

BUSINESS THAILAND

The Mechanics of Investment (Part 2)

Representative Office of a Foreign Corporation

A foreign entity may establish a representative office in Thailand to engage in limited non revenue earning activities.

These activities are restricted to:

Searching for local sources of goods or services for its head office.

Inspecting and controlling the quality and quantity of goods procured by its head office.

Providing advice in various fields relating to products directly sold by its head office to local distributors or consumers.

Disseminating information about new products and services of its head office, and reporting to its head office on local business developments and activities.

The working capital contributions discussed in respect to branches are also applicable to representative offices.

Regional Office of a Multilateral Corporation

A multinational corporation may establish a regional office in Thailand to engage in limited non revenue earning activities.

These activities are restricted to:

Contacting, coordinating, and supervising the activities of affiliated businesses in the region, and

Providing services to affiliated branches or subsidiaries such as; advisory and management services; training and personnel development; financial management; marketing control and sales promotion; and product research and development.

All expenditures incurred by the regional office must be borne by the head office of the multinational corporation.

The working capital requirements discussed in respect to branches are also applicable to regional offices.

2. Corporate Registration Procedures

Limited Company

Before forming a limited company, the chosen corporate name must first be registered and approved by the Commercial Registrar. A Memorandum of Association is then filed which contains: the approved name of the company, its business address, its objectives, the personal details about the promoters and the shares subscribed by each, and data on the authorized capital of the company.

The next step is to hold a statutory meeting of the shareholders during which the articles of incorporation and the by laws are approved, the board of directors is elected, the transactions and expenditures of the founders are ratified, and the authorized auditor is appointed.

The directors may then register the company with the Commercial Registrar.

Branch Representative and Regional Office.

Foreign corporations wishing to do business in Thailand through a branch, representative office, or regional office must submit the required documents which should be notarized by a Notary Public or certified by the local Thai consulate or embassy.

3. Tax Registrations

An individual person who is subject to personal tax must obtain a tax identification card from the Revenue Department within 60 days from the date of having income.

A business, which is subject to corporate income tax, must obtain a tax identification card from the Revenue Department within 60 days after its incorporation or registration.

All persons whose annual turnover exceeds Baht 600,000 must register for value added tax within 30 days after the annual turnover has exceeded that amount, unless specifically exempted.

The application for VAT registration before the date of commencing business is also allowed under the conditions specified by the Director-General of the Revenue Department.

4. Licensing a Factory

Under the Factory Act B.E. 2535 (1992), factories are separated into three groups according to the gravity of impact of the factory operations on the public or the environment, as follows:

Group 1 - Factories that can operate immediately without government permission.

Group 2 - Factories that require prior notification of the pertinent government authority before the business starts operations.

Group 3 - Factories that require the application for a factory license before the establishment of the factory.

Before the construction of a factory classified under Group 3, the operator must obtain a factory license from the Department of Industrial Works, Ministry of Industry.

Application for a license entails completing an official form, submitting drawings and particulars of the factory, machinery, and acceptable effluent treatment system, and attaching a set of documents stipulated on the form.

These additional documents include statements of the amount of investment in factory construction and operation, number and grades of factory employees, details of production, construction period for the factory, and the blueprints of the structures and the machinery that will be installed. The factory must be constructed in accordance with the approved plan and specifications.