

(Unofficial translation)



LAO PEOPLE'S DEMOCRATIC REPUBLIC
PEACE INDEPENDENCE DEMOCRACY UNITY PROSPERITY

President

No. 001/OP
Vientiane Capital, dated 15 December 2015

**Presidential Ordinance
on Royalty Rate of Natural Resources**

- Pursuant to the Constitution of the Lao People's Democratic Republic, Section VI, Article 63, clause 2;
- Pursuant to the Law on Environmental Protection No. 29/NA, dated 18 December 2012, Article 52, clause 6;
- Pursuant to the letter proposed by the National Assembly Standing Committee No. 016/NASC, dated 07 August 2015 and No. 0381/NAO, dated 30 November 2015.

President issues Ordinance:

**Section I
General provisions**

Article 1: Purpose

This Presidential Ordinance is to set out royalty rates of natural resources to ensure that the collection the royalty of natural resources is in an accurate, uniform and effective manner nationwide with the aim to create income to the government's budget in accordance to the laws and contribute to strengthening the national socio-economic development.

Article 2: The Royalty of Natural Resources

The royalty of natural resources is financial commitment that has to be paid by domestic and foreign individual and legal entities who are authorised to operate businesses in relation to the natural resource. The royalties shall be paid to the government at the rates stated in this Presidential Ordinance.

Article 3: Principles of setting the royalty rate of Natural Resources

The royalty rates of natural resources should be set in accordance to the principles as follows:

1. Based on the fundamental growth levels of production, economy and the economic and finance policies of the government;

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2. Ensure sustainable development, effective utilization of natural resources and sustainable conservation;
3. Set out as the common royalty rates throughout the country.

Article 4: Scope of Use

This ordinance is used with domestic and foreign individuals and legal entities who are operating business in relation to mining, none timber forest products and water resource in Lao PDR.

This ordinance does not cover plants, none timber forestry products that are planted by enterprises or households.

Section II Royalty Rates of Natural Resources

Article 5: Royalty Rates of Mineral resources

a. Mineral Resources

The royalty rate of the mineral resource shall be collected as follows:

No.	Types of minerals	Percentage of sale value of the mineral products that could be extracted
1	Precious stones and jades - Diamonds, rubies, sapphires and emeralds - Jades	10
2	Semi-precious stones - Pearl, arlexanghyde - Aeroyd, rodohyde, byrok, berick, spinan, topas, kisoryde, opan, trumaline, agad, ganed; - quads, armetis	7
3	Precious metals - Silver, gold, platinum	7
4	Basic metals (not magnet) - Copper, zinc, lead, aluminium	6
5	Iron and metal mixed with iron - Iron, titan, mongan, grom, vanadium, nikan, kobane, molybdenum, tungsten	6
6	Not widely available metals and related metals - Antimon, arsenic, barium, cadmium, bismod, magnesium, cyanide, radium, cilium, columbium, titanium, zirconium.	7
7	Everpohyde - Gypsum, anridyde, potassium, meyer	4
	Sodium	2
8	Industrial minerals - Fluoride, barite, phosphate, markka	4
9	- Limestone, dolomite, mayecite, laterid, clay, leng glued clay, tuff, asbestos, sand for producing glass, tank, allanite, small rocks, granite, dyohyde, kappro, hyohyde, panel stone.	4

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10	Stones for decoration - Granite, soft stone, nite stone, slade stone, pagodite	5
11	Coals	6
	- Lignite, sabituminad, bituminoid, anthracite	
	- Mud coals	2
	- Oil stones	3
12	Fossil fuel and natural gas	Based on contract negotiated

b. Mineral resources for Construction Activities

The royalties for mineral resources used in the construction activities are determined as follows:

No.	Types of resources	Royalty rates	Unit
1	Black, red and clay	3,000 kip	m3
2	Sand	4,000 kip	m3
3	Small rocks, river small rocks	5,000 kip	m3
4	Mountain stones	7,000 kip	m3
	- Dolomite		
	- Granite-dyohyde		
	- Bashan		
	- Small tones		

The royalty rates of natural resources utilized in hydro power plant projects mainly the royalty rates on dirt, stone and sand that are extracted within the concession areas for the hydro power project and used in the projects shall be calculated together with the royalty on water resources for the hydro power projects as stated in the Article 7 of this Presidential Ordinance. Other royalties for mineral resources that are not included in the concession areas but they are used in that hydropower project shall be collected according to the royalty rates as provided in this Article.

Article 6: Royalty Rates of Natural Resources for NTFPs

The royalty rates for NTFPs from natural resources shall be collected as follows:

No.	Types of NTFPs	Percentage of sale value
1	Natural timber with parameter of less than 20 cm for decoration	50
2	Parts of aka wood	40
3	Parts of mai chanhom, mai chandai, mai chandaeng, mai chankhao	30
4	Thoun rattan, small rattan	30
5	Top of rattan, top of boun, top of tao	30
6	Khaeua haem, khaeua taeng, khaeua tipti, khaeua khaohor, khaeua sakhan	30
7	Charcoal	20
8	Bamboo, mai louangpouk	15
9	Kean khoun	
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	10

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	khosom, mak taek, mak kaueam, mak khakai, mak wai, mak kha, mak kor, mak pongpeng, mak lae, mak samsip, mak ka	
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		10
16	Mai tiu, mai kor, firewood, construction wood, main wooden fence	10
17	All types of bamboo shoots and mushrooms	10
18	Nam kieng	5
19	All types of vegetable	4
20	Dok kham, wild tea leaves	4
21	Resin, sticklac, saltpetre	4
22	Sompha	30
23	Hua kha hom sam maeung	50

For those NTFPs that are not included in the table above, in practice the royalty rates can be applied on case by case basis such as for general natural resources they can be charged 10% of the sale value; For prohibited and endanger items they can be charged for 50% of the sale value.

The collection of royalty rates for NTFPs from natural resources shall be done during movement or exportation.

Article 7: Royalty Rates for Natural resources of the natural water

a. Natural water resources for hydro power plant projects

The royalty rates for natural water resources used in the hydro power plant projects shall be charged as follow:

No.	Types of the utilized natural water resources	Percentage of total income
1	Hydro power plant projects that export the electricity to overseas	More than 5
2	Hydro power plant projects that supply the electricity to the domestic particularly and with the production capacity of more than 15 megawatt	
3	Hydro power plant projects that supply the electricity to the domestic particularly and with the production capacity of less than or equivalence to 15 megawatt	5

Apart from the hydro power plant projects, if there is further development of the other electricity production projects the royalty for the natural resources shall be collected as being set in this Article.

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

b. Natural water resources for each activity of production and service

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

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No.	Types of utilization	Charging rate kip/m ³
1	Utilizing the natural water resources in industrial production	5
2	Utilizing the natural water resources in mining activities	10
3	Utilizing the natural water resources in tourism and sports activities such as resort, hotel, guesthouse, restaurant and other sport recreations	5
4	Utilizing the natural water resources in the production of water supply	5

Section 3

Collection of Natural Resource Royalties

Article 8: Collection of Natural Resource Royalties

The financial sector shall be responsible for the collection of the 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 the natural resource royalties as follows:

1. Used the actual selling prices multiply by the percentage of types of the natural resources that are sold.
2. Used the quantity of natural resources extracted for selling or utilizing multiplies by the rate in money term as stated in this Presidential Ordinance.

Section IV

Final provisions

Article 16: Implementation

The government of Lao PDR shall strictly implement this Presidential Ordinance.

Article 17: Effectiveness

This Ordinance shall be entry into force from the date of its signature and after the issuance of official gazette 15 days.

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 accordance to such contract. In the case, they wish to enjoy benefits arising from this ordinance, they have the right to propose to concerned agencies and that concerned agencies will notify them to comply with the laws and regulations.

Any regulation or provision that conflicts with this Ordinance shall be invalid.

President of Lao PDR

[Signed and sealed]

Choummaly Sayasone