

Financial Facilities for Investment

International Banking Facilities

1. International Banking Facilities (IBF)

On September 16, 1992 the Ministry of Finance and the Bank of Thailand established rules and conditions for commercial banks to establish international banking facilities in Thailand. The annual fee is 500,000 baht. A commercial bank that receives a license will be able to undertake international banking facilities (IBF) business for

Offshore Lending

- Accepting deposits or borrowing from abroad in foreign currencies from foreign natural or juristic persons who have no establishment in or business with Thailand. An exception is made for receiving money from foreign banks that have a branch or representative office in Thailand, from foreign branches of Thai commercial banks, and from the Ministry of Finance, the Bank of Thailand, or the Exchange Equalization Funds. These foreign currencies may be lent abroad, to other IBF businesses, and to the Ministry of Finance, the Bank of Thailand and the exchange Equalization Funds.
- Acceptance of deposits or borrowing of offshore baht funds from offshore banks, foreign branches of Thai commercial banks and other IBF. These funds may be lent to foreign banks, foreign branches of Thai commercial banks, or other IBF businesses.

Local Lending

- Acceptance of deposits or borrowing from abroad in foreign currencies from foreign natural or juristic persons who have no establishment in or business with Thailand, foreign branches of Thai commercial banks, and other IBFs to lend foreign currencies in Thailand. However, each withdrawal and disbursement must be of an amount not less than US\$2,000,000 except in one of the following two cases, where the minimum disbursement is US\$500,000
- An exporter who has income from exports in excess of 50 percent of all income during the last accounting period
- An exporter who had goods and services that are sold to an exporter who meets the above condition

Other Related Business

- Cross-currency transactions with overseas customers, other IBF businesses, the Bank of Thailand, the Ministry of Finance, the Foreign Equalization Funds, bank licensed under the foreign exchange control laws, or local customers to whom such IBF businesses have lent foreign currencies
- Giving acceptance or guarantee against any debts in foreign currencies when either:
 - The bank is licensed under the foreign exchange control laws; or
 - The parties involved reside outside of Thailand
- All matters dealing with letter of credit in cases where the buyer and the seller of goods involved with the letter of credit purchasing agreement both reside abroad and the goods involved in the agreement have not been either exported out of or imported into Thailand

- Procuring or managing the loan syndication procurement of foreign currency loans from foreign sources to those requiring loans in foreign currencies

Other Unrelated Business

Commercial banks licensed to undertake IBF businesses may also:

- Invest directly or indirectly in common stocks, preferred stocks or warrants of juristic persons registered abroad that are made according to debt restructuring in accordance with Bank of Thailand regulations.
- Provide news, financial and general economic information
- Prepare or analyze investment projects
- Advise in the purchase, merger or amalgamation of businesses
- Give financial advice
- Arrange or underwrite debt instruments issued for sale abroad. If the debt instruments are issued from Thailand, this must be undertaken in conjunction with the IBF business of a commercial bank registered in Thailand

However, these activities must be separated from the accounts of the IBF business – as if the commercial bank were a separate juristic person.

Revocation of Tax Incentives of Bangkok International Banking Facilities (BIBF)

Previously, corporate income tax reductions and exemptions were granted to BIBF businesses. However, in view of the improved economy, tax privileges have been revoked. Thus, there will be no BIBF business for commercial banking.

Nevertheless the law still provides tax privileges to the out-out business, which will operate under normal commercial banking business. The tax privileges are as follows:

- A reduction of corporate income tax to 10% of net profit
- Tax exemption on personal income tax and corporate income tax on interest on loans and interest on deposit received for out-out business to non-Thai individuals who are not residents of Thailand, juristic companies organized under foreign laws and not carrying on business in Thailand and foreign banks.
- Tax exemption on profit remittance under Section 70 bis
- CIT exemption for arrangement fees received for the arrangement of a syndicated loan. However, the exemption will be granted only if it meets the criteria, methods and procedures under a notification of the Director-General of the Revenue Department. (Currently, no notification has been issued by the Director-General)
- SBT and stamp duty exemption

Although the tax incentives for BIBF have been revoked, the law provides for an extension period for a further 3 years for tax incentives previously granted to a lender or depositor who has provided funding to the BIBF.

2. Condition for Participating in IBF

The Bank of Thailand stipulates that IBF must be separate from other banking business-as if it were a separate juristic person. Also the IBF business in offshore lending must be separate from the IBF business in local lending, and the IBF business in local lending cannot transfer or raise funds to the IBF for offshore accounts. Customers of IBF must provide their actual names, addresses and information for correspondence, and the names on the accounts must be the actual names of customers.

Exchange Control

The Exchange Control Act, B.E. 2485 (A.D. 1942), as amended, governs all matters involving foreign exchange. As a general rule, all matters involving foreign currency are regulated by, and require the permission of, the Bank of Thailand. Since May 22, 1999, however, foreign exchange control has been considerably relaxed by the Bank of Thailand. At present, certain transactions in Thai baht or foreign currency can be performed virtually without restriction, and only a few require approval from the Bank of Thailand.

1. Importation of Funds

Non-residents

Individuals in transit may normally bring foreign currency and negotiable instruments into Thailand without limit. They may also freely take out of the country all foreign currency they had brought in, without limit. Individuals in transit, however, may not take out Thai currency exceeding 50,000 baht per person except for trips to Myanmar, Laos, Cambodia, Malaysia and Vietnam, where an amount of up to 500,000 baht is allowed. There is no restriction on the amount of Thai currency that can be brought into the country.

Residents

There is no restriction on the amount of foreign currency a resident may bring into Thailand. However, all such currency must be sold to, or deposited into a foreign currency account in, a commercial bank within 7 days of receipt or entry into the country.

Investors

There is no restriction for the import of foreign currency, such as investment funds, offshore loans, etc. such foreign currency, however, must be sold or exchanged into Thai baht, or deposited into a foreign currency account with an authorized bank, within 7 days from the date of receipt or entry into the country. An application form F.T. 3 or F.T. 4 must be submitted to an authorized bank for each transaction involving the sale, exchange, or deposit such funds in an amount exceeding UD\$5,000 or its equivalent.

2. Repatriation of Funds

Foreign Currency Accounts of Thai Residents

Thai individuals and juristic person in Thailand may maintain foreign currency accounts under the following conditions:

- The accounts are opened with authorized banks in Thailand and deposited with funds that originate from abroad or from foreign currency borrowing.
- The deposit must submit evidence showing obligations to pay in foreign currency to persons abroad, authorized banks, the Export and Import of Thailand or the Industrial Finance Corporation of Thailand within 3 months from the date of deposit. The depositor can deposit no more than the amount of the above obligations.
- The deposit of foreign currency notes and coins must not exceed US\$2,000 per day.
- Debits to the accounts are permitted for payment of any external obligations upon submission of supporting evidence or for conversion into baht at authorized banks.
- The total daily outstanding balances in all accounts must not exceed US\$5,000,000 for a juristic person and US\$500,000 for an individual.

Foreign Currency Accounts for Non-Thai Residents

Non-residents can open and maintain foreign currency accounts with authorized banks in Thailand. The deposits must come from funds originating abroad. Balances on such accounts may be transferred without restrictions.

Non-Residents Baht Account

Non-residents may open an account with any authorized bank in Thailand provided they show proof of identity, such as a valid passport. They may freely credit the account with:

- Proceeds from the sale of foreign currency that originated from abroad or foreign currencies from non-residents' foreign currency accounts
- Amounts transferred from other non-residents baht accounts
- Obligations between residents and non-residents

Imports

Importers may freely purchase or draw foreign exchange from their own foreign currency accounts for import payments

Exports

Exports are free from any foreign exchange restrictions. However, proceeds of exports valued at more than 500,000 Baht or its equivalent per transaction must be received within 120 days from the date of export and must be surrendered to an authorized bank or deposited in a foreign currency account with an authorized local bank within 7 days of receipt.

Free restrictions are permitted for items of a non-capital nature, such as service fee, interest, individuals, profits and royalties, provided supporting documents are presented to an authorized bank. Travelling expenses