

# Legal Update

## Thailand Intensifies Crackdown on Nominee Structures on Koh Phangan

Thailand's crackdown on foreign nominee structures has intensified, with recent investigations on Koh Phangan, Surat Thani Province, placing renewed focus on foreign investment arrangements in the tourism and real estate sectors. Investigations reportedly launched on 13 and 23 May 2026 involved luxury pool villas, hotels, landholding structures, and the alleged use of Thai nominee shareholders to facilitate foreign control of businesses and property interests.

The latest enforcement activity signals that authorities are looking beyond simple “49% / 51%” shareholding structures and focusing more closely on who actually controls and benefits from the business, such as whether the Thai shareholders are genuine investors or merely acting as nominees, source of funds and ultimate beneficial ownership, management and voting control.

The recent actions from the Thai authorities reflect a broader enforcement trend where authorities increasingly examine the commercial reality behind the structure rather than relying solely on corporate filings.

### 1. Key Thai laws implicated in nominee investigations?

Nominee investigations may trigger scrutiny under a range of Thai laws, particularly where authorities suspect that a Thai company is being used to circumvent foreign ownership, landholding or business operation restrictions. These laws include:

- **Foreign Business Law:** Under the *Foreign Business Act*, B.E. 2542 (1999) (as amended), foreigners are restricted from engaging in certain business activities, including hotel business and the sale of food and beverage, unless permission (i.e. Foreign Business Licence) is obtained, and nominee arrangements used to circumvent foreign ownership restrictions are prohibited.
- **The Land Law:** Under the *Land Code Promulgation Act*, B.E. 2497 (1954) (as amended), Thai nationals or Thai companies are prohibited from acquiring or holding land on behalf of, or for the benefit of, foreigner persons. For these purposes, “foreigners” include non-Thai individuals, companies in which foreigner shareholders hold

more than 49 percent of the registered capital or account for more than half of the total number of shareholders, as well as companies whose shares are held by such foreign-majority entities.

- **Hotel Law:** Under the *Hotel Act*, B.E. 2547 (2004) (as amended), operating a hotel business without a valid hotel licence is prohibited. In the context of nominee investigations, authorities may also scrutinise villa rental, hospitality and short-term accommodation businesses operated through Thai companies to determine whether they are properly licensed and lawfully structured.

Authorities may also examine other related regulatory and compliance issues, including tax compliance, building and zoning regulations, immigration and work permit requirements, anti-money laundering (AML) concerns and local licensing or business permit requirements.

## 2. Why Koh Phangan is considered a high-risk area

Tourism-heavy areas in Thailand continue to attract significant foreign investment into luxury villas, hospitality businesses, bars and restaurants, tourism operations and landholding structures involving Thai companies.

Recent reporting referred to investigations into dozens of suspected nominee companies, arrests of foreign nationals and land seizures on Koh Phangan reportedly valued at more than THB 200 million / US\$ 6 million. Authorities also reportedly identified instances where multiple alleged nominee companies were registered at the same address.

## 3. Why nominee structures have historically persisted

Nominee arrangements have historically been difficult to detect in Thailand because many structures appear in compliance on paper through majority Thai shareholding and formally registered corporate structures. In practice, however, effective control may allegedly be exercised indirectly through shareholder loans, side agreements, preferential voting arrangements, power of attorney or informal financial arrangements.

Fragmented enforcement across multiple agencies, together with local economic dependence on foreign-driven tourism and real estate investment in certain areas, may also have contributed to the continued use of such structures.

## 4. Key risks for businesses and investors

Potential risks may include investigations by the Department of Lands into whether land is being held on behalf of, or for the benefit of, foreign individuals or entities in circumvention of Thai law. According to the latest internal circular issued by the Department of Lands and the Ministry of Interior, the authorities have reportedly emphasised the seriousness and

complexity of nominee landholding arrangements and instructed all Land Offices across Thailand to adopt heightened scrutiny and uniform enforcement standards.

Such directives reportedly require Land Offices to exercise prudence and enhanced due diligence from the initial review stage of applications relating to the registration of rights and juristic acts, as well as in cases involving complaints, indications or subsequent inspections. The directives also reportedly call for expedited investigations, reporting of findings, initiation of legal proceedings where appropriate, enforcement of land disposition measures and coordination with other relevant government agencies. In this regard, official operational guidelines have been issued for strict compliance by all Land Offices.

Separate or joint investigations may also involve the Department of Business Development, Department of Special Investigation, local Subdistrict or Provincial Administrative Organisations, Anti-Money Laundering Office, tax authorities, immigration authorities, or other relevant government agencies.

Depending on the findings, such investigations may result in forced disposal of land, suspension or seizure of activities conducted on the land (including any construction or business operations), cancellation, suspension, or delay in the issuance of relevant licences or permits, criminal or administrative penalties, as well as operational and reputational disruption

## 5. How can foreign investors remain compliant?

Foreign-invested businesses in Thailand should consider proactively reviewing their corporate structures and operations, particularly in relation to:

- **Shareholder structures and funding arrangements** — including whether Thai shareholders have legitimate financial capacity, independently contribute capital and bear actual economic and business risks associated with their shareholding;
- **Beneficial ownership and control** — including who ultimately controls, benefits from, or exercises decision-making authority over the business, land ownership, leasehold rights or other key assets;
- **Management and voting rights** — including who controls bank accounts, appoints directors, manages day-to-day operations, approves material decisions and exercises effective voting control over the company;
- **Landholding structures** — including the purpose of land acquisition, source of funds used for acquisition, whether the land is held for the benefit of foreign individuals or entities, and whether the structure complies with applicable land ownership restrictions under the regulations or guidelines of the Department of Lands; and
- **Licensing compliance** — including whether the business has obtained all required licences, permits or certificates relating to hotel operations, building construction or

modification, villa rentals, bars and restaurants, alcohol and tobacco sales, tourism businesses, zoning, and local business operations.

Businesses should also consider whether more appropriate and lawful alternatives may be available, such as Thailand Board of Investment promotion, foreign business licences, genuine joint venture arrangements, long-term leases, superficies or usufruct rights, condominium foreign quota ownership, or properly structured management and service arrangements.

## 6. Next Steps

The Koh Phangan investigations serve as another clear signal that Thai authorities are intensifying scrutiny of foreign investment structures and increasingly focusing on the commercial reality behind ownership and control arrangements, rather than relying solely on formal shareholding records.

Businesses operating in the real estate, hospitality, tourism, villa rental, bar, and restaurant sectors, particularly in high-tourism destinations, should proactively review their corporate, landholding and operational structures to assess potential nominee-related exposure and broader regulatory risks before becoming subject to investigation or enforcement action.

## Further information

Should you have any questions on how these developments may affect you or your business, please get in touch with the team at PDLegal.

### **Papon Charoenpao**

Managing Partner, Thailand  
[paponc@pdlegal.com.sg](mailto:paponc@pdlegal.com.sg)

### **Sittichai Duangjumpa**

Senior Associate, Bangkok  
[sittichaid@pdlegal.com.sg](mailto:sittichaid@pdlegal.com.sg)

### **Lester Kuo**

Associate, Bangkok  
[lesterk@pdlegal.com.sg](mailto:lesterk@pdlegal.com.sg)

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