has approved incentives for four more categories of EV parts under BOI Activity Category No. 4.8.3, namely:

- ✓ High voltage harnesses;
- ✓ Reduction gear;
- ✓ Battery cooling system;
- ✓ Regenerative braking system.

Producers of these parts will be eligible for an 8-year corporate income tax exemption.

#### **Manufacture of EV Batteries**

Manufacturers of battery modules and battery cells for the Thai market will be eligible for a 90% reduction of import duties for 2 years on raw or essential materials not available locally.



### Electric Vehicle Manufacture

(BEV, PHEV, and HEV).

Must at least manufacture the BEV.

#### Capital > THB 5 Billion

BEV: 8-year CIT exemption

(up to 11 years for R&D)

PHEV: 3-year CIT exemption

HEV: no tax privilege

#### Capital ≤ THB 5 Billion

BEV: 3-year CIT exemption

(up to 11 years in special cases)

PHEV: 3-year CIT exemption

HEV: no tax privilege



### Battery Electric Motorcycle Manufacture

3-year CIT exemption

(up to 11-year CIT exemption in special cases)



### Battery Electric Three-wheeler Manufacture

3-year CIT exemption

(up to 11-year CIT exemption in special cases)



### Battery Electric Bus & Truck Manufacture

3-year CIT exemption

(up to 11-year CIT exemption in special cases)



### Revision of Ship Building or Repair Activities

to include electric ship building

8-year CIT exemption



### Electric Bicycles (E-bikes) Manufacture

3-year CIT exemption

(up to 11-year CIT exemption in special cases)

**Figure 1.** BOI incentives for the manufacture of electric vehicles, parts, and batteries.

In the first quarter of 2022, the BOI enhanced existing investment incentives and conditions to fast-track the growth of the EV domestic market and swiftly develop the necessary infrastructure of charging stations.

Previously, only larger projects would benefit from tax exemptions. Specifically, currently investments in charging stations with no less than 40 chargers, one quarter of which are required to be DC type, enjoy a 5-year corporate income tax (CIT) exemption. Now, however, charging stations with fewer chargers are also eligible to apply for BOI investment promotion and be entitled to 3 years of CIT exemption.



**Figure 2.** TAX incentives for charging station investments

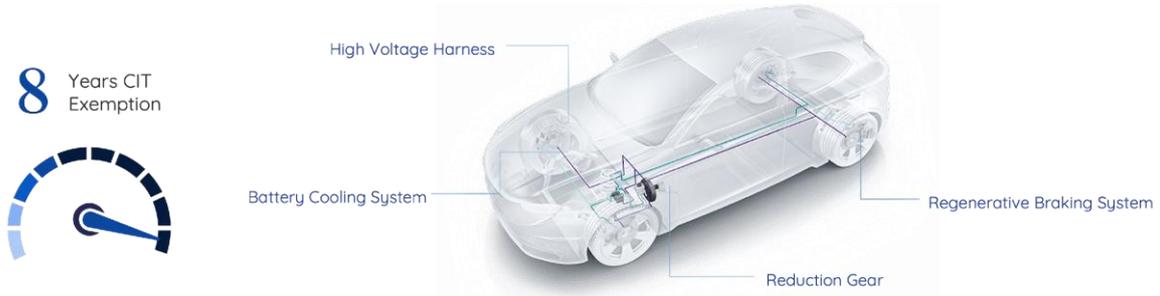
The amendment has also simplified the application process by abrogating two earlier conditions, namely:

1. Ineligibility for more investment incentives granted by other agencies; and
2. Mandatory ISO certification.

The abrogation of these two conditions, which may have been a deterrent for many prospective investors, is expected to spark a surge in EV investment. Investors must now only abide by the relevant safety regulations and submit a plan to either:

1. Implement an EV Smart Charging System; or
2. Connect to an EV Charging Network Operator Platform.

The latter would be developed as a centralized, efficient platform for operators as well as for Battery Electric Vehicles (BEV) users.

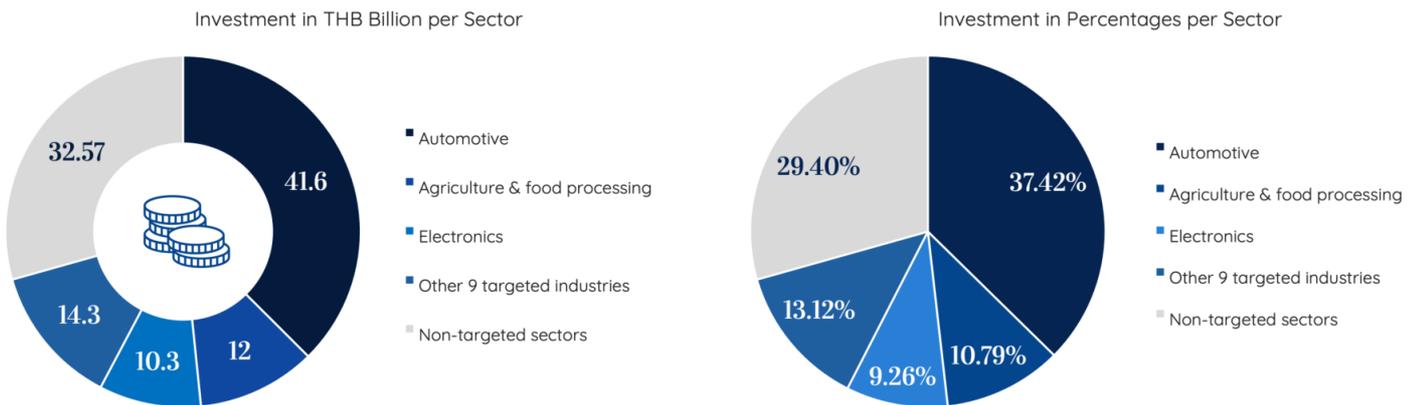


**Figure 3.** TAX incentives for manufacture of EV parts.

Foreign and domestic investment declined slightly in Q1 2022 due to an economic contraction in conjunction with global geopolitical risk. BOI investment promotion applications in the first trimester of 2022 totaled THB 110.7 billion (approximately USD 3.4 billion) – 6% lower than the total investment amount in the first three months of 2021. Despite a sharp decline in domestic investments, FDI soared, recording a 29% year-over-year growth, and accounted for 70% of the total investment amount in 2022. The quarter’s top three foreign investors were Taiwan, Japan, and China.

The **top three targeted industries** were:

1. Automotive – THB 41.6 billion (53% of target industries’ applications).
2. Agriculture & food processing – THB 12 billion (15.29% of target industries’ applications).
3. Electronics – THB 10.3 billion (13.12% of target industries’ applications).



**Figure 4.** Investments in THB billions and in percentages per sector.

Overall, the 12 targeted sectors (including the top performers listed above) attracted a combined value of THB 78.2 billion, which is equivalent to 70.6% of the total investment. Most of the BOI applications targeted the Eastern Economic Corridor (EEC), the Kingdom's high-tech manufacturing hub, and totaled THB 60.4 billion.

### **Thailand BOI's Smart Investment Initiative**

In June 2022, the BOI announced new measures to increase investment in EV manufacture and infrastructure and smart industrial estates and systems. A total of THB 209.5 billion (USD 6.2 billion) was approved to promote growth in these sectors. Manufacturers will also benefit from reduced import duties and corporate income tax exemption.

Producers of EV and high energy density batteries will benefit from a 90% reduction of the import duty on raw and essential materials for five years in cases where the output is sold domestically. Sixteen projects were accepted and granted investment benefits from the BOI to produce EV batteries. At least three other projects were approved to produce high energy density batteries.



**Figure 5.** BOI enhanced investment incentives for EV battery manufacturing.

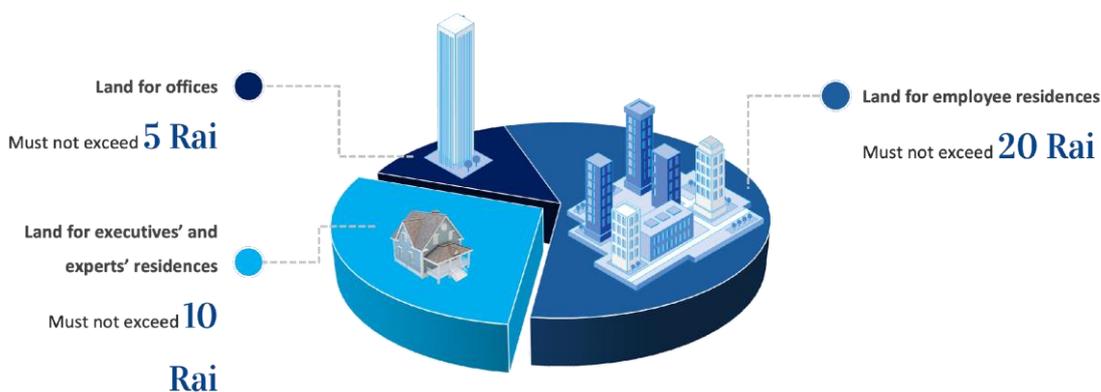
The BOI approved two similar packages, one for investment in smart industrial estates and the other for incentivizing smart upgrades to existing facilities. Eligible projects must provide intelligent system services in five areas. The four mandatory services include smart facilities, IT, energy, and economy. The fifth service may be smart living, workforce, or good corporate governance. Additionally, applicants for the smart industrial estates and zones program are only eligible if at least 51% of the shareholders are Thai. There is no similar shareholder limit for upgrading existing facilities and developing smart systems. Approved projects will be granted an 8-year corporate income tax exemption. Those approved projects in the Eastern Economic Corridor (EEC) will be granted an additional 5-year, 50% corporate income tax reduction.



**Figure 6.** BOI enhanced investment incentives for smart industrial estates and smart upgrades.

The BOI has also approved measures in real estates to promote the operation of foreign companies and foreign investment in Thailand. Foreign juristic persons with THB 50 million in registered, paid-up capital are permitted to own land for the establishment of offices and residential quarter for executives and foreign experts.

Furthermore, the BOI has approved an industrial estate program to promote the EV industry and foreign investment. This initiative shall facilitate the operation of foreign companies in Thailand by permitting foreign juristic persons to own land. This land shall be used for the purpose of industrial EV projects. Promoted foreign juristic persons with THB 50 million in registered, paid-up capital are eligible to apply.



**Figure 7.** A real estate initiative for the production of electrical vehicles.

The land may be used for three purposes, namely:

1. The establishment of offices;
2. Employee residences; and
3. The residences of executives and foreign experts.

Land for the construction of offices must not exceed 5 Rai, employee residential land is not to exceed 20 Rai, and the land for executive and foreign expert residences is not to exceed 10 Rai. The land may lie within or without the premises of the production plant. Lastly, the land must be sold or transferred within a year of the project's end. Applications to the BOI are open through December 31<sup>st</sup>, 2027.

### **Reduction in the Excise Duty on Electric Vehicles**

In June 2022, the National Electric Vehicle Policy Committee was established to examine the effectiveness of current state agencies that oversee the development of the EV sector and approve new action plans. The Committee will implement measures to promote the use of EVs, such as reducing or removing import duties, lowering tax tariffs, and granting subsidies to eligible applicants. Its strategic goals are to develop the domestic EV industry to create a high efficiency, high yield sector.

The Excise Department will have the power to approve subsidies for eligible applicants and will work to secure a budget for the implementation of these measures.

The Excise Department will be solely responsible for creating the procedures by which the recommended retail prices will be reported. Manufacturers are required to report retail prices on Battery Electric Vehicles (BEV), including sedans, trucks, motorcycles, and passenger vehicles with a maximum of ten seats. The prices shall be sent to the Excise Department no less than 15 days before the BEVs leave the industrial plant or warehouse or before filing tax returns.

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INTELLETTUALE**



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