



Tax News Flash

KPMG in Thailand



Issue 137 : March 2023

Thailand's official plan on the OECD's BEPS 2.0 Pillar 2 (Global Minimum Tax)

On 7 March 2023, the Thai Cabinet approved in principle measures to support the implementation of a Global Minimum Tax as part of the BEPS 2.0 Pillar 2 rules issued by the Organization for Economic Co-operation and Development (OECD), and assigned relevant government agencies to carry out these measures as proposed by the Board of Investment of Thailand (BOI). (BEPS is the acronym for Base Erosion and Profit Shifting.)

Thailand is one of the 138 jurisdictions that, in 2021, endorsed a historic agreement to reform international tax rules, referred to as "BEPS 2.0". This historic agreement includes a two-pillar approach. Pillar 1 attempts to impose taxing rights in a jurisdiction where a company's customers are located, even if the company does not have a physical presence in that jurisdiction; Pillar 1, however, was not included in the Cabinet's approved measures. Pillar 2, which was approved, applies a minimum tax rate of 15% for each jurisdiction in which a multinational enterprise operates. A "Top-up Tax" will be payable in case its effective tax rate in a jurisdiction – as calculated under rules issued by the OECD – is less than 15%. Pillar 2 rules will apply to multinational enterprise groups with a total consolidated group revenue above EUR 750 million.

Relevant government agency	Actions assigned by the Thai Cabinet
Board of Investment	<ol style="list-style-type: none"><li data-bbox="548 1241 1356 1402">1. Amend the National Competitiveness Enhancement Act for Target Industries B.E. 2560 (2017) to increase funding sources for the National Competitiveness Enhancement Fund for Target Industries (Enhancement Fund) by reference to the fund allocated from the collection of Top-up Tax under Pillar 2 (which is to support the implementation of investment promotional measures to strengthen the country's competitiveness)<li data-bbox="548 1440 1356 1633">2. Propose investment promotional measures to strengthen the country's competitiveness by providing financial support to investors whose investments or expenses lead to increased competitiveness and sustainable investment within the country under the National Competitiveness Enhancement Act for the Target Industries B.E. 2560 (2017) to the National Competitiveness Enhancement Policy Committee for Target Industries (Capacity Enhancement Policy Committee) to consider for further approval<li data-bbox="548 1671 1356 1745">3. Propose measures to mitigate the impact of the new approach to tax collection under the Investment Promotion Act B.E. 2520 (1997) to the BOI for further approval

Ministry of Finance (Revenue Department)	<p>Enact laws and/or determine appropriate approaches as follows:</p> <ol style="list-style-type: none"> 1. Collection of Top-up Tax under Pillar 2 (the Revenue Department is in the process of drafting the legislation) 2. Allocation of revenues from the collection of Top-up Tax to the National Competitiveness Enhancement Fund at the rate of at least 50 percent, but not exceeding 70 percent, from such revenues (according to a preliminary discussion, the BOI and the Revenue Department will discuss together in detail to determine the exact rate later) 3. Delivery of information about payers of the Top-up Tax to the BOI
---	--

Key contents from the Thai Cabinet's briefing

1. The measures proposed by the BOI to the Thai Cabinet aim to improve investment promotional measures and make them in line with the OECD's proposed new approach to tax collection, in order for Thailand to retain its ability to attract investment and maintain its production base of large multinational companies, which is important for enhancing the country's competitiveness.

2. The OECD's Inclusive Framework on BEPS allows member states to participate and determine the direction and means for implementing anti-BEPS measures. In this respect, Thailand became a member of the Inclusive Framework on BEPS in June 2017. At the 13th Inclusive Framework on BEPS meeting held on 8 October 2021, the OECD presented the two-pillar approach.

The Revenue Department announced that it is in the process of drafting a bill to collect Top-up Tax with an indicative timeframe for the draft bill to be released for approval within 2023 and effective in 2025.

Our observations

Pillar 2 presents affected multinational enterprises with comprehensive challenges. For these groups with the ultimate parent entity (UPE) in Thailand, it is advisable to consider performing a tax impact assessment as soon as possible since Pillar 2 includes a set of interlocking rules that allow jurisdictions outside Thailand that adopted Pillar 2 rules, with effect from 2024, to collect Top-up Tax before the rules are in effect in Thailand. For those groups with its UPE outside Thailand, due consideration should be made on potential updates to the BOI's current investment promotional measures and how Pillar 2 would impact the level of tax paid in Thailand.

Impacted groups should also assess whether the data necessary to perform the Pillar 2 calculations are readily available, and whether enhancements to existing ERP systems will need to be done to systematically extract the relevant data.

KPMG in Thailand has practical and hands-on experience supporting multinational enterprise groups – with headquarters in Thailand and overseas – with Pillar 2 advice and training, performing impact assessments, and providing implementation support. For any queries in relation to Pillar 2, please contact the following persons at KPMG in Thailand or reach out to your usual contact at KPMG.

Key Contacts

[Abhisit Pinmaneekul](#)

Head of Tax
KPMG in Thailand

[John Andes](#)

Partner

[Tatiana Bespalova](#)

Partner

[Thanita Pubordeepong](#)

Partner

[Janejai Chavanavesh](#)

Director

[Pongsapak Praiakfueangfu](#)

Associate Director

**Global Compliance Management
Services (GCMS)**

[Nipawan Passarapark](#)

Partner

[Pornpen Eurpiyachat](#)

Partner

[Visuth Apiraks](#)

Director

[Matthew Evan Jeamjit](#)

Director

[Waraporn Dhammasawangki](#)

Director

**Global Mobility Services
(GMS)**

[Ito Susumu](#)

Director

[Panisa Srihera](#)

Director

[Tanittha Cha-Um](#)

Director

**International Tax / M&A
Services**

[John Andes](#)

Partner

[Tatiana Bepalova](#)

Partner

[Thanita Pubordeepong](#)

Partner

[Tomonori Shibata](#)

Partner

[Janejai Chavanavesh](#)

Director

**Transfer Pricing
Services**

[Abhisit Pinmaneekul](#)

Partner

[Chollatip Santitorn](#)

Partner

[Akira Sorajja](#)

Director

[Burin Yenthanakorn](#)

Director

Trade & Customs Services

[Malika Bhumivarn](#)

Partner

[Sophon Dulyarassamee](#)

Director

kpmg.com/th

[Privacy](#) | [Legal](#)



If you wish to unsubscribe from this invitation or from all KPMG communications, please click [here](#). If you wish to subscribe to other KPMG communications, please click [here](#). In the event that we do not hear from you, we shall consider this as an indication of your consent for us to send you regular newsletter updates, process, and retain your personal information in our mailing list.

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

© 2023 KPMG Phoomchai Tax Ltd. a Thai limited liability company and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved. The KPMG name and logo are registered trademarks or trademarks of KPMG International.