



## RSM FOCUS

Welcome to issue 9 of RSM Focus – RSM Thailand's Newsletter covering various legal issues in Thailand

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New Laws for Foreign Business Operations

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# Introduction

Welcome to the ninth edition of RSM Focus. This edition features a topical article on the new laws for foreign business operations in Thailand and which has been at the forefront of recent advice provided by every law firm in Thailand.

## New Laws for Foreign Business Operations

Effective from 9<sup>th</sup> June 2017, a Ministerial Regulation was implemented Prescribing which Service Businesses are no longer Subject to an Application for Foreign Business Permission (No. 3) B.E. 2560 (2017) and this had an immediate effect on foreign entities in Thailand. Per Clause 2, the following non-trading entities are entitled to operate business in Thailand legally without foreign business permission being required:-

1. Representative office; and
2. Regional office for international trade business.

These above mentioned entities however must be registered with the Foreign Business Division of the Department of Business Development (DBD) in order to acquire a registration number prior to commencing operations and the RSM Thailand law firm can and has advised extensively on this area.

### How to register the entity?

The DBD issued an announcement on the subject of "Guidelines for Foreign Entities Which Operate Businesses in Thailand to Comply with the Accounting Laws B.E. 2559" effective from 1<sup>st</sup> July 2017 supporting the Ministerial Regulation. The announcement explains how to register the entity, how to acquire the registration number in accordance with the Ministerial Regulations, as well as how to comply with the requirements of the appropriate accounting laws. The summary of the permitted activities of a Representative Office and Regional Office and the registration process and the requirements are as follows:

| Representative Office (5 permitted activities)                                                                                                                                   | Regional Office (6 permitted activities)                                                               |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none"> <li>• Sourcing goods or services for the Head Office</li> </ul>                                                                               | <ul style="list-style-type: none"> <li>• Provision of services in consulting and management</li> </ul> |
| <ul style="list-style-type: none"> <li>• Checking and controlling the quality and quantity of goods purchased from suppliers/companies in Thailand by the Head Office</li> </ul> | <ul style="list-style-type: none"> <li>• Training and personal development</li> </ul>                  |
| <ul style="list-style-type: none"> <li>• Provision of advice on products which the Head Office has sold to customers in Thailand</li> </ul>                                      | <ul style="list-style-type: none"> <li>• Financial management</li> </ul>                               |
| <ul style="list-style-type: none"> <li>• Dissemination of information pertaining to new goods or services offered by the Head Office</li> </ul>                                  | <ul style="list-style-type: none"> <li>• Marketing control and sale promotion planning</li> </ul>      |
| <ul style="list-style-type: none"> <li>• Reporting business movement to the industry to the Head Office</li> </ul>                                                               | <ul style="list-style-type: none"> <li>• Product development</li> </ul>                                |
|                                                                                                                                                                                  | <ul style="list-style-type: none"> <li>• Research and development service</li> </ul>                   |

### Timeline and Methodology for Obtaining the Registration Number

Representative Office  
(5 permitted activities)

Regional Office  
(6 permitted activities)

- Submit application form to register the entity and acquire registration number. The process will take approximately 2-3 working days.
- Prepare bookkeeping and retain the accounting records book at the registered address of the entity.
- \*\*\*In case of an address amendment, the entity is required to notify the amendment to the registrar\*\*\*
- Arrange for the financial statements to be certified by a qualified auditor.
- Submit an annual return application and financial statements to the Ministry of Commerce within 5 months from the end of the fiscal year.

Notwithstanding this, this Ministerial Regulation does not affect foreign entities that have been granted a Foreign Business License prior to the effective date. Those entities are not required to resubmit their application to acquire a registration number but must continue to comply with accounting laws.

Furthermore and pursuant to Clause 1 of the Ministerial Regulation, any foreign entity whose business of which is to operate as a commercial bank or a related financial institution can operate the following business activities without permission: –

1. Commercial bank;
2. Representative office for a commercial bank;
3. Financial services in accordance with the Sharia Principle;
4. Representative of financial institution;
5. Cash deposit service subject to withdrawal on demand of the customer and escrow account service;
6. Private Report;
7. Agent service for collecting applications, premiums or service fees for export insurance and credit guarantee to customers;
8. Financial services for a financial institution, financial business, the Bank of Thailand and government authorities;
9. Property leasing;
10. Purchase or transferee of receivables of loans
11. Cash management;
12. Documentation service for customers;
13. Service agent for debt collection or agent for receivables applications
14. Payments or applications agency;
15. Hire-purchase and leasing service.

The permission to undertake such activities shall be applicable to foreign entities in financial institutional businesses, *i.e.* commercial banks and their affiliates. Other foreign entities remain subject to the application for a specific business license prior to operations. For instance, a foreign company which desires to engage in the business of hire-purchase and leasing services needs to apply for such a business license as per the procedure prescribed in the Foreign Business Act.

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