

Overview: Representative Office in Thailand

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Representative Office Overview

A representative office is a form of business presence in Thailand of an offshore company which is established to provide certain specific non-income-generating functions exclusively to its head office, affiliated companies or group companies. The representative office can play a crucial role in supporting future corporate strategies and help offshore companies explore expansion opportunities in Thailand.

In general, a foreign company wishing to engage in any restricted business under the Foreign Business Act B.E. 2542 (1999) ("FBA") must obtain a foreign business licence prior to commencement of the business operation in Thailand, unless other exemptions apply. Whilst a representative office is exempt from the requirement to obtain a foreign business licence pursuant to the Ministerial Regulation Prescribing Businesses Which Do Not Require a Foreign Business Licence (No. 3) B.E. 2560 (2017), it is prohibited from engaging in any income-generating activities in Thailand.

Approval Process and Permissible Activities of a Representative Office

The establishment of a representative office is generally straightforward and takes approximately seven working days from the submission of an application and completed supporting documents. Based on the guidelines of the Department of Business Development, a representative office can only engage in the following approved activities:

1. **Sourcing Goods and Services** — Finding sources for purchasing goods or services in Thailand for the head office, affiliated companies or group companies;
2. **Quality Control and Inspection** — Checking and controlling the quality of goods purchased or manufactured in Thailand by the head office, affiliated companies or group companies;
3. **Providing Advisory Services** — Providing advice on the goods sold by the head office, affiliated companies or group companies to their customers or distributors in Thailand;

4. **Disseminating Business Information** — Disseminating of information or news in Thailand related to the goods or services of the head office, affiliated companies or group companies; and
5. **Business Reporting** — Reporting business movements in Thailand to the head office, affiliated companies or group companies.

It is important to note that a representative office is strictly prohibited from engaging in commercial transactions or any revenue-generating activities within Thailand, including without limitation, direct sales, contract negotiations, or other activities apart from the aforementioned support services. In the event that the representative office does carry out a business activity outside the permitted scope, then a foreign business licence must be obtained in respect of such business activity to avoid violating the FBA.

Conditions for Operating Representative Office

The key conditions governing the operations of a representative office are as follows:

1. **No Revenue** — No income can be derived from its business activities. All expenses must be funded exclusively by the head office. Any funds received from the head office by the representative office shall not be classified as revenue by the Revenue Department and, therefore, do not contribute to corporate income tax computations.
2. **Tax Exemption with Limited Exceptions** — A representative office is exempt from corporate income tax (except for interest earned from leftover funds provided by the head office, which must be included in the calculation for corporate income tax). However, a representative office must obtain a corporate tax identification number and comply with the annual filing obligations such as the submission of corporate income tax returns and audited financial statements with the relevant authorities.
3. **Restrictions on Commercial Transactions** — A representative office is not permitted to accept purchase orders, make sales offers, or negotiate business with individuals or other legal entities.
4. **Provision of Services to Affiliates** — Services may be provided to affiliated companies within the group, provided that such services are rendered without any compensation.
5. **Minimum Capital** — The minimum capital required for a representative office to commence its business activities in Thailand is THB 2 million which shall be maintained throughout the duration of the office's operations.

Despite its limited scope, a representative office serves as an alternative for an offshore company to undertake certain business activities with relatively modest capital in Thailand without being required to obtain a foreign business licence, which typically involves a lengthy process and considerable expense.

This document is solely intended to provide an update on recent developments in Thailand's legislation and is not purported to provide a legal opinion, or a legal advice to any person. Stakeholders are advised to seek professional legal counsel for specific legal guidance related to the above issue.