



ALERT

Thailand

New ROH Package Shapes Up

Following a seminar on the Establishment of Regional Operating Headquarter ("ROH") on February 10, 2010, the subcommittee on Policy Development to promote ROH held the opening forum on May 24, 2010 to get feedbacks on proposed benefits and conditions of the new ROH package. The forum was opened by Mr. Abhisit Vejjajiva, the Prime Minister.

To improve the attractiveness of the Thai ROH program, the new package removes a condition on a required percentage of qualifying revenues earned from overseas. Moreover, it relaxes the criterion that ROH must provide service to foreign companies in at least 3 countries and replaces it with a progressive requirement, i.e. an ROH must provide service to at least one operating company in another country; a second within the third year; and a third within the fifth year. In addition, the scope of ROH's service activity in sourcing raw materials, parts and finished products has been extended to include trading income from procuring raw materials, parts and finished products for associated entities.

In term of tax privileges, the corporate income tax rates on profit from providing qualified services to overseas and local companies will reduce from 10 percent and 30 percent to 0 percent and 10 percent, respectively. However, the corporate tax privilege under the new package has the time limit of 10 years which can be extended to 15 years if the ROH meets required conditions, which include expenses in Thailand of at least Baht 15 million per year or investment of at least Baht 30 million in Thailand. Employees of the ROH can also enjoy the 15 percent flat rate personal income tax, instead of a normal progressive rate for 8 years, if ROH's income generated from service to overseas companies is at least 50 percent of the ROH's total revenues. Though, the new package does not offer a tax rate reduction on interest income and royalties received from foreign associated enterprises or branches.

Certain aspects of the new ROH package have been extensively discussed including a flat personal income tax rate for expatriates and a criterion of overseas income portion to enjoy personal income tax privilege. Although, the subcommittee agreed to revisit such issues, Mr. Pradit Phataraprasit, the deputy Finance Minister and Chairman of the subcommittee, mentioned that the new ROH package would be effective from June 1, 2010. Interestingly, the new package will not replace the existing one but will coexist as alternatives for companies to choose.

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Even though certain criteria of the new ROH package have not been clearly clarified in the forum, the more relaxed set of criteria as well as the improved benefits, represent an attractive opportunity for both existing and new operators to explore and we expect to see an increasing number of ROH operators in Thailand as a result. Given the current FTA environment, careful and thorough planning of ROH utilization will definitely be beneficial to several businesses with footprints in Thailand as well as other jurisdictions within the region.

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