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Thailand Officially Promulgates and Clarifies Previously Announced Tax Relief Measures

The Thai government's various COVID-19-related tax relief measures—most of which were [approved by the cabinet in March of this year](#)—have been formally promulgated and clarified in a series of royal decrees and notifications.

On July 12, 2020, Royal Decrees Nos. 707, 708, and 709 Issued under the Revenue Code Governing Exemption from Revenue Tax B.E. 2563 (2020) were published in the *Government Gazette*. On July 29, the Revenue Department released further notifications to clarify some of the measures under Decree No. 709. The tax relief measures, which are mostly aimed at easing financial challenges for small and medium enterprises (SMEs), are summarized below.

Increased Tax Deductibility for SMEs' Soft Loan Interest

Royal Decree No. 707 allows eligible SMEs that have paid interest on a [low-interest "soft loan"](#) to be exempted from corporate income tax for income equal to 50% of the amount of interest paid under the soft loan scheme. The loan interest must be incurred between April and December 2020, according to criteria, methods, and conditions to be announced by the director general of the Revenue Department. To be eligible, SMEs must, in the twelve-month accounting period ending on or before September 30, 2019, have a total income of no more than THB 500 million (approximately USD 15.9 million) and a maximum of 200 employees.

Increased Tax Deductibility for SMEs' Salary Costs

Royal Decree No. 708 allows eligible SMEs to be exempted from corporate income tax for income equal to 200% of the salary costs paid to qualifying employees between April and July 2020. Qualifying employees must be registered under the social security system (Social Security Act B.E. 2533 (1990), section 33), and their wages must not exceed THB 15,000 (approximately USD 475) each per month, according to criteria, methods, and conditions to be prescribed by the director general of the Revenue Department. To be eligible for this deduction, SMEs must meet all of the following criteria:

- ▶ Total income must be THB 500 million (approx. USD 15.9 million) or less, and they must have 200 or fewer employees, in the twelve-month accounting period that ended on or before September 30, 2019.
- ▶ The number of qualifying employees between April and July 2020 must not be less than the number of qualifying employees as of March 2020, unless there is a justifiable reason (to be prescribed by the director general of the Revenue Department).
- ▶ No application may have been made for corporate

income tax exemption on wage expenses under other royal decrees.

- ▶ All other criteria, methods, and conditions prescribed by the director general of the Revenue Department must be complied with. Failure to comply could result in revocation of tax relief and forced repayment of the amount of income tax exempted, plus penalties.

Tax Exemption for Debt Restructuring

Royal Decree No. 709 provides tax relief to stimulate debt restructuring as follows:

- ▶ For debtors and creditors (of financial institutions and others), exemption from income tax, VAT, specific business tax, and stamp duty imposed on transfers of assets, sale of goods, or provision of services, and any instrument executed in relation to restructuring of qualifying debts.
- ▶ For debtors of non-financial-institution creditors, exemption from income tax on the amount of qualifying debts forgiven.
- ▶ For debtors (of both financial institutions and others), exemption from income tax, VAT, specific business tax, and stamp duty imposed on transfers of immovable property collateral of qualified debts to a third party, and any instrument executed in relation to the same, on the condition that the proceeds from sale be used to settle the qualifying debts. The exemption is capped at the amount of outstanding debt or the amount of guaranteed liabilities.

The transfer of assets and immovable property, provision of services, related instrument execution, and debt forgiveness must take place between January 1, 2020, and December 31, 2021. Qualifying debts are those under a debt restructuring plan that complies with the scheme implemented by the Bank of Thailand (BOT), which include:

- ▶ debts classified as substandard, doubtful, doubtful of loss, or loss according to the Bank of Thailand's regulations on asset classification and provisioning of financial institutions; and
- ▶ debts that are classified as doubtful of loss against which 100% provision has been set up, and which have been written off from the account but have not been reverted back (to the account).

Creditors and debtors must mutually prepare a letter certifying that the debts qualify under the BOT scheme. If there is a transfer of immovable property collateral to a third party, creditors and debtors must mutually prepare another letter together with the transferee to certify that the proceeds from the transfer will be used to repay the debt owed to the creditor. Both letters must be in the format prescribed by the Revenue Department, and must be submitted to the land official before registration at the land office (if applicable) and submitted to the area revenue office where the debtor operates its business, or where the immovable property is situated.

Under Royal Decree No. 709, "other creditors" refers to non-financial institutions engaging in credit card issuance, personal loans under supervision, nano- or pico-finance under supervision, or—if the company is listed on the Stock Exchange of Thailand—hire-purchase or leasing. "Other creditors" also covers any other creditors that enter into an agreement with a financial-institution creditor for involvement in the debt restructuring. 