

Independence Democracy Unity Prosperity

National Assembly No. 11/NA

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Law on the Promotion of Foreign Investment

Chapter I

General Provisions

Article 1: Objectives

The Law on the Promotion of Foreign Investment determines principles, regulations and measures regarding the promotion, protection and management of foreign investment in the Lao PDR aiming at enhancing relationships, economic cooperation with foreign countries, and utilisation of financial resources and knowledge to enhance production capacity for purpose of industrialisation and progressive modernisation as well as to contribute to gradually improving the people's living conditions, and to strengthen and to develop the country.

Article 2: Definitions

Foreign investment means the importation of capital which includes assets, technology and expertise into the Lao PDR by foreign investors for business purposes. Foreign investor means a foreign individual or juristic entity investing in the Lao PDR. Domestic investor means Lao individuals or juristic entities, or aliens or stateless persons residing in the Lao PDR who are shareholders or take part in joint ventures with foreign parties. Asset means currency, materials and intellectual property. Foreign enterprise means a 100% foreign owned enterprise, a joint venture and an enterprise established under a business cooperation contract incorporated in the Lao PDR.

Article 3: Promotion of Foreign Investment

Foreign investors may invest in all business sectors in the Lao PDR, except in business activities which are detrimental to national security or cause a negative impact on the environment in the present or long term, or are detrimental to health or national traditions. The State promotes foreign investors investing in business sectors and areas of investment as provided in Article 16 and 17 of this Law by establishing policies on customs, taxes, regulations, measures and provision of information, services and other facilities to foreign investors.

Article 4: Protection of Foreign Investment

Assets and investment of foreign investors in the Lao PDR shall be fully protected by laws and regulations of the Lao PDR without seizure, confiscation or nationalisation, except if necessary for public purpose, in which case the foreign investors shall be compensated in accordance with laws and regulations.

Chapter II

Forms of Foreign Investment

Article 5: Forms of Foreign Investment

Foreign investors may invest in the Lao PDR in the following forms:

1. Business Cooperation by contract;
2. Joint Venture between foreign and domestic investors;
3. 100% foreign owned enterprise

Article 6: Business Cooperation by Contract

A Business Cooperation by contract is business between domestic and foreign juristic entities without establishing a new juristic entity in the Lao PDR. The objectives, forms, business term, rights and obligations, liabilities and benefits of each party shall be determined by contract.

Article 7: Joint Ventures

A Joint Venture is an enterprise established and registered under the laws of the Lao PDR, operated and jointly owned by foreign and domestic investors. The organisation, management, operation and the relationship between the shareholders of the Joint Venture are set out in an agreement made by both parties and in the Articles of Association of such Joint Venture. Foreign investors investing in a Joint Venture shall contribute at least thirty percent (30%) of the Joint Venture's registered capital. Capital contributed in foreign currency shall be converted into Kip based on the exchange rate of the Bank of the Lao PDR on the day of the capital contribution.

Article 8: 100% Foreign Owned Enterprise

A one hundred percent (100%) foreign owned enterprise is an enterprise in which the investment in the Lao PDR is made by a foreign investor only. Such enterprise may be incorporated as a new juristic entity or as a branch of a foreign enterprise.

Article 9: Registered Capital

The registered capital of a foreign enterprise shall not be less than thirty percent (30%) of its total capital. During the business operation of a foreign enterprise, the assets of the enterprise shall not be less than its registered capital.

Article 10: Representative Offices

A foreign juristic entity incorporated under the law of other countries may establish a representative office in the Lao PDR to collect information, study the feasibility of investment and coordinate for the purpose of applying for investment. Representative offices or agents which operate for commercial purposes do not come under this Law.

Article 11: Investment Term

The investment term of a foreign enterprise depends on the nature, size and conditions of the business activities or project but will not exceed fifty (50) years and may be extended with the approval of the Government. However, the investment term of a foreign enterprise shall be for a maximum of seventy five (75) years.

Chapter III

Rights, Benefits and Obligations of Foreign Investors

Article 12: Rights and Benefits of Foreign Investors

Foreign investors shall have the following rights and benefits:

1. To receive support from the Government in establishing and operating their business in accordance with the laws and regulations;
2. To obtain protection of rights and legitimate interests related to business operations;
3. To own assets;
4. To receive benefits from the lease of or a concession over land such as the right to use, sell or use assets associated with the leased land or concession as security to any persons or financial institutions or for the purpose of joint venture, to sublease the right to use land, to transfer the land lease or concession agreement in accordance with the lease term, to use the land lease agreement or concession in Joint Ventures or as security with other persons. The details of the rights, benefits and obligations of foreign investors related to the land lease or concession shall be in compliance with the Land Law and other relevant laws;
5. To use foreign labourers, if necessary, but shall not exceed 10% (ten percent) of the enterprise's labour;
6. Foreign investors and their families, foreign professionals and employees of a foreign enterprise will be provided with facilities such as multiple entry visas and long term residence in the Lao PDR with the agreement of the Government; and will have the right to request Lao nationality in accordance with the Nationality Law;
7. To receive protection of their intellectual property which has been registered by the relevant authorities in the Lao PDR;
8. To transfer/repatriate profits, capital and other income after full payment of duties, taxes and other fees in accordance with regulations and laws, to their home countries or a third country through a commercial bank located in the Lao PDR;
9. To open a Kip account and a foreign currency account with commercial banks located in the Lao PDR;
10. To request an equitable decision from or to file a complaint to the relevant authorities when their business operations have been affected;
11. To obtain other rights and benefits as provided in the Laws.

Article 13: Obligations of the Foreign Investors

The obligations of foreign investors are:

1. To operate business activities in accordance with their licence, procedures set out in their feasibility study, any contract and laws and regulations;
2. To maintain accounts in accordance with the Enterprise Accounting Law of the Lao PDR. If necessary, an internationally recognised accounting system may be used with approval of the Ministry of Finance. To submit a report on business performance and an annual financial report to the Committee for

- Promotion and Management of Investment and other relevant authorities;
3. To fully pay duties, taxes and other financial obligations related to the business operations in a timely manner;
 4. To facilitate the organisation and activities of the mass organisations in their enterprises;
 5. To give priority in recruiting to Lao workers; to train and upgrade professional skills and transfer technology to Lao workers;
 6. To address social security matters, health care and safety of employees in their enterprises;
 7. To protect the environment, and ensure that business activities do not cause an adverse impact on the public, the national security or social order;
 8. To maintain a reserve in accordance with laws and regulations;
 9. To maintain insurance and social security policies in accordance with laws and regulations related to insurance and social security;
 10. If an enterprise is relocated, the enterprise shall inform the relevant authorities and shall maintain its location in normal working condition;
 11. To report on the performance of business operations to the Committee for Promotion and Management of Investment and other relevant authorities;
 12. To perform other obligations as set out in the laws and regulations.

Article 14: Personal Income Tax of Foreign Employees

Foreign Employees working in a foreign investment enterprise shall pay personal income tax at the rate of ten percent (10%) of their total income to the Lao Government, except employees of a country with which the Lao Government has signed a Double Taxation Agreement.

Chapter IV

Incentives for Foreign Investment

Article 15: Incentives for Foreign Investment

The State will consider granting incentives for foreign investment in accordance with the sectors and zones of investment promotion as provided in Article 16 and 17 of this Law.

Article 16: Promoted Activities

The Government determines promoted activities as follows:

1. Production for export;
2. Agricultural and forestry activities, agro-forestry and handicraft processing activities;
3. Activities relating to industrial processing, industrial activities using modern technology, scientific study and analysis activities and development, activities in relation to protection of environment and biodiversity;
4. Human resources development, skills development and protection of people's health;
5. Construction of infrastructure;
6. Production of raw materials and equipment to be supplied to key industrial activities;
7. Development of tourism and transit services.

Article 17: Promoted Zones

The Government specifies 3 promoted zones based on geographical location and socio-economic conditions. The zones are as follows:

Zone 1: Mountainous, plain and plateau zones with no economic infrastructure to facilitate investments.

Zone 2: Mountainous, plain and plateau zones with a certain level of economic infrastructure suitable to accommodate investments to some extent.

Zone 3: Mountainous, plain and plateau zones with good infrastructure to support investments.

The details of the promoted zones will be determined by the Government.

Article 18: Incentives Related to Duties and Taxes

Foreign enterprises investing in activities within the promoted sectors and zones determined in Article 16 and 17 of this Law will be entitled to the following duty and tax incentives: Investments in Zone 1 will be entitled to a profit tax exemption for 7 years and thereafter will be subject to profit tax at the rate of ten percent (10%). Investments in Zone 2 will be entitled to a profit tax exemption for 5 years, and thereafter will be subject to a reduced profit tax rate of half of fifteen percent (15%) for 3 years and thereafter a profit tax rate of fifteen percent (15%). Investments in Zone 3 will be entitled to a profit tax exemption for 2 years and thereafter will be subject to a reduced profit tax rate of half of twenty percent for 2 years and thereafter a profit tax rate of twenty percent (20%).

Profit tax exemption starts from the date of the foreign enterprise's commencement of business operations. For some tree plantation activities, profit tax exemption commences from the date the enterprise starts making a profit. Once the profit tax exemption period is over, the foreign investment enterprise shall pay profit tax in accordance with the laws and regulations.

In addition to the incentives mentioned above, the foreign investment enterprises shall be entitled to the following incentives:

1. During the tax exemption period and during the tax reduction period, the enterprise is entitled to an exemption of minimum tax;
2. The profit used for the expansion of licensed business activities will be exempted from profit tax during the accounting year;
3. Exemption of import duties and taxes on equipment, spare parts, vehicles directly used for production, raw materials which do not exist domestically or exist but are insufficient, semi finished products imported for manufacturing or for processing for the purpose of export; and
4. Exemption of export duty on export products. Raw materials and semi finished products imported for manufacturing or assembly for import substitution will be exempted from import duties and taxes or will be subject to reduced rates of import duties and taxes. Special economic zones, industrial zones, border trade areas and other specific economic zones shall follow the laws and regulations of such specific areas.

Chapter V

Application for a Foreign Investment License

Article 19: Application for Foreign Investment

Application for foreign investment in the Lao PDR shall go through the one stop service of the Committee for Promotion and Management of Investment ("CPMI"). Foreign investors wishing to invest in the Lao PDR shall submit an application to CPMI at the central or provincial levels with attachments such as copies of passport and resume of the foreign investor; feasibility study or business plan; background information on the investor in the case of a juristic entity; and a Joint Venture Agreement in the case of a Joint Venture.

Article 20: Examination of a Foreign Investment Application

Upon receipt of a complete application in accordance with Article 19 of this Law, the CPMI shall coordinate with relevant sectors and local authorities when necessary to examine and to respond in writing to the foreign investor pursuant to the following timeframes:

Projects which fall in the list of promoted activities – fifteen working days;

Projects which fall in the list of open activities with conditions – twenty five working days;

Projects which involve the grant of a concession – forty five working days.

Foreign investors who are qualified under this Law will obtain a foreign investment licence, an enterprise registration certificate and a tax registration certificate at the same time from the CPMI at the place where the foreign investors are licensed; thereafter they will be considered as enterprises established in conformity with the laws of the Lao PDR. Within 90 days from the date of receipt of an investment licence, the foreign enterprise shall commence investment activities in accordance with the steps in the feasibility study provided in the foreign investment licence application and in

conformity with laws and regulations of the Lao PDR. If such timeframe is not followed, the foreign investment licence may be withdrawn.

Chapter VI

Management of Foreign Investment

Article 21: Management Authorities Related to Foreign Investment Management authorities related to foreign investment are:

1. The Committee for Promotion and Management of Investment at central and provincial levels;
2. Relevant sectors and sections.

Article 22: Rights and Duties of CPMI at the Central Level

The Committee for Promotion and Management of Investment at the central level is established by the Prime Minister, located at the Committee for Planning and Investment and has the following rights and duties:

1. To develop strategies, incentives to promote and attract foreign investments and propose them to the Government for approval;

2. To issue decisions, orders, instructions and notifications regarding the protection and promotion of foreign investments;
3. To prepare a plan and a list of investment projects that are available for foreign investments;
4. To disseminate policies, laws and regulations; provide information and facilitate foreign investors;
5. To consider issuing or withdrawing a foreign investment licence within its scope of rights and duties, particularly within projects involving the grant of a concession,
6. To supervise and coordinate with the sectors and local authorities in implementing the Law on the Promotion of Foreign Investment;
7. To monitor, inspect, assess and report to the Government on the business operation of foreign investment enterprises;
8. To be a focal point in supporting, promoting and solving problems occurring in relation to the business operation of foreign investment enterprises;
9. To organise the annual meeting of CPMI and consultative meetings with foreign investors; and
10. To exercise and perform other rights and duties as prescribed in the laws and regulations.

Article 23: Rights and Duties of CPMI at Provincial Levels

The Committee for Promotion and Management of Foreign Investment at provincial levels is established by the Chairman of the CPMI at the central level. The CPMI at the provincial level acts as a support to the provincial Governors, the capital city Governor, the Special Zone Head and the CPMI at the central level in promoting and managing foreign investment. The CPMI at the provincial level located at the provincial Planning and Investment Divisions and has the following rights and duties:

1. To implement strategic plans and policies to promote and attract foreign investments at their local levels;
2. To disseminate policies, laws and regulations, provide information and facilitate foreign investors;
3. To consider issuing or withdrawing foreign investment licences within their scope of rights and duties;
4. To coordinate with various relevant sectors in implementing the incentive policies within the approved projects and in implementing the decisions, orders, instructions and notifications of the higher level authorities;
5. To monitor, inspect, assess and report to the provincial governors, the capital city governor or the Special Zone Head and CPMI at the central level regarding foreign investment;
6. To act as a focal point in solving problems related to foreign investment;
7. To organise the CPMI annual meetings at provincial levels and consultative meetings with foreign investors;
8. To exercise and perform other rights and duties as prescribed in the laws and regulations.

Article 24: Rights and Duties of other relevant Sectors and Sections

The relevant ministries, organisations equivalent to ministries and other relevant sectors shall assist in the promotion and management of foreign investments in accordance with their rights and duties as follows:

1. To coordinate with the CPMI at the central level in drafting laws, regulations, policies and plans in relation to foreign investment;
2. To prepare a plan and list of foreign investment projects to attract foreign investment to their sectors, to disseminate information to attract and promote investment;
3. To participate in the process of consideration and approval of investment projects;
4. To supervise the sectors both at central and local levels in implementing incentive policies and in revising procedures regarding implementation of investment projects;
5. To inspect and assess business operations of foreign investment enterprises and partners' business cooperation contracts within their scope of rights and duties and then report to the higher authorities;
6. To exercise and perform other rights and duties as prescribed in the laws and regulations.

The administrative authorities and sectors at the local level described above shall coordinate with the CPMI at the local level within the scope of rights and duties described in this Article.

Chapter VII

Dispute Resolution

Article 25: General Principles

If a dispute arises in relation to business operation, the parties shall mediate, arbitrate or file a petition to the court.

Article 26: Mediation of Disputes

Disputes related to business operation which cannot be mediated by the parties amicably shall be submitted for mediation to the CPMI that has issued the licence. If the CPMI is not able to mediate such dispute, such dispute shall be submitted to the Economic Dispute Resolution Committee for arbitration.

Article 27: Filing of a case

The parties to a dispute related to business operation which can not be mediated may bring the case to the Committee for Economic Dispute Resolution or the People's Court for consideration in accordance with court procedures.

Chapter VIII

Policies toward Those Who Have Performed Well and Measures Against Violators

Article 28: Policies toward those who have performed well

Individuals or organisations who have had outstanding achievements in implementing this Law and in contributing to national socio-economic development will receive awards as deemed reasonable.

Article 29: Measures against Investors who violate the Law

Individuals or juristic entities who violate this Law shall be subject to penalties based on the seriousness of the violation in the form of warnings, suspension, withdrawal of their foreign investment licence or being sued in a court of law.

Article 30: Measures against other Violators

Individuals who violate investment laws and regulations by abusing their power or position to hinder or obstruct the promotion and approval of investment, falsify documents, mislead investors, receive bribes or commit any acts causing damage to the State or investors shall compensate for such damages and shall be subject to disciplinary and other measures in accordance with the laws of the Lao PDR.

Chapter VIII

Final Provisions

Article 31: Implementation

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

Article 32: Effectiveness

This Law will become effective sixty days from the date of the issue of a Promulgating Decree of the President of Lao People's Democratic Republic. Thereafter, the Law on the Promotion and Management of Foreign Investment No.01/94/NA, dated 14 March 1994 shall cease to have effect, without prejudice to the rights and privileges granted to, and the obligations imposed upon, foreign investments under the Law No. 01/94/NA. Foreign investors who have been licensed under the Law No. 01/94/NA and wish to obtain incentives provided by this amended Law on Promotion of Foreign Investment shall submit an official written request within 120 days from the date this law become effective to the Committee for Planning and Investment for consideration.

The Chairman of the National Assembly