



LAO PEOPLE'S DEMOCRATIC REPUBLIC
Peace Independence Democracy Unity Prosperity

National Assembly

No. 01/NA
Vientiane Capital, 8 December 2008

LAW ON CONTRACT AND TORT

Chapter I General Provisions

Article 1 (New) Objective

The Law on Contract and Tort determines the principles, regulations and measures on the conclusion and implementation of contracts, the responsibility for violation of contracts and damages occurred outside the contract aiming at protecting the rights and interests of the contracting parties, injured persons and persons caused the damages and ensuring the compliance with the laws and regulations and social order and justice for the contribution to the social-economic development.

Article 2 (New) Contractual and extra-contractual obligations

Contractual obligation is a legal relationship arising from a contract and giving rise to civil rights and obligations of the contracting parties which shall be mutually exercised respectively by such contracting parties.

Extra-contractual obligation is a legal relationship arising from outside of the contract or from the acts of any individuals and other persons or from any animals or things which are under the possession of such individuals or of such other persons.

Article 3 (New) Definition of terms

The terms using in this Law shall have the following meanings:

1. Security means an ensuring of the contract performance by the movable assets (Movables), immovable assets (Immovables), persons or legal entities;
2. Pledge means a deposit of any assets or things with the creditor or other related person to secure the performance of the contract;
3. Down payment means the sale and purchase by installment payment agreed by the contracting parties;
4. Donation means a giving of one's own property to other persons without any conditions during the lifetime;

5. Conditional donation means a giving of one's own property to other persons with a given condition during the lifetime;
6. Abuse of power means a use of power beyond the limits prescribed by laws and causing a damage to any other persons;
7. Performance of duty means a performance of activities within the scope of rights and duties which have been assigned in accordance with the technical and ethical principles;
8. Damages fee means an amount of money or things of the relevant liable person to be compensates the damage caused to the others;
9. Prejudice fee means an amount of money or things of the relevant liable person to compensate the victim's incomes duly received from working or the lost time;
10. Property prejudice fee means a money amount of the debtor to be paid to the creditor for the damages compensation due to the non-performance of obligations;
11. Creditor means a person who is entitled to claim the debtor to perform any obligations;
12. Debtor means a person who is obligated to perform any task, such as to deliver a thing, to carry out any activities, payment and others or not to do any things for the benefit of the creditor;
13. Necessity means a necessary act of any individual without other means to avoid the dangers threatened the benefits of the State or other persons, provided that the negative effects resulting from such act shall be less than the effects to be occurred from such threatened dangers;
14. Null contract means the legally non-binding contract;
15. Other person under the control of any person means a servant, children under maturity of age, unconscious person or pupils;
16. Employer means a person who uses any other person under his/her control to act by following his/her orders or instructions;
17. Force majeure means an unexpected and uncontrolled event, such as flood, thunder storm, earthquake that renders the debtor not able to perform his/her obligations;
18. Emergency event means an event which is suddenly arising without expectation, such as sudden and serious sickness, accident that renders the debtor unable to perform his/her obligations.

Article 4 (New) State policies on Contract and Tort

State encourages and promotes all individuals and legal entities to enter in relations between themselves in all sectors, such as sale-purchase, loan and construction by concluding the contracts in writing to ensure that the contracts to be fully, duly and fairly implemented in good faith and on time, including the enhancement of the responsibilities of other persons toward the animals and things which are under their control not to cause the losses to other persons.

Article 5 (New) Principles of Contract and Tort

Contractual obligations shall be performed in accordance with the following basic principles:

1. Voluntariness ;
2. Equality;
3. Honesty, cooperation and good faith;
4. Respect and compliance with the laws and regulations, customs and traditions of the Lao nation.

Extra-contractual obligations shall be performed in accordance with the following basic principles:

1. The person who causes damage shall be legally liable for the damage occurred;
2. The damage compensation shall be relevant to the level of the damage pursuant to its real cost and shall be implemented in accordance with the proportions of the responsibility for the damage caused.

Article 6 (New) Scope of Application

This Law applies to the conclusion of contract, implementation of contract, liabilities for damages caused to the State, collectives, individuals and organizations, including the foreigners, aliens, persons without nationality in the Lao PDR and their organizations.

Article 7 (New) International Cooperation

State promotes the external, regional and international relations and cooperation through the conclusion and execution of contracts, exchange of lessons and information and enhancement of knowledge on the conclusion and execution of contract, and resolution of disputes resulting from the violation of contract and damage caused.

Chapter II Contractual Obligations

Section 1 General Principles

A. Conclusion of Contracts

Article 8 (New) Contracts

A contract is an agreement between the contracting parties which has causes civil rights and obligations to be arisen, modified and expired.

A contract may be concluded between:

- State or collective organizations;
- State or collective organizations and other legal entities or individuals;
- Legal entities or individuals;

- Legal entities and individuals.

Article 9 (Amended) Characteristic of Contract

A contract may have unilateral, bilateral or multilateral characteristics.

A unilateral contract is an agreement made by one party which causes obligations to rise for that party without reciprocal performance.

A bilateral or multilateral contract is an agreement made by two or more parties which causes rights and obligations to rise between the contracting parties.

The above mentioned contracts are civil contracts and they shall become the commercial contracts if their subject matters are a business operation.

Article 10 Conditions of Contract

A proper contract shall fulfill the following conditions:

1. The contracting parties shall have a voluntary act;
2. The contracting parties shall have a capacity to act;
3. The purpose of the contract shall be precise, really existed and legal;
4. The basis for the contract shall be legal;
5. The form of the contract shall be in compliance with the provisions of laws.

Article 11 (Amended) Voluntary Act of Contracting Parties

The voluntary act of a contracting party is the consent of the contracting party to enter into the agreement without any mistake, fraud, threat or violence or disadvantage of any parties.

The mistake arises when the purpose of the contract is not consistent with what the contracting parties have been agreed upon.

The fraud arises when on contracting party has used a trickery to mislead the other contracting party to enter in the contract.

The threat or violence arises when any contracting party has entered in a contract due to fear of such acts endangering that party itself, its family, properties or relatives.

The disadvantage of any contracting party arises when the benefits resulting from the contract are unfair.

Article 12 (Amended) Capacities to Act of Contracting Party

The capacity to act is a capacity by the act of an individual or organization that gives rise to one's civil rights and obligations.

A person shall be deemed to have a capacity to act if such person has reached the age of more than eighteen years and shall not be a mentally disable person.

An organization shall be deemed to have a capacity to act if such organization has been approved to be a legal entity.

Article 13 Purpose of Contract

The purpose of a contract is the objective that the contracting parties wish to achieve.

Such purpose shall be precise, really existed and legal and shall not be contradicted with the social orders and shall be applicable.

Article 14 **Basis for the Contract**

The basis for a contract is a motive which induces the contracting parties to enter in a contract and to exercise their rights and to perform their obligations.

The basis for a contract shall be really existed and legal.

Article 15 (Amended) **Forms of Contracts**

A contract may be made in writing, oral or by other means.

A contract made under the Article 8 of this Law shall be in writing, except for the contracts which are made between the individuals.

A written contract shall have a date and signatures of the contracting parties. To ascertain the fact, the contracting parties may additionally affix their thumbprints on the contract.

A contract in writing may be written by hand, typewriter or by electronic means by the contracting parties themselves or in the presence of the chief of village and at least two reliable witnesses.

To ensure the compliance with the laws and the existence of the contract, the contract shall be notarized with the notary office.

Article 16 (Amended) **Contents of Contract**

A contract may consist of the following main contents:

- Name, Family and addresses of the contracting parties;
- Purpose, price, execution term, payment, delivery;
- Scope, quantity and quality of the objective;
- Place of contract execution and obligation to notify each other;
- Form and dispute resolution body;
- Conditions of modification and termination of the contract before term.

The purpose, price and term of execution of the contract are the necessary contents for all types of the contracts.

Article 17 (Amended) **Offer and Acceptance of Contracts**

In oral contract where the offeror does not fix the period of time for acceptance, the offeree upon receipt of the offer may at any time and place give the response on acceptance of such offer on such time and at such place and the contract shall be deemed to have been entered into from such time.

In written contract where the offeror does not fix the period of time for acceptance, the offeree upon receipt of the offer shall give the response to the offeror on the acceptance of such offer within thirty days from the date of receipt of such offer.

If the offeror fixes the period of time for acceptance, the contract shall be deemed to have been entered in from the date on which the response of acceptance has been reached the offeror within such fixed period and the offeror has no right to withdraw the offer.

In the event that the response of acceptance has been made within the fixed period of time, but the response has reached the offeror later than such fixed period and the offeror has accepted such response, the contract shall be deemed to have been entered in.

In the event that the response of acceptance includes any addendum, deletion or modification which have been accepted by the offeror, the contract shall be deemed to have been entered into.

B. Null Contract

Article 18 Null Contract

A null contract is a contract which is concluded inconsistently with the conditions provided for in Article 10 of his Law.

A contract may be relatively null or absolutely null, in whole or in part.

Article 19 (Amended) Relatively Null Contract

A relative null contract is a null contract relating to the rights and interests of individuals only.

Relatively null contracts consist of:

1. A contract concluded under fraud or threat or a contract which is not beneficial to any contracting party;
2. A contract made by a person without a capacity to act;
3. A contract made by a person who is unconscious of his/her acts or in a serious drunkenness;
4. A contract made in bad faith of the representative of a contracting party;
5. A contract made by necessity in exceptional circumstances.

If a relatively null contract is assented by or approved by the party whose rights and interests are disadvantaged, such contract shall be deemed to be valid.

Article 20 (Amended) Absolutely Null Contract

An absolutely null contract is a contract relating to the rights and interests of the State or society.

Absolutely null contracts are as follows:

1. A contract made in conflict with the State or public interests;
2. A contract made by a legal entity in conflict with the Articles of Association of such legal entity;
3. A contract made in concealment;
4. A contract made in breaching the forms of contract.

The contracting parties have not right whatsoever to agree upon or to approve an absolutely null contract.

Article 21 (Amended) Null Contract in Whole or in Part

A null contract in whole is a contract of which all the contents are null and void.

A null contract in part is a contract of which some parts are valid and some other parts are null and void.

Article 22 Invocation of Nullity

A null contract may be annulled.

If either contracting party knows that the concluded contract is null, that contracting party shall notify immediately the other contracting party to invoke the nullity of such contract. In the event that such other contracting party does not agree to nullify the contract, the notifying party shall apply to the court for nullification of the contract.

Parents or guardians of minors or those who are mentally disable persons have the rights to request for the null contracts.

Minors and mentally disable persons have the rights within a period of three years after having reached their majority or after regaining the capacity to act, to invoke the nullity of the contracts they have concluded.

For the relatively null contracts, only the contracting parties may invoke such nullity. For the absolutely null contracts, all persons whose interests involved have the right to invoke such nullity.

Article 23 Consequences of Null Contracts

When a contract has been acknowledged as null:

1. The assets applied by each contracting party shall be returned to such relevant contracting party in the case that a contract is made inconsistently with the conditions of contracts, a contract of a legal entity which is made in conflict with the purposes and targets its activities, a contract is made by a minor or a mentally disable person, a contract is made by a person who is unconscious of his/her acts or made in a serious drunkenness situation, and a concluded contract has caused a disadvantage to any of the contracting party;
2. The applied assets shall be returned to the damaged contracting party in the case that a contract is by fraud or threat. The applied assets of the other contracting party shall be confiscated and transferred into the property of the State;
3. In the case that a contract is made in conflict with the national security, peace or social order, all applied assets shall be confiscated and transferred into the property of the State.

C. Performance of Contract

Article 24 (Amended) Performance of Contract

The contracting parties shall perform the contract in good faith and in completeness in accordance with the term and place as specified in the contract or laws.

The contracting parties have no rights to refuse to perform the contract and to unilaterally modify the conditions of the contract, except where it is allowed by the laws.

The contracting parties have the rights to refuse to accept the performance which is incomplete, inaccurate and inconsistent with the contract or laws, unless otherwise stipulated by the contract or by the laws.

Article 25 (New) Additional Performance of Contract

If the contract has not specify or unclearly specified the desired quality, the performance of contract shall be referred to Law on Standards or other relevant laws and regulations or to the standards customarily acceptable in practice and in accordance with the purpose of the contract.

If the contract determines unclear price or remuneration, the performance of contract shall be referred to the general market price at the place the contract is performed or to the price determined by the State.

Article 26 Period of time for Contract Performance

A contract shall be performed in the determined period of time and in accordance with the laws.

In the event that the period of time for performance of the contract has not been determined, the creditor has the right to claim for the performance of such and the debtor has the right to perform at any time. In the case that the creditor has claimed for the contract performance, the debtor shall be obligated to perform it within fifteen days from the date the creditor has claimed for.

The debtor may perform the contract before the specified period of time if such performance is not contradicted with the contract or laws, and the creditor agrees upon.

Article 27 Place of Contract performance

A contract shall be executed at the place determined by the contract or by the laws. If the place is not determined, the contract shall be executed at the following places:

1. The handover of the constructed building shall be performed in the construction site;
2. The debt payment shall be performed at the address of the creditor, except for the debt payment of the State, collective and social organizations;

If the creditor has moved to another address during the contract performance and has notified the debtor, the contract shall be then performed at the new address of the creditor while all expenses for the contract performance shall be borne by the creditor;

3. Other contractual obligations shall be performed at the debtor's address where the contract has been made. If the debtor is a legal entity, the obligations shall be performed at the offices of such legal entity.

Article 28 (Amended) Settlements

The settlements may be made in cash, by money transfer or by check, in kind or labor as agreed to by the creditor.

The settlements shall be taken place if only the invoice has been issuing for.

For the settlement, the creditor shall issue a receipt or other instruments by oneself or others at the request of the debtor. The receipt or such other instruments shall be made immediately or, at the latest, within fifteen days from the contractual obligations have been performed.

In case of settlement by check, the settlement date is the date on which the creditor has withdrawn the money of an amount determined in the check. In settlement by money transfer, the settlement date is the date the money has credited into the creditor's bank account. For settlement by mail, the settlement date is the date the debtor has transferred the money or assets by post.

Article 29 Notification on Difficulties in Contract Performance

When difficulties arise in the performance of contract despite of having made all best efforts a contracting party cannot perform its contractual obligations in regular manner, such party shall inform the other party the causes of the difficulties in appropriate time prior the expiration of the period of performance.

Notification of such difficulties shall not release the debtor from its responsibilities. After such difficulties have ended, the debtor shall have to perform its contractual obligations.

Article 30 (New) Suspension of Contract Performance

A contracting party that has perform part of its contractual obligations may suspend its obligation performance by notifying immediately the other contracting party if it is deemed that the notified party is falling in such situation which may causes negative effects to oneself, such as:

- Be sued or requested for a bankruptcy;
- Lack of reliability in business operation that may causes the incapacity to perform the contract.

The contracting party that has suspended its obligation performance shall be liable before the other contracting party for the damage occurred resulting from such suspension without occurrence of the above mentioned situation.

If the notified contracting party on the contract performance suspension may certify or secure an appropriate capacity to fulfill its obligations under the contract, the contracting party that has suspended the performance of obligations shall continue to perform them. In case of failure to certify or to secure such appropriate capacity, the contracting party that has suspended the contract performance may terminate the contract. The notified contracting party on the contract performance suspension shall pay compensation for the performed obligations to the terminated contracting party.

The suspension of the contract performance can be applied for all types of contract, except for the unilateral contract.

Article 31 Enforceability of Contract on Other Persons

A creditor has the right to transfer its rights to other person to demand the assets from relevant debtor.

The creditor shall transfer the documents relating to such demand to the new creditor and shall be liable before the latter if the transferred right does not exist.

In the event that a creditor is dead, an inheritor has the right to demand assets in his/her place from the relevant debtor.

A debtor has also the right to transfer its obligations to other person to perform in his/her place, provided that the creditor shall be agreed upon.

In the event that a debtor is dead, the inheritor has to perform the obligations in his/her place.

Article 32 (New) Right to act on behalf of debtor

In the event that a debtor does not claim the debt from its own debtors and such omitted act has been caused a disadvantage to the creditor, the creditor has the right to

claim such debt before the court on behalf of its debtor, except for in the case that such claiming right has to be exercised specifically by the debtor only.

The expenses for such action shall be borne by the debtor.

Article 33 Effect of Contract Breach

A breach of contract means a non-performance of contract, in whole or in part, or an unreasonable performance by either contracting party, such a low quality performance, untimely performance, performance not at a place as determined by the contract.

If either contracting party breaches a contract, that party shall be liable to compensate the other contracting party for the damage occurred; except for in the case that such breach is occurred from the force majeure.

D. Measures Ensuring Contract Performance

Article 34 (Amended) Measures to Ensure the Contract Performance

To ensure the reasonable performance of contract and to meet the need of the creditor or to compensate the damage which may arise subsequently to a non-performance of contract or unreasonable performance of contract, the law allows the application of various measures, such as pledge, security by collateral, person or legal entity, and penalties.

Article 35 Pledge and security

A pledge and a security shall be undertaken in compliance with the Law on Security.

Article 36 Penalty

A penalty is a measure applied against those who do not perform their contracts or who has rendered incomplete performance or untimely performance.

Penalties are to be applied in accordance with the specific regulations of relevant sectors or as agreed by the contracting parties where no such specific regulations exist.

E. Modification, Termination an Extinction of Contracts

Article 37 Modification or Termination of Contract

A contract may be modified or terminated by an agreement between the contracting parties.

In case of breaching a contract, the disadvantaged contracting party may unilaterally modify or terminate the contract, unless it is otherwise agreed by the contracting parties.

Modification or termination of a written contract shall be made in writing.

When a contract is terminated, all reciprocal obligations which were performed by the contracting parties shall be considered as completed. If a contracting party has performed its own obligations, the other contracting party shall perform their outstanding

reciprocal obligations. The remaining reciprocal obligations which are not performed by any of the contracting parties shall be cancelled.

Article 38 Extinction of Contract

The contract shall be extinguished in the following cases:

- A contract is duly and completely fulfilled;
- The contracting parties have merged into one;
- The contracting parties have agreed to end the contract;
- The contract is not performable;
- Any contracting party is died and other person no right to continue to perform the contract;
- The legal entity that is a contracting party has been dissolved or bankrupted.

In the case that any legal entity is dissolved or bankrupted, the other contracting parties shall have the rights to claim for the expenses and compensation for damage from the persons liable for the assets of such dissolved and bankrupted legal entity.

**Section 2
Types of Contracts**

A. Sale-Purchase Contact

Article 39 Sale-Purchase Contract

A sale-purchase contract is an agreement between the contracting parties whereby the seller is obligated to transfer its assets into the property of the buyer, and the buyer has to accept and to pay for the sold assets at the price as agreed by the parties.

The seller has the right to sell any assets belonging to its own property. If the sold assets to the buyer have been confiscated by a court judgment or by an award of an arbitration body, the seller shall compensate the buyer for all relevant losses.

While concluding a contract the seller shall inform the buyer on the other persons' rights to the sold assets, such as whether the sold assets have been rented by other persons. Failure to do so shall give rise to a right of the buyer to request the termination of the contract and ask for the compensation for damage or for reduction of the sale price.

When the right of ownership has passed to the buyer prior the handover of the assets, the seller shall still have the obligation to protect and maintain such assets from losses or damage until the acceptance of assets.

The buyer becomes the owner of the assets he/she bought:

- From the time that the buyer pays the seller and the seller delivers the assets to the buyer;
- From the time that the buyer has fully made payment, whether or not the seller has handed over the sold assets or from the time that the seller has handed over the assets, whether or not the buyer has paid the seller.

Article 40 Quality of Assets Sold

The quality of assets sold shall be conformed to the contents of the contract. If the assets sold are not of the quality provided for in the contract, the seller shall be liable for such assets.

In the event that the buyer knows that the assets are of poor quality, the buyer has the right to request an exchange of the assets sold for the same kind which are of quality or to request a price reduction or to terminate the contract while demanding compensation for damage.

The buyer shall verify the purchased assets and shall immediately notify the seller on defects found in the purchased assets; otherwise the buyer shall be liable for such defects by oneself.

Article 41(Amended) Sale of Goods in Down Payment

In the sale-purchase of goods, the seller may sell the goods in down payment. The buyer shall acquire the ownership of the goods sold from the date of full payment for such goods.

In the event that the buyer fails to make a full payment and not on time for three consecutive times, the seller has the right to terminate the contract and to claim back the goods sold. In this case, the money paid by the buyer to the seller shall not be given back to the buyer.

If the goods purchased on down payment are damaged by the mistake of the buyer, the buyer shall be liable to the full payment as provided for in the contract.

In the event that the buyer is not yet the ownership of the goods sold in down payment and the buyer has sold such goods to other persons, the buyer shall be considered as an offender in trickery or fraud. The seller in down payment and the sub-buyer have the right to sue the buyer in down payment accordingly the laws and regulations.

The sale of goods in down payment shall be executed at the price as agreed in the date of sale. Any subsequent change to the price of the goods sold in down payment shall have no effects to the agreed upon price.

Article 42 Purchase of Illegal Acquired Assets

An asset buyer in good faith is a person who believes that he/she has legally bought the assets, showing by a purchase at a reasonable market price at such time being, purchase and use of assets openly, continually and peacefully. The asset owner may take its own asset back only if he/she pays in compensation back the buyer at the price which has been paid, and then, the asset owner has the right to sue the person who has illegal sold such assets.

A asset buyer in bad faith is a person who has bought the assets whereby he/she has known and should know that he/she has bought the illegal acquired assets, showing by a purchase at inappropriate market price at the time being, purchase and use of assets secretly and discontinuously and has already been claimed for. The asset owner has the right to take such assets back without any compensation to the buyer. The buyer may ask for taking the purchased money back from the seller, but shall have no rights to sue the latter before the court.

Article 43 Delivery of Goods or Assets Sold

The seller shall deliver the goods or assets sold up to the address of the buyer or to any other places as agreed by the contracting parties.

The buyer shall accept the goods or assets delivered to him/her. Payment for the delivery charge shall be subject to an agreement between the contracting parties.

If the seller fails to deliver the goods or assets sold at the agreed upon time, the buyer may refuse to accept such goods or assets.

In the case where the buyer has already paid the delivery charge, the seller shall pay the appropriate prejudice fee to the buyer.

If the seller has delivered the goods or assets that are not in quantity, incomplete set or quality as agreed upon, the buyer may refuse to accept and to pay for such goods or assets. If the buyer has already paid for the goods or assets, the seller shall give the paid money back to the buyer and may have to compensate for damage occurred.

B. Exchange Contract

Article 44 Exchange Contract

An exchange contract is an agreement between the contracting parties whereby a contracting party gives its own assets to another contracting party and the latter gives its other own assets in return to the former one.

Article 45 (New) Additional Money in Exchange

In an exchange, a contracting party might be obligated to give more money to another contracting party in the case that its exchanged assets worth less than the assets of such another contracting party.

Article 46 (Amended)

The regulation on exchange contract shall be followed the same as of the regulation governing the sale-purchase contract.

An exchange contract shall be effective if only the contracting parties have exchanged their assets to each others.

C. Donation Contract

Article 47 (New)

A donation contract is a decision of the asset owner to give an asset belonging to its property to any other person on voluntary basis without any reciprocal compensation, and such person agrees to accept such asset.

The objective of donation contract may be movable or immovable assets.

Article 48 (New) Deliveries of Movable Assets

A delivery of movable assets is a transfer of movable assets whereby the acceptor becomes the owner of such assets from the time of acceptance.

The written delivery of movable assets shall be registered and shall be effective from the date of registration.

Article 49 (New) Deliveries of Immovable Assets

A delivery of immovable assets is a transfer of immovable assets with a legal document certifying the property or right of use from the competent agencies.

A delivery of immovable assets shall be made in writing.

The acceptor of immovable assets becomes the owner of such assets from the date of registration.

Article 50 (New) Conditional Donation Contract

A conditional donation is a decision of the assets owner to give its own assets to any person with conditions not contradicted with the laws whereby the acceptor shall fulfill such conditions before or after acceptance of such.

The acceptor shall become owner of the assets if only such conditions have been fully observed. If the acceptor does not fulfill or fails to fulfill such conditions the donor has the right to terminate the contract.

Article 51 (New) Limits of Donation and Conditional Donation

A donation and conditional donation shall be executed under the limit as prescribed in the Article 25 of the Law on Inheritance.

Article 52 (New) Obligations to Inform on Asset Deficiency

The donor of assets shall give information to the acceptor on deficiency or particularity of the donated assets. If such information is not given, the donor of assets shall be liable for the losses resulting from such deficiency or particularity of the assets.

D. Consignment Contract

Article 53 Consignment Contract

A consignment contract is an agreement between the contracting parties for the sale-purchase of assets which the seller has the right to purchase such assets back within three years at the same price of the sold price.

Upon expiration of three years period, the seller has the right to extend the term of consignment if it is priorly agreed while concluding the contract, but such term shall not be exceeded one year.

Upon expiration of contract, if the seller does not purchase the assets back the buyer shall be the absolute owner of such assets.

Article 54 Effect of Consignment Contract

If the consigned assets yield any benefits, the buyer who has made a full payment for the assets shall be the owner of such benefits. If the buyer has not made a full payment, the buyer shall have no right to such benefits, unless otherwise provided by the contract.

Article 55 Protection of Consigned Assets

The buyer shall protect and maintain the consigned assets and the seller shall reimburse the buyer for the expenses paid the buyer for protection of the assets. Minor expenses for such shall be borne by the buyer. The buyer has the right to make use of the consigned assets. If the seller request to purchase the assets back within the determined period, the buyer shall return the assets to the seller in their original conditions.

E. Loan Contract

Article 56 (Amended) Loan Contract

A loan contract is an agreement between the contracting parties whereby the lender transfers the money or assets to become the property of the borrower and the borrower shall return such borrowed money or assets in the same quantity and quality to the lender in a period of time as provided for in the contract.

If the contract does not fix the period of time, the contract performance shall be referred to the lender's offer as provided for in the Article 26 of this Law.

The loan of money or assets shall bear the interests if only it is specified in the contract.

The loan of money from the banks or financial institutions legally established shall be in compliance with the regulations of the lending banks or financial institutions.

The interests of the loans in Kip or foreign currency between individuals or organizations shall be subject to the agreement of the contracting parties. In case of claim before the court proceeding, the interests that are already paid shall be considered as have been executed, and for the interests that are not yet paid, it shall refer to the actual interests of the State commercial banks where the disputes have arisen. In money lending, it is prohibited to include the interests into the principal.

When repayment is due as it is agreed in the contract, if the lender refuse to accept money or assets from the borrower, there shall be no further calculation of interests.

For the loans from foreign or international organizations, the interest calculation shall be based on the agreement between the contracting parties.

When a dispute on the interests or the principals between the creditors and debtors arises, it shall be done by addition of the principals and the due interests, and then, the debtor shall pay the total of such addition until full payment.

A loan contract shall be made in writing.

Article 57 (Amended) Spouse Responsibility for debts

The spouse or any of the couple shall be liable for the loan of money or assets in the following cases:

- The husband and wife have borrowed the money or assets;
- Only the husband or wife has borrowed the money or assets for household use;
- Only the husband or wife has borrowed the money or assets for his or her personal benefit. In such case, if the husband or wife has used his or her own money or common assets to pay the debts, he or she shall have the right to be reimbursed upon common assets division.

F. Contract on Borrowing of Assets for Use

Article 58 Contract on Borrowing of Assets for Use

A contract on borrowing of a asset for use is an agreement between the contracting parties whereby the lender delivers such asset to the borrow to use for free of charge and the borrower shall return asset to its owner in its original condition on a certain period of time as agreed upon.

Article 59 Responsibility of the borrower

In the event that the borrowed asset is lost or damaged during the borrowing period of time, the borrower shall be liable to compensate for damages, unless otherwise agreed.

If the borrower is unable to return the borrowed asset to its owner or has caused an out-of-order to such asset, the borrower may be subject to compensation for such with money or other asset as consented by the lender and at the market price on such time being.

The borrower has no right to give the borrowed asset for further borrowing by any other person.

G. Contract on Asset Rental

Article 60 (Amended) Contract of Asset Rental

An asset rental contract is an agreement between the contracting parties whereby the lessor has handed over the asset belonging to his/her property to the lessee for a temporary use and the lessee shall duly use it accordingly to its utility as provided for in the contract and shall pay the rental on the time as agreed upon.

An asset rental contract may be made for an indefinite term. In this case, the lessor or lessee has the right to terminate the contract at any time, provided that a notification to the other contracting party shall be made in advance three months for immovable assets, such as land, house, building; and one month for movable assets, such as car, boat, animal.

For agricultural land rental, a notification of termination of contact shall be made at the end of the harvesting crops or at the beginning of a new growing season.

Before handing over the assets for rent, the lessor shall inform the lessee on any defects of special characteristics of the assets.

In the case that the lessor fails to inform the lessee on the defects or special characteristics of the assets, if a loss or damage occurs from such failure, the lessee shall not be liable for such.

Article 61 Payment for Asset rental

In rental of assets, the lessee may pay the rental on a daily, weekly, monthly or annually basis or in advance. In the event that the lessee has made a full payment in advance, but the contract has been terminated before its term, the lessor shall return the balance of the advance payment to the lessee; and then, the lessor shall have the right to claim a compensation for damage from the lessee if the latter has breached the contract.

In the event that the lessor breaches the contract, the lessee has the right to claim the balance of the advance payment and compensation for damage from the lessor.

Article 62 Use and Repair of Rental Asset

The lessee shall use the rental asset in conformity with the purpose of the contract and the utility of the asset, manage and maintain the asset in suitable conditions and shall return such asset to the lessor in its original condition after expiration of the contract. The lessee shall be liable for losses or damages resulting from his/her wrongdoing.

During the use of rental asset, minor repairs shall be borne by the lessee, such as key repair, leakage repair, tire repair . The major repairs shall be borne by the lessor, such as re-roofing, engine overhaul.

In the event that the lessee has expended for major repairs by his/her own funds and with the consent of the lessor, the lessee has the right to demand for such expenses from the lessor or such expenses may be calculated for balance of the asset rent.

In the event that the lessee has proposed the lessor to make major repairs, but the lessor fails to repair even he/she is in a capacity to do so, the lessee has the right to terminate the contract and claim back the rent that has been paid in advance.

Article 63 (Amended) Change of Rental Asset Owner

In the event that the lessor has transferred or sold the rental asset to any other persons, the asset rental contract shall be still be effective and bound the transferee or buyer, the new owner of such asset, provided that the lessor shall notify the such new owner that the asset in question is still in use of the lessee.

Article 64 (New) Sub-Rental Contract

The lessee may give the rental asset to any other persons for rent with the consent of the lessor, provided that such sub- rental shall be under the limits of term and conditions of the initial rental contract.

H. Bailment

Article 65 Bailment

A bailment is an agreement between the contracting parties whereby the bailor deposits assets with the bailee to protect and maintain such assets and the bailee shall return those assets in their original condition upon demand.

A bailment may incur a fee or be free of charge, depending on the contracting parties' agreement or specific regulation.

In the event that a bailment has a fixed term, the bailee does not have the right to return the bailed assets before term expiration, except in necessary cases, whereas the bailor may demand the return of the bailed assets before such term.

If a bail has no time limit, the bailor may demand the return of the bailed assets at any time and the bailee has the right to demand that the bailor take back his/her own assets at any reasonable time.

Payment for bailment shall be calculated on the basis of actual duration of the bailment, unless otherwise stipulated in the bailment.

Article 66 (Amende) Obligations of Bailee

The bailee has the obligation to protect the bailed assets from any loss, damage or deterioration, and to return the bailed assets to the bailor in their original condition.

The bailee does not have the right to make use of or transfer such assets into the care of other persons to protect the bailed assets on his behalf, unless authorized by the assets owner. If the bailed assets yield any benefit, such benefit shall belong to the bailor.

If the bailed assets suffer loss, damage or deterioration, the bailee shall be liable for such loss, damage or deterioration, except for the case that such loss, damage or deterioration has been arisen from the force majeure.

The bailee shall immediately notify the bailor on any events or circumstances that may cause negative effects to the bailed assets. If the bailee fails to do so, the bailee shall be liable for losses occurred.

Article 67 Obligations of Bailor

The bailor has the obligation to notify the bailee on the defects or special characteristics of the bailed assets and upon such notification the contracting parties have to jointly inspect the actual condition of the bailed assets.

If the bailor does not notify the bailee on the defects or special characteristics of the bailed assets and such failure has caused the damage to the bailee or to the bailed assets, the bailor shall be liable for the damage occurred.

The bailor has to take back the bailed assets at the scheduled time and to pay for the bailment if the contracting parties have so agreed.

If the contracting parties have agreed to pay the bailment fee from the date of the bailment signature, any delay in the handover of the bailed assets shall be the liability of the bailor. If the bailor has delayed the taking back of the bailed assets, the bailor shall be liable for the additional bailment fee calculated on the basis of the number of the delayed days.

When the bailee incurs expenses in protecting the bailed assets, the bailor shall reimburse such expenses.

In the event that the bailed assets are of fungible nature and are perishable and the bailor does not take back such assets as scheduled, the bailee has the right to sell such assets and deduct bailment fees, including expenses arisen with respect to the sale of such, if any, while any remaining money amount must be returned to the bailor. If the bailee has sold the bailed assets in bad faith, the bailee shall be guilty in fraud.

I. Assignment

Article 68 Assignment

An assignment is an agreement between the contracting parties whereby the assignee shall perform an act on behalf of and at the expenses of the assignor, and the assignor shall have an obligation to pay for as compensation to the assignee, if it is specified in the contract or in the laws.

The assignee shall be able to perform any act only if he/she got a power of attorney from the assignor, except for an act of minor importance.

An assignment shall not be exceeded three years. If the term is not specified, the assignment shall be effective for a period of one year from the date the attorney of attorney has been issued.

Parents or guardians of children under eighteen years of ages, mentally disable persons, husband or wife may act on behalf of one another without a power of attorney, provided that a document certifying the familial relationship between such persons shall be required.

Article 69 Obligations of Assignee

The assignee has the obligation to execute the assignment task by him/herself in conformity with the assignment instruction in good faith as his/her own task. If the assignee is unable to execute the assignment due to objective causes, the assignee has the right to assign another person to act on his/her behalf, provided that the assignee shall immediately notify the assignor on the personality and capacity of such person to obtain the consent from the assignor, otherwise the assignee shall be liable for any losses which might be affected the assignor from the act of such person. In addition, the assignee has the obligation to immediately report and hand over all assets, money or documents acquired from the execution of the assignment to the assignor.

In the event that the assignee has caused any damage to the assignor from the execution of the assignment that is not in conformity with instruction or beyond the scope of the assignment, the assignee shall be liable to compensate the assignor for such damage caused.

Article 70 Obligations of Assignor

The assignor shall provide the assignee all necessary materials for his/her task performance, acknowledge the performed work by the assignee within the scope of assignment, shall compensate the assignee for the work done, if it is specified in the contract and shall acknowledge the expenses occurred while work performance. The assignor has the right to refuse any work done by the assignee that is not in conformity with the instruction or beyond the scope of the assignment.

If the assignor refuse to acknowledge the work that the assignee has performed in conformity with the assignment, as well as the expenses occurred in such work performance, the assignor shall be liable to compensate the assignee for all damages occurred.

J. Service Contract

Article 71(Amended)Service Contract.

A service contract is an agreement between the contracting parties whereby the service provider has to serve, do or create something or to give advice to the service user and the service user has to pay for the service delivery at an agreed upon price.

Article 72 (Amended) Types of Service Contracts

The service contracts are comprised of two types as follows:

1. General service contract;

2. Technical service contract.

A general service contract is an agreement between the contracting parties whereby the service provider has to do or create a certain thing, such as repair, hair-cutting, sewing, eat-an-drink service.

A technical service contract is an agreement between the contracting parties whereby the service provider has to render services on research, analysis, information providing, advices, instruction, programming, reporting and others in accordance with the technical principles.

A technical service contract shall be made in writing.

Article 73 (New) Rights and Obligations of Service provider

A service provider has the right to receive a service charge as agreed upon in the contract.

A service provider has the following obligations:

1. Use good and qualified equipment in accordance with technical principles and needs of the service users;
2. Protect and maintain the materials and equipment of the service users;
3. Deliver the materials and equipment or benefits resulting from services rendered to the service users on time and in quality;
4. Keep the confidentiality of the service users.

Article 74 (New) Rights and Obligations of Service User

A service user has the following rights:

1. Ask for materials resulting from a service;
2. Recommend the service provider to remedy the deficiencies;
3. Refuse to accept a service rendered inconsistently as it is agreed upon;
4. Change the service provider to a new one, provided that the former provider shall be paid for materials and equipment which are already done or created.

A service user has the following obligations:

1. Provide necessary materials and equipment or information to the service provider;
2. Accept the materials and equipment or benefits resulting from services rendered and pay the service charge.

K. Construction Contract

Article 75 (Amended) Construction Contract

A construction contract is an agreement between the contracting parties whereby a contractor shall build a facility pursuant to the desire of the project owner with the construction materials of the project owner or of the contractor himself. The project owner shall accept and pay for the completed and jointly certified building facility.

The constructor shall have the right to propose and notify the project owner that he/she is not able to follow the project owner's instructions or to use non-standardized construction materials or vehicles provided by the project owner.

If the project owner does not resolve the proposed matters within an appropriate time, the contractor has the right to ask for the termination the contract and to claim for compensation for damages.

In the event that the construction materials or vehicles belong to the project owner, the contractor shall protect, maintain and use them in proper manner; otherwise the contractor shall be liable for any damages that might be occurred. Additionally, the contractor shall be obligated to provide the project owner an inventory of the use of construction materials and shall return the remaining materials to the project owner.

The project owner has the right to verify the constructed facility. If the facility is not yet constructed or has been constructed, but not consistent with conditions and terms provided in the contract and that causes such facility to be under the standards and damaged, the project owner has the right to notify the contractor to remedy or repair it within a due period or to claim for compensation for damages if the expenses of the repairs involved its own materials or vehicles. Moreover, the project owner may request to terminate the contract and claim for compensation for damage.

The construction materials which shall be procured by the contractor shall be provided in quality, in compliance with technical standards and on time.

Article 76 Quality Guarantee of Constructed Facility

The contractor shall give a guarantee of the constructed facility in accordance with the construction regulations.

After acceptance of the constructed facility, if any defects in such facility have been found the project owner has the right to ask the contractor to repair such discovered defects without any additional expenses for, provided that the guarantee term is not yet expired.

L. Transportation Contract

Article 77 (Amended) Transportation Contract

A transportation contract is an agreement between the contracting parties whereby a contracting party is a carrier who shall be liable for conveying the passengers and their belongings or commodities or goods to a destination or to a place as desired by the other contracting party. The other contracting party is a passenger or a forwarder of commodities or goods who has an obligation to pay the passenger or transportation fees at an agreed upon price.

A transportation contract shall be effective from the time the carrier accepts the passengers and their belongings or commodities or goods, and shall be fulfilled at the time when the passengers have arrived to their destination with their belongings or when the owner or his/her entitled persons has received such commodities or goods.

Transportation may take place by surface, water or air means and it shall be complied with the regulations of the sectors concerned.

Article 78 Obligations of Carrier

A carrier has the obligations to safely transport the passengers together with their belongings to the destination and to bring the assigned commodities or goods to their

destination and give them to those persons who have the right to receive them in the quantity and quality at the departing points.

In the case that an accident occurred, the carrier shall be liable for the passengers who are injured or dead and for their belongings, commodities or goods which are lost or damaged from such accident, except for the case of force majeure.

Article 79 (Amended) Passenger Fares and Transportation fees

The passengers may pay the fare before or after the travel at a price periodically determined by the State for each journey or at a price as agreed upon between the contracting parties.

The owners of commodities or goods may pay the transportation fees before or after the transportation as agreed upon.

M. Partnership Contract

Article 80 (Amended)

A partnership contract is an agreement between two persons or more whereby they agree to gather their money or assets or labors for operating a business and sharing the benefits and debt liabilities.

The contracting parties may inter in any agreement in conformity with the Law on Enterprises and other relevant laws and regulations.

Article 81(Amended)Expiration of Partnership Contract

A partnership contract may be expired in any of the following cases:

1. The objectives of partnership contract is fulfilled;
2. The term of partnership contract is ended;
3. Any of the contracting parties is dead without any successors;
4. The contracting parties have agreed to terminate the contract;
5. Merge of the contracting parties;
6. Partnership contract termination by a court judgment;
7. Any of the shareholders is bankrupted or lacked a capacity to act, unless otherwise agreed or the enterprise is bankrupted.

Article 82 (Amended) Sharing of benefits and debt liability

Upon expiration of partnership contract and no specific provisions are mentioned in the contract, the sharing of the benefits or debt liability shall be based on the shares of each person.

Chapter III

Extra-contractual Obligations

Section 1

Liability from an act of one's self

Article 83 (Amended) Grounds for one' self liability

Any person who caused damage to another person by his/her own act shall be liable to compensate for damage he/she has caused, with the exception that such damage has arisen from self-defense or exercise of lawful duties or from a wrongful act of the victim.

Article 84 (Amended) Characteristics of Damage

The damage arising from an act of a person shall be of a characteristic of certainty, i.e., a damage has occurred or shall be certainly occurred in the future.

A damage that may or may not be occurred in the future shall not be considered as certain.

Article 85 (Amended) Types of Damage

The damage consists of three types as below:

- Damage to property;
- Damage to life or health;
- Damage to spirit.

Article 86 Wrongful Act

A wrongful act is defined by an action or omission which violates the laws and regulations and willfully or negligently causes damage to another person.

Article 87 Cause and Effect Relationship between the Act in Breach of Law and the Damage Caused.

Any person shall be liable for compensation for damage only if there is a relationship of cause and effect between the act breaching the law of such person and the damage occurred. Such relation consists of three conditions a below:

- The cause is necessary in giving rise to a damaged effect;
- The cause must be arisen before damaged effect;
- The cause must be a direct cause of the damaged effect.

Article 88 Damage from Abuse of Power

Any person who willfully abuses his/her power shall be liable to compensate for damage resulting from such abuse of power.

Article 89 Liability for Damage Arising from Necessity

The damage resulting from necessity shall be compensate, but base on the actual facts the court may decide that the wrongdoer or third person who has received benefits from the act of the person causing damage to be liable to compensate for such damage.

Article 90 Liability for Damage Caused by Several Persons

All persons who have jointly caused damage shall be jointly liable to compensate the damage they caused. The Court may hold any or several persons among themselves to be liable for the entire damage compensation, and such a person has the right to claim the reimbursement from the persons on whose behalf he/she has paid.

Article 91 (Amended) Calculation of Compensation for Damage and Prejudice

Calculation of compensation for damage and prejudice shall be consistent with the wrongful act of the person causing damage.

In addition to the compensation for damage, the person who causes damage may also be liable to compensate the prejudice, such as income the injured person would have earned, additional expenses of the injured person resulting from such wrongful act.

In the event that the injured person is also engaged in the wrongful act, such person shall also be partially liable for damage and prejudice.

Section 2

**Liability for the Acts of another Person,
Animal or Thing under a Person's Control**

Article 92 (Amended) Liability of Employer

An employer shall be liable to compensate for the damage arising from the acts of his/her employees in their performance of the assigned tasks that cause damage to other persons.

In the event that the damage is caused by a serious wrongful act of the employees, they shall be liable to compensate for such damage, however, the employer shall first pay the compensation to the injured persons and, then, the employer has the right to claim for the reimbursement of payment that has been made from the employees.

The paragraph one of this Article shall also be applied for the use of other persons to perform any task for one's self benefits.

Article 93 Liability of Parents, Guardians or Administrators

The parents, guardians or administrators, such as kindergarten, hospital and others, are liable for damage arising from the acts of minors or those mentally disable persons who are under their control.

Article 94 Liability of Owner or Possessor of Animals

The owner or possessor of an animal shall be liable for damage caused by such animal due to the fault of its owner or possessor.

Article 95 Liability for Damage Arising from Things

The owner or possessor of a thing shall be liable for damage caused by such thing due the fault of its owner or possessor.

Section 3

Work in place of another Person

Article 96 Work in place of Another Person

Work in place of another person means any work performed by a person for the benefit of another person without being assigned by such other person, such as repairing a house for a person in his absence and others.

Article 97 Conditions of Work in place of Another Person

The work in place of another person shall be conducted in good faith and shall be beneficial for the owner or possessor. If the owner or possessor of the work is present wherein, the work may be conducted only with the prior consent of such owner or possessor.

The work in place of another person may take form of a legal act, such as payment of debt, or of material consideration, such as house repair.

Article 98 Consequence of Work in place of Another Person

Any person who conducts a work in place of another person shall have the same obligations as of the assignee as provided for in Article 69 of this Law. The person conducting a work shall be liable for all damage he/she caused and shall notify the work owner or possessor on performed work. The person conducting the work shall continue to complete the work he has initiated until its owner or possessor is able to conduct such work by him/her self.

The owner or possessor has the same obligations as an assignor to compensate for the necessary expenses and benefits if the work has been well conducted or if the owner or possessor has approved and accepted such work.

Section 4

Receipt of Things by a Non-Entitled Person

Article 99 Willful Receipt of Thing by a Non-Entitled Person

Any person who has intentionally received a thing of another person in spite of knowing that he/she has no rights to receive such thing shall return such thing or cost of such to its owner, including the fruits and incomes resulting from such thing, from the date of receipt of such thing.

Article 100 Receipt of Things by a Non-Entitled Person by Mistake

Any person who has received a thing of another person by mistake shall return such thing or cost of such to its owner. The owner of such thing shall compensate such receiving person for the expenses for maintenance of such thing.

Chapter IV

Dispute Resolution and Prescription

Article 101(Amended) Dispute Resolution Methods

In the event that a dispute with respect to the contract performance and claim for compensation for damage arises, the litigating parties may seek for a resolution of such by themselves or for conciliation. If they cannot reach an agreement, they have the rights to submit such dispute to the Village Dispute Resolution Unit or to Economic Dispute

Resolution Office or to the Court for consideration in accordance with the laws and regulations.

Article 102 (Amended) Prescription for claims

A prescription for claim has a term of ten years with respect to contracts on building facilities and of three years with respect to other types of contracts, and with respect to a claim for compensation for damage, unless otherwise provided by the laws.

A prescription for a claim begins from the date of the contract expiration or from the date the damage arises.

A prescription shall be suspended in cases of arising of a force majeure or an emergency event which has been obstructed a claim filing.

After the suspended period of time ended, the previous prescription shall continue to run onwards.

A prescription shall be suspended when there is a certain act of litigating or contracting parties, such as debt recognition. In this case, a prescription for claims shall retake effect from such time.

**Chapter V (New)
Prohibitions**

Article 103 (New) Prohibitions for individuals and legal entities

An individual or a legal entity is prohibited to act as follows:

- Unilaterally modify or terminate a contract;
- Falsify a document or a contract;
- Buy or sell a State asset of all types without authorization;
- Give a bribe to a State official;
- Make a contract in excess of assigned power;
- Give false information;
- Use of fraud, trickery or threat in making a contract;
- Induce a minor, a mentally disable person or a person in severe drunkenness or unconscious person to conclude a contract;
- Omit or lack of responsibility before other persons, animals or things under his/her control;
- Conduct an unsolicited work in place of other person in the case that such person is in the place that can be contacted.

Article 104 (New) Prohibitions of relevant State Officials

A relevant State official is prohibited to act as follows:

- Opportunely use his/her position for one' self benefits, family or groups;
- Receive a bribe;
- Sign a document or contract without any ascertain study or examination;
- Falsify a document;
- Give false information.

Chapter VI (New) **Awards and Sanctions**

Article 105 (New) Policy for outstanding achievements

Any individual or legal entity that has an outstanding achievement in implementing this Law shall be received awards or other policies in accordance with relevant regulations.

Article 106 (New) Measures against violator

Any individual or legal entity that violates this Law, such as a non-execution of contracts or any breach thereof that caused a damage to the State, society or other persons, shall be subjected to appropriate measures or may be legally suited in accordance with the minor or severe cases.

Chapter VII (New) **Final Provisions**

Article 107 (New) Implementation

The Government of the Lao PDR is in charge of implementing this Law.

Article 108 (New) Effectiveness

This Law shall be effective from the date the President of the Lao People's Democratic Republic issues the Decree on its promulgation.

This Law replaces the Contract Law, No.02/90/SPA, dated 27 June 1990 and the Tort Law, No. 08/90/SPA, dated 29 November 1990.

Any regulations and provisions which are contradicted with this Law shall be cancelled.

President of National Assembly