

**Office of the Board of Investment Explanatory Notes on Application to Receive
Additional Rights and Privileges from Merit-based Activities
Consistent with Board of Investment Announcement No. 2/2557**

To provide additional rights and privileges for investment in competitiveness enhancement according to the investment promotion policies and criteria for merit-based incentives, Board of Investment Announcement No. 2/2557 dated 3 December 2014, Investment Promotion Policies and Criteria, Office of the Board of Investment hereby provide the following explanatory notes:

1. Procedures for Obtaining Additional Rights and Privileges for Merit-based Incentives

1.1 For Group A, applicants for additional rights and privileges can submit the form “Application to Receive Additional Rights and Privileges from Merit on Competitiveness Enhancement” along with the Application for Investment Promotion, or at a later time.

For applications submitted at a later time, the project must have remaining time and amount of corporate income tax exemption on the date of submission to be eligible for additional rights and privileges.

1.2 For Group B, applicants for additional rights and privileges must submit the Application to Receive Additional Rights and Privileges from Merit on Competitiveness Enhancement along with the Application for Investment Promotion.

1.3 All plans related to the project applying for additional rights and privileges must be approved by the Board. Any substantial change or revision of approved plans must be submitted to the Board for approval before proceeding.

1.4 In the calculation of the percentage of investment or expenditures on competitiveness enhancement as compared to sales, only the figures related to the approved project will be counted.

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1.5 According to the plan specified in clause 1.3 for Group A, only investment or expenditures incurred from the date of submission for additional rights and privileges to the end of privileges on corporate income tax exemption, which include the period for additional privileges, will be included in the calculation of the additional corporate income tax exemption.

For Group B, investment or expenditures incurred within 3 years from the date of submission for additional rights and privileges will be counted.

2. Type of investment and expenditures eligible for additional rights and privileges

2.1 Types of Research, Technology Development and Innovation

2.1.1 In the case of in-house research and development or outsourcing research and development in Thailand, such as research on primary industries, applied research, experimental development, engineering design, electronics design, as follows:

- (1) Research into practical applications, theory, or other operations aimed at generating knowledge of economic value or of expanding current knowledge.
- (2) Research into developing practical applications of basic knowledge.
- (3) Development of formulas or engineering designs or electronics design for practical applications.
- (4) Experiments to discover or evaluate alternatives for new products and new processes.
- (5) Engineering design, electronics design, construction, and experimentation of prototypes, models, and development kits.
- (6) Development of product prototypes.
- (7) Creation of pilot production processes and pilot plants.
- (8) Technological processes to correct defects or deficiencies in new products, new production processes arising from the development of prototypes, or from the creation of pilot production processes.
- (9) Engineering works and machinery installation that are directly related to research and development of new products or processes from development of product prototypes or creation of pilot production processes.

- (10) Engineering design and electronics design for new product designs or processes from development of product prototypes or creation of pilot production processes.
 - (11) Adapt existing knowledge to create new raw material, equipment, production processes, systems and services or improve existing products and production efficiency.
 - (12) Product and service innovation which can bring about new products or services or significant improvement in characteristics and utilization of existing products and services, including change in technical, apparatuses and software using in existing products and services.
- 2.1.2 Investment and Expenditures on research and development consisting of:

(1) Wages and Salaries

- Wages and Salaries refers to moneys paid to researchers, assistant researchers, technicians, laboratory analysts, academic specialists involved in the research and development and/or 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 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 welfares according to the virtue of section 40(1) of the Revenue Code.

- (2) Costs of equipment/apparatus.
- (3) Costs of construction, renovation or repair of buildings using as research laboratories.
- (4) Costs of experimental laboratories service such as expenditure on analysis and/or experiment of samples or products.
- (5) Costs of raw or essential materials used in the research and development.
- (6) Cost of training session or seminars for Thai personnel(s) who directly involve in the research and development project. The training session

or seminars must be outside trainings or seminars organized by other organizations both in country and abroad. Cost of training session or seminars include related travel fares (For air fares, only actual fare for economy class will be counted), while exclude daily allowance/food expenses and accommodation.

- (7) Cost of hiring outsourcing research and development in Thailand, which is registered in the Thai research and development database center according to the announcement of the Ministry of Finance on Income tax under list of outsourcing research and development in technology.
- (8) Cost of required license/copyright/intellectual property using in the research and development.
- (9) Cost of domestic and oversea IP protection application as a result of research and development on this project (excluding costs of consultants and annual fee for IP protection renewal).
- (10) Other direct expenses incurred in research and development that do not fall into 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 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.
 - Cost of rent for experiment, experimental greenhouse and experimental room.

- 2.1.3 In the case of joint research and development with overseas institutes
- (1) Scope of the research and development must comply with details specified in 2.1.1 and must undertake some part of research and development in Thailand.
 - (2) Investment and expenditures for additional rights and privileges must comply with details specified in 2.1.2 and only investment expenditures incurred by promoted companies will be counted.
 - (3) Thai personnel must work on the research and development project abroad: at least 50% of total personnel in the promoted project.

2.2 Donations to Technology and Human Resource Development Fund, to educational institutes, specialized-training centers, research institutes or government agencies in the field of science and technology in Thailand.

Expenditures must consist of:

- (1) Expenses in the technology and human resource development fund that are approved by the Board;
- (2) Expenses in the provision of scholarships, equipment or apparatuses to educational institutes, specialized training centers, research institutes or governmental agencies for conducting research and development or undertaking any activities to develop skills, technology, and innovation, that are approved by the Board.

2.3 Expenditures on Intellectual Property Acquisition and/or Licensing fees for Commercializing Technology Developed in Thailand

Refers 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% Thai shareholding, which is warranted under intellectual property laws (such as patents, copyrights, trade secrets, trademarks, plant variety protection and geographical indication) for commercial production or further development and commercial production. Only fees incurred during the period of corporate income tax exemption will be counted.

2.4 Advanced Technology Training

2.4.1 Type of advanced technology training expenditures eligible for the additional rights and privileges include any or all of the following:

- (1) Training directly related to technology development and innovation in a project that applies for additional right and privileges, excluding training that concerns the conduct of regular work functions.
- (2) Advanced technology training according to No. (1), aimed at transferring technology to Thai personnel and the new knowledge must be gained under the current operational conditions of applicants for additional rights and privileges.
- (3) Advance technology training according to No. (1), aimed at developing specific technical capacities of Thai personnel, or Thai companies in each industry that conduct research and development or design, or are involved in upgrading product quality.

2.4.2 Investment and Expenditures on Advanced Technology Training eligible for additional rights and privileges refers to actual investment and expenditure incurred in the training of Thai personnel, whether in-house or outside training, both in-country and abroad and also includes related travel fare (For air fares, only actual fare for economy class will be counted) for attending training session, but excludes daily allowance/ food expenses and accommodation.

2.5 Development of local suppliers with at least 51% Thai shareholding

2.5.1 Must be local suppliers with at least 51% Thai shareholding.

2.5.2 Advanced technology training investment/expenditures must comply with conditions specified in 2.4.

2.5.3 Technical assistance refers to development or improvement of products/production process, increase of production efficiency, upgrading product standard, laboratories for research and development, product quality control and product quality testing/analysis and data support or technical problem solving. Technical assistance expenses are eligible for additional rights and privileges, consisting of:

- (1) Cost of technical consultation.

- (2) Cost of technical personal support, such as consultants, specialists and technical staff.
- (3) Cost of upgrading product standards.
- (4) Cost of provision of equipment, apparatuses, raw materials or parts for the development of skills and technology of local suppliers.

2.6 Product and Packaging design

2.6.1 Product and packaging design refers to the creation of product type or packaging design linked with its targeted utilization starting from the process of constructing the product, identifying bill of materials and assorting product components for proper arrangement and appearance, the creation of new items and upgrade of existing products to have new properties and various utilizations. Main design process consists of:

- (1) Concept creation derived from market research or consumer research or design research or feasibility studies or systematical data analysis.
- (2) Definition and assumption to identify design by considering desired characteristics of products or packaging, line-balancing and linkage between business goal and design objective.
- (3) Type and product model development, designing process, and modal testing system.
- (4) Delivery of design and preparation for the process of constructing the designed product and packaging.

2.6.2 Investment and Expenditures on product and packaging design consists of:

- (1) Wages or salaries of designers and design support personnel for the proposed project.
- (2) Cost of hiring outside designers who are Thai national(s) or juristic person(s) with at least 51% Thai shareholding.
- (3) Cost of hiring design consultant or specialist related to designs.
- (4) Cost of design information acquisition such as purchase of database and/or design books.

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- (5) Cost of research or outsourcing research in order to acquire data for design.
- (6) Cost of equipment or apparatuses for design.
- (7) Cost of raw or essential materials used in design;
- (8) Cost of appropriate amount of product samples to be studied for design purpose.
- (9) Cost of product prototype development, including wages on product prototype development.
- (10) Cost of design-related training sessions or seminars, such as knowledge-based for design, or design management sessions which are outside training or seminars organized by other organizations both in-country and abroad, and related travel fare (For airfares, only actual fare for economy class will be counted) for attending training session, excluding daily allowance/ food expenses and accommodation.
- (11) Cost of domestic and overseas IP protection application for design (excluding costs of consultants and annual fee for IP protection renewal).
- (12) Cost of raw materials, essential materials and product testing in laboratories and field tests such as laboratory services, cost of experiments, field-testing, sampling and data acquisition for experiments.

The above announcement is made for information to all concerned.

Office of the Board of Investment

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