



## TAX Alert

### Thailand plans to implement BEPS Pillar Two

The Thai Cabinet has approved in principle to collect the Global Minimum Tax proposed by The Organisation for Economic Co-operation and Development (“OECD”) under the Pillar Two of Base Erosion and Profit Shifting (“BEPS”) 2.0 project on 7 March 2023.

What this means to taxpayers is that Thailand, as an Inclusive Framework member of BEPS, is now on the path to collect 15% minimum taxation in Thailand on MNEs with consolidated revenues over €750 million. The objective of the BEPS Pillar Two is to ensure a 15% global minimum taxation for undertaxed MNEs. The tax collection can be made either by way of paying a top-up tax in the jurisdiction of the parent of the MNEs or on the subsidiary level, following the global uniform rules and conditions.

For the implementation of BEPS Pillar Two, the Board of Investment (“BOI”) and the Thai Revenue Department have been tasked by the Cabinet to proceed as follows:

Authorities	Assigned tasks
BOI	<ol style="list-style-type: none"> <li>1. To amend the National Competitiveness Enhancement for the Targeted Industries Act, B.E. 2560 (2017) to include a source of funding for National Competitiveness Enhancement for Targeted Industries Fund through top-up tax collections;</li> <li>2. To propose measures to enhance Thailand’s competitiveness by subsidizing qualifying investors under the National Competitive Enhancement for Targeted Industries Act, B.E. 2560; and</li> <li>3. To propose measures to mitigate the impact of the new tax collection guidelines under the Investment Promotion Act B.E. 2520 (1977).</li> </ol>
Thai Revenue Department	<ol style="list-style-type: none"> <li>4. To collect the top-up taxes in accordance with Pillar Two;</li> <li>5. To allocate 50-70% of the top-up tax collected under Pillar Two to the National Competitiveness Enhancement for Targeted Industries Fund under the National Competitiveness Enhancement for Targeted Industries Act, B.E. 2560 (2017). This is to be further discussed between the Thai Revenue Department and the BOI; and</li> <li>6. To share information on payers of top-up tax with the BOI</li> </ol>

Next step for Thailand is to draft the legislation for implementation of the BEPS Pillar Two. The first draft is expected to be proposed in 2023 and will come in effect in 2025.

## Deloitte's observations

In preparation for the forthcoming legislation, in-scope MNEs need to carefully consider the potential impact of Pillar Two in all jurisdictions they operate, regardless of their parent company's location. Pillar Two will introduce new reporting and calculation obligations, which will require businesses to understand the detailed rules and assess how they apply to their circumstances. The Company needs to plan for appropriate systems and processes to identify, collect, and process the required data. As these requirements can be complex, MNEs should start evaluating their operational readiness, including their resources, processes, and technology, to ensure they are well-equipped to meet the additional reporting and compliance requirements that will come with the new regulations.

Lastly, any investment plans in Thailand should consider the expected modifications on the BOI incentives, which the BOI needs to revisit to align itself with Pillar Two.

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