

FBA Amendment: What to expect from the modernization of Thailand's investment rules?

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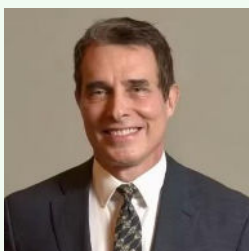
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On April 2025, Thailand's Cabinet made waves by announcing it had approved in principle a proposal to update the Foreign Business Act (FBA) – Thailand's main legal framework for foreign investments – with the objective to modernize and improve the country's economic competitiveness. The possibility of a modernization of the FBA, mostly unchanged since its enactment in 1999, has been welcomed favorably by foreign investors, while also raising questions about the extent of the changes it proposes in practice.

In recent years, Thailand has emerged as one of Southeast Asia's most attractive destinations for foreign direct investment. In 2024 the ASEAN-6 economies collectively received approximately USD 225 billion in FDI, an increase of around 10 percent over 2023, with Thailand capturing a growing share of that inflow¹. In the first four months of 2025, foreign investment into Thailand climbed more than 40% year on year, driven in large part by projects in the Eastern Economic Corridor (EEC), Thailand's flagship economic zone, including new energy, logistics and advanced manufacturing facilities².

¹ [UNCTAD World Investment Report 2025](#)

² [Royal Thai US Embassy](#)

Yet, despite Thailand's attractiveness and impressive momentum, the country can remain complex to access for foreign investors due to various restrictions and limitations under the FBA. This new pathway for Thailand to open further to foreign capital has been met with diverse reactions from stakeholders, that need to be nuanced in light of the actual scope of amendments proposed by the Thai government.

Legal barriers under the FBA

The FBA uses a negative-list approach to define which activities are restricted or prohibited for foreign investors. Under List 1 certain sectors, such as national security, media and some agricultural activities, are entirely off limits to non-Thai nationals. List 2 covers activities deemed sensitive to public order, constitutional monarchy or national culture, which may require special permission or additional scrutiny. List 3 is the broadest category and includes most services, from banking and insurance to logistics, digital platforms and professional services. In all List 3 industries foreign shareholding is capped at 49 percent. If an investor seeks to exceed that threshold it must apply for a Foreign Business License (FBL).

In practice the FBL route involves:

- Submitting a comprehensive business plan, financial forecasts and evidence of technology transfer or local skill development
- Enduring a discretionary, case-by-case review by the Foreign Business Committee
- Waiting six months or more for final approval, during which deal timetables may be interrupted. Furthermore, overlapping regulatory requirements such as separate licenses from sectoral ministries can compound complexity. Vague definitions, especially in List 3's catch-all "other services" clause, add further uncertainty and may ultimately discourage legitimate investment or unintentionally

encourage the use of prohibited nominee arrangements.

Why the FBA needs modernization

The main burden of the FBA is the lack of clarity and its' disincentives to invest in growing sectors, especially in the service-based economy.

On 22 April 2025 the Cabinet gave in-principle approval to amend the FBA, signaling recognition that the Act has not kept pace with the transformation of global business. Since 1999 the digital economy has exploded, cross-border service delivery has become routine and hybrid business models now combine elements of IT, logistics and finance in ways that simply did not exist a quarter-century ago. Yet the FBA's lists remain largely unchanged. List 3(21) "other services" grants regulators very broad discretion to define novel or technology-enabled offerings as restricted. This uncertainty not only deters strategic investors but also penalizes Thai entrepreneurs who could benefit from performance-driven incentives and a level playing field.

The Cabinet's amendment has multiple stated aims, mainly (1) reducing regulatory burdens on foreign investors, and (2) enhancing Thailand's competitiveness, in the context of an accelerating race between ASEAN nations to attract foreign capital.

Potential impact on FDI flows and M&A

If reforms succeed in trimming overly broad service categories and easing the 49 percent ownership cap in targeted sectors, Thailand could unlock a new wave of inbound capital. Strategic players in renewable energy, digital infrastructure, advanced manufacturing and logistics would find it easier to secure majority stakes or full ownership, aligning project economics with global best practices.

More broadly, clear rules and faster approvals would incentivize multinational corporations to pursue

greenfield projects, joint ventures and cross-border mergers and acquisitions rather than solely relying on capacity expansions within existing frameworks.

However, we must caution that past amendments to the FBA removed items from the negative list but placed them under the jurisdiction of other regulatory bodies, who maintained similar foreign ownership restrictions. It remains unclear at this stage whether the FBA amendment will bring impactful change.

Client inquiries and advisory focus

Since the Cabinet resolution, our clients have flooded our team with questions about which sectors will be relisted, which thresholds may change and how transitional provisions will operate. In-house legal departments in energy, technology, consumer goods and financial services are all evaluating whether to restructure current partnerships or seek new Board of Investment (BOI) promotions. Our advice to date has been to continue leveraging existing mechanisms such as BOI incentives, treaty-based privileges like those under the Thai US Treaty of Amity and carefully structured joint ventures while simultaneously preparing contingency plans. These include modelling new ownership structures, establishing minimum profit-sharing arrangements and negotiating side-letters to preserve control over key decisions once revised rules come into force.

Legislative roadmap and timing

Under Thai law the amendment process will follow a defined sequence:

1. Drafting and legal review by the Council of State, typically requiring several weeks to incorporate stakeholder feedback
2. Three parliamentary readings in the House of Representatives, covering principle approval, committee-level scrutiny and final passage

3. Senate consideration and approval
4. Royal assent by His Majesty the King
5. Publication in the Royal Gazette, after which the amendments become effective. Assuming no major political hurdles, we project that the full cycle will take approximately eight to twelve months from the Cabinet's in-principle approval in April 2025. Investors should thus plan for implementation in Q2 or Q3 of 2026, with possible transitional windows for existing FBL holders.

How foreign companies should prepare

Over the next 6 to 12 months, foreign companies with ongoing operations in Thailand should closely monitor the progress of the proposed amendments to the FBA, particularly with respect to:

- Potential changes to foreign shareholding thresholds, which may open up new opportunities or require structural adjustments.
- Transitional provisions (บทเฉพาะกาล) that often accompany FBA amendments and may impose compliance obligations or timelines for existing operators to align with the revised law.

By proactively aligning corporate structures and investment models with expected regulatory changes, investors can minimize disruption and move swiftly once the new regime takes effect.

Conclusion

Thailand's ambition to transition from an investment-hub focused on mostly manufacturing incentives to a true regional center for services and innovation depends on its ability to harmonize legal frameworks with today's global business environment. Modernizing the Foreign Business Act and narrowing the scope of List 3 and recalibrating shareholding ceilings would represent a

pivotal opportunity, by enhancing technology transfer, attracting high-quality capital and reinforce Thailand's competitive standing in Southeast Asia. While the roadmap towards full implementation remains subject to uncertainties and possible changes in the coming months, foreign investors who prepare now and remain agile will be best positioned to capitalize on the next chapter of Thailand's economic development.

The information provided here is for information purposes only and is not intended to constitute legal advice. Legal advice should be obtained from qualified legal counsel for all specific situation.