

Unofficial translation



Lao People's Democratic Republic
Peace Independence Democracy Unity Prosperity

The President

No. 001/P
Vientiane Capital, 15 December 2015

Ordinance of the President
of
the Lao People's Democratic Republic
on
The Royalty Rates of Natural Resources

- Pursuant to item 2, Article 67, Chapter VI of the Constitution of the Lao People's Democratic Republic;
- Pursuant to item 6, Article 52 of the Law on Environmental Protection No. 29/NA, dated 18 December 2012;
- Pursuant to the Request Letter of the National Assembly Standing Committee No. 016/SC, dated 07 August 2015 and No. 0381/ONA, dated 30 November 2015.

The President hereby issues an Ordinance:

CHAPTER 1
General Provisions

Article 1 Objectives

This Presidential Ordinance defines the royalty rates of natural resources to ensure an accurate, uniform, and effective collection of royalties for natural resources countrywide with the aim of generating revenue for the state budget in accordance with laws and contributing to national socio-economic development.

Article 2 Royalties of Natural Resources

The royalties of natural resources refers to a financial obligation whereby local and foreign persons and legal entities licensed to operate businesses regarding natural resources are obliged to pay this to the state based upon the rate as stipulated herein.

Article 3 Principles for the Determination of Royalty Rates

The determination of royalty rates is to be implemented based on the following principles:

1. The rate shall be based on production, economic growth rates, and the financial and economic policies of the government;
2. To ensure sustainable development, natural resources must be used on a sparing and long-term basis;
3. The same rate shall be applied countrywide.

Article 4 Scope of Application of this Ordinance

This Presidential Ordinance applies to domestic and foreign individuals and legal entities operating businesses regarding minerals, non-timber forest products, and water resources in the Lao PDR.

This Presidential Ordinance does not apply to plants and non-timber forest products derived from planting by business operators or citizens.

CHAPTER 2

Royalty Rates of Natural Resources

Article 5 Royalty Rates of Minerals

a. Mineral Resources

Royalty rates of mineral resources are as follows:

No.	Type of Mineral	Rate (in percentage) of sale value of excavated minerals
1	Gemstones and jadestone - Diamond, ruby, sapphire, emerald; - Jadestone	10
2	Semi-precious gemstones - Pearl, alexandrite; - Aeroyd, rhodolite, pyrope, beryl, spinel, topaz, chrysolite, opal, tourmaline, agate, garnet; - Quartz, amethyst	7
3	Precious metals - Silver, gold, platinum	7
4	Basic metals (not steel) - Copper, lead, zinc, aluminum	6
5	Steel and steel-mixed metals - Steel, titane, manganese, chromium, vanadium, nickel, cobalt, molybdenum, tungsten	6
6	Rare and related metals - Antimony, arsenic, beryllium, cadmium, bismuth, magnesium, mercury, iridium and selenium, columbium (niobium), titanium, zirconium	7
7	Everpohyde - Anhydrite, potassium, magnesium	4

	- Edible sodium chloride	2
8	Industrial minerals - Fluorite, barite, phosphorus, maika	4
9	Industrial soil/stone - Limestone, dolomite, malachite, laterite, clay, kaolin, ceramic, alunite, mineral stone, granite, diorite, hiorite, flagstone, etc.	4
10	Decorating stone - Granite, marble, slate, pagodite	5
11	Coal - Lignite, subbituminous coal, bituminous coal, anthracite	6
	- Charcoal	2
	- Oil shale	3
12	Natural oil and gas	Based on agreement

b. Mineral resources serving construction businesses

Royalty rates of mineral resources serving construction businesses are as follows:

No.	Type of Minerals	Rate (Kip)	Unit
1	Humus, laterite, clay	3,000	Cubic meter
2	Sand	4,000	Cubic meter
3	Mineral stone, rock	5,000	Cubic meter
4	Crag - Dolomite - Granite/diorite - Basalt - Sandstone	7,000	Cubic meter

Royalties for natural resources serving hydropower projects such as royalties on soil, rock, and sand excavated within the concession area of hydropower projects and used for such projects shall be calculated at the same rate as royalties of water resources serving hydropower projects as stipulated in Article 7 of this Presidential Ordinance. Royalties of other mineral resources not situated within a concession area but used in the hydropower projects shall comply with the rates stipulated in this Presidential Ordinance.

Article 6 Royalty Rates of Non-timber forest products

Royalty rates of non-timber forest products are as follows:

No.	Type of Material	Rate (in percentage) of sale value
1	Natural growth trees with small bodies ranging from 20 cm or less used as decoration	50
2	Pieces of eaglewood (agarwood)	40

3	Pieces of sandalwood, red sandalwood, white sandalwood, etc.	30
4	Rattan strips, small rattan strips	30
5	Rattan palm, sugar palm	30
6	Khaeua haem, khaeua taeng, khaeua tipti, khaeua khaohor, khaeua sakhan	30
7	Charcoal	20
8	Bamboo, mai louangpouk	15
9	Golden shower tree seeds	10
10	Kaueam gum, paek gum, mai daeng gum, mai dou gum, bong gum, mai khaen gum, oil gum, benzoin oil	10
11	Mak chong, mak chong ban, mak tao, mak seang baeua, mak kham paep, mak naeng, mak kabao, mak kaeua, mak khonkhaen, mak khosom, mak taek, mak kaueam, mak khakai, mak wai, mak kha, mak kor, mak pongpeng, mak lae, mak samsip, mak ka	10
12	Bong bark, maeuk bark, saied bark, porsa bark, hin bark, khae bark, hat bark, samhang bark	10
13	Hua ya, hua dukdaeua, hua kapouk, hua koi, hua kha, hua samsip, yendon root, hua hanchay, hua samphanhou, hua man	10
14	Dok phaeung	30
15	Mai tiu, mai kor, firewood, construction wood, main wooden fencing	10
16	All types of bamboo shoots and mushrooms	10
17	Nam kieng	5
18	All types of vegetable	4
19	Dok kham, wild tea leaves	4
20	Resin, sticklac, saltpeter	4
21	Hill ginseng	30
22	Hom sam maeung galangal	50

For those non-timber forest products not included in the table above, in practice the royalty rates can be applied on a case-by-case basis; for example, for general natural resources they can be charged 10% of the sale value; for prohibited and endangered items they can be charged for 50% of the sale value.

The collection of royalty rates for non-timber forest products from natural resources shall be done during movement or exportation.

Article 7 Royalty Rates for Natural Water Resources

a. Natural water resources for hydropower projects

The royalty rates for natural water resources used in hydropower projects shall be charged as follows:

No.	Types of the utilized natural water resources	Rate (in percentage) of sale value
1	Hydropower projects that export the electricity abroad	More than 5
2	Hydropower projects that mainly supply electricity to the domestic market and with a production capacity of more than 15 megawatts	
3	Hydropower projects that mainly supply electricity to the domestic market and with a production capacity of less than or equivalent to 15 megawatts	5

Apart from hydropower projects, if there is further development of other electricity production projects, the royalties for the natural resources shall be collected as set out in this Article.

The collection of the royalties for natural water resources as stated in the above table shall be based on the total income from selling the electricity before deducting any expenses, and the details of the royalties shall be stated in the concession contract.

b. Natural water resources for each production and service activity

The royalty rates for natural water resources for each production and service activity shall be collected as follows:

No.	Types of the utilized natural water resources	Rate (in percentage) of sale value
1	Utilizing natural water resources in industrial production	5
2	Utilizing natural water resources in mining activities	10
3	Utilizing natural water resources in tourism and sports activities such as resorts, hotels, guesthouses, restaurants, and other sports recreation	5
4	Utilizing natural water resources in the provision of water supply	5

CHAPTER 3

Collection of Natural Resource Royalties

Article 8 Collection of Natural Resource Royalties

The Finance Authority shall be responsible for the collection of natural resource royalties and other incomes, including fines relating to the natural resources as stated in the relevant laws and regulations.

Article 9 Calculation Methods of Natural Resource royalties

There are two methods of calculation for natural resource royalties as follows:

1. The actual selling prices multiplied by the percentage for the types of natural resources that are sold.
2. The quantity of natural resources extracted for selling or utilizing multiplied by the monetary rate as stated in this Presidential Ordinance.

CHAPTER 4

Final Provisions

Article 10 Implementation

The Government of the Lao People's Democratic Republic is to implement this Presidential Ordinance.

Article 11 Effectiveness

This Presidential Ordinance is effective from the date of promulgation by the President of the Lao PDR and after fifteen days posting on the Lao Official Gazette.

Benefits of the business operators in relation to the natural resources derived under the laws or agreements signed with the government prior to this Presidential Ordinance shall be implemented in compliance with such contract. If they wish to enjoy the benefits arising from this ordinance, they have the right to propose such to the relevant authorities and that the relevant authorities will notify them to comply with the laws and regulations.

Any regulations or provisions that contradict with this Presidential Ordinance shall be canceled.

The President of the Lao PDR

[Signature and seal]

Choummaly SAYASONE