



# Audit Committee Forum No. 54

Challenges from global minimum tax reforms  
and opportunities to strengthen organizational  
tax governance

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For Discussion Purposes Only

# Presenter



## Abhisit Pinmaneekul

Partner, Head of Tax

Email: [abhisit@kpmg.co.th](mailto:abhisit@kpmg.co.th)  
Tel: +66 2 677 2470



## Pongsapak Prajakfueangfu

Director, International Tax

Email: [pongsapak1@kpmg.co.th](mailto:pongsapak1@kpmg.co.th)  
Tel: +66 2 677 2423



# Agenda

## 1. Insights into transfer pricing regulations and compliance strategies

- Highlighting top trends in tax investigations
- Analyzing current tax challenges and implications for businesses

## 2. BEPS 2.0 Pillar 2 (global minimum tax)

- Understanding the OECD's framework and its global impact
- Matters related to BEPS 2.0 Pillar 2 and its significance in the current tax landscape and reporting obligations



**01**

**Insights into transfer  
pricing regulations  
and compliance  
strategies**

**1.1**

# **Tax Investigation Landscape**

# Initial Risk Factors of Tax and Transfer Pricing Audit

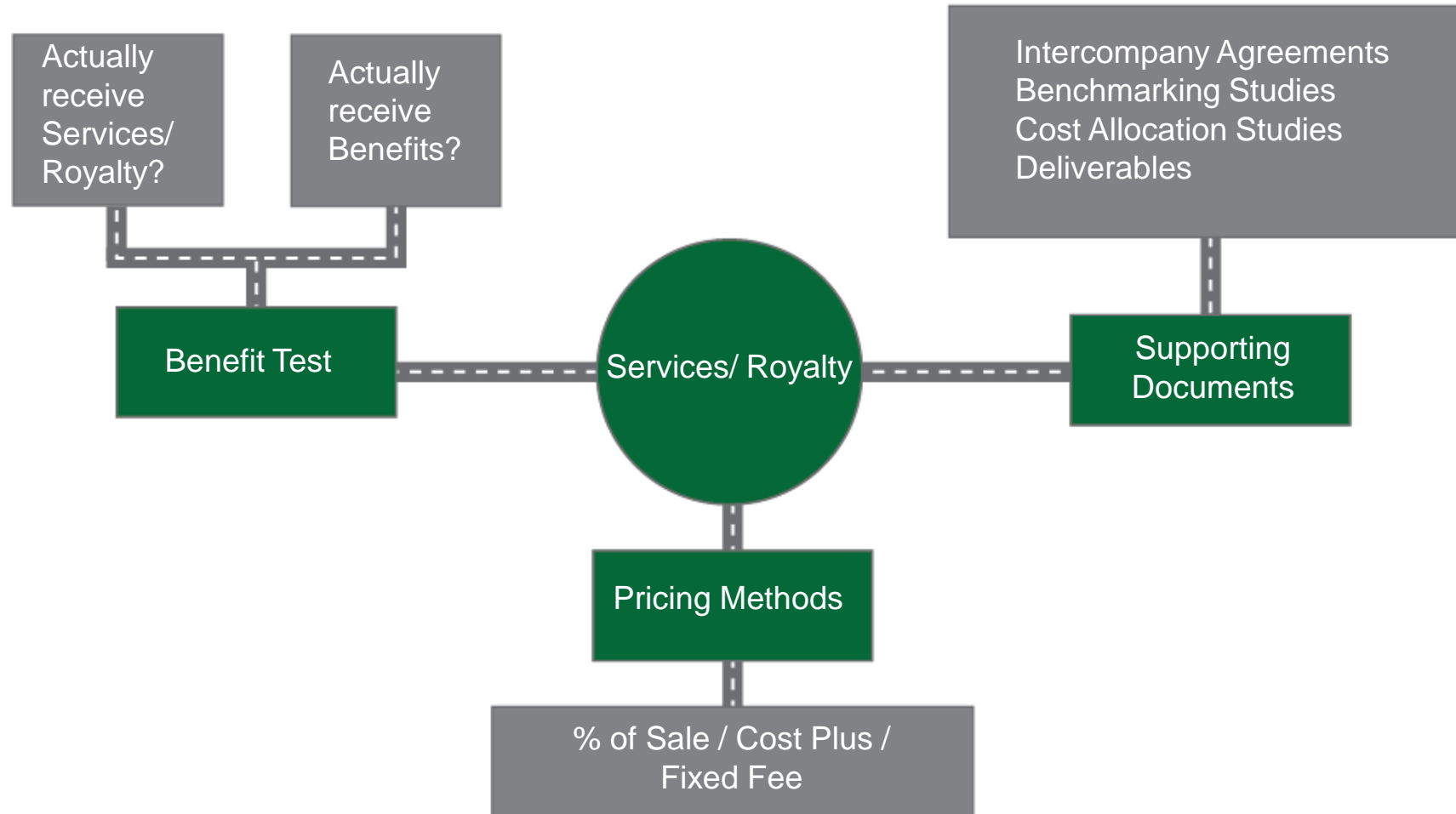


*Initial Risk Factors:  
Trigger Transfer Pricing Audits*

**1.2**

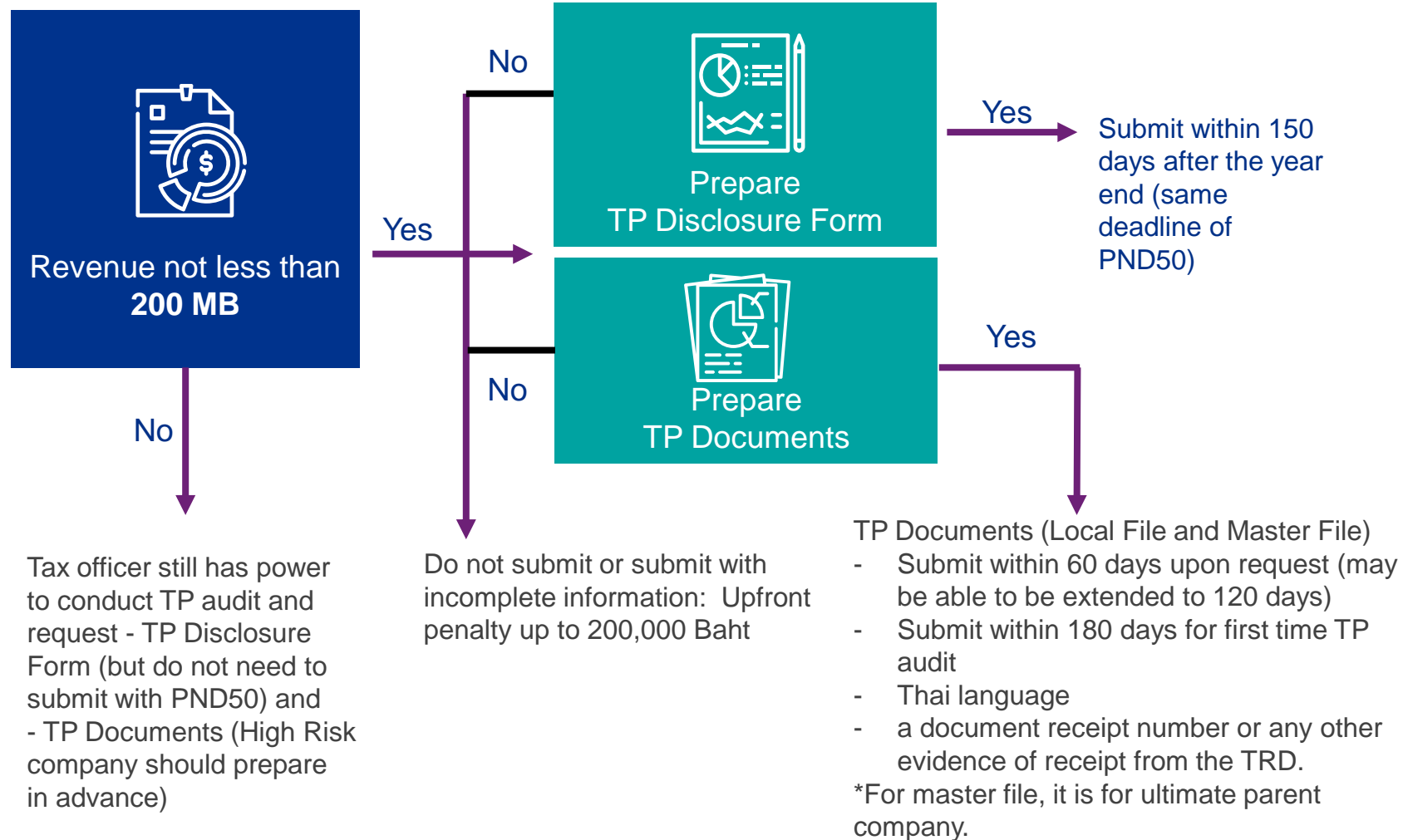
# **Strengthening Transfer Pricing**

# Services and Royalty in Inter-Company Transactions – Major Issues





# Check List – Thai Transfer Pricing Requirement



**1.3**

# **Recommended Next Steps**

# Readiness for Tax Audits

Our practical guide takes you through three vital steps in assessing and managing your tax dispute risks:

- **Does the Company have any technical tax risks?**
  - If yes, has the Company evaluated the risk scale?
  - Has the Company estimated the tax exposure (additional liability plus penalty and surcharge)?
  - Has the Company conducted tax health check?
- **Does the Company get your evidence in shape**
  - Agreements
  - Local File/Transfer Pricing Documentation + Benchmarking Study
  - Benefit test
  - Economic, commercial and/or business reasons
  - External factors
  - Supporting documents



**02**

# **BEPS 2.0 Pillar 2**

## **Global minimum tax**

# Base Erosion and Profit Shifting (BEPS) - Global developments

## BEPS 1.0 to BEPS 2.0

- OECD's initiative to ensure each jurisdiction get a fair share of tax where economic activities take place and value is created
- BEPS 1.0 minimum standards (incl. CbCR requirements)

## BEPS 2.0 : Two-pillar solution

- Pillar 1: Re-allocation of profits for taxation without physical presence (yet to be enforced)
- Pillar 2: Global minimum tax – Going live at the earliest in 2024

### Who does it affect?

Multinational groups with **revenue of EUR750 million or more** in two of the last four years.

### When does it apply from?

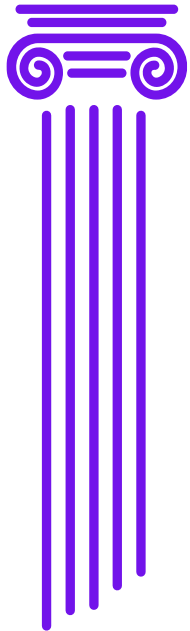
It is expected to apply in most jurisdictions for **accounting periods starting on or after 1 January 2024.**



# What Pillar 2 is really about ...

Part of the OECD's BEPS 2.0 package to ensure the level playing field across the globe

## Pillar 2



Limit “global tax competition” and stop “race-to-the-bottom”



Determine the minimum rate at 15% for each jurisdiction



Require in-scope entities to file a global information return and pay Top-up Tax if ETR is below 15%

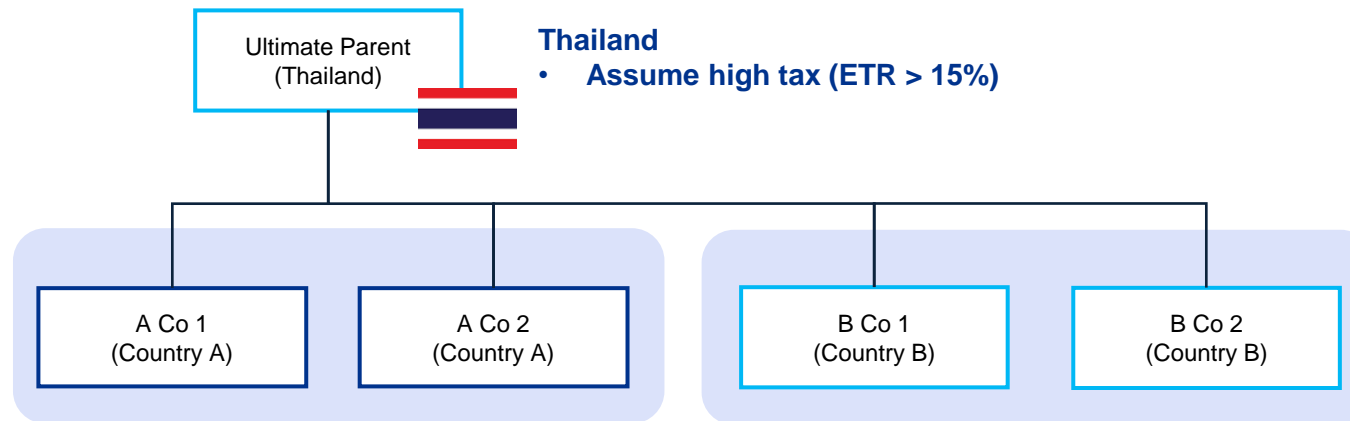


142 countries endorsing Pillar 2 (including Thailand)

# Overseas adoption (2024): Top-up tax payable in Country B due to low-tax entities in Country B



“Accounting ETR  $\neq$  Pillar 2 ETR”



**Country A**

- Assume high tax (ETR > 15%)



**Country B**

- Assume low tax (ETR < 15%)
- Calculate ETR of Country B and determine if there is any Top-up Tax chargeable under QDMTT rule



**QDMTT – Qualified Domestic Minimum Top-up Tax**



**IIR – Income Inclusion Rule**

# Potential reporting timelines

## IIR Filing deadline:

- **For the first reporting year:** 18 months after the last day of the fiscal year
- **Standard filling period:** 15 months after the last day of the fiscal year

## DMTT Filing deadline:

- 12-15 months for local filing



# Pillar 2 checklist

1. Consider whether there is an entity belonging to a multinational enterprise (“MNE”) group
2. If yes, consider further whether the MNE group has total turnover of at least EUR 750m in 2 out of 4 fiscal years immediately prior to the reporting year
3. Then determine which entities in the group structure are in the Pillar 2 scope
4. If there are entities falling within the Pillar 2 scope, consider performing impact assessment to determine whether a Top-up Tax obligation will arise (and where such obligation will be triggered)
5. Based on the impact assessment, determine if material financial statement impacts and disclosures are needed (including early audit planning and tax specialist involvement)
6. Based on the impact assessment, determine the Pillar 2 impact on current and future M&A/investment plans (including rationalization of current tax incentives)
7. Review governance controls to help manage the risks associated with complex Pillar 2 rules



KPMG in Thailand's new publication

# THRIVE Magazine

## Highlight contents

- **Exclusive insights:** Accelerating transformation with Deals
- **Feature interviews:** In conversation with KPMG's Deal Advisory Head and a specialist Legal M&A Partner







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**KPMG in Thailand**

48<sup>th</sup>-50<sup>th</sup> Floor, Empire Tower  
1 South Sathorn Road  
Bangkok 10120  
T: +66 2677 2000



KPMG in Thailand



[kpmg.com/th](https://kpmg.com/th)

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