Siam Legal International Explains Thailand Bankruptcy Law for Foreign Nationals

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Siam Legal International, a full-service law firm with more than 22 years of experience assisting foreign nationals in Thailand, is outlining how bankruptcy proceedings work under Thai law and what foreign residents and business owners facing serious debt should understand before pursuing this option. The firm notes that Thailand's Bankruptcy Act provides a structured path to debt relief but also carries restrictions that can affect a person's ability to travel, run a business, or maintain their lifestyle for years afterward.

Thailand manages insolvency through the Central Bankruptcy Court and regional bankruptcy courts operating under the Bankruptcy Act, which provides for both individuals and companies unable to repay their debts. Corporate bankruptcy applies to companies, partnerships, and other legal entities with debts of not less than THB 2 million. Once a case is accepted, the court may order liquidation, meaning company assets are sold to pay creditors and operations typically end permanently, or it may approve business rehabilitation, a court-supervised restructuring that allows a company to continue operating while repaying debts over time and that is often preferred for its ability to preserve jobs and business relationships.

Personal bankruptcy applies to individuals or sole proprietors owing more than THB 1 million who are insolvent, meaning their debts exceed their assets and income. Unlike corporate cases, personal bankruptcy under Thai law does not provide for business rehabilitation, so individuals proceed directly to liquidation and may face restrictions such as travel bans or disqualification from serving as a company director until discharge. Mistakes in filing, disclosures, or meeting legal requirements can carry serious long-term consequences without proper legal advice.

Filing for bankruptcy in Thailand follows a defined sequence. A debtor first assesses their financial position, including debts, assets, and, for a company, its ability to continue operating, to determine whether bankruptcy is genuinely the best option or whether an alternative might work better. A creditor then files a bankruptcy petition supported by financial statements and evidence of insolvency, after which the court reviews the petition, hears from the parties involved, and decides whether to accept the case. If accepted, the court assigns an official receiver to manage the debtor's assets on behalf of creditors, and the debtor must hand over control of its assets and records, losing control of its own financial affairs. Thailand's Legal Execution Department then oversees liquidation and distribution of assets according to legal priority, with secured creditors holding collateral paid first and unsecured creditors receiving payment from remaining funds. A case concludes once debts are settled or discharged, and for individuals, discharge typically occurs after three years where no misconduct or prior bankruptcy is found, though criminal penalties and certain tax obligations remain the individual's responsibility regardless of discharge.

Composition offers an alternative route before matters reach full bankruptcy. Under this court-approved arrangement, a debtor repays only a portion of its debt with the agreement of creditors, avoiding full bankruptcy proceedings, reducing cost, and limiting reputational harm, though it depends on creditor consent and the debtor's capacity to make payments. Bankruptcy's consequences, by contrast, are severe and long lasting, potentially including restrictions on overseas travel, ineligibility to serve as a company director, damaged credit affecting future business opportunities, and a bankruptcy record that becomes public and can harm professional reputation.

"Language barriers and the complexity of these proceedings make experienced bilingual representation necessary, not optional, whether someone is weighing composition, preparing a rehabilitation filing, or trying to determine which option best fits their situation," said Rex Baay, Operations Manager at Siam Legal International.

Siam Legal International has published a detailed breakdown of bankruptcy filing procedures, thresholds, and alternatives for foreign nationals in Siam Legal's Thailand bankruptcy guide. Business owners and individuals concerned about existing debt are encouraged to review the firm's published materials and seek a legal consultation before deciding on a course of action.

For more than two decades, Siam Legal International has represented foreign individuals and businesses across Thailand's legal system, with a presence in Bangkok, Chiang Mai, Phuket, and Pattaya spanning immigration, property, corporate, and litigation practice areas.

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Siam Legal International

American-managed Thailand law firm with 22+ years? experience. Experts in corporate setup, BOI, FBL, family & divorce, property, litigation, immigration, notary, wills, contracts & due diligence across Bangkok, Phuket, Pattaya & more.

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