

## LAO PEOPLE'S DEMOCRATIC REPUBLIC

PEACE      INDEPENDENCE      DEMOCRACY      UNITY      PROSPERITY

National Assembly

No. 01/94

### LAW ON THE PROMOTION AND MANAGEMENT OF FOREIGN INVESTMENT IN THE LAO PEOPLE'S DEMOCRATIC REPUBLIC

#### Section I General Provisions

##### Article 1

The Government of the Lao People's Democratic Republic encourages foreign persons, either individuals or legal entities to invest capital in the Lao People's Democratic Republic (hereinafter "the Lao PDR") on the basis of mutual interests and observance of the laws and regulations of the Lao PDR. Such foreign persons hereinafter shall be referred to as "foreign investors".

##### Article 2

Foreign investors may invest in and operate enterprises in all fields of lawful economic activity such as agriculture and forestry, manufacturing, energy, mineral extraction, handicrafts, communications and transports, constructions, tourism, trade, services and others. Foreign investors may not invest in, or operate enterprises which are detrimental to the national security, the natural environment, public health or the national culture, or which violate the laws and regulations of the Lao PDR.

##### Article 3

The property and investments in the Lao PDR of foreign investors shall be protected by the laws and regulations of the Lao PDR. Such property and investments may not be requisitioned, confiscated or nationalized except for a public purpose and upon payment of prompt, adequate and effective compensation.

#### Section II Types of Foreign Investment

##### Article 4

Foreign investors may invest in the Lao PDR in either of two types:

- (a) A Joint Venture with one or more domestic Lao investors; or
- (b) A Wholly Foreign-Owned Enterprise.

#### Article 5

A Joint Venture is a foreign investment established and registered under the laws and regulations of the Lao PDR which is jointly owned and operated by one or more foreign investors and by one or more domestic Lao investors. The organization, management and activities of the Joint Venture and the relationship between its parties shall be determined by the contract and the Joint Venture's by-law, in accordance with the laws and regulations of the Lao PDR.

#### Article 6

Foreign investors who invest in a Joint Venture must contribute a minimum portion of thirty percent (30%) of the total equity investment in that Venture. The contribution of the Venture's foreign party or parties shall be converted in accordance with the laws and regulations of the Lao PDR into Lao currency at the exchange rate then prevailing on the date of the equity payment(s), as quoted by the Bank of the Lao PDR.

#### Article 7

A Wholly Foreign-Owned Enterprise is a foreign investment registered under the laws and regulations of the Lao PDR by one or more foreign investors without the participation of domestic Lao investors. The enterprise established in the Lao PDR may be either a new company or a branch or, representative office of a foreign company.

#### Article 8

A foreign investment which is a Lao branch or representative office of a foreign company shall have by-law which shall be consistent with the laws and regulations of the Lao PDR and subject to the approval of the Foreign Investment Management Committee of the Lao PDR.

#### Article 9

The incorporation and registration of a foreign investment shall be in conformity with the laws and regulations on the enterprise of the Lao PDR.

### Section III

#### Interests, Rights and Obligations of the Foreign Investors

#### Article 10

The Government of the Lao PDR shall protect foreign investments and the property of foreign investors in accordance with the laws and regulations of the Lao PDR. Foreign investors may lease land in the Lao PDR and transfer their leasehold interests; and they may own improvements on land and other moveable property and transfer those ownership interests.

Foreign investors shall be free to operate their enterprises in accordance with the laws and regulations of the Lao PDR. The Government shall not interfere in the business management of those enterprises.

#### Article 11

Foreign investors shall give priority to Lao citizens in recruiting and hiring their employees. However, such enterprises have the right to employ skilled and expert foreign personnel when necessary and with the approval of the competent authority of the Government of the Lao PDR.

Foreign investors have an obligation to upgrade the skills of their Lao employees, through such techniques as training within Lao PDR or abroad.

#### Article 12

The Government of the Lao PDR shall facilitate the entry into, travel within, stay within, and exit from Lao territory of foreign investors, their foreign personnel, and the immediate family members of those investors and those personnel. All such persons are subject to, and must obey the laws and regulations of the Lao PDR while they are on Lao territory.

Foreign investors and their foreign personnel working in the Lao PDR shall pay to the Lao Government income tax at a flat rate of ten percent (10%) of their income earned in the Lao PDR.

#### Article 13

Foreign investors shall open accounts both in Lao currency and in foreign convertible currency with a Lao bank or foreign bank established in the Lao PDR.

#### Article 14

In the management of their enterprises, foreign investors shall utilize the national system of financial accounting of the Lao PDR. Their accounts shall be subject to periodic audit by the Government's financial authorities in conformity with the Lao accounting rules.

#### Article 15

In accordance with the laws and regulations on the management of the foreign exchange and precious metals, foreign investors may repatriate earnings and capital from their foreign investments to their own home countries or to third countries through a Lao bank or foreign bank established in the Lao PDR at the exchange rate prevailing on the date of repatriation, as quoted by the Bank of the Lao PDR.

Foreign personnel of foreign investments may also repatriate their earnings, after payment of Lao personal income taxes and all other taxes due.

#### Article 16

Foreign investments subject to the present law shall pay a Lao PDR annual profit tax at a uniform flat rate of twenty percent (20%), calculated in accordance with the provisions of the laws and regulations of the Lao PDR.

Other Lao taxes, duties and fees shall be payable in accordance with the laws and regulations of the Lao PDR.

For foreign investments involving natural resources exploitation and energy generation, sector-specific taxes and royalties shall be prescribed in project agreements entered into between the investors and the Lao Government.

#### Article 17

Foreign investments shall pay a Lao PDR import duty on equipment, means of production, spare parts and other materials used in the operation of their investment projects or in their productive enterprises at a uniform flat rate of one percent (1%) of their imported value. Raw materials and intermediate components imported for the purpose of processing and then re-exported shall be exempted from such import duties. All exported finished products shall also be exempted from export duties.

Raw materials and intermediate components imported for the purpose of achieving import substitution shall be eligible for special duty reductions in accordance with the Government's incentive policies.

#### Article 18

In highly exceptional cases and by specific decision of the Government of the Lao PDR, foreign investors may be granted special privileges and interests which may possibly include a reduction in or exemption from the profit-tax rate prescribed by Article 16 and/or a reduction or exemption from the import-duty rate prescribed by Article 17, because of the large size of their investments and the significant positive impact which those investments are expected to have upon the socio-economic development of the Lao PDR.

In the event of the establishment one or more Free Zones or Special Investment Promotion Zones, the Government shall issue the specific or general regulations or decisions, that depends the case.

#### Article 19

After payment of its annual profits tax, a foreign investor shall devote a portion of its profits each year to various reserve funds necessary for the operation and development of the enterprise in order to continuously improve the enterprise's efficiency, in accordance with the policy and the by-law of the concerned enterprise.

#### Article 20

Foreign investments approved under the present law shall at all times be operated in accordance with the laws and regulations of the Lao PDR. In particular, foreign investors shall take all measures necessary and appropriate to ensure that their investments' facilities, factories and activities protect the natural environment and the health and safety of the workers and the public at large, and that their investments contribute to the social insurance and welfare programs for their workers in accordance with the policy, the laws and regulations of the Lao PDR.

#### Article 21

In the event of disputes between foreign parties within foreign investors, or between foreign investors and Lao parties, the disputants should first seek to settle their disputes through consultation or mediation.

In the event that they fail to resolve the matter, they shall then submit their dispute to the economic arbitration authority of the Lao PDR or to any other organization for dispute settlement of the Lao PDR, a foreign country or an appropriate international organization which the disputants can agree upon.

Section IV  
Organization of Foreign Investment Management

Article 22

The Government of the Lao PDR has established a State organization to promote and to manage foreign investment in the Lao PDR titled the Foreign Investment Management Committee (hereinafter called “ the FIMC “).

The FIMC is responsible for implementation of the present law and for the protection and promotion of foreign investment in the Lao PDR.

Article 23

All foreign investments established in the Lao PDR shall be assisted, licensed and monitored through the “1-stop-service” of the FIMC, acting as the central focal point for all Government interactions with the investors, with the collaboration of the concerned Ministries, sectors and localities [and the relevant provincial, prefecture authorities].

Article 24

A foreign investment shall be considered to be legally established in the Lao PDR only upon the investment’s receipt of a written foreign investment license granted by the FIMC.

Article 25

A foreign investor who seeks a license for a foreign investment shall submit to the FIMC an application and such supporting documents as the FIMC may prescribe by regulations.

The FIMC may grant preliminary approval-in-principle for investment projects being specially promoted by the Government.

Article 26

Upon receipt of a completed application and supporting documents, the FIMC shall screen them, take a foreign-investment licensing decision and notify the applicant of that decision within 60 (sixty) days of the application’s submission date.

Within this same overall 60-day period, the concerned sectors and organizations of State [Ministries, provincial or prefecture authorities] consulted by the FIMC for their views shall have a maximum of 20 (twenty) days in which to reply.

Article 27

Within 90 (ninety) days of receiving its foreign investment license from the FIMC, a foreign investor shall register that license and commence operation of its investment in accordance with the implementation schedule contained in the investment’s feasibility study and with the terms and conditions of the license granted by the FIMC, and in accordance with the laws and regulations of the Lao PDR.

#### Article 28

The FIMC has responsibility to co-ordinate with other concerned Ministries, sectors and localities [and provincial or prefecture authorities] in monitoring and enforcing the implementation of a foreign investment in accordance with the investment's feasibility study and with the terms and conditions of the investment license, and in accordance with the laws and regulations of the Lao PDR.

The concerned Ministries, sectors and localities [and provincial, prefecture authorities] have the responsibility to perform their respective monitoring and enforcement obligations.

#### Article 29

If a foreign investor violates the agreement and the terms and conditions of its foreign investment license or the laws and regulations of the Lao PDR, the investor shall be notified of the detected violation and shall be instructed to promptly desist.

In the event the investor fails to desist or in case of a serious violation, the investor's foreign investment license may be suspended or revoked and the investor may additionally be subject to other sanctions under the laws and regulations of the Lao PDR.

### Section V Final Provisions

#### Article 30

The present law takes effect 60 (sixty) days from the date of its promulgation. Upon the entry into force of the present law, the law of the Lao People's Democratic Republic NO. 07/PSA, dated April 19, 1988, on the foreign investment shall cease to have effect, without prejudice to the rights and privileges granted to, and the obligations imposed upon, foreign investments under that law NO. 07/PSA [dated April 19, 1988].

Notwithstanding this provision, a foreign investor which received its license under the prior law may elect to petition the FIMC in writing, within 120 (one hundred and twenty) days of the coming into force of the present law, to become subject to the terms of the present law. The FIMC may grant such petitions at its discretion. For a foreign investor whose petition is granted, the rights and benefits previously granted, and the obligations previously imposed under the law NO. 07/PSA [dated April 19, 1988] shall thereafter prospectively cease to have effect.

#### Article 31

The Government of the Lao PDR shall issue detailed regulations for the implementation of the present law.

Vientiane, March 14, 1994  
The President of the National Assembly

Samane Vignaket