



PwC Thailand Tax Alert

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**Upcoming new tax treaty between
the Netherlands and Thailand**



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In brief

On 21 November 2025, Thailand and the Netherlands took a significant step forward by signing a new Double Taxation Agreement, replacing the treaty from 1975. While Thailand is yet to release or ratify the agreement, the Dutch authorities have made it available for public viewing.

This updated agreement aligns with OECD BEPS standards and introduces modern anti-avoidance measures to prevent misuse, such as treaty shopping or double non-taxation. Once both countries have completed their ratification processes, the 2025 treaty will take effect on 1 January of the following year, replacing the 1975 treaty for taxes withheld at source and other taxes.

The 2025 treaty modernises the treaty framework by narrowing its scope to income taxes, expanding source-state taxing rights, and updating rules on permanent establishments, capital gains, and pensions to align with OECD/BEPS standards. Withholding tax rates are simplified and reduced, definitions modernised, and treaty access tightened through a new Principal Purpose Test (PPT). Transparency and enforcement are significantly strengthened via OECD-standard information exchange, enhanced dispute resolutions, and—most notably—the first-ever inclusion of mutual assistance in tax collection.

50
years



The new treaty replaces the Thailand–Netherlands tax treaty that had been in place since 1975, updating it to reflect modern tax standards.

In detail

Rationale and BEPS alignment

The driving force behind the 2025 treaty is to modernise the 50-year-old agreement, aligning it with today's international tax standards. Since joining the OECD's Inclusive Framework on BEPS in 2017, Thailand has committed to implementing essential measures to combat tax avoidance in its tax treaties. Meanwhile, the Netherlands has been proactive in updating its agreements to incorporate anti-Base Erosion and Profit Shifting (BEPS) measures and tackle emerging tax issues like pension taxation and information exchange, which the old treaty didn't address. Interestingly, both nations chose to bypass the Multilateral Instrument (MLI) for updating their existing 1975 treaty, opting instead to negotiate a comprehensive bilateral replacement agreement. This approach enabled them to craft provisions that precisely match the two countries' specific policy objectives.

The 2025 treaty marks a bold update to the 1975 agreement, focusing solely on income taxes. It redefines permanent establishment rules, including service, offshore, and anti-fragmentation provisions, and simplifies withholding tax rates on dividends, interest, and royalties with explicit beneficial ownership requirements.

It significantly expands source-state taxing rights, notably through new rules for companies rich in immovable property, exit taxation, and shared taxing rights over pensions, backed by precise definitions of recognised pension funds.

The treaty introduces robust BEPS-aligned anti-abuse measures, most notably a Principal Purpose Test (PPT) for the first time in a Thai bilateral treaty, alongside strengthened remittance-basis limitations.

Transparency and enforcement take a leap forward with OECD-standard information exchange, an improved mutual agreement procedure, and—most importantly—the introduction of mutual assistance in tax collection. This allows each state to collect the other's tax claims as if they were its own, marking a fundamental shift in cross-border tax cooperation.

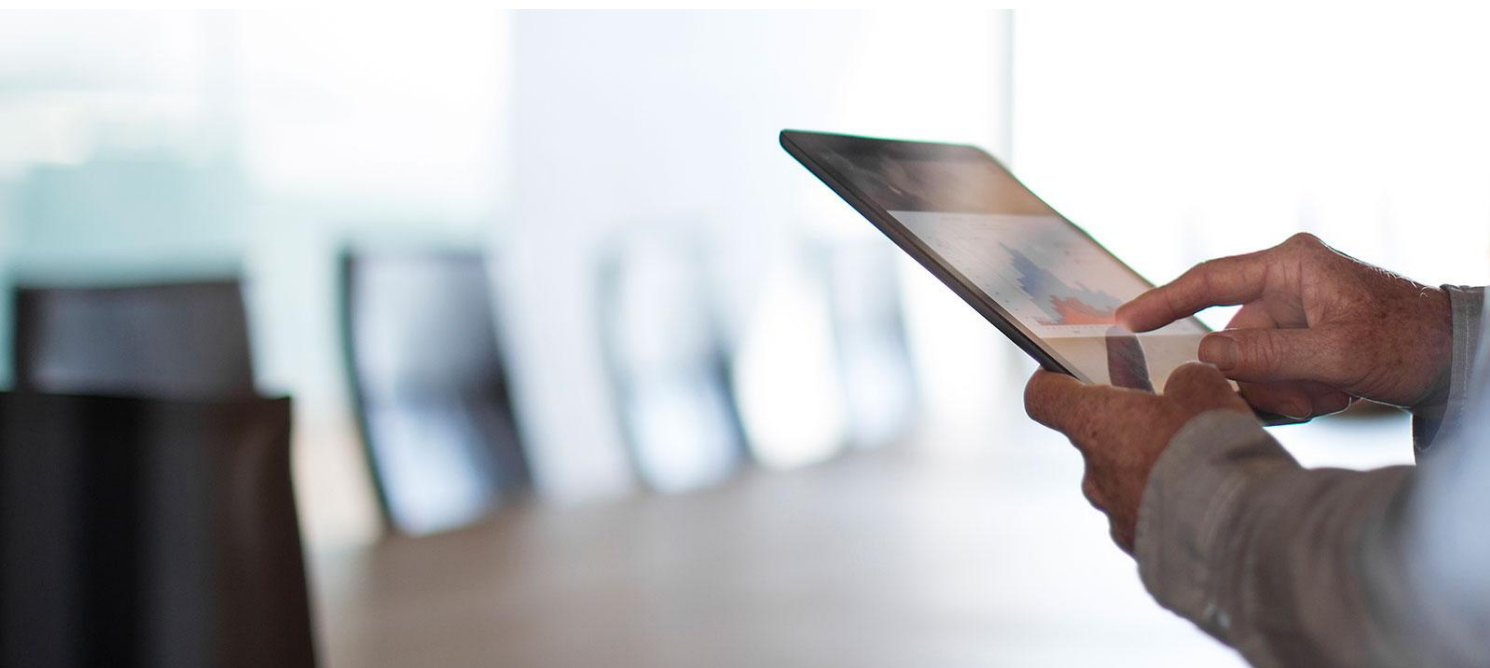
Key changes under the 2025 treaty

1. Permanent establishment

The rules around permanent establishment (PE) have been broadened and now align with the OECD 2017 Model. The new treaty updates construction PE thresholds and introduces service PE, offshore activity PE and anti-fragmentation rules. These changes make it harder to avoid PE status by splitting activities across different entities or time periods. However, there's an exclusion for activities at a fixed business location that are merely preparatory or auxiliary.

A key development is the introduction of the offshore activity PE, which sets a 30-day time limit for activities conducted in Thailand's territorial sea. While there are some exceptions, this addition highlights the commitment of Thailand and the Netherlands to tackle oil and gas exploration in Thai waters.





2. Dividends

The new treaty simplifies the complex, conditional rate structure from 1975, introducing straightforward source-state withholding tax rates: 10% for dividends from Thai companies and 15% for those from Dutch companies, contingent on beneficial ownership. The scope of dividends now includes mining shares, and treaty access is tightened to deter intermediary entities. Overall, these changes streamline dividend taxation while strengthening safeguards against treaty shopping.

3. Interest

Source-state taxation for interest is capped at 10% where the beneficial owner is a financial institution (including insurance companies), and 15% in all other cases, replacing the asymmetrical and higher rates under the 1975 treaty. While the definition of interest remains unchanged, the new treaty exempts interest paid to the other state's government (including central banks, local authorities, wholly government-owned entities, and recognised pension funds) from source-state taxation. These changes lower interest withholding tax exposure and support cross-border financing, particularly for public and financial sector investments.

4. Royalties

Source-state taxation is limited to 5% of the gross amount for royalties paid for the use of literary, artistic or scientific works (including films and media broadcasts), and 10% in all other cases, reducing the higher secondary rate under the 1975 treaty. Interestingly, equipment rental now falls under the definition of royalties. Access to these reduced rates is subject to a beneficial ownership requirement.

5. Capital gains

The new treaty brings a modern approach to taxing gains from companies rich in immovable properties. It lets Thailand tax gains from Dutch residents who sell shares—excluding publicly traded ones—that derive more than 50% of their value, directly or indirectly, from immovable property in Thailand. This change aligns with Thailand's newer treaties, which limit exemption on gains tied to immovable property in the country.

6. Pension income

Pension and similar payments remain taxable where the recipient lives, but the new treaty lets the source country tax this income too—even if it hasn't been remitted to Thailand yet. This shared taxing right allows the Netherlands to tax pension payments to Thai residents, with double taxation relief provided by the residence state. It's a major policy shift aimed at preventing tax avoidance through migration. Government service and social security pensions are still covered under separate rules.

7. Anti-abuse provisions

The 2025 treaty marks a significant shift with the introduction of robust anti-abuse rules. The Principal Purpose Test (PPT) is a key feature, which denies treaty benefits if gaining those benefits is one of the main goals of an arrangement, unless it aligns with the treaty's objectives. This approach targets treaty shopping and other tax avoidance structures, replacing the limited and narrowly targeted anti-avoidance measures in the 1975 treaty. The PPT aligns the treaty with OECD BEPS minimum standards, enhancing the integrity of treaty benefits while allowing authorities to consult and grant relief in genuine cases.

8. Dispute resolution

The 2025 treaty revitalises the Mutual Agreement Procedure (MAP) to meet current international standards. Taxpayers can bring cases of improper taxation to their home state's authority, which must seek a mutual resolution with the other state. Although the treaty doesn't introduce mandatory arbitration, it reinforces commitments consistent with the OECD BEPS Action 14 minimum standards, offering clearer procedural expectations and deadlines for MAP requests. These updates aim to make treaty dispute resolution more effective, transparent, and timely.

9. Exchange of information

The 2025 treaty aligns with current OECD Model Article 26, requiring information to be exchanged if it's foreseeably relevant for administering the treaty or domestic tax laws, including to prevent tax evasion and avoidance. The revised article removes outdated restrictions, clarifying that bank secrecy and the lack of domestic tax interest aren't valid reasons to justify refusal. Shared information must stay confidential and can only be shared with tax authorities and judicial bodies, significantly boosting transparency and enforcement.

10. Tax collection assistance

The 1975 treaty didn't offer help in tax collection, leaving each state to handle its own tax claims. The 2025 treaty introduces a modern mutual assistance mechanism under Article 26, allowing one contracting state to ask the other to collect or secure a confirmed tax claim, treating it as its own tax debt, with certain public policy and administrative limits—greatly enhancing cross-border enforcement cooperation.



Our observations

Overall, the new treaty's changes highlight the Thai tax authorities' commitment to align with the OECD's model convention.

If the version published by the Dutch authorities is ratified in Thailand, the treatment of transactions between Thailand and the Netherlands will undergo significant shifts. In particular:

- Operators in the oil and gas industry need to rethink their tax strategies, particularly for incidental and auxiliary activities conducted in Thailand's territorial seas.
- Thai companies renting equipment (including vessel leases) from Dutch entities should reassess their agreements.
- Dutch headquarters with Thai subsidiaries must review their investment strategies to grasp the impact, particularly concerning exit strategies and intellectual property ownership.
- Residents receiving pensions from the Netherlands should understand and consider the implications.

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