

Amendment to the Bankruptcy Act of Thailand Helps SMEs

The Bankruptcy Act (No.9) B.E. 2559 (2016) (“**the Amended BA**”) was published in the Royal Gazette on 24th May 2016 and it has come into force since 25th May 2016.

The Amended BA permits SMEs facing a liquidity crunch and unable to repay their debts to request rehabilitation. In the past only limited companies and limited public companies with debts of over 10 million baht could ask for a rehabilitation plan. The Amended BA extends the same offer to SMEs said Ms. Ruenwadee Suwanmongkol, director-general of the Legal Execution Department (“**LED**”).

Under the Amended BA, owner-operated SMEs (individuals) with debt of at least 2 million baht and juristic entities or partnership SMEs with debt of at least 3 million (but not exceeding 10 million) are entitled to request rehabilitation from the court if the creditors holding at least two-thirds of their debt agree to the plan.

Those who win court approval will have up to three years to implement the plan.

Mrs. Salinee Wangtal, director-general of the Office of Small and Medium Enterprises Promotion (“**OSMEP**”), said the new bankruptcy law would help an ordinary person or a juristic person who has debts of no more than 10 million baht restructure debt more easily. In a case where a main creditor accepts a rehabilitation plan, other creditors cannot file a case against that person and that would also help the main creditor to loan more to its debtors by protecting these debtors from being sued by other creditors after entering the rehabilitation plan.

According to a survey conducted by OSMEP, 50,000 SME operators are registered as juristic entities and have credit lines of 3-10 million baht each. The survey said 7,000 of the 50,000 SMEs are scrambling to deal with falling sales caused by the stuttering economy, a number that is higher when taking owner-operated SMEs into account. Notably, this group will benefit the most from the Amended BA.



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