



LAO PEOPLE'S DEMOCRATIC REPUBLIC  
Peace Independence Democracy Unity Prosperity

**Prime Minister Office**

Ref. No: 177 /PM  
Vientiane, dated November 13<sup>th</sup>, 2003

**DECREE**  
**On the Management Regulations and**  
**Incentive Policies Regarding the Savan-Seno**  
**Special Economic Zone**

In accordance with the provisions of the Law No. 02/NA dated May 6<sup>th</sup>, 2003, on the Government of the Lao P.D.R., and those of the Prime Minister Decree No.148/PM dated September 29<sup>th</sup>, 2003, on the Savan-Seno Special Economic Zone, and with reference to the Committee for Planning and Cooperation's Proposal Letter No. 1404/CPC dated August 13<sup>th</sup>, 2003,

**The Prime Minister decrees as follows:**

**CHAPTER 1**

**General Provisions**

**Article 1: Decree's objective**

This Decree's objective is to fix regulations and special policies regarding the planning, management, and promotion of domestic and foreign investments within the Savan-Seno Special Economic Zone, Savannakhet Province, in view of attracting and encouraging investment in the fields of production, export, trade, tourism, services, warehousing, and in-transit passengers and goods transportation.

**Article 2: The Savan-Seno Special Economic Zone**

The Savan-Seno Special Economic Zone (to be hereafter called "SASEZ") consists of real estates reclaimed and developed by the State for the promotion of domestic and foreign investment in the fields of production, trade and services, in accordance with the market economy mechanism and on the basis of the specific management regulations and use of special incentive policies for investment promotion towards those businesses which are authorized to invest and operate within the SASEZ.

**Article 3: SASEZ land area delineation**

The SASEZ initial land area is approximately 305 hectares (at Site A), in Khanthabouly District, and 20 hectares (at Site B), in Outhoumphone District, Province of Savannakhet, in accordance with the map, at figure 6.5, in the Study Report on Special Economic Zone Development in Border Area (Savannakhet Province) in the Lao PDR, Final/Main Report dated February 2001.

#### **Article 4: Objectives of the creation of the SASEZ**

The objectives of the creation of the SASEZ are as follows:

- (1) To create the prerequisites for gradual industrialization and modernization by using its vantage ground as a transit place within the sub-region, for developing the Lao PDR market economy so as to integrate it into the Regional and Global economies, and for fostering faster growth of national economy bases, on which material and spiritual conditions of existence of the Lao multi-ethnic people shall be raised up;
- (2) To put into use and develop real estates within the SASEZ for providing services and settling those facilities needed in the business operations of domestic and foreign investors, notably the land use settling and public facilities' building such as roads, drainage canalization, waste water treatment, electric power, water supply and telecommunication systems;
- (3) To encourage and attract domestic and foreign investors, including overseas Laotians, to come and invest in the SASEZ;
- (4) To protect and encourage both domestic and foreign investors from all economic sectors, operating in the SASEZ, to compete and cooperate among themselves in the development of their productive activities and business operations on the basis of equality before the Law;
- (5) To encourage domestic and foreign investors to invest in the different business sectors, which are spelled out in the list of SASEZ-promoted business activities;
- (6) To create a supply source of employment opportunities and a training ground for employees and workers who shall be able to acquire further know-how, competence, lessons and experiences in the fields of high level management and skills;
- (7) To create a Center of Cooperation between the Lao PDR and foreign countries in the fields of economy, industry, trade, finance, services, and modern technology;
- (8) To create a Zone which grants special privileges as regards customs duties on imported and exported commodities, and which is, however, a part of the Lao PDR territory, and under the Lao PDR Constitution.

#### **Article 5: Basic principles governing the activities of the SASEZ**

All activities, including those pertaining to the SASEZ entry and exit, displacement inside the SASEZ, creation and operations of a business entity, and land property renting and services use within the SASEZ, are governed under the management regulations and special policies on the customs duties, taxes, and other promotion policies stipulated in the present Decree.

In the case where an issue is not covered by the present Decree, other regulations on the SASEZ and specific law provisions on the Special Economic Zone in the Lao PDR shall be applied; and in the case where that issue is still uncovered by any of the above legal documents, the Lao PDR concerned laws and international conventions signed by the Lao PDR shall be applied.

#### **Article 6: Zoning within the SASEZ land area**

Three sector zones shall be settled for further development, within the SASEZ land area, namely:

1. Export Processing Zone (or EPZ);
2. Free Trade Zone (or FTZ);
3. Free Service and Logistics Center (or FSLC).

## **Article 7: Branches of activities being promoted inside the SASEZ**

The branches of business activities, which are promoted and given operating license, inside the SASEZ, are as follows:

- 7.1. Production and manufacturing businesses, such as finished-product manufacture for export; parts assembly for production of finished products; processing of imported goods for further sales in domestic and foreign markets; agro-industry products manufacturing; handicraft products manufacturing; goods and finished products packaging enterprise;
- 7.2. Trade businesses, such as duty-free shops/centers; customs duty-free wholesale trade for transit goods to neighboring countries; wholesale trade for domestic commodities and products, such as handicraft works, sweet-scented wood products, precious stones, etc.; centers/halls of goods exhibition; supermarkets and retail stores; convention and seminar centers for the promotion of wholesale activities and export; export, import and in-transit commodities trade;
- 7.3. Services and logistics businesses, such as general commodities warehousing and freezing/refrigerating warehouses systems; services in logistic and goods distribution; goods handling/freight terminals for loading and unloading heavy commodities; transport enterprises; hotels; apartments; housing real estates; office-for-rent buildings; tourist package-tour travel organizations; leisure centers development; sport practicing sites/centers; entertainment parks; tourist sites development; banks/financial institutions; insurance's; social welfare funds; skills upgrading and vocational schools; general primary and secondary education schools; universities/university-level institutes; hospitals; restaurants; post offices;
- 7.4. Representative's offices and company branches, such as offices of the representative of the trade company for the encouragement of export; offices of the tourist travel agencies; branches of international consulting firms; branches of air companies; branches of international transportation companies;

As for the business activities being promoted and forbidden inside the SASEZ, a detailed list shall be separately given.

## **Article 8: Persons being encouraged to invest inside the SASEZ**

The persons and judicial persons, who are being encouraged to invest inside the SASEZ in the various promoted business activities, described in Article 7 above, are those who are domestic and foreign investors, including Lao citizens and overseas Laotians, foreign citizens residing inside and outside the Lao PDR.

## **Article 9: Categories, forms and types of investment**

Within the SASEZ, the investors can operate their business in the following categories forms and types of enterprise:

Categories: 100% private-owned enterprise, state-owned enterprise, common enterprise, or joint-venture enterprise (i.e., between state-owned enterprise and domestic or foreign private enterprise, or between among domestic and foreign private enterprises);

Forms: Individual-owned enterprise, and corporate/company forms;

Types: Joint-venture, limited liability or public companies types as stipulated in the Law on Business.

**Article 10: Creation and activities of SASEZ-registered enterprises**

All enterprises registering in the SASEZ shall be created and operated in accordance with the rules and regulations stipulated under the present Decree, the Prime Minister Decree No. 148/PM on the Savan-Seno Special Economic Zone, other SASEZ-related regulations, Law on Business and Laws on Domestic and Foreign Investment.

**Article 11: Registration of business enterprises within the SASEZ**

Any enterprise which has been authorized to invest in the SASEZ shall have to be registered by the Savan-Seno Special Economic Zone Authority (SEZA). Upon completion of the required procedures concerning a SASEZ-licensed enterprise in conformity with the present Decree and other SASEZ-related regulations, it shall be authorized to carry out its operations within the SASEZ and enjoyed preferential policies and special investment incentives as granted under the present Decree.

Any SASEZ-registered enterprise is entitled to operate its business activities outside the SASEZ under the legal system of the Lao PDR.

**Article 12: The building of the SASEZ basic infrastructure**

The government of Lao PDR authorizes and encourages state-owned and private-owned domestic and foreign companies to invest in the development of basic infrastructure and facilities inside the SASEZ, in the form of: turnkey contract; concession; or joint-venture between state-owned enterprises and domestic/foreign private-owned enterprises.

During the first years of pioneering development works of infrastructure construction, in order to encourage and to accelerate the realization of the SASEZ development, and in the event that still no enterprise could be found which would be in a position to build this infrastructure, the government may allocate an amount of budget fund to the SEZA for the execution of the infrastructure in accordance with the fixed development plan.

**Article 13: Protection of the investor's rights and interests**

The investor's lawful assets, investments and other interests on the SASEZ shall be fully protected by the Laws and regulations of the Lao PDR and by the International Conventions/Agreements, of which the Lao PDR is co-signatory, and shall not be requisitioned, confiscated or nationalized by the state, except in case of implementation of the principles and conditions relating to the investment inside of the SASEZ, as described in the present Decree, or in other regulations concerned relating to the SASEZ, or in regulations specially concerning the Special Economic Zones in the Lao PDR.

#### **Article 14: Business operating time period within the SASEZ**

Domestic and Foreign investors who have been authorized to invest inside the SASEZ, are entitled to carry out their activities and operate their businesses inside of the SASEZ for the time period indicated in their investment license certificate which was issued by the SEZA; this time period shall be at most 75 years and renewable on the basis of the SEZA consideration and approval.

#### **Article 15: Registered capital and shareholders or owner equity**

- 15.1. Depending on the category in which it belongs, each type of SASEZ-registered enterprise or business, except that of the Representative's Office, is required to have a minimum registered capital, as follows:
  - A minimum registered capital of US\$ 100,000 (One hundred thousand US dollars) is required for production businesses; vocational schools; warehousing services and transport companies (owners of heavy-payload vehicles) construction businesses; hotel businesses; development and constructions of industrial estates and manufactures; housing (such as apartment for rent and housing estate); development of touristy sites (including sport complexes, carnival parks, rest areas), general learning institutions (which are not vocational); hospitals; supermarkets; domestic and foreign subsidiary or branches of companies;
  - A minimum registered of US\$ 50,000 (Fifty thousand US dollars) is required for: logistic businesses (which are not owners of heavy-payload vehicles); package tour travel businesses; wholesale and retail trade business general services (which are not mentioned above).
- 15.2. A minimum registered capital of US\$ 10,000 (Ten thousand US dollars) is required for: the office of business representative for the promotion of export transit trade, tourism and others;
- 15.3. Disbursement of registered capital can be made either in cash or in kind , in conformity with the Business Law. The transfer of this disbursed capital shall be made in compliance with the Law on Bank of the Lao PDR, now in vigor, or in accordance with the specific regulations concerned of the SASEZ;
- 15.4. In the event that the Bank of the Lao PDR or the SEZA-designated Bank were not in the capacity to warrant the cost of an SASEZ enterprise's imported materials, this enterprise shall be authorized to use the service of an independent auditor to evaluate that cost, provided that a written approval was given by the Bank of the Lao PDR or by the SEZA-designated Bank, the enterprise being responsible for the charges involved in the cost evaluation which will be considered to be final.

#### **Article 16: Minimum investment inside the SASEZ**

Business entities applying for a license to operate inside the SASEZ (except the office of the representative as described in Article 15 above), which shall be granted special rights in terms of tax, customs duties and other promotion incentives, described in the present Decree, are required to have a minimum investment, as follows:

- A minimum investment of US\$ 150,000 (One hundred fifty thousand US dollars), is required for delivery service or logistic businesses (which are not owners of heavy-payload vehicles), package tour travel businesses; wholesale and retail businesses;
- A minimum investment of US\$ 300,000 (Three hundred thousand US dollars) is required for production businesses and vocational schools;
- A minimum investment of US\$ 500,000 (Five hundred thousand US dollars) is required for warehousing service and transportation enterprises (which are owners of heavy-payload vehicles); supermarkets; touristy sites development (including sport complexes, carnival park, rest areas), general learning institutions /schools (which are not vocational schools); hospitals;
- A minimum investment of US\$ 1,000,000 (One million US dollars) is required for Hotel development businesses; industrial estate development businesses and manufactures; housing businesses such as apartments for rent and housing estate;
- A minimum investment of US\$ 50,000 (Fifty thousand US dollars) is required for general service businesses (which are not mentioned above).

## **CHAPTER II**

### **Application for Investment License, Land Rental, Construction, Business Closure, Rights and Duties of the Investor**

#### **Article 17: Application for investment license**

Companies and individuals from both domestic and foreign origins, which desired to create and operate a business inside the SASEZ have to address their application directly to the SEZA, using the application forms provided by the SEZA.

The SEZA shall be the sole authority responsible for the granting of the investment license and for the registering of the business enterprise concerned, i. e. the investor need not have recourse to the Ministry of Commerce anymore, in this matter.

The SEZA shall regularly submit the complete list of SASEZ-registered business enterprises and details of their registering to the Ministry of Commerce for information only.

The SEZA shall issue the applied investment license or give a negative reply to the investor's application within a maximum delay of 5 (five) official working days.

#### **Article 18: Application for lease of land, lease of buildings and construction authorization certificate**

18.1. A SASEZ-registered business enterprise which desires to lease land and buildings inside the SASEZ is required to directly apply to the SEZA for authorization and to sign the required lease contract directly with the SEZA (or with the government-designated joint-venture enterprise in charge of the construction of infrastructure of the SASEZ, in accordance with the rights of such enterprise as stipulated in the Agreement signed with the Government). It is also required to conform with the Regulations and draft Agreement issued by the SEZA;

18.2. A SASEZ-registered enterprise which desires to construct buildings, plants, manufactures, and other development construction works on the land it has

leased inside the SASEZ, is required to directly apply to the latter for a construction authorization certificate. It is also required to conform with the construction and environmental protection standards, issued in a separate document by the SEZA;

- 18.3. In the event that the construction of a building has not been authorized in conformity with Article 18.2. above, or in the event that the constructed building does not conform either with the authorized drawings, designs and work programs, or with the terms, conditions, and construction and environmental protection standards fixed in the construction's authorization certificate, the SEZA shall have the right to order that the on-going construction works be stopped and that changes be made to a part of the building or to the building as whole which may required either partial or total demolition of the building. A formal notification shall be made, to this effect, to the investor-developer or to the building occupant to give him reasonable period of time for the new works to be performed.
- 18.4. In the event that the notified period of time mentioned 18.3. has elapsed and that the building construction investor or occupant does not conform with to order notified to him by the SEZA, the latter Authority has the right to make decision as it sees appropriate regarding the construction of that building, in view of bringing solution, making changes including partial or total demolition works, the expense of which being charged on the investor or building occupant.

#### **Article 19: Rights and interests of the investor**

The main rights and interests of the investors inside the SASEZ are as follows:

- To lease land, buildings, rest areas, offices and plant;
- To construct buildings and housing; manufactures; development of Leisure park and touristy site;
- To use various services and facilities provided by the SASEZ;
- To export finished products manufactured, assembled and processed; and to import equipment, raw materials and necessary means of production required for business activities;
- To operate appropriate service businesses, in accordance with the investment license and enterprise regulations;
- To select and employ labor in accordance with the Labour Law of the Lao PDR and concerned specific Regulations of the SASEZ;
- To transfer the capital or income of the foreign investor to a third country or his country of origin in conformity with the Law on the Promotion and Management of Foreign Investment in Lao PDR, the present Decree and specific SASEZ regulations;
- To transfer the right of property, right of possession, right of use regarding of one's investment license, one's assets and land to a third party, with the approval of the SEZA, in accordance with the present Decree, Prime Minister Decree No. 148/PM and concerned SASEZ Regulations which shall be separately issued;
- To benefit from the preferential policies and other interests in conformity with the present Decree and other Regulations concerned of the SASEZ.

**Article 20: Closure, bankruptcy, transfer and relinquishment of the SASEZ-registered business enterprise**

- 20.1. A SASEZ-registered business enterprise desiring to close its business, declare its bankruptcy or transfer its business to a third party has to conform with Business Law, Bankruptcy Law, as well as with the recommendations and rules of procedures of the SASEZ which are separately issued. In addition, this business enterprise has to transfer its properly rights for land use either to a third party or the SEZA, or the SASEZ Infrastructure Development Joint-Venture enterprise (SIDJE), as mentioned in Article 60 of the present Decree, in order to enable other client to lease the land on the basis of negotiations conducted with the original enterprise which posses legal property rights of the land, all those negotiations and arrangements having to be completed within a delay of two years starting from the day of the business closure or transfer request, and in conformity with the regulations and rules of procedures to be issued separately by SEZA.
- 20.2. In case that a SASEZ-registered business enterprise, for whatever reasons does not operate its activities for a period of time longer than one year and has not complied with Article 20.1 above, the SEZA shall notify the owner of this enterprise. In the event that within 6 months, no reply to the notification is received from the business enterprise concerned or in the event that this enterprise, while acknowledging the above notification, could not comply with the article above, the SEZA shall have the right of (or shall assign the Joint-Venture Enterprise of SASEZ infrastructure development with the task of) taking care of and managing the assets and land property of the enterprise concerned in view of finding a new enterprise which is willing to lease these assets and land. However, upon return of the original business enterprise who had invested and own the land use right in the event that its old building and property were still in use without any destruction, a cost re-evaluation of the buildings and assets for this original investor shall be made taking into account their depreciation according to the SEZA accounting regulations which shall be issued by the SEZA.

**Article 21: Disposal of enterprise assets at the expiration date of land lease contract**

- 21.1. In the case that the SASEZ-registered enterprise does not desire to continue its business operations or to renew its land lease contract with the SEZA, its rights to use the land shall be terminated after the expiration date of land lease contract; and if that enterprise did not formulate any request for a renewal of the land lease contract, as mentioned in Article 29 of the present Decree, the land shall again become, from the expiration date of the land lease contract, the ownership of the SEZA or the SASEZ Infrastructure Development Joint-Venture Enterprise (SIDJE), as stipulated in the joint-venture agreement or concession agreement signed between the enterprise and the SEZA or the Government. As for the assets and other buildings (fixed assets) situated on the above land, they shall be still considered as properties of the investor who had invested in their installation or construction; subsequently, the investing enterprise shall still have the rights to deal with these assets, in any ways including their removal, demolition, transfer, or sale, in view of putting them to use, for the general interest, but shall not be authorized to keep this land and assets in reserve and, by doing so, to prevent their use for general interest.



- 21.2. The enterprise, which is owner of these assets, shall have to dispose of its assets within one-year time period, starting from the expiration date of the land lease contract. In case that the enterprise is still unable to dispose of its assets beyond the above period, the SEZA (or the SIDJE, in conformity with the provisions of the Joint-Venture Agreement or Concession Agreement signed between the enterprise and the SEZA or the Government), shall have the right to take control of the question and dispose of the above enterprise assets in appropriate ways including their selling to another enterprise, to the SEZA or to the SIDJE, their removal or demolition, on the basis of negotiations and mutual agreement, and asset value reassessment, the latter being made for the first investor according to the rules and procedures of accounting and the assets depreciation, which shall be issued by the SEZA.

**Article 22: Obligations of the investor or SASEZ-registered enterprise**

The investor, who has been registered in the SASEZ, shall have the following obligations:

- Planning and proposing his investment project and his needs requirements in terms of infrastructure systems and facilities in the SASEZ so that the entity responsible for SASEZ infrastructure development may meet those needs/requirement on time and/or share this responsibility with others to timely meet those needs;
- Settling his customs duties and taxes obligations and other obligations mentioned in the present Decree, as well as in the Prime Minister Decree No. 148/PM, and other concerned regulations issued by the SEZA;
- Giving his cooperation to the SEZA' s activities;
- Opening Kip-currency and foreign-currency accounts in the SASEZ-registered banks or other Lao PDR-registered banks;
- Making regular reports of his business activities in accordance with the provisions of the Law on Enterprise Accounting of the Lao PDR and with the specific rules and regulations concerned of the SASEZ;
- Making quarterly and annual reports to the SEZA on the work progress accomplished by the business or investment project;
- According both cooperation and facilitation to the SEZA task of monitoring the enterprise activities;
- Protecting peace and order; warranting labor safety; assuring protection against fire; and preserving cleanliness and environment.
- Observing legal provisions of the Lao PDR and other regulations issued by the SEZA.

**Article 23: Incentive policy towards the office of the representative**

The offices of the Representative which are SASEZ-registered, notably those of the trade and/or service sectors, in charge of promoting Export and Tourism shall only have the specific functions of collecting market information data and reporting them to the mother-companies; assuring domestic and foreign relations for mother-company facilitation; monitoring the implementation of investment contract and services in the name of the mother-companies.

It is forbidden to office of the Representative to operate revenue-seeking activities. A SASEZ-registered office of the Representative shall only receive special right

(incentive) in terms of personal income tax payment within the frame work of the present Decree. Apart from that, it does not receive any investment promotion rights/incentives mentioned in the present Decree.

### **CHAPTER III**

#### **Investment Promotion Policies and Land Lease Inside the SASEZ**

##### **Article 24: General policy**

The Government of the Lao PDR encourages and promotes investment inside the land area of the SASEZ by means of various preferential policies fixed in the present Decree, Prime Minister Decree No. 148/PM dated 29th September, 2003, concerning the Savan-Seno Special Economic Zone; Rules of procedures and other regulations concerning the SASEZ; Law on the Promotion and Management of Foreign Investment in the Lao PDR, and Law on Domestic Investment Promotion.

##### **Article 25: Tax Exemptions and Policies**

Tax exemptions and special Tax rates granted to the SASEZ-registered enterprise are as follows:

###### **25.1. Turnover Tax**

- A person or enterprise who has been authorized to operate a business activities including service business activities inside the SASEZ shall be exempted from turnover tax for the goods or commodities imported from foreign countries for use, processing, production or sale inside the SASEZ;
- A person or enterprise who has been authorized to operate a business inside the SASEZ in the fields of production, trade, services and commodities import for further transactions in the country but outside the SASEZ shall be exempted from turnover tax for those goods listed under Article 9 of the Tax Law, for his product sale/purchase, trade and service transactions.
- Goods/commodities and services supplied by SASEZ-registered enterprise, for sale and service transactions outside the SASEZ, but inside the country, shall be subject to turnover tax in compliance with Article 12 of the Tax Law.

###### **25.2. Consumption/utilization tax**

- A SASEZ-registered enterprise shall be exempted from consumption (utilization) tax, for the goods/commodities it imports from foreign countries or from inside the country territory (but from outside the SASEZ), for the purpose of utilization, services, processing, production and purchase/sale inside the SASEZ; those goods mentioned under Article 20 of the Tax Law shall also be exempted from consumption tax, inside the SASEZ;
- A SASEZ-registered enterprise operating in production, trade, service, and import of commodities, for the purpose of transactions of utilization, purchase/sale from inside the country territory (but from outside the SASEZ), shall be exempted from consumption tax, as regard commodities listed under Article 21 of the Tax Law;

- Goods/commodities and other transactions imported for use, purchase/shall and services inside the country but outside the SASEZ, shall be subject to consumption tax in conformity with Article 23 of the Tax Law and other applicable Regulations of the Government of the Lao PDR.

### **25.3. Tax deduction**

An enterprise, operating in production business or in commodity-processing business inside the country, shall be granted exemption or deduction of turnover tax and consumption tax for its sale transactions with business entities operating inside the SASEZ.

However, to be entitled to the above tax exemption or deduction, the business enterprise is required to be duly tax-registered either with the government tax authorities or with the SEZA-assigned unit. In addition, it has to keep a correct accounting, with the complete set of warranting source documents concerning tax payments made, such as Tax money receipts, invoices of commodity supply and other documents concerned.

### **25.4. Forbearance**

Domestic investors, operating outside the SASEZ and dealing with goods import, are not authorized to introduce and sell their foreign imported goods/commodities inside the SASEZ, unless the latter commodities/goods were those in transit for sale to another foreign country or had been duly authorized by the SEZA.

### **25.5. Limits of tax policy application**

The above policies on turnover tax and consumption tax shall be applicable only within the SASEZ. Consequently, if an enterprise, which has been authorized to operate inside the SASEZ utilizes and purchases/sells goods, and uses services in the country area situated outside the SASEZ, it has to fully observe the Laws and regulations of the Lao PDR.

### **25.6. Profit tax**

The value of the profit tax, its reduction and its exemption for a SASEZ-registered enterprise, with regard to each business category, are determined as follows:

a. Production business category

Production business means the production, manufacture, assembly, processing, and transforming of raw materials or various material objects into a new product; production business included for example: furniture manufacture; vehicle assembly manufacture; electronic-parts assembly manufacture and other production businesses.

Production and manufacture of goods for export to foreign countries shall be either exempted from profit tax or granted a deduction rate of profit tax, depending on the proportion of export in the total production quantity, as follows:

1. For an export proportion equal to 70%, or more than 70%, of the total production quantity, or for the manufacture or assembly of high-technology equipments, instruments and products, the business entity shall be exempted from profit tax for a period of 10 years starting from the profit-making year of its operations. Beyond that period, it shall be subject to a rate of profit tax of 8%; (The definitions and examples of high-technology products are given in an Annex, herewith attached).
2. For an export proportion from 30% to 69% of the total production quantity, the business entity shall be exempted from profit tax for a period of 7 years starting from the profit-making year of its operations; beyond that period, it shall be subject to a rate of profit tax of 8%.
3. In case of a business of general production or a business producing for export less than 30% of the total production quantity, the business entity shall be exempted from profit tax for a period of 5 years starting from the profit-making year of its operations; beyond that period, it shall be subject to a rate of profit tax of 8%.
4. Apart from the tax policies mentioned above, special tax privilege shall be granted to production business which utilizes domestic/local raw materials at a proportion higher than 50% of the total quantity of raw materials required for their production and processing activities in the form of an additional profit tax reduction of 50% of the tax rates mentioned above, for the first 2 years of profit tax payment application.

b. Trade business category

Trade business means the utilization of various materials, goods and products for the purpose of sale in their original state without any prior processing, except their packing which might be slightly modified. For example: commodities import-export business, in-transit trade business, duty-free shop, commodities wholesale business, etc.

1. A business enterprise exporting domestic products and commodities, including commodities produced inside the SASEZ, shall be granted profit tax exemption for a period of 5 years, starting from the profit-making year of its operations; beyond that period, it shall be subject to the rate of profit tax 10%.
2. A business enterprise which imports foreign country merchandises for sale in a third country shall be exempted from profit tax for a period of 3 years, starting from the profit-making year of its operations; beyond that period, it shall be subject to the rate of profit tax of 10%.
3. Apart from the trade business activities mentioned above, a trade business enterprise operating inside the SASEZ shall be exempted from profit tax for a period of 2 years starting from the profit-making year of its operations; beyond that period, it shall be subject to the rate of profit tax of 10%.

c. Service business category

Service business means the supply of labour or services to another party by means of labour, know-how, equipment, machines, vehicles and other assets with the purpose of being paid to compensate for the services given. Examples of such service business are: transport business, warehousing business, housing construction business, tourism business, banking, insurance, universities, and public service businesses such as entertainment park, touristy site service business, etc.

A SASEZ-registered service business enterprise shall be granted various profit tax exemption and deduction, depending on the amount of its investment, as follows:

1. An investment with a value from 50,000 to 149,999 US dollars shall be exempted from profit tax for a period of 2 years, starting from the profit-making year of its operations; beyond that period, it shall be subject to the rate of profit tax of 10%.
2. An investment with a value from 150,000 to 299,999 US dollars shall be exempted from profit tax for a period of 4 years, starting from the profit-making year of its operations; beyond that period, it shall be subject to the rate of profit tax of 10%.
3. An investment with a value from 300,000 to 499,999 US dollars shall be exempted from profit tax for a period of 6 years, starting from the profit-making year of its operations; beyond that period, it shall be subject to the rate of profit tax of 10%;
4. An investment with a value from 500,000 to 1,999,999 US dollars shall be exempted from profit tax for a period of 8 years, starting from the profit-making year of its operations; beyond that period, it shall be subject to the rate of profit tax of 8%.
5. An investment with a value of 2,000,000 US dollars or more shall be exempted from profit tax for a period of 10 years, starting from the profit-making year of its operations; beyond that period, it shall be subject to the rate of profit tax of 8%.

Vocational schools, primary and secondary school shall be exempted from profit tax.

#### **25.7. Personal income tax**

The investors with a post at the SASEZ-registered enterprise, employees, technicians and workers earning salary, allowances, wages and other payment, for which the total amount is called personal income, shall be subject to a personal income tax, according to the following rates:

- 5% of the personal income for an expatriate or foreign citizen;
- The rate of personal income tax for a Lao citizen and a foreigner residing permanently in the Lao PDR, shall be subject to a reduced basic rate consisting of a personal income tax exemption for the “basic amount” of 200,000 Kips of their monthly personal income and a payment of personal income tax at the rate of 5% for the remaining monthly personal income, once the above basic amount has been deducted.

#### **25.8. Tax on the dividend (or Dividend tax)**

At the end of the period of tax exemption, all SASEZ-registered joint-venture enterprises (i.e. enterprises having two or more partners) shall be subject to a dividend tax of 5%.

#### **25.9. Minimum tax**

All SASEZ-registered business enterprises shall be exempted from the Minimum tax.

## **Article 26: Customs duty policies**

### **26.1. Customs duty on imported merchandises inside the SASEZ**

Products and merchandises/commodities, which are imported inside the SASEZ, shall be either granted tax (duty) holiday/tax (duty) exemption or subject to a special tax (customs duty) rate, as follows:

- For a production business, the products and merchandises/commodities, which shall be exempted from import customs duty, include construction materials for plant building; raw materials; materials; semi-finished products and finished products to be utilized in the processing/conversion, assembly or production; machines; vehicles and spare parts to be used in production.
- For a warehousing business, the construction materials; machines; vehicles and spare parts for the construction of warehousing complex, as well as all material objects for the facilitation of the warehouse activities, shall be exempted from import customs duty.
- For a transportation business, which is owner of heavy-payload vehicles, the merchandises/commodities which shall be exempted from import customs duty include vehicles and spare parts for use in the transport contract activities, as well as equipments and spare parts for use in the loading and unloading of trucks. In the event that the transportation business builds its own housing facilities, the required construction materials shall be also exempted from import customs duty.
- For a delivery service or logistic business, which is not owner of heavy-payload vehicles, all necessary office supplies and accessories, according to a reasonable procurement list, shall be exempted from import customs duty. In the event that this business builds its own housing facilities, the required construction materials shall be also exempted from import customs duty.
- For the hotel building, touristy site development (including sport complexes, entertainment parks, rest areas), schools and hospitals businesses, the construction materials, machines, buses (with more than 12 seats) and related spare parts and facilities required for service activities, according to a reasonable procurement list, shall be exempted from import customs duty.
- For the travel package tour service business, the necessary supplies, buses (with more than 12 seats) and office supplies, according to a reasonable procurement list, shall be exempted from import customs duty. In the event that this business builds its own housing facilities, the required construction materials shall be also exempted from import customs duty.
- For wholesale, retail and general service businesses (which have not been mentioned in the present Article), the merchandises/commodities (which are imported for the purpose of re-exportation) necessary supplies and office supplies, according to a reasonable procurement list, shall be exempted from import customs duty. In the event that this business builds its own housing facilities, the required construction materials shall be also exempted from import customs duty.
- For a business dealing in industrial estate development, and plant and/or manufacture construction for rental purpose, and for a business dealing with housing building (notably, rental apartment and housing estate), the required materials of construction, machines, vehicles, spare parts for use in building and service and accessories activities shall be exempted from import customs duty.

**26.2. Import customs duty for cars/vehicles used in administrative activities or in indirect production, inside the SASEZ**

Cars, such as sedan cars, mini-buses (with maximum 12 seats), and jeeps for use in the business administrative activities and/or indirect production inside the SASEZ, shall be subject to an import customs duty rate of 1%, the SEZA being responsible for authorizing the import of such vehicles; their authorized number depends on the minimum value of registered capital investment of the business enterprise, as indicated in the following table:

<u>Registered capital (in US\$)</u>	<u>Quota or authorized number of unit of cars/vehicles</u>
100,000 to 499,999	1 vehicle
500,000 to 999,999	2 vehicle ( on the basis of adequacy and project proposal)
1,000,000 or more	3 vehicle ( on the basis of adequacy and project proposal)

A SASEZ-registered investor, who desires to import cars/vehicles in a number exceeding the above quota table, shall be authorized by the SEZA, on the condition that he pays import customs duty according to the Customs Law of the Lao PDR.

**26.3. Temporary import of car inside the SASEZ**

A SASEZ-registered business enterprise (including the office of the Representative) which carries out project activities of construction, surveys/ investigations and others, or has to perform works contract, requiring indispensable equipments, tools, heavy equipment and vehicles for use in operational activities as described in their project proposal, project feasibility study, or works implementation contract inside the SASEZ, shall be authorized by the SEZA to import such equipments and vehicles on a temporary basis with an import customs duty exemption for a period of one year. In the event that the concerned business enterprise found the necessity of using these equipments and vehicles for more than one year time, the SEZA shall consider the request for the extension of the duty exemption period on the basis of a proposal made by the SASEZ-registered enterprise concerned, but the additional time period authorized should not be longer than one year time. Beyond the above period of temporary exemption of customs duty, those equipments and vehicles shall have to be immediately sent out of /exported from the SASEZ and Lao PDR.

**26.4. Policies applicable to the sale and replacement of the vehicles and equipments imported by SASEZ-registered enterprise, inside the SASEZ**

Vehicles, heavy equipments and heavy-payload trucks which are imported for use in the SASEZ by a SASEZ-registered enterprise may be sold by the latter either when the import duration period, starting from the date of their import, reach 5 years or more or when they have been damaged to such a degree that they are no more useable, this sale being subject to the authorization by the SEZA, on the basis of a Technical Check Certificate issued by the SEZA-assigned working unit which is assigned by the SEZA. In the event that this sale transaction takes place inside the SASEZ, exemption of all types of customs duties and taxes shall be granted. However, if the sale transaction takes place outside of the SASEZ and inside the Lao

PDR territory, it has to be subject to all the customs duties and taxes in compliance with the Laws and regulations of the country and on the basis of the price evaluated on the day of the sale transaction. Consequently, if this business enterprise desires to import vehicles in replacement to the one which has been sold, the SEZA shall authorize this import according to the policies mentioned in Article 26.1 or Article 26.2 above.

#### **26.5. Forbearance regarding vehicles**

As regards its vehicles, heavy equipments, and heavy-payload trucks which have been imported according to the policies of customs duty exemption mentioned in Articles 26.1 and 26.2 above, it is forbidden for any SASEZ-registered enterprise to make transactions such as exchange, purchase-sale, or ownership transfer with another party/person, without having been duly authorized by the SEZA.

#### **26.6. Products exported from the SASEZ to foreign countries**

All products and merchandises, which are exported from the SASEZ to foreign countries, shall be exempted from export customs duties (and from any other duties).

#### **26.7. SASEZ's products exported for sale/distribution in the country market outside the SASEZ**

A SASEZ product which is authorized to be exported out of the SASEZ for sale/distribution in the Lao PDR market outside the SASEZ, shall be subject to an import customs duty in conformity with the Catalogue of Customs Duties Rates of the Customs Duties Law only with regards to the raw materials and semi-finished products existing inside the country but still being imported for production use as a result of a request made on the basis of certification and authorization by the SEZA/authorities concerned. A SASEZ product, which is authorized to be exported out of the SASEZ for sale/distribution in the Lao PDR territory outside of the SASEZ, and has been manufactured by using domestic raw materials/semi-finished products or import foreign raw material/semi-finished products certified as domestically non-available by the SEZA/authority concerned, shall be exempt from import customs duties.

The merchandises/commodities, which are imported from foreign countries into the SASEZ and authorized to be exported out of the SASEZ for sale/distribution in the Lao PDR territory outside the SASEZ, shall have to be subject to import customs duties according to the normal rates fixed by the applicable provisions of the Customs Duties Law.

### **Article 27: The utilization of profit for investment**

The SASEZ-registered business entity which uses its annual profit to re-invest in a business inside the SASEZ, after due auditing and acknowledgment by the working unit the functions of which have been assigned by the SEZA, shall be entitled to a profit tax reduction in pro rata to the percentage of the annual profit re-invested.

### **Article 28: Policy regarding the deduction of annual loss from following-year profit.**

After the end of the period of profit tax exemption as described in Article 25 of the present Decree, a SASEZ-registered business enterprise has the right to deduct its



annual loss from its following year profit, provided that its financial accounting system has been duly audited and attested by the working unit which has been assigned by the SEZA. However, this policy of assistance towards business entities which suffer loss is applicable only for a maximum period of 5 years, starting from the first year of loss.

**Article 29: Land lease period**

The investor may lease land inside the SASEZ for a maximum period of 75 years; the lease period has to be equal to the authorized period of investment or equal to the remaining time of the authorized period of investment and is extendable after consideration and approval by the SEZA. However, to be valid, the request for extension of the lease period has to be submitted to the SEZA at least 6 months before the end of the lease period.

The SEZA shall issue the Regulations concerning the rules, conditions, standards and period of the land lease for each category of investment.

**Article 30: Policy relating to the rent charged under land lease**

An investor who leases land inside the SASEZ for a period of time of 30 years and more, shall be discounted from rent charge for a period of 12 years, according to the rent rates fixed by the SEZA specifically for land lease inside the SASEZ.

The investor in the SASEZ may choose to pay rent charge under the land lease from the various following options:

- An one hundred percent advance payment of the total rent of the whole period of land lease, to be made on the starting day of the authorized lease period (deduction being made of the rent-free 12 years in case of the lease period of 30 years or more than 30 years); or
- An advance payment of 50% of the total rent of the whole period of land lease, to be made on the starting day of the authorized lease period, as mentioned in the paragraph above, the complete outstanding rent payment being made in 12 half-yearly payments of equal amount for a period of six years time, and with an interest rate charge of 6% per annum; or
- Other procedures of payments which shall be fixed by the SEZA (or by the Enterprise in charge of the infrastructure development of the SASEZ), and in accordance with the common decision made by the lessee and the lessor.

Individuals, judicial persons and organizations who use land for lodging or various business operating activities, shall be exempted from land tax in accordance with the Laws of the Lao PDR.

**Article 31: Repatriation of business operations profit**

Foreign investors operating business activities in the SASEZ as well as foreigners working in the SASEZ-registered enterprise may repatriate their profits and personal income back to their country or to a third country, through the SASEZ-registered Bank or through a bank located in the Lao PDR, once their customs duties or tax obligations have been paid.

## CHATER IV

### **Exports, Imports, Re-exports and Border Transition of Commodities**

#### **Article 32:    **Export and imports****

All categories of merchandises, equipments, transport vehicles or means of production, and also personal effects entering into and exiting from the SASEZ shall be granted reduced control or controlled according to regulations, by the concerned working unit assigned by the SEZA.

All SASEZ-registered business entities may import or export all categories of merchandise and accessories/effects relating to their business activities, except merchandise categories prohibited by the state.

It is forbidden to bring products (especially those from the industrial and export processing zone) out of the SASEZ without prior authorization of the SEZA, except for the goods purchased in the Trade Centers and Supermarkets of the Trade Zone, and in the Trade Fair of the SASEZ.

#### **Article 33:    **Sales of merchandises to the domestic market of the Lao PDR****

Any SASEZ-registered enterprise may only operate the following merchandise sale with the Lao PDR domestic market:

- 33.1. The sale relates to merchandises of the categories of machines, equipments and means of production previously imported from foreign countries by the enterprise for its business activities operating activities inside the SASEZ, the sale transaction being operated after the end of project, or being concerned either with outstanding stock of merchandises, or with merchandises having other particularities of which the SEZA has given its approval for the customs duties evaluation.
- 33.2. The sales relates to SASEZ-registered enterprise merchandises surplus and depreciated merchandises which still have remaining value after their use in operating activities.
- 33.3. The sale relates to various merchandises which are not mentioned above, as a result of a request for sale authorization by the SASEZ. Once this authorization is granted, the enterprise concerned shall have to settle all duties and tax payments as required by the present Decree and Laws of the Lao PDR.

#### **Article 34:    **Re-export of goods****

The merchandises/commodities which are imported into the SASEZ from foreign countries or from Lao PDR domestic market may be re-exported for sale in a third country.

#### **Article 35:    **Destruction of merchandises inside of the SASEZ****

In the event that a SASEZ-registered enterprise owns unused or unusable products or merchandises in the SASEZ and has requested the SEZA for an authorization to destroy those products or merchandises, or in the event that the SEZA considers it necessary to order this enterprise to destroy the above-mentioned products or

marchandises and has sent a letter to this enterprise to this effect, the SEZA shall have to create an ad-hoc working unit with the tasks of organizing and proceeding to the destruction of the said marchandises or products, in conformity with the principles and procedures to be fixed apart. The marchandises or products which were so destroyed, according the principles and procedures mentioned, shall be duty- and tax exempted or reimbursed of any previously-paid charges, customs duties and taxes concerned.

**Article 36: Prohibited categories of marchandises and effects**

Inside the SASEZ it is forbidden to import, export, process or circulate any category of marchandises or effects prohibited by the Lao PDR government inside the Lao PDR territory.

**CHAPTER V**

**Entry and exit regulations of the SASEZ**

**Article 37: Entry and Exit**

Entry and Exit of the SASEZ by persons are made through gates to be specially determined; the SEZA shall issue detailed Regulations separately concerning the Entry and Exit of the SASEZ by persons.

**Article 38: Entry/Exit, lodging of foreign investor, enterprise staff and workers**

Foreign investors, as well as employees, and workers of both foreign and Lao citizenships, who work in the SASEZ, shall be able to regularly enter into or exit from the SASEZ on showing an entry/exit card or a permit which is issued by the working unit whose tasks were assigned by the SEZA. As regards temporary and long periods of stay inside the SASEZ, the SEZA shall issue detailed Regulations.

**Article 39: Entry and Exit for the public at large**

Entry and Exit for persons from the public at large, who are not either part of the SASEZ-registered business enterprises or employees of these enterprises, shall be considered and authorized by the working unit, the tasks of which were assigned by the SEZA on the basis of Regulations to be issued by the latter Authority.

**Article 40: Issuance of personal Identity Card and Work Permit Card for Foreigners**

The foreign investors, who have been authorized to invest inside the SASEZ with a registered capital investment equivalent to US\$ 100,000 and more, as well as their spouse and children (of less than 21 years of age), shall be granted the privilege and facilitation pertaining to the obtaining of a personal Identity Card authorizing them to stay inside the Lao PDR territory for 1 year and more, as well as to be granted facilitation regarding multiple entry or exit visas for the duration period of at least 1 year, these visas being renewable at request.

Managers, employees, technicians or techniques experts of foreign citizenship working in the SASEZ shall be granted the privilege of obtaining a work permit with

a duration period of at least 1 year and which shall be easily renewable, on the basis of Regulations to be separately issued by the SEZA.

As for the foreign investors who have a registered capital investment equivalent to US\$ 10 million and more, the SEZA shall work in coordination with the Ministry of Foreign Affairs for the granting of a Foreign Resident Permit-to-Stay Card and multiple entry/exit Visa for a duration period of more than 1 year; or they might obtain a Lao Passport at request and as they find it appropriate, for their facilitation during their daily existence and business operating activities in the SASEZ and for their entry into or exit from the Lao PDR.

## **CHAPTER VI**

### **Enterprise Staff and Labour**

#### **Article 41: Management of enterprise staff and labour**

Labour relation and management shall basically conform with the Provisions of the Labour Law of the Lao PDR with the exception of the cases which are specially regulated by the present Decree and by the SEZA's Regulation to be issued apart;

Enterprise staff and workers employed by the SASEZ-registered enterprise shall be granted salary, interests and working conditions of the standards not lower than the ones fixed in the Lao PDR's Labour Law standards, with the exception of the cases described in SEZA's Regulations, to be issued apart;

The SEZA shall establish a Labour Service Center and carry out labour protection measures in order to assist the SASEZ-registered enterprises in manpower recruitment and labour dispute resolution.

#### **Article 42: Determination of labour contract**

The SEZA shall coordinate work with the Ministry of Labour and Social Welfare, in the determination of Labour contract for employees and workers working in the SASEZ-registered enterprise. As for the salary, Labour wage rate and other interests of the employees and workers of the SASEZ-registered enterprise, they shall be fixed by this enterprise itself but shall not be of lower amounts than the ones fixed by the Labour Law and SASEZ-related Regulations. In the terms of Labour contract, provisions shall be made with regard to compulsory measures for the protection/prevention against health haphazards, for the worker safety protection and prevention against labour accidents. In case that labour accident occurred, the SASEZ-registered enterprise/employer shall appropriately compensate the cost for the cure of the injure employee.

#### **Article 43: Employment growth**

The SEZA shall jointly work with the Ministry of Labour and Social Welfare to determine appropriate standards and plans for the development of SASEZ service regarding the employment growth for local employees and workers, in coordination with neighboring local authorities.

**Article 44: Promotions of training**

- The expenses made by the SASEZ-registered enterprise to send employees and workers, who are Lao citizens inside the SASEZ area for schooling or training, may be deducted from the enterprise profit tax, but these expenses shall have to be officially certified, in written form.
- All SASEZ-registered enterprises shall have to make efforts in the reducing of the number of personnel/staff of foreign citizenship by means of organizing vocational training and encouraging technology/know-how transfer to the employees of Lao citizenship. The SEZA may ask the SASEZ-registered enterprise to submit a work program of such training and technology transfer to it.

**Article 45: Appointment of foreign employees**

Appointment of foreign employees of the levels of manager, advisor/consultant, technical experts or other vacant posts, for employment in the full operations activities of the SASEZ-registered enterprise, shall not be of a number higher than 30% of the total number of employees. Appointment of the above foreign employees shall have to be approved by the SEZA, but shall not need to be also authorized by the Ministry of Labour and Social welfare.

The number of enterprise foreign employees fixed in the present Article shall have to be revised and updated every three years, by the SEZA and on the basis of the prevailing situation regarding Lao labour supply in each time period.

**CHAPTER VII**

**Financial and Accounting Systems**

**Article 46: Payment for customs duties, taxes and other obligations**

The investors who invest inside of the SASEZ shall have to make payment for customs duties, taxes and other obligations, in accordance with the present Decree.

**Article 47: Use of accounting system**

The accounting system in use by the SASEZ-registered enterprise or individual investor shall be the one fixed by the Enterprise Accounting Law of the PDR. However, other accounting systems may be used, if they are authorized either by the Ministry of Finance or by the authorities assigned by the Ministry of Finance to this effect.

**Article 48: Current unit**

Purchase/sale and payment transactions in the SASEZ shall be made in Lao Kip Currency as a base unit, and may be made freely and legally in any foreign currency on the basis of the market exchange rate at the transaction date.

**Article 49: Circulation and utilization of foreign currencies**

The revenues in foreign currencies received either from commodity sales or from service business activities, or from other business transactions of a SASEZ-registered enterprise, shall have to be transferred into the enterprise account opened at a SASEZ-registered bank or at a Lao PDR-registered bank.

The bringing of foreign currency either into or out of the SASEZ shall have to be undertaken in accordance with the legal provisions relating to the management of foreign currency circulation, specific Regulations of the SASEZ and Laws of the Lao PDR.

**Article 50: Application of legal provisions relating to banks and financial institutions inside the SASEZ**

- 50.1. In order to give the SASEZ an offshore like status which would enable it to speedily and freely perform financial operation activities with foreign countries, the Regulations of the SASEZ concerning banking, finance and high-value assets and warranting freedom in business activities for banks and financial institutions operating in the foreign currency exchanges, transfer in/withdrawal from bank currency accounts (for both commercial and non-commercial activities), foreign loan operations, investment and deposit transactions, shall be specified and issued apart, with a view to enable the SASEZ-registered banks, financial institutions and investment business entities to benefit from all the foregoing interests and from the cooperation given by the Central Bank of the Lao PDR.
- 50.2. The Law on the Bank of the Lao PDR creation as well as the Regulations relating to the management of foreign currency exchange and purchase of high-value assets shall be applicable to SASEZ-registered enterprises to the extent they are not incompatible with the Legal Provisions relating the Special Economic Zones in the Lao PDR and with the SASEZ Regulations concerning banking, finance and high-value assets which shall be issued apart.

**CHAPTER VIII**

**Organization and Management of the SASEZ**

**Article 51: SASEZ management organization**

The Savan-Seno Special Economic Zone Authority (in short, “SEZA”) is the highest state organization in charge of management of SASEZ activities, and is directly responsible before the Government, with the Prime Minister Office as its guiding authority. The SEZA functions include the management and promotion of investment in the SASEZ, planning, monitoring, implementation SASEZ’ s development, creation of jobs and learning opportunities, transfer of new technology, creation of the seeds of and prerequisite factors for the gradual industrialization and modernization of the country.

## **Article 52: Rights and duties of the SEZA**

### **52.1. The scope of rights of the SEZA is as follows:**

- Considering and approving domestic and foreign investments as well as issuing license to create and operate a business, and authorizing business operating activities relating to various fields such as production, trade, service and tourism; signing concession agreements or Memoranda of understanding (MOUs); issuing an authorization to extend the scope of business activities; extending the duration period of the license to invest; and, in the event that the investor does not abide by the SASEZ Regulations or Lao PDR' s legal provisions, withdrawing from a contract and annulling and/or withdrawing the license to invest inside the SASEZ, by means of One-Stop Service procedure;
- Controlling the implementation of rules, regulations, laws, orders, announcements/releases, contracts, decisions which were periodically issued and signed by the Government or by the SEZA;
- Management, recruitment, appointment and training of personal/staff working inside its own organization, as well as implementing policies, making proposal for the granting of Congratulations Certificate, rank promotion, salary scale, wage, indemnities, and pension in favor of the staff/employees and for applying disciplinary measures in accordance with the Law of the State and SASEZ regulations;
- Managing the use of SASEZ finance and properties in compliance with the rules and regulations of the state and SASEZ;
- Examining the performance achieved by investors and SASEZ-registered enterprises in order to accord special policies towards the most outstanding ones or taking disciplinary measures against those who violate law and regulations during their business operating activities within the scope of SEZA' s responsibilities;
- Calling for a meeting, making an announcement, giving advice, making explanation and advertising about the activities, which are under the responsibilities framework of the SEZA;
- Contacting and negotiating contracts and making joint-venture business with judicial persons (i.e., companies, state-owned or private-owned enterprises) of both domestic and foreign origins, with prior approval by the Government;
- Utilizing a certain amount of State Budgets allocations for the starting period, and, concurrently, mobilizing funds from both domestic and foreign private sectors, capital resources and other revenues of the SASEZ, to proceed with land development, public facilities construction and housing, inside of the SASEZ;
- Creating and utilizing its own revenue resources inside the SASEZ, in compliance with the Regulations and rules of the Ministry of Finance, and Regulations of the SASEZ;
- Borrowing funds at low interest rate from the Government for use in the development of basic infrastructure of the SEZA;
- Putting into use other rights, as assigned by the Government for each period of time.

### **52.2. Duties of the SEZA:**

- Studying and drafting a comprehensive plan of investment and a complete set of policies of the SASEZ;

- Elaborating the Regulations specifically concerning the business operating activities and management inside the SASEZ; fixing procedures and measures to be taken in the consideration and approval of an investment; encouraging and promoting domestic and foreign investment;
- Mobilizing funds and investors for implementation of works on investigations, design, development planning, land reclamation and land development; and infrastructure's building to serve as investment support base, as well as monitoring and controlling those construction projects;
- Managing the lease of housing, and the facilities and assets of the State, inside the SASEZ; giving all facilitation in the issuing of visas, commodities exports/imports; Labour management and supply for the SASEZ-registered business entities;
- Collecting investment data in the SASEZ; organizing a system of advertising and public information on the policies and data concerning the SASEZ; elaborating procedures and legal regulations for investment promotion and attractiveness in the SASEZ;
- Creating conditions and granting facilitation which will provide the Lao people with the opportunities to learn and benefit from transfer of the business management lessons, and from job creation; and upgrading and building the skills and capacity of Lao employees and workers through training activities;
- Monitoring, controlling, making inventory, advising, facilitating and encouraging the production and service business entities, in their various activities inside the SASEZ; and, regularly and timely making reports to the Government and, also, to the local Administrative Authorities;
- Managing and making budget expenses (salary funds) in conformity with the regulations and procedures issued by the Finance Ministry;
- Working jointly with the Administrative Authorities of Savannakhet province to study the problem of expropriating land and re-settling people displaced from the SASEZ development project area, for proposal to the Government, in conformity with the Land Law;
- Joining forces with different organizations concerned at both local and central levels to determine policies which will impulse and encourage domestic and foreign investment to realize the highest performance;
- Identifying those types of business activities that have comparative and competitive advantages among many business activities from the sectors of industry to propose as focusing targets of promotion and attractiveness to investors in the SASEZ;
- Identifying those types of business activities the investment of which are prohibited inside the SASEZ, due to their impacts on the environment, other SASEZ-authorized activities, society and national security;
- Supervising and elaborating a system of regulations for protection of public facilities and maintenance of basic infrastructure, security and environment, and for the protection against flood damages inside the SASEZ;
- Fixing and collecting service charges, fees and other types of charges or revenues accrued from the SASEZ management activities;
- Verifying and issuing the certificates of origin and warrants on the kind and quantity of raw materials/products/machine types and number; and other types of attesting documents in the event that such documents are compulsory requirements or in the case of merchandises/goods imported into or exported from the industrial area and Export Processing Zone (EPZ) of the SASEZ, in collecting the service charge concerned, as fixed by the SEZA;



- Appointing an Arbitrator and selecting an internal Auditor for permanent residence in the SASEZ;
- Monitoring the conditions of existence of the Labour and workers inside the SASEZ;
- Studying and planning the annual revenues, expenses, and financial forecasts of the SEZA; creating funds reserves, seeking funds resources/loans to invest into the activities which are SEZA service obligations and into the growth of SASEZ infrastructure development or into the activities which are considered appropriate in the SASEZ;
- Designing a plan, for approval by the government, on the need of more land area for the extension of SASEZ if it were considered that the existing land as granted by the present Decree is insufficient for further development;
- Working out SASEZ-related activities, in coordination with the official services concerned at the levels of Central Administration and Savannakhet Administrative Authorities;
- Recapitulating and reporting about the progress made in the implementation of monthly, quarterly and annual work programs of the SASEZ for information to the Government and provincial Administrative Authority of Savannakhet, in a regular and timely manner; and
- Performing other tasks as assigned by the Government for any period of time.

**Article 53:     **Judicial person status of the SEZA****

The SEZA is a state administrative authority having the status of judicial person and possessing its own stamp for its official activities; it also has its currency account, and its legal rights/obligations either to make an accusation or to be accused before the court of justice, first-rank-budget unit status, and its own SASEZ-generated financial resources in terms of revenue which can be used and managed by the SEZA in accordance with the approval of the government.

**Article 54:     **Sources of funds of the SEZA****

The funds sources of the SEZA are as follows:

1. National Budget Allocations;
2. Service charges, fees, and other revenues generated by the SASEZ management activities, as described in the present Decree; and
3. Funds and assets obtained from domestic and foreign grants.

**Article 55:     **One-Stop Service****

The SEZA shall have to establish an One-Stop Service Bureau or Unit to facilitate the issuing of investment license, registration of the business enterprise, export license, import license, as well as the issuing of other types of license and the speeding up of the collection of business obligations or charges in view of the highest efficiency of business operations in the SASEZ.

All government agencies/units concerned with business registration process, and those which are part of the license granting process, as well as those the tasks of which are to collect business obligations or charges shall have to give their cooperation and appoint their representatives for working in the SASEZ in view to establish a complete One-Stop Service system.

**Article 56: The promotion of working harmony inside labour units**

For the purpose of creating harmony in the working activities inside the SASEZ, an organ shall be created which will be composed with 3 representatives as follows: one representative of either the Ministry of Labour and Social Welfare or the SEZA (namely, the member of SEZA who is in charge of labour social welfare or workers union affaires); one representative of the labour force; and one representative of the SASEZ-registered business enterprises (in particular, from the industrial sector).

This 3-member body task shall be to determine the mechanism which will promote and safeguard peace and order in the SASEZ, and shall be permanently established after the provisions of the present Decree become applicable.

**Article 57: Relations between SEZA and Government development plans**

The SEZA shall have to state the SASEZ development objectives in the planned policies, objectives and socio-economic development plan of the Nation. The SEZA as well as the Joint-Venture Corporation between the state and private sectors which is in charge of the construction of SASEZ' s infrastructure (if such a corporation is created in conformity with Article 60 of the present Decree) shall have to present their SASEZ development plans and projects (once the latter are approved by the SEZA) to the Government and provincial Administrative Authority for incorporation into the overall socio-development plans of the Government and provincial Administrative Authority.

**Article 58: Relations with the local Administrative Authority**

The SEZA shall have to firmly coordinate its activities with the local Administrative Authorities in order to be in consensus with the latter regarding its operating activities, in accordance with the state management principle.

**Article 59: Relations with the private sector**

The Joint-Venture Corporation of Infrastructure Construction (if created) and the private sector enterprises shall be autonomous in their business management and shall independently implement their objectives as stated in their Investment Agreements in the SASEZ. The SEZA shall have the right to monitor the progress made regarding the implementation of investment promotion policies and private business sector operating activities.

**Article 60: Enterprise investing in construction and maintenance of SASEZ infrastructure and in service inside the SASEZ**

In accordance with the above Article 12 provisions regarding the construction of SASEZ infrastructure, mentioned in the present Decree, and in the event that the Government authorizes a domestic/foreign private enterprise to invest in the development the SASEZ' s infrastructure and facilities, in the form of a joint-venture investment with the Government, this Joint-Venture Corporation, between the state and private sectors, shall be created on the basis of an Investment Agreement, and shall be responsible of the investment for the construction of the SASEZ public facilities and for their maintenance as well as for the collection of rent from the lease of SASEZ-developed land area, to compensate for this corporation's construction and

maintenance investment costs; and for the collection of other service charges from the SASEZ-registered business enterprises (which are its clients) which lease land inside the SASEZ. The rights and obligations of this Joint-Venture Corporation shall be stated in detail in the Joint-Venture Investment Agreement between the two Parties.

## **CHAPTER IX**

### **Security Protection, Congratulations and Settlement of Dispute**

#### **Article 61: Security protection**

The protection and keeping up of security in the SASEZ are carried out under Government responsibility, in coordination with the SEZA.

The security forces, in charge of insuring SASEZ' s security shall not be involved in the internal affairs of the SASEZ and all expenses relating to this forces presence/activities in the SASEZ shall also be under Government's responsibility.

The SEZA may fulfill its security and safety requirements by creating its own security forces and fire brigades inside the SASEZ.

#### **Article 62: Congratulations**

Individuals, organizations, and enterprises with outstanding achievements in the fields of management and development, in the SASEZ, shall be congratulated either by the SEZA or by the Government. The rules and procedure of such congratulations shall be issued apart.

#### **Article 63: Settlement of dispute**

Whenever a dispute arises during the business activities of production, trade and service in the SASEZ, settlement of such dispute between the parties concerned shall be sought through various forms including explanation and persuasion; arbitration; mutual compromise/agreement.

#### **Article 64: Arbitration and complaint**

If it should happen that either arbitration fails to settle the above dispute, or a party in this dispute disagrees on the arbitration form of settlement, as mentioned in Article 63 above, that party may either ask for arbitration from the SEZA or from the Settlement of Economic Disputes Authority, or the party in question may make a complaint to a court of justice for case determination, in accordance with the Lao PDR legal provisions and international convention/agreements of which the Lao PDR is cosignatory.

## **CHAPTER X**

### **Measures to be taken in case of Infringement**

#### **Article 65: Measures to be taken in case of regulation infringements by an individual or an investor inside the SASEZ**

An individual person or a judicial person found to have committed regulations/law infringement inside/outside the SASEZ shall be responsible for his infringement in accordance with the present Decree and other SASEZ regulations concerned and Laws of the Lao PDR.

##### **65.1. Measures to be taken in case of failure to settle customs duties and tax obligations**

If it is found, through control/auditing, that an investor in the SASEZ failed to comply with the provisions of Article 46 of the present Decree, this investor shall have his business terminated, and shall be fined in conformity with the SASEZ' s Regulations concerned and with the Laws of the Lao PDR.

##### **65.2. Measures to be taken in case of violations of construction Regulations**

An investor who does not abide by the provisions of Article 18.2. of the present Decree, shall be subject to a fine in Lao Kip (or foreign) currency equivalent to US\$ 500 (Five hundred US dollars) and shall have his business activities terminated pending a decision by the SEZA.

##### **65.3 Measures to be taken in case of infringements of regulations concerning the exit of merchandises or products out of the SASEZ**

Any individual or SASEZ-registered investor, who infringes on the interdiction mentioned at paragraph 3 of Article 32 of the present Decree, shall be either be taken into custody for a period not more than 6 months or be fined with a amount (in Lao Kip or in foreign currency) equivalent to US\$ 2,000 (Two thousand US dollars) or shall be both fined and taken into custody.

##### **65.4. Measures to be taken in case of infringement of regulations concerning sale of vehicles**

Any individual or SASEZ-registered investor who infringes on the interdiction on vehicle sale or transfer, mentioned at Article 26.5 of the present Decree, shall be subject to a fine of the amount in kip (or foreign) currency equivalent to US\$ 5,000 (Five thousand US dollars) plus the prices of the sold/transferred vehicles.

##### **65.5. Measures to be taken in case of infringement or regulations concerning entry to or exit from the SASEZ**

Any person who does not abide by the provisions of Articles 37, 38 and 39 of the present Decree shall be either subject to a fine of the amount in Kip (or foreign) currency equivalent to US\$ 50 (Fifty US dollars) or taken into custody for a period not more than 1 (one) month; or shall be both fined and taken into custody.

**65.6. Measures to be taken in case of hindrance to the control activities carried out by the agents of the SEZA**

Any person or SASEZ-registered enterprise who do not abide by the provisions of Article 22 paragraphs 3 and 7 shall be subject to a fine of the amount in Kip (or foreign) currency equivalent to US\$ 200 (Two hundred US dollars).

**65.7. Measures to be taken in case of use of SASEZ/SEZA' s name**

Any person or SASEZ-registered enterprise who does not abide by the Article 67 of the present Decree shall be subject to a fine of the amount in Kip (or foreign) currency equivalent to US \$ 200 (Two hundred U.S. dollars), and to other measures which will be fixed apart according to the degree of seriousness of the infringements made.

**CHAPTER XI**

**Final Provisions**

**Article 66: Implementation of this Decree**

The SEZA, the Administrative Authority of Savannakhet province, as well as the investors, employees, and workers of the SASEZ, and all other parties concerned are required to acknowledge and strictly implement the present Decree.

**Article 67: The use of the name of the SASEZ/SEZA**

It is forbidden to any individuals/judicial persons, except the SEZA, to use a name written either in Lao or foreign alphabet the translation of which means or reads: "Savan-Seno Special Economic Zone" or "Savan-Seno Special Economic Zone Authority", on their own stamp, sign-board, letter headings, announcement article or other document relating to business activities, unless authorized specifically by the SEZA.

**Article 68: Exceptions**

The provisions of the present Decree present particularities. In spite of incompatibility between some provisions of the present Decree and those of other juridical texts, the present Decree is effective, because it is applicable only to the SASEZ and within the limited area of the SASEZ.

**Article 69: Effectiveness**

The present Decree is effective, from the date of its signature. Any provisions, regulations or juridical texts which were previously issued and found contradictory with the present Decree shall be considered as overruled.

**Prime Minister**

Signed: **Bounnhang VORACHITH**