



Pillar Two global minimum tax rules to be adopted in Thailand

The following report may be of interest to:

All clients

Summary:

On 7 March 2023, the Thai Cabinet approved measures to introduce the global minimum tax rules ('Pillar Two') in Thailand and announced the following actions that will be taken by the relevant government agencies:

Agency	Key Actions
The Board of Investment (BOI)	<ul style="list-style-type: none">Amend the National Competitiveness Enhancement for Targeted Industries Act, B.E. 2560 (2017), to include the allocation of tax revenue collected from the top-up tax under the Pillar Two rules to the National Competitiveness Enhancement for Targeted Industry Fund ('Fund').Propose investment promotion measures through subsidies from the Fund, for qualified investors, to be approved by the National Competitiveness Enhancement Policy Committee.Propose measures to mitigate the impact of the Pillar Two rules on the Investment Promotion Act B.E. 2520 (1977).
The Ministry of Finance	<ul style="list-style-type: none">Adopt the mechanism of the Pillar Two framework under domestic law for collecting the top-up tax.Allocate 50-70% of the tax revenue collected under the Pillar Two rules to the Fund (to be agreed between the Revenue Department and the BOI).To share with the BOI the relevant information on taxpayers who have already paid the top-up tax.

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According to the Cabinet resolution, the draft Pillar Two rules are intended to be introduced in 2023 and may become effective in 2025. However, at this stage, the details and components of the rules are yet to be announced.

Development from other countries:

While Thailand's draft legislation is likely to become effective in 2025, the Global Anti-Base Erosion ('GloBE') rules under the Pillar Two framework are set to begin for multinational groups starting in 2024 as South Korea has already passed domestic legislation adopting both components of the GloBE rules - the Income Inclusion Rule ('IIR') and the Undertaxed Payments Rule ('UTPR') - at the end of 2022 with an effective date for commencement on 1 January 2024.

Notably, Japan, the UK and several EU countries also currently have draft legislation in the pipeline for enactment in 2023 with the IIR becoming effective in 2024 and UTPR in 2025.

Hong Kong and Singapore have also indicated in their recent budgets that they will implement the GloBE rules and a domestic top-up tax in 2023 which would become effective for the financial years beginning on or after 1 January 2025.

Our observations:

Complying with the Pillar Two framework rule under the BEPS project is a key priority for the Thai government as the Pillar Two will impact both multinationals headquartered in Thailand and overseas which have consequences for the tax incentives granted for foreign direct investments into Thailand.

Failing to act or delaying adoption on the matter may result in the Thai tax authority foregoing tax revenue they may be entitled to other jurisdictions that are quicker to implement the rules. We would therefore expect the rules to be introduced soon.

However, regardless of when domestic legislation is introduced in Thailand, the impact to multinationals that are expected to be in scope is inevitable. In scope multinational groups should assess the upcoming financial and administrative impact and operational readiness to comply with the Pillar Two rules.



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