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prepared by

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1. How does base erosion and profit shifting affect your country?

In 2013, more than 80% of tax collection of the Revenue Department of Thailand comes from corporate income tax where the figure is ranked second to value added tax

reduce revenue in Thailand through interest subsidies; and ineffective tax collection on income generated from trades of digital goods and services despite the increase in number. It also creates unfair competitiveness for small businesses and MNEs through tax planning. The problems raise concerns regarding tax law and regulations improvement with respect to thin capitalization, controlled foreign corporation regimes.

MSMEs (micro, small and medium enterprises) are the backbone and play crucial role in the growth of the Thai economy. This characteristic is similar to other developing countries. In Thailand, SMEs accounted for 37 percent of GDP and employed almost 11 million people for 84 percent of GDP. However, SMEs cannot compete with MNEs, when compare on an equal basis. Small businesses pay disproportionately high tax. They may then utilize tax avoidance strategies. In addition, the source country has to bear hidden cost of doing business such as cost of developing infrastructure, waste management and social development. The amount of such cost does not match with the amount of tax paid to the source country.

2. If you are affected by base erosion profit shifting, what are the most common practices or structures used in your region, and the responses to them?

The most common practices in Thailand

1) Creation of group transaction expenses

It is often found that MNEs have created group transactions and expenses which may be paid to tax haven countries with an objective of minimizing their corporate tax bill. The most common transactions and expenses are as follows:

- debt financing through setting up such debt and/or high interest loans from associated enterprises
- high royalty payments to subsidiaries in low or no tax jurisdictions

One example is the use of treaty benefit to avoid permanent establishment in the source country.

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By experiencing the above examples which result in base erosion and profit shifting, Thailand applies the following to the problems:

- 1) Risk assessment for international transaction and tax audit;
- 2)

5. Do you agree that these are particularly important priorities for developing countries?

Yes, these matters are really important to all developing countries
economic impact and social impact

6. Which of these

8. Having considered the issues outlined in the ~~attached~~ ~~the~~ Proposed approach ~~to~~ addressing them (including domestic legislation, bilateral treaties and a possible multilateral treaty) do you believe there are other approaches addressing that practices that might be more effective at the policy or levels instead of, ~~consider~~ such actions, for your country?

In Thailand, supervision is used alongside with audit. This measure compliance and reduce mistakes in declaring corporate tax liability. Such also be used at practical level ~~to~~ ~~take~~ ~~such~~ ~~actions~~. Such supervision should include coaching and business consultation which could be beneficial to tax authority to establish corporate tax planning strategy taken by a company. ~~The~~ ~~tax~~ ~~authority~~ ~~can~~ ~~therefore~~ ~~have~~ ~~faster~~ ~~response~~ ~~to~~ ~~tax~~ ~~planning~~ ~~that~~ ~~may~~ ~~result~~ ~~in~~ ~~profit~~ ~~shifting~~

9. Having considered the issues outlined in the ~~attached~~ ~~the~~ ~~plan~~, other base erosion and profit shifting issues in the broad sense that you consider may be considered by international organizations such as the UN and OECD?

An action plan to deal with business restructuring could be helpful to countries. ~~% F W F M P Q J O H ð D P V O U S J F T ð D B O ð U I F O ð~~ how to deal with ~~business~~ restructuring.

10. ~~% P ð Z P V ð X B O U ð U P ð C F ð L F Q U ð J O G P S N F E ð C Z~~ Committee of Experts on International Cooperation in Tax Matters?

Yes.