Difference Table: Layer 2 vs Layer 3 VPN

Below table summarizes the differences between the two:

PARAMETER	LAYER 2 VPN	LAYER 3 VPN
PHILOSOPHY	Layer 2 VPNs virtualize the datalink layer (Layer 2) so as to make geographically remote sites look as if they were operating in the same LAN network.	Layer 3 VPNs virtualize the network layer (Layer 3) so as to route your customer networks over a public infrastructure like Internet or Service provider backbone.
TRAFFIC FORWARDING	Provider devices forward customer traffic based on Layer 2 information.	Provider devices forward customer traffic based on Layer 3 information.
SCALABILITY	Generally, Layer 2 VPNs are less scalable than Layer 3 VPNs.	Generally, Layer 3 VPNs are more scalable than Layer 2 VPNs.
LAYER 3 CONNECTIVITY	Customer make Layer 3 (IP) connectivity with remote customer sites and not with Service provider.	Customer make Layer 3 connectivity (IP) with provider sites' edge devices.
SERVICE PROVIDER INVOLVEMENT	Service provider is not involved in Customer Subnets IP Routing.	Service provider is involved in Customer Subnets IP Routing.
ROUTING CONTROL	Preferred approach when customer wants all the routing and policy governance under its management control.	Preferred approach when customer is fine with sharing its routing information with service provider and the policy control is not so stringent.
EXAMPLES	LANE, IPLS, VPLS, EOMPLS, 802.1q Tunnelling	MPLS VPN, IPSEC P2P