



**LAO PEOPLE'S DEMOCRATIC REPUBLIC
PEACE INDEPENDENCE DEMOCRACY UNITY PROSPERITY**

National Assembly

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Law on Income Tax

Part I General Provisions

Article 1 Objectives

This Law defines principles, regulations, methods and measures on the management and inspection of Income Tax activities to ensure that such activities are carried out in effective [and] efficient manner, support [and] promote income earners to comply with their obligations to the State, [enable] business operations, innovation to grow according to the sustainable direction, balance social incomes aiming at collecting revenue to the State budget properly, fully, transparently and fairly, creating favorable environment for regional and international integration, contributing to the national social economic development.

Article 2 Income Tax

Income Tax is a financial obligation which is collected from individuals, legal entities or organizations who earn income.

Income Tax consists of corporate income tax and individual income tax.

Article 3 Definitions

The terms used in this Law shall have the following meanings:

1. **Taxpayer** means an individual, legal entity or organization who operates a business or makes a living on permanent or temporary basis in the Lao PDR including a resident or a business registered in Lao PDR operating a business or employed in a foreign country earning profit or income that is subject to pay tax obligation to the State according to the laws and regulations;
2. **Tax collector** means an individual, legal entity or organization who bears tax obligation through calculation, collection, withholding and payment of tax to the State according to the laws;
3. **Alien** means a person with other nationality who has settled or resides in Lao PDR for long period, holding alien card, have alien family book and officially recognized by his or her government;

4. **Foreigner** means a person with other nationality who comes to Lao PDR on temporary or long-term basis to perform a certain duty [and] returns back home when such duty is completed;

5. **Stateless person** means an individual who has settled or resides in Lao PDR, but is not a Lao citizen and possesses no certified document to identify his or her nationality;

6. **Self-employed** means the provision of profession services or any activity that is independent in terms of labor, physical body and intelligence from other persons which mainly uses his or her own intelligence, including, but not limited to the fields of science, culture, arts, education, public health such as teacher, scientist, lawyer, engineer, medical doctor and nurse;

7. **Tax authority** means the tax officer assigned to perform any assigned duties at specific location [which] has a status as an investigator;

8. **Legal entity** means a business unit that has registered for business registration or an organization that is legally established which has a name, office location, has assets, has rights and obligations according to the law;

9. **Business operation** means operating business undertaking in production, trade and services;

10. **Enterprise** means a business organization of an individual or legal entity which shall have a name, capital, management, office and business registration according to the law;

11. **Sole-trader enterprise** means a form of enterprise that is owned and responsible for unlimited liabilities of the enterprise by one person whose status is not a legal entity;

12. **Micro-enterprise** means the smallest enterprise amongst production, trade and service sectors in which the number of employees, value of assets and business annual turnover are consistent with legislation defined in each period;

13. **Resident** means a person who has a permanent residential address, resides, does for a living and operates a business in Lao PDR;

14. **Non-resident** means a person who does for a living or operates a business, but does not reside and is not established in Lao PDR.

Article 4 State Policy on Income Tax

The State establishes a policy on income tax to redistribute incomes of the society, support, business operations to grow and research [and] application of innovation.

The State creates conditions and favorable environment for the management of income tax activities through the development of policy, mechanism, measures and recruitment of personnel, allocation of budget, infrastructure, vehicles and equipment, development of tax filing and payment system and income tax collection to be convenient, quick and accurate.

The State creates favorable environment for business operators to pay income tax through providing, including, technical instructions, dissemination and access to laws and implementing regulations on taxation, application of modern tools in tax filing and payment activities and others.

Article 5 Principle on Income Tax

The implementation of income tax [activities] shall comply with the following principles:

1. Consistent with the direction, policy, Constitution, laws and national social economic development plan;

2. Ensuring the centralized and uniform collection of income to the State budget throughout the country;
3. Ensuring the support [and] promotion of business operations [and] investment to grow and redistribute incomes in the society;
4. Ensuring fairness, accuracy, completeness, modern, speediness, transparency and accountability;
5. Facilitation to the income taxpayers equally;
6. Coordination with other ministries, organizations, sectors and relevant local authorities.

Article 6 Income Tax Obligations

An individual, legal entity or organization generating income from business operations or earning income from professional services and other taxable incomes are obligated to pay income tax as defined in this Law and shall possess Tax Identification Number as defined in the Law on Tax Administration.

Article 7 Scope of Application

This law applies to individuals, legal entities or organizations earning incomes as defined in this Law.

Article 8 International Cooperation

The State promotes foreign, regional and international relation [and] cooperation on income tax activities through the exchange of technical experience [and] information to develop human resources and other aspects in order to [implement such activities] according to the international treaties and agreements to which Lao PDR is a party.

Part II Corporate Income Tax

Article 9 Corporate Income Tax

Corporate income tax is a tax that is collected from net profit of enterprise and income of micro-enterprise operating in the country or abroad.

Article 10 Types of Corporate Income Tax

Corporate income tax has the following types:

1. Profit tax;
2. Income tax of micro-enterprise.
- 3.

Chapter 1 Profit Tax

Article 11 Profit Tax

Profit tax is a tax that is collected from net profit of an enterprise including self-employed who provide professional services in the country and/or abroad as defined in this Law.

Article 12 Profit Taxpayer

Profit taxpayers are as follows:

1. Business operator, a resident and nonresident, whose enterprise is established according to the laws of Lao PDR;
2. Non-resident not established an enterprise in Lao PDR, but generates income in Lao PDR.

Article 13 Profit Tax Calculation

The calculation of profit tax shall be performed according to the following methods and forms:

1. [Method of profit tax calculation shall be] taxable amount multiplied by profit tax rate;
2. Form of profit tax calculation are as follows:
 - For a business operator practicing accounting system according to financial report standard, [profit tax] shall be calculated according to actual profit, in case such business operator does not cooperate or provide information as defined in the law which is unable to calculate according to actual profit, mandatory calculation of profit shall be made:
 - For a business operator practicing inaccurate nor incomplete accounting system and a non-resident whose enterprise is not establish but earning income in Lao PDR, in addition to measures against non-compliance with accounting rules, profit tax shall be calculated on mandatory basis.

Article 14 Taxable Amount of Profit Tax

Taxable amount of profit tax are as follows:

1. For a business operator practicing accounting system according to financial report standard, [it] shall be taxable profit which are calculated according to each of the following cases:
 - The difference between annual business turnover minus annual deductible expenses;
 - Accounting profit plus non-deductible expenses as defined in Article 18 of this Law.
2. For a business operator practicing incorrect or incomplete accounting system and a non-resident not established an enterprise in Lao PDR, [it] shall be compulsory gross profit. Compulsory gross profit is annual turnover multiplied by compulsory gross profit rate. Compulsory gross profit rate for each business undertaking are as follows:
 - a. Seven percent (7%) rate for agricultural and handicraft production;
 - b. Twelve percent (10%) rate for industry and processing industry production;
 - c. Fifteen percent (15%) rate for trade and services;For businesses that operate multiple (mixed) activities that are unable to separate turnover from each business activity, the compulsory gross profit rate of the main business activity shall be used.

A business operator established according to the laws of Lao PDR but practices incorrect or incomplete accounting system may apply the compulsory gross profit rate only one year, then he or she shall comply with accounting rules according to the financial report standard. Failing to comply with accounting rules, measures as defined under Articles 72 and 73 of this Law and other relevant laws shall be applied.

The calculation methods for compulsory profit tax are defined in a separate legislation.

Article 15 Profit Tax Rate

Profit tax rate is twenty percent (20%) for operating enterprises.

Article 16 Increased or Decreased Profit Tax Rate

1. Increased profit tax rates

- Twenty-two percent (22%) rate applies to enterprises that produce, import and sell tobacco products, this includes two percent (2%) shall be distributed to tobacco control fund according to the Law on Tobacco Control;
- Thirty-five percent (35%) rate applies to mining concession activities.

2. Decreased profit tax rates

- Five percent (5%) rate applies to business activities related to human resource development, including schools, training centers, innovative activities and other educational activities and business activities related to the establishment of modern hospitals, pharmaceutical factories and medical equipment, production of and treatment with traditional medicines, after termination of profit tax holiday as defined in the Law on Investment Promotion;
- Seven percent (7%) rate applies to business activities employ technology from new innovation, environmentally friendly, use natural resources and clean energy efficiently in the production, after termination of profit tax holiday as defined in the Law on Investment Promotion;
- Thirteen percent (13%) applies to companies that are listed in the (Lao) Securities Exchange for a period of four years from the date of registration. After that profit tax rate of twenty percent (20%) shall be observed as defined in Article 15 of this Law.

For enterprises practising incorrect nor incomplete accounting system and non-resident not established in Lao PDR, profit tax rate shall be applied according to the provisions of Article 15 and the increased or decreased profit tax rate shall also be observed according to the provisions of this Law.

Article 17 Activities Excluding from [Business] Turnover

Activities that are excluded from [business] turnover are as the followings:

1. Collection of all types of [mandatory] reserves, excluding banks and other financial institutions;
2. Doubtful debt that has been recovered which tax was calculated and paid in pervious year;
3. Deferred tax;
4. Gains from foreign exchange occurred from asset valuation and liability in foreign currency at the year-end closing.
5. Earnings from revaluation of immovable assets and valuable assets.

Article 18 Non-deductible Expenses

Activities that are excluded from deductible expenses are as follows:

1. Profit tax;
2. Input VAT of fixed assets that are directly used in business operations;
3. Depreciation that has been deducted over the defined rate or useful life as defined in Article 19 of this Law;
4. Non-performing receivables that have no evidence or certified document from relevant sector, individual [or] legal entity;
5. Depreciation of fixed assets that is not recorded as assets of enterprise;
6. Salary of proprietor of sole-trader enterprise or salary that the partnership enterprise paid to its partner/s who have no position [and] does/do not work in the partnership enterprise;
7. Expenses that are not related to business operations such as golfing, entertainment, gifts [and] awards;
8. Personal expenses of enterprise's owner or partner/s;
9. Expenses without invoices according to the prescribed form of the Ministry of Finance or without certified documents or the certified documents are invalid;
10. Expenses that are unreasonably excess market prices;
11. All types of reserves that are not actually incurred, except the banks and other financial institutions;
12. Deduction of loss value of assets (loss values of fixed assets, goods in stocks, doubtful debt and others);
13. Loan interest that partner of the partnership or shareholder borrowed to for capital contribution;
14. Loss from valuation of assets and liabilities at the closing date [of accounting period];
15. Deferred tax;
16. All types of fines;
17. Loss from foreign exchange occurred from evaluation of assets and liabilities in foreign currency at the closing date of accounting period or year.

Article 19 Deduction of Fixed Asset Depreciation

The deduction of fixed asset depreciation is the deduction of decreasing value of fixed asset that has been devalued according the lifespan of useful life or technical changes aiming at accumulating capital to purchase new replacement in the coming period.

The deduction of fixed asset depreciation may be performed by straight-line, double-declining and unit of production.

The deduction of fixed asset depreciation shall be started from the date of registration as fixed asset of the enterprise.

If the fixed asset is withdrawn within the year, depreciation shall be calculated from the beginning of year until the date of withdraw.

When the accumulated depreciation is equal to value of the fixed asset, the deduction of depreciation until such fixed asset is removed from the enterprise's account.

The deduction of tangible and intangible fixed asset depreciation shall be performed based on useful life and annual deduction rate according to the following table:

Fixed asset allowed for depreciation	Useful life	Annual deduction rate
1. Tangible fixed assets:		
1) Industrial buildings:		
• Useful life over 20 years	-	2%
• Useful life from 20 years and below	-	5%
2) [Permanent] Commercial and residential buildings:		
+ Permanent building	20 years	5%
+ Semi-permanent building	10 years	10%
3) Machinery, extracting [and] clearing vehicles, trailer used in industrial, agriculture, handicraft and other construction activities	5 years	20%
4) Land and water transport vehicles	5 years	20%
5) Equipment or full set of equipment to serve professional services or any business activity	5 years	20%
6) Equipment and office supplies	5 years	20%
7) Yacht, cruise ship, barge and other similar boat	10 years	10%
8) Passenger and transport airplane	-	Per flying hours
9) Plantation trees	-	Per years of each type of fruit trees
10) Breeding animals and breeders	-	Per years of each animal type
2. Intangible fixed assets:		
1) Expenses on designing and establishment of enterprise	2 years	50%
2) Expenses on exploration [and] survey of mineral ores, feasibility study	5 years	20%
3) Software to serve particular activities	5 years	20%

Lives of plantation trees and breeding animals and breeders are set by competent authority.

Intangible fixed assets that are unable to determine useful life are not required to deduct depreciation such as land-use rights, rights to carry out commercial activities (cost of buying a business) and a certificate for capital contribution.

Fixed assets that the deduction of depreciation is matured are not allowed for further deduction, but might be resume using them and might be reevaluated for capitalization or transfer of use-rights; except any major repair that causes high expenses.

Article 20 Filing Profit Tax [Return]

A business operator, buyer of goods and services from non-resident not established in Lao PDR is required to file a profit tax return as follows:

1. A business operator practicing accounting system shall file a profit tax return once a year by the 31st of March of the following year;
2. A buyer of goods and service from non-resident not establish in Lao PDR shall file [a profit tax return] [and] pay [profit tax] within fifteen working days from the date payment.

For persons holding accounts that do not follow the calendar year shall file [profit tax return] within three months from the date of closing their accounts.

Article 21 Preparing Financial Statements of Enterprise for Filing Profit Tax Return

A business operator shall prepare an annual financial statement and a statement that shows accounting profit and loss and taxes that are used for tax filing to the competent tax administration.

For a business operator having one or more branches shall prepare its financial statement by consolidating accounting activities of each branch to file a [profit tax return] as defined in Article 20 of this Law.

Annual financial statement shall be submitted to the competent tax administration by the 31st of March of the following year.

Business operator practicing accounting system that is not in line with the calendar year shall submit an annual financial statement to the competent tax administration within three months from the date of closing twelve-month accounting cycle.

Article 22 Payment of Profit Tax

The payment of profit tax shall perform as follows:

1. A business operator holding accounts according to the financial report standard shall pay [profit tax] according to actual profit tax as recorded in accounts of each period or estimated amount as specified in annual tax payment plan of the accounting year or actual profit paid in previous year, however, for actual taxable profit of current year shall be reconciled with taxes that have been paid for all periods according to the annual financial statement.

The payment of profit tax shall be carried out two times per year as follows:

- First time shall be by 20th July of the year;

- Second time shall be by 20th January of the following year.
- 2. A business operator practicing incorrect nor incomplete accounting system and non-resident not established in Lao PDR shall pay profit tax according to compulsory assessment within fifteen working days from the date of issuance a demand notice;
- 3. An individual, legal entity and organization in Lao PDR purchasing goods and services from a non-resident, not established in Lao PDR shall calculate [and] withhold profit tax and pay to the State budget within fifteen working days from the date of withholding of such profit tax or the date of payment.

For a parent company or a group of companies that operates many business activities shall prepare a financial statement for business activities of the group of companies and consolidated financial statement on business activities of the parent company or group of companies and submit to the competent tax administration.

Article 23 Carry Forward of Annual Losses

A business operator paying profit tax according to the accounting system but has loss in year as certified by audit body or external auditor and has been recognized by the tax administration may carry forward such loss to offset with profit of the following year for five consecutive years. For business operator involved in agriculture, livestock activities that has loss as result of outbreak of diseases or natural disaster may carry forward such loss to offset with profit of the following year but not more than ten years. If the deduction of such loss is not exhausted after the authorized period, the remaining loss is not allowed to carry forward, except business activities that generate income or profit after five years. When expired which the remaining did not deduct all shall not allow to deduct onward unless business with income or profit after the investment is more than five years.

Article 24 Closing Accounts

A business operator paying profit tax according to accounts shall close its accounts by 31 December of the year, except business dissolution, sale, transfer a business to other person in the year or allowed to practice accounting cycle other than accounting year.

A business operator who has just established in any month within the year who practice accounting system according to calendar year shall close its accounts on 31 December of the year, for a business operator allowed to practice accounting system that is not in line with calendar year shall close his or her accounts according to the twelve-month accounting cycle.

A concession holder of a specific project that needs many years to operate shall close his or her accounts on 31 December of each year until the project is completed.

Article 25 Dissolution, Sale, Assignment or Transfer of Business

For a business operator wishing to sell, assign or transfer his or her business wholly or partly to other person, such dissolution, merging, separation, changing form of business operations shall be carried out according to the relevant laws and report to the competent tax administration within fifteen working days from the date of closing business accounts in order to reconcile all tax obligations and its full payment as well as to report the name, surname, Tax Identification Number (TIN) and addresses of purchaser or assignee of the business.

In case the enterprise owner or self-employed is dead, the inheritor is required to provide necessary information to the tax administration within sixty days from the date of receipt such inheritance in order to pay remaining tax obligations on behalf of death person according to

the laws.

Chapter 2

Income Tax of Micro Enterprises

Article 26 Income Tax of Micro Enterprises

Income tax of micro enterprise is a tax collected from business operations of a micro enterprise which shall comply with rates as defined in Article 29 of this Law.

Article 27 Calculation of Income Tax of Micro Enterprises

The calculation of income tax of micro enterprise shall be taxable amount multiplied by tax rate as defined in Article 29 of this Law.

In the calculation of income tax, the business operator shall declare his or her actual business turnover of previous year and turnover estimation plan of the year as reference for calculation.

Article 28 Income Taxable Amount of Micro Enterprises

Income taxable amount of micro enterprise is the turnover generated from normal business activities in the year as declared by the business operator or based on audit findings of relevant sector.

Article 29 Income Tax Rates of Micro Enterprises

Income tax rates of micro enterprises are as follows:

1. For micro enterprises with annual turnover from 50,000,000 kip and below shall be exempted;
2. For micro enterprises with annual turnover from 50,000,001 kip to 400,000,000 kip shall apply with one of the following rates:
 - One percent (1%) rate applies to the production of agriculture, industry and other products;
 - Two percent (2%) rate applies to trade;
 - Three percent (3%) rate applies to services.

Micro enterprises shall comply with the accounting rules as fined for micro enterprises.

Article 30 Payment of Income Tax of Micro Enterprises

Income tax of micro enterprise shall be paid according to the agreement between micro enterprise and tax administration on monthly, quarterly or annually basis through banking system, unless there are no banking services. In case it is found that the turnover is greater than what has been specified in agreement, [income tax] shall be calculated according to actual turnover and the agreement shall also be reviewed.

The tax administration at each level shall audit micro enterprises under their management at least once a year to assess business turnover and update the income tax.

Article 31 Payment of Profit Tax of Micro Enterprises

A micro enterprise practicing proper and complete accounting system according to the financial report standard wishing to pay profit tax according to the provisions as defined in Chapter 1, Part II of this Law may request to the competent tax administration at least thirty days prior to the expiry date of tax agreement of micro enterprise.

Part III

Individual Income Tax

Article 32 Individual Income Tax

Individual income tax is a tax collected from individuals and organizations that do not operate business activities but earn income in Lao PDR or in foreign country according to the provisions as defined in Articles 34 and 46 of this Law.

Article 33 Scope and Obligations of Individual Income Tax

Individuals regardless to Lao citizens, aliens, foreigners and stateless persons earning incomes in Lao PDR shall pay income tax in Lao PDR.

Persons residing in Lao PDR but work and earn income in a foreign country shall pay income tax in Lao PDR, except the agreement defined otherwise to avoid double taxation.

State and social organizations organizing activities that generate income shall pay income tax.

Lao officials – civil servants who are appointed to work at Lao embassies, consular or international organizations overseas and earn income in Lao PDR shall pay income tax in Lao PDR.

Foreigners working and earning income in Lao PDR shall pay income tax in Lao PDR.

Foreigners working in Lao PDR but receive salaries in foreign countries shall pay income tax in Lao PDR if they live in Lao PDR for 183 consecutive days or non-consecutive but over 183 days within the year, unless tax treaty defines otherwise to avoid double taxation and to prevent tax evasion from the collection of income tax, investment agreement between the government of Lao PDR and investor.

Chapter 1

Individual Income Tax for Residents

Article 34 Taxable Incomes for Income Tax

Taxable incomes for income tax are as follows:

1. Salary, wage, additional time work, overtime work, position allowance, duty allowance, bonus, allowance of board of executive or board of director meetings and other in-kind benefits;
2. Self-employed not registered for business license including broker commissions, consulting fees, service fees, construction-repair fees, sporting events, shows;
3. Online transactions/e-commerce;
4. Dividend or other benefits distributed to partners or shareholders;
5. Sale of shares or transfer of shares of individual or legal entity;
6. Informal loan interest outside banking system and other financial institutions, earnings from secured transactions or other binding transactions;
7. Income from winning from lottery in cash or in kind;
8. Gifts in cash or in kind that has a value of more than one million three hundred thousand Kip;
9. Income from rental such as land, houses, buildings, vehicles, machinery or other property;

10. Income from intellectual property rights such as patent, copyrights, trademark or other rights of individual or legal entity;
11. Income from selling, transferring land-use rights, buildings or land with buildings;
12. Income from non-business activity of the state organization and civil society organization;
13. Inheritance that are not specified under paragraph 18, Article 35 of this Law.

Article 35 Incomes Exempt from Income Tax

Incomes that are exempted from income tax are as follows:

1. Salary and other incomes from one million three hundred thousand kip and below;
2. Salary of diplomatic officials, staff of international organizations and foreign experts working in Lao PDR which are defined in the agreement between the Lao government and relevant party;
3. Allowance for a spouse, child age below 18 years old, child delivery or miscarry, sickness, occupational accident, allowance for poison, one-time allowance for civil servant-personnel and personnel of state-owned enterprises and private enterprises, allowance for national assembly member and provincial people's assembly, pension, stipends for students, additional work and over-time work of persons earning basic income not more than two million Kip;
4. Income from the sale or transfer of shares, dividend from shares registered at the stock exchange;
5. Income from the distribution of security through the issuance of shares and debentures in the stock exchange. For the non-registered persons shall be certified by the Stock Exchange Commission;
6. Salary, wage of disabled according to the provisions as defined in the Law on Labor or Law on Persons with Disabilities;
7. Prizes (gifts) in cash or in kind with the value of one million three hundred thousand Kip and lower;
8. Property rental fees of business unit practicing proper [and] complete accounting system and has paid profit tax;
9. Reserves of state and enterprise social security;
10. Activities organized for public benefits or social aids such as artistic [and] sport events;
11. Interests from deposits at the banks and other financial institutions, debentures or government bonds, gains from investment unit or income from investing in other financial instruments as the issuance is authorized by the Stock Exchange Commission;
12. Life insurance and asset insurance payments to individuals or organizations;
13. Compliment bonus or gift that the government pays to persons with outstanding performances in monitoring, searching, preventing and blockading of unlawful acts;
14. Incentive money to persons with outstanding performances, decease person and amputees from national defense duties;
15. Award for the achievement in scientific research and innovation;
16. Per diem, travel expenses, advances and accommodation expenses of civil servants-personnel who perform their duties which use the state budget and/or development projects according to budget norm;

17. Income from the sale of land-use rights, transfer of land-use rights, building or land with building that are registered as asset of business unit practicing proper and complete accounting system and pay profit tax;
18. Inheritance between grandfather, grand mother, father, mother, husband, wife, natural child, adopted child, natural elder sister, elder brother, younger sister and brother and grandchildren of the dead person;
19. Training and education expenses;
20. Expenses for clothing and equipment to prevent labor accidents.

Article 36 Payment of Income Tax

Income tax shall be calculated [and] paid on annual, monthly and occasional basis or according to the agreement as the followings:

1. Annual payment: income tax from dividend or other benefits paid to partners or shareholders;
2. Monthly payment: income tax on salary or wages from individuals, legal entities and organization are calculated and withheld each month at the time of payment. In case there is no calculation and withholding of income tax, [the individual, legal entity or organization] shall be responsible for the payment on behalf [of their employees];
3. Occasional payment or according to agreement: income tax from rental and sale of land, building, house, vehicle, machinery or other asset where the calculation is based on actual price or fixed price for each area and in each period and other earnings as defined in Article 34 of this Law shall be calculated according to each type of income tax rate.

Article 37 Income Tax Calculation Method

Income tax calculation method shall be taxable amount of each type of income tax as defined in Article 38 multiplied by income tax rate as defined in Article 39 of this Law.

Article 38 Taxable Amount of Income Tax

Taxable amount of income tax are as follows:

1. Income from salary, wage, additional time pay, overtime work pay, position allowance, duties allowance, bonus, allowance for board of executive meeting or board of director meeting and other benefits in cash or in kind, taxable amount is the amount of cash received, value of asset and/or all other benefits by establishing the value in monetary term received according to the agreement;
2. Income from self-employed not registered for business license, taxable amount shall be all incomes received;
3. Income from online sales, taxable amount shall be all incomes from sales;
4. Income from dividend or other benefits distributed to partners or shareholders, taxable amount shall be the amount received and/or all other benefits by establishing the value in monetary term;
5. Income from selling and the transfer of shares by individual or legal entity, taxable amount shall be the sale transfer value;
6. Informal loan interest outside banking system and other financial institutions, earnings from secured transactions or other binding transactions, the taxable amount shall be the interest, earnings received;
7. Income from winning from lottery in cash or in kind, the taxable amount shall be the amount of cash or in kind received;

8. Gift in cash or in kind, taxable amount shall be the amount of money or value of objects as defined in the laws;
9. Income from rental, taxable amount shall be the amount of rental fee and/or value of in kind in monetary term as specified the contract or other binding obligations;
10. Income from intellectual property rights, the taxable amount shall be all income received according to the contract or other binding obligations;
11. Income from selling, transferring land-use rights, buildings or land with buildings, the taxable amount shall be all income from the sale or estimated price;
12. Income from non-business activity of the state organization and civil society organization, the taxable amount shall be all incomes received;
13. Income from inheritance, taxable amount the value of heritage received.

Article 39 Income Tax Rates

Income tax rates are defined as follows:

1. Progressive rates from zero percent (0%) to twenty-five percent (25%) for income from salary and other incomes according to Clause 1, Article 34 of this Law as follows:

(Currency unit: LAK)

Class	Monthly income	Taxable amount	Rate	Tax for each class	Total Tax
1	From 1.300.000 and lower	1.300.000	0%	0	0
2	Over 1.300.000- 5.000.000	3.700.000	5%	185.000	185.000
3	Over 5.000.000 - 15.000.000	10.000.000	10%	1.000.000	1.185.000
4	Over 15.000.000 - 25.000.000	10.000.000	15%	1.500.000	2.685.000
5	Over 25.000.000 -65.000.000	40.000.000	20%	8.000.000	10.685.000
6	Over 65.000.000	25 %

2. Two percent (2%) rate of total income for:
 - Selling or transferring of shares;
 - Selling, transferring of land-use rights, house, building or land with building;
 - Construction services;
 - Inheritance of property from non-ancestry;
 - Online sale.
3. Five percent (5%) rate of total income for:
 - Income from winning lottery in cash or in kind;
 - Gift in cash or in kind;
 - Intellectual property rights such as patent, copyrights, trademark or other rights;
 - Consulting fees.
4. Ten percent (10%) rate of total income for:

Unofficial Translation

- Dividend or other benefits to partners or shareholders;

- Loan interest, income from secured transaction according to contract or other binding obligations;
- Income from rental such as land, home, building, vehicle, machinery;
- Income from non-business operation of state and civil society organizations.

Article 40 Filing Income Tax from Salary

Individuals, legal entities or organizations paying salary to their civil servants, personnel, workers and other persons according to contracts or other binding obligations shall file a return for income tax from salary and other incomes as defined in Clause 1, Article 34 of this Law to the competent tax administration by the 20th of the following month.

Article 41 Filing Income Tax from Dividend

An enterprise that withhold income tax from dividend or other benefits from its partners or shareholders shall file a return for income tax from dividend or other benefits to the competent tax administration within fifteen working days from the date of withholding of income tax from dividend or other benefits.

Article 42 Filing Income Tax from Rental Income

An individual earning income from rental shall file a return for income tax from rental based on rental contract to the competent tax administration where tenant resides or where the rent premises is located or place of actual use inside the country within fifteen working days from the date of receipt of rental fee.

If the declaration of rental fee in the contract is lower than the estimated price or it is inconsistent with the facts, the tax officer may inspect it and reassess rental fee in order to calculate income tax according to the facts.

Developer or responsible person or contractor or sub-contractor of the project or business that rent a house, land, building, machinery, vehicle, materials and other assets from individual, legal entity shall calculate and withhold income tax from rental fee of properties prior to the payment to such individual and shall file a return to the competent tax administration within fifteen working days.

Article 43 Filing Income Tax from Winning Lottery

The lottery company, its distribution branch shall withhold income tax from each winning lottery and file income tax return to the competent tax administration within fifteen working days from the date of award issuance.

Article 44 Filing Income Tax from Other Incomes

A person earning income from the sale or transfer of land-use rights, building or land with building, intellectual property rights, secured transactions or other binding obligations or other incomes shall file income tax return to the competent tax administration within fifteen working days from the date of earning such income.

Article 45 Use of Tax Identification Number and Payment of Income Tax

The taxpayer and/or tax collector shall show its Tax Identification Number on the Income Tax Return each time and shall pay income tax at the national treasury or through banking system of Lao PDR.

Chapter 2

Individual Income Tax for Non-residents

Article 46 Taxable Incomes for Income Tax of Non-Residents

Taxable incomes for personal income tax for non-residents are as follows:

1. Salary income, wage, overtime pay and other benefits in cash or in kind;
2. Compensation for committee member, professor, researcher, artist, athlete and others;
3. Winning a lottery in cash or in kind;
4. Dividend or other benefits, loan interest;
5. Copyrights, patent, trademark;
6. Income from sale and rental of vehicle, building, machinery or other properties.

Article 47 Calculation of Income Tax for Non-Residents

The calculation of income tax for non-resident shall be taxable income multiplied by income tax rate.

Article 48 Taxable Amount for Income Tax for Non-Residents

Taxable amount of personal income tax for non-resident shall be total income occurred or income as specified in the agreement for each type of income tax as defined in Article 46 of this Law.

For income that is in kind or other objects shall be valued in monetary term.

Article 49 Income Tax Rates for Non-Residents

Income tax rates are as follows:

1. Progressive rate from zero percent (0%) rate to twenty-five percent (25%) rate of income from salary, wage, overtime and other benefits in cash or in kind as defined in paragraph 1, Article 39 of this Law;
2. Ten percent (10%) rate of total income for:
 - Compensation for committee member, artist, athlete and others;
 - Dividend or other benefits, loan interest;
 - Sale and rental of vehicle, building, machinery and other property.
3. Five percent (5%) rate of total income for:
 - Income from winning lottery in cash or in kind;
 - Professor, researcher;
 - Royalty for copyrights, patent, trademark.

Article 50 Filing and Payment of Income Tax of Non-Residents

Individual, legal entity or organization who has binding obligations with non-residents shall be responsible for the calculation, withholding, filing of income tax return to the competent tax administration or where the tax payer resides and properly and fully pay income tax to the State budget according to the law within fifteen working days from the date of payment to such person.

Chapter 3 Annual Reconciliation

Article 51 Reconciliation of Annual Income Tax

Individual earning income in Lao PDR, subject to pay tax as defined in Article 34 of this Law shall sum up all incomes received and tax that have been paid in the year in order to submit to the competent tax administration or where the taxpayer resides by the 31th of March of the following year for inspection and reconciliation the compliance with income tax obligations each year.

For individual earning income as defined in Clauses 1 and 2, Article 34 of this Law shall reconcile annual income tax according to taxable amounts and tax rates for annual income as follows:

(Currency unit: LAK)

Class	Annual base income	Taxable amount	Rate	Tax for each class	Total tax
1	From 15.600.000 and below	15.600.000	0%	0	0
2	Over 15.600.000 - 60.000.000	44.400.000	5%	2.220.000	2.220.000
3	Over 60.000.000- 180.000.000	120.000.000	10%	12.000.000	14.220.000
4	Over 180.000.000 -300.000.000	120.000.000	15%	18.000.000	32.220.000
5	Over 300.000.000-780.000.000	480.000.000	20%	96.000.000	128.220.000
6	Over 780.000.000	25%

Article 52 Deductible Expenses for [Family Support]

Deductible expenses for family support is the expense of the person who bears burden on raising child who does not earn income to support family members registered under Family Registration Book including father, mother, spouse, children under eighteen years old and persons with behavioral disability, but maximum is three persons and five million kip per person per year.

Expenses for family support are deductible from annual income before calculation of annual income tax.

Article 53 Demand Notice and Refund

After annual reconciliation as defined in Article 51 of this Law, if there is additional amount to be paid, the tax administration shall issue a demand notice to the taxpayer to pay the remaining tax into the state budget in full amount within fifteen working days, if there is excess payment, the tax administration shall properly and fully refund [such excess amount] to such taxpayer within ten working days.

Part IV

Rights and Obligations of Taxpayers, Tax Collectors, Relevant Individuals and Organizations

Article 54 Rights of Income Taxpayers and Collectors

The income taxpayers and collectors have the following rights:

1. To receive information, clarification, explanation and comments on income tax activities;
2. To receive confidentiality of their income tax information;
3. To receive income tax exemption or reduction of income tax rate or types of income tax according to the law;
4. To receive income tax refund caused by excess payment according to the law;
5. To sue, appeal or lodge petition against unlawful actions of tax personnel, tax authorities or relevant organizations;
6. To reject the provision of information that is not related to income tax activities;
7. To be informed contents of audit memo;
8. Explain, clarify and present audit findings;
9. Exercise other rights according to the laws.

Article 55 Obligations of Income Taxpayers and Tax Collectors

Income taxpayer and tax collector have the following obligations:

1. Apply for and use TIN according to the laws;
2. Calculate, withhold, file and pay income tax properly, completely and on timely manner;
3. Be responsible for the calculation, withholding, filing, apply for exemption or reduction of income tax rate or type of income tax that is incorrect;
4. Report their accounts at the banks, national treasury or other financial institutions to the tax administration;
5. Summarize tax payment in the year and create an income tax payment plan for the upcoming year;
6. Provide the accounting documents, invoices, financial status certificate and other documents related to income tax activities according to the law;
7. Report on income tax that are exempt or reduction to the tax administration;
8. Implement audit decisions;
9. Perform other duties according to the laws.

Article 56 Rights and Obligations of Relevant Individuals and Organizations

Relevant individuals and organizations have the following rights and obligations:

1. Provide information of the taxpayer, tax collector and cooperation in regards income tax activities to the competent tax administration according to their roles;
2. Inform and report on the violations of laws and regulations related to income tax activities to the tax administration subjecting protection and confidentiality according to the laws;
3. Exercise other rights and obligations as defined in the laws.

Part V

Rights and Duties of Tax Personnel and Authorities

Article 57 Rights of Tax Personnel and Authorities

Tax personnel and authorities have the following rights:

1. Receive cooperation and facilitation on income tax activities from individuals, legal entities or organizations both public and private sectors when necessary or there is a request from the tax administration;
2. Cooperate with individual, legal entity or relevant organization to collect information on income tax activities;
3. Require individual, legal entity or relevant organization to provide documents, information related to income tax activities;
4. Use other rights according to the law.

Article 58 Duties of Tax Personnel and Authorities

Tax personnel and authorities have the following duties:

1. Disseminate laws and relevant regulations on income tax activities to individuals, legal entities and organizations;
2. Comply with the laws, regulations on income tax activities and other relevant laws;
3. Provide information, instructions, explanations on income tax activities;
4. Examine the calculation, withholding, filing, return request, exemption, reduction and payment of tax according to the laws;
5. Recover income tax arrears according to the laws and regulations;
6. Keep confidential information of the tax payer;
7. Support, monitor income tax filing and payment through banking system to the state budget;
8. Coordinate with relevant sectors, organizations and local authorities related to income tax activities;
9. Receive and consider appeals or complaints of the taxpayer according to scope of rights;
10. Perform other duties according to the laws.

Part VI

Prohibitions

Article 59 General Prohibitions

Individuals, legal entities or organizations are prohibited from the following behaviors:

1. Reject to provide information on income tax;
2. Collude to violate, hide and smuggle offenders, delay or obstruct the implementation of income tax activities;
3. Neglect, force, threaten, hurt civil servants, personnel and tax authorities or income taxpayers;
4. Other behavior violating the laws.

Article 60 Prohibitions for Civil Servants - Personnel and Tax Authorities

It is prohibited for civil servants - personnel and tax authorities to behave as follows:

1. Disclosure of state, official confidentiality and personal information of income taxpayers, delay, falsify documents, neglect to perform duties, abandon duties and irresponsible for assigned duties;
2. Abuse of positions, ask for or receive bribe, force, threaten income taxpayers that causes loss interests of the state;
3. Collect income tax incorrectly;
4. Use income tax that has been collected without paying to the state budget;
5. Other behavior that violate the laws.

Article 61 Prohibitions for Taxpayers and Tax Collectors

It is prohibited for the taxpayers and tax collectors to behave as follows:

1. Destroy evidence, falsify documents, under report, hide income or violate the laws related to the payment of income tax;
2. Give bribe or prize, collude with civil servants - personnel or the tax authorities to steal the state money;
3. Falsify invoices, receipts or other documents related to income tax;
4. Other behavior that violate the laws.

Part VII

Management and Inspection of Income Tax Activities

Chapter 1

Income Tax Management

Article 62 Income Tax Management Authority

The government centralized the management of income tax activities on uniform basis throughout the country by designating the Ministry of Finance to be directly responsible for and actively cooperate with line ministries, organizations equivalent to ministry and relevant local authorities.

Income tax management authority consist of:

- Ministry of Finance;
- Tax Department;
- Provincial, Capital Tax Departments;
- District, Municipal, City Tax Offices.

Article 63 Rights and Duties of Ministry of Finance

In managing the income tax activities, the Ministry of Finance has the following rights and duties:

1. Research, develop [and] review policy, strategy, laws related to income tax to propose to the government for consideration;
2. Implement policy, strategy and laws related to income tax into detailed programs and/or projects and their implementation;
3. Disseminate and educate policy, strategy, laws and other legislation related to income tax;
4. Supervise, manage, monitor and support the implementation of technical activities, laws and other legislation related to income tax;

5. Monitor and review the calculation, reconciliation of taxes by the tax authorities and taxpayer according to the law;
6. Resolve complaints/appeals related to income tax;
7. Cooperate with line ministries, organizations, local authorities and other sectors related to income tax;
8. Cooperate with foreign countries, region and international communities related to income tax;
9. Summarize and report on the implementation income tax activities to the government on regular basis;
10. Exercise other rights and duties according to the laws.

Article 64 Rights and Duties of Tax Department

In the management of income tax activities, the Tax Department has the following rights and duties according to its scope of responsibilities:

1. Implement policy, strategy, laws and programs or projects related to the income tax activities;
2. Advertise, disseminate and educate policy, strategy, laws and other legislation related to the income tax activities;
3. Monitor and inspect income tax activities;
4. Issue decisions, instructions, notices, demand notices, enforcement notices, calculation sheet related to the income tax activities including cancellation of such documents that are incorrect;
5. Use information technology system in the income tax activities;
6. Resolve appeal related to the income tax activities;
7. Coordinate with other relevant bodies on the income tax activities;
8. Cooperate with foreign countries, region and international communities on income tax activities according to the law;
9. Summarize and report income tax activities to the Ministry of Finance regularly;
10. Exercise other rights and duties according to the laws.

Article 65 Rights and Duties of the Provincial, Capital Tax Divisions

In the management of income tax activities, the provincial, capital tax office have the following rights and duties according to their scope of responsible:

1. Implement the policy, strategy, laws, development plans and management mechanism of income tax activities;
2. Advertise, disseminate laws, orders and other legislation on income tax activities;
3. Supervise [and] monitor the implementation of relevant laws regularly to manage income tax properly, fully and on timely manner;
4. Issue decisions, instructions, notices, demand notices, enforcement notices, calculation sheet related to income tax activities including cancellation of such documents that are incorrect;
5. Implement the state accounting regime in recording all channels of income tax, cooperate with the national treasury at the province, capital to create summary report and analysis of revenue;
6. Manage [and] monitor the calculation, reconciliation of tax by tax authorities and income taxpayers properly and strictly;
7. Manage [and] use information technology and modernize income tax activities;

8. Manage [and] use budget and bonuses, vehicles, equipment to serve income tax activities;
9. Coordinate with the provincial [and] Capital administration, finance divisions and other line division related to the income tax activities;
10. Monitor [and] support the implementation of income tax activities;
11. Cooperate with foreign counties, region and international communities related to income tax activities as assigned;
12. Summarize and report on the implementation of income tax activities to the Tax Department and provincial [and] Capital governor regularly;
13. Exercise other rights and duties according to the laws and as assigned by higher level.

Article 66 Rights and Duties of District, Municipal and City Tax Offices

In the management of income tax activities, the district, municipal and city tax offices have the following rights and duties according to their scope of responsibilities:

1. Implement policies, strategies, laws, development plan and the income tax management mechanism effectively;
2. Disseminate laws, orders and other legislation on the income tax activities;
3. Monitor the implementation of laws, other relevant legislation on regular and uniform basis to manage income tax activities properly, completely and on timely manner;
4. Issue decisions, instructions, notices, demand notices, enforcement notices, calculation sheet related to income tax activities including cancellation of such documents, if incorrect;
5. Implement the national accounting system in recording all revenue of income tax, coordinate with the national treasury at district, municipal, city level to summarize and analyze revenue data;
6. Manage [and] monitor tax calculation, conciliation of the tax authorities and income taxpayers properly and strictly;
7. Manage [and] use information technology and modernize income tax activities;
8. Manage [and] use budget, bonuses, vehicles and equipment in income tax activities;
9. Coordinate with district, municipal, city authorities, finance office and other offices related to income tax activities;
10. Monitor the implementation of income tax activities;
11. Summarize and report the implementation of income tax activities to the provincial, capital tax division and the governor, head of municipal, city on regular basis;
12. Exercise other rights and duties as defined in the laws and as assigned by higher level.

Chapter 2 Inspection of Income Tax

Article 67 Income Tax Inspection Authority

The income tax inspection authority consists of:

1. Internal inspection authority which is the same authority of income tax management authority as defined in Article 62 of this Law;
2. External inspection authority includes the National Assembly, Provincial People's Assembly, State Inspection Authority at each level, State Audit Authority, Lao Front for

National Development, Lao Veteran Federation, mass organizations, mass media, general public and other relevant bodies.

Article 68 Content of Inspection

Income tax inspection has the following main contents:

1. Implementation of laws and other legislation related to income tax activities;
2. Organization and activities of income tax management authority;
3. Exercise rights, perform duties and take measures against offenders.

Article 69 Technical Inspection

The technical inspection of income tax is as the followings:

1. Income tax payment plan of taxpayers;
2. Income tax filing of the taxpayers;
3. Post-filing audit of income tax;
4. Request for income tax deduction and refund;
5. Location, equipment and documents related to income tax calculation;
6. Transfer pricing;
7. Summary of financial statement;
8. Risk management mechanism of taxpayers;
9. Other contents related to income tax activities.

Article 70 Form of Inspection

There are three forms of inspection of the income tax activities:

1. Regular inspection;
2. Inspection with advance notice;
3. Urgent inspection.

The regularly inspection is the inspection conducted according to regular plan and within fixed time frame.

The inspection with advance notice is the inspection outside the plan when it deems necessary which shall give advance notice to inspection (audit) target.

Urgent inspection is an immediate inspection and out of plan without giving advance notice to inspection (audit) target.

The inspection shall be conducted at the enterprise offices (premises) or to any target.

Part VIII

Policies towards Outstanding Performers and Measurement against Violators

Article 71 Policies towards Outstanding Performers

Individuals, legal entities or organizations having outstanding performances in the implementation of this Law such as being a role model in the payment of income tax, active contribution in the implementation of income tax activities shall be rewarded, receive facilitation or other incentives according to regulations.

Article 72 Measures against Violators

Individuals, legal entities or organizations violating the law and regulations related to income tax shall be educated, taken disciplinary actions, fined, pay for civil compensation or taken criminal actions according severity of cases.

Article 73 Penalties

Individuals, legal entities or organizations operating businesses or earning income in Lao PDR that violate the law and regulations on income tax activities shall be fined according to each of the following cases:

1. Fine of 100.000 Kip per time for not using tax identification number on the income tax return;
2. Fine of 500.000 Kip per time for late filing of income tax return, inconsistent with the provisions as defined in this Law;
3. Fine of 1.000.000 Kip per one enforcement notice for failing to provide document [and] information on income tax activities;
4. Fine of 1.500.000 Kip per time for non-filing of income tax return as defined defined in this Law;
5. Fine of 3.000.000 Kip per time for non-reporting on any changes of information such as enterprise location, telephone number and other information on income tax filing;
6. Fine of fifty percent (50%) of additional payable income tax generated from incorrect or under report filing;
7. Fine of zero point one percent (0,1%) per day of payable income tax amount that is late payment according to the provisions as defined in this Law;
8. The outstanding amount of income tax shall be taken the following actions:
 - Fine of thirty percent (30%) of payable income tax amount for the first enforcement notice;
 - Fine of sixty percent (60%) of payable income tax amount for the second enforcement notice;
 - Fine of one hundred percent (100%) of payable income tax amount for the third enforcement notice;

In case a person who has income tax arrears fails to comply with above mentioned measures, the business operations shall be suspended, enterprise registration certificate is withdrawn, investment license [and] other licenses are withdrawn, or shall be punished according to the laws depending on severity of each case.

Timeframe for each enforcement notice is fifteen days from the date of issuance of enforcement notice and notice to the taxpayer who still has tax arrears.

Part IX Final Provisions

Article 74 Changing Income Tax Rates

In case of urgent needs to amend, change income tax rates to be in line with social-economic growth [development] in each period, the government has rights to research [and] propose to the Standing Committee of National Assembly for consideration before proposing

to the President of the Republic to issue a Presidential Decree for temporary implementation. The Standing Committee of National Assembly, then, shall report to the next session of National Assembly for consideration to include in the amended law.

Individuals, legal entities or other organizations are not allowed to change income tax.

Article 75 Implementation

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

Article 76 Effectiveness

This Law enters into force from the date the President of the Lao People's Democratic Republic issues a Promulgation Decree from 1 January 2020 and fifteen days after publication on the Official Gazette.

Any terms, provisions contradicting with this Law shall be cancelled.

President of National Assembly