



When foreigners are looking to set up a local business in Thailand, one will often have to navigate through various legal challenges in ensuring that the local entity is set up and structured in compliance with Thai laws, with foreign shareholding restrictions often on top of the list in terms of navigating the Thai legal landscape. Recent years have seen a significant escalation in enforcement actions against the use of Thai “nominee” shareholding arrangements designed to circumvent restrictions under the Foreign Business Act B.E. 2542 (“**FBA**”). The Ministry of Commerce and related agencies have intensified investigations, interrogations, and prosecutions, with penalties ranging from fines and imprisonment to the dissolution of offending companies.

Sectors such as real estate, hospitality, tourism, and logistics, and other related services which are regarded as strategic industries reserved for Thai nationals, have been particularly emphasized. This trend underscores the Thai government’s firm commitment to safeguarding national economic interests and ensuring that foreign investments comply with local ownership requirements.

#### **A. Illegal Nominee Arrangement in Thailand**

Authorities have increasingly focused their investigations and have allocated more resources on the enforcement of the use of nominee shareholding structures where a Thai national hold shares on behalf of a foreign investor for the company to appear as a Thai-owned entity, to circumvent certain restrictions under the FBA. This often occurs in businesses listed under the FBA as restricted or reserved for Thai nationals, such as real estate, tourism, and logistics, including businesses where licenses are technically available but rarely approved due to concerns over competition with local industries.

The FBA requires genuine Thai ownership and investment and explicitly prohibits any Thai person from allowing their name to be used by a foreigner or holding shares on a foreigner’s behalf in an attempt to bypass these restrictions. Enforcement agencies have therefore become increasingly vigilant, equipping themselves with technological tools to assist in identifying common red flags; for instance, Thai

shareholders who do not contribute real capital, are not involved in management, or acquire shares using funds provided by foreigners to evade the statutory ownership limits.

In practice, such nominee arrangements are frequently uncovered in companies that appear to be Thai on paper but are in substance, under foreign control, whether through funding, management authority, or decision-making power. These schemes not only breach the FBA but also risk exposures under related laws, such as the Anti-Money Laundering Act B.E. 2542 ("**AML**A"), when financial flows are used to disguise ownership or control.

Penalties for violating the FBA are severe, and may include:

- Criminal penalties for both the foreigner and the Thai nominee;
- Imprisonment of up to three years;
- Fines up to THB 1 million; and
- Company dissolution upon conviction.

The authorities' expanding capacity to investigate nominee arrangements, especially when combined with AMLA enforcement, meaning that the risk of detection and prosecution is now substantially higher than in previous years.

## **B. Recent Enforcement in Practice**

A landmark case in Phuket (Criminal Court Red Case No. Aor.2812/2024) exemplifies the government's increasingly rigorous stance. The DSI investigated over 60 suspected companies, leading to charges against 23 individuals. Each offender was fined THB 200,000 and sentenced to two years (suspended) imprisonment, while the companies involved were ordered to be dissolved immediately.

In October 2025, authorities reportedly conducted additional on-site inspections targeting suspected nominee businesses. Investigators discovered instances of individuals serving as shareholders in as many as 66 companies, including companies where foreign ownership exceeded the legal ratio following registration.

The Department of Employment has also flagged a rise in foreigners who, through nominee arrangements, effectively manage or work in restricted sectors without proper authorization, creating overlap between nominee shareholding violations and illegal employment offences.

## **C. The Role of the Department of Special Investigation (DSI)**

Cases involving nominee arrangements fall under the category of "*special cases*" pursuant to the Special Case Investigation Act B.E. 2547 ("**SCIA**"). Accordingly, the DSI has investigative authority over such matters.

Given that nominee and money laundering offences are often interlinked, the DSI's jurisdiction under both the SCIA and the AMLA allows it to conduct comprehensive financial tracing and analysis. This investigative power extends to examining bank records, corporate filings, and transactional data to establish the true ownership and control structures behind suspected companies.

Simultaneously, the Department of Business Development (DBD) under the Ministry of Commerce has established a Division for the Prevention and Suppression of Illegal Businesses with a particular focus on nominee arrangements. The DBD has also introduced specialized subcommittees to review business registrations, examine accounting records, and support legal enforcement efforts. Together, these measures reflect a coordinated, multi-agency push to strengthen regulatory oversight and curb the use of nominee structures in Thailand's business landscape.

## **D. Protecting Foreign Investment and Opportunities for Foreign Investors**

Despite stricter enforcement, foreign investors still have legitimate avenues to participate in the Thai market. Those already operating in Thailand through wholly foreign-owned, joint venture or planning new co investment should ensure that their business structures are compliant and properly protected under Thai law.

Foreign investment may be conducted through:

- 100% foreign ownership in businesses not restricted under the FBA;
- Board of Investment (BOI) Promotion, which grants incentives and permits full foreign ownership for eligible activities; or
- Industrial Estate Authority of Thailand (IEAT) privileges, offering benefits to businesses established within industrial zones.

These legitimate investment channels enable foreign investors to operate securely and sustainably within the legal framework governing business in Thailand.

## **Further Information**

The Thai government's enhanced enforcement against nominee shareholding arrangements represents a decisive move toward transparency and integrity in foreign investment. With the DSI, DBD, and other

agencies actively collaborating, investors and business operators should reassess existing structures to ensure compliance with the FBA and related laws.

Should you have any questions on how these developments may affect your business, please get in touch with:

**Papon Charoenpao**

Managing Partner,  
PDLegal Thailand

[paponc@pdlegal.com.sg](mailto:paponc@pdlegal.com.sg)

**Benyapa Hadkaewsakul**

Associate

[benyapah@pdlegal.com.sg](mailto:benyapah@pdlegal.com.sg)

**Norakamon Ariyakanon**

Associate

[norakamona@pdlegal.com.sg](mailto:norakamona@pdlegal.com.sg)

© PDLegal Thailand

This article is intended to provide general information only and does not constitute legal advice. It should not be used as a substitute for professional legal consultation. We recommend seeking legal advice before making any decisions based on the information available in this article. PDLegal fully disclaims responsibility for any loss or damage which may result from relying on this article.