



LEGAL, TAX & INVESTMENT GUIDE LAO PDR | 2016

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Chapter 1

DFDL

1.1 Introduction

THE LAO PEOPLE'S DEMOCRATIC REPUBLIC is a country that enjoys remarkable political stability, keenly observes cultural traditions and takes a pragmatic yet cautious view of global economic integration.

After the revolution in 1975 which brought the Lao People's Revolutionary Party to power, the country underwent a stage of relative economic isolation and adopted a socialist economic system. In the mid-1990's however, the country began the process of opening up to foreign investment and trade and this process was dramatically accelerated in the mid-2000's. Now, as a member of the Association of South East Asian Nations (ASEAN) and the World Trade Organization (WTO), the Lao PDR is committed to further economic integration with its neighbors and beyond.

The Lao PDR shares its borders with China and Myanmar in the north, Vietnam in the east, Cambodia in the south and Thailand to the west, placing the Lao PDR in a geographically strategic position. Investment in logistical infrastructure facilitating trade between China and ASEAN is already underway and is expected to continue.

Plans to transform the Lao PDR from a "landlocked to landlinked" country also reveal strategic potential as it straddles the East-West Economic Corridor connecting the eastern seaboard of Vietnam to the manufacturing hub of Bangkok and the seaports of Dawei and Thilawa in Myanmar. In response, the Lao PDR has established a network of Special Economic Zones in key border areas to facilitate cross border trade and logistics and increasingly sophisticated manufacturing and industrial processing activities.

While the resources sector, specifically hydropower and mining, have been major drivers of economic growth for the past twenty years and substantial further investment in these sectors continues, the Lao PDR is gradually moving towards a more diverse economy. Investments in agricultural projects, including forestry, rubber and coffee as well as agro-processing facilities has seen marked growth in the last few years. International retail and wholesale has also been deregulated, allowing for foreign participation in this sector. The manufacturing sector has attracted internationally recognized companies who have invested in the production of aeronautical and telecommunications components, motor vehicles and machinery. The Lao PDR also offers significant potential for growth in the tourism sector.

The goal to graduate from "Least Developed Country" status by 2020 is enthusiastically pursued by regulators. Indeed, the more liberal trade and investment policies have already yielded some positive results. Over the past decade economic growth has consistently exceeded 7% per annum. Socioeconomic indicators have also shown an improvement in life expectancy, and declines in unemployment and poverty.

While the potential for greater economic diversity and a more flexible regulatory regime in the Lao PDR may be of interest to international investors, it should be noted that the process towards international economic integration is still best described as cautious. Regulatory reform, while distinctively in favour of integration, also serves to protect the cultural values and environmental resources of the country. Investors are therefore urged to approach the Lao PDR with patience and an awareness of the broader socioeconomic impact of international investment. While tax incentives and investment protections encourage international investment, each foreign investment project tends to be the subject of a high degree of regulatory scrutiny and somewhat opaque licensing procedures.

The legal system in the Lao PDR is largely influenced by customary law (which is still very much observed as a means of regulating legal relationships between Lao citizens) as well as a codified system of statute law introduced during the period of French colonial rule. The modern codified legal system is still at a relatively early stage of development and the institutional capacity of judicial bodies is undergoing further improvement. The lawmaking process has become significantly more transparent in recent years as has the publication and dissemination of laws and other regulatory instruments. However, regulatory instruments are often supplemented by undocumented practices or are subject to the interpretation of regulatory officials. This means that a willingness to comply with the laws and practices of the country can be challenging.

While the commercial benefits of socially responsible investment are well documented, the Lao PDR offers investors a unique opportunity to demonstrate the advantages of greater economic integration in an increasingly globalized environment. Respecting the legitimate rights of local employees, adopting appropriate development plans, protecting the environment, and complying with obligations to public sector revenue all become a key part of a successful investment in the Lao PDR. The Lao PDR grants investors the opportunity to realize the considerable benefits that closer integration can produce for the benefit of both the investors and the countries in which they invest.

1.2 Political and Economic Background

The Lao PDR is one of the fastest growing economies, not just in ASEAN, but in the entire Asia Pacific region.

Since its gradual transition to a market economy in the 1980s, the Lao PDR's GDP has grown from USD 600 million (1988) to more than USD 12 billion (2015). GDP growth over the last decade has remained consistently above 8% and even in 2015 (a challenging year for developing markets with a general decline in liquidity) Lao PDR registered growth of 7.2%. The World Bank and Asian Development Bank expect similar rates of growth to continue through 2016 and 2017 while inflation remains at record low levels of around 1.3%.

The Lao PDR's economy is described as a, "market economy with adjustments by the state". While state participation in numerous enterprises remains significant, this constitutional stipulation has permitted the emergence of an ever more diverse and resilient private sector. Domestic investors in the electronic and print media, retail and distribution, private education

and healthcare, construction, mining, energy and transport sectors have realized substantial growth over the past decade and offer prospects for further growth in the future.

Foreign investors are slightly more constrained with a number of business activities requiring specific licenses, or local equity participation, or higher levels of minimum capital. Despite these constraints, foreign investment in the Lao PDR has seen steady growth. According to the Investment Promotion Department's statistics (Ministry of Planning and Investment), total domestic and foreign investment for the period 2011 to 2015 amounted to USD 8.5 billion with China, Thailand and Vietnam as the top three sources of foreign investment and Malaysia, the Netherlands, South Korea and the United Kingdom in the top ten. The energy sector attracted the most investment (44.7%) followed by agriculture (36.7%) and mining (14.49%). Out of a total of 944 approved projects during this period, 406 were domestic investments. This illustrates considerable scope for growth in sources of foreign investment as well as opportunities in sectors outside of energy, agriculture and mining.

The state continues to participate as a joint venture partner in various mining, hydropower and telecommunications enterprises and there is some speculation that its interest in wholly owned state enterprises may be subject to new privatization measures.

Given the more liberal investment regime, economic indicators in the Lao PDR generally tell a positive story. The World Bank now classifies the Lao PDR as a "lower middle income" country. The poverty headcount has declined from just under 40% in 1997 to 23% in 2012. Life expectancy has increased from just over 52 years in 1988 to 66 years in 2014. Gross National Income Per Capita has increased from USD 190 in 1990 to USD 1,730 in 2015. With a population of just under 7 million, the attractiveness of the Lao PDR as a consumer market and trading partner has become more significant.

The World Bank and the Asian Development Bank report that pressure on foreign reserves remains an economic challenge. The national currency, the Lao KIP or LAK, is a managed currency and while neighboring emerging market currencies were under pressure in 2015, the LAK remained largely unchanged against the US dollar. This inflexibility has resulted in pressure on foreign reserves which the World Bank estimates at no more than 2.2 months of imports. Limitations on public sector revenues and an expansion in public sector credit in recent years may also play a part in influencing macro-economic stability. Furthermore, the Lao PDR's economic performance is vulnerable to international economic downturns, particularly with major trading partners, Thailand and China.

Despite these challenges the regulatory authorities in the Lao PDR remain committed to further economic reforms, attracting new sources of foreign capital and boosting public sector revenues. The economic development of the Lao PDR has been on an upward trajectory for more than two decades and this trend looks set to continue over the next several years.

Chapter 2

Investing in the Country

The main legislation governing foreign investment in the Lao PDR is the Investment Promotion Law. In general, the same investment rules apply to both foreign and domestic investors. The law outlines promoted activities, forms of permitted investment, investment terms, tax incentives, rights and duties of investors, and the investment licensing process.

The Investment Promotion Law has been in force since 2011. It introduced fundamental changes, including the following:

- lower foreign shareholding requirements for businesses;
- changes to the licensing authorities and procedures;
- longer investment terms;
- changes in the process for the establishment of representative offices and branches;
- the establishment of clear timeframes for consideration of investment applications; and
- amendments to the profit tax and customs duties exemptions.

2.1 Key Investment Phases and Considerations

The process for investing in the Lao PDR can be divided into the following phases:

2.1.1 Evaluation of Business Potential and Scope of Investments

During this phase, the potential investor will investigate the business climate, meet potential partners and competitors, evaluate economic conditions, calculate costs, assess the legal and labor environment, and examine relevant infrastructure.

The investor will also determine whether a direct investment in the Lao PDR is desirable. In some cases, the objectives of the investor can be achieved through an indirect investment, such as establishment of a representative office, a business cooperation contract, through export-import contracts, or by establishing licensing or distributorship relationships with existing businesses in the country. Of note, representative offices are not permitted to engage in revenue-generating commercial activities and are generally limited to a maximum of three terms of one year each.

The Investment Promotion Law allows investors to invest in general business, concession business, and development of special economic zones and specific economic zones.

2.1.2 Investment Approval and Incorporation

In order for any foreign individual or entity to invest in the Lao PDR, licenses may be needed from appropriate government authorities.

Investors intending to engage in general business activities need to apply for the establishment

of a corporate entity in the Lao PDR with the Enterprise Registry Office of the Ministry of Industry and Commerce (MOIC) for an Enterprise Registration Certificate (ERC).

A company that has one or more foreign investors is required to have a minimum registered capital of LAK 1 billion. The ERC should be issued within 10 working days of submission of a complete application. A slightly longer timeframe of 13 working days is applied to investments that are deemed by the government to be controlled businesses. Examples include logging, plantation agriculture, certain manufacturing industries, transportation, leasing, insurance, legal and accountancy services, education, and casinos. Controlled businesses require additional approval from the relevant government ministry before the MOIC can issue an ERC.

At the time of submitting the application for enterprise registration, the investor must submit to the MOIC, among other documents, the proposed articles of association of the investment vehicle, in the MOIC-approved format for approval. The approved articles should then be registered at the State Assets Management Department (SAMD) of the Ministry of Finance (MOF), along with other documentation.

The investor will also need to reserve the name of the enterprise. The application for name reservation must be lodged with the Enterprise Registry Office. The name of the enterprise must include the form of enterprise, such as “limited,” “sole limited,” “public,” or “branch office.”

Enterprise registration is followed by an application to the Tax Department of the MOF for a tax identification number (TIN).

Specific investment approval is required under the Investment Promotion Law in the case of concession-related activities (investments that require specific authorization for the use of government property). In these cases, an investment application must be lodged with the Investment Promotion Department (IPD) of the Ministry of Planning and Investment (MPI) for a Concession Registration Certificate (CRC) or at the provincial Division of Planning and Investment in order to obtain specific investment approval before the enterprise is registered with the MOIC.

While an investment application for a concession-related activity is being considered, it may be useful for investors to meet officials of the IPD or of the province where the project is located, in addition to officials of the relevant ministries.

An application for a concession-related investment must be accompanied by the articles of association of the proposed investment vehicle, among other documents, and submitted to the IPD or the provincial Division of Planning and Investment for approval.

2.1.3 Other Operating Licenses

In addition to investment licensing and incorporation procedures, there are other general and sector-specific licenses that must be obtained by investors, including:

- capital importation certificate from the Bank of Lao PDR (BOL);
- company seal from the Ministry of Public Security (MPS);

- company information posting content approval from the Ministry of Information, Culture, and Tourism (MICT); and
- company sign installation approval from Ministry of Public Works and Transport (MPWT).

Depending on the type of industry in which the investment is being made, licensing may also include:

- business operating license from the relevant authority for the project;
- factory licenses from the MOIC;
- concession agreement, license agreement, or project development agreement from the government;
- import/export authorizations from the MOIC;
- exploration, survey, mining, or minerals processing licenses issued by the Ministry of Energy and Mines (MEM); and
- required business visas, ID cards, and work permits for the foreign investor and expatriate personnel, from the relevant section of the Ministry of Labor and Social Welfare (MLSW).

The sequence of licensing will vary depending on the type and size of the project.

2.2 Forms of Investment Enterprises

The Investment Promotion Law provides for three methods of investment:

- establishment of a joint venture between foreign and domestic Lao investors;
- establishment of a wholly foreign-owned or wholly domestic-owned enterprise; or
- business cooperation by contract.

Business cooperation by contract theoretically allows companies to transact business in the Lao PDR without establishing an entity in the country. However, this form of investment is rarely pursued by investors as it is not eligible for tax incentives. Other disadvantages are that ownership of all assets vests in the Lao counter-party and it cannot be used for activities requiring a concession. Joint ventures and wholly foreign-owned enterprises are the principal means through which foreign investment takes place in the Lao PDR, and both involve the establishment of new legal entities in the country.

A joint venture is a contractual arrangement between two or more parties for the purposes of executing a particular business undertaking. A joint-venture agreement can be made by a foreign investor with either a private domestic investor from the Lao PDR, or with a public-sector entity. However, the foreign investor is required to contribute a minimum of 10% of the registered capital (i.e. stated share capital) to the enterprise. Such a joint venture can take the form of a general partnership, a limited partnership, a limited company, a state company, or a public company, as provided under the Enterprise Law.

Further, the Investment Promotion Law requires that registered capital be not less than 30% of the total capital in the case of concession-related businesses, where total capital equals registered capital plus long-term debt and retained earnings.

In certain sectors (for example, international tour operations), foreign investors are required to invest jointly with a Lao partner. In the mining sector – and, in practice, in the electricity sector – the foreign investor will be required to offer the government a negotiated equity stake in the joint-venture company.

A wholly foreign-owned entity in the Lao PDR can take several forms, including a sole trader enterprise, a sole limited company, an ordinary partnership, or a limited partnership, as provided for under the Enterprise Law. In addition, branch offices of foreign enterprises are permitted in the airline, banking, and insurance sectors. In general, limited companies are typically preferred.

2.3 Investment Authority

The MPI is the authority in charge, among other tasks, of investment issues related to concessionary activities. The IPD is the department within the MPI responsible for the operational management, at the central level, of investment procedures.

The One-Stop Service Office of the MPI is in charge of all the necessary investment and incorporation licenses for enterprises that will engage in concessionary activities, and it acts as the focal point for all government interactions with investors. Approval for investments involving non-concessionary activities will fall to the MOIC and other ministries in the case of certain sectors such as banking, general trading and construction.

2.4 Investment Protection and Incentives

To encourage investment, the Investment Promotion Law provides investors with certain rights, protections, and incentives.

2.5 Protection and Obligations

The Investment Promotion Law protects the assets and investments of foreign investors from seizure, confiscation, or nationalization; allows investors to lease land, transfer leasehold interests, and build on or make improvements to leased land; and allows investors to remit foreign currencies abroad (in accordance with other laws and regulations).

In addition to these protections, investors have obligations to protect the environment and the health of employees, and to ensure that their activities do not negatively affect public or national security.

2.6 Tax Incentives

Certain tax incentives are provided for promoted sectors depending on where the investment is located. Agriculture, industry, handicrafts, and services are designated as promoted sectors. A detailed list of these activities, as well as the level of promotion they are to receive, are provided in the Investment Promotion Decree.

The greatest tax incentives are offered for promoted-sector investments in remote areas with no economic infrastructure to facilitate investments (Zone 1). Zones with a moderate level of economic infrastructure suitable to accommodate investments to some extent are classified as Zone 2, while zones with good infrastructure to support investments are classified as Zone 3.

In Zone 1, Level 1 investments are entitled to profit tax exemption for 10 years. Level 2 investments are entitled to profit tax exemption for six years. Level 3 investments are entitled to profit tax exemption for four years.

In Zone 2, Level 1 investments are entitled to profit tax exemption for six years. Level 2 investments are entitled to profit tax exemption for four years. Level 3 investments are entitled to profit tax exemption for two years.

In Zone 3, Level 1 investments are entitled to profit tax exemption for four years. Level 2 investments are entitled to profit tax exemption for two years. Level 3 investments are entitled to profit tax exemption for one year.

Profit tax exemption starts from the date on which the enterprise commences operations. For new production of goods, and for research and the creation of new technology activities, profit tax exemption commences from the date on which the enterprise starts making a profit. Once the profit tax exemption period is over, the foreign investment enterprise must pay profit tax.

Tax exemptions provided to mining, hydropower, and plantation agriculture investments must be provided for in the relevant concession agreement and must comply with the relevant laws that apply to those sectors.

Additionally, enterprises may be entitled to:

- exemption from profit tax in the following accounting year when net profit is spent to expand business operations;
- exemptions from import duties and taxes on equipment, parts, vehicles, and raw materials not available in the Lao PDR, and which are used directly for production;
- exemption from export duties on export products; or
- deduction of annual losses from profit in the following year within a period of three years.

Foreign investment is permitted in sectors falling outside the promoted activities. However, such investments are not eligible for tax incentives available to promoted activities.

In addition, various restrictions may apply to investments in non-promoted sectors based on government policy and the laws and regulations governing the sector concerned.

There are certain sectors in which foreign investment is strictly prohibited, including:

- weapons and drug manufacturing;
- investigation and security activities;
- central banking; and
- activities relating to foreign affairs, national defense, and political organization.

2.7 Special Economic Zones

The Investment Promotion Law provides for favorable investment incentives for investment into Special Economic Zones (SEZ), highlighted under regulations established for each zone. For example, regulations for the Savanh-Xeno SEZ provide:

- exemption from leasing fees for 12 years if a lease is for over 30 years;
- exemptions from VAT and excise tax for the importation of goods;
- temporary “tax holidays” in the industrial sector, according to the level of export production and the use of local raw materials; and
- “tax holidays” in the service sector of 10 years for a company with capital greater than USD 2 million.

To invest in the SEZs, foreign investors need to apply only to the Economic Board or the One Stop Shop of the relevant SEZ. The One Stop Shop is duly authorized, by law, to issue various licenses and approvals required for setting up of an enterprise in the SEZ.

2.8 Concession Rights

A concession involves authorization allowing a legal entity to use government property according to the terms and conditions of a concession agreement. Concession-related activities generally involve investments in telecommunications, transportation, mining, electricity, and plantation agriculture.

To engage in a concession-related activity, an investor must enter into a special agreement or multiple agreements with the government— depending on the sector – which will govern the activities to be conducted. In the mining and electricity sectors, the investor will generally be required to offer the government a negotiated equity stake in the project company.

Chapter 3

Company Law

Permitted business forms and corporate governance issues are addressed under the Enterprise Law. The Enterprise Law mainly addresses issues regarding the formation, management, operation, and dissolution of business structures (companies, partnerships, and sole-trader enterprises).

3.1 Principles

The Enterprise Law is intended to implement the transition to a market-oriented economy by:

- moving away from a “controlled system” toward a “facilitation system”;
- facilitating the freedom to undertake business in the Lao PDR by moving from an authorization or approval process to a registration process; and
- establishing equal conditions for all business forms.

3.2 Entity Types

Almost all foreign-invested companies are limited liability companies due to the simple management structure required by such entities. In most industry sectors there are no restrictions regarding the maximum level of foreign participation. Exceptions in which Lao domestic or government-equity participation may be required include the tourism, mining, and electricity sectors. Many investors in the Lao PDR have chosen to establish 100% foreign-owned limited companies, where permitted.

The different forms of entities authorized by the Enterprise Law are summarized below:

Legal Structure	Definition
Representative Office	Local representative of an offshore company (not permitted to engage in commercial activities).
Branch	Part of a partnership or of a company without autonomous legal entity status (in practice restricted to the airline, banking, and insurance sectors).
Partnership	Contractual enterprise created by partners. General or limited partnerships are authorized.
Limited Company	Private limited liability company with two to 30 shareholders.
Sole Limited Company	Private limited liability company with a single shareholder.

Legal Structure	Definition
Public Company	Public limited liability company with more than nine shareholders.
State Company	Limited liability company in which the government of the Lao PDR initially holds 100% of the shares subject to possible reduction to 50.1% of the shares.

3.3 Company Establishment

The first step in company establishment is the reservation of the company name. Thereafter, different establishment procedures are applicable depending on whether the entity will have a single shareholder or multiple shareholders, or whether the enterprise will engage in concessionary activities requiring a form of concession agreement from the government, or will engage in non-concessionary business activities.

The Investment Promotion Law has split the ministerial responsibility for company establishment between the Ministry of Industry and Commerce (MOIC) in the case of non-concessionary activities and the Ministry of Planning and Investment (MPI) in the case of concessionary activities. The MOIC will issue an Enterprise Registration Certificate (ERC) evidencing company establishment. The Investment Promotion Department (IPD) will issue a Concession Registration Certificate (CRC) evidencing company establishment.

3.4 Single Shareholder

A sole limited company is established by a single shareholder who may be responsible for the company's management or who may appoint a manager to manage the company's affairs. Such companies are subject to a simplified corporate governance regime. All companies with a single shareholder are to include the words "sole limited company" in the company name, in order to clarify their status.

3.5 Multiple Shareholders

A private limited company can be formed by two, but not more than 30, shareholders who are entitled to contribute capital in cash or in kind. Shareholders are responsible for the debts of the company up to the proportion of unpaid registered capital (share capital). The management of the company may be undertaken by a managing director or a board of directors, elected by the shareholders.

In the case of a limited company with multiple shareholders, the Enterprise Law references a "contract of incorporation," different from the joint-venture agreement or shareholders' agreement that may be in place.

Once a contract of incorporation has been entered into, the following steps must be taken:

- the founders of the company must procure subscriptions for the shares;
- an incorporation meeting is held at which a variety of matters are decided – including

ratification of the contract of incorporation, articles of association, and election of directors; and

- the founders of the company must apply for the issuance of an ERC from the MOIC (in the case of non-concessionary activities) or of a CRC from the IPD (in the case of concessionary activities).

A company with more than 30 shareholders must pass a special resolution to maintain its status as a private limited company. Otherwise, the company must change its status to a public company.

3.6 Public Company

Public companies are not a common corporate entity in the Lao PDR, although this may change as a result of the establishment of the Lao Securities Exchange (LSX). A public company is a limited liability company with nine or more shareholders, who are free to transfer their shares or offer them for sale to the general public.

The establishment process for a public company is similar to that of a limited company. A contract of incorporation must be entered into between at least nine of the founding shareholders. The Enterprise Law envisages a public subscription of shares. If the number of shareholders falls below nine, the company must be liquidated.

3.7 Funding of Registered Capital

The Enterprise Law provides for payment of all in-kind initial registered capital and at least 70% of cash initial registered capital upon the company's formation. However, the Investment Promotion Decree provides for a different mandatory pay-in schedule for the initial registered capital that varies by industry sector.

As per Bank of Lao PDR (BOL) regulations, for example, all subscribed registered capital of foreign shareholders in commercial banks must be paid in as a prerequisite to payment of dividends to foreign shareholders. If the company enters into rehabilitation or liquidation proceedings, any unpaid registered capital becomes immediately due. There is no requirement that the non-registered capital portion of the total capital be paid in (total capital equals registered capital plus long-term debt and retained earnings).

3.8 Reserve Fund

A reserve fund for the recovery of losses is mandated by the Enterprise Law. The required reserve is 10 per cent of annual net profits, subject to other relevant laws or regulations. A limited company may suspend contributions to the reserve fund once the reserve equals 50 per cent of its registered capital, subject to the bylaws of the company.

3.9 Board of Directors

A board of directors with two or more directors may be established by a limited company. A

board of directors is mandatory for a limited company with assets exceeding LAK 50 billion (approximately USD 6.25 million), as is an auditor. Sole limited companies may not have a board of directors. The duties and procedures of the board are to be set out in the articles of association.

If not stated in the company's articles of association, the duties and procedures of the board must conform to the provisions of the Enterprise Law. Telephonic board meetings and voting proxies are permitted if expressly authorized in the articles of association. The Enterprise Law also sets out the qualifications for directors, restrictions on directors' activities, and the rules for the election of directors.

3.10 Shareholders' Meetings

Ordinary shareholders' meetings must be held at least once a year, while extraordinary shareholders' meetings may be called at any time by shareholders holding a 20% or greater equity stake, by the board of directors, or by any shareholder upon court order. Five business days' notice must be provided before convening an ordinary or extraordinary shareholders' meeting.

The articles of association should specify the quorum and procedural requirements for shareholders' meetings. In the event that the articles of association do not specify such requirements, the Enterprise Law provides a default requirement of at least two shareholders representing more than half of the total paid shares.

Shareholders may assign a proxy to attend the meeting, but the assignment must be made in writing and presented to the board of directors before the meeting. The proxy is entitled to an equal number of votes as the assigning shareholder, except as otherwise provided in the letter of assignment.

An ordinary shareholders' resolution is effective when passed by a simple majority vote of the number of shares represented at the meeting (where one share equals one vote). Certain matters must be decided by a special resolution of the shareholders. The provision requires that such resolutions be passed at a meeting attended by at least two-thirds of the shareholders or their proxies, and by an affirmative vote of at least 80% of the total paid-up shares.

Chapter 4

Land and Real Estate

Land-related matters are governed by the Land Law. This law is also aimed at protecting the country's environment and its national borders.

All land in the Lao PDR is owned by the “national community.” This principle makes it impossible for any individual or entity, Lao or foreign, to “own” land. Rather, individuals and entities can be granted land use rights akin to freehold ownership or usufructs – a civil law concept granting long-term rights to use land for productive activities.

Individuals and organizations can acquire land use rights and usufructs in one of three ways:

- allocation by the state;
- transfer; or
- inheritance.

4.1 Foreign Ownership

Foreign investors, in addition to Lao nationals and domestic entities, can be granted land use rights or usufructs, but only under limited circumstances. Foreign investors with registered investment capital of USD 500,000 are entitled to purchase land from the government in order to build housing or office buildings, with the agreement of the relevant local authorities. However, implementation of this aspect of the Investment Promotion Law is still unclear and no discernible practice has emerged as to how or when such rights are granted.

Aside from this limited provision, foreign individuals and foreign-invested companies, including joint ventures, are restricted to leasing land from Lao citizens, or receiving land concessions from the state.

Leases from Lao citizens to foreign investors are limited to 30 years, while concessions from the state are limited to 50 years. Concessions of land in a Special Economic Zone (SEZ) are limited to 75 years. Embassies and international organizations are entitled to lease land or receive land concessions from the state for up to 99 years.

Foreigners who lease land or receive land concessions from the state must fulfill certain obligations, including using the land in accordance with relevant zoning objectives, protecting the environment, respecting the land use rights of neighbors, paying land lease or concession fees on time, and complying with Lao PDR law generally.

Foreign investors are entitled to own structures and developments that they build or purchase on leased land. This right is protected under the Land Law and the Investment Promotion Law, although the rights of persons who have competing legal rights to the underlying land are not adequately addressed. In any event, upon expiration of the lease or concession term, all fixtures will revert to the lessor or the state without compensation.

The property of investors is protected from nationalization or expropriation unless it is for public purposes and compensation is paid. Foreign investors are also permitted to use fixed assets on land leased as security, to sub-lease their land use rights, and to use a lease concession agreement as capital contribution in a Lao entity, subject to prior approval from the state. However, upon expiration of the lease or concession, all fixtures will revert to the lessor or state without compensation.

4.2 Land Management and Registration

The state is responsible for the management of land throughout the country. The Department of Natural Resources and Environment (DONRE) oversees the use and management of land by other government agencies and private actors.

The DONRE is responsible for land surveying; use planning, collection of land tax, implementation of the land registry/cadastre system, issuance of land titles certifying land use rights, and land document registration.

All legal transactions relating to land must be registered with the DONRE. This process involves having the land transaction recorded in the book for the registration of legal transactions at the DONRE office where the land is located.

4.3 Land Titling System

The land titling system in the Lao PDR has a direct impact on the operations of foreign investors. While foreign investors cannot own land, their security in any leased land will depend on the validity of the lessor's land rights. In order to be able to lease land to a foreign investor, a Lao citizen must obtain formal title to land, as this is the main document evidencing permanent land use rights and the right to lease land.

While the Land Law outlines titling procedures for the entire country, land in urban areas such as Vientiane and Luang Prabang is much more likely to be surveyed, registered, and titled than land in rural areas.

4.4 Dispute Resolution

The DONRE is responsible for the resolution of disputes of an administrative nature relating to land. Use of land without proper authorization, in violation of relevant zoning objectives or Lao PDR law, and failure to pay land taxes or fees, are issues that fall under the DONRE's responsibility.

Disputes of a civil nature, such as those relating to the transfer or inheritance of land, or contracts relating to land, must be arbitrated at the village level. If the dispute cannot be resolved at this level, it can be brought before a Lao PDR court.

4.5 Construction on Land

The Construction Law sets out the relevant feasibility study, survey, design, and permit requirements. Approval for all types of construction is required from the responsible sector. For example, construction of bridges, roads, railroads, water systems, and telecommunications

systems must be approved by the Ministry of Public Works and Transport (MPWT), while construction of hydropower dams, electricity plants, and mines must be approved by the Ministry of Energy and Mines (MEM). Any damage caused as a result of construction is the strict responsibility of the project developer.

Construction contracts entered into with contractors must comply with the provisions of the Contract and Tort Law.

4.6 Taxation on Land

A company must report its own profit tax on the sale of properties or leasehold rights. In general, income from the sale of properties or leasehold rights, and income derived from rent, will be subject to profit tax. Further, under the Value Added Tax (VAT) Law, the supply of immovable property or parts is subject to VAT if:

- the immovable property is located in the Lao PDR;
- the supply is made for a consideration by a registered VAT taxpayer whose business consists, at least in part, of the purchase and supply of immovable property, acting as such; and
- the immovable property is used, or destined to be used, by a registered VAT taxpayer, at least in part, as a business asset.

In addition to profit tax and VAT, the sale of land use rights will be subject to income tax and transfer fees. The transfer fee is calculated on the basis of the value of the property, which can vary depending on the zone and type of land. Additional fees include service fees and stamp tax.

Chapter 5

Labor and Employment

Labor issues are primarily governed by the Labor Law, while the Social Security Law and the Decision Regarding the Importation of Foreign Laborers are also relevant.

5.1 Labor Administration

The Labor Administration Agency (LAA) is organized under the Ministry of Labor and Social Welfare (MLSW) and operates through provincial and city labor and social welfare divisions; district and municipal labor and social welfare offices; and village social welfare units. The LAA is responsible at each level for the implementation and supervision of labor legislation. It has a variety of other roles including dispute resolution, collaboration for skills development and labor protection, and to monitor and collect information regarding the labor market.

5.2 Employment

5.2.1 Employment Contracts

A written employment contract must stipulate the place of work, the work to be performed, and the amount of salary or wage. The employer has the discretion to include provisions not specifically addressed in the Labor Law. A contract can be for a fixed term (up to three years maximum) or an indefinite period. If originally drafted and executed in English, labor contracts for local staff are typically translated into Lao.

5.2.2 Representation of Employees

A trade union must be established or a workers' representative nominated in all workplaces, unless the workplace has less than ten employees. A number of provisions in the law require advance notice to the trade union or workers' representative. In practice, many workplaces are not unionized and rely on the workers' representative to address issues that arise between management and employees.

5.2.3 Working Conditions

- **Continuing Training.** Employers are required to train workers and upgrade workers' professional qualifications to enable them to improve their skills and to further develop specialized skills.
- **Working Hours.** Working hours for non-manual work are eight hours per day (48 hours per week), based on a six-day work week, without distinction of salary or remuneration types. Hours of work must not exceed six hours per day or 36 hours per week for employees who work in certain sectors involving conditions that are dangerous to their health (e.g. exposure to explosives, vapors, or smoke, or in mines). Overtime shall not exceed 45 hours per month or three hours per day, and daily overtime for more than

four consecutive days is prohibited. An employer must secure the prior consent of the trade union or workers' representative, as well as the employee, for overtime work.

- **Leave.** Workers are entitled to 15 days leave per year after working for one full year (or 18 days per year if performing arduous or hazardous work) in addition to national holidays.
- **Sickness and Medical Examination.** The Labor Law states that workers are entitled to 30 days sick leave per year "upon presentation of a medical certificate." If an employer chooses to be more lenient and requires a medical certificate only if the absence is for a certain number of days, for example, then that are acceptable.

Employers are required to arrange for workers to undergo a medical examination at least once per year, and twice per year for those employees engaged in work at night or work that is dangerous to their health.

- **Retirement.** To receive retirement benefits under the state pension system, male workers may retire and be entitled to claim their pension at 60 years of age, and female workers at 55 years. In each case workers must have completed the required number of years of service, and made the required contributions to the National Social Security Fund (NSSF).
- **Maternity Leave and Pregnancy.** An employer shall not require a woman during pregnancy or during the period she is caring for her newborn child to lift or carry heavy loads, to perform work that entails standing continuously for long periods, or to perform other arduous work or work that is hazardous to her health.

An employer shall not require pregnant women or women with children under 12 months of age to work overtime or during rest days. Pregnant women are entitled to 105 days paid maternity leave on normal pay or 120 days in case of multiple births. Of the 105 or 120 days leave, at least 42 shall be taken after giving birth.

- **Young Workers.** The minimum age of employment is 12 years. Between the ages of 14 and 18, the maximum permitted working duration is eight hours per day. Workers under 18 years of age may not perform hazardous or arduous work. If necessary, workers between ages 12 and 14 years can be used for light work which will not negatively affect their development or obstruct their school attendance.
- **Probation.** A probationary period of 30 days for manual labor, and 60 days for work involving specialized skills, is permitted. During the probationary period, either party has the right to terminate the employment agreement at any time, but must give the other party notice of at least three days in the case of manual work and at least five days in the case of skilled work.
- **Disputes.** The law distinguishes between two types of labor disputes:

- *disputes of right*—concern the application of the law, employment contracts, and work rules and regulations; and
- *disputes of interest*—relate to claims by the employees for benefits and conditions of the workplace.

Either type of dispute is initially to be resolved between the parties through negotiations, if possible. A trade union or workers' representative may assist the employee(s) at this stage. If the parties cannot reach a resolution, the matter can be referred to the LAA if it is a dispute of right. If it is a dispute of interest and the parties cannot resolve it, then it shall be submitted to the Labor Dispute Resolution Committee. If a dispute cannot be resolved by the means listed above, either party may file a claim with the Labor Chamber of the People's Court.

An enterprise that violates the Labor Law may be subject to warnings, fines, temporary suspension of business, revocation of business license, and/or legal action in court.

- **Remuneration.** Remuneration in manufacturing, businesses, and services is governed by a regulation, regularly updated, that determines the minimum authorized wage. Compensation for overtime hours and a night-shift differential must also be paid.
- **Termination.** The requirements for the termination of an employment contract depend on whether the termination is for non-fault-based or fault-based reasons. The law contains detailed provisions regarding termination, and the circumstances of each case need to be considered carefully.

With respect to non-fault-based termination, a party to an employment contract for an indefinite period may terminate the contract at any time, provided the other party is given at least 30 days prior notice if the employee is engaged in manual work, and at least 45 days prior notice if engaged in work involving specialized skills.

At least 15 days prior to the expiry of a fixed-term contract, the parties shall notify each other if they wish to continue the employment relationship after the contract ends. As the Labor Law does not provide a required notice for the early termination of a fixed-term contract, the contract should provide for such, and if it does not, the notice periods for indefinite-period contracts will apply.

Further, an employment contract may be terminated due to an employee's lack of skill, poor health resulting in the employee being unable to work, or a reduction of the workforce due to business reasons. Proper notice and other requirements are imposed depending on the reason for the termination. For example, an employer terminating employees based on redundancy must notify the LAA.

Employees terminated for a non-fault-based reason such as redundancy are entitled to a termination allowance (severance pay). The law also sets out grounds upon which employees can terminate the contract and be entitled to severance pay.

The termination of an employment contract is unlawful where there is no valid reason for termination, the employer forces the employee to terminate the contract, or the employer breaches the employee's fundamental rights or the contractual obligations. In these cases, an employee who is not reinstated to work is owed a higher amount of severance pay to compensate for the unlawful termination.

- **Social Security.** The Social Security Law makes social security contributions compulsory for all labor units. Contributions to the NSSF are paid by both the employer and employee. Under the Social Security Law, a monthly deduction from gross salary of 6% is to be paid by the employer, and 5. % by the employee. The employer will deduct the employee's contribution from the salary, and match this with its own contribution and remit the sum to the NSSF. The maximum base salary on which the contribution is calculated is LAK 2 million per month, per person.

The Social Security Law provides coverage for the following:

- healthcare;
- sickness;
- maternity;
- death;
- employment injury and occupational disease;
- retirement pension;
- invalidity/disability;
- survivors' benefits; and
- unemployment benefits.

The rights under the social security system are invoked by contributing to the NSSF for a certain number of months, depending on the benefit the member seeks to claim.

5.3 Employment by Foreign Investors

Investors have the obligation to upgrade the skills of their local employees through training, either in the Lao PDR or abroad. A worker must receive approval from the LAA before undertaking training or work abroad.

5.4 Foreign Workers

Investors must give priority to Lao citizens when hiring staff. However, investors are permitted to hire skilled or expert foreign personnel when necessary, and with approval from the relevant authority. Foreign workers may not represent more than 15% of the total number of Lao nationals employed in non-skilled work, and 25% in skilled work. Exemptions may be granted. For large projects which are priority projects of the government and have duration of less than five years, the contract between the project owner and government dictates the use of foreign labor.

5.5 Immigration Requirements

Foreign persons entering the Lao PDR to work usually require a labor visa with a stay permit and work permit. Three kinds of labor visas can be obtained in the Lao PDR: three-month labor visa, six-month labor visa and one-year labor visa. These visas may be renewed for up to a maximum of five years per the Labor Law. Obtaining any of these visas requires a guarantee from an enterprise established in the country.

Pursuant to the “one-stop” policy, the authorities are authorized to grant long term or short term business visas to foreign investors and foreigners who wish to enter the Lao PDR for business purposes. In addition to a business visa, foreign investors under a long term business visa are required to obtain a stay permit.

Chapter 6

Intellectual Property

The adoption of the Intellectual Property Law of 2011 was one of the conditions to the Lao PDR's entry to the World Trade Organization (WTO). The Lao PDR became a member of the World Intellectual Property Organization (WIPO) in 1995, and signed the Paris Convention for the Protection of Intellectual Property in 1998. The Intellectual Property Law applies to domestic and foreign individuals and entities that are covered by the law, or by the international conventions and agreements to which the Lao PDR is a party.

6.1 The Intellectual Property Supervision Authority

The Ministry of Science and Technology (MOST) is the central body responsible for registering intellectual property and providing intellectual property-related services.

6.2 Types of Intellectual Property

The law provides for three types of intellectual property:

- industrial property;
- plant varieties; and
- copyright and related rights.

The category of industrial property includes patents, petty patents, industrial designs, trademarks, trade names, integrated circuit topographies, geographical indicators, and trade secrets.

6.2.1 Registration of Industrial Property and Plant Varieties

Domestic and foreign individuals or entities (including foreign investors) may apply for patents, petty patents, or registration of their industrial property and plant varieties at the MOST, or with an international intellectual property registration organization to which the Lao PDR is a party.

Individuals or entities located abroad that wish to register their industrial property in the Lao PDR must have a legal representative in the country to do this on their behalf.

6.2.2 Ownership of Industrial Property Rights

After obtaining lawful registration of intellectual property rights, an applicant becomes the owner of industrial property, and obtains the rights to:

- enjoy the benefits derived from the industrial property;
- transfer all or part of the industrial property rights to other persons by sale, exchange, lease, or assignment;
- permit other persons to seek benefits over all or part of the industrial property;

- bequeath and assign the rights in the industrial property to other persons; and
- protect the industrial property from violation by other parties.

6.2.3 Ownership of New Plant Varieties

After obtaining lawful registration, the owner of a new plant variety has the right to:

- prohibit individuals or entities from production or reproduction of the plant variety;
- prohibit individuals or entities from creating the conditions for propagation, offering for sale, selling or distributing, exporting or importing the plant variety;
- prohibit individuals or entities preserving the plant variety for purposes of production or reproduction, export and import;
- grant its rights to other persons under conditions and limitations; and
- protect its benefits under Lao PDR laws from violation by other parties such as rights to file lawsuits and rights to be compensated for damages.

However, the owner of a new plant variety has no right to prohibit others from using the variety for personal, non-commercial use, testing and research, or cultivation of the variety into a new plant breed.

6.2.4 Copyright Protection

Copyright and related rights include the following under the Intellectual Property Law:

- related rights over works of art, literature, and science, including computer programs;
- related rights of works of performers, producers, and sound-image recordings and broadcasters; and
- related rights over compilation of literary and artistic works such as dictionary compilations and encyclopedia compilations.

Copyright protection in the Lao PDR is available for artistic work including drawings, paintings, sculptures, embroidery, architectural works, photographs, scientific models, maps, music, films, dance patterns, lyrics, and sound-image recordings (music and video recordings). Protection also extends to works of literature, including books, theses, lectures, opinion pieces, lessons, stories, computer programs, and data compilations.

The law provides for protection of rights related to copyrights, in addition to copyrights, which are referred to as “related rights.” Individuals who qualify for protection of related rights include:

- performers, singers, musicians, dancers, individuals or entities that manage the sound-image recording of an initial performance; or
- an entity that initiates and makes a radio broadcast, image broadcast, or sound-image broadcast.

Copyright or related rights arise immediately when a work is created. Registration is not required; however, the work can be recorded with the MOST in order to provide evidence of the copyright in the case of an infringement or dispute.

A copyright owner is entitled to:

- disclose and disseminate the work for the first time;
- put his or her name on the work when it is used or published;
- use a pseudonym or pen name;
- challenge the unauthorized use of others' names in the work;
- object to distortion, removal, alteration, or other changes to the work that would affect the dignity and reputation of the copyright owner;
- compile the work;
- reproduce or modify the work in any aspect and to circulate/disseminate the original work or copies of the work to the public;
- proceed with translation of the work;
- broadcast sounds and images of the work;
- communicate the work to the public through a wired or wireless communication system or by broadcasting or by other practical means;
- communicate the work to the public by using a megaphone or other similar signal transmitting system, with sounds or images;
- perform the work in public;
- publish the work; and
- sell, lease, or lend the original work or copies of the work.

Copyright protection commences from the date that the work is created, and continues throughout the life of the creator, and for 50 years after his or her death.

6.3 Dispute Resolution

The law sets out various forms of dispute resolution, and penalties for individuals or entities that violate intellectual property rights. The forms of dispute resolution include:

- mediation between the parties to the dispute;
- submission of a request for a resolution or settlement to the MOST;
- mediation at the Office of Economic Dispute Resolution (OEDR);
- court proceedings; or
- international arbitration pursuant to relevant international conventions.

Chapter 7

Natural Resources and the Environment

The economic development of the Lao PDR is largely driven by its natural resource potential. The government seeks to balance natural resource exploitation with environmental protection, and this has led to the enactment of several laws that aim to reconcile these often competing objectives. These laws include:

- the Forestry Law;
- the Minerals Law;
- the Electricity Law;
- the Land Law;
- the Water and Water Resources Law; and
- the Environmental Protection Law.

7.1 Natural Resource Exploitation

7.1.1 Electricity

The Electricity Law is the principal law governing the administration, production, transmission, and distribution (export and import) of electricity. It was amended in 2008 and again in 2011, providing necessary adjustments and additional details in response to substantial investment in the electricity sector.

Electricity projects with an installed capacity of greater than 100 megawatts, or having a reservoir which has an area of more than 10,000 hectares, or having considerable impact on the environment, society, or nature, must be proposed by the Government Office and be approved by the National Assembly Standing Committee (NASC). Electricity projects with an installed capacity of more than 15 megawatts but less than 100 megawatts must be proposed by the Ministry of Planning and Investment (MPI) and agreed by the Ministry of Energy and Mines (MEM) and approved by the Government Office. Electricity projects with an installed capacity of between 100 kilowatts and 15 megawatts or a reservoir area of less than 1,500 hectares can be approved by the provincial Governor, whereas projects with an installed capacity of less than 100 kilowatts only require the approval of the head of the municipality.

The Electricity Law permits electricity projects to be undertaken in various forms, including Build Operate and Transfer (BOT), Build and Transfer (BT), Build Own and Operate (BOO), or state-operated.

The Electricity Law states that the term of an electricity concession shall commence from the date of execution of the concession agreement and shall not exceed 30 years from the first commercial operation date.

The Electricity Law requires Government Office approval of the power tariff regardless of whether the output is being exported or sold domestically.

Wheeling of electricity from an electric facility to a power purchaser within or outside the Lao PDR utilizing existing transmission lines is permitted under the Electricity Law subject to technical and safety constraints and the imposition of wheeling fees by the owner of the transmission line.

The Electricity Law allows the establishment of private transmission lines in cases where the national electricity transmission grid (at present the transmission lines of *Electricité du Laos*) are inadequate. Private transmission lines are subject to the administration and inspection of the MEM. The Electricity Law requires that all electric power transmission lines be operated in accordance with Lao PDR electric power technical standards.

The most recent changes made to the Electricity Law in 2011 include a detailed formalization of the contractual process leading to the execution of a concession agreement (memorandum of understanding/project development agreement/concession agreement) as well as a new requirement to pay an environmental tax.

7.1.2 Mining

The Minerals Law governs all mining activities, from the prospecting and exploration stages through to the carrying out of large-scale mining activities, as well as small-scale and artisanal mining.

The law delineates responsibility between the Ministry of Natural Resources and Environment (MONRE) and MEM respectively for prospecting, exploration and pre-feasibility study activities, and then for the approval of a detailed feasibility study, as well as extraction and processing activities.

The Minerals Law requires approvals to be obtained from the relevant ministry for various activities including:

- gathering of basic geological data;
- analysis of mineral samples in the Lao PDR or overseas;
- approval of a project's feasibility study;
- granting of licenses for prospecting, exploration, and mining activities; and
- establishment of a mineral processing plant.

Mineral exploration and exploitation activities are open to investment from both domestic and foreign entities. However, share transfers involving an existing concessionaire as well as transfers of a concession agreement are prohibited during the prospecting phase, and thereafter any merger or acquisition or transfer of a concession agreement will require approval from various government ministries including the MPI and MEM. A moratorium has been imposed that effectively prohibits the approval of all new mining concessions. At the time of writing, it is unclear when the moratorium will be lifted.

The Minerals Law provides that the government has the right to participate in the shareholding of a mining company. Payment for shares by the government may be made in cash or by deducting dividends payable to the government, depending on the agreement of the parties.

All mining activities are subject to the negotiation of a concession agreement with the MPI (with input from relevant line ministries). There are two distinct types of concession agreement:

- one for the prospecting and exploration phase; and
- one for the exploitation phase.

A concession agreement for exploitation can have a maximum initial term of 20 years from the date of the concession agreement (which may be extended on a case-by-case basis).

The Minerals Law provides that the maximum initial term for a prospecting license is two years, with a possible extension of one year. The maximum initial term for an exploration license is three years, with a possible extension of up to two years. The maximum initial term for a mining (exploitation) license is 20 years, with a possible extension of up to five years.

The maximum geographical area for a prospecting and exploration license is currently one area of up to 300 square kilometers.

At the termination of a mining operation, the company must close the operation and transfer to the government without compensation the concession area and mining assets, including geology and mineral sources data, vehicles, materials, and equipment.

7.1.3 Agricultural and Plantation Activities

The Forestry Law, the Land Law, the Law on Agriculture and the Decree on State Land Leases and Concessions set the regulatory foundations for the administration, maintenance, development, use, and inspection of large-scale agricultural and plantation activities. More detailed regulations are issued by the Ministry of Agriculture and Forestry (MAF) and MONRE for specific activities and land usage.

The administrative agencies responsible for large-scale agriculture and plantation activities are primarily the MAF, the provincial and Vientiane Capital Agricultural and Forestry Offices, the district and municipal Agriculture and Forestry Offices, and village forest units. In addition, the Forest and Forestland Inspection Organization conducts various inspections.

Plantation activities are limited to areas designated as “defoliated forests” or “degraded forests.” Plantation and logging activities are generally prohibited in “protection forests,” “conservation forests,” and in “biodiversity zones.”

Plantation activities require both a project development agreement / concession agreement from the MPI, and a land lease or concession from MONRE.

The maximum lease term for degraded forest land is 40 years (with a possible extension on a case-by-case basis). The maximum lease term for defoliated forest land is 70 years (with a possible extension on a case-by-case basis).

Approval from the NASC is required for leases in excess of 15,000 hectares of degraded forest land, and in excess of 30,000 hectares of defoliated forest land. Approval from the MONRE and provincial land management authorities is required for smaller lease areas.

The export of harvested timber is subject to government approval and certification.

Establishment of processing plants for wood or forest products must receive approval from the MAF and other relevant agencies. Approval is also required for the importation and distribution of all types of wood-exploitation and wood-processing machinery.

7.2 Environmental Protection

The Environmental Protection Law establishes a framework for the preservation and sustainable management of environmental resources in the Lao PDR. All organizations, including foreign investors, are under a general obligation to control pollution in accordance with environmental quality standards and pollution control standards and subsidiary, and sector specific, regulations and project specific concession agreements.

Environmental obligations on investors are also addressed in concession agreements, which often detail specific environmental requirements for projects over and above what is set out in the regulations and call for compliance with various international standards and guidelines.

The regulatory framework and project specific obligations are informed by the broader policy objectives which are set out in various documents including the National Environmental Strategy until 2020, the National Strategy on Energy and Mining Sector Development Strategy 2006 – 2020 and the National Policy on the Sustainable Hydropower Development (released early in 2015).

The authorities are developing additional regulations governing environmental and social matters, particularly with respect to the development of large infrastructure projects. The Environmental Impact Assessment Decree and implementing decision and instructions require development projects that will potentially affect the environment to conduct either an Initial Environmental Examination or a more detailed Environmental Impact Assessment (EIA) with various accompanying Social and Environmental Management and Monitoring Plans, which may include resettlement action plans, ethnic minority diversity plans, livelihood restoration plans and health impact assessments. The EIA Decree and the Environmental Impact Assessment Decision and Instructions provide details of the environmental certificates that are required to be issued by the MONRE.

In 2005, the Government of the Lao PDR also established an Environment Protection Fund (EPF) in an effort to strengthen environmental protection, ensure sustainable natural resources management, and support biodiversity conservation and community development. The EPF receives allocations from the State budget, contributions from investment projects, funding from domestic and foreign entities such as the World Bank and ADB, and also receives

revenue from fines for environmental damage. The EPF is intended to primarily fund research activities and capacity building activities.

7.3 Resettlement

The Electricity Law, Water Resources Law, Environmental Protection Law, and Land Law all contain provisions addressing the resettlement of, and compensation for, those affected by large-scale infrastructure and development projects. In addition, detailed regulations have been enacted that require project proponents to take the lead and prime responsibility for the resettlement and compensation of person's affected by such infrastructure and development activities. Additionally, concession agreements may detail specific social requirements for projects over and above what is set out in the regulations and call for compliance with various international standards and guidelines.

The resettlement regulations and concession agreements provide detailed grievance resolution procedures that apply if affected persons object to resettlement or the proposed amount of compensation. The resettlement regulations and concession agreements also define the steps that must be followed in order to mitigate any negative social impacts of development projects.

Project proponents must avoid or minimize displacement and other impacts on the assets and income of people affected by such projects. Project proponents are also responsible for allocating funds to, planning, implementing, monitoring, and evaluating resettlement and compensation activities. Special attention is to be given to affected ethnic minority peoples and other vulnerable groups. Where land is largely or entirely affected by a project, the Compensation and Resettlement Decree requires "land for land" compensation. Where land is not available or partially affected, compensation must take the form of compensation for lost assets.

Project proponents must also prepare a detailed resettlement action plan, which requires several levels of government approval. The approved resettlement action plan, together with the concession agreement, will define and establish the obligations of project proponents with respect to the resettlement and compensation of affected persons as the project enters the construction and operation phases.

Chapter 8

Import, Export and Customs Procedures

Located between more developed regional markets such as Thailand, China, and Vietnam, the Lao PDR has strong potential to increase its international trade. At present, the country's main export items are garments, electricity, wood products, and coffee. The main export markets are Thailand, Vietnam, and the European Union (EU). Lao PDR became a member of World Trade Organization (WTO) in 2013. The basic import and export procedures are outlined below.

8.1 Normal Trade Relations and the Generalized System of Preferences

Trade between the Lao PDR and the United States and Europe is governed by the Normal Trade Relations (NTR) and the Generalized System of Preferences (GSP) regimes, respectively.

Since the US granted NTR status to the Lao PDR in 2005, Lao products imported into the US no longer face prohibitively high tariffs.

As a Least-Developed Country (LDC), many Lao PDR products imported into the EU market benefit from a total duty exemption under the GSP. This is complemented by the "Everything But Arms" initiative, which enables products originating from the Lao PDR, like those from other listed LDCs, to be exported to the EU without quota restrictions. The system is granted and not negotiated, meaning that preferential treatment is not reciprocal. The basis of this system is that the product must be considered as originating from the Lao PDR. This means that local authorities must issue a certificate of origin stating that products can be considered to be made in the Lao PDR, following EU rules, insofar as at least 50% of the added value is produced in the country.

The GSP is particularly important for the garment sector, which already benefits from a special trade agreement. Exports of garments account for almost a quarter of the country's total exports.

8.2 ASEAN Membership

The Lao PDR was admitted to the Association of Southeast Asian Nations (ASEAN) in 1997. Preparatory phases for admission to the ASEAN Free Trade Area (AFTA) in 2008 required the government to continuously lower import tariffs. The target was to reach 0% to 5%, depending on the goods imported. Investors in the Lao PDR can now benefit from access to other ASEAN countries at lower duty rates than before.

8.3 Import and Export Procedures

Importing and exporting goods into and out of the Lao PDR is subject to the approval of relevant ministries and depends on the category of goods. For example, the import of fuel is subject to approval from the Ministry of Industry and Commerce (MOIC); the import of gold bars is subject to approval from the Bank of Lao PDR (BOL); and the import of gambling

machines is subject to approval from the Ministry of Information, Culture, and Tourism (MICT).

Some goods must be approved by the relevant authority prior to import or export. Those goods that are not listed in the notification, and that are not subject to any other regulations, are subject to customs approval only.

Customs procedures are administered by the Customs Department, customs offices at the local level, border customs ports, and mobile customs units. Customs administration is under the management of the Ministry of Finance (MOF). Recent amendments to the Customs Law complement this structure through the establishment of a new Customs Inspection Organization.

In order to import goods into the Lao PDR, an import plan covering six months or one year (depending on the goods) and an import license are required. A foreign-invested company intending to import goods for use in local operations must request approval from the Investment Promotion Department (IPD) prior to obtaining an import license from the Trade Department of the MOIC.

Goods arriving in the Lao PDR are stored in a customs warehouse. The importer submits a detailed declaration and payment form, and inspection officers control the required import documents (e.g. bills of lading, airway bills, shipping documents) and the goods. The importer can remove the goods from the warehouse after payment of relevant duties and taxes.

The export of some goods requires export approval, obtained at the relevant ministry. For example, the export of timber, precious metals, or gemstones requires prior approval from the responsible government agency.

The customs declaration form must be presented to the customs checkpoint within 30 days from the date on which the goods are registered in the warehouse. If the declaration is not submitted by this deadline, the goods will be placed under the control of the Customs Department.

The Customs Law gives the importer the opportunity to re-submit a declaration following notification of an objection by the Customs Department. In the case of disagreement between the customs declarant and customs officers, the declarant is entitled to re-submit the matter to a superior authority. If the superior authority does not resolve the issue, or if the declarant objects to the final decision, the declarant may file a claim in court.

Customs declarations are subject to ongoing controls and are reviewed by the customs authorities within three years from the date of their initial registration.

Chapter 9

Banking and Finance

The banking and financial system of the Lao PDR is regulated by the Bank of Lao PDR (BOL) and the Ministry of Finance (MOF).

9.1 Regulatory Authorities

The BOL is the central bank, responsible for the management of monetary policy, implementation of foreign exchange and capital control policies, and regulation and supervision of commercial banks and financial institutions, including financial leasing companies.

Among other things, the BOL has the power to determine credit rules for commercial banks, and is in charge of inspecting commercial banks and financial institutions. The highest BOL authority is the board of governors, which consists of seven to nine members, all appointed and removed by the Prime Minister. For most matters, the BOL coordinates with the MOF, which has a key role in the financial system.

The MOF is responsible for the implementation of the Law on State Budget, collection of public sector revenues through its Tax Department and public sector expenditures. The MOF is also designated as a regulator of certain financial institutions, notably the insurance sector through the Insurance Management Authority.

9.2 Commercial Banks

Commercial banks are governed by the Law on Commercial Banks. Under this law, establishment of a commercial bank (domestic or foreign) or a branch of a foreign commercial bank requires approval from the BOL.

The law allows commercial banks to offer a full range of services, including receiving deposits, distributing bonds or securities, providing loans and bank guarantees, exchanging foreign currencies, and providing advice regarding funds and securities.

The law requires all commercial banks to contribute, on an annual basis, a percentage of total deposits of the previous year to a rehabilitation fund. Such a deposit insurance scheme is meant to lend stability to the banking sector.

BOL policy is presently characterized by: diversification of investment in the banking sector, allowing both foreign and domestic investors; and diversification of products through the development of measures to encourage offering of non-traditional commercial products.

9.3 Financial Leasing

Financial leasing of equipment and other assets is governed by the Contract and Tort Law and the Financial Leasing Decree. Entities that enter into more than five “financial leases” in a calendar year with a Lao lessee must obtain a license as a “finance lease company” from the

BOL. The Financial Leasing Decree broadly defines a “financial lease” as essentially any lease in which the lessee specifies the asset/equipment to be leased without reference to a decision of the lessor. All financial leases must be notarized by the Notary Office per the Financial Leasing Decree and registered with the State Assets Management Department (SAMD) per the Document Registration Decree.

The BOL has issued detailed Conditions for the establishment of leasing businesses. These Conditions require a minimum of two shareholders (and not more than 30) of which one must have experience in financial administration. Foreign investors may hold 10% to 100% of the company equity. The minimum registered capital (equity) for a leasing business is set at LAK 5 billion.

9.4 Foreign Exchange and Capital Controls

The list of permissible transactions in foreign currency is relatively limited. Foreign-exchange transactions, including foreign source loans and interest rate and commodities hedging transactions, are governed by the Foreign Exchange Law, the Foreign Exchange Decree and the Foreign Exchange Guideline. BOL approval is required for transactions involving the use of foreign exchange for payment for goods, services, or debt in the Lao PDR. The exchange of LAK into foreign currency is permitted only for limited purposes. In addition, all remittances abroad, transfers into the Lao PDR, foreign-source loans, and payments in currency other than LAK, must be approved by the BOL.

The Foreign Exchange Law and the Foreign Exchange Guideline set a broad approval authority of the BOL which includes the use of foreign exchange for any purchase of goods or services on credit. As interpreted by the BOL, this approval requirement extends to installment sales and to equipment leases in which the lessee is obligated to purchase the equipment at the end of the lease term.

Derivative transactions such as foreign exchange and interest rate and commodities hedging fall into a general requirement of BOL approval. However, relevant standards are vague, detailed regulations have not been promulgated, and BOL personnel may lack experience with such transactions. The general rule for approval of such transactions is that a legitimate, non-speculative business purpose for the transaction be demonstrated.

Foreign investors are required to use the Lao PDR banking system (and domestic bank accounts) for all transactions unless BOL approval has been obtained for the use of offshore bank accounts.

Exemptions from these capital control laws and regulations must be sought from the BOL and, at present, may not be granted by the National Assembly or National Assembly Standing Committee (NASC).

9.5 Importation and Repatriation of Dividends and Equity

The importation of registered capital (i.e. equity or share capital) by foreign investors is evidenced by a capital importation certificate issued by the BOL. The BOL will not issue a capital importation certificate for registered capital contributed by domestic Lao shareholders,

held in offshore bank accounts, funded via a debt-to-equity conversion or consisting of “in-kind” capital other than imported equipment.

Dividends are payable to shareholders out of annual net profit (revenues less expenses including debt service and taxes) (subject to a mandatory reserve of 10% of annual net profit up to a reserve cap of 50% of registered capital) provided that the company’s tax and labor payments have been fulfilled and the company does not have accumulated losses. Further, BOL regulations require evidence that the registered capital of the foreign shareholders has been fully paid up as a prerequisite to the remitting of dividends abroad.

Liquidating dividends (i.e. return of registered capital (equity)) require a special shareholder resolution, government approval of the decrease in registered capital, notice to all creditors, public notices (10 times), and repayment in full to any objecting creditor. Further, any registered capital (equity) to be repatriated is limited to the registered capital brought in through the Lao PDR banking system, for which a capital importation certificate should be produced.

It is unclear whether, in practice, the non-availability of capital importation certificates for registered capital held in offshore bank accounts, or resulting from debt-to-equity conversions or provisions of “in-kind” capital such as project development expenses, will restrict the ability of foreign investors to receive dividends or the return of registered capital.

9.6 Micro-Finance

The BOL has issued three major regulations to regulate the micro-finance sector:

- the Regulation regarding Savings and Credit Unions;
- the Regulation regarding Non-Deposit-Taking Micro-Finance Institutions; and
- the Regulation regarding Deposit-Taking Micro-Finance Institutions.

The provision of financial services to Lao citizens of low income, through specialized institutions, is one of the government’s priorities and an important element of the financial system in a country where more than 70% of the population live in rural areas and do not have access to banking services. This new framework is designed to ensure the security and sustainable development of micro-finance in the Lao PDR.

Foreign investment is permitted in deposit-taking microfinance institutions, provided that they maintain a registered capital of three billion LAK. Foreign individuals and entities may only invest jointly with local individuals and entities at percentages agreed between them.

The establishment of (i) Treasury, (ii) Non-Deposit-Taking Micro Finance Institutions, (iii) Savings and Credit Unions and (iv) Pawnshops are reserved solely for Lao citizens.

9.7 Anti-Money Laundering Controls

The new Anti-Money Laundering Law became effective in February 2015. It provides new measures and obligations for the purposes of implementing anti-money laundering controls and combating the financing of terrorism. The law creates “reporting units” which include

both “financial sector institutions” and “non-financial sector institutions” that are required to comply with detailed provisions including “know-your-customer” procedures and the reporting of suspicious transactions. Customer verification records must be maintained for 10 years; transaction records must be maintained for 5 years. Suspicious Transactions Reports are subject to confidentiality rules to avoid tipping off suspect parties.

9.8 Insurance

The insurance sector is regulated by the Insurance Law and the Insurance Decree. The MOF supervises the insurance sector. The Insurance Law provides for four categories of insurance activities:

- property damage insurance;
- civil liability insurance;
- personal insurance; and
- capital mobilization.

Insurance companies and foreign insurance companies are allowed to engage in insurance activities subject to prior approval by the MOF for the establishment of an insurance company or branch office. A guarantee deposit must be maintained in a Lao bank.

Only insurance companies or branch offices licensed by the MOF may sell insurance products in the Lao PDR, with the exception of reinsurance, which may be obtained directly from foreign insurers. The use of up to 100% foreign reinsurance is expressly permitted.

Chapter 10

Taxation

The Tax Law is the main legislative act governing taxation in the Lao PDR. In addition, the Investment Promotion Law contains specific provisions that apply to investors eligible for tax incentives, and the Value Added Tax Law is also an important component of the tax regime.

In 2012, the government adopted important amendments to the Tax Law, including reductions in the income tax rates for individuals and companies.

The Tax Law provides for both direct and indirect taxation. Direct taxes are taxes collected from individuals, legal entities, and organizations, including foreign persons, who generate income in the Lao PDR, or reside in, or have a place of business in the Lao PDR. There are five forms of direct taxation:

- profit tax;
- income tax;
- lump sum tax;
- environmental tax; and
- fees and professional service charges.

Indirect taxes are taxes collected on the consumption of goods, importation of goods, and sale of goods and services, through persons who engage in such activities in the Lao PDR. The two forms of indirect taxation are excise tax and Value Added Tax (VAT).

10.1 Direct Taxes

10.1.1 Profit Tax

Profit tax is levied on the annual net profit of domestic and foreign-based business entities (including freelancers) that generate revenue through carrying out a profession or business operation in the Lao PDR or abroad.

The general profit tax rate is 24%. A reduced profit tax rate of 19% applies for a period of four years to companies listed on the stock market.

For companies engaged in the manufacturing, import, and sale of tobacco products, the profit tax rate is 26%, of which 24% is remitted to the budget and 2% is contributed to the Smoking Control Fund (Anti-Smoking Fund).

Companies that have a concession agreement with the government (particularly companies in the mining and hydropower industries) will pay profit tax at a reduced rate as determined in the concession agreement.

Reduced profit tax rates are also available for companies investing in special economic and specific economic zones.

Under the Investment Promotion Law, investments in promoted activities, and in particular geographic areas, may be entitled to exemptions from profit tax for up to 10 years.

Annual net profit is calculated as the difference between total income and total deductible expenses for the year. Losses can be carried forward for a maximum of three years. Upon expiration of this period, any remaining loss may no longer be deducted from profits. There is no carry back of losses in the Lao PDR.

Profit tax is payable in advance on a quarterly basis (before April 10, July 10, October 10, and March 10 of the following year), based on projected quarterly profits. Taxpayers must submit financial statements and annual tax returns to the tax authorities before March 31 of the following year. The tax authorities will calculate the annual tax payable based on information provided in the financial statements.

When the amount of final profit tax exceeds the amount of tax paid in advance, the excess remains payable. If the amount of final profit tax is less than the amount paid in advance, then the pre-paid portion shall be carried forward and offset against profit tax payable in the following year.

10.1.2 Income Tax

All individuals, whether Lao or foreign, who generate income in the Lao PDR must pay income tax. A resident of the Lao PDR who works in a foreign country must declare and pay income tax in the Lao PDR even if that person is exempt from income tax abroad. Foreigners working in the Lao PDR who receive salaries in the Lao PDR or abroad must pay income tax in the Lao PDR, unless otherwise provided for in a double taxation agreement (DTA) between the Lao PDR and the foreigner's country of residence, or where there is an investment agreement between the government of the Lao PDR and the employer that is approved by the National Assembly. Income tax is on a progressive rate basis from 0% to 24%.

Income tax on salary and labor-related remuneration must be withheld monthly by the employer, and is payable by the 15th of the month following the month in which the remuneration was paid.

Income derived from the lease of land and property is taxed at 15% and must be paid each time the income is received.

Income from a dividend distribution is taxed at 10%, and income derived from intellectual property rights is taxed at 5%. In both of these cases, tax must be paid each time the income is received.

Certain types of income are taxed at different rates. In those cases, income tax is levied by way of withholding. The obligation to withhold and declare the tax is upon the party that makes the payment. The due date for filing the relevant tax return is 10 days after the payment is made.

The table below summarizes other types of income and current tax rates:

Type of Income	Rate
Income from dividends or profit sharing or other benefits of partners or shareholders.	10%
Profits from the sale of shares of individuals and legal entities.	10%
Income from interest on loans.	10%
Income from brokerage (commission) or representation of individuals or legal entities.	10%
Income from securities received under contract or other binding obligation.	10%
Income from the activities that have business characteristics undertaken by government agencies, the Lao Front for National Construction, mass organizations, and social organizations.	10%
Income from prizes, or monetary or material lottery prizes valued at over LAK1 million.	10%
Income from the lease of assets such as land, houses, constructed items, vehicles, machinery, or other assets.	10%
Income from intellectual properties such as: patents, copyrights, trademarks, or from other rights of individuals or legal entities.	5%
Income from the sale-purchase of land, transfer of land use rights, structures, or land with the existence of structures.	5%

Certain forms of income are exempt from taxation, including:

- income generated by individual farmers from agricultural production;
- income below a certain level;
- salaries of personnel working at embassies, staff of international organizations and foreign experts working in the Lao PDR as defined in the agreements between the Lao government and related parties and in accordance with regulations of the Ministry of Foreign Affairs (MOFA);
- one-time allowances, pensions, and per diems;
- marital support to a wife and children not over 18 years of age;
- maternity, sickness, accident, and other labor benefits;

- social security earnings;
- prizes, including lottery winnings not higher than LAK 1 million;
- profit from the sale of shares of individuals or legal entities on the securities exchange;
- dividends to partners or shareholders of a company registered on the securities exchange;
- wages of disabled persons certified by relevant authorities;
- income from the provision of public services, such as artistic activities, sports, and other activities approved by relevant agencies;
- interest on deposits, or interest on government bonds or debentures;
- individual or legal entity life and property insurance payments; and
- income from the sale or purchase of land, transfer of land use, constructed items or land with constructed items, use rights recorded in the assets lists of business production units that declare taxes under the accounting system, and as an inheritance between direct relatives, such as father, mother, husband, wife, and children.

10.2 Lump Sum Tax

Lump sum tax applies to small- and medium-scale businesses that are not registered in the VAT system (having annual business income of less than LAK 400 million). Tax is paid in a lump sum under a contract between the tax authorities and the taxpayer.

Lump sum tax is calculated by multiplying the annual income with the relevant tax rate. Prior to the calculation of this tax, the taxpayer must summarize the annual income of the previous year and make an annual projected plan as data for calculation. In the event that such data is deemed not factual, the tax authorities, in collaboration with the relevant sectors, may undertake an on-site evaluation to determine the business income and operations of the taxpayer.

Lump sum tax must be paid monthly, quarterly, bi-annually, or annually as provided in the contract.

10.3 Environmental Tax

This tax is collected from individuals, legal entities, and organizations conducting the importation or use of natural resources that can lead to the pollution of the environment; damage to the health or life of people, animals and plants; or affect the balance of the ecosystem. The method of calculation, payment, and exemption from environmental tax will be stipulated in further specific regulations.

10.4 Fees and Professional Service Charges

Fees and other charges are imposed on persons, organizations, or legal entities that apply for official documents from the government, or who make use of other public services. Government departments and agencies are entitled to collect fees for issuing tax registrations, licenses, approvals, certifications, or registrations of official documents, the use of roads, entry

into and exit from the country, issuance of visas, residency in the Lao PDR, the use of radio and television satellite receivers, the use of television, affixing of signs advertising goods, shop signs, and other services within the Lao PDR.

10.5 Indirect Taxes

10.5.1 Excise Tax

Excise tax is levied on the importation or domestic supply of certain luxury goods and services. The types of goods and services that are subject to excise tax include:

- inflammable fuel;
- alcohol, beer, and alcoholic beverages;
- cigarettes;
- cosmetics;
- vehicles;
- appliances such as air-conditioners, washing machines, and refrigerators;
- services relating to entertainment;
- all types of game playing devices; and
- all types of carpets.

The excise tax on these goods and services ranges from 5% to 150%. Excise tax is payable by importers and producers of taxable goods and by providers of taxable services. Importers pay the excise tax at the time of importing the goods. Excise tax is declared to the tax authority either at the point of importation or monthly following the month of production or delivery of services.

10.5.2 VAT

VAT is an indirect tax collected on the value added portion of goods and services at all stages of production, from manufacturing and distribution to the provision of services and consumption.

Any individuals, organizations, and legal entities that have annual business turnover of more than LAK 400 million are required to register as a VAT taxpayer.

Those legal entities with an annual turnover of less than LAK 400 million can elect to register under the VAT regime.

The VAT Law provides for a flat rate of VAT at 10%, while the export of goods and services is zero-rated.

The supplier of goods and services registered under the VAT regime must add VAT to the value of goods and services supplied to customers, and collect VAT for payment to the Tax Department. Taxpayers registered under the VAT regime that charges VAT (output VAT) have the right to offset VAT paid on goods and services (input VAT) by the taxpayer.

The amount of VAT payable to the Tax Department is calculated as follows: output VAT minus input VAT equals VAT payable.

In the event that input VAT is higher than the output VAT declared in a given month, the difference can be carried forward for deduction in the following month for up to six months. The VAT is payable by the 15th of the month following the month of taxation.

Various goods and services are exempt from VAT, including:

- non-processed agricultural products and handicrafts;
- plants and seedlings;
- goods to be used by diplomats, embassies, and international organizations;
- educational supplies and services;
- banking services;
- medical services; and
- goods and services donated to aid projects.

10.6 Double Taxation Treaties

Investors from countries with which the Lao PDR has entered into double taxation treaties may be exempted from paying profit tax and income tax in the Lao PDR.

The Lao PDR has entered into double taxation treaties with several countries, of which in force at present are the following: Thailand, China, North Korea, South Korea, Brunei, Vietnam, Malaysia, Luxembourg and Myanmar.

The Lao PDR has also signed a double taxation treaty with Singapore, which is pending ratification into force at time of writing.

10.7 Accounting Requirements

Foreign investors and all other tax payers liable for profit tax must keep accounting documents in accordance with the Accounting Law, which requires such documents to be detailed and clear and to be registered and certified by tax officials.

The Accounting Law recognizes three types of accounting systems as follows:

1. Accounting Standard for State's account holding unit;
2. Financial reporting standard for enterprises that serve public interests; and
3. Financial reporting standards for enterprises that do not serve public interests.

Small companies are permitted to use the elementary accounting system (cash-basis system), which requires only a profit and loss statement for reporting purposes.

Large companies, if approved by the Ministry of Finance (MOF), may use the expanded accounting system, which requires many different financial statements.

All other companies must use the standard accounting system, which is preferred by most foreign-invested companies in the Lao PDR.

The use of International Financial Reporting Standards or other international accounting standards requires approval by the MOF.

The Lao PDR accounting system requires that standard account codes and formats be used for reporting. All accounts must be kept in the Lao language and in Lao Kip (LAK), and all types of taxes and fees must be paid in LAK, by cash, check, money transfer, or by security.

Except for companies that use the elementary system, the double-entry method must be used to record accounting transactions. All accounting documents must be preserved for at least 10 years; accounting journals and the inventory book must be submitted to the relevant officials for approval.

Companies may use a computerized book-keeping system to maintain required accounting documents, as far as such system has been approved by the relevant authority.

The accounting year is the calendar year, and all companies must issue annual financial statements no later than March 31 following the end of the calendar year. In the event that the paid amount of taxes or fees exceeds the payable amount, the excess is not refunded, but is integrated into the tax liabilities for the following year.

Chapter 11

Securities

A joint venture between the Bank of Lao PDR (BOL) (51 % shareholding) and the Korea Exchange (49 % shareholding) resulted in the establishment of the Lao Securities Exchange (LSX) at the end of 2010. The Lao Securities Commission (LSC) was also established to oversee the sale of securities in the country. The LSX was established with a view to raising funds for companies and to boost economic growth in the Lao PDR.

The securities exchange is now governed by the 2012 Securities Law, which replaces the 2010 Securities and Exchange Decree. The Securities Law is applicable to individuals, legal entities, and organizations (both domestic and foreign) that conduct securities business activities in the Lao PDR and in foreign countries.

11.1 Listing Companies

In order to offer shares to the public, an issuing company must first obtain approval from the LSC. To be eligible for listing, issuing companies must:

- be incorporated as a public company;
- have a board of directors on which at least one-third of the directors are independent directors;
- establish an internal audit committee;
- adopt a plan for the use of capital, with a supporting resolution from the shareholders;
- prepare audited financial reports;
- be able to make a profit, have a good financial standing, and no doubtful debts;
- have a certificate of readiness for issuing shares from the securities company; and
- meet other conditions as determined by relevant laws and regulations.

Each public offering requires issuing companies to enter into a commitment with a securities company, except in the case of a private public offering.

11.2 Securities

Under the Securities Law, securities are defined to include stocks, debentures, mutual funds, and other types of securities.

11.3 Public Offerings

The procedures for public offerings in the Lao PDR are as follows:

- announce an approval for public offering;
- determine the price of securities;
- advertise the public offering through public media;
- securities subscription and deposit of money;

- distribute securities;
- make payment or return of deposit in case the subscribers do not receive the securities; and
- issue the certificate of possession of securities.

A public offering must be made within 90 days of the issuance of LSC approval, extendable by 30 days with approval.

All of these steps must be conducted in a transparent manner, and companies are required to fulfill regular disclosure and reporting requirements.

Within five working days of completing the public offering, the company must provide a report to the LSC, which will certify the outcome of the public offering. A public offering will be unsuccessful if subscriptions are less than 80 % of the total share offering. In such cases, deposits must be returned to the investors within five working days.

Issuing companies must be audited within the first quarter of the following year after the public offering by an external auditor pre-approved by the LSC.

An issuing company must disclose, via any means of media, quarterly financial statements, annual financial statements audited by an external auditor, annual reports, and any other information deemed relevant by the LSC.

11.4 Investing in the Lao Securities Exchange

Both individual and juristic persons can trade securities on the LSX. Foreign investors may buy stock of listed companies in the securities exchange subject to the regulations of relevant sectors, the resolutions of the shareholders of the listed company, and determinations made by the LSC. There are regulations that prescribe business activities that are reserved for Lao citizens. This means that the foreign investors cannot buy the shares of listed companies conducting reserved business activities.

“Foreign investor” is defined as investor who is from a foreign country. Foreign investor includes individual investor and institutional investor. Institutional investor includes Securities Company, mutual fund, commercial bank, asset Management Company, insurance company, companies and international organizations.

11.5 Securities Brokerages

A securities brokerage can be established in the form of a limited company, except a sole limited company.

A foreign securities company wishing to operate as a securities broker or securities underwriter must form a joint venture with a bank. At least one shareholder must be a commercial bank established under Lao laws and such a commercial bank and other local shareholders must hold at least 30% of the shares in the securities company.

A financial advisor must be a joint venture with a local individual or a legal entity established under Lao laws. Local shareholders must hold at least 10% of the shares in the financial

advisory company.

A foreign securities company must have at least five-year's experience in the securities, finance and banking or accounting sectors. It must also meet other requirements as provided for in the Securities Law and regulations. One of the requirements is the registered capital, as follows:

- LAK 5 billion for financial advisor;
- LAK 30 billion for securities broker; and
- LAK 100 billion for securities underwriter.

Chapter 12

Contract Law and Secured Transactions

12.1 Contract Requirements

The Contract and Tort Law regulates the formation, performance, and enforcement of contracts, and sets out detailed rules for certain specified types of contracts, such as:

- sale-purchase agreements;
- consignment agreements;
- loan agreements;
- contracts for the borrowing of assets for use;
- rental contracts for assets;
- bailment contracts;
- contracts of authorization-delegation;
- service contracts;
- construction contracts;
- transportation contracts; and
- partnership agreements.

The Contract and Tort Law combines free market-oriented contract principles with certain equity considerations. No rule is provided regarding the interpretation of contractual provisions.

12.2 General Contract Formation

A “contract” is described as a legal relationship between one, two, or multiple parties giving rise to legal rights and obligations. The following elements and conditions must be present at the time of contract formation to prevent the contract from being considered void:

- willingness of the parties (no fraud, duress, etc.);
- legal capacity of the parties (being parties with proper authority, etc.);
- the purpose of the contract must be precise, possible, and legal;
- the basis of the contract must be legal; and
- the legal form of the contract must be correct.

The objective, price, and period of performance are recommended components of all types of contracts, as well as the place for the performance of contractual obligations, the means for resolving disputes, conditions for modification and termination, and consequences arising from a breach of contractual conditions.

Generally, a contract must be written.

12.3 Voidable Contracts

Certain equity principles are contained in the Contract and Tort Law. These principles are as follows:

- a contract is voidable if it is not beneficial to a party;
- a contract is voidable if entered into by a party by necessity in a critical situation; and
- a contract is void if it conflicts with state or public interests.

If a voidable contract is declared void for reasons other than duress, fraud, or coercion, the contract assets are returned to the party that contributed the asset. Any interested party may petition the courts to declare a voidable contract to be void on the grounds that it conflicts with state or public interests, not only the parties to the contract.

Where a contract is void for conflicting with state or public interests, all assets involved in the contract will be nationalized. Although not entirely clear, it appears that such assets are limited to assets used in performance of the contract obligations.

12.4 Performance

The contracting parties must perform in good faith. They cannot refuse performance of contractual obligations or unilaterally alter a contract, except in specific circumstances allowed by law. Difficulties in contract performance are to be notified to the other party.

The Secured Transactions Law and the Secured Transactions Decree provide a basis to ensure contract performance by allowing various measures such as pledges, security encumbrances, guarantees, and penalties. All pledges or other grants of a security interest must be in writing, and can be made separately or be included in the underlying contract.

A guarantor is only liable for the principal of the debt, while the primary obligor is liable for any interest and other fees, unless the contract provides otherwise. Demand must be made to the primary obligor before recourse to the guarantor. The guarantor will enjoy full subrogation rights against the primary obligor.

Any amendment or modification of the underlying guaranteed obligation without the consent of the guarantor will fully release the guarantor.

Contractual penalties for non-performance, incomplete performance, and late performance are permissible.

12.5 Modification or Termination of Contracts

A contract can be modified or terminated upon agreement between the parties. If there has been a breach of contract, the injured party may unilaterally alter or terminate the contract. Modifications or terminations of written contracts must be made in writing. When a contract is terminated, any performance that has already occurred must be compensated, and any performance that has not yet occurred is considered cancelled. If an entity is bankrupt or dissolved, all contracts executed by that entity expire.

The law's termination provisions are broadly written and do not contain any mandatory notice

periods.

12.6 Statute of Limitations

A party suing on a contract (other than a construction contract) must bring that action within three years from the date of contract expiration. In the case of construction contracts, the limitations period is 10 years. The limitations period can be suspended in certain, very specific, circumstances.

12.7 Liabilities and Non-Contractual Obligations

The law provides for damages “arising from” breach of contract. The defaulting party is liable for damages arising from the breach, unless such breach occurred due to accident or force majeure.

Only direct damages are recognized by the courts; consequential damages will not be awarded regardless of proximity, evidence, or other matters.

Non-contractual obligations are governed by the tort provisions of the law. These establish a general principle of liability, in that any individual causing damage to any other person by his act must compensate for such damage, except if the damage was not due to fault, or arose in the performance of legal duties or self-defense.

Individuals who jointly cause damage must be jointly liable for damages they have caused.

The provisions of the law confirm that only direct damages, which result directly from a wrongful act, are considered. If the actions causing the damages were lawful, there is no “wrongful act” and there can be no recovery.

12.8 Bills of Exchange and Promissory Notes

The Decree Regarding Bills of Exchange and Promissory Notes specifies additional formalities, rights, and obligations with respect to bills of exchange and promissory notes, and the endorsement and guarantee of such instruments.

12.9 Use of Seals

According to the Decree on the Management and Use of Seals, the affixed seal is evidence of the “legality” of a document. While ministries are required to affix the appropriate seal to contracts, it is not mandatory that a private corporate entity do so. Affixing a seal would afford additional comfort that the contract was legally executed and binding.

12.10 Secured Transactions

Secured transactions are governed by the Secured Transactions Law and the Secured Transactions Decree, which define two general types of security interests: legal security, as created by law (e.g. wage and tax claims, other non-contractual obligations to the government, and lien rights of suppliers of goods and materials); and contractual security, as created by contract (e.g. pledges, security interests, mortgages, guarantees, etc.).

Perfected security interests are junior to legal security (wage claims, tax claims, and lien rights of suppliers of goods and materials) but are senior to subsequently perfected security interests and non-secured claims of creditors.

The following types of “contractual security” are permitted by the Secured Transactions Law:

- security over immovable property (covering immovable assets [including land use rights, leases, and fixtures] and movable assets);
- security over movable property (covering material and tangible assets, documents, shares, contractual rights, receivables, bank accounts, intellectual property rights, licenses, and future assets or gains from activities reasonably certain to occur in the future); and
- guarantees (personal or corporate).

Floating liens over inventory or receivables can be granted as long as they relate to an activity of the grantor that is reasonably certain to occur in the future.

Three witnesses are generally required for security agreements concerning immovable assets. In practice, witnesses are usually used for all security agreements.

The Secured Transactions Law and the Secured Transactions Decree allow the creditor to enforce or exercise its rights, as determined in the security agreement, without a prior obligation of mediation, arbitration, or court proceedings. However, the secured creditor must provide a 10-day enforcement notice in the case of movable assets, and 60-day notice in the case of immovable assets. “Self-help” is permitted – to the extent that no laws are violated in the process.

A security interest will automatically expire, without the necessity for the filing of documents, if the underlying debt has been paid in full, the statute of limitations period has expired, or the creditor has relinquished the claim. Amendment or modification of the underlying guaranteed obligation without the consent of a guarantor will fully release the guarantor.

12.11 Perfection of Security Interests, Contract Notarization, and Registration Requirements

The Secured Transactions Law and the Secured Transactions Decree require the registration of all security agreements for the perfection of a security interest. Guarantees must also be registered as per the Document Registration Decree, for enforceability. Security agreements relating to immovable assets are to be registered with the relevant Department of Natural Resources and Environment (DONRE). Security agreements relating to movable assets and guarantees are to be registered with the State Assets Management Department (SAMD), and registration fees and stamp duties are payable. Security documents relating to immovable assets must also be notarized, which will require a Lao-language translation. Other security documents and guarantees will require a Lao-language summary for the registration process.

As per the Document Registration Decree and related regulations, all contracts must be registered with either the SAMD (non-land related contracts) or DONRE (land-related

contracts) for enforceability in the Lao PDR. Security documents relating to movable assets (including share pledges) must be re-registered with the SAMD every four years and nine months, effective as of June 20, 2012.

While generally not mandatory (other than in the case of land leases, equipment leases, and security documents related to immovable assets), contracts may also be notarized by the Notary Office, which will provide a guarantee that the notarized document is a true and correct copy or original. Notarization fees are payable and a full Lao-language translation is required.

Chapter 13

Dispute Resolution

The Law on Civil Procedure came into force in 2012 and has significantly improved the legal framework governing the resolution of civil disputes. Among other key principles, the law provides that:

- civil proceedings must be conducted on the basis that all Lao PDR citizens, foreigners, aliens, and stateless people are equal before the law and the courts;
- court proceedings must be in the Lao language and that parties who do not know the Lao language may use their own language with the assistance of an interpreter and translator;
- all trials shall be heard in public, except for matters concerning state secrecy; and
- court decisions must be delivered in public.

13.1 Judicial Dispute Settlement

Under the Law on Civil Procedure, the People's Court comprises:

- area or district courts;
- provincial and city courts;
- regional courts; and
- the Supreme Court.

The area or district courts have jurisdiction over civil cases not exceeding LAK 300 million. Their jurisdiction is also limited to civil cases, labor cases, matrimonial disputes, minor disputes, and excludes commercial disputes and matters relating to juveniles.

Provincial and city courts have jurisdiction over civil cases exceeding LAK 300 million and which do not fall within the jurisdiction of the area or district courts. Both area or district courts and provincial and city courts are courts of first instance. Provincial and city courts may also hear appeals against decisions of the area or district courts.

Regional courts act as appeal courts for matters adjudicated by provincial or city courts. Regional courts also issue orders, judgments, and final decisions to the law enforcement authorities for implementation.

The Supreme Court has jurisdiction to hear matters relating to questions of law, and to reopen the decisions of lower courts.

The People's Courts are divided into five chambers, with each chamber having distinct jurisdiction in relation to the subject matter of the dispute.

The Civil Chamber has jurisdiction over civil and administrative relationships, property and inheritance claims, claims for compensation for damages, but excluding commercial disputes.

The Labor Chamber has jurisdiction over disputes arising from labor contracts, occupational health and safety, and salary and wage claims. The dispute resolution mechanisms provided in the Labor Law remain operative and are not replaced by the jurisdiction of the Labor Chamber. The Labor Chamber may hear matters once the dispute resolution procedures in the Labor Law have been exhausted.

The Commercial Chamber has jurisdiction over claims arising from commercial contracts, payment instruments, intellectual property, bankruptcy and liquidations, partnerships, loan and financing facilities, insurance, and international trade. Actions before the Commercial Chamber must be preceded by a demand for payment by the creditor party. Before the commencement of a trial, the Commercial Chamber is obliged to mediate the dispute. If a settlement agreement is reached pursuant to mediation, the agreement shall be made an order of court. The Commercial Chamber is also vested with the power to review decisions of the Office of Economic Dispute Resolution (OEDR), including mediated settlements and arbitral awards not yet enforced. The Commercial Chambers' power to review arbitral awards made by the OEDR appears to be limited to questions of law, although there is no express provision limiting its powers to consider questions of fact, as well. It remains to be seen how far-reaching the powers of the Commercial Chamber will be in this regard.

The Family Chamber has jurisdiction over marital and custody claims, while the Juvenile Chamber has jurisdiction over matters relating to the rights of minors.

The Law on Civil Procedure also introduces new and detailed provisions relating to the role of legal representatives, the submission and evaluation of evidence, trial procedures, and the role of judicial officers.

13.2 Judgment Enforcement

The Law on Judgment Enforcement provides for the execution of final, legally effective, and proper court instructions, orders, decisions at first instance, decisions on appeal, decisions on cassation, and other juridical acts.

The law gives the executive branch, through the Ministry of Justice (MOJ), strong powers to issue orders to enforce court judgments, including the seizure of assets.

A specific administrative structure is established for implementing the enforcement of judgments, primarily under the MOJ, with some involvement of the courts, police, and public prosecutor. The law determines the types of court judgments that are enforceable, the rights and duties of enforcement officers, and the steps in enforcement procedure.

Judgment enforcement officers may issue orders to confiscate, seize, or move property, subject to notice to the asset owner or debtor. Before being sold at auction to pay off the debt, the assets must be evaluated by an evaluation committee, and the evaluation result be published.

Fines and other measures are applicable to persons or entities that do not comply with enforceable court judgments.

13.3 Domestic Mediation and Arbitration

Mediation and arbitration in the Lao PDR is governed by the Law on Economic Dispute Resolution.

The OEDR manages the resolution of economic disputes. The organization is divided into two levels:

- at the central level there is an OEDR equivalent to a department, and which is part of the MOJ; and
- at the provincial level, where necessary, there is a Unit of Economic Dispute Resolution (UEDR).

Where the parties agree, economic disputes can be resolved by the OEDR or UEDR through mediation or arbitration, as long as the matter is not currently before a court or is not a matter about which a judgment has already been made.

The procedures for appointment of mediators or arbitrators, and the timeframes for conducting the mediation or arbitration, are set out in the law. If the parties reach an agreement in mediation, a settlement agreement is drafted. If, however, an agreement cannot be reached, the parties can refer the dispute to arbitration or to the courts.

Arbitration will be concluded with the drafting of an arbitral award by the arbitrators, which is effective from the date the award is read to the parties. Parties have an obligation to implement the award, a settlement agreement reached before the issuance of an arbitral award, or mediation settlement agreement, within 15 days of the decision.

Where a party is disadvantaged because of the non-implementation of an arbitral award, a settlement agreement reached before the issuance of an award, or a mediation settlement agreement, that party has the right to request that the court issue a final judgment in order to ensure the result is enforced.

If the court verifies that the decision is in accordance with the law, then the decision becomes enforceable. The parties do not have a right to appeal unless the confirmation of the court was a confirmation of a wrong settlement or was inconsistent with the settlement agreement between the parties or the arbitral award.

OEDR arbitrators and mediators often have limited training or knowledge in relation to commercial matters, and for this reason foreign investors are often cautious about using domestic arbitration and mediation processes.

13.4 International Arbitral Awards

The Lao PDR is a party to the New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards.

Many foreign investors execute contracts with other investors (i.e. local companies, individuals, and government bodies) that include foreign arbitration clauses, including arbitration under the United Nations Commission on International Trade Law (UNCITRAL)

rules, Singapore International Arbitration Centre Rules, and Hong Kong International Arbitration Centre Rules.

International arbitral awards are enforceable in the Lao PDR once they have been certified by the People's Court. The following conditions must be fulfilled in order to obtain such certification:

- the relevant parties must hold nationalities of countries that are state parties to the New York Convention;
- the arbitral award must not conflict with the constitution, laws, and regulations of the Lao PDR on issues relating to national security, social order, and the environment; and
- the party against whom the award is enforced must operate a business, hold shares, have savings, or hold assets in the Lao PDR.

Once the People's Court has certified the arbitral award, enforcement of the award can take place.

13.5 Enforcement of Foreign Court Judgment

The Lao PDR is not a party to the Convention on the Recognition and Enforcement of Foreign Judgments in Civil and Commercial Matters (The Hague, 1971). The Law on Judgment Enforcement states that foreign court judgments require endorsement by the People's Court and is enforceable only by proper order of such court.

The Law on Civil Procedure provides for the recognition of foreign court judgments under certain conditions:

- there is a relevant treaty requiring such enforcement be in place;
- there is an official Lao translation of the judgment;
- the foreign judgment does not conflict with Lao PDR law; and
- the foreign judgment does not adversely affect the sovereignty of the Lao PDR.

Furthermore, the Law on Civil Procedure provides that the People's Court may choose not to acknowledge the decision of a foreign court if, *inter alia*, it is a matter under the jurisdiction of a Lao PDR court (which includes jurisdiction conferred by operation of law, notwithstanding any agreement between contracting parties for the submission to the courts of a foreign jurisdiction), or on the basis of any other matter relating to the foreign court judgment. This gives Lao PDR courts wide discretion as to whether foreign court judgments will be recognized.

On receiving an application to recognize a foreign judgment, a Lao PDR court must call on the party against whom the judgment is to be enforced (if resident in the Lao PDR) to provide their explanation regarding the foreign judgment. This suggests that the Lao PDR court may adduce further evidence and consider the facts on which the foreign court judgment is based.

Given the foregoing constraining factors, it is highly unlikely that a judgment from a foreign court (as opposed to an arbitral award) could be enforced in the Lao PDR without complete re-

trial, or re-trial of the major issues, even if an international treaty permitted the recognition of foreign court judgments.

Annex 1

Abbreviations and Acronyms

BOL	Bank of Lao PDR
CRS	Concession Registration Certificate
DONRE	Department of Natural Resources and Environment
ERC	Enterprise Registration Certificate
IPD	Investment Promotion Department
LAA	Labor Administration Agency
LAK	Lao Kip, Lao PDR unit of currency
LSC	Lao Securities Commission
LSX	Lao Securities Exchange
LMD	Land Management Department
MAF	Ministry of Agriculture and Forestry
MEM	Ministry of Energy and Mines
MICT	Ministry of Information, Culture, and Tourism
MLSW	Ministry of Labor and Social Welfare
MOF	Ministry of Finance
MOIC	Ministry of Industry and Commerce
MOJ	Ministry of Justice
MONRE	Ministry of Natural Resources and Environment
MOST	Ministry of Science and Technology
MPI	Ministry of Planning and Investment
MPS	Ministry of Public Security
MPWT	Ministry of Public Works and Transport
NASC	National Assembly Standing Committee
NSSF	National Social Security Fund
OEDR	Office of Economic Dispute Resolution
SEZ	Special Economic Zones
SAMD	State Assets Management Department

TIN	Tax Identification Number
UEDR	Unit of Economic Dispute Resolution

Annex 2

GOL Contact Information

Address	Website	Telephone
National Assembly		
Kaysone Road, Phonkheng Village, Xaysettha District, Vientiane Capital, Lao PDR	www.na.gov.la	T: (21) 413-518 F: (21) 413-528
Ministry of Planning and Investment		
Souphanouvong Road, Sithannuea Village, Sikhottabong District, Vientiane Capital, Lao PDR	www.investlaos.gov.la	T: (21) 217-020 F: (21) 217-010
Bank of Lao PDR		
Yonnet Road, Xiang Yeun Village, Chanthabouly District, Vientiane Capital, Lao PDR	www.bol.gov.la	T: (21) 243-710 F: (21) 213-108
Ministry of Science and Technology		
Sidamduan Road, Sidamduan Village, Chanthabouly District, Vientiane Capital, Lao PDR	www.most.gov.la	T: (21) 213-470 F: (21) 213-472
Ministry of Posts and Telecommunications		
Samsenthai Road, Xieng Yuen Village, Chanthabouly District, Vientiane Capital, Lao PDR	www.mpt.gov.la	T: (21) 215-877 F: (21) 219-857
Ministry of Natural Resources and Environment		
Nongbeuk Road, Dongnasok Village, Sikhottabong District, Vientiane Capital, Lao PDR	www.monre.gov.la	T: (21) 263-799 F: (21) 263-799
Ministry of Foreign Affairs		
23 Singha Road, Nongbon Village, Xaysettha District, Vientiane Capital, Lao PDR	www.mofa.go.la	T: (21) 415-822 F: (21) 414-022
Ministry of Finance		
23 Singha Road, Nongbon Village, Xaysettha District, Vientiane Capital,	www.mof.gov.la	T: (21) 412-409 F: (21) 911-336

Address	Website	Telephone
Lao PDR		
Ministry of Public Works and Transport		
Lane Xang Road, Phonxay Village, Xaysettha District, Vientiane Capital, Lao PDR	www.mpwt.gov.la	T: (21) 412-255 F: (21) 412-250
Ministry of Industry and Commerce		
Phonesay Road, Naxay Village, Xaysettha District, Vientiane Capital, Lao PDR	www.moic.gov.la	T: (21) 453-490 F: (21) 412-434
Ministry of Agriculture and Forestry		
Lane Xang Road, Phonxay Village, Xaysettha District, Vientiane Capital, Lao PDR	www.maf.gov.la	T: (21) 412-342 F: (21) 412-344
Ministry of Energy and Mines		
Nongbone Road, Naxay Village, Xaysettha District, Vientiane Capital, Lao PDR	www.mem.gov.la	T: (21) 413-000 F: (21) 413-005
Ministry of Justice		
Lane Xang Road, Phonxay Village, Xaysettha District, Vientiane Capital, Lao PDR	www.moj.gov.la	T: (21) 415-920 F: (21) 414-102
Ministry of National Defense		
Kaysone Phomvihane Avenue, Phonkeng Village, Xaysettha District, Vientiane Capital, Lao PDR	www.mod.go.la	T: (21) 911-017 F: (21) 900-708
Ministry of Education and Sports		
Lane Xang Avenue, Xieng Yuen Village, Chanthabouly District, Lao PDR	www.moe.gov.la	T: (21) 216-004 F: (21) 216-007
Ministry of Labour and Social Welfare		
Pang Kham Road, Sisaket Village, Chanthabouly District, Lao PDR	www.molsw.gov.la	T: (21) 213-000 F: (21) 213-287
Ministry of Home Affairs		
Sidamduan Road, Sidamduan Village, Chanthabouly District, Vientiane	www.moha.gov.la	T: (21) 212-545 F: (21) 213-649

Address	Website	Telephone
Capital, Lao PDR		
Ministry of Information, Culture, and Tourism		
Setthathilath Road, Xieng Yuen Village, Chanthabouly District, Lao PDR	www.micat.gov.la	T: (21) 212-412 F: (21) 212-411
Ministry of Public Security		
Hatsady Road, Hatsady Village, Chanthabouly District, Lao PDR	www.laosecurity.gov.la	T: (21) 970-084 F: (21) 212-411
Ministry of Health		
Setthathilath Road, Simeung Village, Sisatanak District, Vientiane Capital, Lao PDR	www.moh.gov.la	T: (21) 214-001 F: (21) 214-000
Lao Women's Union		
Thaduea Road Sisatanak Road, Buengkayong Village, Sisatanak District, Vientiane Capital, Lao PDR	www.laowomenunion.org.la	T: (21) 316-253 F: (21) 316-325
Lao Front for National Construction		
Samsenthai Road, Hatsady Village, Chanthabouly District, Vientiane Capital, Lao PDR		T: (21) 213-754 F: (21) 213-758
Lao Trade Union		
450 Road, Nakhae Village, Xaythany District, Vientiane Capital, Lao PDR	www.dokchandch.blogspot.com	T: (21) 713-201 F: (21) 711-538
Electricité du Laos		
Lao-Thai Friendship Road, Tongkang Village, Sisattanak District, Vientiane Capital, Lao PDR	www.edl.com.la	T: (21) 316-133 F: (21) 316-118
Lao Government Office		
Sisavath Village, Chanthabouly District, Vientiane Capital, Lao PDR	www.laogov.gov.la	T: (21) 213-653 F: (21) 218-946
Lao Official Gazette of Ministry of Justice		
Ministry of Justice Department of Law Dissemination Division of Law Publication Official Gazette Section	www.laoofficialgazette.gov.la	T: (21) 454-824 F: (21) 454-824

Address	Website	Telephone
Lanexang Avenue P.O. Box 08 Vientiane Capital, Lao PDR		
Lao Trade Portal of Ministry of Industry and Commerce		
Ministry of Industry and Commerce Department of Import and Export Phonesay Road, Phonesay Village, Xaysettha District, Vientiane Capital, Lao PDR	www.laotradeportal.gov.la	T: (21) 454-224 F: (21) 454-224
Lao National Committee for Special Economic Zone		
Sisavath Village, Chanthabouly District, Vientiane Capital, Lao PDR	www.sncsez.gov.la	T: (21) 254-474 F: (21) 254-474
Lao National Chamber of Commerce an Industry		
Kaysone Phomvihane Avenue, Phonphanao Village, Xaysettha District, Vientiane Capital, Lao PDR	www.laocci.com	T: (21) 453-312 F: (21) 452-580

Annex 3

Citations

Laws/Decrees/Regulations/Decisions/Guidelines		Date
Laws		
1	The Amended Contract and Tort Law, № 01/NA, (the Contract and Tort Law)	08/12/2008
2	The Amended Law on Civil Procedure Law, № 13/NA, (the Law on Civil Procedure)	04/07/2012
3	The Amended Law on Accounting, № 01/NA, (the Accounting Law)	02/07/2007
4	The Amended Insurance Law, № 06/NA, (the Insurance Law)	21/12/2011
5	The Law on Investment Promotion, № 02/NA, (the Investment Promotion Law);	08/07/2009
6	The Amended Customs Law, № 04/NA, (the Customs Law)	20/12/2011
7	The Secured Transactions Law, № 06/NA, (the Secured Transactions Law)	20/05/2005
8	The Amended Tax Law, № 05/NA, (the Tax Law)	20/12/2011
9	The Amended Forestry Law, № 06/NA, (the Forestry Law)	24/12/2007
10	The Law on Water and Water Resources, № 02/96, (the Water Resources Law)	11/10/1996
11	The Amended Land Law, № 04/NA, (the Land Law)	21/10/2003
12	The Amended Electricity Law, № 03/NA, (the Electricity Law)	20/12/2011
13	The Mineral Law, № 02/NA, (the Minerals Law)	20/12/2011
14	The Amended Environmental Protection Law, № 29/NA, (the Environmental Protection Law)	18/12/2012
15	The Amended Law on Judgement Enforcement, № 04/NA, (the Law on Judgement Enforcement)	25/07/2008
16	The Amended Law on Economic Dispute Resolution, № 06/NA, (the Law on Economic Dispute Resolution)	17/12/2010
17	The Enterprise Law, № 11/NA, (the Enterprise Law)	09/11/2005
18	The Law on Commercial Banks, № 03/NA, (the Law on Commercial Banks)	26/12/2006
19	The Value-Added Tax Law, № 04/NA, (the VAT Law)	26/12/2006
20	The Amended Law on Intellectual Property, № 01/NA, (the Intellectual	20/12/2011

Laws/Decrees/Regulations/Decisions/Guidelines		Date
	Property Law)	
21	The Law on Social Security, № 34/NA, (the Social Security Law)	26/07/2013
22	The Securities Law, № 21/NA	10/12/2012
23	The Construction Law, № 05/NA	26/11/2009
24	The Agriculture Law, No 01/NA	10/10/1998
25	The Law on State Budget, No 02/NA	26/12/2006
26	The Anti-Money Laundering Law, No 49/NA	21/7/2014
27	The Foreign Exchange Law, No 55/NA	22/12/2014
28	The Amended Labour Law, No: 43/NA	24/12/2013
Decrees		
1	Decree Regarding Implementation of the Law on Investment Promotion, № 119/PM, (the Investment Promotion Decree)	20/04/2011
2	Decree on Document Registration, № 52/PM, (the Document Registration Decree)	13/03/2003
3	Decree Regarding the Management and Use of Seals, № 218/PM, (the Decree on the Management and Use of Seals)	19/07/2005
4	Decree Regarding Bills of Exchange and Promissory Notes, № 229/PM, (the Decree Regarding Bills of Exchange and Promissory Notes)	12/12/1998
5	The Financial Leasing Decree, № 11/PM	18/02/1999
6	Draft Decree on the Implementation of the Law on Insurance	2013
7	Securities and Exchange Decree, № 255/PM	24/05/2010
8	Secured Transactions Decree, № 178/PM	20/06/2011
9	Decree on State Land Leases and Concessions, № 135/PM	25/05/2009
10	Environmental Impact Assessment Decree, № 112/PM	16/02/2010
11	Foreign Exchange Decree, No 150/PM	18/5/2007
12	Decree on State Land Leases and Concessions, No: 135/PM	25/5/2009
13	Compensation and Resettlement Decree, No 192/PM	7/7/2005
Regulations		
1	Regulation Regarding Savings and Credit Unions, № 03/BOL, (the Regulation Regarding Savings and Credit Unions)	03/06/2008
2	Regulation Regarding Non-Deposit-Taking Micro-Finance Institutions, No. 02/BOL, (the Regulation Regarding Non-Deposit-Taking Micro-Finance Institutions)	20/06/2008

Laws/Decrees/Regulations/Decisions/Guidelines		Date
3	Regulation Regarding Deposit-Taking Micro-Finance Institutions, № 04/BOL, (the Regulation Regarding Deposit-Taking Micro-Finance Institutions)	20/06/2008
Decisions		
1	Decision Regarding the Importation of Foreign Laborers to Work in the Lao PDR, № 5418/MLSW, (the Decision Regarding the Importation of Foreign Laborers)	10/12/2007
2	Environmental Impact Assessment Decision (№ 149/PM)	21/08/2008
Guidelines		
1	Foreign Exchange Guideline, No 01/BoL	2/4/2010

Annex 4

Important International Treaties Signed by the Lao PDR

Title of Treaty or Convention	Date of Signature	Date of Entry into Force
Plant Protection Agreement for the Asia and Pacific Region	25/05/1956	17/03/1960
Treaty Banning Nuclear Weapons Tests in the Atmosphere, in Outer Space and Under Water	12/08/1963	07/04/1965(R)
Convention Concerning the Protection of the World's Cultural and Natural Heritage		20/06/1987
United Nations Convention on the Law of the Sea	10/12/1982	05/06/1988
Framework Convention on Climate Change		04/01/1995 (A)
Convention on Biological Diversity		20/09/1996 (A)
Agreement Relating to the Implementation of Part XI of the United Nations Convention on the Law of the Sea, of December 1982	27/10/1994	05/06/1998 (Consent to be bound.)
Convention on the Prohibition of Military or Any Other Hostile Use of Environmental Modification Techniques	13/04/1978	05/10/1978
Agreement of the International Bank for Reconstruction and Development	05/07/1961	05/07/1961 (A)
Treaty on the Non-Proliferation of Nuclear Weapons	01/07/1968	05/03/1970 (R)
Treaty on the Prohibition of the Emplacement of Nuclear Weapons and Other Weapons of Mass Destruction on the Sea Bed and the Ocean Floor and in the Subsoil Thereof	11/02/1971	18/05/1972(R)
Convention on International Liability for Damages Caused by Space Objects	29/03/1972	20/03/1973(R)
Convention on the Prohibition of the Development, Production, and Stockpiling of Bacteriological and Toxic Weapons, and on their Destruction	10/04/1972	26/03/1975(R)
New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards (the New	17/06/1998	15/09/1998

Title of Treaty or Convention	Date of Signature	Date of Entry into Force
York Convention)		
International Convention on Anti -Corruption	10/12/2003	25/12/2009 (R)
Convention on Tobacco Control	29/06/2004	05/09/2006(R)
Charter of Association of Southeast Asian Nations	20/11/2007	15/12/2008
ASEAN Framework Agreement on Visa Exemption	25/07/2006	Not In Force
ASEAN Agreement on Movement of Natural Persons	19/11/2012	Not In Force
ASEAN Agreement on Customs	30/03/2012	07/11/2014
ASEAN Framework Agreement on The Facilitation of Inter-State Transport	10/12/2009	30/12/2011
ASEAN Multilateral Agreement on The Full Liberalisation of Air Freight Services	20/05/2009	13/10/2009
ASEAN Multilateral Agreement on Air Services	20/05/2009	13/10/2009
ASEAN Trade in Goods Agreement	26/02/2009	30/04/2010
ASEAN Comprehensive Investment Agreement	26/02/2009	29/03/2012
Memorandum of Understanding on the ASEAN Power Grid	23/08/2007	19/03/2009
Agreement to Establish and Implement the ASEAN Single Window	09/12/2005	09/12/2005
ASEAN Framework Agreement on Multimodal Transport	17/11/2005	01/10/2008
ASEAN Tourism Agreement	04/11/2002	21/02/2007
E-ASEAN Framework Agreement	24/11/2000	Not In Force
ASEAN Framework Agreement on Mutual Recognition Agreements	16/12/1998	06/02/2009
ASEAN Framework Agreement on the Facilitation of Goods in Transit	16/12/1998	02/10/2000
Agreement on Establishment of the ASEAN Centre for Energy	22/05/1998	31/01/2000
Basic Agreement on the ASEAN Industrial Cooperation Scheme	27/04/1996	This Agreement has been superseded by ATIGA pursuant to Article 91(2) of the

Title of Treaty or Convention	Date of Signature	Date of Entry into Force
		latter
ASEAN Framework Agreement on Intellectual Property Cooperation	15/12/1995	Not In Force
ASEAN Framework Agreement on Services	15/12/1995	12/08/1998
Agreement on the Common Effective Preferential Tariff (CEPT) Scheme for the ASEAN Free Trade Area (AFTA)	28/01/1992	This Agreement has been superseded by ATIGA pursuant to Article 91(2) of the latter

Annex 5

Bilateral Investment Treaties Signed by the Lao PDR

Partner Signatory	Date of Signature	Date of Entry into Force
Australia	06 April 1994	08 April 1995
Belarus	01 July 2013	21 April 2014
Cambodia	24 November 2008	01 September 2009
China	31 January 1993	1 June 1993
Cuba	28 April 1997	10 June 1998
Denmark	28 September 1998	09 May 1999
France	12 December 1989	08 March 1991
Germany	09 August 1996	24 March 1999
India	09 November 2000	06 January 2003
Indonesia	18 October 1994	14 October 1995
Japan	12 January 2008	04 August 2008
Korea PDR	20 August 1997	22 August 1998
Republic of Korea	15 May 1996	14 June 1996
Kuwait	05 August 2008	Not yet in force
Malaysia	08 December 1992	25 March 1993
Mongolia	03 March 1994	29 December 1994
Myanmar	05 May 2003	28 August 2007
Netherlands	16 May 2003	01 May 2005
Pakistan	03 April 2004	09 March 2007
Philippines	08 June 2007	Not yet in force
Russia	06 December 1996	22 March 2006
Singapore	24 March 1997	25 March 1998
Sweden	29 August 1996	01 January 1997
Switzerland	04 December 1996	04 December 1996
Thailand	22 August 1990	07 December 1990

Partner Signatory	Date of Signature	Date of Entry into Force
United Kingdom	01 June 1995	01 June 1995
USA	08 March 1996	26 March 1996
Vietnam	14 January 1996	22 June 1996

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DFDL was established in 1994 and built on a unique vision: to create an integrated legal, tax and investment advisory firm, with in-depth knowledge of the jurisdictions we work in, providing technical excellence across our core areas of expertise.

Over twenty years later, DFDL continues to build on its reputation as the obvious first-choice firm for sophisticated transactions in frontier markets across Asia and beyond.

As these markets continue to expand and thrive, so has DFDL and we are now uniquely positioned to help clients access investment opportunities in the world's most dynamic region.

With a team of over 140 local and foreign advisers working within Asia, we provide personalized cost-effective consulting services and solutions with particular expertise in:

- Banking and Finance
- Corporate
- Mergers and Acquisitions
- Energy, Mining and Infrastructure
- Real Estate and Construction
- Taxation

Since its foundation, DFDL has acquired an outstanding reputation for providing integrated and solution-oriented services to establish, structure and protect our clients' business interests in dynamic and challenging markets. DFDL is also actively involved in developing the legal and regulatory environments of the frontier markets in which we operate.



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