Siam Legal Phuket Issues Advisory on Legal Risks for Foreign Business Owners in Thailand

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Siam Legal Phuket is advising foreign nationals planning to invest or currently operating businesses in Thailand to seek immediate legal guidance following a significant escalation in government enforcement against illegal foreign business structures, with the Thai Cabinet formally designating illegal foreign business operations a national priority in 2026.

Between late 2024 and early 2025, authorities prosecuted hundreds of illegal nominee businesses across Thailand, with reported damages running into the billions of baht. By 2025, tens of thousands of businesses had been placed on an enforcement inspection list. In 2026, enforcement escalated further as a landmark agreement coordinating action across dozens of government agencies and every province was signed, targeting illegal foreign business operations simultaneously across all sectors. High-risk nominee company registrations dropped sharply in a single quarter as sweeping new registration rules took effect. An audit of businesses in Koh Samui and Koh Phangan found that a significant proportion involved foreign shareholders, with many now under review for suspected nominee use. Authorities discovered one Thai national listed as a shareholder across dozens of separate companies, a pattern now automatically flagged by the Department of Business Development's AI-powered screening system.

Thailand's Foreign Business Act restricts foreigners from majority ownership in most sectors including hospitality, retail, tourism, and services, requiring most companies to be at least 51% Thai-owned. For years, many foreign nationals structured their businesses through nominee arrangements, with a Thai national listed as the majority shareholder on paper while the foreign investor controlled operations. Authorities now cross-reference company registries, tax records, and bank accounts, and Thai shareholders can be required to prove the origin of their investment capital during site visits and direct interviews. A restaurant case in Phuket illustrates the stakes clearly, with three foreign nationals arrested after tens of millions of baht were found flowing into foreign personal accounts despite a Thai national nominally holding majority ownership on paper. Penalties include up to three years imprisonment, fines of up to 1,000,000 baht, immediate company dissolution, and asset seizure. In 2026, legal and financial professionals who assisted in establishing illegal structures also face criminal exposure.

"The foreign investors who have built something lasting in Thailand are not the ones who found clever workarounds," said Omar O Manee, Attorney at Law at Siam Legal Phuket. "They are the ones who understood the legal framework before committing, structured properly from day one, and planned for the full operating year rather than just the busy months. The enforcement environment has now made that distinction between compliant and non-compliant structures impossible to ignore." A full breakdown of the risks facing foreign business owners and what compliant structures look like in practice is available in Why Foreign Businesses Fail in Thailand, published by Siam Legal.

Legitimate pathways for foreign business ownership remain available and fully operational. Board of Investment promotion provides qualifying businesses with the right to operate in restricted sectors without Thai partner requirements. Treaty of Amity protections extend majority ownership rights to American nationals in many business categories. Genuine joint ventures with real Thai partners who hold actual capital and decision-making roles represent another compliant route. For foreign nationals considering property as an alternative investment, freehold condominium ownership within the 49% foreign quota remains legally straightforward, though direct land ownership is prohibited and rental yields in oversupplied mid-range markets frequently fall short of developer projections.

Siam Legal Phuket is a full-service law firm providing legal and regulatory advisory services to both foreign and Thai clients, with a focus on property law, corporate structuring, immigration, family law, and litigation.

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For more information about Siam Legal Phuket, contact the company here:Siam Legal PhuketOmar O Manee+66 76 326 322info@siam-legal.com123, Cherngtalay, Thalang,27-28 BangTao Place Thalang District,Phuket 83110, Thailand

Siam Legal Phuket

Siam Legal Phuket provides litigation, immigration, family law, contract drafting, real estate conveyancing, and corporate services. Our lawyers assist foreign clients with effective, cost-efficient legal strategies in Southern Thailand.

Website: https://www.siam-legal.com/thai-law/phuket-lawyer.php

Email: info@siam-legal.com

Phone: +66 76 326 322