

TAXES



Thailand Top-Up Tax Update: Secondary Legislation and Cabinet Approval

Executive Summary

Thailand has taken major steps toward implementing the global minimum tax (Top-Up Tax) under Pillar Two. Recent developments include:

- Issuance of eight Director-General notifications and one Ministry of Finance notification detailing calculation rules for employee compensation and tangible asset values, substance-based deductions, and entities with special characteristics.
- Cabinet approval of four draft secondary laws to facilitate the implementation of the Emergency Decree.
- First filing deadline set for June 2027 for fiscal years starting 1 January 2025.
- OECD's new Side-by-Side Package guidance expected to influence Thai safe harbour measures later in 2026.

1. Secondary legislations issued

The Revenue Department released eight (8) notifications under the Emergency Decree on Top-Up Tax B.E. 2567 (2024), covering the following topics:

- Jurisdictional accounting standards equivalence
- Refundable dividend tax exclusions
- Rules for multi-location entities and special cases
- Calculation of substance-based deductions (employees and tangible assets)
- Exchange rate conversion for tax calculations
- Entity definitions and special characteristics

Relief Measure:

The Ministry of Finance (Notification of the Ministry of Finance on Top-Up Tax [No. 1]) has introduced transitional deduction rates for substance-based income exclusions:

- 2025: 9.6% (employee compensation), 7.6% (tangible assets)
- Gradual reduction through 2032 to ease initial compliance impact.

2. Cabinet approval of draft regulations

On 30 December 2025, the Cabinet approved four (4) draft laws:

- Royal Decree prescribing the criteria for MNE groups that have undergone reorganization.
- Royal Decree prescribing the criteria for determining non-constituent entities
- Ministerial Regulation prescribing the criteria for allocation of Top-Up Tax under Undertaxed Payments Rule (UTPR) when no Thai CE has GloBE income
- Ministerial Regulation prescribing the criteria for adjusting income, expenses, and covered taxes, including Domestic Top-Up Tax rules

3. Preparing for Implementation

First filing deadline: June 2027 for MNE groups with fiscal years starting 1 January 2025.

Action Points for MNEs:

- Confirm EUR 750m revenue threshold (two of last four fiscal years)
- Identify filing entities and compliance responsibilities

- Implement systems for global data tracking
- Monitor legislative updates and safe harbour developments

Please check our prior newsletter regarding the Top-Up-Tax in Thailand here: *Thailand Implements a Global Minimum Tax/Top-Up Tax - BDO*

4. OECD Side-by-Side Package

On 5 January 2026, the Organisation for Economic Co-operation and Development (OECD) released new Administrative Guidance under the GloBE Model Rules introducing the “Side-by-Side Package.” Members of the OECD/G20 Inclusive Framework on Base Erosion and Profit Shifting (Inclusive Framework or IF), including Thailand, have agreed to adopt this package, which features:

- Simplified Effective Tax Rate (ETR) Safe Harbour
- Extension of the Transitional Country-by-Country Reporting (CbCR) Safe Harbour
- Substance-Based Tax Incentive Safe Harbour
- Side-by-Side System

As Thailand moves toward aligning its domestic compliance framework with OECD guidance, we anticipate additional safe harbour measures based on the Side-by-Side Package to be introduced later in 2026.

Our observation

The recent issuance of secondary legislations and Cabinet approval of draft regulations marks a critical step toward Thailand’s full adoption of Pillar Two. While these measures provide clarity on certain technical aspects such as substance-based deductions and entity definitions, the real challenge for multinational enterprises (MNEs) will be operational readiness.

The transitional relief on substance-based deductions offers temporary mitigation, but its gradual phase-out through 2032 means the relevant MNEs must plan for a steadily increasing effective tax burden. Additionally, the OECD’s Side-by-Side Package introduces simplified compliance options and safe harbours, which Thailand is expected to adopt later in 2026. This alignment could significantly reduce administrative complexity for qualifying groups, but timing and eligibility criteria remain uncertain.

Key takeaway: MNEs should not wait for further guidance before acting. Early preparation, such as mapping group structures, validating revenue thresholds, and implementing global data systems, will be essential to avoid compliance risks and leverage potential safe harbours when they become available.

Need assistance with Pillar Two readiness? Contact our team for a compliance health check and implementation roadmap.

Contact person

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