Unofficial Translation
by the courtesy of The Foreign Banks' Association

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Please refer to the Thai text for the official version.

BANK OF THAILAND

21 April 2006

To: Managers
All Commercial Banks
All Finance Companies
All Credit Foncier Companies

No. PhorNorSor. (22) Wor. 93/2549 Re: Dispatch of Royal Decree Issued under the Revenue Code on Tax Exemptions (No. 453) B.E. 2549 and Royal Decree Issued under the Revenue Code on Tax Reductions and Exemptions (No. 454) B.E. 2549

The Bank of Thailand herewith dispatches the Royal Decree Issued under the Revenue Code on Tax Exemptions (No. 453) B.E. 2549 and Royal Decree Issued under the Revenue Code on Tax Reductions and Exemptions (No. 454) B.E. 2549 (Royal Decree to revoke tax privileges of international banking facilities). The two Royal Decrees have been published in the Royal Gazette, Ordinance Edition, Volume 138, Section 38 Gor., dated 17 April 2006.

Please be informed accordingly.

Regards,

-Signature-
(Mrs. Tongurai Limpiti)
Senior Director, Financial Institutions Policy Group
for Governor

Enclosure: 1. Royal Decree Issued under the Revenue Code on Tax Exemptions (No. 453) B.E. 2549
2. Royal Decree Issued under the Revenue Code on Tax Reductions and Exemptions (No. 454) B.E. 2549

Prudential Policy Department
Tel. 0-2283-6875-6

Note ☐ The Bank of Thailand will arrange a meeting to clarify on ………at…………
☑ No meeting for clarification will be arranged.

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Royal Decree
Issued Under the Revenue Code
on Tax Exemption (No. 453)
B.E. 2549

BHUMIBOL ADULYADEJ, REX.
Given on the 1st Day of April 2006
Being the 61st Year of the Present Reign

His Majesty King Bhumibol Adulyadej has been graciously pleased to proclaim that:

Whereas it is deemed expedient to grant exemptions on personal income tax, corporate income tax, value added tax, specific business tax and duty stamp in certain cases.

His Majesty the King, by virtue of Section 221 of the Constitution of the Kingdom of Thailand and Section 3 (1) of the Revenue Code as amended by the Revenue Code Amendment Act (No. 10) B.E. 2496, which contains some provisions of law on restriction of individual rights and liberty, and has been enacted by virtue of the provisions of Section 29 together with Section 35 and Section 48 of the Constitution of the Kingdom of Thailand, conferred by the virtue of the provisions of the law, is therefore graciously pleased to enact a Royal Decree as follows:

Section 1. This Royal Decree shall be called the "Royal Decree Issued under the Revenue Code on Tax Exemption (No. 453) B.E. 2549."

Section 2. This Royal Decree shall come into force from the following date of its publication in the Government Gazette.

Section 3. In this Royal Decree:

"Financial Sector Master Plan" means financial sector development plan as acknowledged by the Ministerial Cabinet on 6th January B.E. 2547.

"Financial Institutions" means:

(1) Commercial banks under the law governing commercial banking,

(2) Any finance companies or credit foncier companies under the law governing finance, securities and credit foncier business,

(3) Financial institutions established by specific law of Thailand for the purpose of providing loans to promote agriculture, commerce or industry,

(4) Other juristic entities as prescribed by the Director-General of the Revenue Department with the approval of the Minister.

Section 4. Income Tax exemptions under Division 2 and 3, of Chapter 3, Title II of the Revenue Code shall be granted to shareholders of financial institutions in respect of benefits, appraised in excess of capital, derived from a merger and acquisition or transfer of all activities pursuant to the Financial Sector Master Plan; provided however that such merger and acquisition or transfer of business shall have been made between 6th January 2004 and 31st July 2006.

Section 5. Income Tax exemptions under Division 3, Chapter 3, Specific Business Tax under Chapter 5 and Duty Stamp under Chapter 6 of Title 2 under the Revenue Code shall be exempted to financial institutions in respect of assessable income, receipts or instruments made or derived as a result of a merger and acquisition or transfer of all business pursuant to the Financial Sector Master Plan; provided however that such merger and acquisition or transfer of business shall have been made between 6th January 2004 and 31st July 2006.

Section 6. Value Added Tax under Chapter 4, Specific Business Tax under Chapter 5 and Duty Stamp under Chapter 6 of Title 2 under the Revenue Code shall be exempted to financial institutions in respect of value of tax base, receipts or instruments made or derived as a result of a merger and acquisition or transfer of some business pursuant to the Financial Sector Master Plan; provided however that such transfer of business shall have been made during 6th January 2004 until 31st July 2006.

Section 7. The Minister of Finance shall have the care and charge of this Royal Decree.

Countersigned by
Pol. Lt. Col. Thaksin Shinawatra
Prime Minister

Remarks: The rationale for the enactment of this Royal Decree is due to the fact that the Ministry of Finance and the Bank of Thailand jointly devised the Financial Sector Master Plan with the purpose of promoting comprehensive access to financial services for the general public, and encouraging the efficiency of the financial institution system thereby resulting in a merger and acquisition or transfer of business, which are subject to tax under the Revenue Code. Therefore, in order to promote and encourage such merger and acquisition or transfer of business under the Financial Sector Master Plan, it is deemed expedient to exempt corporate income tax, value added tax, specific business tax and stamp duty to financial institutions in respect of assessable income, value of tax base, receipts or instruments made or derived from the merger and acquisition or transfer of business pursuant to the Financial Sector Master Plan, and exempt personal income tax and corporate income tax to shareholders of financial institutions in respect of benefits derived from the merger and acquisition or transfer of business of financial institutions; provided however that such merger and acquisition or transfer of business shall have been made between 6th January 2004 and 31st July 2006.

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Royal Decree
Issued Under the Revenue Code
on Tax Reductions and Exemptions (No. 454)
B.E. 2549

BHUMIBOL ADULYADEJ, REX.
Given on the 1st Day of April 2006
Being the 61st Year of the Present Reign

His Majesty King Bhumibol Adulyadej has been graciously pleased to proclaim that:

Whereas it is deemed expedient that the rate of corporate income tax be reduced, and personal income tax, corporate income tax, value added tax, specific business tax and duty stamp be exempted in some cases.

His Majesty the King, by virtue of Section 221 of the Constitution of the Kingdom of Thailand and Section 3 (1) of the Revenue Code as amended by the Revenue Code Amendment Act (No. 10) B.E. 2496, which contains some provisions of law on restriction of individual rights and liberty, and has been enacted by virtue of the provisions of Section 29 together with Section 35 and Section 48 of the Constitution of the Kingdom of Thailand, conferred by the virtue of the provisions of the law, is therefore graciously pleased to enact a Royal Decree as follows:

Section 1. This Royal Decree shall be called the "Royal Decree Issued under the Revenue Code on Reduction and Exemption of Tax (No. 454) B.E. 2549."

Section 2. This Royal Decree shall come into force from the following date of its publication in the Government Gazette.

Section 3. The followings shall be repealed:

(1) Section 5 *undecim*, Section 5 *duodecim* and Section 6 (20) of the Royal Decree issued by virtue of the Revenue Code on Tax Exemption (No. 10) B.E. 2500, as amended by the Royal Decree issued by virtue of the Revenue Code on Tax Exemption (No. 259) B. E. 2535.

(2) The Royal Decree Issued under the Revenue Code on Tax Reduction (No. 260) B.E. 2535.

(3) The Royal Decree Issued under the Revenue Code on Tax Reduction (No. 270) B.E. 2537.

(4) The Royal Decree Issued under the Revenue Code on Tax Exemption (No. 306) B.E. 2540.

(5) Section 5 *tredecim* of the Royal Decree Issued under the Revenue Code on Tax Exemption (No. 10) B.E. 2500 as amended by the Royal Decree Issued under the Revenue Code on Tax Exemption (No. 307) B. E. 2540.

(6) The Royal Decree Issued under the Revenue Code on Tax Exemption (No. 308) B.E. 2540.

Section 4. In this Royal Decree:

"Commercial Banks" mean commercial banks under the law governing commercial banking,

"Out-Out Banking Facility" means:

(1) Accepting deposits or borrowing in foreign currencies from sources outside Thailand from the following person for the purpose of lending in foreign currencies outside the country:

(a) Natural persons of non-Thai nationality domiciling or residing abroad;

(b) Juristic entities or partnerships incorporated under foreign laws which do not operate business in Thailand;

(c) Foreign banks which include foreign banks having branches or representative offices in Thailand;

(d) Overseas branches of Commercial Banks;

(e) Other juristic entities as prescribed by the Director-General of the Revenue Department.

(2) Accepting deposits or borrowing in Thai Baht from foreign banks or overseas branches of commercial banks for the purpose of lending in Thai Baht to foreign banks or overseas branches of commercial banks.

Section 5. Income tax rate under (a) of (2) for juristic entities or partnerships of the Income Tax Schedule Division 3, Title 2, of the Revenue Code shall be reduced to 10 per cent of net profit for Commercial Banks in respect of income derived from Out-Out Banking Facility pursuant to rules, procedures and conditions prescribed by the Director-General of the Revenue Department

Section 6. Income tax under Title 2 and Title 3, Chapter 3 of Division 2, of the Revenue Code shall be exempted in respect of assessable income being interest on deposit or loan received from Commercial Banks only in respect of Out-Out Banking Facility granted to:

(1) Natural persons of non-Thai nationality domiciling or residing abroad;

(2) Juristic entities or partnerships incorporated under foreign laws which do not operate business in Thailand;

(3) Foreign banks which include foreign banks having branches or representative offices in Thailand.

Section 7. Income tax under Title 3, Chapter 3, Division 2, of the Revenue Code shall be exempted in respect of the following income:

(1) Profits or other monies set aside out of profits or deemed to be profits, derived from Out-Out Banking Facility, remitted from Thailand by Commercial Banks under Section 70 bis of the Revenue Code;

(2) Fees received by Commercial Banks acting as managers in arranging for syndicated loan whereby such loans are derived from Out-Out Banking Facility, including other fees in relation to such syndicated loan pursuant to rules, criteria or conditions as prescribed by the Director-General of the Revenue Department.

Section 8. Specific business tax under Title 5, Chapter 2 of the Revenue Code shall be exempted to Commercial Banks in respect of receipts derived from Out-Out Banking Facility granted, only with respect to gross receipts under Section 91/5 (1) of the Revenue Code.

Section 9. Stamp duty under Title 2, Chapter 6, of the Revenue Code shall be exempted to Commercial Banks but only with respect to stamp duty on Out-Out Banking Facility.

Section 10. The provision under Section 5 *undecim* of the Royal Decree Issued under the Revenue Code Governing Exemption from Revenue Taxes (No. 10) B.E. 2500, as amended by the Act Amending the Royal Decree Issued under the Revenue Code Governing Exemption from Revenue Taxes (No. 259) B.E. 2535, shall remain in force for a period of 3 years from the enforcement date of this Royal Decree in respect of interest on deposits or loans received from International Banking Facility Operators for extending loans overseas pursuant to the Notification of the Ministry of Finance re: International Banking Facility of Commercial Banks dated 16th September 1992, as amended but only in respect of overseas deposits or loans by such International Banking Facility Operators giving overseas loans prior to the enforcement date of this Royal Decree.

Section 11. The Royal Decree Issued under the Revenue Code Governing Reduction of Revenue Taxes (No. 270) B.E. 2537 shall remain in force for a period of 3 years from the enforcement date of this Royal Decree in respect of interest on deposits or loans received from International Banking Facility Operators for giving domestic loans pursuant to the Notification of the Ministry of Finance re: International Banking Facility of Commercial Banks dated 16th September 1992, as amended but only in respect of overseas deposits or loans by such International Banking Facility Operators giving domestic loans prior to the enforcement date of this Royal Decree.

Section 12. The provision under Section 5 *tredecim* of the Royal Decree Issued under the Revenue Code Governing Exemption from Revenue Taxes (No. 10) B.E. 2500, as amended by the Act Amending the Royal Decree Issued under the Revenue Code Governing Exemption of Revenue Taxes (No. 307) B.E. 2540, shall remain in force for a period of 3 years from the enforcement date of this Royal Decree in respect of interest on deposits received from International Banking Facility Operators for giving domestic loans pursuant to the Notification of the Ministry of Finance re: International Banking Facility of Commercial Banks dated 16th September 1992, as amended but only in respect of overseas loans by such International Banking Facility Operators for giving loans to state enterprises approved by the Ministry of Finance prior to the enforcement date of this Royal Decree.

Section 13. The Minister of Finance shall have the care and charge of this Royal Decree.

Countersigned by
Pol. Lt. Col. Thaksin Shinawatra
Prime Minister

Remarks: Rationale for enacting this Royal Decree: Since the granting of tax privileges for International Banking Facility Operators pursuant to the Notification of the Ministry of Finance re: Banking Facility Operation by Commercial Banks dated 16th September 1992, Thailand's current economic situation has changed; therefore it is deemed expedient to revise such tax privileges for International Banking Facility Operators by revoking tax benefits for International Banking Facility Operators pursuant to the Notification of the Ministry of Finance re: Banking Facility Operation by Commercial Banks dated 16th September 1992; provided, however, tax privileges granted to Out-In Commercial Banks shall remain and that rate in income tax granted to Out-Out Commercial Banks be reduced. Further, exemption on personal income tax and corporate income tax granted to non-residents having overseas domicile or residence as well as companies or juristic partnerships established under foreign laws not carrying on business in Thailand be revised in respect of assessable income being interest on deposits or loans received from Out-Out Banking Facility.