

Regulations for Regional Offices in Thailand: A Comprehensive Overview



Thailand, with its strategic location in Southeast Asia and robust economic growth, has become an attractive destination for multinational corporations seeking to establish a regional presence. To facilitate such operations, the Thai government has implemented specific regulations governing the establishment and operation of regional offices. This legal review provides a comprehensive overview of the regulations for regional offices in Thailand, focusing on the legal framework, eligibility criteria, operational requirements, and benefits associated with setting up a regional office in the country.

Legal Framework and Eligibility Criteria



The regulations governing regional offices in Thailand are primarily outlined in the Foreign Business Act of 1999. The act serves as the fundamental legal framework governing foreign investment and business operations in the country. Under this act, a regional office is defined as a type of business entity that carries out specified activities on behalf of its head office or affiliated companies located outside Thailand. It is important to note that regional offices are not permitted to engage in profit-generating activities or conduct business with entities within Thailand.

In order to establish a Regional Office in Thailand, investors are required to acquire a 13-digit registration number from the Foreign Business Administration Division of the Ministry of Commerce, a process that typically takes around 3-5 days.

Regional Offices in Thailand possess specific characteristics, which include:

- ✓ Non-income generating activities

- ✓ Minimum capital remittance of THB 2 million (Section 14)

- ✓ Obligation to have an affiliate located in the Asia Region, consisting of 48 countries.

- ✓ Furthermore, Regional Offices are limited to conducting one or more of the following activities:
 - (i) Coordination and supervision of branch office operations

 - (ii) Provision of consultation and management services

 - (iii) Personnel training and development

- (iv) Financial management
- (v) Control of marketing and sales promotion planning
- (vi) Product development and research and development services

These characteristics and activities allow Regional Offices to effectively support and enhance the operations of their affiliated companies within the region.

To establish a regional office in Thailand, certain eligibility criteria must be met. Firstly, the applicant must be a foreign company with a minimum of one affiliated company located outside Thailand. The regional office's purpose should be to provide specified services such as management, coordination, technical support, or training to its affiliated companies.

Additionally, regional offices are required to maintain an appropriate office space within Thailand and employ a minimum number of qualified employees. They must appoint a local authorized director who will oversee the office's operations and act as a liaison with government authorities. The authorized director must possess the necessary qualifications, such as a work permit, and comply with Thai labor laws.

Benefits

Setting up a regional office in Thailand offers several benefits to multinational corporations. Firstly, regional offices are exempted from the requirement of registering or incorporating as a juristic person. This relieves the regional office from the obligation of submitting financial statements to the government, streamlining administrative processes. Additionally, they are entitled to certain tax privileges, including exemption from corporate income tax on income derived from qualified

services provided to affiliated companies outside Thailand. This tax incentive enhances the competitiveness of Thailand as a regional business hub.

Furthermore, regional offices can enjoy streamlined visa and work permit processes for foreign employees, facilitating the recruitment of skilled professionals from abroad. The presence of a regional office also strengthens the company's image and enhances its market credibility, potentially attracting more business opportunities in the region.

Conclusion

Thailand's regulations for regional offices provide a conducive environment for multinational corporations to establish their regional presence. The legal framework, eligibility criteria, operational requirements, and benefits associated with regional offices have been designed to attract foreign investment, promote economic growth, and foster international business relationships. By adhering to the established regulations, companies can leverage Thailand's strategic location, favorable business climate, and tax incentives to enhance their regional operations and achieve their long-term business objectives.

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