



Tax & Legal Newsletter

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Tax measures provided to support business operators affected by COVID-19 pandemic

The Thai government introduced tax measures to support business operators affected by the COVID-19 pandemic, which are summarized below.

Measures relating to Asset Warehousing program and debt owed to financial institutions, relaxation on bad debt written off by financial institutions, criteria for the transfer of assets as collateral for debt settlement of the financial institutions

➤ Royal Decree No. 721 of B.E. 2564 (2021), issued on 13 July 2021, provides for certain tax exemptions in relation to the Asset Warehousing scheme, as summarized below:

1. An exemption from corporate income tax or personal income tax is provided for debtors of financial institutions for income derived from the forgiveness of debts by the financial institutions in relation to the transfer of collateral assets for the settlement of debt in accordance with the Emergency Decree on the Provision of Assistance and Rehabilitation of Business Operators Impacted by the Spread of the COVID-19 Pandemic B.E. 2564 (2021) ("Emergency Act"), based on rules, criteria, and conditions that were to be specified by the Director-General of the Revenue Department.
2. Exemptions from personal income tax, corporate income tax, withholding tax, specific business tax, and stamp duty are provided for debtors of financial institutions and for financial institutions themselves in relation to the transfer of assets, sales of goods, or execution of instruments relating to the Emergency

Act, based on rules, procedures, and conditions that were to be specified by the Director-General of the Revenue Department.

A “debtor” means a business operator that is a debtor of the financial institution, including the owner of collateral assets for the settlement of debt that is held by the financial institution.

A “financial institution” means a commercial bank under the Law on Financial Institutions, and specific financial institutions under the Law on Financial Institution Businesses Providing a Money Lending Operation.

- Ministerial Regulation No. 375 of B.E. 2564 (2021), issued on 14 July 2021, provides that financial institutions may write off bad debts from debtor accounts without the need to follow the general bad debt write-off procedures for debts settled by the transfer of assets under the rules and conditions in relation to the transfer of collateral assets for debt settlement issued by the Bank of Thailand and in accordance with the Emergency Act.
- A notification from the Director-General of the Revenue Department No. 34 of B.E. 2564 (2021) that was issued on 16 July 2021 and that is effective as from 14 July 2021 sets forth the rules, criteria, and conditions in relation to debts settled by the transfer of assets, as required under Royal Decree No. 721, which are summarized below:
 1. Debtors of financial institutions, owners of collateral assets, and financial institutions must jointly prepare a certification of intent to participate in the debt settlement through the transfer of assets scheme and must submit such certification to the Director General of the Revenue Department. The submission must be made to the revenue office of the area in which the debtor is resident or where the place of operations is located, by the last day of the tax year or the last day of the accounting period in which the debt is forgiven, as the case may be.
 2. Debtors of financial institutions, owners of collateral assets, and financial institutions must submit the confirmation form (issued by the Bank of Thailand) to participate in the debt settlement through the transfer of collateral assets scheme to the land officer at the time when the registration of rights and juristic acts takes place.
 3. Financial institutions must prepare a certification of the return (redemption) of assets under the debt settlement through the transfer of collateral assets scheme, and must submit such certification to the Director-General of the Revenue Department through the revenue office of the area in which the debtor is resident or where the place of operations is located, by the last day of the accounting period in which the transfer takes place.

Tax incentives in relation to donations made to the National Vaccine Institute via the electronic donation system (e-Donation)

Royal Decree No. 719 of B.E. 2564 (2021), issued on 12 July 2021, allows a personal or corporate income tax deduction for a donation made to the National Vaccine Institute (NVI) via the electronic donation (e-Donation)

system. The incentives are available for donations made from 1 January 2021 to 31 December 2023, and are summarized below:

1. For individuals, a personal income tax deduction will be allowed for the amount donated to the NVI. However, when combined with any donations that are deductible under section 47 (7) of the Revenue Code, the total deductible donations may not exceed 10% of the individual's taxable income (i.e., assessable income reduced by tax allowances and deductions).
2. For companies and juristic partnerships, a deduction will be allowed for the amount donated (whether in cash or in property) to the NVI. However, when combined with any donations made to support public charity or donations to support the public interest under section 65 ter (3) (B) of the Revenue Code, the total deductible donations may not exceed 2% of the entity's net taxable profits.
3. A VAT exemption will be granted to VAT registrants for property donated to the NVI to support the research, development, manufacturing, and distribution of vaccines.

Rules, criteria, and conditions for the income tax deduction and VAT exemption in relation to donations made to the NVI via the electronic donation system (e-Donation)

A notification from the Director-General of the Revenue Department (No. 35 of B.E. 2564 (2021)) issued on 22 July 2021 provides the rules, criteria, and conditions for the income tax deduction and VAT exemption, as provided under Royal Decree No. 719, for donations made to the NVI from 1 January 2021 to 31 December 2023 via the e-Donation system. The major conditions for the deduction and exemption are summarized below:

1. For individuals, a personal income tax deduction will be allowed only for cash donations to the NVI.
2. For companies and juristic partnerships, a corporate income tax deduction will be allowed for donations to the NVI in the form of cash, property, or goods, under the following conditions:
 - 2.1 For property purchased for donation, evidence of the purchase that supports the quantity and value of the property must be available, and deductions will be allowed based on the value specified in such evidence.
 - 2.2 For donations made from property recorded in the fixed assets register of the company or juristic partnership, deductions will be allowed based on the net asset value of the property (after depreciation).
 - 2.3 For donations made from goods/merchandise (whether self-produced or bought for trade), deductions will be allowed based on the value of such goods specified in supporting evidence but may not exceed the value of the inventory brought forward.
 - 2.4 The value of property or goods purchased for donation may not exceed the normal purchase price of such property or goods.

3. The information recorded in the e-Donation system will be treated as evidence to support the income tax deduction and VAT exemption.

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