

Legal Update

Thailand and Vietnam: Which Jurisdiction Works Better for Manufacturing, Tech Teams and Regional HQs?

This article is the third in a four-part series comparing Thailand and Vietnam as investment destinations for foreign businesses. In the first article, we looked at market entry and legal fit. In the second, we examined tax incentives, hidden costs and effective tax outcomes. In this third article, we turn to operating model. More specifically, we consider which jurisdiction is better suited for manufacturing, technology and service teams, and regional headquarters or coordination functions. The final article in the series will examine the common mistakes foreign investors make when entering these markets.

When investors compare Thailand and Vietnam, the discussion often starts as if the two countries are substitutes. In practice, they are often better understood as serving different roles within the same regional strategy. Thailand tends to appeal as a mature operating and coordination base, with strong infrastructure, established professional services and more developed frameworks for regional management. Vietnam, by contrast, is often chosen for operational scale, export manufacturing, technology delivery and cost-efficient execution.

That is why the more useful question is not simply where to invest, but what function the jurisdiction is expected to perform.

A manufacturer with a large export footprint may reach a different conclusion from a multinational seeking to centralise treasury and regional support services. Likewise, a software business building a large development team may prioritise a different combination of cost, talent and licensing simplicity than a group establishing a regional headquarters. The right answer depends on the operating model.

1. Manufacturing and export operations: scale versus flexibility

Manufacturing is often where the Thailand–Vietnam comparison becomes most commercially significant.

Thailand has long positioned itself as a regional manufacturing hub, particularly in sectors such as automotive, electronics, food processing and precision components. Its strengths lie in industrial infrastructure, integrated supply chains and strong logistics connectivity. For foreign manufacturers, the choice in Thailand often comes down to whether to operate as a Board of Investment Thailand (BOI)-promoted project or as a standard manufacturing enterprise. BOI promotion can materially improve the economics of a manufacturing project through corporate income tax exemption, import duty relief on machinery and raw materials, and non-tax privileges such as land ownership for the promoted project and facilitation for foreign experts. It can also help address foreign ownership restrictions where relevant.

At the same time, BOI promotion comes with conditions. Companies must operate within the approved project scope, maintain required investment levels and comply with reporting obligations. Standard manufacturing structures, while less incentivised, may offer greater operational flexibility, particularly for businesses that intend to serve both the domestic Thai market and export markets. For some investors, that flexibility can be commercially more important than a richer incentive package.

Vietnam presents a different manufacturing proposition. It remains one of the region's most attractive destinations for export-oriented investors, with major appeal in electronics, textiles, consumer goods and precision components. Its value proposition is closely linked to trade access, competitive labour costs and improving industrial infrastructure. For export manufacturers, the key structural choice is often between establishing an Export Processing Enterprise (EPE) and operating as a standard non-EPE manufacturing company.

The EPE model is designed for businesses that intend to export all of their output. It offers strong customs and tax advantages, including import duty exemptions on machinery, raw materials and components used in production, as well as zero percent VAT treatment on qualifying purchases from domestic suppliers. However, EPE status comes with strict conditions, including physical and operational separation from the domestic market and heavier customs oversight. It is therefore best suited to businesses with a genuine export-only strategy. Non-EPE manufacturers offer greater flexibility for companies that want to combine export activity with local sales, although without the same level of customs and VAT efficiency.

The commercial distinction is therefore relatively clear. Thailand often works well where investors value industrial depth, mature supply chains and the possibility of pairing manufacturing with a domestic-market strategy. Vietnam often works especially well where the project is export-led, cost-sensitive and designed to take advantage of international trade access.

2. Technology teams and service operations: cost-efficient scale versus mature regional integration

The comparison becomes more nuanced in the technology and services space.

Thailand has spent the last decade positioning itself as a base for technology development, digital services and regional support operations. Policy initiatives such as Thailand 4.0 and the Eastern Economic Corridor (EEC) have been designed to attract high-value industries, including digital technology, robotics, smart electronics, biotechnology, aviation and next-generation automotive industries. Companies operating in the EEC may benefit from enhanced incentives beyond standard BOI promotion, supported by infrastructure projects such as Digital Park Thailand, major logistics links and innovation-oriented development zones.

From a regulatory perspective, Thailand can still be more structured than Vietnam for many service businesses, since foreign participation remains shaped by the Foreign Business Act, B.E. 2542 (1999) (FBA). However, technology-related activities such as software development, digital platforms, IT consulting, data services and cloud-related projects are often structured through BOI-promoted routes, which may permit full foreign ownership and provide tax and non-tax incentives. Thailand also offers a more mature commercial

ecosystem for shared services, higher-value service teams and regional support functions, supported by infrastructure, connectivity and an experienced professional workforce.

Vietnam, by contrast, has emerged as a strong destination for software development, IT services, outsourcing and digital support operations. It benefits from a large, young, digitally native workforce and a cost structure that remains highly competitive by regional standards. Service-based investment is often more straightforward from a licensing perspective, with business lines such as software development, IT services, consulting, technical support, data processing and back-office operations generally open to 100 percent foreign ownership. Exported services may also enjoy zero percent VAT where the conditions are met, and certain software, AI, digital content and R&D activities may qualify for preferential tax treatment.

This makes Vietnam especially attractive for businesses building sizeable delivery teams, outsourced support operations or technology functions serving global clients. Thailand, however, may still be the stronger choice where the investor needs closer integration with regional management, more established professional support or a base for higher-value service functions rather than large-scale delivery alone.

3. Regional headquarters, treasury and coordination functions: Thailand remains more developed

The contrast is at its sharpest when the operating model shifts from execution to coordination.

Thailand has long positioned itself as a regional coordination and management hub for multinational groups operating across Southeast Asia. Its strengths here are structural: developed financial infrastructure, a broad double tax treaty network, strategic location and a more established framework for shared services, regional procurement, management and treasury functions. A central mechanism is the International Business Center (IBC) regime, under which qualifying entities may provide services to associated enterprises outside Thailand, including management, treasury, procurement, technical support, and research and development. Depending on local expenditure, qualifying IBC entities may benefit from reduced corporate income tax rates of 8 percent, 5 percent or 3 percent on qualifying income, along with reduced withholding tax in some cases on certain outbound payments used for treasury activities.

Just as importantly, Thailand's relatively flexible financial system and established banking environment make it easier to centralise regional treasury and support functions than in jurisdictions with tighter capital controls. Thailand is not usually positioned as a pure passive holding jurisdiction in the way that Singapore or Hong Kong may be, but it is often highly effective as an operational regional headquarters or shared-services base.

Vietnam has historically been less compelling in this area. Its investment framework has been focused more on attracting operational investment into manufacturing and services than on functioning as a headquarters or treasury hub. While it is legally possible to establish a Vietnamese entity as a holding or coordination vehicle, the current framework offers relatively few of the tax features that would make it an obvious choice for regional holding functions. Foreign-sourced income flowing into a Vietnamese entity is generally taxable, indirect transfers involving Vietnamese subsidiaries can trigger a 2 percent deemed tax on

gross transfer price, and outbound investment by Vietnamese entities remains subject to foreign exchange controls and approval requirements, including an Outbound Investment Registration Certificate.

That said, Vietnam is evolving. The establishment of International Financial Centers (IFCs) in Ho Chi Minh City and Da Nang signals a more serious policy intention to support higher-value financial, fintech and innovation-led service activity. These developments are significant, but they do not yet displace Thailand's more established position as a regional headquarters and treasury base. For now, Vietnam is usually stronger as an operational base than as a centralised coordination platform.

4. A practical comparison of operating-model fit

At a high level, the distinction between the two jurisdictions can be summarised as follows.

Business model	Thailand	Vietnam	Practical takeaway
Export manufacturing	Mature industrial ecosystem, BOI support, strong logistics and supply chains	Strong export platform, competitive labour costs, EPE option, extensive trade access	Vietnam is often stronger for cost-led export manufacturing; Thailand is often stronger for industrial depth and operational maturity
Manufacturing with domestic sales	Standard manufacturing structure offers more flexibility for Thai-market access	Non-EPE structure can work, but EPE status is less suitable where domestic sales are planned	Thailand is often easier where domestic and export activities need to sit together
Technology development and outsourcing	Strong infrastructure, BOI/EEC support, good fit for higher-value functions and regional integration	Large talent pool, cost efficiency, relatively open licensing for IT and service activities	Vietnam is often stronger for scale and delivery; Thailand is often stronger for integration and higher-value coordination
Shared services and regional support	Mature professional ecosystem and regional connectivity	Can support operational teams and service delivery, especially close to production or market activities	Thailand generally offers the more developed regional-services platform
Regional HQ / treasury / coordination	IBC regime, treaty network, developed banking and financial infrastructure	IFC ambitions are growing, but foreign exchange and	Thailand remains more established for regional headquarters and treasury functions

		structural limits remain	
ASEAN platform strategy	Strong base for management, coordination and support services	Strong base for production, delivery teams and market-facing execution	Many groups will find that the best answer is not either-or, but both

5. The stronger strategic answer may be both

This is the most important point for investors making long-term decisions in the region.

The Thailand–Vietnam comparison is often framed as a choice between two competing jurisdictions. In practice, many multinational groups use them together. Vietnam may be the better location for export manufacturing, software development, outsourcing, or proximity to production and fast-growing consumer markets. Thailand may be the better location for regional management, shared services, treasury, innovation coordination and higher-value support functions.

That kind of split structure is not just a legal solution. It is often a commercially stronger model. It allows groups to match each jurisdiction to the function it performs best, rather than forcing one country to do everything.

6. So, which jurisdiction fits which business best?

For manufacturers looking for scale, export access and cost competitiveness, Vietnam will often stand out, particularly where the business model is built around international trade and a clearly export-oriented footprint. For manufacturers that require more mature industrial support, closer integration with domestic sales or a highly developed supplier base, Thailand may remain highly attractive.

For technology and service investors, Vietnam is often compelling as a base for development teams and cost-efficient delivery. Thailand may be stronger where the business needs mature infrastructure, experienced professional support, regional integration or a higher-value services platform.

For regional headquarters, treasury and coordination functions, Thailand remains the more established choice. Vietnam may become more competitive over time, especially if the IFC initiative continues to develop, but at present it is usually better positioned as an operational node than as the primary regional control centre.

7. Practical takeaway for investors

Before choosing between Thailand and Vietnam based on operating model, investors should define clearly what they want the entity to do. Is the jurisdiction intended to manufacture, export, build a delivery team, coordinate regional operations or to hold treasury and management functions?

The answer to that question will usually point to the right structure more quickly than any generic country ranking.

In practice, the best regional structures are often the ones that separate execution from coordination. Vietnam can be an excellent base for doing. Thailand can be an excellent base for managing. For many businesses, that is not a compromise. It is the strategy.

The final article in this series will look at the common mistakes foreign investors make in Thailand and Vietnam, including structuring errors, missed incentives, licensing problems, and tax or compliance issues that can undermine otherwise promising investments.

Further information

Should you have any questions on investing in Thailand or Vietnam, please get in touch with the team at PDLegal.

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