



Thailand Considers Windfall Tax on Oil Refineries

Thailand's Fiscal Policy Office (FPO) is currently assessing the feasibility of introducing a windfall tax on oil refinery businesses, reflecting growing policy interest in capturing excess profits arising from volatile global energy markets. A “windfall” in this context refers to profits generated from external factors—such as sudden increases in global crude oil prices—rather than from business expansion, innovation, or operational efficiency. While such taxes have been adopted in various jurisdictions, they remain controversial due to the inherent unpredictability of oil price movements.

As a net importer of crude oil, with approximately 92% of supply sourced from abroad, Thailand falls within the category of countries that refine imported oil rather than produce it domestically. The design of a refinery windfall tax typically follows two main approaches: one based on increased revenue (applying a tax rate to incremental sales), and another based on excess profit (taxing income above a defined “normal” profit threshold). Both approaches present technical and legal challenges, particularly in determining what constitutes a fair and consistent benchmark for “normal” profit in a highly volatile market.

The debate over such a tax centers on balancing fairness, accuracy, and economic impact. Setting an appropriate baseline is especially complex, as fluctuations in oil prices may not necessarily reflect abnormal gains but rather cyclical market conditions. Policymakers must therefore carefully assess whether a windfall tax could unintentionally distort market incentives, discourage investment, or increase costs that may ultimately be passed on to consumers.

From a legal standpoint, the introduction of a windfall tax would require formal legislative enactment, reinforcing the role of both the executive and legislative branches in shaping fiscal policy. Thailand's prior experience with proposed windfall taxation—such as the draft law targeting increases in land value from public infrastructure projects—demonstrates an existing policy framework aimed at promoting tax equity. If implemented, a refinery windfall tax would mark a significant development in Thailand's tax regime, signaling a broader move toward redistributive fiscal measures. However, its success will depend on careful legal drafting to ensure clarity, fairness, and alignment with broader economic and investment policies.