



**LAO PEOPLE'S DEMOCRATIC REPUBLIC**

**PEACE INDEPENDENCE DEMOCRACY**

**UNITY PROSPERITY**

**THE FOURTH IMF-JAPAN HIGH-LEVEL TAX CONFERENCE  
APRIL 4, 2013**

# TAX SYSTEM

## **Indirect Taxes consist of:**

- ✘ • Value-added tax;
- ✘ • Excise tax.

## **Direct Taxes consist of:**

- ✘ • Profits tax;
- ✘ • Minimum tax;
- ✘ • Income tax;
- ✘ • Fees and other service charges.

# VALUE-ADDED TAX

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

# RATES OF VALUE-ADDED TAX

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- ✘ The rates of the value-added tax are set as follow:
  1. A 10% rate is applied to imported [goods and services] and domestically produced and consumed goods and services liable to the value-added tax;
  2. A zero (0%) rate is applied to goods and services for export.

# EXCISE TAX

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## ✘ Scope of Excise Tax

- ✘ The excise tax is collected from certain types of goods and services that are sold or provided within the territory of Lao PDR:

# RATES OF EXCISE TAX

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- 1 Inflammable fuel: 5–25%
- 2 Alcohol or alcoholic beverages: 50–70%
- 3 Cigarettes containing shredded tobacco, packaged cigarettes and cigars: 55%
- 4 Perfumes and cosmetic products: 30%
- 5 Playing cards and similar items, rockets and fireworks: 70%
- 6 Cars: 10–90%
- 7 Electrical equipment: air conditioners, satellite receivers, audio and visual players, photo cameras, audio and visual recorders, musical instruments including their equipment and components: 15%
- 8 Entertainment services: bars, discotheques, karaoke: 25%
- 9 Lottery activities: 10%

# PROFIT TAX

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- ✘ Profit tax [refers to] a direct tax which is imposed on the profit of individuals or legal entities which conduct business in manufacturing, trade and services.
- ✘ The profit tax rates consist of general rates and reduced rates as follows:
  - 1. General Rates:**
    - The rate of 35% applies to businesses of legal entities.
    - The profit tax rate of foreign investors is 20%.

# FREELANCERS

Level	Taxable Profit at Each Level	Basis of Calculation	Tax Rate	Profit at Each Level	Total Taxes Payable
	2.400.000 Kip and below	2.400.000	0 %	0	0
1	2.400.001–5.000.000 Kip	2.600.000	10%	260.000	260.000
2	5.000.001–10.000.000 Kip	5.000.000	15 %	750.000	1.010.000
3	10.000.001–30.000.000 Kip	20.000.000	20 %	4.000.000	5.010.000
4	30.000.001–60.000.000 Kip	30.000.000	30 %	9.000.000	14.010.000
5	Above 60.000.000 Kip	.....	35 %	.....	.....



# MINIMUM TAX

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- ✘ The minimum tax [refers to] a direct tax, which is a minimum obligation of business persons and freelancers who pay profit tax based on the advanced or ordinary accounting system and who have declared a loss or have a profit under a certain level as provided in the law.

# MINIMUM TAX RATES

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- ✘ The minimum tax consists of two rates as follow:
  1. The rate of the minimum tax shall be 0.25% of the annual total business income, excluding business turnover tax, for all types of domestic manufacturing activities;
  2. The rate of the minimum tax shall be 1% of the annual total business income, excluding business turnover tax, for trade and services, including freelancers.

# INCOME TAX

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- ✘ Income tax [refers to] a direct tax imposed on the income of individuals or legal entities who generate income as provided in this law.
- ✘ **Income Tax Rates**
  1. Income from salary is subject to a progressive tax rate as provided in the tables below:

# RATES OF INCOME TAX

- ✘ Applied to income of not one more than one million and five hundred thousand Kip

Level	Salary Base on Each Level	Basis of Calculation	Tax Rates	Salary Tax on Each Level
1	Less than 300.000 Kip	300.000	0 %	0
2	From 300.001–1.500.000 Kip	1.200.000	5 %	60.000

# RATE OF INCOME TAX

- ✘ Applied to income of more than one million and five hundred thousand Kip

Level	Salary Base on Each Level	Basis of Calculation	Tax Rates	Salary Tax on Each Level
1	From 1–1.500.000 Kip	1.500.000	5 %	75.000
2	1.500.001–4.000.000 Kip	2.500.000	10%	250.000
3	4.000.001–8.000.000 Kip	4.000.000	15%	600.000
4	8.000.001–15.000.000 Kip	7.000.000	20%	1.400.000
5	Over 15.000.000 Kip	.....	25%	.....

# RATE OF INCOME TAX

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- ✘ Income from patent, copyrights, trademarks: 5%
- ✘ Income from dividends, profit from the sale of shares: 10%
- ✘ Income from the lease of houses, land, or other properties: 15%

# FEES AND ADMINISTRATIVE CHARGES

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- ✘ State agencies are responsible for the collection of fees and administrative charges from the utilization of documents and state-owned public utilities, such as:
  - + Tax licenses;
  - + Licenses for business operation;
  - + Licenses, certificates or official documents;
  - + Road/communication way toll;
  - + Immigration fees, visa fees, residence visas, and other services in Lao PDR.

# TAX ADMINISTRATION

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## Organization

- ✘ ➤ The Tax Department in Lao PDR consists of a Headquarters, 18 Provincial Tax Offices, District Tax Units, and on the village level, a tax collection administration
- ✘ ➤ The Tax Department is a part of the Ministry of Finance
- ✘ ➤ Details of the organization were decided by the Ministry of Finance



# TAX ADMINISTRATION

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- ✘ The organization at Headquarter level is organized in 7 Divisions:
  1. Organization-Administration Division;
  2. Invoice and Forms management Division;
  3. Audit-Internal Control Division;
  4. Legislation Division;
  5. Land Tax Register and Fee Division;
  6. Tax Collection Management Division;
  7. ICT Division.

# PROCEDURE

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## ✘ Taxpayer Identification and Classification

The classification was as follows:

- ✧ Large Taxpayers
- ✧ Medium-Size Taxpayers
- ✧ Small Taxpayers
- ✧ Very Small Taxpayers

# PROCEDURE

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## ✦ Taxpayer Registration, TIN

Taxpayer registration procedures have been simplified with the introduction of a new registration form and the assignment of unique Taxpayer Identification Number.

# PROCEDURE

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## × Filing and Payment Procedures

A major achievement has been the successful introduction of self-assessment system of taxation for large- and medium-sized taxpayers in the TD and the VMO

# PROCEDURE

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## ✘ Delinquent Taxpayer Procedure

- Detection of stop-filers for all main taxes has now been significantly improved in the TD and VMO.
- The tax law holds provisions for discretionary assessment in case the taxpayer does not file a return or submits incorrect information.
- There are sanctions for late filing and late payment.

# PROCEDURE

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## × Tax Return Processing

Computerized tax return processing takes place in the DT, VMO and other province tax offices.

# PROCEDURE

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## ✦ **Assessment Decision, Assessment Notice**

Once tax returns have been processed, and assessment notice will be issued to the taxpayer with outstanding taxes and penalties, if any, to be paid.

# PROCEDURE

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## ✘ Audit and Selection for Audit

Audit as control method is applied to large- and medium-sized taxpayers.

There are mainly three types of audits:

- ▶ 1. Desk audit
- ▶ 2. Field audit at the premises of taxpayer
- ▶ 3. Quick audit



# REVENUE MOBILIZATION MEASURES

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## The activities intend to:

- ➊ Widen the tax base by eliminating or reducing tax exemptions and amending the rate structures
- ➋ Increase the number of taxpayers by bringing additional taxpayers in to the tax net
- ➌ Streamline tax administration procedures

# REVENUE MOBILIZATION MEASURES

① *Widen the tax base by eliminating or reducing tax exemptions and amending the rate structures*

The MoF realizes that the tax bases can be widened by:

- ✘ Reviewing and amending tax rate in the present tax system;
- ✘ Reviewing and reconsidering tax holidays and tax exemption.

# REVENUE MOBILIZATION MEASURES

## ② *Increase the number of taxpayers by bringing additional taxpayers in to the tax net*

The tax base expressed in number of tax subjects can be widened by:

- ✘ By detecting and bringing non-filers into the tax-net;
- ✘ By reclassifying businesses from presumptive to the accountant holding system;
- ✘ By amending primarily the presumptive tax system and, further on the card system, making both systems more transparent and less prone to abuse.

# REVENUE MOBILIZATION MEASURES

- ② *Increase the number of taxpayers by bringing additional taxpayers in to the tax net*
  - ✘ The tax base expressed in number of tax subjects can be widened by:
    - ✘ Improving voluntary compliance and the tax culture.

# REVENUE MOBILIZATION MEASURES

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## ③ *Streamline tax administration procedures*

**Tax administrative procedures are concerned:**

- The fiscal decentralization reform has had a negative impact on the efficiency of tax collection and revenue allocation;
- The audit and control mechanisms are not efficient enough in detecting and in deterring tax evasion.

# REVENUE MOBILIZATION MEASURES

## ③ *Streamline tax administration procedures*

**Tax administrative procedures are concerned:**

- The enforcement procedures are not effective enough in resolving tax arrears.

# TAX COLLECTION AND ENFORCEMENT

## Expected Results:

- ✘ A strategy for ICT development to enhance the TADM operations;
- ✘ Number of detected non-filers and added revenue;
- ✘ Reduction of stop-filers and added revenue, total and province;
- ✘ Increased voluntary compliance by number of timely filings and payments, total and by province.

# TAX COLLECTION AND ENFORCEMENT

- ✘ Continues to be delinquent after reminders and warning letters;
- ✘ Filing compliance levels have risen;
- ✘ The TD can close the business activities temporarily and withdraw the business licenses.



# MACRO-FISCAL STRATEGY

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- ✘ Ensuring implementation of existing tax law/rates
- ✘ Reviewing and amending tax rates in the present tax system
- ✘ Reviewing and reconsidering tax holidays and tax exemptions
- ✘ Introducing new taxes, such as the VAT

# ENFORCEMENT AND APPEAL

- ✘ The whole tax system that requires registration;
- ✘ Self-assessment, conciliation, control;
- ✘ Governmental bodies have been established to enforce transparency and accountability.

# ENFORCEMENT AND APPEAL

- ✘ Inform the taxpayers of their rights and obligations;
- ✘ A tax license is valid for one year from the 1<sup>st</sup> of January to the 31<sup>st</sup> of December of every year;
- ✘ Disseminate and give advice on law and rules to taxpayers.

# ENFORCEMENT AND APPEAL

- ✘ Sale of goods and services shall be accompanied with invoices (issued by) the tax administration.

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**Thank You  
for Your Attention**