

# Call in for a Coffee

RSM Nelson Wheeler, Thailand

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## Introduction

Welcome to RSM's third edition of the "Call in for a Coffee" Newsletter.

## Definition of Investment Capital – Cap on Corporate Income Tax Exemption

The Board of Investment plays an important role in both domestic and foreign investment in determining the standard means for calculating the Cap in addition to the Criteria and Calculation of Corporate Income Tax Exemptions, insofar as Investment Capital is concerned.

Investment Capital, excluding the cost of land and working capital, to be used in the calculation of the Cap on corporate income tax exemptions, as set forth by the Board of Investment, is defined as follows:

*Construction costs shall cover the following:*

- Where promoted persons construct their own buildings, costs shall cover construction costs of office buildings, factories, infrastructure, and facilities, including expansion or renovation.
- Where promoted persons purchase or use existing buildings, costs of construction shall refer to the price of buildings or factories specified in the purchase agreement or the net cost specified in the company's account of the latest financial year prior to submission of the application for promotion.
- Where promoted persons lease buildings or factories, construction costs shall refer to the price of buildings or factories specified in the lease agreement. The lease period must be longer than three years.

*Costs of Machinery, installation and testing, shall cover:*

- Where machinery is purchased, costs shall refer to the cost of machinery, including costs of installation, test-run, and cost of expertise that is already included in the machinery costs, such as costs of engineering and design. For software and E-commerce businesses, the costs shall include computers and applications.
- Where machinery is leased, the costs shall refer to the price specified in the lease agreement.
- Where machinery is rented, the costs shall refer to the price specified in the rental agreement, which must be for a period of more than one year.
- Where the machinery is freely obtained from subsidiaries and information about sources of the machinery are stated in the BOI application form for promotion, the costs shall refer to the amount appearing in the ledger account of the contributing company. Exchange rates, if applicable, shall be calculated from the date the application is submitted to the BOI.
- For mortgage of machinery, the costs shall be as specified in the company's accounts.

In cases of applying for factory relocation, investment capital shall not include the costs of machinery.

*For preliminary expenses, capital shall refer to the costs involved in establishing a new company, such as costs for travel, legal, a company prospectus and other fees.*

*For other assets, capital shall include the following items:*

- Office supplies and transportation, capital shall be applicable exclusively for investment promotion for a new company or for a project relocation.
- Concessions and assets paid to the government for the utilization of natural resources.

In cases where there are problems in applying the guidelines mentioned above, the decision of the Secretary General shall be deemed final.

### **Free Consultation**

Translation of business ideas into realistic projects requires expert advice. RSM can assist you in formulating practical solutions to obstacles which may be encountered while undertaking business in Thailand.

If you have financial, legal or other problems that require innovative solutions, please contact the RSM team and “**Call In For A Coffee**” for a free consultation.

### **Contact Details**

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