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Cabinet Greenlights draft credit guarantee bill

On August 19, 2025, the Thai Cabinet approved the draft National Credit Guarantee Agency (NaCGA) Bill, aimed at improving access to finance for small and medium-sized enterprises (SMEs) and lowering borrowing costs.

The new agency will operate as a state body, separate from government departments and state enterprises. Its mission is to provide credit guarantees that make it easier for businesses and individuals to obtain loans from commercial banks, specialised financial institutions, and non-bank lenders.

By sharing part of the lending risk, NaCGA will help reduce financing barriers and build confidence among financial institutions when lending to SMEs. The agency will rely on government support as well as contributions from banks and financial institutions to ensure sustainability.

To launch the organisation, the government will provide initial capital of 10 billion baht. Funding will come from the central fund of the Thai Credit Guarantee Corporation and the Specialized Financial Institutions Development Fund, alongside guarantee fees and institutional contributions.

Mr. Paopoom stressed that NaCGA will not only strengthen existing credit guarantee mechanisms but also create a healthier financial ecosystem for Thailand's private sector. "The establishment of NaCGA will expand access to funding, support business growth, and enhance competitiveness, particularly for SMEs," he said.

Key Provisions and Public Consultation Outcomes of the Draft Clean Air Management Bill

The Draft Clean Air Management Billhad been open for public consultation from 25 July 2025 until 8 August 2025. The law proposes significant changes across multiple areas of air pollution. The following is a structured key provisions as outlined in the public consultation.

The draft legislation establishes that access to clean air is a fundamental right for all individuals. It guarantees rights to information, participation in decision-making, and environmental involvement. Major projects with potential for severe pollution must undergo public consultation and voting by residents prior to approval. Individuals are also assigned a duty to refrain from polluting and to cooperate with the regulator in preserving clean air. The bill provides compliance business sector and individual as follows:

<u>Compliance under the Act</u>

The draft law introduces zoning mechanisms, categorizing areas as "compliant" or "non-compliant" to facilitate the implementation of appropriate air quality measures, including urban planning considerations. Agricultural activities that pose high pollution risks, particularly open burning, must be restructured, and a traceability system will ensure that agricultural products are free from illegal burning throughout the supply chain. Contract farming practices that may cause significant air pollution impacting economic, social, or environmental systems are subject to regulation. Measures addressing transboundary pollution include international cooperation and potential restrictions on the import and export of goods originating from polluting sources. Businesses are required to monitor their supply chains to ensure compliance.

Pollution Tax for Air Quality Management
The draft law introduces economic instruments to incentivize compliance, including pollution taxes or fees on goods and activities that generate pollution, without duplicating existing tax obligations. Additional mechanisms include emission trading schemes, refundable deposit systems, and subsidies designed to encourage behavioral change among businesses and the general public.

Penalty

The draft law establishes comprehensive liability for polluters, including civil, criminal, and administrative penalties. Polluters are required to compensate for environmental damage and restoration costs. Liability extends to all parties involved, including financial institutions that provide funding to polluting enterprises without adequate risk assessment, and professionals such as system designers or installers who fail to meet technical standards. Industrial violators may face fines of up to 50 million baht for exceeding emission standards, while agricultural operators may be subject to administrative penalties for purchasing illegally burned products. The draft law incorporates mechanisms for mediation and compensation prior to litigation, with provisions extending the statute of limitations to protect affected parties.

The results of the public hearing on the draft Clean Air Act, conducted on the Parliament's website for a period of 15 days, showed that 2,604 people participated. Of these, 92.31% agreed, 4.43% disagreed, and 3.35% abstained. Going forward, the Ad-hoc Committee will take these results into consideration once again before submitting the Draft Clean Air Management Act to the Parliament for deliberation in the second and third readings.

Shared Responsibility in Action: Thailand's New Legal Framework Against Digital Asset Mule Accounts

The Securities and Exchange Commission of Thailand (SEC) has implemented a new regulatory framework, effective 13 August 2025, to address the growing misuse of mule accounts in the digital asset sector.

Under the amended Royal Decree on Cybercrime (No. 2) B.E. 2568, licensed digital asset business operators are subject to a "shared responsibility" regime, making them jointly liable with account holders if they fail to comply with prescribed anti-fraud standards. Operators are required to monitor suspicious transactions, suspend or freeze questionable accounts, and report data to the Central Fraud Registry (CFR), while coordinating with the Bank of Thailand, AMLO, and law enforcement agencies.

According to SEC data, enforcement measures have already led to the suspension of over 29,000 mule accounts and the freezing of assets valued at approximately THB 186 million. Individuals found complicit in mule account activities face penalties of up to three years' imprisonment, fines of up to THB 300,000, or both.

This development reflects Thailand's commitment to strengthening investor protection, enhancing market integrity, and aligning with global anti-money laundering and counter-terrorism financing standards.

Thai Cabinet In-Principle Approval: Update on the progress of Draft Promotion of Solar Energy Electricity Bill

Following the first public consultation on the principles and rationale of the Draft Solar Energy Electricity Promotion Act from 26 March to 10 April 2025, the second consultation on the full draft Act was held from 15 to 30 May 2025. On 29 July 2025, the Thai Cabinet approved in principle the Draft Solar Energy Electricity Promotion Act. The Cabinet also endorsed the Ministry of Energy's plan for issuing subordinate legislation under the Draft Solar Energy Electricity Promotion Act including the timeline and core content areas.

The Cabinet-approved reform addresses the lack of a unified legal framework for self-use solar installations in Thailand. By replacing fragmented regulations with a streamlined process, the new Bill aims to simplify compliance and reduce the time and costs associated with solar rooftop installation, encouraging broader adoption.

Notably, several provisions in the Draft Solar Energy Electricity Promotion Act embody these approaches.

1. It permits the installation of solar rooftop systems for self-consumption without requiring prior government approval, provided that the installation complies with established rules and procedures.
2. The Draft Solar Energy Electricity Promotion Act simplifies the process further by eliminating the need for separate approval to connect compliant systems to the electricity grid.
3. It restricts the sale of generated solar electricity to specific entities, such as the Metropolitan Electricity Authority (MEA), the Provincial Electricity Authority (PEA), other organizations designated by the Minister, or individuals residing or conducting business at the installation site, thereby ensuring the system's primary focus remains on self-use.

To support the implementation of the Draft Solar Energy Electricity Promotion Act, the Ministry of Energy has further outlined a comprehensive legislative roadmap, comprising 17 subordinate instruments. This includes 8 draft Ministerial Notifications setting the criteria and conditions for installation locations, and 9 draft Regulations governing the procedures and technical requirements of solar rooftop systems. Together, these supporting laws aim to ensure the Solar Energy Electricity Promotion Act objectives are met in practice, reinforcing commitment of Thai energy sector to sustainable energy development, green economy promotion, and carbon neutrality.

Thailand draws up historic first Climate Change Bill

Thailand is preparing to introduce its first-ever climate change bill, which is expected to be submitted to parliament by the end of 2025 and debated with the goal of having a climate law in place by next year. The bill is a key step in transitioning the country from a fossil fuel–based economy to a low-carbon society, supporting Thailand's commitments to achieve carbon neutrality by 2050 and net-zero greenhouse gas emissions by 2065. At its core, the legislation will establish a National Climate Fund, initially backed by 200 million baht during its first two years, to finance clean technology investments, emission-reduction projects, and international contributions, with long-term sustainability expected to come from revenues such as carbon credit fees, penalties, and the forthcoming emissions trading system.

The Bill also introduces requirements for more than 4,000 companies to report their carbon footprints to the Department of Climate Change and Environment, laying the foundation for a comprehensive national emissions database. A major feature of the bill is the gradual implementation of an Emission Trading Scheme (ETS), expected to launch by 2031 with large corporations in the energy and industrial sectors. This scheme will place a cap on total emissions while allowing companies to buy and sell allowances, creating financial incentives to reduce carbon output, a mechanism already widely used worldwide.

Importantly, the legislation emphasizes strict oversight and transparency to prevent "greenwashing," requiring clear data collection and strong monitoring to ensure credibility. Officials stress that the law is designed not only to set ambitious goals but also to provide the financial and regulatory tools needed for real action. Once fully implemented, it will ensure that Thailand's climate policies are backed by accountability, financial support, and effective enforcement, moving the nation closer to its long-term sustainability targets.

Here is a key provision in this Act

1. **Mandatory Emissions Trading Scheme (ETS)**
   - Establishes a cap-and-trade system to control greenhouse gas (GHG) emissions.
   - Emission allowances allocated through free distribution or auction.
   - Surplus allowances may be traded to incentivize reductions.
   - Sectors to be covered will be specified in subordinate regulations, expected to include energy-intensive industries.
2. **Carbon Border Adjustment Mechanism (CBAM)**
   - Importers of designated carbon-intensive goods must register and report embedded emissions.
   - Carbon adjustment certificates required, ensuring imported goods face equivalent carbon costs as domestic products.
   - Deductions allowed if carbon pricing has already been applied in the exporting country.
3. **Carbon Tax Framework**
   - Imposes a carbon tax of up to **THB 120 per unit** on industrial emitters and importers.
   - Carbon tax payments may offset ETS auction costs.
   - Deductions permitted for carbon taxes already paid on raw materials.
4. **Corporate GHG Reporting**
   - Certain businesses must monitor, validate, and publicly disclose their emissions data.
   - Transparency and accountability reinforced, supporting ETS operation and broader climate policy.
5. **Climate Fund**
   - Establishes a financial mechanism to support emissions-reduction technologies, adaptation projects, and research.
   - Funded through ETS auction revenues, carbon taxes, CBAM fees, government allocations, and private sector contributions.

Thailand Prepares First Climate Change Bill to Drive Low-Carbon Transition

Thailand is set to adopt its first dedicated climate change law, a landmark development in the country's environmental regulatory framework. The draft legislation, comprising 205 articles, has been submitted to the Office of the Council of State for review and is expected to be forwarded to Parliament by the end of 2025. If enacted, the law will become a central instrument for steering Thailand toward its international commitments of carbon neutrality by 2050 and net-zero greenhouse gas (GHG) emissions by 2065.

Key provisions of the draft bill include:

1. National Climate Fund
    - A central financing mechanism to support Thailand's transition to a low-carbon economy.
    - Initially capitalized with THB 200 million from the government in its first two years.
    - Expected to sustain itself through revenues from the Emission Trading Scheme (ETS), carbon credit fees, penalties, and international contributions.
    - Will provide low-interest financing for clean technology projects and emission-reduction initiatives.
2. Mandatory Carbon Reporting
    - More than 4,000 companies will be required to report their carbon footprints to the Department of Climate Change and Environment.
    - The database will serve as the backbone of national emissions monitoring and policy-making.
3. Emission Trading Scheme (ETS)
    - To be phased in gradually, with implementation for large corporations anticipated by 2031.
    - The ETS will initially cover the energy and industrial sectors, setting a national cap on emissions and allowing companies to trade allowances.
    - Designed to prevent "greenwashing" through transparent data collection and strict monitoring mechanisms.

The Department of Climate Change and Environment, led by the Director-General Phirun Saiyasitpanich, emphasized that the law represents a shift from policy commitments to binding legal obligations. The measures are intended not only to regulate carbon emissions but also to create market-based financial incentives that align environmental goals with private sector participation.

This forthcoming legislation is expected to reshape Thailand's regulatory landscape by introducing financial accountability, enforceable compliance mechanisms, and investment opportunities in clean technology. It also places Thailand among a growing group of nations adopting statutory frameworks to ensure long-term climate governance.

ENVIRONMENTAL & STRATEGIC INDUSTRY LAW

Thailand Aims to Become Regional Semiconductor Hub

The Board of Investment (BOI) is preparing to propose a new strategy to enable Thailand to move beyond advanced electronics production and establish itself as a regional leader in semiconductors and advanced electronics manufacturing. According to Narit Therdsteerasukdi, Secretary-General of the BOI, the draft strategy is nearly complete and is expected to be submitted to the National Semiconductor and Advanced Electronics Policy Committee within one to two months.

The new strategy aims to position Thailand not only as a production center but also as a hub for research and development (R&D), skilled personnel development, and a regional supply chain for the sector. The announcement was made during the Smart Electronics Forum at THECA 2025 (Thailand Electronics Circuit Asia), a three-day event promoting industry updates and business matchmaking.

The BOI noted that investment in the semiconductor and advanced electronics sectors continues to grow. Between 2022 and June 2025, Thailand attracted up to 500 projects worth more than 700 billion baht, including 180 printed circuit board (PCB) projects valued over 200 billion baht. This surge has been described as a "big wave of PCB investment," with leading international companies, such as Mektec Manufacturing Corporation (Thailand) a subsidiary of Japan's NOK Corporation expanding production in Thailand with BOI incentives to meet rising demand.

The strategy is expected to support the development of a skilled workforce, strengthen Thailand's regional competitiveness, and attract significant foreign direct investment, projected at least 500 billion baht by 2029. This initiative reflects Thailand's ambition to evolve from a manufacturing base into a comprehensive ecosystem for semiconductors, advanced electronics, and technological innovation in the region.

Regulation to curb usage of mercury

Thailand's Industry Ministry has announced new regulation to curb mercury use, effective 1 September 2025, to protect the environment and human health. The regulation ban construction of new mercury plants, prohibit the expansion of existing facilities, and aim to reduce or phase out mercury use in industrial processes and products.

It is the need to control mercury emissions, supply, trade, storage, and disposal. Mercury is widely used in batteries, switches, pesticides, cosmetics, and also released from small-scale gold mining. If released, it can vaporize and spread, eventually transforming into methylmercury, a toxic compound that accumulates in fish and the food chain.

Thailand ratified the Minamata Convention on Mercury in 2017, committing to reduce mercury use and emissions. Studies have shown high mercury levels in provinces with heavy industry, gold mining, and coal-fired power plants, raising health concerns such as brain damage in newborns.

The regulation represents a significant step in controlling mercury pollution by restricting production, use, and trade while aligning Thailand with international standards.

Draft Announcement of the Ministry of Industry

Subject: Prohibition on Establishing or Expanding Factories that Use Mercury or Mercury Compounds in Production Processes

Purpose: To control, supervise, and restrict the use and release of mercury, protecting human health and the environment.

In line with Thailand's obligations under international agreements such as the **Minamata Convention on Mercury.**
Apply to: Factories that use mercury (Hg, CAS No. 7439-97-6) or compounds containing mercury as a raw material, catalyst, or component in their production processes.

Result: It is forbidden to establish or expand factories that use mercury or mercury compounds in production processes in any area of the Kingdom. Factories established and licensed before the regulation comes into effect may continue operating, but no new permits or expansions will be granted.

Effective Date: 1 September 2025.

FINANCE, TAX & FICAL LAW

Bankers Call for Structural Reforms to Tackle Thailand's Household Debt Burden

Thailand is being urged to shift from short-term debt relief to long-term structural reforms to address its growing household debt problem. At the Thailand Focus 2025 forum, Thai Bankers' Association chairman Payong Srivanich highlighted the need to integrate informal workers into the formal economy, strengthen national data systems, and enhance competitiveness to raise household incomes. The government's proposed negative income tax, expected to apply to all workers by 2027, should help improve formal economy inclusion. With nearly half of Thailand's economy and more than half of its workforce operating informally, the country faces challenges including low incomes, high inequality, weak regulation, and low productivity.

Bank of Thailand deputy governor Roong Mallikamas warned that high household debt remains a major drag on economic growth, with younger workers particularly vulnerable as around half of those aged 22 to 29 are indebted and one-fourth struggle to repay. To counter this, the central bank is advancing an open data initiative to strengthen debt analysis and preparing to grant three new virtual bank licences to expand financial inclusion.

In the banking sector, non-performing loans and special mention loans total 2.05 trillion baht, but despite rising bad debts, Bangkok Commercial Asset Management (BAM) maintains that a national asset management company is unnecessary. BAM and other asset managers, supported by joint ventures with state and commercial banks, are seen as sufficient to handle distressed assets, with 86 AMCs already in operation nationwide. Meanwhile, the National Credit Bureau is modernising its systems to improve credit data quality, analysis, and accessibility for stakeholders, aiming to support more effective financial management and broaden lending participation.

Cabinet Approves Tax Incentives to Promote Art Purchases and Support Artists

The Thai Cabinet has approved new tax measures aimed at strengthening Thailand's art market and supporting domestic artists, in alignment with the government's "soft power" policy. The incentives, proposed by the Ministry of Finance through the Revenue Department.

Two key measures have been introduced:

1. **Tax Deduction for Art Purchases**
    - From 1 January 2025 to 31 December 2027, taxpayers may deduct expenses for the purchase of eligible visual artworks up to THB 100,000 per year.
    - Eligible artworks must be created by:
        - National Artists in the visual arts category,
        - Silpathorn Award-winning artists, or
        - Artists registered with the Office of Contemporary Art and Culture.
    - Purchases must be made through registered entities (companies, partnerships, foundations, or associations) engaged in selling or auctioning works by eligible artists. Buyers are required to present official tax invoices or receipts providing detailed proof of purchase.
2. **Increased Expense Deduction for Artists**
    - For freelance fine arts professionals earning income under Section 40(6) of the Revenue Code, the lump-sum expense deduction is increased from 30% to 60%.
    - This measure takes effect from the 2025 tax year onward and applies permanently, regardless of the type of art practiced.

The tax incentives are expected to stimulate Thailand's art market by at least THB 100 million annually, encourage greater production of artworks, and attract more national and international exhibitions. The measures also seek to enhance the value of Thailand's creative industries and cultural capital, further positioning the arts as an economic driver within the country's soft power strategy.

FPO Warns Government Debt Under Section 28 Surpasses 1 Trillion Baht

The Fiscal Policy Office (FPO) has warned that government debt obligations under Section 28 of the State Financial and Fiscal Discipline Act have surpassed 1 trillion baht. Section 28 permits state agencies to spend in advance of formal budget allocations for projects such as economic stimulus, occupational support, quality of life improvements, and disaster relief. By the end of fiscal 2024, obligations reached 1.02 trillion baht, including over 900 billion baht owed to the Bank for Agriculture and Agricultural Cooperatives (BAAC) and 73 billion baht to the Thai Credit Guarantee Corporation.

Debt levels under this framework rose sharply between 2019 and 2022which used large sums for pandemic relief and income guarantee schemes for farmers. Over 519 billion baht was channelled into the agricultural sector, leading the government to temporarily raise the Section 28 debt ceiling from 30% to 35% of the expenditure budget (currently capped at 32%). The FPO seeks to return the ceiling to 30%.

Although a 2023 resolution discouraged direct subsidies to ease fiscal pressure, the government recently approved an exemption, authorising a rice price compensation scheme. For 2025, the budget includes 7.28 billion baht for the off-season crop (covering 861,000 households) and 37.9 billion baht for the main 2025/26 crop (benefiting 4.63 million households), with BAAC providing advance payments.

Thailand Leads ASEAN ESG Strategy Amid Global Challenges

Considering escalating global instability, encompassing geopolitical tensions, economic uncertainty, and the accelerating climate crisis, the ESG Symposium 2025 convened Thailand's leading corporate, financial, and governmental actors to chart a pragmatic path toward sustainable development. Under the theme "Green Breakthrough Amid the Perfect Storm," the Symposium emphasized the necessity of a distinct ASEAN approach to sustainability—one that is homegrown, collaborative, and sensitive to regional economic and institutional realities.

The Symposium highlighted key initiatives that demonstrate the intersection of law, policy, and corporate governance in advancing environmental, social, and governance (ESG) compliance. SCG's Saraburi Sandbox, the "Go Together" program for SMEs, and the Net Zero Accelerator Program 2025 illustrate the legal and regulatory mechanisms underpinning public-private partnerships, low-carbon industrial development, and capacity building for small and medium enterprises. These programs provide concrete examples of how corporate compliance with ESG obligations can be structured within Thailand's legal framework, while also fostering regional and international recognition.

The Bank of Thailand, underscored that ASEAN's path must diverge from advanced economies' models due to fundamental disparities in infrastructure, institutional capacity, and workforce composition. Legal and regulatory strategies must prioritize "lower disruption" and adaptation, balancing mitigation with pragmatic pathways that account for climate vulnerabilities and socioeconomic realities. Initiatives such as the development of a Thailand Taxonomy for high-emitting sectors, flood risk stress tests, and banking programs facilitating transitions from "brown to less brown" industries exemplify regulatory innovation and legally guided financial mechanisms to achieve net-zero targets.

Corporate actors further reinforced the legal and ethical responsibilities of private entities to pursue multi-pathway strategies—incorporating hybrid, plug-in hybrid, fuel-cell, and hydrogen technologies—ensuring that sustainability obligations do not compromise social equity, accessibility, or local infrastructure realities. Complementary perspectives from international organizations and academic institutions emphasized the necessity of participatory, inclusive approaches that integrate community engagement, climate risk management, and economic fairness into ESG compliance frameworks.

Collectively, the Symposium reinforced that ASEAN's sustainable development must be guided by law, policy, and governance that promote pragmatic, inclusive, and context-specific solutions. Legal and regulatory frameworks, corporate compliance, and multi-stakeholder collaboration form the foundation for achieving a green breakthrough, demonstrating Thailand's commitment to a sustainable, low-carbon future amid global uncertainty.

INVESTMENT & ECONOMIC LAW

BOI Fund Expansion and legal implications for foreign investors

Thailand's Board of Investment (BOI) recently announced a significant policy development: an additional THB 10 billion allocation to its Competitiveness Enhancement Fund. The funding aims to mitigate the adverse effects of global tax and trade policy shifts, while furthering Thailand's long-term investment attractiveness in key technology sectors. This move underscores Thailand's proactive legal and economic strategies to remain competitive in the evolving global investment landscape.

Legal Objectives of the BOI Fund Expansion

The expanded funding serves three primary legal and policy objectives:

1. Offsetting External Regulatory Pressures

The fund is intended to help businesses operating in Thailand manage the impact of:

- ○ The OECD's Global Minimum Tax (GMT) initiative, which limits the effectiveness of aggressive tax planning.
- ○ US reciprocal tariff measures, which may affect exports and foreign investment flows.

2. Promoting Targeted Industries

The BOI continues to prioritize value-added, innovation-driven sectors, such as:

- ○ Advanced semiconductors and electronics
- ○ Upstream battery manufacturing
- ○ AI and advanced digital technologies
- ○ Biotechnology

3. These industries are eligible for BOI privileges, including tax incentives, import duty exemptions, and streamlined permit processes, under current investment promotion regulations.

4. Facilitating Technology Transfer and Talent Development
The BOI also aims to attract foreign investment that supports technology transfer, upskilling, and domestic personnel development, thus aligning with Thailand's 20-Year National Strategy and digital transformation agenda.

Regulatory Reforms for Foreign Talent and Digital Investment

Foreign investors and tech-sector employers have consistently raised concerns about Thailand's restrictive regulatory environment, particularly in relation to:

- Work permits and visa regulations for foreign professionals

- Recognition of foreign academic and professional qualifications
- Limited legal pathways for digital nomads, startup founders, and tech freelancers

To address these challenges, policy commentators have called for legal reforms to remove regulatory barriers and enhance Thailand's appeal as a regional digital hub. Proposed changes include:

- Simplification of visa and work permit requirements
- Integration of digital governance tools for permit applications
- Enactment of legal frameworks recognising foreign expertise in science, technology, engineering, and mathematics (STEM)

Legal Implications of AI and Data Governance Policies

Alongside regulatory and investment strategies, stakeholders have urged the Thai government to adopt comprehensive AI and data governance frameworks that extend beyond privacy law. Key legal principles being recommended include:

- Fairness and non-discrimination in algorithmic decision-making
- Protection of human rights in AI development
- Ethical AI design incorporating human-centred principles
- Statutory clarity on data ownership, storage obligations, and cross-border data access

These policy recommendations suggest a growing need for cross-sector legal compliance, particularly for tech companies, financial institutions, and businesses leveraging machine learning and predictive analytics.

Outlook for Investors and Legal Practitioners

Thailand's legal and investment landscape is undergoing a dynamic shift. Investors in BOI-targeted industries should closely monitor updates to:

- BOI investment promotion criteria and sectoral lists
- Tax law and transfer pricing regulations in light of OECD standards
- Immigration laws and labour regulations affecting foreign talent mobility
- Digital and data legislation, including forthcoming AI policies

Legal practitioners advising multinational corporations, startups, and digital businesses must be prepared to navigate a complex interplay of regulatory incentives, trade compliance, and technological governance.

BOI to Propose National Semiconductor and Advanced Electronics Strategy

The Board of Investment (BOI) is finalizing a comprehensive strategy aimed at positioning Thailand as a regional leader in semiconductors and advanced electronics, extending beyond its traditional role as a manufacturing base. The strategy is expected to be submitted to the National Semiconductor and Advanced Electronics Policy Committee (Semiconductor Board) within the next two months.

The initiative responds to the Semiconductor Board's directive to accelerate expertise development in semiconductors and advanced electronics. The strategy will not only strengthen Thailand's advanced manufacturing capabilities but also establish the country as a hub for research and development, skilled workforce development, and regional supply chain integration.

The announcement was made during the 2025 Thailand Electronics Circuit Asia (THECA 2025) forum at Bitec Bang Na, which highlighted current industry developments and facilitated international business partnerships.

This initiative builds upon the framework approved by the Semiconductor Board in late 2024, which focused on workforce development in anticipation of substantial foreign direct investment (FDI). The BOI projects that FDI in semiconductors and advanced electronics could generate at least THB 500 billion by 2029. Between 2022 and June 2025 alone, Thailand recorded approximately 500 projects worth over THB 700 billion in the two sectors.

A notable trend is the rapid expansion of the printed circuit board (PCB) industry, with 180 projects valued at over THB 200 billion. The BOI described this as a "big wave of PCB investment," driven by global firms expanding their footprint in Thailand. For example, Mektec Manufacturing Corporation (Thailand), a subsidiary of Japan's NOK Corporation and the country's largest PCB producer, secured BOI incentives to expand production in response to rising customer demand.

The forthcoming strategy reflects Thailand's policy shift towards high-value industries, aiming to solidify its role in the global semiconductor supply chain, attract sustained foreign investment, and foster innovation-led growth in advanced electronics.

Foreign Investment Applications in Thailand surge 37% in the first half of 2025

Thailand has witnessed a significant increase in foreign investment during the first half of 2025, with applications under the Foreign Business Act B.E. 2542 ("FBA") rising sharply. 502 foreign investors sought approval to operate businesses in Thailand, representing a 30% increase year-on-year. The total investment value amounted to 111 billion baht, marking a 37% rise compared to the same period in 2024.

Foreign businesses applied through two principal channels:

- **Foreign Business Licences (FBLs)**: 123 applications; and
- **Foreign Business Certificates (FBCs)**: 379 applications, granted under investment promotion laws, Industrial Estate Authority of Thailand regulations, or international treaties.

Approval figures increased by 117 cases year-on-year, with total investment value expanding by 30 billion baht. The top five investor nations were Japan (43 billion baht), the United States (2.79 billion), China (18.3 billion), Singapore (17.4 billion), and Hong Kong (8.31 billion).

The Eastern Economic Corridor ("EEC") continued to attract strong interest, recording 158 investment cases worth 62.9 billion baht—accounting for 31% of applications and 56% of total investment value nationwide. Leading EEC investors included Japan, China, and Singapore, with key sectors being retail, R&D services for engineering plastics, data centers, digital platforms, and contract manufacturing.

The government emphasized its commitment to supporting foreign investment, noting ongoing global trade uncertainties, including US reciprocal tariffs and regional border tensions. Thailand will continue to enhance investment incentives and provide regulatory facilitation to maintain investor confidence.

The FBA serves as the principal legislation governing foreign investment in Thai businesses, classifying restricted activities into three lists:

- **List 1**: Activities strictly prohibited to foreigners (e.g., mass media, agriculture).
- **List 2**: Sensitive sectors affecting national security, culture, and environment, requiring Cabinet approval (e.g., weapons manufacturing, domestic water transport).
- **List 3**: Sectors where Thais are not yet ready to compete, requiring approval from the Director-General of the Department of Business Development and the Foreign Business Committee (e.g., retail, wholesale, advertising, construction, hotels).

The surge in applications underscores Thailand's continued attractiveness as an investment destination, particularly in high-value and technology-driven sectors, while reinforcing the role of the FBA in balancing foreign participation with domestic economic interests.

Singaporean Investors Encouraged to Sustain Momentum in Thailand

The BOI highlighted that in 2024 it recorded its highest number of investment applications in over a decade, with more than 3,100 projects valued at USD 33 billion, representing a 35% increase compared to 2023. This trend underscores Thailand's growing appeal as a regional investment hub, particularly for technology-driven and high-value industries.

The government has reiterated its commitment to facilitating cross-border investment and ensuring regulatory stability. The BOI's collaboration with Singapore aims to not only maintain Singapore's role as a top investor but also diversify future inflows into innovation-based sectors that align with Thailand's long-term economic strategy.

LABOR & EMPLOYMENT LAW

Thai Hotels Association to Challenge Nationwide Minimum Wage in Administrative Court

The Thai Hotels Association (THA) has voted to file a lawsuit with the Administrative Court against the government's decision to impose a nationwide daily minimum wage of 400 baht, which took effect on July 1. The association argues that while it supports wage increases to improve workers' livelihoods, applying a blanket nationwide rate is unfair and unrealistic, as it does not reflect regional differences in tourism demand, cost of living, and economic conditions. Only five or six major tourist cities such as Bangkok and Phuket are currently experiencing growth, while most second-tier cities remain sluggish, with more than 54,000 room-nights left unsold despite government tourism subsidies. He emphasized that wages already make up about 30% of hotel operating costs, and smaller provinces like Narathiwat, Pattani, and Yala—where wage levels are around 337 baht—would face disproportionate burdens under the new law.

The THA claims the wage committee's announcement violates Section 87 of the 1998 Labour Protection Act, which requires that minimum wages be based on economic factors such as inflation, productivity, GDP, and business capacity. The association plans to ask the court to review and revoke the decision, arguing that the committee cannot arbitrarily set a nationwide wage without considering these conditions. Legal costs for the case are estimated at 1.7 million baht.

The association warns that without revisions, many hotels may be forced to close or lay off workers, while illegal hotels could exploit lower operating costs to compete unfairly. Broader challenges also loom, as Thailand's tourism industry remains weak: the National Economic and Social Development Council projects only 33 million foreign arrivals in 2025, down from 35.5 million last year, with hotel revenues expected to fall 7% year-on-year.

Thai Pilots Association Challenges Legality of Wet Lease Agreements for Foreign Pilots

The Thai aviation sector faces renewed scrutiny over the legality of employing foreign pilots through wet lease agreements on domestic routes, as the Administrative Court deliberates on a petition filed by the Thai Pilots Association (TPA).

In March 2025, the TPA initiated legal proceedings against the Ministry of Labour, seeking a temporary injunction to prohibit foreign pilots from operating domestic flights under wet lease contracts. A wet lease arrangement typically includes the provision of aircraft, pilots, crew, maintenance, and insurance, bundled as a single package.

The dispute arises from the 2024 high tourism season, when two aircrafts are operated under a wet lease arrangement on the Bangkok–Phuket route. This operation was made possible by a Cabinet resolution in December 2023, which temporarily waived restrictions on the employment of foreign pilots for domestic services. The resolution, introduced upon the Ministry of Labour's proposal, aimed to support tourism recovery and reduce passenger airfares.

During a hearing on 4 August 2025, the Administrative Court requested the Labour Ministry to clarify its legal authority to approve such arrangements.. The Labour Ministry maintained that its approval was legally valid, notwithstanding the absence of prior precedent.

However, the TPA raised concerns regarding the lack of clarity in the Cabinet resolution, particularly the absence of a definitive deadline. Although the resolution generally restricts wet lease agreements to six months, with a possible extension for another six months, it does not expressly bar further renewals. The TPA fears that this ambiguity may permit airlines to repeatedly rely on foreign pilots during peak travel seasons, undermining the position of Thai pilots.

The TPA also highlighted broader industry implications, warning that domestic pilots could eventually be removed from the list of restricted occupations under Thai labour law. Such a shift, it argues, would significantly impact the competitiveness and employment prospects of Thai pilots.

The TPA urged the CAAT to establish a transparent and inclusive employment framework for the aviation industry. He called for greater disclosure of data on pilot employment, airline fleet expansion, and aviation market trends, to assist future pilots in making informed career decisions.

Furthermore, the TPA has called upon the government to prohibit "pay-to-fly" schemes, which require pilots to make substantial payments in exchange for employment. Three to four Thai airlines have adopted such practices, which he argues undermine fair employment standards. Instead, the TPA advocates that Thailand follow global best practices by offering scholarships to attract and retain top pilot talent.

As the Administrative Court continues to examine the case, the ruling is expected to have significant implications for the interpretation of labour protections, aviation policy, and the balance between supporting tourism growth and safeguarding domestic employment in Thailand's aviation sector.

TECHNOLOGY, DIGITAL & CRYPTO

Conditions of the U.S. Request That Could Shake Thailand's Telecommunications Industry

The United States has requested Thailand to fully open its telecommunications market to foreign operators, particularly those holding Type 3 licenses that provide large-scale network services to the public. The U.S. has also urged Thailand to adopt the 6 GHz Wi-Fi band (5,700–7,100 MHz) in line with international standards, while Thailand currently allows only the 2.4 GHz and 5 GHz bands. The 6 GHz band remains under trial and has not been allocated for permanent use.

The National Broadcasting and Telecommunications Commission (NBTC) has voiced opposition to these requests, noting that compliance would require amendments to existing laws and regulations, a process seen as highly complex and sensitive. The NBTC, together with the Ministry of Commerce's trade negotiation team and the Ministry of Finance, is reviewing the matter and is expected to announce a final position by mid-September. Internally, the NBTC board will consider its own stance on 3 September 2025.

The issue also extends to foreign investment in the telecom sector. Thai law currently caps foreign ownership in telecommunications companies at 49 percent, including satellite providers. However, companies such as Starlink have expressed interest in entering Thailand as wholly foreign-owned entities, raising potential conflicts with NBTC's existing rules.

GPSC Expands into Data Centre Energy Market in Thailand and India

Global Power Synergy Plc ("GPSC"), the power generation subsidiary of PTT Plc, is expanding its business strategy to capture the growing demand for electricity and steam from data centre operators in Thailand and India.

In India, GPSC operates the Bikaner solar farm through its subsidiary, Avaada Energy Private Limited. India has been identified as a target jurisdiction for energy sales to data centre businesses, reflecting the increasing regional and global demand for energy supply to support cloud and digital infrastructure.

According to GPSC, global power demand from data centres is rising at an annual rate of 12–14%, with Southeast Asia recording the highest growth at 20% per year. Data centres require significant electricity and steam, the latter being used to mitigate heat generated from intensive computer networks.

Thailand has positioned itself as a hub for digital infrastructure through the Board of Investment ("BOI"), which has approved more than 28 projects, including foreign investors with capital investments exceeding THB 500 billion. These projects are estimated to require approximately 800–1,000 megawatts of power supply. The BOI has also granted tax incentives to encourage further investment in this sector, aligning with national digital economy policies.

In response, GPSC is undertaking a feasibility study, expected to conclude by year-end, to evaluate the commercial and regulatory framework for supplying energy to the data centre industry. Concurrently, the company is in discussions with strategic partners regarding business cooperation in both Thailand and India.

From a financial perspective, GPSC has adopted an efficiency programme aimed at reducing operating costs and increasing earnings before interest, taxes, depreciation, and amortisation ("EBITDA"). The company has already achieved cost savings of THB 214 million during the first half of this year, with a target of reducing expenses by THB 500 million by year-end. Projections indicate further reductions of THB 700 million in 2026 and THB 900 million in 2027.

This strategic shift into the data centre energy market represents a material development in GPSC's corporate strategy, combining renewable energy production with opportunities arising from digital infrastructure expansion in Thailand and India.

Thailand Enables Crypto Payments for Tourists

Thailand has launched the TouristDigiPay sandbox, an 18-month initiative designed to allow foreign tourists to convert digital assets into baht for domestic spending. The program, spearheaded by the office of the Securities and Exchange Commission and the Bank of Thailand, aims to strengthen Thailand's digital economy and position the country as a regional leader in digital finance.

The initiative provides a seamless and cashless payment method for tourists, including digital nomads and global crypto holders. Tourists convert their digital assets into baht and pay via the widely available PromptPay QR code system, enabling local transactions without exposing merchants or communities to cryptocurrency volatility.

Bitkub Online, Thailand's leading digital asset exchange, is participating in the sandbox to facilitate rapid account opening, provide competitive exchange rates, and channel international digital assets into the domestic economy. The project enhances Thailand's tourism competitiveness while supporting the growth of the digital asset industry.

In parallel, Kasikornbank (KBank) is testing Q Wallet, a blockchain-based digital wallet, which allows tourists to convert USDC into THBS, a programmable baht-pegged unit, and make payments via Thai QR codes at over 100 merchants. The pilot program runs until 31 December 2025 and enables tourists to transact without a local bank account, while expanding business opportunities for Thai merchants.

The TouristDigiPay sandbox and Q Wallet initiatives collectively demonstrate Thailand's commitment to integrating digital assets into its tourism sector. By modernizing payment infrastructure, promoting innovation, and mitigating risks for local businesses, these initiatives are expected to accelerate Thailand's ambition to become a regional digital financial hub and strengthen the country's long-term digital economic ecosystem.

Thailand Strengthens Position as Data Center Hub with ETIX BKK#2

Global data center operator Etix Everywhere has officially launched ETIX BKK#2, a €220 million (approximately THB 8.6 billion) facility in Bangkok. The new data center adds 23 megawatts (MW) of capacity, bringing the company's total operational capacity in Thailand to 28 MW. ETIX BKK#2 is located adjacent to the existing ETIX BKK#1 facility, which has 5 MW of capacity, three of which are fully utilized. Spanning 16,000 square meters, the new facility allows customers to benefit from the same telecom ecosystem as BKK#1 and expand operations as if they were within a single integrated building.

In conjunction with the launch, Etix released its white paper titled "Data Center Trends in Thailand 2025," developed with analysts from Schneider Electric, CommScope, DC Byte, and Cushman & Wakefield. The report highlights that Thailand has 53 data centers with over 150 MW of live capacity and more than 500 MW under development, surpassing Indonesia in operational capacity. Hyperscaler and AI-driven demand is accelerating the deployment of high-density racks and liquid cooling technologies. The Eastern Economic Corridor (EEC) is emerging as a strategic hub for hyperscale campuses, AI training, and caching facilities. The report also notes that Thailand is gaining a competitive edge in the region.

Thailand's rise as a data center hub is supported by several legal and regulatory developments. Investors can benefit from Board of Investment (BOI) promotion schemes, which allow up to 100% foreign ownership for eligible projects, as well as corporate income tax exemptions and duty reductions on imported equipment. Pre-approved energy and fiber infrastructure further reduces regulatory hurdles for new operators. However, the rapid growth of high-density facilities, particularly in the EEC, has exposed a shortage of specialized technical labor, which could present operational and compliance challenges for investors.

The launch of ETIX BKK#2 demonstrates that Thailand is transitioning from a peripheral digital market to a regional hub for data center investment. With a combination of favorable legal frameworks, government-backed investment incentives, and rising AI and hyperscale demand, Thailand is well-positioned to attract large-scale digital infrastructure investments. Operators and investors should carefully monitor compliance with BOI conditions, labor regulations, and environmental requirements as the sector continues to expand.

TRADE & TARIFFS LAW / POLICY

Impacts of U.S. Tariff Measures on Thai export and strategic responses

Thailand's export sector is facing significant headwinds as a result of the United States' newly imposed 19% reciprocal tariff policy, which is projected to reduce the value of Thai exports by approximately THB 275 billion in 2026, equivalent to 1.48% of GDP, according to research from the University of the Thai Chamber of Commerce (UTCC). The forecast highlights both direct and indirect legal and economic implications for Thai businesses and foreign investors, particularly in key manufacturing and export-dependent industries.

Tariff Impact: Legal Exposure and Sector Vulnerability

UTCC's study estimates that:

- In the immediate term (five months), Thai exports may decline by THB 115 billion, with a GDP contraction of 0.62 percentage points.
- In 2026, losses may escalate to THB 275 billion, with THB 256 billion arising from direct tariff exposure, and THB 64.7 billion from indirect supply chain disruptions.

Sectors particularly exposed to the new tariffs include:

- Electrical and electronic equipment
- Machinery and components
- Rubber products

These sectors are vulnerable due to their high dependency on the U.S. market and their role in global supply chains. Although Thailand faces similar tariff rates as regional peers such as Malaysia, Indonesia, and Cambodia, it is at a competitive disadvantage compared to countries such as Singapore (10%) and Japan/South Korea (15%).

On the other hand, nations such as Vietnam (20%), India (25%), and China (51%) are subject to even steeper tariff rates, creating potential trade diversion opportunities. According to UTCC, Thailand may be able to expand its export share to the U.S. in sectors like electronics, machinery, computers, furniture, and consumer goods.

Legal and Policy Recommendations

In response to these economic risks and opportunities, UTCC has proposed six policy recommendations for the Thai government, each with legal implications for domestic and international stakeholders:

1. Support Measures for Affected Industries

Enacting emergency legal mechanisms or special assistance packages, including subsidies, tax relief, and BOI incentives for sectors hit hardest by the tariffs.

2. Enforcement of Rules of Origin (ROO)

Strengthening legal frameworks to ensure accurate ROO compliance for exporters and leveraging preferential trade agreements (e.g. ASEAN, RCEP, CPTPP) to maximize tariff benefits.

3. Export Market Diversification

Encouraging exporters to explore new and emerging markets, supported by trade facilitation laws, logistics reform, and bilateral trade negotiations.

4. Attraction of High-Value Foreign Direct Investment (FDI)

Updating investment promotion laws to attract strategic investors in technology, advanced manufacturing, and logistics sectors, with tailored legal privileges and fast-track approvals.

5. Stimulation of Domestic Demand

Implementing fiscal and monetary policy tools alongside consumer protection laws and SME incentives to boost local consumption and business resilience.

6. Proactive Trade Diplomacy

Enhancing Thailand's participation in international trade forums and engaging in targeted diplomatic negotiations to mitigate future tariff risks. This may involve the use of dispute resolution mechanisms under WTO rules or leveraging existing bilateral trade agreements.

Strategic Outlook for Businesses and Legal Advisers

The 19% U.S. tariff poses a dual challenge: it increases compliance costs for Thai exporters and may lead to significant contract renegotiations, supply chain realignments, and even dispute resolution in cross-border trade deals. Businesses with U.S. exposure must:

- Review and revise international sales contracts, ensuring force majeure, change in law, and tariff clauses are appropriately addressed.
- Reassess supply chain structures to reduce reliance on high-tariff markets.
- Monitor trade law developments, particularly any changes to U.S. trade policy, and coordinate with customs and tax advisers to optimise transaction structures.

Legal practitioners advising in trade, investment, corporate, and tax law should prepare to guide clients through the evolving regulatory landscape, particularly in relation to trade compliance, BOI privileges, and international dispute avoidance strategies.

Thailand Takes Action Against Transshipment

This article highlights Thailand's efforts to address trade issues with the United States, particularly regarding transshipment concerns and tariff measures. Key points include:

1. **Transshipment Concerns**: Thailand is ready to collaborate with the U.S. Customs and Border Protection (CBP) to prevent transshipment issues. This involves goods being rerouted through a third country to bypass tariffs, which is a critical area of focus in trade negotiations.
2. **Tariff Discussions**: The Thai government has been in talks with U.S. Trade Representatives to address concerns related to reciprocal tariffs. Thailand welcomes the U.S.'s decision to lower the tariff rate to 19%, as it should help Thai businesses remain competitive. However, there is concern about the impact on export costs and uncertainty surrounding goods transshipped through third countries.
3. **Strengthened U.S.-Thailand Relations**: Both sides are optimistic about expanding cooperation, especially in areas of mutual interest.
4. **Investment Potential**: Thailand remains an attractive destination for U.S. investment.This, along with Thailand’s low level of external debt, positions it as a stable economic partner for the U.S.

Overall, Thailand’s proactive engagement with the U.S. on these trade matters shows its commitment to resolving issues and fostering stronger economic relations.

Thailand Urged to Pursue Neutral Trade Strategy Amid Rising Geopolitical Tensions

At the ITD Research Forum 2025. Thailand is urged to adopt a neutral trade stance, diversify markets, and boost competitiveness by adding value to agricultural products through innovation, investing in logistics, data centres, AI, and green energy. Challenges from geopolitical tensions, US tariffs, and shifts range from multilateral to bilateral trade deals, stressing the need to leverage FTAs and prepare for the digital and green economies.

Growing US–China rivalry and supply chain decoupling, noting tariffs will remain part of US policy even after Donald Trump. He advised Thailand is to maintain balanced ties with both powers while expanding trade with other partners, potentially by joining the CPTPP. Liberalising agricultural imports, modernising farming, upgrading logistics, and shifting growth drivers from exports to a wellness economy are required.

Thailand-US Reciprocal Tariff Negotiations and Trade Facilitation Measures

Thailand will engage in detailed negotiations with the United States concerning a reciprocal tariff agreement, scheduled between late August and September 2025. The Thai Cabinet has approved a joint statement on the matter, with the Office of the US Trade Representative initiating the negotiation process.

The proposed agreement, upon conclusion, will be submitted to the Thai Parliament for approval. Currently, Thai exports to the US are subject to a 19% reciprocal tariff, reduced from an initial 36%, following Thailand's removal of import duties on over 10,000 US-origin products. This tariff adjustment aims to preserve the competitiveness of Thai exporters.

Key negotiation topics include market access, non-tariff barriers, and product-specific tariff rates. A critical focus is the alignment with Regional Value Content (RVC) and rules of origin criteria, which remain uncertain due to unclear US policies on whether RVC will be established bilaterally or unilaterally for Thailand or regionally applied.

US's RVC approach is needed to enable thorough evaluation of implications for Thai businesses, especially SMEs. The International Institute for Trade and Development has been tasked to coordinate stakeholder consultations and assess the potential impacts, necessary adjustments, and government support.

To assist exporters in adapting to new regulations and enhancing global competitiveness, the Ministry of Commerce will inaugurate a one-stop service center at the Export Promotion Center in Bangkok.

The Ministry affirms that negotiation outcomes must balance interests and maximize benefits for Thailand, carefully considering all stakeholder effects prior to finalizing the agreement.

Should you have any question, please do not hesitate to contact us via info@bgloballaw.com