
LAO PEOPLE'S DEMOCRATIC REPUBLIC

PEACE INDEPENDENCE DEMOCRACY UNITY PROSPERITY

Prime Minister's Office

No. 31/PMO

**DECREE
ON THE IMPLEMENTATION OF THE BUSINESS LAW**

- Pursuant to the Business law No 005/NA, dated 18/07/1994.
- Pursuant to the Decree on the establishment and the activities of the Ministry of Commerce No. 62/PO, dated 10/04/1993.
- Pursuant to the proposal of the Minister of Commerce.

The Prime Minister decides to issue this Decree:

Chapter I
General Provisions

Article 1: Objective:

Under this Decree the procedures on the implementation of the Business Law are identified.

Article 2: The establishment of the enterprises:

All enterprises must be established in conformity with the Business Law and must have legally registered capital.

Chapter II
Enterprises and Conditions for Business Operations

Article 3: Types and forms of the enterprises.

In Lao People's Democratic Republic, according to the Business Law, the following four types and two forms of enterprises are allowed to be established and operated:

- Four types of enterprises are: State owned enterprises, co-operative enterprises, mixed enterprises and private enterprises.
- Two forms of enterprises are: Individual enterprises and companies.

There are three (3) forms of companies: Partnership companies; Limited companies and Public companies.

In addition to the types and forms of enterprises mentioned above, as per Business Law, the agents are treated as businessmen who have to be legally registered and operate their business strictly in accordance to the terms and conditions, rights and commitments specified therein.

Article 4: Conditions for Business Operations.

Laotians, Lao citizens and people of no nationality, dwelling in the Lao PDR, except persons prohibited from professionally operating a business, as specified in Article 11 of the Business Law, and foreigners have the rights to operate or participate in business operations.

- For government staff, government staff regulations have to be applied.
- For foreigners, the approval of the Foreign Investment Management Committee is needed as per the Law on the promotion of foreign investment in the Lao PDR.

Article 5: Prohibited Business Sectors:

All business sectors, which are inconsistent with the regulations and laws of the Lao PDR, are prohibited.

Prohibited business sectors are detailed in Appendix 1.

Article 6: Business sectors controlled by the government:

The government strictly controls some business sectors, which are of utmost importance for the national security, socio-economy and the environment. This does not mean that the government will monopolize all. The government may operate some business sectors by itself; the government may join the operations of some business sectors and the government may authorize the other types of enterprises to run business according to the situations and the necessity of a particular business which the government will identify periodically.

Business sectors controlled by the government are detailed in Appendix 2.

Article 7: Business Sectors Reserved for the Laotians (Lao People):

The reservation of some business sectors is the protection of the rights and interests of the Lao People. This is for the purpose of the conservation and expansion of the production-business in which the Lao People are specialized since antiquity, including the business sectors, which do not require high know-how or high capital, for the creation of employment for the Lao People.

Business sectors or profession reserved for the Lao People are detailed in Appendix 3.

Article 8: Trade Certificate:

The trade certificate is a contract document which constitutes the background/base for payment and can be sold out and be used as a vehicle for credit.

The introduction of the trade certificate (procedures, types and methodology) will be separately determined by the National Financial Institution (Bank of the Lao PDR).

Chapter III
Procedures for the Business Registration

Article 9: Business Registration:

The business registration is the formal authorization and approval of the government for the establishment and legal operations of the enterprises in the Lao PDR. The Business Law identifies a “one door” system of business registration executed by the trade sector.

Article 10: Responsibilities of Each Sector Concerned, Prior to and After Business Registration.

Each sector has to issue regulations or procedures regarding the establishment and sectoral business operations in consistence with the Business Law.

- For the trade sector: Prior to issue of the registration certificate, the application for registration has to be verified, and the registration certificate must be issued based on the approval of the particular sectors concerned. After issue of the registration certificate, the trade sector has to have good co-ordination with the sectors concerned in order to monitor, and manage the legal operational activities of the authorized enterprises.
- For the sectors concerned: Sectoral Managers, who have approved the application for business registration, after the issue of the business registration certificate by the trade sector, such sectors have to consistently monitor the operational activities of the enterprises with the regulations and rules of their sectors.

Article 11: Sectoral Management for Business Registration:

The trade and all other related sectors have to have good co-ordination to ensure that documents on procedures and forms pertaining to the application for business registration are cumulatively unified in the registration division of the trade sector at each level which will give advice to the applicants.

Article 12: Organizational Mechanism for Business Registration Management:

The organizational mechanism for business registration management is divided into three different ranks, as follows:

- At the central level: The Ministry of Commerce.
- At the provincial, municipality and special zone level: The Trade Services.
- At the district level: The Trade Offices in the districts.

Each business registration certificate issued must bear a reference number recorded in the “Business Record Book” which will be used for reference for monitoring the operations and changes in the registered enterprises. The Ministry of Commerce has to work out the procedures in detail jointly with the sectors concerned.

Chapter IV
Contracts, Regulations, Capital, Credit Share and Reserves

Article 13: Contracts and Regulations of the Company:

To be legally qualified for the integral part of the documents for application, all contracts and regulations of the company have to be registered at the finance sector.

Article 14: Capital of the Company:

The capital of the company is contributed by the shareholders who have handed over to the company the rights to utilize and will get the benefits from the business operations in proportion to the amount contributed. Such capital may be in the forms of: fixed assets (visible or invisible), operational fund and labor or the intellectual assets. The labor share is allowed for the partnership companies only. This share must be valued in order to identify its percentage, but the value should not appear in the capital of the company. This type of shareholder will receive neither salaries nor labor fees, except the benefits from the business operation in proportion with the value contributed, and based on the decision of the shareholders, which has to be specified in the regulations of the company.

Article 15: Registered Capital:

The registered capital of a company is the capital decided by the shareholders to be contributed at the time of the establishment of the company or when there is an increase of the capital.

The registered capital of a company is the result of the addition of the existing registered capital and more registered capital to be deposited according to the time frame specified in the regulations of the company. The registered capital, as specified in the Business Law, identifies the lowest capital for each type/form of company. In cases where the government fixes more capital for some business, the capital has to be registered accordingly.

The registered capital of a company has to be shown completely in the balance sheet.

A registration is applied to currently run businesses, according to the business law; and under this law:

- must select a form of company and adjust to conform with conditions.
- must declare registered funds by using final property statement before undertaking a new registration. Information provided needs evidence.

Article 16: Shares of as Company:

The shares of a company certifies:

- The ownership of the contributors (shareholders) of the capital which is one part of the whole assets of a company.
- The rights and obligations of the shareholders as specified for a specific type form of company, in the Business Law. The banking procedures have to be applied for the details on the shares and the Bank of the Lao PDR is assigned for the advice on selling the shares.

Article 17: Credit Share:

The credit share, a document or a bank bond, certifies one type of borrowing of an enterprise from the people as specified in the Business Law. The enterprises entitled for persuading the capital, on an open basis, from outside through the distribution of the shares are: public enterprises, state enterprises, and state mixed enterprises. The enterprises are not allowed to issue the shares, only the financial institutions assigned by the government are entitled to determine the forms, contents of the shares and its issuance, to be used by the enterprises depending on the conditions and suitability at a specific period of time.

Article 18: Reserves of a Company:

The reserves of a company are the amount of money retained from the benefits after reduction of taxes. This sum of money is maintained as company capital.

The Ministry of Finance is assigned for setting up procedures on the details of financial reserves.

Chapter V
State and Co-operative Enterprises

Article 19: State Enterprises:

- The enterprises of 100% invested by the state are called “state enterprises”.
 - The enterprises of 51% or more invested by the state in joint venture with the other type of enterprises are called “state mixed enterprises”.
- These two types of state enterprises are managed by the executing board and are entitled for persuading the capital, on an open basis, through the distribution of the credit shares, in the same way as the public enterprises.
- For the state investment of less than 50% in joint venture with the other type of enterprises, the management of the business operations has to be according to the regulations of such company.

The Ministry of Finance is assigned for setting up the regulations of the state enterprises.

Article 20: Banking Business:

The Law on the Bank of Lao PDR has to be applied for the nomination of the Members of the Executing Board, the Director of the state banking enterprises and other state financial institutions.

Article 21: Co-operative Enterprises:

The Law promotes the activities of the co-operative enterprises shared voluntarily by the farmers, handicraft producers, household-level producers, retailers and others to run business on production, construction, trading activities and services for their own profits. It is allowed by law to have registered capital according to the capability of each enterprise, but the management and operations must be conducted in conformity with Article 93 of the Business Law.

Chapter VI
Implementation

Article 22: All business units, all types of enterprises, including the agents and brokers who have been allowed to run business in the Lao PDR, have to revise and make necessary improvements and adjustments for purposes of consistence with the conditions, types and forms as specified in the Business Law, and to be registered according to the provisions of this Decree before

Article 23: The Ministry of Commerce, Ministry of Finance and other sectors concerned, are assigned for efficiently co-ordinating and implementing this Decree.

Article 24: This Decree is entered into force from the date of signature.

Vientiane, 01 February 1996

Signed and sealed
Khamtay SIPHANDONE
(Prime Minister)

Appendix 1

PROHIBITED BUSINESS SECTORS

- The manufacture and distribution of .all weapons of war.
- The cultivation, processing and distribution of all types of addictive drugs.
- The manufacture and distribution of all types of narcotics (to be identified separately in details by the Ministry of Health).
- The manufacture and distribution of cultural items which are obscene and destructive to the good national culture.
- The manufacture of chemical liquid and waste from industrial manufacturing, which are dangerous to human life and the environment.
- The sale and provision of all sexual services
- The provision of tourist services by foreign nationals.

Appendix 2

**BUSINESS SECTORS CLOSELY CONTROLLED FOR NATIONAL SECURITY,
SOCIO-ECONOMIC AND ENVIRONMENTAL PURPOSES:**

1. Fuel sector
2. Electric power sector
3. Water supply sector
4. Post and telecommunication sector
5. Wood and wood products sector
6. Mineral and ore sector
7. Chemical liquid sector
8. All types of foodstuffs sector
9. Medicine sector
10. Beverage and liquor sector
11. Tobacco sector
12. Construction materials sector
13. All types of vehicles sector
14. Cultural production sector
15. Valuable items sector
16. Education sector

Appendix 3

PROFESSIONAL SECTORS RESERVED FOR LAOTIANS

- a) Agriculture – Forestry Sector:
 - 1. The wood exploitation works
 - 2. The exploitation of forestry items

- b) Industry – Handicrafts Sector:
 - 1. The porcelain works
 - 2. The golden, silver and bronze production
 - 3. The weaving and sewing activities
 - 4. The textiles and garments works in manufacturing industries
 - 5. The bamboo and rattan work
 - 6. Work with Lao children's toys
 - 7. Blankets and matelas made from cotton works
 - 8. Work with steel production
 - 9. Electric welding .and lead work

- c) Banking Business Sector:
 - 1. Selling and distribution of gold, silver, bronze and other valuable items.

- d) Trading Sector:
 - 1. Retailing activities (mobile and fixed)
 - 2. Retail of fuels
 - 3. Secretary or Clerk

- e) Financial Sector:
 - 1. Management, monitoring or services on accountancy (except periodical internal monitoring)

- f) Education Sector:
 - 1. Teaching of Lao Language for foreigners.

- g) Cultural Sector:
 - 1. Production of Buddha statues
 - 2. Sculpture works
 - 3. Production of the Lao traditional musical instruments
 - 4. Hand printed materials
 - 5. Design and advertising billboard production
 - 6. Decoration services
 - 7. Beauty and hairdressing

- h) Tourism sector:
 - 1. Tour guide and tour arrangement.

- i) Communications, Transport, Post and Construction Sector:
 - 1. Vehicle drivers.
 - 2. Drivers of heavy vehicles (tractors, excavators, graders, dump trucks, steamrollers, bulldozers, street cleaning machines) in different construction businesses.
 - 3. Delivery of letters, newspapers and other documents.
 - 4. Detective work.
 - 5. Drivers for different services
 - 6. Car washing in service centers.

- j) Labour and Social Welfare Sector:
 - 1. General employees.
 - 2. General cleaning.
 - 3. Security guard.
 - 4. Housekeeping services for foreigners.

- k) Foodstuff and Medicine Sector:
 - 1. Noodle production.