

Doing Business in Thailand – Partnership: Unregistered or Registered

Thai law distinguishes between unregistered partnerships and partnerships which are registered with the government. The relevant difference is the legal status of those partnerships. Whereas an unregistered partnership does not have the status as a “juristic person”/an entity that the law gives most of the same rights and obligations as a natural person, a registered partnership does (but note, an unregistered partnership is considered a juristic person for tax law purposes—*see below*). In both an unregistered and a registered partnership:

- the individual partners are jointly and unlimitedly liable for the obligations of the partnership;
- the partnership is established through a contribution of money, other properties or service to the partnership by the partners; and
- the share of each partner in the profit and losses is determined by the amount of such contribution

Since an unregistered partnership is not considered to be a juristic person, all partners are jointly and unlimitedly liable for the performance of the obligation incurred. However, an unregistered partnership is taxed as if it were a “person”/personal taxpayer and separately from its partners. In other words, the partners of an unregistered partnership are not then further taxed on the profit that they receive from it.

On the other hand, a registered partnership is considered a juristic person, similar to a company. Thus, a creditor of a registered partnership is required to initially pursue his claim against the registered partnership itself. Only upon default of the registered partnership has such creditor the right to claim settlement from any one partner for any debts incurred on behalf of the entire registered partnership. And the liability of a

partner in a registered partnership continues for two years after such ceasing to be a partner, with respect to debts incurred by the registered partnership.

A registered partnership is also treated like a company with respect to tax and as such is subject to Thai corporate income tax. And the partners of such registered partnership are subject to personal income tax on the share of profits received from such registered partnership.

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