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LAO PEOPLE'S DEMOCRATIC REPUBLIC

PEACE INDEPENDENCE DEMOCRACY UNITY PROSPERITY

National Assembly

No. 02 /NA

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LAW ON INVESTMENT PROMOTION

PART I

General Provisions

Article 1: Objectives

The Law on Investment Promotion stipulates principles, regulations and measures regarding the promotion and management of domestic and foreign investments aiming at ensuring investment with convenience; speediness; accuracy; being protected by the Government; and ensuring the rights and benefits of investors, of the state and of the people. The Law aims to enhance the roles and benefits of investments contributed to the national socio-economic growth in a continuous and sustainable manner; and significantly to the national protection and development.

Article 2: Investment Promotion

Investment promotion is the policy implementation, creation of enabling environment and various conditions for domestic and foreign investments in order to facilitate investors doing

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business with convenience; speediness; and compliance with laws and regulations in the Lao People's Democratic Republic (Lao PDR).

Article 3: Terms interpretation

Terms in this Law shall be interpreted as follows:

1. **Investment means** tangible and intangible capitals are brought by investors to operate business in Lao PDR;
2. **Investor means** domestic and foreign individual or legal entity has invested in doing business in Lao PDR;
3. **Domestic investor means** Lao citizen, alien and non-citizenship individual and legal entity of these people residing and doing businesses in Lao PDR;
4. **Foreign investor means** foreign individual or legal entity doing business in Lao PDR;
5. **Tangible capital means** currency, both movable property and real estate property;
6. **Intangible capital means** intellectual property, future revenue, rental rights, commercial rights and concession values and so on;
7. **Concession means** the authorization granted by the Government allowing legal entities to use the Government's property rights under certain conditions and terms under the lawful agreement to develop and do a business;
8. **Concession agreement means** an agreement signed between a governmental agency or a state-owned enterprise authorized by the Government and a legal entity with respect to the concession;
9. **Capital goods used directly in the production means** machines, trucks and things that are directly used in the investment activities according to the Government's determination;
10. **Direct investment means** investor or a group of investors investing the capital in a business and then becoming owner to manage the enterprise or expand that enterprise;
11. **Indirect investment means** investors purchasing company's shares, shares from the stock market including the investment in financial funds, bonds and other valuable documents without involvement in the management of the enterprise.
12. **Valuable document means** document that can be valued in terms of money and can be bought-sold, exchanged or guaranteed such as land title, share certificate, bonds, and debenture.
13. **Special Economic Zone means** an area determined by the Government to develop it as a complex modernized urban in order to attract domestic and foreign investments into the area which are larger than one thousand hectares. It has a special promotion incentive policy and an

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autonomous economic-financial system. It is a small governmental administration authority of the large community with security system and sustainably environmental preservation.

14. **Specific Economic Zone means** an area determined by the Government as an industrial zone; export processing zone; touristic city; duty free zone; information and technology development zone; border trade zone, etc.
 15. **Industrial Zone means** an area determined by the Government as an industrial zone and manufacturing. It provides services to manufacturing for the industrial conglomeration through the development of the appropriate infrastructures for investment. The area of such Zone may not be as large as Special Economic Zone.
 16. **Export Processing Zone means** an area determined by the Government as an investment zone for manufacturing, processing and services for export.
 17. **Touristic City Zone means** an area determined by the Government as a touristic development zone in connection with the preservation of natural resources and environment; the promotion of local and national potentials to attract tourists and to modernize the tourism industry gradually.
1. **Duty Free Zone means** an area determined by the Government as a trade zone, an exchange goods and services between domestic and foreign countries with a duty free policy applied in this zone.
 2. **Information and Technology Development Zone means** an area determined by the Government as a zone for education, research, development and use advance technology in order to produce and distribute technological products; to provide services on full range of information to society with speediness and convenience.
 3. **Border Trade Zone means** an area determined by the Government to promote the border trade and goods exchange at the border checkpoints.
 4. **Urbanized Zone means** an area determined by the Government to authorize the investment in real estate as a residential zone for foreign investors or Lao citizens.
 5. **New city means** a developed area as a modernized city with solid economic structure; civilized society and culture; and justice, enhanced civilization and national culture connected to historical traces of this city.

Article 4: Government policies on investment promotion

The Government promotes both domestic and foreign investments in all economic sectors through policies to create enabling environment and facilitating conditions, for instance, providing guidelines / directions and necessary information; granting investment incentives through duty and tax policy; labor; the right on land use; and one-stop-services, including the

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recognition and the Government's assurance of protection of lawful ownership, rights, benefits of investors.

The Government promotes the investment in all sectors and business and all areas throughout the country, except areas and business operations which are related to national security; seriously harmful to environment either in short run or long term; negative effects to public health; and the national culture.

Article 5: Principles of investment promotion

The investment promotion shall follow the following principles:

1. Being in line with the national policy; strategy; socio-economic development plan; the sectoral development plan; areas and the periodic socio-economic growth; the improvement of the living conditions of people in compliance with laws and regulations;
2. Embracing the enhancement of centralized and uniformed Government's management throughout the country;
3. Ensuring that investors receives convenient, speedy, transparent, and fair services and equity under the law through one-stop-services;
4. Formulating investment promotion incentives to attract investment;
5. Being acknowledged, assured by the Government that investor's ownership rights, benefits and others in compliance with laws will be protected;
6. Ensuring the protection and development of environment; public security and safety and in the investment zones.

Article 6: Scope of Law

This Law applies to individuals or legal entities related to all types of investment in production-business aiming at adding value to products. It excludes family business and small retailing businesses.

Article 7: International cooperation

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The Government promotes foreign, regional and international cooperation in investment promotion by exchanging lessons, information, technology and experiences in promoting and managing investment, marketing, trade, sources of capitals, regional and international integration.

PART II

Forms of Investment

Article 8: Forms of Investment

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 joint-business investment by contract.

Article 9: A wholly domestic or foreign-owned investment

A wholly domestic or foreign-owned investment is an investment which is wholly invested by domestic or foreign investors; and which there may be only one or many investors in the enterprise or project in Lao PDR.

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

A joint-venture between domestic and foreign investors is an investment which is jointly invested by domestic and foreign investors to do business and share ownership; and to establish a new legal entity under laws of Lao PDR.

The organization, activities, management, rights and obligations of the joint-venture investors are stipulated in the joint-venture agreement and in the rules of such a newly established legal entity.

Foreign investors investing in the joint-venture form of investment shall contribute their capitals at least not less than ten per cent (10%) of total capital.

Article 11: A joint-business investment by contract

A joint-business investment by contract is a jointly-investment between domestic and foreign legal entities through the contract between two entities without establishing a new legal entity or branch in Lao PDR.

The domestic legal entity shall notify the Industry and Commerce authority; and the Planning and Investment authority to be administered under rules and regulations.

The contract or agreement of this jointly-business investment by contract shall be certified by the Court's Notary Authority.

Article 12: The registered capital

The registered capital of concession businesses shall not be less than thirty per cent (30%) of the total capital. As for general businesses, the registered capital shall be referred to the Enterprise Law.

The registered capital shall be presented in the form of assets. During the business operation, the value of assets shall not be less than its registered capital.

PART III

Investment activities

CHAPTER 1

Types of investment

Article 13: Types of investment

The investors can invest in these following types of investment:

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1. General business;
2. Concession business;
3. Activities for development of Special Economic Zones and Specific Economic Zones.

Article 14: General business

General business is an investment in general business sectors, including those stipulated in the list of controlled businesses (Negative list); however, these shall not be concession business.

Article 15: Concession business

Concession business is investment activities authorized by the Government to to utilize ownership and other rights of the Government in compliance with rules regulations to develop and do a business, including rights on land concession, 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 Special Economic Zones and Specific Economic Zones

Activities in the development of Special Economic Zones are investment activities in Special Economic Zones to develop a full range of infrastructures/facilities for urbanization as a new city.

Activities in the development of Specific Economic Zones are investment activities in Specific Economic Zones to develop infrastructures/facilities for developing specific areas in accordance to actual conditions, laws and regulations, for example, industrial zones, export processing zones, touristic zones, etc.

The organizational administration and activities of Special Economic Zones and Specific Economic Zones are stipulated in separate regulations.

CHAPTER 2

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Investment in General Business

Article 17: Application for Investment

Investors wishing to invest in general business shall submit the application to the one-stop-service of the Industry and Commerce authority in order to register the business enterprise in compliance with the Enterprise Law.

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

Article 18: Consideration [Business Registration Approval Procedures]

With respect to the procedures and timeframe to consider the enterprise registration in general businesses that are not listed as controlled businesses (negative list), the enterprise registration certificate shall be issued within ten working days starting from the date of submission of application form. In 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 in accordance with provisions stipulated in Enterprise Law.

As for the business expansion of the investor who has already established an enterprise, the application shall be required only necessary documents in accordance with specific regulations and the consideration of the application shall be faster than that new investment application.

Article 19: Enterprise registration certificate

An enterprise registration certificate is a certified document of the registration for conducting business under laws and regulations.

An enterprise registration certificate includes investment approval, investment incentives, tax certificate and business operation approval issued by concerned sectors.

Upon the issuance of the enterprise registration certificate, the investor can immediately start business operation.

Article 20: Term of Investment

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

CHAPTER 3

Investment in concession business

Article 21: Application for Investment

Investors wishing to invest in the concession business shall submit the application to the one-stop-service of the Planning and Investment authority for consideration and then the application will be proposed to the Government or provincial authorities for further consideration.

Article 22: Selection of investors

The application in the concession business will be in the selection process with respect to case by case; the selection method used includes comparison, tender or the assessment by the Planning and Investment authority in collaboration with relevant sectors and local authorities according to laws.

The selection of investors shall ensure transparency, openness and auditability.

The section methods of concession investors are described in specific regulations.

Article 23: Consideration of an Investment in concession business

The Planning and Investment authority considers the investment in concession business as following procedures:

- Examine and agree in principle on the investment by ensuring benefits of the Government, investors and public interests. In case that the investor's rights of land use shall be transferred back to the Government, the concerned Land Management Authority shall calculate compensation costs based on market prices to investors and people who are affected from this matter;
- Give advices to investors with respect to the document preparation by using printed forms such as feasibility study on economic-technique issues; environmental and social impact assessment; and the list of vehicles, equipment and raw materials for import duty and tax exemptions. These documents will be used as a basis for further examination, consideration and approval of investment;

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- The Planning and Investment authority and other relevant sectors are responsible in negotiations and draft the initial agreement;
- Present the outcome of negotiations on a project in the meeting organized by the one-stop-service office for consideration;
- Propose the project application to the Government or provincial authorities for further consideration and approval and provide advice to investors to deposit money as project guarantee based on the type and size of investment in accordance with regulations. This guaranteed money shall be deposited in the national treasury account and will be returned to the investors when the project starts its first phase of implementation.

After approval, The Planning and Investment authority shall issue a concession registration certificate to the investors in accordance with regulations.

Article 24: Issuance of the concession registration certificate

The Ministry of Planning and Investment is responsible to issue the concession registration certificate within its scope of responsibilities after the approval of the Government.

The Provincial Office of the Planning and Investment authority is responsible to issue the concession registration certificate within its scope of responsibilities after the approval of the concerned local authorities.

Article 25: Concession registration certificate

A concession registration certificate is a certified document which approves the concession rights of investors in accordance with laws.

A concession registration certificate includes enterprise registration certificate, investment approval, investment incentives, tax certificate and business operation approval issued by relevant sectors.

Upon the issuance of the concession registration certificate, the investor can immediately start business operation and shall conduct business operation within 90 days. If the investor does not start business operation within this mentioned timeframe, the Planning and Investment authority shall issue a written warning, within 60 additional days, if the investor still does not start business operations, the concession registration certificate shall be revoked and the project guarantee deposit will belong to the state.

Article 26: Formulation of a Concession Agreement

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A concession agreement is formulated on the voluntary basis and the consent between an investor and the Government or the provincial authorities.

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

The investment agreement, particularly the transfer of concession rights and shares shall be certified by Court's Registration Notary Authority.

Article 27: Amendment of a concession agreement

The contents of concession agreement may be considered to amend, modified or added, based on the agreement of contracting parties. If the amendment, modifications or addition to the concession agreement are not significant matters, the Planning and Investment authority in collaboration with relevant sectors shall consider revising it based on the proposal of one of contracting parties and shall inform the Government or the concerned Provincial Authorities.

The amendment, modifications or addition to the concession agreement with respect to the transfer of concession rights and shares, tax shall be paid in accordance with Tax Law.

Article 28: Term of investment in the concession business

The term of investment in a concession business depends on the type, size, investment value, conditions of the concession activities, based on laws and regulations of concerned authorities; nevertheless, the term of concession shall not exceed ninety-nine years and can be extended with the approval of the Government or the concerned Provincial Authority, especially the implemented concessional business that maximizes benefits for the country; effectively has been implemented the agreement; and has recorded good performance in contribution to the local development.

CHAPTER 4

Investment in the project or activities in investment calling list

Article 29: Project or activities in the investment calling list

Project or activities in the investment calling list 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 potentials in the natural resources that have been officially approved by the Government or Provincial Authorities, but there is a need for the capital to develop it.

Article 30: Main contents of a project or activities in the investment calling list

The main contents of a project or activities in the investment calling list consist of:

- Development Master Plan;
- Feasibility economic-technique study ;
- Environmental impact assessment;
- Investment conditions;
- Sources of required capital.

Article 31: Consideration of a project or activities in the investment calling list

Relevant sectors shall take the initiative in formulating the projects or activities required for investment according to their strategies and plans. Then, the projects shall be submitted to the Planning and Investment authority for further consideration, consolidation and submission to the Government or Provincial/Capital Authorities for approval.

After being approved by the Government or Provincial/Capital Authorities, those projects or activities will be sent to relevant sectors, local authorities, the one-stop-service offices of the Planning and Investment authority, the Industrial and Commerce authority , as well as, Embassies, Consular Offices and Trade Representatives to be used as information for seeking both domestic and foreign investment.

In the case of the concession business in the investment calling list, the consideration for project approval shall be received no later than 45 official working days starting from the date of receiving the application.

Article 32: Approval of a project or activities in investment calling list

Projects or activities in the investment calling list are approved by the Industry and Commerce authority or the Planning and Investment authority after being examined the conditions and capacity of the investors in accordance with regulations.

CHAPTER 5

Investment in the Special Economic Zones and Specific Economic Zones

Article 33: Special Economic Zones

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Special Economic Zone is a development zone for urbanization as a new city which special investment incentives will be applied and it is administered in accordance with laws and specific zone regulations that are not in conflict with public and social interests.

Enterprises doing business activities in these zones are entitled to receive special policies and are regulated under specific regulations in accordance with Laws of Lao PDR.

The Government defines the policy on the establishment of the Special Economic Zone and authorizes domestic and foreign investors to invest in developing infrastructures and facilities in order to support the business operation in the fields of industry, trade, services and social culture.

The Special Economic Zone may consist of several Specific Economic Zones such as industrial zones, export processing zones, touristic zones, duty free trade zones, information technology development zones, border trade zones, urbanization, etc.

The organizational administration, activities and management of each zones of Special Economic Zone and Specific Economic Zones are stipulated in separated regulations.

Article 34: Principles of establishing Special Economic Zones and Specific Economic Zones

The establishment of Special Economic Zones and Specific Economic Zones has to comply with the following principles:

1. Clearly defined the objective of the Special Economic Zones and Specific Economic Zones;
2. Clearly defined the benefits for the Government, developers and people;
3. The zones shall be appropriate with the objectives of each Special and Specific Economic Zones;
4. Clearly defined the areas and territories of the zones;
5. Economic promotion policies are put in place for each specific zones;
6. Independent economic management system is in place in each zones;
7. The zones are under the administration of the Government or Local Authorities according to the Government approval;
8. The zones' administration authority has the rights to provide land for rents and determine rental fees which do not exceed the terms of concession agreement;
9. The zones' administration authority can develop Special Economic Zones and Specific Economic Zones within its responsible territory;
10. The zones' administration authority can attract and approve investment of domestic and foreign individuals or legal entities within its territory;
11. To ensure the stability, security, safety and environment protection within the zones.

Article 35: Establishment procedures

The Government approves the establishment of Special Economic Zones and Specific Economic Zones according to 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 the Government and local authority; and potentials of those zones.

Investors wishing to establish a Special Economic Zone and Specific Economic Zone shall submit the application to the Planning and Investment authority for examination and submission to the Government for consideration.

The consideration for 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 business. In addition, the committee responsible for the establishment of special economic zone and specific economic zone shall be established.

The government determines the activities, management and investment incentives for each special economic zone and specific economic zone.

The activities, administration and incentive policy of each zones of Special Economic Zone and Specific Economic Zones are stipulated in separated regulations.

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 Planning and Investment sector in coordination with relevant sectors and local authorities.

The committee responsible for the establishment of Special Economic Zones and Specific Economic Zones consists of developers, representatives from sectors, local authorities and the Lao Front for National Construction located in the Special Economic Zones and Specific Economic Zones.

The committee appoints its working groups to work with the 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 committee for Special Economic Zone and Specific Economic Zone has the rights and responsibilities as follows:

- Examine, identify problems and coordinate with relevant authorities for the establishment of the Special Economic Zone and Specific Economic Zone;
- Establish and complete the establishment of Special Economic Zone and Specific Economic Zone in accordance with their objectives, targets and timeframe;

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- Address issues related to the establishment of the zone such as the issues related to developers and benefits of people living in the Special Economic Zone and Specific Economic Zone by having a focal point with local authorities and relevant sectors.

The committee responsible for the establishment of Special Economic Zone and Specific Economic Zone conducts its activities based on the developers' budget.

The committee responsible for the establishment of Special Economic Zone and Specific Economic Zone shall be terminated after the Government issues a Decree on the operation and administration of such Special Economic Zone and Specific Economic Zone.

Article 38: The contents of the Decree

The main contents of the Decree on the operation and administration of the Special Economic Zone and Specific Economic Zone shall cover the following issues:

- The zone's administration authority;
- The operation of the zone;
- Management principles in the zone;
- Macro-management of the zone;
- Principles of defining incentives;
- Sharing benefits between the Government and developers.

Article 39: The determination of investment incentive promotion in the Special Economic Zones and Specific Economic Zones

The management committee of the Special Economic Zone and Specific Economic Zone shall examine, formulate promotion investment incentives and other economic policies in the zone within the scope defined by the Government in the Decree on the organizational administration, activities and management of each zone.

Article 40: Principles of operation of the Special Economic Zones and Specific Economic Zones

The special economic zones and specific economic zones are operated according to following principles:

1. Being independent in terms of economic management;
2. Being under the general supervision of the Government or Local Authorities assigned by the Government.

Article 41: Development

The development of the Special Economic Zones and Specific Economic Zones focuses on the construction of full range of infrastructures in order to create enabling environment for attracting investments according to the objectives of each Special Economic Zone and Specific Economic Zone approved by the Government.

Article 42: Term of investment in the Special Economic Zones and Specific Economic Zones

The term of investment in the Special Economic Zones and Specific Economic Zones depends on the types, sizes and conditions of each Special Economic Zone and Specific Economic Zone; however, the term shall not exceed ninety-nine years and may be extended with the approval of the Government, especially in case that investor has implemented the project that maximizes benefits for the country; effectively has been implemented the agreement; and has recorded good performance in contribution to the local development.

Article 43: Application for investment in the special economic zones and specific economic zones by other investors

Besides developers, other investors wishing to invest in the Special Economic Zone and Specific Economic Zone shall submit application through the one-stop-service office of the management committee of that Special Economic Zone and Specific Economic Zone for consideration in accordance with regulations.

The investment of other investors in the Special Economic Zone and Specific Economic Zone is not limited in terms of investment, 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 for investment is a service facilitating investors fully by providing information; undertaking investment consideration; issuing enterprise registration certificate or concession registration certificate; and issuing notifications in relation to the investment.

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

- The Planning and Investment authority for the investment in concession business and the development of activities in Special Economic Zones and Specific Economic Zones;
- The Industrial and Commercial authority for the investment in general business;

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- The Special economic zones and specific economic zones for the investment in these zones.

The organizational administration and activities of the one-stop-service office are stipulated in specific regulations.

Article 45: One-stop-service principles

The principles of one-stop-service are as follows:

1. An Investor should receive responses with respect to the investment application from where the application is submitted. The response to the investor shall be given under the timeframe stipulated in the Notification noticed at the one-stop-service office;
2. The submission of investment application can be done by the investor or through the legal representative;
3. The service shall be ensured in providing information and solving problems occurred with investors;
4. Fees and service charges shall be made publicly at the one-stop-service office;
5. The services shall be provided in compliance with rules and regulations; well-organized; simplified; speedy; creative; transparent; opened to public; and auditable.
6. The agreement on any issues related to investment shall be put in the agenda of the meeting of the one-stop-service office.

Article 46: Implementation mechanism of the one-stop-service

The office of one-stop-service shall organize weekly meeting that consists 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 to get comments from their supervisors.

Relevant sectors and local authority shall appoint an investment coordinator who has responsibility to coordinate with relevant sectors related to investment, for instance, to supply necessary information of its own sector and local authority to one-stop-service office in order to further provide that information to investors.

CHAPTER 7

Representative Office and Branch

Article 47: Representative Offices

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A foreign legal entity wishing to establish its representative office in Lao PDR shall submit the application to the one-stop-service office of the Ministry of Planning and Investment for consideration and issuance of the certificate for establishment the representative office within five working days from the date of application submitted.

The certificate acknowledges the lawful rights of the representative office that can be able to operate its tasks in accordance with its roles, rights and duties, particularly the collection of information on investment for its headquarter to serve as a basis for consideration for future investment in Lao PDR; however, this representative office does not have the right to do business.

Article 48: Branches of a legal entity

A foreign legal entity wishing to establish its branch in the Lao PDR shall submit the application to the one-stop-service office of the Ministry of Industry and Commerce for consideration and issuing the certificate of branch establishment within 15 working days from the date of the application submitted.

This certificate acknowledges the lawful rights of the branch that can be able to operate business as assigned by its headquarter.

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

PART IV

Promotion and Protection of Investment

CHAPTER 1

Customs Duty and tax Incentives

Article 49: Promoted sectors

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

The promotion is divided into 3 levels as follow:

7. Level 1: Activities with top level of promotion;

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8. Level 2: Activities with medium level of promotion;
9. Level 3: Activities with low level of promotion;

Article 50: Promoted zones

The establishments of the promoted zones are based on the socio-economic infrastructures and geographical conditions of the country which are divided in to three promoted zones as follows:

- Zone 1: Zones where there are insufficient socio-economic infrastructures favorable to facilitate investments. These zones are mainly mountainous remote areas. These zones will be classified as a top level of investment promotion;
- Zone 2: Zones where there are some socio-economic infrastructures that are partially able to facilitate investments in some extent. The difficulty of geographical situation of these zones is not as hard as Zone 1. These zones will be classified as a medium level of investment promotion;
- Zone 3: Zones where there are good infrastructures available to support investments. These zones will be classified as a low level of investment promotion;

The detailed list of the promoted zones will be determined in the specific regulation.

Article 51: Incentives related to profit taxes

Incentives related to profit taxes shall be implemented as follows:

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

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- Activities with Level 1 of investment promotion shall receive profit tax exemption for 4 years.
- Activities with Level 2 of investment promotion shall receive t profit tax exemption for 2 years.
- Activities with Level 3 of investment promotion shall receive profit tax exemption for 1 year.

Profit tax exemption starts from the date of the enterprise beginning its business operations. For the activities to produce new products, research and new technology, 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 profit tax in accordance to the Tax Law.

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

Article 52: Incentives related to customs duty and other taxes

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

1. Exemption from profit tax in the next accounting year for business that spends the net profit to expand its business;
2. Exemption from import duty on raw materials, equipments, spares parts and vehicles that are directly used for production. As for import tax exemption of these items, it shall comply with specific regulations.
3. Exemption from export duty for exporting general products. As for export of natural resources and products from the natural resources, it shall comply with concerned laws and regulations.

Importation of all types of fuel is not exempted from import duties and taxes.

4. Investor can transfer the annual losses to the next following year to be deducted from profit within the period of 3 years; however, the losses shall be audited and certified by the tax officer. After this period, the remaining loss is not allowed to be deducted from profit anymore. In the case of the Special and Specific Economic Zones, the incentives related to customs duties and other taxes shall comply with the Decrees on the establishment and management 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 Lao PDR and overseas in accordance to laws and regulations.

Article 54: Specific promotion Incentives

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Specific promotion incentives are as follows:

1. Investment in hospitals, kindergartens, academic schools, vocational schools, colleges, universities, research centers and some activities related to 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 hospitals, kindergartens, academic schools, vocational schools, colleges, universities, research centers and public utilities shall obtain additional period of profit tax exemption for five more years as described in Article 51 of this Law.

Article 55: Implementation of incentives related to customs duty and tax

The implementation of incentives related to customs duty and tax are as follows:

1. The Finance authority is to implement the promoted investment incentives related to customs duty and tax as indicated in the business registration certificate or concession certificate;
2. For the exemption of import duties for the importation of raw materials, machineries, equipments and vehicles that are directly used for the production, the Finance authority shall implement it in accordance with this Law.

CHAPTER 2

Promotion of investments by other promotion incentives

Article 56: Promotion of investments by other promotion incentives

Promotion of investments by other promotion incentives is as follows:

- Providing information
- Providing Land use rights

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Article 57: Providing Information

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

The investment information centers is responsible to collect and compile data and information on investment in order to build networks, provide and exchange information such as the investment promotion via websites, investment guide (books), newsletters, brochures and other means to investors who interest, Embassies, Lao Consular Offices or Lao trade representative offices based in foreign countries in order to reach the potential investors.

Article 58: Providing Land use rights

Foreign investors with registered investment capital of five hundred thousand US Dollar or above are entitled to buy land use rights from the Government according to the allocation and investment timeframe in order to build housing or office buildings with the agreement of the local authorities in accordance with rules and regulations.

The Government is responsible to formulate relevant regulations and administration mechanisms for each level of investments related to the promotion incentives with respect to the land use rights for foreign investors.

Article 59: Additional investment promotion incentives

In addition to the promotion incentives stipulated in Chapter 1 and Chapter 2 of Part IV, if there is necessary to provide additional promotion incentives for some sectors, investment areas, Special and Specific Economic Zones, the Government has the right to propose the incentives to the National Assembly's meetings or to the National Assembly's Standing Committee in case that 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 and investors' rights and benefits are protected under the laws and regulations of the Lao PDR and international treaties to which Lao PDR is a contracting party.

Article 61: Forms of investment protection

The Government fully acknowledges and protects the investment of investors against seizure, confiscation or nationalization by administration processes.

In the case that the Government has the need for public interests; the investors shall be compensated with an actual value based on market price at the time of transferring money and the payment method is agreed by both parties.

Article 62: Protection of intellectual property

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

Part V

Rights and Obligations of Investors

Article 63: Rights of Investors

Investors have the following basic rights:

1. Rights to invest;
2. Rights to govern and manage business operations;
3. Rights to hire labor forces;
4. Rights to reside in the Lao PDR in case of foreign investors;
5. Rights to transfer capitals, assets and incomes from Lao PDR to abroad in case of foreign investors.

Article 64: Rights to Invest

Rights to invest are defined as follow:

1. To invest in all business sectors and zones, which are not prohibited to invest under the laws of the Lao PDR;
2. To invest according to the types and forms of enterprises in accordance with laws and regulations;

Unofficial Translation

3. To apply for project concession from the Government or local authorities on the case-by-case basis to develop a project;
4. To apply for a concession to establish a Special Economic Zone and Specific Economic Zone from the Government;
5. To establish a representative office or a branch in Lao PDR;
6. To apply for the changing of the investment objectives or activities in the case that the business operations are not effective due to the changes of the Government's policies, regulations and laws;
7. To own assets;
8. To receive protection from the Government in relation to rights and legitimate benefits from the investment;
9. To receive any facilitations provided by the Government to the investment;
10. To receive benefits from the lease or concession such as the right to use and to use this right as a collateral with another person or financial institutions or to allow the joint-venture, to sublease, to sell and to transfer the Land use rights in accordance with the terms of the lease or concession in the contract and other conditions according to the laws;
11. A right holder of the land use or concession has the right to use land in accordance to the terms of leasing contract or concession agreement; and owns property such as buildings or any constructions on that piece of land and to transfer the rights to local people or foreigners.
12. To open a Kip account or a foreign currency account with banks located in Lao PDR;
13. To lodge complaints with the relevant authorities in the case of impairment of the investment;
14. To receive other rights and benefits as provided in the laws and regulations.

Article 65: Rights to administrate and manage business

Rights to administrate and manage the business are defined as follows:

1. To formulate the investment plan;
2. To purchase and use the materials, equipments, vehicles, machineries and technologies into the investment;
3. To access domestic and overseas market;
4. To manage labor forces by ensuring work safety and convenience in business operations;

Unofficial Translation

5. To convene meetings to discuss investment related matters;
6. To transfer, withdraw of the capital or put additional capitals to the enterprise and assign other investors to temporarily manage the business;
7. To apply with concerned authorities to consider the suspension, dissolution or transformation of the enterprise into other forms of enterprise;
8. To implement other rights set forth in the laws and regulations.

Article 66: Rights to hire labor forces

Rights to hire labor forces are defined as follows:

1. To sign employment contracts with technicians and experts to work for the enterprise. In the case that, the enterprise needs to import more physical and intellectual laborers than a number stipulated in the Labor Law, the investor has the right to propose to the government for considerations as deemed appropriate;
2. To allocate and assign labor forces into positions as required by the enterprise;
3. To apply policies or measures to laborers in non-discriminatory basis;
4. To apply other rights as set forth in the Labor Law and other regulations.

Article 67: Rights to reside in case foreign investors

Foreign investors and families have the rights to reside within the territory of the Lao PDR according to the terms of investment. Foreign technicians and experts have the rights to reside in the territory of the Lao PDR according to the employment contract.

Foreign investors and families including technicians and experts can enter in and depart out of Lao PDR including obtaining a multiple entry visas with a maximum term of five years each time.

Article 68: Rights to transfer capitals, assets and incomes from Lao PDR in case of foreign investors

Foreign investors have the right to transfer capitals, assets and incomes, especially profits from investment, personal money and assets or assets of the enterprise through banks located in the Lao PDR and recognized by the concerned governmental authorities after full payment of duties, taxes and other fees in accordance with laws and regulations.

Article 69: Obligations of investors

Unofficial Translation

The investors have the following obligations:

1. To hold accounting system in accordance with the Law on Enterprise Accounting of Lao PDR. If necessary, the enterprise can use an internationally recognized accounting system; however, this should be approved by the Finance authority of Lao PDR;
2. To fully pay duties, taxes and fees in a timely manner;
3. To provide insurance and social security to the employees in the enterprises in accordance with laws and regulations; to promote and employ Lao citizens; to develop labor skills; to improve the technical capacity; and to transfer of technology to Lao labors;
4. To facilitate the establishment and operation of the mass organizations in the enterprises, especially the federation of trade unions;
5. To coordinate with local authorities in business operation; to provide compensation for the impacts that may be caused by the business operation; to contribute to poverty reduction of the people and community development within the project areas;
6. To adhere with other obligations as set forth in the laws and regulations.

Article 70: Obligations to protect the environment

The investors are obliged to protect environment; investors must ensure that their business activities do not cause severely impacts to the public, national security, public order or health of employees. In the event of causing any environmental problems, the investors have to undertake necessary measures to address these problems in a timely manner and in accordance with laws.

Part VI

Prohibited Actions

Article 71: General prohibition

Individuals and organizations are prohibited to perform the following actions:

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

Article 72: Prohibited actions for the government officials

Government officials are prohibited to perform the following actions:

1. Abuse the power, duties and position for the purpose of acquiring personal benefits;
2. Receive bribes from investors or persons who will receive the prospective benefits from investment;
3. Disclose confidential documents of the nation, Government and investors;
4. Create an unreasonable delay for the consideration of documents or retain investors' documents;
5. Perform other prohibited actions as described in the laws and regulations.

Article 73: Prohibited actions for investors

Investors are prohibited to perform the following actions:

1. Give bribes to officers and government officials who have responsibilities for concerned tasks;
2. Fail to fulfill obligations, conceal income and profit including duty and tax figures;
3. Slander or discredit organizations and government officials;
4. Perform other prohibited actions 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 which do not comply with the laws and regulations.

Unofficial Translation

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

Article 75: Change of investment

The investment can be changed by various reasons, such as the change in objectives of business operation, shareholders, a legal representative, registered capitals 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 the contracting party;
- Based on the proposal of one of contracting parties if another contracting party breaches the agreement as prescribed in the contract or laws and regulations;
- In case the enterprise registration certificate or concession registration certificate is revoked.

Procedures for the consideration of investment cancellation are defined as follows:

1. The registration authority shall issue a warning notice to the investor in case the business operation does not comply with the concession agreement, laws and regulations and has severe negative impacts on environment, in order to address the problem and improve the situation within the period of 90 working days starting from the date of issuing the notice, and make a memorandum with the investor;
2. If the investor does not address the problem and improve the situation within the given timeframe, the Registration Authority shall issue a second warning notice for investor to address and improve the situation within the period of 60 working days;
3. Subsequently, if the investor still does not address the problem or improve the situation within the given additional period, the registration authority shall notify the cancellation of the business operation of the investor and inform media as well as undertake necessary measures to the investor according to laws and regulations.

Article 77: Termination of investment

The investment shall be terminated in the following cases:

Unofficial Translation

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 another legal entity;
4. The investment is dissolved upon the proposal of investors or a contracting party of the agreement which is certified by concerned sectors;
5. The investment is cancelled by the judgment of the court or bankruptcy.

Part VII

Dispute Resolution

Article 78: Forms of dispute resolution

The dispute resolution related to investment can be performed in the following forms:

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

Article 79: Mediation

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

Article 80: Administrative dispute resolution

In the case of conflict that cannot be amicably settled or mediated the parties have the right to require the Planning and Investment authority or the Industry and Commerce authority or other relevant sectors to address the conflict as an administrative dispute resolution in accordance with their roles and duties.

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

Unofficial Translation

In case that the conflict cannot be amicably settled or remedied in the administrative dispute resolution process, the parties have the right to request the Committee for Economic Dispute Resolution for resolution in accordance with the laws and consent of both parties.

Article 82: Filing of litigation

In case that a party finds that the conflict resolution from concerned authorities is not fair or the investment is damaged, the party has the right to file a complaint to the People's Court for settle the conflict according to the laws and regulations.

With regard to conflicts related to the investment contracting with the Government, the settlement of such conflicts shall follow the procedures stipulated in the contract.

Part IX

Government Administration and Inspection

Chapter 1

The Government Administration

Article 83: Principles of the decentralization of authority

The governmental administration of investment shall follow the following principles:

- Local Authorities shall take more responsibilities, whereas the Central Authority shall take more responsibilities for the macro-level of management, the encouragement and monitoring the implementation by local authorities;
- The Sector or level that issues the registration certificate shall manage, monitor, inspect and evaluate the investment in collaboration with other relevant sectors and local authorities and, then regularly report to higher levels;
- The Sector to which the investment is related shall be in charge in terms of technical management in collaboration 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 mainly. While the central authorities shall issue registration certificates and manage strategic investments, such as cross-cutting activities related to various sectors or local authorities, high technology activities, financial institutions, insurances, telecommunication, airlines, State's rights, energy, minerals, petroleum, gas, etc., as determined by the Government and in collaboration with the Registration Authority and other relevant sectors and local administrative authorities.

Unofficial Translation

Local administrative authorities are responsible to participate in the management of investments according to their own roles, of which the registration certificates were issued by the central authority, but operated in their locals.

With regard to the decentralization of authority, it has already stipulated in relevant laws and it shall comply with those laws.

Chapter 2

Administration Authorities

Article 85: Investment Administration Authorities

The Government manages the investment in a centralized and uniformed manner throughout the country by assigning the Planning and Investment authority and the Industry and Commerce authority as main agencies for the management in collaboration with other relevant sectors and local administrative authorities according to their roles.

Investment Administration Authorities consist of:

1. Planning and investment authority;
2. Industry and commerce authority;
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 investments, 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, laws and regulations related to investment promotion and compile projects or investment calling list in order to propose to the government for consideration;
2. To disseminate strategies, policies, laws and regulations related to investment promotion and to provide information, including projects or the investment calling list, for attracting the investments;
3. To provide instructions, monitor and coordinate with other relevant sectors and provincial authorities in the implementation of laws and regulations related to investment promotion;

Unofficial Translation

4. To support, promote and resolve problems occurring in the projects, investment activities throughout the country;
5. To create enabling conditions and facilitate the services of the one-stop-service;
6. To examine and consider issuing, suspending, withdrawing, terminating a registration certificate or agreements according to their roles and by the agreement of the Government;
7. To build capacity, improve, upgrade government officials' capacity on investment matters;
8. To coordinate and cooperate with international organizations on the investment issues;
9. To regularly summarize and report on investment issues to the Government;
10. To perform other rights and duties stipulated in the laws and regulations.

Article 87: Rights and duties of Department of Planning and

Investment and Department of Industry and Commerce at provincial and capital

To manage the investment, the Provincial/Capital Office of the Planning and Investment; and the Industry and Commerce have the following rights and duties:

1. To develop, implement strategic plans, policies, laws and regulations related to investment promotion and formulate projects or the investment calling list within their locals;
2. To promote and disseminate policies, laws and regulations on investment, provide information, including projects or the investment calling list, and facilitate investors according to their responsibilities;
3. To provide instructions and coordinate with other relevant sectors within their locals in implementing laws and regulations related to investment promotion;
4. To examine and consider issuing, suspending, withdrawing, terminating a registration certificate or agreements according to their roles and by the agreement of the Government;
5. To implement the one-stop-service operation within the scope of its own responsibilities;
6. To coordinate and cooperate with international organizations on the investment as assigned by the higher levels;
7. To summarize and report regularly on investment issues to the higher levels;
8. To perform other rights and responsibilities stipulated in the laws and regulations.

Article 88: Rights and duties of the Office of Planning and Investment and Office of Industry and Commerce at district and municipality.

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

1. To implement strategic plans, policies, laws and regulations related to investment promotion within their locals;
2. To disseminate policies, laws and regulations on investment, provide information, including projects or the investment calling list, and facilitate investors according to their responsibilities;
3. To coordinate with other relevant sectors within the district and municipality in implementing 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 the investment calling list within the scope of responsibilities and propose to higher authority for consideration;
6. To collect information on investment including investment activities within their locals;
7. To support, promote and resolve problems occurring within their responsibilities;
8. To regularly summarize and report on investment to the higher levels;
9. To perform other rights and duties as set forth in the laws and regulations.

Article 89: Administration Committee of Special Economic Zones and Specific Economic Zones

The Administration Committee of Special Economic Zones and Specific Economic Zones is an investment administration authority in the Special Economic Zones and Specific Economic Zones, the establishment of one-stop-service office to attract and promote both domestic and foreign investments within Special Economic Zones and Specific Economic Zones.

The regulations on the Administration Committee of the Special Economic Zones and Specific Economic Zones are stipulated separately.

Article 90: Rights and duties of the Administration Committee of the Special Economic Zones and Specific Economic Zones

Unofficial Translation

To manage the investment, the Administration Committee of the Special Economic Zones and Specific Economic Zones has the following rights and duties:

1. To examine and formulate investment promotion policies within their locals;
2. To research and formulate projects or the investment calling list to attract investment within their locals;
3. To implement investment incentives in order to attract both domestic and foreign investment in their locals;
4. To facilitate investors in conducting their business operations within their locals;
5. To collect duties and taxes, fees, service fees, rental costs and others stipulated in the agreements and regulations within the zones;
6. To manage and use the budget in accordance with the agreement, laws and regulations;
7. To contact and 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 keep maintenance facilities and infrastructures 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 locals 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: Contents of Inspection

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

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 the impacts on 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 labors.

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 follows:

1. Internal inspection is the management and inspection authorities that is defined in Article 85 and 92 of this Law;
2. External inspection is the National Assembly, and State Inspection Organization that inspects 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.

Unofficial Translation

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

Incentives towards those who have outstanding performances and measures against violators

Article 96: Incentives towards those who have outstanding performance

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

Article 97: Measures against violators

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 PDR shall implement this law.

Article 99: Entry into forces

Unofficial Translation

This law shall enter into forces within sixty days from the date of the promulgating Decree issued by the President of Lao PDR.

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 to the relevant authorities. The concerned authority shall inform the investor immediately on implementing the investment incentives.

President of the National Assembly

[signed and sealed]

Thongsing Thammavong