

## Legal Express

# Overview of the Duties and Liabilities of Directors in Thai Private Limited Companies

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## Introduction

The duties and potential liabilities of directors of a private limited company in Thailand are primarily governed by the Civil and Commercial Code (the “CCC”), which sets out primary duties and civil liabilities of directors; and the Act on Offences Concerning Registered Partnerships, Limited Partnerships, Limited Companies, Associations and Foundations B.E. 2499 (A.D. 1956) (the “**Corporate Offences Act**”), which sets out criminal liabilities on directors who fail to perform their duties as prescribed under the CCC.

## Duties and Civil Liabilities under the CCC

Under the CCC, directors are generally responsible for managing the company’s day-to-day operations in accordance with its articles of association and under the control of the general meeting of shareholders. Directors are required to perform their duties with a standard of care equivalent to a businessperson responsible for their own business. Further, they are prohibited from engaging in business activities of the same nature as or competing with those of the company, whether on their own account or that of a third person, unless shareholders’ approval has been obtained.

In particular, the CCC specifies principal obligations of a director as follows:

1. submit the list of the company’s shareholders to the Ministry of Commerce within the period prescribed by law;
2. ensure the payment of shares by shareholders;
3. ensure the proper distribution of dividends as required by law;
4. ensure the proper enforcement of shareholders’ resolutions;
5. hold an annual general meeting of shareholders;

6. ensure the proper keeping of books and accounts;
7. ensure the financial statements are prepared and examined by an auditor and approved by the general meeting of shareholders within four months following the end of the fiscal year for further submission to the Ministry of Commerce within one month from the date of the aforementioned general meeting of shareholders as required under the Accounting Act B.E. 2543 (A.D. 2000) (as amended); and
8. ensure the proper recording of the resolutions of the shareholders' and board of directors meetings.

While directors who act within the scope of their authority and in accordance with the law are generally shielded from personal liabilities under the CCC, claims against directors can be made by shareholders on behalf of the company if it fails to take action against directors for damages incurred from directors' failure or omission to perform their duties.

### **Criminal Liabilities under the Corporate Offences Act**

The Corporate Offences Act imposes criminal liabilities on the company for failing to act in accordance with certain provisions of the CCC, in which case directors and persons responsible for its business operation are also subject to a fine for the company's violation.

In addition, directors may be subject to criminal liabilities for certain actions or omissions, including the following:

1. failing to submit the list of shareholders of the company to the Ministry of Commerce within the period prescribed by law;
2. failing to convene a meeting of shareholders as required by law;
3. providing false or misleading statements or omitting to provide accurate statements in shareholders' meetings;
4. failing to prepare the balance sheet and profit and loss statements, have them audited by an auditor, and present it for approval by shareholders;
5. failing to maintain, causing damage to, falsifying or omitting important statements in statutory books and records; and
6. making false statements or omitting accurate statements regarding the company's financial status in shareholders' meetings.

In the event that a director breaches their duties, the Corporate Offences Act imposes a maximum fine for each breach of up to Baht 140,000, or a maximum imprisonment of up to seven years, or both. These penalties serve as a deterrent to ensure that directors act with due diligence and in compliance with their legal duties. In addition, directors may face reputational damage, which could adversely affect the company's standing with shareholders, investors and regulators. Therefore, directors must exercise caution and ensure that they remain fully informed of their duties and responsibilities to safeguard both their own interest and the company's.

This document is solely intended to provide an update on recent development in Thailand legislation and is not purported to provide a legal opinion, nor a legal advice to any person

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