Investing in Mainland Southeast Asia

CAMBODIA • INDONESIA • LAOS • MYANMAR • THAILAND • VIETNAM

Table of Contents

PAGE

Investing in Mainland Southeast Asia

Cambodia, Laos, Myanmar, Thailand, and Vietnam are promising jurisdictions that offer investors many compelling reasons to do business in the region, from the region's fast economic growth to its relatively inexpensive operating costs and attractive incentives for investment. While the process of market entry into these countries entails some similar steps, each jurisdiction presents a unique set of requirements and concerns. This guide lays out the fundamental processes, possibilities, and legal considerations for investors looking to commence operations in these countries.

CAMBODIA

Jay Cohen, Nitikar Nith

Cambodia is unique in the region in that foreign and domestic investors are not differentiated by law. The requirements for licenses, permits, and other procedures are the same for both domestic and foreign companies. In Cambodia, the Ministry of Commerce is broadly responsible for regulating the registration of companies in Cambodia, while the Council for the Development of Cambodia (CDC) has the authority to grant investment incentives to qualified investment projects.

Business Structures

Selecting the form of business vehicle is one of the first choices an investor needs to make after deciding to establish operations in the Cambodian market. The most common business structure is the limited liability company (LLC), which can be either private or public.

Private limited companies may have up to 30 shareholders. If there is only one shareholder, the company is registered as a single-member private limited company (but this registration can be amended if new shareholders are added). A private limited company may not offer its shares or other securities to the general public, and may only offer them to shareholders, family members of shareholders, and the company's managers. Restrictions on share transfers are permissible.

Public limited companies, on the other hand, are LLCs that are authorized to issue securities to the general public. In certain industries, such as banking and insurance, business can only be carried out by public limited companies.

An offshore company may choose to open a branch office, which is an office established in Cambodia to conduct commercial, revenue-generating activity on behalf of the company. The key drawback to operating as a branch office (instead of an LLC) is that a branch office operates as an agent of the parent company, and thus the parent has unlimited liability for the losses and debts of its Cambodian branch. A branch office may carry out various research and promotional activities for its parent company, as well as regularly buying and selling goods and services and engaging in manufacturing, processing, construction, and other revenue-generating activities conducted by its principal.

In contrast, an offshore company may also choose to open a representative office in Cambodia. A representative office can also carry out research and promotional activities for the parent company, but it is not permitted to generate its own revenue.

Restrictions on Foreign Businesses

Though domestic and foreign companies are treated the same under the law, only Cambodian citizens and companies of Cambodian nationality can own land. To be considered a company of Cambodian nationality, the company must be incorporated in Cambodia and at least 51% of the company's shares must be owned by Cambodian citizens or other companies of Cambodian nationality. If the shareholding in the company changes, the nationality of the company could be recategorized, which may affect its ability to own land. However, since the establishment of Cambodia's Trust Law, foreign investors can own and manage land in Cambodia through a qualified trustee registered with the Trust Regulator.

As for the remittance of profits or other fund transfers, there are no currency controls in Cambodia, and companies and individuals are allowed to freely remit funds from Cambodia so long as the funds are sent through a licensed bank. Persons carrying cash into or out of Cambodia of USD 10,000 or more must declare the amount at customs.

Labor and Employment

The minimum wage for the textile, garment, and footwear sector was set at USD 208 per month for 2025. There is currently no minimum wage mandated for other sectors, but the minimum wage in the garment sector is influential and other sectors look to it for guidance. There is also the possibility that the government could extend the minimum wage to other sectors.

Employers are also responsible for some other payments either to or on behalf of their employees. The employer must pay an additional contribution to the National Social Security Fund each month equal to a percentage of each employee's salary (currently capped at KHR 40,800 or USD 10 for each employee). In addition, mandatory pension payments currently result in an additional expense equal to 4% (2% each by the employer and employee) of the employee's salary, capped at KHR 1,200,000 (USD 300). Finally, Cambodia recently introduced the concept of seniority payments, which replace the previously required indemnity for dismissal of employees with an undetermined duration contract. Though there is a specific formula for calculating seniority payments, they generally amount to 15 days' additional wages per employee per year.

Any company wishing to employ foreign employees must request a foreign work quota every year, and obtain or renew foreign work permits for their foreign employees every year. The current statutory quota is one foreign employee for every 10 local employees, although permission to hire additional foreigners is normally granted if the company shows reasonable cause. Quota requests and applications for work permits and employment cards must be submitted through the online portal at www.fwcms.mlvt.gov.kh.

All business owners and employees (both Cambodians and foreigners) must be registered with the Ministry of Labour (MOL) or the Department of Labour (DOL) and require either an employment book (for Cambodian employees) or a work permit (for foreign employees).

For Cambodian employees, the employment book can be requested at the MLVT (or DOL, if the enterprise is located in the province). The employment book should be retained by the employer, and should be returned to the employee on the last day of employment.

The total cost of one employment book is KHR 10,000 per employee.

A foreign national applying for a work permit must possess an e-visa with a remaining validity of at least six months. E-visas are first issued for a period of 30 days and can be extended. Foreigners must renew their work permits on an annual basis; however, an employment book issued to a Cambodian is valid for the duration of the employment and does not need to be renewed.

The total cost of visa and work permit requirements for a foreign employee is KHR 680,000 to 940,000 (USD 170 to 235) per employee, depending on the visa duration.

Incentives for Investment in Cambodia

Investment incentives are available to both domestic and foreign investors, whether in the form of qualified small medium-sized enterprises (SMEs) or qualified investment projects (QIPs).

SMEs

Under Sub-Decree No. 124 on Tax Incentives for SMEs dated October 2, 2018, a "small-sized enterprise" refers to any enterprise that has an annual revenue of KHR 250 million to 700 million (USD 61,000 to 171,000), or has 10 to 50 employees. Meanwhile, a "medium-sized enterprise" refers to any enterprise that has an annual revenue of KHR 700 million to 4 billion (USD 171,000 to 979,000), or has 51 to 100 employees. In the event that a company falls in between the thresholds for a small or medium sized enterprise, the higher classification will apply.

Under Sub-Decree 124, six sectors are classified as priority sectors for SMEs: agriculture products or agro-industry; food production and processing; manufacturing of products used in waste processing and tourism; manufacturing of parts and equipment supplied to other manufacturers; research and development of information technology including the supply of innovative information management services; and enterprises located in SME cluster zones and enterprises developing these zones.

SMEs in the above priority sectors are entitled to the following incentives:

- Income tax exemptions of between three to five years;
- Exemptions on prepayment of profit tax and minimum tax; and
- Increased deductions for expenditures on IT-based accounting software and staff technical training, and equipment or new technology that increases productivity.

QIPs

Under the Law on Investment, companies granted a QIP from the CDC are entitled to import duty exemptions and either (1) a tax holiday for up to nine years (depending on the size of the investment) or (2) accelerated depreciation.

QIPs that elect to receive an exemption on profit taxes enjoy a tax holiday for up to nine years, depending on the project category. Category 1 projects are entitled to an exemption period of nine years, category 2 projects are entitled to six years, and category 3 projects are entitled to three years. The tax holiday comprises a trigger period, which is followed by a three-year period, and then a priority period. Most businesses in Cambodia are also subject to a 1% tax on gross revenue each month, but QIPs are exempt from this tax during the tax-holiday period.

However, these tax exemptions only apply to revenue and profits generated from the QIP itself, and may not be applied to any income generated from non-QIP activities. In addition, the tax holiday is not applicable to withholding taxes, taxes on salaries, value-added tax, or any other taxes specified by Cambodian law.

If QIPs elect special depreciation instead of the profit tax exemption, then they are entitled to a special depreciation allowance of 40% of the value of new or used tangible property that is used in the QIP's production or processing.

In addition, QIPs are entitled to the following incentives:

- Duty-free import of production equipment, construction materials, and production inputs that will be used in the manufacturing of products for export;
- Exemption from export tax, except for activities specifically stipulated under Cambodian law;
- Preferred treatment when hiring foreign employees: can hire as many foreigners as necessary to work as managers, technicians, and skilled workers, provided that each foreign employee is supported by documentation proving that their qualifications and expertise are required for the job;
- Entry into land leases for an unlimited term, instead of the normal 50-year maximum term;
- Permission to include foreign arbitration clauses in their contracts with the Cambodian government.

The rights, privileges, and entitlements of a QIP can be transferred or assigned to a person who has acquired or merged with a QIP, subject to the approval of the CDC or Provincial-Municipal Investment Sub-Committee.

LAOS

Prisna Sungwanna, Naiyane Xaechao

The landlocked but centrally located country of Laos has already attracted foreign direct investment (FDI) in a range of industries—especially related to mining, hydropower, logistics, and agriculture—and has strong potential to function as a crossroads for further foreign investment. The country has also taken legislative steps to spur investment—both through domestic laws and accession to international bodies and instruments. Laos became a member of the World Trade Organization in February 2013, and in March 2019 became the 90th country to join the UN Convention on Contracts for the International Sale of Goods (Vienna Convention).

The primary authority generally responsible for issuing business registrations is the Ministry of Industry and Commerce. Following the registration, the relevant ministries—such as the Ministry of Finance (to which the Ministry of Planning and Investment (MPI) has been merged, and most departments previously under MPI have been transferred to the Ministry of Finance), the Ministry of Public Works and Transport, depending on the type of activities, are responsible for issuing the necessary operational licenses. Similar to other countries in the region, certain business activities are controlled and may thus require approval from other government bodies or may be subject to foreign investment restrictions that limit the share equity ratio available to foreign investors.

Business Structures

There are four main forms of business organization in Laos: (i) state enterprises, (ii) mixed enterprises, (iii) private enterprises, and (iv) cooperative enterprises. State enterprises and mixed enterprises may only be established and operated in the form of a company. In contrast, private enterprises may be established in three different forms: (1) individual enterprises, (2) partnerships, and (3) companies. Among these, companies are the most common business structures in Laos and are categorized into limited companies, sole limited companies, and public companies.

In Laos, limited companies and sole limited companies are the preferred forms of business entity and are particularly favored by foreign investors . Limited companies are preferred by foreign investors. A limited company must have at least two shareholders and one director. The liability of the shareholders is limited to the capital they brought to the company. The other type is the sole limited company; these companies follow the same rules as those imposed on a limited company, but the shareholding structure includes only a single shareholder.

Restrictions on Foreign Investment

In Laos, although it is not expressly provided in any existing law and regulations, in practice foreign investors are not allowed to register as individual enterprises. They are only allowed to register or establish partnerships and companies.

Some businesses cannot be wholly owned by foreign investors, so foreign investors will have to look for a local partner. The permitted share equity ratio varies, depending on the activity. For example, transport or logistics businesses are usually not allowed to let foreign investors own more than 49% of the share equity in the company. Similarly, while wholesale, retail, and distribution activities may be available to a 100% foreign-owned legal entity, it will be depend whether the minimum required investment threshold for the foreign investor (LAK 20 billion or USD 920,000) is met. Below this threshold, an obligation to partner with a Lao national will be imposed. The full list of such restrictions and conditions is exhaustive, so foreign parties should seek local counsel before investing in Laos.

Concessions are also available to foreign investors. Concession activities are activities that are developed on land granted by the government. Negotiations of the MOU and the concession agreement with the local government may provide some exemptions to the common rules, granted on a case-by-case basis. Some activities are reserved by law for Lao nationals; these usually involve activities that require only small investment capital (such as a hairdressing business).

Laos also does not allow foreign persons or entities to own land, which may only be leased to foreign investors for their use. Land may be leased for a maximum of 50 years from the government and 30 years from Lao citizens, renewable, under a concession agreement entered into with the Lao authorities.

Capital imported into Laos must be certified by the Bank of the Lao PDR (BOL) after its importation. For loans obtained from offshore entities, prior approval from the BOL is required before the funds are brought into the country; however, once the loan proceeds have been imported, further certification is not necessary. Additionally, the opening of an overseas bank account by a domestic company requires prior approval from the BOL and must be in accordance with the targets set out in the relevant laws and regulations.

Import/Export Requirements

Import/Export Registration Certificate

In May 2023, the Ministry of Industry and Commerce (MOIC) introduced registration requirements for importers and exporters. Entities engaged in importing or exporting—including those dealing in electricity, mining products, agricultural goods, construction materials, or consumer goods, and service providers exporting services abroad—must register their activities and the relevant goods with the MOIC and must obtain an importer-exporter registration certificate before conducting any import or export operations. This certificate serves as official recognition of their registration and is essential for compliance with the current regulatory framework. The objective is to establish a centralized system for monitoring cross-border trade and collecting data on the flow of goods into and out of the country.

Import/Export Registration Notification Certificate

Following the issuance of the MOIC's regulation on importer-exporter registration, the BOL established in July 2023 additional requirements for businesses engaged in import and export activities. Under this decision, once business operators obtain the importer-exporter registration certificate from the MOIC, they must apply for the import-export registration notification certificate from the BOL.

Upon receiving the BOL certificate, business operators must open a dedicated commercial bank account specifically for conducting import/export transactions. All cross-border payments for goods and services—whether made or received—must be processed exclusively through this designated account via electronic wire transfer.

Foreign Direct Investment Account

On December 21, 2023, the BOL introduced new requirements for companies with foreign ownership. Accordingly, any company incorporated in Laos with foreign investors holding 10% or more of the shares must open a foreign direct investment (FDI) bank account with a commercial bank in Laos.

FDI accounts can be opened in both LAK and foreign currency and must be initiated within 15 working days from the date of receiving the investment license or enterprise registration certificate. This account is used for key financial transactions, including importing capital, transferring profits, dividends, and loan interests abroad.

FDI accounts can also be opened prior to receiving the necessary licenses, in which case they can be used to facilitate preparations for investment in Laos. This includes transferring capital into an FDI account to settle local payments such as vehicle rental fees, accommodation fees, office rental fees, and consultancy fees associated with company formation, and obtaining licenses.

Importing and Selling Foreign-Currency Income

On March 7, 2024, Laos began regulating foreign-currency income from the exportation of goods and services, aiming to increase the inflow of foreign currency into the country and its sale to licensed commercial banks. This regulation sets minimum required proportions for importing income in foreign currency derived from the exportation of goods and services, as well as the timeframe for doing so. It also stipulates requirements for selling foreign currency to commercial banks in Laos and the minimum proportions that must be sold.

Payments that exporters receive from overseas must be via bank transfer into a dedicated bank account specifically designated for import-export business activities. These payments must be made within the timeframe stipulated in the sale-purchase agreement, but in any case, no later than 180 days from the date of export. Additionally, each sector must repatriate foreign currency income into Laos in accordance with the minimum proportion and timeframe prescribed by the BOL.

Exporters of goods and services are required to sell a minimum proportion of their foreign currency income to a commercial bank in the country. This currency exchange must be completed within three working days from the date the foreign currency is received into the dedicated import-export bank account. The applicable exchange rate will be determined by the commercial bank's prevailing rate on the day of the transaction. The minimum proportion of foreign currency to be sold varies by sector: exporters in the mining sector must sell at least 35%, agriculture 30%, electricity 20%, services 20%, and other sectors 20%. These requirements are part of BOL's efforts to strengthen foreign currency management and ensure liquidity within the domestic financial system.

Labor and Employment

The monthly minimum wage in Laos is LAK 1.6 million (USD 74), and the employer's contribution to the country's social security system is equal to 6% of the employee's salary. In addition, production, business, and service units must pay a subsistence allowance of up to LAK 900,000 (approx. USD 42) to nonprofessional workers without formal educational qualifications who receive a monthly salary or wage of less than LAK 2.5 million (USD 115). In total, these workers must receive at least LAK 2.5 million through a combination of salary and the cost-of-living allowance, meaning that if they are paid the minimum wage of LAK 1.6 million, they must receive the maximum allowance of LAK 900,000. Workers already earning LAK 2.5 million per month or more are not entitled to any allowance.

The number of foreign employees allowed in a company depends on the nature of the work. For physical labor, the number of foreign employees is limited to 15% of the total number of Lao employees. For foreign technical experts engaging in specialized work, this limitation is 25%, unless otherwise stipulated in an agreement signed with the Lao government.

A foreign employee working in Laos must be in possession of a work permit. To obtain the permit, the employer is required to apply for quota approval from the Ministry of Labor and Social Welfare (province level) to import foreign labor. Thereafter, the employer must request a work permit within one month of the approval of the quota. A work permit will then be issued to the foreign employee at the same time as his or her business visa. In addition to the work permit, a foreign employee is required to have a stay permit card issued by the Ministry of Public Security.

The total cost to obtain the work permit, business visa, and stay permit is LAK 3.62 million (USD 168), and these need to be renewed annually.

Incentives for Investment in Laos

Incentives for promoted businesses can include profit tax exemptions, depending on business activities and location; rental fee and land concession fee privileges; exemptions on customs duty and 0% assessment of value-added tax (VAT) for some imports; and 0% assessment of VAT on the use of domestic raw materials.

The Law on Investment Promotion gives a full list of promoted sectors for which the government grants incentives to both domestic and foreign investors. This list includes fields like the use of digital technology, scientific research and development, and innovation, manufacturing of animal feed products, organic fertilizers, clean agriculture, sustainable tourism, education and sports, hospital construction and pharmaceutical production, development of public infrastructure, logistics and transportation services, including cross-border warehousing systems and dry ports; and land, marine air and rail transportation

MYANMAR

Yuwadee Thean-ngarm

Myanmar has captured the world's attention with its remarkable legal, social, and economic reforms in recent years already bringing an influx of foreign investment. The passage of legislation like the Myanmar Investment Law 2016 and the Myanmar Companies Law 2017 points to the government's focus on market liberalization and the promotion of FDI.

The authority responsible for overseeing trade activities is the Ministry of Commerce, which has an important role in the implementation of economic reforms toward being a market-oriented economy, especially in the trade sector. Another important authority in this area is the newly established Ministry of Investment and Foreign Relations, which was set up specifically to promote foreign investment and implement investor-friendly measures in the country.

Business Structures

The Myanmar Companies Law 2017 governs the incorporation and registration of companies. The two main categories for businesses set up in Myanmar are limited companies and unlimited companies. Limited companies are further separated into two categories. The first type, companies limited by shares, can be private (limited to 50 shareholders) or public (which may have any number of shareholders). The second type is a company limited by guarantee. The other common type, the unlimited company, can also have any number of shareholders. Two other types of corporation that may be registered are a business association and an overseas corporation (OC).

An OC is a company set up outside Myanmar that registers under the Myanmar Companies Law. Unlike limited liability companies, an OC operates as an extension of its parent company, which is fully responsible for its activities in Myanmar.

Restrictions on Foreign Investment

In addition to not allowing foreign companies or individuals to own land, Myanmar also restricts the involvement of foreign nationals in some types of businesses. Activities that are strictly forbidden to be carried out by foreign investors are listed in full in Myanmar Investment Commission (MIC) Notification No. 15/2017 and encompass ventures such as mineral refinement, shallow oil wells, and tour guide services. There are also some investment activities that are only open to foreign investors that form a joint venture with Myanmar entity or individual. These include such activities as manufacturing and marketing plastic products, and operating veterinary clinics.

As for remittance of profits or other funds transfers, any remittance or transmission exceeding USD 10,000 (or equivalent in other currency) will require approval from the Central Bank of Myanmar and the Foreign Exchage Supervisory Committee.

Finally, Myanmar has a provision on directors that may be relevant to foreign companies. Though there is no specific restriction on having foreign directors, the Myanmar Companies Law 2017 requires that for a company registered under this, at least one of the directors must be ordinarily resident in the country. This means that one of the directors of the company must be resident in the country for at least 183 days within a calendar year.

Labor and Employment

The latest minimum wage standard was set in 2018 at MMK 4,800 (USD 3.60) per day, and additional allowances totaling MMK 3,000 per day (USD 0.95) have been subsequently granted, for a combined minimum wage of MMK 7,800 per day. In addition, employers are required to make contributions to Myanmar's social security system (on top of each employee's social security contributions).

Employers must hire Myanmar citizens for work that does not require special expertise. As for employing non-Myanmar nationals for specialized work, there is no work permit system yet for foreign employees. However, foreign workers under MIC-approved investment entities are required to obtain a specific work permit for employment and stay permit in Myanmar.

Foreign employees who are not in an MIC-approved business are required to hold a business visa and, if necessary, a stay permit, which allows the holder to be in the country for more than 70 days. The costs for a business visa, which vary depending on the type and length, range from USD 50 to 600.

Incentives for Investment in Myanmar

Several sectors are promoted by the Myanmar Investment Law 2017, and the MIC may grant privileges to companies active in these sectors, which include fields such as agriculture and related services, livestock production, and breeding and production of fishery products. MIC-approved investments in these sectors are eligible for three to seven years of tax exemptions and reliefs, depending on the status of the zone in which they are located.

THAILAND

Supasit Saypan, Kantima Sakruengngam

The persistent focus of successive governments on making Thailand a hub for foreign investment has helped the country become a regional leader in attracting FDI and encouraging businesses to develop operations in the country. Thailand's well-developed and modern legal framework have further persuaded investors to identify Thailand a s a business center in Southeast Asia.

Business Structures

The Ministry of Commerce oversees registration of the various business vehicles that investors can establish. These options include sole proprietorship, partnership, limited company, representative office, regional office, branch office, and joint venture.

Partnerships can be either limited or ordinary, and an ordinary partnership can be either registered or unregistered (partnerships registered with the Ministry of Commerce are given juristic person status). The main difference in these types is the level of liability assumed by the partners. In ordinary partnerships, the partners are jointly liable with no limitation. In limited partnerships (which all must be registered), on the other hand, one or more partners take on unlimited liability, while the others have only limited liability.

Limited companies are the most popular structures for foreign investors, and they can be private or public. Though many of the requirements are the same for public and private limited companies, public limited companies face greater regulation and scrutiny as they offer shares for sale to the public.

Foreign companies also have a few different options for opening offices in Thailand. A representative office is defined as an office in Thailand of a foreign company engaged in "international trading business," which means activities such as finding sources for purchase by the head office, checking or inspecting purchased goods and advising the head office accordingly, and reporting on various operations in Thailand relevant to the head office or its affiliated companies. A representative office cannot engage in any profit-seeking or profit-making enterprises. Another type of office is the regional office, which may contact, coordinate with, and supervise regional branches on behalf of the head office. Like a representative office, though, a regional office must rely solely on the head office for its revenue, and cannot generate its own income. Finally, a branch office can be established to carry out business operations in the country, and is subject to the same license requirements as other business establishments.

In a contracted project that cannot be carried out by a single company, it is common for a company to join with others in the form of a joint venture, which refers to a limited company in Thailand owned by two or more companies. A joint venture has no legal personality under Thai law. It is formed by contract between two legal persons and exists only for a particular project or venture. Although it may engage in business, it cannot be registered. However, the Revenue Department treats a joint venture as a juristic company, so a joint venture must apply for a taxpayer identification card and VAT registration (if applicable).

Restrictions on Foreign Investment

The Foreign Business Act (FBA) governs all foreign businesses, which are defined as having at least 50% non-Thai control. The FBA prohibits foreign businesses from engaging in some activities, such as mass communications, farming, forestry, fishery, land trading, and some cultural or Buddhism-related activities. Another category established by the act is businesses that require permission from the Minister of Commerce with the approval of the cabinet. However, the Thai ownership of the company must be at least 40%. These include businesses related to national safety or security, businesses affecting arts and culture (especially traditional), and affecting natural resources and the environment. The third category covers businesses in which foreign nationals are prohibited unless permission is granted by the director-general of the Department of Business Development in the Ministry of Commerce. This consists of businesses deemed not yet ready for competition from foreign participants, and includes such activities as rice milling; architectural, engineering, or legal services; some construction businesses; brokerage or agency businesses; retail and wholesale trading; and other service businesses.

A foreign company that participates in a joint venture is required to obtain a foreign business license if the intended activities are restricted under the FBA, and create a branch office in Thailand to engage in business as a partner of the joint venture.

Thailand is like other countries in the region in that it does not allow foreign individuals or companies to own land (but see the incentives section below).

Labor and Employment

The minimum daily wage in Thailand as of July 1, 2025, is THB 337 to 400 (USD 10 to 12), depending on the province in which the work is performed. In addition, an employer must contribute to the social security fund at a rate equal to 5% of an employee's salary each month, capped at THB 750 (USD 23). The employer is required to make an annual contribution to the worker's compensation fund at the rate specified for the business by the labor minister. If a provident fund is established, the employer's required contribution for each employee ranges from 2% to 15% of the employee's salary, and cannot be lower than the employee's contribution rate.

To work in Thailand, a foreign national must have a valid visa and work permit. A work permit can be granted for up to two years (renewable), and the foreign employee is permitted to work under the work permit regardless of changes in position or work location, provided that he or she still works for the same company. Though fees can vary based on the type and duration of the visa and work permit, total initial costs are typically about THB 5,000 to 8,000 (USD 155 to 245).

Incentives for Investment in Thailand

Thailand was the first country in Asia to introduce investment promotion laws, which offer both tax and non-tax incentives. The Board of Investment (BOI) and the Industrial Estate Authority of Thailand (IEAT) both grant various privileges to businesses established in certain sectors and locations. In addition to the long-standing BOI and IEAT incentives, Thailand launched a package in September 2019 that includes tax incentives, measures to improve regulatory efficiency, workforce development allowances, and other investment promotion regulations, such as preparing land specifically for use by foreign investors.

VIETNAM

Doan Ngoc Tran, Tan Nhat Truong Phan

FDI is a cornerstone of Vietnam's economy, which is well known as one of the fastest-growing economies in Asia. Since Vietnam's accession to the WTO in 2007, and particularly after the conclusion of multiple free trade agreements (FTAs) such as CPTPP, EVFTA, and RCEP, record-high levels of FDI have been pouring into Vietnam as investors consistently find the country to be a vibrant and attractive destination for business operations, with its large domestic market, competitive labor costs, and improving infrastructure. The country's investment potential is regularly touted as one of the top opportunities in the region.

Business Structures

Foreign investors may establish new legal entities either as wholly foreign-owned enterprises or as joint ventures with Vietnamese partners. In practice, this requires obtaining both an investment registration certificate (IRC) and an enterprise registration certificate (ERC) before commencing operations.

- One of the business vehicles investors can consider is a single-member limited liability company, which has a single owner with no shares. This business vehicle is only applicable for business sectors that do not have limitations on foreign ownership.
- A multiple-member limited liability company (MLLC) is for businesses subject to restrictions on foreign ownership or participation, or where there will be more than one owner. An MLLC does not have shares and only has "charter capital," with liability limited to each member's capital contribution amount. The maximum number of members is 50.
- A shareholding company, also called a joint-stock company, has its charter capital divided into equal portions called shares. Shareholding companies can issue corporate bonds and be listed on a Vietnamese stock exchange. Shareholders can be organizations or individuals, and there must be at least three shareholders at all times.

Restrictions on Foreign Investment

While Vietnam continues to liberalize its investment regime, certain restrictions remain. Private land ownership is not allowed, as land belongs to the state or collectives. Foreign enterprises can only lease land from the state or from developers in industrial zones, or they can obtain the right to use land via a joint venture company. Foreign investors must also register their investments and comply with additional restrictions. These include limitations on foreign ownership, restriction of business sectors, permissible forms of investment, scope of investment activities, investor capacity requirements, geographic restrictions, and minimum qualifications of Vietnamese partners.

Prohibited sectors include trade in chemicals, minerals, and narcotic substances, as well as some other highly sensitive or suspect activities. There are also "conditional" sectors, where foreign investors must satisfy certain conditions such as obtaining a sublicense to provide specific services (for example, retail, e-commerce, education, finance, telecommunications, logistics, etc.).

Foreign currency transactions are heavily regulated, with rules on inflow more relaxed than rules on outflow. Foreign investors can bring capital into Vietnam, but a Vietnamese investor would be required to notify or obtain approval from the State Bank of Vietnam if he or she would like to invest offshore. Persons leaving Vietnam with more than USD 5,000 in cash must declare the amount upon departure. Foreign nationals who have fully paid tax and fulfilled any financial obligations to the Vietnamese state may repatriate proceeds back to their countries.

In addition to these restrictions, enterprises are now subject to enhanced compliance obligations. From July 1, 2025, all enterprises other than state-owned enterprises are required to declare their beneficial owners (BOs), defined as individuals who ultimately own charter capital or otherwise exercise control over the enterprise. The BO declaration must be filed with the licensing authorities together with the first ERC amendment application submitted after this date, unless it has already been lodged. At the same time, enterprises must also register for an electronic identification account (e-ID) with the Ministry of Public Security. The e-ID will serve as the official digital identity of the enterprise for administrative procedures, including filings with licensing and tax authorities, and early registration is recommended to avoid delays in corporate or investment administration.

Labor and Employment

The base salary in Vietnam is currently VND 2,340,000 (USD 89) while the regional minimum monthly wage ranges from VND 3,450,000 to 4,960,000 (USD 131 to 188), depending on geographical area. In addition to salary, employers are also obligated to make contributions to the social insurance, health insurance, and unemployment insurance funds, which together represent a significant portion of employment costs.

Insurance contributions are divided between the employer and the employee, and are calculated as a percentage of the employee's monthly salary. The monthly salary used in this calculation is capped at 20 times the base salary for social insurance and health insurance and 20 times the regional minimum wage for unemployment insurance.

For Vietnamese employees, employers contribute 17.5% of the employee's salary to social insurance, 1% to unemployment insurance, and 3% to health insurance. Employees, in turn, contribute 8% to social insurance, 1% to unemployment insurance, and 1.5% to health insurance. Altogether, the employer's share amounts to 21.5% of salary, while the employee's share totals 10.5%.

For foreign employees, the contribution framework is the same for social insurance and health insurance, but excludes unemployment insurance. Thus, the total statutory contribution for foreign employees—20.5% of salary from employers and 9.5% from employees—is slightly lower than for Vietnamese employees, as neither party is required to contribute to the unemployment insurance fund.

Permission must be obtained in order to hire foreign workers in Vietnam, and authorities have extremely wide discretion in determining whether to reject or approve such applications. However, there is no statutory requirement for companies to hire a minimum number of local employees. In general, foreign employees must obtain a work permit before commencing employment, together with a visa or temporary resident card that allows them to stay and work legally in the country. Certain exemptions apply, including for intracompany transferees, foreign experts working for less than 30 consecutive days at a time, and members of a board of directors.

The total initial costs for work permit and visa typically average around VND 3,013,500 (approximately USD 115). Work permit fees may vary depending on the locality where the application is submitted, while visa fees differ according to the type and duration of visa granted.

Incentives for Investment in Vietnam

Incentives are available for certain geographic areas and industries, and for high-tech, scientific, or technological enterprises or organizations. Projects with total investment capital of at least VND 6 trillion (approximately USD 228 million) or employing more than 3,000 workers may qualify for special incentives. Incentives typically include corporate income tax reduction or exemption, exemption from duty on some imports, and land use tax and fee reduction or exemption.

Take Action

Regardless of the jurisdiction, entrepreneurs and investors should always seek local assistance to ensure that their venture is fully compliant and equipped to operate freely. They should also take the time to understand the general rules and regulations for operating in the country. Being familiar with the requirements will help in strategizing and taking action efficiently and without unnecessary risk of noncompliance.

Tilleke & Gibbins' business law specialists in each of these jurisdictions guide incoming investors in allocating their resources efficiently and strategically. Whether a business is looking to expand across Southeast Asia or just move operations into one specific country, the experience and local insight of Tilleke & Gibbins makes the process of market entry smooth and enables operations to commence without delay.

Authors

CAMBODIA

Jay Cohen	jay.c@tilleke.com
Nitikar Nith	nitikar.n@tilleke.com

LAOS

Prisna Sungwanna	prisna.s@tilleke.com
Naiyane Xaechao	naiyane.x@tilleke.com

MYANMAR

Yuwadee Thean-ngarm	yuwadee.t@tilleke.com

THAILAND

Kantima Sakruengngam	kantima.s@tilleke.com
Supasit Saypan	supasit.s@tilleke.com

VIETNAM

Doan Ngoc Tran	doan.t@tilleke.com
Tan Nhat Truong Phan	tan.p@tilleke.com


Doan Ngoc Tran


Jay Cohen


Kantima Sakruengngam


Naiyane Xaechao


Nitikar Nith


Prisna Sungwanna


Supasit Saypan


Tan Nhat Truong Phan


Yuwadee Thean-ngarm

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