



PwC Thailand Tax Alert

#01/2025

Thailand's Pillar Two legislation enacted



pwc



Thailand's Pillar Two legislation officially enacted through an Emergency Decree

The following alert may be of interest to:

All clients

In brief

On 26 December 2024, the Top-up Tax Emergency Decree, B.E. 2567 (2024) (the **Decree**), Thailand's Global Minimum Tax law, was officially promulgated in the Royal Gazette. The Decree is effective for fiscal years starting on or after 1 January 2025. The Decree includes all three charging mechanisms under the Pillar Two rules: the Income Inclusion Rules (IIR), the Undertaxed Payment Rules (UTPR) and Domestic Minimum Top-Up Tax (DMTT), which are all designed to be Qualified and align with the OECD's Global Anti-Base Erosion Rules (GloBE Rules). Notably, while still under the purview of the Ministry of Finance and enforced by the Revenue Department, this Decree operates independently of the Thai Revenue Code.

Entities falling within the scope of the Decree, whether part of a multinational enterprise (MNE) group headquartered in Thailand or abroad, should promptly evaluate the upcoming impact of this Decree on their organisation and prepare for compliance.

This tax alert outlines the necessary actions for MNEs who fall within the scope of the Pillar Two rules in light of this Decree.

In detail

In-scope MNEs

The Decree is applicable to Thai entities that are members of an MNE group with total consolidated revenues in Thai Baht that's equivalent to EUR 750m or more for at least two of the four preceding fiscal years. Similar to the GloBE Rules, the Decree excludes governmental entities, international organisations, non-profit organisations, pension funds, investment entities that are an ultimate parent entity (UPE), and certain other juristic entities from the scope of the law.

Determination of the top-up tax

The Decree introduces a jurisdictional top-up tax that's calculated by applying the top-up tax percentage to the jurisdictional excess profit. This calculation is adjusted to include any additional current top-up tax from specific circumstances and to exclude the jurisdiction's qualified domestic minimum top-up tax (QDMTT), which aligns with the GloBE Rules. The top-up tax percentage is the difference between the jurisdictional effective tax rate (ETR) and the 15% global minimum tax rate.

Although the Decree doesn't currently include provisions for relief mechanisms under the GloBE Rules, such as the safe harbours or the transitional rules, it grants the authority for future royal decrees to reduce or exempt the top-up tax or any legal provisions.



© 2025 PricewaterhouseCoopers Legal & Tax Consultants Ltd. All rights reserved. PwC refers to the Thailand member firm, and may sometimes refer to the PwC network. Each member firm is a separate legal entity. Please see www.pwc.com/structure for further details.

This content is for general information purposes only, and should not be used as a substitute for consultation with professional advisors.

At PwC, our purpose is to build trust in society and solve important problems. We're a network of firms in 149 countries with more than 370,000 people who are committed to delivering quality in assurance, advisory and tax services. Find out more and tell us what matters to you by visiting us at www.pwc.com.

Charging mechanisms

Once determined, the top-up tax to be paid in Thailand will include:

- **Domestic Minimum Top-Up Tax (DMTT):** In-scope Thai entities of an MNE group are liable for paying top-up tax if Thailand's ETR falls below 15%. This top-up tax will be allocated to each Thai entity based on their respective net GloBE income calculations.
- **Income Inclusion Rules (IIR):** Thai UPEs, Thai intermediate parent entities or Thai partially owned parent entities, in certain cases, are liable for paying top-up tax arising in low-taxed jurisdictions where they hold direct or indirect ownership.
- **Undertaxed Payment Rules (UTPR):** In-scope Thai entities of an MNE group are liable for paying the top-up tax allocated to Thailand from low-tax jurisdictions that remains uncollected by other mechanisms. The top-up tax collected under the UTPR is allocated to each Thai entity in the MNE group apportioned to their respective net GloBE income calculations.

Even though the Decree prescribes the liability allocation, the group may collectively assign a designated entity to be responsible for the tax liability. If the assigned entity incurs tax arrears, all the in-scope Thai entities would still be jointly liable for the outstanding tax arrears.

Tax administration

1. Notification

In-scope Thai entities are required to submit a notification to the Revenue Department within 15 months from the last day of the UPE's accounting period unless all constituent entities (CEs) designate a single Thai CE to notify the Revenue Department on its behalf.

The notification must provide detailed information about the UPE, and the designated CE responsible for filing the **GloBE Information Return (GIR)** and any other information prescribed by the Director-General of the Revenue Department.

2. Tax returns

In-scope Thai entities are required to submit a GIR to the Revenue Department within 15 months from the last day of the UPE's accounting period. Thai CEs aren't required to file a GIR with the Revenue Department if the return has already been filed by either the UPE or a designated filing entity located in Thailand or a jurisdiction that has an exchange of information protocol with Thailand.

Local top-up tax returns for the top-up tax to be paid in Thailand are also due within 15 months from the last day of the UPE's accounting period.

Notably, during the initial year that the MNE falls in scope of the Decree, the submission deadline will be extended to 18 months from the last day of the UPE's accounting period. Thus, for MNE groups whose fiscal year ends on 31 December 2025, the first compliance deadline in Thailand is due on 30 June 2027.



© 2025 PricewaterhouseCoopers Legal & Tax Consultants Ltd. All rights reserved. PwC refers to the Thailand member firm, and may sometimes refer to the PwC network. Each member firm is a separate legal entity. Please see www.pwc.com/structure for further details.

This content is for general information purposes only, and should not be used as a substitute for consultation with professional advisors.

At PwC, our purpose is to build trust in society and solve important problems. We're a network of firms in 149 countries with more than 370,000 people who are committed to delivering quality in assurance, advisory and tax services. Find out more and tell us what matters to you by visiting us at www.pwc.com.

3. Penalties and surcharges

3.1 Penalties

- A 100% penalty on the top-up tax shortfall for incorrect GIR filings and/or top-up tax returns
- A 200% penalty on the top-up tax shortfall for failing to file the GIR and/or top-up tax returns

Subject to the procedures and criteria prescribed by the Director-General, penalties can be reduced or waived with Ministerial approval.

3.2 Surcharges

- A 1.5% monthly surcharge on top-up tax shortfalls, capped at the amount of the tax shortfall. The surcharge can be reduced to be 0.75% per month subject to the prescribed procedures and criteria.

4. Refund

The timeframe for claiming refunds for any excess top-up tax paid is three years from the last day of the deadline for filing the respective tax return.

5. Statute of limitations

For failing to file a tax return accurately or completely, the Revenue Department may issue a summons requiring the taxpayer to respond to questions within five years from the date of filing the top-up tax return or GIR. This could be extended by an additional two years.

The statute of limitations for the top-up tax is ten years from the date of filing.

Our observations:

- Although the Decree establishes a framework for entities that are liable for top-up tax, aligning closely with GloBE Rules, the flexibility of the Decree allows for seamless integration of any future administrative guidance or details from OECD about the rules, application and interpretation.
- The Decree currently lacks specific relief mechanisms, such as the safe harbours, transitional rules and elections. However, based on the Decree's provisions, it's anticipated that these will be introduced in subordinate legislations. The Decree also contains specific provisions to ensure that the Thailand's legislation aligns with the GloBE Rules, the Commentary and the Administrative Guidance issued by the OECD/G20 Inclusive Framework. This alignment ensures that Thailand's adoption of the Pillar Two rules won't intentionally deviate from the standard GloBE Rules.
- Furthermore, the accounting standards requirement prescribed in the Decree, for all three charging mechanisms, also aligns with the OECD GloBE Rules. This alignment helps to reduce the burden for taxpayers and MNEs from having to maintain two additional sets of data for Pillar Two compliance on top of the existing data already required for financial accounting and local tax books. The starting point for computing the top-up tax under the Decree would be the financial accounting net income or loss using the accounting standards adopted by the UPE for its consolidated financial statements.



© 2025 PricewaterhouseCoopers Legal & Tax Consultants Ltd. All rights reserved. PwC refers to the Thailand member firm, and may sometimes refer to the PwC network. Each member firm is a separate legal entity. Please see www.pwc.com/structure for further details.

This content is for general information purposes only, and should not be used as a substitute for consultation with professional advisors.

At PwC, our purpose is to build trust in society and solve important problems. We're a network of firms in 149 countries with more than 370,000 people who are committed to delivering quality in assurance, advisory and tax services. Find out more and tell us what matters to you by visiting us at www.pwc.com.

Taxpayers falling within the scope of the Decree, whether part of an MNE group headquartered in Thailand or an MNE group headquartered abroad, should evaluate the impact of the rules in Thailand immediately, including the financial accounting standards for disclosure and provisioning from the substantive enactment of the rules.



For further information, please contact:



Orawan Phanitpojjamarn

Partner

orawan.phanitpojjamarn@pwc.com

+66 (0) 2844 1017



Sukrit Srisakulchawla

Associate Director

sukrit.srisakulchawla@pwc.com

+66 (0) 2844 2033



pwc

© 2025 PricewaterhouseCoopers Legal & Tax Consultants Ltd. All rights reserved. PwC refers to the Thailand member firm, and may sometimes refer to the PwC network. Each member firm is a separate legal entity. Please see www.pwc.com/structure for further details.

This content is for general information purposes only, and should not be used as a substitute for consultation with professional advisors.

At PwC, our purpose is to build trust in society and solve important problems. We're a network of firms in 149 countries with more than 370,000 people who are committed to delivering quality in assurance, advisory and tax services. Find out more and tell us what matters to you by visiting us at www.pwc.com.