

MAY 2021

COVID-19 GOVERNMENT INITIATIVES & SUPPORT

FOCUS ON LAO PDR

Banking & Finance, Employment & Labor and Taxation

BANKING & FINANCE

Credit Policies

In March 2020 the Bank of Lao PDR (“BOL”) issued **Decision (No 238/BOL, 26 March 2020)** which instructed commercial banks and financial institutions to:

- (a) Postpone repayments of principal and interest;
- (b) Reduce interest rates and fees based on the business operation of the debtors;
- (c) Consider the provision of new loans to debtors and businesses/people affected by COVID-19; and
- (d) Restructure loans of affected debtors, including the suspension of principal and interest payments for one year or as agreed with customers.

These principles were further elaborated on in **Instruction (No 249/CBSD, 11 May 2020)** which, in addition to the above, also provided for the provision of new loans to support liquidity and to restore production and business activity.

The above measures announced in 2020 were continued via **Notification (No 254/CBSD, 5 May 2021)**. Under this Notification commercial banks are instructed to continue to implement the above credit policies and are required to review and adjust their internal policies and rules to address debtors that have been impacted by the COVID-19 pandemic. After the review and adjustment, the commercial banks must notify customers through their website or other means and report to the BOL during May 2021 and thereafter on a monthly basis.

The BOL issued **Decision (No 256-BOL, 13 May 2021)** which expands on the credit policies from 2020. Under this recent Decision, commercial banks and deposit and non-deposit micro-finance institutions are to offer a three-month delay on loan and interest payments during May, June and July 2021. Leasing companies and pawnshops are to offer a three-month delay for lease fee payments during May, June and July 2021. Those eligible to receive the delay in these payments are: (a) individuals who do not receive their salary/wage in full or in part as a consequence of the COVID-19 pandemic and as a result cannot repay the loan or lease fee, this requires a certification from the work place; or (b) business customers who are impacted by the COVID-19 pandemic, evidence of irregular income will need to be provided. Additionally, during this period commercial banks and financial institutions are prohibited from taking possession of secured assets, imposing fines or collecting fees.

Most recently, the Prime Minister’s Office issued **Notification (No 532/PMO, 20 May 2021)** providing guidance on policies and measures to be implemented by the BOL including:

- (a) Continuing to support the credit policies (as set out above) of commercial banks and financial institutions; and
- (b) Devise and expand the policy to strengthen financing credits to boost production to compensate for imports and promote exports.

Under the same Notification, the BOL will also expanded on its monetary policy aiming to:

- (a) Ensure national monetary stability as well as boost economic growth;
- (b) Ensure the effectiveness and timely implementation of the credits policy and other activities to strengthen financing to support SMEs, the domestic economy, and promote exports, and
- (c) Strengthen banks and financial institutions.

Operation of Banks and Financial Institutions

A further **Notification (№ 108/FISD, 27 April 2021)** was issued relating to the physical operation of the financial institutions requiring them to:

- (a) Provide its services through other methods where appropriate and make a secondary plan for continuation of services;
- (b) Create a mechanism to monitor and report the risk to COVID-19 infection of staff and customers;
- (c) Implement prevention and control measures at offices, branches and service units; and
- (d) Consider changing service hours or temporarily suspending services.

EMPLOYMENT & LABOR

Amendment to Employment Terms and Conditions

In June 2020, the Ministry of Labor and Social Welfare (“**MLSW**”) issued **Notification № 1559/MLSW** which confirms that any change to an employee’s remuneration package or leave entitlements are by nature amendments to that employee’s employment terms and will require the consent of the employee. Additionally, if the employer has been impacted by the COVID-19 outbreak, Notice 1559 provides that the MLSW only allows an employer to adjust the employment terms of employees (whether individually or collectively) after it has consulted and negotiated with the employee/s through compromise in terms of the procedure set out in the Decree on Labor Conflict Resolution. If the parties fail to reach a compromise, the parties should follow the collective bargaining procedures and if this fails, either party has the right to approach the Labour Conflict Resolution Committee for resolution. Notice 1559 dates back to 1 June 2020, however, we are not aware of it being repealed or replaced by the MLSW.

Social Security Contributions

Recently, the MLSW issued a **Notification (№ 1532/MLSW, 5 May 2021)** which advised:

- (a) Labor units to implement and maintain a range of hygiene and social distancing-related measures, including the rotation of workers;
- (b) Workers who are contributing members of the National Social Security Fund (“**NSSF**”) who have been ordered to stop working or who work for labor units ordered to shut down by the authorities can receive an unemployment allowance. To be eligible, a worker must have contributed to the NSSF for at least six months during the period April 2020 to April 2021. The period of unemployment allowances will be based on the period that the Government announces COVID-19 containment measures;

- (c) If a labor unit is experiencing financial difficulties, that labor unit may delay their NSSF contributions but must notify the Social Security Office in writing. Labor units that have temporarily ceased business operations may suspend their NSSF contributions for that period;
- (d) Labor units affected by the recent COVID-19 outbreak must continue to comply with Lao PDR law and cannot terminate employment contracts without MLSW's authorization; and
- (e) Provincial and Vientiane Labor and Social Welfare Divisions will inspect labor units for compliance with COVID-19 prevention and containment measures. If a labor unit fails to comply, the authorities can suspend that labor unit's business operations.

Around the same time, the NSSF issued **Notification (№ 1589/NSSF, 4 May 2021)** which allows labor units to file social security contribution forms electronically by scanning a copy or taking a photo of the form and sending it to NSSF's WhatsApp account.

Unemployment Policy Considerations

Most recently the Prime Minister's Office issued **Notification (№ 532/PMO, 20 May 2021)** providing guidance on policies and measures to be implemented by the MLSW, namely:

- (a) A labor allowance policy for workers registered in the social security system that have been impacted by the recent COVID-19 outbreak, while simultaneously suspending and delaying social security contributions from any labor units that have suspended their business operations and are not paying salaries to employees;
- (b) Called for a collection of information on workers not covered by social security system who have been impacted by the recent COVID-19 outbreak and the provision of support to such workers on a case-by-case basis. Determination of policies on the appropriate contributions and benefit payments for employers and employees during the work suspension period and the COVID-19 pandemic;
- (a) Accelerate its information collection of unemployed workers impacted by the COVID-19 pandemic to allow for the arrangement of skills training, especially for foreign investment projects that need a large number of workers; and
- (b) Coordinate with provincial and Vientiane Capital taskforces to address the burden of workers (and freelance workers) staying in rented houses during the lockdown period.

Utilities

The Notification also provides that the Ministry of Energy and Mines must devise a policy to assist the community by reducing fees for water, electricity, internet, garbage collection, and other utilities, and delay payments for water bills for May, June, and July 2021.

TAXATION

Delay in Filing FY 2020 Financial Statement

The Ministry of Finance (“**MOF**”) issued **Notification (№ 2081/MoF, 30 April 2021)** which authorizes the postponement of the filing of the annual financial statement for FY 2020 to 30 June 2021 (delayed from 31 March 2021 as required under the Income Tax Law and Tax Administration Law).

Taxation Exemptions and Extensions

The Prime Minister’s Office issued **Notification (№ 532/PMO, 20 May 2021)** providing guidance on policies and measures to be implemented by the MOF, namely:

- (a) A three-month exemption for personal income tax payments for public and private sector employees with a salary up to 5 million Kip for April, May and June 2021;
- (b) A three-month exemption for micro-enterprise income tax for April, May and June 2021;
- (c) An extension of the deadline for the submission of the FY 2020 Financial Statements up to 30 June 2021 pursuant to the MOF Notification 2081 above;
- (d) An extension of the deadline for payment of road tax fees up to 30 June 2021;
- (e) An exemption on customs duties and taxes for import of goods to serve the prevention and treatment of COVID-19 such as vaccine, masks, hand washing, gloves and other medical equipment; and
- (f) The MOF will act as the focal point in exploring appropriate policies to reduce the VAT rate, especially for businesses in the tourism and services sector.

Revenue Collection

Under the same Notification, the MOF will also aim to accelerate and modernize its revenue collection from potential sources that the COVID-19 pandemic has not directly impacted. This includes turning to more modernized revenue collection methods and amending several decrees and subordinate legislation relating to revenue collection to build an immediate basis for revenue collection.

If you wish to more comprehensively understand the impact of these initiatives, government relief efforts, and how these may affect your business in the Lao PDR, please contact:



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