

"Thailand" No. 3  
What you need to know -

Establishing  
a business

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The European ASEAN Business Centre (EABC) is a European Trade Organisation contributing to improve the trade and investment environment for European companies in Thailand with an aim to see a larger number of European companies (especially SMEs) being established in Thailand and increased export and investment by European companies into Thailand.

The EABC supports trade advocacy by playing an important role as the independent voice of European business vis-à-vis Thai authorities. It also acts as a focal point for market information for European companies in Thailand, facilitating their market access.

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The European ASEAN Business Centre in Thailand

## Establishing a business

### Foreign Business Act

The Foreign Business Act (FBA), B.E. 2542 (1999) stipulates that certain types of business are reserved for Thai nationals and access to foreigners is restricted. Three types of business activities are distinguished:

**List 1:** *Businesses not permitted to foreigners to engage in*

Aliens are restricted from conducting business related with the activities mentioned in this List, e.g., in the following sectors: Newspaper, radio or television business; rice or animal farming; forestry and wood fabrication from natural forest and land trading.

**List 2:** *Businesses concerning national security or safety that could have an adverse effect on art and culture, native manufacture/handicrafts, customs, or on environment or natural resources.*

Business related to these sectors is prohibited to foreigners, unless they obtain the permission by the Minister of Commerce with Cabinet approval.

**List 3:** *Businesses in which Thais are not ready to compete with*

Foreigners are only allowed to operate in these types of business if it is permitted by the Director-General of the Department of Business Development with the approval of the Foreign Business Committee. If a foreign enterprise is promoted by the BOI or IEAT, the company may be permitted to engage in such businesses under the prescribed conditions.

This leaflet is part of the EABC publication series on "Thailand" What you need to know. The information in this leaflet is provided for informational purposes only, and should not be construed as business or legal advice on any specific facts or circumstances.

### Forms of Business Entities

There are three main forms for establishing a business: Limited Companies, Partnerships, and Joint Ventures, which can be further divided in types in accordance with their liability structure. Other forms of corporate presence may be Branch Offices, Representative Offices and Regional Operating Headquarters.

#### 1) Limited Companies (Private or Public)

A Limited Companies can either be incorporated as a Private Limited Company or Public Limited Company. The former is governed by the Civil and Commercial Code and the latter by the Public Limited Company Act.

#### 2) Partnerships (Ordinary and Limited)

An Ordinary Partnership implies all partners to have full liability for all obligations of the partnership. This form of business incorporation may or may not be registered as a juristic person. Hence, this form can be further divided in Non-registered Ordinary Partnership and Registered Ordinary Partnership.

Limited Partnerships require two types of partners: One or more partners have limited liability according to the amount of capital contributed and one or more partners whose liability for all obligations is unlimited and jointly assumed. Only the latter is authorized to manage the Limited Partnership.

#### 3) Joint Ventures

Joint Ventures relate to a contractual partnership agreement between two companies or juristic partnership or individuals for the purpose of developing business related to a project in particular. Two forms can be assumed: Incorporated Joint Ventures and Unincorporated Joint Ventures.

#### 4) Branch Offices

As branches are part of respective foreign parent companies, the parent company is responsible for all its liabilities. A managing officer, for who it is not necessary to be of Thai nationality but to be domiciled in Thailand, must be appointed as the responsible for conducting the business in Thailand.

### 5) Subsidiary

Subsidiaries of foreign companies in Thailand should apply for a Foreign Business License if the business activity to be conducted is reserved under the Foreign Business Act Lists 2 and 3. A subsidiary's liabilities are of the same nature as those for public or private limited companies according to the subsidiary intended form of ownership.

### 6) Representative Office

Intended to perform only non-profit seeking service activities, Representative Offices may operate in Thailand in representation of a foreign company. The representative office is allowed to conduct business activities such as to search for goods and services in Thailand for the foreign head office (HO) and to provide advice and assistance to consumers and agents on goods and services sold by the HO.

### 7) Regional Office

Thailand accepts the formation of Regional Offices for foreign companies to coordinate and control operations, give advice about marketing, training, research and development and financial management to branches or affiliates located in the same region of the Regional Office.

### 8) Regional Operating Headquarters (ROH)

The purpose of a ROH is to provide services to its subsidiary companies and its domestic or foreign branches on behalf of the foreign parent company. Those functions include management and technical support, training, and research and development. It is required for a ROH to register as a juristic company or juristic partnership.

For more information please visit

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