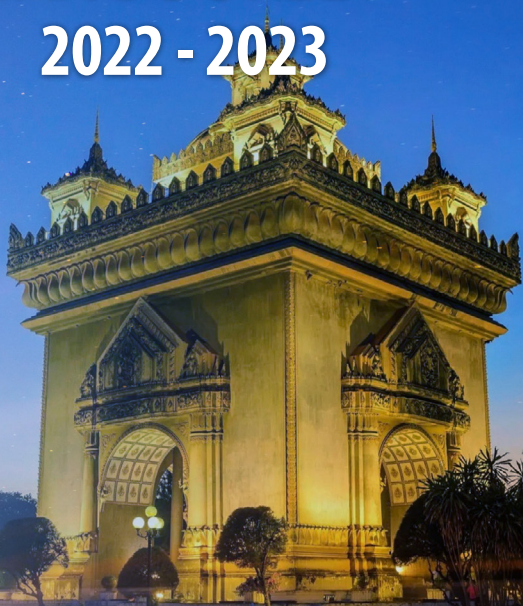


VDB | *Loi*

LAOS TAX BOOKLET 2022 - 2023



Get to the point.

© VDB Loi Co., Ltd. 2022

All rights reserved. No part of this publication may be reproduced, stored in a retrieval system, or transmitted in any form or by any means—electronic, mechanical, photocopying, recording, or otherwise—without the prior written permission of the publisher or copyright holder. This publication, and any form of copy of this publication, may not be sold, re-sold, hired out, or otherwise disposed of by way of trade, by any person or entity, without the prior written permission of the publisher or copyright holder.

Published by VDB Loi Co., Ltd.
September 2022

Disclaimer: All information is considered correct as of the publication date in accordance with the tax laws; however it is not intended to be relied upon. For the most up-to-date information, please contact one of our advisers or visit our website at www.vdb-loi.com.

Contents

Quick Reference Tax Rate Tables	i
<i>Tax on Income</i>	<i>i</i>
<i>Non-Residents and Compulsory Profit Tax Withholding</i>	<i>ii</i>
<i>Microenterprises</i>	<i>ii</i>
<i>Monthly personal Income Tax</i>	<i>ii</i>
<i>Other Income Taxes</i>	<i>iii</i>
<i>Value Added Tax</i>	<i>iii</i>
<i>Excise Tax</i>	<i>iv</i>
<i>Customs Duty</i>	<i>vii</i>
Abbreviations	viii
Tax Registration	1
Tax Audits	2
<i>General tax audit process</i>	<i>2</i>
<i>VAT audit process</i>	<i>2</i>
<i>Annual audit of personal income tax</i>	<i>2</i>
Profit Tax (corporate income tax)	4
<i>Residency</i>	<i>4</i>
<i>Rates</i>	<i>4</i>
<i>Computation</i>	<i>4</i>
<i>Deductible expenses and other tax adjustments</i>	<i>4</i>
<i>Depreciation</i>	<i>6</i>
<i>Tax loss utilization</i>	<i>6</i>
<i>Filing and payment</i>	<i>7</i>
<i>PT of non-residents</i>	<i>7</i>
Microenterprises	8
Income Tax	9
<i>Overview</i>	<i>9</i>
<i>Rates</i>	<i>10</i>
<i>Computation, filing, and payment</i>	<i>11</i>
Value Added Tax	12
<i>Overview</i>	<i>12</i>
<i>Scope of application</i>	<i>12</i>
<i>Non-taxable goods and services</i>	<i>12</i>
<i>Registration</i>	<i>13</i>

<i>Rates of tax</i>	13
<i>Basics of taxation</i>	13
Excise Tax	14
<i>Scope</i>	14
<i>Rates</i>	14
<i>Basics of taxation</i>	14
Customs Duty	15
<i>Import duty</i>	15
<i>Export duty</i>	15
Double Taxation Agreements	16
Transfer Pricing	17
Investment Project Incentives	18
Administration	19
<i>Tax payment plan</i>	19
<i>Accounting and invoicing</i>	19
<i>Refunds</i>	19
<i>Tax due dates</i>	19
Penalties	20

Quick Reference Tax Rate Tables

Tax on Income

Type	TOI Rate
Standard rate	20%
Tobacco companies	22%
Microenterprises ¹ that have voluntarily registered in the VAT system	0.1%
Small-scale entities ² that have newly registered in the VAT system	3% (for the first three years) then 20%
Medium-scale entities ³ that have newly registered in the VAT system	5% (for the first three years) then 20%
Human resource development and certain medical activities	5% (after the end of the PT exemption period as specified in the Investment Promotion Law)
Activities using new innovative technology, and those that are environmentally friendly, use natural resources frugally, and use clean energy for their production	7% (after the end of the PT exemption period as specified in the Investment Promotion Law)
Company listed on the Lao stock exchange	13% (for the first four years) then 20%

1 Microenterprises are entities that have 1-5 staff, total assets not exceeding LAK200 million, and annual revenue of less than LAK400 million.

2 Small-scale entities are entities that have 6-50 staff, total assets not exceeding LAK1.5 billion, and annual revenue not exceeding LAK3 billion.

3 Medium-scale entities are entities that have 51-99 staff, total assets not exceeding LAK6 billion, and annual revenue not exceeding LAK6 billion.

Non-Residents and Compulsory Profit Tax Withholding

Income source	Gross profit rates	Profit tax deemed rates
Agricultural and handicraft activities	7%	1.4%
Industrial and other processing industry activities	10%	2%
Trading/commerce and service activities	15%	3%
Hydropower and mining activities	30%	6%

Microenterprises

Annual revenue (LAK)	Lump-sum tax rates		
	Manufacturing	Trading	Services
Less than 50,000,000	Exempt	Exempt	Exempt
50,000,001 – 400,000,000	1%	2%	3%

Monthly personal Income Tax

Level	Taxable salary at each level (LAK)	Basis of calculation (LAK)	Tax rate	Income tax at each level (LAK)	Cumulative income tax (LAK)
1	1,300,000 and below	1,300,000	0%	0	0
2	1,300,001 – 5,000,000	2,000,000	5%	185,000	185,000
3	5,000,001 – 15,000,000	3,000,000	10%	1,000,000	1,185,000
4	15,000,001 – 25,000,000	6,000,000	15%	1,500,000	2,685,000
5	25,000,001 – 65,000,000	12,000,000	20%	8,000,000	10,685,000
6	Above 65,000,000		25%		

Other Income Taxes

(not an exhaustive list)

Type of income	Individuals		Legal entities
	Resident	Non-resident	
Agriculture land transfer	1%	N/A	N/A
Share transfer	2%	2%	2%
Land/house/building transfer	2%	10% (house/building)	N/A
Online trading	2%	?	N/A
Lottery winnings	5%	5%	N/A
Intellectual property	5%	5%	5%
Commissions	5%	5%	N/A
Consultancy/other service fees	5%	5%	N/A
Dividends	10%	10%	10%
Non-banking loan interest	10%	10%	10%
Guarantee fees	10%	?	N/A
Rentals	10%	10%	N/A

Value Added Tax

Type of supply	Rate
<ul style="list-style-type: none"> • Import of goods • Import and supplies of minerals in the domestic market • Electricity distributed to domestic users • Domestic goods and services 	7%
<ul style="list-style-type: none"> • Export of goods • Export of processed natural resources 	0%

Excise Tax

Type of good	Rate
Fuel:	
• Gasoline (super)	40%
• Gasoline (normal)	31%
• Diesel	21%
• Jet fuel	8%
• Lubricants, hydraulic oil, grease, and brake oil	5%
• Export of goods	0%
• Export of processed natural resources	0%

	Type of good	Rates		
		CBU	CKD	IKD
Vehicles:				
1	Gas- or diesel-powered motorcycles			
	• With engine volume of 110 cc and lower	10%	6%	3%
	• With engine volume of 111-150 cc	20%	Motorcycles over 110 cc are charged for at their CBU rates.	
	• With engine volume of 151-200 cc	28%		
	• With engine volume of 201-250 cc	39%		
	• With engine volume of 251-500 cc	75%		
	• With engine volume of 501-800 cc	100%		
• With engine volume of 801 cc or more	110%			
2	Gas- or diesel-powered transport vehicles:			
	• With engine volume of 1,000 cc and lower		26%	
	• With engine volume of 1,001-1,600 cc		31%	
	• With engine volume of 1,601-2,000 cc		36%	
	• With engine volume of 2,001-2,500 cc		41%	
	• With engine volume of 2,501-3,000 cc		52%	
	• With engine volume of 3,001-4,000 cc		77%	
	• With engine volume of 4,001-5,000 cc		92%	
• With engine volume of 5,001 cc or more		102%		
3	Hybrid transport vehicles	50% of the rates charged in No. 2 above.		

	Type of good	Rates		
		CBU	CKD	IKD
4	Electric passenger vehicles	3%		
5	Two-door and two-and-a-half door SUVs:			
	• Gas- or diesel-powered	16%		
	• Electric-powered	3%		
6	Small passenger and transport vehicles			
	• Gas- or diesel-powered	11%		
	• Electric-powered	3%		
7	Medium passenger and transport vehicles			
	• Gas- or diesel-powered	9%		
	• Electric-powered	3%		
8	Large passenger and transport vehicles			
	• Gas- or diesel-powered	5%		
	• Electric-powered	3%		
	Refrigerated vans, trucks transporting liquids, gas, cement, or fuel, water vehicles, cranes, forklift trucks, cement mixers, waste suction vehicles, all kinds of spraying vehicles, and camper vans	10%		
	Trucks, articulated trucks, and semi-articulated trucks	5%		
	Golf carts and vehicles used on golf courses	15%		
	Sightseeing passenger cars	5%		
	ATVs and Gokarts	25%		
	Cars that use fuel oil produced or assembled in a domestic factory		5%	3%

Type of good	Rate
Imported parts (not available in a Lao factory) for assembly and spare parts:	
• Motorcycles	6%
• Passenger and transport vehicles	11%

Type of good	Rate
Accessories for vehicles:	
• Sound systems	25%
• Decorative accessories	20%
Whiskey and alcoholic beverages:	
• Alcohol content of 10% or below	62%
• Alcohol content of over 10% to 23%	70%
• Alcohol content of over 23%	80%
Beer:	
• Alcohol content of 0.5% or below	20%
• Alcohol content of over 0.5%	60%
Tobacco:	
• Cigars, cigarettes in packages and other form	57%
• Shredded tobacco	42%
Gas for vehicles	10%
Ready-made drinks:	
• Soft drinks, sodas, mineral water, fruit juices, and other similar drinks	7%
• Stimulant drinks	12%
Crystal items or crystal adornments	25%
Carpets made from wool and animal parts	20%
Perfumes and cosmetics	25%
Playing cards and gambling materials if authorized by the relevant sectors	100%
Traditional rockets, fireworks, firecrackers if authorized by the relevant sectors	85%
Speedboats, yachts, motorboats, including their spare parts and accessories	25%
Satellite television signal receivers	15%
Audio-video players, cameras, telephones, audio-video recorders, musical instruments, including their components and accessories	15%
Aerial drones, aerial cameras, parachutes and paragliders, and small jet engines	25%

Type of good	Rate
Billiard tables, snooker tables, bowling equipment, football playing tables	35%
All kinds of game players	Special rate based on the regulation

Type of service	Rate
Entertainment: Nightclubs, discotheques kara-oke	40%
Bowling services	24%
Beauty services	13%
Use of services for mobile phones, digital tele-vision, cable television	5%
Internet services	2% (FY2022) 0% (FY2023)
Golfing services	25%
Lottery services	30%
Casino services, poker machines, and all kinds of game players	Special rate based on the regulation
Motor racing, horse racing, and cockfighting	30%
Ballooning, parachuting and paragliding, and aerial photography services	12%

Customs Duty

Description	Rate
Import duty: <ul style="list-style-type: none"> From ASEAN countries Passenger and transport vehicles 	0 to 30% Variable
Export duty: <ul style="list-style-type: none"> Standard rate Specific rates for specific products 	0% 5% to 40%

Abbreviations

Term	Definition
ASEAN	Association of Southeast Asian Nations
CBU	Completely Built Up
CGT	Capital Gains Tax
CKD	Completely Knocked Down
DTA	Double Taxation Agreement
IKD	Incompletely Knocked Down
NBV	Net Book Value
PE	Permanent Establishment
PIT	Personal Income Tax
PT	Profit Tax
SSO	Social Security Organization
ST	Specific Tax on Certain Merchandise and Services
TIN	Tax Identification Number
VAT	Value Added Tax
WHT	Withholding Tax

Tax Registration

Currently, there are three main tax registration database systems in Laos: (1) entities having annual revenue of LAK400 million or more must be registered under the value added tax (“**VAT**”) system; (2) entities with annual revenue of less than LAK400 million may voluntarily register under the VAT system or be subject to the microenterprise tax payment regime; and (3) individuals, including employees, online traders, etc., are required to register for a tax identification number for tax purposes.

The determination of which tax system a new entity will be registered under is based on a number of factors, such as its business plan, the nature and expected size of the business activities, and its registered capital.

Tax Audits

General tax audit process

The Tax Authority can pursue, within three accounting years, the following types of tax audits:

- 1. Regular audits:** These are conducted according to official targets and plans.
- 2. Audits with advance notice:** These are unplanned but the taxpayer is given notice. They are conducted at the taxpayer's premises when necessary.
- 3. Urgent audits:** These are also unplanned and are conducted on an emergency basis at the taxpayer's premises.

A taxpayer's accounting documents are audited yearly by the Tax Authority with the tax computations are checked accordingly. Tax audits of high-risk entities must be completed within six months.

Each audit is summarized in an audit memorandum, which is signed by both the tax auditors and the taxpayer's accountant or representative.

VAT audit process

Lao taxpayers may be subject to VAT audits at the discretion of the Tax Authority. They may be conducted for up to three years after the original filing date of the VAT.

There are three kinds of VAT audits:

- 1. Desk audit:** This is conducted at the Tax Authority's office.
- 2. Field audit:** This is conducted at the taxpayer's office.
- 3. Inspection at relevant sites:** This is conducted at locations where stock is held within the country.

VAT audits are intended to be conducted on a regular basis with prior notice and end with a memorandum signed by both parties.

Annual audit of personal income tax

The income derived from salaries/wages and other cash and in-kind benefits must be audited on an annual basis, not later than 31 March of the following year, per the following annual progressive rates with deduction of the annual family support allowance (which is up to LAK15 million (or LAK5 million per person) for the employee's spouse, children under 18 years old, parents, and physically disabled persons who do not have other income sources):

Level	Taxable salary at each level (LAK)	Basis of calculation (LAK)	Tax rate	Income tax at each level (LAK)	Cumulative income tax (LAK)
1	15,600,000 and below	15,600,000	0%	0	0
2	15,600,001 - 60,000,000	44,400,000	5%	2,220,000	2,220,000
3	60,000,001 - 180,000,000	120,000,000	10%	12,000,000	14,220,000
4	180,000,001 - 300,000,000	120,000,000	15%	18,000,000	32,220,000
5	300,000,001 - 780,000,000	480,000,000	20%	96,000,000	128,220,000
6	Above 780,000,000		25%		

Profit Tax (corporate income tax)

Residency

Taxpayers are all legal entities and organizations, including those that operate businesses in Laos or overseas who are obligated to pay taxes to the State as provided in the laws and regulations.

Rates

A standard 20% profit tax (“PT”) rate applies to domestic and foreign companies that have legal entity status.

A special 22% rate applies to tobacco companies.

Lower PT rates apply as follows:

- 0.1% for microenterprises (only for VAT-registered ones).
- 3% for three years for a newly registered small-scale entity, after which the standard PT rate applies.
- 5% for three years for a newly registered medium-scale entity, after which the standard PT rate applies.
- 5% for human resource development and certain medical activities, after their tax holiday ends.
- 7% for activities using new innovative technology, and those that are environmentally friendly, use natural resources frugally, and use clean energy for their production, after their tax holiday ends.
- 13% for four years for the companies listed Lao stock exchange, after which the standard PT rate applies.

Computation

The annual accounting profit is the difference between the total business income and total business expenditures.

PT is computed by applying the tax rate to the taxable basis, which is the accounting profit increased by any non-deductible expenses and reduced by any legally authorized deductions.

Deductible expenses and other tax adjustments

As a general rule, expenses are deductible if paid or incurred during the tax year, expended for business purposes, for a “reasonable” amount, invoiced, and legally documented.

Expense/income	Tax adjustment
<ul style="list-style-type: none"> • PT • Input VAT relating to fixed asset purchases, which is deducted against output VAT on a monthly basis • Depreciation deducted in excess of the allowed rates and/or useful lives • Bad debts (previously taxed) with supporting evidence • Depreciation on fixed assets that have not been recorded as assets belonging to the entity • Salaries paid by a partnership company to its partners who are not part of the management or the workforce • Entertainment, golfing, and other expenses unrelated to the business • Expenses related to business operations but for which there is no official receipt or there is an improper receipt • Expenses related to business operations for which there is an official receipt but were not declared each month • Expenses that are higher than the market price • All types of reserves • Impairment of assets • Interest on loans taken by shareholders to contribute as equity • Deferred tax expenses • All types of penalties • Unrealized foreign exchange losses 	Non-deductible expense
Recovery of all types of reserves	Non-taxable income
Surplus incurred from the revaluation of real estate and precious metals	Non-taxable income
Bad debts (provision recoveries) that have already been taxed	Non-taxable income
Income from deferred tax	Non-taxable income
Unrealized foreign exchange gains	Non-taxable income
Dividends received that were derived from an investment in another company that is already taxed	Non-taxable income

Depreciation

Lao law recognizes three depreciation methods: straight-line, declining balance, and activity-based (a recent addition).

However, the Income Tax Law 2019 only specifies the straight-line method according to the following rates:

Expense/income	Tax adjustment
Intangible fixed assets	
• Company establishment costs	50%
• Mining exploration and research costs	20%
• Software	20%
Tangible fixed assets	
• Industrial buildings with a useful life of 20 years or less	5%
• Industrial buildings with a useful life of more than 20 years	2%
• Permanent commercial and residential buildings	5%
• Semi-permanent commercial and residential buildings	10%
• Machinery and vehicles for extraction, clearing, land development for industrial, agriculture, handicrafts, and other construction	20%
• Material and office supplies	20%
• Ships and boats	10%
• Equipment and tool sets for certain professions	20%
• Land and water transport vehicles	20%
• Passenger and cargo planes	Flight hours
• Planted trees, sires, female breeders, and dairy cattle	According to the age of each kind of livestock and plantation

Tax loss utilization

Business operators are entitled to carry forward their tax losses for five consecutive tax years. The tax losses must have been certified by both an independent audit firm and the Tax Authority.

Filing and payment

The tax year-end is normally 31 December. Companies must file their financial report with other supporting documents by 31 March of the following year.

PT is payable in advance semiannually, on 20 July and 20 January of the following year, and the amount is based on either the previous year's tax payment, the current quarter's profit, or the estimated PT according to the company's business plan.

The actual tax amount is computed in the annual tax return based on an entity's financial report. Any additional amount due must be paid upon submission of the annual return and financial report. If an entity has made excess payments, the entity will have a tax credit, which can then carried forward to the following year or be refunded.

PT of non-residents

Lao entities must withhold PT from payments made to their foreign providers/suppliers and remit the amount to the Tax Authority within 15 working days. The PT is withheld using the deemed rate mechanism.

Microenterprises

Business operators that are not registered in the VAT system must pay tax based on the lump-sum tax rates, which are the same as those applicable to microenterprises, to the Tax Authority on a monthly, quarterly, or annual basis via the banking system except for areas where there are no banking services. The applicable tax rate will vary depending on the industry and level of turnover.

Annual turnover (LAK)	Lump-sum tax rates		
	Manufacturing	Trading	Services
Less than 50,000,000	Exempt	Exempt	Exempt
50,000,001 – 400,000,000	1%	2%	3%

Income Tax

Overview

Income tax applies to any income generated in Laos regardless of the beneficiary's nationality or tax residency, except where a double taxation agreement ("DTA") applies.

Main types of income	Tax treatment
Personal income tax	
<ul style="list-style-type: none">• Salaries; wages; overtime; bonuses; allowances of executive directors and boards of directors; cash or in-kind benefits (such as housing allowances, vehicle use without being charged (from the employer), telephone top-ups, internet top-ups, other services for personal purposes)	Taxable
<ul style="list-style-type: none">• Salaries of LAK1.30 million or less	Exempt
<ul style="list-style-type: none">• Salaries of foreign diplomats, and staff and experts of international organizations	Exempt
<ul style="list-style-type: none">• Extra-working hours or overtime payments only for employees receiving a basic salary of LAK2 million or less	Exempt
<ul style="list-style-type: none">• Uniforms and equipment for preventing labor accidents	Exempt
<ul style="list-style-type: none">• Staff training and study support	Exempt
<ul style="list-style-type: none">• One-time allowances	Exempt
<ul style="list-style-type: none">• Retirement allowances	Exempt
Financial income	
<ul style="list-style-type: none">• Dividends	Taxable
<ul style="list-style-type: none">• Sales of shares	Taxable
<ul style="list-style-type: none">• Loan interest, guarantee fees	Taxable
<ul style="list-style-type: none">• Profit derived from the sale of shares on the Lao stock exchange	Exempt
<ul style="list-style-type: none">• Dividends distributed to partners or shareholders of a company registered on the stock exchange	Exempt
<ul style="list-style-type: none">• Income from bonds issued by listed companies	Exempt
<ul style="list-style-type: none">• Interest on deposits and government bonds	Exempt
<ul style="list-style-type: none">• Premiums for life and property insurance	Exempt

Main types of income	Tax treatment
Other income	
• Freelancer: commission, consultant fees, etc.	Taxable
• Online trading	Taxable
• Lottery winnings	Taxable
• Gifts and prizes of more than LAK1.30 million	Taxable
• Real estate rental income, revenue from movable assets, royalties and other income derived from intellectual property	Taxable
• Sales price of the transfer of real estate rights	Taxable
• Inheritance from a horizontal line	Taxable
• Gifts and prizes of LAK1.30 million or less	Exempt
• Rent from the assets of a business operator	Exempt
• Income from the transfer of real estate rights recorded in the balance sheet of a business operator	Exempt
• Inheritance from a vertical line	Exempt

Rates

Employment income is taxed at the following progressive rates:

Level	Taxable salary at each level (LAK)	Basis of calculation (LAK)	Tax rate	Income tax at each level (LAK)	Cumulative income tax (LAK)
1	1,300,000 and below	1,300,000	0%	0	0
2	1,300,001 – 5,000,000	2,000,000	5%	185,000	185,000
3	5,000,001 – 15,000,000	3,000,000	10%	1,000,000	1,185,000
4	15,000,001 – 25,000,000	6,000,000	15%	1,500,000	2,685,000
5	25,000,001 – 65,000,000	12,000,000	20%	12,000,000	10,685,000
6	Above 65,000,000		25%		

Other types of income are subject to the following rates (not an exhaustive list):

Type of income	Individuals		Legal entities
	Resident	Non-resident	
Agriculture land transfer	1%	N/A	N/A
Share transfer	2%	2%	2%
Land/house/building transfer	2%	10% (house/ building)	N/A
Online trading	2%	?	N/A
Lottery winnings	5%	5%	N/A
Intellectual property	5%	5%	5%
Commissions	5%	5%	N/A
Consultancy/other service fees	5%	5%	N/A
Dividends	10%	10%	10%
Non-banking loan interest	10%	10%	10%
Guarantee fees	10%	?	N/A
Rentals	10%	10%	N/A

Computation, filing, and payment

Income tax from salaries must be calculated and withheld from salary payments by employers on a monthly basis. The tax must be remitted to the Tax Authority by the 20th of the following month.

For real estate rentals and other transactions, the tax is calculated based on the lease agreement and the standard prices. The beneficiary must declare the tax due to the Tax Authority within 15 working days from the date of receiving the rental payment.

Income tax other than from the types of income mentioned above must be calculated and paid within 15 working days from the date payment is made. Depending on the case, either the payer or the beneficiary will be responsible for paying the tax.

Value Added Tax

Overview

VAT is an indirect tax that is collected on the consumption of goods and services within Laos. Individuals, legal entities, and organizations that are operating businesses in Laos are responsible for collecting VAT from the consumers of their goods and services (output VAT). They are entitled to deduct the input VAT they pay on purchases of goods and services directly used in their business by offsetting against their output VAT.

Scope of application

Taxable supplies of goods and services cover the importation of goods and supplies within Laos, including the services of non-residents, and legal entities and organizations unincorporated in Laos. Disbursements to non-residents and organizations unincorporated in Laos for service provision must have the applicable VAT withheld and remitted to the Tax Authority by the Lao client.

Non-taxable goods and services

The Lao VAT Law includes most common exemptions (importation of stamps, aircraft, goods for the official work of embassies and international organizations, medical services and equipment). Specific exemptions mostly relate to key public priorities:

- **Agriculture:** The importation or sale of non-processed products and animals, seeds, fertilizers, equipment.
- **Education:** The importation and sale of textbooks, teaching manuals and materials, modern learning materials, educational services.
- **Finance:** Health, life, animal and forest insurance services, and deposit interest and loan interest from transactions of authorized commercial banks or financial institutions.
- **Minerals:** The importation of minerals for production for export to special zones or overseas.
- **Electricity:** The importation or exportation to special zones or overseas of electricity, including sales to the electricity entities within the country (note that electricity distributed to domestic users is VATable).
- The Import of raw materials, chemical substances, equipment, and production machinery and devices that cannot be domestically or sufficiently made for use in production and investment in fixed assets.
- The export of unprocessed natural resources.

Registration

Compulsory VAT registration applies to all small, medium, and large business entities.

Rates of tax

Taxable supplies made in or imported into Laos are subject to VAT at one of two rates:

Main types of income	Tax treatment
<ul style="list-style-type: none">• Import of goods• Import and supplies of minerals in the domestic market• Electricity distributed to domestic users• Domestic goods and services	7%
<ul style="list-style-type: none">• Export of goods• Export of processed natural resources	0%

Basics of taxation

For the supply of goods and services, VAT is payable monthly, and returns must be filed by the 20th of the following month. For imports, the VAT return must be submitted at the same time as the customs return and the VAT due is paid at the time of customs clearance.

An invoice report schedule must also be submitted by the 20th of the following month.

VAT refunds are available to export businesses, businesses that merge, split, dissolve, or go bankrupt, tourists, embassies, international organizations, any other individual or entity that has made a VAT overpayment, and businesses that have not fully deducted their input VAT within three months from the month the input VAT was incurred.

Excise Tax

Scope

Excise tax is another indirect tax, but with a more restricted scope than VAT and a number of different rates. Supplies or imports of specific goods, as well as supplies of specific services are subject to excise tax unless expressly exempted.

Rates

Please refer to the excise tax quick reference table at the beginning of this booklet.

Basics of taxation

Excise tax is an ad-valorem tax, i.e. it applies to either the CIF value increased by the customs duty in the case of imports, or the commercial value of the taxable supply.

Some specific products, e.g. beer, alcohol, or tobacco will be subject to excise tax twice—at the importation and upon domestic sale.

Excise tax must be declared and paid at the time of importation in conjunction with the customs duty, or monthly by the 20th of the month following the month of supply.

Customs Duty

Import duty

There are a number of goods on which import duty applies, with some exceptions, including goods temporarily imported into Laos, personal belongings, goods transported because of relocation, and essential items used for education, health, scientific study, and religious purposes.

Exemptions or reduced duty might be available for exports and imports done under the Investment Promotion or the Special/Specific Economic Zone policies.

Customs duty is levied on goods entering Laos at variable rates.

Export duty

There is no export duty other than on a limited list of restricted products at rates of 5% to 40%.

Double Taxation Agreements

Laos currently implements DTAs signed with Belarus, Brunei, China, Indonesia, South Korea, North Korea, Kuwait, Luxembourg, Malaysia, Myanmar, Russia, Singapore, Thailand, and Vietnam.

Transfer Pricing

There are currently no formal transfer pricing regulations in Laos.

The current practice of some tax auditors is to use point 11 of Article 18 of the Amendment of the Tax Laws No. 01/NA dated 7 August 2021 to reject any expense that is “higher than reality”.

The “arm’s length” principle is the standard universally adopted in international tax law: it should be followed by Lao taxpayers for all expense transactions, whether with third parties or related parties.

If the taxpayer is part of a group that has a transfer pricing group policy, this documentation should be maintained, even if not required by law, to explain and provide supporting evidence for the pricing used in transactions between the Lao entity and its related parties.

Investment Project Incentives

The promoted sectors under Lao investment regulations are agriculture, industry, handicraft, infrastructure, green energy, categorized into three different prioritized zones.

The customs duty and tax incentives provided in the investment regulations are as follows:

- Exemption from PT for a certain number of years (between 4 and 15 years) depending on the zone of the investment starting from the first commercial operation date.
- Exemption from PT in the accounting year following the reinvestment of the net profit in the business for expansion.
- Zero-rated VAT and exemption from import duty on the importation of equipment (not sufficiently available in Laos), machinery for production, and raw materials, equipment, and spare parts for export activities.

Administration

Tax payment plan

Lao taxpayers are required by law to prepare a tax payment plan each year for each type of tax they are liable for and submit it to the Tax Authority.

Accounting and invoicing

Accounting systems must comply with Lao Financial Reporting Standards or International Financial Reporting Standards, and they must be approved by the Ministry of Finance. Supporting documents must be kept available for 10 years.

For every service or supply, taxpayers must issue invoices that meet the Lao requirements and conform to the specific and general formats issued by the Ministry of Finance.

Refunds

To be eligible for a refund for a tax overpayment, the refund must be requested within three months from the date of the tax payment.

The request for refund will be considered within five working days from the date of its receipt. The refund will be made to the taxpayer within 10 working days from the date of receipt of the correct and complete information.

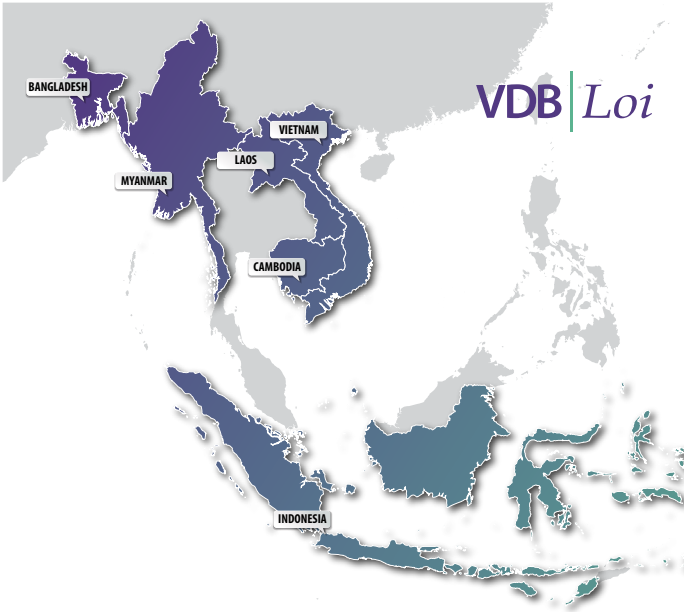
Tax due dates

Type of Tax	Due Date
Profit tax: <ul style="list-style-type: none">• First filing and payment• Second filing and payment• Final payment• Filing and payment of withholding	20 July 20 January (of the following year) 31 March (of the following year) Within 15 working days of the date of payment
Income taxes: <ul style="list-style-type: none">• Personal income tax• Rentals, dividends, interest, royalties, and other service fees	On a monthly basis, by the 20th of the following month Payment within 15 working days from the date of payment
Value added tax	20 th of the following month or at customs clearance for importation
Excise tax	
Customs duty	At customs clearance

Penalties

The following penalties apply depending on the tax and the violation.

Violation	Penalty rate or amount
Delay in submitting return and tax payment: <ul style="list-style-type: none">• Late payment• Late filing• Late submission of a nil return• Failure to file	0.1% of tax due per day LAK500,000 LAK500,000 LAK1,500,000
Incomplete declaration and tax payment: <ul style="list-style-type: none">• Failure to invoice or false invoices issued• Inaccuracy of tax return and payment	LAK1,000,000 per set 50% of the tax due
Tax outstanding: <ul style="list-style-type: none">• First demand notice• Second demand notice• Third demand notice	30% 60% 100% of the tax due



We are a network of leading law and tax advisory firms with offices in Bangladesh, Cambodia, Indonesia, Laos, Myanmar and Vietnam.

Our general areas of practice are corporate, finance and disputes.

Our principal specialized areas of practice are energy and infrastructure, real estate, telecom and taxation.

There are three things you need to know about our approach:

1. We deliver the ultimate in ground connectivity.
2. Our quality is trusted by the most discerning.
3. We never give up.

CONTACTS

Laos

Level 4, Kolao Tower II
23 Singha Road, Nongbone Village, Saysettha District Vientiane
T: +856 21 454 679
E: daodeuane.duangdara@vdb-loi.com
sornpheth.douangdy@vdb-loi.com

Bangladesh

9th Floor, Ali Bhaban
92 Kazi Nazrul Islam Avenue
Karwanbazar
Dhaka 1215 Bangladesh
Tel: +880 167 302 4953

Cambodia

No. 33, Street 294 (corner of Street 29)
Sangkat Tonle Bassac
Khan Chamkarmorn
Phnom Penh 120101
T: +855 23 964 430~434
F: +855 23 964 154

Indonesia

Plaza Bisnis Kemang, Suite 211
Jl. Kemang Raya, No. 2
Jakarta 12730
T: +62 21 718 3415

The Cityloft Sudirman
Suite 1119, Jalan K. H. Mas Mansyur Kav.
121, Jakarta, 10220
T: +62 21 2555 6611

Myanmar

Level 10, Units 01-05
Junction City Office Tower
Corner of Bogyoke Aung San
Road and 27th Street
Pabedan Township, Yangon
T: +951 9253 752~756
F: +951 9253 758

ParkRoyal Hotel
Jade Villa No. 13/14
Hotel Zone
Dekhina Thiri Township
Nay Pyi Taw
T/F: +95 678 106 089

Vietnam

Level 20, Unit 2010
Sun Wah Tower
115 Nguyen Hue Blvd.
District 1
Ho Chi Minh City
T: +84 28 3821 9525