

## **Advice for Preparation of Business Expenditure Budget for Foreign Business Licensing Applicants**

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In submitting an application for a license to operate a foreign business, the applicant must provide details of the business for which a license has been applied. Such documents would, amongst other factors, be considered by the Foreign Business Committee. In this connection, an expenditure budget for the sums of money to be expended each year in the business operation by the applicant in Thailand in order to acquire assets and as business expenses over a period of three years or the duration of the business operation where less than three years must be prepared. This budget would be used to calculate the minimum capital required for the foreign business licensee. Such minimum capital must be brought into Thailand within the time prescribed in the Ministerial Regulations.

The Office of the Secretariat to the Foreign Business Committee has prepared a form for the declaration of business expenditure budget for a period of three years. Advice for the preparation of the budget as well as an explanation of the definitions of items appearing on such form have also been provided. The applicant may use these items as guidelines for the preparation of an expenditure budget as is appropriate for the characteristics of the business for which the licensing application has been made. Details are as follows:

## Form for Declaration of Estimated Business Expenditure over 3 Years

(Unit : Baht)

Item	Year 1	Year 2	Year 3
<b>1. Initial investment</b>			
1.1 Working capital			
1.2 Investment in assets			
(1) Basic assets used in general operations			
(2) Assets required for a specific business			
<b>Sub-total</b>			
<b>2. Expenses</b>			
2.1 Costs of the sale of goods and the rendering of services			
2.2 Operating expenses			
(1) Staff costs			
(2) Expenses relating to property, plant and equipment			
(3) Office supplies and stationery			
(4) Public utilities			
(5) Communications			
(6) Travel, vehicles and fuel costs			
(7) Maintenance costs			
(8) Professional fees, legal fees and other fees			
(9) Various taxes			
(10) Other expenses (please specify)			
<b>Sub-total</b>			
<b>Total costs (1 + 2)</b>			

### Advice for preparation of expenditure budget.

1. There shall be 12 months in a year commencing from the day when license to operate a business in Thailand has been granted.
2. Data on estimated sales of goods or services in each year which are used as bases for the estimation of expenditure must also be declared.
3. The criteria or procedures or assumptions in the calculation of estimates must also be specified, such as in the case of staff salaries, the number of staff, positions and salary scales must be included together with calculation details.
4. In the case where a license application is made for more than 1 business, a separate form must be used for each business together with an explanation of the procedures for allocating the initial investment sums and the costs of operating each type of business. Details of calculations must also be attached.
5. In the case of a supplementary business license application in addition to an existing business, the allocation of initial investment sums and costs involved in the operation of the business in the application must also be included in the expenditure estimates together with an explanation of allocating procedures. Details of calculations must also be attached.
6. A business may determine an allocation procedure according to the characteristics of the expenditure and characteristics of the business. For example, office space rent may be allocated according to the areas used by each business. Staff salaries may be allocated according to the working hours employed in each business.

## Definitions of initial investment and expenses

### 1. Initial investment

- 1.1 **Working Capital** means the assets available for circulation in the normal operations of the business (current assets less current liabilities), such as account receivable, hire purchase account receivable and inventory.
- 1.2 **Investment in assets** means expenditure incurred in the procurement of assets for use in the distribution of goods or services or for hire or for use in administration. Such assets must be usable for more than one year, namely:
- (1) **Basic assets used in general operations** such as buildings, premises, furniture and fixtures (air-conditioning, desks, cabinets, chairs), office equipment (computers, photocopying machines, facsimiles) and vehicles.
  - (2) **Assets required for a specific type of business**, such as royalties (copyrights and trademarks), patents, concessions, tools for testing communication devices, construction or installation equipment, transport equipment and machinery.

### 2. Costs

- 2.1 **Costs of the sale of goods and the rendering of services:**
- (1) **costs of sales**, consisting of the price of goods and costs incurred in the preparation of such goods for sale, such as import costs;
  - (2) **costs of the rendering of services**, consisting of the costs of supplies used in the provision of services, salaries of experts, wages and hire of other persons as substitute providers.
- 2.2 **Operating expenses (selling and administrative expenses)** means general expenses incurred in overall operations, which can be divided into fixed costs and variable costs.
- (1) **Labour costs, namely:**
    - *salaries, wages, overtime pay, bonuses;*
    - *benefits paid by the employer, such as rent and personal income tax;*
    - *various perquisites, such as social insurance supplements, staff uniforms and supplements to the compensatory fund.*
  - (2) **Expenses relating to property plant and equipment:**
    - *expenses relating to buildings and premises, such as office rent, cleaning expenses, security expenses and insurance costs;*
    - *equipment-related expenses, such as rent of machinery, rent of tools and equipment, office equipment rent and vehicle rent.*
  - (3) **Office supplies and stationery**, such as pens, paper, printer ink and staplers.
  - (4) **Public utilities**, such as electricity costs and water costs.
  - (5) **Communication costs**, such as telephone costs, postage and internet charges.
  - (6) **Travel, vehicle and fuel costs**, such as costs incurred in work-related travel (including accommodation and stipend) and public transportation.
  - (7) **Maintenance costs**, such as costs incurred in the maintenance of buildings, machinery, tools and equipment, office equipment and vehicles to restore working conditions.

- (8) **Professional fees, legal fees and other fees**, such as licensing fees, bank charges, auditor's fees, bookkeeping fees and other consultancy fees.
  - (9) **Various taxes**, such as building tax.
  - (10) **Other expenses**. If there are other expenses which have not been included in the items above, the business should state such expenses as actually incurred in the operation of the business, such as advertising and publication expenses, interest payments, commission and entertainment.
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