

LAO PEOPLE'S DEMOCRATIC REPUBLIC

PEACE INDEPENDENCE DEMOCRACY UNITY PROSPERITY

National Assembly

No. 03/95/NA

**THE LAW ON
THE PROMOTION OF DOMESTIC INVESTMENT**

Part I
General Provisions

Article 1: The purpose of this law governing the promotion of domestic investment

This law governs the principles, the form and the rules or disciplines concerned with the promotion, the protection and the management of domestic investment in order to focus on the mobilization, encouragement and utilization of resources, including natural resources and the labour force. These provide the physical strength for all of the various economics sectors to flourish in the land of the Lao People's Democratic Republic. They will contribute to the building and the development of the Lao PDR so that it may become prosperous and rich, with an improvement in the living conditions of the minority ethnic groups. In addition, such domestic investment should provide good returns for investors.

Article 2: Domestic Investment.

By domestic investment is meant that investment in manufacturing and in businesses conducted by Lao citizens, including Lao people in foreign countries, foreigners and people of no nationality living permanently in the Lao PDR.

Article 3. Social and Economic Sectors For Investment

Domestic investors can invest in the processing of and in businesses related to agriculture, forestry, industrial processing, power, mineral excavation, handicrafts, transportation, communications, construction, tourism, commerce, services, education, culture, public health and others. This is provided that such activities are not detrimental to the security of the country, the environment, the health, the culture and the law of the Lao PDR.

Article 4: Type, Method and Form of Investment.

Investments can be made in:

- Any public enterprise, group and private sector or multi enterprise.
- Any form of private enterprise or company.
- Any partnership or limited company, company, provided it is in accordance with the Business Law.

Article 5: The Method of the Promotion of Domestic Investment.

The state encourages domestic investment by promoting the use of news and information services, technical knowledge, availability of credit, taxation and other services in keeping with the law.

Article 6: Protection of the Rights and Benefits to Investors

The property and investment of investors are fully protected by the principles and the laws of the Lao PDR. These are not liable to confiscation, seizure or nationalization, except in those instances of public necessity. In such cases investors will get reasonable refunds.

Part II

The Regulations Governing the Protection and the Management of Domestic Investment

Article 7: Application for Investment.

Any person wishing to invest in any social or economic sector should complete the appropriate application form for the registration and establishment of such investment with the Commerce Section as stated in Article 16, of the Business Law.

Article 8: Investment Management.

The Commerce Section and other concerned sections are given the responsibility for the management of domestic investment.

Article 9: The Rights and Benefits of Investors are as follow:

- 9.1 To have full protection from the state and the law.
- 9.2 To be freely and legally allowed to conduct business and manufacturing.
- 9.3 To own property and receive benefits from investing, such as the right of management, utilization and the transfer of such property as inheritance in accordance with the law.
- 9.4 To have access to credit facilities offered by financial institutions in accordance with the law.

- 9.5 To receive assistance and recommendations from the state on technical knowledge and technology in respect of the management of their business and processing.
- 9.6 To receive assistance and encouragement from the state in respect of marketing, including the pricing of products.
- 9.7 To receive help from the state in the establishment and conduct of their business and production both domestically and abroad in accordance with the law.
- 9.8 To have the right to repatriate profits after the satisfaction of any legal obligations to the government of the Lao PDR.
- 9.9 To have the right to leave or reside in the Lao PDR. This also applies to members of their families who are resident abroad.
- 9.10 To receive every facility from others in the running of their business and production in the implementation of the law.

In the case of investment in duty free areas and special economic zones, the government will issue the Special Regulations on the Promotion of the Special Economic Zones relating to the rights, benefits and obligations of domestic investors.

Article 10: The obligations of investors are as follow:

- 10.1 To implement the project following the procedures and within the time stated.
- 10.2 To obtain the necessary permission for the conduct of processing and implementation of their business depending receiving permission, based on a social and technological analysis, and the law regarding business and other regulations of the Lao PDR.
- 10.3 To maintain accounts as directed in the law relating to enterprise accounting.
- 10.4 To produce quarterly production reports and business implementation reports within the stated time frames.
- 10.5 To pay all taxes and other obligations within the allowed time.
- 10.6 To establish or provide vocational training, or other appropriate training for Lao staff, and select national and international employees fairly, and also to provide social welfare, health, security and special prioritization for national employees.
- 10.7 To facilitate and support the activities of the mass organizations, such as the Trade Union in each individually owned enterprise.
- 10.8 To work in strict compliance with the Labour Law.
- 10.9 To take care of the environment, and guarantee the safety of any production processes which may affect the community, the security and the peace of the nation.
- 10.10 To deposit money in accordance with the regulations and the law.

- 10.11 To inform the Committee on the Promotion of Domestic Investment on the accurate location of the project. In the event of the project location being changed, either by moving to another place, by rebuilding or by enlarging the area of the project, prior permission must be obtained at least 90 days before, from the concerned organizations, and the Committee on the Promotion of Domestic Investment.

Part III
Prioritization of Investments

Article 11: Investments for Prioritization

The state has given a high priority to the promotion of domestic investment in the socioeconomic investment fields. For each stage the government will define the size of investment, the amount of funds or technology to be used.

Article 12: Priorities

The state will give priority to Agriculture Forestry, Industry, Handicrafts, Transport, Communications, Education, Public Health, Culture, Sport, Science, and Technology for use in manufacture, business and environment.

Article 13: The Areas of Priority

The state awards priority to investments being implemented in the targeted areas, such as the rural areas, the upland areas, and other priority areas defined by government.

Article 14: Large-scale funding and prioritizing technology.

Any large-scale investment and any which requires the use of progressive technology, and which is essential for the socioeconomic development of the Lao PDR will be given priority by the state.

Article 15: Determination of the details of prioritization

The government will define the details of the project and its priority taking into account the area, the size of the funds and the technology as is stated under articles 12, 13 and 14 of this law.

Article 16: Request for the prioritization.

Any persons wishing to apply for priority for their investment must submit their proposal to the Committee for the Promotion of Domestic Investment giving the following information:

Name and surname, nationality, occupation, address, objective, business projections, field of investment, monetary funds, resources to be used, areas to be exploited, and investment areas, the number of shares, shareholders, raw materials, any technology used in the manufacture, details of sales production and other necessary details as defined on the application form.

Article 17: Conditional prioritization

Any investors, who having received prioritization, must satisfy the following conditions:

- The investment must satisfy the objectives of prioritization.
- The investment must have secure and guaranteed financing.
- The investors must have proven business skills. They must have qualified technical staff capable of carrying out the production and business processes.
- The establishment of the business must be legal. There must be an accounting system. The business must meet all of its obligations correctly in accordance with the appropriate regulations.
- The investment should not affect the environment.
- In the case of foreign or stateless investors, they must have a permanent occupation and must stay in the Lao PDR for at least 5 years

Article 18: The rights, the advantages and the obligations of people granted prioritization.

In addition to those rights, benefits and obligations of domestic investors as stated in Articles 9 and 10 above, people who have received prioritization, still have additional benefits and obligations as follow:

1. The state will promote the use of development funds in order to support domestic investments, which have been awarded prioritization by providing middle or long term loans. The Government will define the organization and the use of funds.
2. The state will provide those investors with prioritization with middle and long-term loans, with bank facilities, access to financial institutions and low interest rate credit. The Government will support bank facilities and institutional finance and guarantee loans for investors, both domestic and abroad.
3. State tax reductions and duty free provisions are as follow:
 - To import machinery, equipment and vehicles for use in the production program at a rate 1/100 of their cost.
 - To import raw materials, processed goods, agricultural seed, breeding animals, animal vaccines and pesticides, which either are not available or are in insufficient quantities in the Lao PDR for production and processing. These imported assembled goods will be duty free. This will also apply to any exports.
 - For raw materials, half processed goods which are to be finished, assembled or modified, the rate of import tariff will be only 1/100. Finished goods will be exempt from import tax.

- Any prioritized investment carrying out business in urban centers will be taxed at the rate of 20/100 on the profits as shown in the annual financial statement.
- Any prioritized investment carrying out business in the villages or plateau areas will be taxed at the rate of 15/100 on the profits as shown in the annual financial statement.
- For any prioritized investment carrying out business in the targeted areas, upland areas, and remote areas, profit tax will be reduced or there will be a 2 – 5 year duty free period. At the end of which time the tax will be at the rate of 10/100 on the profits as shown in the annual financial statement.

These tax reductions and profit tax exemptions as stated under Articles 31 and 38 of the Tax Law will be effective from the start of production. In particular, the exemption from export tax as stated under Article 18, paragraph 3, items numbered 1,2 and 3. will apply from the date of issue of the priority certificate.

The duration of the profit tax exemption will apply to income tax on the dividends and the low taxation as well.

4. The state will facilitate the provision and the identification of an appropriate site for the investment. The state will also support the capacity building of the technical staff, in addition to providing internal and external business cooperation facilities.
5. Investors must respect the obligations and the prioritization issued by the Government. Any violations of these will be punished.

Part IV

The Establishment of the Promotion of Domestic Investment Committee.

Article 19: The location and duties

The government appoints the Committee for the Promotion of Domestic Investment at the central or village level called “CPI”. Their duties are to study and recommend a strategy for investment in order to promote and protect domestic investment.

The central “CPI” level will work as assistants to the Planning and Cooperation Committee and have their offices there.

The village “CPI” level will have offices at the Department of Planning and Cooperation in order to assist in the working of the “CPI” of the provinces and Vientiane municipality.

Article 20: The rights and responsibilities of the “CPI”.

The “CPI” has the following rights and responsibilities.

- 20.1 To mobilize the donors to fund a special conference or meeting to announce the government's policy.
- 20.2 To publicize and provide appropriate information on investment.
- 20.3 To provide consultants or recommendations about the methods and the processes of investment approval and request for their prioritization for interested parties.
- 20.4 After the "CPI" has received an application form, they must consider and decide on the priority of the investment. A reply must be given within 45 days. If it is obvious that the investors have all the necessary legal documents, the priority certificate must be granted defining the field of investment, reduction of and exemption from tax including the duration of such exemptions and any other stated conditions.
- 20.5 To take into consideration exemptions and reduction of taxation, with reference to their duration, and to follow up the policy as stated in the law on customs and taxation.
- 20.6 To support the concerned sections relating to the approved investment.
- 20.7 To study the protection of appropriate investments in accordance with the law.
- 20.8 To evaluate and monitor the priority objective of the implementation of the investment.
- 20.9 To resolve any problems arising from the investment.
- 20.10 To coordinate with the involved organizations and local authorities to consider the prioritization of the exemption from and reduction of taxation and also to evaluate and monitor the priority objective of the implementation of the investment.

Consideration of the priority application form at the central level is the right and duty of the government. At the village level it is the right and duty of Vientiane municipality CPI

Part V

Dealing with disputes or disagreements/objections, rewards for good performers and punishments for those breaching the law.

Article 21: Dealing with disagreements

In the event of any disagreement arising from production and business implementation, it is necessary to ascertain the way to deal with the dispute or disagreement. If this proves impossible, it must be referred to the economic section or to the courts of the Lao PDR for their judgement.

Article 22: The policy on good performers

Any good performers, who provide the best models in following up this law on the promotion of the domestic investment, will receive a congratulatory certificate from the CPI at the central to village levels.

Article 23: Regulations on investors who breach the law.

Any investors, who breach the law will be punished both in the case of serious or minor infringements. If the infringement is minor, then the investor will be instructed, penalized and must return their priority certificate, the company documents, the registration cards and receive punishment as determined by the law.

Article 24: Penalties for Violations of the Law

No one can use his/her position to delay, disobey or obstruct the promotion of the investment, or to approve of an inappropriate prioritization as defined in these regulations. Any counterfeit documents, or investors who set out to deceive will pay the losses arising, and must face the legal consequences.

Part VI
Final Provisions

Article 25: Implementation

The Government of the Lao PDR will implement this law.

Article 26: The effective date.

This law is effective as of the date of issue by the President of the Lao People's Democratic Republic.

This law supercedes any previous laws.

Vientiane, dated October 14, 1995
The President of the National Assembly.

Mr. Saman Viyaket