



Lao People's Democratic Republic
Peace Independence Democracy Unity Prosperity

The Government

No.: **212/Gov.**
Vientiane Capital, dated: **2 June 2023**

Decree
on Duty-Free Zones and Duty-Free Shops

- Pursuant to Law on the Government 03/NA, dated 16 November 2021,;
- Pursuant to Law on Customs 81/NA, dated 29 June 2020;
- Pursuant to Law on Investment Promotion 14/NA, dated 19 April 2016, and Law on the amendment of Article 12 of the Law on Investment Promotion (amended) 80/NA, dated 4 December;
- Pursuant to Request of the Ministry of Finance 3085/MF, dated 4 October 2022.

The Government [hereby] issues the [following] Decree:

Part I
General Provisions

Article 1 Objectives

This Decree specifies the principles, customs regulations, and penalties concerned with the establishment, management, monitoring, and inspection of duty-free zones (“**DFZs**”) and duty-free shops (“**Duty-Free Shops**”) with an eye to utilising the potential of the country’s geographical location to act as a hub for commerce, industry, and transit and regional and international connectivity to secure the rights and interests of the state (“**State**”), developers, business investors, and business operators to attract and promote domestic and foreign investment, contribute to national socio-economic development, and achieve ongoing and sustainable growth.

Article 2 DFZs and Duty-Free Shops

DFZs refer to zones, areas, and locations which have been specified by the government (“**GOL**”) for the production and manufacturing, processing, assembly, consolidation, deconsolidation, packaging, containment, storage, and distribution of goods and transit services for the provision of goods and services for importation and exportation onto domestic and foreign markets. Goods and items, including raw materials, in these zones

are exempted from customs duties and other obligations in accordance with the law and regulations.

Duty-Free Shops refer to brick-and-mortar business activities and the provision of luxury and high-class goods, such as alcoholic beverages, tobacco, perfume, and cosmetics, including domestic products, of value and of a specific nature to foreign passengers and tourists travelling into and out of the Lao People's Democratic Republic ("**Lao PDR**") and businesspersons based in the Lao PDR. The goods and items at Duty-Free Shops are exempt from customs duties and other obligations in accordance with the law and regulations.

Article 3 Definition of Terminology

The terminology used herein is defined as follows:

1. "**Holidays from Customs Duties and Other Obligations**" shall refer to a freedom or temporary suspension from having to pay customs duties and other obligations for temporarily permitted goods during a given period on the condition that they must be imported or exported back or comply with the regulations of each customs duty system.

2. "**Customs Control**" shall refer to the application of measures and methods to facilitate the control of the importation, exportation, preservation, and movement of goods in DFZs and Duty-Free Stores in accordance with regulations.

3. "**Policies or Privileges**" shall refer to benefits which developers and business investors and operators receive with respect to customs duties and trade in accordance with the Law on Customs and other laws and regulations concerned.

4. A "**Developer**" shall refer to a legal entity licensed to invest in the development of a DFZ in accordance with the law and herewith.

5. A "**Business Investor**" shall refer to a legal entity licensed to invest in a given business inside a DFZ or other zone in accordance with the law and herewith.

6. A "**Business Operator**" shall refer to a legal entity licensed to operate a Duty-Free Shop in accordance with the law and herewith.

7. "**Importation**" shall refer to the bringing of goods from a foreign country into the Lao PDR or the importation of goods from a Special Economic Zones ("**SEZ**").

8. "**Other Obligations**" shall refer to value added tax ("**VAT**"), excise tax, income tax, profit tax ("**PT**"), processing fees, and service charges as specified in regulations.

9. A "**Smart City**" shall refer to an urban area which GOL has designated as a model city emblematic of stability, prosperity, sustainability, and habitability.

10. A "**Goods Storage Site**" shall refer to a covered or uncovered location used as a place to store one's goods, materials, equipment, and/or parts without any general form of warehousing service being provided.

Article 4 State Policies for DFZs and Duty-Free Shops

The State encourages and promotes domestic and foreign investment in DFZs and Duty-Free Shops by providing Policies or Privileges in accordance with the Law on Customs, the Law on Tax Management, the Law on Investment Promotion, and other relevant laws.

The State creates conditions and facilities for Developers, Business Investors, and Business Operators to be able to access domestic and overseas capital to strengthen the

development of DFZs and Duty-Free Shops so as to be able to conduct business operations efficiently and effectively.

The State protects the rights and interests of Developers, Business Investors, and Business Operators in accordance with the Law on Customs, the Law on Investment Promotion, the Law on Tax Management, and other relevant laws.

Article 5 Principles for DFZs and Duty-Free Shops

The operation of DFZs and Duty-Free Shops must take place according to the following principles:

1. Consistency with the policies, Constitution, laws, socio-economic development plans, and development strategies for transit services;
2. Centralized and uniform management;
3. Ensuring convenience, speed, safety, modernity, transparency, auditability, and international standards;
4. Being open to competition which is consistent with the law and regional and international connectivity with sustainable development; and
5. Ensuring coordination with sectors, local authorities, and development partners over the management of DFZs and Duty-Free Shops.

Article 6 Scope of Use

This Decree applies to legal entities and organisations involved with, operating, developing, and managing DFZs and Duty-Free Shops in the Lao PDR.

Article 7 International Cooperation

The State promotes foreign, regional, and international cooperation through the exchange of lessons learned, data and information, science, techniques, technologies, and experience associated with the development and management of DFZs and Duty-Free Shops and the performance of conventions to which the Lao PDR is party, and the international agreements concerned.

Part II
DFZs
Chapter 1
Locations, Standards, and Conditions for DFZs

Article 8 Locations for DFZs

The Ministry of Finance (“**MoF**”) coordinates with the Ministry of Planning and Investment (“**MPI**”) and [other] ministries, organisations, and local authorities concerned over the study and specification of locations for DFZs, which do not extend further than thirty kilometres from their target sites, to propose to GOL for consideration and exemptions for the locations of the DFZs in SEZs, economic zones, logistics zones, and Smart Cities.

The targets for the establishment of DFZs are as follows:

1. The Friendship Bridge No. 1 International Border, Vientiane Capital;
2. The Friendship Bridge No. 2 International Border Savannakhet province;
3. The Friendship Bridge No. 3 International Border, Khammouane province;
4. The Friendship Bridge No. 4 International Border, Bokeo province;
5. The Boten International Border, Louang Namtha province;
6. The Luang Prabang International Airport, Luang Prabang province;
7. The Nam Phao International Border, Bolikhamxay province;
8. The Dansavanh International Border, Savannakhet province;
9. The Vang Tao International Border, Champasak province; and
10. The Nong Nok Khiene International Border, Champasak province.

In addition to these ten target sites, if it is necessary to establish additional DFZs, or reduce the number of DFZs, [in the event that some] are ineffective, the MoF must study [the matter] and coordinate with the MPI and [other] ministries, organisations, and local authorities concerned for proposal to GOL for consideration during each period.

Article 9 Standards and Conditions for DFZs

DFZs must meet the following standards and conditions:

1. Have an area of three or more hectares;
2. Use a one-spot import-export system (“**E-Gate**”) and have a wall and/or fence which meets standards;
3. Have a safety system, a fire protection system, and closed-circuit television (“**CCTV**”);
4. Have scanners and/or X-rays to inspect goods being imported into and exported out of the DFZ;
5. Have an accounting system which meets the standards approved by the finance sector and which can connect up with the official customs accounting system and enables online accounting;
6. Have an e-banking system;
7. Have the Automated System for Customs Data (“**ASYCUDA**”);
8. Have an office for the customs officers;

9. Have an electronic system for the transloading, containment, control, and movement of goods (T1);
10. Have a basic information technology infrastructure;
11. Have a staff management system;
12. Have an automated system for administration;
13. Have a warehouse management system;
14. Have a distribution management system; and
15. Have other necessary facilities.

Chapter 2

DFZ Development

Article 10 Kinds of DFZ Development Investments

The three kinds of DFZ development investments are as follows:

1. 100% public investment;
2. Domestic or foreign public-private partnerships; and
3. Private investment.

Article 11 Requesting Permission to development a DFZ

Legal entities wishing to develop a DFZ must submit a request therefor with the accompanying documentation correctly and in full to the Central Investment One Stop Service Office of the MPI as specified in the Law on Investment Promotion.

Article 12 Conditions for DFZ Developers

DFZ Developers must meet the following conditions:

1. Be a legal entity;
2. Have a financial or capital status approved by a domestic or foreign financial institution (“FI”);
3. Have a registered capital of at least LAK50,000,000,000;
4. Have human resources (“HR”) with experience in DFZs; and
5. Never have been convicted by a court of a customs or economic offence committed with intent.

For a joint foreign investment, the foreign shareholding must not exceed 49%.

Article 13 Documentation for Requesting Permission to Develop a DFZ

The documentation for requesting permission to develop a DFZ is as follows:

1. A request to develop the DFZ;
2. A financial status certificate certified by an FI or a financial statement audited [by] an independent [auditor];
3. The background and experience of the Developer;
4. An enterprise registration certificate (“ERC”);
5. A joint business agreement (if any);

6. A resolution from the partners' or shareholders' meeting agreeing to the development of the DFZ unless [the Developer] is a sole limited company; and
7. An economic-technical feasibility study ("FS") report and/or business plan.

Article 14 Process for Permitting the Development of a DFZ

The permitting of the development of a DFZ must take place according to the following process:

1. The MPI studies [the matter] in coordination with the MoF and the [other] ministries, organisations, and local authorities concerned and proposes [it] to GOL to consider and approve the signing a memorandum of understanding ("MOU") for an FS for the development of the DFZ.

2. The [prospective] DFZ Developer conducts the FS for the development of the DFZ consistently with the MoF specifications and completes it within twelve months of the date on which the MOU was signed.

3. The [prospective] DFZ Developer creates a detailed environmental impact assessment ("EIA") report and submits it the Ministry of Natural Resources and the Environment ("MoNRE") for approval in accordance with the law.

4. The MPI coordinates with the [other] ministries, organisations, and local authorities concerned over the study and approval of the report of the FS for the development of the DFZ and reports to GOL to consider and approve the signing of a concession agreement ("CA").

5. The DFZ Developer must establish a project company and request permission to operate a business¹ in accordance with the relevant laws.

Each stage of consideration must take place as specified in the Law on Investment Promotion.

Article 15 Rights of DFZ Developers

DFZ Developers have the following rights:

1. To receive Policies or Privileges in accordance with the law, herewith, and with the relevant regulations;

2. To benefit from their legitimate rights and interests from investing in the development of the DFZ;

3. To select and enter into business operating contracts with Business Investors;

4. To receive interests from the lease and use of land in accordance with the duration of the CA and consistently with the law and regulations concerned;

5. To enjoy ownership of the assets [used] in developing the DFZ, such as the buildings, structures, vehicles, machinery, and other fixed assets;

6. To invest in a given business in the zone developed by them but [in doing so], must create a new legal entity; and

7. To exercise other rights in accordance with the law.

¹ This, in this instance and in all such instances hereinafter, refers to a Business operating license.

Article 16 Obligations of DFZ Developers

DFZ Developers have the following obligations:

1. To act in accordance with the CA, the economic-technical FS, and the EIA report;
2. To pay customs duties and Other Obligations and land lease or concession fees in full in accordance with the law, regulations, and the CA;
3. To keep accounts in accordance with the Law on Accounting (if necessary, they can use an international accounting system but must obtain the consent of the finance sector);
4. To use and develop the labour skills of Lao employees, especially women and ethnic [individuals], and enhance them in specialised subjects and technologies;
5. To summarise and report on their business activities to the customs authority on a regular basis; and
6. To perform Other Obligations as specified by law.

Article 17 Responsibilities of DFZ Developers

DFZ Developers have the following responsibilities:

1. To perform maintenance on the buildings, locations, and facilities and collect and store data in a functioning electronic system in addition to allowing the customs authority to conduct inspections at all times and resolving, improving, and developing systems in accordance with the instructions of the customs authority;
2. To cooperate with customs officers over specialised matters, such as the inspection of documents, goods, and electronic systems;
3. To notify the customs authority of any changes to their Articles of Association (“AoA”) and conditions for investments in businesses in the DFZ, such as business mergers or changes to legal entity status;
4. To request that the customs authority consider issuing regulations for the management of operations within the DFZ; and
5. Other responsibilities as specified by law.

Chapter 3 Investing in Businesses in a DFZ

Article 18 Types of Investments in Businesses

The types of investments in business in a DFZ are as follows:

1. Production, manufacturing and processing, and assembly;
2. Trade and services, such as the consolidation, deconsolidation, packaging, containment, and storage of goods and transit services; and
3. Other businesses.

Article 19 Requesting Permission to Invest in Businesses in a DFZ

Legal entities wishing to invest in a business in a DFZ must submit a request for permission to operate a business with the accompanying documentation correctly and in full as specified in Article 21 hereof to the MoF to study and approve in accordance with the law and regulations.

Investing in a business in a Duty-Free can also take place in an SEZ, other economic zone, logistics zone, or Smart City by submitting a request for permission to the management committee of the zone in accordance with the law and regulations concerned and after having received permission, the recipient thereof must register in the MoF electronic system.

Article 20 Conditions for Business Investors in a DFZ

Business Investors in a DFZ must meet the following conditions:

1. Be a legal entity;
2. Have a business operating contract with the DFZ Developer;
3. Have received permission to operate a business from the relevant sector;
4. Have HR with knowledge and experience in the business which is to be conducted;
5. Have a financial status or capital which is sufficient and appropriate to the type and scale of business activities;
6. Never have been convicted by a court of a customs or economic offence committed with intent; and
7. Be a VAT-registered enterprise.

In the event of a foreign joint investment, the foreign shareholding must not exceed 49%.

Article 21 Documentation for Requesting Permission to Invest in a DFZ

The documentation to request permission to invest in a DFZ is as follows:

1. A request for permission to invest;
2. An ERC and business operating license (“**Business Operating License**”);
3. A business operating contract with the DFZ Developer;
4. An economic-technical FS report and/or business plan;
5. An EIA report;
6. An enterprise AoA;
7. Certifying financial documentation from a bank or other FI; and
8. An account-holding certificate from the finance sector.

Article 22 Considering Requests to Invest in a Business in a DFZ

The MoF studies, in coordination with [other] ministries, organisations, and local authorities concerned, and considers investments in businesses in DFZs within 30 working days of receiving a request with accompanying documentation made correctly and in full.

In the event that a request to invest in such a business is rejected, the person who made the request must be notified in writing along with the reasons within the aforementioned time limit.

Article 23 DFZ Business Investment Registration System

The DFZ business investment registration system refers to a management system [which operates via] the electronic system of the customs authority, is consistent with the data on the types of business activities as per the international standards, states the registration number of the beneficiary of Policies or Privileges, is consistent with the code for each type for which permission has been received, and [operates] via an electronic system,

which includes production and manufacturing, trade and commerce, and other business activities.

The MoF registers the Business Investors who have received permission in the DFZ investment registration system.

Article 24 Rights of Business Investors in a DFZ

Business Investors in a DFZ have the following rights:

1. To receive promotion and facilitation from the State and the DFZ Developer as specified in the Law on Customs, the Law on Investment Promotion, and other laws and regulations concerned;
2. For rights and interests arising from their investments to be protected in accordance with the law and regulations concerned;
3. To use the land, buildings, structures, and other fixed assets in accordance with their lease contract with the Developer and consistently with the law and regulations concerned;
4. To be the owner of the assets of their business investment; and
5. To exercise other rights as specified by law.

Article 25 Obligations of Business Investors in a DFZ

Business Investors in a DFZ have the following obligations:

1. To conduct their business activities as permitted and in accordance with their contract with the Developer, their economic-technical FS, and their EIA report;
2. To pay customs duties and Other Obligations correctly, in full, and on time in accordance with the law, regulations, and their contract(s);
3. To keep accounts in accordance with the Law on Accounting (if necessary, they can use an international accounting system but must obtain the consent of the finance sector);
4. To connect their warehouse incoming-outgoing goods system up to the electronic system of the customs authority;
5. To use and develop the labour skills of Lao employees and enhance them in specialised subjects and technologies;
6. To summarise and report to the customs authority on their business activities on a regular basis; and
7. To perform Other Obligations as specified by law.

Article 26 Responsibilities of Business Investors in a DFZ

Business Investors in a DFZ have the following responsibilities:

1. The maintenance of the existing buildings, locations, and equipment and storage of data in an electronic system to ensure that it is safe and can be inspected at all times while also developing the system in accordance with MoF specifications;
2. The expenses incurred by and facilitating matters for customs officers in the course of their duties outside of office hours;
3. Losses incurred with respect to customs duties and Other Obligations in accordance with the law in the movement of goods out of the DFZ to the customs border where they are to be exported;

4. Allowing customs officers to enter the DFZ or site of business activities therein to ask questions and inspect documents and goods as appropriate (in the event of data [which leads to suspicions that] goods imported into the DFZ [might] be prohibited or controlled, such as goods which lie within the Convention on International Trade in Endangered Species of Wild Fauna and Flora list, goods which infringe intellectual property, ozone depleting substances, or goods which are prohibited from being imported into a DFZ, the customs officers have the right to ask questions about data, to inspect documents and goods, and to search factories and buildings in the DFZ without a warrant); and
5. Other responsibilities as specified by law.

Article 27 Entry into a Contract of Guarantee and Payment of Deposit

Business Investors in a DFZ must enter into a contract of guarantee and pay a deposit in the form of a surety bond from a bank or other FI according to the following scenarios:

1. Business Investors in a DFZ involved in the Importation of land vehicles and replaceable parts from foreign countries must pay a deposit of LAK 3,000,000,000.
2. Business Investors in a DFZ involved in the Importation of components to be assembled into vehicles in a completely knocked-down (“CKD”) system or luxury or high-class goods, such as alcoholic beverages, tobacco, perfume, cosmetics, and accessories, from foreign countries must pay a deposit of LAK 1,000,000,000.
3. Other Business Investors in a DFZ not included in Items 1 and 2 above do not have to place a deposit.

Business Investors in a DFZ who have been certified as an authorized economic operator (“AEO”) can provide a surety bond by/using/with/as a legal entity instead of for the deposit amount.

In the event that the Business Investor in a DFZ acts in breach of the law or customs regulations, the customs authority will notify them to come and pay their customs duties and/or Other Obligations within 15 days and if they fail to do so within this time limit, the customs authority will notify the bank or FI which manages the deposit account used for the [surety] bond to transfer the money into the State Budget account in full and on time.

Part III

Customs Regulations for DFZ Management

Chapter 1

Policies and Customs Declarations

Article 28 Policies for Customs Duties and Other Obligations

Developers and Business Investors in DFZs benefit from the following policies for customs duties and Other Obligations:

1. The Importation of materials, equipment, and machinery which cannot be produced and supplied domestically to be assembled into fixed assets and used directly in production and/or manufacturing in the DFZ enjoy exemptions from customs duties and VAT as specified in the Law on Investment Promotion.

2. Goods and items imported from foreign countries and stored in a DFZ will enjoy Holidays from Customs Duties and Other Obligations. In the event that the goods [concerned] are distributed for domestic consumption, customs duties and Other Obligations must then be paid in accordance with the Law on Customs based on the declared value, duty rate, foreign exchange (“FX”) rate, and other data on the date the detailed customs declaration was filled out when they are exported out of the DFZ.

Article 29 Customs Declarations at the Point of Importation from a Foreign Country into a DFZ

Customs declarations at the point of Importation from a foreign country into a DFZ must take place as follows:

1. Brief customs declarations:

The importer or customs declarant must submit a cargo manifest declaration and a brief customs declaration at the point of Importation or location specified by the customs authority.

2. Detailed customs declarations:

- The importer or customs declarant must act in accordance with the detailed customs declaration process of the system for the Holiday from Customs Duties and Other Obligations in accordance with regulations, [submitting their declaration] for the goods to be imported into the DFZ using the electronic system at the customs checkpoint at the point of Importation, DFZ customs office, or other location as specified by the customs authority.

- The customs officers responsible for customs declaration management inspect the accuracy of the data and documentation in accordance with the regulations governing the Importation process of the Law on Customs and [other] regulations.

- [For] detailed customs declarations for the Importation of Goods from foreign countries to be stored at a Goods Storage Site in a DFZ, these goods belonging to an entrepreneur who has not invested in a business activity therein, a Business Investor in a business activity therein must make the detailed customs declaration on their behalf.

3. Goods clearance:

The clearance of goods to be imported into a DFZ must take place at the point of the detailed customs declaration:

- In the event that the detailed customs declaration lies within the low-risk [category] (green lane), the importer or the customs declarant can receive the goods from the customs checkpoint at the point of Importation without having to undergo a physical goods inspection by the customs officers and ASYCUDA will notify the importer or customs declarant of the situation with goods clearance by the customs officers.

- In the event that a detailed customs declaration lies within the moderate-risk [category] (yellow lane), the customs officers will inspect the data and detailed customs declaration. If [the shipment] is of goods which are controlled by the State or goods for which permission must be requested from a specific sector, the importer or customs declarant must submit the relevant documentation to the customs officers for inspection.

- In the event that a detailed customs declaration lies within the high-risk [category] (red lane):

o The customs officers conducting the physical goods inspection must act in accordance with the process specified in the Law on Customs and regulations.

- Importers or customs declarants wishing to take goods to be cleared in a DFZ must submit a request to the head of the customs checkpoint at the point of Importation, who will consider [the matter] and if permission is received, measures must be applied in the form of a customs seal, electronic seal (“eSeal”), or other tracking system of the customs authority to determine whether a reasonable time has passed and if the goods have yet to enter the DFZ, coordination must take place with the customs officers responsible for the DFZ forthwith. If permission is not received or if there is suspicious data, the customs officers must inspect the goods using specialised techniques involving the opening of tarpaulins or goods containers to take the inventory of all or some [of the goods] depending on the circumstances in order to ensure correctness and clarity.

[When] goods imported from foreign countries to be stored in DFZs have been cleared by the customs officers, it will be considered that detailed data thereon has been recorded concerning their type/category, volume, weight, price, customs rate, origin of goods, and/or other data stored in the DFZ in accordance with the data provided by the importer into the DFZ to the electronic system of the customs authority.

In the event of smuggling or losses during transportation from the customs checkpoint to the DFZ, the importer or transporter will be liable for the customs duties and Other Obligations in accordance with the law.

The customs officers responsible for a DFZ must inspect the data on goods imported thereinto in the electronic system on a daily, monthly, quarterly, and annual basis in order to manage and track the receiving and sending of goods from the customs thereto and continue to track and/or receive the goods which must be stored therein to ensure they are correct and complete in accordance with regulations.

Goods and items to be imported and stored or forwarded out of a DFZ must be contained and packaged and a transportation vehicle of a nature dependent on the category/type of goods must be used.

Article 30 Importation of Goods into Other DFZs

Importers of goods into DFZs require a contract with a Business Investor within the DFZ [concerned] in addition to a detailed notification concerning the goods and period or date, month, and year for which permission has been granted for the goods to be stored at the site of business operations therein and the customs officers responsible therefor must be notified for use as evidence for monitoring and inspection.

In the event that permission is granted to a different person for the goods be imported into the DFZ, the Business Investor in the DFZ must accept liability for losses arising with respect to the payment of customs duties and Other Obligations in accordance with the law even if the value thereof is caused by a person who has been granted permission.

Chapter 2

Control of Goods Being Removed from a DFZ

Article 31 Exporting Goods from a DFZ to a Foreign Country

Goods imported as a finished product to be consolidated, deconsolidated, packaged, contained, or distributed without affecting their nature or changing their goods code according to the uniform list of goods, upon exportation to a foreign country enjoy a customs duty exemption but fees must be paid for the form of Importation for exportation in accordance with the MoF regulations [in force] for each period.

In the event that raw materials, semi-finished products, and/or materials and/or equipment imported from a foreign country into a DFZ for manufacturing and/or production, processing, and/or assembly, at such time that they are exported on to a foreign country, they enjoy exemptions from customs duties, processing fees, and service charges in accordance with the Law on Customs and other laws and regulations concerned.

In the event that domestic products are exported, they enjoy an exemption from exportation customs duties except for certain goods specified in separate regulations for each period.

Article 32 Control of Goods from a DFZ to a Border Checkpoint for Export

[For] Business Investors in DFZs to export goods from DFZs, [they] must fill out the detailed export customs declaration [form] and submit it to the customs officers responsible for the DFZ to export them by sending the data of the detailed customs declaration prior to the goods being moved out of the DFZ and to the border checkpoint where they are to be exported and the customs officers responsible for the DFZ must clear the goods to leave the DFZ in accordance with the Law on Customs and herewith.

Article 33 Control of Goods Leaving a DFZ for Exportation to a Foreign Country by Post

The control of goods leaving a DFZ for exportation to a foreign country by post must take place as follows:

1. The exporter must take the goods, which [must] have already been cleared in accordance with customs regulations, the customs officers responsible for the DFZ having attached a customs seal or eSeal to the packaging or containment tank thereof which prevents the opening of the shipment accompanied by the detailed exportation customs declaration and special freight documentation, forthwith for delivery to a post office which has been permitted by the customs authority to act as a point of exportation.

2. Once the exporter has deposited the parcel(s) at the international post office or received a receipt for the deposit [thereof] for express delivery from the international post office or other documentation as specified by the post office stamped and signed by the post office employees, they must affix this documentation to the detailed exportation customs declaration and send the detailed exportation customs declaration and this documentation back to the customs officers responsible for the DFZ within 3 working days of the date of clearance and release.

3. In the event that an inspection finds that the packaging of the shipment has been broken open or lost or that the customs seal or eSeal is not in its original condition, the post office employees must notify the customs officers responsible for the DFZ forthwith.

Article 34 Exporting Goods from a DFZ for Domestic Distribution

Business Investors in a DFZ or persons exporting goods from a DFZ for domestic distribution must perform a detailed customs declaration using the electronic system of the customs authority prior to moving them. The customs duties and Other Obligations must be calculated based on the goods prices, the rates of the customs duties and Other Obligations, and the FX rate in accordance with the Law on Customs and other laws and regulations concerned using the customs systems and principles specified in the customs and regulations concerning the origin of goods under the framework of agreements to which the Lao PDR is party just as with the Importation of goods from a foreign country in accordance with the DFZ goods storage period.

In the event that goods are manufactured and/or produced, processed, and/or assembled and certification has been received by the relevant sector, the nature of the goods meeting the conditions in full, if these goods are to be imported, they must be considered to be just as other goods imported from a foreign country and enjoy privileges with respect to the Importation rate for custom duties just as with the Importation of goods under cooperation frameworks to which the Lao PDR is party.

The electronic system of the customs authority will respond to the person sending data with the reference number of the detailed Importation, customs declaration document and the detailed Importation customs declaration will then be considered to have been submitted to the customs authority correctly.

Chapter 3

Other Customs Regulations for DFZs

Article 35 Electronic Control

Business Investors in a DFZ must install a system and equipment which can connect up their data online to the customs authority or send their data electronically to the customs authority to allow their business transactions to be connected to their customs declarations – for example – customs declaration data, warehouse incoming-outgoing goods records data, and DFZ [Importation of Goods] and goods export data.

Article 36 Reporting on the Operations of Business Investors

The operations of Business Investors which must be reported to the customs officers responsible for the DFZ, as follows:

1. Goods imported from foreign countries which are to be stored;
2. Goods imported from other DFZs;
3. Goods exported out of the DFZ;
4. The movement of goods to other DFZs;
5. The purchase and/or sale of goods within the DFZ;

6. Warehouse management, preparations for the delivery of the inventory of goods remaining in warehouses and final financial statements;
7. Perished goods, disposed remains, and other usable replaceable parts and remains;
8. Standards for protecting goods and products against theft or losses from disasters and other standards;
9. E-Gate control;
10. The management of operations concerning production and/or manufacturing, processing, assembly, goods transportation and storage, and other activities at their location in the DFZ;
11. The transportation of goods and the termination-rescission of accounts/inventories following audit;
12. Clearance and transportation of excess goods or containment of incomplete or excess cargos;
13. Cargo processing, changes made to [cargos] from their original state, packaging, the affixing and/or correcting of symbols/marks, and/or serial number processing;
14. Physical inspections and sample collection and analyses of parts of cargos;
15. Inspections of shipping containers being imported or exported or remaining in warehouses longer than specified;
16. Data collection and storage in electronic systems concerning customs declarations and the recording, management, and control of goods;
17. Instances of legal breaches and/or other irregular incidents;
18. Conformity to regulations governing the origin of goods or goods labelling; and
19. Other issues as specified by the customs authority.

Article 37 Reporting on the Importation and Exportation of Goods into and out of DFZs

[For] the Importation of goods from a foreign country into a DFZ, the Business Investor therein must report and send data concerning their electronic customs declaration to the customs authority and store this data after having received an approval from them.

For the exportation of goods to a foreign country or the movement of a given shipment to a different DFZ, the exporter or Business Investor must report on the goods stored in the DFZ by sending the data electronically to the customs authority and only after they have received approval from the customs authority, they can load the goods onto a vehicle and move them.

Article 38 Expositions

Business Investors in a DFZ must submit a request accompanied by documentation associated with the exposition to the customs authority in order to be able to take the goods out and to the exposition in accordance with regulations and after the exposition, they must take these goods back to the DFZ within the time limit. If they are distributed domestically, customs duties and Other Obligations must be paid in accordance with the law and regulations.

Article 39 Declaration and Payment of Additional Customs Duties and Other Obligations

Business Investors in a DFZ must pay additional Importation customs duties and Other Obligations in the following scenarios:

1. The Business Investor in the DFZ has discovered that goods stored in the DFZ have disappeared due to theft from their storage site using evidential documentation from the relevant customs officers for verification as specified in Item 1, Article 40 hereof;

2. The Business Investor in the DFZ finds that the goods stored therein are smaller in volume than the data recorded in their inventory system and if the customs officers conduct a physical inspection of the goods stored in the DFZ, [finding that] the quantity or volume is greater than the data recorded in their inventory system, the Business Investor must produce evidence for the customs officers and if there is sufficient evidence and cause, the data in the inventory system can be modified but if insufficient, it will be considered to be a customs offence; and

3. Goods in a DFZ have been moved into another zone for repair, testing, inspection, and/or processing pursuant to a contract in the event that they are not returned to the DFZ within six months of receiving approval and prior to the expiration of [this time] limit and if the Business Investor wishes to request an extension [thereto], the customs officers will consider doing so for no longer than 30 days and if the goods are still not returned to the DFZ, the payment process of customs and Other Obligations must then take place in accordance with the law.

Article 40 Losses to Goods in a DFZ

In the event that losses arise to goods in a DFZ, the Business Investor therein must act as follows:

1. Goods lost due to theft must be reported to the customs officers responsible for the DFZ and the police in order to request a certificate confirming such a loss as evidence.

2. The customs officers responsible for the DFZ must be notified of goods damaged by flooding, storms, fire, or other natural disaster within 5 working days for consideration to take place into deducting the quantity of goods lost from the inventory and following an audit, that which remains must be assessed or exempted from customs duties and Other Obligations in accordance with the law and regulations.

Article 41 Destruction of Goods

The destruction of goods must take place as follows:

1. Goods for which permission has been received to be taken out of the DFZ and destroyed comprise:

- Goods which have lost quality, goods which are past their expiry date, goods which are unusable, or goods which are unused; and
- Goods which meet conditions or grounds to be destroyed; and

2. [For] goods to be destroyed as specified in Item 1 above, permission must be received from the MoF and the following must take place:

- The person wishing to destroy goods stored in a DFZ must submit a request to the customs officers responsible therefor. Upon receiving this request, the customs officers must conduct a detailed inspection of the type, condition, volume, and weight of the goods as to

whether they are consistent with the request and goods for which destruction has been permitted must be reported to the MoF for consideration.

- The MoF considers permitting the destruction of the goods, appointing a good destruction committee composed of a responsible customs officer at the head and at least six other relevant individuals as ordinary members.

- The destruction of the goods must take place by burning, incineration, or burying, cutting up into small parts, or by some other method for which permission has been received by the relevant party. Following destruction, the committee and person who made the request must sign a record thereof as evidence for a deduction to be made to the data in the inventory system and stored.

- When necessary and when such destruction cannot take place inside the DFZ, the committee must consider destroying [the goods] outside it.

- The customs officers responsible for the DFZ must report to the DFZ on the results of the goods destruction, [providing] photographs before, during, and after it, to be stored as evidence in audits.

Article 42 Moving Goods within One DFZ or to a Different DFZ

Business Investors in a DFZ can move goods in accordance with their Importation status and imported goods which have been produced or manufactured, assembled, and/or undergone some other process for a Business Investor within the same DFZ or to a different DFZ or duty-free business investor in an SEZ, other economic zone, logistics zone, or Smart City by acting as follows:

1. The movement of goods within the same DFZ must take place as follows:

- A request accompanied by a purchase contract must be submitted to the customs officials responsible for the DFZ.

- Upon receiving permission, the customs officers responsible for the DFZ inspect the details of the goods and documentation to ensure accuracy and record the results of the inspection in the electronic system or three forms specified by the customs authority for the person moving [the goods], the customs officers responsible for the DFZ, and the recipient [of the goods] to be stored. The Business Investor in the DFZ must record the data on the movement [of the goods] in the electronic system or form specified by the customs authority for the customs officers to be able to inspect it by comparing [them with] the monthly, quarterly, and annual statements on the quantity of goods remaining to [check] they are accurate and complete.

2. The movement of goods to a different DFZ or a Business Investor in an SEZ, other economic zone, logistics zone, or Smart City [must take place as follows]:

- A request accompanied by a purchase contract must be made to the customs officers responsible for the DFZ;

- Upon receiving permission, the customs officers responsible for the DFZ must conduct a detailed inspection of the goods and documentation and if deemed accurate, permit the person making the request to proceed by making a detailed customs declaration for the goods in accordance with the customs system and submitting the documentation associated with the internal movement of goods in the electronic system or using the form specified by the customs authority and the goods can be considered to have been moved out

of the DFZ and exported into a different zone and the Business Investor receiving the goods must record the data on the Importation [thereof] in their warehouse inventory system for subsequent management, monitoring, and inspection.

3. Persons transferring and receiving the goods hold joint liability for damages arising concerning customs duties and Other Obligations in accordance with the Law on Customs.

Article 43 Moving Goods Contained in a Container Mixed with Goods from a Different DFZ out of a DFZ

The moving of goods contained in a container mixed with goods from a different DFZ out of a DFZ must take place as follows:

1. Business Investors or exporters in one DFZ wishing to place goods contained in a container together with a Business Investor or exporter in a different DFZ for exportation overseas must submit a request accompanied by documentation showing their intent [to do this] together, stating details of the goods of each Business Investor or exporter to be contained in the container for consideration [to take place into] granting permission and stating the reference number of the container to be used for containment in the request.

2. At such time that the customs officers responsible for the DFZ receive the request, consider granting permission, and clear and release the goods, [they] must send a copy of the request accompanied by the documentation concerning the movement of the goods, which [must] have been approved, to the customs officers in the other DFZ.

3. At such time that the customs officers responsible for the other DFZ, [the one from which] the goods are to be sent to a foreign country, receives a detailed customs declaration, [they] must inspect the seals, symbols, and quantity of packages and if deemed to be consistent with the detailed customs declaration and in their original condition, [they] must permit the containment of the goods in the container.

4. When additional goods are to be placed [in the container] and customs regulations have been adhered to, the Business Investor in the DFZ, the final exporter, or agent [providing] the service of placing all the goods in the container must take the documentation and notify the person providing the transportation service and the customs officers must clear and release [the goods] in accordance with the law and regulations.

5. The Business Investors in the DFZ or exporters have joint liability in the event of a breach of the Law on Customs, other law, or this Decree.

Chapter 4 Storing Goods in a DFZ

Article 44 Storing Goods in a DFZ

Goods imported from foreign countries can be stored in a DFZ for no more than two years, [this time limit] being extendible for no longer than two years. If the goods are moved within the same DFZ or moved to a different DFZ, SEZ, other economic zone, logistics zone, or Smart City, [this time limit] is counted from the date on which they are first imported and stored.

In the event that the abovementioned time limit for goods stored in the DFZ has expired but [the goods] have not been exported out of the DFZ, the Business Investor or

owner of the goods must pay customs duties and Other Obligations in accordance with the law and regulations.

Article 45 Arranging Goods in a DFZ

[When] arranging goods in a DFZ, the Business Investor therein must act as follows:

1. Arrange a safe and suitable Goods Storage Site which has a security system, CCTV, and an incident recording tool in addition to a fire prevention system to store the goods at all times;
2. Arrange and store the goods, in doing so deconsolidating goods which have been imported from foreign countries from domestic goods and ensuring that they are not mixed up in storage, correctly according to the nature of the goods; and
3. Arrange the goods in an orderly fashion in accordance with their goods codes and with convenient walkways, inspect and count [the goods], and check the quantity of goods remaining.

Goods Storage Sites must use an electronic system which connects up to the customs authority for the inspection of goods being imported into and exported out of the DFZ and bring them up and bring them down as palletised cargo and/or containerised cargo.

Chapter 5 DFZ Inspection and Control

Article 46 DFZ Control between Borders and DFZs

The movement of goods from a customs border into a DFZ or from a DFZ to a customs border must take place along the route specified in a bilateral or multilateral agreement to which the Lao PDR is party and/or a route specified by the customs authority, using a form of transportation which is well suited to the category and type of goods and using a customs seal or eSeal. In the event that the vehicle used to transport the goods breaks down or needs to be replaced, the transporter must notify the customs officers responsible for the DFZ or the nearest customs office forthwith.

Article 47 Annual Summaries of Inventories in Warehousing Systems

[When creating] annual summaries of inventories in warehousing systems, Business Investors in a DFZ must act as follows:

1. Deliver their annual inventory summary to the customs authority no less than 15 days prior to their closing of inventories in their annual warehousing system.
2. While making the annual inventory summary, goods which have been moved out of the DFZ for processing, repairs, inspections, testing, and exposition, for which permission has been received from the customs authority, must be returned to the DFZ in full. If they cannot be returned for any reason, a request for permission must be made to the customs officers for an annual goods inventory summary to take place outside the DFZ for the same period.
3. Following the annual summary of goods remaining in warehouses, the Business Investor in the DFZ must prepare two sets of inventory lists of goods remaining in warehouses and end-of-year final settlement statements for the goods distributed domestically or outside

the DFZ. The statement(s) must be delivered to the customs officers for future inspection within one month of the date of the inspection results summary. Business Investors in the DFZ can request an extension to this time limit of no more than 30 days but must make this request to the customs officers prior to the expiration thereof.

4. In the event that there are goods missing or too many goods in the warehouse system during the annual goods in warehouses inspection process, Article 42 hereof will apply.

Article 48 Inspection of Inventories in Warehousing Systems

The customs officers responsible for a DFZ or customs officers appointed by the Customs Department (“CD”) must conduct inspections of the inventories in warehousing systems, as follows:

1. Inspect preparations and the end-of-year final settlement statements of Business Investors in the DFZ in an electronic format and/or on the specified forms. In the event that a Business Investor in the DFZ has failed to prepare and to send their end-of-year final settlement statement to the customs authority within the specified time limit, the customs officers responsible for the DFZ must demand that they do so within 30 days of the expiration of the time limit for the sending of the annual inventory summary. If the Business Investor in the DFZ fails to provide data and/or is negligent within this time limit, they will be considered to be in breach of customs regulations.

2. Customs officers must prepare an annual inspection plan, specifying targets amongst the Business Investors in the DFZ for their inspections and counting of the inventories in warehousing systems.

2.1 Prior to conducting an inspection, the customs officers responsible for the DFZ or customs officers appointed by the CD must notify the Business Investor in the DFZ in writing at least 5 working days in advance to prepare their documentation and data concerning their warehouse inventory control system activity. In the event that a Business Investor in the DFZ cannot accept an inspection at the time and date of the inspection committee, they must notify [the customs officers] within 3 working days. Inspections must be completed and a summary of the inspection results created within 5 working days and if not completed within this time limit, it can be extended for no more than 5 working days. Goods remaining in warehouses must be inspected at least once annually.

2.2 Inspections of inventory control systems of Business Investors in the DFZ must take place as follows:

2.2.1 Inspect the storage and arrangement of goods in the warehousing system to see if there is a suitable storage place, security, and CCTV or other equipment ready to be used, including regular goods quantity inspections.

2.2.2 Inspect the software used in warehouse management [to see if it] can record data and make quantity assessments when goods in inventory lists are moved from Importation until storage and exportation and the volumes of goods still remaining to see whether or not they are accurate.

2.3 Inspections of goods still remaining must take place as follows:

2.3.1 Customs officers must apply risk management principles in their goods data inspections with at least ten focus inspection lists, such as raw materials used in production

and manufacturing, high-customs-duty goods, high-value goods, and goods of other risk categories, and take the inventory of each type of remaining goods to check that they are physically present by comparing them with the volumes of goods remaining in the inventory list activity statements of Business Investors in the DFZ.

2.3.2 [Customs officers must] inspect the volumes of each type of inspection focus groups since import-export and the quantities of goods still remaining in the warehouse inventory control systems of the Business Investor in the DFZ and compare them with the data in the electronic systems of the customs authority and volumes of goods still remaining which have been counted physically to see whether or not they are consistent and if conflicting with the data in the system of the customs authority, act as follows:

- The customs officers responsible for the DFZ or the customs officers appointed by the CD must notify the Business Investor in the DFZ of the quantity of goods inventories falling short or in excess of the data in the system of the customs authority.

- The customs officers responsible for the DFZ must create a record of any breaches of customs regulations and notify the Business Investor in the DFZ in writing to pay customs duties and Other Obligations in accordance with the law, accurately, in full, and on time.

3. [To] specify the risk of Business Investors in the DFZ, risk assessment management principles must be applied in accordance with the risk management system conditions, financial credibility, and compliance with the law, regulations, and contracts of guarantee. Business Investors in the DFZ who meet the conditions correctly and in full will enjoy convenient [customs inspections], be included in the AEO Programme, and benefit from Policies or Privileges as specified by law and in regulations.

Chapter 6

DFZs for Crude Oil, Chemicals and Finished-Petroleum-Product Business Activities

Article 49 DEZs for Crude Oil and Chemical Business Activities

Crude oil (“**Crude Oil**”) and chemicals (“**Chemicals**”) shall refer to raw materials which are refined into diesel fuel, petrol, natural gas, jet fuel, fuel oils, oil-based lubricants, and other petroleum products used or which could be used as fuel or lubricants.

DFZs for Crude Oil and Chemical business activities refer to DFZs for industrial and/or commercial business operations associated with Crude Oil and Chemicals and which are eligible for Policies or Privileges concerning customs duties and Other Obligations for the Importation of goods in accordance with the law and regulations.

Article 50 Calculating Volumes and Weights

The calculation of volumes and weights to act as a basis for the organisation and collection of customs duties and Other Obligations for Crude Oil and Chemicals used in production, manufacturing, and processing in storage containers, including products, when exported from the DFZ for domestic distribution or exportation to a foreign country, must

make use of calculation principles and methods according to international standards and at a temperature of 30°C (Celsius) or 86°F (Fahrenheit).

Article 51 Importation of Crude Oil and Chemicals for Storage or Other Operations of Refineries or Processing Plants in DFZs

The Importation of Crude Oil and Chemicals for storage or other operations of refineries or processing plants in DFZs must take place exclusively by pump driven bottom-unloading via a specific delivery pipe and as follows:

1. Prior to permitting [a cargo], the Crude Oil and/or Chemicals must be pumped and bottom-unloaded and kept in a tank or mixed and the customs officers responsible for the DFZ must inspect the detailed customs declaration from the customs border checkpoint, [cargo] movement documentation, safety systems, and condition of the transportation vehicle, such as the customs seal or eSeal, and if in a normal condition, then permit it to be pumped and bottom-unloaded.

2. When pumping and bottom-unloading the Crude Oil and/or Chemicals out of the transportation vehicle, the Business Investor of the refinery or processing plant must inspect the Crude Oil and/or Chemicals tank(s) first to determine the product(s) still remaining and/or the type and/or volume. After completing the pump-driven bottom-unloading, they must measure [it] by themselves and send a report to the customs officers responsible for the DFZ within 2 working days. For suspicious cases or [when] the data on the type or volume of the Crude Oil and/or Chemicals is inconsistent with the declaration, the customs officers must conduct a focused inspection in accordance with regulations.

3. The customs officers responsible for the DFZ inspect the documentation for the volumetric calculations of the crude oil contained in the crude oil tank at a temperature of 30°C or 86°F and compare them with the results received, if there is a volumetric imbalance not exceeding two percent (2%) not consider there to be a customs violation, and record the customs clearance results in accordance with regulations.

The Importation of Crude Oil and Chemicals for storage or other operations at refineries or processing plants in DFZs require detailed customs declarations for Holidays from Customs Duties and Other Obligations in accordance with regulations.

Article 52 Fuel Quality Inspections

Fuel obtained from production, processing, refining, containment, and/or other processes, prior to domestic distribution, must undergo an inspection for quality in accordance with the regulations of the sector(s) concerned.

Article 53 Taking Fuel out of a Refinery, Processing Plant, or Storage Tank for Domestic Distribution

To take fuel out of a refinery, processing plant, or storage tank in a DFZ for domestic distribution, the Business Investor must first act in accordance with customs regulations and other regulations concerned through to completion in order to be able to take fuel out for distribution and distribute the fuel to fuel business operators in accordance with regulations.

Article 54 Taking Fuel out of a Refinery, Processing Plant, or Storage Tank for Exportation to a Foreign Country

The taking of fuel out of a refinery, processing plant, or storage tank in a DFZ for exportation to a foreign country will enjoy exportation from customs duties in accordance with the law and regulations. The Business Investor must first act in accordance with customs regulations through to completion before the customs officers responsible clear the fuel in accordance with regulations.

Article 55 Control and Inspection of the Inventory Systems of Refineries and Processing Plants

Refinery and processing plant Business Investors must show evidence of the control and activities of their inventory systems, such as Importation, exportation, and transfer receipt statements/reports and [receipts] from the payment of customs duties and Other Obligations, and detail the quantity of goods remaining for two periods, from 30 June to 31 December of each year being the inventory summary dates, and refinery Business Investors must take an inventory of the remaining goods for each period and deliver a report thereon to the customs officers responsible for the refinery or processing plant to double-check in accordance with regulations.

If the inventory inspection results for fuel or Chemicals stored in a refinery or processing plant exceed or fall short of the inventory, the following must be considered:

1. In cases where the inspection finds an imbalance not exceeding 2.5% of the quantity stored, [this] will not be considered a violation of customs regulations and the customs officers responsible for the DFZ must adjust their inventory entries to correct them in accordance with the physical quantity or quantities found for each period.

2. In cases where the inspection finds an imbalance exceeding 2.5% of the quantity stored, [this] will be considered a violation of customs regulations and the refinery or processing plant Business Investor must declare and pay their customs duties and Other Obligations in accordance with the excess or shortfall within 30 days of the creation of the inspection record.

Chapter 7 DFZ Land

Article 56 DFZ Land Allocation

After having received the FS report, the MoF is autonomously responsible for coordinating with the MoNRE, and [other] ministries and local authorities concerned over the specification of DFZs consistently with the National Master Plan on Land Allocation.

Article 57 Marking out a DFZ

After having signed a DFZ development agreement, the natural resources and environment sector coordinates with [other] sectors and local authorities concerned and the Developer over the marking out of the DFZ, for which a concession has been granted or for which the land use rights are owned by [the Developer] themselves.

Article 58 Issuing a Land Use Certificate

The natural resources and environment sector is the issuing body for land use certificates for DFZ Developers in accordance with the law and regulations.

Article 59 Land Area Use

DFZ Developers can use 80% of the total land in their DFZ directly for the purposes of their business operations with the remaining part having to be developed as an area for public utilities, parks, and green spaces.

Article 60 Payment of Damages or Land Compensation

The State can transfer land use rights belonging to natural persons, legal entities, and organisations to specify [the land pursuant thereto] as DFZ land but must pay damages to or compensate the owner or owners for the land reasonably or in accordance with the law and regulations.

Part IV

DFZ Organisations and Management

Article 61 State Units Stationed in DFZs

The State unit stationed in DFZs are as follows:

1. Customs units; and
2. Other units in the event that they are set up.

These units are set up and dissolved by the vertical hierarchy of their respective sectors to exercise their rights and perform their duties in each DFZ.

Article 62 Rights and Duties of Customs Units

Customs units have the following rights and duties:

1. To manage, monitor, and inspect compliance with customs regulations and facilitate the Importation and exportation, storage, and movement of goods using a streamlined and accurate system in accordance with the law;
2. To collect customs duties and Other Obligations as specified by law and in the relevant regulations in their DFZ correctly, in full, and on time;
3. To conduct inspections and eliminate all breaches of the law and regulations concerning customs;
4. To visit the sites of business activities in their DFZ to inspect documentation and data concerning goods;
5. To search factories, buildings, and vehicles in their DFZ with a warrant from the authorised body;
6. To summarise and report regularly to superior levels on their work in their DFZ; and
7. To exercise other rights and perform other duties as specified by law and in regulations.

Article 63 Rights and Duties of Other Units

In the event that another unit is stationed in a DFZ, it must exercise rights and perform duties according to its mandate as specified by law and in regulations.

Part V

Duty-Free Shops

Article 64 Establishing Duty-Free Shops

Duty-Free Shops can be set up and offer duty-free goods and item distribution services at international borders, international airports, international ports, train stations, cross-border passenger vehicle terminals, and in towns and cities and include shopping centres, tourist sites, and other business zones.

Article 65 Standards and Criteria for Duty-Free Shops

Duty-Free Shops must meet the following standards and criteria:

1. Have a suitable building and/or location for business operations approved in technical terms by the sector concerned;
2. Have a suitable and safe office, warehouse, and salesroom which meets technical standards;
3. Have a proper accounting system which is consistent with the Law on Accounting for recording its commercial data and figures and an electronic system which can connect up to the system of the customs authority for the management of incoming and outgoing goods in the warehouse, sales, and shoppers' travel data;
4. Have safety systems which meet standards;
5. For international borders, have an average number of inbound and outbound passengers of at least 100,000 per year; and
6. For Duty-Free Shops located in towns and cities, have a goods handover and receipt site at an international border, international airport, international port, outbound train station, or cross-border passenger vehicle terminal to organise the delivery of duty-free goods to customers who buy goods from the Duty-Free Shop.

Article 66 Requesting Permission to Operate a Duty-Free Shop Business

Legal entities wishing to set up and operate a Duty-Free Shop business must submit a request for permission with the accompanying documentation to the MoF to consider granting permission in accordance with the law and regulations.

The MoF is the issuing body for regulations concerning the management of Duty-Free Shop businesses.

Article 67 Conditions for Persons Requesting to Operate a Duty-Free Shop Business

Legal entities wishing to operate a Duty-Free Shop business must meet the following conditions:

1. Have a goods business background;
2. Have a registered capital of LAK15,000,000,000 or more and a stable financial status; and
3. Never have been convicted by a court of a customs or economic offence committed with intent.

Article 68 Accompanying Documentation

The accompanying documentation to request permission to operate a Duty-Free Shop business is as follows:

1. A request for permission to set up [the business];
2. An ERC;
3. A tax payment certificate except for [enterprises] being newly set up;
4. A construction licence and lease contract;
5. An account holding certificate;
6. An EIA report (if any); and
7. An economic-technical FS report or business plan.

Article 69 Considering Requests for Permission to Operate a Duty-Free Shop Business

The MoF is the body which studies, in coordination with the [other] ministries, organisations, and local authorities concerned, and considers granting permission for the operation of Duty-Free Shop businesses [and does so] within 60 days of receiving a request and accompanying documentation properly and in full.

In the event of a refusal to a request for permission to operate a Duty-Free Shop business, the person making the request must be notified [thereof] and of the reasons in writing within this time limit.

Article 70 Requesting Permission for Annual Importation Plans

Requests for permission for annual Importation plans must be made in accordance with the following process:

1. Business Operators of new Duty-Free Shops must create a detailed annual Importation plan concerning each type, quantity, value, country of origin (“CO”), and expiry dates of goods, which must be for more than one year, to be submitted to the CD;

2. Business Operators of existing Duty-Free Shops, if importing goods in the following year, must make a new summary of their past Duty-Free Shop business operations, such as their warehouse inventories, sales accounts/inventories, accounts/inventories of their duty-free stamp use, and remittance of obligations, certified by the customs authorities and sectors concerned. Furthermore, [they] must create a detailed annual Importation plan concerning the types, quantities, values, COs, and expiry dates of goods, which must be for more than one year, to be submitted to the CD; and

3. Upon receiving an annual Importation plan, the CD must examine the documentation concerned within 15 days and if deemed correct and complete, must make a request to the MoF to consider agreeing but if deemed incorrect and still incomplete, must notify the person making the request in writing of the reasons within 5 working days.

Article 71 Rights of Duty-Free Shop Business Operators

Duty-Free Shop Business Operators have the following rights:

1. To receive support and facilitation in accordance with the law;
2. To receive protection for the rights and interests arising from their business activities and other policies in accordance with the laws and regulations concerned;
3. To use land, buildings, structures, and other fixed assets consistently with the laws and regulations concerned or contracts; and
4. To exercise other rights as specified by law.

Article 72 Obligations of Duty-Free Shop Business Operators

Duty-Free Shop Business Operators have the following obligations:

1. To conduct their business activities as licenced, properly, and in accordance with standards;
2. To pay obligations to the State correctly, in full, and on time as per the Law on Customs, the Law on Tax Management, and other laws concerned;
3. To keep accounts in accordance with the Law on Accounting and make payments via the banking system;

4. To ensure goods management at the Duty-Free Shop does not allow goods to leak onto the domestic market;

5. To facilitate matters for the responsible customs officers in the course of their duty in relation to locations and equipment, also extending to duty-free goods inspection locations;

6. To hold civil and/or criminal liability for breaching the law and regulations;

7. To summarise and report to the customs officers regularly on their business operations; and;

8. To perform Other Obligations as specified by law.

Part VI

Suspension, Revocation, and Issuance of Replacement Licenses

Article 73 Suspension from Using a Development or DFZ Business Investment or Duty-Free Shop License

Suspensions from using a development or DFZ business investment or Duty-Free Shop license must take place as follows:

1. When the customs officers discover a licensed person failing to perform their contract of guarantee, meet their licensing conditions, or comply with the Law on Customs, this Decree, or regulations concerned, the customs authority will issue a written notification to correct or remedy [the matter] within 90 days.
2. In the event that the licensed person fails to correct or remedy [the matter] within these 90 days, the customs authority must request that the MoF considers suspending their business investment or Duty-Free Shop license within 30 days. For development licenses, the MoF must make a request to GOL to consider suspension.

Article 74 Revocation of a Development or DFZ Business or Duty-Free Shop Investment License

A development or DFZ business investment or Duty-Free Shop license will be revoked in the following scenarios:

1. Business operations fail to take place for 90 days of the date on which the license is received or ceases for over 180 days without the customs authority receiving written notification thereof;
2. The use of the license is suspended twice but the breach of customs laws and regulations continues;
3. There is a breach or failure to comply with an order for the use of the license to be suspended; or
4. Annual fees are not paid or another obligation not performed as specified herein following an MoF warning.

In the event that a breach specified in Items 1-4 above is discovered, it must be reported to the MoF to consider revoking the DFZ business investment or Duty-Free Shop license while for development licenses, the MoF makes a request to GOL to consider revoking the license. Written notification of a revocation order must be given to the licensed person. Policies or Privileges for goods in DFZs or Duty-Free Shops will be terminated, and these goods must be exported back or customs duties and Other Obligations paid within 30 days of the date on which the license revocation order is received in accordance with the Law on Customs and herewith.

Persons whose license has been revoked can make out a document explaining their reasons to the MoF within 30 days of the date on which the revocation order is received. Upon receiving this explanation, the MoF will study and consider [it] on a case-by-case basis and respond in writing within 30 days to the person whose license has been revoked.

Article 75 Issuance of Replacement Licenses

The issuance of a replacement license must take place as follows:

1. If the development or DFZ business investment or Duty-Free Shop license is lost or damaged in part or in full, a request must be submitted for a replacement license to the MoF accompanied by documentation and evidence from the relevant sector within 30 days of its being lost or damaged.

2. Upon receiving the request accompanied by the documentation and evidence correctly and in full, [for] a DFZ business investment or Duty-Free Shop license, the MoF will consider issuing a replacement within 15 days and for a development license, the MoF must make a request to GOL to consider issuing a replacement.

The content of a replacement development or DFZ business investment or Duty-Free Shop license must be identical with that of the original license with the word “ປ່ຽນແທນ”² written in red letters in the centre of the license along with the date, month, and year of the issuance of the replacement license.

Article 76 License Display

A person who has received a development or DFZ business investment or Duty-Free Shop license must show it or a replacement thereof at their head office or office where it can be openly displayed and visible.

Part VII

DFZ and Duty-Free Shop Fees and Service Charges

Article 77 Fees and Service Charges

Fees and service charges for issuing a license associated with the development of a DFZ, an investment in a business in a DFZ, or the operation of a Duty-Free Shop must conform to the Presidential Decree on Fees and Service Charges as promulgated for each period.

Annual fees of LAK 150,000,000 for Duty-Free Shops must be collected electronically via the banking [system].

Article 78 Collection of Fees and Service Charges

The finance sector is responsible for collecting fees and service charges associated with DFZ development, DFZ business investment, and Duty-Free Shop licenses, doing so in kip and remitting it into the State Budget in a centralised manner using the system of a bank which has a National Treasury account or system.

Part VII

Rules

Article 79 General Rules

Natural persons, legal entities, and organisations are prohibited from the following behaviour:

² This is the Lao word for “replacement”.

1. Land clearance or construction inside the area of a DFZ or Duty-Free Shop without permission;
2. The bulldozing or demolishing of structures or assets inside a DFZ or Duty-Free Shop without permission; and
3. Other behaviour in breach of the law and regulations.

Article 80 Rules for DFZ Developers

DFZ Developers are prohibited from the following behaviour:

1. Operating a DFZ business in breach of their CA, the law, or regulations;
2. The surveying for or design or construction of structures;
3. Giving their DFZ development license to a different person to use, rent it out, or transfer it to a different person;
4. Closing the DFZ or using it for unlicensed purposes; and
5. Other behaviour in breach of the law and regulations.

Article 81 Rules for Business Investors in a DFZ

Business Investors in a DFZ are prohibited from the following behaviour:

1. Operating their business in breach of their contract with the Developer or their Business Operating License;
2. Renting or transferring their business to a person who does not have a Business Operating License or without the consent of the Developer and MoF;
3. Closing their business in the DFZ or operating a business activity with a different purpose without having received the consent of the Developer and MoF;
4. Importing goods into or exporting goods out of the DFZ without receiving permission from the customs officers; and
5. Other behaviour in breach of the law and regulations.

Article 82 Rules for Duty-Free Shop Business Operators

Duty-Free Shop Business Operators are prohibited from the following behaviour:

1. Displaying goods or items in their inventory to be sold without having received permission from the customs authority under any circumstances;
2. Destroying data and evidence, concealing income, or entering income into their expense accounts inconsistently with the law or regulations;
3. Selling goods without a label, with an incorrectly affixed label, or without a "Duty Not Paid" stamp being affixed correctly;
4. Handing their Duty-Free Shop license to another person to use, rent it out, or transfer it to another person;
5. Falsifying invoices/receipts or other documentation associated with purchases and sales or income and expenditures;
6. Moving duty-free goods without permission from the customs authority; and
7. Other behaviour in breach of the law and regulations.

Article 83 Rules for State Officials and Employees

The relevant State officials and employees are prohibited from the following behaviour:

1. Operating a business in or acting as a consultant or specialised employee for a business in a DFZ in relation to their responsibilities;
2. Demanding, requesting, or receiving bribes, bias, delaying [processes], collusion, the falsification of documents, or abusing their position for personal gain or that of an associate; and
3. Other behaviour in breach of the law and regulations.

Part IX

DFZ and Duty-Free Shop Management and Inspection

Article 84 DFZ and Duty-Free Shop Management and Inspection Organisation

The MoF is the body which manages and inspects DFZ and Duty-Free Shops directly and autonomously in accordance with the MPI, Ministry of Industry and Commerce, Ministry of Public Works and Transport, and other ministries, organisations, and local authorities concerned.

Article 85 Rights and Duties of the MoF

In its DFZ and Duty-Free Shop management and inspection, the MoF has the following rights and duties:

1. To study policies, laws, and regulations associated with DFZs and Duty-Free Shops for proposal to superior levels for consideration, turn them into their own plans, programs, and projects, and implement them;
2. To publicise and disseminate policies, laws, regulations, plans, programs, and projects associated with DFZ and Duty-Free Shops amongst the public and parties concerned for recognition and implementation and enforcement;
3. To study and request that GOL considers the setting up of DFZ and the suspension or revocation of DFZ development licenses;
4. To consider the issuance, suspension, or revocation of DFZ business investment licenses;
5. To consider the issuance, suspension, or revocation of DFZ Business Operating Licenses;
6. To study and adjust the rates and items for the collection of fees or service charges consistently with true circumstances in relation to socio-economic development to propose to GOL to propose to the National Assembly Standing Committee for consideration;
7. To consider the establishment and dissolution of the customs units stationed in each DFZ and the appointment or dismissal of personnel stationed therein;
8. To cooperate and coordinate with relevant entities over DFZ and Duty-Free Shop development and enhanced collection of customs duties and Other Obligations in DFZs or Duty-Free Shops for the sake of modernisation, speed, accuracy, completeness, and punctuality;
9. To interact and cooperate with foreign countries, regionally, and internationally regarding DFZs and Duty-Free Shops;
10. To summarise and report regularly to GOL on DFZ and Duty-Free Shop affairs; and
11. To exercise other rights and perform other duties as specified by law and in regulations.

Article 86 Rights and Duties of Other Ministries and Local Authorities Concerned

In their management and inspection of DFZ and Duty-Free Shop affairs the relevant ministries, organisations and local authorities have the right and duty to cooperate and

coordinate with the MoF over the implementation and enforcement hereof in accordance with their respective mandates and responsibilities.

Article 87 Inspection Focuses

The inspection of DFZ and Duty-Free Shop affairs comprise the following focuses:

1. Conformity to the law and regulations concerning DFZ and Duty-Free Shop affairs;
2. The exercising of rights and performance of duties by officials and employees responsible for DFZ and Duty-Free Shop affairs; and
3. Other important and necessary focuses.

Article 88 Forms of Inspection

The three forms of inspections are as follows:

1. Regular inspections, which refer to inspections which are conducted according to a plan, regularly, and at definite specified times;
2. Announced inspections, which refer to inspections [conducted] outside of plans when necessary and without advance notice being given to the inspection target; and
3. Sudden inspections, which refer to urgent inspections [conducted] without advance notice being given to the inspection target.

Part X

Policies for Achievers and Penalties for Violators

Article 89 Policies for Achievers

Natural persons, legal entities, and organisations making outstanding achievements in their conformity to and/or implementation and/or enforcement hereof in, for example, their development, investment, and/or administration of a DFZ and/or Duty-Free Shop [performed] in such a way that is effective, attracts [investment] and/or supports DFZ development, creates new and reliable income bases, and contributes to national socio-economic development will benefit from facilitated customs, commercial, and trade [processes], receive appraisals, and benefit from other policies in accordance with regulations.

Article 90 Penalties for Violators

Natural persons, legal entities, and organisations acting in breach hereof, such as the rules, will be subject to warnings, re-education, disciplinary measures, fines, civil damages, and/or criminal punishment according to the severity of the breach.

Part XI Final Provisions

Article 91 Implementation and Enforcement

The MoF has autonomous responsibility for the effective and efficient implementation and enforcement hereof.

Other ministries, organisations, local authorities, and entities concerned are to recognise and cooperate over the strict implementation and enforcement hereof.

Article 92 Entry into Force

This Decree enters into force on 28 July 2023.

DFZ Developers, Business Investors in DFZs, and Duty-Free Shop Business Operators benefiting from Policies or Privileges pursuant to a contract signed with GOL prior to the entry into force hereof must continue to perform this contract until such time that it expires.

DFZ Developers, Business Investors in a DFZ, and Duty-Free Shop Business Operators wishing to benefit from Policies or Privileges pursuant hereto are entitled to make a request to the MoF within 120 days of the date on which this Decree enters into force and the MoF must notify them of the Policies or Privileges for which they are eligible.

Business Investors in a DFZ, other economic zones, logistics zones, and Smart Cities must use the customs regulatory provisions specified herein.

On behalf of the Lao PDR,

The Prime Minister

[SEAL OF THE PRIME MINISTER OF THE LAO PDR AND SIGNATURE]

Sonexay Siphandone