

# Luther.

## Memo: Employment Law in Thailand

December 2025



# Content

|   |           |
|---|-----------|
| <b>A. Introduction</b> .....                                    | <b>3</b>  |
| <b>B. Regulatory framework</b> .....                            | <b>4</b>  |
| <b>C. Definitions</b> .....                                     | <b>4</b>  |
| <b>D. Employment contract</b> .....                             | <b>5</b>  |
| <b>E. Employment terms</b> .....                                | <b>7</b>  |
| <b>F. Business Transfers and Employee Rights</b> .....          | <b>12</b> |
| <b>G. End of employment</b> .....                               | <b>12</b> |
| <b>H. Supervision</b> .....                                     | <b>15</b> |
| <b>I. Labour disputes</b> .....                                 | <b>16</b> |
| <b>J. Employee benefits</b> .....                               | <b>17</b> |
| <b>K. Distinction between employees &amp; consultants</b> ..... | <b>18</b> |
| <b>L. Foreign employees</b> .....                               | <b>19</b> |
| <b>O. Our service</b> .....                                     | <b>20</b> |
| <b>Annex – Minimum Wage Rates</b> .....                         | <b>21</b> |
| <b>Luther in Asia</b> .....                                     | <b>22</b> |

# A. Introduction



**Labour law in Thailand governs the relationships between employers, employees, trade unions and the state. Collective labour law governs the relationship between these three parties, while individual labour law focuses on the rights and obligations arising from the employment contracts.**

Generally speaking, Thai labour law protects employees, reflecting the legal presumption that employers hold greater power. These protections apply equally to Thai and foreign employees. However, foreign nationals are also subject to immigration and employment regulations, including the requirement to obtain a valid non-immigrant business visa and work permit prior to commencing employment.

This publication provides an overview of the key aspects of Thai labour law relevant to employers operating in Thailand. Our aim is to highlight the fundamental principles, statutory requirements and compliance obligations that govern the employment relationship under Thai law. This publication does not constitute or substitute legal advice and should not be relied upon as such. For legal advice tailored to your specific circumstances, please contact us directly.

## B. Regulatory framework

Thai labour law is governed by a number of legislative acts, royal decrees and ministerial regulations, as well as the internal policies and practices of the Department of Labour Protection and Welfare of the Ministry of Labour. These rules have been interpreted and further developed through decisions of the Thai Courts.

The main provisions are set out in the *Thai Civil and Commercial Code B.E. 2535 (1992)*, as amended (the “**CCC**”), and the *Labour Protection Act B.E. 2541 (1998)* (the “**Labour Protection Act**”). Recent amendments to the *Labour Protection Act* have strengthened employee protection and improved working conditions by imposing sanctions on employers who fail to comply. Important changes include those related to severance pay, change of employer, leave entitlements, temporary cessation of business, transfer of business, payment in lieu of termination notice, and default interest rate.

### Relevant laws and regulations:

- *Foreigners’ Working Management Emergency Decree B.E. 2560 (2017);*
- *Act for the Establishment of and Procedure for Labour Court B.E. 2522 (1979);*
- *Alien Working Act B.E. 2551 (2008);*
- *Employment Arrangement and Job Seeker Protection Act B.E. 2528 (1985);*
- *Labour Protection Act B.E. 2541 (1998);*
- *Labour Relations Act B.E. 2518 (1975);*
- *Occupational Safety, Health and Environment Act B.E. 2544 (2001);*
- *Provident Fund Act B.E. 2530 (1987);*
- *Labour’s Skills Development Act B.E. 2545 (2002);*
- *Social Security Act B.E. 2533 (1990);*
- *State Enterprise Labour Relations Act B.E. 2543 (2000);*
- *Workmen’s Compensation Act B.E. 2537 (1994); and*
- *Other applicable rules and regulations.*

## C. Definitions

The *Labour Protection Act* defines the following key terms:

**Contract of Employment:** A contract, whether written or oral, expressed or implied, whereby an employee agrees to work for an employer in return for wages.

*Luther comment:* The CCC defines an employment contract as a contract whereby a person, known as the employee, agrees to provide services to another person, known as the employer, who agrees to pay remuneration for the duration of the services provided (sec. 575).

**Employer:** A person who hires an employee for work by paying wages and includes (i) any person entrusted to act on behalf of the employer and (ii) in case of a juristic person, a person authorized to act on behalf of the entity.

**Employee:** A person who agrees to work for an employer in return for wages, regardless of the job title.

*Luther comment:* The Labour Protection Act intentionally provides a broad definition of the terms “Employer” and “Employee”. The latter can include all types of staff, such as full-time and part-time employees, permanent and non-permanent employees, employees on probation and employees under special employment contracts.

# D. Employment contract

## I. General principles

According to the *Labour Protection Act*, a written employment contract is not mandatory; a verbal agreement suffices. However, written contracts are recommended to protect the rights and obligations of both parties and to prevent disputes.

**Luther comment:** Although there is no direct requirement, we encourage employers and employees to enter into a written contract to protect everyone's rights and benefits. Additionally, a written contract prevents future disputes.

### Key elements of employment contracts:

- Personal details of the employer and employee;
- Commencement date, duration, and probation period;
- Conditions of employment;
- Duties of the employee;
- Appointment/position of employee;
- Working days/hours;
- Remuneration;
- Leave;
- Confidentiality;
- Intellectual property, patents and inventions ownership;
- Non-solicitation, non-competition and non-acceptance;
- Termination of employment; and

Dispute resolution mechanisms.

**Luther comment:** Employers and employees are generally free to negotiate and agree to the terms and conditions of employment, as long as they exceed the minimum statutory standards under the CCC and the *Labour Protection Act*.

## II. Types of contracts

### 1. Fixed-term employment contracts

According to Thai labour law, a fixed-term employment contract is defined as an agreement with specified start and end date, or a contract that ends upon completion of a specific task (Section 118 of the *Labour Protection Act*, as detailed in Ministerial Regulation No. 4 (1998)).

Such a contract must be in writing and specify its duration or the specific project to be completed.

It is important that the employment contract does not contain any clause or reference allowing for extension or premature termination at will; otherwise, the contract is likely to be reclassified as an open-ended (permanent) contract by the labour authorities.

In addition, a fixed-term contract is strictly limited to temporary work scenarios, such as:

- Project-based assignments, which are common in industries such as construction, IT, and engineering, where the contract ends once the project finishes.
- Seasonal work, as typically occurring in industries such as hospitality, tourism, and agriculture often rely on fixed-term staffing during peak seasons.
- Temporary replacements, when employees are on maternity, medical, or extended leave, a fixed-term contract can be used to cover their role until they return.

The main advantage of a fixed-term contract is that it is **exempted** from the requirement of severance payment.

**Luther comment:** In practice, as the labour authorities in Thailand tend to be employee-friendly, they are rather restrictive in recognising fixed-term employment contracts and apply the above requirements quite strictly. However, since employment contracts in Thailand can generally be terminated by providing the employee with the required notice period and severance payment without giving any specific reason, fix-term contracts are less critical than in many European jurisdictions, where fixed-term contracts are often used precisely because "ordinary" termination is more difficult.

## 2. Open-ended employment contract

An open-ended (or indefinite) employment contract has no predetermined end date and continues until either the employer or the employee terminates the agreement.

Under Thai law, this type of contract is considered the default arrangement for most employment relationships. Upon termination, notice and severance obligations generally apply, as set out in the *Labour Protection Act*.

## III. Employer of record (EOR) services

An employer of record (EOR) is a service provider that formally employs staff on behalf of a client company, assuming responsibility for payroll, taxes, and social security compliance. This allows foreign companies to hire employees in Thailand without setting up a local legal entity. For statutory purposes, the EOR is considered the employer, while the client directs the employee's daily work.

EOR arrangements are not expressly regulated as a legal concept in Thailand. They operate in practice under the framework of labour outsourcing and labour protection laws, which require the EOR (as the legal employer) to comply with all obligations under the *Labour Protection Act*, the *Social Security Act*, and the *Revenue Code*.

These obligations include preparing compliant employment contracts, registering employees with the Social Security Office, withholding and remitting personal income tax, and providing all mandatory benefits. If foreign nationals are employed, the EOR must also obtain valid visas and work permits for them.

Although EOR structures are permissible, they require careful documentation to avoid the risks of misclassification or allegations that labour hire arrangements circumvent legal protections. Thai law holds both the outsourcing provider and the client jointly liable for certain employee rights, making clear allocation of responsibilities between the EOR and the client essential.

## IV. Collective agreements

According to the Labour Relations Act B.E. 2518, workplaces with 20 or more employees must establish a written agreement detailing working conditions. This agreement must cover matters such as hours, wages, welfare, termination, grievance procedures, and amendments. Individual contracts cannot include terms that are less favorable than those in the agreement. Amendments require a written request and negotiations between employer and employee representatives. Once signed, the agreement binds all involved employees; if it covers over two-thirds of a category of employees, it applies to all in that category.

## V. Work Regulations

Workplaces with ten or more employees but without such an agreement must issue internal work regulations.

# E. Employment terms

## I. Contract term

Thai labour law does not specify a minimum or maximum duration for employment contracts. Employers and employees may agree to either a fixed-term (see above for restrictions) or open-ended contract. A fixed-term contract has a set end date, whereas an open-ended employment contract continues indefinitely.

## II. Probation period

Thai labour law does not expressly regulate probation periods. However, in practice, employers commonly set a probation period of up to 119 days, as employees who have completed 120 days of continuous service become entitled to statutory severance pay upon termination under Section 118 of the *Labour Protection Act*.

Although the law does not specifically address extensions of probation, employers should ensure that the combined duration of the initial and any extended probation period does not exceed 120 days, to avoid triggering severance obligations.

During the probation period, either party may terminate the employment by giving advance written notice in accordance with the employment contract or the CCC. An employer may also waive or shorten the probation period if the employee's qualifications or performance justify earlier confirmation of employment.

## III. Working days and hours

The *Labour Protection Act* establishes maximum working hours, depending on the type of work performed.

- A maximum of six working days per week, with up to eight hours per day, totaling 48 hours per week.
- For work that may be hazardous to the health and safety, the maximum is seven hours per day and 42 hours per week.

As a general rule, employers must inform employees of the normal working hours, as well as meal and rest periods. If, due to the nature of the work, the employer cannot inform the employee of the starting and finishing times of the working day, the employer and the employee shall agree on the number of working hours per day, which shall not exceed eight hours, and the total number of working hours per week, which shall not exceed 48 hours.

If the working time on a given working day is less than eight hours, the employer and the employee may agree to add the remaining working time to another working day or postpone it to another working day. However, the total working time shall not exceed nine hours per day and 48 hours per week.

At least one paid rest day per week shall be granted.

As a general rule, Sunday of each week shall be designated as a day of rest. However, if necessary (e.g. due to the nature of the business), the employer and employee may mutually agree to designate any other day of the week as a rest day.

**Luther comment:** Where an employee is required to work on the weekly rest day (e.g. in the hotel industry), the employer and the employee may agree in advance to accumulate and postpone weekly rest days which may be taken at any time, but they must be taken within a period of four consecutive weeks.

An employee shall be entitled to a break of at least one hour after a maximum of five consecutive hours of work. The employer and employee may agree in advance that each rest period may be less than one hour, but the total rest period per day shall not be less than one hour.

The sum of working hours, the one-hour rest period and any overtime shall not exceed 11 hours in any one day.

## IV. Salary and deductions

While the employer and employee are free to negotiate and agree on a specific wage/ salary, the employer must pay to the employee at least the minimum wage as determined by the Wages Committee under the *Labour Protection Act*.

### 1. Salary

According to the *Labour Protection Act*, the term "wages/ salary" refers to the money agreed upon by an employer and an employee in exchange for work performed under a contract of employment. This payment is made on a regular basis, whether hourly, daily, weekly, monthly or on a different periodic basis. It can also be based on piecework performed during the normal working hours of a working day. This payment includes money that an employer pays an employee during holidays and leave, even if the employee does not work.

The promise to pay remuneration is implied. Services cannot be expected to be provided free of charge.

As per October 2025, the National Wages Committee has set the minimum wage ranging from THB 337 to THB 400, depending on the location of the workplace (please refer to the Minimum Wage List included as the **Annex**).

Unless otherwise agreed upon, employers must pay wages, overtime pay, holiday pay and other compensation in THB.

## 2. Ad-hoc payments

Additionally, employees may be entitled to the following types of payments:

### Overtime

If an employer requires an employee to work overtime on a regular workday (generally Monday to Saturday), the employer must pay overtime pay at a rate of at least 1.5 times the employee's regular hourly rate of pay for each hour of overtime worked.

### Holiday pay

If an employer requires an employee to work on a weekly rest day (usually Sunday), a public holiday (as announced by the employer) or an annual leave day, the employer shall pay the employee holiday pay as follows:

- For an employee who is entitled to holiday pay, payment shall be made in addition to wages at a rate at least equal to the hourly rate of pay for a working day for the number of hours worked or, where an employee is paid on a piece-rate basis, at not less than the piece-rate of pay for a working day for the work done; or
- In the case of an employee who is not entitled to holiday pay, the payment shall be at least twice the hourly rate of pay for a working day for the number of hours worked or, if the employee is paid on a piece-rate basis, at least twice the piecework rate of pay for a working day for the work performed.

### Holiday overtime pay

If an employer requires an employee to work overtime on a (public) holiday, the employer shall pay the employee holiday overtime pay at a rate of not less than three times the hourly rate for a working day for the number of hours worked.

## 3. Disbursement

If the employment contract (or custom) does not specify a time limit for payment of wages, the wages are payable after the services have been rendered. If a time limit is specified by periods, the wages are payable at the end of each period.

In the event of termination, an employer shall pay an employee all wages, overtime pay, and holiday pay within three days of the termination date. In addition, an employer shall pay an employee wages for unused annual leave for the year of termination in proportion to the annual leave to which the employee is entitled.

## 4. Deductions

The employer is required to calculate, file and pay personal income tax and other legally mandated payments, including trade union dues, debts owed to savings cooperatives or other cooperatives of the same nature or debts for the benefit of the employee (with the prior consent of the employee), security deposits or as compensation to the employer for damage caused by the employee (with the prior consent of the employee) or contributions to a provident fund.

Except for deductions for the payment of personal income tax, these deductions generally may not exceed 10%; and in total, they may not exceed 20% of the monthly wage or salary.

## 5. Temporary suspension of business

According to Section 75 of the *Labour Protection Act*, employers who encounter circumstances that render normal operations impossible (though not constituting as force majeure) may temporarily suspend business activities.

During the suspension period, the employer must pay employees at least 75% of their regular wages and notify employees as well as the Labour Department in advance and in writing.

Generally, the suspension may only continue for a specified period. After this period a new notification or additional compliance steps may be required if the employer seeks to extend or repeat the closure.

## V. Overtime

According to Thai labour law, an employer and an employee may mutually agree for the employee to work overtime on a normal workday. In industries where work must be carried out continuously, where a stoppage might cause significant damage, or in the event an emergency arises, an employer may require employees to work overtime as needed.

However, employers generally may not require employees to work holidays (i.e., a weekly, traditional, or annual holidays) unless the nature of the work demands continuous operation or the circumstances constitute emergency work. In these cases, prior consent from the employee is not required each time. Consequently, for businesses outside these exceptions - such as those in production or sales - an employer may only require holiday work if the employee expressly consents in advance. Businesses that can require holiday work under Section 25 of the *Labour Protection Act*, include hotels, entertainment venues, transportation operations, grocery stores, beverage shops, clubs, associations, and medical facilities.

Any work beyond eight hours per day is considered overtime, and the combined total of normal overtime plus holiday work hours cannot exceed 36 hours per week. Hours worked on a holiday count toward the overtime total and must be included in the 36-hour cap.

In addition, if an employee performs more than two hours of overtime after normal working hours due to continuous or emergency circumstances, the employer must provide at least a 20-minute rest break before the employee resumes work.

The following overtime rates apply:

- Overtime on a normal working day: Not less than 1.5 times the regular hourly wage.
- Holiday work (non-overtime): Twice the regular hourly wage, if the employee is normally entitled to holiday pay.
- Holiday overtime: At least three times the regular hourly wage.

## VI. Public holidays

According to the *Labour Protection Act*, an employer shall announce at least 13 public holidays per year (including the National Labour Day as determined by the Minister). The employer shall determine these days in accordance with the annual official holidays, religious or local traditional holidays.

If a traditional holiday falls on an employee's weekly holiday, the employee shall take a day on the following working day in place of the traditional holiday.

If an employer does not grant a traditional holiday to an employee because the employee performs work of the type or nature as prescribed by the Ministerial Regulations, the employer shall either agree with the employee on an alternative day off or compensate the employee with holiday pay.

## VII. Leave

“Leave” refers to a day on which an employee takes sick leave, leave for sterilisation, leave for necessary business, leave for military service, leave for training or skill development, or maternity leave.

The *Labour Protection Act* provides for the following types of statutory leave:

### 1. Annual leave

Employee shall be entitled to a minimum of six days of annual leave per year of employment. This leave may be taken consecutively or separately, provided the employee has worked for an uninterrupted period of one year. Employees who have not completed one year of service, the employer shall grant annual leave on a pro-rata basis.

Annual leave may be accumulated and carried forward to the following years, as agreed upon by the employer and the employee.

### 2. Sick leave

Employees shall be entitled to 30 days of paid sick leave per year. If the sickness lasts longer, the employee shall be entitled to take unpaid leave for the duration of the illness. For sick leave of three days or more, the employer may require the employee to provide a medical certificate from a first-class physician or an official medical institution.

An employee who is absent from work due to a work-related injury, occupational illness, or maternity shall not be regarded as taking sick leave.

### **3. Sterilization leave**

An employee is entitled to take leave for sterilization for the period prescribed by a licensed medical doctor, provided that a medical certificate is issued.

### **4. Personal business leave**

According to Thai labour law, employees are entitled to a minimum of three days of paid personal business leave per year. Although the law does not specify qualifying reasons for taking personal business leave, it must be for essential personal matters.

Employees must notify their employers in advance and, if required by the employer, provide reasonable justification for the leave.

### **5. Training Leave**

Employees shall be entitled to leave for training or skill development.

The employer may refuse this type of leave if the employee has already taken training leave three times or for a total of 30 days within a specified period.

### **6. Military service leave**

An employee shall be entitled to leave for military service, including inspections, military drills or readiness tests, in accordance with the applicable military service laws.

### **7. Maternity leave**

According to the *Labour Protection Act*, female employees shall be entitled to up to 98 days of maternity leave (with up to 45 days of these days paid).

### **8. Trade union activity leave**

Employees who are committee members of a labour union have the right to take leave to carry out the undertakings of the labour union as representatives of employees in negotiation,

conciliation and labour dispute arbitration. They also shall have the right to take leave to participate in meetings specified by a government agency, provided they explicitly notify their employer with evidence.

## **VIII. Compliance obligations**

Employment contracts and company policies should outline the obligations that employees must observe.

### **1. Confidentiality**

Employees should be clearly informed of their confidentiality obligations, both during and after the cessation of the employment.

Regulations such as the Trade Secrets Act B.E. 2545 (2002) set forth the secrecy and confidentiality obligations that may apply to employees in an employment relationship. Employers should include explicit terms in the employment contract, specifying the type of information that constitute a trade secret, and is therefore protected, to prevent future disclosure. Employers may also include restrictive covenants as a means of protecting future confidentiality.

In addition, if an employee causes damage to the employer by disclosing confidential information, resulting in damages to the employer suffering damages, the employer may claim damages.

### **2. Restrictive covenants**

Thai law does not prohibit employers from restricting employees' activities during and after termination of employment.

For instance, an employer can prohibit an employee from working for or operating a business that is the same as or in competition with the employer's business. It is also possible to prohibit an employee from soliciting former or existing employees or clients of the employer after termination.

According to guidance from the Thai Supreme Court, non-competition and non-solicitation clauses are considered reciprocal agreements that aim to protect the commercial rights and benefits of the parties to the contract (mainly the employer, who may suffer loss if the employee breaches the restrictive covenant) to the contract, provided that the restriction:

- Must not entirely prohibit or obstruct the employee from making a living; and
- Is enforced on specific restricted businesses and/or for a restricted time period which is considered as being fair.

A restriction can be either geographical (by prohibiting the carrying out of the restricted business in a certain area) and/or for a specified time, provided that the geographical area and time specified is deemed to be fair. In any event, the court has the power to reduce the restrictions at its discretion (i.e. the court is not obliged to find an unreasonable restriction wholly unenforceable) if the court takes the view, under the terms of the Unfair Contract Terms Act, B.E. 2540 (1997), that the restriction imposes too much of a burden on the employee.

### **3. Intellectual Property Rights**

Thai law distinguishes between types of intellectual property created during employment. According to Section 9 of the Copyright Act B.E. 2537 (1994), the copyright of works produced by employees belongs to the employee, unless a written agreement states otherwise, making it essential for employers to include explicit assignment clauses in employment contracts. Conversely, Section 11 of the Patent Act B.E. 2522 (1979) generally grants patent rights for inventions or designs made by employees in the course of their employment, unless otherwise agreed upon.

Including clear intellectual property provisions in employment contracts is crucial to securing the employer's rights to exploit innovations and creative works, preventing disputes over ownership, and ensuring compliance with statutory requirements.

### **4. Data Protection**

The *Personal Data Protection Act B.E. 2562 (2019)* requires employers to inform applicants of data collection purposes. While written employment contracts are not mandatory, they

are recommended to clarify rights and obligations. Employers must keep wage and employment records for at least two years (longer if disputes arise). Employees have the right to access and correct their personal data. Employers with ten or more employees must issue work rules in Thai. Employment contracts should include confidentiality clauses, and damages may be sought for unauthorized disclosures.

### **5. Anti-Discrimination & Equality**

Thai law strictly prohibits employment discrimination based on gender, age, race, religion, disability, or trade union membership. These protections cover all stages of employment, from recruitment to termination. Both direct and indirect discrimination, as well as workplace harassment, are forbidden.

# F. Business Transfers and Employee Rights

## I. Change of Employer

According to Thai law, employees' rights and entitlements remain unaffected when a business is transferred, whether by asset sale, merger, or intra-group restructuring. Section 13 of the *Labour Protection Act* provides that all employment rights and obligations automatically transfer to the new employer. Employees retain their accrued benefits, seniority, and contractual entitlements without interruption.

Section 13 overrides the general consent requirement under Section 577 of the CCC. Therefore, employee consent is not required for statutory business transfers. This ensures protection for employees while providing employers with legal certainty.

## II. Preservation and Harmonization of Employment Terms

Following a business transfer, harmonization of employment terms is permissible only if it does not reduce or otherwise adversely affect employees' rights. Any change that diminishes existing benefits requires express employee consent. If harmonization would disadvantage transferred employees without consent, separate benefit regimes must be maintained to ensure continuity of protection. This approach safeguards employees' accrued rights and provides employers with certainty regarding their post-transfer obligations.

# G. End of employment

The *Labour Protection Act* and, to some extent, the CCC provide details on contract expiration, employee resignation by the employee, and termination or dismissal by the employer.

## I. End of employment

In case of a fixed-term employment contract, the employment ends at the date or period specified in the employment contract without the need for notice. In this case, an employee shall not be entitled to receive severance pay.

*Luther comment:* If a fixed-term employment contract fails to meet the requirements for qualifying as a "true" fixed-term contract (please see page 5 above), the Thai labour authorities may reclassify the employment as a permanent (open-ended) contract. Consequently, the employer must comply with all regulations for permanent employment, including the obligation to pay severance upon termination of an employee.

## II. Resignation by the employee

If the term of employment is not specified in the employment contract, an employee may resign at any time by providing advance notice before the next wage payment date, with the resignation becoming effective on the following payment date. In practice, this corresponds to approximately one month's notice, unless a longer period is agreed in the contract.

If the employee fails to observe the agreed notice period, the employer cannot compel continued work but may, in theory, claim damages for breach of contract, although such claims are rarely enforced.

Upon resignation, the employer must pay all outstanding wages for the days actually worked and compensate for any unused annual leave. However, the employer is not required to pay severance to an employee who voluntarily resigns.

## III. Termination by the employer

Under the law, an employer can either dismiss (e.g., for gross misconduct) or terminate an employee. Either option should be carefully considered, as this will have implications for the obligations to comply with a notice period and to pay severance.

## Dismissal

Immediate dismissal is permitted for any of the following reasons:

- Performing his/her duty dishonestly or intentionally committing a criminal offence against the employer;
- Willfully causing damage to the employer;
- Willfully negligent acts causing serious damage to the employer;
- Violating work rule, regulation or order of the employer which is lawful and just, and after a written warning has been given by the employer, except for serious cases where no warning is required. The written warning shall be valid for a period not exceeding one year from the date when the employee commits the offence;
- Absenting himself/herself from duty without justifiable reason for three consecutive working days regardless of whether there is holiday in between (absence for a reasonable cause and during a reasonably short period does not entitle the employer to terminate the contract); or
- Being sentenced to imprisonment by a final court judgment.

In such a case, an employer may dismiss an employee by providing written notice, without complying with a notice period and paying severance.

In addition, an employee may be dismissed without notice or compensation if they wilfully disobey or habitually neglect the lawful commands of their employer, absent themselves from service, are guilty of gross misconduct, or otherwise acts in a manner incompatible with the due and faithful discharge of their duty.

## Termination

If the term of service is not specified in the employment contract, an employer may terminate the contract by giving advance notice in writing to the employee at or before any due date of wage payment, to take effect on the following due date of wage payment, with no requirement for advance notice of more than three months.

Alternatively, the employer may pay wages of an amount to be paid up to the due time of termination of the contract of employment as specified in the notice and may dismiss the employee immediately.

*Luther comment:* Termination on the grounds of poor performance is permissible under Thai law but is strictly interpreted by the labour courts. Employers must establish clear performance standards, maintain documented evidence that the employee was informed of these standards, and provide the employee with a reasonable opportunity to improve, typically through written warnings and a performance improvement plan (PIP).

Thai courts require employers to demonstrate both justifiable cause and proper procedure. If these requirements are not satisfied, the termination may be deemed unfair, entitling the employee to unfair termination compensation, statutory severance pay, or even reinstatement.

## Prohibitions on Termination:

Thai law prohibits termination based on certain protected grounds. Employers are not permitted to dismiss employees due to pregnancy, union membership or activities, filing complaints against the employer, participation in legal proceedings against the employer, gender discrimination, or other unlawful discriminatory reasons. Dismissal on these grounds is considered unfair and can result in reinstatement orders and/or compensation for damages.

## IV. Cancellation of employment

Upon mutual agreement between the employer and the employee, the employment contract may be canceled.

## V. Certificate of employment

Upon termination of the employment, the employee is entitled to a certificate specifying the duration and nature of their service.

## VI. Suspension from work

If an employee is under investigation for an alleged offence, the employer may not suspend the employee unless expressly authorized by the company's work rules or an employment agreement. If suspension is permitted, the employer must issue a written order specifying the alleged offence and the suspension period, which must not exceed seven days. The employee must be notified before the suspension takes effect.

During the suspension, the employer must pay the employee at least 50% of their regular daily wages, as specified in the work rules or employment agreement.

If the investigation concludes that the employee is not guilty, the employer must pay the employee full wages for the entire suspension period and compensate them with interest at a rate of 15% per annum on the withheld wages.

## VII. Retirement

The *Labour Protection Act* does not prescribe a mandatory retirement age. If a retirement age is set in work rules or employment contracts, or agreed with the employee, retirement at that age is treated as termination under Section 118, paragraph 2 of the *Labour Protection Act*. In such cases, severance pay is owed if the conditions of Section 118/1 are met.

Where no retirement age is set, but an employee reaches the age of 60 years, the employee may notify the employer of their intention to retire, effective thirty days after notice. In such a case, the employer must pay severance pay at the same statutory rates as for termination without cause. In practice, most Thai employers stipulate a retirement age of sixty in contracts or work rules. Upon retirement, employers typically provide written notice, settle final entitlements (severance, unused leave), and pay any additional benefits under provident or welfare funds. Employers must ensure compliance with statutory procedures and maintain proper documentation.

## VIII. Severance payment & tax obligations

According to the *Labour Protection Act*, an employer shall pay severance to an employee who is terminated as follows:

| Term of Employment  | Severance Pay             |
|---------------------|---------------------------|
| 120 days – 1 year   | 30 days of latest salary  |
| 1 year – 3 years    | 90 days of latest salary  |
| 3 years – 6 years   | 180 days of latest salary |
| 6 years – 10 years  | 240 days of latest salary |
| 10 years – 20 years | 300 days of latest salary |
| > 20 years          | 400 days of latest salary |

For the purpose of calculating an employee's period of employment under the *Labour Protection Act*, holidays, leave days, days-off permitted by the employer for the benefit of the employee, and days-off ordered by the employer for the benefit of the employee shall also be included in the employee's period of employment.

*Luther comment:* If an employer dismisses an employee for any of the reasons stated in sec. 119 of the *Labour Protection Act* (see above), the employee shall not be entitled to the payment of severance pay.

Severance pay must be paid at the time of termination. The employer is obligated to pay severance without delay, in accordance with Section 118.

As of July 17, 2024, Ministerial Regulation No. 394 (B.E. 2567) under the *Revenue Code* has increased the tax exemption ceiling for severance pay to an amount equivalent to the employee's last 400 days' wages or salary, capped at THB 600,000.

Employers are responsible for withholding any required taxes from severance payments and remitting them to the competent tax authorities.

# H. Supervision

The *Labour Protection Act* established the following labour related compliance requirements.

## I. Work rules

An employer engaging ten or more employees shall provide work rules in Thai language, which shall contain at least the following details:

- Working days, normal working hours and rest periods;
- Holidays and rules for taking holidays;
- Rules governing overtime and holiday work;
- Date and place of payment of wages, overtime pay, holiday pay, and holiday overtime pay;
- Leave and rules for taking leave;
- Discipline and disciplinary measures;
- Lodging of grievances;
- Termination of employment, severance pay, and special severance pay.

The employer shall announce the work rules within 15 days from the date the employer employs ten or more persons and shall always keep a copy of such rules at the employer's office. An employer shall distribute and post the work rules in a prominent position in the workplace or via electronic means available for employees to perceive and access.

## II. Grievances

The lodging of grievances shall contain at least the following particulars:

- Scope and definition of grievances;
- Methods and steps for handling grievances;
- Investigation and consideration of grievances;
- Procedures for grievance resolution;
- Protection for the claimant and any involved persons.

## III. Records of employees

Employers with ten or more employees shall keep and maintain employee records in Thai language, which shall contain at least the following particulars for each employee:

- Name and surname;
- Sex;
- Nationality;
- Date of birth or age;
- Present address;
- Date of commencement of employment;
- Position or duties;
- Rate of wages and other benefits agreed upon by the employer and employee;
- Date of termination of employment.

## IV. Records of wages

Employers with ten or more employees shall provide documents related to wage, overtime pay, holiday pay and holiday overtime payments. These documents shall contain at least the following particulars:

- Working days and working hours
- Work performed by employees who receive wages on a piece-rate basis
- Rate and amount of wages, overtime pay, holiday pay and holiday overtime pay received by each employee.

An employer shall keep the record of employees for at least two years from the date of termination of employment of each employee. The employer shall also keep the documents relating to the payment of wages, overtime pay, holiday pay or holiday overtime pay for at least two years from the date of such payment.

# I. Labour disputes

If there is a complaint made or a labour dispute under the law on labour relations, or if a lawsuit is commenced, the employer shall retain the record of employees and documents relating to the payment of wages, overtime pay, holiday pay and holiday overtime pay until the order or judgement in respect of such matter has become final.

Employers with ten or more employees shall submit a report on the conditions of employment and working conditions to the Director-General or a designated representative within every January.

If there are any changes to the facts regarding employment and working conditions submitted under the first paragraph, the employer shall inform the Director-General or a designated representative in writing of the change within the following month after such change has occurred.

Thailand's labour dispute resolution system is primarily governed by the *Labour Protection Act*.

## I. Complaints

If an employer violates or fails to comply with an employee's entitlement to receive payments, and the employee wishes to enforce this entitlement under the *Labour Protection Act*, the employee is entitled to file a complaint with the Labour Inspector of the locality where the employee works or where the employer's business is located.

The Labour Inspector shall investigate and issue an order within 60 days from the date of receipt of the complaint. If the Labour Inspector is unable to make an order within this period, he/she may apply for an extension, but the extension shall not exceed 30 days from the initial expiry date.

If it appears that the employee is entitled to any sum of money which the employer is liable to pay under the *Labour Protection Act*, the Labour Inspector shall order the employer to pay such money to the employee within 30 days from the date of acknowledgement or the date deemed to be acknowledged of the order.

## II. Lawsuit

If an employer or employee is not satisfied with the order of the Labour Inspector, they shall bring the case to court within 30 days from the date of receipt of the order.

If an employer or employee fails to bring the case to court within this timeframe, the order shall be final.

Although an employer may terminate an employee's employment if the term is not specified, the employer must consider whether such termination would be deemed "unfair" under sec. 49 of the Act for the Establishment of and Procedure for Labour Court B.E. 2522 (1979).

# J. Employee benefits

The Thai Labour Court has the discretion to grant a remedy if it considers that the termination of employment was 'unfair'. There is no exhaustive definition of 'unfair' termination. However, some examples of circumstances that the Thai Labour Court has deemed unfair termination include:

- Termination without reason;
- Termination without any fault on the part of the employee;
- Termination as disciplinary action, in circumstances where the penalty imposed was not in accordance with the employer's work rules;
- Termination where the employer cannot produce witnesses or evidence to prove default by the employee;
- Termination due to discrimination.

If the Thai Labour Court finds that the termination is unfair, it has the power to order reinstatement of the employee on the same terms and conditions of employment (i.e., at the same salary and position prior to termination). If the Thai Labour Court determines that the parties are no longer able to work together, it may order compensation for unfair termination, which in practice is usually one monthly base salary per year of employment service.

The amount of compensation is at the sole discretion of the Thai Labour Court. In exercising its discretion, the Thai Labour Court takes into consideration the age of the employee, the length of employment, the hardship suffered by the employee due to termination, the reasons for termination, and the compensation the employee is entitled to receive.

## **The statute of limitations**

Employees must file claims for unpaid wages, overtime, bonuses, allowances, or other remuneration within two years from the termination date. The statute of limitations on claims for severance is ten years.

## **I. Employee welfare fund**

Unless an exemption applies, all employees of businesses with more than ten employees shall be members of the Employee Welfare Fund.

The employer shall deduct a portion of the employee's wage in each payment to contribute to the fund. Additionally, the employer shall pay supplementary contributions to the Employee Welfare Fund, provided that the rate does not exceed 5% of wages, as prescribed in the Ministerial Regulations.

## **II. Social security**

According to *Social Security Act*, employers must withhold and pay a monthly social security contribution of 5% from each employee's salary, calculated on a wage cap at THB 15,000 (~ USD 440). This means the maximum employee contribution per month is THB 750, and employers must also contribute an additional THB 750 per employee.

Registered employees may file compensation claims for non-work-related injuries, illnesses, disabilities, or death, as well as for childbirth, child welfare, retirement, and unemployment benefits.

In terms of retrenchment policies, Thai law does not impose a "first in, last out" rule. Employers retain discretion in determining which roles or positions to eliminate when downsizing, provided they comply with statutory notice, severance, and other relevant labour protections.

# K. Distinction between employees & consultants

## III. Workmen's compensation

The Workmen's Compensation Act requires employers to provide benefits at prescribed legal rates to employees who suffer injury, illness or death while performing their work. In general, compensation is paid monthly at a rate of 60% of monthly wages, between a minimum of THB 2,000 (~ USD 60) and a maximum of THB 9,000 (~ USD 260) per month.

Medical expenses must be covered up to THB 35,000 (approx. USD 1,000) for normal cases and THB 50,000 (approx. USD 1,500) for serious injuries.

Employment rehabilitation expenses must be covered as necessary, up to THB 20,000 (USD ~ 580).

In the event of an employee's death, funeral expenses shall be paid up to an amount equal to 100 times the minimum daily wage.

### I. General

Thai law distinguishes between employees (i.e., persons with an employment contract) and independent contractors (i.e., persons working under a service contract). Independent contractors are entitled to receive payment upon completion of the work or project. They are primarily governed by the "hire-for-work" provisions under the CCC.

In practice, however, determining the difference between employees and independent contractors can be difficult. Thai labour authorities are known to be quite employee-friendly and interested in protecting employees' rights under Thai labour law. As a result, a service engagement may, in many cases, be considered "hidden employment", leading to legal consequences for non-compliance with employer obligations, such as social security contributions, personal income tax filings, and leave and holiday entitlements.

In theory, the same principles apply as in other jurisdictions. The distinction between service contracts (e.g., consultant or contractor agreements) and employment relationships should be assessed based on factors such as:

- Control - To what extent does the hiring organisation control how the contractor performs the work?
- Chance of profit/risk of loss - Does the contractor have the potential to make a profit or incur a loss?
- Investment - Has the contractor invested in materials, equipment, or other resources required to perform the work?
- Integration - How integral is the work to the hiring organisation's core operations?
- Duration - What is the duration of the engagement?
- Payment/Benefits - What type of payments and benefits does the contractor receive?

## L. Foreign employees

*Luther comment:* While some of these factors can be managed through careful drafting of a service contract, the actual facts of the engagement take precedence over the wording of the agreement. For example, if an engagement involves a single individual providing full-time services for an extended period, it is highly likely to be classified as employment under Thai law.

Only if it is evident that the engagement constitutes independent services (e.g., if the individual also provides equipment and materials, and offers the same services to multiple clients), it may be safe to regard it as an independent contractor engagement.

## II. Foreign consultants

As in most countries, foreigners are generally not permitted to provide independent services in Thailand without first registering a business. Consequently, any foreigner intending to conduct business in Thailand must establish a company or register a branch office of an overseas corporation. This company or branch office would then act as the foreigner's employer when providing services.

Without such a registration requirement, it would not be possible to enforce investment restrictions or ensure compliance with tax and other regulatory obligations.

Unless exempt, a foreigner must hold a valid visa and a work permit to legally work in Thailand. A work permit is a legal document that specifies the foreigner's position, job description, and employer.

Both the employer and the foreigner must meet certain minimum requirements. Additionally, foreigners are only permitted to perform work that complies with the restrictions of the Foreigners' Working Management Emergency Decree B.E. 2560 (2017).

*Luther comment:* For further information, please refer to our Memo: Immigration Services in Thailand.

## M. Our service

Our Team in Bangkok provides comprehensive employment law services, HR advice, and support for employers and employees. Our employment law specialists work closely with you to understand your specific needs and provide you with “advice that works”. We would also be happy to assist with compliance matters, such as accounting, payroll, corporate secretarial services, and tax compliance, as well as general legal and tax advice.

We hope we can be of assistance to you. Should you have any questions, please do not hesitate to contact us.

# Annex – Minimum Wage Rates

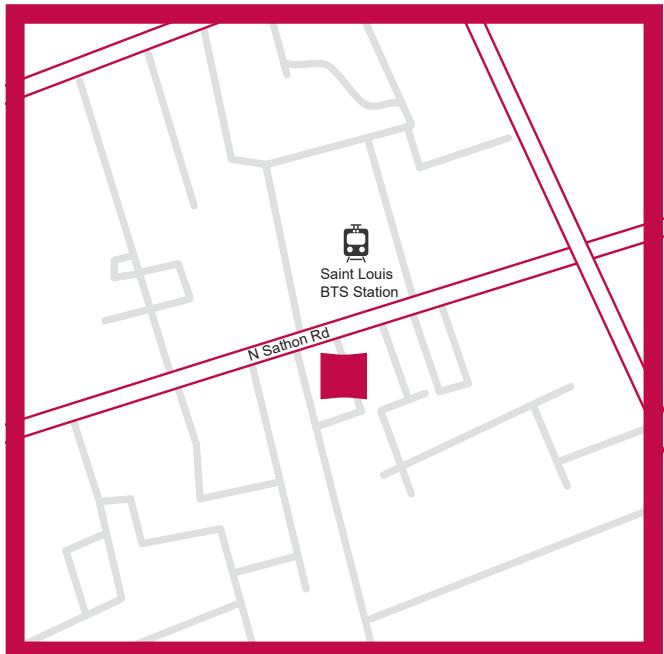
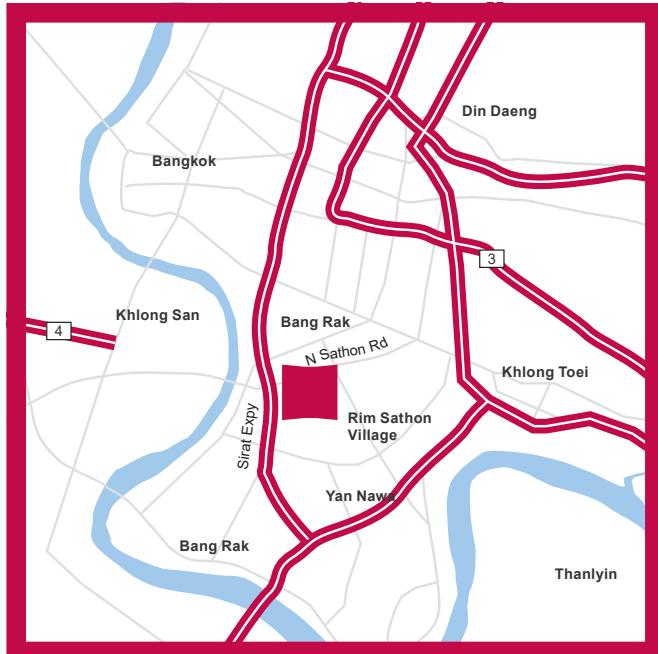
| Minimum Wage per Day in THB | Provinces  |
|-----------------------------|--|
| 400                         | Bangkok, Phuket, Rayong, Chon Buri, Chachoengsao, Surat Thani (only Ko Samui District)   |
| 380                         | Chiang Mai (only Mueang Chiang Mai District), Songkhla (only Hat Yai District)   |
| 372                         | Nakhon Pathom, Nonthaburi, Pathum Thani, Samut Prakan, Samut Sakhon  |
| 359                         | Nakhon Ratchasima  |
| 358                         | Samut Songkhram  |
| 357                         | Khon Kaen, Chiang Mai (except Mueang Chiang Mai district), Prachinburi, Phra Nakhon Si Ayutthaya, Saraburi   |
| 356                         | Lop Buri   |
| 355                         | Nakhon Nayok, Suphan Buri, Nong Khai   |
| 354                         | Krabi, Trat  |
| 352                         | Kanchanaburi, Chanthaburi, Chiang Rai, Tak, Nakhon Phanom, Buri Ram, Prachuap Khiri Khan, Phang Nga, Phitsanulok, Mukdahan, Sakon Nakhon, Songkhla, Sa Kaeo, Surat Thani, Ubon Ratchathani |
| 351                         | Chumphon, Surin, Phetchaburi   |
| 350                         | Nakhon Sawan, Yasothon, Lamphun  |
| 349                         | Kalasin, Nakhon Si Thammarat, Phetchabun, Roi Et, Bueng Kan  |
| 348                         | Chainat, Chaiyaphum, Phatthalung, Sing Buri, Ang Thong   |
| 347                         | Kamphaeng Phet, Phichit, Maha Sarakham, Mae Hong Son, Ranong, Ratchaburi, Lampang, Loei, Si Sa Ket, Satun, Sukhothai, Nong Bua Lamphu, Amnat Charoen, Udon Thani, Uttaradit, Uthai Thani   |
| 345                         | Nan, Phrae, Phayao, Trang  |
| 337                         | Yala, Pattani, Narathiwat  |

Remark:

\* Current as of November 2025. Minimum wage rates effective from 1 July 2025.

\*\* THB 400 minimum applies nationwide for certain business categories (hotel rated two stars and higher with at least 50 rooms and entertainment establishments defined under the Entertainment Venue Act)

# Our office in Bangkok



Description in detail

## Our office in Bangkok

**Luther Law Firm (Thailand) Co., Ltd.**  
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## Your contact



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# Luther in Asia

## Expertise

Our office works closely together with the other Luther offices in Asia and Europe. We take a holistic approach, dealing with Asia-wide compliance issues, assisting with the creation of international holding structures and ensuring tax-efficient repatriation of profits.

We provide the complete range of legal and tax advice to clients doing business in and from Asia. To offer a seamless service, we have teams in Europe as well as in Asia, led by partners with many years of experience on both continents. That way, we can immediately answer questions concerning investment decisions and provide our clients with an accurate assessment of the particularities of their projects, no matter where they are located.

Our lawyers unite substantial practical knowledge in important legal areas and cover the entire spectrum of law in Asia and beyond. We support foreign investors in the assessment of location and investment criteria, the structuring of investment projects, acquisitions and joint ventures. Finding and implementing solutions for sensitive areas like technology transfer and know-how protection also form part of our work. Alongside our clients we negotiate with future partners and local authorities and ensure the enforcement of their rights, in and out of court as well as in arbitration proceedings.

The services of our lawyers are complemented by our accountants, HR professionals and tax consultants offering all the services one would necessarily associate with a “one-stop shop” concept, from outsourced administration to accounting, payroll and tax compliance. Additionally, we provide corporate secretarial services, especially in Asian “common law” countries.

Collectively, our lawyers, tax consultants and professionals combine the competence and experience necessary to comprehensively assist comprehensively on all business matters in Asia. Our tax experts advise on individual and corporate tax compliance as well as on withholding tax issues, on Double Taxation Agreements and on complex international tax structures. Our accountants and professionals carry out the time-consuming administrative tasks of accounting and payroll functions a business must undertake, allowing our clients to concentrate on growing their business.

## Singapore

Singapore is a leading international trade and financial hub. As such, it serves as Asian headquarters for many international companies operating within the Asia-Pacific region.

With a staff strength of more than 90, Luther is by far the largest continental European law firm in Singapore. More than 26 lawyers from Singapore, Germany, France and other jurisdictions cover the full range of corporate and commercial legal work as well as the structuring of investments within South and South East Asia.

Our team is supported by excellent local Singaporean lawyers, notary publics, tax advisors, accountants, corporate secretaries and other professionals.

## Shanghai

Shanghai is the main hub for doing business in China, and with a team of more than 20 international lawyers, Luther is the largest German-speaking law firm in the city. Our China team consists of German and Chinese legal experts most of whom have over a decade of experience in developing and entering the Chinese market.

Luther Shanghai is fully authorised to offer legal services including litigation and provides advice on all questions of Chinese law. Our legal team is supported by Chinese tax advisors, accountants, corporate secretaries and other professionals.

## Region

Our two principal Asian offices in Singapore and Shanghai are complemented by offices and teams in Yangon (Myanmar), Bangkok (Thailand), Delhi-Gurugram (India), Ho Chi Minh City (Vietnam), Kuala Lumpur (Malaysia) and Jakarta (Indonesia).

This network of Luther offices is further strengthened by the long-established business relationships that we have successfully developed both locally and with our regional partners in Australia, Hong Kong, Japan, New Zealand, the Philippines and South Korea.

# Hits the Mark. Luther.

Luther Rechtsanwaltsgesellschaft mbH is one of the leading corporate law firms in Germany. With some 420 lawyers and tax advisors, we can advise you in all fields of German and international corporate law. In addition to having offices in every economic centre throughout Germany, we are also present in 11 locations abroad: in Brussels, London and Luxembourg in Europe, and in Bangkok, Delhi-Gurugram, Ho Chi Minh City, Jakarta, Kuala Lumpur, Shanghai, Singapore and Yangon in Asia.

Our advisory services are tailored to our clients' corporate goals. We take a creative, dedicated approach to achieving the best possible economic outcome for each of our clients. The name "Luther" stands for expertise and commitment. With a passion for our profession, we dedicate all our efforts to solving your issues, always providing the best possible solution for our clients. Not too much and not too little – we always hit the mark.

We know how crucial it is to use resources efficiently and to plan ahead. We always have an eye on the economic impact of our advice. This is true in the case of strategic consulting as well as in legal disputes. We have complex projects on our agenda every day. At Luther, experienced and highly specialised advisors cooperate closely in order to offer our clients the best possible service. Thanks to our fast and efficient communication, permanent availability and flexibility, we are there for you whenever you need us.

Luther has been named "Law Firm of the Year: Germany 2024" by The Lawyer, one of the most well-known legal magazines worldwide.



## About unyer

unyer is a global organisation of leading international professional services firms. Besides law firms, unyer is also open to other related professional services, especially from the legal tech sector. unyer is based in Zurich as a Swiss Verein. unyer is globally connected but has strong local roots in their respective markets.

unyer has an exclusive approach and only accepts one member firm from each market. unyer members offer its clients full services across all jurisdictions with a compelling industry focus. The organisation has an annual turnover of more than EUR 650 million and includes over 2,550 lawyers and advisors in more than 14 countries in Europe and Asia.

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# Our locations

Our and our local partners' offices in important European and Asian markets



The shown locations are either Luther legal or corporate services offices and/or offices of our local cooperation partners.

# Luther.

**Bangkok, Berlin, Brussels, Cologne, Delhi-Gurugram, Dusseldorf, Essen,  
Frankfurt a.M., Hamburg, Hanover, Ho Chi Minh City, Jakarta, Kuala Lumpur,  
Leipzig, London, Luxembourg, Munich, Shanghai, Singapore, Stuttgart, Yangon**

You can find further information at:

[www.luther-lawfirm.com](http://www.luther-lawfirm.com)

[www.luther-services.com](http://www.luther-services.com)

