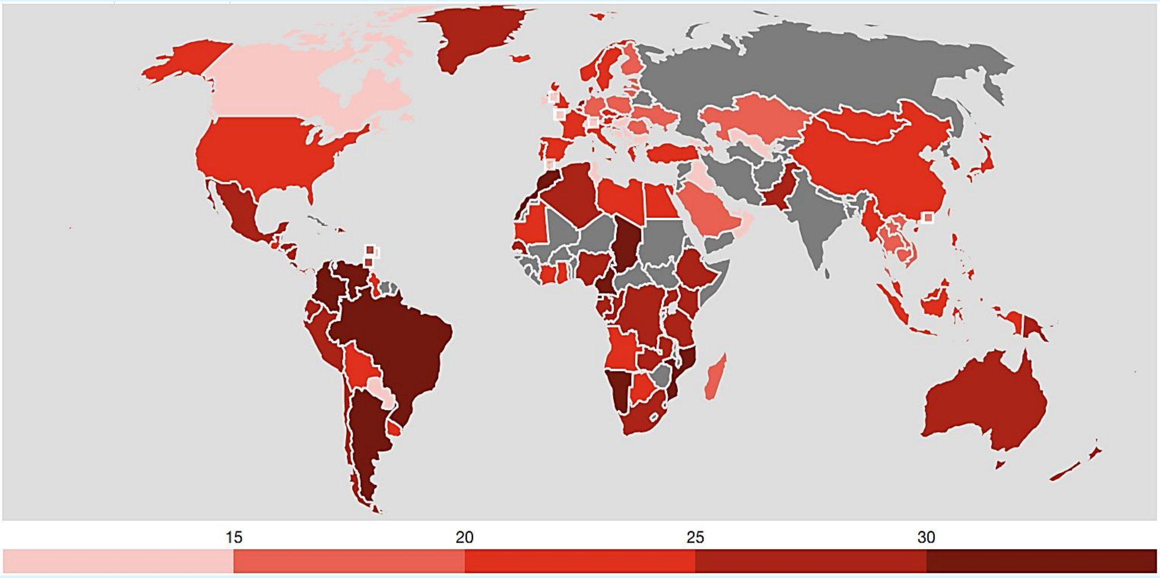
# Decoding the Global Minimum Tax: A Global Shift Beyond Tax Incentives




Source: PricewaterhouseCoopers (PwC)

**"GMT is not a threat—but a chance for Thailand to invest in its strengths: people, infrastructure, and innovation."**

## Global Context: Tax Policy and Investment Rethink

Starting January 1, 2025, Thailand will implement the Global Minimum Tax (GMT), a landmark OECD-driven reform reshaping global tax competition. The policy requires large multinational enterprises (MNEs) to pay an effective corporate tax rate of at least 15%, limiting profit shifting to low-tax jurisdictions.

As countries worldwide adopt this standard, the critical question is how GMT will reshape Thailand's investment landscape—and what strategic adjustments are needed to remain competitive beyond tax incentives.

## Why GMT Matters: Ending the Global Race to the Bottom

For decades, nations competed for foreign investment by lowering corporate tax rates, driving global averages down from 50-60% in the 1980s to 20-30% today. This fueled the rise of tax havens, enabling profit shifting and eroding national tax bases.

With over 130 countries on board, GMT seeks to reverse this trend—ensuring fairer tax collection and reducing harmful competition based solely on tax incentives.

## How GMT Works: Two Pillars, Three Mechanisms

The framework operates through two pillars and three mechanisms designed to prevent untaxed profits:

- **Pillar 1** targets MNEs with global revenues above €20 billion and profit margins over 10%, requiring them to pay taxes where revenue is generated—even without physical presence.

- **Pillar 2** mandates MNEs with annual revenues exceeding €750 million to pay an effective tax rate of 15%. A top-up tax applies if taxes paid in any jurisdiction fall below this threshold.

Three mechanisms ensure enforcement:

- **Qualified Domestic Minimum Top-Up Tax (QDMTT)** — allows host countries to collect the top-up tax.
- **Income Inclusion Rule (IIR)** — enables the parent company's home country to collect if the host country does not.
- **Undertaxed Payment Rule (UTPR)** — permits other jurisdictions to collect if neither of the first two acts.

## Global Early Movers: Fiscal Strategy in Action

Several countries offer valuable lessons as early GMT adopters:

**Asia's Response**

Japan implemented QDMTT in April 2024, securing tax from tech giants previously shifting profits through low-tax hubs. South Korea followed in January 2024, protecting revenues from its globally integrated electronics and automotive sectors.

**Europe and the UK: Protecting Tax Bases**

The European Union—led by Germany, France, and the Netherlands—enforced Pillar 2 in 2024 to protect tax bases and reduce reliance on incentives. Germany expects reduced outflows to lower-tax jurisdictions, while France and the Netherlands strengthen fair competition.

The United Kingdom's 2024 rollout aligns with post-Brexit reforms, targeting digital firms previously contributing little tax despite large UK market shares.

These moves signal a global reset. Thailand, too, must recalibrate its strategy to navigate this shifting landscape.

## Thailand's Response: Competing on Capability, Not Tax Breaks

While Thailand may avoid immediate shocks, long-term strategic implications are clear. Its 20% corporate tax rate remains competitive—comparable to Vietnam, Indonesia, and Malaysia. However, tax breaks alone will no longer drive investment decisions.

Critical factors now include infrastructure quality, supply chain resilience, digital readiness, skilled labor, and political stability—areas where Thailand holds strengths. OECD analysis suggests tax havens will face the sharpest impact, but Thailand must adapt to avoid losing ground.

Proactive government measures under consideration include extended tax reductions and establishing a **Competitiveness Enhancement Fund**. The fund would allocate 50-70% of GMT revenue toward R&D, workforce development, and high-tech industries—mirroring Vietnam's model.

More importantly, GMT presents Thailand with a strategic opportunity. Additional revenues should fund:

- **Upskilling the workforce** for the digital economy, AI, and automation.
- **Smart infrastructure upgrades**—including logistics, 5G, and industrial zones.
- **Repositioning investment strategies** by developing Special Economic Zones (SEZs) designed to attract sectors like clean energy, digital technology, and advanced manufacturing.

This shift will transition Thailand from competing on tax incentives to competing on capability—securing its place in the next phase of global investment flows.

## A Timely Pivot for Thailand's Economic Strategy

The Global Minimum Tax marks the end of the race to the bottom on tax rates. Global competition will increasingly center on real economic fundamentals—robust infrastructure, skilled talent, and innovation ecosystems.

Thailand has the foundation to thrive but must act decisively. GMT revenue must be treated as strategic capital for long-term national competitiveness—not as a short-term fiscal windfall.

Redirecting these funds into digital infrastructure, industrial upgrading, and human capital development will position Thailand as a resilient and attractive hub for high-value global investments.

Ultimately, Thailand’s response to this global shift will determine whether it leads in the next wave of global investment—or risks falling behind in a rapidly evolving, capability-driven world.

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