

Legal Issues on FDI in Thailand Part I: Types of Investment Entities

Foreign investors can set up legal entities and business units in Thailand to do foreign direct investments in Thailand.

Private Limited Company

Foreign investors can register a private limited liability company with the Ministry of Commerce (MOC). The company must have at least three promoters, three shareholders and one authorized director. The promoters must be Thai or foreign individuals. The director can be a Thai or foreign individual. The shareholders must pay at least 25% of the share capital when the company is registered. The liability of the shareholders is limited to only the unpaid share capital.

If a foreign shareholder owns more than 49% of the shares in the Thai company, the company cannot operate the businesses restricted under the Foreign Business Act (FBA) before the company obtains a foreign business license (FBL), or a foreign business certificate (FBC). If the company obtains a BOI certificate under the Investment Promotion Act or an IEAT license under the Act on Industrial Estate Authority of Thailand, it can obtain the FBC under the FBA and then operate the restricted business activities without obtaining the FBL.

Branch

Foreign legal entities can register a branch with the MOC to operate business in Thailand. The branch office is not a separate legal entity from its head office. It is the same legal entity as its head office. The head office must appoint a branch manager to be in charge of its operation in Thailand. If the business of the branch is restricted under the FBA or other laws, the branch must obtain the FBL or other required licenses from the relevant authorities.

Representative Office

Foreign companies can register a representative office with the MOC to operate these activities:

- Sourcing of goods or services in Thailand for the head office or its affiliates;
- Checking and controlling the quality and quantity of goods purchased or hired to manufacture in Thailand by the head office or its affiliates;
- Giving advice concerning goods of the head office or its affiliates sold to agents or consumers;
- Disseminating information concerning new goods or services of the head office or its affiliates;
- Reporting on business trends in Thailand to the head office or its affiliates.

Regional Office

Foreign companies can register a regional office with the MOC to operate these activities in relation to legal entities or offices in the same group:

- Coordinating and supervising of operations of branch offices or affiliates located in the same region on behalf of the head office;
- Providing consultation and management services;
- Providing personnel training and personal development services;
- Providing financial management services;
- Controlling marketing and sales promotion planning;
- Developing products;
- Providing R&D services.

The representative office and the regional office cannot operate business activities to generate income. They cannot accept a purchase order or negotiate a business deal with any other party. Their head office must provide funds to cover their expenditures and appoint their chief representative or office manager to be in charge of their activities. They are not required to hold the FBL or the FBC. However, they must obtain an identification number from the MOC.

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AUTHOR



Kowit Somwaiya
Managing Partner & | Bangkok
kowit.somwaiya@lawplusltd.com



Naddaporn Suwanvajukkasikij
Partner & | Bangkok
naddaporn.suwanvajukkasikij@lawplusltd.com

LawPlus Ltd.

Unit 1401, 14th Floor, Abdulrahim Place 990

Rama IV Road, Bangkok 10500, Thailand

Tel: +662 636 0662

Fax: +662 636 0663

LawPlus Myanmar Ltd.

Unit No. 520, 5th Floor, Hledan Centre

Corner of Pyay Road and Hledan Road, Kamayut Township,

Yangon, Myanmar

Tel: +95 (0)92 6111 7006

and +95 (0)92 6098 9752