

Lao People's Democratic Republic
Peace Independence Democracy Unity Prosperity

National Assembly

No. 10/NA
Vientiane Capital City, Date 22 October 2004

LAW
on the
Promotion of Domestic Investment

CHAPTER I
General Provisions

Article 1: Objectives

The Law on the Promotion of Domestic Investment the in Lao PDR determines principles, regulations and measures regarding the promotion, protection and management of domestic investment aiming at mobilising all economic sectors, using financial resources, resources, labour, knowledge which is latent in the country in order to efficiently enhance production and to serve industrialisation and modernisation as well as to contribute in gradually improving the people's living conditions, to strengthen and to develop the country.

Article 2: Domestic Investment

Domestic investment is the use of capital such as: assets, technologies and knowledge in domestic production and business operations by Lao citizens or aliens or stateless persons permanently residing in the Lao PDR, including Lao people residing in foreign countries.

Article 3: Promotion of Domestic Investment

Domestic investors may invest in production and all business sectors and all areas of investment in the Lao PDR, except in business activities which are detrimental to national security, cause a negative impact on the environment in the present or long term, or are detrimental to health or national traditions.

The State promotes domestic investors to invest in sectors and areas as prescribed in Articles 9 and 10 of this Law by establishing policies on customs, taxes, regulations, measures and provision of information, services and other facilities to domestic investors.

Article 4: Domestic Investment

Domestic investors may invest in all types and forms of enterprise as set out in the Business Law.

During business operations of a domestic enterprise, assets of the enterprise shall not be less than its registered capital.

Article 5: Protection of Domestic Investment

Assets and investments of domestic investors will be fully protected by laws and regulations of the Lao PDR without seizure, confiscation or nationalisation, except if necessary for public purposes, in which case the investors will be compensated in accordance with laws and regulations.

CHAPTER II Rights, Benefits and Obligations of Domestic Investors

Article 6: Rights and Benefits of Domestic Investors

Domestic investors shall have the following rights and benefits:

1. To be provided with facilities from the State to establish and conduct production and businesses within the country and foreign countries in accordance with laws and regulations;
2. To receive protection of their legitimate rights and benefits in relation to business operations;
3. To possess assets such as rights of management, use, transfer and succession, and benefits in relation to their investments;
4. To be provided with facilities in receiving credits from various financial institutions in accordance with regulations;
5. To receive assistance or instructions on technology, techniques and information from the State regarding production and business operations;
6. To receive promotion and support from the State in relation to marketing and prices of their products;
7. Domestic investors residing in foreign countries, after full payment of duties, taxes and other fees, may transfer profits and capital in relation to business operation and other income in conformity with laws to their country or a third country through a commercial bank located in the Lao PDR in accordance with the exchange rates at the date of the transfer.
8. Domestic investors and their families, foreign professionals and employees of a domestic enterprise will be provided with facilities such as multiple entry visas and long term residence in the Lao PDR with the agreement of the Government;
9. To receive protection of their intellectual property which has been registered with the relevant authorities of the Lao PDR;
10. To request an equitable decision from or to file a complaint to the relevant authorities when their business operations have been affected.

Article 7: Obligations of Domestic Investors

Domestic investors shall have the following obligations:

1. To operate production and businesses in accordance with the licences and procedures set out in their feasibility study or a business plan, a contract and laws and regulations;
2. To maintain accounts in accordance with the Enterprise Accounting Law and submit a financial report to relevant authorities. Such financial report shall be audited by the State Audit Organisation or an independent audit company established in the Lao PDR under regulations;
3. To report to CPMI and relevant authorities regarding their production and business operations within the term as set out by the State;
4. To fully pay duties, taxes and other fees in relation to business operations in a timely manner;
5. To facilitate organisations and activities of the Party and mass organisations in their enterprises;
6. To address social security matters, health and security of employees in their enterprises;
7. To protect the environment and ensure that their business activities do not cause an adverse impact to the public, national security or social order;
8. To maintain reserves in accordance with laws and regulations
9. To maintain insurance and social security policies in accordance with laws and regulations;
10. If an enterprise is relocated, the enterprise shall inform the relevant authorities and shall maintain its location in normal working condition;
11. To comply with other obligations as set out in Laws.

CHAPTER III

Policy on Promotion of Investment

Article 8: Policy on Promotion

The State shall consider granting an incentive for promotion of domestic investment in accordance with sectors and areas of investment promotion as provided in Articles 9 and 10 of this Law.

Article 9: Promoted Activities

The Government specifies the following to be promoted activities:

1. Production for export and to replace imported goods;
2. Agricultural and forestry activities, agro-forestry and handicraft processing activities;
3. Activities relating to industrial processing, industrial activities using modern technology, activities relating to scientific study and development, activities in relation to protection of the environment and biodiversity;
4. Human resource development, skills development and protection of people's health;
5. Construction of infrastructure;
6. Production of construction materials and equipment;

7. Production of raw materials and equipment to be supplied to key industrial activities;
8. Development of tourism and transit services.

Article 10: Promoted Zones

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

- Zone 1: Mountainous, plain and plateau zones with no economic infrastructure to facilitate investments.
- Zone 2: Mountainous, plain and plateau zones with a certain level of economic infrastructure suitable to accommodate investments to some extent.
- Zone 3: Mountainous, plain and plateau zones with good infrastructure to support investments.

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

Article 11: Incentive related to Customs and Taxes

Domestic enterprises investing in activities within the promoted sectors and zones determined in Article 9 and 10 of this Law shall be entitled to the following duty and tax incentives:

Investments in Zone 1 shall be entitled to a profit tax exemption for 7 years and thereafter will be subject to profit tax at the rate of ten percent (10%);

Investments in Zone 2 shall be entitled to a profit tax exemption for 5 years, and thereafter will be subject to a reduced profit tax rate of half of fifteen percent for 3 years and thereafter a profit tax rate of fifteen percent (15%);

Investments in Zone 3 shall be entitled to a profit tax exemption for 2 years and thereafter will be subject to a reduced profit tax rate of half of twenty percent for 2 years and thereafter a profit tax rate of twenty percent (20%).

Profit tax exemption starts from the date of the domestic enterprise's commencement of business operation. For some tree plantation activities, profit tax exemption commences from the date the enterprise starts making a profit.

Once the profit tax exemption period is over, the domestic investment enterprise shall pay profit tax in accordance with the laws and regulations.

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

1. During the tax exemption period and during the tax reduction period, the enterprise is entitled to an exemption of minimum tax;
2. The profit used for the expansion of licensed business activities will be exempted from profit tax during the accounting year;

3. Exemption of import duties and taxes on equipment, spare parts, vehicles directly used for production, raw materials which do not exist domestically or exist but are insufficient, semi finished products imported for manufacturing or for processing for the purpose of export; and
4. Exemption of export duty on export products.

Raw materials and semi finished products imported for manufacturing or assembly for import substitution will be exempted from import duties and taxes or will be subject to reduced rates of import duties and taxes.

Special economic zones, industrial zones, border trade areas and other specific economic zones shall follow the laws and regulations of such specific areas.

CHAPTER IV

Application for a Domestic Investment Licence

Article 12: Application for Domestic Investment

Individuals or juristic entities wishing to invest in any socio-economic sector related to concession and investment activities as described in Article 9 and 10 shall fill out a standard application form provided by the Committee for Promotion and Management of Investment ("CPMI") and attach copies of their family registry book, resume, feasibility study or business plan; background information on their enterprise in the case of a juristic entity; and a joint venture agreement in the case of a Joint Venture and thereafter submit the application form and required documents.

Apart from the activities mentioned above investors shall submit an application to a trade authority.

Article 13: Examination of Domestic Investment Application

Upon receipt of an application and supporting document as described in Article 12 of this Law, the Committee of Promotion and Management of Domestic Investment and the trade authority shall examine and respond in writing to the domestic investor within to the following timeframes:

- For activities involving the grant of a concession CPMI shall respond within thirty working days. For other activities the response shall be given within twenty working days;
- For general activities, trade authorities shall respond within twenty working days.

Qualified domestic investors submitting an application to CPMI will obtain an investment licence, enterprise registration certificate and tax registration certificate all together at the CPMI where applications are submitted.

Qualified domestic investors submitting an application to a trade authority shall obtain an enterprise registration certificate and tax registration certificate at the trade authority where applications are submitted.

Thereafter the enterprise shall be considered as an enterprise established under the laws. Within 90 days the enterprise shall commence business activities in accordance with the feasibility study or business plan attached with the application form for the investment licence. If such timeframe is not followed, the investment licence may be withdrawn.

Article 14: Term of Enterprise Registration Certificate

The enterprise registration certificate of a domestic investor is not subject to a term if the enterprise regularly operates its business, unless an investment term is set out in a contract, the investor wishes to wind up its business operation or such enterprise is unable to pay its liabilities. It will then comply with the Law on Bankruptcy.

CHAPTER V Management of Domestic Investment

Article 15: Management Authorities related to Domestic Investment

Management authorities related to domestic investment are:

- The Committee of Promotion and Management of Investment at the central and provincial levels;
- Trade authorities and other relevant authorities.

Article 16: Rights and Duties of CPMI at the Central Level

The Committee for Promotion and Management of Investment at the central level is established by the Prime Minister and located at the Committee of Planning and Investment. It (or "the CPMI") has the following rights and duties:

1. To implement strategic plans and policies to promote and attract domestic investment for consideration of the Government;
2. To issue decisions, orders, instructions, and notifications regarding protection and promotion of domestic investment;
3. To prepare a plan and a list of investment projects to attract domestic investment;
4. To disseminate policies, laws and regulations; provide information and facilitate domestic investors;
5. To consider issuing or withdrawing an investment licence within its scope of rights and duties, particularly for projects involving the grant of a concession,
6. To supervise and coordinate with the sectors and local authorities in implementing the Law on the Promotion of Domestic Investment;
7. To monitor, inspect, assess and report to the Government on the business operation of domestic investment enterprises;
8. To be a focal point in supporting, promoting and solving problems occurring in relation to the business operations of domestic investment enterprises;
9. To organise the annual meeting of CPMI and consultative meetings with domestic investors; and

10. To exercise and perform other rights and duties as prescribed in the laws and regulations.

Article 17: Rights and Duties of CPMI at the Provincial Level

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

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

Article 18: Rights and Duties of the Relevant Sectors and Sections

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

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

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

CHAPTER VI Dispute Solution

Article 19: General Principles

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

Article 20: Mediation of Disputes

Disputes related to business operation which cannot be mediated will be submitted for mediation to the CPMI or a trade authority that has issued the licence.

If CPMI or the trade authority is not able to mediate such dispute, such dispute shall be submitted to the Committee of Economic Dispute Resolution for arbitration.

Article 21: Filing of a Case

The parties to a dispute related to business operation which cannot be mediated may bring the case to the People's Court for consideration in accordance with court procedures.

CHAPTER VII Policies Toward Those Who Have Performed Well and Measures Against Violators

Article 22: Policies Toward Those Who Have Performed Well

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

Article 23: Measures against Investors who Violate the Law

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

Article 24: Measures against other Violators

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

CHAPTER VIII
Final Provisions

Article 25: Implementation

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

Article 26: Effectiveness

This Law will become effective sixty days from the date of the issue of a Promulgating Decree of the President of Lao People's Democratic Republic. Thereafter, the Law on the Promotion of Domestic Investment No. 03/95/NA, dated 14 October 1995 will be abrogated without affecting the rights, benefits and obligations granted to domestic investors or those which need to be exercised under the Law No. 03/95/NA. Domestic investors who have been licensed under the Law No. 03/95/NA and who wish to obtain incentives provided by this amended Law on Promotion of Investment shall re-file an application for investment.

The Chairman of the National Assembly