

BOI Explanatory Notes
On Application for Investment Promotion for Research and Development and
Advanced Engineering Designs for Efficiency Improvement
In accordance with BOI Announcement No. 1/2557

In reference to the BOI Announcement No. 1/2557, dated September 16, 2014, on the Measure to Promote Improvement of Production Efficiency, the Board hereby issues the following explanatory notes for further clarification:

1. The measure to promote the investment on research and development and advanced engineering designs for efficiency improvement aims at stimulating and promoting existing projects, both BOI and non-BOI promoted, to invest in research and development and advanced engineering designs for efficiency improvement. For projects applying for the investment promotion, the activity must be eligible for investment promotion as stipulated by the Board of Investment.
2. Characteristics of the investment for research and development and advanced engineering designs for efficiency improvement
 - 2.1. Investment in research and development refers to, for instance, investment for product development to enhance the quality or usability, or the development of new product prototype models
 - 2.2. Investment in advanced engineering designs for efficiency improvement refers to, for instance, designing the production process to be more efficient or reduce wastes from production
3. Procedures for applying for incentives under investment promotion measures for research and development and advanced engineering designs to promote improvement of production efficiency
 - 3.1. Applicants for investment promotion incentives must submit an “Application for Investment Promotion,” along with a “Supplemental Form for the Application for Investment Promotion” Under the Measure to Promote Research and Development and Advanced Engineering Designs to Promote Improvement of Production Efficiency, in accordance with the BOI Announcement No. 1/2557 on the Measure to Promote Improvement of Production Efficiency” within December 31, 2017.
 - 3.2. In case of major changes or amendments to the approved project, a request for changes or amendments must be submitted to the Office of the Board of Investment for further consideration.
 - 3.3. Projects applying for investment promotion must be on the current list of eligible activities for investment promotion and must not be on the list of activities not eligible for merit-based incentives.

- 3.4. For the consideration of capital investment or expenditures for research and development and advanced engineering designs, the capital investment or expenditures shall be compared with the total revenue of the promoted project only.
- 3.5. Capital investment or expenditures to be considered in the calculation of corporate income tax exemption for this measure must be capital investment or expenditures incurred from the submission date of the supplemental form for the application for investment promotion under the measure to promote research and development and advanced engineering designs for production efficiency, within the stipulated timeframe that is eligible for the corporate income tax exemption incentive.
4. Types of capital investment or expenditures eligible for rights and privileges
 - 4.1. Research and development in technology and innovation
 - 4.1.1. In case of in-house or outsourced research and development such as industrial basic research, applied research, experimental development, engineering design, electronics design, must have the scope as following:
 1. Theoretical or operational activities that are conducted to explore new knowledge that has economic value or to advance the existing body of knowledge
 2. Activities that conduct research on ways to utilize base knowledge
 3. Formula development or engineering design and electronics design for the purpose of utilization
 4. Production process testing to search for or evaluate alternatives of a new product or new process
 5. Engineering design, electronics design, development and testing of prototypes, models and development kits
 6. Prototype development
 7. Development of pilot production process and pilot plants
 8. Technological activities to resolve defects in new products or production processes, as a result of prototype development or pilot production process development
 9. Engineering and machinery installation works that are directly related to research and development of new products or production processes, as a result of prototype development or pilot production process development

10. Engineering design or electronics design for the purpose of creating new products or production processes, as a result of prototype development or pilot production process development
 11. Application of basic knowledge to develop new raw materials, tools, products, production processes, systems and services or to enhance the quality and efficiency of existing products/production processes
 12. Activities that utilize innovations in products and services which result in new products and services, or result in significant improvement in attributes and utilization, including technical changes, changes in devices or software being used
- 4.1.2. Investment capital or expenditures in research and development consist of following:
1. Wages and salaries
 - Wages and salaries refer to moneys paid to researchers, assistant researchers, technicians, laboratory analysts, academic specialists involved in the research and development and staff hired specifically to work on the proposed project and also wages and salaries paid to experts or those whose qualifications do not directly meet the requirements for the work but are specially trained for working on the approved project.
 - Costs incurred in the hiring of consultants or specialists other than those hired to demonstrate equipment or apparatus to work in the approved project.

Wages and salaries specified above include welfare according to the virtue of Section 40(1) of the Revenue Code
 2. Costs of equipment or apparatus
 - Expenses that occur in the procurement and purchase of equipment or apparatus for use in research and development projects specifically, not for regular operation use
 - Costs of adjustment or repair, calibration of equipment or apparatus for use in the research and development projects, and expenses that result from engineering work such as modification of equipment or apparatus for experiment or testing
 3. Costs of construction, renovation or repair of buildings for use as research laboratories
 4. Costs of experimental laboratories services such as expenditure on analyses and/or experiments of samples or products

5. Costs of raw or essential materials used in research and development
6. Cost of training sessions or seminars for Thai personnel directly involved in the research and development projects. The training sessions or seminars must be trainings or seminars organized by other organizations both in the country and abroad. Costs of training sessions or seminars include related travel fares (for air fares, only actual fares on economy class will be counted), while excluding daily allowance/food expenses and accommodation.
7. Costs of advanced technology trainings directly related to research and development and advanced engineering designs. The expenses must be incurred from advanced technology trainings directly related to research and development and advanced engineering designs in a project that applies for additional rights and privileges, excluding trainings that concern the conduct of regular work functions. The purpose of the trainings is to promote the transfer of knowledge in technology to Thai personnel. The knowledge obtained from such trainings must be new under the current operational conditions of applicants for additional rights and privileges, and will be applied to develop the technical capacities of Thai personnel. Costs of advanced technology trainings consist of actual expenditures from training sessions or seminars for Thai personnel, be it in-house or organized by other organizations, both in the country and abroad. This includes related travel fares (for air fares, only actual fares on economy class will be counted), while excluding daily allowance/food expenses and accommodation.
8. Cost of hiring outsourcing research and development in Thailand, which are registered in the Thai research and development database center according to the announcement of the Ministry of Finance on income tax under the list of outsourcing research and development in technology
9. Cost of required license/copyright/intellectual property used in research and development
10. Cost of domestic and overseas IP protection application as a result of research and development on this project (excluding costs of consultants and annual fee for IP protection renewal)
11. Other direct expenses incurred in research and development that do not fall into the above categories, as follows:
 - Cost of data collection, such as costs of patent search, subscription fees for research journals and research database, etc.
 - Payment for freelance work (when a freelancer gives advice or signs approval on blueprints, applicants must attach their payment of personal income tax as evidence)

- Cost of required software license or copyright
- Cost of additional premium software support
- Cost incurred in outsourcing of experiments, field-testing, sampling and data collection for experiments
- Cost incurred in outsourcing marketing and/or economic research to collect data for research and development
- Rental cost of experiments, experimental greenhouse and experimental rooms

12. Expenses incurred in supporting personnel working in science, technology and innovation in universities and public research institutes to go work in the private sector, in the fields of research and development, technical problem-solving, evaluation, testing and standard systems and technology management, to enhance competencies in the private sector. The cooperation programs include Talent Mobility and other programs as approved by the Board.

4.1.3. In the case of joint research and development or advanced engineering designs with overseas institutes

1. Scope of the research and development or advanced engineering designs must comply with details specified in 4.1.1 and must undertake some part of research and development or advanced engineering designs in Thailand.
2. Investment capital and expenditures for additional rights and privileges must comply with details specified in 4.1.2 and only investment expenditures incurred by promoted companies will be counted.
3. Thai personnel must work in research and development or on an advanced engineering designs project abroad for at least 50 percent of the total number of personnel in the promoted project.

4.2. Expenditures on intellectual property acquisition and/or licensing fees for utilizing technology developed in Thailand in order to improve efficiency in production or services refer to any intellectual property acquisition and/or licensing fees for technology, or technology transfer agreement fees derived from research and development, conducted by Thai national(s) or juristic person(s) with at least 51 percent Thai shareholding, which is warranted under intellectual property laws (such as patents, copyrights, trade secrets, trademarks, plant variety protection and geographical indication, etc.) for efficiency improvement of production or services. Only fees incurred during the period of corporate income tax exemption will be counted.

The above explanatory note is made to give information to all concerned.

The Office of the Board of Investment

April 7, 2016