



LAO PEOPLE'S DEMOCRATIC REPUBLIC  
PEACE INDEPENDENCE DEMOCRACY UNITY  
PROSPERITY

National Assembly  
/NA

No.

Vientiane Capital,

## **DRAFT LAW ON INVESTMENT PROMOTION**

(Amendment in 2016)

### **PART I**

#### **General Provisions**

#### **Article 1 (Revised) Objectives**

This Law defines principles, regulations and policies regarding the domestic and foreign investment promotion and administration in the Lao PDR and Lao PDR's private investment overseas in order to enable investments expediently, quickly and in conformity with laws and regulations, as protected by the Government, and to ensure the rights and benefits of investors, the state and people, aiming to

actively contribute to the continuous growth of national socio-economic development in line with green direction and sustainability, to be integrated with regional and international economies.

## **Article 2 (Revised) Investment Promotion**

Investment promotion is the formulation of policies and creation for a favorable investment climate for private domestic and foreign investment to enable investors to conduct their business operations in a convenient, expeditious, transparent, fair and lawful manner including the promotion of investment overseas by private businesses.

## **Article 3 (Revised) Definitions**

Terms used in this Law shall have the following meanings:

1. **Investment** refers to the capital, tangible and intangible assets brought in by investors for their business operations in Lao PDR;
2. **Investor** refers to individual or legal entity, both domestic and foreign, investing in the Lao PDR or in a foreign country;
3. **Domestic investor** refers to Lao citizen, expatriate residing and legal entity of individuals conducting business operations in the Lao PDR;
4. **Foreign investor** refers to foreign individual or legal entity entering to invest in the Lao PDR;
5. **Tangible capital** refers to currency, moveable property and real estate property;
6. **Intangible capital** refers to intellectual property, future revenue, rental rights, commercial rights and concession value and others; [To be checked with the expert]
7. **Concession agreement** refers to an agreement signed between a legal entity and the Government granting the right to operate a business or to develop a project under Lao PDR laws and subject to specific terms and conditions;
8. **Memorandum of understanding** refers to a document recording the agreements between a legal entity(ies) and a Government-assigned agency to provide the rights to conduct a feasibility study of a project.
9. **Vehicles/machinery directly supporting production** refers

to machinery and vehicles that are directly used for investment activities as per the import plan as approved by the Investment Promotion and Supervision Committee;

10. **Direct investment** refers to an act of investing capital into a business operation which makes the investor of that capital become the owner of the enterprises, and manage or expand the enterprise;
11. **Overseas investment by domestic investors** refers to the bringing of investor's capital and assets lawfully registered in the Lao PDR for investing overseas.
12. **Multinational Company** refers to the private company registered in one country that has the administrative management over many businesses / branches in other countries.
13. **Negative List** refers to the list of activities that are highly sensitive and investment in which requires examination and approval by relevant sector authorities.
14. **Day** refers to working day as per Lao PRD's calendar.
15. **Investment One-Stop Service Office** abbreviated as "OSO") refers to the office in charge of providing services through one-stop system as defined in Article 42 of this Law.

#### **Article 4(Revised) Government policies on investment promotion**

The Government promotes investment in all economic sectors, both domestic and foreign, by formulating policies to create a favorable investment climate, notably by issuing relevant legislation, providing necessary information, customs and tax incentives, labor, providing one-stop-services, as well as recognizing, protecting rights, interests and other aspects of the investors in conformity with the law of Lao PDR.

The Government promotes the investment in all zones, sectors and businesses throughout the country except for areas, sectors and businesses which are prohibited, detrimental to national security, the environment, society and fine national culture.

#### **Article 5(Revised) Principles of investment promotion**

The investment promotion shall follow the following principles:

1. Be in line with the current vision, strategy and national socio-economic development plan;
2. Be in line with sectorial strategy, for instance, integrated environment management plan among others;
3. Ensure the protection of the reasonable rights and interests of the state, people and investors.
4. Ensure that the services will be delivered conveniently, fast and transparently;
5. Ensure equality of investors before the the laws of Lao PDR;
6. Attract and promote quality investment;
7. Ensure national security, peace and public order, protect environment and national fine culture.

#### **Article 5(Revised) Scope of Law Application**

This Law applies to investment of investors, investing in the Lao PDR or overseas.

#### **Article 7 International investment cooperation**

The Government promotes foreign, regional and international cooperation in investment promotion by sharing lessons, information, technology and experiences in the promotion and management of investment, marketing, trade, sources of capital, and regional and international integration.

## **PART II**

### **Investment forms**

#### **Article 8: *(improved)* Investment forms**

Investors may invest in the following forms:

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

3. A business cooperation by contract;

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

A wholly domestic or foreign-owned investment is an investment entirely owned by either domestic or foreign investors, and can be either a single investor or group of investors in the enterprise or project in the Lao PDR.

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

A joint venture between domestic and foreign investors is a joint investment between domestic and foreign investors who conduct business operations, share ownership and establish a new legal entity under the laws of Lao P.D.R.

The organization and activities, management, rights and obligations of investors of the joint venture are defined in a joint venture agreement and in the article of association of the newly established legal entity.

Foreign investors in the joint venture shall contribute at least ten percent (10%) of the total capital.

#### **Article 11: *(improved)* Investment in the form of Business Cooperation by Contract**

Investment in the form of business Cooperation by Contract is a joint business operation between foreign and domestic legal entities by entering into a joint business contract in accordance with Lao PDR laws for a certain term without need to establish a new legal entity or branch office in the Lao PDR. Such a contract shall clearly stipulate rights, obligations and mutual benefits of each party thereof and towards the Government.

The domestic legal entity entering into a joint business contract shall notify the same to the Investment One-Stop Service Office for approval and supervision in line with regulations.

The agreement of the business cooperation by contract shall be certified by the Notary Public of Lao PDR.

## **PART III**

### **General Investment and Investment in Concession Businesses**

#### **CHAPTER 1**

##### **Investment in general businesses**

###### **Article 12: (improved) General business**

General business is an investment in the general business sector that is not concession business and divided into 2 following categories:

1. Businesses that do not fall in the negative list;
2. Businesses that fall in negative list.

The negative list is determined pursuant to the Enterprise Law.

###### **Article 13 (improved) Application for investment**

[Investors wishing to invest in general businesses not included in the negative list shall submit an application to industry and commerce sector authority for enterprise registration.]

For businesses falling in the list of promoted sectors, after enterprise registration, the investor thereof may apply for the applicable incentives with the Investment One-Stop Service Office at the planning and investment sector authority.

[Investors wishing to invest in general businesses included in the negative list shall submit an application through the investment one-stop service office ]?.

###### **Article 14 (improved) Application documents**

Application for investment license shall consist of a report

of initial economic-technical feasibility study, a report of initial environmental impact assessment (on a case by case basis), documents certifying financial status, legal entity status and other necessary documents.

(Further details will be determined according to types of business by the Investment One-Stop Service Office).

#### **Article 15 (new) Investment admission consideration**

Admission consideration for investment in general businesses not included in the negative list shall be made by the industry and commerce sector authority according to the Enterprise Law.

Admission consideration for investment in general businesses included in the negative list shall be made and decided by the Investment Promotion and Supervision Committee within fifteen (15) working days after formal receipt of the application. Relevant sector authorities shall provide their technical opinion on the application forwarded to them by the OSO within ten (10) working days after receiving such application. In case of failure to provide their opinion within the time limit, the IPSC will consider and make decision on the application.

The OSO and relevant sector authorities shall have the obligation and duty to strictly comply with the above time limit.

Investment admission consideration shall be made according to the following process:

1. Upon receiving the investment application, the OSO shall coordinate with relevant sector authorities for consideration and then to propose to the IPSC of either central or provincial level for approval;
2. Upon receiving opinions from relevant sector authorities, the OSO shall organize a meeting for technical consultation in order to summarize and report the result of the meeting to the IPSC for consideration;
3. The meeting of IPSC considers and decides on the examination result and report made by the OSO;
4. In case the IPSC approves the application for investment, the OSO shall issue the investment license for the investor. In case of disapproval, the OSO issues a formal letter to inform of such rejection to the investor;
5. Upon issuance of the investment license, the OSO shall coordinate with relevant parties for the obtaining of the enterprise registration certificate, tax registration certificate and corporate stamp.

## CHAPTER 2

### Investment in concession businesses

#### **Article 16: (improved) Concession business**

Concession business is an investment authorized by the Government for developing natural resources or use of a state prerogative within a certain area and time limit, under an agreement with the Government

Concession business consists of 4 following categories:

1. Concession involving the exploitation of natural resources;
2. Concession involving the use of a state prerogative;
3. Public-private partnership; (?)
4. Development of special economic zones.

Further details of concession business categories are set out in specific lists.

The Government may participate in equity ownership in any concession business on a case by case basis in compliance with relevant laws and regulations.

#### **Article 17 (improved) Application for investment**

Investors wishing to invest in concession businesses shall submit an application to the Investment One-Stop Service Office for consideration and recommendation to the Investment Promotion and Supervision Committee for consideration.

#### **Article 18 (improved) Selection of Investors**

The applicant for investment in concession business shall be a sound legal entity, having experiences, with strong and stable financial position as certified by a domestic or foreign financial institution.

In case there are two or more legal entities applying for investment in the same concession business, their selection shall be made by the Government through methods such as comparison of tender bids or assessment by the IPSC. The selection of investors must be transparent, open and assessable.

## Article 19 (improved) Process for Investment Admission Consideration

All concession businesses shall be submitted to the OSO for consideration and recommendation to the IPSC as per the following process:

1. After receipt of the application, the OSO coordinates with relevant sector authorities and local administration to consider and recommend to the IPSC to approve in principle;
2. After the approval granted in principle by the IPSC, the OSO shall take the lead in the negotiation with the participation of relevant sector and local authorities on the MoU or agreement with the investor. The purpose is for the investor to collect information and study feasibility of investment project in terms of its viability, techniques and natural and socio-environment impact;
3. In case of agreeing to sign an MoU or agreement, the investor shall make a deposit for an amount as set out in the relevant MoU or agreement with the national treasury account. The funds will be returned after completion of tasks as set out in the relevant MoU or contract.
4. After completion of feasibility study and natural and environmental impact assessment reports as approved by relevant authorities, the OSO shall propose to the IPSC for approval.
5. In case of approval by IPSC, the OSO in coordination with relevant sector authorities shall conduct the negotiation with the investor on a concession agreement and then shall report the outcome to the IPSC for approval and for issuing a signatory authorization letter for signing the agreement.
6. After signing the concession agreement, the OSO shall issue the investment license and the investor shall establish a company to operate the project as per the concession agreement.
7. In case of disapproval by the IPSC, the OSO shall formally inform the investor of such disapproval.

## **Article 20 (improved) Concession Agreement**

Concession business involving and not involving the exploitation of natural resources shall be subject to an agreement with the Government as per the draft agreement set out by the Government the main content of which are objectives, value, term, conditions, rights, interests and obligations of the parties and other matters as agreed by the parties in conformity with laws and regulations of Lao PDR.

## **Article 21 (Improved) Amendment of the Content of a Concession Agreement**

The content of concession agreement may be amended upon mutual agreement by its parties. Amendment that does not affect rights and obligations of parties, objectives of agreement, transfer of project, addition of a party to the agreement or new shareholder, may be made by the OSO in coordination with relevant sector authorities according to their respective roles.

## **Article 22 (Improved): Term of Investment**

The term of investment depends on the type, size, investment value, and conditions, feasibility study report of the business in compliance with relevant regulations and laws; but shall not exceed fifty (50) years.

The investment term may be extended with the approval of the Government or provincial level administration, provided that investor has implemented the concession agreement effectively and has brought benefits to the society.

## **Article 23 (New) Assignment and Transfer of Contractual Rights or Shares**

Investors at the implementation phase of an MoU and at the prospecting phase under a mineral prospecting and survey agreement may not assign, transfer their contractual rights or shares to other investors.

Investors granted of rights as per project development

agreement, prospecting and survey agreement at the prospecting phase and concession agreement may not transfer their contractual rights or shares unless the following conditions have been fulfilled:

1. Have effectively invested in the project for at least forty-five (45%) as certified by the relevant authority or independent auditor.
2. Have fulfilled financial and other obligations as per the agreement and laws and regulations.
3. Be not in the lawsuit or judicial proceedings or mediation.
4. Be not in the process of bankruptcy declaration or bankrupted.
5. have obtained approval from the Government.

Upon approval, the assignment or transfer agreement shall be notarized with the Notary Office and shall clear all taxes, fees and service charges as required by laws and regulations.

#### **Article 24: (New) Public-private partnership business**

Public-private partnership business is a joint-venture investment between public authority and a private party under a PPP contract to implement a project or to provide a service (PPP) which shall be governed by this Law. The Government is to issue a specific regulation to regulate the PPP investment.

#### **Article 25 (Improved) Activities for Development of Special Economic Zones**

Special economic zones are zones established by the Government, with specific administrative mechanism to meet the need to attract investments, using high, environmental-friendly technology, production for export, using new technology for agricultural production, production that uses less natural resources and energy for sustainable development.

Investors wishing to invest in the development of a special economic zone shall submit an application to the central OSO to examine and propose to the central IPSC for consideration.

Further details on the investment in such business are prescribed in the Law on Special Economic Zones.

#### **Article 26 (New) Approval by the National Assembly**

Investment in projects that might have serious socio-environmental impact namely:

- construction project of a nuclear power plant;
- forest conversion (national reserved forest, protected

- forest and production forest);
- land concession for an area of 10,000 hectares or larger;
- resettlement of ....persons or more for remote areas and .... Persons or more for community area;
- diversion of natural water flow;
- projects requiring special incentives beyond those provided by the law.

#### **Article 27: (new) Types of Activities Not Allowed for Investment**

They are activities that affect national peace, security or that have serious impact on environment, health or national fine culture in the present and in the long term, the details of which are set out in a specific list. (the list must be attached when sending this law to the National Assembly)

#### **Article 28: (new) Domestically Reserved Businesses**

Domestically reserved businesses are businesses that involve national symbolic culture, Lao people's inherited professions, investment activities requiring low-value investment, not requiring high technology and high level of knowledge or certain businesses that the State intends to reserve for Lao citizens. The details of such businesses are set out in the lists of reserved businesses issued by the industry and commerce sector authority. (the list must be attached when sending this law to the National Assembly)

### **CHAPTER 3**

#### **Registered Capital**

#### **Article 29: (improved) Determination of registered capital**

The minimum registered capital of concession businesses involving the exploitation of natural resources shall not be less than eight (8) billion Kip.

The minimum registered capital for concession business not involving the exploitation of natural resources shall not be less than three (3) billion Kip.

Registered capital for general businesses shall be as set out in the Enterprise Law and regulations of relevant authorities.

For businesses subject to capital requirements under

regulations of relevant sector authorities, [their registered capital] shall be as per such regulations.

#### **Article 30: (New) Payment and importation of registered capital**

The registered capital may be paid up in cash and/or in kind in compliance with relevant laws and regulations.

The importation of capital for developing a project for concession business shall comply with the approved feasibility study and agreement as signed with the Government.

For general businesses, foreign investors shall import their capital for at least thirty percent (30%) of their capital contribution within 90 days after enterprise registration. The remaining amount of capital shall be paid up in accordance with the Enterprise Law or other applicable laws.

The importation of capital from a foreign country shall be certified by the Bank of the Lao PDR.

#### **Article 31: (New) Increase of registered capital**

The increase of registered capital of a legal entity may be made only after full importation or payment of registered capital as set out in Articles 29 and 30 of this Law.

### **Part IV**

#### **Representative Offices and Branches and Overseas Investment**

##### **Chapter 1**

##### **Representative Offices**

#### **Article 32 (New) Representative offices**

Representative offices of foreign legal entities are liaison offices on behalf of their parent companies in the survey for investment opportunities and coordination with relevant public and private parties in the Lao PDR but may not undertake commercial activities.

### **Article 33 (Improved) Application for establishing a representative office**

A foreign legal entity wishing to establish its representative office in the Lao PDR shall submit the application to the Investment One-Stop Service Office for consideration and for issuance of a license for establishment of a representative office within fifteen (15) working days after receipt of the application.

The representative office license acknowledges the lawful rights of the representative office to carry out activities in accordance with its terms of reference, rights and obligations, particularly in collecting information on investment for its headquarters serving as a basis for consideration of the future investment in the Lao PDR without the rights to undertake commercial activities.

Rules for the establishment, term and establishment capital of representative offices are set out in a specific regulation.

## **CHAPTER 2**

### **Overseas Investment by Domestic Investors**

#### **Article 34 (new) Application for Overseas Investment**

Domestic investors wishing to invest overseas shall submit application to the Investment One-Stop Service Office for licensing consideration.

#### **Article 35 (new) Conditions for Overseas Investment**

Domestic investors going to invest overseas shall fulfill the following conditions:

- 1.** Have investment target overseas.
- 2.** Have the financial reports for the last two financial years as certified by financial authority or independent audit firm.
- 3.** Have fulfilled financial obligations due to the Government of Lao PDR in compliance with laws.
- 4.** Be in compliance with regulations of the Bank of the Lao PDR, other relevant laws and

regulations of Lao PDR.

### **Article 36 (new) Rights and Obligations of Investors Investing Overseas**

Investors investing overseas shall have the following rights:

1. Bring money and assets to invest overseas and bring them back to the home country after fulfilling their obligations under laws and regulations of host country.
2. Obtain facilitation and incentives as per laws and regulations of Lao PDR.
3. Employ Lao labor in their overseas-invested enterprise in compliance with Lao PDR laws and regulations and those of the host country.

Investors investing overseas shall also have the following obligations:

1. Comply with laws and regulations of the host country.
2. Bring the profits and other incomes generated by their business operation to the home country.
3. Perform reporting regime on financial aspect and operation to the Ministry of Planning and Investment of Lao PDR, Ministry of Finance and Bank of the Lao PDR.
4. After the end of their overseas investment, the investor shall bring back capital and assets to the home country according to relevant laws and regulations.

## **Part V**

### **Investment Promotion and Supervision Committee and One-Stop Service for Investment**

#### **Chapter 1**

#### **Investment Promotion and Supervision committee**

### **Article 37: (New) Investment Promotion and Supervision Committee**

The Investment Promotion and Supervision Committee

abbreviated as “IPSC” is a committee established by the Government, with a mandate to promote and supervise investment. The Committee consists of central level and provincial, capital level.

The Investment Promotion and Supervision Committee operates according to one-stop-service mechanism, having the Investment Promotion Department, Ministry of Planning and Investment as the secretariat and permanent office for the Central Investment Promotion and Supervision Committee, the provincial, capital departments of planning and investment as secretariat and permanent office for the provincial, capital Investment promotion and Supervision Committee.

### **Article 38: (New) Central Investment Promotion and Supervision Committee**

The Central Investment Promotion and Supervision Committee consists of the Prime Minister as the chair, Deputy Prime Minister as deputy chair, Minister of Ministry of Planning and Investment as standing member, ministers and vice ministers of relevant ministries as members such as: Ministry of Industry and Commerce, Ministry of Finance, Ministry of Natural Resources and Environment, Ministry of Energy and Mines, Ministry of Agriculture and Forestry, Ministry of Labor and Social Welfare and Ministry of Public Security.

The Central Investment Promotion and Supervision Committee hold its meeting once a month or as necessary.

### **Article 39: (New) Duties and scope of authorities of the Central Investment Promotion and Supervision Committee**

The Central Investment Promotion and Supervision Committee shall have the following duties and scope of authorities:

1. Consider to approve, suspend or revoke any investment in concession business, in the development of a special economic zone, in PPP, in business under specific supervision and other investments as per the power delegated by the Government;
2. Consider to grant investment incentives, approve annual import plans, strategic plans, policies, laws and regulations pertaining the investment promotion, to conclude, summarize, evaluate and report investment promotion work to the Government;
3. Direct the implementation of one-stop service in the promotion and attraction for investment for it to be effective and efficient;

4. Direct the operation of the provincial Investment Promotion and Supervision Committee and relevant sector authorities in a regular manner;
5. Build international relationship and cooperation regarding investment matters;
6. Exercise other rights and perform other obligations as set out by laws and regulations.

#### **Article 40: (New) Organization of the Provincial, Capital Investment Promotion and Supervision Committees**

A provincial, capital investment promotion and supervision committee consists of the provincial governor, capital mayor as the chair de officio, deputy governor, deputy mayor in charge of economic matters as deputy chair, director general of department of planning and investment as standing member, directors general and deputy directors general of relevant departments of province, capital as members such as: department of industry and commerce, department of finance, department of natural resources and environment, department of energy and mines, department of agriculture and forestry, department of labor and social welfare and department of public security.

The provincial, capital investment promotion and supervision committees hold their meeting once a month or as necessary.

#### **Article 41: (New) Duties and scope of authorities of Provincial, capital Investment Promotion and Supervision Committees**

The provincial, capital investment promotion and supervision committees shall have the following duties and scope of authorities:

1. Consider to approve, suspend or revoke investment in certain concession business, in controlled business and other investment as set out in relevant laws and as directed by the Central Investment Promotion and Supervision committee;
2. Consider to grant investment incentives, approve annual import plans, strategic plans, policies and regulations pertaining the investment promotion under their jurisdiction and as assigned by the Central Investment Promotion and Supervision committee, to supervise, monitor-inspect, conclude, summarize, evaluate and report investment promotion work to the Central Investment Promotion and Supervision committee;
3. Direct the implementation of one-stop service and relevant sector authorities of provincial, capital level in the promotion and attraction for investment for it to be

- effective and efficient;
4. Exercise other rights and perform other obligations as set out by laws and regulations.

## Chapter 2

### One-Stop Service for Investment

#### Article 42: (New) Investment One-Stop Service Office

The Investment One-Stop Service Office abbreviated as “OSO” is the permanent office for the Investment Promotion and supervision Committee to perform its duties under Article 44 of this Law

The Investment One-Stop Service Office provides services for investors in the Lao PDR.

The Investment One-Stop Service Office consists of two levels:

At the central level, the office is located at the Ministry of Planning and Investment having the Director General of Investment promotion Department as the office head de officio, Director general of Enterprise Registration and Supervision, Ministry of industry and Commerce as deputy head, directors general or deputy directors general of Department of special Economic Zones, departments from relevant ministries: Ministry of Finance, Ministry of Natural Resources and Environment, Ministry of Energy and Mines, Ministry of Public Works and Transport, Ministry of Agriculture and Forestry, Ministry of Labor and Social Welfare, Ministry of Information, Culture and Tourism, Ministry of Public Health, Ministry of Education and Sports, Ministry of Public Security and other relevant ministries as members de officio.

#### Article 43 (Improved) One-Stop-Service Principles

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

1. compliance with laws and regulations;
2. serve as the center of services for domestic and foreign investments.
3. Actively coordinate with relevant sector authorities and consider issues related to investment and then report to the meeting of the Investment Promotion and Supervision Committee;

4. Services to be simplified, fast, transparent, effective, efficient, public and accountable.

#### **Article 44 (New) Basic rights and duties of the Investment One-Stop-Service Office**

1. Examine investment applications to make recommendations to the IPSC;
2. Inform other relevant sector authorities to issue enterprise registration certificates, tax registration certificates, business operating licenses and other permits according to laws and regulations upon receiving the IPSC's approval for relevant applications;
3. Facilitate documentation, provide information related to investment to investors in coordination with relevant sector authorities;
4. Explain and advice on the completion of standard forms and other documents related to investment matters;
5. Provide legal explanation to investors regarding investment matters;
6. Provide coordination service on enterprise registration with industry and commerce sector authority, tax registration with finance sector authority and business operating license with relevant sector authorities;
7. Receive applications for investment, for incentives in order to issue an incentive letter;
8. Receive and examine requests for amendment, modification of an agreement, investment license, articles of association and other documents related to concession business of the investor;
9. Receive and provide service on the application for business visa, work permit and residence card for foreign investors and their family, foreign staff and workers;
10. Provide initial assistance in the solution of an issue or complaint related to investment to prevent serious dispute which will lead to lawsuit and enter into judicial proceedings.
11. Provide other services in connection with investment to investors in compliance with laws and regulations.
12. Monitor-inspect investment as per the jurisdiction of IPSC in order to report to the IPSC periodically.

## PART VI

### Promotion and Protection of Investment

#### CHAPTER 1

##### Investment Incentives

###### Article 45 (Improved) Promoted Sectors

The promoted sectors are education, health, agriculture-forestry, processing industry, industry using innovation and high technology, production using less natural resources, energy and being environmental-friendly, sustainable tourism industry the detailed list of which is determined by the Government based on prioritized activities of the Government, the activities related to the poverty reduction, the improvement of living conditions of people, construction of infrastructure, human resource development, jobs creation, etc.

There are two levels of promotion:

- Level 1: sectors with special promotion (education, health, processing industry for forest-agricultural products);
- Level 2: sectors with general promotion (...);
- Level 3: Activities with low level of promotion.

(incentive granting shall be made in 2 levels as listed in the annex thereto)

###### Article 46 Tax, duty/tariff related incentives

Investment incentives are as follows:

1. Tax and duty incentives;
2. Land use rights incentive;
3. Other supporting incentives.

###### Article 47 Tax and duty incentives

Investors will receive the following tax and duty incentives as follows:

1. Tax, duty exemption for all imports of materials, equipment to form the fixed assets and vehicles directed used for production (excluding fuel);

2. Tax, duty exemption for import of raw materials, parts to supply to the production for export;
3. Tax, duty exemption for export of finished products and products made from the assembly of imported parts for re-export;
4. Profit tax exemption for up to 10 years for sectors receiving special promotion and 5 years for sectors with general promotion, starting from the year that the business generates profit the details of which are set out in the list of promoted sectors.
5. Re-investment of profit and/or dividends will be exempted from profit tax or dividend tax;
6. Investment in expanding operation will also receive profit tax incentives as per this Article.
7. Enterprises with good performance, outstanding contribution as certified by relevant sector authorities will receive profit tax exemption for additional 3 years;

The granting of incentives for concession business investment shall follow the terms and conditions of the relevant concession agreement.

In addition to the above tax, duty related incentives, the construction of hospitals, kinder garden school, mandatory educational school, vocational school, college, university, research and development center, labor skill development activities, certain environmental activities, industry using new innovation, production of goods and services invested with new innovation, research for new innovation, handicraft and processing which are ethic groups' inherited know-how will receive profit tax reduction incentive for fifty (50) percent for 10 years after expiration of exemption periods under Article 47 of this Law.

#### Article 48 Incentive of land use rights

Investors have the right to use land according to the purpose and objective of their investment, may transfer their land use rights within the limit of concession term after having invested for development for at least 45% of the total land under concession in compliance with the Land Law, concession agreement and other relevant laws.

Investors in education and health sectors for businesses listed in the list of special promotion will be exempted of rental or concession fees of state land for the entire term of lease or concession.

#### Article 49 (improved) Other supporting incentives

Investors will receive other supporting incentives such as: services through one-stop service by the OSO providing necessary information, legal advice, suggestions on investment procedures, assistance in the coordination with relevant authorities, private parties and local authorities; facilitation for business visa, work permit and residence card of foreign investors and their family, foreign staff and labor, to receive compliment with the Government's compliment certificate, medals as per their performance.

If any additional special incentive is needed in certain sectors, special economic zones, the Government shall propose to the national Assembly for approval.

#### Article 50 (new) Special incentives for investment in poor areas

Investment in the areas determined as poor districts by the Government shall receive special incentives in addition those received under Article 47 of this Law as follows:

1. Profit tax exemption for additional 5 years;
2. Exemption of rent or concession fee for additional 10 years;

#### Article 51 (improved) Implementation of incentive granting

Implementation of incentive granting shall be as follows:

1. After establishing a legal entity, the investor may request to the OSO for issuance of incentive letter/certificate as per the promoted sectors set out in this Law.
2. For import of materials, equipment to be fixed assets and vehicles for direct use in the production, a request shall be made to the OSO to consider and approve the annual import plan thereof and forward it to finance authority for implementation according to laws and regulations.

### **CHAPTER 3**

#### **Protection of Investment**

## **Article 52 Protection of Investment**

Investors have equal rights to invest and to have their benefits protected under the laws and regulations of the Lao P.D.R. and international treaties to which Lao P.D.R. is a party of.

## **Article 53 Forms of Investment Protection**

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

In the case that the Government has the needs to utilize the facilities for public interests, the investors shall be compensated with actual value at the prevailing market price at the time of transfer using payment methods as agreed by both sides.

## **Article 54 Protection of Intellectual Property**

The Government acknowledges and protects the intellectual property of investors registered under the Law on Intellectual Property Rights of the Lao P.D.R. or in accordance with the international treaties to which the Lao P.D.R. is a party of.

### **Part VII**

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

#### **Chapter 1**

#### **Rights of Investors**

## **Article 55 (Improved) Rights on Investment**

Investors have rights to invest as follows:

1. To invest in all investment sectors and areas, which are not prohibited by the laws of the Lao P.D.R.;
2. To invest according to the types and forms of investments in

accordance with laws and regulations;

3. To propose for a concession to development of a particular project to the Government or local authorities on the case-by-case basis;
4. To propose for a concession to establish a special economic zone from the Government;
5. To establish a representative office or a branch in the Lao P.D.R.;
6. To propose for a change in investment objectives or activities in the case that the business operations have been affected by change in Government policies, and regulations and laws;
7. To have full ownership on own assets;
8. To be protected of the rights and legitimate interests of their investment by the government;
9. To receive support from the Government in various aspects of their investment;
10. To receive benefits from land lease or concession in accordance with laws and regulations of Lao PDR;
11. A land leaseholder or concessionaire has the rights to use the land according to the period of leasing contract or concession agreement,
12. own buildings, facilities and other structures on the concession land and transfer such ownership to nationals or foreigners in accordance with laws and regulations;
13. To open the accounts in Kip or foreign currencies at the banks located in the Lao PDR;
14. To submit the complaints to the concerned organization in case they have found themselves in disadvantage condition in their investments;
15. To receive other rights and benefits as provided in the laws and regulation.

## **Article 56 (Improved) Rights on Administration and Management of Investment Businesses**

Rights to administrate and manage investment business are as follows:

1. To formulate investment plan;
2. To procure and use materials, equipment, vehicles, machineries and technologies for investment operations;
3. To access to domestic and overseas markets;
4. To manage labor force ensuring order, safety and facilitation of business activities;
5. To convene meetings discussing investment related matters;
6. To transfer, withdraw or add in capital of the enterprise, and to assign other investors to temporarily operate business;
7. To request concerned authorities to consider the merger, suspension, dissolution or transformation of the enterprise into other forms of enterprise;
8. To perform other rights as set forth in the laws and regulations.

## **Article 57 Rights on Hiring Labor**

Rights on hiring labor are as follows:

1. To sign employment contracts with technicians and experts who will work for the enterprise. In case the enterprise requires to import numbers of physical laborers and technical personnel exceeding the allowed quota as described in the Labor Law, the investor has the rights to request the Government for consideration;
2. To allocate and assign workers for various job positions as required by the enterprise;

3. To provide equal treatment policies and measures to all workers;
4. To perform other rights as set forth in the Labor Law and other regulations of Lao PDR.

#### **Article 58 Rights of Foreign Investors on Residence in the Lao P.D.R.**

Foreign investors and their families have the rights to reside within the territory of the Lao P.D.R. according to the terms of investment. Foreign technicians and experts have rights to reside in the territory of the Lao P.D.R. according to their employment contracts. Foreign investors and their families, technicians and experts have the rights to be provided with facilities for entering into and departing from the Lao PDR including obtaining multiple entry visas with a term of five (5) years for each issuance.

#### **Article 59 (improved) Rights of Foreign Investors to Repatriate Capital, Assets and Income**

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

Transfer of assets being capital/money includes:

- Certified capital (subject to capital accounting rules) of the Bank of the Lao PDR;
- Profit, return generated by capital, dividend, royalty fee for copyright or other intellectual property, technical service fee, interest and other income generated by the investment;
- Proceed from the sale of business, operation, dissolution in whole or in part,
- Amount received from a contractual payment including loan agreement, amount received from the result of decision made on any dispute resolution or decision made by court not related to investment;
- Compensation amount or other amounts received prior to confiscation or expropriation;

- Income and remuneration of foreign staff legally hired.

All transfer of capital/money to a foreign country shall comply with the Law on the bank of Lao PDR and has been cleared of all tax obligations payable on such capital/money.

## **Chapter 2**

### **Obligations of Investors**

#### **Article 60 (Improved) Obligations towards the State**

Investors have the following main obligations:

1. Pay taxes, duties, fees, charges in full and timely according to relevant laws and regulations;
2. Hold accounting as per Accounting Law of Lao PDR, in case of necessity, international accounting system may be used subject to approval by the finance authority of Lao PDR;
3. Cooperate and coordinate well with local authorities in business activities;
4. promote employment of Lao labor especially women and ethnic people; pay attention to the development of labor skills, upgrade the level of specialty and transfer technology to Lao employees;
5. Contribute the budget to support tasks of monitoring, inspection over investment projects.
6. Perform other obligations as set out in laws and regulations.

#### **Article 61 (Improved) Social Obligations**

Investors have social obligations as follows:

1. Implement insurance and social security regimes for employees of their enterprises in compliance with laws and regulations,
2. Facilitate the organization and activities of mass organizations in their enterprises especially trade union;
3. Observe and respect local fine tradition, custom and culture;
4. Compensate those who have been affected by their business operation;

5. Contribute, support and promote domestic businesses and poverty reduction of people and develop locality where their investment projects are located;
6. Contribute budget in the social development work as per the Decree implementing this Law.
7. Perform other obligations as set out in laws and regulations.

#### **Article 62 (Improved) Environmental Obligations**

1. Strictly comply with environmental obligations, promote the green development and growth, give importance to the protection of environment as per laws and regulations.
2. In case of an environmental issue arising, the investor has the obligation to take necessary measures to redress the issue in a timely and lawful manner;
3. Fulfill environmental obligations according to treaties to which Lao PDR is a party.
4. Contribute budget in the environmental work as per the Decree implementing this Law.
5. Perform other obligations as set out in laws and regulations.

### **Part VIII**

#### **Prohibitions**

#### **Article 63 General Prohibitions**

Individuals and organizations are prohibited from the following acts:

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

## **Article 64 (Improved) Prohibitions for Government Staff**

Government officials are prohibited from the following acts:

1. Abuse power, duties and positions for the purpose of gaining personal benefits;
2. Conspire with or facilitate investors to gain unlawful benefits;
3. Receive bribes from investors or any persons seeking for interests from the investment;
4. Disclose confidential documents of the nation, Government and investors;
5. Create unreasonable delay or in the consideration of documents or retain investors' documents;
6. Commit other prohibited acts as described in the laws and regulations.

## **Article 65 (Improved) Prohibitions for Investors**

Investors are prohibited to perform the following acts:

1. Give bribes to officers and Government staff, who are responsible for the concerned tasks;
2. Conspire with government officials to gain unlawful benefits;
3. Fail to fulfill obligations, conceal income and profit including duty and tax figures;
3. Slander or discredit the Government organization and Government employees;
4. Act or mobilize in such a way that adversely affects national tradition, custom and culture, public order and the nation;
5. Commit other prohibited acts as described in the laws and regulations.

## **Part IX**

### **Suspension, Change, Withdrawal, Cancellation and Termination of Investment**

#### **Article 66 (Improved) Suspension of Investment**

The investment shall be suspended by the licensing authority:

1. based on the proposal of the investor;
2. based on the proposal of the concerned sectors or comments of the licensing authority in the event that the business has severe negative impacts on environment and socio-economic development or if the business operations do not comply with the laws and regulations.

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

#### **Article 67 (Improved) Change of Investment**

The investment can be subject to changes, such as the change in objectives of business operation, change in shareholders, legal representative, or registered capital etc. based on the proposal of the investor and consideration of the licensing authority.

#### **Article 68 (Improved) Cancellation of Investment**

Investment licensing authorities shall have the right to revoke the investment in the following cases:

1. Investment that fails to operate as per the business plan or feasibility study report as approved by relevant authorities;
2. Failure to settle taxes or duties and other financial obligations for a period of one (1) year. In case there is revocation of investment license or enterprise registration certificate or other licenses. Such revocation will not discharge the investor from his/her obligations and liabilities towards other individuals, entities and state.
3. based on proposal of the contracting parties or any of them;

4. court's decision.

Steps for consideration of investment cancellation are as follows:

1. The licensing authority shall issue a warning notice to the investor in the case where the business operation is not in accordance with the concession agreement, laws and regulations, and/or has severe negative impact on environment to solve the problem and improve the situation within the period of ninety (90) days starting from the date of issuing the warning notice, and make a memorandum with the investor;
2. If the investor is not able to solve the problem and improve the situation within the mentioned period, the licensing authority shall issue a second warning notice for investor to solve the problem and improve the situation within a period of sixty (60) additional days;
3. Subsequently, if the investor still fails to solve the problem and improve the situation within the mentioned period, the licensing authority shall notify the cancellation of investor's business operation, inform the relevant authorities and media and undertake necessary measures against the investor according to laws and regulations.

#### **Article 69 (Improved) Termination of Investment**

The investment shall be terminated in the following cases:

1. The term of investment as described in the investment license expires or the investment project is completed;
2. The investment license or enterprise registration certificate is revoked or cancelled;
3. The investment is merged or disassociated for the purpose of establishing other legal entity;
4. The investment is dissolved upon the proposal of

investors or a contracting party to the agreement which is certified by concerned sectors;

5. The investment is cancelled following the judgment of the court or due to bankruptcy.

## **Part X**

### **Dispute Resolution**

#### **Article 70 (Improved) Forms of Dispute Resolution**

Investment dispute resolution related to investment can be carried out through the following forms:

1. Amicably negotiation;
2. Administrative dispute resolution;
3. Dispute resolution by the Office for Economic Dispute Resolution in the Lao PDR or overseas;
4. Filing of a claim or litigation to the court.

#### **Article 71 (Improved) Amicable Negotiation**

In the case of investment dispute arises, the parties shall make effort to solve the dispute in amicable manner through an intermediary with mutual concessions in order to reach a reasonable and fair outcome for mutual benefits.[amicable resolution shall not last more than 180 days from the notice served by either party]

#### **Article 72 (Improved) Administrative Dispute Resolution**

In the case where the investment dispute cannot be amicably settled by the parties, either party shall have the rights to request through the OSO in order to request the Investment promotion Committee to resolve the dispute in accordance with their roles and duties. .[administrative resolution shall not last more than 120 days from the notice served by either party]

### **Article 73 (Improved) Dispute Resolution by the Office for Economic Dispute Resolution**

In the case the dispute cannot be settled by administrative channel, the parties have the rights to request the Office for Economic Dispute Resolution for resolution of Lao PDR or abroad as per the mutual agreement by the parties of the dispute.

Award issued by an international arbitration shall be recognized and enforceable in the Lao PDR according to the international treaty and through ratification process as per the judicial proceedings under Lao PDR laws.

### **Article 74 (Improved) Filing of a Claim or Litigation to the Court**

Either party of dispute may bring the dispute to the people's court in accordance with Lao PDR's laws. The court decision which becomes final shall be binding against the parties.

## **Part XI**

### **Supervision and Monitoring, Inspection**

#### **Chapter 1**

#### **Supervision**

### **Article 75 (Improved) Supervision Authorities**

The Government supervises investments in a centralized and uniformed manner throughout the country by assigning the central and provincial Investment Promotion and Supervision Committee, relevant sector authorities and local administrative authorities to perform in accordance with their rights, duties and roles.

### **Article 76 (Improved) Supervision by the Central Investment Promotion and Supervision Committee**

The Central Investment Promotion and Supervision Committee supervises investment in the country and overseas investment by domestic investors in a centralized manner and report the evaluation on the supervision to the Government periodically.

## **Article 77 (Improved) Supervision by the Provincial Investment Promotion and Supervision Committee**

The Provincial Investment Promotion and Supervision Committee supervises investment authorized by the authorities of provincial level and investment authorized by the central level and located in its province and report the evaluation on the supervision to the Central Investment Promotion and Supervision Committee periodically.

## **Article 78 (Improved) Supervision by relevant sector authorities of central and local levels**

Relevant sector authorities of central and local levels conduct technical supervision according to their roles and report the evaluation to the OSO of provincial or central level and licensing authority periodically.

### **Chapter 2**

### **Inspection**

## **Article 79 (Improved) Investment Monitoring-Inspection Authorities**

The Investment Promotion and Supervision Committee shall take ownership of coordinating with other relevant authorities at central and local levels to monitor and inspect investment projects as set out in Articles 39, 40 and 41 of this Law.

Relevant authorities in coordination with the licensing authority supervise and inspect investment according to their role as set out in Articles 78 of this Law.

## **Article 80 Content of Monitoring-Inspection**

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

1. Inspection on the implementation of investment

agreements;

2. Inspection on the implementation of investment procedures as described in the feasibility studies;
3. Inspection on environmental protection based on the environmental impact assessment, including assets of the people, the Government and the investors;
4. Inspection on the implementation of relevant laws and regulations;
5. Inspection on the implementation of occupational safety measures for workers.

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

#### **Article 81 (Improved) Types of Inspection**

There are two types of inspection as follows:

1. Internal inspection, which is carried out by the management and inspection authorities as defined in Articles 76, 77, 78 and 79 of this Law;
2. External inspection, which is carried out by the National Assembly, Government Inspection and Counter-Corruption Authority, and State Audit Organization in inspecting the implementation of investment promotion and management according to their rights, duties and roles as defined in the laws and regulations.

#### **Article 82 Forms of Inspection**

There are three forms of inspection as follows:

1. Regular inspection;
2. Inspection with prior notice (irregular inspection);
3. Emergency inspection.

A regular inspection is a normal inspection which is planned within a certain timeframe and conducted at least twice a year.

An inspection with prior notice is an unplanned inspection that is conducted only when there is a necessity. The inspected project shall be notified twenty four (24) hours in advance.

Emergency inspection is an inspection that is conducted when there is an urgent need 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.

## **Part XII**

### **Awards for Good Performance and Sanctions against Violations**

#### **Article 83 Awards for Good Performance**

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

#### **Article 84 Sanctions against Violations**

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

## **PART XIII**

### **Final Provisions**

#### **Article 85 Implementation**

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

#### **Article 95 (Improved) Entry into Force**

This law shall enter into force from the date of the promulgating decree issued by the President of Lao P.D.R and after fifteen (15) days of its publication on the Official Gazette.

This law shall replace the Law on the Promotion of Investment No. 02/NA, dated 08 July 2009. All benefits obtained by the enterprise under agreements signed with the Government shall remain unchanged until the termination of the agreement.

In the case that the enterprise wishes to obtain investment incentives under this Law, it shall have the rights to request from the relevant authority within one hundred twenty (120) days. The relevant authority shall then inform the investor for implementation.

Any provisions in conflict with this Law are hereby repealed.

President of the National  
Assembly