



Audit Committee Forum No. 54

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

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Presenter



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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



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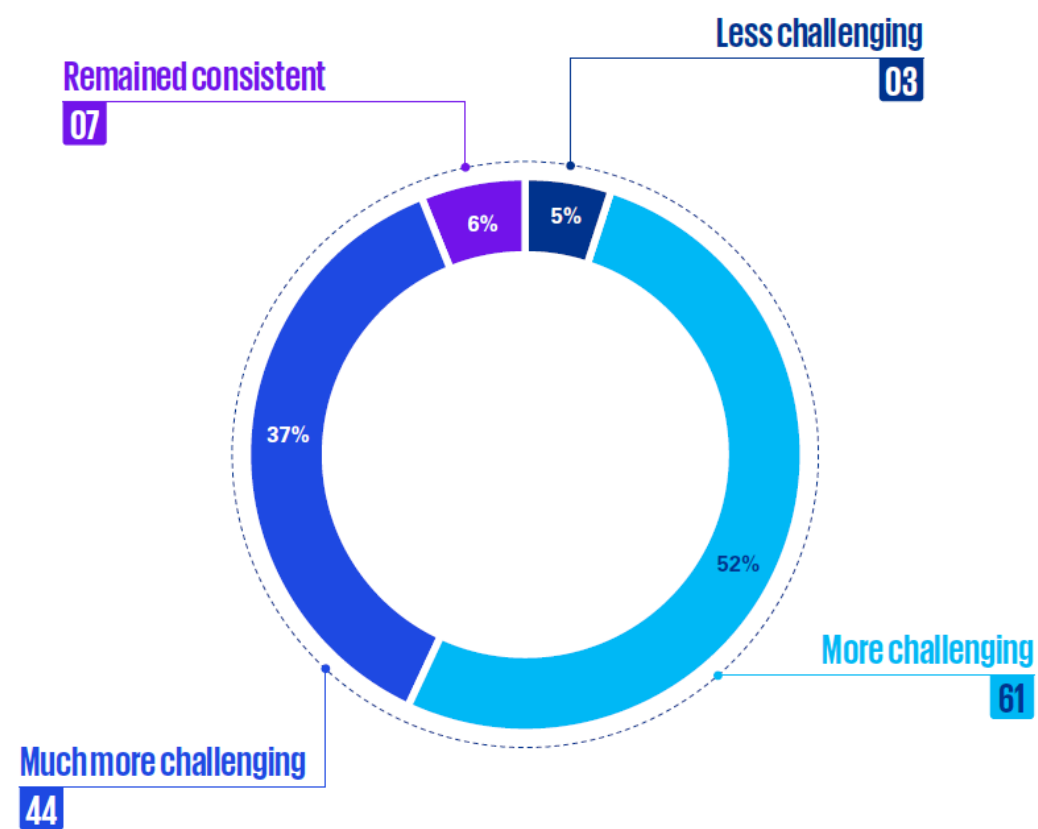
**Insights into transfer
pricing regulations
and compliance
strategies**

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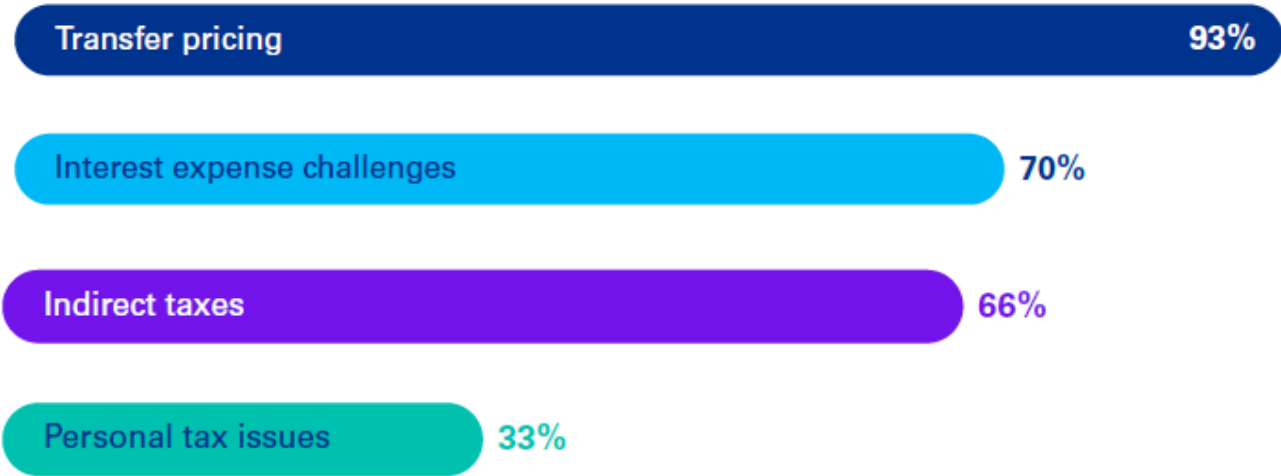
Tax Investigation Landscape

Tax Audits and Disputes – the Changing Environment

Over the past 3 years, how would you say the disputes environment has changed?



What are the key areas/topics of tax dispute you have seen over the last 12 months?



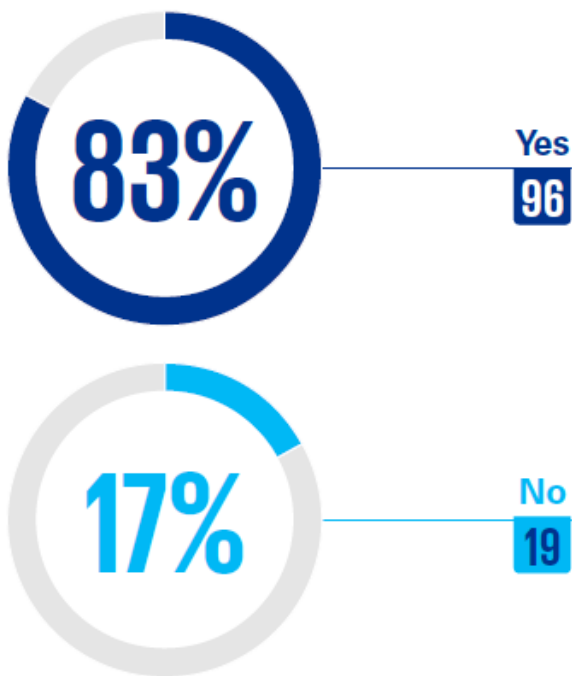
Source: KPMG's tax dispute landscape



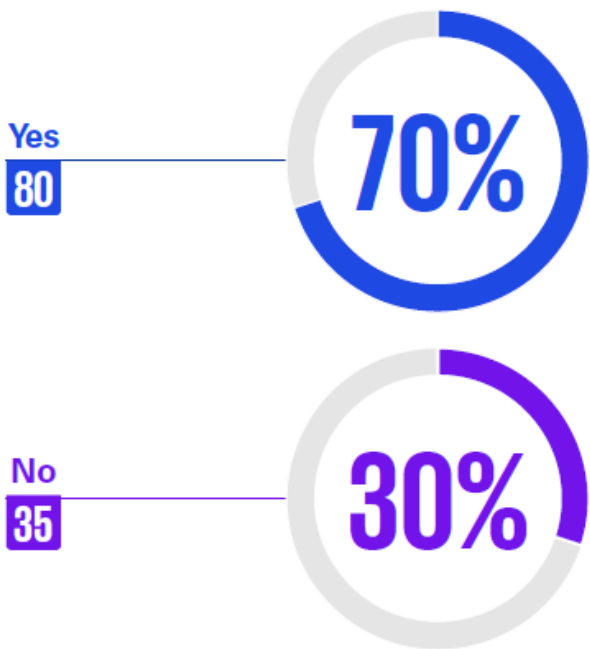
Digitalization Spreads across Authorities' Operations

Does your revenue authority use technology for data & analytics?

(For example, to develop/risk assess issues and/or taxpayers?)



Does your revenue authority use technology to conduct the inquiry itself?



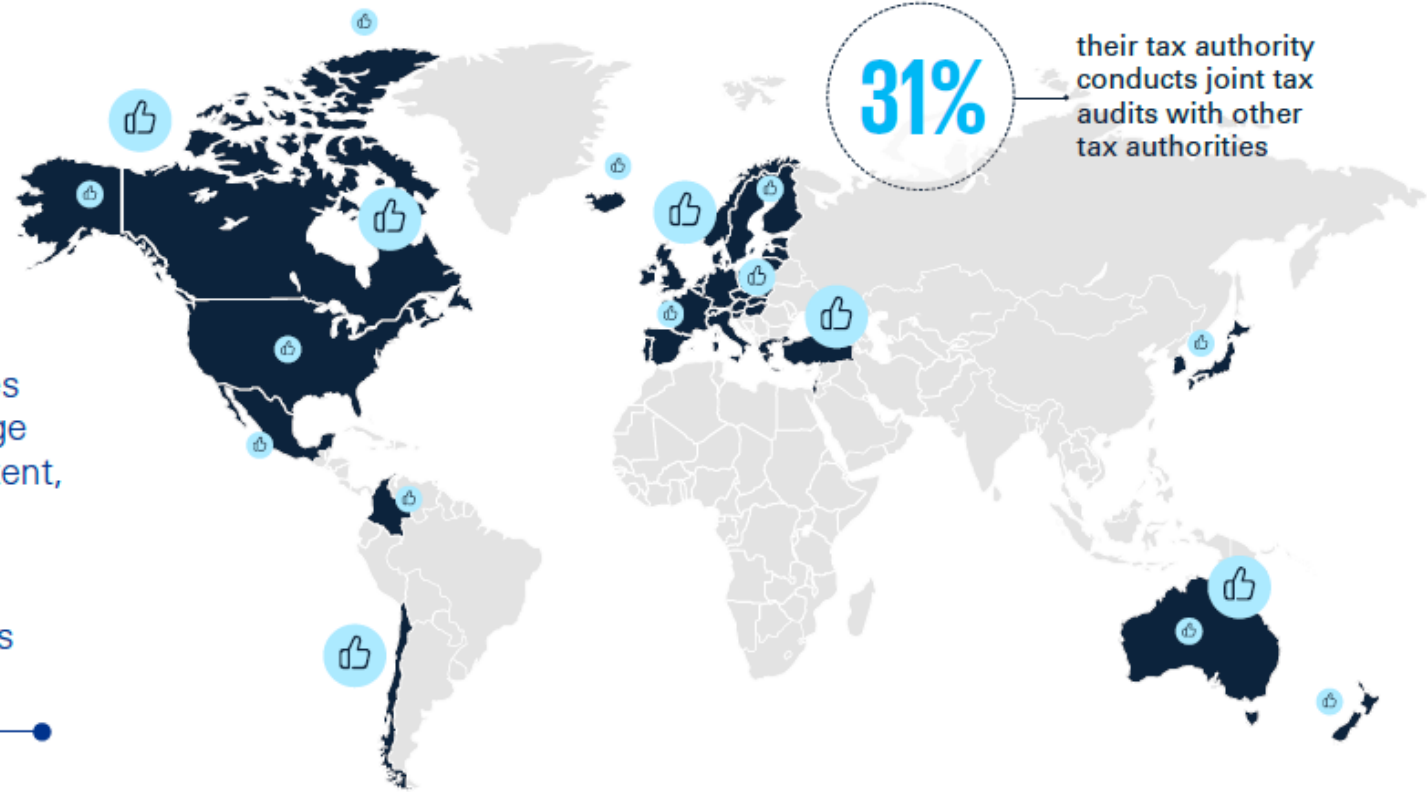
Source: KPMG's tax dispute landscape

Collaboration and Information Sharing



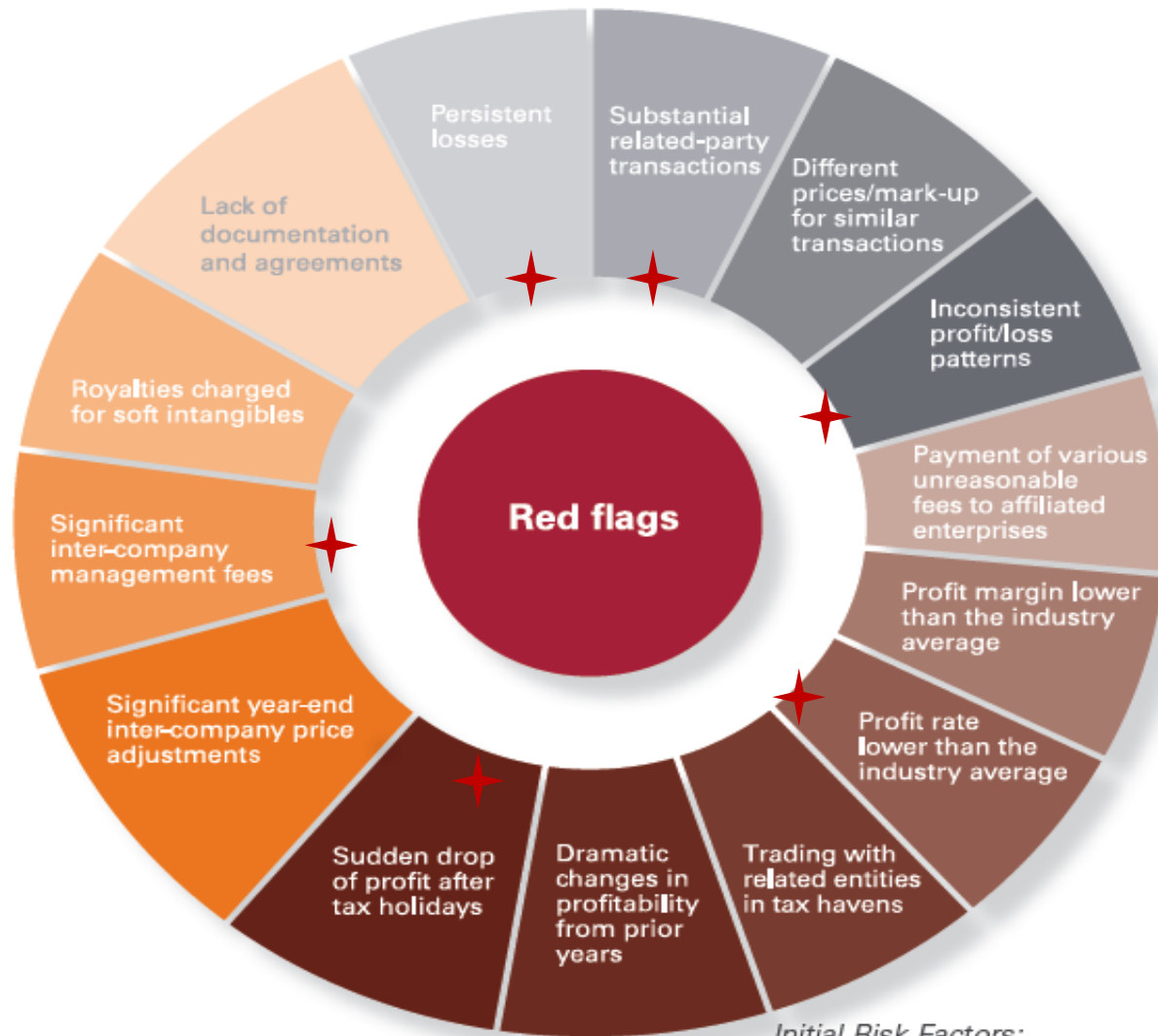
Their tax authority relies on information exchange processes to some extent,

with **41%** seeing these processes used frequently.



Source: KPMG's tax dispute landscape

Initial Risk Factors of Tax and Transfer Pricing Audit



*Initial Risk Factors:
Trigger Transfer Pricing Audits*

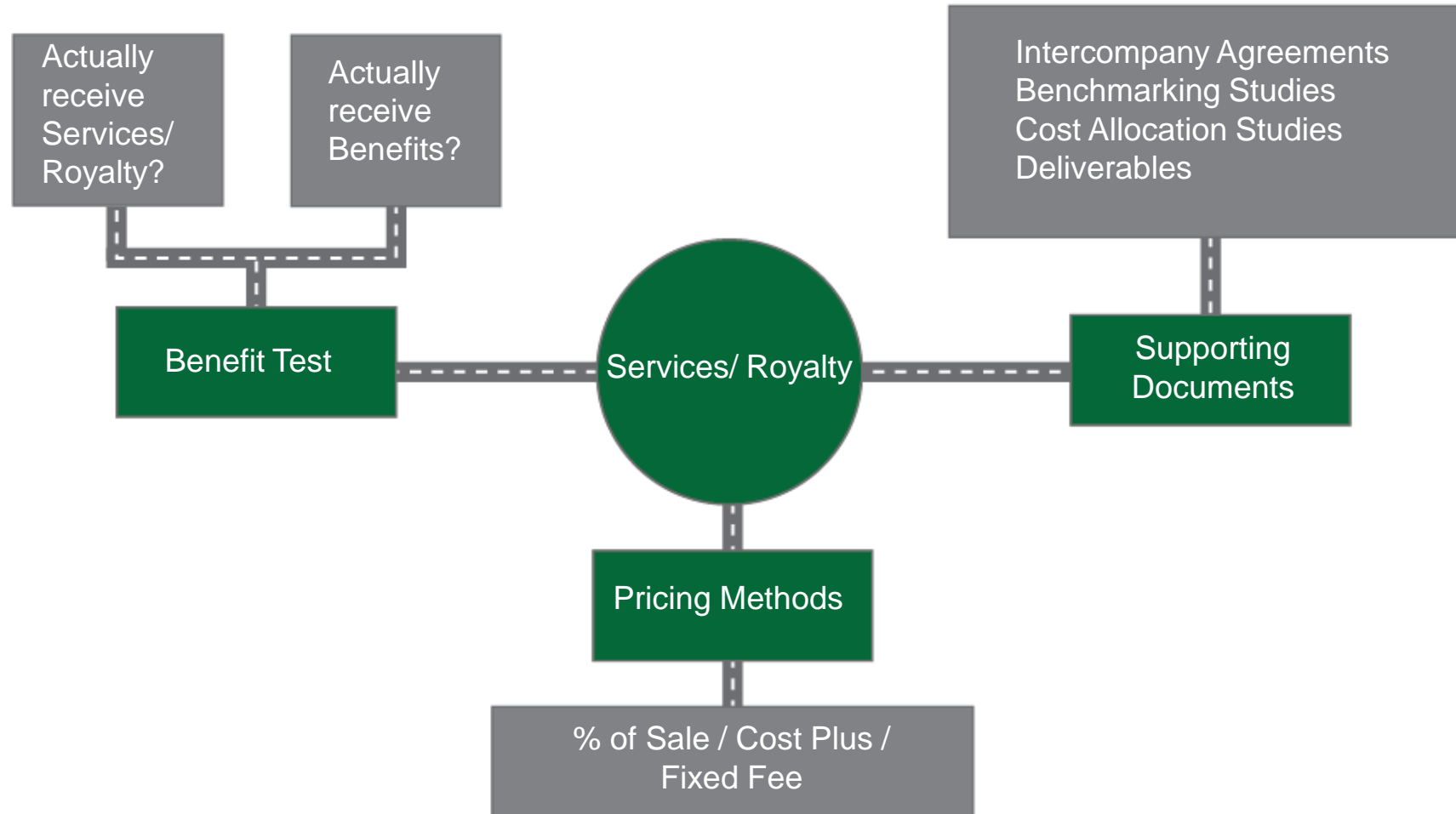
Example of Profit and Loss Statement

Fiscal Year	2022	2021	2020	2019	2018	Weighted Average
Sales	5,800,817,203.00	4,455,469,220.00	6,803,041,621.00	4,163,987,226.00	6,195,944,550.00	5,483,851,964.00
Cost of Goods Sold	5,429,321,946.00	4,293,737,399.00	6,399,025,951.00	4,017,242,680.00	5,776,296,693.00	5,183,124,933.80
Gross Profit	371,495,257.00	161,731,821.00	404,015,670.00	146,744,546.00	419,647,857.00	300,727,030.20
SG&A	352,068,814.00	389,029,768.00	296,084,657.00	203,178,979.00	250,022,377.00	352,068,814.00
Net Profit	19,426,443.00	(227,297,947.00)	107,931,013.00	(56,434,433.00)	169,625,480.00	19,426,443.00
Net Cost Plus Mark-Up	0.34%	-4.85%	1.61%	-1.34%	2.81%	0.05%
Example: arm's-length range						
Minimum						0.53%
Lower quartile						2.54%
Median						4.75%
Upper quartile						7.97%
Maximum						13.23%

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Strengthening Transfer Pricing

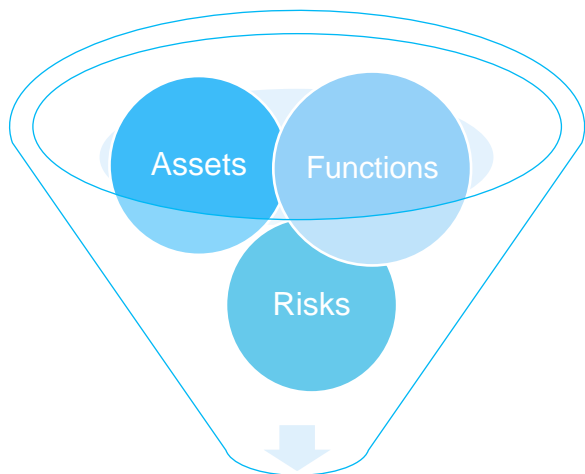
Services and Royalty in Inter-Company Transactions – Major Issues



Strengthening Transfer Pricing

- The principal concern is that the rules allow for profit shifting to low-taxed jurisdictions in ways third parties would not use, specifically by separating profits from the economic activity giving rise to them.

Transfer pricing generally focuses on :



Historically MNEs have:

- Used contracts to move assets and risks to principal companies
- Moved the economic responsibility for, and key benefits from, important local functions to principal companies
- Limited local returns

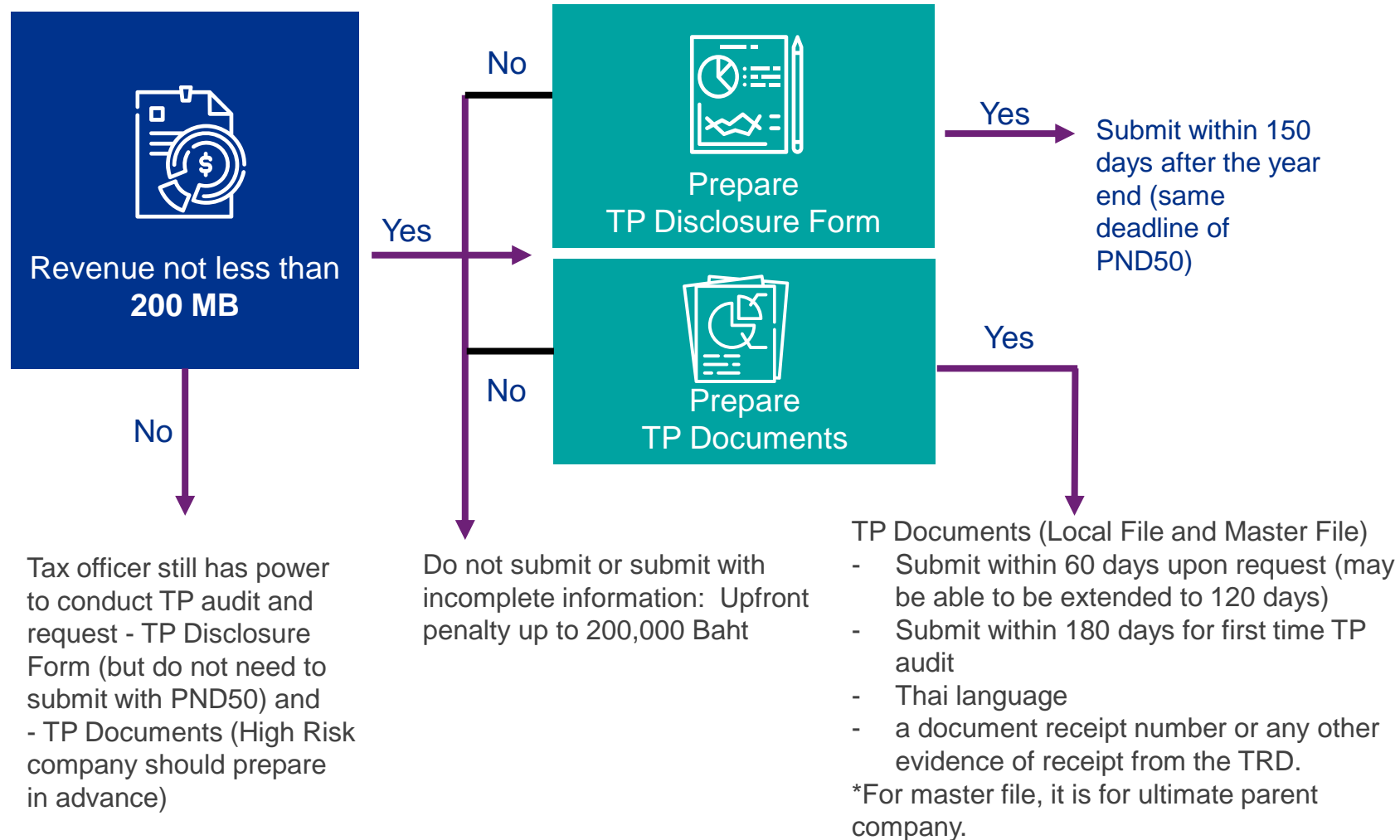
OECD BEPS 1.0: Actions 8, 9, and 10 are pushing to:

- Increase the importance attached to people and local functions
- Focus on key decision makers and where they are located
- Legal ownership of intangibles by an associated enterprise alone does not determine entitlement to returns from the exploitation of intangibles.
- “If the legal owner of intangibles is to be entitled ultimately to retain all of the returns derived from exploitation of the intangibles it must perform all of the functions, contribute all assets used and assume all risks related to the Development, Enhancement, Maintenance, Protection and Exploitation of the intangible”
- Limit profits associated with “naked” contractual rights
- Emphasize on “Global value chains” with the use of profit-split methods
- Reevaluate the circumstances in which transactions can be re-characterized
- Provide protection against common types of base eroding payment such as management fees and head office expenses.

OECD BEPS 1.0: Action 13

- provides the revised standards for transfer pricing documentation and a template for Country-by-Country Reporting (CbCR) of income, taxes paid, and certain measures of economic activities.

Check List – Thai Transfer Pricing Requirement



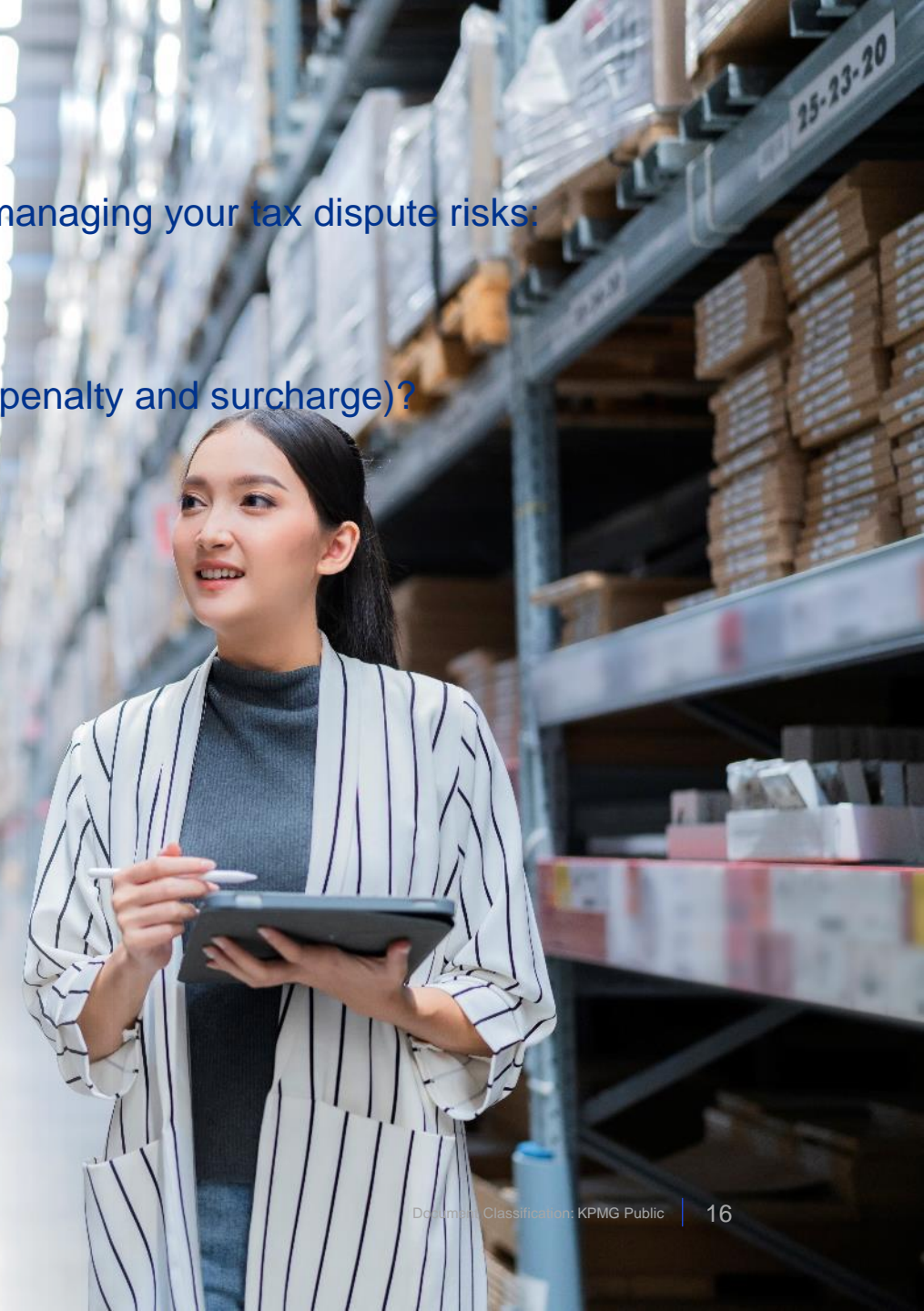
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Recommended Next Steps

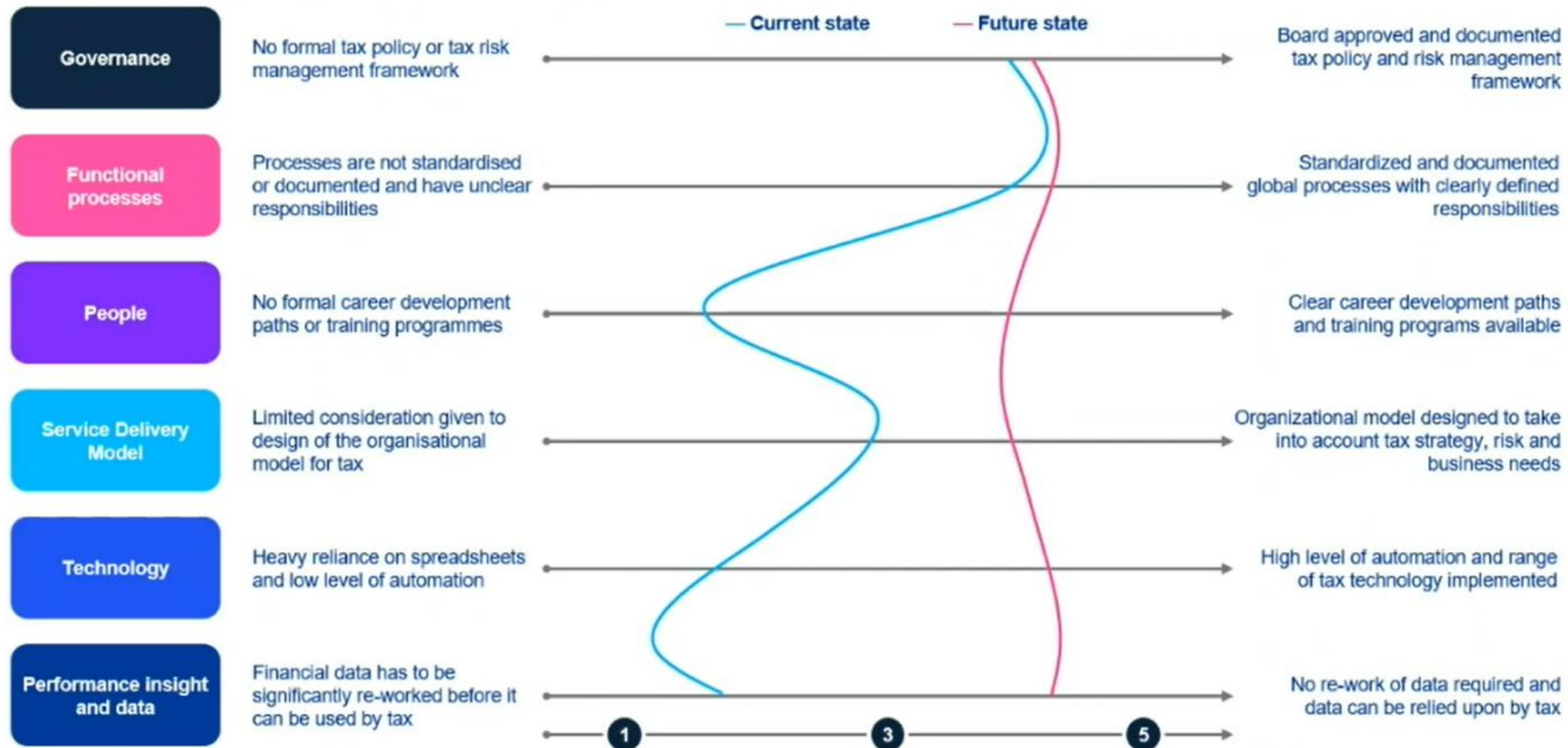
Readiness for Tax Audits

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



KPMG Target Operating Model



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.

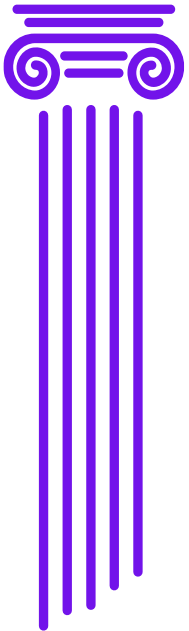
When does it apply from?

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%

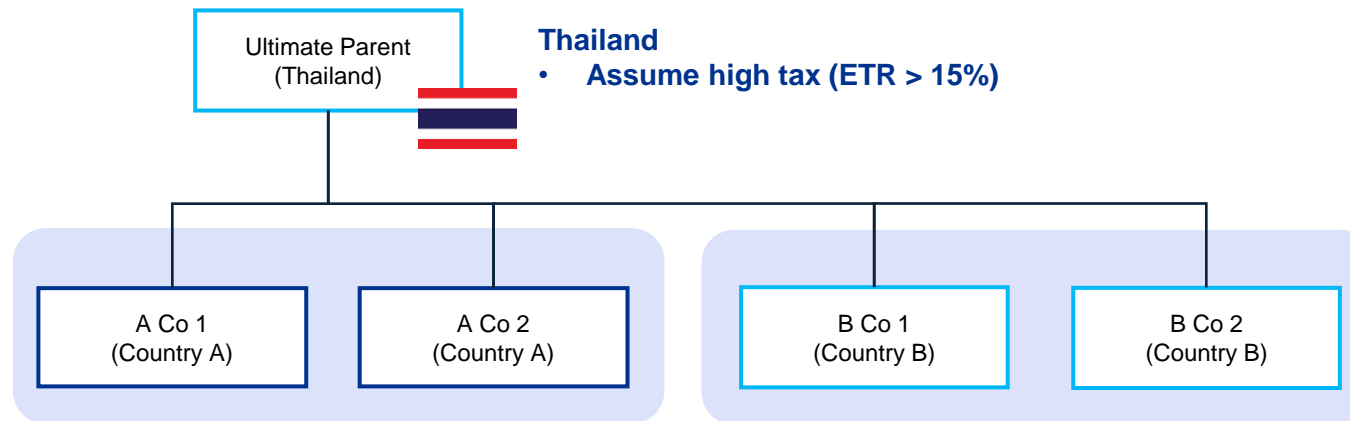


142 countries endorsing Pillar 2 (including Thailand)

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

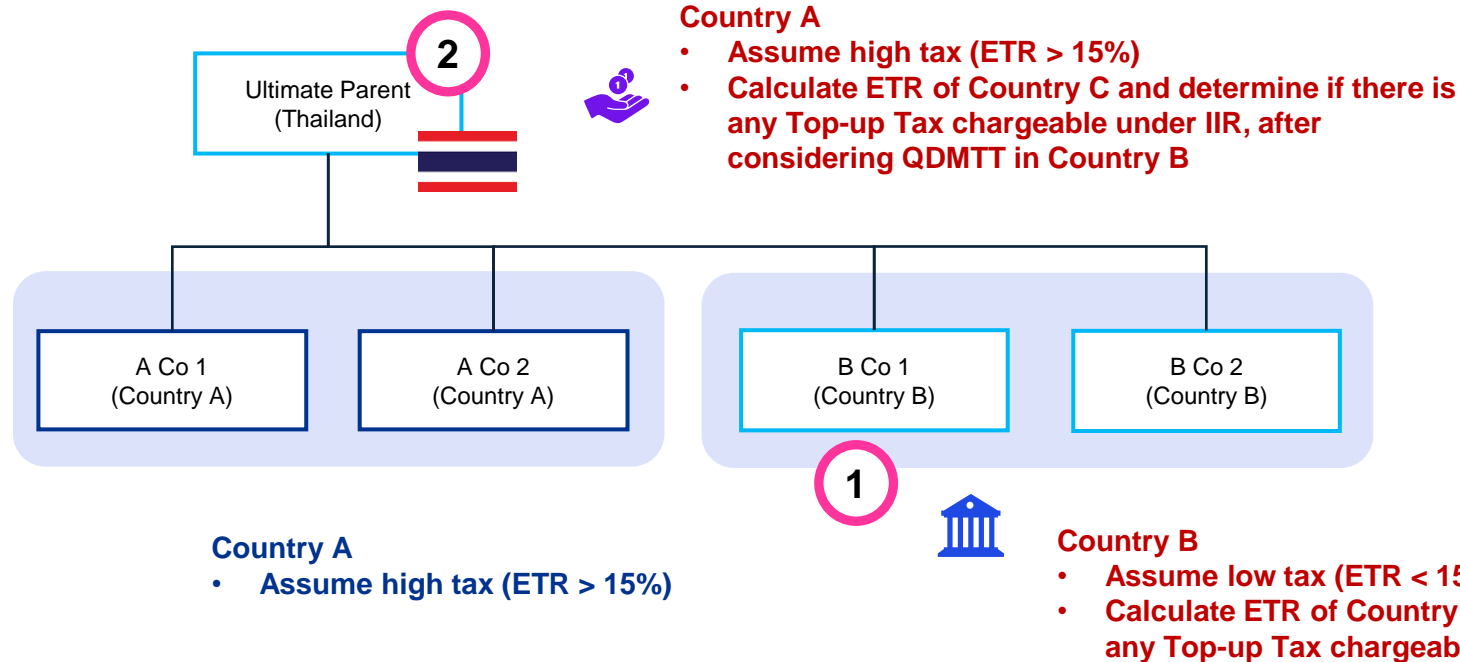


IIR – Income Inclusion Rule

Thailand's adoption (2025): Top-up tax payable in Country B due to low-tax entities in Country B



“Accounting ETR \neq Pillar 2 ETR”



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



Q&A

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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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