



Thailand's Startup Act Opens a New Growth Frontier

Thailand's proposed Startup Act marks a significant step toward creating a dedicated legal framework for the country's growing startup ecosystem. Led by the National Innovation Agency (NIA), the proposed legislation aims to address regulatory and financing barriers that have historically limited startups' ability to scale. Among the proposed reforms are greater flexibility in fundraising and corporate restructuring, including allowing qualifying startups to offer shares to the public, issue debentures, issue new shares to outside investors and facilitate debt-to-equity conversions, subject to applicable regulatory requirements.

The proposed framework also seeks to address the challenge of attracting and retaining skilled employees. Startups would potentially be permitted to repurchase up to 20% of their shares for Employee Stock Ownership Plans (ESOPs), providing greater flexibility to use equity-based incentives. In addition, the NIA is expected to play a more active role in startup financing by participating in investments, joint ventures and a proposed private equity trust fund, potentially alongside private-sector investors. This represents a shift from the Government's traditional grant-based support model toward a more investment-oriented approach.

From an investment perspective, the proposed reforms could help address Thailand's "missing middle" problem, where startups often struggle to secure funding between early-stage financing and larger Series A investment. The NIA has indicated that it intends to support startups in strategic sectors such as artificial intelligence, health and wellness, agricultural technology, the circular economy and the creative economy. Combined with existing tax incentives for qualifying startup investments, the proposed framework could improve access to capital and encourage greater private and foreign investment in Thailand's innovation sector.

Ultimately, the proposed Startup Act could represent an important development in Thailand's legal landscape by moving beyond fragmented government support measures toward a more comprehensive framework governing startup growth and financing. However, its effectiveness will depend on the final legislation and its interaction with existing corporate, securities and investment laws. If properly implemented, the framework could provide startups with greater legal and financial flexibility while maintaining appropriate investor-protection and corporate-governance standards, strengthening Thailand's position as a regional hub for innovation and technology-driven businesses.