



LAO PEOPLE'S DEMOCRATIC REPUBLIC
PEACE INDEPENDENCE DEMOCRACY UNITY PROSPERITY

National Assembly

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Law
On the
Promotion of Domestic Investment

Chapter I
General Provisions

Article 1. Purpose

The Law on the Promotion of Domestic Investment in Lao PDR defines principles, rules and measures for the promotion, protection and management of domestic investment in order encourage all economic sectors, and make efficient use of investment sources, resources, and labor and intellect within the country to broaden production forces effectively, to support industrialization and modernization step by step, contribution to livelihood improvement of the public and develop the country to be strong and wealthy.

Article 2. Domestic investment

Domestic investment is the application of capital such as assets, technology and experience into production, the business operations within the country by Lao citizens, resident aliens and stateless persons who live permanently in the Lao PDR, including Lao nationals living abroad.

Article 3. Promotion of Domestic Investment

Domestic investors may invest in production, and business in all sectors of investment of the Lao PDR, except operation that causes problem to national security and cause sever adverse impacts to the environment at the moment of the investment or long term impacts to the health or fine tradition of the nation.

The State promotes domestic investors invest in sectors, investment zones as defined in articles 9 and 10 of this law by defining tax and custom policies, rules, measures and provision of information and service to domestic investors.

Article 4. Methods of Investment

Domestic investors may invest in all kinds, forms, types of enterprises as provided by Law on Enterprises.

During the business operation of the domestic investment, the assets of the enterprise shall not be less the registered capital.

Article 5. Protection of Domestic Investment

Assets and investments belonging to domestic investors will be fully protected by the rules and laws of the Lao PDR and will not be requisitioned, seized, or nationalized except if necessary for a public use in respect of which the investor will be compensated according to the laws and regulations

Chapter II

Rights, Interests and Obligation of Domestic Investors

Article 6. Rights and Interests of the Investors

Domestic investors have the following rights and interests.

1. To receive facilitation from the State for the establishment and production operation within country and overseas in accordance with laws and regulations;
2. To get protection on the legitimate rights and interests from their business operation;
3. To be owners of properties such as rights of procession, rights to use and rights to transfer, inheritance rights and other benefits from their investments;
4. To receive facilitation in requesting credit with financial institutions in accordance with [relevant] rules;
5. To receive assistance or instruction on technical matters, technology and data and information from the State regarding production and business operations;
6. To receive promotion and encouragement from the State in respect of marketing to include goods pricing;
7. For domestic investors who have residence overseas, after fulfillment of obligations on custom. tax and other fees, they can expatriate profits and capitals from business operation and other income legally received to their countries of residence or to other third countries through commercial banks in Lao PDR by using the exchange rate of the date of transfer;
8. Domestic investors and members of their families, including technical officers and staff who are foreigners working for domestic enterprises will receive felicitation to get multi entry or departure visa and live in the territory of the Lao PDR for a long term as agreed by the government;
9. To get protection on the rights of intellectual property registered with concerned sectors of the Lao PDR;
10. To bring petition, claim to concerned authorities when they found that they are treated unfairly in business operation.

Article 7. Investors' Obligations

Domestic investors have the following obligations.

1. To conduct business operation and production accordance to license, in accordance to the feasibility studies or business operation plans, contracts and laws and regulations;
2. In undertaking of business operation, domestic investment enterprise shall have accounting system in accordance with the law on accounting of enterprises and shall

report their accounts to concerned sectors. The accounting reports shall be certified by State Auditing Authority or independent auditing companies established in accordance to regulations in Lao PDR ;

3. To report production and business activities the CPMI and other concerned sectors in timely manner as defined by the State;
4. To completely, and timely fulfill tax and duty obligations and other obligations in respect of investment;
5. To facilitate the organization or operation of the Party or mass organizations in the enterprises;
6. To pay attention to social welfare and health care and safety of workers in the enterprises;
7. To protect the environment, to ensure that their business operation shall not cause severe negative impacts to the public, national security or public order;
8. To create reserve fund according to rules and laws;
9. To have social security and insurance in accordance to laws and regulations;
10. In case when there is removal of office of the enterprise, the enterprise shall inform concerned management authorities, in addition, the enterprise shall restore the project site into a normal situation;
11. To fulfill other obligations as provided in the laws.

Chapter III Promotion Policy

Article 8. Provision of Promotion Policies

The State considers to provide promotion policy to domestic investment based on types of investment sectors and areas of promotion as provided in articles 9 and 10 of this law.

Article 9. Operation of Promoted Sectors

The government determines operations in promoted sectors as defined in detail as follow.

1. Business production for export or to supplement import;
2. Business operation in the agora-forestry sector, agora forestry manufacturing and handicrafts;
3. Industrial manufacturing, industry that use advanced technique and technology, scientific research and development, environmental and biodiversity protection;
4. Business operation on human resource development, labor skills and health care protection of the public;
5. Business operation in construction of infrastructure;
6. Business operation in the production of construction materials;
7. Business operation in the production of raw materials, equipment for important industries;
8. Business operation on tourist industry development and transit service.

Article 10 . Prioritized Areas

The government defines priority areas for investment based on geographic location, socio-economic situations by dividing them into three areas.

- Area 1. mountainous areas, plateau, flat land that does not have infrastructure to facilitate investment.
- Area 2. mountainous areas, plateau, flat land that has infrastructure for investment partially;
- Area 3. mountainous areas, plateau, flat land that has good infrastructure for investment partially.

The detail of the division of these areas of investment promotion will be defined by the government.

Article 11. Custom and tax policies

Domestic investment enterprises that invest in business operation of sectors and areas as defined in articles 9 and 10 of this law shall receive custom and tax policy as follow.

-If the investment is in area 1, it will receive exemption on profit tax for 7 years and after that the investment shall pay profit tax at 10%;

- If the investment is in area 2, it will receive exemption on profit tax for 5 years, and after that the investment shall pay profit tax at ½ of 15% for three years period, and then it shall pay full profit tax at 15%;

- If the investment is in area 3, it will receive exemption on profit tax for 2 years, and after that the investment shall pay profit tax at ½ of 20% for two years period, and then it shall pay full profit tax at 20%.

The period of profit tax exemption shall begin from the date when the domestic enterprise started its business operation. For some kinds of tree plantation, the profit tax exemption shall start from the date when the enterprise starts to have profit.

After the period of profit tax exemption expired, the domestic enterprise shall pay profit tax in accordance to laws and regulations.

In addition to promotion policy as proved above, domestic enterprise shall receive other policy as follow.

1. During the period of exemption or reduction of profit tax, it will receive exemption of minimum tax;
2. The profit that use for expansion of its authorized business operation, shall be exemption from the profit tax from the accounting year;
3. To receive exemption from import duty and tax payable from the import of equipment, spare parts, vehicles for direct production, raw materials that are not available in the country or some available in the country but not sufficient for the production, semi finished products imported for production or assembly for export;
4. To receive exemption of import duty for export production.

For raw materials and semi-finished products imported for production or assembly to supplement imported goods shall get the exemption or reduction of custom duty, tax charge on import.

For special economic zone, industrial zone, commercial area at the border, and special economic zones, shall comply with laws and regulations applicable to each zone or area.

Chapter IV

Application for Domestic Investment

Article 12. Presentation of Application for Domestic Investment

An individual or legal entity that would like to invest any socio-economic sector that related to the rights of concession and business operation in any investment sector as defined in articles 9 and 10 of this law, shall fill application form of the committee for the promotion and management of investment, which has its abbreviation as “CPMI”, and should have other supported documents. For instance, copy of family registration, curriculum vitae, feasibility study, or business operation plan, data and information about the business, if the applicant is enterprise, joint venture agreement, if the investment is joint venture investment, and applicant shall present the documents to CPMI for consideration.

Article 13. Consideration of Investment Application

After receiving of investment application a supporting documents as provided in article 12 of this law, CPMI and commercial sector shall consider and provide a written answer to the domestic investor as follow.

-For the investment that is related to the rights of concession, the CPMI shall provide the answer within 30 official working days, and for other business operation, the answer shall be given within 20 official working days.

-For common operation, the commercial sector shall give the answer within 20 official working days.

The applicant for domestic investment who present his applicant to CPMI, and have all qualifications, shall have investment license, business license and tax registration all together at the CPMI;

The applicant for domestic investment who present his applicant to commercial sector, and have all qualifications, shall have business license and tax registration all together at the commercial sector.

After that the investment will be regarded as enterprise legally established, and within 90 days, the domestic investment enterprises shall conduct its business operation as prescribed in the feasibility study or the business operation plan that attached with the investment license. If the enterprises does not conduct its operation without solid reason, it investment license or business license might be withdrawn.

Article 14. Term of Business License

Business license of domestic investor has no term, if the investor conduct his operation regularly, except when the contract defines the term of the investment, or when the investor has intention to terminate his operation, or when the investment enterprise faces difficulties that could not pay its debts, in that case it shall comply with the law on insolvency.

Chapter V

Management of Domestic Investment

Article 15 . Organization in Charge of the Management of Domestic Investment

Organization in Charge of Domestic Investment includes.

-The Committee for the Promotion and Management of Domestic Investment at central and provincial levels;

-The Commercial sector and others.

Article 16 . Rights and Duties of CPMI at central level

The committee for promotion and management of investment at central level appointed by the Prime Minister, and has its office at the Committee for Planning and Investment, has the rights and duties as follow.

1. To research [develop] strategy, policy for promotion and encouragement of domestic investment, and then to present to the government for consideration;
2. To issue decision, instruction, guideline and notification on the protection and promotion of domestic investment;
3. To develop a plan and summarize list of investment projects that needed to be encouraged to invest domestically;
4. To disseminate policies, laws and regulations, and provide data and information, and to facilitate domestic investors;
5. To consider to issue or remove investment license that under its rights and duties, especially investment projects that are related to the rights of concession;
6. To coordinate with other sector and local authority, and provide instruction on the implementation of the law on the promotion of domestic investment;
7. To monitor, evaluate and report the business operation of domestic investment to the government;
8. To act as central body to provide support, promote, and deal with problems of business operation of domestic investment;
9. To organize annual meeting of the CPMI and consultation meeting with investors;
10. To exercise other rights and fulfill other obligations as provided by the law.

Article 17. Rights and Duties of CPMI at Provincial Level

The committee for promotion and management of investment at provincial level appointed by the Chairman of the CPMI at central level, and shall act as secretariat to provincial governor or city major or the Chief of district special zone district, and CPMI at central level, and has its office at the office of the provincial division of planning and investment, and has the rights and duties as follow.

1. To implement strategy, policy for promotion and encouragement of domestic investment at its location;
2. To disseminate policies, laws and regulations, and provide data and information, and to facilitate domestic investors;
3. To consider to issue or remove investment license that under its rights and duties;
4. To coordinate with other concerned sectors in the implementation promotion policy for the projects that it has provide approval, and to implement decisions, instructions, guidelines and notification of higher authorities;
5. To monitor, evaluate and report the business operation of domestic investment at its location to provincial governor, city major, or chief of special zone district;
6. To act as central body to deal with problems of business operation of domestic investment;
7. To organize annual meeting of the CPMI at provincial level and consultation meeting with investors;
8. To exercise other rights and fulfill other obligations as provided by the law.

Article 18. Rights and Duties of Concerned Sectors

Ministries, ministerial equivalent agencies, and other concerned sectors shall promote and encourage investment according to their rights and duties as follow.

1. To coordinate with CPMI and commercial sector at central level in the development of laws and regulations, policies and plans on domestic investment;
2. To develop plans, and list of projects that needed to be encourage to invest in its sector, disseminate, provide information, mobilize and promote investment;
3. To participate in the consideration of investment projects;
4. To direct its sector at both central and local level to implement investment promotion policy and to deal with problems in the implementation of investment plans;
5. To monitor, evaluate and report business operation of domestic investment within the scope of its rights and duties;
6. To exercise other rights and fulfill other obligations as provided in the laws and regulations.

Administration authorities and sectoral agencies at local level shall coordinate with CPMI and commercial sector at local level according to the rights and duties as provided in this article.

Chapter VI Dispute Resolution

Article 19. General Principle

If any dispute has occurred in business operation, the disputants shall deal with the matter by using amicable negotiation, or mediation or presentation of claim

Article 20. Dispute Resolution

If any dispute has occurred in business operation, and the disputants could not solved the dispute by amicable negotiation, the dispute shall be presented to the CPMI or commercial sector where the enterprise obtained licenses to mediate the dispute.

In case when the CPMI or commercial sector could not mediate the dispute, the dispute shall be submitted to the Economic Dispute Resolution Organization of the Lao PDR to consider.

Article 21. Claim

Dispute that has occurred from business operation that could not be solved by mediation, the disputants may submit a claim to the Peoples Courts for resolution in accordance with judicial process.

Chapter VII

Policies toward Productive Persons and Measures against Offenders

Article 22 . Policies toward Productive Persons

Any productive person or juristic entity that has high achievement in the implementation of this law and contribute to socio-economic development of the nation will be rewarded as appropriate.

Article 23 . Measures Against Investor Offenders

Any individual or legal entity infringes this law, shall be put under measures depending on the violation such as warning, suspension or removal of investment or business license or to submit the case to the court for consideration.

Article 24 . Measures [to be applied to] Other Offenders

Any person violates laws and regulations on investment. For example abusing their position to delay or interfere with the promotion of investment, granting of investment license, falsifying documents, or defrauding investors, taking bribe, or has any action that causes damage to investors or the State, shall make compensation for damages that arises, be disciplined or be put under other measures defined under the law of the Lao PDR.

Chapter VIII Final provisions

Article 25 .Implementation

The Government of the Lao People's Democratic Republic shall implement this Law.

Article 26 . Effectiveness

This Law shall enter into force after sixty days from the date when the President of the Lao People's Democratic Republic issues a decree for its promulgation. After that the law on the promotion of domestic investment, No. 03/95/NA, dated 14 October 1995 will have no effect without causing any problem to the rights, interests, and obligations of domestic investors having or shall be implemented under the law on promotion of domestic investment, No. 03/95/NA. If the investors who have investment license under the law No. 03/95/NA would like to obtain promotion policy under this law on the promotion of domestic investment, the investors shall submit new investment application.

President of the National Assembly