

LAO PEOPLE'S DEMOCRATIC REPUBLIC  
PEACE INDEPENDENCE DEMOCRACY UNITY PROSPERITY

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National Assembly

No. 05/NA

Vientiane Capital, 20 December 2011

**TAX LAW**

**(Amendment)**

**Part I**

**General Provisions**

**Article 1. Purpose**

This Law determines principles, rules, methods and measures relating to taxation management/administration and inspection in order to justly equalize revenue among business production people, society and all citizens, to encourage and promote strong growth of businesses , aiming to ensure proper and full tax collections for the State budget, contributing to the national socio-economic development.

**Article 2. Taxation**

Taxes refer to financial obligations of individuals, legal entities or organizations, which generate income by exercising professions, operating businesses, which consume goods and services in the Lao PDR and a foreign country, which shall make their tax payments according to the rates specified in the law.

**Article 3. Definitions**

Terms used in this law have the meanings ascribed to them as follows:

1. **Tax payer** refers to individual, legal entity and organization including Lao person, alien, foreigner and stateless persons who operates business or makes a living on a permanent or temporary basis, as well as person who resides or has a place of business located in the Lao PDR but carries out activities in a foreign country, which shall make tax payments to the State as specified in the laws and regulations;
2. **Alien** refers to an individual holding another nationality who enters to reside and lives in the Lao PDR on a long-term basis, and holds an alien identification card and

- alien household registration book, and whose government still regards him as its citizen. Aliens shall be under supervision of the Ministry of Public Security and other authorities concerned;
3. **Foreigner** refers to an individual holding another nationality who enters into the Lao PDR on a temporary or long-term basis in order to fulfill certain tasks and return home upon the completion of the tasks. Foreigners shall be under supervision of the Ministry of Foreign Affairs and other authorities concerned;
  4. **Stateless person** refers to an individual residing in the territory of the Lao PDR who is not a Lao citizen and who is unable to certify his/her nationality. Stateless persons shall be under supervision of the Ministry of Public Security and other authorities concerned;
  5. **Freelance occupation** refers to a provision of professional services or activities with labor, physical and intellectual independence and which mainly apply intellectual skills including activities in sciences, culture, arts, education and health such as: teachers, scientists, lawyers, engineers, health specialists, nurses, and accounting consultants and experts;
  6. **Depreciation** refers to a valuation of a fixed asset reflecting the declining value of the asset along their life span;
  7. **Residual value of an asset** refers to the value of the asset in the account minus depreciation and loss value of the asset;
  8. **Tax official** refers to a tax staff recognized by his/her appointment to act and perform their duty in a specific location or assignment;
  9. **Sole-trader enterprise** refers to a form of enterprise owned by an individual. A sole-trader enterprise operates under the name of its owner who holds unlimited liability for the debts of the enterprise;
  10. **Legal entity** refers to an organization or entity registered as an enterprise which has its own name, office and assets, and rights and obligations as provided in laws such as partnership enterprise, state company, limited company and public company;
  11. **All citizens** refer to Lao nationals, aliens, foreigners and stateless persons who live in the Lao PDR;
  12. **Business** refers to a business operating in the fields of production trade and services;
  13. **Business turnover** refers to all types of incomes generated from business operation by enterprises;
  14. **Commercial right** refers to the costs of acquiring a business paid to the former owner on a basis of legal verification or recorded values defined by the competent authority in case the capital is contributed by the State;
  15. **Vehicles** refer to vans, buses, trucks, SUVs, sedans and pickups.

#### **Article 4. Government's Taxation Policy**

The State promotes the taxation by setting out the policy and regulations and providing necessary personnel, vehicles and equipment for effective tax administration in order to manage the tax collection in a uniform manner nationwide, redistribute income in an equitable manner and to contribute revenues to the state budget, aiming at encouraging the growth of businesses, attracting foreign and domestic investment, developing rural areas and reducing poverty of the people of all ethnicities.

#### **Article 5. Taxation Principles**

Taxation activities shall observe the following main principles:

1. Ensuring the centralized administration in a uniform manner nationwide;
2. Ensuring the encouragement and promotion for the growth of businesses and investments;
3. Ensuring fairness, transparency, promptness, compliance and integrity and possibility to be inspected;
4. Providing various facilitations to tax payers; and
5. Collaborating harmoniously between the vertical and horizontal-line authorities.

#### **Article 6. Tax Obligations**

All citizens, legal entities and organizations which operate business, consume goods and services in the Lao PDR and in a foreign country shall pay taxes as provided under this Law.

#### **Article 7. Exemptions from and Reductions of Tax Obligations**

Tax obligations shall be allowed to be exempted and reduced in the following cases:

1. Implementation of bilateral agreements on/for the avoidance of double taxation and the prevention of fiscal evasion with respect to taxes on income ~~tax evasion~~ and of other treaties to which the Lao PDR is a party;
2. Implementation of provisions set out in the Law on Investment Promotion;
3. Implementation of the National Assembly's resolutions for projects of national importance;
4. Implementation of the resolutions of the National Assembly's Standing Committee upon Government requests for special exemptions in case of forces majeure or natural disasters such as storms, disease outbreak, floods, draughts, quakes, fires and others which have caused severe damages.

### **Article 8. Special Incentives**

The Government may provide special tax incentives for investment in certain sectors, activities of public interests and utilities by small, medium and large-sized businesses in remote areas with difficult access in order to develop economic infrastructure including education, health, social culture, rural development and poverty reduction, which are not related to natural resource exploitation, in addition to those defined under the Law on Investment Promotion, subject to the consideration and approval by the National Assembly or its Standing Committee.

### **Article 9. Scope of Application of the Law**

This Law applies to all citizens, legal entities and organizations which live or carry out businesses as defined under Article 2 of this Law.

This Law does not apply to value added tax.

### **Article 10. International Cooperation**

The State promotes cooperation with foreign countries and regional and international cooperation on taxation, the exchange of technical expertise, seeking of assistance, human resource development, exchange of information and of other aspects, and the implementation of the international agreements or treaties to which the Lao PRD is a party.

## **Part II**

### **Types of Taxes**

#### **Article 11. Types of Taxes**

Taxes consist of indirect and direct taxes.

#### **Article 12. Indirect Taxes**

Indirect taxes refer to taxes which are collected from the consumers of goods and services in general via business operators within the territory of the Lao PDR.

Indirect taxes consist of:

- Value added tax;
- Excise tax.

### **Article 13. Direct Taxes**

Direct taxes refer to taxes which are collected from all citizens, legal entities and organizations which generate income or carry out business in the Lao PDR and in a foreign country.

Direct taxes consist of:

- Profit tax;
- Income tax;
- Lump-sum tax;
- Environment tax;
- Fees and charges.

## **Part III**

### **Indirect Taxes**

#### **Chapter I**

#### **Value Added Tax**

### **Article 14. Value Added Tax**

The value-added tax is an indirect tax that is collected on the proportion of value added to goods and services occurring in all processes, ranging from production, distribution, service supply to consumption; and is [also] collected on the value of goods and services imported into the territory of the Lao PDR.

### **Article 15. Rules on Value Added Tax**

Value Added Tax shall follow the rules as set out in the Value Added Tax law.

## **Chapter II**

### **Excise Tax**

### **Article 16. Excise Tax**

Excise tax refers to an indirect tax which is collected from the consumption of goods and services as defined under this Law.

### **Article 17. Scope of Excise Tax Application**

Excise tax is collected from certain types of goods and services which are imported into and locally produced within the territory of the Lao PDR via business operators who calculate, withhold and remit such tax into the State budget.

### **Article 18. Payment of Excise Tax**

Goods subject to excise tax are as follows:

1. Inflammable fuel;
2. Gas for vehicles;
3. Alcohol, beer or alcoholic beverages;
4. Finished beverages: soft drinks, soda, energy drinks, drinking mineral water;
5. Fruit juices and other similar beverages;
6. Cigarettes: shredded tobacco, packaged cigarettes, cigars;
7. Cristal objects or jewelries;
8. All types of carpets;
9. Furniture (sofa) sets amounted from 10,000,000 kip;
10. Perfumes, cosmetic products;
11. Playing cards and gambling equipment;
12. Rockets, fireworks and fire cracks;
13. Vehicles: Motorcycles and motor vehicles;
14. Vehicle parts and accessories,
15. Speedboats, yachts, motorized sports boats including parts and components;
16. Satellite television receivers, audio and visual players, cameras, telephones, audio and visual recorders, musical instruments including their equipment and components;
17. Air conditioners, washing machines and vacuum cleaners;
18. Billiard and snooker tables, bowling equipment, football game tables;
19. All types of gaming stations/machines;

#### **Services subject to excise tax are as follows:**

1. Entertainment services: bars, discotheques, karaoke;
2. Bowling;
3. Massage, sauna, beauty salon;
4. The use of telephone services, cable television, digital television, internet;
5. Golfing;
6. Lottery activities;
7. Casinos and casino gambling equipment.

### **Article 19. Goods and Services Exempt from Excise Tax**

The following goods and services are exempt from excise tax:

1. Goods subject to excise tax as stipulated in Article 18 of this law which are exported upon a certification by the relevant customs officials;
2. 90 percent proof alcohol used specifically for the medical purpose;
3. Certain types of goods which are imported, distributed or provided to students, researchers, staff of and Lao diplomat organizations, foreign diplomatic organizations, international organizations in the Lao PDR and supplies necessary for religious purposes in accordance with specific regulations;
4. Rockets, fireworks and fire cracks which are imported by the state organizations for the purpose of the official celebration festivities;
5. Activities/businesses carried out by the disabled;
6. Bowling, golfing and lottery events which are organized for the charity purpose as proposed by the concerned authorities;
7. Parts which are imported by assembling factories and parts which are domestically produced for final assembling for finished vehicles.

#### Article 20. Rates of Excise Tax

Excise tax rates are defined according to the types of goods and services as follows:

1. Excise tax rate for general goods

	<b>Excise Tax</b>	<b>Rate in percentage (%)</b>
1	Inflammable fuel:	
	- Premium gasoline	25%
	- Regular gasoline	20%
	- Diesel	10%
	- Aviation gasoline	10%
	- Lubricant oil, hydraulic oil, grease and brake oil	5%
2	Gas for vehicles	10%
3	Alcohol or alcoholic beverages:	
	- Alcohol or alcoholic beverages of 15% proof or higher	70%
	- Alcohol, wine and other alcoholic beverages under 15% proof	60%
	- Beer	50%
4	Finished beverages:	
	- Soft drinks, soda water, drinking mineral water, fruit juice and other similar beverages	5%
	- Energy drinks	10%
5	Cigarettes: shredded tobacco, packaged cigarettes and cigars;	60%

6	Cristal objects or jewelries	20%
7	All types of carpets	15%
8	Furniture (sofa) sets amounted from 10,000,000 kip	15%
9	Perfumes and cosmetic products ;	20%
10	Playing cards and gambling equipment,	90%
11	rockets fireworks and fire cracks	80%
12	<p>Vehicles:</p> <p>1. Motorcycles:</p> <ul style="list-style-type: none"> <li>- with power of 110 cc or under</li> <li>- with power of 111-150 cc</li> <li>- with power of 151-250 cc</li> <li>- with power of 251 cc or higher</li> </ul> <p>- rates for electrical motorcycles shall be discounted by 20% of the applicable rates above</p> <p>2. Motor vehicles: Rates for vehicles range from 25 – 150% based on capacity of engine. Detailed excise tax rates shall be considered and determined in a presidential edict by the Government.</p>	<p>10%</p> <p>15%</p> <p>20%</p> <p>25%</p>
13	Parts for vehicles	10%
14	Vehicle accessories	15%
15	Speedboats, yachts, motorized sports boats including parts and components	15%
16	Satellite television receivers, audio and visual players, cameras, telephones, audio and visual recorders, musical instruments including their equipment and components	10%
17	Electrical appliances: air conditioners, washing machines and vacuum cleaners	10%
18	Billiard and snooker tables, bowling equipment, football game tables	20%
19	All types of gaming stations/machines	30%

3. Services subject to excise tax

	Excise Tax	Percentage
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1	Entertainment services: bars, discotheques, karaoke	60%
2	Bowling	10%
3	Massage, sauna, beauty salon	10%
4	The use of telephone services, cable television, digital television, internet	10%
5	Golfing	10%
6	Lottery activities	25%
7	Casinos and casino gambling equipment	80%

### **Article 21. Basis for Calculating Excise Tax**

The basis for calculating excise tax is determined as follows:

1. For goods imported from abroad for production, distribution or individual consumption, the basis for calculation is value of the imported good (CIF) plus import duty and other fees (if applicable) times excise tax rate;
2. For domestically produced goods and produced goods under contract or those for individual consumption, the basis for calculation is the wholesale and retail prices (excluding value added tax and excise tax) of the domestically manufactured goods or domestically produced goods under contract times excise tax rate;
3. For services, the basis for calculation is the service price excluding value added tax and excise tax times excise tax rate.

### **Article 22 (new) Basics for Calculating Excise Tax on Vehicles**

Basics for calculating excise tax on vehicles imported, manufactured or assembled domestically is the car selling price multiplied by excise tax rates as defined in a relevant regulation.

### **Article 23 Declaration of Excise Tax**

Importers, producers and production employer and service providers, subject to excise tax as stipulated in Articles 18 and 20 of this Law, have the duty to declare and pay excise tax in accordance with the following:

- The general importers must submit and pay excise tax when making every customs declaration and payment at the customs checkpoint;
- Domestic producers and production employer and service providers must submit and pay excise tax on a monthly basis to the relevant tax authority where it is registered for tax purposes by the 15th day of the following month.

### **Article 24 (new) Declaration of Excise Tax on Vehicles**

Individuals, legal entities and organizations that purchase or consume imported, domestically manufactured or assembled vehicles have the obligation to pay excise tax on vehicles to the relevant tax authority as defined in relevant regulations.

**Article 25 (new) Exemption for Excise Tax on Vehicles**

Excise taxes on vehicles are exempted under the following circumstances:

- Vehicles imported by international organizations, and vehicles imported under foreign grant in Lao PDR ;
- Vehicles imported for temporary usage by projects under investment agreements approved by the NA;
- Imported, domestically manufactured or assembled vehicles to support the public sector in performing its technical functions as defined in relevant regulations;
- Vehicles that are not defined under article 3. 15 of the current law.

**Part IV**

**Direct Taxes**

**Chapter 1**

**Profit Tax**

**Article 26. Profit Tax**

Profit tax refers to a direct tax which is collected from the profit of enterprises including freelancers who conduct businesses.

**Article 27. Scope of Profit Tax**

The profit tax is collected from the business operators in the country or abroad generating profit as stipulated under this Law.

**Article 28. Profit Subject to Tax**

Profits subject to profit tax are profit from all types and levels of businesses.

**Article 29. Profit Tax Rates**

The profit tax rates are defined as follows:

1. The rate of Profit Tax of 24% applies to businesses of local and foreign legal entities, except those which are listed in the securities market, which shall enjoy a reduction of 5% from the normal rate for the period of four years from the date of listing. After that period, the normal rate defined under this law shall be applied;

2. The rate of 26% applies to legal entities producing, importing and distributing tobacco products, of which 2% is given to the Tobacco Control Fund as stipulated in the article 46 of the Tobacco Control Law;
3. The profit tax rates of sole-trader enterprises and freelancers shall be collected in progressive rates from 0% to 24% as in the following table:  
(Unit in Kip)

Level	Annual Profit Ranges	Basis of Calculation	Rate	Tax at Each Level	Total Taxes
1	3,600,000 and below	3,600,000	0%	0	0
2	3,600,001 – 8,000,000	4,400,000	5%	220,000	220,000
3	8,000,001 – 15,000,000	7,000,000	10%	700,000	920,000
4	15,000,001 – 25,000,000	10,000,000	15%	1,500,000	2,420,000
5	25,000,001 – 40,000,000	15,000,000	20%	3,000,000	5,420,000
6	above 40,000,001	.....	24%	.....	.....

**Article 30. Methods for Calculating Profit in the Accounting Year**

The calculation of the accounting profit for sole-trader enterprises, legal entities and freelancers who keep the accounting standards shall be conducted as follows:

1. The profit from the annual account summary of the financial statement is the disparity between the remaining value of assets at the end of the year minus debts and registered capital, reserves, contingencies, disparity of the revaluation of assets and dividend;
2. The profit from the annual account summary of the balance sheet statement is the disparity between the annual business turnover and total amount of the authorized expenses for the accounting year.

**Article 31. Methods for Calculating Taxable Profit and Annual Profit Tax**

The calculation of the taxable profit and annual profit tax shall be done as follows:

1. The method for calculating the tax profit is the profit for the accounting year plus items non-deductible expenses as stipulated in Article 33 minus items stipulated in Article 34 of this Law.

2. The method for calculating the annual profit tax is the tax profit times the relevant profit tax rates as stipulated in Article 29 of this Law.

### **Article 32. Calculation of Compulsory Profit Tax**

Sole trader enterprises, legal entities and freelancers under the tax declaration system based on accounting, excluding those on the presumptive tax system, who carry out incomplete accounting duties and submit improper accounting documents shall be imposed the compulsory profit tax calculation.

For the compulsory profit tax calculation, the annual profit shall be first calculated, in which the annual business turnover is multiplied with overall profit ratios depending on each type of businesses and times the profit tax rates as defined under the Article 29 of this Law.

In case sole-trader enterprises, legal entities and freelancers are unable to estimate their annual business turnover, tax officers shall, in collaboration with concerned parties and with the permission from tax payers, estimate their annual business turnover based on available information and facts.

The overall profit tax ratios for each type of businesses are defined under the specific regulation.

### **Article 33. Non- Deductible Expenses**

Expenses that are not deductible from profit before calculating profit tax within the year of sole-trader enterprises, legal entities and freelancers are as follows:

1. Payment of profit tax;
2. VAT related to purchases of fixed assets;
3. Depreciation deducted based on the accounting standards;
4. Current expenses and depreciation of fixed assets not registered as enterprise's assets;
5. Salaries paid by a joint company to its partners who are neither its managers nor staff and salaries the owner of a sole-trader enterprise;
6. Interest paid on loans taken by the shareholder in order to contribute as capital or shares;
7. Interest on loans taken from non-banking system and paid to its partners;
8. Interest payments unrelated to enterprise's business operation;
9. Expenses which are not directly related to business operations such as: golfing, dancing, entertainment, gifts, rewards/prizes;
10. Personal expenses of the enterprise owner or partners which are unauthorized within the accounting year;

11. Expenses relating to business without invoices or with improper invoices or overstated expenses;
12. Payments to other individuals without proper contracts or documentation;
13. All types of deduction of reserves based on the accounting standards;
14. Deduction of loss value of assets based on the accounting standards (loss value of fixed assets, inventories, receivables difficult to recover and others);
15. Losses resulting from valuation of assets, debts in foreign currency on the day of closing the account;
16. Delayed tax payments;
17. All types of fines.

### **Article 34. Deductible Expenses**

Deductible expenses prior to the annual profit tax calculation are as follows:

1. All expenses which are related to the business operation but not defined under Article 33 of this Law;
2. Some expenses which are deductible are defined in the following rates:
  - The costs of business travels may be deducted up to 0./,60% of the annual business turnover;
  - Costs related to welcoming guests, telephone bills may be deducted up to 0./,40% of the annual business turnover;
  - Donations/Expenses related to financial contributions, support payment/subsidies may be deducted up to point thirty percent (0./,30%) of the annual business turnover;
3. Tax-related depreciation of immovable assets.

### **Article 35 (revised) Calculation of Depreciation of Fixed Assets**

A depreciation deduction of fixed assets refers to discounting value of fixed assets of which decline over their useful life or technical capacity has changed in order to accrue funds to purchase a replacement new assets in the future.

Depreciation deduction methods which can be selected to apply include straight line, declining and specific methods based on the nature of tasks.

The depreciation deduction commences from the day the assets are registered as the enterprise's assets.

Depreciation shall continue until the day of the withdrawal of fixed assets from the enterprise's asset inventory based on their entry value; if there is the withdrawal of fixed assets in the middle of the year, write down on the depreciation book, calculate

from the day of the beginning for the year until the day of the withdrawal of such fixed assets; Once the accumulated depreciation amount is equal to the original value, the depreciation deduction shall stop until such assets are removed from the enterprise's book.

The calculation of the depreciation deduction based on the useful life shall be performed in accordance with the rates provided in the table below:

<b>Deductible Fixed Assets of Enterprises</b>	<b>Period of Use</b>	<b>Annual Deduction Rate</b>
<b>1. Intangible immovable assets</b>		
- Enterprise design and establishment costs	2 years	50%
- Costs of mining search, survey, feasibility study	5 years	20%
- Software for a specific purpose	2 years	20%
<b>2. Tangible immovable assets</b>		
- Buildings for industrial purposes: + Useful life of 20 years and below + Useful life of 21-50 years	20 years 50 years	5% 2%
- Buildings for commercial and residential purposes: + Permanent + Semi-permanent	20 years 10 years	5% 10%
- Machinery, excavators, clearing and hauling vehicles used in industry, agriculture, handicrafts and other construction work	5 years	20%
- Land and water transport vehicles	5 years	20%
- Materials or fully-equipped tools for use in professional purposes or specific works	5 years	20%
- Office equipment and supplies	5 years	20%
- Ships, travel cruisers, ferries or similar cruisers	10 years	10%
- Passenger and aircraft	10 years	10%

**1. Costs which are depreciable are as follows:**

- Enterprise design and establishment costs refer to expenses occurred prior to or post establishment and related to intangible fixed assets such as invention certificate letter, licenses, concessions, use of technology, methodology and similar rights, other intangible assets with definable life span;
- Costs of mining search, survey, feasibility study certified by the concerned sectors and recognized by the tax authority which are recorded expenses for surveys on one hand and on the other hand recorded expenses for research and expansion paid by the

- business operator for its own operation purposes prior to and post the enterprise's establishment process;
2. **Intangible fixed assets of which useful life cannot be defined and which are not depreciable** such as land use right, commercial right (shop purchase), capitalization certificate:
    - Fixed assets which are not recorded in the enterprise's asset inventory;
    - Fixed assets which have been fully depreciated over their useful life are not depreciable but may be utilized further and re-evaluated so that they can be considered as capital investment for other ventures, transfer of use right, and others.
  3. Income from the dividend the enterprise receives from its investment with other enterprises after the income tax paid
  4. Recollection of all types of contingencies, which has been calculated and paid for the profit tax.
  5. Irrecoverable debt, which has evidence such as certified documents from the relevant sector;
  6. Delayed tax revenue;
  7. Profit from exchange rate occurred from the evaluation of assets and debts which is a foreign currency on the closing date the account end of the year.
  8. Financial donation and support stipulated in the investment agreement signed between the investor and the government.

### **Article 36. Profit Tax Declaration and Payment**

Profit tax declaration and payment shall be conducted as the following:

Profit tax payers maintaining accounting system in consistence with the accounting standards shall declare and make profit tax payment based on the actual profit made.

Sole-trader enterprises, legal entities and freelancers without accounting system or maintaining incomplete accounting system in consistence with the accounting standards shall declare and make compulsory tax payment based on the annual business turnover which shall be assessed by the tax authority and concerned sectors in accordance with the provisions under the Article 32 of this Law.

### **Article 37. Summary of Accounts and Profit Tax Declaration**

The summary of accounts of sole-trader enterprises, legal entities and freelancers including their branches and representatives must be consolidated with the summary of accounts of the parent company in order to calculate, declare and make the annual profit tax payment.

### **Article 38. Payment of Profit Tax**

Sole-trader enterprises, legal entities and freelancers shall pay profit tax for the year on a quarterly basis based upon the previous year's profit tax payment, the actual quarterly profit within the year or the profit projected in the plan for the accounting year. The actual amount of the annual tax payable shall be recalculated for all quarters at the closing of the accounts for the year.

Profit tax payments must be made in four quarters each of 3 months as follows:

- Before the 10th of April for the first quarter;
- Before the 10th of July for the second quarter;
- Before the 10th of October for the third quarter;
- Before the 10th of March of the following year for the fourth quarter.

Profit tax paid in each quarter shall be considered as an advance tax payment. After the closing of the account for the year, the annual profit tax payment shall be calculated based on the financial reports so that the actual amount of the profit tax can be calculated; in the event that the actual profit tax payable exceeds the profit tax already paid in advance the balance shall be made further or in case the excess profit tax paid shall be offset against profit tax in the following year.

For the necessary financial reports such as financial statements, accounting-based profit and loss statements, balance sheets, other accounting documents and tax payment reports as defined in the accounting regulation including minutes of the meetings of the shareholders or of the partners of the company regarding the use of or the distribution of dividends, they must be filed to the tax authority before the 1st day of March of each year. In case of failure to file such documents or to hold the meeting of partners, the tax authority may make an assessment of dividend tax based on the profit and loss statement within the year.

Company or group of companies operating business in different sectors/activities shall create a consolidated financial statement and a consolidated profit and loss statement covering their main and secondary businesses to the tax authority where such group is registered.

For the State investment projects or enterprises operating business in the Lao PDR, before making payments to an individual or legal entity registered in a foreign country who are operating business and earning incomes, the owners of such projects or enterprises must deduct the profit tax in order to submit it to the State budget based on the calculation under the provisions stipulated in Article 33, 34, 35 and 36 of this law.

The project or enterprise owner who has deducted the profit tax from an individual or legal entity registered in a foreign country shall file a separate tax

declaration before making tax payments within thirty days from the date of deducting such tax.

### **Article 39. Carry Forward of Annual Losses**

Sole-trader enterprises, legal entities and freelancers who pay profit tax based on the accounting system suffer annual losses may, pursuant to verification by the audit agency or an independent auditing firm and approval from the tax authority, carry such losses forward for deduction from the profit within the following three years. Upon expiration of this period, any remaining losses shall not be allowed to be further deducted from the profit.

### **Article 40. Profit Tax Payment Based on Accounting System**

Taxpayers/Tax payers under the presumptive system who are capable to make the profit tax payments based on the accounting system, if they want to pay the actual profit tax, may have the right to propose for the tax authority's considerations at where it is registered for tax purposes under the requirement of application of the accounting standards for at least one year, to change to profit tax payments based on the accounting system.

Taxpayers/Tax payers currently under the presumptive tax payment contract who wish to change to the profit tax payments based on the accounting system shall file their request to the tax authority at least 60 days before their contract expiration.

### **Article 41. Closing of Accounts**

Sole-trader enterprises, legal entities and freelancers who pay profit tax based on the accounting system must close their accounts on 31 December, except in case of cessation, and sales or transfer of their business activities to others within the year.

For those who have registered their business during the accounting year may close their account on 31 December and who operate their business during the year may be allowed to close their account in the following year on a 12-month basis as stipulated in the Accounting Law.

Contractors who implement specific projects over a period of several years shall close their account on 31 December or upon the project completion.

### **Article 42. Cessation, Sale, Assignment or Transfer of Business Activities**

When there is a cessation, sale, assignment, merger, separation or transfer of operations, in part or in whole to another person, sole-trader enterprises, legal entities and freelancers must close their accounts and propose the tax authority where that person is registered for tax purposes within ten days from the date of such cessation, sale,

assignment, merger, separation or transfer of operations, in part or in whole in order to fully pay outstanding taxes and notify the name and surname, and address of the buyer, or the transferee must be given.

In the event that sole-trader enterprises and freelancers die the successor has the duty to provide the necessary information regarding the declaration of income to the tax authority within ninety days from the date the successor is inherited in order to pay outstanding tax on behalf of the deceased as stipulated in the law.

## **Chapter 2**

### **Income Tax**

#### **Article 43. Income Tax**

Income tax refers to a direct tax imposed on the income of individuals or legal entities earning income in the Lao PDR as provided in this law.

#### **Article 44. Scope of Income Tax and Income Tax Obligations**

All citizens earning income as stipulated in Article 45 of this Law shall pay income tax.

A resident of the Lao PDR who works and earns income abroad shall declare and pay income tax in the Lao PDR, if being exempted from tax abroad.

Lao employees working in embassies, consular offices or international organizations abroad shall declare and pay income tax in the Lao PDR.

Foreign persons working in the Lao PDR who receive their salaries in the Lao PDR or abroad must pay income tax in the Lao PDR, except in case a particular provision specified in the agreement for the/to avoidance of double taxation and international income tax evasion and the investment agreement between the Government and investor approved by the National Assembly.

#### **Article 45. Income Subject to Tax**

Income subject to tax is as follows:

1. Income from salaries, wages, overtime payment, position and title honoraria, annual bonuses, allowances relating to meetings of the board of directors of a company and other benefits received in cash or in kind;

2. Income from dividends or profits or other benefits to the partners or shareholders, profit from the sale of shares by individuals, or legal entities;
3. Interest income from loans and from brokerage fees of individuals or legal entities, guarantee fees received according to a contract or other binding obligations;
4. Income from non-commercial type activities conducted by the state organizations, the Lao Front for the National Construction, mass organizations and social organizations;
5. Income from reward and lottery prizes in-cash or in-kind in amount of more than 1,000,000 kip;
6. Income from leasing of land, houses, buildings, vehicles, machineries, or other types of assets;
7. Income from intellectual properties such as patents, copyright, trademarks or other rights of individuals or legal entities;
8. Income from purchase, sale and transfer of land, buildings or buildings attached land.

#### **Article 46. Tax Exempt Income**

Tax exempt income is as follows:

1. Salary income from 1,000,000 kip and below;
2. Salaries of diplomats, staff of international organizations and foreign experts working in the Lao PDR, as stipulated in an agreement between the Lao government and the relevant party and regulations of the Ministry of Foreign Affairs;
3. Income from the sale of stocks of persons, legal entities in the stock market.
4. Spouse and child financial support (below 18 years old), maternity, illness and labor accident allowances, one-time entitlement/allowance, pension, and student allowances as stipulated in the law;
5. Dividends paid out to partners or shareholders of companies registered in the stock market, except as otherwise specified in the other regulations;
6. Income from the issuance of shares and bonds of registered or unregistered firms aimed at raising funds, which are approved by the relevant sectors;
7. Wages of the disabled persons certified by the concerned agency;
8. Reward and lottery prizes in-cash or in-kind in amount of less than 1,000,000 kip;
9. Lease of assets of business units declaring and paying tax on the accounting basis;
10. Reserve fund of the public sector and enterprise social security;
11. Income from events for public benefit such as artistic activities, sports, and other activities properly authorized by the relevant sectors;
12. Interest on deposits, interest on government bonds or debentures;
13. Life and personal and organizational assets insurance policies;
14. Financial incentives which are in the forms of recognitions or prizes paid by an official authority to those with a good record of monitoring, seeking out, defending against, combating against and preventing unlawful activities;

15. Financial incentives paid out to good performers, deceased and disabled who participated in the national liberalization activities and to the National Assembly members;
16. Prizes from achievements in scientific researches and inventive works;
17. Per diems, travel and accommodation allowances for government officials who perform their professional duties funded by the state budget and grant project based on the public expenditure work plan;
18. Income from purchase and sale and transfer of land, properties or land with properties registered in the asset inventory of the business units paying taxes on the accounting basis and from inheritance within vertical family relationships: father, mother, spouse and children.

**Article 47. Income Tax Rates**

Income tax rates are as follows:

1. Income from salaries, wages, overtime payment, position and title honoraria, annual bonuses, allowances relating to meetings of the board of directors of a company and other benefits received in cash or in kind are subject to progressive tax rates from 0% to 24% as follows:

#	Taxable Salary at Each Level	Basis of Calculation	Tax Rates	Salary Tax at each Level	Total income tax
1	Below 1,000,000 kip	1,000,000	0%	0 kip	0 kip
2	1,000,001 kip to 3,000,000 kip	2,000,000	5%	100,000	100,000 kip
3	3,000,001 kip to 6,000,000 kip	3,000,000	10%	300,000	400,000 kip
4	6,000,001 kip to 12,000,000 kip	6,000,000	12%	720,000	1,120,000 kip
5	12,000,001 kip to 24,000,000 kip	12,000,000	15%	1,800,000	2,920,000 kip
6	24,000,001 kip to 40,000,000 kip	16,000,000	20%	3,200,000	6,120,000 kip
7	Above 40,000,001 kip	.....	24%	.....	.....

2. Income from dividends or other benefits to the partners or shareholders, profit from the sale of shares by individuals or legal entities shall pay tax rates .....10%
3. Interest income from loans and from brokerage fees of individuals or legal entities, guarantee fees received according to a contract or other binding obligations ..... 10%
4. Income from non-business type activities conducted by the state organizations, the Lao Front for the National Construction, mass organizations and social organizations.....10%
5. Income from rewards and lottery prizes in-cash or in-kind in amount of more than 1,000,000 kip.....10%
6. Income from leasing of land, houses, buildings, vehicles, machineries, or other types of assets.....10%
7. Income from intellectual properties such as patents, copyright, trademarks or other rights of individuals or legal entities.....5%

8. Income from purchase, sale and transfer of land, buildings or land with buildings as stipulated in Point 18, Article 46 of this Law.....5%

#### **Article 48. Basis for Calculation of Income**

The basis for calculation of each type of income is as follows:

1. For income from salary, wages, overtime payment, position and title honoraria, annual bonuses, allowances relating to meetings of the board of directors of a company and other benefits received in cash or in kind, the calculation basis is the total cash income plus the value of all in-kind benefits and all other benefits received under the contract;
2. For income from dividends or profits or other benefits distributed to the partners or shareholders, profit from the sale of shares by individuals or legal entities:
  - Discrepancies from sales of shares;
  - Income from dividends or other benefits distributed to partners or shareholders in accordance with the company's regulations or in accordance with a decision of the meeting of shareholders, board of directors of the company;
3. For interest income from loans and from brokerage fees of individuals or legal entities, guarantee fees received according to a contract or other binding obligations, the calculation basis is the amount of interest and brokerage fees received according to a contract or other binding obligations;
4. For income from commercial type activities conducted by the state organizations, the Lao Front for the National Construction, mass organizations and social organizations, calculation basis the total income received;
5. For income from rewards and lottery prizes in-cash or in-kind, the calculation basis is the total amount of cash or value of in-kind benefits received;
6. Income from leasing is the rents or value of other in-kind benefits received according to a contract or other binding obligations,
7. For income from intellectual properties such patents, copyright, trademarks or from other rights, the calculation basis is the total income received according to a contract or other binding obligations;
8. For income from purchase, sale and transfer of land, buildings or buildings attached land, the calculation basis is the total income received and for persons who are not business units shall declare and pay tax on the accounting basis.

#### **Article 49. Calculation of Income Tax**

Income tax is calculated and paid on a monthly or annual or contractual basis and the calculation basis is the total amount of all types of income is multiplied with the tax rates as stipulated in Article 47 of this Law.

Before making a tax calculation, income in foreign currencies must be converted to Kip based on the bank exchange rate on the day of the payment.

Salary tax shall be calculated and deducted by individuals, legal entities and organizations on a monthly basis at the time of the salary payment in order to subsequently transfer the deducted income taxes to the state budget.

For income from the lease and purchase-sale of land, the basis for calculation will be based on the price standards of each area periodically and based on a specific regulation of Ministry of Finance and relevant ministries corresponding to the current situation.

Besides the income set out in the above paragraph 3 and 4, prior to making payments to the income earner, individuals, legal entities and organizations, have the obligations to calculate and deduct the income tax in accordance with the period set out in the contract and the period of earning the income to pay to the state budget.

#### **Article 50. Declaration and Payment of Income Tax from Salary**

Individuals, legal entities and organizations who pay salaries to employees, government officials, workers and other persons according to a contract or other binding obligations shall calculate and withhold income taxes on a monthly basis prior to making salary payments and make a list of salary taxes, and subsequently file and pay the withheld income taxes to the tax authority where they are registered for tax purposes before the 15<sup>th</sup> day of the following month.

#### **Article 51. Declaration and Payment of Income from Leases**

Persons who earn income from leases shall declare and pay taxes to the tax authority where they are registered within ten days from the date of receipts so that the tax payment order and tax payment can be made.

Declaration and payment of income tax from leases is based mainly on the lease contract and the rental fees as specified in the defined standards and regulations.

In case the rental fees defined in the contract declared are understated and do not correspond to the facts, the tax officials shall be entitled to reassess and review the rental fees to reflect the realistic rental fees.

#### **Article 52. Declaration of Other Types of Income Tax**

Individuals, legal entities or organizations shall, prior to making payments to other persons as stipulated in Points 1 and 6, Article 45 of this Law, have the obligations to withhold and prepare the list of income tax of those persons and submit to the tax authority where they are registered within 10 days from the date of payment of such income to pay to the state budget

For income from the intellectual property, income tax shall be paid by the earner but deducted and declared by the payer to the tax authority in order to pay to the state budget via the National Treasury within 10 days after the payment of such income, except otherwise as specified in the contract.

For income from rewards and lottery prizes in cash or in kind, income tax shall be paid by the earner but deducted and declared by the payer to the tax authority in order to pay into the state budget via the National Treasury within 10 days after the payment of such rewards and prizes.

For income from land sale and purchase or transfer, income tax shall be paid by the earner but deducted and declared by the payer to the tax authority in order to pay into the state budget via the National Treasury within 10 days after the payment of such income, unless otherwise agreed between the buyer, seller or transferor and transferee on the payment of income tax based on the calculation as stipulated on Article 49 of this law.

In case amount of land sale and purchase or transfer is incorrectly stated, the tax officials have the right to make reassessment in order to recalculate income tax consistent with the current sale-purchase value or price of each area periodically.

#### **Article 53. Payment of Tax through banking system**

Individuals, legal persons and organizations operate businesses in the Lao PDR who earn income from the purchase-sale, provision of services and other incomes as stipulated in Article 45 of this Law shall made the payment through the banking system, except having the amount not over 1,000,000 kip. ~~shall make payments through the banking system in the Lao PDR.~~

### **Chapter III**

#### **Presumptive Tax**

#### **Article 54. Presumptive Tax**

Presumptive tax is a direct tax collected from individuals and legal entities who operate small- and medium-sized businesses and not registered under the value added tax system, and paid on a lump-sum contract basis between the tax authority and tax payers, excluding income tax defined under Article 45 of this Law.

#### **Article 55. Calculation of Presumptive Tax**

Presumptive tax calculation is the business's annual turnover multiplied with a presumptive tax ratio. Prior to the calculation, the business unit shall prepare a summary of its business turnover for the previous year and forecast for the year as a calculation

basis. In case such information is unrealistic, the tax officials shall, in collaboration with the relevant sectors, visit the business unit's site to reassess its business turnover to reflect the actual situation of the business.

**Article 56. Presumptive Tax Rates**

Small- and medium-sized business operators, which have business turnover below 50,000,000 Kip shall apply the following:

- From 12,000,000 kip and below: exempted, but from 12,000,001 kip to 50,000,000 kip: presumptive tax shall be paid in an absolute amount of not more than 600,000 kip per year as approved by the Government to reflect the business size and specific conditions of the local level.
- Small- and medium-sized business operators which have business turnover between 50,000,001 kip to 400,000,000 kip shall apply the following rates:

Business turnover as the calculation basis	Presumptive tax rate for each business sector		
	Manufacturing	Trade	Services
50,000,001 - 120,000,000	3%	4%	5%
120,000,001 kip to 240,000,000	4%	5%	6%
240,000,001 kip to 400,000,000	5%	6%	7%

Presumptive tax shall be paid on a monthly, quarterly, bi-annually or annually basis as stipulated in the contract. In case the tax payer's business turnover is found to be higher or lower than the amount defined in the contract, the tax officials, in collaboration with the tax payer or relevant sectors, shall review, realistically recalculate and agree upon the presumptive tax amount and demand the payback of the outstanding amount of the previous year as well as make a new presumptive tax contract to be implemented for the next years.

**Chapter IV**

**Environment Tax**

Article 57 (new) Environmental tax

Environment tax is a direct tax imposed on individuals, legal entities and organizations permitted to conduct business activities, import [products and services] or use natural resources, which

cause environmental pollution; negative impact on health of human, animal and plant and biodiversity.

Article 58 (new)      Scope of environmental tax

Individuals, legal entities and organizations, including Lao nationals, aliens, foreign nationals and stateless persons permitted to conduct business activities, import [products and services] or use of natural resources, which cause pollution to environment in the territory of Lao PDR are obliged to pay environmental tax aimed to treat or restore or eliminate such pollution in order to retrieve suitable living conditions in the environment.

Details on environmental tax, exemptions, purposes and bases for calculations will be developed in relevant regulations.

## Chapter V

### Technical Fees and Charges

#### Article 59. Technical Fees and Charges

Charges are a direct obligation which is paid for the state services such as issuance of certification letters or licenses provided by the government agencies, and by individuals or legal entities or organizations who carry out socio-economic activities.

Technical fees are a direct obligation which is paid for technical-related services provided by the government agencies for the public benefits and non-profit purposes, and aimed at supporting the expenditure of the state budget.

#### Article 60

##### Rates for Technical Fee and Charge

Rates for technical fees and charges including payment and collection shall observe the Presidential Decree on Technical Fees and Charges and other regulations promulgated from time to time.

## Part V

## **Rights and Obligations of Taxpayers, Individuals and Relevant Organizations**

### **Article 61. Rights and Obligations of Taxpayers**

1. Taxpayers shall have the following rights:

- To receive data, information, explanation and advice on taxation policies and regulations including determination of the obligation of the taxpayers;
- Information of the taxpayers shall be kept in confidential;
- To receive the tax reduction and exempt as stipulated in the law;
- To receive refund of the excessive tax payment in accordance with the law;
- To submit and file complaints about improper behavior of the tax officials or authority, which are inconsistent with provisions defined in this Law and other relevant laws.

2. Taxpayers have the following obligations:

- To calculate, declare and pay tax in a correct, full and timely manner;
- To be responsible for the clear and correct tax declaration, calculation, deduction, reduction and exemption;
- To make summary and plan for the annual tax payment;
- To report to the tax authority on their bank accounts held at the commercial banks, National Treasury and other financial institutions;
- To maintain accounting system and use invoices in accordance with the law;
- To provide accounting documents, invoices, financial statements and other relevant documents relating to calculation and accounting audit in accordance with the regulations;
- To observe the instructions and decisions by the tax authority tax on outstanding payments and fines. However, if attention and cooperation are not given, there will be assets seizure which is equivalent to the outstanding tax;
- To maintain and keep accounting documents in accordance with the law;
- To apply other measures decided by the tax authority in accordance with the law.

### **Article 62. Rights and Obligations of Individuals and Relevant Organizations**

Relevant individuals and organizations shall have the rights and obligations as follows:

1. To monitor, provide data and information relating to taxpayers and to coordinate with and provide assistance to the tax authority pursuant to their mandates;

2. To inform and report the violations of the Tax Law to the tax authority. The reporter shall be protected and the reported information shall be kept in confidentiality in accordance with the law.

## **Part VI**

### **Taxation Performance**

#### **Article 63. Tax Payment Calculation and Plan**

Each year, the Business units shall calculate and submit the tax payment plan for each type of tax to the tax authority where they are registered. After receiving such plan the tax authority shall compare and review the actual information. If it is found that the tax payment calculation is not clear, the tax authority must request the Business units to recalculate and then resubmit it to the tax authority before March every year.

#### **Article 64. Maintenance of Accounts**

Sole-trader enterprises, legal entities, and freelancers must maintain full and accurate accounts as defined in the Accounting Law and the Accounting Standards of the Lao PDR.

All accounting documents used must be kept for ten years and must be available at all times for inspection by tax officers.

A computerized accounting system must be registered in accordance with the accounting regulations and standards.

#### **Article 65. Use of Invoices**

Sole-trader enterprises, legal entities and organizations conducting sale and purchase of goods or services must apply invoices for every transaction as defined in the law.

The Ministry of Finance approves the design, printing, distribution, administration, and use of every invoice in a general and specific manner that is consistent with the laws and regulations.

#### **Article 66. Adjustment of Taxes**

If the amount from the calculation of taxes, charges, and technical fees yields a number containing decimal figures, such figure shall be rounded up or down to digits only.

#### **Article 67. Methods of Payment of Taxes, Fees and Service Charges**

Collection of taxes, fees, technical fees and fines denominated in Kip or foreign currency shall be made in such currency; such payment can be made by cash, cheque or bonds, and paid in full to the State budget after the receipt of the payment order.

For remote areas which banks are not available, cash can be paid to the National Treasury or provincial customs offices.

Payment of taxes, fees, technical fees, and fines in foreign currency from the taxpayers and the receipts of such payment by the National Treasury shall be recorded in foreign account and made in kip currency as stated in the payment order from the tax officers and based on the exchange rate announced from the bank periodically.

#### **Article 68. Tax Refund**

In the event of an incorrect calculation resulted from wrong information provided by the business operator or by the tax officers leading to double taxation, payments based on incorrect tax rates, overpayment of tax or refund of tax, the tax authority shall be responsible for returning the balance to the taxpayers, but if such amount cannot be returned, in case refund is not possible the balance shall be used for the deduction from the payment of the similar type of tax or other types of tax payable in the following month, quarter or year.

#### **Article 69. Timeframe for Tax Collection**

Tax authority has the right to check the calculation and tax payment of the taxpayers within three accounting years. If it is found that the tax calculation and payment is incorrect, the tax authority shall demand additional amount with fine as defined in Article 73 of this Law.

#### **Article 70. Writing-off of Uncollectible Tax**

The tax authority has the duty to prepare an annual list containing the tax payment orders of uncollectible tax in the previous year due to the fact that the taxpayer disappeared or passed away without any remaining property, the tax authority shall coordinate and agree with the local administration and other relevant authorities in order to submit the list to the Minister for Finance for consideration and approval of the writing-off.

#### **Article 71. Rights to File a Request**

Taxpayers who believe that they make incorrect tax payment shall have the right to file a request for recalculation to the tax authority where they are registered for the tax purposes within thirty days from the date they receive the tax payment order or notification. If exceeding thirty days, the tax authority may not consider the request.

## **Article 72 Consideration of Requests**

The tax authority has the duty to consider and give a response to the taxpayer in writing within thirty days from the date the request is received. If it is found that the taxpayer has sufficient grounds, the tax authority shall recalculate and refund as stipulated in Article 68 of this law.

In the event that the taxpayer's request is not considered or considered but it is viewed as inconsistent with the law, the taxpayer has the right to request to the higher levels of the finance authorities (district finance office, Provincial, Vientiane Capital Finance Divisions and Ministry of Finance) or file a claim for considerations in the justice system.

## **Article 73. Fines**

Taxpayers who violate the provisions regarding the declaration and payment of taxes provided in this law shall be fined according to each specific case as follows:

1. In the event that the taxpayers delay in making tax declaration or payment, they shall be fined at zero point one percent (0.1%) of the total amount to be taxed per day. In any event, such fine shall not exceed the amount of the tax payable;
2. In the event of incorrect revenue declaration, incomplete tax declaration, sale of goods, provision of services without issuing an invoice or with improper invoice, taxpayers shall be fined as follows:

### **In the event of the first offence:**

- To recalculate and pay the taxes due in full;
- To pay fine at twenty percent (20%) of the recalculated taxes;
- To be fined in accordance with accounting and other related regulations.

### **In the event of the second offence:**

- To recalculate and pay the taxes due in full;
- To pay fine at forty percent (40%) of the recalculated taxes;
- To be fined in accordance with accounting and other related regulations.

### **In the event of the third offence:**

- To recalculate and pay the taxes due in full;
- To pay fine at sixty percent (60%) of the recalculated taxes;
- To pay fine in accordance with accounting and other related regulations;
- To cease operations and give public notice of cessation of operation through the mass media;
- To send the case to the court.

3. In the event that the taxpayers fail to maintain accounts, declare income, pay taxes, refuse to allow tax officers to inspect, submit annual accounting documents as provided for in this law, or do not timely respond to tax officers who have requested a presentation of evidence, explanations, various data, information regarding the calculation of tax, the offending taxpayers shall be subject to three measures as follows:

**In the event of the first offence:**

- To pay compulsory profit taxes as stipulated in Article 32 of this law;
- To pay an additional thirty percent (30%) of the recalculated tax payment;
- To pay fines in accordance with accounting and other related regulations.

**In the event of the second offence:**

- To pay compulsory profit taxes as stipulated in Article 32 of this law;
- To pay an additional sixty percent (60%) of the recalculated tax payment;
- To pay fines in accordance with accounting and other related regulations.

**In the event of the third offence:**

- To pay compulsory profit taxes as stipulated in Article 32 of this law;
- To pay an additional hundred percent (100%) of the recalculated tax payment;
- To cease operations and give public notice of cessation of operation through the mass media;
- To send the case to the court.

4. The delayed tax payments, after having received the tax payment order, the taxpayers shall be fined three percent (3%) of the amount of tax payable at the first notice for tax payment from the first day after the fifteen days of notice, six percent (6%) at the second notice, and ten percent (10%) at the third notice.

For each notice, the taxpayer will be given fifteen days to pay the tax.

**Part VII  
Structure of Taxation**

**Chapter 1**

**Tax Authority**

**Article 74. Status and Role**

The Tax Authority is an organization under the Ministry of Finance, which is mandated to centrally manage the tax administration, assists the Minister for Finance in

macro management, inspection-audit, and calculate the tax revenue, monitor tax revenue collection and support the transfer of tax revenue to the state budget on a unified manner nationwide as provided under the law.

#### **Article 75. Organizational Structure**

The tax authority is a centralized (vertical-line) organization consisting the following:

1. The Tax Department is a department under the Ministry of Finance, which is mandated to centrally manage the tax administration, assists the Minister for Finance in macro management, inspection-audit, and calculate the tax revenue, monitor tax revenue collection and support the payment of tax revenue to the state budget in a unified manner nationwide as provided under the law;
2. Provincial and Vientiane Capital Tax Divisions are administrative units under the Tax Department, which is mandated to manage the taxation, assist the Tax Department's Director general in inspection-audit, and calculate the tax revenue, monitor tax revenue collection and support the payment of tax revenue to the state budget on a unified manner nationwide under their scope of responsibility;
3. Municipal and District Tax Offices are administrative units under the Provincial and Vientiane Capital's Tax Divisions, have the duties to manage the taxation, assist the Provincial and Vientiane Tax Divisions' Director in inspection-audit, and calculate the tax revenue, monitor tax revenue collection and support the payment of tax revenue to the state budget on a unified manner nationwide under their scope of responsibility.

#### **Article 76. Structure of Personnel**

The personnel structure of the Tax Department is as follows:

- a. Director General, Deputy Directors General ;
- b. Division Directors, Deputy Division Director;
- c. Office Directors, Office Deputy Directors;
- d. Staff and tax officers;
- e. Some administrative staff;

For the determination of management positions, appointments, movement, dismissals, appreciation and disciplinary measures of staff, the tax authority shall observe the relevant regulations and laws.

#### **Article 77. Criteria of Tax Officers**

The tax officers must have the following criteria:

1. Lao citizen
2. From age of 18 years
3. Having a good personality, integrity and honesty;
4. Having at least upper secondary education and diploma qualification, experience, skills and qualification in public finance, accounting or law and other related fields;
5. Having knowledge on a foreign language
6. Without intentional disciplinary records or wrong-doings in public finance area
7. Having good health

### **Article 78. Confidentiality**

Officers and Tax officers shall strictly keep relevant Government information in confidential in line with the restrictions determined under the Article 81 of this law.

## **Chapter 2**

### **Rights and Duties of the Tax Officers**

#### **Article 78. Rights of the Tax Officers**

**Officers and Tax Officers have the following rights:**

1. To receive assistance and facilitation from all government organizations, from all levels of administrative authorities, the armed forces and other persons in case of necessity or when there is a request from the taxation authority;
2. To gather information relating to taxation activities from individuals, legal entities, and relevant organizations;
3. To demand individuals, legal entities, and relevant organizations submit accounting documents and other information;
4. To perform account auditing according to the report at the tax offices; to perform onsite and urgent auditing at the office of the individuals, legal entities, and organizations;
5. To inspect the use of invoices and other documents related to the movement of goods, goods in-out of the storage, shops, markets, and others.
6. To seize and temporarily confiscate assets of the taxpayers in case that taxpayers fail pay outstanding taxes and fines as stipulated in Point 4, Article 73 and Point 2, Article 96 of this Law;

7. To exercise other rights as assigned the higher level of authority and provided in the law.

#### **Article 80. Duties of Tax Officers**

##### **Tax Officers have the following duties:**

1. Propagate and disseminate the law and other regulations on taxation to individuals, legal entities, and organizations to raise their awareness, understanding in paying taxes actively;
2. Strictly implement the laws, decrees, orders and other regulations to ensure the administration of the submission of tax revenue, charges and technical fees to the national budget in an accurate, full and timely manner;
3. Check the calculation, declarations, exemptions, reductions, payments of taxes, charges and technical fees and to demand outstanding taxes;
4. Safeguard documents, vehicles, materials and official secrets;
5. Encourage, follow tax payment through banks and advise the banks on the outstanding taxes which are difficult to demand so the Banks can deduct from the taxpayers' accounts in order to transfer those taxes to the State Budget;
6. Declare their debts-assets to the organizations where they are registered at before and during working as the government officials in accordance with the law;
7. Perform other tasks as assigned and provided in the law.

### **Part VIII**

#### **Restrictions**

#### **Article 81. Restrictions for Officers and Tax Officers**

Officers and tax officers are prohibited to:

1. Disclose the official secrets, intentionally delay processing of and counterfeit documents and be negligent and irresponsible for tasks assigned;
2. Abuse their positions, use violence, threaten or take bribes leading to losses of the individual, collective, state, and organizational benefits;
3. Protect or collude with the business operators who violate the laws and regulations

4. counterfeit tax invoices, receipts or other documents
5. Collect taxes without permission from the organization
6. Use the provided State budget for personal and collective purposes which are inconsistent with the objectives as defined in the law

**Article 82: Restrictions for Taxpayers**

Restrictions for taxpayers are as follows:

1. Destroy information/evidence, counterfeit documents, hide revenue and wrongdoings related to tax payments;
2. Give bribes or rewards or collude in taking the state money;
3. Counterfeit tax invoice, receipts or other documents;
4. Insult, threaten and assault officers and tax officers physically.

**Article 83: Restrictions for Individuals, Legal Entities and Other Organizations**

Restrictions for individuals, legal entities and organizations are as follow:

1. Refuse to provide information, support the hidden information, and support the misbehavior related to tax payment of an enterprise;
2. Give or take bribes, rewards, collude to get the state money;
3. Insult, threaten and assault the officers, tax officers or taxpayers physically.
4. Carry out activities that are against the Tax Law;

**Part IX**

**Administration and Inspection**

**Chapter 1**

**Administrative Authorities**

**Article 84. Tax Authority**

The Government administers the tax payment in a unified manner nationwide by assigning Ministry of Finance as a focal point, with the coordination with the relevant line ministries and local authorities.

Tax authority consists of:

- The Ministry of Finance
- The Tax Department
- The Provincial, Vientiane Capital Tax Divisions
- The District and Municipal Tax Offices/Units,

#### **Article 85. Rights and Duties of the Ministry of Finance**

For taxation administration , the Ministry of Finance has the following rights and duties:

1. To study, plan strategies, policies, regulations and laws relating to taxation activities to propose to the government for considerations;
2. To develop the strategic plans, government policies into the detailed plans and projects of the finance sector;
3. To propagate, disseminate laws and other legislations relating to taxation in accordance with their roles and responsibilities;
4. To supervise, monitor and control the implementation of the laws and other legislations related to taxation;
5. To manage and monitor to ensure the correct and strict tax calculation from the tax officer and taxpayers within their responsibilities;
6. To supervise the human development and management, appointment, transfer, demotion, provision of incentives/rewards or application of disciplinary measures to the tax officers, and provide regular budget, vehicles and modern technological equipments serving tax activities;
7. To collaborate with ministries, local authorities and other organizations concerning taxation;
8. To be responsible to the government in managing, inspecting, monitoring of the taxation implementation undertaken by the tax officers nationwide;
9. To coordinate with foreign countries in the region and the world in relation to taxation;
10. To summarize and report periodically on taxation implementation to the government.

#### **Article 86: Right and Duties of the Tax Department**

For taxation administration , the Tax Department has the rights and duties as follows:

1. To study, develop strategies, policies, laws, development plans and taxation administrative mechanism to propose to the Minister for Finance for considerations
2. To disseminate the implementation of regulations, laws, instructions and other legislations concerning taxation to enhance the awareness and knowledge on legislation implementation of individuals, legal entities and organizations
3. To supervise, lead and monitor the implementation of laws on a regular and unified basis nationwide
4. To implement the national accounting regime for the purpose of recording every tax revenue based on the Budget Nomenclature, collaborate with the National Treasury in order to prepare the summary report and analysis on tax revenue collection
5. To administer and monitor to ensure the strict and proper tax calculation by the tax officers and taxpayers within their responsibilities
6. To manage and apply technology and information and modernise taxation nationwide
7. To manage and use State budget, bonuses, vehicle, and facilities for taxation nationwide
8. To propose to the Ministry of Finance to appoint, move, appreciate, impose disciplinary measures on the tax officers
9. To appoint, recruit tax staff and officers in accordance with the law
10. To collaborate with the provincial, Vientiane Capital authorities to develop human resource development plans, administer, delegate and introduce incentives or impose disciplinary measures on tax officers responsible for the taxation
11. To collaborate with the line departments of Ministry of Finance, local authorities, and other relevant sectors assigned to work in the taxation area.
12. To monitor and encourage the implementation of their professional duties nationwide
13. To collaborate with the international organizations and other organizations working in the taxation area
14. To prepare summary and evaluation reports to the Ministry of Finance on the tax collection performance nationwide
15. To carry out other rights and duties as stipulated in the regulations and the law and as assigned by the higher authority

#### **Article 87. Rights and Duties of the Provincial and Vientiane Capital Tax Offices**

For taxation administration, the Provincial and Vientiane Capital Tax Offices have the following rights and duties:

1. Implement strategies, policies, regulations and laws, development plans and strategy of effective taxation administration;
2. Disseminate the law, instructions and other legislations related to taxation to enhance the awareness and knowledge on legislation implementation to individuals, legal entities and organizations within their responsibilities.
3. Supervise, lead and monitor the implementation of laws on a regular and unified basis nationwide
4. Implement the national accounting regime for the purpose of recording tax revenue based on the Budget Nomenclature, collaborate with the Provincial, Vientiane

- Capital National Treasury in order to prepare the summary report and analysis on tax revenue collection
5. Manage and monitor the calculation, ensure the correct and strict tax calculation from the tax officer and taxpayers within their responsibilities
  6. Appoint, delegate tax staff and officers within their responsibilities
  7. Collaborate with the local authorities to propose human resource development plans and administer, allocate and provide incentives or impose disciplinary measures for tax officers.
  8. Propose to the Provincial Governor, Vientiane Capital Mayor to further propose to the Minister for Finance to consider the appointment, movement, demotion and appreciation to good performers or impose disciplinary measures to the offenders
  9. Manage and apply technology and information and modernise taxation system within their responsibilities.
  10. Manage and use the state budget, bonuses, vehicle, and facilities for taxation activities within their responsibilities.
  11. Collaborate with provincial and Vientiane Capital Finance Departments, other provincial and Vientiane Capital line Departments, and provincial and Vientiane Capital Administration Offices on assigned taxation activities
  12. Monitor and support the implementation of their technical duties within their own responsibilities
  13. Collaborate with the international organizations and other organizations working on the taxation activities as assigned
  14. Summarize, evaluate and report on tax collection activity implementation under their jurisdiction on a regular basis to the tax department of the ministry of finance, provincial and Vientiane Capital Finance Departments, district and provincial capital tax offices and district governors
  15. To carry out other rights and duties as stipulated in the regulations and the law and as assigned by the higher authority

#### **Article 88. Rights and Duties of the Tax Office at the District and Municipal Levels**

For taxation administration, District and Municipal Tax Offices have the rights and main duties as follows:

1. Implement strategies, policies, laws, development plans and strategy of the effective tax administration mechanism
2. Disseminate the law, instructions and other legislations related to taxation activities to enhance the awareness and knowledge on legislation implementation to individuals, legal entities and organizations within their responsibilities.
3. To supervise, lead and monitor the implementation of laws on a regular and unified basis to correctly, fully and timely administer tax revenue collection.
4. To implement the national accounting regime for the purpose of recording every tax revenue based on the Budget Nomenclature, collaborate with the District, Municipal National Treasury in order to prepare a summary report and analysis on tax revenue collection

5. Manage and monitor the calculation, ensure the correct and strict tax calculation from the tax officer and taxpayers within their responsibilities
6. Manage and apply technology and information and modernise taxation activities within their responsibilities
7. To manage and use the state budget, bonuses, vehicle, and facilities for taxation activities within their responsibilities;
8. Propose to the District, Municipality Governors to appoint, move, demote, recognize, take disciplinary actions to tax officers within their responsibilities;
9. Delegate tax staff and officers within their responsibilities
10. Collaborate with the local authorities to propose human resource development plans and administer, allocate and provide incentives or impose disciplinary measures on the tax officers.
11. Collaborate with District, Municipal, Finance office and line offices, administrative offices on assigned taxation activities
12. To monitor and support the implementation of their technical duties within their own responsibilities
13. Summarize, evaluate and report on tax collection activities within their own activities on a regular basis to Provincial and Vientiane Capital Finance Departments, district and municipal tax offices and district, municipal governors
14. To carry out other rights and duties as stipulated in the regulations and the law and as assigned by the higher authority

## **Chapter 2**

### **Inspection Authorities**

#### **Article 89. Tax Inspection Authorities**

Tax Inspection Authorities comprise of:

1. The internal inspection authorities are the same as the tax administration authorities as stipulated in Article 84 of this law;
2. The external audit authorities are:
  - National Assembly
  - State Audit Organization;
  - State Inspection Authority.
  - Local administration, Lao National Front for Construction, Mass organizations, Social Organizations, Mass media, and other relevant authorities shall be involved in the inspection and implementation of the taxation activities within their own responsibilities.

## **Article 90. Rights and Duties of Internal Inspection Authorities**

Internal inspection authorities have the rights and duties as follows:

1. Inspect the performance and responsibilities of the tax officers at each level in the implementation of the law, instructions, decisions, legislations, methods of technical performance to ensure the efficiency and effectiveness on taxation.
2. Inspect the targeted taxpayers on planning, calculation, collection of taxes, declaration of taxes, payment of taxes, fees and technical service charges, including the request for deduction and refund of value added tax in according to the law with the agreement and the following procedures:

**The inspection of enterprise accounts of the taxpayers should be performed as below:**

### **- Inspection planing**

Tax Department shall prepare the annual inspection implementation plan identifying the overall objectives with the number and types of inspections for provinces and Vientiane Capital to carry out yearly. The enterprises shall be identified as the inspection tragets for which the monthly, quarterly and annually inspection implementation plan shall be prepared based on available information. The preparation of the annual inspection implementation plan shall be completed by June in order to submit it for the Tax Department Director General's approval.

### **- The decision on the inspection**

The Director General of the Tax Department, the head of provincial and Vientiane Caapital tax divisions, the head of disctrict tax office shall issue the appointment of the tax officers to conduct the inspection at the office of the taxpayers: enterprises and state organizations according to the officially approved plans.

In case a certain inspection task with involvement of other sectors the Minister of Finance, Provincial Govenor, Vientaine Capital Mayor, District Governors shall issue the instruction of the inspectors.

### **- Inspection implementation**

- Inspect accounting documents of the taxpayers associated with each type of tax
- Accounting reports and documents to calculate the profit tax such as: annual balance sheet before and after the inspection, profit-loss report (income, expenditure, profit), financial statement (assets, debts), table of depreciation, assets loss, reserves, etc.,.
- Book-keeping documents, for example, correct tax invoices on enterprise's income and expenditure

- Daily accounting records, major accounts sorted by accounting types
- Count the actual assets, supply inventory, products, goods, and assets on hand (cash, precious materials, bank deposits, asset certificates and etc.,)

**- Summary on inspection activities**

The minutes for each inspection of enterprise accounts shall be prepared based on mutual agreement between the tax officers, accountant of the enterprise certified and acknowledged by the owner or director of enterprise, head of inspection division and DG Tax Department, inspection head and the head of provincial tax office, head of inspection team and head of district tax office.

In case the verification by the persons involved in the inspection is inconsistent with the law or there is additional information available from the external sources, the re-inspection shall be performed as directed by a higher authority. In case wrongdoing is found the civil or criminal disciplinary actions shall be imposed as stipulated in Article 96 of this Law.

**Article 92 Forms of Inspection**

Inspections by the tax authorities comprise the following forms:

- A regular inspection;
- An inspection with an advance notice;
- An immediate inspection.

A regular inspection refers to the inspection based on targets and plans set out after the closing of the annual account carried out at the enterprise and office regularly.

An inspection with an advance notice refers to an inspection which is not performed according to plans at the enterprise offices but only when deemed necessary and of which the entity to be inspected is notified in advance.

An inspection without a notice in advance refers to an emergency inspection which is not performed according to plans at the enterprise or on targeted office of which the entity to be inspected is not notified in advance.

**Part X**

**Budget, Uniform, Insignia and Seal**

**Article 93. Budget**

Tax authority has its own budget under the Ministry of Finance in accordance with the Budget Law to use for its administrative tasks.

#### **Article 94. Uniforms, Insignia and Seal**

Taxation sector has its own uniform and insignia approved by the Government. Officers and Tax officers shall wear their uniforms, hold their name badges and insignia while performing their official duties.

Taxation sector at each level shall obtain the specific insignia for their official duty.

### **Part XI**

#### **Policies towards Persons with Outstanding Performance**

##### **And Measures Against Offenders**

#### **Article 95 Policies towards Persons with Outstanding Performance**

Tax officers, individuals and organizations who have participated in audits, monitoring, seeking out, providing various information which resulted in the discovery of tax evasion, the collection of tax from an underreported income and a fine of the offender, will be rewarded or will be entitled to other incentives as determined by the government.

Taxpayers who fulfill their tax obligations in a proper, complete and timely manner as defined in the regulations and laws shall be awarded with appreciation/recognition and facilitated in their business.

#### **Article 96. Measures Against Offenders**

Individuals who have violated the laws and regulations related to taxation shall be re-educated, fined and imposed with disciplinary measures or pay compensation or criminal punishment, depending on the extent of cases.

##### **1. Measures against government officials and tax officials**

- In case of insignificant offences which do not impact the revenue collection and reputation of the tax authority such as, incompleteness of tasks assigned without sufficient reasons, delaying processing of documents, absenteeism, the officials shall be re-educated, warned or be imposed with the disciplinary measures as provided by the law.
- In case of criminal offences such as abuse of power/position, use of force, threatening and soliciting bribes which damage individual, collective, social and state interests, or protecting or colluding with business operators in breaking the laws, falsifying invoices, receipts or other documents, collecting taxes without organization permission, using tax money for personal or office purposes inconsistent with the laws and regulations. These

offences shall be prosecuted as the criminal cases. In case these offences cause no damages to individuals or organizations compensation may be applied.

## **2. Measures against taxpayers**

- In case of insignificant offences such as failure to declare and pay taxes, maintain accounting system, use proper invoices, use stamps, use tax identification number, taxpayers shall be warned, re-educated and advised to obey the regulations properly.

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- - In case of offences resulting in loss in the state revenue, the tax payment shall be recalculated and made in full with fines as stipulated in Article 73 of this law.

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- In case the period of demanding tax payment arrears expires but the payment of tax arrears is not made to the tax authority yet, the following measures shall be implemented:

+ Propose the bank to deduct money from the taxpayer's account to pay tax arrears according to the request from tax authority specified in the article 80 clause 5 of this law.

+ Request to the relevant sector to suspend the business on a temporary basis for one month;

+ Issue order to seize or confiscate assets, including accounts in the banks for 15 days and after the period the business should be suspended within month and also request to the relevant sectors to revoke the business license, concession license and other licenses.

+ Advertise the sales of the seized or confiscated assets to repay the tax arrears, the balance from the sales shall be returned to the owner, if the sale amount is insufficient the balance shall continue to be made, except in case the taxpayers are declared as bankrupt persons.

+ In case of criminal offences such as destroying evidence, falsifying documents, hiding income and hiding offences related to taxation, giving bribes, colluding to obtain state funds, falsifying invoice, receipts or other documents, insulting, threatening and assaulting officer and tax officials physically, these offences shall be prosecuted with as criminal cases and compensation payments for the taxpayers' acts.

## **3. Measures to individuals and other organizations**

In case of violation of the the tax law, measures such as reeducation, fine payment, compensation for damage or criminal punishments (depending on the severity level of the offences) shall be imposed: refusing to provide information, intentionally conceal and support

offences related to the tax payments of business operators, giving or taking bribes and prizes, collusion in obtaining state funds, violating the tax law, insulting, threatening and assaulting tax officials or taxpayers physically.

## **Part XII**

### **Final Provisions**

#### **Article 97. Adjustment of Tax Rates**

In case of necessity and urgency, the tax rates may be adjusted to reflect the current socio-economic development periodically, the Government shall have the right to consider and propose changes for the National Assembly Standing Committee's considerations in order to submit to the President of the Lao People's Democratic Republic to issue a temporary Presidential Decree. Subsequently, the National Assembly Standing Committee shall submit the amendments to the National Assembly's next plenary session for its approval of such legislation.

Individuals and organizations shall be prohibited from changing the tax rates stipulated in this Law.

#### **Article 98: Implementation**

The Government of the Lao PDR shall implement this Law.

#### **Article 99 Effectiveness**

This Tax Law enters into force from 1 October 2012 by the promulgation of the President of the Lao People's Democratic Republic.

This Tax Law supersedes Tax Law No. 04/95/NA, dated 19 May 2005.

This Tax Law application shall not be retroactive to any customs and tax regulation policies and other finance regulations which were already approved by the Government or relevant sectors for the investor's contracts which had been effective prior to the effective enforcement of this Law.

All measures, provisions which contradict with this Law are null and void.

**The President of the National Assembly**