



LAO PEOPLE'S DEMOCRATIC REPUBLIC
PEACE INDEPENDENCE DEMOCRACY UNITY PROSPERITY

President's Office

No. 03/PO

DECREE
of the
PRESIDENT
of the
LAO PEOPLE'S DEMOCRATIC REPUBLIC

On the Promulgation of the Value-Added Tax

Pursuant to Chapter 6, Article 67, point 1 of the Constitution of the Lao People's Democratic Republic which provides for the promulgation of the Constitution and of laws adopted by the National Assembly;

Pursuant to Resolution No. 04/NA, dated 26 December 2006, of the National Assembly of the Lao People's Democratic Republic regarding the adoption of the Law on Value-Added Tax; and

Pursuant to Proposal No. 03/NASC, dated 10 January 2007, of the National Assembly Standing Committee.

**The President of the Lao People's Democratic Republic
Decrees That:**

Article 1. The Law on Value-Added Tax is hereby promulgated.

Article 2. This decree shall enter into force on the date it is signed.

Vientiane, 16 January 2007
The President of the Lao People's
Democratic Republic

[Seal and Signature]

Choumaly XAYASONE



LAO PEOPLE'S DEMOCRATIC REPUBLIC
PEACE INDEPENDENCE DEMOCRACY UNITY PROSPERITY

National Assembly

No. 04/NA
26 December 2006

LAW ON VALUE-ADDED TAX

Part I
General Provisions

Article 1. Objective

The Law on Value-Added Tax defines principles, regulations, methods and measures relating to the value-added tax for the collection of obligations from consumers to the State budget, aiming at promoting production and business operations, and widening the circulation of goods¹ and services in conformity with the national plan for socio-economic development and integration with the regional and international communities.

Article 2. Value-Added Tax

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

Article 3. Explanations of Terms

The meanings of the terms that are used in this law are as follows:

1. **Value-added-tax-liable targets** refers to goods and services used in manufacturing, business, consumption, distribution or supply in the Lao PDR;
2. **Value-added-tax-payable targets** refers to organisations, legal entities and individuals that do business and collect [value-added tax] from end consumers. They shall pay value-added tax to the State budget;

¹ The Lao language has two words for "goods". In this law both Lao words are virtually always used together. The translators believe that the single English word "goods" covers both these Lao words. Readers may wish to refer to footnote 3 to the translation of the Tax Law for a fuller discussion of the literal language.

3. **Distribution of goods** refers to the assignment or transfer of rights to the usage of goods to other person(s) in return for remuneration in cash or other benefits²;
4. **Services** refers to economic activities that supply labour, materials, equipment, or vehicles to other person(s) in return for remuneration, such as in the areas of transport, telecommunication, construction, repair, contracts for market management, land development for further sale of usage rights, the hotel business, tourism, food and beverage [business], entertainment, consultancy, brokerage, agency and other activities;
5. **Importation** refers to bringing goods or services into the Lao PDR, and includes import-related services;
6. **Exportation** refers to sending goods or services to other countries from the Lao PDR, and includes export-related services;
7. **Business undertaking or sector** refers to a business operation engaged in manufacturing [and/or] services in such different sectors as agriculture, forestry, handicraft, industry-commerce, mining, transport, banking, and others³;
8. **Broker or agent** refers to an individual or legal entity that is authorised by other individuals or legal entities to make [an] agreement, conduct a negotiation and/or sign a business contract;
9. **Permanent business establishment** refers to an establishment where a taxpayer operates his business on a regular basis. Establishments considered to be permanent include administrative offices, branch offices, factories, mining-extraction sites, construction fields or sites, and any site where undertakings take place;
10. **Value-added tax input (value-added tax credit)** refers to the amount of value-added tax already paid by a taxpayer at the time of the purchase of goods or services for his value-added-tax-liable business operation;
11. **Value-added tax output** refers to the tax amount calculated on the sale value of output goods and services liable to value-added tax;
12. **Value-added tax payable** refers to the amount of value-added tax output minus the value-added tax input, or the tax amount calculated on the added portion of the sale value of goods and services liable to value-added tax;
13. **Tax period** refers to a monthly accounting period;
14. **Non-residents** refers to those who have no permanent residence to reside, make a living, and to do business in the Lao PDR.

Article 4. State Policy on Value-Added Tax

The State determines the policy on value-added tax along with the policies on other taxes to handle double taxation and gradually decrease tax

² The term “distribution” is intentionally defined and used in this law to refer to all kinds of sale (whether on a large scale or not).

³ The term “and others” is a literal translation and is not subject to further specificity.

leakage, in stages from lower to higher levels, aiming to promote manufacturing, services, export, and domestic and foreign investment, and to strengthen the State budget to contribute to the constant growth of socio-economic development.

Article 5. Value-Added Tax Obligations of Individuals and Organisations

The value-added tax is an obligation of end consumers who consume goods and services. Business operators calculate and add value-added tax to the sale price of goods and services and pay it to the State budget.

Individuals, organisations and legal entities that consume or import goods and services have the obligation to pay value-added tax to the State completely and comprehensively in accordance with the laws and regulations.

Article 6. Scope of Application of the Law on Value-Added Tax

The Law on Value-Added Tax is applicable to individuals, organisations and legal entities, both domestic and foreign, that are operating businesses, manufacturing, and services on the territory of the Lao PDR as stipulated in this law.

Article 7. International Relations and Cooperation

The government opens up and promotes international relations and cooperation in the area of value-added tax for the sake of its development through the exchange of technical lessons, human resource development, exchange of information, and facilitation in different areas in line with international agreements or treaties which the Lao PDR has signed or acceded to.

**Part II
Regulations on Value-Added Tax**

**Chapter 1
Value-Added-Tax-Liable and Value-Added-Tax-Payable Targets**

Article 8. Value-Added-Tax-Liable Targets

Goods and services used in manufacturing, business and consumption in the Lao PDR, including for self-consumption, non-business activities and free supply to others and one's own workers, are targets liable to value-added tax, except for the cases stipulated in Article 10 of this law.

Article 9. Value-Added-Tax-Payable Targets

Value-added-tax-payable targets are the following organisations, legal entities and individuals:

1. Business operators, which refers to operators engaged in manufacturing goods and [providing] services, whose annual turnover is higher or equal to the value-added tax threshold subject to the value-added tax system as stipulated in paragraph 1 of Article 13, or who have an annual business turnover lower than the threshold but who volunteer to enter the value-added tax regime in accordance with Article 15 of this law;
2. Importers of goods and services, who are liable to value-added tax regardless of whether the importation is for business operations or self-consumption, or on a continuous or occasional basis;
3. Those who are non-resident and not registered in the tax regime of the Lao PDR are all subject to value-added tax in accordance with Article 29 of this law for all acts of service supply to their customers in the Lao PDR, by using the method of determining business turnover to calculate the value-added tax levied on transactions made through permanent establishments in the Lao PDR.

Article 10. Value-Added Tax Exemptions

The goods and services listed below are all exempted from value-added tax:

1. Non-processed agricultural produce and handicraft products produced and sold by farmers, civil servants and members of cooperatives themselves;
2. Crop seeds and animals for breeding, pesticides, vaccines, [and] organic and chemical fertilizers;
3. Activities of sapling nurseries, afforestation, and plantation of industrial, fruit and medicinal trees;
4. Importation of materials, equipment, and chemicals that cannot be made domestically for scientific research and analysis by State administrative or technical agencies;
5. Importation of gold bars to secure the printing of bank notes, the minting of coins and the distribution of bank notes and coins[;] and importation of bank notes or coins;
6. Importation of, or activities relating to, tax or postage stamps for official use;
7. Importation of aircraft and equipment for air transport[;] and [importation] of goods, fuel and other oils for the service of international air transport;
8. Importation of goods for sale to diplomats, embassies, and international organisations in the Lao PDR in accordance with the authorisation of the Ministry of Foreign Affairs;
9. Personal effects of Lao diplomats, civil servants and students brought into the country following the completion of their overseas missions, training, or study, which have lasted for at least three months. The personal effects must be materials of a non-commercial nature. Cars and other vehicles will not receive exemption;

10. Production and sale of authorised textbooks, teaching manuals, newspapers, political magazines, and non-business television and radio programmes that disseminate political policies;
11. Educational operations such as childcare centres, kindergartens, primary and secondary schools, colleges, universities, vocational schools, and vocational training centres;
12. Operations relating to banking services, financial institutions, and the insurance of health, life, domestic animals and tree plantations;
13. Medical services, such as: examination, treatment, diagnosis, traditional medicines, organs for transplantation, and aids for patients and the disabled;
14. Vehicles for specific purposes, such as: fire engines, ambulances, vehicles equipped with repair facilities, outside television and radio broadcast vehicles, and others, for State administration, national defence and public security;
15. Goods and services supplied to grant aid projects, defined in agreements, treaties and contracts that the government has signed with the governments of foreign countries.

Chapter 2

System and Conditions for Implementation of Value-Added Tax

Article 11. Components of the Value-Added Tax System

The value-added tax system is a system within the general tax system. It replaces only the turnover tax.

The value-added tax system consists of principles and regulations on the registration, calculation, deduction, refund, filing, and payment of value-added tax.

Article 12. Conditions for Inclusion in the Value-Added Tax System

Inclusion in the value-added tax system shall depend on meeting conditions relating to:

- The annual business turnover of business operators;
- Use of a standard accounting system and invoices.

Article 13. Annual Business Turnover of Business Operators

As stipulated in paragraph 1 of Article 9 of this law, business operators who have a minimum annual business turnover of 400,000,000 Kip are subject to value-added tax registration with the tax authority, and are targets [required] to file value-added tax returns from the day they are registered in the value-added tax system.

If the prices of goods and services fluctuate by at least 20% or if there is a need, the government will adjust the level of the annual business turnover as stipulated above and in Article 15 of this law to conform to the local

realities, and will report it to the next session of the National Assembly for approval.

Article 14. Maintenance of Standard Accounting System and Use of Invoices

Business operators registered in the value-added tax system have the obligation to maintain an advanced or ordinary⁴ accounting system in line with the Enterprise Accounting Law. The standard of their accounting will be certified by relevant State organisations, or legally established accounting consultancy firms. They shall also use the invoice forms promulgated by the State in accordance with regulations.

Article 15. Voluntary Value-Added Tax Registration

A business operator who has an annual business turnover of less than 400,000,000 Kip, and who maintains correct accounts, and uses invoices and other certified documents, can voluntarily apply to the tax authority for registration in the value-added tax system and become a target to pay value-added tax starting from the month after it is authorised to be in the value-added tax system.

**Chapter 3
Value-Added Tax Calculation**

Article 16. Method of Value-Added Tax Calculation

Value-added tax can be calculated by multiplying the value of goods and services liable to value-added tax by the value-added tax rate.

Article 17. Basis of Value-Added Tax Calculation

The basis of value-added tax calculation is the value of goods and services liable to value-added tax, and the calculation can be made according to the following cases:

1. For imported goods, the calculation is based on the value declared at import plus customs duties, excise tax (if any), and the value of import-related services;
2. For goods and services on which excise tax is collected during the domestic production process [or] upon importation for domestic sale, the calculation is based on the sale price with excise tax (if any) but excluding value-added tax;
3. For goods and services used in domestic barter trade or for domestic consumption, including for self-consumption, consumption by others and employees and free supply, the

⁴ The literal translation is “extended or normal”. The translators are aware that the 1999 Enterprise Accounting Law (which was in force when this law was enacted) does not refer to these different accounting systems. The references here may be to the amended Enterprise Accounting Law which (as of July 2007) has just been passed. For consistency, the translators have used the same translations as employed in Article 35 (1) of the Tax Law and by the Tax Authority.

calculation is based on the market sale price of goods and services excluding value-added tax, or on an equivalent price at the place of the transaction⁵;

4. For the lease of assets of a business operator, the basis is the rental received for each period as stipulated in the contract;
5. For contracts for labour services, the calculation is based on the service fees including⁶ value-added tax received under the contract; and for job placement services, it is based on the service fees received excluding value-added tax;
6. For goods and services sold on credit, the calculation is based on the total value, excluding value-added tax, that would be determined for the immediate sale of the goods or services, and not including interest;
7. For goods and services of specific nature, such as: tourism, telecommunication, internet services, lottery operation, operations of brokers and agents, and other undertakings for which it is difficult to establish the basis for value-added tax calculation, the government is responsible for defining detailed regulations to establish the basis of value-added tax calculation.

In calculating the basis of value-added tax for goods and services stipulated in this article, if there is additional income, the income will be added to the value-added tax calculation of business operators.

In the event that business operators earn business turnover in foreign currencies, it shall be converted into Kip to determine the basis of value-added tax calculation, based on the exchange rate of the Bank of the Lao PDR at the time of the transaction.

Article 18. Adjustments to Value-Added Tax Basis

Adjustment to the value-added tax basis is possible in the following cases:

1. When the customer returns goods or [gets a refund of] the cost of services in whole or in part;
2. When there is a subsequent cancellation of sale or services;
3. When there is a discount on the price of goods or services.

The adjustment of value-added tax basis in the above-mentioned cases will be made when sellers issue⁷ invoices that include value-added tax and report the value-added tax amount in their value-added tax returns.

⁵ If there is no market for the particular goods or services, this provision directs the calculator to determine the price of a private transaction in similar goods or services.

⁶ This is a literal translation of the Lao text. The translators are aware that value-added tax is typically excluded from, rather than included in, the calculation.

⁷ There is a connotation of re-issue.

Article 19. Rates of Value-Added Tax

The rates of value-added tax are set as follows:

1. A 10% rate is applied to imported [goods and services] and domestically produced and consumed goods and services liable to value-added tax;
2. A zero (0%) rate is applied to goods and services for export.

Article 20. Calculation of Value-Added Tax Payable

The amount of value-added tax payable is equal to the amount of value-added tax collected at the time of sale (output) minus the amount of value-added tax paid at the time of purchase (input) as credit that is deductible as stipulated in Article 22 of this law.

The amount of value-added tax collected at the time of sale (output) is equal to the actual sale price of goods or services multiplied by the value-added tax rate, which is indicated in the invoice issued at the time of sale of goods and services.

The amount of value-added tax at the time of purchase (input) as credit that is deductible is equal to the gross amount of paid value-added tax specified in invoices that indicate the amount of value-added tax at the time of purchase of goods and services, or in the receipts of value-added tax payment at the time of importation of goods and services.

As for transactions that are accompanied by other kinds of invoices (tickets, cards...⁸) with fixed prices and with no separate indication of value-added tax (value-added tax is already included), the value-added tax output or input will be calculated by finding the value-added-tax-free price and multiplying it by the value-added tax rate.

Article 21. Timing of Value-Added Tax Calculation and Collection

The timing of value-added tax calculation and collection is set in the following cases:

1. For imported goods, the value-added tax will be calculated and collected at the same time as customs duties;
2. For the sale of imports or domestic goods and services, regardless of whether payment is made, the calculation and collection will be made according to the following cases:
 - a. In the case where the seller has issued an invoice and transferred the ownership of the goods, value-added tax will be calculated and collected at the time of the issuance of the invoice and the transfer of ownership;

⁸ These are translations of two Lao words that mean ticket. The first word refers to tickets made of ordinary soft paper and the second to tickets made of a thicker paper like the ones used for cards.

- b. In the case where the seller has delivered goods or supplied services to the buyer but invoices are not issued, value-added tax will be calculated and collected at the time of the delivery of goods or supply of services or at the time the goods are transported;
 - c. In the case where the buyer has made an advance payment to the seller in accordance with the contract but the seller has not yet issued an invoice, value-added tax will be calculated and collected at the time when the seller receives the payment;
 - d. In the case where one item is paid for in several instalments, value-added tax will be calculated and collected at the time of actual delivery of such goods and services to the buyer according to the total amount due;
3. For goods and services for self-consumption or free supply to others, and for the supply of goods or services to one's own employees, value-added tax will be calculated and collected at the time when the consumption or the supply takes place.

Chapter 4 **Value-Added Tax Deduction and Refund**

Article 22. Value-Added Tax Deduction

For business operators in the value-added tax system, the deductible value-added tax input is the amount of paid value-added tax according to an invoice issued at the time of purchase of goods and services, or indicated in a receipt of value-added tax payment at the port of entry, as in the following cases:

1. The amount of value-added tax input of goods and services used in manufacturing, business, and services that are liable to value-added tax is all deductible;
2. The amount of value-added tax input of goods and services used in manufacturing, business, and services that are liable to and exempted from value-added tax⁹ is deductible only for the proportion of the goods and services used in such business operations that are liable to value-added tax;
3. The amount of value-added tax input of fixed assets used in manufacturing, business, and services that are liable to and exempted from value-added tax is all deductible;
4. The amount of value-added tax input of goods and services for export, including value-added-tax-exempt goods and services for export, will be deductible only if they meet the following conditions and are certified as follows:
 - a. The goods and services are exported with the certification of the Customs Authority;
 - b. [They] have contracts of sale; and

⁹ The descriptor "that are liable to and exempt from value-added tax" is a literal translation. The implication is that some of the output is liable to value-added tax and some is not.

- c. Payment [for such goods and services must be made] through banks, or in other forms, such as: exchange of goods and services, and settlement by other special forms as stipulated by the laws.¹⁰

The deduction of value-added tax input for goods and services for export are prescribed in specific regulations;

5. For business operators in the value-added tax system whose amount of deductible value-added tax input exceeds the value-added tax output reported in the month, the balance can be carried forward for deduction in the following month but no longer than six months, except for the cases of value-added tax refunds stipulated in Article 24 of this law.

A request to deduct input value-added tax shall be made at the same time as value-added tax is calculated by submitting a written application to the tax authority within the month in which the value-added tax input is incurred, but no later than six months [after such incurrence].

Article 23. Non-deductible Value-Added Tax Inputs

The following are the cases of value-added tax inputs that are not deductible from value-added tax output:

1. Goods and services that are exempted from value-added tax as stipulated in Article 10 of this law;
2. Incorrect and incomplete receipts of the payment of value-added tax input at the time of purchase or importation of goods and services;
3. Goods and services that are not used in the operator's main business operations liable to value-added tax, such as: food, accommodation, tourism, entertainment, receptions, relief aid or in-kind donations, and the supply of goods and services free of charge to itself or to its own employees;
4. Fuel and lubricants that are used in business, manufacturing, and services that are liable to and exempted from value-added tax;
5. Costs of telephone, water supply, and electricity services, that are not used in the main business operations of the business operator;
6. Lease charges of materials, equipment, vehicles, or other assets;
7. Sale of vehicles, including their accessories and spare parts, that is not the main operation of the business.

Article 24. Value-Added Tax Refund

Value-added tax refund is possible in the following cases:

1. Value-added tax input of goods and services for export, including goods and services for export that are exempted in Article 10 of this law, will be refunded each month with the exception of the

¹⁰ There is a connotation that the other forms must be stipulated by laws.

- products of natural wood and minerals which are reserved by the government;
2. Value-added tax that has not been completely deducted or that has been overpaid by business operators as at the date of legal merger, separation, or bankruptcy in accordance with the laws;
 3. The value-added tax amount subject to refund according to this law and in international agreements;
 4. For business operators whose business income in an accounting period derives from domestic operations and export operations, if the value-added tax input is not completely deducted within the month, only the export proportion will be refunded.

Business operators shall make a written application to the competent tax authority to receive value-added tax refunds.

The scope of rights, timing, documents and financing sources for the establishment of funds for value-added tax refunds are prescribed in specific regulations.

Part III Value-Added Tax Licenses

Chapter 1 General Principles on Value-Added Tax Licenses

Article 25. General Principles

The general principles on value-added tax licenses [cover] the following:

- Value-added tax registration;
- Value-added tax cancellation.

Article 26. Value-Added Tax Registration

Value-added tax registration refers to the systematic and continual recording of the main information on taxpayers into the registers of the tax authority.

The application for value-added tax registration shall be conducted through the submission of an application in the promulgated form used in the competent tax authority.

After receiving the application form for value-added tax registration, tax officers shall consider and issue a value-added tax registration license and tax identification number to the taxpayer within 15 official working days.

Those who are registered in the value-added tax system shall use their tax identification number for certification in their business and official activities as stipulated by the laws and regulations.

In the event of merger, separation, or change in business operations, business operators shall notify the competent tax authority within 30 official working days from the date of the merger, separation, or change in business operations.

Steps and detailed procedures for value-added tax registration will be defined in specific regulations.

Article 27. Value-Added Tax Registration for Business Operators

Business operators who have been running the businesses specified in paragraph 1 of Article 13 and in Article 15 of this law shall apply for registration in the value-added tax system with the competent tax authority.

New business operators are required to submit their annual business turnover plan as stipulated in paragraph 1 of Article 13 and in Article 15 of this law, and shall file an application form for registration with the competent tax authority. They will then be included in the value-added tax system and [be assigned] tax identification numbers within 30 official working days.

The value-added tax registration specified in this article will take effect after the value-added tax registration license is received.

Article 28. Cancellation of Value-Added Tax License

A business operator who wishes to give up his business operations shall apply for the cancellation of his value-added tax license at the competent tax authority with which the business is registered. The tax authority shall consider the application and issue a certificate for the cancellation within 30 official working days after the application is received. Business operators shall continue paying value-added tax until they receive the certificates of cancellation.

Chapter 2

Specific Principles on Value-Added Tax License

Article 29. Non-residents and Non-registered Operators in the Lao PDR

Business operators registered in the value-added tax system that receive services from operators who are non-residents or who are not registered in the value-added tax system in the Lao PDR, as stipulated in paragraph 3 of Article 9 of this law, shall withhold value-added tax when they pay service charges to such suppliers. The payment of the withheld value-added tax will be made at the same time as the normal tax filing in accordance with the accounting periods specified in Article 32 of this law.

If business operators that are not registered in the value-added tax system receive services from suppliers who are non-residents or who are not registered in the value-added tax system in the Lao PDR, they shall withhold

value-added tax and pay it to the State within 30 days after the payment to the suppliers.

Article 30. Brokers and Agents

The supply of goods or services by an individual acting as a broker or agent for another person who is the owner of a business operation in the value-added tax system is considered an operation liable to value-added tax as stipulated in this law.

Article 31. Operators Outside the Value-Added Tax System

Business operators that are not registered in the value-added tax system in accordance with this law will be subject to turnover tax on the sale of goods and services in accordance with the Tax Law.

**Part IV
Implementation**

**Chapter 1
Value-Added Tax Filing and Payment**

Article 32. Filing of Value-Added Tax Returns

The filing of value-added tax returns for payment shall proceed as follows:

- Business operators shall file value-added tax returns on a monthly basis to the competent tax authority no later than the 15th of the following month;
- Even if there is no value-added tax input and output [within a tax period], business operators are still obligated to submit value-added tax returns with complete and correct information to the tax authority, in accordance with the regulations;
- Business operators that are registered in the value-added tax system shall file value-added tax returns from the day the registration takes effect;
- Importers of goods and services shall file value-added tax returns and pay value-added tax for every importation at the same time as the declaration of customs duties.

Details of how to file tax returns and of tax return forms are specified in specific regulations.

Article 33. Value-Added Tax Payment

Business operators subject to value-added tax shall proceed as follows:

- For the sale of goods or services, value-added tax shall be paid on a monthly basis by the 15th of the following month;

- In the case of importation, value-added tax shall be paid fully at the time of the payment of customs duties;
- If the amount of value-added tax input in an accounting period exceeds the amount of value-added tax output, the balance will be carried forward for deduction in the following tax period;
- The value-added tax amount shall be paid in Kip to the State budget.

Chapter 2

Maintenance of Accounts and Invoices

Article 34. Maintenance of Accounts

Maintenance of accounts is the process of recording all business activities. In the process, the main data in invoices issued by business operators will be recorded into the accounting books in a systematic and continual manner in accordance with the laws and regulations.

Business operators registered in the value-added tax system shall maintain accurate and complete accounts for the monitoring, recording and maintenance of the files of invoices, receipts and accounting books relating to value-added tax.

All used accounting documents shall be kept for a period of 10 years and must be available at any time for inspection by auditors.

Article 35. Invoices

An invoice is a document certifying a sale of goods and services, a value-added tax payment at the time of purchase, a value-added tax collection at the time of sale, or a deduction or request (claim) for refund.

All sales of goods and services shall be accompanied by invoices as stipulated in the laws and regulations, as follows:

1. For every sale of goods and services, business operators in the value-added tax system have the obligation to issue invoices that include the value-added tax payable and to fill in correct and complete information as required by the invoice form. The information includes the sale price excluding value-added tax, fees received (if any), value-added tax amount, and the sale price including value-added tax. In the event that operators do not enter the value-added tax amount in the invoice at the time of sale, tax officers will take the sale price indicated in the invoice to be the value-added tax basis;
2. Business operators not registered in the value-added tax system are also obligated to issue invoices, but are not entitled to put the value-added tax amount in the invoices for their customers;
3. In the event that sellers do not issue invoices, buyers shall demand for them from sellers;

4. Stamps, tickets, and cards printed with fixed prices on them are considered to be receipts of payment in which value-added tax is included.

Article 36. Goods in Stock and Tax Deduction

Until the Law on Value-Added Tax takes effect, business operators that have goods in stock and that will be registered into the value-added tax system shall conduct a stocktaking to identify the accurate quantity, types, and value of goods in stock, and the amount of turnover tax paid at the time of purchase in order to report and declare to the competent tax authority.

The amount of turnover tax paid at the time of purchase of the goods mentioned above will be deductible from the value-added tax amount payable in the month as specified in Article 22 of this law after it enters into force.

Article 37. Audit¹¹

The audit of business operators subject to value-added tax is to ensure the correct, complete and timely performance of their obligations.

Audits can be carried out at places as follows:

- Desk audit at the tax offices;
- Field audit at the taxpayer's office;
- Inspection at relevant sites, such as: [sites of] stocks or movement of goods within the country.

Audits can be conducted on a regular basis, with advance notice, and as emergency audits.

Auditors shall abide by the laws and regulations while the person under audit shall cooperate. After every audit, auditors shall make an audit memorandum in the presence of the audited business operator, read out all the phrases to him, and sign the memorandum.

¹¹ In the Lao language, the same word is used to represent all of the following related (but slightly different) concepts: “control”, “inspection”, “supervision”, “audit” and “monitoring”. The translators have chosen “audit” for external audits of business operators and (consistent with most other laws), “inspection” for the inspection by the government of its own internal operations (as in Part V, Chapter 2).

Chapter 3
Settlement of Petitions¹² about Value-Added Tax

Article 38. Petitions by Business Operators

Value-added tax-payable business operators are entitled to file petitions about the value-added tax practices that they view as incompatible with the laws and regulations. The petition shall be lodged directly with the competent tax authority within 30 days from the date of the assessment notice, from the date any other notice issued by the tax authority is received, or from the time they witness the event or action viewed to be incompatible.

Pending settlement, the business operators shall put a sum of money accounting for 50% of the value-added tax assessment as security with the fund for value-added tax refund on a temporary basis.

If the business operators lodge a petition after the above-mentioned time limit, the tax authority will not consider such petition.

Article 39. Consideration and Settlement of Petitions

1. When a tax authority receives a petition about value-added tax enforcement from a business operator, it shall be considered and settled within 10 official working days from the date it is received. If it is complicated, the settlement can be prolonged but should take no more than 30 official working days;
2. Business operators will observe the decision of the settlement made by such tax authority. In the event of disagreement, they are entitled to petition within 10 official working days to the immediate higher authority of such tax authority for final decision;
3. For issues outside its mandate, such tax authority must transfer the files of the case or report the case to its immediate higher level for consideration and settlement;
4. The tax authority that receives the petition is entitled to require the petitioner to provide relevant documents and information. If nothing is provided, the tax authority is also entitled to refuse to settle the petition;
5. If the immediate higher authority of the competent tax authority decides that any acts of value-added tax enforcement, for example, calculation and penalties, are incorrect, the higher level tax authority shall make a decision, particularly returning the mistakenly collected taxes to the relevant business operators within 15 official working days from the date a decision on the settlement is made.

¹² For more detailed information on petitions, readers may wish to refer to the Law on the Handling of Petitions.

In the event that the business operators are not satisfied with the settlement by the final level of the tax authority, they are entitled to bring an action in accordance with the Law on the Handling of Petitions.

Part V
Management and Inspection of Value-Added Tax

Chapter 1
Value-Added Tax Management

Article 40. Organisation for Value-Added Tax Management

The value-added tax management organisation is a centralised, uniform organisation along a vertical line of command from the central to local levels for the nationwide management and collection of value-added tax.

The value-added tax management organisation consists of:

- The Ministry of Finance;
- The tax authorities at each level:
 - The Tax Department;
 - The tax division in each province and city;
 - The tax office in each district and municipality.

Article 41. Rights and Duties of the Ministry of Finance

In the management of value-added tax, the Ministry of Finance has the following main rights and duties:

1. To study and develop strategic plans, policy plans, laws and regulations on value-added tax for submission to the government for consideration;
2. To publicise and disseminate the Law on Value-Added Tax and other legislation according to its role;
3. To guide, monitor and inspect the implementation of the laws and other legislation on value-added tax;
4. To guide technical operations, to manage and train officers, to appoint, transfer and remove officers, to grant incentives to or take disciplinary actions against officers in charge of value-added tax, and to provide budget, vehicles, technical materials and equipment to the value-added tax machinery;
5. To coordinate with State organisations and other organisations relating to value-added tax;
6. To liaise and cooperate with foreign countries, regional and international communities in value-added tax activities;
7. To be responsible to the government for the management and inspection of the implementation of value-added tax nationwide;

8. To summarise and report on the implementation of value-added tax activities to the government.

Article 42. Rights and Duties of the Tax Department

The Tax Department serves as the secretariat to the Ministry of Finance in exercising rights and performing duties of the Ministry as specified in Article 41 of this law. It also has rights and duties in implementation, management, collection and decision-making relating to the refund of value-added tax.

Article 43. Rights and Duties of Provincial and City Tax Divisions Relating to Value-Added Tax Management

In the management of value-added tax, the tax division at each province or city has the following main rights and duties:

1. To study and make comments on draft strategic plans, policy plans, laws and regulations relating to value-added tax;
2. To make annual plans for revenue collection of value-added tax in the province or city;
3. To be responsible to the Ministry of Finance for the management and inspection of the implementation of value-added tax collection to ensure completeness and conformity with the laws and regulations;
4. To guide, manage, monitor and inspect the performance of district and municipal tax offices, and value-added tax officers under their control;
5. To publicise and disseminate within its jurisdiction the policies, laws, regulations and other legislation relating to value-added tax;
6. To make proposals for rewarding persons with outstanding achievements and imposing disciplinary actions against violators of the laws and regulations to the [relevant] provincial governor or city mayor for further submission to the Minister of Finance for consideration;
7. To make proposals regarding the appointment, transfer or removal of value-added tax officers under its control to the [relevant] provincial governor or city mayor, for further submission to the Minister of Finance for consideration;
8. To summarise and report on the implementation of value-added tax activities to the Ministry of Finance.

Article 44. Rights and Duties of District and Municipal Tax Offices Relating to Value-Added Tax Management

In the management of value-added tax, the tax office at each district or municipality has the following main rights and duties:

1. To study and make comments on draft strategic plans, policy plans, laws and regulations relating to value-added tax;

2. To publicise and disseminate within its jurisdiction the policies, laws, regulations and other legislation relating to value-added tax;
3. To be responsible for the implementation, management and collection of value-added tax within its district or municipality;
4. To guide, manage, monitor and inspect the performance of value-added tax officers under its control;
5. To summarise and report on the implementation of value-added tax activities to the [relevant] provincial or city tax division.

Chapter 2

Inspection of Value-Added Tax Activities

Article 45. Inspection Organisation

The inspection organisation includes the internal and external inspection agencies.

1. The internal inspection agencies include:
 - The Ministry of Finance;
 - The tax authority at each level;
2. The external inspection agencies include:
 - Control committees;
 - The State Audit Agency.

Local administrations, the Lao Front for National Construction, mass organisations, social organisations, the mass media and concerned parties are responsible for inspecting the implementation of the value-added tax according to their tasks and roles.

Article 46. Rights and Duties of Internal Inspection Agencies

The internal inspection agencies have rights and duties of regular systematic inspection on the implementation of laws, exercise of rights and performance of duties of value-added tax officers at each level, for example concerning calculation, collection, deduction and refund of value-added tax.

Article 47. Rights and Duties of External Inspection Agencies

The external inspection agencies have rights and duties of inspection on the performance of value-added tax officers, including inspection of value-added tax implementation by relevant organisations, to make the work relating to value-added tax efficient, transparent and fair.

Article 48. Types of Inspection

There are three types of inspection, as follows:

- Regular inspection;
- Inspection with advance notice;
- Emergency inspection.

Regular inspection refers to an inspection performed regularly according to plans at pre-determined times.

Inspection by advance notice refers to an inspection which is not included in the plan, which is performed when deemed necessary and for which advance notice is given.

Emergency inspection refers to a sudden inspection performed without advance notice to the person to be inspected.

Part VI
Policies towards Persons with High Achievement
and Measures Against Violators¹³

Chapter 1
Policies Towards Persons with High Achievement

Article 49. Policies Towards Persons with High Achievement

Individuals and organisations contributing to the efficient implementation of this law will receive rewards and other policies according to regulations.

Article 50. Policies for Taxpayers

Taxpayers who perform their obligations correctly, fully and on time will receive rewards and appropriate facilitation in their business operations in accordance with laws and regulations.

Chapter 2
Measures Against Violators

Article 51. Measures Against Violators

Violators of this Law on Value-Added Tax will be subject to re-education, fines, disciplinary action, civil compensation, and criminal punishment depending on the severity of the case.

Article 52. Measures against Business Operators and Other Persons

Value-added-tax-payable business operators who violate the regulations on value-added tax registration, filing, and payment will face the following measures from case to case:

¹³ The term “policies” is often used as an indirect way of referring to “incentives” or “privileges” and the term “measures” is often used as an indirect way of referring to “sanctions”.

1. If a business operator whose annual turnover exceeds the level stipulated in paragraph 1 of Article 13 of this law does not apply for value-added tax registration as specified in Article 26 of this law, he will undergo re-education; if he does not comply with the re-education¹⁴ measures, he will be fined in an amount equal to fifty percent of the value-added tax registration fee;
2. Business operators who do not use the tax identification number issued by the tax authority in their papers will be fined 200,000 Kip per instance;
3. Business operators who miss the deadline for filing or payment of value-added tax as specified in this law will be fined in an amount equal to five percent of the amount of value-added tax payable for each month of delay. In any case, the penalty shall not exceed the amount of value-added tax payable;
4. In cases of non-filing or underreporting of value-added tax, the tax authority shall demand action. If nothing happens, the following measures will be applied:
 - In the first instance, the total amount of value-added tax payable shall be paid in full, and a fine of thirty percent of the total amount of value-added tax payable shall be imposed;
 - In the second instance, the total amount of value-added tax payable shall be paid in full, and a fine of sixty percent of the total amount of value-added tax payable shall be imposed;
 - If no filing is made or value-added tax is underreported after the second demand notice expires, business closure and temporary withdrawal of business and tax licenses for one month will be imposed. After the one-month period, measures in paragraph 5 below shall be applied;
5. In cases of non-payment of [value-added] tax and penalties after receiving the second demand notice, the following measures will be applied:
 - [The offender] shall be fined five percent of the value-added tax payable for the issuance of the first demand notice, then ten percent of the value-added tax payable for the issuance of the second demand notice, and fifteen percent for the third one. The term of the demand notice for the payment of the tax shall be 10 days, each time;
 - The business unit will be ordered to suspend its operations and its business and tax licenses shall be withdrawn temporarily for one month if the payment is not made after the deadline of the third demand notice. After the one-month period of suspension, if value-added tax is not paid, the business unit will be ordered to permanently terminate business and a claim shall be filed and presented to the court;
 - Some of the business operator's money in bank accounts, the National Treasury and financial institutions (credit) will be garnished to pay value-added tax and fines;

¹⁴ Here, "re-education" does not mean the same as "re-education without deprivation of liberty" referred to in the Penal Law.

The banks, the National Treasury and financial institutions (credit) have the obligation to garnish money in the deposit accounts of the business operator that does not pay the tax and fines to pay value-added tax and fines to the State budget in accordance with the decision of the tax authority or other competent agencies.

In the event that there is no money or insufficient money in the deposit accounts with the banks, the National Treasury, and financial institutions (credit) for the amount payable, the [relevant] tax authority shall establish a committee to seize or confiscate the assets of the business operator to secure the full recovery of the value-added tax and fines;

6. In cases of value-added tax fraud, failure to keep accounts, sale of goods or supply of services without issuing invoices, forgery of invoices or other accounting documents, hindering auditors in the performance of their duties, failure to provide accounting documents, or failure to respond to requests from the tax authority for the supply of evidence, explanation, information in due time, the following measures will be applied:
 - In the first instance, the full amount of value-added tax payable shall be paid, [the offender] shall be fined fifty percent of the value-added tax assessed and shall [also] be fined according to the enterprise accounting regulations;
 - In the second instance of violation, the full amount of value-added tax payable shall be paid[; the offender] shall be fined one hundred percent of the value-added tax assessed, shall be fined according to the enterprise accounting regulations, and shall be ordered to terminate the business operations[;] and an announcement shall be made in the mass media;
 - If the above-mentioned measures are not observed, [the offender] will be subject to legal proceedings;
7. In cases of collusion in the improper deduction of value-added tax, the following measures will be applied:
 - Return of the full amount of value-added tax to the budget;
 - [The offender] shall be fined one hundred percent of the deducted value-added tax amount and in addition shall be subject to legal proceedings;
8. In cases where business operators or other persons hinder the performance of the tax authority or commit any other criminal offence, they will be prosecuted in accordance with the laws and regulations.

Article 53. Measures against Value-Added Tax Officers

Any officer in charge of value-added tax who commits any act that constitutes an offence will be subject to the following measures:

1. If the offence causes no severe impact to the laws and regulations, or the revenue and dignity of the tax authorities, re-education and warning will be applied;

2. In a case of irresponsibility or negligence causing damage to the interests of the State or taxpayers, compensation will be made for the damage, [and the person shall also be subject to] prosecution according to the severity of the offence;
3. In a case of abuse of power, position, or duty, collusion, concealment of offences or other actions in violation of the laws, [the person shall be subject to] prosecution according to the severity of the offence;
4. In a case of abuse of power, position or duty, abuse of authority, any practice that violates the law, or embezzlement of value-added tax and fines, the offender shall pay back to the State the full amount embezzled and the taxes that are the subject matter of the abuse, shall be fined and shall be subject to prosecution.

Part VII Final Provisions

Article 54. Implementation

The government of the Lao People's Democratic Republic is to implement this law.

Article 55. Effectiveness

This law shall enter into force after eighteen months following the date of the promulgating decree issued by the President of the Lao People's Democratic Republic.

This law replaces the amended Tax Law No. 04/NA, dated 19 May 2005, regarding turnover tax only, for business operators in the value-added tax system.

Vientiane, 26 December 2006
President of the National Assembly

[Seal and Signature]

Thongsing THAMMAVONG