



Tax & Legal Services Newsletter

Tax Incentives for Commercial Bank Mergers

On 17 April 2018, the Thai Cabinet approved a draft Royal Decree that would provide tax exemptions and deductions for mergers of commercial banks. The following incentives would be available:

- Benefits received by shareholders from mergers/transfers of an entire business to another bank would be exempt from income tax where the appraised value exceeds the capital;
- Thai commercial banks would be exempt from corporate income tax, specific business tax (SBT) and stamp duty with respect to assessable income, gross receipts and the execution of instruments required as part of a merger/transfer of an entire business to another bank;
- Thai commercial banks would be exempt from VAT, SBT and stamp duty on the value of the VAT base gross receipts or execution of any instruments incurred as a result of a transfer of their partial business to another bank.
- Actual expenses incurred by a bank on the investment and/or the alteration or improvement of assets, not being repairs for their maintenance, as a result of merger/transfer of entire or partial business to another bank could be deducted, as follows:
 - A Thai commercial bank whose post-merger/transfer total asset value exceeds THB 4 trillion would be entitled to a double deduction;
 - A Thai commercial bank whose post-merger/transfer total asset value exceeds THB 3 trillion, but not over THB 4 trillion would be entitled to a 175% deduction;

- A Thai commercial bank whose post-merger/transfer total asset value exceeds THB 2 trillion, but not over THB 3 trillion would be entitled to a 150% deduction; and
- A Thai commercial bank whose post-merger/transfer total asset value exceeds THB 1 trillion, but not over THB 2 trillion would be entitled to a 125% deduction.

To be eligible, the expenses must be paid between the date of the merger/transfer and 31 December 2022, and there must be compliance with all rules and conditions of the Director General of the Revenue Department.

The Thai Cabinet also resolved that the Ministry of Transport, Ministry of Interior and Ministry of Industry should grant a reduction in transfer fees and mortgage registration fees for land and condominiums, license plate transfer fees and fees for registering rights and juristic acts on machinery.

Extension Period for Tax Incentives to Promote Business in the Form of a “Company”

On 1 May 2018, the Thai Cabinet approved a draft Royal Decree that would expand the tax incentives available to encourage individuals to operate businesses in the form of a juristic person.

The incentives included in the draft Royal Decree are as follows:

- An exemption from income tax and VAT on assessable income received from the transfer of ownership, the sale of goods and the execution of instruments to a newly established Thai company in exchange for ordinary shares, where these actions are taken during calendar year 2018; and
- A double deduction for expenses incurred in setting up the company, bookkeeping fees and auditor fees for five consecutive accounting periods for the new company provided the entity is established during 2018 and does not have more than THB 5 million in paid-up capital at the last date of the accounting period and earns no more than THB 30 million from sales or services.

Tax Measure to Support SMEs

Royal Decree No. 658, issued on 13 May 2018 and that applies as from 14 May 2018, provides support to SMEs that are engaged in a targeted business by granting a corporate income tax exemption for five accounting periods to SMEs that are established during calendar year 2018, have paid-up capital not exceeding THB 5 million and earns income from sales or services not exceeding THB 30 million. To be eligible for the exemption, the SME must derive income from 10 types of targeted industries (such as food and agriculture, energy savings and renewable energy, etc.), and must utilize technology qualified under criteria established by the National Science and Technology Development Agency.

Tax Measure to Support Childcare

Royal Decree No. 659, issued on 13 May 2018 and that applies as from 14 May 2018 allows a double deduction of expenses incurred by companies during calendar years 2018 – 2020 for setting up childcare facilities on their business premises as a benefit to their employees.

Tax Measures to Encourage Tourism in “Secondary” Tourist Provinces

Royal Decree No. 656 issued on 13 May 2018 and that applies as from 14 May 2018 allows a double deduction of expenses incurred by companies during calendar year 2018 for arranging staff training seminars that are held in one of the specified secondary tourist provinces.

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