

The Twelfth IMF-Japan High-Level Tax Conference For Asian Countries

Thailand's perspective on Pillar 2

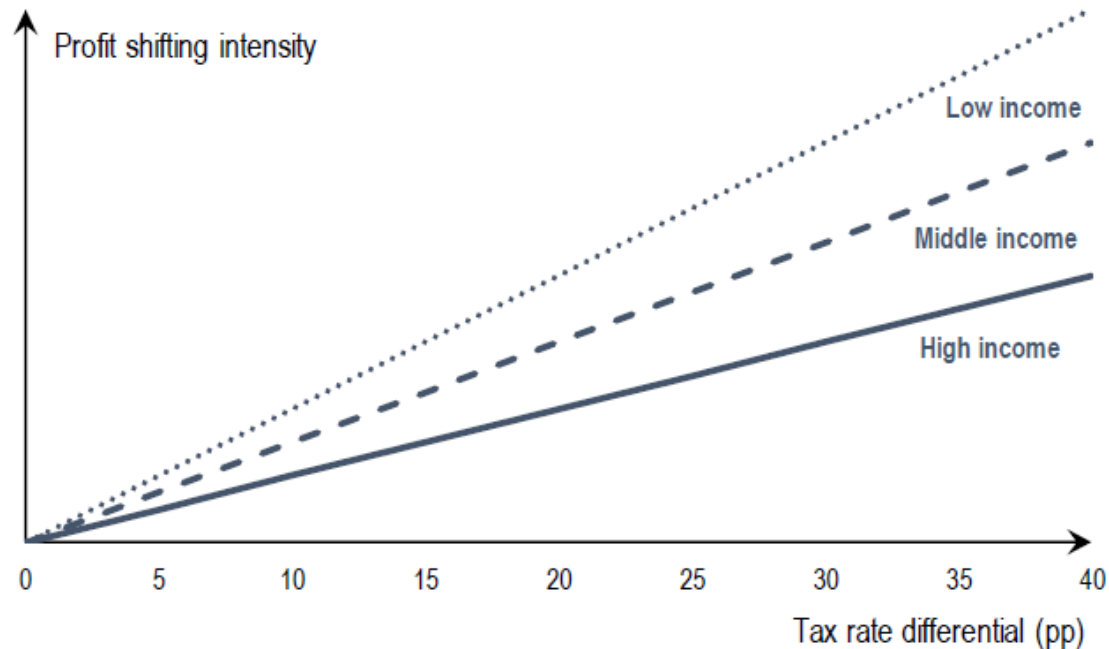
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Hilton Tokyo Odaiba, 25 October 2022

Profit Shifting of MNEs Worldwide

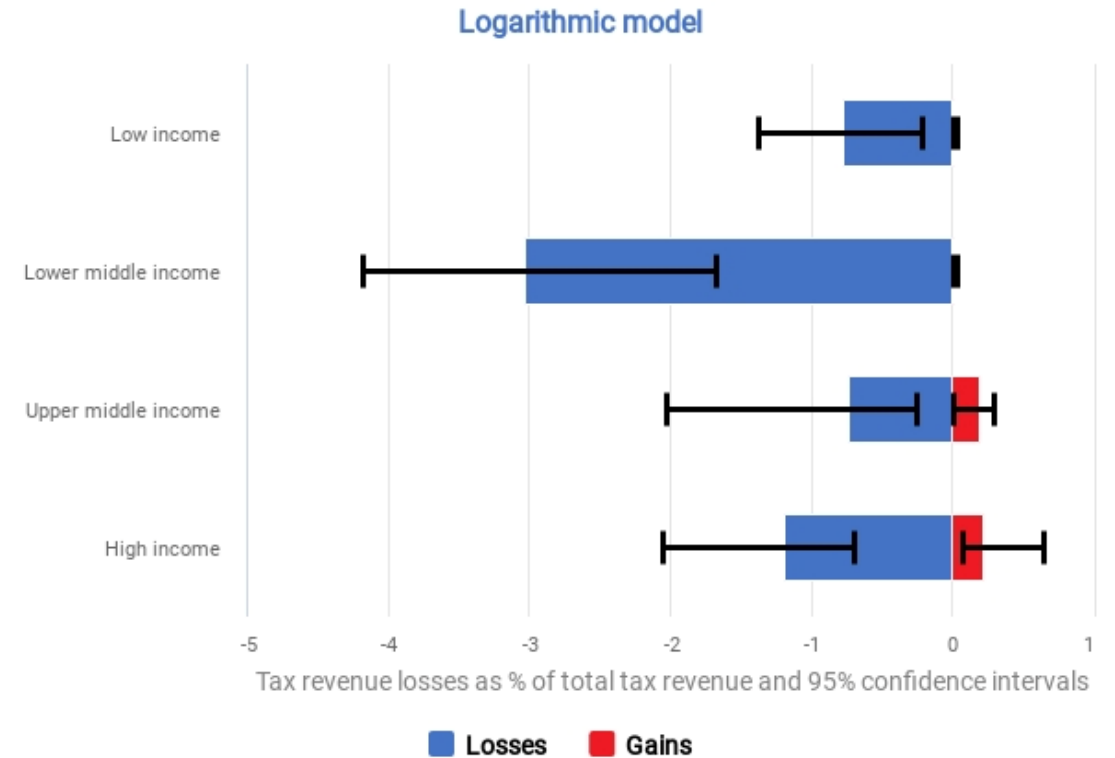
OECD secretariat summarised from literatures that profit shifting to low tax jurisdictions tends to be approximately 1.5 times more intense for low-income jurisdictions than high income jurisdictions.

Figure 3.8. Stylised shape of relationship between profit shifting intensity and tax rate differentials: Baseline shape



Profit Shifting of MNEs Worldwide (2)

- From CbCR in 2016, the estimated worldwide profit shifting is close to 1 trillion USD and related tax revenue losses range between 200 and 300 billion USD.
- Low-income countries are the main losers of income tax (Tax revenue loss to total tax revenue) while high-income gains higher benefit.
- Profit shifting to the low tax jurisdiction without the real investment activities is our mostly concern.
- **Thailand views that the concept of “GloBE Rule” will help developing countries to protect our tax base from profit shifting.**



The EU Tax Observatory
 Source: García-Bernardo & Janský (2021).

Effect of GloBE Rule on Investment Tax Incentives in Thailand

Project Approved by BOI (Jan. – Sep. 2020)	Total Value of Applications Approved by BOI (Jan. – Sep. 2020)
1,037 Projects	216,640 Million THB

Source: BOI

- Thailand by Board of Investment (BOI) issues tax incentives that promote real investment activities which will result in economic growth in the long run.
- These tax incentives may reduce effective tax rate in Thailand to be lower than 15% even though nominal tax rate is 20%.

Thailand's GloBE Rule Implementation Priorities

- To implement the GloBE Rule
 - *Income Inclusion Rule*
 - *Undertaxed Payment Rule*
 - To implement Domestic Minimum Top Up Tax
 - To reconsider investment incentives in the GloBE rule era
- Impact assessment
 - Draft legislation
 - Capacity Building

Challenges



Complexity of the GloBE Rule

- Legislation drafting
- Implementation framework



Engagement with the private sectors

- Public consultation
- Focus Group



Redesign of investment incentives for developing countries

- OECD Report on Tax Incentives and the Global Minimum Tax
- Grants for investment costs
- Qualified Refundable Tax Credit
- Non tax incentives

Thailand's GloBE Rule Implementation Progress



Set up working team (*International Tax Affairs Center, Legal Affairs Div., Tax Policy & Planning Div., LTO, and Informal Survey and Tracking Div.*)



Set up National Committee on Impact Assessment composed of

- The Revenue Department
- Office of the Council of State
- Office of the National Economic and Social Development Council
- Thailand Board of Investment
- Eastern Economic Corridor
- Ministry of Digital Economy and Society
- Bank of Thailand
- Ministry of Foreign Affairs



ADB Technical Assistance Project

- Impact assessment
- Draft Legislation
- Capacity Building



Participation in OECD initiatives

- Study the investment incentives in the GloBE Rule era
- Participate in meeting of OECD in all level to exchange views with Inclusive Framework on BEPS members: TFDE, Working Party 11, Regional Consultation on BEPS

THANK YOU