

Tax & Legal Newsletter

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Tax exemptions provided in relation to debt restructuring

A royal decree (No. 742) dated 23 February 2022 provides exemptions from income tax, VAT, specific business tax, and stamp duty for both debtors and creditors in respect of certain income derived from the restructuring of debt held by financial institutions or other creditors if the restructuring is carried out in accordance with rules set forth by the Bank of Thailand. The exemptions aim to encourage the restructuring of debt, to assist debtors affected by the economic downturn caused by the COVID-19 pandemic. The salient features of the rules in Royal Decree No. 742 are as follows:

- Exemptions from personal income tax, corporate income tax, VAT, specific business tax, and stamp duty are granted for financial institution creditors and their debtors in respect of income derived from the transfer of assets, the sale of goods, or the provision of services in relation to a restructuring of debt held by the financial institution that is carried out in accordance with the rules set forth by the Bank of Thailand on debt restructuring for financial institutions; an exemption also is granted in respect of any instruments executed in connection with such a restructuring. The exemptions are applicable for transfers of assets, sales of goods, or the provision of services, and for the execution of instruments, carried out between 1 January 2022 and 31 December 2026.
- Exemptions from personal income tax, corporate income tax, VAT, specific business tax, and stamp duty are granted for corporate creditors other than financial institutions, and for the debtors of such creditors, in respect of income derived from the transfer of assets, the sale of goods, or the provision of services in relation to a restructuring of debt held by such creditors that is carried out in accordance with the rules set forth by the Bank of Thailand on debt restructuring for financial institutions; an exemption also is granted in respect of any instruments executed in connection with such a restructuring. The exemptions generally are applicable for transfers of assets, sales of goods, or the provision of services, and for the execution of instruments, carried out between 1 January 2022

and 31 December 2026. For transactions in connection with the restructuring of debt carried out by certain types of corporate creditors, such as creditors that carry on hire-purchase and leasing businesses, the exemptions are applicable retroactively for transactions carried out from 1 January 2021 to 31 December 2026.

- Exemptions from personal income tax and corporate income tax are granted for debtors of corporate creditors other than financial institutions in respect of income derived from the forgiveness of debt in relation to a debt restructuring that is carried out in accordance with the rules on debt restructuring for financial institutions set forth by the Bank of Thailand. The exemptions generally are applicable for debt forgiven between 1 January 2022 and 31 December 2026. For the forgiveness of debt in connection with the restructuring of debt carried out by certain types of corporate creditors, such as creditors that carry on hire-purchase and leasing businesses, the exemptions are applicable retroactively for debt forgiven from 1 January 2021 to 31 December 2026.
- Exemptions from personal income tax, corporate income tax, specific business tax, and stamp duty are granted for debtors of financial institution creditors in respect of certain income derived from the transfer of immovable property that the debtor mortgaged as security for the loan with the financial institution creditor, provided that the transfer was made to an entity other than a financial institution. An exemption from stamp duty also is granted for any instruments executed in connection with the transfer of the immovable property. The exemptions are subject to the condition that the debtor must use the proceeds from the transfer of the immovable property to make a debt repayment to the financial institution creditor that undertakes the debt restructuring process. The exemption is applicable for property transfers and the execution of instruments carried out between 1 January 2022 and 31 December 2026, and the amount that is exempt may not exceed the debt payable to the financial institution or the obligation under the security agreement with the financial institution.

The tax exemptions must be claimed in accordance with rules, procedures, and conditions prescribed by the Director-General of the Thai Revenue Department.

Rules updated for registration of foundations as public charitable institutions

The Ministry of Finance issued a notification on income tax and VAT (No. 782) on 14 December 2021 that was published on the Thai Revenue Department's website on 9 February 2022 and that amends a previous notification on income tax and VAT (No. 704) with respect to the registration of a foundation as a public charitable institution, effective as from 1 January 2022. Notification No. 782 provides that a foundation wishing to be registered as a public charitable institution must submit an application to the Director-General of the Thai Revenue Department for consideration and presentation to the Ministry of Finance using the form "Application for Registration as a Public Charitable Institution (Aor.Sor.Gor)" that is published on the website of the Thai Revenue Department (<http://www.rd.go.th>).

Connection of e-Donation system with donation systems of recipient units

On 14 February 2022, the Thai Revenue Department issued a notification on electronic donations (No. 2), which amends a previous notification on electronic donations dated 9 November 2018, effective as from 14 February 2022. Notification No. 2 provides that "recipient units" may submit a request to connect their donation systems with the electronic donation (e-Donation) system of the Thai Revenue Department, and recipient units that obtain such approval will be entitled to record and submit information regarding donations via the e-Donation system, in accordance with the approach and submission

method mutually agreed upon between the recipient unit and the Thai Revenue Department.

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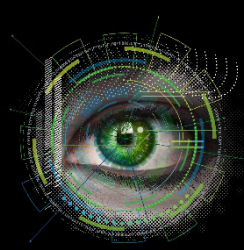
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