



Law on Investment Promotion, 2009 Lao People's Democratic Republic

January 2019



ASIA BRIEFING



DEZAN SHIRA & ASSOCIATES

Your Partner for Growth in Asia

This document is for research purposes only; it should not be used as an official document.

Part I

General Provisions

Article 1 Purpose

The Law on Investment Promotion defines principles, regulations and measures regarding the domestic and foreign investment promotion and administration 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. It aims to enhance benefits and role of investments for continuous and sustainable socio-economic growth, and to significantly contribute towards national security and development of the country.

Article 2 Investment Promotion

Investment promotion is the formulation of policies and creation for a favorable investment climate for domestic and foreign investment to enable investors to conduct their business operations expediently, quickly and in conformity with the laws and regulations of Lao P.D.R.

Article 3 Definitions

Terms used in this Law shall have the following meanings:

1. **Investment refers to** the tangible and intangible capital brought in by investors for their business operations in Lao P.D.R.;
2. **Investor refers to** individual or legal entity, both domestic and foreign, investing in business operations in the Lao P.D.R.;
3. **Domestic investor refers to** Lao citizen, expatriate, alien without nationality and legal entity residing and conducting business operations in the Lao P.D.R.;

4. **Foreign investor refers to** foreign individual or legal entity conducting business operations in the Lao P.D.R.;
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;
7. **Concession refers to** the authorization granted by the Government allowing entities to use state's property rights under certain conditions and terms by entering a proper agreement in accordance with laws and regulations for development and business operation purposes;
8. **Concession agreement** refers to an agreement signed between a state organization or state-owned enterprise as assigned by the government, and a legal entity;
9. **Vehicles/machinery directly supporting production** refers to machinery, trucks and other means that are directly used for investment activities as defined by the government;
10. **Direct investment** refers to an act of investing capital into a business operation by an investor or group of investors who become the owners of the enterprises, and manage or expand the enterprise;
11. **Indirect investment** refers to an act of investor who purchases shares in company, in stock market including investment in financial guarantee funds, bonds and other valuable documents whereby the investor does not directly participate in the management of the enterprise.
12. **Valuable documents** refer to documents that have monetary value and can be bought, sold, exchanged or used as a guarantee, such as a land title, share certificates, bonds, and debenture.
13. **Special economic zone refers to** an area defined by the Government for comprehensive development into a

modern city for attracting domestic and foreign investments, with a size of at least one thousand hectares. The Special Economic Zone will have own incentive policy and an autonomous economic-financial system. It shall be a small-scale socio-administrative unit and shall be equipped with a security system and sustainable environmental protection;

14. **Specific economic zone refers** to an area defined by the Government specifically as an industrial zone, export production zone, touristic city, duty free zone, information and technology development zone, cross border economic trade zone, etc.
15. **Industrial zone refers** to the area defined by the Government for manufacturing and processing industrial products and providing services for industrial processing. It aims to create an industrial park with appropriate infrastructure to meet investment demands. The area of such a zone shall not be as large as the Special Economic Zone.
16. **Export processing zone refers** to the area defined by the Government as an investment zone for production, product processing and services specifically for export.
17. **Touristic city refers** to an area defined by the Government as an investment zone for tourism that is linked to the conservation and preservation of natural resources and the environment, and the promotion of local and national potential in order to attract tourists and to gradually develop a modern tourism industry.
18. **Duty free zone refers** to the area defined by the Government as a trade investment zone for the trading of domestic and foreign goods under a duty-free policy.
19. **Information and Technology development zone refers** to an area defined by the Government as a zone for investment in education, research, development and use of advanced technology for the production and

commercialization of technology products, to facilitate and accelerate the provision of integrated information services to the society.

20. **Cross border economic zone refers** to an area defined by the Government to promote the cross-border trade and exchanges of goods;
21. **Urban development zone refers** to an area defined by the Government as an investment zone for real estate development of residential areas for foreign investors or Lao citizens;
22. **New city refers** to an area that is developed into a modern city with solid infrastructure, a civilized and just society, and that promotes national culture related to the history of the city.

Article 4 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, including providing guidelines and necessary information on customs and tax policies, labor, and the rights to land use; providing one-stop-services, promoting awareness and protecting ownership, rights, and legitimate interests of the investors in conformity with the law.

The Government promotes the investment in all sectors, business operations and in areas throughout the country except for areas and business operations which are considered detrimental to national security, the natural environment, at present and in long-term, public health and national culture.

Article 5 Principles of investment promotion

The investment promotion shall follow the following principles:

1. Be in line with the policy, strategy, socio-economic development plan, sectoral plan, geographic target areas and the socio-

- economic development in each period, to contribute towards improvement of living conditions of people, in conformity with laws and regulations;
2. Firmly embrace the enhancement of centralization for consistency of the Government management throughout the country;
 3. Ensure that investors can receive expedient, quick, transparent, and fair services in conformity with the law by providing one-stop-services;
 4. Formulate investment incentives to attract and seek for investment;
 5. Acknowledge and assure the protection of investor's ownership, rights, and benefits in conformity with the laws;
 6. Ensure the protection and development of environment, security, and safety in society and in the investment zones.

Article 6 Scope of Law Application

This Law applies to individuals or legal entities involved in all types of investments to carry out production and conduct business operations aiming at creating added value, except for family-based business and retailers.

Article 7 International 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 Investment forms

Investors may directly or indirectly 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 Business Cooperation by Contract

Business Cooperation by Contract is a joint business arrangement between domestic and foreign legal entities defined in the agreement without establishing a new legal entity or branch office in the Lao PDR.

The domestic legal entity shall be declared to Ministry/Department of Industry and Commerce, Ministry/Department of Planning, and Investment for the purpose of being managed in conformity with the regulations.

The agreement of the business cooperation by contract shall be certified by the Court's Notary Authority.

Article 12 Determination of Registered Capital

The registered capital of concession businesses shall not be less than thirty percent (30%) of its total capital. For general businesses, the registered capital shall comply with Law on Enterprise.

The registered capital shall be presented in the form of assets and during entire business operation period the value of assets shall not be less than its registered capital.

PART III Investment Activities

Chapter 1 Types of Investment

Article 13 Types of Investment

The investor may invest in the following types of investments:

1. General business;
2. Concession business;
3. Activities for development of special economic zones and specific economic zones.

Article 14 General Business

General business is an investment in the general business sector including businesses defined in the list of controlled businesses and it is not a concession business

Article 15 Concession Business

Concession business refers to investment activities authorized by the Government to utilize ownership and other rights of the Government in conformity with regulations, for

the purpose of developing and conducting business operations; these include rights on land concession, minerals, electric power, airlines, telecommunication, insurance and financial institutions.

The list of concession activities is determined by the Government.

Article 16 Activities for Development of Special Economic Zones and Specific Economic Zones

Activities in the development of special economic zones are investment for the purpose of construction of complete infrastructure and new city development.

Activities in the development of specific economic zones are investment for the purpose of construction of infrastructure and development of each zone as required for the specific zones in accordance to actual conditions and laws; including industrial zones, export processing zones, touristic zones, etc.

The organization and activities of special economic zones and specific economic zones are determined in separate regulations.

Chapter 2 Investment in General Business

Article 17 Application for Investment

Investors wishing to invest in general business shall submit their application to the one-stop-service of Ministry/Department of Industry and Commerce in order to register the enterprise in conformity with Law on Enterprise.

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

Article 18 Investment Approval Procedures

With respect to the procedures and timeframe for considering a general business enterprise registration that is not listed as a controlled business, the enterprise registration certificate shall be issued within ten (10) working days starting from the date of submission of application form. In case of a controlled business, the enterprise registration certificate shall be issued no later than thirty (30) working days starting from the date of submission of application form as in conformity with the Law on Enterprise.

In the case of an application for business expansion of existing enterprise, the application shall comprise only necessary documents as stipulated in specific regulations. The consideration of the application shall be faster than that of the new investment application.

Article 19 Enterprise Registration Certificate

An enterprise registration certificate is a certified document of the registration for conducting business operation in conformity with the laws.

An enterprise registration certificate includes investment license, incentives, tax certificate and sectoral business certificate issued by concerned authorities.

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

Article 20 Term of Investment

The investment in general business has unlimited term of investment except for a business where the term has been determined in separate regulations and laws of relevant authorities.

Chapter 3 Investment in Concession Business

Article 21 Application for Investment

Investors wishing to invest in concession shall submit their application to the one-stop-service of Ministry/Department of Planning and Investment for appraisal before submission to the Government or provincial authorities for further consideration.

Article 22 Selection of Investors

The investor who has submitted an application for investment shall be selected on a case by case basis and go through a selection process using methods such as comparison of tender bids or assessment by Ministry/Department of Planning and Investment jointly with relevant sectors and local authorities in conformity with the laws.

The selection of investors must be transparent, open, and assessable.

The methods for the selection of concession investors are described in specific regulations.

Article 23 Consideration of an Investment in Concession

The Ministry/Department of Planning and Investment is in charge of considering the investment in concession business as follows:

Examine and approve investment in principle, ensuring interests of public, investor and people. In the case when the land use rights transferring back to the Government occurs, the concerned Land Management Authority shall calculate compensation for the losses to the affected investors and people based on the market price;

Advise investors on preparation of documents by providing predefined templates, such as the feasibility study, environmental and social

impact assessment, and lists of vehicles, equipment and raw materials which directly served for production and proposing for import duty and tax exemptions; these documents shall be used as a basis for further examination, consideration, and approvals;

- Lead the negotiations and draft the initial agreement, with other relevant sectors;
- Report the outcomes of the negotiations on the project to the meeting organized by the one-stop-service office for consideration;
- Present to the Government or provincial authorities for further consideration and approval and provide advice to investors to deposit funds as project guarantee in conformity with regulations based on the type and size of investment. The funds shall be deposited in the national treasury account and will be returned to the investors when the projects start first operational phase.
- After agreement of all parties, Ministry/Department of Planning and Investment shall issue concession registration certificates to the investors in conformity with regulations.

Article 24 Issuance of a Concession Registration Certificate

The Ministry of Planning and Investment is charged with issuing the concession registration certificate within its scope of responsibilities after the approval of the government.

The Department/Office of Planning and Investment are charged with issuing the concession registration certificate within their scope of responsibilities after the approval of the concerned local authorities.

Article 25 Concession Certificate

A Concession Certificate is a certified document which approves the concession rights of investors in conformity with the laws.

A Concession Certificate includes enterprise registration certificate, investment license, incentives, tax certificate and business certificate issued by relevant authorities. Upon receipt of a concession certificate, the investor can immediately start business operations and the investor must start business activities within ninety (90) days. If the investor does not conduct activities within the mentioned timeframe, Ministry/Department of Planning and Investment shall issue a written warning. If the investor does not start business operations within sixty (60) additional days, the concession certificate will be revoked, and the project guarantee funds will be confiscated by the government.

Article 26 Formulation of a Concession Agreement

A concession agreement is formulated on a voluntary basis and mutual agreement of the investor and the Government or the provincial authorities.

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

The concession agreement, in particular on the transfer of concession rights and shares shall be certified by Court's Notary Authority.

Article 27 Amendment of a Concession Agreement

The contents of concession agreement can be considered for amendments, modifications or additions based on the agreement of both parties. The Ministry/Department of Planning and Investment, jointly with relevant sectors, shall consider amendments, modifications or additions that are insignificant based on the proposal of one of the parties and shall report to the Government or the provincial authorities.

Any amendments, modifications or additions to the concession agreement that includes

transfer of concession rights and shares shall be subject to tax clearance according to the Law on Taxation.

Article 28 Term of Investment in Concession

The term of investment in concession depends on the type, size, investment value, and conditions of the concession activities based on concerned regulations and laws; it shall not exceed ninety nine years and may be extended with the approval of the Government or provincial authorities, especially in the case where the project has generated maximum benefits for the country, been effectively implemented and has recorded good performance in contributing to local development.

Chapter 4 Investment in the Projects or Activities listing in Investment Calling List

Article 29 Projects or Activities Listed in Investment Calling List

Projects or activities listed in the investment calling list are general and concession businesses that have been studied and formulated by concerned sectors and local authorities based on their importance for national economy and having natural resource potentials; these projects and activities have been officially approved by the Government or provincial authorities but require capital for their development.

Article 30 Main Contents of Investment Calling List Project or Activity

The main contents of Investment Calling List Project shall consist of:

- Master development plan;
- Feasibility study;
- Environmental impact assessment;

- Investment conditions;
- Sources of capital required.

Article 31 Consideration of Projects or Activities Listing in Investment Calling Lists

Relevant sectors shall take initiative in formulating the projects or activities calling for investment according to their strategies and plans. They shall then submit their projects to Ministry/Department of Planning and Investment for further consideration, consolidation and submission to the Government or provincial/capital authorities for approval.

After receiving approval from the Government or provincial/capital authorities, those projects or activities lists will be disseminated to relevant sectors, local authorities, one-stop-service offices of Ministry/Department of Planning and Investment office, Ministry/Department of Industrial and Commercial office, as well as, embassies, consular offices, and trade representatives to be used as information for attracting domestic and foreign investment.

In the case of a concession investment in investment calling list, the approval shall be issued no later than forty-five (45) official working days starting from the date of receiving the application.

Article 32 Approval of a Project or Activity listing in Investment Calling List

Ministry/Department of Industry and Commerce or Ministry/Department of Planning and Investment, upon examining the conditions and ability of the investors in accordance with regulations, approve projects and activities in the investment calling list

Chapter 5

Investment in the Special Economic Zones and Specific Economic Zones

Article 33 Special Economic Zones

Special economic zones are development zones for construction of new cities that receive special investment incentives and are managed in accordance with laws of Lao P.D.R. and specific regulations of the zones that are not conflicting with public and social interests.

Enterprises conducting business activities in these zones will receive special incentives and be governed by the specific regulations which are consistent with the Laws of Lao PDR.

The Government determines plan for the development of special economic zones and permits domestic and foreign investors to invest in development of infrastructure facilitating business operations in the fields of industry, trade, services and social culture.

The special economic zone may consist of several specific economic zones such as industrial zones, export processing zones, touristic zones, duty free trade zones, information technology development zones, border economic zones, urban development zones, etc.

The organization, activities and management of special economic zones are described in separate regulations.

Article 34 Principles of Establishing Special Economic Zone and Specific Economic Zones

The establishment of special economic zones and specific economic zones has to comply with the following principles:

1. Clearly define the objective of the special economic zones and specific economic zones;
2. Clearly define the benefits to the state, developers, and people;
3. The geographic areas shall be suitable to the objectives of each special and specific economic zones;
4. Clearly define the areas and boundaries of the zones;
5. Have specific economic promotion incentives designated for each specific zone;
6. Have independent economic management system fitting for each specific zone;
7. The zones are under the administration of the Government or local authorities according to the Government approval;
8. The Zones' Management Authority shall have the rights to provide land rental and define rental cost by themselves. The rental period shall not exceed the terms of concession agreement;
9. The Zones' Management Authority can develop special economic zones and specific economic zones within their management area;
10. The Zones' Management Authority shall attract and approve domestic and foreign investments, individuals, or legal entities within their zones;
11. Guarantee the stability, security, safety and environment protection within the zone.

Article 35 Zones Establishment Procedures

The Government approves the establishment of special economic zones and specific economic zones based upon the proposal of the Ministry of Planning and Investment, who has conducted study in cooperation with relevant sectors and local authorities, in accordance with the national and provincial socioeconomic development plans and potential of the zones.

The investor wishing to establish a special economic zone and a specific economic zone shall submit an application to the

Ministry/Department of Planning and Investment for examination and subsequently submission to the Government for consideration.

The approval of the establishment of special economic zones and specific economic zones shall be carried out in the same manner as the approval of the concession business. Furthermore, a committee responsible for the establishment of special economic zones and specific economic zones shall be formed.

The Government determines the activities, management system and incentive policy for each special economic zone and specific economic zone.

Article 36 Zone Establishment Committee

The Committee responsible for the establishment of special economic zones and specific economic zones is appointed by the Government based upon the proposal of the Planning and Investment sector in coordination and consultation with relevant sectors and local authorities.

The Committee responsible for the establishment of special economic zones and specific economic zones shall consist of developers, representatives from concerned sectors, local authorities and the Lao Front for National Construction located in the special economic zones and specific economic zones.

The Committee shall appoint working group to work with developers to address issues occurring during the establishment of the special economic zones and specific economic zones.

Article 37 Rights and Duties of the Zone Establishment Committee

The Committee for establishment of special economic zone and specific economic zone has the following rights and duties:

- Examine and identify problems, and coordinate with relevant authorities for the

establishment of the special economic zones and specific economic zones;

- Establish and complete the establishment of special economic zones and specific economic zones in accordance with their objectives, targets, and timeframe;
- Solve issues related to the establishment of the zone, especially which relate to developers and the benefits of people living in the special economic zones and specific economic zones by coordinating with local authorities and relevant sectors.

The Committee responsible for the establishment of special economic zones and specific economic zones shall conduct its activities based on the developers' budget.

The Committee responsible for the establishment of special economic zones and specific economic zones shall be terminated after the Government issues a decree on the activities and management of the special economic zones and specific economic zones.

Article 38 The Contents of the Decree on Zone Management

The main contents of the decree on the activities and management of the special economic zone and specific economic zone shall cover:

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

Article 39 Formulation of Investment Promotion Policies in the Special Economic Zones and Specific Economic Zones

The management committee of the special economic zone and specific economic zone examines and formulates investment incentives and other economic policies in the

zone within the scope defined by the Government in the decree on the organization, activities and management of each zone.

Article 40

Principles of Activities of the Special Economic Zones and Specific Economic Zones

The special economic zones and specific economic zones shall carry out their activities in accordance with the following principles:

1. Being independent in terms of economic management;
2. Being under the macro management of the Government or local authorities assigned by the government.

Article 41 Development

Development of the special economic zones and specific economic zones focuses on the construction of comprehensive infrastructure in order to create an enabling environment for attracting investment according to the objectives of each special economic zone and specific economic zone that were approved by the government.

Article 42

Term of Investment in the Special Economic Zones and Specific Economic Zones

The term of investment in the special economic zones and specific economic zones depends on the type, size and conditions of each special economic zone and specific economic zone; it shall not exceed ninety nine (99) years and may be extended on a case by case basis with the approval the Government, especially in the case where the project has generated maximum benefits to the country, the investor has effectively implemented the signed agreement and has recorded good performance in contributing to local development.

Article 43

Application for Investment in the Special Economic Zones and Specific Economic Zones by Other Investors

Beside from the zone developers, other investors wishing to invest in the special economic zones and specific economic zones shall submit their applications to the one-stop-service of the concerned zone management committee of special economic zones and specific economic zones for consideration in accordance with regulations.

The investment terms of other investors in the special economic zones and specific economic zones is not limited, except for those investments whose terms of investment are specified in the regulations of relevant sectors.

Chapter 6 One-Stop-Service for Investment

Article 44

One-Stop-Service for Investment

One-stop-service provides broad services facilitating the investment, particularly in providing investors information, considering investment applications, issuing enterprise registration certificates or concession certificates, and issuing investment notices

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

1. Ministry/Department of Planning and Investment, which is responsible for management of the investment in concession business and the development of special economic zones and specific economic zones;
2. Ministry/Department of Industry and Commerce, which is responsible for management of investment in general business;
3. Special economic zones and specific economic zones, which is responsible for management of investment in the zones.

4. The organization and activities of the one-stop-service office are described in specific regulations.

Article 45 One-Stop-Service Principles

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

1. Investors will receive responses on their investment applications from the respective one-stop-service offices, where they have submitted their applications. The responses shall be given within the timeframe defined in the notice issued by the one-stop service;
2. The submission of an investment application can be done directly by the investor or through his/her legitimate representative;
3. The one-stop-service shall be responsible for providing information and resolving any problems occurred with the investors;
4. Fees and service charges of the applicants shall be made public and posted at the one-stop-service office;
5. The services shall be provided in compliance with regulations, systematic, well organized, efficient, fast, creative, transparent, made public and assessable.
6. Solutions to any problems related to investments shall be reported to the weekly meeting of the one-stop-service office.

Article 46 Implementation Mechanism of the One-Stop-Service

The one-stop-service office shall convene weekly meetings that consist of representatives appointed by relevant sectors and local authorities in order to examine problems related to the investment. Documents shall be sent to all representatives in advance in order to get timely comments from their supervisors.

Relevant sectors and local authorities shall appoint coordinating bodies responsible for coordination on all aspects/issues related to the investment, particularly the provision of

necessary sectoral investment related-information as well as information related to local authority to the one-stop-service office for further distribution to investors.

Chapter 7 Representative Office and Branch

Article 47 Representative offices

A foreign legal entity wishing to establish its representative office in Lao P.D.R. shall submit the application to the One-stop-service office of the Ministry of Planning and Investment for consideration. The certificate of the establishment of a representative office shall be issued within fifteen (15) working days after receipt of the application.

Under the law, the certificate acknowledges the 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 P.D.R. The representative office however, does not have the rights to conduct business operations.

Article 48 Branches of Foreign Legal Entity

A foreign legal entity wishing to establish its branch in the Lao P.D.R. shall submit application to the One-stop-service office in the Ministry of Industry and Commerce for consideration. The certificate of branch establishment shall be issued within 5 working days after receipt the application.

Under the law, the certificate acknowledges the rights of the branch of a foreign legal entity to conduct business operations as assigned by its headquarters.

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

Part IV Promotion and Protection of Investment

Chapter 1 Customs Duty and Tax Incentive

Article 49 Promoted Sectors

The promoted sectors are agriculture, industry, handicraft, and services. Details of promoted activities under the sectors are determined by the Government and classified into three different levels 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 three levels of promotion:

- Level 1
Activities with highest level of promotion;
- Level 2
Activities with moderate level of promotion;
- Level 3
Activities with low level of promotion;

Article 50 Promoted Zones

Based on the socio-economic infrastructure and geographical conditions of the country, investment zones are classified into three promoted zones, as follows:

Zone 1: Zones having least socio-economic infrastructure development in facilitating investments. The zones are mainly mountainous remote areas. The zones will enjoy highest level investment promotion incentives;

Zone 2: Zones having moderate socio-economic infrastructure development, enabling partial facilitation to the investments, and having less difficult geographical situation compared to Zone 1. The zones will enjoy

moderate level of investment promotion incentives;

Zone 3: Zones having good socio-economic infrastructure development in supporting investments. The zones receive lower level of investment promotion incentives;

The detailed List of the promoted zones will be determined in the specific regulations.

Article 51 Incentives related to Profit Tax

Incentives related to profit tax shall be implemented as follows:

Zone 1

- Activities classified under the investment promotion of level 1 shall receive profit tax exemption for a period of 10 years.
- Activities classified under the investment promotion of level 2 shall receive profit tax exemption for a period of 6 years.
- Activities classified under the investment promotion of level 3 shall receive profit tax exemption for a period of 4 years.

Zone 2

- Activities classified under the investment promotion of level 1 shall receive profit tax exemption for a period of 6 years.
- Activities classified under the investment promotion of level 2 shall receive profit tax exemption for a period of 4 years.
- Activities classified under the investment promotion of level 3 shall receive profit tax exemption for a period of 2 years.

Zone 3

- Activities classified under the investment promotion of level 1 shall receive profit tax exemption for a period of 4 years.
- Activities classified under the investment promotion of level 2 shall receive profit tax exemption for a period of 2 years.
- Activities classified under the investment promotion of level 3 shall receive profit tax exemption for a period of 1 year.

Profit tax exemption commences from the first commercial operational date. For the

manufacturing of new products, and research and development of new technology activities, the profit tax exemption commences from the first profit-making year. After completion of the period of profit tax exemption as mentioned above, the enterprise shall pay profit tax in accordance with the Tax Law.

Tax exemption for mining, hydropower and tree plantation concessions shall comply with specific laws on the above-mentioned sectors.

Article 52 Incentives Related to Other Customs Duty and Taxes

In addition to the profit tax incentives, investors shall be also entitled to customs duty and tax incentives, as follows:

1. Exemption from profit tax in the next accounting year if the net profit derived from business activities is used for business expansion.
2. Exemption from import duties for the importation of raw material, equipment, spare parts, and vehicles which are directly used for production. However, exemption of import tax shall comply with specific regulations.
3. Exemption from export duties for exportation of general goods and products. The exportation of natural resources and natural resources-made products shall comply with concerned regulations and laws.
The importation of all types of fuel is not exempted from duties and taxes.
4. If an investor suffers losses after completion of tax finalization with the tax office, the investor shall be permitted to carry the losses forward to three consecutive accounting years. After ending of the period, any remaining losses shall not be allowing to be deducted from profit. For special economic zones and specific economic zones, the provision of incentive treatment shall be in compliance with the Decree on the Establishment and Activities of respective zone.

Article 53 Incentives Related to Accession to Finance

Domestic and foreign investors can access to financial sources and borrow money from commercial banks and other financial institutions in the Lao P.D.R. and overseas in accordance with relevant laws and regulations.

Article 54 Specific Promotion Incentives

Specific promotion incentives are as follows:

1. Investments in the development of hospitals, kindergartens, schools, vocational schools, colleges, universities, research centers and some public utilities are entitled to be exempted from the land lease or concession fees, provided that the land owned by the government, as follows:
 - Zone 1
exemption from land lease or concession fees for 15 years;
 - Zone 2
exemption from land lease or concession fees for 10 years;
 - Zone 3
exemption from land lease or concession fees for 3 years.
2. Investments in the development of hospitals, kindergartens, schools, vocational schools, colleges, universities, research centers and some public utilities are given an additional five years of profit tax exemption to the period described in Article 51 of this Law.

Article 55 Implementation of Incentives Related to Customs Duties and Taxes

The implementation of incentives related to customs duties and taxes shall be as follows:

1. The financial sector is responsible for the implementation of incentives related to customs duties and taxes, as have been determined and specified in the enterprise

registration certificate and concession certificate;

2. Financial sector is also responsible for the implementation of incentives related to the duties and taxes exemption for the importation of raw materials, machineries, equipment, and vehicles directly used for production, in compliance with this Law.

Chapter 2 Other Incentives Applying for Investment Promotion

Article 56 Other Incentives Applying for Investment Promotion

Other incentives applying for investment promotion are as follows:

- Providing information
- Granting land use rights.

Article 57 Provision of Information

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

The investment information centers collect and compile data on investment in order to build information networks, information provision and exchange, especially through websites, investment guide books, newsletters, brochures, and other formats to interested people, embassies, Lao consular offices, or Lao trade representative offices based in foreign countries.

Article 58 Granting Rights on Land Use

Foreign investors with registered capital of five hundred thousand (500,000) US Dollars or above are entitled to purchase land use rights. The Government shall allocate land to

investors for duration consistent with the investment term with the consent of local authorities and according to prevailing regulations to build facilities for residential or business purposes.

The Government shall formulate relevant regulations and decentralization-based management mechanism for execution of land use rights of foreign investors.

Article 59 Expanding Promotion Incentives

Apart from promotion incentives mentioned in Chapter 1 and Chapter 2 of Part IV, if there is necessity for having additional promotion incentives for particular sectors, investment areas, special economic zones and specific economic zones, the Government shall have the rights to propose to the ordinary meeting of National Assembly or to the National Assembly's Standing Committee to consider and approve, in the case that the ordinary meeting of the National Assembly is not convened.

Chapter 3 Protection of Investment

Article 60 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 61 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 a actual value at the prevailing market price at the time of transfer using payment methods as agreed by both sides.

Article 62

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 V

Rights and Obligations of Investors

Article 63

Rights of Investors

Investors have the following rights:

1. Rights to invest;
2. Rights to manage business operations;
3. Rights to hire labors;
4. Rights to live in the Lao P.D.R. in the case of foreign investors;
5. Rights to repatriate capital, assets, and income in the case of foreign investors.

Article 64

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 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 and or a specific 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, such as land use rights for direct production/operation, rights to use as collateral with other individuals/entities or financial institutions or use for the purpose of a joint venture, to sublease the land use rights, to transfer the land use rights, and take over the land lease contract in accordance with the terms of the lease agreement and other rights in accordance with the laws;
11. A land leaseholder or concessionaire has the rights to use the land according to the period of leasing contract or concession agreement, own assets such as buildings or any constructions on the land, and transfer the use rights to local nationals or foreigners;

Article 65

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 safety measures 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 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 66 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.

Article 67 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 maximum term of five years.

Article 68 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 regulations and laws.

Article 69 Obligations of Investors

Investors have the following obligations:

1. To maintain business accounting in accordance with the Enterprise Accounting Law of the Lao P.D.R. If there is necessary for investor to use an internationally recognized accounting system an investor can do so, subject to the approval of the financial sector of the Lao P.D.R.;
2. To fully pay duties, taxes, and other fees in a timely manner;
3. To apply insurance and employee social security regimes to workers in their enterprises in accordance with laws and regulations, promote hiring of Lao workers, develop unskilled labor, upgrade the level of professionalism and transfer of technology to the Lao labor force;
4. To facilitate the organization and activities of mass organizations in their respective enterprises, especially the trade union.
5. To ensure coordination of business activities with local authorities, provide compensation for damages caused by business operation, contribute to people's poverty alleviation and support community development within project areas;
6. To perform other obligations as set forth in laws and regulations.

Article 70 Obligations on Protect Environment

The investors have the obligations to protect and manage environment, ensuring that their business activities do not cause severe

adverse impacts on the people, national security, public order, or health of workers. In the event of any environmental problems occurred, the investors have to timely undertake necessary measures to solve the problems in accordance with the laws.

Part VI Prohibitions

Article 71 General Prohibitions

Individuals and organizations are prohibited to perform 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.

Article 72 Prohibitions for Government Staff

Government staff are prohibited to perform the following acts:

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

Article 73 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. Fail to fulfill obligations, conceal income and profit including duty and tax figures;
3. Slander or discredit the Government organization and Government employees;
4. Perform other prohibited acts as described in the laws and regulations.

Part VII Suspension, Change, Cancellation and Termination of Investment

Article 74 Suspension of Investment

The investment shall be suspended by the Registration Authority:

- based on the proposal of the investor if facing business problems;
- based on the proposal of the concerned sectors or comments of the Registration 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 75 Change of Investment

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

Article 76 Cancellation of Investment

The investment shall be cancelled by the Registration Authority:

- based on proposal of the contracting parties;
- based on the proposal of one of the contracting parties if the other party breaks the agreement as prescribed in the contract or laws and regulations;
- In the case where the enterprise registration certificate or concession registration certificate is revoked.

Steps for consideration of investment cancellation are as follows:

1. The Registration 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 Registration 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 Registration Authority shall notify the cancellation of investor's business operation, inform the media and undertake necessary measures against the investor according to laws and regulations.

Article 77

Termination of Investment

The investment shall be terminated in the following cases:

1. The term of investment as described in the concession certificate expires or the investment project is completed;

2. The concession certificate or enterprise registration certificate is revoked or cancelled;
3. The investment is merged or 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 VII

Dispute Resolution

Article 78

Forms of Dispute Resolution

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 Committee for Economic Dispute Resolution
4. Filing of a claim or litigation

Article 79

Amicable Negotiation

In the case of conflict related with investment arises, the parties shall make effort to solve the conflict by consultation and compromise to reach a compromised solution for mutual benefit.

Article 80

Administrative Dispute Resolution

In the case where the investment conflict cannot be amicably settled or negotiated, the parties have the rights to require the planning and investment sector or the industrial and commercial sector to administratively resolve the disputes in accordance with their roles and duties.

Article 81

Dispute Resolution by the Committee for Economic Dispute Resolution

In the case the conflict cannot be amicably settled or negotiated, or administratively resolved, the parties have the rights to request the Committee for Economic Dispute Resolution for resolution in accordance with the laws and regulations based on the mutual agreement of the parties.

Article 82

Filing of a Claim or Litigation

In the case that a party finds the conflict resolution concluded by the concerned authorities was not fair or the investment in a business operation has been affected by damages, the party has the rights to file a claim to the People's Court for its consideration according to the laws and regulations.

In case the conflicts arising from of the execution of investment agreements signed with the Government, the disputes settlement shall be followed with the agreement.

Part IX

Management and Inspection

Chapter 1 Management

Article 83

Principles of Authority Decentralization

The management of investment shall follow the following principles:

- providing more mandates to local authorities in investment management and inspection, whereas the central authority shall take greater responsibility on macro-management, with providing supports, maintaining on monitoring, and inspecting of the execution of the given tasks to the local authorities;

- The competent central and local authorities issuing the registration certificates shall manage, monitor, inspect and evaluate the investments approved by the respective authorities in cooperation with other relevant sectors and local authorities, and regularly report to their respective supervisors;
- Each sector shall be responsible for technical management of the investments approved by the respective sector in accordance with laws and regulations.

Article 84

Decentralization of Authority for Investment Management between Central and Provincial Authorities

Local authorities shall issue registration certificates and manage general investments. Central authorities shall issue registration certificates and manage strategic investments, such as cross-cutting activities with various sectors or local authorities, high technology activities, financial institutions, insurance, telecommunication, airlines, public rights, energy, minerals, petroleum, gas, etc., as determined by the Government with the coordination between the registration authority and other relevant sectors and local administrative authorities.

Local administrative authorities, based on their mandates, have the duty to participate in the management of investments of which the registration certificates were issued by the central authority and are located in their territories.

If the decentralization of authority has been already specifically stipulated in the concerned laws, the decentralization shall be made in accordance with the laws.

Chapter 2 Management Authorities

Article 85 Investment Management Authorities

The Government manages investments in a centralized and uniformed manner throughout the country by assigning the Planning and Investment sector and the Industrial and Commercial sector as the main regulatory agencies for the investment management. The authorized agencies shall carry out the management in cooperation with other concerned sectors and local administrative authorities in accordance with their roles.

Investment Management Authorities consist of:

1. Planning and Investment sector;
2. Industrial and Commercial sector;
3. Special Economic Zones and Specific Economic Zones.

Article 86 Rights and Duties of the Ministry of Planning and Investment and the Ministry of Industry and Commerce

In managing investments, the Ministry of Planning and Investment and the Ministry of Industry and Commerce have the following rights and duties:

1. To examine and formulate strategies, policies, laws, and regulations related to investment promotion and compile projects or investment calling list for proposing to the Government for consideration;
2. To disseminate strategies, policies, laws, and regulations related to investment promotion and to provide information, including projects or investment calling list, for attracting investment flows into Lao P.D.R.;
3. To provide instructions, monitor and coordinate with other sectors and relevant local authorities in the implementation of laws and regulations related to investment promotion;

4. To support, promote and resolve problems occurring in projects and investment activities throughout the country;
5. To create enabling conditions for investments and facilitate the services of the one-stop-service;
6. To examine and consider issuing, suspending, withdrawing, and terminating a registration certificate or agreement according to their roles and with the agreement of the Government;
7. To increase, improve, and upgrade staff capacity on areas relevant to investment;
8. To coordinate and cooperate at the international level on issues relating to investment;
9. To regularly summarize and report on investments to the Government;
10. To perform other rights and duties as set forth in the laws and regulation.

Article 87 Rights and Duties of the Provincial Department of Planning and Investment and Department of Industry and Commerce

In managing investments, Provincial Department of Planning and Investment and Department of Industry and Commerce have the following rights and duties:

1. To develop and implement strategic plans, policies, laws, and regulations related to investment promotion and formulate projects or investment calling list within their locality;
2. To promote and disseminate policies, laws and regulations on investment, provide information, including projects or investment calling list, and facilitate investors according to their responsibilities;
3. To provide instructions and coordinate with other sectors within their locality in implementing laws and regulations related to investment promotion;
4. To examine and consider issuing, suspending, withdrawing, and terminating a registration certificate or agreement

according to their roles and with agreement of the provincial authorities;

5. To implement the one-stop-service operation within the scope of responsibilities of the departments;
6. To coordinate and cooperate at the international level on issues relating to investments as assigned by their supervisors;
7. To regularly summarize and report on investments to their supervisors;
8. To perform other rights and duties as set forth in the laws and regulations.

Article 88

Rights and Duties of the District and Municipality Office of Planning and Investment and Office of Industry and Commerce.

In managing investments, the District and Municipality Office of Planning and Investment and Office of Industry and Commerce have the following rights and duties:

1. To implement strategic plans, policies, laws, and regulations related to investment promotion within their locality;
2. To disseminate policies, laws, and regulations on investment, provide information, including projects or investment calling list, and facilitate investors according to their responsibilities;
3. To coordinate with other concerned sectors within their district and municipality in implementing laws and regulations on investment promotion;
4. To implement the one-stop-service operation within the scope and responsibilities of the offices;
5. To formulate projects or investment calling list within their responsibilities and propose to higher authority for consideration;
6. To collect information on investments including investment active ties within their locality;
7. To support, promote and resolve problems within the scope of their responsibilities;
8. To regularly summarize and report on investments to their supervisors;

9. To perform other rights and duties as set forth in the laws and regulations.

Article 89

Management Committee of Special Economic Zones and Specific Economic Zones

The Management Committee of Special Economic Zones and Specific Economic Zones is an investment management authority responsible for the establishment of one-stop-service office to attract and promote both domestic and foreign investments within their special economic zones and specific economic zones.

The regulations for investment management by the Management Committee of the Special Economic Zones and Specific Economic Zones are defined separately.

Article 90

Rights and Duties of the Management Committee of the Special Economic Zones and Specific Economic Zones

The Management Committee of the Special Economic Zones and Specific Economic Zones has the following rights and duties:

1. To examine and formulate investment promotion policies within their locality;
2. To research and formulate projects or investment calling list to attract investments to their zones;
3. To implement investment incentives in order to attract domestic and foreign investment to their zones;
4. To create enabling conditions for investors to conduct business operations within their zones;
5. To collect duties and taxes, fees, service fees, rental fee and others as defined in the agreement and regulations of the zones;
6. To manage and use the budget in accordance with the agreements, laws and regulations;
7. To contact and coordinate with all relevant stakeholders, both domestic and foreign,

- in order to effectively manage the zones in accordance with the laws and regulations;
8. To set up a maintenance system for the facilities and infrastructure and ensure security and environmental protection within the zones;
 9. To regularly summarize and report on investments within the zones to their higher authorities;
 10. To perform other rights and duties as set forth in the laws and regulation.

Article 91 Rights and Duties of the Other Sectors and Authorities

Other relevant sectors and authorities have the rights and duties to manage and promote investment according to their roles.

Local administrative authorities have the responsibilities to manage and monitor the investment in various activities; ensure the rights and legitimate benefits of Lao people across all ethnicities, the Government, and investors; to provide facilities to investments in various aspects; ensure security and order within their locality; and report on investment activities to their higher authorities.

Chapter 3 Inspection

Article 92 Inspection Authorities

The inspection authorities are the same authorities as the investment management authorities determined in Article 85 of this Law.

Article 93 Contents of Inspection

All activities of enterprises shall be managed, monitored, and inspected by relevant sectors. The main contents of inspection are 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 94 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 Article 85 and 92 of this Law;
2. External inspection, which is carried out by the National Assembly, State Inspection 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 95 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.

Chapter X

Awards for Good Performance and Sanctions against Violations

Article 96

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 97

Sanctions against Violations

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

Part XI

Final Provisions

Article 98

Implementation

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

Article 99

Entry into Force

This law shall enter into force within sixty (60) days from the date of the promulgating decree issued by the President of Lao P.D.R.

This law shall replace the Law on the Promotion of Domestic Investment No. 10/NA, dated 22 October 2004 and the Law on the Promotion of Foreign Investment No. 11/NA, dated 22 October 2004.

All benefits obtained by the enterprise under previous laws or agreements signed with the Government shall remain unchanged. 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. The relevant authority shall then inform the investor immediately on the effectiveness of the implementation of the investment incentives under this Law.

President of the National Assembly