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Beginner's Guide

GLOBAL MINIMUM TAX

What is the Global Minimum Tax?

- A proposed 15% minimum corporate tax on multinational companies.
- Ensures big corporations pay a baseline tax rate regardless of where they're headquartered or operate.

Why was it introduced?

- To stop "race to the bottom" tax competition.
- Combat tax base erosion and profit shifting (BEPS).
- Ensure fairer tax contributions globally.

Who Agreed to It?

- Over 140 countries under the OECD/G20 Inclusive Framework.
- Historic agreement reached in 2021, set to be implemented from 2024–2025.

Key Feature

- Applies to companies with €750M+ in global revenues.
- If a company pays less than 15% in one country, other countries can "top up" the tax.
- Two Pillars:
- Pillar One: Reallocates some profits of big tech/consumer-facing firms to market countries.
- Pillar Two: The 15% global minimum tax rule.

Case of Thailand

- Thailand has implemented a global minimum corporate tax rate of 15% starting January 1, 2025, aligning with the OECD's BEPS 2.0 Pillar Two framework. This move aims to ensure that multinational enterprises (MNEs) pay a minimum level of tax, regardless of where they operate .
- Who Is Affected?
  - MNEs with consolidated revenues of at least €750 million (approximately THB 28 billion) in at least two of the four preceding fiscal years .
  - Includes Thai subsidiaries, branches, joint ventures, and foreign MNEs operating in Thailand .
- Tax Mechanisms
  - Domestic Top-Up Tax (DMTT): Applies if Thailand's Effective Tax Rate (ETR) is below 15%.
  - Income Inclusion Rule (IIR): Applies to Thai parent entities if foreign subsidiaries are in low-tax jurisdictions.
  - Undertaxed Payments Rule (UTPR): Applies if low-taxed income isn't addressed by DMTT or IIR .
- Penalties & Compliance
  - 1.5% monthly surcharge on unpaid top-up tax.
  - 100% penalty for incorrect filings.
  - 200% penalty for failure to file returns.