



# Tax News Flash

KPMG in Thailand



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## **Tax Measures to Support the Transfer of Secured Property to Financial Institutions for Debt Repayment**

On 18 May 2021, the Cabinet approved a draft Royal Decree issued under the Revenue Code to provide tax benefits to debtors of financial institutions. This decree is aimed at those who settle their debts by transferring their property used as a security against their debts.

The transfer of secured property for debt repayment is one of the measures prescribed in an emergency decree issued on 9 April 2021 for the purposes of providing assistance and rehabilitation to business operators who are affected by the spread of COVID-19. These measures encourage financial institutions to accept the transfer of secured property for debt repayment under the criteria and conditions prescribed by the Bank of Thailand, which should not conflict with the following conditions:

- The debtor became a debtor to the financial institution before 1 March 2021.
- The debtor has already had a property, whether owned by the debtor or another person, secured against the debt.
- The financial institution receives the transfer of the secured asset to settle the outstanding debt with the following conditions being met:
  - The transferor of the property reserves the right to buy back the transferred assets within an agreed period, which should not exceed 5 years from the property transfer date but can be extended as announced by the Bank of Thailand.
  - The transferor reserves the right to rent the transferred property back for the purposes of conducting business, provided that the transferor expresses to the financial institution within 15 days of the transfer date the intention to rent the property.
  - The property buyback price should not be higher than the transfer price plus the property maintenance cost and less the above rentals.

Under this Royal Decree, tax benefits will be provided to debtors and financial institutions for the transfer of secured property for debt repayment as per the summary below.

- Exemption of personal income tax and corporate income tax will be provided to debtors of financial institutions on income received from debt forgiven by the financial institutions as a result of the transfer of the secured property for debt repayment.
- Exemption of personal income tax, corporate income tax, value added tax, specific business tax and stamp duty will be provided to debtors of financial institutions and financial institutions for the transfer of properties, sale of goods, and execution of dutiable instruments arising as a result of the transfer of secured property for debt repayment.

In addition, the Cabinet also approved a draft Ministerial Regulation to allow financial institutions to waive the normal procedures required for writing off bad debt from a debtor account for those debts forgiven as a result of the transfer of secured property.

The Royal Decree and Ministerial Regulation associated with this measure are expected to be announced soon.

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