

The Advantages of Using a Free Zone

All of the advantages a Free Zone Program can offer manufacturers and processors located in Thailand are numerous. A few main benefits that account for most of the companies that use a Free Zone Program are listed below:

3.1 Relief from Import and Internal Taxes/Duties:

Imported merchandise, removed into or manufactured in a Free Zone for industrial or commercial operations or any other operations involving economic growth and development, is not subject to import taxes and duties. This includes:

- (1) Machinery, equipment, and parts;
- (2) Foreign merchandise; and
- (3) Merchandise transferred from other Free Zones.

Merchandise transferred from other Free Zones. In addition the imported merchandise removed into or manufactured in a Free Zone is also not subject to Value Added Tax (VAT), excise taxes, alcohol tax, including tax stamp and fees under the Alcohol Act, Tobacco Act, and Playing-Card Act. Additionally, a **"ZERO"** tax rate is applied to calculate VAT for domestic merchandise removed into a Free Zone, provided that such merchandise subject to export duty or exempted from export duty under the Customs Act.

3.2 Relief from Export Duty on Re-Exports:

Without a Free Zone, if a manufacturer or processor imports a component or raw material into Thailand, it is required to pay import taxes and duties at the time the component or raw material enters the country. However, a Free Zone is considered to be outside Thailand and Thai Customs territory. Accordingly, when foreign merchandise is brought into a Free Zone, no taxes and duties is owed until the merchandise leaves the Zone and enters Thailand for consumption. Only then is the merchandise considered imported and the duty paid. If the imported merchandise is re-exported to other countries, no Customs duty is charged.

3.3 Relief from Standard/Quality Control Requirements:

merchandise or domestic raw materials removed into a Free Zone for manufacturing, mixing, assembling, packing, or any other operations is relieved from standard/quality control requirements or any other similar requirements; provided that such merchandise is re-exported to other countries.

3.4 Duty Exemption on Waste, Scrap, and Yield Loss:

If the processor or manufacturer is conducting its operations within a Free Zone environment, the merchandise is not considered imported, and therefore scrap, waste, or yield loss from an imported component is exempted from import and internal taxes and duties, if applicable.

3.5 Eligible for Export Tax Refund/Exemption Schemes:

Merchandise entitled to export tax refund/exemption schemes when exported is still qualified for such schemes after it is removed into a Free Zone.