

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 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.

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

Article 28

The FIMC has responsibility to co-ordinate with other concerned Ministries,