Doing Business in Thailand – Private Company Limited

A "private company limited" is a "juristic person", which means it is a fictional "person" in the send that the law assigns to it most of the rights and obligations that a natural person has (the exceptions being those which the law considers only a natural person can have). It is the most common way for foreigners do business and invest in Thailand.

A minimum of three natural persons is required to "promote and form" a private company limited. These "promoters" will then become the first shareholders of the company. And a private company limited is required to maintain at least a minimum of three shareholders at all times. Each share must represent at least a minimum investment of five Thai Baht. Thus, the minimum theoretical share capital of a private company limited is fifteen Thai Baht.

The law requires that a private company limited be managed by on or more "directors". The directors are not required to be a shareholder of the company but, unlike many jurisdictions, Thai law requires that all directors be natural persons. Unless otherwise prohibited by laws regulating some businesses, the director may be a non-Thai and is not required to reside in Thailand.

There are several reasons why this so but perhaps the main reason is the same reason that such an business entity is so popular worldwide–the limitation of investor liability to the amount of capital contributed to the company. This is where the word "limited" (abbreviated to "LTD") in the name originates.

A private company limited is subject to corporate income tax. A private company limited is also required to collect "value added tax" on the goods or services it provides (if its initial annual income from the business exceeds Thai Baht 1,800,000). In some instance the company may be required to collect a "specific business tax" rather than the value added tax. And the company is required to withhold tax various percentages of tax and remit them on behalf of certain services the company pays for.

As a general rule, non-Thais may own up to 49% of the share capital of the company and may have a majority of non-Thai shareholders. However, there are certain business activities, which require a lower non-Thai shareholding percentage as well as an equal or majority of Thai shareholders. On the other hand, there are notable exceptions to this which all allow for 100% foreign shareholding of a private company limited.

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