

[Unofficial Translation]

LAO PEOPLE'S DEMOCRATIC REPUBLIC
PEACE INDEPENDENCE DEMOCRACY UNITY PROSPERITY

Ministry of Industry and Commerce

No. 0651/MOIC.DDT

Vientiane Capital, dated 12 June 2019

**Instruction
on Resolving Issues of Foreigners Operating Businesses Illegally in Lao PDR**

- Pursuant to Prime Minister's Decree on Organization and Operation of Ministry of Industry and Commerce No. 230/PM, dated 24 July 2017
- Pursuant to Prime Minister's Order on Facilitation and Cooperation in Registering and Issuing Temporary Operating Card for Foreigners No. 62/PM dated 13 November 2015
- Pursuant to Resolutions of Consultation Meeting on Continued Plan for Resolving Issues of Foreigners Operating Illegally in Lao PDR dated 7-8 January 2019

In order to provide an uniform understanding throughout the country and be able to execute an effective implementation of the resolution of issues with respect to foreigners operating business illegally in Lao PDR, in particular the implementation of the Prime Minister's Order on Facilitation and Cooperation in Registering and Issuing Temporary Operating Card for Foreigners No. 62/PM dated 13 November 2015 and Resolutions of Consultation Meeting on Continued Plan for Resolving Issues of Foreigners Operating Illegally in Lao PDR held on 7-8 January 2019 which assigned the Industry and Commerce Sector as the responsible body for attending to the resolution of foreigners who have already been registered and issued temporary operating cards in the number of 10,208 people or those who have invested in trades, repairments, business operations, restaurant services, guesthouse, hotels and other types of investment that contradict the laws and regulations of their sectors, particularly the List of Businesses Reserved for Lao Citizens, Amended/C 02-2015 of the Ministry of Industry and Commerce.

Minister of Industry and Commerce hereby issues the following instructions:

I. Foreigners' business operations in Lao PDR

Lao PDR has created favorable conditions and environment to attract and promote foreign investment for drawing in funds and modern technologies contributing to national economic and social development whilst concurrently providing policies for protecting domestic investors by determining business activities available for conditional foreign investment as well as listing certain prohibited business types for foreign investment in accordance with the Enterprise Law No. 46/NA dated 26 December 2013, as detailed below:

1. Business activities available for conditional foreign investment

Business activities available for conditional foreign investment are businesses which the Lao government allows foreign investors to operate but imposes conditions such as: minimum or maximum registered capital or investment fund; partnership with domestic investors and maximum foreign shareholding restrictions. In addition, other conditions and limitations according to regulations of each sector will apply.

Business activities available for conditional foreign investment in the commerce sector are determined in accordance with the Minister of Industry and Commerce's Notice No. 1327/MOIC.DERM dated 13 July 2015. Such Notice determines: sectors, business activities, registered capital and foreign investors' shareholding ratios i.e. certain business activities specify minimum registered capital and maximum foreign shareholding; certain business activities specify the level of registered capital and maximum foreign shareholding and registered capital required for 100% foreign shareholding.

Further to the Notice No. 1327/MOIC.DERM dated 13 July 2015 on Business Activities Conditional for Foreign Investors (Amended/D 02-2015), there are other legislations that stipulate foreign investment

conditions such as: the Minister of Industry and Commerce's Decision on Wholesale and Retail Businesses; the Minister of Industry and Commerce's Decision on Shopping Centers and Department Stores. These two (2) Decisions determine the conditions for foreign investors to invest in wholesale and retail businesses, shopping centers and department stores.

2. Prohibited business activities for foreign investors

Business activities prohibited for foreign investors are business activities reserved for Lao citizens which are important and necessary businesses for the Lao population for entrepreneurship, creating employment opportunities and making sustainable income to improve living conditions and refer to business activities which do not require a high skill set, technologies or investment.

Business activities reserved for Lao citizens are stipulated in the Ministry of Industry and Commerce's Notice No. 1328/MOIC.DERM dated 13 July 2015. Such Notice determines: sectors, business activities reserved for Lao citizens and responsible parties according to the List C 02-2015 List of Business Activities Reserved for Lao Citizens (Amended).

In addition to businesses referred to as business activities available for conditional foreign investment and business activities prohibited for foreign investors as provided for in Clause 1 and 2 of Article I of this Instruction, other business activities are open for 100% foreign investment subject to compliance with the Lao PDR laws and regulations in force from time to time.

II. Foreign investors' illegal business operations in Lao PDR

Foreign investors' illegal business operations in Lao PDR refers to the foreign investors operating businesses without approval or an enterprise registration certificate or in violation of an enterprise registration certificate as well as not complying with the conditions with respect to business activities available for conditional foreign investment or operating businesses falling within the business activities prohibited for foreign investors or conducting business activities in contradiction with the Lao PDR laws and regulations in force from time to time.

III. Implementing Measures

Business operations of foreign investors which are illegal in Lao PDR as provided for in Article II of this Instruction shall be resolved immediately in accordance with the Prime Minister's Order No. 62/PM dated 13 November 2015 and Resolutions of Consultation Meeting on Continued Plan for Resolving Issues of Foreigners Operating Illegally in Lao PDR held on 7-8 January 2019 which, specific to the Industry and Commerce Sector, shall be implemented as follows:

1. The Provincial and Capital Departments of Industry and Commerce are to appoint Commerce Inspection Officials in collaboration with Enterprise Register Officials to liaise with the Commerce Inspection Officials and Enterprise Register Officials at district level to conduct an inspection on foreigners who operate businesses in production, trade and services as per the list which the Labour and Social Welfare Sector and Public Security Sector have previously summarised at provincial and capital level by undertaking a detailed review and applying measures to resolve as below:
 - 1.1 Businesses operating without registering an enterprise or having a business operation licence as determined in the Decision No. 0044/MOIC.DERM dated 18 January 2019 on Approval of Industry and Commerce Business Activities Requiring Business Operation Licence are subject to fines of ten million Lao Kip (LAK10,000,000) and suspension of such business operation. Furthermore, a memorandum is to be submitted with instructions on enterprise registration and business operation licencing application in accordance with the relevant regulations to be completed within ninety (90) days. After obtaining the complete enterprise registration certificate and relevant licences, the business can be operated. If within ninety (90) days, the enterprise has not yet been registered, the business shall be subject to further fines of ten million Lao Kip (LAK10,000,000) and permanent dissolution with detailed information sent to the Labour and Social Welfare Sector and Public Security Sector seeking extradition of the related parties back to their home countries;
 - 1.2 Business operations outside their enterprise's business scope shall be educated and fines of three million Lao Kip (LAK3,000,000) imposed with a memorandum to be submitted with instructions of business operations in line with their business scope. If the enterprise wishes to operate a business outside the approved business scope, an application for amendment to their enterprise registration

certificate or for a business operation licence shall be required according to the Minister of Industry and Commerce's Decision No. 0023/MOIC.DERM dated 9 January 2019 before such business can be operated. If the business has not yet applied for such amendment which has been identified more than two (2) times, it shall be subject to further fines of five million Lao Kip (LAK5,000,000) and permanent dissolution with detailed information sent to the Labour and Social Welfare Sector and Public Security Sector seeking extradition of the related parties back to their home countries;

- 1.3 Utilization of another person's registered enterprise to operate a business shall be subject to the same measures for those who do not have the enterprise registration certificate as provided for in Clause 1.1 of Article III of this Instruction;
- 1.4 Operations contrary to the conditions for business activities available for conditional foreign investment shall be subject to the same measures for those who operate businesses outside their enterprise's business scope as prescribed in Clause 1.2 of Article II of this Instruction;
- 1.5 Operation of a prohibited business for foreign investors shall be subject to a memorandum of detailed information sent to the Labour and Social Welfare Sector and Public Security Sector seeking extradition of the related parties back to their home countries;
- 1.6 A person who leases a business operation location to foreigners without approval shall be subject to disciplinary measures and legal proceedings pursuant to the laws and regulations as stipulated in Clause 6 of the Prime Minister's Order on Facilitation and Cooperation in Registering and Issuing Temporary Operating Card for Foreigners No. 62/PM dated 13 November 2015.
2. The Provincial and Capital Departments of Industry and Commerce throughout the country are to urgently collaborate with the District Offices of Industry and Commerce to conduct inspection and data collection and implement the measures under this Instruction and submit a report to the Department of Domestic Trade within one hundred thirty five (135) days from the date of promulgating this Instruction for the purpose of a nationwide summary to be reported to the Government and provided to the relevant parties to collectively attend to the continued resolution.
3. The Department of Domestic Trade is to disseminate this Instruction to the Provincial and Capital Departments of Industry and Commerce throughout the country to ensure an unequivocal understanding and implementation within the timeframe provided in Clause 2 of Article III of this Instruction.
4. This Instruction shall be effective from the signing date and fifteen (15) days after being published on the Official Gazette.

Minister of Industry and Commerce

(Signed and Sealed)

Mrs. Khemmany Pholsena