

RESPONDING TO IMPACT OF COVID-19 CRISIS: NEW REGULATIONS TO SUPPORT BUSINESS OPERATORS IN THAILAND

Banking and Finance | Covid-19 Relief



During the Covid-19 pandemic, latest financial assistance from the Bank of Thailand has been implemented as short-term relief measures for affected business operators. Soft loan facility and asset warehousing scheme, including tax relief measures from Thai Government may help alleviate the business crisis.

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As Covid-19 pandemic has been continuing to create significant financial impact on businesses in Thailand and the previous measures from Thai government seem not to be efficient enough to tackle the crisis, new assistance from the government to support the business operators in Thailand has recently been enacted as short-term relief measures for affected businesses.

On 10 April 2021, Emergency Decree on Assistance and Rehabilitation for Business Operators Affected by the COVID-19 Pandemic B.E. 2564 (the "Emergency Decree") has been published in the Government Gazette. Under the Emergency Decree, a Financial Institution (FI) may obtain the loan facilities from the Bank of Thailand (BOT) totaling 350 billion baht with low interest rate at 0.01% per annum and the loan shall be obtained from the BOT within 2 years from 10 April 2021 and repaid within 5 years from the date the FI obtained the loan from the BOT. The purpose of this process is to help promoting 2 main facilities, soft loans and asset warehousing the FI can subsequently provide to the affected business operators.

According to the Emergency Decree and relevant BOT's announcements of soft loan and asset warehousing schemes, the details and criteria of both facilities are summarized below.

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Soft Loan Facility **(Limit: 250 billion baht)**

This soft loan facility provided by the FI to affected business operators has its purposes to support viable business operators affected by the COVID-19 crisis, to generate liquidity and to avoid default on payment as much as possible. There will also be relevant fees and collection of interest exemptions for the first 5 years of the loan. Under this scheme, the FI will provide loan to new borrowers who do not have existing credit line with the FI and existing borrowers with a credit line of not more than 500 million baht, or a higher amount to be determined by the BOT, as of 28th February 2021 (excluding consumer loan facilities).

One of the significant benefits under this soft loan scheme is that the loan will be interest free for the first 6 months. The interest rate, after that, would be 2% per annum for 2 years and not over 5% per annum average for the whole period of the loan.

Asset Warehousing **(Limit: 100 billion baht)**

The asset warehousing scheme focuses on debt restructuring through asset warehousing with a buy-back option. Under this scheme, an affected business operator and the FI will first enter into a contract for the transfer of asset in order to transfer the collateral asset to the FI with an option to buy-back within the agreed period which shall not be over 5 years from the transfer date or within an extended period as announced by the BOT. The business operator or the transferor would also be entitled to lease such transferred asset in order to continue operating its business.

In line with this new asset warehousing scheme, certain conditions must be fulfilled to comply with the law and relevant requirements as follows:

- The business operator is required to be an individual or a company registered in Thailand and operating its business in Thailand.
- The business operator shall be an existing debtor of the FI before 1 March 2021.
- The asset (to be transferred to the FI) must be a collateral security for the debt before 1 March 2021.
- The contract for the transfer must contain terms and conditions required by BOT's announcements e.g. buy-back option within a specified period of at least 3 years but not over 5 years from the date of transfer, price for the buy-back must not be higher than the transfer price plus carrying cost.
- The FI shall also provide right for the business operator to lease such transferred asset to continue operating its business and the amount of rental will be deducted from the buy-back price once the business operator exercises its right for the buy-back option.

In case the above-mentioned financial facilities have been provided by the FI and there still are outstanding debts, the FI may consider restructuring such remaining debts to be consistent with the capability to repay debts of the business operator.

In addition, Royal Decree No. 721 of B.E. 2564 (2021) supports the Asset Warehousing scheme by providing debtors of the FI with an exemption from corporate income tax or personal income tax, and other relevant tax and duty in connection with the transfer of collateral assets for the settlement of debt according to the Emergency Decree. Rules, criteria and conditions are further provided by the Director-General of the Revenue Department.

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