Siam Legal Chiang Mai Warns Against Nominee Structures Following Arrests Linked to Illegal Hotel Operations

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Chiang Mai immigration authorities have recently arrested foreign nationals and a Thai nominee in connection with the illegal operation of a luxury hotel in the city, highlighting intensified enforcement against prohibited foreign business control within Thailand's tourism sector. The arrests followed a long-running investigation into alleged nominee ownership and foreign control, prompting Siam Legal Chiang Mai to issue guidance on Thailand's nominee laws, foreign business restrictions, and compliance obligations.

The investigation revealed that Chinese investors and a Thai national were arrested on charges related to nominee shareholding and illegal business operations. Authorities allege the hotel was effectively controlled by foreign nationals despite Thai legal restrictions on foreign ownership in certain business sectors. One foreign suspect is reported to have fled overseas and remains under investigation.

Investigators examined shareholding structures, management control arrangements, and financial records to

establish the existence of nominee ownership schemes. Revenue streams and bank transfers served as key evidence supporting allegations of foreign control, demonstrating that nominee cases often rely on financial trails rather than formal documentation alone.

Immigration authorities have stated that nominee violations are prevalent in tourism-related businesses across Chiang Mai. These enforcement actions reflect an ongoing policy direction rather than isolated incidents, with officials issuing clear warnings to Thai nationals about the criminal liability associated with acting as nominees for foreign investors.

In a separate but related case, authorities arrested a foreign national for working without a work permit while holding a non-immigrant O visa. This case illustrates that even small-scale or informal work activities can trigger enforcement action, reinforcing that visa status alone does not replace the legal requirement for proper work authorization.

"Foreign investors often misunderstand the extent of Thailand's restrictions on business ownership and control," said Apichart Mattayanuwat, Senior Legal Advisor at Siam Legal Chiang Mai. "What appears to be a simple investment structure can violate nominee laws if foreign nationals exercise actual control through management decisions, profit flows, or informal agreements. The recent arrests demonstrate that authorities are examining the substance of business operations, not just the surface-level documentation."

Under Thai law, nominee structures where Thai nationals hold shares on behalf of foreign investors are strictly prohibited. Penalties include imprisonment and substantial fines for both the foreign investors and Thai nominees involved. In addition, the Foreign Business Act restricts foreign ownership across numerous sectors, including hotel operations under certain circumstances.

Siam Legal Chiang Mai assists clients with lawful business structuring, licensing, shareholding compliance, and work permit guidance. The firm emphasizes the importance of understanding the distinction between legal foreign investment structures and prohibited nominee arrangements. Any Chiangmai lawyer familiar with foreign business regulations can confirm that proper structuring from the outset prevents costly legal complications.

Foreign investors and Thai business partners are advised to review existing business structures for potential nominee risk, particularly within the tourism and hospitality sectors, where enforcement has intensified. Individuals working in Thailand should confirm proper visa and work permit compliance, regardless of their employment arrangement or business involvement.

Siam Legal Chiang Mai provides comprehensive legal services across Northern Thailand, specializing in foreign business law, immigration compliance, and corporate structuring. The firm has over 20 years of experience serving international clients and maintains offices in Bangkok, Phuket, and Chiang Mai.

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Siam Legal Chiang Mai

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