

# Flash News

20 April 2018

## Draft Amendment to Escrow Act B.E. 2551

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On 10 April 2018, the Cabinet approved in principle a draft amendment to the Escrow Act B.E.2551 relating to the definition of Parties to a contract, duties of the Escrow Agent, duties of the Escrow Regulation Committee (“Committee”), and administrative penalties.

The proposed key amendments are summarized as follows:

1. The definition of “Parties to a Contract” will be amended to cover the parties to any type of reciprocal contract (*i.e., not limited only to obligations to deliver money and transfer ownership of or rights in property to the party to the contract*).
2. Key duties of Escrow Agent will be amended as follows:
  - ▶ As agreed by the parties to a contract and stated in the contract, an Escrow Agent may be obliged to conduct one or more duties relating to the holding of money, properties or documents, rather than obliged to conduct all duties prescribed in the existing law.
  - ▶ Adding transactions involving the sale or transfer of rights in condominium units to those that an Escrow Agent is to notify the competent officer are subject to an escrow contract and may not be transferred until notification from the parties to the contract is received.

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## Draft Amendment to Escrow Act B.E. 2551 (Con't)

3. Increase the administrative penalty for an Escrow Agent's failure to comply with the regulations issued by the Escrow Regulation Committee to not exceeding THB 500,000.

Further details of this measure and associated regulations have yet to be announced.

## Tax incentives to encourage commercial bank mergers

On 17 April 2018, the Cabinet approved tax incentives to encourage commercial bank mergers as summarized below:

1. Reduction of official fees for transfers of immovable properties/condominiums, vehicle and machine registrations made as part of a bank merger;
2. Amalgamations or entire business transfers are eligible for:
  - ▶ Any benefits received by the bank's shareholders in excess of the investment arising from the amalgamation or entire business transfer are exempt from income tax;
  - ▶ Income received or instruments executed by banks as part of an amalgamation or entire business transfer are exempted from corporate income tax, specific business tax and stamp duty.
3. Partial business transfers are eligible for value added tax, specific business tax and stamp duty exemption on any tax base, income received or instruments executed as part of the partial business transfer; and

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## Tax incentives to encourage commercial bank mergers (*Con't*)

4. Additional deductions are granted for capital expenditures or expenditure incurred by a newly merged bank or bank transferee in the making of additions, alterations, extensions or improvements to properties, but not repairs for their maintenance as follows:
- ▶ 2 times tax deduction if total assets are more than THB 4 trillion;
  - ▶ 1.75 times tax deduction if total assets are more than THB 3 trillion but do not exceed THB 4 trillion;
  - ▶ 1.5 times tax deduction if total assets are more than THB 2 trillion but do not exceed THB 3 trillion;
  - ▶ 1.25 times tax deduction if total assets are more than THB 1 trillion but do not exceed THB 2 trillion.

Total assets here refers to assets after the merger.

This applies only to expenditures made between the date of the amalgamation, entire business transfer or partial business transfer and 31 December 2022 and that comply with the criteria, methods and conditions to be prescribed by the Director-General of the Revenue Department.

Further details of this measure and associated regulations have yet to be announced.

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**The purpose of this *Flash News* is to facilitate understanding of the proposals and it should not be used exclusively for tax planning without prior consultation with experts.**

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