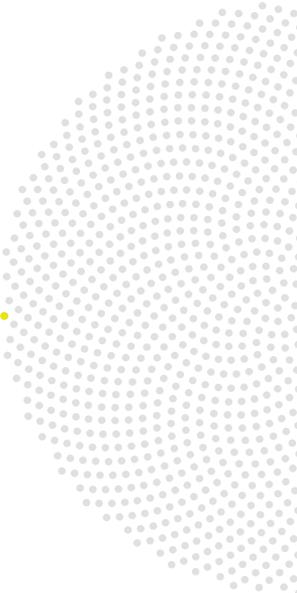


# ASEAN Insiders Guide: Investing in Lao PDR 2016



ZICOLaw (Laos) Sole Co., Ltd.  
1st Floor, Vieng Vang Tower  
Bourichane Road  
Unit 15, Dongpalane Thong Village  
Sisattanak District  
Vientiane, Lao PDR

Tel: +856 21 410033  
Fax: +856 21 410 041  
Email: [info@zicolaw.com](mailto:info@zicolaw.com)

[www.zicolaw.com](http://www.zicolaw.com)

©2016 ZICO Law

*All of the information included in this document is for informational purposes only, and may not reflect the most current legal developments, judgments, or settlements. This information is not offered as legal or any other advice on any particular matter. The firm and the contributing authors expressly disclaim all liability to any person in respect of anything, and in respect of the consequences of anything, done or not done wholly or partly in reliance upon the whole or any part of the contents of this publication. No client or other reader should act or refrain from acting on the basis of any matter contained in this document without first seeking the appropriate legal or other professional advice on the particular facts and circumstances.*

# Contents

<b>About ZICO Law.....</b>	<b>7</b>
<b>1. INTRODUCTION .....</b>	<b>8</b>
1.1 The Lao PDR and ASEAN Economic Community.....	8
1.2 Political Profile of the Lao PDR .....	8
1.3 Economic Profile of the Lao PDR .....	10
1.4 Overview of the Lao Legal System .....	11
<b>2. INVESTMENT .....</b>	<b>12</b>
2.1 Types and Terms of Investments .....	12
2.2 Forms of Investment.....	13
2.3 Promoted Investments .....	13
2.4 Restricted and Conditional Investments.....	14
2.5 Rights and Obligations of Investors .....	14
2.6 Remittances of Profits and Capital .....	15
2.7 Special and Specific Economic Zones.....	15
2.8 Investment Application Procedure .....	16
2.9 Bilateral Investment Treaties .....	17
<b>3. CORPORATE.....</b>	<b>18</b>
3.1 Forms of Enterprise .....	18
3.2 Capitalisation .....	18
3.3 Shareholders.....	19
3.4 Board of Directors.....	20
3.5 Other corporate matters.....	22
<b>4. LAND .....</b>	<b>24</b>
4.1 Land Ownership and Land Use Rights .....	24
4.2 Foreign Land Ownership/Lease/Concession.....	24
4.3 Condominium ownership .....	25
4.4 Land Categories, Concessions, and Construction .....	25
<b>5. LABOUR &amp; EMPLOYMENT .....</b>	<b>26</b>
5.1 Labour Conditions .....	26
5.2 Labour Relations.....	28
5.3 Employment Contracts .....	29
5.4 Termination of Employment Contracts.....	29
5.5 Foreign Employees .....	30
5.6 Labour Dispute .....	30
5.7 Social Security.....	30

<b>6. IMMIGRATION &amp; WORK PERMITS .....</b>	<b>31</b>
6.1 Visas.....	31
6.2 Work Permits.....	31
6.3 Maximum Residence .....	31
<b>7. INTELLECTUAL PROPERTY.....</b>	<b>32</b>
7.1 Trademarks .....	32
7.2 Patents.....	32
7.3 Copyright and Other Related Rights .....	32
7.4 Dispute Resolution .....	32
<b>8. NATURAL RESOURCES &amp; ENVIRONMENT.....</b>	<b>33</b>
8.1 Natural Resources: Types and Law .....	33
8.2 Legal Framework of Environmental Protection .....	34
<b>9. TAXATION .....</b>	<b>35</b>
9.1 Other Taxes.....	36
9.2 Double Taxation Agreements.....	36
<b>10. IMPORT, EXPORT &amp; CUSTOMS PROCEDURES.....</b>	<b>37</b>
10.1 Import and Export .....	37
10.2 Customs Procedures .....	37
<b>11. BANKING .....</b>	<b>38</b>
11.1 Commercial Banks.....	38
11.2 Foreign Exchange Control.....	38
<b>12. SECURED TRANSACTIONS &amp; FINANCING .....</b>	<b>38</b>
12.1 Secured Transactions.....	38
12.2 Financial Leasing.....	39
12.3 Micro-Finance.....	39
<b>13. INSURANCE .....</b>	<b>40</b>
<b>14. SECURITIES .....</b>	<b>40</b>
14.1 Company Listing .....	40
14.2 Public Offerings.....	40
<b>15. CONTRACT LAW &amp; ENFORCEMENT.....</b>	<b>41</b>
15.1 General Contract Formation .....	41
15.2 Breach of Contract.....	41
15.3 Statute of Limitations .....	41
15.4 Governing Law.....	42
15.5 Contract Formalities .....	42

<b>16. DISPUTE RESOLUTION</b> .....	<b>43</b>
16.1 Judicial Resolution .....	43
16.2 Foreign Court Judgment .....	43
16.3 Domestic Dispute Resolution Mechanisms .....	44
16.4 International Arbitration .....	44
<i>Endnotes</i> .....	47
<i>Notes</i> .....	53



## About ZICO Law

ZICO Law is a network of leading independent local law firms focused on the ASEAN region. With a presence in 15 cities in 8 out of 10 ASEAN countries, our 300 lawyers enable our clients to enjoy value-added legal services by leveraging on a combination of local expertise and regional insights.

Led by our highly experienced lawyers across ASEAN, we pull together our in-depth knowledge in the areas of banking and finance, capital markets, corporate and commercial, dispute resolution, intellectual property, projects, infrastructure and utilities, and government advisory, to cater for the increasing demand for cross-border legal advice. ZICO Law is associated with innovative, high quality and efficient services, as evidenced by numerous awards and top-tier rankings in the legal publications, regionally and internationally for our member firms and lawyers individually. ZICO Law has an active presence in Laos, Cambodia, Indonesia, Thailand, Malaysia, Myanmar, Singapore and Vietnam.

### ZICO Law in Laos

We have been operating from our Vientiane office since 2009 with a team of experienced foreign and Laotian lawyers. We advise and assist leading international and Laotian corporate clients. Our clients include overseas public listed companies, established commercial banks, and project companies.

ZICO Law Laos is a full-service law firm with principal practice areas including:

- Banking & Financing;
- Corporate Commercial;
- Energy, Mining and Infrastructure;
- Foreign Direct Investment;
- Intellectual Property;
- Labour; and
- Real Estate.

# 1. INTRODUCTION

## 1.1 The Lao PDR and ASEAN Economic Community

The Lao People's Democratic Republic, also commonly known as the Laos, is situated in the Mekong River Delta region and shares borders with the People's Republic of China, the Kingdom of Cambodia, the Socialist Republic of Vietnam, the Kingdom of Thailand, and the Republic of the Union of Myanmar. It has a total area of 236,800 square kilometers and a population of about 6.8 million people. It is a land-locked country with abundant natural resources mostly mineral, hydropower, and timber.

Since its independence in 1975, the country has followed a socialist-oriented centrally-planned economic management style until market-oriented reforms were implemented in 1986, giving the private sector an increasingly central role in the economy.

The government has been successful in progressively building institutions, modernising the economy, and significantly reducing poverty. In 2011, the World Bank raised the Lao PDR's income categorisation from a low income to a lower middle income economy, and the government seeks to graduate from 'least developed country' status by 2020. Among the government's two key stated objectives, political stability and sound macroeconomic management, have contributed to the recent economic success.

The Lao PDR became a member of ASEAN in 1997. The creation of the ASEAN Economic Community (AEC) in 2015 is highly relevant for economic development in the Lao PDR. It has established a single market with 625 million consumers and a purchasing power of USD2.3 trillion. For the Lao PDR, the AEC offers great potential for economic development through improved access to the regional market. As a single production base, it also increases the opportunities for the Lao PDR to participate in regional value chains. ASEAN member states already account for more than half of the Lao PDR's total foreign trade.

## 1.2 Political Profile of the Lao PDR

The Lao PDR can trace its roots to the ancient Lao kingdom of Lane Xang, established in the 14th century under King Fa Ngum.<sup>1</sup> The Lane Xang Kingdom has its influence reaching into the present day Cambodia and Thailand.<sup>2</sup> The Lao PDR came under the domination of Siam (Thailand) from the late 18th century until the late 19th century when it became part of French Indochina.<sup>3</sup> The Franco-Siamese Treaty of 1907 defined the current Lao border with Thailand.<sup>4</sup> In 1975, the communist Pathet Lao took control of the government ending a six-century-old monarchy and instituting a strict socialist regime closely aligned to Vietnam,<sup>5</sup> with the Lao PDR

being established on 2 December 1975.<sup>6</sup>

The Lao PDR is a socialist state under the one party system of the Lao People's Revolutionary Party.<sup>7</sup> Under the amended Constitution, the State consists of the National Assembly, President, Government,<sup>8</sup> Local Administration, People's Court, and the Office of the Public Prosecutor.

### **National Assembly**

The National Assembly is the legislative branch of the State which has the right to make decisions on fundamental issues, and adopt and monitor the implementation of the Constitution and laws.<sup>9</sup> The National Assembly members are elected by Lao citizens and have an office term of five years.<sup>10</sup> There are currently 132 members representing 18 provincial constituencies.<sup>11</sup>

The National Assembly also elects or removes the President, Vice President and members of the National Assembly Standing Committee.<sup>12</sup> The National Assembly Standing Committee is the permanent body of the National Assembly, and is to carry out duties on behalf of the National Assembly when in recess.<sup>13</sup>

### **President of the State**

The President is the Head of State and representative of the multi ethnic Lao people.<sup>14</sup> The President of the State is elected by the National Assembly with two-thirds of the votes of all members of the National Assembly attending the session, with an office term of five years and cannot hold the position for more than two consecutive terms<sup>15</sup>.

The President of the State may have a Vice-President as elected by the National Assembly with the votes of more than two-third of the number of National Assembly members attending the session. The Vice-President of the State executes all tasks assigned by the President and acts on behalf of the President if the latter is occupied on other matters. In case the President cannot perform his/her duties, the Vice-President will perform the duties until the National Assembly elects a new President.<sup>16</sup>

### **Government**

The Government is the executive branch of the State.<sup>17</sup> The Government consists of the Prime Minister, Deputy Prime Ministers, Ministers, and Chairmen of the ministry-equivalent organisations.<sup>18</sup> The term of office of the Government is five years and officials cannot hold the position for more than two consecutive terms.<sup>19</sup>

### **Local Administration**

Local administration is divided into three levels, namely:<sup>20</sup>

- Provincial level consisting of provinces and cities;

- District level consisting of districts and municipalities; and
- Village level consisting of villages.

Provinces are governed by governors, cities are governed by governors of cities, districts are governed by mayors, municipalities are governed by chiefs of municipalities, and villages are administered by village chiefs.<sup>21</sup> Governors, mayors, chiefs of municipalities, and village chiefs have deputies to assist them in their work. Governors, mayors, chiefs of municipalities cannot hold the position at the same place for more than two consecutive terms.<sup>22</sup>

### **People’s Court**

The People’s Courts constitute the judicial branch of the State and consist of:<sup>23</sup>

- People’s Supreme Court;
- People’s Local Court<sup>24</sup>; and
- Military Courts.

In the event that it is deemed necessary, the National Assembly Standing Committee may decide to establish a special court.<sup>25</sup>

### **Office of the Public Prosecutor**

The Office of the Public Prosecutor has the duty to monitor the implementation of the laws. The Office of the Public Prosecutor consists of:<sup>26</sup>

- Office of the Supreme Public Prosecutor;
- Offices of the Local Public Prosecutor<sup>27</sup>; and
- Office of the Military Prosecutor.

## **1.3 Economic Profile of the Lao PDR**

The Lao PDR experienced remarkable economic results in the past 10 to 15 years, largely as a result of natural resource development. Its gross domestic product (GDP) growth rate has exceeded 7% over the past decade, reaching approximately 8.5% in 2006, 2010, and 2013. Since 2005, growth in the Lao PDR is one of the highest and steadiest in the region, well above the Southeast Asian average. As a consequence, the country experienced an impressive surge of its GDP per capita, which more than doubled over the past 15 years in constant 2005 USD. When calculated in purchasing power parity, GDP per capita multiplied by almost three times since 2000 and by 1.6% since 2008.

Growth has been mostly driven by the country’s rich natural resources, which is reflected by the growing share of the industry sector that reached almost a third of total GDP in 2014, over six times higher than in 1990. When excluding manufacturing, industrial activities in the Lao PDR primarily consist of hydropower

generation and mining (copper, gold and silver among others) and represent a quarter of the GDP. While the portion of services to GDP remained approximately the same between 2000 and 2010, the share of industrial activity increased dramatically, reflecting the natural resources boom generated by large mining investments. Although the share of agriculture to GDP has significantly decreased over time, forestry remains one of the main economic pillars. Agriculture however, still represents approximately three quarters of total employment.

## 1.4 Overview of the Lao Legal System

The primary source of law is legislation. There are two types of legislation in the Lao PDR: legislation of general application and legislation of specific application.<sup>28</sup>

Legislation of general application consists of:<sup>29</sup>

- Constitution;
- Laws;
- Resolutions of the National Assembly;
- Resolutions of the National Assembly Standing Committee;
- Presidential Decrees;
- Decrees of the Government;
- Resolutions of the Government;
- Order or Decisions of the Prime Minister;
- Orders, Decisions or Guidelines of the Minister or head of the organisation under the supervision of the Government;
- Orders, Decisions or Guidelines of the Provincial Governor or Mayor;
- Orders, Decisions or Instructions of the District Governor or Head of municipality; and
- Regulations of the village.

Legislation of specific application includes:<sup>30</sup>

- Presidential Decrees on the promulgation of a law;
- Presidential Decrees or Decisions on granting an award or appointing a person for any position or a specific task; and
- Notifications.

All promulgated legislation of general application at the national, provincial, and capital levels comes into legal force only after 15 days from the publication date in the Official Gazette.<sup>31</sup> Districts, municipalities, and villages have the option to bring their legislation into legal force by publishing legislation in the Official Gazette or by posting their approved legislation for 15 days in other local media or in a way that people can access it easily.<sup>32</sup> In special cases where necessary or urgent conditions

arise, legislation may be brought into legal force immediately, but in these cases, such legislation must be published in the Official Gazette as quickly as possible.<sup>33</sup>

International treaties and agreements<sup>34</sup> which the Lao PDR has ratified also form part of the sources of law.

Jurisprudence is not recognised as a source of law and is not part of the legal system.

## 2. INVESTMENT

Investment in the Lao PDR is mainly governed by the Investment Promotion Law<sup>35</sup> and its Implementing Decree which regulates the promotion and management of both domestic and foreign investments. It defines domestic investors as Lao citizens, aliens<sup>36</sup>, apatrids<sup>37</sup>, and legal entities established by the foregoing persons who are residing and doing businesses in the Lao PDR, and foreign investors as foreign individuals or legal entities doing business in the Lao PDR. The Investment Promotion Law and its Implementing Decree provides for investment forms, types, restrictions, investor's rights and obligations, investment incentives, and licensing procedures.

### 2.1 Types and Terms of Investments

The following are the types and terms of investments:

Type	Description	Investment Term
General activities	General business activities including controlled business activities which are subject to Government approval (as stated in the Negative List)	Unlimited term, except for certain businesses as determined in separate regulations
Concession activities	Investment activities requiring Government concession such as on land, mineral, electric power, airlines, telecommunications, insurance, and financial institutions	Term depends on the nature, size, investment value, conditions of concession activities but shall not exceed 99 years and may be extended upon Government approval
Development activities on special economic zones and specific economic zones (SSEZ)	Investment activities relating to the construction of infrastructure and development of SSEZ	Term depends on the type, size, investment value, conditions of each SSEZ but shall not exceed 99 years and may be extended upon Government approval

## 2.2 Forms of Investment

Investors can directly or indirectly invest in any of the following investment forms:

- A wholly domestic or foreign-owned investment that is 100% owned by a domestic or foreign investor;
- A joint-venture investment jointly owned and operated by both domestic and foreign investors with the latter contributing capital of not less than 10% of the total capital<sup>38</sup>; and
- A joint-business by contract entered between a domestic and foreign legal person without creating a new legal entity or a branch in the Lao PDR.

In practice, only the first two investment forms are relied upon to establish business operations in the Lao PDR.

## 2.3 Promoted Investments

The promoted investment sectors are agriculture, information and culture, tourism, labour skill development and employment, post and telecommunication, education, public health, energy, industrial processing, public works and transportation, science and technology, and sports and physical education. These promoted investments are eligible for investment incentives.

Tax incentives are determined by the:

- Three levels of promoted investment from level 1 - the highest promotion level; level 2 - medium promotion level; and level 3 - lowest promotion level, and
- promoted zones where it is located which is categorized into three zones:
  - **zone 1** – remote areas where socio-economic infrastructure does not facilitate investment;
  - **zone 2** – areas with better geographical conditions than zone 1 and where socio-economic infrastructure partially facilitates investment; and
  - **zone 3** – areas where socio-economic infrastructure supports investment.

Tax incentives are granted through a Profit Tax exemption which depends on the promotion level and zone.

- Zone 1
  - Level 1 promoted activities shall receive profit tax exemption for 10 years;
  - Level 2 promoted activities shall receive profit tax exemption for 6 years; and
  - Level 3 promoted activities shall receive profit tax exemption for 4 years.
- Zone 2
  - Level 1 promoted activities shall receive profit tax exemption for 6 years;
  - Level 2 promoted activities shall receive profit tax exemption for 4 years;

- Level 3 promoted activities shall receive profit tax exemption for 2 years.
- Zone 3
  - Level 1 promoted activities shall receive profit tax exemption for 4 years;
  - Level 2 promoted activities shall receive profit tax exemption for 2 years; and
  - Level 3 promoted activities shall receive profit tax exemption for 1 year.

Other incentives are: exemption from import duties on raw materials, equipment, spare parts and vehicles directly used for production; exemption from export duties on export products, profit tax exemption for reinvested profit, and transfer of annual losses to be deducted from profit for a period of three years.

## **2.4 Restricted and Conditional Investments**

Foreign investments are encouraged to invest in all sectors and areas throughout the country, except those that are considered harmful to national security, the environment, public health, and national culture.

There are certain industry sectors which require low capital, technological know-how and expertise is reserved for Lao citizens. Other industry sectors require limits on foreign shareholding and minimum paid up capitalisation. These restrictions and conditions are currently applied to certain investment activities related to construction, transport, finance, insurance, and services sectors.

## **2.5 Rights and Obligations of Investors**

Investors have the following rights:

- To invest;
- To govern and manage business operations;
- To hire labour;
- To reside in the Lao PDR;
- To transfer capital, assets and income abroad;
- To receive intellectual property protection;
- To lease land; and
- To open Lao kip and foreign currency accounts with Lao banks.

and obligations:

- To hold accounting systems according to the Law on Enterprise Accounting;
- To fully and timely pay duties, taxes, and fees;
- To provide insurance and social security to employees; to promote and employ Lao citizens; to develop labour skills; to improve technical capacity; and to transfer technology to Lao labour;

- To facilitate the establishment and operation of mass organisations in the company, especially trade unions;
- To coordinate with local authorities in business operation; to provide compensation for the impacts caused by business operations; to contribute to poverty reduction and community development; and
- To protect the environment.

## 2.6 Remittances of Profits and Capital

Investors are specifically allowed to repatriate profits via dividends provided taxes and wages are paid. However, repatriation of investment capital is limited to capital brought in through the Lao banking system and properly registered with the Bank of the Lao PDR as evidenced by a Capital Importation Certificate.

## 2.7 Special and Specific Economic Zones

Special and Specific Economic Zones (SEZs) are forms of economic opportunity which identify locations that will attract both domestic and foreign investors by offering tax and duty incentives to promote infrastructure development, services, production, skills development, and the transfer of modern technology.

A Special Economic Zone is the more general term, while a Specific Economic Zone refers to a development zone for specific business operations such as industrial zones, export processing zones, tourism zones, duty free trade zones, information technology development zones, and border trade zones.

The Ministry of Planning and Investment is currently the government ministry with a mandate to lead and manage SEZs throughout the country, and is the focal point of coordination with local and foreign investors.

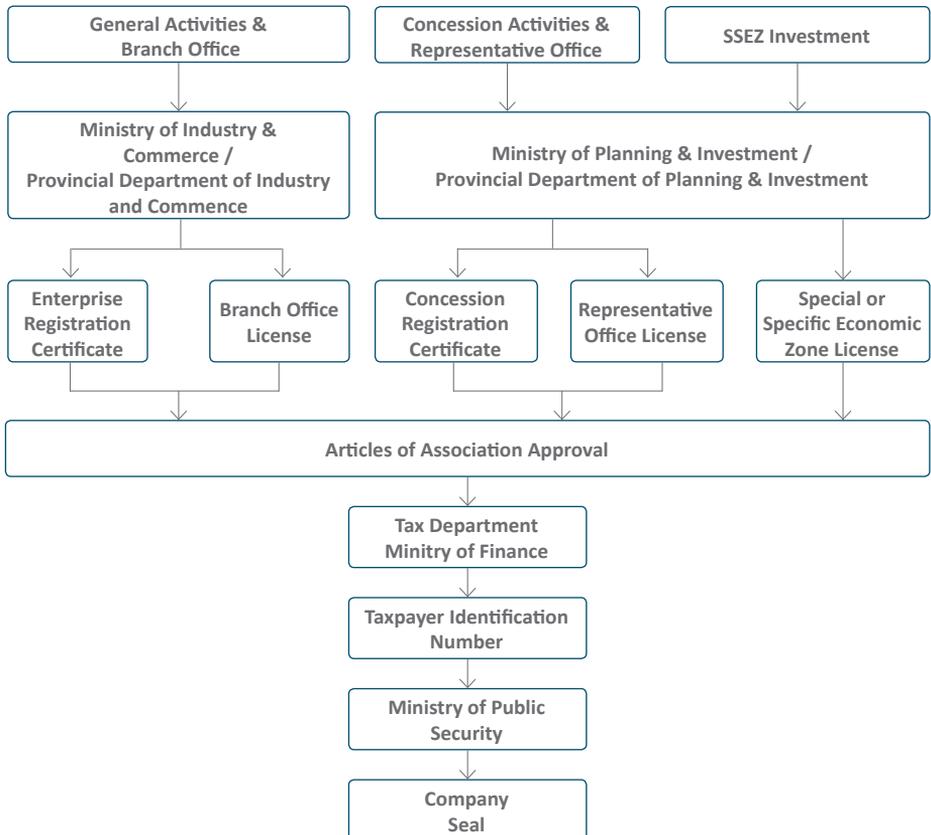
The Lao PDR currently has two Special Economic Zones and eight Specific Economic Zones, which combined cover an area of more than 13,500 hectares and have generated more than 10,000 jobs. Each Zone has established its own Zone Authority and promulgates its own separate regulations on the investment incentives for investors in the zone.

The ten SEZs in the Lao PDR includes five in Vientiane, namely, the That Luang Marsh Special Economic Zone, the Dongphosy Specific Economic Zone, the Sayset tha Development Zone, the Vientiane Industrial and Trade Area, and the Longthanh Vientiane Specific Economic Zone. There is also the Savan-Seno Special Economic Zone in Savannakhet province, which was the very first SEZ, established in 2003. Other SEZs include the Golden Triangle special economic zone in Bokeo province, the Boten Beautiful Land Special Economic Zone in Luang Namtha province, the

Phoukhiew specific Economic Zone in Khammuan province, and the Thakhek Specific Economic Zone, also in Khammuan province.

## 2.8 Investment Application Procedure

The application process for securing the main licenses for each type of investment is as follows:



## 2.9 Bilateral Investment Treaties

The Lao PDR has entered into the following bilateral investment treaties:<sup>39</sup>

Country	Date of Signature	Date of Entry into Force
Australia	06-04-1994	08-04-1995
Belarus	01-07-2013	
Cambodia	24-11-2008	
China	31-01-1993	01-06-1993
Cuba	28-04-1997	10-06-1998
Denmark	09-09-1998	09-05-1999
France	12-12-1989	08-03-1991
Germany	09-08-1996	24-03-1999
India	09-11-2000	05-01-2003
Indonesia	18-10-1994	14-10-1995 <sup>40</sup>
Japan	16-01-2008	03-08-2008
Korea	15-05-1996	14-06-1996
Malaysia	08-12-1992	
Mongolia	03-03-1994	29-12-1994
Myanmar	30-05-2001	
Myanmar	05-05-2003	
Netherlands	16-05-2003	01-05-2005
Pakistan	08-12-2004	
Russian Federation	06-12-1996	09-02-2006
Singapore	24-03-1997	26-03-1998
Sweden	29-08-1996	01-01-1997
Switzerland	04-12-1996	04-12-1996
Thailand	22-08-1990	07-12-1990
United Kingdom	01-06-1995	01-06-1995
Vietnam	14-01-1996	23-06-1996

### 3. CORPORATE

The Enterprise Law governs the forms, capitalisation, shareholders, directors, and other corporate governance matters of enterprises in the Lao PDR.

#### 3.1 Forms of Enterprise

Investors may establish the following forms of enterprise:

Enterprise Forms	Description
Sole Enterprise	Enterprise is owned by an individual
Partnership	Contractual arrangements involving general or limited partnerships
Limited Company	Private limited liability company with shareholders numbering to 2 to 30 shareholders
Sole Limited Company	Private limited liability company with only one shareholder
Public Company	Public limited liability company with at least nine shareholders
State Company	Company with 50% of the shares owned by the State or it is transformed from other types of enterprise to be owned by the State
Branch	Extension of a partnership or company without a separate legal personality; Establishment of a branch is restricted to banks, financial institutions, insurance companies, international consulting companies, and foreign airline companies.
Representative Office	Representative of an offshore company which is not allowed to conduct business activities; Only used to 'test the waters' through feasibility studies and preliminary negotiations, before investing and not allowed to conduct any commercial activities

A limited company is generally used by the investors in establishing business activities in the Lao PDR due to the limited liability of the shareholders to the extent of their share contribution and familiarity with the management and operation of a company.

#### 3.2 Capitalisation

According to Lao capitalisation rules, there are two types of capital. "Registered Capital" which refers to the subscribed share capital in a Lao enterprise required to be paid up, and "Total Capital" which refers to the sum of: Registered Capital + long-term debt + retained earnings (where "long-term debt" = debt not due and payable within the current 12 month reporting period). The amount of Total Capital, which is in excess of the Registered Capital, is not required to be paid up.

Below are the minimum capitalisation and payment requirements:

Type	Minimum Registered Capital	Payment Requirement
General investments	at least LAK 1 billion	<ul style="list-style-type: none"> <li>– For agriculture business, at least 40% of registered capital must be paid within 90 working days from issuance of the Enterprise Registration Certificate and the remainder within 1 year</li> <li>– For production and handicraft processing business, at least 60% of registered capital must be paid within 90 working days and the remainder within 1 year</li> <li>– For commerce and service business, at least 80% of registered capital must be paid within 90 working days and the remainder within 1 year</li> </ul>
Concession investments	<ul style="list-style-type: none"> <li>– Amount depends on the type and size of the project</li> <li>– Registered capital must be at least 30% of total capital</li> </ul>	<ul style="list-style-type: none"> <li>– At least 20% of registered capital must be paid within 90 working days from issuance of the Concession Registration Certificate and the remainder within 2 years</li> </ul>

### 3.3 Shareholders

There are two types of shareholders in limited companies:

#### Common Shareholders

Owners of common shares are referred to as “common shareholders” and have the following rights and duties:<sup>41</sup>

- (i) To present opinions on the limited company’s activities;
- (ii) To participate in the limited company’s activities;
- (iii) To pay for shares on the due date;
- (iv) To fully protect their interests;
- (v) To receive information and examine the records of the limited company as provided in the limited company’s Articles of Association (AoA);
- (vi) To file complaints against directors, officers or employees of the limited company causing prejudice to their interests;
- (vii) To be liable for the unpaid portion of their shares;
- (viii) To have pre-emptive rights with respect to the transfer or sale of shares by shareholders of the limited company to third parties;
- (ix) To elect or remove directors of the limited company;
- (x) To receive part of the assets remaining from liquidation in the event of dissolution;

- (xi) To receive dividends in proportion to their shareholdings; and
- (xii) To exercise such other rights and perform such other duties as specified under laws and regulations.

The distribution of dividends and assets described in items (x) and (xi) above may be carried out only after the distribution to the limited company's preferred shareholders and creditors.

### **Preferred Shareholders**

Preferred shareholders are owners of preferred shares which have the following rights and duties:<sup>42</sup>

- (i) The same rights and duties as common shareholders as described in items (i) to (vi) above;
- (ii) To be entitled to the distribution of assets and dividends before the common shareholders. Dividends may be received either at a fixed amount or as a percentage of shares as agreed by the shareholders;
- (iii) To receive other special rights. Any modification or revision of these special rights must be determined in the limited company's AoA; and
- (iv) To redeem their shares when the limited company is profitable or to seek to sell their shares to new shareholders after the limited company has refused to buy such shares, except as otherwise agreed. In the event that the limited company agrees to purchase the said shares, the purchase price will be at the set price or agreed price.

Preferred shareholders are not entitled to elect the directors of the limited company.

## **3.4 Board of Directors**

A limited company may have one or several directors depending on the needs of the limited company and where a limited company has more than one director the company may establish a board of directors. Where the limited company has assets in the value of LAK 50 billion, such company must establish a board of directors and appoint auditors.<sup>43</sup>

In the event that the chairman of the board of directors is elected as the general director, he shall be referred to as the "president of the board".<sup>44</sup>

A board of directors has the following rights and duties:<sup>45</sup>

- (i) To act as the central coordinating body and to oversee the tasks of the directors;
- (ii) To appoint a director to fill a vacancy between two ordinary shareholder's meetings;
- (iii) To determine the plan for the administration and management of the limited

company for adoption by the shareholder's meeting; and

- (iv) To exercise such other rights and perform such other duties as determined in the AoA of the limited company.

A director is a representative of a limited company. A director does not receive a salary but receives an annual honorarium and remuneration for each meeting at the rate or in the amount determined by the shareholders' meeting, except for third party directors or as otherwise agreed by the shareholders.<sup>46</sup>

Directors may or may not be shareholders, except as otherwise agreed by the shareholders.<sup>47</sup> All acts of directors must be within the scope of power and duties determined in the AoA of the company and will be under the supervision of the shareholder's meeting.<sup>47</sup>

The specific duties of directors include:<sup>48</sup>

- (i) Administering the business of the limited company in compliance with the contract of incorporation, the AoA of the limited company and the resolutions of the shareholder's meeting;
- (ii) Calling and collecting payments for shares at the determined amount and at the defined time;
- (iii) Managing and using the capital of the limited company in accordance with the defined purpose and goal;
- (iv) Establishing the accounting system, maintaining and filing all documents of the limited company;
- (v) Cooperating with the auditors by providing clarifications on the source and accuracy of numbers and information appearing in the balance sheets before submitting them to the shareholder's meeting for adoption;
- (vi) Sending copies of the balance sheet to the shareholders and keeping copies for review by holders of bearer shares when required;
- (vii) Properly distributing the profits;
- (viii) Administering and deploying officers or employees of the limited company; and
- (ix) Informing the company of their direct or indirect involvement in transactions of the limited company that could benefit them or of any increase or reduction of their shareholding in the limited company or in the company's subsidiaries within the accounting year.

Directors are prohibited from engaging in the following business activities in competition with the limited company:<sup>49</sup>

- (i) To conduct identical or similar business activities to the limited company, whether such conduct is for their own personal interest or for another person's interest, except as approved by the shareholder's meeting;
- (ii) To be a partner in a general partnership enterprise or a general partner in

a limited partnership enterprise that conducts the same or similar business activities as the limited company, except as approved by the shareholder's meeting;

- (iii) To undertake any transactions with their own limited company, whether for their own personal interest or for another person's interests, except as otherwise agreed; and
- (iv) Directors, including members of their families or close relatives, may not borrow money from their limited company, except as permitted by the AoA of the limited company. These restrictions also apply to the officers and employees of the limited company.

### 3.5 Other corporate matters

#### Shareholder's Meetings

A shareholder's meeting is the supreme body of a limited company. Ordinary shareholder's meetings must be held at least once a year. The time for convening the meeting must be stipulated in the AoA of the limited company.<sup>50</sup>

The matters resolved at an ordinary shareholder's meeting are:<sup>51</sup>

- (i) To adopt the company's AoA and contract of incorporation;<sup>52</sup>
- (ii) To elect the director or the board of directors;
- (iii) To elect the auditors;
- (iv) To determine annual honorariums, meeting allowances or salaries of directors;
- (v) To determine salaries of officers, fees or auditors<sup>53</sup> and wages of other employees of the company;
- (vi) To adopt the business report,<sup>54</sup> the accounts receivable, expenses, and business plan of the limited company;
- (vii) To adopt the method for the distribution of dividends; and
- (viii) To exercise such other rights and perform such other duties as may be deemed necessary.<sup>55</sup>

On the other hand, extraordinary shareholder's meetings are meetings which may be held whenever necessary and in the following cases:<sup>56</sup>

- (i) When more than half of the directors agree to hold the shareholder's meeting;
- (ii) When shareholders file complaints and the court orders a meeting to be convened;
- (iii) When shareholders representing at least 20% of the total paid shares make a request.

The extraordinary shareholder's meeting exercises rights and performs duties which

are necessary and arising between two ordinary shareholder's meetings.<sup>57</sup>

### **Shareholder's Resolutions**

There are two types of resolutions of shareholders: ordinary resolutions and special resolutions. Ordinary resolutions are effective only when they are passed by a simple majority vote of the number of shares represented at the meeting where one share equals one vote.<sup>58</sup> However, the following matters require a special resolution which requires at least two-third of the shareholders or their proxies attending the meeting representing at least 80% of the total paid up shares:<sup>59</sup>

- Voting on certain matters defined by the Amended Enterprise Law;
- Amending the AoA or the contract of incorporation of the limited company;
- Increasing or reducing the capital;
- Merger or dissolution of the limited company;
- Sale or transfer of all or a substantial part of the business of the limited company to another person;
- Purchase or acceptance of a transfer of the business of another enterprise; and
- Maintaining the status as a limited company when there are more than 30 shareholders.

Within 10 working days from the date of adoption, the said resolution shall be registered with the relevant registration officers.<sup>60</sup>

### **Board of Director's Meetings**

The board of directors performs its duties according to the provisions set forth in the company's AoA. In case the AoA does not specify such matters, the board of directors shall operate according to Articles 136 to 139 of the Amended Enterprise Law.

### **Board of Director's Resolution**

Resolutions of a meeting of the board of directors will be effective only when adopted by a majority vote of the directors attending the meeting. One director will have one vote. As a director, the president of the meeting of the board of directors will cast his/her vote like other directors. However, in the event of a tie, the president will have a deciding vote. A director who has any involvement that could benefit him/her or any direct benefit relating to the resolution may not vote. The adoption of resolutions in informal meetings will be determined in the AoA of the limited company by describing in detail the voting procedures when using any specific means of communication.

## 4. LAND

### 4.1 Land Ownership and Land Use Rights

Land in the Lao PDR is owned by the “national community” as part of the “national heritage”. The Government of the Lao PDR (GOL) grants the use of land to Lao citizens, or may grant a concession over the land to foreigners via a concession agreement.

“Ownership” of land in the Lao context is thus defined by the level of land use rights granted to the individual or company according to the Land Law and the contract existing between the parties. Lao citizens can acquire permanent land use rights, which includes land protection right, land use right, land usufruct right, right to transfer land use rights, and right to inherit land use rights. The maximum period of lease from the GOL to a Lao citizen is 30 years, which can be extended upon application. Foreign individuals or organisations may thus only hold land via lease from a Lao citizen or concession from the GOL, through which they are granted temporary land use rights.

### 4.2 Foreign Land Ownership/Lease/Concession

Foreign individuals and foreign-invested companies, including joint-ventures, are restricted to: (1) leasing land from Lao citizens or the State, or (2) receiving land concessions from the State.

Types of Lease Arrangement	Maximum Duration (may be extended subject to relevant approvals)
Lease or concession by the State to aliens/foreigners	30 years
Lease by Lao citizen to aliens/foreigners	20 years
Lease or concession by the State to foreign investors	50 years
Lease by Lao citizen to foreign investors	30 years
Lease located in economic zones	75 years

Foreign investors are entitled to own structures and developments that they build or purchase on leased land. However, title to such structures and developments will be transferred automatically to the lessor of the land in which such assets are situated upon the expiration of the lease term.

Under the Investment Promotion Law, foreigners and foreign-invested entities that invest at least USD 500,000 in equity in the Lao PDR are to be allowed to hold land use rights for residential, office or unspecified business purposes. The Implementing Decree of the Investment Promotion Law further requires the following, that: (i) the registered capital of USD 500,000 have a Bank of Lao PDR certification of being

imported into Lao PDR, (ii) the land is allocated by the State with an area of not more than 800 square meters, (iii) land will be used to build facilities for residential or business purpose, (iv) authorised to buy the land use right once for one enterprise regardless of the number of enterprise unit which is established in the Lao PDR. In case of an enterprise which has more than two shareholders or having an investment expansion, it will authorise to buy land use right on behalf of one entity and can buy land use right only once with the State. This provision is currently controversial and has not yet been implemented.

### 4.3 Condominium ownership

There is currently no legislation regulating condominiums. The Land Law and the Investment Law recognize the right of foreign investors to own structures and developments that they build or purchase on leased land. However, upon expiration of the lease or concession term, all fixtures will revert to the lessor or the State without compensation.

### 4.4 Land Categories, Concessions, and Construction

#### Land Categories

Land is categorized as follows:

Category	Description
Agricultural land	Land which is determined to be used for cultivation, animal husbandry, agricultural research and experimentation, and for irrigation.
Forest land	Area of all land parcels which are covered by forest or land which is not covered by forest but is determined by the State to be forest land as prescribed in the Law on Forestry.
Water area land	Land which is submerged or which surrounds bodies of water such as submerged land, land at river sources, river banks, islands, newly-formed land, land formed when water recedes, or land formed by a change or diversion of waterways.
Industrial land	Land area or region which the State determines to be the location of workshops and factories, including housing places for workers, industrial centres, industrial zones, industrial estates, places for industrial, technical and scientific research, waste-water treatment stations, industrial waste disposal sites, energy sources, electricity transmission lines, energy and gas pipe-lines, pipe-lines for water supply, mining areas, and other land used for industrial purposes.
Communication land	Land that has been used or reserved for roads, sidewalks and water channels, for road construction, telephone transmission lines and telecommunications stations, as well as airports, harbours, stations for goods and passenger transport, tunnels, railways, warehouses, and other land used for communication and transportation.

Category	Description
Cultural land	Location of cultural heritage and is related to the historical routes, traditional objects, archaeological sites, temples, natural landscape, cultural buildings, and other places which are determined by the State to be cultural and tourist land.
Land for national defence and security	Land used for national defence and security work, such as: military camps; the locations of offices, army units, housing places, schools, military and police training fields, and artillery fields; military and police airports, harbours, warehouses, hospitals, workshops, factories, and recreational places; and other land which is used for national defence and security.
Construction land	Land used for the construction of residential places, buildings, workshops, factories, offices, premises of organisations, and public facilities.

### Concessions

Concessions on land require authorisation from the GoL where a legal entity is allowed to use the GoL's property according to the terms and conditions of a concession agreement. Land concession activities generally involve investments in the areas of mining, electricity and plantation agriculture. An investor is required to enter into agreements with the GoL, depending on the sector concerned, which will govern the activities to be conducted. The maximum period of land concession from the State to a foreign investor must not exceed 50 years but may be extended on a case by case basis as decided by the GoL. An approval of the National Assembly is required for a land concession with an area exceeding 10,000 hectares.<sup>61</sup>

### Construction

The Construction Law provides for the feasibility study, survey, design, and permits requirements for construction on land. Various relevant government authorities are required to approve the construction activities depending on the project. The Ministry of Public Works and Transport is the responsible authority for construction of roads and bridges and the Ministry of Energy and Mines for hydropower, power transmissions and mines.

## 5. LABOUR & EMPLOYMENT

### 5.1 Labour Conditions

#### Working Hours

Employees may only work 8 hours a day or 48 hours a week.<sup>62</sup> Employees must not work more than 6 hours per day or 36 hours per week in the following sectors: (i) direct exposure to radiation or dangerous communicable diseases; (ii) direct exposure to vapour or smoke which is dangerous to one's health; (iii) direct exposure to dangerous chemicals, such as explosives; (iv) working in pits, underground

tunnels, under water or in the air; (v) working in an abnormally hot or cold place; and (vi) working directly with constantly vibrating machines.

Specific work hours may be determined for specific occupations or economic sectors where it is deemed necessary provided there is approval from the Labor Administrative Authority (LAA) after consultation and unanimous consent of the LAA, and the representatives of the employer and employees.<sup>63</sup>

### **Overtime**

Employees are allowed to work overtime in excess of the regular working hours per day under certain circumstances. The Amended Labor Law requires that overtime must not exceed 45 hours per month or 3 hours per day. It is prohibited to work overtime for more than 4 consecutive days, except in case of an emergency such as a natural disaster or an accident that would cause substantial damage. When overtime is necessary for more than 45 hours in any 1 month, the employer must first request an authorisation from the LAA which is responsible for its labour unit and approval from the trade union, or workers' representative, or majority of the employees in its labour unit.<sup>64</sup>

### **Compensation**

The Amended Labor Law permits salary and wages to be paid in cash or in materials. Employers must pay salaries or wages at least once per month according to a set period. For wages paid by unit of production, wages must be paid at least twice per month.<sup>65</sup> In the Lao PDR, salaries and wages are paid either in cash or directly deposited into an employee's bank account, depending on what is most convenient for each labour unit.

In case of delay in payment of salary or wages without sufficient reason, the employer must pay the employee an additional amount as agreed in the employment contract.<sup>66</sup>

### **Rest Days**

Employees are entitled to at least one day of rest within a week or four days per month which can be on a Sunday or any other day as agreed between the employer and employees.<sup>67</sup>

## Official Holidays

The following list of official holidays:<sup>68</sup>

Official Holiday:	Date:
International New Year	1 January
International Women's Day	8 March (for females only)
Lao New Year	3 days, dates vary
International Labour Day	1 May
Lao National Day	2 December
National Teacher's Day	7 October (for teachers and education management only)
National Day of non-Lao national employees	1 day (for foreign nationals only)

In addition to the official holidays referred to above, employers and employees can come to an agreement regarding additional holidays, such as traditional festivals and necessary personal leave.

In the event that an official holiday falls on the weekly day off, there must be a substitution day,<sup>69</sup> which is generally the next first working day.

All employees have the right to be paid their full salary or wages while taking the official holidays referred to above.

## Leave

Below are the various leave entitlements for employees:

Leave Type	Entitlement
Annual Leave	15 days for general work 18 days for heavy work
Personal Leave	Not less than 3 days per year
Sick Leave	Not more than 30 days per year
Maternity Leave	At least 105 days, of which at least 42 days must be taken after birth. In case of multiple births, at least 120 days is granted to the female employee.

## 5.2 Labour Relations

### Employee Representative/Trade Union

A labour unit with 10 or more employees must have an employee representative or trade union. The employee representative must be an individual appointed by the employees.

For labour units with grassroots trade union units, the head of the trade union is the employee representative. Labour units which have not yet established a trade union may appoint an employee representative. Labour units with 10 to 50 employees must have one employee representative; 51 to 100 employees must have two employee representatives with one additional representative for every 100 employees.<sup>70</sup>

### **Collective Bargaining**

Collective bargaining has been defined as the consultation and negotiation between employers and employee representatives or trade unions regarding work conditions, recruitment, wages, welfare and other benefits according to Lao laws and the principles of equality and mutual benefit.<sup>71</sup> Collective bargaining agreements must be submitted for review by the LAA and registered<sup>72</sup> and notarised<sup>73</sup> for validity.<sup>74</sup>

### **Work Stoppage**

Employees are prohibited from declaring a work stoppage (strike) in case an ongoing labour dispute or resolution. Employees must continue normal work and the employer must make the workplace available, except in very serious cases<sup>75</sup> or in the event that a tripartite organisation<sup>76</sup> agrees to a work stoppage to avoid further damage occurring. In case the labour dispute cannot be resolved, a strike may be organised according to law<sup>77</sup> and regulations.<sup>78</sup>

## **5.3 Employment Contracts**

An employment contract can be either for a fixed term or an indefinite term. Fixed term contracts are employment contracts that have a stated validity period for employment. The Amended Labor Law provides that the duration of a fixed term employment contract must be not more than three (3) years, otherwise, the employment contract will be held to be an indefinite employment contract.<sup>79</sup>

## **5.4 Termination of Employment Contracts**

Termination of employment contracts in all circumstances must be made in writing and must clearly indicate the reason for the termination. Written notice of termination must be accompanied by payment to the employee of salary and other allowances that he or she was entitled to receive prior to the termination.

An employment contract made for an indefinite period may be terminated by either party at any time, provided that the other party is given at least 30 days' prior written notice in respect of unskilled work and 45 days' prior written notice for skilled work.<sup>80</sup>

A fixed term employment contract, can be terminated upon agreement of the

parties or in case of a contractual breach by a party. The violating party shall be liable to pay compensation for damages caused. In case of contractual breach by the employer, the employer must pay the salary for the remaining months of the employment contract and comply with other contractual benefits and law.<sup>81</sup>

## 5.5 Foreign Employees

In case of necessity, a labour unit may employ foreign employees but such employees must be of a select group having specialised skills and be approved by the LAA. Generally, the hiring of foreign employees must be in the following proportions:<sup>82</sup>

- For unskilled workers, not more than 15% of the total number of employees in such labour unit;
- For skilled workers, not more than 25% of the total number of employees in such labour unit.

## 5.6 Labour Dispute

Resolution of labour disputes may be undertaken by:<sup>83</sup>

- **Compromise:** A resolution on dispute related to law and benefit claims conducted through peaceful consultation, negotiation, and compromise between the employer and employees. The trade union or employee representative is required to take part in coming to a compromise. The resolution must be made in writing and signed or bearing the thumb mark of the respective parties.<sup>84</sup>
- **Administrative Resolution:** A resolution on dispute related to law and benefit claims by the LAA.<sup>85</sup>
- **Resolution by the Committee for Labor Dispute Resolution:** A resolution on dispute related to benefit claims by the Committee for Labor Dispute Resolution<sup>86</sup> (CLDR).<sup>87</sup>
- **Court:** Either party may appeal labour disputes to the People's Court or Labor Court.<sup>88</sup>
- **Dispute Resolution according to International Agreements:** Labour disputes with international parties may be brought for resolution before the LAA, CLDR, or in accordance with international conventions and agreements which the Lao PDR is a party.<sup>89</sup>

## 5.7 Social Security

All employers must have social security insurance for their employees by paying contributions to the National Social Security Fund (NSSF) according to the Social

Security Law.

The monthly contribution to the NSSF of employees is 6% of the employee's salary while the monthly contribution of employers is 5.5% of the employee's salary.<sup>90</sup>

The following are the types of social security benefits from the NSSF: Health Care Benefit, Maternity Benefit, Work Accident or Occupational Disease Disability Benefit, Sickness Benefit, Pension Benefit, Death Benefit, Benefit to the Surviving Family, and Unemployment Benefit.

## 6. IMMIGRATION & WORK PERMITS

### 6.1 Visas

Foreign persons entering the Lao PDR for work require a business visa. They may initially apply for a tourist visa at a Lao embassy overseas or may obtain a visa at certain immigration checkpoints upon arrival. The period of an on-arrival tourist visa is 14 days, but can be extended for a total period of 1 month. There are three kinds of business visas that can be issued in the Lao PDR: for periods of 3 months, 6 months, and 1 year. Obtaining any type of business visa requires a guarantee from the company.

### 6.2 Work Permits

The Ministry of Labor and Social Welfare (MLSW) authorises the import, registration, and use of foreign employees. After receiving approval to import and use foreign employees, the employer must submit a list of the names of all foreign employees it has employed to the MLSW in order to properly register foreign employees. The MLSW will issue a permit to the foreign employee who has received approval to work after that person has arrived in the Lao PDR. The work period, however, cannot exceed one year in duration for each person. Such time limit is extendable.

### 6.3 Maximum Residence

Foreign employees are permitted to work in the Lao PDR for a period of not more than 12 months and may request an extension for another 12 months for a maximum of 5 years.<sup>91</sup> Employees of managerial level and specialised skills may be considered on an individual case basis. Extensions of the maximum residency period will be considered based on work necessity, business operations, production expansion and use of new technology.

## 7. INTELLECTUAL PROPERTY

### 7.1 Trademarks

Marks which may be registered are any visible sign capable of distinguishing the goods or services of an enterprise, which may be in the form of words, letters, numerals, figurative elements and combination of colours and signs.

The duration of the trademark registration is ten years from the date of filing the application, indefinitely renewable with a further 10-year period.

### 7.2 Patents

#### Patent

An invention is patentable if it is new, involves an inventive step and is industrially applicable. An invention includes making use of a technological method for producing products, or a new process useful in solving a particular problem.

Patents have a term of 20 years from the filing date for registration.

#### Petty Patent

Inventions eligible for obtaining a utility model, called as a petty patent in the Lao PDR, have similar conditions for obtaining a patent with a technical level lower than the inventions for patents. Accordingly, an invention means making use of technology method for producing products or new producing process in solving a particular problem.

A petty patent is valid for ten years counting from the filing date of the application.

### 7.3 Copyright and Other Related Rights

Copyright and other related rights are required to be registered and are protected from the time of creation. However, recording at the Ministry of Science and Technology (MOST) is recommended to provide evidence of the copyright particularly in case of infringement.

Copyright protection commences from the moment of creation and continues throughout the life of the creator and 50 years after the latter's death.

### 7.4 Dispute Resolution

The forms of dispute resolution include:

- Mediation between disputing parties;

- Submission of a request for resolution by the MOST;
- Mediation by the Office of Economic Dispute Resolution;
- Court proceeding; and
- International arbitration.

## 8. NATURAL RESOURCES & ENVIRONMENT

### 8.1 Natural Resources: Types and Law

The following sets out the types of natural resources and relevant governing legislation:

#### Electricity

The Electricity Law is the main law governing the administration, production, transmission, and distribution (import and export) of electricity. The Electricity Law provides for the contractual process leading to the concession agreement. Government approval is required for a power tariff and payment of Environmental Tax. Electricity projects can be undertaken in various forms, such as Build-Operate-Transfer, Build-Transfer, Build-Own-Operate or State-operated.

#### Mining

The Mineral Law regulates mining in the Lao PDR. Mineral exploration and exploitation activities are open to investment from both domestic and foreign entities. 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.

Approvals from the relevant ministry are required for the following:

- Basic geological data gathering;
- Mineral samples analysis;
- Projects feasibility study; and
- Mineral processing plant.

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

#### Agricultural and Plantation Activities

The Forestry Law, the Land Law, and the Decree on State Land Leases and

Concessions set the regulations for the administration, maintenance, development, and use and inspection of large-scale agricultural and plantations activities. An approval from the National Assembly 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.

## 8.2 Legal Framework of Environmental Protection

The main legislation related to environmental protection are:

- the Environmental Protection Law;
- the Water Resources and Environment Administration Decree; and
- the Regulation on Environment Impact Assessments (EIA).

The Environmental Protection Law generally obliges all individuals and organisations in the Lao PDR to protect the environment. All citizens and organisations have the right to make requests or to sue on any act that affects the environment, causing damage to health, peoples' lives, wildlife, or the environment. The obligation to protect also covers natural resources (both renewable and non-renewable), biodiversity, cultural heritage, historical areas, and natural conservation areas.

Investment projects are divided into two groups<sup>92</sup>:

**Group 1:** Investment Projects and Activities that are anticipated to cause insignificant or minimal environmental and social impacts should conduct an Initial Environmental Examination Process.

The Project Owner shall be fully responsible for the conduct of the Initial Environmental Examination Process of the Investment Projects and Activities. The Project Owner shall obtain the Environmental Compliance Certificate (ECC) approving the Initial Environmental Examination (IEE) Report from the Provincial/Capital Department of Natural Resources and Environment prior to the construction of such proposed Investment Projects and Activities.<sup>93</sup> The Project Owner shall prepare the IEE Report in the Lao language and ensure that the Environmental and Social Management and Monitoring Plan (ESMMP) are attached as one component in the IEE Report.<sup>94</sup> An Environmental Compliance Certificate is the certificate approving the IEE Report and ESMMP of the Investment Projects and Activities that the Provincial/Capital Department of Natural Resources and Environment shall consider and issue<sup>95</sup>; and

**Group 2:** Investment Projects and Activities that are anticipated to cause significant or major environmental and social impacts should conduct an Environmental and Social Impact Assessment Process.

The Project Owner shall be fully responsible for the conduct of the Environmental and Social Impact Assessment Process of the Investment Projects and Activities. The Project Owner shall obtain the ECC approving the Environmental and Social Impact Assessment (ESIA) Report from the Ministry of Natural Resources and Environment prior to conducting construction of such proposed Investment Projects and Activities.<sup>96</sup> The Project Owner shall prepare the ESMMP in the Lao language to be accepted for review and consideration for the issuance of an ECC.<sup>97</sup> An ECC is the certificate approving the ESIA Report and ESMMP of the Investment Projects and Activities that the Ministry of Natural Resources and Environment shall issue.<sup>98</sup>

## 9. TAXATION

We set out below the main taxation for investments in the Lao PDR.

### Corporate Income Tax

Corporate income tax in the Lao PDR is referred to as Profit Tax. Profit Tax is a direct tax that is collected on the profit of enterprises including freelance operating businesses.

Profit Tax rates are as follows:

- 0–24% for individual enterprises and freelance which are based on the table;
- 24% for legal entities including domestic and foreign owned; and
- 26% for legal entities which produce, import and supply tobacco products.<sup>99</sup>

### Value-Added Tax

The Value-Added Tax (VAT) is an indirect tax that is collected on the proportion of value added to goods and services occurring in all processes, ranging from production, distribution, service supply to consumption; and is also collected on the value of goods and services imported into the Lao PDR.

Inclusion in the VAT system shall depend on meeting conditions relating to:

- The annual business turnover of business operators;
- Use of a standard accounting system and invoices;
- The 10% VAT rate is applied to imported, domestically produced and consumed goods and services liable to VAT; and
- The zero (0%) VAT rate is applied to goods and services for export, materials, machineries and vehicles for production which is domestically produced and those imported from overseas that cannot be produced or can be produce domestically but it is not sufficient in order to use for production and invest as movable assets.

## Income Tax

Income tax is a direct tax that is collected from the income of natural persons and legal entities that earn income in the Lao PDR.

- Incomes from salaries, wages, extra allowances, over-time work, position allowances, career allowances, annual bonuses, meeting allowances for members of the executive boards of companies, and other benefits received in cash or in kind are subject to income tax at the consistent progressive rates ranging from 0% to 24% which are based on the table.<sup>100</sup>
- 10% for income from dividends or other benefits to partners or shareholders, profit from the sale of shares of natural persons, legal entities, lending interest, commissions of natural persons, legal entities, warranty services based on the contract or other agreements, activities of commercial nature of the state organisations, Lao Front for National Construction, mass organisation and civil society, prizes, lottery prizes in monetary terms or precious objects with a value of more than LAK 1,000,000, lease of land, houses, building structures, vehicles, machinery, or other properties.
- 5% for income from intellectual property including patents, copyrights, trademarks, or other intellectual property of natural persons or legal entities.
- 5% for income from trading, ownership transfer of land, building structures or land with building structures, except what are specified in Article 46 paragraph 18 of this Law.

## 9.1 Other Taxes

Lump-sum tax is a direct tax levied on individuals, legal entities operating small and medium enterprises that are not under VAT system who pay taxes according to contracts made between the Tax Administration Office and taxpayers excluding income tax.<sup>101</sup>

Environmental tax is a direct tax levied on individuals, legal entities and organisations authorised to operate businesses, import or use natural resources in the Lao PDR that causes pollution to the environment, damage health, and life of humans, animals and plants and balance of ecosystem.

## 9.2 Double Taxation Agreements

Below are the countries which the Lao PDR has DTAs with:

Country	Signed	Entered into Force	Effective
Vietnam	14 January 1996	24 February 1996	1 January 1997
Thailand	20 June 1997	23 December 1997	1 January 1998
China	25 January 1999	22 June 1999	1 January 2000

Russia	14 May 1999	–	–
North Korea	17 July 2001	1 May 2004	1 January 2005
South Korea	29 November 2004	9 February 2006	1 January 2007
Brunei	22 April 2006	20 October 2010	1 January 2011
Kuwait	5 August 2008	–	–
Myanmar	20 November 2009	21 September 2010	1 January 2011
Malaysia	3 June 2010	6 January 2011	1 January 2012
Indonesia	8 September 2012	–	–
Luxembourg	4 November 2012	21 March 2014	1 January 2015
Belarus	1 July 2013	15 March 2014	1 January 2015
Singapore	21 February 2014	–	–

## 10. IMPORT, EXPORT & CUSTOMS PROCEDURES

### 10.1 Import and Export

The import or export of certain items requires licensing from the relevant ministry such as from Department of Import & Export (DIMEX) for certain types of products. The import or export of certain goods that could affect national security, public order and standards of decency and morality, animals, plant life or health, national treasures of artistic, historic or archaeological value, or natural resources and waste are prohibited. The Lao Trade Portal<sup>102</sup> has been set up by DIMEX where information about import and export requirements are made available.

### 10.2 Customs Procedures

Imported and exported goods are processed for customs clearance at border check points, including airports. We understand that the Automated System for Customs data (ASYCUDA) automated customs management system is presently installed and currently operated at certain Lao international border check points and is intended to be rolled out to all other border posts nationwide.

The import and export procedure has been regularised at the various border checkpoints. For locations where ASYCUDA is not yet installed, the General Import Procedure is applicable for all types of goods imported in the Lao PDR. Different supporting documents with a declaration may be required to be presented to the customs for different goods.

# 11. BANKING

## 11.1 Commercial Banks

The GoL encourages investment in commercial banks. A duly licensed commercial bank is permitted to engage in all banking operations including receiving deposits with and without interest, extending credits and discounting of negotiable instruments, buying and selling foreign currencies, issuing cheques, payment cards and other means of payments. Commercial banks may in addition engage in financial business including issuing, buying and selling debt securities, financial leasing, distributing debt and equity securities, etc., upon securing further licensing.

Foreign-owned banks may either be established as a limited company or a branch. The detailed requirements for the establishment of and the filing of an application to establish affiliates, branches, and representative offices are provided in specific regulations of the Bank of the Lao PDR (BoL).

## 11.2 Foreign Exchange Control

The use of foreign currency is regulated to certain permissible transactions such as paying for imported goods, paying for import-export related services, repaying foreign debts in accordance with a loan agreement approved by the BoL, and repatriating or transferring profits, dividends, capital, interest, or salaries by foreign investors abroad.<sup>103</sup> Unless a BoL approval is secured, all payments for domestic transactions must be in Lao kip.<sup>104</sup> Foreign investors are required to use the Lao banking system unless BoL approval has been obtained for the use of offshore bank accounts.<sup>105</sup>

Investors are specifically allowed to repatriate profits via dividends provided taxes and wages are paid. However, repatriation of investment capital is limited to capital brought in through the Lao banking system and properly registered with BoL as evidenced by a Capital Importation Certificate.<sup>106</sup>

In case there is a necessity for the use of foreign currency for domestic payments or offshore bank account, a prior BoL approval must be secured.

# 12. SECURED TRANSACTIONS & FINANCING

## 12.1 Secured Transactions

The Secured Transactions Law and the Secured Transactions Decree are the main legislation on securities over movable property, immovable property, and guarantees

by a person or legal entity.<sup>107</sup> There are three general types of security interests: (i) security/pledge over movable assets<sup>108</sup> (including intangible assets); (ii) security/pledge over immovable assets<sup>109</sup> (including land leases, buildings and fixtures); and (iii) corporate and personal guarantees.<sup>110</sup>

A security interest over any type of collateral is perfected in case of movable property when it is registered<sup>111</sup> at the State Assets Management Department (SAMD) of Ministry of Finance (MoF); or, in case of immovable property, at the land management authorities (LMA) where the property is located<sup>112</sup> and compliance with the following conditions are met: the debtor and creditor have entered into a security agreement in which the value of the secured assets is precisely defined<sup>113</sup>; the security agreement is signed in the presence of three witnesses;<sup>114</sup> and the security agreement is notarised at the Lao Notary Office<sup>115</sup>. The stipulated fees for the notarisation and registration of a security agreement must be paid. The notarisation process requires a full Lao language translation. The registration process requires either a Lao language summary or full translation. Although the Decree on Document Registration requires registration of all contracts with the SAMD, in practice only the LMA will register contracts relating to immovable assets/land.

Perfection grants the secured party a first priority security interest over the collateral set out in the security agreement over all unsecured claims, unregistered security interests and subsequent registered security interests. However, perfection does not absolutely guarantee that a security interest remains enforceable in case of the debtor's bankruptcy. Note also that security interests granted by law (e.g., tax and wage claims) have priority over security interests pursuant to contract.

## 12.2 Financial Leasing

A finance lease has been defined as a lease where the lessee specifies the asset/equipment to be leased without any reference to the decision of the lessor. Entities engaged in more than five finance leases must secure a financial leasing license from the BoL. All financial leasing agreement must be notarised at the Lao Notary Department and registered at the SAMD to be valid and have legal effect.

## 12.3 Micro-Finance

Microfinance refers to the provision of financial service such as loans, taking deposits, provision of security, and others in the form of cash transactions to the poor, low income families, and small enterprises. Foreign individuals and entities may jointly invest with local individuals and entities to establish deposits taking microfinance institutions in accordance with the proportions as defined by the BoL.

## 13. INSURANCE

The Insurance Law is the main legislation regulating insurance activities in the Lao PDR. There are four categories of insurance:

- Property damage insurance;
- Civil liability insurance;
- Personal insurance; and
- Capital mobilisation.

Entities which intend to engage in insurance activities in the Lao PDR must secure a license from the MoF and pay a guarantee deposit. Only duly licensed insurance companies in the Lao PDR can undertake an insurance business in the Lao PDR, except for re-insurance activities which can be secured from foreign re-insurers. All insurable interests in the Lao PDR must be insured by a duly licensed insurer in the Lao PDR.

## 14. SECURITIES

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

### 14.1 Company Listing

Companies intending to offer shares to the public must first obtain approval from the Lao Securities Commission (LSC). The 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.

### 14.2 Public Offerings

The procedure for a public offering in the Lao PDR is as follows:

- Announcement of the public offering approval;
- Determination of the price of securities;
- Public advertisement of the public offering;
- Subscription of securities and deposit of money;
- Distribution of securities;
- Payment or return of deposit in case the subscribers do not receive the securities; and
- Issuance of the certificate for the securities.

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

## 15. CONTRACT LAW & ENFORCEMENT

### 15.1 General Contract Formation

A contract is an agreement between the parties which agreement causes civil rights and obligations to arise, to be modified, or to be terminated.

Contracts must fulfil the following conditions:

- Contracting parties must have made the contract voluntarily;
- Contracting parties must have the capacity to act;
- Purpose of the contract must be precise, exist, and legal;
- Basis for the contract must be legal; and
- Form of the contract must comply with the provision of the laws.

### 15.2 Breach of Contract

A breach of contract means non-performance of contractual obligations, in whole or in part, or unreasonable performance of obligations by either contracting party such as: low quality performance of obligations, untimely performance or performance not according to location as specified by the contract.

If either contracting party breaches a contract, that party must be liable to compensate (the other party) for damages which arise, except if the contract breach occurred as a result of a force majeure.

### 15.3 Statute of Limitations

For construction contracts, Lao law provides a limitation period of ten years for a claim for compensation of damages to be filed. For other types of contract, a

limitation period of three years is provided. The limitation period commences from the day of expiration of the term of contract or from the day the damage arose. The period is suspended in case of *force majeure* or an accident that is an obstacle<sup>116</sup> to prevent the filing of a claim. After the period of suspension has ended, the limitation period shall resume. The limitation period shall stop when there are definite acts of litigants or contracting parties such as acknowledgement of debts<sup>117</sup> and the full limitation period will restart over again from the date of such acts<sup>118</sup>. The Contract and Tort Law does not state whether the parties can waive the limitation period or agree on a different period.

## 15.4 Governing Law

The use of foreign law as the governing law in contracts is not prohibited in the Lao PDR. Only security agreements are required to be governed by Lao law. Other finance documents (e.g., Loan Agreements, Facility Agreements, Intercreditor Agreements, etc.) do not need to be governed by Lao law and, in most major financings, are not.

While the choice of foreign law is permitted under Lao law, judicial practice indicates that Lao courts and other government authorities are not required to have knowledge of laws of other jurisdictions and may rely solely on their understanding of Lao law.

## 15.5 Contract Formalities

Full enforceability of contracts and agreements in Lao courts will depend upon their valid registration. Pursuant to the Document Registration Decree, contracts including concession agreements, all documents related to the transfer of ownership, the use of assets, the assignment of rights, articles of association, and court decisions require registration with the SAMD, or the LMA, in case of contracts concerning immovable property, to “be effective and have legal value”.

To reduce the nullification risk of contracts, it is usually recommended that all contracts be notarised under the Notary Law, even though notarisation is not generally mandatory, as, under Lao law, the Lao Notary Department is responsible for the certification of the correctness of certain documents (such as joint venture agreement, loan agreements, mortgages, assignments, partnership contracts, and sale-purchase contracts).

## 16. DISPUTE RESOLUTION

### 16.1 Judicial Resolution

The People's Court adjudicates civil, commercial, criminal, family, and juvenile cases. The proceedings of the Court are performed in accordance with the following basic principles<sup>119</sup>:

- To ensure the equality of the citizens<sup>120</sup> before the laws and the Court;
- To ensure the rights of citizens in their action;
- To ensure independence during the judicial proceedings;
- To respect and adhere to laws in the adjudication;
- To ensure the adjudication in judicial tribunals;
- To use the Lao language during the proceedings;
- To ensure the hearings shall be in public at the court meeting; and
- To respect and strictly enforce the final decision of the court.

### 16.2 Foreign Court Judgment

Foreign court judgments are not recognised in the Lao PDR, unless there is a treaty on mutual judicial recognition of foreign court judgments with the relevant foreign country<sup>121</sup>. The Lao PDR is not a party to the Hague Convention on Foreign Judgment Enforcement in Civil and Commercial Matters (The Hague 1971). Lao PDR courts and administrative bodies with enforcement capacity are not required by law to enforce or implement a foreign court judgment or order.

The Civil Procedure Law<sup>122</sup> provides for the recognition of foreign court judgments only under the following conditions:

- Judgment must be of countries which are signatories to treaties to which the Lao PDR is also a party;
- Judgment must not impact on the sovereignty and contradict the laws of the Lao PDR;
- Judgments must not impact the security and social order of the Lao PDR; and
- There must be a certified Lao translation of the judgment by the Lao Notary Department.

Foreign court judgments require endorsement by a Lao court and that enforcement can only occur by an order of such court.<sup>123</sup> In the absence of a judgment enforcement treaty between the Lao PDR and the relevant jurisdiction, it is unlikely that a court judgment of a foreign jurisdiction would be enforced in the Lao PDR without a complete retrial, or a retrial of the major issues.

## 16.3 Domestic Dispute Resolution Mechanisms

Mediation<sup>124</sup> and arbitration<sup>125</sup> in the Lao PDR are governed by the Economic Disputes Resolution Law. This law sets out the principles, regulations, and measures relating to the resolution of economic disputes<sup>126</sup> by mediators or arbitrators.

The Center of Economic Dispute Resolution (CEDR) and Office of Economic Dispute Resolution (OEDR) have the role of managing the resolution of economic disputes in the Lao PDR. Economic disputes that can be brought for consideration at the CEDR or OEDR must satisfy the following conditions.<sup>127</sup>

- Be an economic and trade dispute;
- The parties must have agreed to bring the dispute to CEDR or OEDR in the relevant contract;
- The parties must have submitted the dispute for resolution;
- The dispute is not pending before the People’s Court or a final decision from the People’s Court must not have been issued; and
- The dispute does not violate laws and regulations on national stability,<sup>128</sup> social order,<sup>129</sup> and the environment.

## 16.4 International Arbitration

Persons and legal entities that conduct business in international trade or foreign investment in the Lao PDR have the right to select international mediation or arbitration for the resolution of economic disputes, to choose the governing law of dispute resolution, the procedures of proceedings, the place and language to be used in the proceedings.<sup>130</sup>

Although the Lao PDR is a party to the New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards (the “New York Convention”), the effect of its implementation in the Lao PDR is uncertain. The cabinet of the Prime Minister issued Notification No 2454 regarding the Application of New York Convention (1958) on the Recognition and Enforcement of Foreign Arbitral Awards, 24 August 1998, which states that the New York Convention is in force in the Lao PDR as of 15 September 1998.

International arbitral awards are enforceable in the Lao PDR pursuant to the Economic Dispute Resolution Law which directs that the People’s Court will consider certifying such awards when the following requirements are fulfilled:

- The parties hold the nationalities of countries which are parties to the New York Convention;
- The arbitral award does not conflict with the constitution and laws and regulations on national security, social order and the environment; and

- The party against whom the arbitral award is being enforced holds business operations, shares, savings accounts, or other assets in the Lao PDR.

Upon the People's Court acknowledgement and certification, the arbitral award shall be implemented in accordance with the Judgment Enforcement Law. The Judgment Enforcement Law provides for the execution of final, legally effective and proper court instructions, orders, decisions at first instance, decisions on appeal, decisions on cessation and other juridical acts.



## Endnotes

1. Preamble, 2015 Constitution of the Lao PDR.
2. The World Factbook, Central Intelligence Agency. See: <https://www.cia.gov/library/publications/the-world-factbook/geos/la.html>.
3. Ibid.
4. Ibid.
5. Ibid.
6. Preamble, 2015 Constitution of the Lao PDR.
7. Article 3, 2015 Constitution of the Lao PDR.
8. The Government is the executive branch of the Lao PDR. See: Chapter 7, 2015 Constitution of the Lao PDR.
9. Article 52, 2015 Constitution of the Lao PDR.
10. Article 54, 2015 Constitution of the Lao PDR.
11. See: [http://www.na.gov.la/index.php?option=com\\_content&view=category&id=28&Itemid=156&lang=en](http://www.na.gov.la/index.php?option=com_content&view=category&id=28&Itemid=156&lang=en).
12. Article 53, 2015 Constitution of the Lao PDR.
13. Article 56, 2015 Constitution of the Lao PDR.
14. Article 65, 2015 Constitution of the Lao PDR.
15. Article 66, 2015 Constitution of the Lao PDR.
16. Article 68, 2015 Constitution of the Lao PDR.
17. Article 69, 2015 Constitution of the Lao PDR.
18. Article 71, 2015 Constitution of the Lao PDR.
19. Ibid. The term of office of 5 years applies to the Prime Minister.
20. Article 85, 2015 Constitution of the Lao PDR.
21. Article 86, 2015 Constitution of the Lao PDR.
22. Ibid.
23. Article 91, 2015 Constitution of the Lao PDR.
24. The Constitution does not provide a definition of People's Local Courts. However, pursuant to Article 19 of the Amended Law on the People's Courts, People's Local Courts consist of the People's Court of provincial, municipality and juvenile court, People's Regional Courts and People's Area Courts.
25. Ibid.
26. Article 100, 2015 Constitution of the Lao PDR.
27. The Constitution does not provide the definition of Offices of the Local Public Prosecutor. However, pursuant to Article 11 of the Amended Law on the Office of the Public Prosecutor 2009, Offices of the Local Public Prosecutor consist of the Office of the Regional Public Prosecutor, Office of the Public Prosecutor at provincial, municipality, and Office of the Area Public Prosecutor.
28. Article 3, Law on Making Legislation No. 19/NA dated 12 July 2012 ("Law on Making Legislation").
29. Article 4, Law on Making Legislation.
30. Article 5, Law on Making Legislation.
31. See: <http://www.laoofficialgazette.gov.la/>
32. Ibid.
33. Ibid.
34. See: <https://treaties.un.org/Pages/UNTSONline.aspx?id=3>
35. The Investment Promotion Law is being amended by the Government of Lao PDR. A supplement to this guide may later be issued after the amendments have been promulgated.
36. According to the Law on Nationality No. 05/NA dated 17 May 2004, alien refers to an individual holding another

nationality who enters to reside and live in the Lao PDR for a long period, who holds an alien identification card, and whose government still regards him as its citizen.

37. According to the Law on Nationality, apatrid refers to an individual residing in the territory of the Lao PDR who is not a Lao citizen and who is unable to certify his nationality.
38. Article 10, Investment Promotion Law No.02/NA dated 8 July 2009. We are of the opinion that “total capital” stated in the Investment Promotion Law refers to “registered capital” which is required to be subscribed and paid up by investors and not “total capital”.
39. <http://investmentpolicyhub.unctad.org/IIA/CountryBits/114>.
40. Terminated on 13-10-2015.
41. Article 104, Amended Enterprise Law.
42. Article 105, Amended Enterprise Law.
43. Article 134, Amended Enterprise Law.
44. Article 121, Amended Enterprise Law.
45. Article 135, Amended Enterprise Law.
46. Article 121, Amended Enterprise Law.
47. Ibid.
48. Article 129, Amended Enterprise Law.
49. Article 130, Amended Enterprise Law.
50. Article 141, Amended Enterprise Law.
51. Article 154, Amended Enterprise Law.
52. A contract of incorporation is a written agreement of the promoters/founders for the establishment of a limited company. A company with a single shareholder is not required to have a contract of incorporation.
53. Fees for auditors appointed by the court shall be set by the court.
54. According to Article 162 of the Amended Enterprise Law, the annual business report shall include the following:
  - (i) The total capital, registered capital and the number of issued shares remaining unpaid;
  - (ii) The types and number of shares issued and paid;
  - (iii) The name, place and type of business of other companies or subsidiaries in which the limited company holds shares and the types and number of shares;
  - (iv) The information of the director’s direct or indirect involvement in transactions of the limited company that could benefit them or of any increase or reduction of their shareholding in the limited company or in the company’s subsidiaries within the accounting year;
  - (v) The amount and value of remuneration paid to each director of the limited company; and
  - (vi) Other matters set forth in the company’s AoA.
55. The other rights and duties are generally stated in the Articles of Association of the company.
56. Article 141, Amended Enterprise Law.
57. Article 154, Amended Enterprise Law.
58. Article 148, Amended Enterprise Law.
59. Article 149, Amended Enterprise Law.
60. Ibid.
61. Article 65, Amended Land Law.
62. The Amended Labor Law has not defined what constitutes a “day” or a “week” but we understand these to mean twenty-four (24) hours and seven (7) days, respectively.
63. Article 51, Amended Labor Law.
64. Article 53, Amended Labor Law.
65. Article 110, Amended Labor Law.
66. Article 110, Amended Labor Law.
67. Article 54, Amended Labor Law.
68. Article 55, Amended Labor Law.
69. Article 55, Amended Labor Law.

70. Article 166, Amended Labor Law.
71. Article 169, Amended Labor Law.
72. The Amended Labor Law does not state which government authority is the collective bargaining agreement (“CBA”) required to be registered. Based on the Decree on Document Registration, we are of the opinion that the CBA is required to be registered at the State Asset Management Office where the labour unit is located.
73. Notarisation is done at Lao Notary Office of where the labour unit is located.
74. Article 170, Amended Labor Law.
75. The Amended Labor Law does not provide a definition of what may be considered as “serious cases”. We are therefore of the opinion that this would be subject to consideration by the labour authorities.
76. Article 3 of the Amended Labor Law defines “tripartite organization” as an organisation which includes the labour administration, organisations representing employers and organisations representing employees.
77. There are no publicly available laws and regulations which particularly regulate the conduct of strikes.
78. Article 154, Amended Labor Law.
79. Articles 76 and 94, Amended Labor Law.
80. Article 80, Amended Labor Law.
81. Article 80, Amended Labor Law.
82. Article 68, Amended Labor Law.
83. Article 148, Amended Labor Law.
84. Article 149, Amended Labor Law.
85. Article 150, Amended Labor Law.
86. The Amended Labor Law does not provide the specific composition of the committee and its rights and duties.
87. Article 151, Amended Labor Law.
88. Article 152, Amended Labor Law.
89. Article 153, Amended Labor Law.
90. Article 55 & 56, Social Security Law. According to the Social Security Organization, please note that the stated new monthly contribution percentages between the employer and employee shall be implemented beginning January 2015.
91. Article 45, Amended Labor Law.
92. Article 2.2 of Article 1.2 of the Ministerial Instruction on Initial Environmental Examination of the Investment Projects and Activities No. 0829/MONRE dated 17 December 2013 (“Instruction No. 0829”).
93. Article 1.2, Instruction No. 0829.
94. Article 2.3, Instruction No. 0829.
95. Article 2.6, Instruction No. 0829.
96. Article 1.2 of the Ministerial Instruction on Environmental and Social Impact Assessment Process of the Investment Projects and Activities No. 0830/MONRE dated 17 December 2013 (“Instruction No. 8030”).
97. Article 2.9, Instruction No. 0830/MONRE.
98. Article 2.10, Instruction No. 0830/MONRE.
99. The table states as follows:

(Unit in LAK)					
Level	Annual Profit Base	Taxable Amount	Rates (%)	Tax at Each Level	Total
1	From 3,600,000 and lower	3,600,000	0%	0	0
2	From 3,600,001 - 8,000,000	4,400,000	5%	220,000	220,000
3	From 8,000,001 - 15,000,000	7,000,000	10%	700,000	920,000
4	From 15,000,001 - 25,000,000	10,000,000	15%	1,500,000	2,420,000
5	From 25,000,001 - 40,000,000	15,000,000	20%	3,000,000	5,420,000
5	From 40,000,001 upward	.....	24%	.....	.....

100. Article 48.1 of the Amended Tax Law No. 70/NA dated 15 December 2015 states as below:

(Unit in LAK)					
Level	Annual Profit Base	Taxable Amount	Rate (%)	Tax at Each Level	Total
1	From 1,000,000 and lower	1,000,000	0%	0	0
2	From 1,000,001 - 3,000,000	2,000,000	5%	100,000	100,000
3	From 3,000,001 – 6,000,000	3,000,000	10%	300,000	400,000
4	From 6,000,001 – 12,000,000	6,000,000	12%	720,000	1,120,000
5	From 12,000,001 – 24,000,000	12,000,000	15%	1,800,000	2,920,000
6	From 24,000,001 – 40,000,000	16,000,000	20%	3,200,000	6,120,000
7	From 40,000,001 and higher	.....	24%	.....	.....

101. Article 45 of the Tax Law.

102. See: [www.laotradeportal.gov.la](http://www.laotradeportal.gov.la)

103. Article 5, FOREX Decree; Article 5, FOREX Guideline.

104. Article 3, FOREX Decree; Article 3, FOREX Guideline.

105. Article 10, FOREX Decree; Article 11, FOREX Guideline.

106. Article 5 (4) and (5), FOREX Guideline.

107. Article 3, Secured Transactions Decree.

108. Article 4 of the Secured Transactions Decree states that:

A person or legal entity may provide security on movable property comprising of:

1. Valuable objects;
2. Machinery;
3. Vehicles;
4. Goods in warehouse or raw materials for production;
5. Accounts receivable; financial documents;
6. Agricultural products;
7. Consumer products;
8. Bank accounts;
9. Intellectual property; and
10. Other types of movable property as agreed by the parties.

109. Article 48 of the Secured Transactions Decree states that:

The immovable properties that can be subjected to a security are:

1. Construction land, industrial or agricultural land under the land use rights of individuals or legal entity;
2. Land and buildings e.g., house, building, structure;
3. Condominium unit;
4. Concession land.

110. Article 26 of the Secured Transactions Law states a guarantee as a contract whereby a person or legal entity agrees in writing to repay the debt or perform the contractual obligations on behalf of the debtor, in the event that the debtor is unable to repay the debt or defaults in the performance of its obligations. The guarantor may use any immovable or movable property that it owns as additional security.

111. Article 29 of the FOREX Guideline states that registration has a term of 5 years and can be renewed.

112. Article 53, Secured Transactions Decree.

113. Article 22, Secured Transactions Law.

114. Article 23, Secured Transactions Law.

115. Article 23, Secured Transactions Law.

116. The instances which are considered as an accident that is an obstacle to prevent the filing of a claim are not defined in the Contract and Tort Law.

117. Article 102 of the Contract and Tort Law is unclear whether acknowledgment of debt is only an example of definite acts acknowledging the obligation or is the only such act. We understand that this may not be limited to

- acknowledgement of debts but also to the acknowledgement of obligations in the contract.
118. Article 102, Contract and Tort Law.
  119. Article 8, People's Court Law.
  120. Article 9 of the People's Court states that foreign individuals, aliens and stateless persons who are in the territory of the Lao PDR shall have the same rights as Lao citizens, unless otherwise provided by the laws.
  121. Currently, the Lao PDR has a treaty for the mutual recognition of court judgments only with France.
  122. Article 362, Civil Procedure Law.
  123. Article 5 (9), Judgment Enforcement Law.
  124. Article 22 of the Economic Disputes Resolution Law defines mediation as a dispute resolution by the parties themselves through reconciliation, negotiation and discussion of which one or more mediators act as a go between among the parties.
  125. Article 29 of the Economic Disputes Resolution Law defines arbitration as the decision of an arbitration panel related to economic dispute resolution.
  126. Article 2 of the Economic Disputes Resolution Law defines economic disputes as conflicts of interest between legal entities themselves, legal entities and individuals, individual and other individuals both domestic and foreign, which take place in relation to a breach of contract, and matters on business production and operations.
  127. Article 16, Economic Disputes Resolution Law.
  128. There is no definition provided for what is considered as "national stability".
  129. There is no definition provided for what is considered as "social order".
  130. Article 5, Economic Disputes Resolution Law.
  131. Article 52, Economic Disputes Resolution Law.

















