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Thailand Expands Investigation into Foreign Nominee Businesses

Thai authorities are expanding their investigation into suspected nominee business structures involving foreign investors, with approximately 200 additional companies reportedly identified for further scrutiny. The intensified enforcement reflects the government's continuing efforts to prevent foreigners from using Thai nominees to circumvent restrictions under the Foreign Business Act B.E. 2542 (1999) (FBA).

The investigation focuses on companies where Thai shareholders may hold shares on behalf of foreign investors without having genuine financial participation or control. Such arrangements can potentially constitute nominee structures designed to allow foreigners to exercise effective ownership or control over businesses that are restricted under the FBA.

The expanded investigation highlights the importance of beneficial ownership and source-of-funds verification. Authorities may examine the financial capacity of Thai shareholders, the flow of funds used to acquire shares, corporate decision-making arrangements and other evidence to determine whether Thai shareholders are genuine investors or merely acting on behalf of foreign parties.

The development is particularly relevant to foreign-owned businesses operating in sectors subject to the FBA's foreign ownership restrictions, including businesses in tourism, property-related activities and other service sectors. Companies using Thai-majority shareholding structures should ensure that their Thai shareholders have genuine ownership interests and that corporate governance, financing and operational arrangements accurately reflect the registered ownership structure.

The intensified enforcement also demonstrates that formal compliance with the 51% Thai shareholding requirement may not, by itself, be sufficient if the underlying arrangement indicates that foreign investors exercise beneficial ownership or control through Thai nominees. Businesses should therefore review shareholder arrangements, financing documents, powers of attorney and other agreements that could potentially indicate indirect foreign control.

Foreign investors and Thai companies with foreign participation should conduct a compliance review of their ownership and governance structures and ensure that all shareholders have genuine economic participation and decision-making rights. Given the expanded investigations, businesses should also be prepared to substantiate the legitimacy of their ownership arrangements if requested by the relevant authorities.