

# ROH

## Regional Operating Headquarter



Privileges

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The Revenue Department  
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## Regional Operating Headquarter : ROH



Today's rapid movement of capital and labor, along with the growing cross-border trade among ASEAN countries, encourages multinational corporations to expand their investment and global business. Their search of new market overseas aims to explore cheaper source of capitals and labor. The finding of alternative market channels and new business environment could maximize business profit at best. In addition, the new attitude in pursuing global business by using local resources (Think Globally, Act Locally) allows the expansion of business administration, marketing and research and development, resulting in the establishment of overseas operating affiliations with greater managerial power and control over technical aspects of the business in lieu of regional headquarters located in different countries. Such a beneficial operational structure fuels the establishment of Regional Operating Headquarters (ROH) in Thailand.

## What is ROH?



ROH is a company incorporated under Thai law, providing managerial, administrative, and technical services to ROH's foreign branches or subsidiaries in Thailand and overseas.





## What are objectives of ROH?

Among countries with competitive edge, Thailand gains business advantage due to its well-established infrastructure and low-cost labor, logistical system and cost of living. It is also the center of agricultural production and industrial manufacture, holding electronic parts and textile industry. Becoming the financial hub of the continent, the government is currently supporting Thailand's financial investment by launching several tax incentives that benefit foreign investors, increasing attractiveness to establish ROH in Thailand. The establishment of ROH will lead to greater income distribution for the development of local areas and capital flow.



## Rules, conditions, and tax benefits for ROH

In order to attract the establishment of ROH, The Revenue Department has granted a number of tax benefits under 2 legislations:

1. The Royal Decree Issued under the Revenue Code Regarding Reduction and Exemption from Revenue Taxes (No. 405) B.E. 2545 (“Royal Decree No. 405”)
2. The Royal Decree Issued under the Revenue Code Regarding Reduction and Exemption from Revenue Taxes (No. 508) B.E. 2553 (“Royal Decree No. 508”)

Companies wishing to establish an ROH in Thailand must choose the tax benefit option granted under one legislation, but not both.

## Rules, conditions, and tax benefits, under 2 legislations.

Qualification	ROH	
	Option 1 Royal Decree No. 405	Option 2 Royal Decree No. 508
1.Type of qualifying business to be registered as ROH	(1) General management, business planning and coordination, (2) Procurement of raw materials and parts, (3) Research and development of products, (4) Supporting technical assistance, (5) Marketing and sale promotion, (6) Human resource management and training in the region, (7) Financial advisory services, (8) Economic and investment analysis and research, (9) Credit management and control, (10) Any other supporting services as stipulated by the Director-General of the Revenue Department	
2.Required paid-up capital	At least 10 million baht	
3.Definition of “associated enterprise”	Companies or juristic partnerships which are related to the ROH by having the power to control or supervise the operation and management in the following conditions: (1) A company or juristic partnership which holds shares in ROH not less than 25% of the total capital, (2) A company or juristic partnership in which the ROH is a shareholder or a partner not less than 25% of the total capital,	

	(3) A company or juristic partnership in which the company or juristic partnership under (1) is a shareholder or a partner not less than 25% of the total capital.	
4. Number of overseas associated enterprises or branches	At least in 3 countries during the first year	At least in 1 country during the first and second year, in 2 countries during the third and fourth year, and in 3 countries during the fifth year
5. Rules on subsidiaries	None	Having a place of business that operates according to the registered objectives, actual managers and employees
6. Minimum required expenditure	None	Operating expenditure not less than 15 million baht per year, and capital expenditure not less than 30 million baht per year
7. Qualification and number of staffs	None	Maintain at least 75% of skilled staffs from total employees by the end of Year 3  (Qualification of skilled staff shall be according to the criteria set by the Director General of the Revenue Department)

		Average remuneration per employees of at least 2.5 million baht per annum for at least 5 employees by the end of Year 3
8. Duration of ROH registration	None	Period of registration within 5 years from November 15, 2553
9. Qualified ROH income	ROH must generate at least 50% of its total income from qualified services and royalties received from its associated enterprises and foreign branches.	<p>(1) ROH generating less than 50 percent of its total income derived from qualified services and royalties received from its associated enterprises and foreign branches will enjoy the following ROH tax privilege under section 10(1).</p> <p>(2) ROH generating at least 50 percent of its total income from qualified services derived from its associated enterprises and branches will enjoy the ROH tax privileges.</p>
10. Corporate Income Tax Privileges	(1) 10 percent corporate income tax on net profits for income from qualified service provided to ROH's domestic or.....	(1) - Corporate income tax exemption on net profits for income from qualified services provided to branches or.....

	<p>.....foreign branches or associated enterprises.</p>	<p>....foreign associated enterprises.</p> <ul style="list-style-type: none"> <li>-10 percent corporate income tax on net profits for income derived from qualified service provided to ROH's domestic branches or associated enterprises</li> </ul> <p>(2) Tax exemption for dividends received from its associated enterprises incorporated under Thai and foreign law and paid by ROH to its shareholders not operating its business in Thailand</p> <p>(3) 10 percent corporate income tax on net profits for Interest on loans acquired by ROH for the purpose of re-lending to its branches and associated enterprises and royalties arising from the provision of technological research and development carried out in Thailand by ROH</p> <p>(4) Permanent buildings may be taken 25% initial depreciation of its cost with the remaining balance being depreciated throughout a 20-year period.</p>
<p>11. Corporate Tax Privilege Period</p>	<p>Royal Decree No. 405 – No time limit</p> <p>Royal Decree No 508: 10-year period and 5-year period (period extends upon conditions met)</p>	
<p>12. Expatriate Tax Privilege</p>	<p>(1) Expatriate employed by ROH as senior expert, senior specialist and senior executive and registering to the Revenue Department may enjoy a flat rate withholding tax of 15 percent.</p>	

	<p>(2) If expatriate chooses not to claim a tax refund on the entire income that has been withheld, he may choose to exclude his wage and salary from other incomes for the purpose of computation of an annual tax return.</p>	
<p>13. Expatriate Tax Privilege Period</p>	<p>4 years</p>	<p>8 years</p>
<p>14. Penalty and surcharge to disqualifying ROHs</p>	<p>Royal Decree No. 405: No penalty imposed</p> <p>Royal Decree No. 508: Imposes the following penalties:</p> <p>(1) If ROH fails to meet minimum requirement of capital expenditure or operational expenses, and qualifications and number of staffs, ROH will be disqualified from ROH tax privileges in the accounting period that the required conditions are not met.</p> <p>(2) Except as otherwise provided in (1), if ROH fails to meet other ROH requirements, ROH will be disqualified for ROH tax privileges from the first accounting period and liable to tax amount that should be paid without the ROH privileges, fines and surcharges, computed from the first accounting period year.</p> <p>(3) If an ROH revokes its ROH status within 5 accounting periods after the date of its registration, its ROH tax privileges will be withdrawn from the first accounting period and liable to tax amount that should be paid without the ROH privileges, fines and surcharges, computed from the first accounting period year.</p>	



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