



LAO PEOPLE'S DEMOCRATIC REPUBLIC
PEACE INDEPENDENCE DEMOCRACY UNITY PROSPERITY

President's Office

No. 72/PO

DECREE
of the
PRESIDENT
of the

LAO PEOPLE'S DEMOCRATIC REPUBLIC

**On the Promulgation of the Amended Law on the
Promotion of Domestic Investment**

Pursuant to Chapter 6, Article 67, point 1 of the Constitution of the Lao People's Democratic Republic; and

Pursuant to Resolution No. 10/NA, dated 22 October 2004, of the National Assembly of the Lao People's Democratic Republic on the adoption of the Amended Law on the Promotion of Domestic Investment; and

Pursuant to Proposal No. 26/SC, dated 10 November 2004, of the National Assembly Standing Committee.

**The President of the Lao People's Democratic Republic
Decrees That:**

Article 1. The Amended Law on the Promotion of Domestic Investment is hereby promulgated.

Article 2. This decree shall enter into force on the date it is signed.

Vientiane, 10 November 2004

The President of the Lao People's
Democratic Republic

[Seal and Signature]

Khamtai SIPHANDON



LAO PEOPLE'S DEMOCRATIC REPUBLIC
PEACE INDEPENDENCE DEMOCRACY UNITY PROSPERITY

National Assembly

No. 10/NA
22 October 2004

**LAW ON THE
PROMOTION OF DOMESTIC INVESTMENT**

**Chapter 1
General Provisions**

Article 1. Purpose

The Law on the Promotion of Domestic Investment in the Lao PDR defines the principles, regulations and measures for the promotion, protection and management of domestic investment in order to encourage all economic sectors, and to make efficient use of investment sources, resources, and labor and intellectual resources within the country to increase the effectiveness of production forces, to support gradual industrialization and modernization, to contribute to the improvement of the livelihood of the public and to develop the country to be strong and wealthy.

Article 2. Domestic Investment

Domestic investment is the application of capital, such as assets, technology and experience, into production and business operations within the country by Lao citizens, resident aliens and apatrids¹ who live permanently in the Lao PDR, including Lao people living abroad.

Article 3. Promotion of Domestic Investment

Domestic investors may invest in production and business in all sectors and zones of investment in the Lao PDR, except in operations that are detrimental to national security [or]² that cause severe adverse impact to the

¹ Readers may wish to refer to the Law on Lao Nationality for the distinction between aliens, apatrids (i.e. persons unable to certify their nationality) and foreign individuals.

² The Lao word “and” is sometimes used in a disjunctive sense, often when the authors wish to emphasize the importance of all items in the disjunctive list. Here the literal translation is “and”, but it is clear that the disjunctive “or” meaning is intended.

environment at the moment [of the investment] or in the long term, [or that] adversely impact on health or fine national traditions.

The State promotes domestic investors to invest in sectors [and] investment zones as defined in Articles 9 and 10 of this law by defining tax and customs policies, regulations, and measures, and by providing information, services and other facilities to domestic investors.

Article 4. Methods of Investment

Domestic investors may invest in all kinds,³ forms and types of enterprises as provided by the Business Law⁴.

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

Article 5. Protection of Domestic Investment

Assets and investments belonging to domestic investors will be fully protected by the laws and regulations of the Lao PDR and will not be requisitioned, seized⁵, or nationalized⁶ except if necessary for a public use in respect of which the investor will be compensated according to the laws and regulations.

Chapter 2 Rights, Interests and Obligations of Domestic Investors

Article 6. Rights and Interests of Domestic Investors

Domestic investors have the following rights and interests:

1. To receive facilitation from the State in establishing and operating their production, [and] business within the country and abroad in accordance with the laws and regulations;
2. To obtain protection of their rights and legitimate interests relating to their business operations;
3. To be the owners of property, such as rights of possession, usufruct rights, rights to transfer, inheritance rights⁷, and other benefits from their investments;

³ This term refers to the kinds of activities corresponding to different industries.

⁴ This law pre-dates the Law on Enterprises, which has since superseded the Business Law.

⁵ This term refers to property that is taken and treated as illegal property and is given to the State budget.

⁶ This term refers to expropriation.

⁷ Readers may wish to refer to the Property Law for more information concerning property rights.

4. To receive facilitation in requesting credit from financial institutions in accordance with their regulations⁸;
5. To receive assistance or instruction on technical matters [and] technology[,] and [to receive] data and information from the State regarding production and business operations;
6. To receive promotion and encouragement from the State in respect of the marketing and pricing of goods that they produce;
7. For domestic investors who reside overseas⁹, after fulfilling obligations relating to customs, taxes and other fees, they can expatriate profits and capital from their business operations and other income legally received to their countries of residence or to other third countries through commercial banks in the Lao PDR, using the exchange rate¹⁰ on the date of the transfer;
8. Domestic investors and members of their families, including technical officers¹¹ and staff who are foreigners working for domestic enterprises, will receive facilitation to obtain multiple entry or departure visas for long-term residence in the territory of the Lao PDR, as agreed by the government;
9. To obtain protection of their intellectual property rights that are registered with concerned sectors¹² of the Lao PDR;
10. To bring petitions, [or] claims to concerned authorities if they find that they are treated unfairly in the operation of their business.

Article 7. Obligations of Investors

Domestic investors have the following obligations:

1. To conduct their business operations and production in accordance with their licenses, [and] in accordance with the feasibility studies or business operation plans, contracts, laws and regulations;
2. In operating their business, domestic investment enterprises shall have accounting systems in accordance with the Law on Enterprise Accounting and shall report their accounts to concerned sectors. The accounting reports shall be certified by the State Audit Authority¹³ or independent audit companies established in accordance with regulations in the Lao PDR;

⁸ This term has the connotation of the financial institution's own internal regulations.

⁹ This term refers to domestic investors who both permanently reside and "have a residence" overseas.

¹⁰ This term is unqualified and is wide enough to refer to the exchange rate set by commercial banks. I.e., this rate need not be the one set by the central bank.

¹¹ This term refers to professionals, e.g. lawyers would also be considered technical officers.

¹² The term "sector" is used here to refer to the cluster of government ministries or agencies responsible for a particular activity.

¹³ Previously, this body was part of the Ministry of Finance. Today it is an independent body that reports directly to the National Assembly. This authority was set up principally to audit government units, but it also audits State-owned companies.

3. To report on their production and business activities to the CPMI¹⁴ and other concerned sectors in a timely manner as defined by the State;
4. To completely and timely fulfill their obligations to pay duties, taxes and other fees;
5. To facilitate the establishment and operations of the Party and mass organizations in their enterprises;
6. To pay attention to the social welfare, healthcare and safety of workers in their enterprises;
7. To protect the environment, to ensure that their business operations shall not cause a severe adverse impact on the public, national security or public order;
8. To create a reserve fund according to laws and regulations;
9. To maintain social security and insurance in accordance with laws and regulations;
10. In the event that the office of the enterprise is relocated, the enterprise shall inform the concerned management authorities, and the enterprise shall restore the project site to normal conditions;
11. To fulfill other obligations as provided in the laws.

Chapter 3 **Investment Promotion Policies**¹⁵

Article 8. Provision of Promotion Policies

The State considers providing promotion policies for domestic investment based on the types of investment sectors and the areas¹⁶ of promotion as provided in Articles 9 and 10 of this law.

Article 9. Operation of Promoted Sectors

The government defines promoted sectors as follows:

1. Production operations for export or to supplement imports;
2. Operations in the agriculture or forestry sectors, manufacturing activities in agriculture and forestry, and handicraft [activities];
3. Operations in industrial processing, industries that use modern techniques and technology, scientific research and development, [and activities relating to] the protection of the environment and biodiversity;
4. Operations in human resource development, skills development and public health;

¹⁴ The abbreviation used here is defined in Article 12. This was previously the Committee for Promotion and Management of Investment (as in this law); today it is the Committee for Planning and Investment (“CPI”).

¹⁵ The term “policies” in this context has the meaning of “incentives” or “privileges”.

¹⁶ The term “areas” is used deliberately here because the Lao word used here is not the same word as “zone” used in other provisions of this law. This term may therefore include areas that are not zones.

5. Operations in the construction of infrastructure;
6. Operations in the production of construction materials;
7. Operations in the production of raw materials and equipment to be supplied to key industrial activities;
8. Operations in the development of the tourism industry and transit services.

Article 10. Promoted Zones

The government determines 3 promoted zones for investment based on geographical location and socio-economic conditions. The zones are as follows:

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

The details of the promoted zones for investment shall be determined by the government.

Article 11. Policies related to Duties and Taxes

Domestic investment enterprises investing in activities within the promoted sectors and zones determined in Articles 9 and 10 of this law shall be entitled to the following duty and tax policies:

Investments in Zone 1 shall be entitled to a profit tax exemption for 7 years and thereafter shall 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 shall 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 shall 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 the domestic investment enterprise carries out operations. For 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 must pay profit tax in accordance with the laws and regulations.

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

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 shall be exempted from profit tax during the accounting year;
3. Exemption from import duties and taxes on equipment, spare parts and vehicles directly used for production, on raw materials which do not exist domestically or which exist but are insufficient, and on semi-finished products imported for processing or assembly for the purpose of export; and
4. Exemption from export duty on export products.

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

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

Chapter 4 **Application for Domestic Investment License**

Article 12. Submission of Application for Domestic Investment

An individual or legal entity that wishes to invest in any socio-economic sector that relates to the rights of concession or operations in any investment sector defined in Articles 9 and 10 of this law, must submit an application to the Committee for Promotion and Management of Investment, which is abbreviated as “CPMI”, attaching supporting documents: copies of his family registration book and resume[;] the feasibility study or business plan[;] information relating to the business, if [the applicant is] an enterprise[;] the joint venture agreement, if the investment is in the form of a joint venture[;] and such documents shall be presented to the CPMI for consideration.

Except for the operations mentioned above, other [applications for] operations shall be submitted to the commercial sector.

Article 13. Consideration of Domestic Investment Application

Upon receipt of an application with its attachments in accordance with Article 12 of this law, the Committee for Promotion and Management of Domestic Investment and the commercial sector shall consider [the application] and respond in writing to the domestic investor pursuant to the following timeframes:

- For operations relating to the rights of concession, the CPMI shall respond within thirty official working days, and for other operations, the response shall be given within twenty official working days;
- For common operations, the commercial sector shall respond within twenty official working days.

The applicant for a domestic investment license who submits his application to the CPMI and meets all qualifications, shall receive an investment license, together with an enterprise license and tax registration, all at the CPMI.

The applicant for a domestic investment license who submits his application to the commercial sector and meets all qualifications, shall receive an enterprise license, together with tax registration, all at the commercial sector.

After that the enterprise will be regarded as a legally established enterprise, and within 90 days, the domestic investment enterprise shall commence business operations in accordance with the feasibility study or business plan that was attached to the application for an investment license. In the event that the enterprise does not commence operations without sufficient reasons, its investment license and enterprise license will be withdrawn.

Article 14. Term of Enterprise License

The enterprise license of a domestic investor shall not terminate as long as the investor conducts his operations regularly, unless the contract¹⁷ defines the term of the investment, or the investor intends to terminate his operations, or the investment enterprise faces difficulties in paying its debts, in which case it shall comply with the Law on the Bankruptcy of Enterprises.

Chapter 5 Management of Domestic Investment

Article 15. Management Authorities related to Domestic Investment

Management authorities related to domestic investment are:

- The Committee for Promotion and Management of Investment at the central and provincial levels;
- The commercial sector and other sectors.

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, located at the Committee for Planning and Investment and has the following rights and duties:

¹⁷ This term refers to the joint venture contract or other concession contract.

1. To study strategies and policies to promote and attract domestic investments and to propose them to the government for approval;
2. To issue decisions, orders, instructions and notifications regarding the protection and promotion of domestic investments;
3. To prepare a plan and a list of available investment projects for attracting domestic investment;
4. To disseminate policies, laws and regulations; and to provide information to and to facilitate domestic investors;
5. To consider issuing or withdrawing a domestic investment license within its scope of rights and duties, particularly relating to projects involving the grant of a concession;
6. To coordinate with other sectors and local authorities, and to provide instruction on the implementation of this Law on the Promotion of Domestic Investment;
7. To monitor¹⁸, assess and report to the government on the business operations 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 the CPMI and consultative meetings with domestic investors; and
10. To exercise such other rights and perform such other duties as provided in the laws and regulations.

Article 17. Rights and Duties of CPMI at Provincial Levels

The Committee for Promotion and Management of Investment at provincial levels¹⁹ is established by the chairman of the CPMI at the central level. The CPMI at the provincial level acts as a secretariat to the provincial governor, the mayor of the capital city, the chief of special zone²⁰ and the CPMI at the central level in promoting and managing domestic investment. The CPMI at the provincial level are located at the provincial Planning and Investment Divisions and have the following rights and duties:²¹

1. To implement strategic plans, policies to promote and attract domestic investments within their locality;
2. To disseminate policies, laws and regulations, provide information and facilitate domestic investors;

¹⁸ In the Lao language, the same word is used to represent all of the following related (but slightly different) concepts: “control”, “inspection”, “supervision”, “audit” and “monitoring”. The translators have chosen “monitor” (and its variants) as the most appropriate English equivalent but readers should note and bear in mind the other meanings that might have been intended.

¹⁹ The connotation here is that there is more than one committee.

²⁰ Readers should note that the organisation of local administration has undergone change over time. The translators understand that the special zone referred to here may have since been re-designated.

²¹ For readability, the structure of this paragraph has been modified.

3. To consider issuing or withdrawing domestic investment licenses within their scope of rights and duties;
4. To coordinate with other concerned sectors in implementing the promotion policies within their approved projects and in implementing the decisions, orders, instructions and notifications of the higher-level authorities;
5. To monitor, assess and report to the provincial governors, the mayor of the capital city or the chief of special zone and the CPMI at the central level regarding domestic investment in their locality;
6. To act as a focal point in solving problems related to domestic investment;
7. To organise the CPMI annual meetings at the provincial level and consultative meetings with domestic investors; [and]
8. To exercise such other rights and perform such other duties as provided in the laws and regulations.

Article 18. Rights and Duties of Concerned Sectors and other Sectoral Organizations

The concerned ministries, ministry-equivalent organisations and other sectoral organizations must promote, manage domestic investments in accordance with their rights and duties as follows:

1. To coordinate with the CPMI and the commercial sector at the central level in drafting laws, regulations, policies and plans in relation to domestic investment;
2. To prepare a plan and list of available domestic investment projects to attract domestic investment to their sectors, and to disseminate information to 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 policies and in improving procedures regarding implementation of investment projects;
5. To monitor, inspect and assess the business operations of domestic investment enterprises within their scope of rights and; [and]
6. To exercise such other rights and perform such other duties as provided in the laws and regulations.

The administrative authorities and sectors at the local level [which are] described above must coordinate with the CPMI and the commercial sector at the local level within the scope of rights and duties described in this article.

Chapter 6 Dispute Resolution

Article 19. General Principles

In the event that a dispute arises in relation to their business operations, the parties must implement the principle of [dispute resolution through] amicable settlement, mediation, or filing a claim.²²

Article 20. Mediation of Disputes

Disputes related to business operations which cannot be settled amicably shall be submitted for mediation to the CPMI or commercial sector where the enterprise obtained its license.

If the CPMI or commercial sector is not able to mediate such dispute, such dispute must be submitted to the Office of Economic Dispute Resolution for resolution.²³

Article 21. Filing a Claim

The parties to a dispute related to business operations which cannot be mediated may file a claim to the People's Court for resolution in accordance with the judicial process.

Chapter 7 Policies towards Persons with Outstanding Performance and Measures Against Violators

Article 22. Policies towards Persons with Outstanding Performance

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

Article 23. Measures Against Investors Who Violate [this Law]

Individuals or legal entities that violate this law shall be subject to measures depending on the seriousness of the violation in the form of warnings, suspension, withdrawal of their investment license and enterprise license 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

²² This list has a sequential connotation.

²³ The term “resolution” may connote assisting the parties to resolve the matter (i.e., unlike arbitration).

investment, falsify documents, mislead investors, receive bribes or commit any acts causing damage to the State or investors must compensate for such damages and must be subject to disciplinary and other measures in accordance with the laws of the Lao People's Democratic Republic.

Chapter 8 Final Provisions

Article 25. Implementation

The government of the Lao People's Democratic Republic shall implement this law.

Article 26. Effectiveness

This Law shall enter into force after sixty days from the date of the promulgating decree issued by the President of the Lao People's Democratic Republic. After that, the Law on the Promotion of Domestic Investment, No. 03/95/NA, dated 14 October 1995, will have no effect but without affecting the rights, benefits, and obligations granted to domestic investors or implemented under the Law on Promotion of Domestic Investment, No. 03/95/NA. If domestic investors who received investment licenses under Law No. 03/95/NA would like to obtain investment policies under this Law on the Promotion of Domestic Investment, the investors shall submit a new investment application.

Vientiane, 22 October 2004
President of the National Assembly

[Seal and Signature]

Samane VIGNAKET