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REGIONAL ROUND-UP 2021: LAOS



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Introduction



Throughout the year, we have been keeping you up to date on noteworthy developments across the region with our Regional Round-up Publications. As we enter 2022, we are pleased to share with you our *2021 year-in-review of the Regional Round-up* for our Regional Offices in the Rajah & Tann Asia network.

In each jurisdiction, we recount the key milestones in the path that has been travelled in 2021, as well as consider the terrain of the road that lies ahead in 2022. In the "**Looking Back: 2021**" section, we take stock of the past year and highlight the key legal and regulatory developments affecting each jurisdiction in 2021. In the "**Gazing Into: 2022**" section, we look ahead to some key areas of development that you should take note of in the year to come, referencing the legal and business trends shaping up potential legislative and regulatory changes in each jurisdiction.

We hope that this year-in-review edition of the Regional Round-up provide some perspective and insight into the legal landscape of the jurisdictions across the region. As always, please feel free to contact our lawyers in our Regional Offices if you have any queries or for further discussions.

Please click on the links below to access the full collection of our country-specific *2021 year-in-review of the Regional Round-up*:

- [Cambodia](#)
- [China](#)
- [Indonesia](#)
- [Laos](#)
- [Malaysia](#)
- [Myanmar](#)
- [Philippines](#)
- [Singapore](#)
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Looking Back: 2021

*In 2021, Laos has gradually adapted to the new normal to make the country's economy grow. To this end, various legal and regulatory changes have been introduced in order to enhance the socio-economic status of the country. 2021 has also seen (i) the Instruction on the Promotion of **Investment Incentives Concerning the State Land Rental and Concession Fee**; (ii) the Instruction on **Converting Foreign Exchange Stores into Commercial Bank Representatives**; (iii) the Decision on the **Management of Accounting Software**; and (iv) the Presidential Decree on **Administrative Case Proceedings** coming into operation.*



*In addition, Laos has sought to promote its socio-economic development by reducing its **value added tax (VAT)** to 7% pursuant to the Law on Amendment to Certain Provisions of the Law on Tax.*

Summaries of these key developments are provided below.

Foreign Investment – Instruction on Promotion of Investment Incentives Concerning State Land Rental and Concession Fee

In 14 May 2021, the Instruction on the Promotion of Investment Incentives concerning the State Land Rental and Concession Fee was issued to supplement the Law on Investment Promotion of 2016 by clarifying (i) the procedural requirements in obtaining an incentive certificate; (ii) the general investment and activity-specific requirements; and (iii) zone categories for various districts. Click [here](#) for more information.

Banking & Finance – Bank of Lao PDR Issues Instruction on Converting Foreign Exchange Stores into Commercial Bank Representatives

On 2 August 2021, Instruction No. 878/MPD on the Transferring Foreign Exchange Stores into a Representative of a Commercial Bank was issued to supplement/implement Notice No.758/MPD dated 12 July 2021 on Converting Foreign Exchange Stores Representative of a Commercial Bank. To comply with the laws and relevant regulations, the Bank of Lao PDR (BOL) issued various guidelines which cover, among others: (i) the application to be a representative of a commercial bank; (ii) the determination of exchange rates and trading currencies; and (iii) the operation of a foreign exchange store (FX Store) after becoming a representative of a commercial bank or agent. Click [here](#) for more information.

Corporate Commercial – Decision on the Management of Accounting Software Comes into Operation on 28 July 2021

On 28 July 2021, the Decision on the Management of Accounting Software ("**Decision**") came into force. The Decision sets out the principles, rules, and measures in relation to the promotion of the use of modern tools in management-accounting activities. It replaces the Decision No.0210/MOF dated 1 February 2010. Click [here](#) for more information.

Dispute Resolution – Presidential Decree on Administrative Case Proceedings Comes into Operation on 21 April 2021

On 21 April 2021, the Presidential Decree on Administrative Case Proceedings ("**Presidential Decree**") came into force. The Presidential Decree is a comprehensive piece of legislation comprising 71 articles, and is based on the Law on Civil Procedure 2012 and Law on People's Court 2012. Click [here](#) for more information.

Tax – VAT Reduced to 7%, Change in Activities Subject to VAT

On 28 December 2021, the Law on Amendment to Certain Provisions of the Law on Tax No.01/NA, dated 7 August 2021, was published in the Electronic Official Gazette (Government Gazette). It came into force on 1 January 2022.

Reduction of VAT rate: The applicable value added tax ("**VAT**") rate on imported goods and supply of goods and general services has been reduced from 10% to 7% with effect from 1 January 2022.

Additional activity subject to VAT: The supply of goods outside a special economic zone ("**SEZ**") by an enterprise registered for operation in the SEZ will be subject to VAT.

Previously, only the supply of services outside SEZs by an SEZ-registered enterprise was subject to VAT.

More activities exempt from VAT: The activities exempted from VAT will now include: (i) the import of electricity for supply in Laos; (ii) the supply of electricity domestically to electricity state enterprises; (iii) the export of minerals abroad or to SEZs; and (iv) the export of electricity abroad or to SEZs.

New specific basis for VAT calculation for minerals- and electricity-related activities: The minerals- and electricity-related activities which are subject to VAT will have a separate specific basis for VAT calculation.

Gazing Into: 2022

*The Southeast Asian crypto world has gained itself a somewhat contagious popularity, so much so that governments, including the Government of Lao PDR, are beginning to show interest and scrutiny in the major factors that drive and regulate this system. The **cryptocurrency trend** is expected to continue in 2022, and the the Government of Lao PDR intends to pilot **digital asset transactions** for three years following the issuance of the **cryptocurrency and blockchain regulation** at the end of 2021.*

*Laos also intends to strengthen and promote its administration system development in the country, with the recent release and publication of the **Draft Law on Governance** in the Government Gazette for public comments.*



In addition, the following key trends and/or developments are to be noted:

- Laos intends to become the **logistics hub** of many countries by 2022;
- **The COVID-19 Recovery Pre-Consultation Meeting** was held on 27 October 2021 to identify the necessary elements for the formulation of a **COVID-19 Recovery Plan for 2022**;
- Laos has officially announced it will **reopen for tourism** beginning 1 January 2022. The **reopening** will be implemented in three phases: (i) from 1 January 2022 to 30 March 2022; (ii) from 1 April 2022 to 30 June 2022; and (iii) from 1 July 2022 onward. Tourism will be restricted to group tours at first, with tours arranged by authorised tour operators under the Lao Travel Green Zone Plan; and
- Lao Visits Laos - While the **tourism industry** in Laos has been affected by the loss of international visitor arrivals, a domestic tourism campaign called "Lao Visits Laos" ("**Lao Thiao Lao**") is beginning to take shape. The **Lao Thiao Lao Marketing Campaign** kicked off recently to promote **domestic tourism**.

Summaries of some of the 2021 developments leading to the trends highlighted above are provided below.

Banking & Finance – Decision on Digital Asset Transactions

On 9 November 2021, the Decision on Digital Asset Transactions ("**Decision**") was issued by the Ministry of Technology and Communications. The pilot project to implement this will be conducted for three years, after which the results will be evaluated and reported to the Government for consideration as appropriate. Under the Decision, Digital Assets are classified as either (i)

Cryptocurrency; or (ii) Digital tokens, defined as *"electronic data created as a system of coins to be used for specific purposes by the creators of the coins or for determining the rights of any persons in the receipt of goods or services or co-investment"*. Click [here](#) for more information in the Lao language. (The English translation is not available.)

Corporate Governance – Draft Law on Governance

The Draft Law on Governance ("**Draft Law**") was published in the Electronic Official Gazette on 4 November 2021 and is awaiting endorsement. The Draft Law aims to: (i) effectively manage and monitor the administration work of organisations; (ii) make the administrative actions of the organisations reasonable, correct, and uniform throughout the country; and (iii) ensure that the Constitution, laws, and regulations of the organisations are respected and implemented strictly so that the rights and interests of the people and the common good are protected. Click [here](#) for the published draft Law in the Lao language. (The English translation is not available.)

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