

TAX LAW
PART

GENERAL PROVISIONS

Article 1: Tasks of the Tax Law

The Present law is proposed to determine the tax system aimed at facilitating all economic sectors, social and public organizations, Lao citizens, immigrants, foreigners, non-citizenship persons who have businesses or earn their living in the Lao P.D.R, to contribute to the implementation of the national tasks, and promote business activities in every economic sector and accelerate the circulation/distribution of goods, stabilize the currencies and market prices, rationalize fairly the incomes between various strata of the society, ensure acquiring incomes to the state budget and the developing the national economy continuously.

Article 2: Tax

Tax is a duty of every person who deals in business activities or earns their living in the Lao P.D.R. to contribute to the defiance and development of the country.

Article 3: Tax system

The tax system of the Lao P.D.R. consists of direct and indirect tax

The indirect tax :

- Turnover tax
- excise tax

The direct tax :

- Profit tax
- Income tax
- Minimum tax
- Fees/charges

Article 4: Utilization of the Tax Law

The Tax Law shall be applied to individuals or entities who consume goods or services, and have a business, or liberal professions and generating incomes within the Lao PDR territory.

Article 5: Turnover tax

The turnover tax is an indirect tax to be paid by consumers of goods and services through business

conductors as stated in the Article 7 of the present law.

Article 6: Territory of turnover tax

The turnover tax is collected from imports, sales of goods and general services which place in the Lao PDR

Article 7: Work-activities subject to turnover tax payments

The work-activities subject to turnover tax payment are as follows:

- 1 Import of goods to the Lao PDR
- 2 The first-time sale of import goods or domestic products by importers or domestic manufacturers is the first-time transfer of the property to other people by importers or domestic producers who will in return, receive compensation in money or other types of benefits, and such deal shall be made in a manner of wholesale or retail sales, in cash or by credit, on commission or commodity exchange.
- 3 The general service is an economic activity which deals with supplies of labor power to other people but not import, production or sales of goods, and shall be compensated in a manner of service charges. The general service includes: transport, post, communication, construction repair, market management by subcontract, land development and leasing activities, hotel and tourist businesses, drinking bars, concerts, sport and other entertainment activities, medical service, agent/commission or dealers' activities and so on.

Article 8: Persons who shall pay turnover tax

Individual or entities providing activities as stated in the Article No 70f the present law, shall pay turnover tax despite of that, their activities would be on continual or interval, commercial or non-commercial basis.

Article 9: Activities exempted from turnover tax

The activities which shall be exempted from turnover tax include:

- Import of crop seed, animal breeds, and insecticides;
- Import of materials, instruments and chemical components for research purposes;
- Import of gold's for the notes issuing institution;
- Import of bank notes or coins;
- Import or activity relating to tax or post stamps;
- Import planes and instruments for international air transportation;
- Import of goods or accessories for components of international air transportation;
- Import of goods for selling to diplomats and international organizations in the Lao PDR according to permissions of Ministry of Foreign Affairs;
- Import of goods with tax exemption or temporary import;
- Import and sales of animal treating medicines;

- Sales of self-produced agricultural products by peasants;
- Forestation activities, industrial trees and fruits planting;
- Sales of agricultural and handicraft products by the Government employees or cooperative members on family basis or limit;
- Export of goods and services;
- Sales of allowed text books, newspapers and magazines;
- International transportation and relevant services;
(International transportation- transportation of passengers or cargo's from abroad or to abroad by land, air and sea/river;
- Transportation by manpower, animals and boats without engines;
- Provision of leasing immovable properties, such as land, houses and others by persons who do not have business activities;
- Export services;
- Independent job-occupation by one's own labor;
- Educational activities: child schools, primary schools, secondary and high schools, universities and professional technical schools;
- Activities for public benefits held by Government authorities and International Organizations;
- Banking and insurance activities.

CHAPTER II

Time and basis for calculation and collection of turnover tax

Article 10: Time and basis for turnover tax calculation

The tax calculation time and principles have been determined as follows:

1 . The calculation shall be based on the declared amount of import goods plus customs duty excise tax (if exist) and other fees;

The declared amount shall include cost of goods, insurance and freight to the destined import border.

2 In case of the first-time sales of goods imported or manufactured the country, the tax shall be calculated during its selling or delivery by importers or domestic manufactures, The calculation shall be based on the actual sales amounts without turnover tax;

2 The tax on services shall be calculated after full or partial completion of the work. The calculation shall be based on the actual service charges without turnover tax

3 The tax on services shall be calculated after full or partial completion of the work. The calculation shall be Based on the actual service charges without turnover tax.

Article11: Self-utilization and temporary import.

Goods imported or produced inside the country, any of constructed or service used by businessmen themselves shall be imposed to turnover tax according to the general principles except those stated in Article 9 of the present law. The calculation shall be based on the actual prices of goods or services applied therein and at that time.

Import goods exempted from import duties shall be levied on turnover tax during its selling. The calculation shall be based on the actual sales prices.

CHAPTER III Rates of Turnover Tax

Article 12: Rates of Turnover tax

The rates of turnover tax shall be as follows

**a) The rate of 3% for
1- Import or sales of:**

- Agricultural products: rice, bran, rice flour, manioc and maze flour;
- Foodstuff;
- Raw materials, semi-products, chemical products for agricultural, induction;
- Fertilizer, animal foods;
- Machines, tools and instruments for cultivation, cattle-breeding and production (industrial, agricultural and craft);
- Machines or vehicles for land development, transport, mining including petroleum and gas, construction of infrastructure (bridges-roads, railway, irrigation, dams, ports and airports) and spare parts;
- Ores: iron, tin, zinc, red copper and others;
- Glue-stone, lignite, coal, gas and others;
- Water supply;
- Medicaments, medical instruments and education materials;
- ambulance, fire-fighting vehicles and other special service cars;
- Bicycle and tricycle;
- Cotton thread, silk thread and other yarn;
- Art and craft products
- Toys and other play-games for children;
- Instruments for sport and physical training.

2- Services:

- Agricultural services with machines;
- Analysis of agricultural, forest and construction soil, and ores;
- Municipal sanitation;
- Slaughter-house and general animal killings;

- Hairdressing salon (barber's shop);
- medical treatment for human and animal;
- Concert, art play, opera, sport (football, volleyball, basketball, boxing, tennis and physical training);
- Massage (treatment) activity;
- Golden and silver hand-made products making;
- Diamond jewel and glass processing;

b) The rate of 50% for

1- Import or sales of :

- Electric power , electrical tools and instruments;
- any type of fuel
- Wooden coal and fire-wood;
- General construction materials and instruments including gravel and sands;
- Wood and rattan products;
- Tea and coffee products;
- Pure water, lump-ice, ice-cream;
- Soft-drinks and other non-alcoholic drinks;
- General office supplies : typewriter, duplicating machine, photocopier, calculator, computer and others including instruments;
- Communications instruments.
- House furniture : sofa, chair, shelf, bed, mattress, pillow and others;
- Electrical products : fridge, electric cooker, electrical iron, water-cooler, cooker, kettle, fan, radio, vacuum cleaner, washing machine, meat and fruits scraping machine and others;
- Fabrics, clothes, that, shoes belt and umbrella;
- Suitcase, travel bags, handbag and other similar products;
- Watch glasses;
- General sewing machines;
- Motorcycle, truck and jumbo, passenger truck, transport truck, bus, mini-bus, fuel-tank truck;
- Any car instruments, spare parts and batteries;
- Fishing tools and instruments;
- Ship and motor-boat for domestic transportation including spare parts and accessories ;
- Sport motor-boat;
- Plane for domestic transportation including tools and spare part;
- product for body cleansing;
- Perfume and cosmetics;
- Precious metal and glass : silver, gold, diamond, jewel and other similar;
- Air-pressured gun;
- Unrecorded cassette;
- Recorded cassette with Lao songs;

- Musical instruments and accessories;
- Other items excluded in the 3, 10 and 15 percent rates;

2- Services :

- soil and sand loading services, development of land for cultivation, cattle-breeding and construction purpose;
- Post, telecommunications and transport purpose;
- Construction, installation and general repairs;
- Bridge-road, irrigation, dam, port and airport services;
- Tailoring and dresser's salons, capitonage, photo and shoes sewing shops;
- Printing or publication activity;
- Wood-sawing mills, wood and rattan manufacturing plants;
- Tobacco-leaves drying mills;
- Development of land for sales (utilization rights) and construction of houses for sales;
- Market management service by subcontract;
- Such activities as advertising, study, planning, analysis of data-information, accounting and laws consultancy, engineering and architectural consultancy;
- Other services excluded in the 3, 10 and percent rats;

c) The rate of 10% for:

1- Import or sales of :

- TV, radio, tape-recorder, sound-recording equipment, amplifier, camera, movie-camera, video player and video film, unrecorded film, film for camera, video cassette, tape cassette of foreign songs, long-sight scope, other similar products, its accessories and spare parts;
- Sport gun;
- Cooling and heating equipment's
- Passenger car, pick-up, jeep;
- Plane, ship, motor-boat for tourism;
- Decorating products made of silver, gold, diamond, jewel, glass, peral and other precious metals :

2- Services :

- Hotel, resort, tourism and drinking bars;
- Broker and dealer activities;
- Film and video shows, video photographing, video and tape recording, video or video cassette renting;
- Golf activity;
- Horse and car racing activity;

d) The rate of 15% for :

1- Import or sales of :

- Alcohol and any other drinks containing alcohol;
- Cigarettes including the packed and unpacked, and cigar;
- Any hunting guns;
- Billiard and snooker tables, football table and other games;
- Salute and other similar products;
- Play cards and other similar play;

2- Services :

- Entertainment activity : night club, discotheque, Karachi;
- Snooker, billiard and balling activity;
- Lottery activity.

**CHAPTER IV
Declaration and taxation system of turnover tax**

Article13 : Persons who shall declare and pay turnover tax

Persons who should pay turnover tax as determined in Article No. 8 of the present law, shall declare and pay turnover tax according to the following cases :

- 1- Any import of goods : importers shall produce the declaration document to offices at the import customs checkpoints for tax payments. The tax shall be fully paid before removing the goods out of the customs checkpoint area;
- 2- For the first-time sales of goods imported or produced inside the country and services, the importers, produces, and services shall submit declaration sheets on their business incomes to the tax authority conceded before the 15- day of the next month in order to pay turnover tax for the current month.

The tax-payers using the forfeit system (contract system), shall pay tax duties according to the terms and conditions of the contract.

**CHAPTER V
Deduction of the turnover tax paid initially**

Article 14: Persons who shall have a right to obtain the deduction of initial turnover tax paid

Importers, producers or servers who operate sales or services inside the country and have paid the initial tax (at customs checkpoints) as determined No. 9 of the present law, shall have the right to get the deduction of initially paid turnover tax amount due to payment. If amount of

the initial tax exceeds the monthly tax volume, the difference shall be transferred to the next month deduction until its completion.

Those who are able to obtain the initial tax deduction, shall have the tax registration with the tax authority and hold a legal accounting system as well as providing a full set of tax payment certificates, such as import documents on tax declaration (D10), tax-payment receipts and invoices stating a certain turnover tax amount.

Article 15: Limits of initial turnover tax deduction

The initial turnover tax deduction shall be implemented within the following limits:

Importers: The deduction of the initial turnover tax shall be made from import goods proposed for further sales or further transforming;

1- Producers : The initial turnover tax shall be deducted from purchases of raw materials, production instruments, trucks and other production materials;

2- Producers : The initial turnover tax shall be deducted from purchases of raw materials, production instruments, trucks and other production materials;

3- Servers : The deduction shall be made from purchases of transport vehicles, spare parts or other service materials.

The initial turnover tax deduction shall not be allowed for the following, except the above items 1,2 and 3

- Service charge
- Purchase of transport vehicles including accessories and spare parts which are not used directly by the companies.
- purchase of consumer goods for personal utilization by the company management staff or workers

Article 16: Re-export

Re-export, export producers and servers and servers who have paid the initial turnover tax as determined in Article No. 13 of the present law, shall have the right to obtain the deduction during the next import of goods, raw materials and other products.

The deduction shall be operated in conformity with the conditions stated in Article No. 15 of the present law, and with presentation of the re-export documents.

Article 17: Reimbursement of the initial turnover tax paid

The event when the sales or service operations have been liquidated for some reasons, the initial turnover tax paid shall be deducted from the amount subject to tax payment in the amount of the liquidation, or in the next month until it has fully deducted.

PART III - EXCISE TAX

CHAPTER I

Limit of Excise Tax, Goods due to tax Payment or Exemption

Article 18: Excise tax

The excise tax is an indirect tax collected from some consumers goods.

Article 19: Limit of excise tax

The excise tax shall be collected from some products import or manufactured by domestic producers for sales the country.

Article 20: Goods due to excise tax payment

Some products that be imported or supplied for sales by local factories, such as fuel, alcoholic drinks and others, packed and unpacked cigarettes, cigars, perfumes and cosmetic, shall be imposed at the rates determined in Article 23 of the present law.

Article 21: Tax-exempted goods

In order to promote export and health activities and to implement the international principles, the following goods shall be exempted from the excise tax

- Some products as determined in Article No. 20 of the present law that shall be exported according to the confirmation of the concerned authority of Lao PDR;
- Kerosene;
- Alcohol (90) for medical purpose;
- Some products sold to the Embassies and International Organization in the Lao PDR according to the confirmation of Ministry of Foreign Affairs.

CHAPATER II

Calculation basis, Rates, Declaration and Payment of excise tax

Article 22: Basis for calculation of excise tax

The excise tax calculation shall be based on the import cost for import goods or factory cost for domestic products.

The import cost includes the import amount declared plus import duty and other fees (if exist)

The factory cost includes the production cost plus other fees (if exist).

Article 23: Rates of excise tax

The rates of excise tax shall be as follows:

1-fuel

- Gasoline (super).....23 percent
- Gasoline (Normal)20 percent
- Diesel10 percent
- Aviation gasoline10 percent
- Lubricant, hydraulic oil, grease, brake oil.....2 percent

2- Alcohol or other alcohol drinks:

- Alcohol or alcoholic drinks (above 15 degree).....40 percent
- Beer, wine and other drinks (below 15 degree).....30 percent
- 3- Bottled soft drinks and other vitamin drink20 percent
- 4- Packed and unpacked cigarettes, cigars30 percent
- 5- Perfume and cosmetic10 percent
- 6- Play- cards and other similar play.....50 percent

Article 24: Declaration and payment of utilization tax

Imports, or producers of some products as stated in Article No. 20 of the present law, shall declare and pay excise tax as follows:

- For the importers shall produce the customs declaring documents to the customs offices at the import customs checkpoints in order to pay tax. The tax shall be fully paid before removing the goods out of the customs checkpoint
- For domestic production : The domestic manufacturers shall produce the tax declaring sheets to the concerned tax authority monthly before the 15-day of the next month for payment of excise tax current month.

PATER IV - PROFIT AND INCOME TAX

CHAPTER I

Tax limits, taxable profits and incomes, and person who shall pay the tax

Article 25: Profit and income tax

The profit and income tax is a direct tax paid by businessmen or

independent jobbers, or those who obtain incomes from salary or wages, movable or immovable property, intellectual property right and other licenses.

Article 26: Limit of profit and income tax

The profit and income tax shall be collected from annual profits or incomes of those persons who have profits or income in the Lao PDR including that stated in Article No. 29 of the present law. The profits or incomes gainers can be an individual or entity who have a permanent residence in the Lao PDR or abroad.

Article 27: Profit tax

The profits which shall be imposed, are as follows:

- 1- The business profit is a type of profits gained from such business activities as agriculture-forestry, industry and handicrafts including natural resources mining, import-export operations, wholesale and retail sales, and general services, such as transport, post, telecommunications, construction, repairs, development of land for leasing purposes, auctions on market management and construction of projects funded by the Government budget, aids or loans on bilateral or multilateral basis, banking and insurance operations, hotel and tourist activities, drinking bars, lottery, concerts, sport, or dealer business;
- 2- The profit made from the independent type of jobs or professions, such as doctors, advocates, law and accounting consultants, engineering and sculpturing consultants.

Article 28: Income tax

The taxable incomes shall be as follows:

- 1- The income made from salaries, such as labor char charges, bonus, careers allowances, and other material benefits obtained according to the contracts by any of the Government or private parties;
- 2- The income made from movable capital informs of sharedividends or other benefits shared between shareholders, lending interest rates, warranty fees obtained according to the contracts or other obligations unless otherwise agreed between the Government of Lao PDR and concerned parties,

The profits shared or the taxable benefits shall include such profits as may be applied to any forms of utilization including direct spending, unless it shall be saved to the accumulation funds or included to the companies' capital assets, bonuses, meeting perdiems, benefits arisen by increase or reduction of capital assets of companies,

concentration of enterprises, transfer of shares, values added from the companies bankruptcy or debt liquidation

- 3- The income made from rents of the immovable property, such as rentals or other benefits gained according to the contract, or renting obligations on the houses or other property;
- 4- The income from the copyright or other rights, such as intellectual property, know-how, trade-mark, compositions and novels.

Article 29: Persons who shall pay the profit and income tax

Lao Individuals or entities, immigrants or foreigners including non-citizenship persons who have the profitable activities in Lao PDR as determined in the Article No. 27-28 of the present law, shall pay the profit or income tax to the state budget.

If the Government officials appointed to reside or work with International Organization abroad have been exempted from paying the income tax there, they shall declare and pay that in the Lao PDR.

If foreign workers who come to work and stay in Lao PDR more than 180 days within the fiscal year and receive salaries abroad, shall pay the income tax in Lao PDR unless otherwise agreed with the Lao Government.

CHAPTER II

Tax-Exempted Incomes, Tax Exemption or payment of Profit Tax a discount rate

Article 30: Tax-exempted incomes

The tax-exemption incomes shall include:

- 1- Income made from agricultural production by peasants themselves;
- 2- Income obtained from concert performance, sport and others;
- 3- Salary of foreign consultants or experts or experts who provide a project assistance in the Lao PDR ,and such exemption should be stated in the agreement between the Lao Government and concerned parties;
- 4- Salary of the Diplomatic and International Organizations officials to the Lao PDR;
- 5- Allowances permitted within the limits of the Labor Law;
- 6- Deducted funds for pensions, or other welfare matters, family allowance;
- 7- Single allowance, pension, per diems;
- 8- Lending inters; bond or shares interests
- 9- Social security funds
- 10- Lottery prizes;
- 11- Bonus or premium given by the Government to those people who have achievements in preventing the violation of the laws;

12- Scientific premiums

Article 31: Tax exemption or payment of profit tax at a discount rate

Persons who have been permitted by the Government to invest projects or other priority zones Lao PDR, shall be exemption, or depending on each case, shall pay the profit tax at the discount rates within the duration determined by the concerned committees.

In order to obtain such privileges the above mentioned persons shall hold an accounting system conformed to the principles set by the Accounting Law.

**CHAPTER III
Place of the Profit and Income Tax Payment**

Article 32: Place of the profit and income tax payment

Businessmen and independent jobbers shall declare and pay the profit tax in the tax office where they have been registered.

Those who obtain incomes by providing their immovable property for leasing (land, houses and other property) shall declare and pay profit tax to the to office which controls that property.

The companies branches or representatives operating in the local provinces, shall pay profit tax in those places directly.

**CHAPTER IV
Basis for the calculation of the Profit and income Tax**

Article 33: Basis for the profit tax calculation

The calculation of the taxable profit made from business operations or professional services shall be based on the net annual profit of the accounting year completed.

The end-year net profit is a difference between gross incomes and expenditures in the fiscal-accounting years.

Article 34: Expenses that can be deducted from the annual profit

The expenses that can ver deducted from the annual profit, include the followings :

1- General expenses :

- Electric power, water, telephone, advertisement, and repair charges;

- Travel and guest's reception expenses which shall not exceed 0.20 percent of the annual business income, or not more than 6,000,000 Kip each item per year;
- Salaries and wages, welfare and social-security spending;
- Services, lending interest rates, transport charges;
- Rents of premises;
- Insurance of company assets or property;
- Non-deductible turnover tax and other fees;
- Gifts, allowances, presents and prizes which shall not exceed 0.15 percent of the annual business income, and not more than 4,000,000 Kip per year.

2- Amortization

The amortization shall be made from the capital assets depreciated from time-to-time of its utilization, or technical changes in order to reserve funds for renewals of the capital assets in the future.

The amortization shall be calculated according to the following rates:

Company capital assets (immovable)	Duration of utilization	Amortization rate (%)
- Expenses for the establishment	2 years	50
- Industrial premises	20 years	05
- Trade premises and dwelling houses:		
+ permanent basis	20 years	05
+ temporary basis (or medium-term basis)	10 years	10
- Machines and equipment's for industrial, agricultural, craft and other activities	5 years	20
	5 years	20
	5 years	20
- Land transport facilities (vehicles)	10 years	10
- Instruments and tools sets	10 years	10
- Office instrument and other supplies	20 years	05
- Installation, improvement and decoration		
- Vessels and passenger planes		

The amortization can be made with parallel downwards methods based on the cost of the capital assets. The calculated amount of amortization shall be showed in the accounting book during close of the accounting at end of the year. The annual or partial amortization funds that have not been included or written in the book-keeping, shall not be confirmed as expenditures deducted from the annual profit. In event of selling a property, the annual depreciation of the asset subject to the sale, shall be deducted from its cost in order to assess the excess or reduced value of that property.

3- Funds for reasonable emergent expenses and certain risks, amortization fund, stock reserves and receivable debt amounts.

Unused reserves or used for other purpose shall be transferred to the taxable annual profit.

The independent jobbers shall not be establish any type or reserve funds deductible from the annual profit.

Article 35: Expenses non-deductible from the annual profit

The expenses which can not be deducted from the annual profit, shall include:

- The expenditures considered as luxuries: expenses relating to golf-pay. dancing, sport and other entertainment ;
- Profit tax and enterprise minimum tax;
- Income tax collected from salary and wages;
- Salary paid to share-holders or employers by themselves;
- Interest paid to the share-holders;
- Any type of penalties;
- Reimbursement of credits.

Article 36: Transfer of the annual losses to another forth-coming year.

Businessmen or independent jobbers who pay the profit tax based on the ordinary or extended counting system and confirmed by the tax officials, shall have the right to transfer the financial losses to another for other coming years for further deduction from the annul profit with a cooperation of three years, and thereafter such transfer not be allowed.

Article 37: Basis for calculation of the income tax

The basis for calculation of the income tax by each type shall be as follows:

- 1- Income from salary/wages:
 - Salary amount plus other allowances received received according to the contract;
- 2- Income from movable capitals :
 - Profit or other benefits shared to shared-controllers or shared holders according to the by-law of companies or decisions of the share-controllers or share-holders meetings;
 - Interests from providing credits, guarantee fees gained according to the contract or other commitments;
- 3- In come from providing rent of the immovable property : renting charges or other material benefits obtained according to the contract or commitments;

- 4- Income from licenses or other intellectual property rights : gross income obtained according to the contract or other commitments

CHAPTER V

Rates of Profit and Income Tax

Article 38: Rates of annual profit and income tax

The rates of annual profit and income tax applied to individuals and entities shall consist of general and discount rates:

- 1- The general rate :
- The net business profit of entities35 percent
 - the net profit obtained by individuals from business operations, independent job, and providing land, houses and other properties for rent shall be imposed on the progressive rate basis :

Table No I

Level	Annual taxable profit or income	Taxable profit or income at each level	Tax rate (%)	Profit or income Tax at each level	Total tax (lower to upper)
1	Equal or less than 360.000	Annual basis	-	-	-
2	360,001-1,500,000	discount	10	114,000	114,000
3	1,500,001-3,000,000	1,140,000	15	225,000	339,000
4	3,000.001-6,000,000	1,500,000	20	600,000	939,000
5	6,000,001-12,000,000	3,000,000	25	1,500,000	2,439,00
6	12,000,001-24,000,000	6,000,000	30	3,600,000	0
7	24,000.001-36,000,000	12,000,000	35	4,200,000	6,039,00
8	Equal or more than 60.000.000	12,000,000	40	9,600,000	0
		24,000,000	45		10,239,000
					19,839,000

The income from salary shall be imposed as follows

Table No II

Level	Monthly table salary	Taxable salary at each level	Tax rate (%)	Salary tax at each level	Total tax (lower to upper)
-	Equal or less than	monthly basis	-	-	-
1	30.000	discount	5	4570	4.750
2	30.001-125.000	95.000	10	12.500	17.250
3	125.001-250.000	125.000	15	37.500	54.750
4	250.001-500.000	250.000	20	100.000	154.750
5	500.001-1000.000	500.000	25	250.000	404.750
6	1000.001-2000.000	1.000.000	30	300.000	704.750
7	2000.001-3000.000	1.000.000	35	700.000	1.404.750
8	3.000.001-5000.001	2.000.000	40		
	Equal or more than 5.000.001				

- Dividends, lending interests, guarantee fees of individual or entities10 percent
- Receipts from licensees or other intellectual property rights of individual or entities.....05 percent
- Rents of land, houses, and other property, incomes from non-business activities of public organizations or other social associations10 percent

2- The discount rate

The net profits made by entities from the business activities which have been promoted Government, shall be imposed according to the following positions of location:

- Urban area.....20 percent
- Rural and low land areas15 percent
- Mountains and remote areas10 percent

CHPATER VI

Calculation of Profit and Income tax

Article 39: Calculation of profit and income tax

The profit and income tax shall be paid annually based on the total profit or income obtained within the year. Before tax calculation, any profits or incomes in foreign currencies shall be converted into Kip at the exchange rates of the Bank of Lao PDR. Applied in each period

The profit and income tax shall be calculated as follows:

- 1- Entities : The tax shall be made from the net annual profit or income at the fixed rate as stated in Article No. 38 of the present law, and minus the amount of profit or tax paid in advance within the year;
- 2- Individuals : Before calculating the tax for those person who have profits from the business, independent jobs, or obtain incomes from the rent of land, house or other property, the annual discount sum of 360.000 kip shall be deducted from the total annual taxable income.

If a tax-payer has various incomes as mentioned above, a summary of the incomes shall be made first, and thereafter to make deduction of the annual basic discount The remaining shall be the net annual income subject to be imposed according to the "Table I " of Article No. 38 of the present law

A monthly basic discount amount of 30,000 Kip for the tax-payers who have incomes from salaries, should be also deducted before tax calculation which should be based on " Table II " of the above Article No. 38.

The basis discount amount is an essential sum for living which should be deducted from taxation.

The advance tax payment made within the year, should be also deducted from real taxable profit or income.

CHAPTER VII

Systems of the Profit and Income Taxation, Submission of the Profit and Income Tax Declaration

Article 40: Taxation of profits made from business operations or independent jobs.

Enterprises (entities), individuals who deal in business or independent work, shall pay the profit tax according to holding the extended, ordinary or primary accounting system.

Article 41: Profit tax systematization

- 1- Those who pay the profit tax based on holding an extended accounting system, shall be enterprises with an entity status and independently working individuals who have the annual business income more than 240,000,000 Kip.
- 2- Those who pay the profit tax based on holding an ordinary or common accounting system , shall be any business individuals or independent jobbers who have the annual business income from 24,000,001 Kip to 240,000,000 Kip
- 3- Those who pay the profit tax according to holding a primary accounting system, shall be individuals who have a shall business, or independent jobbers who have the annual business income less than

Such simple system of tax payment shall turnover tax and profit tax into one payment

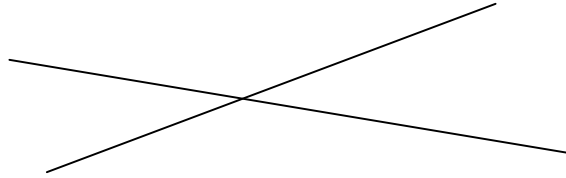
The simple system of tax payment requires an agreement between the tax authority and the tax-payer. The agreement shall be effective with one year . In order to cancel the agreement, the tax payer shall inform the tax authority sixty days before expiration of the contract. The tax authority may cancel the agreement in any time when finding out that the tax-payer has violated the limits of business operations stated in the contract.

Rates for the simple system of tax payment have been determined as follows

Estimated annual income	Rates for each type of activities		
	Production, construction transport	Trade	Services, restaurants
Less than 2,000,000 Kip	1%	2%	3%
2,000,001-4,000,000	2%	3%	4%
4,000,001-8,000,000	3%	4%	5%
8,000,001-12,000,000	4%	5%	6%
12,000,001-16,000,000	5%	6%	7%
16,000,001-20,000,000	6%	7%	8%
20,000,001-24,000,000	7%	8%	9%

Article 42 : Selection of the tax payment systems

Those who pay or have conditions to pay the tax on a contract basis (simple method of tax), may apply to the tax office where they have



In order to change the system of tax payment, those who implement the tax payment based on a contract basis, shall apply to the tax office within sixty days before expiration of the contract.

Article 43 : Close of Accounting

The businessmen or independent jobbers who pay the profit tax based on holding an extended or ordinary accounting system, shall close their accounting on December 31 of each year except when the business has been stopped, sold or transferred to another owner during the year.

Article 44 : Liquidation sale or transfer of a business activity

In event of business stopping sale or transfer of a business activity (partially or fully) to another person, the businessmen or independent workers shall close their accounting and submit it to the tax office concerned for tax clearance within 10 days after the liquidation, sale or transfer of the activity. Besides, if the activity has been sold or transferred to another person, the full name and address of the new owner shall be also informed to the tax office.

In event of the owner's death, the heir shall prepare the necessary income data to the tax office concerned within ninety days after the death in order to clear the unpaid tax duty of the previous owner. The responsibility in the tax payment shall be within a limit of the property value received.

Article 45 : Income from salary

The salary tax shall be paid monthly by deducting from the salary amount during its pay. The calculation of salary tax shall be made according to the principles stated in Them No 2, Article No. 39 of the present law.

If a tax-payer receives the salary from different sources or declares the income under its volume, the tax shall be recalculated at end of the year.

Article 46 : Incomes from the rent of immovable property

The income tax on the rent of immovable property shall be paid every time upon receipts. The tax calculation shall be operated according to the principles stated in Item No. 2, Article No. 39 of the present law.

If the tax-payers receive the rents in advance for some years, the tax shall be calculated on the annual basis, and then multiplied with number of the rented years.

Article 47 : Income from movable capitals, licenses and other intellectual property rights

The tax on dividends, lending interests, guarantee fees, incomes from licenses and other intellectual property rights, shall be paid upon every receipt by deducting the tax amount from the income during the pay.

If the lending interests and guarantee fees of an enterprise which regularly pays profit tax, have been included into the annual income, it shall not be reimposed. In event if the income has been imposed earlier, it should be deducted from the annual taxable profit. If the tax amount imposed earlier, is more than the annual tax value, the non-deducted sum shall be transferred to a next year for further deduction.

Article 48 : Submission of the profit and income tax declaration

Those who pay the profit tax according to the extended or ordinary accounting system shall pay the annual profit tax quarterly (each face shall include three months) based on the profit of the previous year or the estimated profit of the fiscal accounting year. The real annual tax amount shall be recalculated in the last face of the tax payment during closing the accounting at end of the year.

Duration of the profit-tax declaration shall be as follows :

- First face : before April 10 of the year
- Second face : before July 10 of the year
- Third face : before October 10 of the year
- Forth face : before March 10 of the year

If the total amount of tax paid quarterly is more than the actual annual tax volume, the difference shall be transferred to a next year for further deduction

The inventory report and other accounting documents shall be submitted to the tax office concerned before March 1 of every year. The report of meeting between the share-holders or board's members shall be submitted to the tax office within 10 days after the meeting.

The company group which consists of a number of enterprises with a joint capital, shall report the property, results of all activities and other benefits to the tax office concerned within the duration stated above.

Those who pay the tax on the contract basis or based on holding the primary accounting system, shall fulfil their tax duties according to the terms and conditions of the contract.

Article 49 : Income from salary and wages

Organizations, enterprises, or individuals who pay salary or wages to their staff, workers and other persons according to the contract, shall deduct the income tax amount from the salary-wages monthly, and make a list of the tax collected and send to tax office concerned within 10 days after the pay

Article 50 : Income from rent of the immovable property

Those who have income from rent of the immovable property, shall submit the tax declaration to the tax office where registered within 10 days after receipt of the rentals for the calculation and issue of tax invoice.

In the rate of rent declared or according to the contract was too low, the tax officials may make re-verification of the tax in conformity with the general market average rate in that place.

In event of providing land ,houses or other properties for the utilization of another person without any rent, the user who makes benefits from those facilities, shall be responsible for the income tax payment instead of the owner of the property The tax shall be calculated and according to a suitable market rate applied to the same conditions of the property.

If the owner does not require rents for definite period of time because the renter paid for development of the land, construction or repair of the premises rented, the material benefits gained by the owner shall be also imposed, The annual income tax shall be calculated by sharing the total expenditure for the development, construction or rehabilitation with the number of year excluded from the rents.

In the tax duty had not been paid in time, the tax-payer who had the rentals. shall be made to pay the tax in accordance with Article No. 85 of the present law.

Article 51 : Income from movable capitals, licenses and other intellectual property rights

Organizations, enterprises or individuals who pay dividends lending interests, guarantee fees, charges of license and other property rights to the recipients, shall deduct the tax amount and submit the list of tax collected to the tax office concerned within 10 days after the payment in order to calculate and issue the tax invoice.

CHAPTER VIII

Minimum tax

Article 52 : Minimum tax

The minimum tax is a minimum duty of the businessmen or independent workers who pay the profit tax according the extended or ordinary accounting system as stated in Article No. 41 of the present law.

Article 53 : Minimum-tax payers

The businessmen and independent jobbers, such as individuals, entities, Lao citizens, immigrants and foreigners who operate a business in Lao PDR and hold the extended or common accounting system, shall pay the minimum tax

Article 54 : Minimum-tax exemption

Those who may be exempted from the minimum tax, shall include :

- Foreign investors who are in a period of the annual profit tax exemption according to the conditions of the Law on the promotion and management of foreign investment in the Lao PDR No. 07/SNA of April 19, 1998 and No. 01/94 of March 14, 1994;
- Local investors who are in a period of the annual profit tax exemption based on Article No. 70 of the Decree of the Council of Ministers No. 47/SNA dated June 26, 1989, and the Law on the promotion of domestic investment.
- Those who pay the profit tax on the contract basis as stated in Article No. 41 of the present law

Article 55 : Rate of the minimum tax

The rate of the minimum tax shall be at 5.0 percent of the annual business income without the turnover tax, for the businessmen, or of the total annual income, for the independent workers.

Article 56 : Calculation and payment of the minimum tax

The minimum tax shall be paid annually based on the annual business income or the total annual income of the preceding year at the rate stated in Article No. 55 of the present law.

The minimum-tax payers shall submit the tax declaration sheets to the tax office where registered before March 01 of every year for the calculation and issue of tax invoices.

Article 57 : Deduction of the minimum tax

The annual profit paid in advance advance quarterly within the preceding year shall be deducted from the minimum tax due to payment.

The minimum tax paid shall be deducted from the actual annual taxable profit. If the minimum tax paid is more than the annual profit tax amount, the minimum tax paid or the difference shall be

PART V

Other Fees or Royalties

Article 58 : Collection of fees and service charges

The Government work-section shall collect fees from the issue of tax registrations, business permissions, approvals, certificates and other official documents. and from using the transport roads, the country's entry-exit visa, stay in the Lao PDR, utilization of satellite system of Tele-antenna, TV utilization, installation of advertising posters or boards and name-plates of stores as well as of other services in the Lao PDR

Article 59 : Determination of the rates of fees or service charges

The rates of and service charges applied in each work-section shall be determined by the President's President in conformity with the real social-economic situation of the country in each period.

Article 60 : Transfer of the fees and services charges

All incomes made from the fees and service charges shall be transferred to the state budget.

PART VI

GENERAL PRINCIPLES ON THE TAX AND VARIOUS FEES

Article 61 : Accounting holding

Those who pay the profit tax on holding the extended or common accounting as Item No. 1 and 2, Article 41 of the present law, shall hold a full legal accounting which conforms to the principles set by the law on enterprise accounting of the Lao PDR The enterprise accounting shall be made in details and clearly without omission, errors, deletion, overwriting and so on.

Before utilization the accounting books shall be registered with numbering sealed and signed by the competent tax authority. All book-keeping documents already used shall be kept within 10 years and ready to be presented to the audit of tax officials at any time.

Article 62 : Issuance of payment recipes for the sales goods or service

Those who deal in such business as production, trade and services, or have an independent job-occupation any pay the profit tax on the system of accounting holding as stated

in Article 41 of the present law as well as providing the sales of goods and services, shall issue the bills of payment receipt to the buyers or clients served.

The bill of payment receipt shall consist of the following contents :

- Name and location of the shop selling goods, commodities or providing services;
- Name and address of the buyer of clients receiving serves;
- List of items sold or services provided;
- Price of goods without turnover tax or services charges divided on each separate;
- Amount of the calculated turnover tax divided on each separate rate;
- Total price of goods or services including the turnover tax.

The bills of payment receipt should be checked, certified and sealed by the related tax officials before its utilization. The bill used should be kept within 10 years and able to be presented to the tax authority at any time during their audit.

Article 63 : Adjustment of tax calculation

During the calculation of tax if the figures made are in a package of ten, it shall be adjusted to a package of hundred as duly.

Article 64 : Method of the tax and fees payment

The tax fees calculated shall be fully and promptly transferred to the state budget. The payment of tax or fees shall be made in kip with one installment either in cash or by cheque, transfer or bonds, the fees collected by the Lao consulates abroad and the charges for flying trough the sky of the Lao PDR shall be paid in foreign currencies, but before its transfer to the state budget it shall be exchanged into kip with the Bank of Lao PDR at the current exchange rates applied in each period.

Article 65 : Reimbursement of tax

In case when the calculation of tax payment is made wrong, such as double calculation of tax payment, absence of compliance with the actual tax rates, overpayment of tax, or if the due to reimbursement can not be made, it shall be transferred and deducted from the next tax duties subject to payment.

PART VII

**ORGANIZATION AND PERMANENCE
OF THE TAX AUTHORITY.**

CHAPTER I

Organization of the tax authority and criteria of the tax staff

Article 66 : Tax authority

The tax authority is a organization belonging to the Ministry of Finance and has the following structure of organization.

- Tax Department and its Divisions
- Tax offices in various provinces, prefecture and special zones;
- District tax offices.

The functions of the organization at each level shall be determined in details in the resolution of the Minister of Finance.

Article 67 : Division of functions on calculation and collection of tax

The tax calculation and collection functions shall be offered to the following two work-units:

- 1- The local tax offices at various levels shall be responsible for the calculation and issuance of tax invoices, and then report daily to tax accounting offices on an official routine;
- 2- The tax accounting office has a function to monitor and accelerate the deposit of tax amount calculated to the tax account fully and due time.

Article 68 : Appointment and functions of the chief of the tax accounting office

The chief of tax accounting office shall be appointed by the Minister of Finance based on the proposal of the Director of tax Department.

The head of tax accounting office shall have the following functions:

- 1- Monitor and accelerate the deposit of the calculated tax or fees to the tax fully and in due time;
- 2- Close the tax account at 16 : 00 and compare the amount calculated with the real receipts in order to know the actually remaining amount of tax or fees due to be paid in each day details.
- 3- Transfer the income collected to the state budget entirely in each day.

Article 69 : Criteria of the tax staff

The tax staff shall be healthy, and have a good personal quality, honesty, good skills and abilities in tax field, good knowledge of the laws, and follow the by-law set. Any of the control-team members shall be appointed, and make personal promise officially.

Article 70 : Official secrets

Any tax staff implementing the tax functions or assigned to take part in proceeding any case shall close all official secrets strictly.

CHAPTER II

Role, Rights and Duty of the tax authority

Article 71 : Role of the tax authority

The tax authority has the role in organization, management and control of the income sources in the whole country in order to collect tax to the state budget.

Article 72 : Rights to receiving assistance

Any state organization, administrative authorities at each level, armed troops and other persons shall provide assistance or facilities to the tax authority if they request for such supports during implementation of their duties.

Article 73 : Rights to contact for getting various data-information

With a purpose of control, the tax authority has the right to require various data-information from any concerned organizations, enterprises or individuals. The data collection can be made by letter or by sending a person for the collection directly.

All above organizations, enterprises, or individuals shall supply any data required by the tax authority.

Article 74 : Rights to claim for declaration of accounting documents, various information, and to make checking on other places.

The tax officials have the following rights :

- Claim the tax-payers to declare all enterprise accounting document, request for explanations or presentation of evidences on data and information which are considered as necessary for the calculation deduction, exemption, cancellation or reduction of tax
- The claim can be made in written form or orally, and the tax-payers shall give response to the tax authority within 10 days after receipt the notice :
- Check the business units in order to secure the implementation of activities in compliance with the sections of work approved in the business license and the tax registration;
- Check goods in the stocks, and check all documents relating to the transport or removals of the goods from one spot to another spot, such as : sales certificate,

invoice, shipping documents and import declaration document in order to verify the legality of goods.

Article 75 : Rights to audit the enterprise accounting

The tax authority has the right to audit the annual accounting of enterprises within its responsibility in order to assure that the fulfillment of tax duties by those enterprises shall be operated correctly, entirely and within the duration.

The audit shall be made at least once a year, but if it is considered as necessary. the audit can be made earlier.

Three methods of audit are available :

- Audit the accounting based on the documents available in the tax office.
- Audit the accounting directly in the enterprise;
- Emergent audit of the accounting.

Regarding the audit, the tax agency shall inform the tax-payers early in written form within 10 days in order to let them prepare all necessary accounting documents and able to select an accounting consultant to assist in the explanations during the audit.

Article 76 : Audit and record

The audit team shall consist of at least three tax officials in the tax uniform with marks and ID cards issued by the Finance Minister.

After completion of the audit the tax auditors shall make a record which with shall include the followings :

- Name and surname, rank, post and work place of the tax auditors;
- Name and surname, age, citizenship, occupation and address of the tax-payer;
- Day, time and place of the audit;
- The real situation met during the audit.

The audit memo or record shall be made in presence of the tax-payer. The tax-year shall read and understand the audit report clearly before its signing, of printing his thumb on the report together with the tax auditors If the tax-payer denies to sing or print his thumb on the audit memo the tax auditors shall make a remark in the audit report.

The audit memo shall be made in two original copies, one for the tax-payer and another one shall be kept by the tax authority for filling or to proceed according to the Tax Law

Article 77 : Duration of auditing the annual enterprise accounting

The tax authority has the right to audit the annual accounting of enterprises within three year after receipt of the accounting documents.

Article 78 : Duration permitted to claim for the tax repayment

In event if the tax has not been fully calculated or it has been mistaken the tax officials shall have the right to make a claim on the tax repayment with a duration of three years after the tax calculation or payment.

Article 79 : Duties of the tax staff

During the implementation the tax staff shall be in the tax uniform, fix the tax mark and have a good attitude, follow the order, the tax regulations and other laws strictly, keep the documents and official secrets, provide guidelines to any persons, businessmen and staff of other organizations regarding fulfillment of the Tax Law.

Article 80 : Consideration of the claims or disputes on tax calculation

The tax officials have a duty to consider the claim of any tax-payer on the calculation and shall give an answer to them within 30 days after receipt of the claim During the consideration if it found that the claim is evidenced the tax authority shall adjust the incorrect tax amount or make the adjustment by applying the reimbursement method as stated in Article No .65 of the present law.

Article 81 : Cancellation of the tax unable to collection

In each year the head of the tax accounting office in coordination with the chief of the tax office shall have a duty to summarize the tax invoices unable to the collected by such reason as the tax-payers have escaped, and then make a report to the Director of Tax Department, by through the local administrative authority, in order to submit to the Minister of Finance as stated in Article No. 43 of the Law on state budget.

CHAPTER III

Rights of Tax-payers

Article 82 : Rights to submit a claim

Tax-payers who considered that they have overpaid tax as compared with the real tax amount due to payment, shall have the right to submit a claim on tax calculation to the tax office concerned within one year after the tax payment, otherwise, the claim shall not be considered.

If the person who claimed on the tax calculation does not receive a satisfactory response from the tax officials, he/she shall have the right to appeal to the next upper tax administration.

PART VIII

POLICY FOR SUCCESSORS AND MEASURES ON VIOLATORS

CHAPTER I

Policy concerning the work-successors

Article 83 : Policy concerning the work-successors

Government officials and other individuals who contributed to the inspection monitoring, searching, provision of various information enable to find the tax avoidance and claim back the hidden tax amount as well as penalize the violators, shall be praised and awarded as duly.

Article 84 : Policy regarding the tax-payers

The tax-payers who correctly and entirely implement the tax duties as well as within the duration set, shall be praised and facilitated in their business performance.

CHAPTER II

Measures on Violators

Article 85 : Calculation of the forced tax payment

The calculation of the forced tax payment is the calculation that the tax authority considered as correct and reasonable for the tax payment based on the information available.

The forced tax payment shall be applied to businessmen, independent jobber and other income gainers who :

- Do not hold an accounting or avoid the audit of tax authority;
- Do not declare for the tax payment or do not submit the annual accounting documents as determined by the law.
- Do not give response or give false response to the tax authority who requires for the presentation of evidences, explanations, various data or information regarding the tax calculation

Article 86 : Measures on tax-payers

The tax-payers who violate the rules declaration and payment of tax as stated in the present law, shall be applied with the measures according each case as follows :

- 1- In case of delay in submission of tax declaration or tax payments according to the tax contract, a penalty of 50% of the amount of tax due to payment in each month or each installment of delay shall be made. In the calculation of the fine a part of month or installment of delay shall be calculated as full month or a full installment.

In any case the amount of the shall nor exceed the amount of tax due to payment;

2-If the accounting is not correct, or the declaration of tax payments is not entire, and sales of goods or services are made without issuing any bills of payment receipt, or the bills and other accounting documents have been falsified, the tax-payers concerned shall be applied with all three following measures

- Repay the tax entirely;
- Pay additional tax of 30 percent of the tax amount subject to repayment ;
- Shall be penalized of 100,000 kip according to the rules of the Law on enterprise accounting.

If the second violation had been made, besides the entire repayment of tax the violators shall

- Pay an additional tax of 60 percent of the tax amount due to repayment;
- pay a penalty of 100,000 Kip according to the rules of the Law on enterprise accounting;
- Therewith their activities shall be shall be liquidated and publicized through the mass media.

3-The tax-payers who do not hold an accounting system. or do not let the tax authority to audit. and do not declare tax payments or submit the annual accounting documents as determined by the present law. or do not presentation of evidences, explanations, information on the tax calculation, shall be applied with all three following measures :

- Shall pay the tax based on a forced basis as stated in Article No. 85 of the present law;
- Shall pay an additional tax of 50 percent of the tax amount calculated for the payment :
- Shall pay a penalty of 150.000 Kip according to the rules of the Law on enterprise accounting.
-
- If the second violation has been taken, besides the forced tax payment the violators shall :
- pay an additional tax of 10 percent of percent of the tax amount calculated for the payment :
- Pay a penalty of 150.000 Kip according to the rules of the Law on enterprise accounting

- Therewith their activities shall be liquidated and publicized through the mass media.
- 4- In event of the delay in tax payment after receipt of the tax invoice the tax-payers shall
 - Be penalized of 5% of the tax amount delayed in payment, for the first time of delay, or of 10% for the second time of delay and 15% for the third time of delay, Each claim made by the tax official shall state a duration of 10 days within which the tax-payers shall make the payment.
 - If the tax-payers do not make the payment after receipt of the claim in the third time, the tax authority shall temporary close their activities and withdraw the enterprise license including the tax registration for one month.
 - While closing the activities the tax authority shall form a committee to confiscate the properties of the tax-payers temporary with an agreement of the court The committee shall consist of.
 - Officials from the tax accounting office,
 - Trade officials;
 - Police officials;
 - Officials from other parties concerned.

After one month if the tax-payers have not paid the tax, their activities shall be closed, and the enterprise license as well as the tax registration shall be withdrawn permanently, and therewith they shall be brought to court for proceeding the case according to the regulations and the laws.

If the tax payers insult and use rough words, challenge and threaten, hinder or have other attitudes contradicting the criminal law, they shall be proceeded according to the laws.

During the close of the activities, confiscation of the properties or consideration of the case at the court, if the tax-payers have paid the tax and remained penalty entirely, the tax authority may cancel the close of activities, the confiscation of properties or withdraw the application for legal proceeding at the court against the tax-payers, and then the case shall be closed.

Article 87: Measures on the tax Staff

The tax staff who made a violation, shall be punished according to the severity of ease as follows:

- 1- Any tax official who reveals an official secret, shall be disciplinary condemned, or shall be proceeded based on the laws;

2- In case of turning the occasion to account of one's position, misuse the authority, leave the

duties, imprudence in implementing the duties, falsification of receipts or other documents, non-transfer of the collected money to the state budget, and admit bribes or other actions damaging the reputation of the state or persons, the tax staff shall be disciplinary condemned or shall be proceeded according to the laws.

PART IX

FINAL PROVISIONS

Article 88 : Improvement and amendment of the tax rates

In case of the necessity and urgency, the President of the country shall issue a state provision to improve and amend the tax rates stated in the present law, The state provision shall be submitted to the forthcoming. plenary sessions of the National Assembly for adaptation as a law.

Article 89 : Implementation

The government of Lao PDR shall implement the present law.

Article 90 : Entry into force

Any definition and regulations contradicting the present the present law shall be canceled.

The present law shall come into force 90 days from the date of its promulgation by the President Decree.

Vientiane, October 41, 1995

President of the National Assembly
Samane Viyaket