

National Assembly

Vientiane Capital, 20 December, 2011

Tax Law Draft Amendment

Part I General Provisions

Article 1 Objective

This Law determines principles, regulations, procedures and measures related to the management and inspection taxation activities aiming at balancing income of business operators, society and all citizens impartially, boosting and promoting production to grow strongly, ensuring accurate and full collection of tax obligation to the state budget, contributing to the national socio-economic development.

Article 2 Taxes

Taxes are monetary obligations to be fulfilled by natural persons, legal entities or organizations whose earnings are from occupational practice, business operations, consumption of goods and services in Lao PDR and abroad that shall pay taxes at different rates as specified in this Law.

Article 3 Definitions

Terms used in this Law shall have the following meanings:

1. Taxpayer refers to natural persons, legal entities and organizations including Lao, alien, foreigner, non-resident who operate businesses or make a living permanently or temporary or persons who have residence or business premises in the Lao PDR, operate businesses in abroad that are obliged to pay tax obligations to the state according to the laws and regulations;
2. Alien refers to a person who holds other nationality that settles and resides in the Lao PDR for a long time, holds alien identification card, holds alien family registration book and the government of such alien still recognizes him/her. Aliens are under the management of the Ministry of Public Security and other relevant sectors;
3. Foreigner refers to a person who holds other nationality who stays for a short or long

- time in the Lao PDR to carry out certain duties and when the mission is accomplished he/she will return back to his/her own country. Such person is under the management of the Ministry of Foreign Affairs and other relevant sectors;
4. Non-resident refers to a person who resides in the territory of the Lao PDR that is not a Lao citizen and holds no documents to certify which nationality he/she is. Such person is under the management of the Ministry of Public Security and other relevant sectors;
 5. Freelance refers to the provision of a professional service or certain activity that is independent in terms of self-labor, body and brain without relying on others and mainly use his/her intelligence. This includes the activities involved scientific, cultural, artistic, education, public health such as teacher, scientist, lawyer, engineer, medical doctor, nurse, accountant and accounting expert;
 6. Depreciation refers to the calculation of the value of fixed asset which indicates the decrease value based on its useful life.
 7. Assets at net book value (Assets with remaining value) refers to value in the asset accounts minus depreciation and loss on asset value;
 8. Tax officer refers to official that is appointed to implement and operate its roles at the specific location or activity;
 9. Individual enterprise refers to a form of enterprise that is owned by sole proprietor. An individual enterprise operates as a private business of the enterprise owner which has unlimited responsibility for all debts of the business;
 10. Legal entity refers to organization or agency which has enterprise registration that has its own name, location of the office, assets, rights and obligations as determined in the law such as partnership enterprise, state owned enterprise, limited company, public company;
 11. All citizens refers to Lao, alien, foreigner, non-resident who reside in the Lao PDR;
 12. Business operation refers to a business that is associated with production/manufacturing, trade and services;
 13. Total business turnover refers to all incomes generated from business operations of the enterprise;
 14. Right to operate trading activities refers to the cost of capital for taking over the business from previous owner based on the legal document or recorded value approved by relevant authority, if it is a state capitalization;
 15. Vehicle refers to mini-bus, bus, truck, soft-roof jeep, hard-roof jeep, sedan and pick up.

Article 4. State Policies on taxation

The state supports and promotes taxation activities by laying out policies, regulations, assigning staff, providing vehicles and equipments necessary to ensure effective operation of taxation activities, consistent management of tax revenue collection nationwide, fairly adjustment of incomes, generating incomes to the state budget aiming at supporting business expansions, attracting domestic and foreign investment, developing rural community and eliminating poverty of Lao people.

Article 5. Principles of Taxation

In operating taxation activities, the following principles shall be applied:

1. Ensuring consistent centralized management across country;
2. Ensuring the support, promotion of business operations and investment to be expanded;
3. Ensuring the justice, transparency, prompt, accuracy, completeness and accountability;
4. Providing facilitation in many aspects for taxpayers;
5. Ensuring smooth cooperation between vertical and horizontal managements.

Article 6. Tax Obligations

All citizens, legal entities and organizations operating businesses, consuming goods and services in the Lao PDR and in abroad are obliged to comply with tax obligations as determined in this Law.

Article 7. Exemption and Deduction of Tax Obligations

Tax obligations that are exempted and allowed to deduct are as follows:

1. The international treaties are operated to avoid double taxation and paying income tax, and other treaties which the Lao PDR is a membership;
2. The operation based on provisions determined in the Law on Investment Promotion;
3. The operation based on the agreement made by the National Assembly for national important projects;
4. The operation based on agreement of the Standing Committee of the National Assembly based on the government proposal for special exempt in the case of force majeure or natural disaster including storm, widespread of diseases, flooding, drought, earthquake, fire and others that caused significant damages.

Article 8. Special Promotion Policies

The government has special tax promotion policies for certain investment sectors,

certain public utilities and certain public goods in rural and remote areas for small, medium and large enterprises in order to develop economic infrastructure including education, health, social-cultural, rural development and poverty reduction for people that are not related to the extraction of natural resources. Apart from determined policies on investment promotion, other policies shall be proposed to the National Assembly or to the Standing Committee of the National Assembly for consideration and approval.

Article 9. Scope of Application

This Law is applied to all citizens, natural persons, legal entities and organizations residing, working or operating businesses as stipulated in Article 2 of this Law.

This Law is not applied to value-added tax.

Article 10. International Cooperation

The state promotes foreign, regional and international relations and cooperation on tax administration through lesson learned in technologies and technical knowledge, reaping the donor assistance, developing human resources, exchanging of information and other areas, follow agreements and international treaties which the Lao PDR is a membership.

Part II Types of Taxes

Article 11 Types of Taxes

There are two types of taxes including indirect taxes and direct taxes.

Article 12 Indirect Taxes

Indirect taxes are taxes levied on consumers of general goods and services through business operators within the territory of Lao PDR.

Indirect taxes are:

- Value-added tax;
- Excise tax.

Article 13 Direct Taxes

Direct taxes are levied on all citizens, individuals, legal entities and organizations that have incomes or operate businesses in the country and in abroad. Direct taxes include:

- Profit tax;

- Income tax;
- Lump-sum tax;
- Environmental tax;
- Fees and administrative charges.

Part III Indirect Taxes

Chapter 1 Value-Added Tax

Article 14. Value-Added Tax

The value-added tax is an indirect tax which is collected on the value added proportion of goods and services occurring in all the processes, ranging from production, circulation, service supply to consumption and is collected according to the value of goods and services imported into the Lao PDR.

Article 15. Regulations of Value-Added Tax

Value-added tax shall be applied according to the regulations determined in the Law on Value-Added Tax.

Chapter 2 Excise Tax

Article 16. Excise Tax

Excise tax is an indirect tax which is levied on the consumption of certain goods and services as specified in this Law.

Article 17: Scope of Excise Tax

Excise Tax is levied on consumers of certain imported goods, domestic produced goods and services within the territory of Lao PDR through business operators who charge and pay to the state budget.

Article 18: Payment of Excise Tax

Goods and services that are subject to excise tax are as follows:

1. Fuel;
2. Compressed Natural Gas for vehicles;
3. Liqueur, beer or alcoholic drinks,
4. Aerated drinks including soft drinks, soda, energy drinks, mineral water;
5. Fruit juices and similar drinks;
6. Cigarettes including tobacco, cigarettes in packet, cigars;
7. Crystal items or crystal adornments;
8. All kinds of carpets;
9. Furniture sets (sofa) with the value from 10,000,000 kip and over;
10. Perfume, cosmetics;
11. Playing cards and gambling materials;
12. Traditional rockets, fireworks, crackers;
13. Vehicles including motorcycles and cars;
14. Vehicle spare parts and decoration items;
15. Speed boats, yachts and sport motor boats including their spare parts and accessories;
16. Satellite television signal receivers, audio-video players, cameras, telephones, audio-video recorders, musical instruments including their components and accessories;
17. Air-conditioners, washing machines, vacuum cleaners,
18. Billiard tables, snooker tables, bowling equipment, football game tables;
19. All kinds of game-playing machines.

Services that are subject to excise tax are as follows:

1. Entertainment services: night clubs, discotheques, karaoke;
2. Bowling services;
3. Massages, sauna, beauty services;
4. Consumption of mobile phone, cable television, digital television and internet services;
5. Golfing services;
6. Lottery services,
7. Casino services and poker machines.

Article 19: Exemption of Excise Tax

Goods and services that are exempted from excise tax include:

1. Goods and services that are subject to excise tax as stipulated in article 18 of this Law that are exported and certified by the customs authorities;
2. Alcohol (໑໐) for medical purposes specifically;
3. Goods that are imported, distributed or services supplied to students, researchers, officials and diplomatic organizations of the Lao PDR, foreign countries and international organizations in the Lao PDR and items that are necessary for religious purposes according to specific regulations;
4. Traditional rockets, fireworks, crackers that are imported by the state organizations for the purpose of celebration important official events;
5. Activities of disabled people;
6. Bowling, golfing and lottery services for donation based on the proposal of relevant sectors;
7. Spare parts that are imported by the domestic assembling factories for the purposes of assembling into finished vehicles.

Article 20. Rates of Excise Tax

Rates of excise tax are determined according to the types of goods and services as the followings:

1. Rates of excise tax for general goods

No.	Types of general goods that are subject to excise tax	Ad-valorem rates
1	Fuel: - Gasoline (super) - Gasoline (normal) - Diesel - Plane gasoline - Lubricant, hydraulic oils, grease, and brake oil	25% 24% 12% 10% 5%
2	Compressed Natural Gas for vehicles	10%
3	Liqueur or alcoholic drinks: - Liquor, wine and other drinks with alcoholic content under 15° Over - Liquor, wine and other drinks with alcoholic content under 15° - Beer	70% 60% 50%
4	Ready-made drinks: - Soft drinks, soda, mineral water, fruit juices and other similar	5%

	drinks - Energy drinks	10%
5	Cigarettes: tobacco, cigarettes in packet, cigars	60%
6	Crystal items or crystal adornments	
7	All kinds of carpets	
8	Furniture sets (sofas) with the value from 10,000,000 kip upwards	
9	Perfume and cosmetics	
10	Playing cards and gambling materials	
11	Traditional rockets, fireworks, crackers	
12	<p>Vehicles:</p> <ol style="list-style-type: none"> 1. Motorcycles: <ul style="list-style-type: none"> - with engine volume of 110 cc and lower - with engine volume of 111 -150 cc - with engine volume of 151 -250 cc - with engine volume of 251 -cc over - motorcycles that use solar power shall be charged 20% lower than the rate for each type as specified above. 2. Cars: <ul style="list-style-type: none"> cars shall be charged according to the engine of each type of cars ranging from 25% - 150%, which detailed rates of excise tax on vehicles shall be considered and determined by the government in the Presidential Decree. 	10% 15% 20% 25%
13	Spare parts for vehicles	10%
14	Decoration items for vehicles	15%
15	Speed boats, yacht, sport engine boats including their spare parts and accessories	15%
16	Satellite television signal receivers, audio-video players, cameras, telephones, audio-video recorders, musical instruments including their components and accessories;	10%
17	Electrical appliances including air-conditioners, washing machines, vacuum cleaners	10%
18	Billiard tables, snooker tables, bowling equipment, football playing tables	20%
19	All kinds of game players	30%

2. Rates of Excise Tax for services

No.	Services subject to Excise Tax	Rates
1	Entertainment: Night clubs, discotheques, karaoke	60%
2	Bowling services	10%
3	Massage, sauna, beauty services	10%
4	Consumption of services for mobile phones, digital television, cable television, internet	10%
5	Golfing services	10%
6	Lottery services	25%
7	Casino services, poker machines	80%

Article 21: Basis of Excise Tax calculation

The basis of Excise Tax calculation for each item can be made according to the following cases:

1. For general goods that are imported for the production/manufacturing, supply or self-consumption, the calculation is based on the value of customs declaration (CIF) plus import duties and other fees (if any) multiplied with excise tax rate;
2. For goods that are used and contracted for domestic production or for domestic self-consumption, the calculation is based on the wholesale price or retailed price (excluding value-added tax and excise tax) of products manufactured or contracted to manufacture by such factory in the country multiply with applicable excise tax rate;
3. For services, the calculation is based on the price of service consumption (excluding value-added tax and excise tax) multiplied with excise tax rate.

Article 22 (New). Basis of Excise Tax calculation for Cars

The basis for calculation for excise tax on the consumption of cars that are imported, manufactured or assembled in the country is based on the sale price of a car multiplied with applicable excise tax rate as specified in a specific regulation.

Article 23: Filing of Excise Tax Returns

Importers, manufacturers, outsourcers and services suppliers who are liable to pay

excise tax as stipulated in Articles 18 and 20 of this Law are obliged to file and pay excise tax as the followings:

- Importers of general goods shall file their excise tax returns at the time of filing customs declarations for all importations at the customs checkpoints;
- Domestic producers, outsourcers and service suppliers shall file their monthly excise tax returns no later than the fifteenth of the following month to the relevant Tax Administration Officer.

Article 24 (New). Filing of Excise Tax Return on Cars

Individuals, legal entities and organizations who buy or use cars from both import, domestic manufactured or assembled cars shall file excise tax return on cars to the relevant Tax Administration Office according to the specific regulation.

Article 25 (New). Exemption of Excise Tax on Cars

Excise tax on cars will be exempted in the following cases:

- Cars that are imported by the international organizations, cars that are granted by foreign donors to the Lao PDR;
- Temporary imported cars to be used in the projects that are under investment agreement approved by the National Assembly;
- Imported cars, domestic manufactured and assembled cars to be used under specialized activities of the state organizations as specified in specific regulations;
- Cars that are not stipulated in Article 3 paragraph 15 of this Law.

Part IV

Direct Taxes

Chapter 1

Profit Tax

Article 26: Profit Tax

Profit Tax is a direct tax that is collected on the profit of enterprises including freelance operating businesses.

Article 27. Scope of Profit Tax

Profit Tax is collected from domestic or foreign business operators who generate profit as stipulated in this Law.

Article 28: Taxable Profit

Taxable profit IS the profit generated from all types and levels of business operations.

Article 29: Rates of Profit Tax

The rates of profit tax are determined as the followings:

1. The 24% rate is applied to both domestic and foreign enterprises that hold legal entities, except companies that are registered at the stock market which are granted profit tax reduction of 5% from normal rate for a period of four years from the date of registration at the stock market. After such period normal rate as determined in this Law shall be applied;
2. The 26% rate is applied to enterprises that are legal entities which produce, import and supply tobacco products of which 2% shall be contributed to cigarette control fund according to Article 46 of the Law on Tobacco Control.
3. Profit tax rates for individual enterprises and freelance shall be progressive rates ranging from 0% to 24% according to the following table:

(Unit in Kip)

Level	Annual Profit Base	Taxable Amount	Rates	Tax at Each Level	Total
1	From 3,600,000 and lower	3,600,000	0%	0	0
2	From 3,600,001 - 8,000,000	4,400,000	5%	220,000	220,000
3	From 8,000,001 – 15,000,000	7,000,000	10%	700,000	920,000
4	From 15,000,001 – 25,000,000	10,000,000	15%	1,500,000	2,420,000
5	From 25,000,001 – 40,000,000	15,000,000	20%	3,000,000	5,420,000
6	From 40,000,001 upward	24%

Article 30. Methods for Calculating of Profit tax based on Accounting Year

The calculation of yearly profit tax based on accounting year for individual

enterprises, legal entities and freelance who follow accounting standard shall be made as the followings:

1. Profit from the annual accounts summary according to balance sheet is the difference between the assets at net book value at the end of the accounting year minus liabilities and registered capital, reserves, provision, gain and loss from assets revaluation and retained earnings;
2. Profit from annual account summary according to income statement is the difference between total business incomes and expenditures in the accounting year.

Article 31. Methods for Calculating Taxable Amount and Profit Tax within a Year

The calculation of taxable amount and profit tax within a year shall be applied as the followings:

1. The calculation of taxable amount is based on the accounting profit plus with non-deductible items as stipulated in Article 33 of this Law and minus deductible items as stipulated in Article 34 of this Law;
2. The profit tax can be calculated by using the taxable amount multiplied with relevant profit tax rate as stipulated in Article 29 of this Law.

Article 32. Calculation of Mandatory Profit Tax

Individual enterprises, legal entities and freelance that fall into the accounting regime excluding those who pay taxes according to lump-sum system but do not comply with the accounting rules, incomplete declaration and payment of taxes, must be subject to the calculation of mandatory tax.

The calculation of mandatory profit tax can be made by finding profit within a year multiplied with gross profit ratio according to each type of business activities and multiplied with profit tax rate as stipulated in Article 29 of this Law.

In case individual enterprises, legal entities and freelance fail to assess their total annual business turnover, the tax authorities shall cooperate with other relevant sectors based on the agreement of the taxpayer to determine total annual business turnover based on actual information and facts.

Gross Profit ratio for each type of activities are defined in a separate regulation.

Article 33. Non-Deductible expenses

Expenses that are not allowed to deduct from profit prior calculating profit tax within a year for individual enterprise, legal entities and freelance are:

1. Profit tax [of enterprises);
2. Value-added tax related to purchases of fixed assets;
3. Depreciation that are deducted according to accounting standards;
4. Luxurious expenses and depreciation of fixed assets that are not registered as the assets of the enterprise;
5. Salaries paid to partners by partnership enterprise who are not managers or employees of such partnership and salary of the owner of an individual enterprise;
6. Interest paid for the loan that partners borrowed for capitalization or [buy) shares;
7. Interest on loan that borrowed from informal banking system and paid to partners;
8. Interest on loan that is used outside business operations of the enterprise;
9. Expenses that are not directly related to business operations including playing golf, dancing, entertainment, gifts, prizes;
10. Personal expenses of the enterprise owner or partners that are not allowed to include in accounting year;
11. Expenses related to business operations without invoices or with invalid invoices or other expenses that are paid over actual amount. ;
12. Payments to other persons without contracts or certified documents;
13. Deduction of all types of provisions according to accounting standards;
14. Deduction of impairment lost according to accounting standards (impairment of fixed assets, goods in stock, doubtful debts, and others);
15. Losses from valuation of assets, liabilities in foreign currencies on a closing date;
16. Deferred tax expenses;
17. Penalties of all kinds;

Article 34. Deductible expenses

Deductible expenses prior to the calculation of profit tax within a year are as follows:

1. All expenses related to business operations that are not specified in Article 33 of this Law;
2. Some deductible expenses are allowed on the following proportions:
 - Travel expenses for administrative activities are deductible at the rate of zero point sixty percent (0.60%) of total annual business turnover;

- Reception [and] telephone costs are allowed depending on each items at the rate of zero point forty percent (0.40%) of total annual business turnover;
- Donations, allowances are deductible not more than zero point thirty percent (0.30%) of total annual business turnover;

3. Depreciation of fixed assets for tax purposes.

Article 35 (revised). Depreciation of Fixed Assets

The depreciation of fixed assets is the reduction of the fixed asset values according to its useful life or technical changes aiming at accumulating funds for future purchase of new assets.

The depreciation of fixed assets can be calculated by three methods such as straight-line , double declining and unit of production methods.

The depreciation shall be started from the date of receiving the fixed assets as the assets of enterprise.

The depreciation shall be calculated until the fixed assets are disposed from the assets List of the enterprise based on initial cost of the asset; if there is fixed asset disposal during the year, depreciation needs to be recorded and calculated from the beginning of the year until the date the fixed asset is disposed.

Whenever the accumulated depreciation is equal to its historical value, the depreciation should be stopped until such fixed asset is removed from the accounts of the enterprise.

Fixed assets consist of intangible and tangible fixed assets of which their depreciation shall be based on their useful life as specified in the table below:

Fixed Assets of the Enterprise that can be depreciated are:	Useful life	Annual Rate of Deduction
1. Intangible fixed assets:		
• Costs for designing and establishing of an enterprise	2 years	50%
• Costs for searching, mineral exploration, economic-technical feasibility studies	5 years	20%
• Software used in a certain profession	2 years	50%
2. Tangible fixed assets:		

- Buildings for industrial purposes:	20 years	
+ With a useful life of 20 years and lower.....	50 years	
+ With a useful life from 21 -50 years and over.....		
- Buildings for commercial and living purposes:	20 years	
+ Permanent type	10 years	
+ Semi-permanent type.....		
- Machinery, vehicles for extraction, clearing, draught for industrial, agriculture, handicraft and other contractions.....	5 years	
- Land and water transport vehicles	5 years	
- Equipment or completed set of tools for doing a certain profession or work.....	5 years	
- Materials and office supplies.....	10 years	
- Ships, cruises, ferries and other similar boats.....	10 years	
- Passenger airplanes and cargo.....	10 years	

1. Costs that allowed for depreciation:

- Costs for designing and establishing an enterprise are expenses prior to establishment process or after the establishment that are related to intangible fixed assets including certification of innovation, license, permission for concession, use of technology, manufacturing process and same type of rights, other intangible fixed assets that can be determined useful life;
- Costs for searching, surveying, economic-technical feasibility study through certification from relevant sectors and recognized by the Tax Administration Office are the records of expenses for mineral exploration and costs for researches and expansion of activities borne by the enterprise to serve its activities prior and after the establishment of an enterprise.

2. Intangible fixed assets that cannot be determined its useful life are not allowed for depreciation. These include rights on land use, rights to carry out commercial activities (liquidate), certificate for capitalization:

- Fixed assets that are not recorded in the asset accounts of the enterprise;
- Fixed assets that are fully depreciated according to its useful life are not allowed for depreciation any longer, but they can be used and revaluated for capital injection , transfer of usage rights and others;

3. Dividend received from investment in other enterprises that has already been paid profit tax;
4. The write back of all type of reserves that are calculated and paid profit tax;
5. Bad debts with supporting evidence such as certified documents from relevant sectors;
6. Incomes from deferred tax;
7. Gains from exchange rate received from the valuation of assets and liabilities in foreign currencies at the closing date;
8. Donations and allowances as determined in the investment contract signed between the investor and the government.

Article 36. Filing Profit Tax Return

Profit taxpayers who are fall into the standard accounting system shall file profit tax return according to actual income.

Individual enterprises, legal entities and freelance who do not follow accounting system or keep basic bookkeeping shall file profit tax return according mandatory profit tax based on total annual business turnover which shall be evaluated by the tax authorities and relevant sectors based on actual documentation as stipulated in Article 32 of this Law.

Article 37. Summary for filling Profit Tax Return

Accounts summary of the individual enterprise, legal entity and independent jobber including branches or agencies shall be consolidated into the accounts summary of the head office at one place to calculate and file annual profit tax returns.

Article 38. Payment of Profit Tax

Individual enterprise, legal entity and freelance shall pay profit tax on quarterly basis based on the actual paid of profit tax of previous year, actual profit of each quarter in a year or estimated profit tax as specified in the annual tax payment plan. Amount of actual profit tax payable in a year shall be re-calculated for all quarters based on accounts summary in a year.

Payment of profit tax shall be made in four quarters as follows:

1. Quarter one: shall not later than the tenth of April of current year;

2. Quarter two: shall not later than the tenth of July of current year;
3. Quarter three: shall not be later than the tenth of October of current year;
4. Quarter four: shall not be later than the tenth of March of the following year.

Profit tax paid in each quarter is regarded as advanced payment. After prepared annual accounts summary, filling of profit tax return shall be made according to the financial statement to calculate actual profit tax payable; if actual profit tax is greater than profit tax paid in advance, the surplus shall be paid or if actual profit tax is less than the profit tax paid in advance, it shall be carried forward to the following year.

The financial statement including balance sheet, income statement, trial balance, other accounting documents and essential tax reporting documents as determined in the accounting regulation and the minute of meeting of partners or shareholders regarding the profit use or dividend payment shall be submitted to the Tax Administration before the first of March each year. In the case of fail to submit or open the shareholders meeting, tax officials will calculate dividend tax according to the income statement within a year.

For a company or group of companies operating in various business activities shall make a consolidation of balance sheet and income statement for all business activities main activities and a copy of consolidated statements must be kept at the relevant Tax Administration.

For the public investment or businesses operating in the Lao PDR, before paying money to individuals or legal entities that are registered in abroad but gain incomes in the Lao PDR, such project owner or enterprise shall withhold profit tax and pay to the state budget according to the calculation as specified in Articles 33, 34,35 and 36 of this Law.

Withholding tax of the project owner or enterprise that are collected from individual or legal entity that are registered in abroad shall be filed into separate form and submit to tax administration within thirty days from the date of withholding tax.

Article 39: Carry Forward of Annual Losses

Individuals, legal entities and freelance, who pay profit tax under accounting system, in the event of losses within a year, such losses can be carried forward to offset with profit of the following year within three years period based on certification from the Audit Authority or independent audit company and recognition by the Tax Administration. After completing the three years term, , the remaining losses are no longer allowed to offset from profit.

Article 40. Payment of Actual Profit Tax according to Accounting System

Taxpayers who pay profit tax under lump-sum tax regime but are eligible to pay tax under accounting system, wishing to pay profit tax based on actual profit, have a right to request to the relevant Tax Administration Office to follow formal accounting system. This can be done by having tax officials to coordinate for information gathering in order to encourage and facilitate to entering into accounting system provided that the accounting standard requirement shall be fulfilled for at least one year before making a consideration.

Taxpayers who pay lump-sum tax according to a contract can change to pay actual profit tax based on accounting regime at least sixty days prior to expiration of the contract.

Article 41. Closing of Accounts

Individual enterprises, legal entities and freelance that pay profit tax according to accounting system shall close their accounts on 31 December of the year, except the case of closing, selling, transferring of business activities to others within a year.

Enterprises that are registered within an accounting year can close their accounts on the 31 December of the year or business operators are allowed to close their accounts within the following year according to the cycle of twelve months as specified in the provisions of the Law on Accounting.

For contractors operate specific projects in several years period, their accounts shall be closed on 31 December of each year or when the project is completed.

Acquisition

Article 42: Closure, Sale, Handing Over or Transfer of Business Activities

When closing, selling, handing over, merging, separating and transferring business activities either partly or fully to others, individuals, legal entities and freelance shall close their accounts of business operations and report to the Tax Administration Office where they are registered within ten days from the date of closure, sale, hand-over, merge, separate and fully or partly transfer of business operations in order to pay outstanding tax amount including name, surname and addresses of buyers and transferees of the business.

In case the individual enterprise owner and freelance is dead, the heirs are required to provide necessary information to the Tax Administration Office within ninety

days from the date he/she received inheritance in order to pay tax arrears on behalf of the dead person according to the laws.

Chapter 2

Income Tax

Article 43: Income Tax

Income Tax is a direct tax that is collected from the income of natural persons, legal entities that earn income in Lao PDR as stipulated in this Law.

Article 44: Scope and Obligations of Paying Income Tax

All citizens who earn income in the Lao PDR as specified in Article 45 of this Law are liable to pay Income Tax.

Persons who reside in the Lao PDR but have worked and earned incomes in abroad shall file their income tax returns in the Lao PDR, if they are exempted from Income Tax in abroad.

Lao officials working at the embassies, consulates or international organizations in abroad and earn incomes in the Lao PDR shall file their income tax returns in the Lao PDR.

Foreigners working in the Lao PDR and earning salaries in the Lao PDR or abroad shall pay income tax in the Lao PDR, except there is a specific agreement on double taxation and anti-income tax evasion between countries and investment agreement between the government and investors that are approved by the National Assembly.

Article 45: Taxable Income

The taxable income includes:

1. incomes from salaries, wages, extra allowances, over-time work, position allowances, careers allowances, annual bonuses, meeting allowances for members of the executive boards of companies, and other benefits received in cash or in kind,
2. Incomes from dividends or other benefits for partners or shareholders, profit from selling share of individuals and legal entities;
3. Income from lending interests, income from fees of being brokers or representatives of individuals, legal entities, income from warranty services paid according to the contracts or other obligations;
4. Income from non-business activities of the state organizations, Lao Front for National Construction, mass organizations and civil society;
5. Income from prizes, lotteries in monetary or precious objects more than one million kip;
6. Income from rents including land, houses, buildings, vehicles, machinery or other properties;
7. Income from intellectual properties including patents, copyrights, trademarks or other rights of individuals or legal entities;
8. Income from trading, transfer of usage right on land, building structures or land with building structures.

Article 46: Non-Taxable Income

Non-taxable incomes are as the followings:

1. Income from salaries from one million and lower;
2. Salaries of personnel working at the embassies, staff of international organizations and foreign experts working in the Lao PDR as defined in the agreements between Lao government and related parties and in accordance with regulations of the Ministry of Foreign Affairs;
3. Profits from selling shares in the stock markets of individuals or legal entities;
4. Allowances for wife and children who are not older than eighteen years old, giving birth, sickness, occupational accident, one time bonuses, pension, stipends of pupils and students as specified in the law;
5. Dividends to partners or shareholders of companies registered at the stock

- market, except regulations defined otherwise;
6. Income of the companies that issue portfolio aiming at mobilization of capital by issuing share and corporate bonds which are registered or are not registered in the stock market that recognized by relevant sectors;
 7. Labor costs of disabled people that are certified by relevant organizations;
 8. Prizes, lottery prizes in monetary or precious objects from one million and lower;
 9. Rental fee for of business operators that file and pay taxes according to the accounts;
 10. Public and enterprise social security fund s;
 11. Income from activities for public utilities including artistic performances, sports and other activities authorized by relevant authorities;
 12. Interests from deposits, bonds or government bonds;
 13. Life annuities and properties of individuals or organizations;
 14. Bonuses granted as rewards or prizes that the state pays to good performers in monitoring, searching, protecting, stopping and anti-actions that violate the laws and regulations;
 15. Allowances for good performers, dead persons and disabled on duties to fight for liberation, allowances for members of the National Assembly;
 16. Prizes for scientific achievements and inventions;
 17. Per diems, transportation fares, pocket money, accommodation of civil servants and grant from donors who operated certain activities which are defined under the Law on State Budget;
 18. Income from trade of land, transfer of land usage rights, buildings or land with building that are registered in the assets account of the enterprise that file tax return according to the accounts and for inheritance between vertical relatives including parents, spouses and children.

Article 47. Income Tax Rate

Income tax rates are defined as the followings:

1. Incomes from salaries, wages, extra allowances, over-time work, position allowances, career allowances, annual bonuses, meeting allowances for members of the executive boards of companies, and other benefits received in cash or in kind are subject to income tax at the consistent progressive rates ranging from 0% to 24% as in the following table:

(Unit in kip)

Level	Annual Profit Base	Taxable Amount	Rates	Tax at Each Level	Total
1	From 1,000,000 and lower	1,000,000	0%	0	0
2	From 1,000,001 - 3,000,000	2,000,000	5%	100,000	100,000
3	From 3,000,001 – 6,000,000	3,000,000	10%	300,000	400,000
4	From 6,000,001 – 12,000,000	6,000,000	12%	720,000	1,120,000
5	From 12,000,001 – 24,000,000	12,000,000	15%	1,800,000	2,920,000
6	From 24,000,001 – 40,000,000	16,000,000	20%	3,200,000	6,120,000
7	From 40,000,001 and higher	24%

2. Income from dividends or other benefits to partners or shareholders, profit from the sale of shares of natural persons, legal entities10%
3. Income from lending interest, income from commissions of natural persons, legal entities, income from warranty services based on the contract or other agreements 10%
4. Income from activities of commercial nature of the state organizations, Lao Front for National Construction, mass organization and civil society 10%
5. Income from prizes, lottery prizes in monetary terms or precious object with the value more than one million kip 10%
6. Income from the lease of land, houses, building structures, vehicles, machinery or other properties 10%
7. Income from intellectual properties including patents, copyrights, trademarks, or other intellectual properties of natural persons or legal entities 5%
8. Income from trading, transfer ownership on land, building structures or land with building structures, except what are specified in Article 46 paragraph 18 of this Law 5%

Article 48. Basis of Income Tax calculation

The basis of income tax calculation shall be made as the followings:

1. For incomes from salaries, wages, extra allowances, over-time work, position allowances, career allowances, annual bonuses, meeting allowances for members of the executive boards of companies, and other benefits received in cash or in kind, the taxable amount shall be cash received plus the value of precious objects and other benefits received according to the contract;
2. For incomes from dividends or benefits or other benefits paid to partners or shareholders, profit from the sale of shares of natural persons, legal entities, the

taxable amount shall be:

- Surplus from selling shares;
 - Income from dividends or other benefits paid to partners or shareholders, the taxable amount shall be the amount of dividend or value of other benefits that partners or shareholders received according to the company by-law or agreement of the shareholder meeting, board executive and board of directors.
3. Incomes from interests on loan, commissions of individual or legal entities, warranty services according to the contract or other agreements, the taxable amount shall be the amount of interest, amount of commission received according to the contract or other agreements;
 4. Income from activities of commercial nature of the state organizations, Lao Front for National Construction, mass organization and civil society, the taxable amount shall be all income received;
 5. Income from prizes, lottery prizes in monetary terms or materials, the taxable amount shall be the amount or value of materials received; prizes received in materials shall be combined with total prizes received in monetary term by determining the value of materials into monetary and payable income tax;
 6. Income from leasing, the taxable amount shall be the amount of rental fee or value of in kind benefits received according to the contract or other agreements;
 7. Income from intellectual properties including patents, copyrights, trademarks or other intellectual properties, the taxable amount shall be all incomes received according to the contract or other agreements;
 8. Income from trading, transfer ownership on land, building structures or land with building structures, the taxable amount shall be all incomes received for individuals who are not a business operator that pay taxes under accounting system.

Article 49: Calculation of Income Tax:

Income tax shall be charged on monthly, annual basis or according to contracts on the basis of all types of incomes received multiplied with the rates as stipulated in Article 47 of this Law.

Before the calculation of income tax that is in foreign currency, it shall be converted to Lao kip at the exchange rate on the date of calculation.

Income from salaries shall be calculated and paid to the state budget by individ-

uals, legal entities and organization on monthly basis at the time of paying salaries.

Income from leasing, buying and selling land usage rights, the calculation shall be based in standard price in each area and each period that is determined by the Ministry of Finance and other relevant ministries in a specific regulation according to realities.

In addition to incomes as determined in paragraphs 3 and 4 above, before paying money to income earners, individuals, legal entities and organizations shall calculate and withhold such income tax according to the time as specified in the contract and when earning income in order to pay to the state budget.

Article 50: Filing Income from Salaries

Individual enterprises, legal entities and organizations paying salaries to their employees, civil servants, workers and other persons according to the contract or other agreements shall calculate and withhold income tax from salaries every month before paying the salary followed by filing and paying the withholding tax to the Tax Administration Office where they are registered by the fifteenth of the following month.

Article 51. Filing Income Tax from Leasing

Those who earn income from leasing shall file and pay taxes to the Tax Administration Office where they are registered to calculate, issue demand notices and pay income tax within ten days from the date of receiving rental fees.

Filing of income tax from leasing shall be based on the contracts, rental prices according to the standard and determined regulations.

If the value determined in the contract is lower than the standard price or inconsistent with the reality, the tax authorities are eligible to inspect and recalculate the amount of lease according to the standard price determined in a specific regulation in order to recalculate income tax to reflect the reality.

Article 52: Filing Income Tax from Other Sources

Individuals, legal entities and organizations, before paying money or giving in kind benefits to income earners as stated in Article 45, except paragraphs 1 and 6 of the Law, shall withhold income tax and file, pay such tax to the Tax Administration Office where they are registered within ten days from the date of paying such income.

For income from intellectual properties, income tax shall be charged from income earners by which persons who pay money shall withhold income tax and file to the Tax Administration Office in order to pay to the state budget through the National Treasury within ten days from the date of paying such income, except the it is stated otherwise in the contract.

For income from prizes, lottery prizes in monetary term or precious object, income earners shall pay such tax where persons who pay prizes shall withhold income tax and file income tax return to the Tax Administration Office in order to pay to the state budget through the national treasury within ten days from the date of receiving such income, the remaining amount shall be paid to the prize winners in monetary term or materials.

Income from buying, selling or transferring of land ownership, income earner shall pay such tax (seller or income earner from the transfer of ownership) by assigning buyers or the transferor of land according to the contract to withhold income tax and file to the Tax Administration Office to pay to the state budget through the national treasury within ten days from the date of paying such income, except it is determined in the contract between buyers and sellers or transferors and transferees on income tax based on calculation method as stipulated in Article 49 of this Law.

If it is considered that the value of purchases, sales or transfer of ownership is inconsistent with the reality, the tax authorities are eligible to calculate income tax based on standard price of each area and each period to calculate income tax to reflect the reality.

Article 53. Payment through the Bank

Individuals, legal entities and organizations operating businesses in the Lao PDR who earn income from trading, providing services and other incomes as stated in Article 45 of this Law shall make payments through banking system of the Lao PDR, except incomes with values lower than one million kip.

Chapter 3 Lump-Sum Tax

Article 54. Lump-Sum Tax

Lump-sum tax is a direct tax levied on individuals, legal entities operating small and medium enterprises that are not under value-added tax system who pay taxes

according to contracts made between the Tax Administration Office and taxpayers excluding income tax as determined in Article 45 of this Law.

Article 55. Calculation of Lump-Sum Tax

The calculation of lump-sum tax shall take business turnover within a year multiplied with lump-sum tax rate. Before calculating lump-sum tax, the business operators shall summarize their business turnover of previous year and make estimation for the current year for the basis of the calculation. If it is considered that, such information is inconsistent with the facts, the Tax Administration Office shall cooperate with relevant sectors to conduct an assessment of business turnover to reflect realities at the location where businesses operate..

Article 56. Lump-Sum Tax Rates

Small and medium business operators with annual business turnover lower than 50,000,000 kip shall apply as the followings:

- From 12,000,000 kip and lower is exempted; from 12,000,001 kip to 50,000,000 kip is subject to lump-sum tax that all activities are subject to absolute rate not more than 600,000 kip per year by the agreement of the government in order to make it consistent with the size of business and characteristics of each area;
- Small and medium business operators with annual business turnover from 50,000,001 up to 400,000,000 kip shall be complied with the followings:

Lump-sum Tax Base(In Kip)	Lump-Sum Rate Tax For Each Sector		
	Production/Manufacturing	Trade	Service
50,000,001 - 120,000,000	3%	4%	5%
120,000,001 - 240,000,000	4%	5%	6%
240,000,001 – 400,000,000	5%	6%	7%

Lump-sum tax shall be paid monthly, three month, six month or annual basis according to the contract. If it is considered that, business turnover of the taxpayer increases or decreases from what is defined in the contract, the tax authorities shall cooperated with taxpayers or relevant sectors to consider and recalculate taxes to reflect realities, recall under reported taxes from previous years and make a new contract to comply with tax obligations further.

**Chapter 4
Environmental Tax**

Article 57 (New). Environmental Tax

Environmental tax is a direct tax levied on individuals, legal entities and organizations authorized to operate businesses, import or use natural resources in the Lao PDR that causes pollution to the environment, damage health, life of human, animals and plants and balance of ecosystem.

Article 58 (New). Scope of Environmental Tax

Individuals, legal entities and organizations including Lao, aliens, foreigners, non-residence who are authorized to operate businesses, import or use natural resources that caused pollution to the environment in the territory of the Lao PDR are obliged to pay environmental tax, aiming at treatment, rehabilitation or clean pollution and waste to be back into normal as appropriate for livelihood in the society.

Taxable activities, exempt activities, taxable targets, taxable amount and rates of environmental tax are defined in a separate regulation.

Chapter 5 Fees and Administrative Charges

Article 59: Fees and Administrative Charges

Fee is a direct obligation that is a royalty for state administration collected from natural persons, legal entities or organizations that carry out business and social activities through public sector in the form of certificates and licenses.

Administrative charge is a direct obligation that is an administrative service fee from the public sector in carrying out activities to the society without making profits and to support public expenditure of the state budget.

Article 60. Fee and Administrative Charge Rates

Fees and administrative charges including the collection and payment shall be

applied according to the Presidential Decree on the Fees and Administrative charges and other relevant regulations promulgated in each period.

Part V

Rights, Obligations of Taxpayers, relevant Individuals and Organizations

Article 61. Rights and Obligations of Taxpayers

1. Taxpayers have the following rights:

- receive documents, information, explanation, clarification and recommendations on the policies, tax payment regulations including the determination of tax obligations of the taxpayers;
- their confidential information shall be protected;
- receive tax reduction and exemption according to the laws and regulations; receive tax refund due to excessive payment according to the laws and regulations;
- propose, file complaints, appeals against inaccurate and inconsistent actions of the tax authorities, tax officers or organization as stated in this Law and other relevant laws.

2. Taxpayers have the following obligations:

- Assess, file tax returns and pay taxes in accurate, complete and timely manner;
- Be responsible for filing, assessing, claiming for deduction, reduction and exemption accurately and reflecting the facts;
- Summarize and develop annual tax payment plans;
- Report on bank accounts in the banks, treasury and other financial institutions to the Tax Administration Office;
- Apply accounting system and use invoices according to the laws and regulations;
- Provide accounting documents, invoices, certificates of financial status and other documents related to the calculation and accounting audit to the Tax Administration Office according to the regulations;
- Implement decisions, ordinance, instruction and notices of the tax authorities for the payment of tax arrears and penalties, if the taxpayers fail to comply

- and do not cooperate the tax authorities, they shall consent the confiscation or seizure of assets with the equivalent value of the tax arrears;
- Maintain and store accounting documents according to the laws and
 - regulations; Implement other obligations according to the laws and regulations,

Article 62. Rights and Obligations of Relevant Individuals and Organizations

Relevant individuals and organizations have the following rights and duties:

1. Monitor, inspect, provide information related to the taxpayers and cooperate, assist the Tax Administration Office according to their roles;
2. Notify and report on the tax violations to the Tax Administration Office, where the informants shall be protected and maintained secrecy,

Part VI

Tax Compliance

Article 63. Tax Payment Plan

Each year, business operators shall assess and submit their tax payment plan for each type of taxes to the Tax Administration where they are registered, Once a tax payment plan is received, the Tax Administration shall compare and analyze actual information. If it is considered that the tax payment plan is not clear, the Tax Administration shall notify the business operator to recalculate the plan and send to the Tax Administration by March of each year.

Article 64. Holding Accounts

Individual enterprises, legal entities and freelance shall comply with complete accounting regime, consistent with the regulations as determined in the Law on Accounting and accounting standards of the Lao PDR.

Accounting documents that have already been used shall be stored within ten years and they shall be presented to tax authorities when they are needed,

The use computerized accounting system shall be registered according to the regulations and determined accounting standards,

Article 65. Using Invoices

Individual enterprises, legal entities and organizations that have trading of goods and services shall use invoices according to the laws and regulations.

The Ministry of Finance shall design, print, distribute, manage and use all types of invoices in specific and general formats in accordance with the laws and regulations.

Article 66. Adjustment of Taxes

If the calculation of payable taxes, fees and administrative charges are in fractions, they shall be rounded into higher or lower units.

Article 67. Payment of Taxes, Fees and Administrative Charges

Taxes, fees, administrative charges and fines that are defined to collect in kip or foreign currencies shall be collected in such currencies regardless to the cash, check, banknotes and shall pay in such currency to the state budget through banking system of the Lao POR or national treasury according to the demand notice of taxes or fees and administrative charges.

For remote areas where bank services are not available, the payment shall be in cash to the national treasury or district tax office.

The payment of taxes, fees, administrative charges and fines in foreign currencies by taxpayers and the receipt of such money should be done through the bank and be entered into account of the national treasury in its original currency and recorded in the Lao kip account according to the demand notice of the tax authorities based on the effective exchange rate of the bank in each period.

Article 68. Tax Refund

In case there are mistakes in the calculation as a result of providing wrong information from the business operators or tax authorities such as double payments, using wrong rates, over payment and having tax refund, , the Tax Administration Office shall have responsibility to resend to the refund money to the taxpayers. If it cannot be refunded, the excessive tax shall be carried forward to deduct from the amount of the same taxes or other tax payable in the next month, quarter or year.

Article 69. Tax Arrears Enforcement

The Tax Administration Office is eligible to audit the calculation and payment of taxes of taxpayers within three accounting years. If the audit found that the calculation and payment of taxes is incorrect and incomplete, the Tax Administration Office can recover such taxes with penalties as specified in Article 73 of this Law.

Article 70. Writing Off of the Uncollectable Tax

Tax Administration Office is responsible for compiling of assessment notices that failed to collect in the past. In case the taxpayers are disappeared or died that left no assets, the Tax Administration Office shall cooperate with local administration and other relevant sectors to find out the consensus and report to the Minister of Finance to decide and make a decision on writing off of such taxes.

Article 71. Submission of Complaints

When realizing the taxes are charged incorrectly, the taxpayers are eligible to file complaints to the Tax Administration Office where they are registered within thirty days from the date of receipt demand notices or tax returns. If such period is over, complaints will not be accepted.

Article 72. Processing of Complains

The Tax Administration Office is responsible for considering of complains and giving responses to the taxpayers in writing within thirty days after receiving the complaints. If the taxpayers' complaint is considered justified, the Tax Administration Office shall adjust the incorrect amount and refund the excess tax amount to the taxpayers as specified in Article 68 of this Law.

In case the complainant does not receive consideration or the consideration is not consistent with the laws and regulations, that complainant is eligible to appeal to the financial sector at each level (district, municipal finance offices, provincial, municipality department and Ministry of Finance) or the taxpayers can further appeal it according to the legal proceedings for consideration.

Article 73. Penalties/Fines

Taxpayers violating the regulations on tax declaration and payment as specified in this Law will be fined as in the following cases:

1. Filing a tax return and paying taxes late shall be fined zero point one percent (0.1 %) of payable amount per day. The penalty shall not exceed the tax amount payable;
2. Underreporting of business turnover, paying incorrect tax amount, selling of goods and services without issuing invoices or issuing false invoices shall be fined as follows:

First offense:

- Recalculate full tax amount;
- Calculate fines twenty percent (20%) of the amount payable from recalculation;
- Fine according to the enterprise accounting procedures and other relevant regulations.

Second offense:

- Recalculate full tax amount;
- Calculate fines forty percent (40%) of the amount payable from recalculation; Fine according to the enterprise accounting procedures and other relevant regulations.

Third offense:

- Recalculate full tax amount;
- Calculate fines sixty percent (60%) of the amount payable from recalculation;
- Fine according to the enterprise accounting procedures and other relevant regulations;
- Force to close down a business and announce on the media;
- Take legal proceedings depending on each case.

3. Not holding accounting systems, not report business turnover, not file tax return, not allow tax authorities to audit, not present annual accounting documents as specified in

this Law or not timely response to the tax authorities who required evidence, explanations, information about tax calculation, shall be fined as the followings:

First offense:

- Pay profit tax by the arbitrary assessment according to article 32 of this Law;
- Pay an additional amount of thirty percent (30%) of the calculated tax due;
- Pay a fine according to accounting regulations and other relevant regulations.

Second offense:

- Pay mandatory profit tax according to article 32 of this Law;
- Pay an additional amount of sixty percent (60%) of the calculated tax amount payable;
- Pay a fine according to accounting regulations and other relevant regulations.

Third offense:

- Pay mandatory profit tax according to article 32 of this Law;
- Pay an additional amount of one hundred percent (100%) of the calculated tax amount payable;
- Force to close down a business and announce on the mass media;
- Take legal proceedings according to each case.

4. For tax arrears, after receiving an assessment notice, the offended taxpayer shall be fined three percent (3%) of the tax amount payable for the first reminder letter from the first day after the expiration date of fifteen days according to the demand notice, six percent (6%) for the second reminder letter, and ten percent (10%) for the third reminder letter.

The issuance of each reminder letter should leave an interval of fifteen days from the date the taxpayers received enforcement notice.

Part IX

Tax Organization

Chapter 1

Tax Administration

Article 74: Location and Roles

The Tax Administration Office, an organization under the Ministry of Finance, plays

a role in managing tax administration on vertical line, being a chief of staff to the Minister of Finance for macro management, internal control, and audit, implement the calculation, monitoring and support tax payment to the state budget on centralized, uniform manner throughout the country according to the laws and regulations.

Article 75: Organizational structure

The Tax Administration Office has the following organization structure as the followings:

1. The Tax Department is an organization under the Ministry of Finance plays a role in managing tax administration on vertical line, being a chief of staff to the Minister of Finance in macro management, develop revenue collection plan, internal control, audit, carry out calculation, monitor and support tax revenue collection into the state budget on centralized and uniform manner throughout the country according to the laws and regulations;
2. The Provincial, Capital Tax Division is an organization under the Tax Department, plays a role in managing administration, being a chief of staff to the Director General of the Tax Department in developing plans for revenue collection, internal control, carry out calculation, monitor and support revenue collection into the state budget on centralized and uniform manner under its scope of responsibilities;
3. The District, Municipal Tax Office is an organization under the Provincial, Capital Tax Division, plays a role in managing administration, being a chief of staff to the Director of the Provincial, Capital Tax Division in developing plans for revenue collection, internal control, carry out calculation, monitor and support revenue collection into the state budget on centralized and uniform manner under its scope of responsibilities;

Article 76. Personnel Structure

The Tax Administration has the following personnel structure:

- Director General, deputy-director general(s),
- Director of division, deputy-chief(s) of division;
- Head of office, deputy-head(s)of office;
- Some assisting staff;

With regard to the determination of administrative positions, appointment, movement, dismissal, granting awards and taking disciplinary actions to staff, tax authorities shall be applied according to the relevant laws and regulations.

Article 77: Criteria of Staff and Tax Authorities

Staff and tax authorities shall have the following criteria:

1. being a Lao citizen;
2. aged 18 old and older;
3. possess virtue and loyalty, ethics and honest;
4. has completed general education at least from upper secondary schools, professional skills shall be completed at least technical school, obtained financial, accounting or law knowledge, competency and experience and other relevant professional skills;
5. good at any foreign language;
6. has not been taken disciplinary actions or has not intentionally offended financial offense;
7. have good health.

Article 78: Confidentiality

Staff and tax authorities shall keep the state and official secrets strictly 111 accordance with prohibitions stipulated in Article 81 of this Law.

Chapter 2

Rights and Duties of the Staff and Tax Authorities

Article 79. Rights and Duties of Staff and Tax Authorities

Staff and tax authorities have the following rights:

1. Receive assistance and facilitation from state organizations, local administrations at all levels, armed forces and other individuals, when needed or requested by the Tax Administration,
2. Contact for tax-related data information from related organizations, enterprises or natural persons.
3. Demand natural persons, legal entities and concerned organizations who are obliged to apply with tax obligations to declare their accounting documents, and other information;
4. Audit taxpayers' accounting documents at the tax office, conduct field audits and sudden audits at the premises of relevant individuals, legal entities and

organizations;

5. Inspect the use of invoices and other documents that are related to the movements of goods into, out of warehouses, shops, markets and others;
6. Confiscate and seize assets of the taxpayers temporary in case of non-compliance with payment of tax arrears and fines as determined in Article 73 paragraph 4 and Article 96 paragraph 2 of this Law;
7. Implement other rights as assigned by higher level and according to the laws and regulations.

Article 80. Duties of Staff and Tax Authorities

The tax authorities have the following duties:

1. Disseminate tax law and regulations to individuals, legal entities and organizations aiming at upgrading knowledge, understanding, voluntary compliance in tax filing and payments;
2. Strictly implement other laws, Presidential Decrees, ordinances and other regulations ensuring the payment of tax revenue, fees and administrative charges to the state budget fully, accurately and timely basis;
3. Inspect the calculation, filing, exception, reduction, payment, fees, administrative charges and tax arrears enforcement;
4. Protect the state and official documents, vehicles, equipment, materials and secrets;
5. Support, monitor the tax payment through banking systems and request the bank to deduct money in the bank accounts for bad tax arrears in order to pay to the state budget;
6. Declare assets and liabilities to the organizations where they belong to before becoming and during the time of being a staff, tax authorities according to the laws and regulations;
7. Implement other duties as assigned by higher level and according to the laws and regulations.

Part VIII Prohibitions

Article 81. Prohibitions for Staff and Tax Authorities

Staff and tax authorities are prohibited to act as the followings:

1. Disclose *the* state, official secrets and confidential information of taxpayers, delay, falsify documents, ignore their duties, be irresponsible for assigned duties;
2. Abuse positions, use violence, threaten, demand, ask for or take bribes which cause damages to the interests of individuals, collective, state and organizations;
3. Protect or collude with business operators to violate the laws and regulations;
4. Falsify invoices, receipts or other documents;
5. Collect tax revenue without authorization from the organizations;
6. Use the collected taxes for private purposes without paying to the state budget.

Article 82. Prohibition for Taxpayers and Tax Collectors

Taxpayers and tax collectors are prohibited to act as the followings:

1. Destroy evidence, falsify documents, conceal turnover and hide offenses related to tax payments;
2. Offer bribes, collude to steal that state money;
3. Falsify invoices, receipts or other documents;
4. Slander, threaten, hurt staff and tax authorities.

Article 83. Prohibition for Individuals, Legal Entities and Other Organizations

Individuals, legal entities and other organizations are prohibited to act as the followings:

1. Decline to provide information, involve in hiding and encouraging offenses related to the tax payment of business operators;
2. Offer or receive bribes, collude to steal that state money;
3. Slander, threaten, hurt staff and tax authorities;
4. Other actions that violate the tax law and regulations.

Part IX
Management and Inspection

Chapter 1

Management Authority

Article 84. Tax Management Authority

The government is responsible for tax management on centralized, uniform manner throughout the country by assigning the Ministry of Finance to play a central role to coordinate with other relevant ministries and local administrations.

Tax managing authorities include:

- Ministry of Finance;
- Tax Department;
- Provincial, Municipal Tax Division;
- District Tax Offices.

Article 85. Rights and duties of the Ministry of Finance

For the purpose of tax management, the Ministry of Finance has the following rights and duties:

1. Study and develop strategic plans, policy plans, laws and regulations on tax administration to propose to the government for consideration;
2. Transfer the strategic plans, policy plans of the government into detailed plans, programs, projects of the finance sector;
3. Raise awareness and launch campaigns, disseminate other laws and legislation related to taxation throughout the country;
4. Supervise technical activities, monitor the implementation of other laws and legislation related to taxation;
5. Manage and follow up the calculation of taxes of tax authorities and taxpayers in an accurate and strict manner;
6. Manage and train personnel, appoint, move, dismiss, implement incentive policies or take disciplinary actions against staff in charge of tax administration, provide

regular budget, provide vehicles and modern equipment to be used in the Tax Administration;

7. Coordinate with other relevant ministries, local administrations and other organizations that are related to taxation;
8. Be responsible for the government in managing, monitoring the implementation of technical activities of staff and tax authorities throughout the country;
9. Maintain foreign, regional, international relations and cooperation with regards to taxation;
10. Summarize and report to the government on the implementation of taxation in each period.

Article 86. Rights and Duties of the Tax Department

For the purpose of tax management, the Tax Department has the following rights and duties:

1. Study and amend strategic plans, policies, laws and regulations, development plans and tax management mechanism to propose to the Minister of Finance for consideration;
2. Raise awareness and launch campaigns, disseminate and implement laws, ordinance and other legislation related to tax issues in order to upgrade knowledge, awareness for the implementation of such legislation of individuals, legal entities and organizations;
3. Supervise and monitor the implementation of relevant laws and regulations on regular and uniform basis throughout the country;
4. Implement state accounting regime to record all of tax revenue according to the budgetary line, cooperate with the national treasury to develop summary and analysis of revenue;
5. Manage and follow up the calculation of taxes of tax authorities and taxpayers in an accurate and strict manner according to their responsibilities;
6. Manage and use technology, information and modernize tax profession throughout the country;
7. Manage, use budget and bonuses, vehicles, equipment and materials for tax administration throughout the country;
8. Propose to the Ministry of Finance to consider the appointment, movement, reward, taking disciplinary actions against staff and tax authorities;
9. Appoint, reshuffle of personnel and tax authorities according to its responsibility;
10. Coordinate with relevant local administrations in developing plans for personnel

capacity building, management, allocation, implementation of incentives or taking disciplinary actions against staff in charge of tax issues;

11. Coordinate with line departments of the ministry, local administrations and other relevant sectors on taxation as assigned;
12. Monitor and support the implementation of technical duties throughout the country;
13. Maintain international relations and cooperate with organizations regarding to taxation as assigned;
14. Summarize, evaluate and report to the Ministry of Finance regarding to the implementation of taxation throughout the country;
15. Implement other rights and duties as determined in the laws and regulations and as assigned by the higher level.

Article 87. Rights and duties of the Provincial, Capital Tax Division

For the purpose of tax administration, the Provincial, Capital Tax Division has the following rights and duties:

1. Implement strategic plans, policies, laws and regulations, development plans and tax management mechanism;
2. Disseminate and implement laws, ordinance and other legislation related to taxation in order to upgrade knowledge, awareness for the implementation of such legislation of individuals, legal entities and organizations;
3. Supervise and monitor the implementation of relevant laws and regulations on regular and uniform basis under its responsibilities to manage tax revenue accurately, fully and timely basis;
4. Implement state accounting regime to record all of tax revenue according to the budgetary line, cooperate with the national treasury in the province, municipality to develop summary and analysis of revenue;
5. Manage and follow up the calculation of taxes of tax authorities and taxpayers in an accurate and strict manner within its responsibilities;
6. Appoint, reshuffle of personnel and tax authorities according to its responsibility;
7. Coordinate with relevant sectors, provincial, capital administrations in developing plans for personnel capacity building, management, allocation, implementation of incentives or taking disciplinary actions against staff in charge of taxation ;
8. Propose to the Provincial, Municipality Governor to propose to the Minister of Finance to consider the appointment, reshuffle, dismissal of personnel,

- implement incentive policies towards good performers and take disciplinary actions against violators under its responsibility;
9. Manage and use of technology, information and modernize tax activities under its responsibility;
 10. Manage, use of budget and bonuses, vehicles, equipment and materials used for administering taxes according to its responsibility;
 11. Coordinate with the Provincial, Municipality Finance Department, line departments and provincial, municipality administration offices regarding to tax administration under its responsibility;
 12. Monitor and support the implementation of technical duties under its responsibility;
 13. Maintain international relations and cooperate with organizations regarding to tax issues as assigned by higher level;
 14. Summarize, evaluate and report to the Tax Department, Provincial, Municipality Finance Department, Provincial, Municipality Governor regarding to the implementation of tax issues within its responsibility on regular basis;
 15. Implement other rights and duties as determined in the laws and regulations and as assigned by the higher level.

Article 88. Rights and Duties of District, Municipal Tax Office

The District, Municipal Tax Office has the following rights and duties:

1. Implement strategic plans, policies, laws and regulations, development plans and tax management mechanism effectively;
2. Disseminate laws and regulations, ordinance and other legislation related to taxation in order to upgrade knowledge, awareness for the implementation of such legislation of individuals, legal entities and organizations under its jurisdiction;
3. Supervise, lead and monitor the implementation of relevant laws and regulations on regular and uniform basis under its responsibilities to manage tax revenue accurately, fully and timely basis;
4. Implement state accounting regime to record all of tax revenue according to the budgetary line, cooperate with the national treasury in the district, municipal to develop summary and analysis of revenue;
5. Manage and follow up the calculation of taxes of tax authorities and taxpayers in an accurate and strict manner under its jurisdiction;
6. Manage and use of technology, information and modernize tax activities under its jurisdiction;

7. Manage, use of budget and bonuses, vehicles, equipment and materials used for administering taxes according to its jurisdiction;
8. Propose to the District, Municipal Chief to appoint, reshuffle, dismiss of personnel, implement incentive policies towards good performers and take disciplinary actions against staff and tax authorities under its jurisdiction;
9. Reshuffle of personnel and tax authorities under its jurisdiction;
10. Coordinate with relevant sectors and district, municipal administrations in developing plans for personnel capacity building, management, allocation, implementation of incentives or taking disciplinary actions against staff in charge of taxation;
11. Coordinate with the finance office, other offices and district, municipal administrations regarding to taxation;
12. Monitor and support the implementation of technical duties under its responsibility;
13. Summarize, evaluate and report to the Provincial, Municipality Tax Department, District, Municipal Chief regarding to the implementation of taxation under its responsibility on regular basis;
14. Implement other rights and duties as determined in the laws and regulations and as assigned by the higher level.

Chapter 2

Inspection Authority

Article 89. Tax Inspection Authority

The inspection authority includes:

1. Internal Inspection Authority is the same authority for Tax Management Authority as determined in Article 84 of this Law;
2. External Inspection Authority includes:
 - National Assembly;
 - Government Inspection and Anti-Corruption Authority;
 - State Audit Authority;
 - Local Administrations, Lao Front for National Construction, mass organizations, civil society, mass media and other relevant sectors that shall involve in the inspection of the implementation of tax activities according to their roles and responsibilities.

Article 90. Rights and Duties of the Internal Inspection Authority

Internal Inspection Authority has the following rights and duties:

1. Inspect the implementation of duties and responsibilities of staff and tax authorities at each level in complying with the laws and regulations, ordinance, other legislation, working procedures to ensure the implementation of operations of tax activities highly effective and efficiently; .
2. Inspect taxpayers according to planning, calculation, collection, filing, payment of tax revenue, fees and administrative charges including claims for VAT deduction and refund in accordance with the laws and regulations through the agreement and follow the procedures including audit of enterprise accounts of the taxpayers shall be applied as the followings:

- Develop audit plans;

The Tax Department shall determine annual audit plan that determine overall targets relating to the number and types of audit of provinces, municipality that shall be carried out in each period and shall develop monthly, quarterly and annual plan based on information collected. The development of annual plan shall be completed before June of fiscal year in order to propose to the Director General of the Tax Department for consideration and approval.

- Audit Decision:

The Director General of the Tax Department, Director of Provincial, Municipality Tax Division, Chief of District, Municipal Tax Office shall issue a decision on the appointment of tax authorities to carry out actual audit at the taxpayer's premises, especially enterprises and state authorities according to the audit plan that is officially approved;

In case the audit comprises of representatives from other sectors, the Minister of Finance, the Provincial, Municipality Governor, District and Municipal Chief shall issue a decision on the appointment of tax auditors.

- Conducting an Audit
- + Audit accounting documents of the taxpayer that are related to each tax;

- + Accounting documents to calculate profit tax including trial balance before and after year end closing , income statement (income, expenditure, profit), balance sheet (assets, liabilities), table of fixed asset depreciation, amortization, provisions and others;
- + Accounting documents, particularly valid invoices related to income and expenditure of the business;
- + Journal entry, general ledger;
- + Actual stock taking of fixed assets, raw material warehouses, products, goods, assets in hands (cash, valuable materials, deposits, asset certificate and others).

- Summarizing of Audit Work

Every time when audit the enterprise, it shall be finalized and make audit memo on the agreement between tax authorities, accountants of the enterprise through certification and recognition by the owner or director of the enterprise, head of Audit Division and Director General of the Tax Department, head of audit office and Director of Provincial, Municipality Tax Division, head of audit unit and head of tax office of the district, municipal where they belong to.

In case it is considered that the certification of people involved in the audit is inconsistent with the laws and regulations or there is information from outside, the audit shall be revised according to the agreement of the organization of higher level. If it is proved that it is an offense, it shall be preceded according to the civil and criminal procedures as stated in Article 96 of this Law.

In case the taxpayer disapproves and disagrees with the results of audit of the tax authorities, the taxpayer can appeal to the Tax Administration Office at higher level for consideration. If such appeal was not resolved by the concerned sector, he/she can propose to the External Inspection Authority and local administration at the concerned level for consideration. If that is not resolved, it can be proposed to the People's Prosecutor and People's Court for consideration.

Article 91. Rights and Duties of the External Inspection Authority

The external inspection authority has rights and duties according to the law that are related to its section in inspecting the implementation of roles, rights, duties and

responsibilities of tax authorities at each level strictly in planning and implementation of the plan, implementation of rights, obligations and violation of prohibitions of tax authorities which caused complaints from the society and claims from taxpayers, individuals, legal entities and other organizations to enable tax administration effective, transparent and fair.

In case there is information from outside used for certification of audit results of the external inspection authority that is inconsistent with the laws and regulations, it shall be revised according to the agreement of the organization at higher level. If it is proved that the results are wrong, civil and criminal measures shall be taken as stated in Article 96 of this Law.

Article 92. Forms of Audit

Audits carried out by the tax authorities include the following forms:

- Regular audit,
- Audit with advance notification,
- Surprised inspection.

The regular audit is an audit that is conducted according to the targets, schedule after closing annual accounts of the enterprises at the office on regular basis.

The audit with advance notification is an unplanned audit which is undertaken at the premises of the enterprise when it is seen necessary that shall be given notice in advance.

The surprised audit is an audit made urgently and unplanned which is undertaken at the premises of the enterprise or at any target without giving advance notice.

Part X

Budget, Uniform, Logo and Official Seal

Article 93. Budget

The Tax Administration Office has a budget that is under the Ministry of Finance according to the Law on the State Budget to be used in its tax administration activities.

Article 94. Uniform, Logo and Official Seal

The Tax Administration Office has its uniform and logo authorized by the government. Staff and tax authorities shall wear uniforms, hold duty tag and special logo while on official duties.

The Tax Administration at each level has its seal for official use.

Part XI

Policies towards Good Performers and Measures Against Violators

Article 95. Policies towards Good Performers

Staff, tax authorities, individuals, legal entities or organizations who contribute to the inspection, monitoring, search, tip-offs, leading to the detection of tax evasion, recovery of hidden taxes, including the fining of offenders, the good performers will receive complement and other benefits provided by the Government.

Taxpayers who correctly fulfilled their obligations correctly, completely and timely as stated in this Law shall be awarded and receive facilitation as appropriate in business operations.

Article 96. Measures against Violators

Violators of the tax law and regulations will be educated, fined, taken disciplinary actions, civil compensation or criminal punishment depending on the seriousness of each case.

1. Violation by Staff and Tax Authorities

- In case of minor violation which does not affect the revenue and reputation of the Tax Administration including they could not complete duties as assigned without sufficient reason, stall documents, neglect duties will be educated, warned or taken disciplinary actions according to the laws and regulations;
- In case of criminal offense such as the abuse of positions, use violence, threaten, demand, ask for or take bribes which caused damages to the interests of

individuals, collective, state and organizations, protect or collude with business operators that infringes the laws and regulations, falsify invoices, receipts or other documents, collection tax revenue without authorization from the organization, use the collected tax revenue for private use without paying to the state budget shall be subject to criminal proceedings. If such actions caused damages to other persons or organizations, the violators shall compensate for damages he/she created.

2. Violations by Taxpayers

- In case of minor mistake that fail to file tax returns, fail to pay taxes, did not hold accounts, did not use invoices, did not put stamps, did not use TIN, taxpayers will be educated, warned and recommended to comply with correctly;
- In case the offense caused damages to the state budget, the taxpayers shall pay taxes in full amount and be fined depending on each case as stated in Article 73 of this Law;
- In case the enforcement period expired, the taxpayers did not pay tax arrears, the tax authorities shall take the following measures:
 - + The bank shall deduct money from the taxpayer's account who have outstanding tax arrears upon a request from the Tax Administration Office as stated in Article 80 paragraph 5 of this Law;
 - + Request to relevant sectors to suspend business operations for one month;
 - + Issue an order to confiscate or seize assets including bank deposits within fifteen days, if that period is expired, the business operations shall be suspended for one month and request to relevant sectors to withdraw business license, concession permission and other permissions;
 - + Notice of sale the assets for paying tax arrears in full amount, the remaining amount from selling the assets shall be returned to the owner, if the amount from selling assets is not enough for paying tax arrears, the taxpayer shall continue to pay in full amount, except the court issued a decision that the taxpayer is bankrupt;
 - + In case of criminal offense including destroying evidence, falsifying documents, under reporting and hiding of income related to tax payment, offering bribes, colluding to steal the state money, falsifying invoices, receipts or other documents, slandering, threatening, hurting staff and tax authorities shall be subject to criminal proceedings and compensate for damages in full amount occurred.

3. Violations by Individuals and Other Organizations:

- + If individuals and other organizations breach law and regulations, they shall be educated, fined, pay for compensation or subject to criminal measures depending on the seriousness of cases such as decline to provide information, involve in hiding and support the offences related to tax payment of business operators, offering or receiving bribes, colluding in actions to steal the state money, other actions that breach tax law and regulations, slandering, threatening and hurting staff, tax authorities or taxpayers.

Part XII Final Provision

Article 97: Amending of Tax Rates

In case of necessary and urgent cases that the tax rates shall be amended in order to make them in line with the social-economic growth in each period, the government is eligible to consider and propose to the Standing Committee of the National Assembly for consideration and propose to the President of the Republic to issue an interim Presidential Decree on the Promulgation. After that the Standing Committee of the National Assembly shall report to the next National Assembly session to consider and approve a law.

Other individuals, legal entities or organizations are not allowed to amend tax rates as stated in this Law.

Article 98. Implementation

The Government of Lao People's Democratic Republic shall implement this Law.

Article 99: Effectiveness

This Law is effective from 1 October 2012 by the Promulgation Decree of the President of Lao People's Democratic Republic.

This Law replaces Tax Law *No.04/NA*, dated 19 May 2005.

This Law has no retro effect to customs and tax policy and other financial policies

which the government or relevant public sector have granted to investors according to the agreement before this Law comes into force.

Any regulations, provisions that contradict with this Law shall be null.

President of the National Assembly