

Brief Overview: Pillar II Global Minimum Tax Rule in Thailand

In Focus

The Pillar II Global Minimum Tax Rule, developed under the OECD's Base Erosion and Profit Shifting (BEPS) 2.0 initiative, introduces a global minimum corporate tax rate of 15%. Its goal is to reduce tax competition between jurisdictions and ensure multinational enterprises (MNEs) pay a fair share of tax, particularly in low-tax jurisdictions.

In Summary

This new rule applies to multinational enterprises (MNEs) with consolidated group revenues of at least EUR 750 million in at least two of the last four fiscal years with the following mechanisms:

- 1] Income Inclusion Rule (IIR): Allows Thailand to tax the global income of Thai-parented MNEs if other jurisdictions levy less than 15%.
- 2] Undertaxed Profits Rule (UTPR): Allows Thailand to claim additional taxes on profits not sufficiently taxed in foreign jurisdictions.

This law will impact to [1] Large Thai MNEs operating abroad may face higher compliance burdens and reporting requirements and [2] Foreign MNEs in Thailand operating under preferential tax regimes may see reduced benefits unavoidably.

According to the recent Thai cabinet's resolution on 11 December 2024, Thailand plans to enact the rule via Emergency Decree in early 2025, ensuring compliance with the OECD's global framework. This aligns Thailand with over 140 jurisdictions committed to the OECD Inclusive Framework. To mitigate this, the government is also amending the Act on the Enhancement of National Competitiveness for Targeted Industries, aiming to retain attractiveness for foreign direct investment.

Moreover, the Government is also considering a change of the tax holiday incentive regime to reduced rate of 50% of the normal rate. This will give Thailand's competitiveness as an investment destination may shift, especially for industries benefiting from low-tax incentives.

Adopting the rule underscores Thailand's dedication to global tax reforms, enhancing transparency and fair taxation. This policy change signals Thailand's move toward aligning with international standards while balancing domestic tax incentives for priority industries.



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