

Lao People's Democratic Republic Peace Independence Democracy Unity Prosperity

National Assembly

No. 52/NA

Vientiane Capital, Date: 23 July 2014

Law on Value-Added Tax (Revised Version)

Part I General Provisions

Article 1 (Revised) Objective

This Law defines principles, regulations, methods and measures on the management and inspection of Value Added Tax, to support [and] promote the production of goods and [provision of] services, promote investment, export aiming at increasing revenue to the State budget, create conditions for regional and international integration [and] contributing to the national social-economic development.

Article 2 (Revised) Value Added Tax

The Value Added Tax is a tax that is collected from the consumption of goods and services within the country that is charged and paid through stages which is borne by final consumers.

Article 3 (Revised) Components of Value Added Tax System

The component of Value Added Tax system consists of implementation principles, requirements on entering into Value Added Tax system, account keeping, use of invoices; calculation, filing, payment, deduction and refund of Value Added Tax.

Article 4 (Revised) Definitions

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

1. “Goods” refer to unphysical or physical objects that are movable including fixed

and other assets available for production, sale, exchange, [use in] services; 2. "Exportation" refers to transferring goods to another country from the Lao PDR

including to special and specific economic zones; 3. "Importation" refers to bringing goods from other country into the Lao PDR

including the importation of goods from special and specific economic zones; 4. "Sale" refers to the hand over, transfer of right to use goods or services to others with compensation in terms of cash or in-kind benefits including giving for free and self-consumption;

5. "Service" means economic activity that is the provision of labor to others or oneself for compensation which may include materials, [equipment] and vehicles;

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6. "Input Value Added Tax" refers to the amount of Value Added Tax that a Value Added Tax Taxpayer pays when importing goods or purchasing goods or services in the country to use in his/her business operations.

7. "Output Value Added Tax" refers to the amount of Value Added Tax that is charged on the sale of goods or [supply of] services that is paid by the purchaser of goods or consumer of services; 8. "Value Added Tax Payment Period" refers to a period of one month that a Value Added Tax Taxpayer is obliged to report and pay all Value Added Tax related activities performed during such month;

9. "Non-resident" refers to the one who does not have a permanent address to live, doing for living and operate a business in Lao PDR;

10. "Value Added Taxpayer" refers to a business operator who is registered under the Value Added Tax system;

11. "Finished Product" refers to an object have been processed into a finished product that is ready for use;

12. "Human Blood" refers to human blood product and blood that is certified by medical authority that it has the quality;

13. "Zero-rate (0%)" refers to a Value Added Taxable rate levied on exported goods which is different from exemption where the application of zero rate gives rise to input Value

Added Tax is deductible, while the application of exemption is not allowed to deduct input Value Added Tax.

Article 5 (Revised) State Policy on Value Added Tax

The State establishes the policy on Value Added Tax to support [and] promote production of goods and services, investment to continually expand, develop the Value Added Tax filing, payment and collection system to be smooth, modernized, ensuring equity, transparency and accountability.

The State create conditions and facilitation for the management of Value Added Tax management for the public sector in terms of personnel, budget, infrastructure, vehicles and equipment that are necessary depending on capacity in each period.

The State creates favorable environment for entrepreneurs in the payment of Value Added Tax.

Article 6 (New) Value Added Tax Principles

In the operations of Value Added Tax activities, the following principles shall be applied:

1. Ensuring centralized [and] uniform implementation throughout the country; 2. Ensuring the promotion of production of goods, [provision of] services [and]

investment to continuously expand; 3. Ensuring modernization, smoothness, speediness, equity, transparency and accountability; 4. Ensuring harmonious cooperation between the vertical and horizontal managements; 5. Ensuring the implementation of obligations of regional and international agreements

[and] treaties to which Lao PDR is a party.

Article 7 (Revised) Obligations of Individuals, Legal Entities and Organizations

Individuals, legal entities and organizations consuming goods and services in Lao PDR are obliged to pay Value Added Tax as defined in this Law.

Article 8 (Revised) Scope of Application

This Law applies to both domestic and foreign individuals, legal entities and organizations that operate businesses work and reside in Lao PDR that consume goods and services in Lao PDR.

Article 9 International Cooperation

The State widens and promotes foreign, regional and international relations and cooperation with regard to Value Added Tax activities by withdrawing lessons on the management, use of modern technology in revenue collection, human resource development, upgrading technical capacity, collection and exchange of information ensuring Value Added Tax activities better developed and in compliance with international agreement [and] treaties to which Lao PDR is a party.

Part II Basic Context of Value Added Tax

Chapter 1 Scope of Value Added Tax

Article 10 (New) Persons Obligated to Charge Value Added Tax

Individuals, legal entities and organisations that operate businesses under the Value Added Tax system or representatives of the Tax Authority who charge Value Added Tax from consumers of goods and services and pay to the State budget as defined in this Law.

Article 11 (Revised) Value Added Taxable Goods and Services

The Value Added Taxable goods and services are goods that are imported into the territory of Lao PDR, goods and services that are supplied in the territory of Lao PDR, services supplied by non-resident in Lao PDR and services supplied by legal entities and organisations not established in Lao PDR, except goods and services as defined in Article 12 and Article 16 paragraph 2 of this Law.

Article 12 (Revised) Value Added Tax Exempt Goods and Services

Value-Added Tax exempt goods and services are as follows:

1. The importation [and] sale of un-processed agricultural produce or preliminary processed including peeled, grinded, smoked [and] milled;
2. The sale of all kinds of live or dead animals including the whole body or in pieces that are un-processed or preliminary processed including in the forms of fresh portions or in the conditions that are imperishable;
3. The supply of afforestation, plantation of industrial, fruit and medicinal trees;
4. The importation [and] sale of all types of crop seeds, animals for breeding, animal feeds, raw materials for making animal feeds, vaccines including raw materials to produce vaccines;

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5. Raw materials used in the production of [organic] fertilizers, agro-processing products, organic fertilizers, fertilizers and pesticides that are not dangerous to the ecosystem, human and animal health and life;
6. The importation [and] sale of equipment and machinery for the intended use in agricultural activities;
7. The importation of chemical substances for the purpose of researches, testing, scientific analysis of the government authorities and for the purpose of analysis, testing of business operators authorized by the Government;
8. The importation and sale of tax or postage stamps;
9. The importation of aircrafts and equipment to be used in the domestic and international air transportation;
10. The importation of fuel and other oil for the purpose of air transportation and supplies of goods on the planes providing air transportation services;
11. The importation of goods for their official use by embassies and international organisations accredited to the Lao PDR in accordance with the international agreements [and] treaties, and pre-authorization by the relevant ministry;
12. The importation [and] sale of authorised learning and teaching textbooks, modern learning and teaching equipment including computers, [LCD] projectors and other modern education equipment to serve teaching activities as authorized by relevant ministry;
13. Authorized newspapers [and] political magazines, non-business [and] non-derisive [and] incited television and radio programmes that disseminate political policies and serve political duties;
14. The supply of education services by such as childcare centres, kindergartens, primary [and] secondary schools, vocational schools, vocational training centres, colleges, academies and universities;
15. Deposit and lending interests of the commercial banks or financial institutions as authorised by the Bank of Lao PDR;
16. The importation of gold bars to secure the printing of bank notes and importation of bank notes or coins by the Bank of Lao PDR or its authorized persons;

17. The supply of health insurance, life insurance, domestic animals insurance and tree plantations insurance;
18. The examination, treatment and diagnosis of humans and animals;
19. The importation [and] sale of traditional medicines, animal medicines, artificial organs for transplantation for humans or animals, human blood and supporting equipment for patients, the disabled and elderly;
20. The importation [and] sale of medical tools [and] equipment, diagnostic equipment for public service of the hospitals, health centers;
21. The importation by the State authorities and civil society organizations serving professional activities, the public interest, of vehicles such as: fire engines, ambulances, vehicles equipped with repair facilities, outside television and radio broadcast vehicles and other professional vehicles;
22. Vehicles serving national defense [and] public security, excluding vehicles used for administrative activities;
23. The importation of selected personal belongings and gifts of students, civil servants, diplomats who accomplished their duties overseas and foreigners wishing to permanently reside [in the country] according to the Law on Customs, except objects [and] materials inherited from heritage;

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24. Goods and services supplied to assistant projects as defined in the agreements, treaties, contracts that the government has signed; Detailed list of goods and services that are exempted from Value Added Tax is defined in a separate regulation.

Chapter 2

Calculation of Value Added Tax

Article 13 (Revised) Value Added Tax Calculation Method

Value Added Tax calculation methods are as follows:

1. The Value Added Tax calculation method is to multiply the Value Added

Tax taxable amount with the Value Added Tax rate.

2. The method for calculating payable Value Added Tax is subtracting Input Value Added Tax from Output Value Added Tax.

3. Method for calculating Output Value Added Tax: selling price of goods or services multiplied by Value Added Tax rate.

4. Method for calculating Input Value Added Tax: the purchase price of goods or services multiplied by Value Added Tax rate or based on the receipt issued by the seller.

Article 14 (Revised) Value Added Tax Taxable Amount

The Value Added Taxable amount is as follows:

1. [In the case of] goods imported from foreign countries, [the taxable amount] is the actual transaction costs (CIF) increased with the customs duties [and] excise tax (if any);

2. [In the case of] domestic sale of goods and services, [the taxable amount] is the selling price of goods and services increased with excise tax (if any), excluding Value Added Tax;

3. [In the case of] purchase of services from non-resident in Lao PDR, [the taxable amount] is the actual purchasing price, excluding Value Added Tax;

4. [In the case of] non-Value Added Taxpayer imported goods from foreign country, [the taxable amount] is the actual transaction cost (CIF) increase with custom duties, excise tax (if any) [and] gross profit.

Gross profit rates are defined in a specific regulation. In case a Value Added Taxpayer has auxiliary income, it shall be included in the taxable amount of Value Added Tax. In case the business operator has income in foreign currencies, they shall be converted into Lao Kip according to the exchange rate of the Bank of Lao PDR.

Article 15. (Revised) Adjustments to the Value Added Tax Taxable Amount

The Value Added Tax taxable amount may be adjusted according to each of the following cases:

1. when the customer partially or wholly returned goods or service charges;

2. when the business operator cancel the purchase of goods or services after [the

sale of goods and supply of services];

3. when a business operator granted a price reduction or the price is increased after

[the supply of the goods or services];

The adjustment of taxable amount for Value Added Tax in the mentioned cases can be applied only if the seller issued a Value Added Tax invoice and has already declared the Value Added Tax in the Value Added Tax Return.

Article 16. (Revised) Rates of Value Added Tax

The Value Added Tax rates are as follows:

1. Ten percent (10%) rate is applied to goods and services that are imported, produced and consumed in Lao PDR that are subject to Value Added Tax including the export of non-finished products from natural resources;
2. Zero per cent (0%) rate is applied to raw materials, chemical substances, equipment, machinery for production [means] that are produced domestically and imported from foreign countries that could not be produced domestically or domestic production could not meet demand that is needed in the production and investment that are registered as fixed assets.

Goods, natural resources that are finished goods that are exported to foreign countries;

Detailed list of items as specified in paragraph 2 of this Article is defined in a separate regulation.

Article 17. (Revised) Time When Value Added Tax is Due

Time when Value Added Tax is due shall be implemented according to the following cases:

1. For importation of goods: it shall be charged at the time of customs declaration;
2. For domestic sale of goods and services: it shall be charged at the time of transaction occurred;
3. For self-consumption and giving away free of charge of goods and services: it shall be charged at the time of the disposal or transfer or consignment of ownership;

4. For the purchase of services from individuals, legal entities and organisations who are non-residents and not established in Lao PDR: the Value Added Tax shall be calculated and withheld at the time of payment to such individuals, legal entities and organisations.

Article 18 (New) Period Allowed to Re-Charge Value Added Tax

The tax official may re-charge Value Added Tax that is considered that has not been paid in full amount backward within three years from the date the correct and sufficient evidence is found.

The Value Added Tax that has been re-collected shall be paid within ten days from the date the tax official has issued a Demand Notice.

Chapter 3

Value Added Tax Deduction, Refund and Payment

Article 19 (New) Persons Eligible to Deduct Input Value Added Tax

Persons eligible to deduct input Value Added Tax are business operators under Value Added Tax system and have fully fulfilled the requirements as defined in Article 22 of this Law.

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Article 20. (Revised) Deductible Input Value Added Tax

The deductible input Value Added Tax is the Value Added Tax of [business] operators who are under the Value Added Tax system as the followings:

1. All input Value Added Tax on goods or services used directly in the production, business or services of the business operations that are subject to Value Added Tax, except goods and services as defined in Article 12 of this Law;
2. Value Added Tax on fuel, electricity and fixed assets that are partially deductible as defined by the Government;
3. Input Value Added Tax of natural resources that are sold in the country;

4. Input Value Added Tax on goods and services that are used in business operations that are subject to and exempt from Value Added Tax is deductible only the proportion that are subject to Value Added Tax.

Article 21 (New) Requirements for Value Added Tax Deduction

Deductible input Value Added Tax on goods and services shall have the following requirements:

1. A business operator [registered] under the Value Added Tax system;
2. File regular monthly Value Added Tax return with a table which records the use of invoices related to monthly purchases and sales according to prescribed form determined by the Tax Administration;
3. Have import certified documents from relevant sectors and the bank slips or receipt from treasury that certify the payment at the [check] point of entry;
4. Have export certified documents (for exporters) with invoices related to the export;
5. Have made input Value Added Tax not later than six months from the date input Value Added Tax occurred, if the deduction is not exhausted or no output Value Added Tax to offset, [the taxpayer] shall notify the Tax Administration where they are registered for consideration of the deduction or refund or [authorised] expense.

Article 22 (New) Certified Documents for Input Value Added Tax Deduction

The certified documents for input Value Added Tax deduction are as follows:

1. Valid invoices as defined in the invoice regulation for the export, sale of goods and services in Lao PDR;
2. Original receipts from the Treasury or the bank for the importation of goods with certified import documents from relevant sectors;
3. Secondary accounts of the bank, if necessary;

The Value Added Taxpayers shall submit documents related to deduction on monthly basis and shall keep such documents for three years to present to the tax authorities during audit.

Article 23 (Revised) Non-Deductible Input Value Added Tax

Non-deductible input Value Added Tax is the Value Added Tax that was actually paid at the time of import of goods and purchase of goods and services according to each of the following cases:

1. Input Value Added Tax of the exempted items as defined in Article 12 of this Law;
2. Input Value Added Tax of goods or services that are not directly used in the business operations;
3. Input Value Added Tax on non-finished products from natural resources that are exported;

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4. Input Value Added Tax that has already been deducted or refunded;
5. Input Value Added Tax on goods and services that do not fulfill or do not correctly comply or do not fully comply with the requirements as defined in Articles 22 and 23 of this Law which has been notified for three times and he/she has acknowledged that.

Article 24 (New) Persons Eligible to Claim for Value Added Tax Refund

Persons eligible to claim for Value Added Tax refund are as follows:

1. Business operators that are under the Value Added Tax system that export goods to foreign countries;
2. Business operators that are under the Value Added Tax system that merge, separate, cease business operations or went bankruptcy according to the laws;
3. Passengers and foreign tourists who purchased goods in Lao PDR and brought such goods to consume in other countries through international airports of Lao PDR;
4. International organisations and international non-governmental organisations, embassies, consuls and diplomats as authorised by the Ministry of Foreign Affairs;
5. Individuals [and] legal entities that are charged Value Added Tax multiple times or over-charged Value Added Tax amount.

Article 25 (Revised) Value Added Tax Refund

Refundable Value Added Tax are as the followings:

1. Input Value Added Tax on items as specified in Article 16 of this Law that are related to the Value Added Taxable goods that are exported to foreign countries;
2. Input Value Added Tax on finished goods from natural resources that are exported to foreign countries;
3. Input Value Added Tax which the deduction is not exhausted within a month of the proportion exported to foreign countries;
4. Input Value Added Tax that still remains on goods or services at the time of merging a business, separation of a business, ceasing of a business or at the time of bankruptcy according to the laws;
5. Input Value Added Tax of goods or services that has been over paid due to over charge according to the provisions of this Law or double charges;
6. Value Added Tax related to purchases of goods in Lao PDR and consumed in foreign countries by foreign tourists and passengers of departure, international organisations [and] international non-governmental organisations, embassies, consuls and diplomats

The State shall refund Value Added Tax within one month for business operators registered under the Value Added Tax system from the date of receiving a Refund Request.

Methods and procedures on Value Added Tax Refund are defined in a separate regulation.

Article 26 (New) Requirements for Value Added Tax Refund

Value Added Tax refund shall be applied according to the following requirements:

1. For business operators who are under Value Added Taxpayer that export goods and services to foreign countries:

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- Keep accounts in accordance with the Accounting Law;

- Use invoices in accordance with the Decreed on Invoices;
- Possess accurate and complete transaction contract, export certified documents;
- Comply with accurate and complete filing [and] payment regimes of Value Added Tax in accordance with this Law and relevant regulations;

2. For Value Added Taxpayer whose business is merged, separated, terminated:

- For [VAT] taxpayers that merge [and] separate a business, it is required to have a merging [and] separate contract, certified documents on the separation of a business from the relevant sectors;
- For the termination of a business, it is required to have certified documents on the accurate and complete payment of obligations, certified document about the termination of a business from relevant sectors;
- For the bankruptcy, it is required to have case files and a court decision on the bankruptcy of the enterprise;

3. The requirements on Value Added Tax refund for embassies, consulates,

diplomats, international organisations and international non-governmental organisations, tourists and departure foreign passengers are defined in a specific regulation. The input Value Added Tax requested for refund shall not exceed six months from the month such input Value Added Tax occurred.

Article 27 (New) Time for Requesting Value Added Tax Refund

Value Added Tax refund may be requested on monthly basis and shall not exceed six months from the date such Value Added Tax requested for refund occurred:

1. For business operators under the Value Added Tax system, it is required to file Value Added Tax Return Request Form on monthly basis from the date the input Value Added Tax occurred;
2. For business operators under the Value Added Tax system that merge, separate, terminate or go bankrupt, it is required to file a Refund Request Form within six months after the decision is made by the relevant sectors; For tourists and departure foreign passengers, embassies, consulates, diplomats, international organisations and international

non-governmental organisations, the time for filing Refund Request Form is defined in a separate regulation.

Article 28 (New) Documentation for Value Added Tax Refund Request

Value Added Tax refund request shall have the following documentation:

1. For business operators under the Value Added Tax system:

– A Value Added Tax Refund Request Form as prescribed by the Ministry of

Finance;

– Value Added Tax Return of the month requested for refund;

– Receipts from the treasury or (original) debit statement from the banks

certifying the payment of Value Added Tax of the month claiming for refund;

– A compilation table on the use of invoices for outputs and inputs for the

period of requesting for refund according to a prescribed Form provided by the Ministry of Finance;

– Invoices, import and export certificates;

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– Goods and service transaction contracts.

2. For business operators under the Value Added Tax system whose business is

merged, separated, terminated or bankrupt depending on each of the following cases:

– [For merging a business], [it] shall have a merging contract [and] certified

documents from the relevant sectors;

– [For the separation of a business], [it] shall have a certified document of

the separation of a business from the relevant sectors;

– [For the termination of a business], [it] shall have certified documents on the accurate and complete payment of obligations, certified document about the termination of a business from relevant sectors;

– [For the bankruptcy], it shall have a court decision or judgment and other relevant documents on the bankruptcy;

3. For tourists and departure foreign passengers, embassies, consulates, diplomats, international organisations, international non-governmental organisations, the documentation for Refund Request is defined in specific regulations;

4. For individuals, legal entities and organisations that have been repeatedly charged

Value Added Tax or the amount is greater than actual Value Added Tax amount shall possess:

– A Value Added Tax Refund Request Form as prescribed by the Ministry of Finance;

– Receipts of the Treasury or (original) debit statement from the bank certifying the payment of Value Added Tax of the month requesting for refund;

– Invoices and calculation documents.

Article 29 (New) Non-Refundable Value Added Tax

Non-refundable input Value Added Tax are as follows:

– Non-deductible input Value Added Tax as defined in Article 23 of this Law;

– Input Value Added Tax on the export of non-finished goods from natural resources, minerals, natural forests;

– Deductible or refundable input Value Added Tax but did not correctly and completely comply with the requirements as defined in Articles 26, 27 and 28 of this Law.

– Input Value Added Tax on fuel and electricity, except items as defined in a separate regulation;

Article 30 (Revised) Payable or Carry Forward Value Added Tax

Payable or carry forward Value Added Tax is the difference between output Value Added Tax minus deductible input Value Added Tax.

In case the output Value Added Tax is greater than the input Value Added Tax, there is payable Value Added Tax. In case the output Value Added Tax is less than the input Value Added Tax, there is Value Added Tax carry forward.

Part III

Registration in the Value Added Tax System

Article 31 Registration in the Value Added Tax System

A business operator [who] is obliged to register under the Value Added Tax system shall have the following requirements:

- Realize annual business turnover 400,000,000 kip and above; -

Hold accounts according to accounting standards of Lao PDR and use invoices according to the prescribed Form of the Ministry of Finance;

- Have been trained and obtained technical advice on Value Added Tax.

Article 32 Annual Business Turnover of Business Operator

A business operator who has annual business turnover of 400,000,000 kip and higher is obliged to register under the Value Added Tax system with the competent Tax Authority.

In case prices of goods and services fluctuate twenty percent and higher or if necessary the Government may adjust the threshold as mentioned above to reflect actual situations and use and propose to the National Assembly for consideration and approval.

Article 33 Accounting and Invoicing Standards

A business operator registered under the Value Added Tax system is required to hold accounting system according to the accounting standards as defined in the Accounting Law and use valid invoices as defined in the Invoice legislation that is valid in each period.

Article 34 Voluntary Registration under Value Added Tax System

A business operator who has annual business turnover less than 400,000,000 kip that holds accounting system according to the accounting standards, uses valid invoices and other valid certificates may voluntary apply to register under the Value Added Tax system with the Tax Administration

Article 35 (New) Value Added Tax System for Non-resident in Lao PDR

[In case] a business operator under the Value Added Tax received a supply of services from non-resident and not established in Lao PDR according to Article 11 of this Law, it is required to withhold Value Added Tax before the payment is made to non-resident and not established in Lao PDR and is obliged to pay the withheld Value Added Tax at the same time of filing regular Return according to the accounting period as defined in Article 36 of this Law.

[In case] a business operator who is not under the Value Added Tax system received a supply of services from non-resident and not established in Lao PDR is obliged to calculate, withhold and pay Value Added Tax within ten days from the date the payment to such non-resident is made.

The supply of goods or services by any person that is a representative or on behalf of other person who is a business owner under the Value Added Tax is regarded as the Value Added taxable activity as defined in this Law.

Part IV

Implementation

Chapter 1

Filing and Payment of Value Added Tax

Article 36 (Revised) Filing of Value Added Tax Return

Filing of Value Added Tax return shall be preceded as follows:

1. Individuals, legal entities and organization that operate businesses under the Value

Added Tax system is obliged to file a Value Added Return with a table that reports the use of invoices on a monthly basis and shall not be later than the 15th of the following month

or on quarterly basis not later than the 15th of the first month of the following quarter to the competent tax authority;

2. Individuals, legal entities and organizations who import goods are obliged to file

Value Added Tax Return at the time of customs declaration at the checkpoint;

Regulations, procedures and [Value Added Tax] Return and reporting template on the use of invoices are defined by the Ministry of Finance.

Article 37 (Revised) Value-Added Tax Payment

Value Added Tax payment shall be processed as follows:

1. For importation of goods, except goods that are listed under Articles 12 and 16 paragraph 2 of this Law [the Value Added Tax] shall be paid at the checkpoint where goods are imported, National Treasury or bank where the National Treasury bank account is opened;

2. For domestic business operators that are under Value Added Tax system: Value Added Tax is required to pay on monthly basis not later than the 15th of the following month to the National Treasury or to through the banks where the National Treasury bank account is opened;.

3. For persons who buy services from non-resident and who are not established in Lao PDR: Value Added Tax shall be paid within ten working days from the date such tax is withheld and paid to the National Treasury or through the banks where the National Treasury bank account is opened.

Value Added Tax paid each time shall be made in Kip, if the payment is made in foreign currency, it shall be converted into Kip based on the official exchange rate as defined by the bank in Lao PDR in each period.

Chapter 2

Keeping Accounts and Using Invoices

Article 38 Keeping Accounts

Individuals, legal entities and organizations that are under the Value Added Tax System are obliged to keep accounts in compliance with the Law on Accounting of Lao PDR or as determined by relevant sectors.

Non-official Translation

Information that certified account entries, accounting documents shall be kept for a period of ten years and must be available at any time for inspection by auditors or relevant authorities.

Article 39 (Revised) Using Invoices

An Invoice is a document certifying accounting, transaction of goods and services, certifying Value Added Tax at the time of purchase (input VAT), certifying Value Added Tax at the time of sale (output VAT), certifying deduction and refund of Value Added Tax.

Individuals, legal entities and organisations that are under the Value Added Tax system are obliged to issue an invoice every time when the supply of goods and supply of services takes place to a buyer in accordance with the Invoice Legislation.

Chapter 3

Audit and Management of Value Added Tax Arrears

Article 40 Accounting Audit

The audit of accounts of business operators that are subject to Value Added Tax is to ensure correct, complete and timely compliance.

Audits can be carried out at the following locations:

1. Desk audit at the tax offices;
2. Field audit at the taxpayeres; e followi
3. Inspection at relevant sites, such as: goods in stocks, 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 the completion of each audit, the tax auditors shall make an audit memo in the presence of the audited Taxpayer, which will be read out every word to him, and signed by the Auditors and the Taxpayer audited for evidence.

Article 41 (New) Value Added Tax Arrears Management

Value Added Tax arrears are all Value Added Tax amounts that payers have not paid including:

1. Value Added Tax from the returns that has not yet been paid;
2. Value Added Tax from audits or other cases that the taxpayers have yet not

paid. The management of Value Added Tax arrears is the [process of] keeping track of targeted [taxpayers], amount of Value Added Tax arrears to enforce full payment of such amount to the State Budget.

Article 42 (New). Measures on the Collection of Value Added Tax Arrears

After taking measures as established in Article 64 of this Law, the Taxpayer still has not paid such tax obligation, the Tax Administration shall apply measures according to the following processes:

1. Request to the relevant sector to suspend the business on a temporary basis for one month;
2. Request to relevant sectors to revoke the business license, concession license and other permits.

Part V

Rights and Duties of Value Added Taxpayers

Article 43 (New) Rights and Duties of Value Added Taxpayers

Rights and duties of Value Added Taxpayers are as the followings:

1. Rights of the Value Added Taxpayer:
 - To receive information [and] data, clarification, explanation and advice on Value Added Tax;
 - To be assured that their confidential information will be protected;

- To receive any Value Added Tax amount that has been overpaid according to the laws and regulations;
- To appeal, petite [and] sue against the actions of the tax authorities, tax officers or organization that breach or inconsistent with this Law and other relevant laws and regulations;
- To receive other rights as defined in relevant laws and regulations.

2. Duties of Value Added Taxpayers are:

- To properly, fully and timely calculate, file and pay Value Added Tax;
- To be responsible for clear and accurate declaration, calculation, collection, deduction, refund of actual Value Added Tax;
- To disclose their bank accounts, and their accounts with the treasury and other financial institutions to the tax authority;
- To maintain an accounting system and use invoices in accordance with the laws and regulations;
- To provide accounting documents, invoices, financial statements and other documents relating to tax calculation and audit to the tax authority according to the regulations;
- To implement decisions, orders, instructions and notices of the Tax Administration for the payment of tax arrears and penalties; if the taxpayers fail to comply and do not cooperate [with the tax authorities], they are required to consent to the confiscation or seizure of assets with the equivalent value of the tax arrears;
- To maintain and keep accounting documents according to the laws and regulations;
- To implement other duties as defined in the laws and regulations.

Article 44 (New) Rights and Duties of Individuals and Relevant Organisations

Rights and duties of individuals and relevant organisations are as the followings:

1. Rights of individuals and relevant organisations are:

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- To monitor, audit the calculation, deduction, payment and refund of Value

Added Tax;

- To be assured that their confidential information on Value Added Tax will be protected according to the laws and regulations;

- To maintain and keep documents related to Value Added Tax according to the laws and regulations;

- To implement other rights as defined in the laws and regulations.

2. Duties of individuals and relevant organisations are:

- Provide information on Value Added Taxpayers;
- Notify and report on Value Added Tax violations to the Tax Authorities;
- Cooperate and assist Tax Authorities according to their roles;
- Implement other obligations as defined in the laws and regulations.

Part VI

Prohibitions

Article 45 (New) Prohibitions for Tax officers and Authorities

Tax officers and authorities are prohibited from any of the following acts:

- Disclosure confidential State, official and taxpayer information;
- Hindering, falsifying documents on Value Added Tax;
- Being negligent and irresponsible in performing their assigned duties;
- Abuse of their positions, making violence, threatening, demanding [and] asking for or taking bribes which damage the interests of individuals, collectives, the State and organisations;

- Protection or collusion with a business operator who violates the laws and regulations;
- Collection of tax revenue that is not under their jurisdiction or without authorization from organisations;
- Using the collected tax revenue for personal purposes without transferring [such money] to the State budget;
- Having other behaviors violating the laws and regulations.

Article 46 (New) Prohibitions for Taxpayers and Value Added Taxpayers

Taxpayers and Value Added Taxpayers are prohibited from any of the following acts:

- Destroying information [and] evidence, falsifying documents, concealing, underreporting of their turnover and hiding offenders related to tax payments;
- Using invoices that are not consistent with the prescribed Form of the Ministry of Finance or printing [and] using authorized forms;
- Giving bribes or rewards, colluding to steal the State money;
- Falsifying documents related to Value Added Tax;
- Slandering, threatening, hurting tax officers and authorities;
- Having other behaviors that violate the laws and regulations.

Article 47 (New) Prohibitions for Individuals, Legal Entities and Other Relevant Organisations

Individuals, legal entities and other relevant organisations are prohibited from any of the following acts:

- Refusing to provide information on offences or violation of the laws and regulations on Value Added Tax;
- Conspiring to conceal and encouraging offences related to Value Added Tax;

- Giving or taking bribes, rewards, conspiring to steal the State's money;
- Defaming, threatening and causing physical harm to tax staff, authorities or taxpayers;
- Other actions that violate the laws and regulations.

Part VII

Settlement of Appeal on Value-Added Tax

Article 48 Filing Appeals by Business Operators

Business operators are eligible to file appeals on the value-added tax practices that they view as inconsistent with the laws and regulations. The appeal shall be lodged directly with the competent tax authority within thirty days from the date of receiving a demand notice or a notice issued from the tax authority, or from the time they witness the event or action viewed to be incompatible.

The tax authority that received such appeal is eligible to require the appellant to provide documents, information related to such appeal.

Article 49 Consideration and Settlement of Appeal

Appeal of the business operator will be considered [and] settled as follows:

1. The tax administration shall consider and settled [the appeal] within ten working

days from the date receiving such appeal, except the complicated case which, may be prolonged but should take no more than thirty working days;

2. Business operators shall implement the settlement made by such tax authority. In

the event of disagreement, they are entitled to lodge an appeal within ten working days to the immediate higher authority of such tax authority for final decision;

For issues outside its mandate, such tax authority shall transfer the case to its immediate higher level for consideration and settlement;

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.

3. The tax administration shall returnn the over-charged or penalty that was incorrectly made within fifteen working days from the date the decision of the immediate higher authority was made.

Part VIII

Management and Inspection of Value-Added Tax

Chapter 1

Value-Added Tax Management

Article 50 (Revised) Value-Added Tax Management Authority

The Government shall manage Value Added Tax activities on a centralized and uniform basis by designating the Ministry of Finance to directly be responsible for along a vertical line of command and play a central role in cooperation with other relevant ministries and local authorities.

The Aalue Added Tax Management Authority consists of:

- The Ministry of Finance;
- The Tax Department;
- The Provincial [and] Capital Tax Divisions;
- The District [and] Municipal Tax Offices.

Article 51 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 research [and] develop strategic plans, policy plans, laws and regulations on value-added tax to propose to the government for consideration;

2. To publicise and disseminate the laws and other legislation on Value-Added Tax according to its role;
3. To train, give advice to relevant business units on Value Added Tax aiming at facilitating entrepreneurs to enter into Value Added Tax system;
4. To supervise [and] monitor the implementation of the laws and other legislation on value-added tax;
5. To supervise technical operations, to manage and train officers, to provide budget and vehicles, technical materials for the implementation of value-added tax activities;
6. To coordinate with the Provincial and Capital Governors in appointing, transferring and dismissal of and applying incentive policy or taking disciplinary actions against officers in charge of Value Added Taxes;
7. To coordinate with State organisations and other organisations relating to value-added tax;
8. To settle appeals of business operators throughout the country;
9. To be responsible for the Government on the implementation of Value Added Taxes activities throughout the country;
10. To liaise and cooperate with foreign countries, regional and international communities in value-added tax activities;
11. To summarise and report on the implementation of value-added tax activities to the Government;
12. To exercise other rights and duties as defined in the relevant laws and regulations.

Article 52 Rights and Duties of the Tax Department

The Tax Department serves as a chief of staff to the Ministry of Finance in exercising rights and performing duties of the Ministry of Finance as specified in

Article 51 of this Law. It also has rights and duties in the implementation, management, collection and decision-making relating to value-added tax refund.

Article 53 Rights and Duties of Provincial [and] Capital Tax [Divisions]

In the management of value-added tax, the provincial [and] Capital tax [division] has the following main rights and duties under its own jurisdiction:

1. To research and comment on draft strategic plans, policy plans, laws and regulations relating to value-added tax;
2. To publicise [and] disseminate the policy, laws and other legislation related to value added taks under their responsibility;
3. To train, give advice to relevant business units on Value Added Tax aiming at facilitating entrepreneurs to enter into Value Added Tax system;
4. To develop the provincial [and] capital annual plan for value-added tax revenue collection;
5. 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;
6. To supervise, manage, monitor the performance of district [and] municipal tax offices, and officers in charge of value-added tax under their control;
7. To make proposals for rewarding persons with outstanding achievements and imposing disciplinary actions against violators of the laws and regulations to the Minister of Finance in cooperation with [relevant] provincial governor [and] Capitall city mayor;
8. To make proposals regarding the appointment, transfer, dismissal of taks officers in charge of value-added tax under its control to the Minister of Finance in cooperation with [relevant] provincial governor or city mayor;
9. To settle appeals of business operators within its jurisdiction;

10. To liaise and cooperate with foreign countries, regional and international communities in

value-added tax activities as assigned by higher level;

11. To summarise and report on the implementation of value-added tax activities to the Ministry of Finance and provincial and capital authorities on regular basis;

12. To exercise other rights and duties as defined in other relevant laws and regulations.

Article 54 Rights and Duties of District [and] Municipal Tax Offices

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

1. To research and comment 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 train, give advice to relevant business units on Value Added Tax aiming at facilitating entrepreneurs to enter into Value Added Tax system;

4. To be responsible for the implementation, management and collection of value-added tax within its district [and] municipality;

5. To guide, manage [and] monitor the performance of [tax] officers in charge of value-added under its control;

6. To settle appeals of business operators within its jurisdiction;

7. To summarise and report on the implementation of value-added tax activities to the [relevant] provincial [and] Capital city tax [division];

8. To exercise other relevant rights and duties as specified in relevant laws and

regulations.

Chapter 2

Inspection of Value-Added Tax Activities

Article 55 Value Added Tax Inspection Authority

The Value Added Tax Inspection Authority includes:

1. The Internal Inspection Authority is the same authority as Value Added Tax

Management Authority as defined in Article 50 of this Law.

2. The External Inspection Authorities include:

- National Assembly;
- Government Inspection and Anti-Corruption Authority;
- State Audit Agency.
- Local administrations, the Lao Front for National Construction, mass organisations, civil society, the mass media and concerned parties are obliged to participate in the implementation of the value-added tax according to their roles.

Article 56 Rights and Duties of Internal Inspection Authority

The internal inspection authorities have rights and duties to regularly inspect the implementation of laws and regulations, the implementation of rights and duties of [tax] officer in charge of value-added at each level and the implementation of rights and obligations of business operators under the Value Added Tax system including account keeping, use of invoices, calculation, collection, deduction declaration, , payment and refund of value-added tax.

Article 57 Rights and Duties of External Inspection Authorities

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

Article 58 Forms of Inspection

There are three types of inspection, as follows:

1. Regular inspection which is an inspection performed regularly according to plans at pre-determined times.
2. Inspection with advance notice which is an inspection not included in the plan, which is performed when deemed necessary and for which advance notice is given.
3. Emergency inspection which is a sudden inspection performed without advance notice to the person to be inspected. In the inspection of Value Added Tax activities, it shall be strictly carried out according to the laws and regulations.

Part IX

Policies towards Persons with High Achievement and Measures Against Violators

Chapter 1

Policies Towards Persons with High Achievement

Article 59 Policies Towards Persons with High Achievement

Individuals, legal entities and organisations contributing to the efficient implementation of this Law will receive rewards or other policies according to regulations.

Article 60 Policies for Taxpayers

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

Chapter 2

Measures Against Violators

Article 61 Measures Against Violators

Individuals, legal entities and organizations that violate the laws and regulations on Value-Added Tax will be subject to re-education, fines, disciplinary action, civil or criminal action depending on the severity of the case.

Article 62 (New) Measures Against those Who are not Registered under Value Added Tax System

Business operators who fulfill the requirements as defined in Article 31 of this Law but are not registered in the Value Added Tax system, the Tax Administration will notify in writing maximum three times for business operators be aware and come for registration in Value Added Tax system as defined in this Law where each time when a notice is issued, such business operator shall be taken the following measures:

- If [the business operator] fail to comply with the first notice, it may be warned and receive a written notice to be registered under the Value Added Tax system;
- If [the business operator] fail to comply with the second notice, it may be fined 1,000,000 (one million) kip and will receive a written notice to come for registration under the Value Added Tax;
- If [the business operator] fail to comply with the third notice, it may be fined 2,000,000 (two million) kip;

After measures have been taken for three times, but still fail to register for Value Added Tax, the Tax Administration is eligible to propose to relevant sectors to consider the withdrawal of a concession permit, a business license or a business operating permit including the consideration of taking relevant measures as defined in the laws and regulations.

Article 63 (Revised). Measures Against Value-Added Taxpayers

Business operators registered under the Value Added Tax system violating the laws and regulations on Value Added Tax shall be taken measures depending on each case as follows:

1. Failure to include their taxpayer identification number on Tax Return as required by the Tax Administration shall be fined 100,000 Kip for each offence;
2. Failure to notify the Tax Administration about changes of information as defined in

this Law shall be fined 3,000,000 Kip for each offence;

3. The submission of Value Added Tax return is not consistent with the provisions of this Law will be fined:

– Point one percent (0.1%) per day of the payable Value Added Tax in case of late filing of Value Added Tax return;

– 500,000 kip per time per month or quarter in case of late filing of Value Added Tax Return with no payable Value Added Tax.

4. [shall be] fined 1,500,000 kip per time per month or quarter in case of non-filing of Value Added Tax Return after the issuance of an enforcement notice;

5. [shall be] fined point one percent (0.1%) per day of Value Added Tax arrears in case there is a failure to pay the payable amount as specified in the Value Added Tax return;

6. Failure to hold accurate [or] complete accounts including failure to comply with the accounting standards, non-compliance with basic principles and requirements for practicing accounts shall be taken measures as defined in the Law on Accounting.

7. Failure to issue invoices or issued incomplete invoice shall be taken measures as defined in the invoice legislation;

8. Failure to charge VAT or charge inconsistent with reality on sale of goods or services that are subject to VAT and/or failure to include supplies of goods or services in the Value Added Tax return including payment of incorrect Value Added Tax shall be fined of fifty percent (50 %) of the amount of VAT due on the supplies;

9. Deduction of input VAT that is not legally deductible or deduction that is not consistent with the requirements as established in this Law shall be fined 50 % of the amount of VAT deducted;

10. Failure to provide accounting documents, or failure to provide complete accounting documents, failure to respond to requests from the tax authority as defined in the laws and regulations shall be fined 1,000,000 Kip per enforcement notice;

11. Failure to cooperate or hindering auditors in the performance of their duties shall be fined 1,000,000 Kip per offence.

12. In case of criminal offence on Value Added Tax shall be subject to criminal actions

and compensate for losses caused by the taxpayer.

Article 64 Measures Against Persons Having Tax Arrears

Any business operator that has outstanding tax arrears, fines, after receiving a Demand Notice is subject to the following measures:

- A fine at 30% of payable taxes including fines for the first Enforcement Notice, 60% on tax arrears plus fines for the second enforcement notice and 100% fine on payable amount including fines for the third enforcement notice;
- Failing to pay such amount after the deadline of the third notice, measures under Article 42 of this Law shall be applied.

Article 65 (Revised) Measures Against Tax Officers and Authorities

Any officer and authority in charge of value-added tax violating the prohibitions as defined in Article 45 of this Law and laws and regulations related to Value Added Tax will be subject to each of the following measures:

1. If the offence causes no severe impact or non-criminal offence they are subject to re-education and warning;
2. shall be taken disciplinary actions on the violation of the laws and regulations that are not severe, small damages or noncriminal offence;
3. depending on each case.
4. shall compensate for damage and subject to prosecution according to the severity in a case of irresponsibility or negligence to their duties causing damage to the interests of the State or taxpayers.

Part X

Final Provisions

Article 66 Implementation

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

Article 67 (Revised) Effectiveness

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

This Law supersedes the Law on Value Added Tax Law No.04/NA, dated 26 December 2006.

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

President of the National Assembly