



LAO PEOPLE'S DEMOCRATIC REPUBLIC  
PEACE INDEPENDENCE DEMOCRACY UNITY PROSPERITY

---

National Assembly

No. 02 /NA  
Vientiane Capital, July 08, 2009

**LAW ON INVESTMENT PROMOTION**

**PART I**  
**General Provisions**

**Article 1: Purposes**

The Law on Investment Promotion defines principles, regulations and measures regarding the promotion, regulation of domestic and foreign investment in order to facilitate investment, protect by the Government the rights and benefits of investors, of the state and people aiming at enhancing rights and benefits of the investment for continuous and sustainable socio-economic growth of the country to significantly contribute to preserving and developing the country .

**Article 2: Investment Promotion**

Investment promotion is the formulation of policies and creation of enabling environment and conditions in different aspects for domestic and foreign investment in order to enable the investors to conveniently and quickly conduct their business operations in the Lao P.D.R.

**Article 3: Definitions**

Terms used in this Law shall have the following meanings:

1. **Investment means** the tangible and intangible capital brought by investors into business operations;
2. **Investor means** individual or legal entity, both domestic and foreign, who invests in business operations in the Lao P.D.R.;
3. **Domestic investor refers to** Lao citizens, expatriates, aliens without nationality and legal entity residing and conducting business operations in the Lao P.D.R.;
4. **Foreign investor refers to** foreign individual or legal entity who conducts business operations in the Lao P.D.R.;
5. **Tangible capital refers to** currency, moveable property and real estate property.
6. **Intangible capital refers to** intellectual property, future revenue, rental right, commercial right and concession value and others .
7. **Concession refers to** the authorization granted by Government allowing entities to use state's property rights under certain conditions and terms by entering a proper agreement in accordance with laws and regulations for development and business operation purposes;

8. **Concession agreement** refers to an agreement signed between a state organization or state-owned enterprise, assigned by the Government, and a legal entity.
9. **Direct production means** refers to machinery, trucks and other means that are directly utilized for investment activities as defined by the Government;
10. **Direct investment** refers to investor or an investor group that brings capital into business operation that makes them the owner and the manager of the enterprise and has right to manage or expand the concerned enterprise;
11. **Indirect investment** refers to the purchase by investors of company's shares, shares from stock market including the investment in warrant, securities and other valuable documents. In this case, the investor has no direct involvement in the management of the concerned enterprise.
12. **Valuable documents** refer to documents that can be valued in terms of money and can be sold, exchanged or guaranteed such as land title, common securities bonds, debenture.
13. **Special economic zone refers to** an area defined by government to comprehensively develop and transform an area into an attracting area for domestic and foreign investors within an area larger than one hectare and having an incentive policy and an autonomous economic-financial system. It represents a small-scale socio-administrative unit but has a sustainable security and environmental protection system
14. **Specific economic zone refers** to an area defined by the Government as an industrial zone for export, touristic city, duty free zone, information and technology center, cross border trade, etc.
15. **Industrial zone refers** to the area defined by the Government as industrial zone, industrial processing zone and service zone to become industrial complex by developing appropriate infrastructure to meet investment demands. The area of such a zone will not be as large as special economic zone.
16. **Export processing zone refers** to the area defined by the Government as an investment zone for production, product processing and services for export.
17. **Tourist city refers** to the area defined by the Government as a tourist development zone that is linked to the preservation of natural resources and environment, the promotion of untapped local and national potentials in order to attract tourists and to gradually develop a modern tourism industry.
18. **Duty free zone refers** to the area defined by the Government as a trade investment zone, trade exchange between domestic and foreign trade with a duty free policy applied to that zone.
19. **Information and Technology development zone refers** to an area defined by the Government as a zone for education and research investment, for the development and use of high technology in order to produce and commercialize technology products, to facilitate and accelerate the provision of integrated information services to the society.
20. **Cross border area refers** to the area defined by the Government to promote the cross border trade and exchanges of goods
21. **Urbanized area refers** to an area defined by the Government to authorize the investment in real estate and develop a residential zone for foreign investors or ordinary citizens
22. **Major city refers** to a developed city as a modern city with solid infrastructure, civilized social culture and justice, enhanced civilization and nation's culture that are linked to historical traces of the city

#### **Article 4: Government policies on investment promotion**

The Government promotes the investment in all economic sectors, both domestic and foreign, by formulating policies to create enabling environment and facilitation, including providing guideline, providing necessary information, formulating state's policies on duties and tax, labor, the rights on land utilization, the use of one-stop-services as well as awareness, the protection of property, right, legitimate interests of the investors in conformity with the law.

The Government promotes the investment in all sectors, business operations and areas throughout the country except areas and business operations which are detrimental to national security, the natural environment, at present and in long-term, public health and the national fine culture.

#### **Article 5: Principles of investment promotion**

The investment promotion shall follow the following principles:

1. Being in line with the policy, strategy, socio-economic development plan, sectoral development plan , areas and the periodic socio-economic growth, the improvement of the living conditions of people in conformity with laws and regulations;
2. Firmly embracing the enhancement of centralized and uniformed State's management throughout the country
3. Ensuring that the investors can receive convenient, rapid, transparent and fair services and equality before the law by providing one-stop-services.
4. Formulating promotion policies to attract and seek for investment;
5. Acknowledging, ensuring by the Government the protection of investor's property , rights, benefits and others in accordance with the laws;
6. Ensuring the protection and development of environment, the security of the society and in the investment areas;

#### **Article 6: Scope of Law application**

This Law applies to individuals or legal entities relating to all types of investment in order to carry out production and conduct business operations aiming at creating added value , except for family-based business and small traders.

#### **Article 7: International cooperation**

The State promotes foreign, regional and international cooperation in investment promotion through shared lessons, information, technology and experiences in promoting and managing the investment, marketing, trade, sources of capital, regional and international integration.

### **PART II Investment forms**

#### **Article 8: Investment forms**

Investors may directly or indirectly invest under the following forms:

1. A wholly domestic or foreign-owned investment
2. A joint venture between domestic and foreign investors

3. A business cooperation investment by contract;

**Article 9: A wholly domestic or foreign-owned investment**

A wholly domestic or foreign-owned investment is a wholly investment of domestic or foreign investors that can be only one or more in the enterprise or project in the Lao PDR.

**Article 10: A joint venture between domestic and foreign investors**

A joint venture between domestic and foreign investors is a joint investment between domestic and foreign investors who conduct business operations, has share their property owned and have established a new legal entity under the law of the Lao P.D.R.

The organization and activities, management, rights and obligations of investors of the joint venture are set forth in a joint venture agreement and in the regulations of the newly established legal entity.

With regard to foreign investors in a joint venture they shall contribute at least ten percent (10%) of the total capital.

**Article 11: Business investment by contract**

A business investment by contract is a business arrangement between domestic and foreign legal entities defined in the agreement without establishing a new legal entity or branch office in the Lao PDR.

The domestic legal entity shall be declared to industrial and commercial sector, planning and investment sector for the purpose of being managed according to the regulations.

The agreement of the business investment by contract shall be certified by the court's Notary authority.

**Article 12: Determination of registered capital**

The registered capital of concession businesses shall not be less than thirty percent (30%) of its total capital. As for general businesses, the registered capital has complied with Enterprise Law.

The registered capital shall be presented in the form of assets and, during business operations; the value of assets shall not be less than its registered capital.

**PART III  
Investment**

**CHAPTER 1  
Types of investment**

**Article 13: Types of investment**

The investor may invest in:

- General business;

- Concession;
- Development of special economic zones and specific economic zones.

#### **Article 14: General business**

General business is an investment in general business sector including businesses defined in the list of controlled businesses (Negative list) and is not a concession operations.

#### **Article 15: Concession**

Concession refers to investment activities authorized by the Government to be able to use property right and other rights the State in accordance with regulations for the purpose of developing and conducting business operations, such as, right to concession of land, minerals, electric power, airlines, telecommunication, insurance and financial institutions.

The list of concession activities is determined by the Government.

#### **Article 16: Activities for development of specific economic zones**

Activities in the development of specific economic zones are investment activities for the purpose of creating specific economic zones aiming at developing infrastructure and facilitating and attracting investment to that zone.

Specific economic zones consist of industrial zones, special economic zones, export processing zones, touristic zones, duty free commercial zones, zones for the development of information technology, border economic zones, etc.

The organization and activities of specific economic zones are determined in separate regulations.

## **CHAPTER 2 Investment in General Business**

#### **Article 17: Application for Investment**

Investors wishing to invest in general business shall submit their application to the one-stop-service of the industrial and commercial sector in order to register the enterprise according to Business Law.

The total capital of the foreign investment in general business shall not be less than one billion kips (1,000,000,000 kips).

#### **Article 18: Consideration**

The procedures and timeframe for considering enterprise registration relating to general businesses that are not listed as controlled businesses (negative list) the business license shall be issued within ten working days starting from the date of submission of

application form. For the case of controlled businesses, the enterprise registration certificate shall be issued no later than thirteen working days starting from the date of submission of application form as defined in the Enterprise Law.

For the application for business expansion of the investor who already has an enterprise, the documentation shall comprise only necessary documents as stipulated in specific regulations and the consideration of the application shall be faster than an application for new investment.

#### **Article 19: Enterprise registration certificate**

An enterprise registration is a document which approves the registration for conducting business operation according to the laws.

An enterprise registration includes investment approval, promotion policies, tax license and business authorization issued by concerned sectors

Upon receipt of the enterprise registration, the investor can immediately start his/her business operation

#### **Article 20: Term of Investment**

The enterprise invested in general business has unlimited investment term except business of which the term has been determined in separate regulations and laws of relevant sectors.

### **CHAPTER 3**

#### **Investment in concession operations**

#### **Article 21: Application for Investment**

Investors wishing to invest in concession shall submit their application to the one-stop-service of the planning and investment sector for consideration and, then to the Government or provincial authorities for further consideration.

#### **Article 22: Selection of investors**

The investor who has submitted an application for investment shall go through a selection process by using methods, such as, comparison, tender or assessment by the planning and investment sector jointly with relevant sectors and local authorities in accordance with laws.

The selection of investors must be transparent, public and accounted for

The methods for the selection of concession investors are described in specific regulations.

#### **Article 23: Consideration of an Investment in concession**

The Ministry of Planning and Investment is the agency that considers the investment in concession following procedures as follow:

- examine and approve in principle on the investment by ensuring public interests, the benefits of investors and people. In the event of transferring the right to land use back to the state, the Land Management Authority shall calculate

compensation costs to the investors and people who are affected by the transfer based on market prices;

- Advise investors how to prepare documents by using predefined forms, such as, feasibility study, environmental and social impact assessment, list of vehicles, equipment and raw materials to be submitted for import duty and tax exemption which will be used as a basis for further examination, consideration and approval of investment;

- The planning and investment sector and other relevant sectors are agencies that lead the negotiations and draft the initial agreement;

- Submit the outcomes of the negotiations on the project to the meeting organized by the one-stop-service office for consideration;

- Submit to the Government or provincial authorities for further consideration and approval and provide advice to investors to deposit money as project guarantee in accordance with regulations based on the type and size of investment. This money shall be deposited in the national treasury account and will be returned to the investors when the project starts its first operation..

After approval, the planning and investment sector shall issue a concession registration certificate to the investors in accordance with regulations.

#### **Article 24: Issuance of a concession registration certificate**

The Ministry of Planning and Investment is the agency that issues the concession registration certificate within its scope of responsibilities after the approval of the Government.

The departments, planning and investment offices of are the agencies that issue the concession registration certificate within their scope of responsibilities after the approval of the concerned local authorities.

#### **Article 25: Concession registration certificate**

A concession registration certificate is a document which approves the concession rights of investors according to the laws.

A concession registration certificate includes enterprise registration certificate, investment approval, promotion policies, tax license and business authorization issued by relevant sectors.

Upon receipt of a concession registration certificate, the investor can immediately start his/her business operations and the investor must start his/her business activities within 90 days. If the investor doesn't conduct activities within the mentioned timeframe, the planning and investment sector shall issue written warning within 60 additional days, if the investor still doesn't start his/her business operations, the concession registration certificate will be revoked as well as his/her the guarantee.

#### **Article 26: entering a Concession agreement**

A concession agreement is formulated on the basis voluntarism and contentment by the investor and the Government. or the local authorities.

The concession agreement shall define the objectives,, value, terms, conditions, rights and obligations of both parties.

The Investment agreement in particular on the transfer of concession rights and the transfer of shares shall be certified by Court's Registration Authority

#### **Article 27: Amendment of Concession Agreement**

The contents of concession agreement can be reconsidered, amended, modified or added based on the agreement of both parties. If the amendment, change or addition are not significant, the planning and investment sector jointly with relevant sectors shall consider based upon the proposal of one of parties and shall inform the Government or the local authorities.

The amendment, modifications or addition to the concession agreement by transferring concession rights shall be subject to tax clearance according to the Tax Law..

#### **Article 28: Term of investment in Concession**

The term of investment in concession depends on the nature, size, investment value, conditions of the concession activities based on concerned regulations and laws but shall not exceed ninety years and may be extended with the approval of the government, especially in the case the investor has implemented the project that maximizes benefits for the country, effectively implemented the agreement and has recorded good performance in contributing to the local development.

### **CHAPTER 4**

#### **Investment in the project or activities required for investment**

#### **Article 29: Project or activities required for investment**

Project or activities required for investment is a general business and concession business that are submitted and formulated by sectors and local authorities based on projects and activities that are important for national economy and have untapped potentials in natural resources that have been were officially approved by the Government or provincial authorities, but require capital for its development .

#### **Article 30: Main contents of a project or activity required investment**

The main contents of a project or activity required investment consists of :

- Development master plan;
- Feasibility study;
- Environmental impact assessment;
- Investment conditions;
- Sources of capital required.

#### **Article 31: Consideration of a project or activities required for investment**

Relevant sectors shall take the initiative in formulating the projects or activities required for investment according to their strategies and plans. They shall then submit their projects to the planning and investment office for further consideration, consolidation and submission to the Government or provincial, capital authorities for approval.



After receiving the approval from the Government or provincial, capital authorities, those projects or activities will be sent to relevant sectors, local authorities, one-stop-service offices of the planning and investment office, industrial and commercial office, as well as, embassies, consular offices and trade representatives to be used as information for seeking for activities both domestic and foreign investment.

In the case of concession required for investment, the approval shall be received no later than 45 official working days starting from the date of application.

#### **Article 32: Approval of a project or activities required for investment**

A project or activity required for investment is approved by the industrial and commercial office or the planning and investment office after examining the conditions and ability of the investors in accordance with regulations.

### **CHAPTER 5**

#### **Investment in the special economic zones and specific economic zones**

#### **Article 33: Special economic zones**

Special economic zones refer to development zones that enjoy special incentive and management policies in accordance with public laws and specific regulations that are not in conflict with Public and social interests.

Enterprises that conduct their business activities in this zone receive special policies and are managed under specific regulations in accordance with the Laws of Lao PDR.

The government defines the policy on the establishment of the special economic zones and authorizes domestic and foreign investors who invest in the commodity infrastructure in order to conduct business in the fields of industry, trade, services and social culture.

The economic zones may consist of several specific economic zones such as industrial zones, export production, touristic zones, duty free trade zones, information technology development zones, border economic zones, urbanized cities, etc.

The organization, activities and management of each special economic zone are described in separated regulations.

#### **Article 34: Principles of establishing special economic zone and specific economic zones**

Specific economic zones are established based on the following principles

1. The zones must have clear objectives; Clearly define the benefits for the state, developers and people The zones shall be suitable to the objectives of each special and specific economic zones;
2. Clearly define the areas and territories of the zones Economic promotion policies are put in place for each specific zones;
3. independent economic management system is in place according to each specific zones;
4. The zones are under the administration of the Government or local authorities according to the Government approval;

5. The zones' management authority shall; have the right to provide land rental and define rental cost by themselves that shall not exceed the terms of concession agreement;
6. The zones' management authority can develop special economic zones and specific economic zones within their zones;
7. The zones' management authority can attract and approve investment of individuals or legal entities;
8. guaranteeing the stability, security, safety and the preservation of environment within the zone

#### **Article 35: Establishment procedures**

The Government approves the establishment of special economic zones and specific economic zones upon the proposal of the Ministry of Planning and Investment based on the examination, coordination with relevant sectors and local authorities in line with the socio-economic development plan of provinces and the Government and potentials of that zones.

Investors wishing to establish a special economic zone shall submit an application to the Planning and Investment office for examination and submission to the Government for consideration.

The approval of the establishment of special economic zones and specific economic zones shall be carried out in the same way for the approval of the concession. In addition, a committee responsible for the establishment of special economic zone shall be created.

For the activities, management and promotion policies in each special economic zone and specific economic zone, they shall be determined by the Government.

#### **Article 36: Establishment committee**

The committee responsible for the establishment of special economic zones and specific economic zones is appointed by the Government upon the proposal of the industrial and commercial sector in coordination with relevant sectors and local authorities.

The committee specific economic zone consists of developers, representatives from sectors, local authorities and the Lao Front for National Construction located in the special economic zones and specific economic zone..

The Committee appoints its working group to work with its development partners to address issues that occur during the establishment of the special economic zones and specific economic zones.

#### **Article 37: Rights and duties of the establishment committee**

The specific economic zone establishment committee has the following rights and duties:

- Examine, identify problems and coordinate with relevant authorities for the establishment of the specific economic zone
- Establish and complete the establishment of special economic zones and specific economic zones in accordance with their objectives, targets and timeframe;
- Address issues related to the establishment of the zone such issues related to developers and the benefits of people living in the special economic zones and

specific economic zones by having a focal point with local authorities and relevant sectors.

The Committee responsible for the establishment of special economic zones and specific economic zone conduct its activities based on the developers' budget  
The Committee responsible for the establishment of special economic zones and specific economic zone shall be terminated after the Government issues a decree on the activities and management of the special economic zones and specific economic zones.

#### **Article 38: The contents of the decree**

The main contents of the decree on the activities and management of the specific economic zone shall cover:

- The zone's management authority;
- Activities of the zone;
- Management principles in the zone;
- Macro management of the zone
- Principles of defining promotion policies;
- Sharing of benefits between the Government and developers.

#### **Article 39: Formulation of investment promotion policies in the special economic zones and specific economic zones**

The management committee of the specific economic zone examines , formulates investment promotion policies and other economic policies in the zone within the scope defined by the government in the Decree on the organization, activities and management of each zone and inform to the Government agencies.

#### **Article 40: Principles of activities of the specific economic zones**

The specific economic zones carry out their activities following principles:

1. Being independent in terms of economic management;
2. Being under the supervision of the Government or local authorities assigned by the Government.

#### **Article 41: Development**

The development the specific economic zones focuses on developing integrated infrastructure in order to create enabling environment for attracting investment according to the objectives of each specific economic zone that were approved by the Government,

#### **Article 42: Term of investment in the specific economic zones**

The term of investment in specific economic zones depends on the nature, size and conditions of each specific economic zone but shall not exceed ninety years and may be extended with the approval the Government especially in the case the investor has implemented the project that maximizes benefits to the country, effectively implemented the agreement and has recorded good performance in contributing to the local development.

#### **Article 43: Application for investment in the specific economic zones by other investors**

Beside developer, other investors wishing to invest in the specific economic zones shall submit their applications through the one-stop-service of the management committee of relevant specific economic zones for consideration in accordance with regulations.

The investment in specific economic zones is not limited in terms of investment term, except for some investments that have defined investment term in the regulations of relevant sectors

### **CHAPTER 6 One-stop-service for investment**

#### **Article 44: One-stop-service for investment**

One-stop-service is a service that provides all aspects of facilitations to investors by providing them information, undertaking investment consideration, issuing enterprise registration certificates or concession registration certificates and issuing notices on investment.

The offices of one-stop-service are established in:

- Planning and investment sector for the investment in concession.
- Industrial and commercial sector for the investment in general business and activities in the specific economic zones.
- Specific economic zones for the investment in these zones.

The organization and activities of the one-stop-service office are described in specific regulations.

#### **Article 45: One-stop-service principles**

The principles for one-stop-service are as follow:

1. Investor will receive responses for his/her investment application where s(he) has submitted it. The response shall be given under the timeframe defined in the notice issued by the one-stop-service.;
2. The submission of investment application can be done by the investor or through his/her legal representative ;
3. The service shall be responsible for providing information and resolving problems occurred with the investors;
4. Fees and service charges of the applicants shall be made public at the one-stop-service office;
5. The services shall be provided in compliance with regulations, simplified, planned working methods. They shall be , fast, creative, transparent, made public and accounted for
6. Solution to any problems related to the investment shall be submitted to the meeting of the one-stop-service office.

#### **Article 46: Implementation mechanism of the One-stop-service**

The office of one-stop-service shall convene weekly meetings that consist of representatives appointed by relevant sectors and local authorities in order to examine problems related to the investment. Documents shall be sent to all representatives in advance in order for them to get comments from their supervisors.

Relevant sectors and local authority appoint their coordinators who have the duty to coordinate with relevant sectors all issues related to investment such as request for necessary information about relevant sector and local authority to One-door service office to further provide the information to investors.

## **CHAPTER 7**

### **Representative Office and Branch**

#### **Article 47: Representative offices**

A foreign legal entity wishing to establish its representative office in Lao PDR shall submit the application to the one-stop-service of the Ministry of Planning and Investment for consideration and issuance of the certificate of the establishment of a representative office within 5 working days after receipt of investor application.

Under the laws, this certificate acknowledges the rights of the representative office that carry out activities in accordance with its role, rights and duties, particularly in collecting information on investment for its headquarter that will serve as a basis for consideration for future investment in the Lao P.D.R, but doesn't have right to conduct business operations.

#### **Article 48: Branches of foreign legal entity**

A foreign legal entity wishing to establish its branch in the Lao PDR shall submit the application to the one-stop-service of the Ministry of Industry and Commerce for consideration and shall be granted the certificate of branch establishment within 5 working days after receipt the application.

Under the laws, this certificate acknowledges the rights of the branch. The branch foreign legal entity has the right to conduct business operations as assigned by its headquarter.

A domestic legal entity wishing to establish its branch in the Lao PDR for general business and concession shall comply with Business Law.

## **PART IV**

### **Promotion and Protection of Investment**

#### **CHAPTER 1**

##### **Promotion of Investment related to Duties and taxes**

#### **Article 49: Promoted sectors**

Promoted sectors are agriculture, industry and services. Detailed promoted activities will be determined by the Government in 3 different levels based on priority activities of the Government, activities related to poverty reduction, improvement of living conditions of people, construction of infrastructure, human resource development, employment, etc.

The promotion is divided into 3 levels as follow:

- Level 1: Activities with top level promotion;
- Level 2: Activities with moderate level promotion;
- Level 3: Activities with low level promotion;

#### **Article 50: Promoted zones**

Based of the socio-economic infrastructure and geographical conditions of the country, three promoted sectors are defined as follow:

- Zone 1: Zones where socio-economic infrastructure does not facilitate investments. These zones are mainly mountainous remote areas. These zones will be classified as top level of investment promotion;
- Zone 2: Zones with socio-economic that partially provides facility to investments, and has geographical situation which is not as harsh as Zone 1. These zones will be classified as intermediate level of investment promotion;
- Zone 3: Zones with good infrastructure to support investments. These zones will be classified as low level of investment promotion;

The details of the promoted zones will be determined in the specific regulations.

#### **Article 51: Incentives related to profit taxes**

Incentives related to profit taxes shall be implemented as follows:

1. Zone 1
  - Activities with Level 1 promotion shall receive profit tax exemption for 10 years.
  - Activities with Level 2 promotion shall receive profit tax exemption for 6 years.
  - Activities with Level 3 promotion shall receive profit tax exemption for 4 years.
2. Zone 2
  - Activities with Level 1 promotion shall receive profit tax exemption for 8 years.
  - Activities with Level 2 promotion shall receive profit tax exemption for 4 years.
  - Activities with Level 3 promotion shall receive profit tax exemption for 2 years.
3. Zone 3
  - Activities with Level 1 promotion shall receive profit tax exemption for 6 years.
  - Activities with Level 2 promotion shall receive t profit tax exemption for 2 years.
  - Activities with Level 3 promotion shall receive profit tax exemption for 1 year.

Profit tax exemption starts from the date the enterprise starts its operations. For the production of new products, research and creation new technology activities, the profit tax exemption

commences from the date the enterprise starts making profit. After finishing the period of profit tax exemption as mentioned above the enterprise shall pay off profit tax in accordance with the Tax Law.

Mining and hydropower concession and tree plantation shall comply with concerned laws.

#### **Article 52: Incentives related to other duties and taxes**

In addition to the incentives related to profit tax, investors shall be also entitled to the following duties and tax incentives:

1. The net profit used for the expansion of business activities shall be exempted from profit tax during the accounting year;
2. Exemption from import duties on raw material, equipment, spares parts and vehicles directly used for production. As for import tax exemption, it shall comply with specific regulations.
3. Exported products are exempted from export duty. . As for export of natural resources and their products, it shall comply with concerned regulations and laws. Importation of all types of fuel is not exempted from duties and taxes.
4. Investor can transfer annual loss to the following year to be deducted from profit within the period of 3 years, but must be certified by the tax officer. After that, the remaining loss is not allowed to be deducted from profit anymore. In the case of the specific economic zones, the incentives related to other duties and taxes shall comply with the decree on the organization and activities of each zone.

#### **Article 53: Incentives related to access to finance**

Domestic and foreign investors can access to finance by borrowing money from commercial banks and other financial institutions in the Lao P.D.R. and overseas.

#### **Article 54: Specific promotion Incentives**

Specific promotion incentives are as follows:

1. Investment in the construction of hospitals, kindergartens, academic schools, vocational schools, colleges, universities, research centers and public utilities shall obtain the exemption of rental or land concession as follows:
  - Zone 1: exemption of rental or land concession for 15 years;
  - Zone 2: exemption of rental or land concession for 10 years;
  - Zone 3: exemption of rental or land concession for 3 years.
2. Investment in the construction of hospitals, kindergartens, academic schools, vocational schools, colleges, universities, research centers and public utilities shall obtain additional period of profit tax exemption for more five years as described in Article 51 of this Law.

#### **Article 55: Implementation of incentives related to duties and taxes**

The implementation of incentives related to duties and taxes shall be as follows:

1. The financial sector implements the investment promotion incentives related to duties and taxes as determined in the business registration certificate and concession certificate;
2. For the exemption of duties and taxes for the importation of raw materials, machineries, equipments and vehicles used directly for the production, the financial sector shall implement it in accordance with this Law.

## **CHAPTER 2**

### **Promotion of investment by applying other incentives**

#### **Article 56: Promotion of investment by applying other incentives**

Promotion of investment by applying other incentives is as follows:

- Incentive related to information
- Promotion of the Use of Land

#### **Article 57: Incentive related to Information**

In order to ensure that the investors can quickly and timely receive full information on investment in order to make further decision on investment, it is required to establish an investment information centers within the concerned one-stop-service offices.

The investment information centers collect and compile data on investment in order to build networks, provide and exchange information with interested persons, embassies, Lao consular offices or Lao trade representative offices based in foreign countries. Such information includes, for example, advertisement through websites, manuals, magazines, brochures, etc. related to investment.

#### **Article 58: Land use rights as an investment incentive**

Foreign investors with registered investment capital of five hundred thousand US Dollar and above are entitled to land use right. The Government will allocate land to investors for duration consistent with the investment duration and based on the consent of local authorities according to prevailing regulations to build facilities for residential or business purpose.

The Government shall formulate relevant regulations and administrative mechanisms related to implementation of land use right as an investment incentive.

#### **Article 59: Opening up promotion incentives**

Beside promotion incentives mentioned in Chapter 1 and Chapter 2 of Part IV, if there are any necessities of having additional promotion incentives for some sectors, investment areas, specific economic zones, the Government shall have the right to propose to the National Assembly's meetings or to the National Assembly's standing committee, in case the National Assembly does not convene its meetings for consideration and approval.

## **CHAPTER 3**



## **Protection of Investment**

### **Article 60: Protection of investment**

Investors have equal rights to invest, to be protected under the laws and regulations of the Lao PDR and international treaty to which Lao PDR is party.

### **Article 61: Forms of protection of investment**

The State fully acknowledges and protects the investment of investors against seizure, confiscation or nationalization by administrative way.

In the case the Government has the need for a public utility, the investors shall be compensated with a real amount at market price at the time of transfer by using payment methods agreed by both sides.

### **Article 62: Protection of intellectual property**

The State acknowledges and protects the intellectual property of registered investors in accordance with the Law on Intellectual Property in the Lao PDR or international treaty to which Lao PDR is party.

## **Part V**

### **Rights and Obligations of Investors**

#### **Article 63: Rights of Investors**

Investors have the following rights:

1. Rights to invest;
2. Rights to manage business operations;
3. Rights to hire labor forces;
4. Rights to live in the Lao PDR for the case of foreign investors;
5. Rights to repatriate capital, assets and income for the case of foreign investors.

#### **Article 64: Rights to Invest**

Rights to invest are as follow:

1. To invest in all investment sectors and areas according to the laws of the Lao PDR;
2. To invest according to the types and forms of investments in accordance with regulations;
3. To request for project concession from the Government or local authorities on the case-by-case basis with the purpose of developing a project
4. To request for a concession to establish a special economic zone from the Government;
5. To establish a representative office or a branch in Lao PDR;
6. To request for change in investment objectives or activities in the case that the business operations are not effective due to the change of state policies, regulations and laws;

7. To own assets;
8. To obtain protection of their rights and legitimate interests from the investment;
9. To receive support from the government in various aspects of the investment;
10. To receive benefits from the lease or concession, such as to use, to create security interests over such assets in favor of any persons or financial institutions or [to take such assets] for the purpose of a joint venture, to sublease the right to use land, to transfer the land lease in accordance with the terms of the lease and others according to the laws;
11. To open a Kip account or a foreign currency account with banks located in the Lao People's Democratic Republic;
12. To lodge complaints with the relevant authorities if benefits are not obtained from their business operations;
13. To obtain other rights and benefits as provided in the laws.

#### **Article 65: Rights to manage the business investment**

Rights to manage the business investment are as follow:

1. To formulate its investment plan;
2. To procure and use materials, equipment, vehicles, machineries and technologies into the investment;
3. To access domestic and overseas market;
4. To manage labor forces to ensure safety and convenience in business activities;
5. To convene meetings to discuss investment related matters;
6. To transfer, withdraw or put additional capital of the enterprise and assign other investors to temporarily operate business;
7. To request concerned authorities to consider the suspension, dissolution or transformation of the enterprise into other forms of enterprise;
8. To perform other rights set forth in the laws and regulations.

#### **Article 66: Rights to hire laborers**

Rights to hire labor forces are as follow:

1. To sign employment contracts with technicians and experts who will work for the enterprise. In case the enterprise requires to import physical and intellectual laborers with a number exceeding the quota described in the Labor Law, the investor has the right to request the Government for appropriate consideration
2. To allocate and assign labor forces into job positions following the requirements of the enterprise;
3. To equally implement policies and measures for laborers;
4. To perform other rights as set forth in the laws and regulations.

#### **Article 67: Rights to reside for the case of foreign investors**

Foreign investors and their families have rights to reside within the territory of the Lao P.D.R. according to the terms of investment. Foreign technicians and experts have rights to reside in the territory of the Lao P.D.R. according to their employment contracts.

Foreign investors and their families, technicians and experts have rights to be provided with facilities in entering and going out from the Lao PDR including obtaining multiple entry visas with a maximum term of five years.

#### **Article 68: Rights to repatriate capital, assets and income for the case of foreign investors**

Foreign investors have rights to repatriate capital, assets and income, such as profits from investment, personal money and assets or assets of the enterprise through banks located in the Lao PDR after full payment of duties, taxes and other fees in accordance with regulations and laws.

#### **Article 69: Obligations of investors**

The investors have the following obligations:

1. To maintain accounts in accordance with the Enterprise Accounting Law of the Lao P.D.R. If necessary, to use an internationally recognized accounting system, subject to the approval of the financial sector;
2. To fully pay duties, taxes and other fees in a timely manner;
3. To apply insurance and social security of employees regimes to laborers in their enterprises in accordance with laws and regulations, promote Lao Labor forces by putting an emphasis on skilled workers, upgrade the level of professionalism and transfer of technology to Lao labor forces;
4. To facilitate the organization and activities of the mass organizations in their enterprises, especially the trade union.
5. To ensure the coordination for business activities with local authorities, providing compensation for the impacts caused by business operation, contribute to alleviating poverty of people and community development within project areas;
6. To perform other obligations as set forth in laws and regulations.

#### **Article 70: Obligations to protect environment**

The investors have the obligation to protect and develop the environment to ensure that their business activities do not severely impact on the public, national security, public order or health of laborers. In the event of any environmental problems occurred, the investors have to undertake necessary measures to address these problems in a timely manner and in accordance with the laws.

### **Part VI Prohibited Acts**

#### **Article 71: General prohibitions**

Individuals and organizations are prohibited to perform the following acts:

1. Authorize, conduct prohibited or illegal business operations;
2. Take any forms of obstructions to the investment promotion in the Lao P.D.R.;
3. Perform other prohibited acts as described in the laws and regulations.

## **Article 72: Prohibited acts for government employees**

Government employees are prohibited to perform the following acts:

1. to abuse power, duties and positions for the purpose of gaining personal benefits;
2. Receive bribes from investors or persons who is likely to receive benefits from investment;
3. Disclose confidential documents of the nation, Government and investors;
4. Create unreasonable delay for the consideration of documents or retain such investors' documents;
5. Perform other prohibited acts as described in the laws and regulations.

## **Article 73: Prohibited acts for investors**

Investors are prohibited to perform the following acts:

1. Give bribes to officers and government employees who have responsibilities for concerned tasks;
2. fail to fulfill obligations, conceal income and profit including duty and tax figures;
3. Slander or discredit the organization and government employees;
4. Perform other prohibited acts as described in the laws and regulations.

## **Part VII**

### **Suspension, change, cancellation and termination of investment**

#### **Article 74: Suspension of investment**

The investment shall be suspended by the Registration Authority:

- based on the proposal of the investor if facing business problems;
- based on the proposal of relevant sectors or comments of the Registration Authority in case the business has severe negative impacts on environment and socio-economic development or the business operations that do not comply with the laws and regulations.

The suspension of investment shall be executed within a certain timeframe in order to find solutions or normalize the situation. In case that no solutions can be found, the enterprise shall be dissolved in accordance with the Business Law.

#### **Article 75: Change of investment**

The investment can be subject to any changes by using different methods, such as the change in objectives of business operation, shareholders, registered capital based on the proposal of the investors and to be considered by the Registration Authority.

#### **Article 76: Cancellation of investment**

The investment shall be cancelled by the Registration Authority:

- based on the proposal of contract party;
- based on the proposal of one of contract parties if other party breaks does not comply with the agreement as prescribed in the contract or laws and regulations;

- In case the enterprise registration certificate or concession registration certificate is revoked.

Steps for the consideration of investment cancellation are as follow:

1. The registration authority shall issue a warning notice to the investor in case the business operation is not in accordance with the concession agreement, laws and regulations and has severe negative impact on environment, in order to address the problem and improve the situation within the period of 90 days starting from the date of issuing the notice, and make a memorandum with the investor;
2. If the investor is not able to address the [problem and improve the situation within the mentioned period, the Registration Authority shall issue a second warning notice for investor to address and improve the situation within the period of 60 days;
3. Subsequently, if the investor still doesn't not with the notice within the mentioned period, the registration authority shall notify the cancellation of the business operation of the investor and inform to media as well as to undertake necessary measures against the investor according to laws and regulations.

#### **Article 77: Termination of investment**

The investment shall be terminated in the following cases:

1. The term of investment as described in the concession certificate expires or the investment project is completed;
2. The concession certificate or enterprise registration certificate is revoked or cancelled;
3. The investment is merged or dissociated for the purpose of establishing other legal entity;
4. The investment is dissolved upon the proposal of investors or a party to the agreement which is certified by concerned sectors;
5. The investment is cancelled following the judgment of the court or because of bankruptcy.

### **Part VII Dispute Resolution**

#### **Article 78: Forms of dispute resolution**

The dispute resolution related with investment can be performed in the forms as follows:

1. Mediation
2. Administrative dispute resolution
3. Dispute resolution by the Committee for Economic Dispute Resolution
4. Filing of a Claim or litigation

#### **Article 79: Mediation**

In the case of conflict related with investment, the parties should make effort to solve the conflict by consultation and mediation to reach mutual benefits.

### **Article 80: Administrative dispute resolution**

In the case of administrative conflict that cannot be amicably settled or mediated the parties have the right to require the planning and investment sector or the industrial and commercial sector to administratively remedy in accordance with their roles and duties.

### **Article 81: Dispute resolution by the Committee for Economic Dispute Resolution**

In the case the conflict cannot be amicably settled or mediated or administratively remedied, the parties have the right to request the Committee for Economic Dispute Resolution for resolution in accordance with the laws and agreement from both parties.

### **Article 82: Filing of a Claim or litigation**

In the case that a party finds that the conflict resolution from concerned authorities is not fair or is damaged by the investment in business operations, the party has the right to file a claim to the People's Court for its consideration according to the laws and regulations.

With regard to conflicts related with investment agreed with the Government, the settlement of such conflicts has to follow the methods prescribed in the agreement.

## **Part IX Management and Inspection Chapter 1 Management**

### **Article 83: Principles of the decentralization of authority**

The management of investment shall follow the following principles:

- Local authorities shall take more responsibilities, whereas the Central authority shall take more responsibilities for the management at the macro-level, the encouragement and monitoring the implementation by local authorities;
- The Sector that issues the registration certificate shall manage, monitor, inspect and evaluate the investment in cooperation with other relevant sectors and local authorities and, then regularly report to their supervisors.
- The sector to which the investment is related shall be in charge of technical management by cooperating with other relevant sectors in accordance with laws and regulations.

### **Article 84: Decentralization of authority for investment between central and provincial authorities**

Local authorities issue registration certificates and manage the investment. While the central authorities shall issue registration certificates and manage strategic investment, such as cross-cutting activities related to various sectors or local authorities,

high technology activities, financial institutions, insurance, telecommunication, airlines, public rights, energy, minerals, petrol, gas, etc., as determined by the Government and in coordination with the Registration Authority and other relevant sectors and local administrative authorities.

Local administrative authorities have the duty to participate in the management of investment of which the registration certificate was issued by the central authority and operated within the locality.

With regard to the decentralization of authority already described in relevant laws shall comply with this law.

## **Chapter 2 Management Authorities**

### **Article 85: Investment Management Authorities**

The Government manages the investment in a centralized and uniformed manner throughout the country by assigning the planning and investment sector and the industrial and commercial sector as main agencies for the management in cooperation with other sectors and local administrative authorities according to their roles.

Investment Management Authorities consist of:

1. Planning and investment sector;
2. Industrial and commercial sector;
3. Special economic zones and specific economic zones;

### **Article 86: Rights and duties of the Ministry of Planning and Investment and the Ministry of Industry and Commerce**

To manage the investment, the Ministry of Planning and Investment and the Ministry of Industry and Commerce have the following rights and duties:

1. To examine and formulate strategies, policies and incentives, laws and regulations related to investment promotion and compile projects required investment in order to propose them to the government for its consideration;
2. To disseminate strategies, policies and incentives, laws and regulations related to investment promotion and to provide information for attracting more investors;
3. To provide instructions and coordinate with other sectors and provinces in the implementation of laws and regulations related to investment promotion;
4. To support, promote and resolve problems occurring in relation to the business operations of enterprises in the projects, investment activities throughout the country;
5. To create enabling conditions and facilitate the services of the one-stop-service offices;
6. To examine and consider issuing, temporary stopping, withdrawing, cancelling a registration certificate or agreement according to their roles and by the agreement of the Government.
7. To build up, train, upgrade employees on investment;
8. To coordinate and cooperate with international organizations on the investment;

9. To regularly summarize and report on investment to the Government;
10. To perform other rights and duties as set forth in the laws and regulations.

**Article 87: Rights and duties of the provincial and Capital Departments of Planning and Investment and Industry and Commerce**

To manage the investment, the provincial and Capital Departments of Planning and Investment have the following rights and duties:

1. To put in place, implement strategic plans, policies, laws and regulations related to investment promotion within their locality;
2. To disseminate policies, laws and regulations on investment, provide information and facilitate investors according to their responsibilities;
3. To provide instructions and coordinate with other sectors in the provinces/capital in the implementation of laws and regulations related to investment promotion;
4. To examine and consider issuing, temporary stopping, withdrawing, cancelling a registration certificate or agreement according to their roles and by the agreement of the Government.
5. To implement the one-stop-service operation within the scope of responsibilities of the department;
6. To coordinate and cooperate with international organizations on the investment as assigned by their supervisors;
7. To regularly summarize and report on investment to their supervisors;
8. To perform other rights and duties as set forth in the laws and regulations.

**Article 88: Rights and duties of the district and municipality offices of Planning and Investment and Industry and Commerce**

To manage the investment, the district and municipality offices of Planning and Investment and Industry and Commerce have the following rights and duties:

1. To implement strategic plans, policies, laws and regulations related to investment promotion within their locality;
2. To disseminate policies, laws and regulations on investment, provide information and facilitate investors according to their responsibilities;
3. To coordinate with other concerned sectors within their locality to implement laws and regulations on investment promotion;
4. To implement the one-stop-service operation within the scope of responsibilities of the offices;
5. to formulate projects or activities required for investment within their the scope of their responsibilities and submit to higher authority for its consideration
6. To collect statistics data on investment including investment activities within their locality;
7. To support, promote and address problems occurring in relation to the business operations of enterprises within the scope of responsibilities of the offices;
8. To regularly summarize and report on investment to their supervisors;
9. To perform other rights and duties as set forth in the laws and regulations.



### **Article 89: Committee in charge on the management of Specific Economic Zones**

The Committee in charge of the management of Specific Economic Zones is responsible for the management of the investment in the special and specific economic zones, the establishment of one-stop-service office to attract and promote, both domestic and foreign investment, to the special and specific economic zones. Management

The regulations on investment management of the Committee in charge of the management of the Special and Specific Economic Zones are separately described.

### **Article 90: Rights and duties of the Committee in charge of the management of the Specific Economic Zones**

To manage the investment, the Committee in charge of the Management of the Specific Economic Zones has the following rights and duties:

1. To examine and formulate investment promotion policies within their locality;
2. To research and build activities, projects to attract investment within their locality;
3. To implement investment promotion policies in order to attract, both domestic and foreign investment;
4. To facilitate investors in conducting their business operations within their locality;
5. To collect duties and taxes, fees, service fees, rental cost and others as defined in the agreement and regulations within the zone;
6. To manage and use the budget in accordance with the agreement, laws and regulations;
7. To develop relationship, coordinate with all relevant parties, both domestic and foreign, in order to effectively manage the zone in accordance with the laws and regulations;
8. To set up a system to protect facilities and infrastructure and ensure security and environment within the zone;
9. To regularly summarize and report on investment within the zone to their higher authorities;
10. To perform other rights and duties as set forth in the laws and regulations.

### **Article 91: Rights and duties of the other sectors and authorities**

Other relevant sectors and authorities have the rights and duties to manage and promote investment according to their roles.

Local administrative authorities have the responsibilities to manage, monitor the investment in various activities; ensure the rights and legitimate benefits of Lao people and ethnicities, the Government, investors; to provide facilities to the investment in various aspects; ensure security and order within their locality and report on investment activities to their higher authorities.

## **Chapter 3 Inspection**

## **Article 92: Inspection authorities**

The inspection authorities are the same authorities as the investment management authorities determined in Article 85 of this Law.

## **Article 93: The contents of Inspection**

All activities of enterprises shall be managed, monitored and inspected by relevant sectors. The main contents of inspection are as follow:

1. Inspection on the implementation of investment agreement;
2. Inspection on the implementation of investment procedures as described in the feasibility studies;
3. Inspection on the environmental protection based on the environmental impact assessment, including assets of people, State and investors;
4. Inspection on the implementation of the relevant laws and regulations;
5. Inspection on the implementation of security measures applied to laborers.

The inspection authorities have rights to propose solutions to relevant authorities for their consideration if they find any violations of the laws and regulations related to investment.

## **Article 94: Types of Inspection**

There are two types of inspection as follow:

1. Internal inspection under the responsibilities of the management and inspection authorities defined in Article 85 and 92 of this Law;
2. External inspection under the responsibilities of the National Assembly, State Audit Organization, to inspect the implementation of investment promotion and management according to their rights, duties and roles as defined in the laws and regulations.

## **Article 95: Forms of Inspection**

There are three forms of inspection as follow:

1. Regular inspection;
2. Inspection with prior notice;
3. Sudden inspection

A regular inspection is a normal inspection that is conducted within a defined timeframe and at least twice per year.

An inspection with prior notice is an unplanned when there is necessity of conducting this inspection. The inspected project shall be notified 24 hours in advance

A sudden inspection is an inspection when there is an urgent to conduct the inspection without giving prior notice to the inspected projects.

The inspection can be conducted in the form of inspection of documents and actual operations at the workplace.

## **Chapter X**

### **Policies towards those who have outstanding performance and measures Against Violators**

#### **Article 96: Policies towards those who have outstanding performance**

Individuals or organizations who have had outstanding achievements in implementing this law, particularly in contributing to investment-related activities and national socio-economic development, to investment attraction shall receive rewards and other incentives as deemed reasonable or according to the regulations.

#### **Article 97: Measures against Investors who violate [the Law]**

Individuals or legal entities who violate this law shall be subject to measures depending on the seriousness of the violation in the form of education and training, punishment, penalties, compensation or being sued in a court of law.

## **PART XI Final Provisions**

#### **Article 98: Implementation**

The government of the Lao P.D.R. shall implement this law.

#### **Article 99: Entry into forces**

This law shall enter into forces within sixty days from the date of the promulgating decree issued by the President of Lao P.D.R.

This law shall replace the Law on the Promotion of Domestic Investment No. 10/NA, dated 22 October 2004 and the Law on the Promotion of Foreign Investment No. 11/NA, dated 22 October 2004.

All benefits that the enterprise obtained under previous laws or agreements signed with the Government remain unchanged. However, those enterprises invested under previous laws, but wish to obtain investment incentives under this present Law have the right to request the relevant authority. The concerned authority shall inform the investor to immediately implement the incentives.

President of the National Assembly