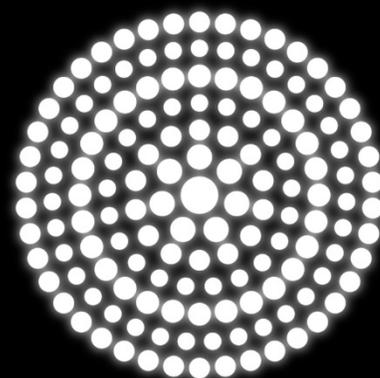


International Tax Laos Highlights 2021

Updated January 2021



Investment basics

Currency: Lao Kip (LAK)

Foreign exchange control: Foreign enterprises may deposit both LAK and foreign currencies in their bank accounts under the enterprise's name. The Bank of Laos restricts domestic payments in foreign currencies and limits the funds exchanged from LAK to foreign currencies.

Accounting principles/financial statements: Currently, the Lao Accounting System (Lao GAAP) generally is being used until the Lao Financial Reporting Standards (LFRS) are fully implemented. However, the use of the International Financial Reporting Standards (IFRS) is mandated for banks, financial institutions, and listed companies. Financial statements must be filed annually with the accounting and tax authorities.

Principal business entities: These are the public/private limited company, partnership, individual enterprise (sole proprietorship), representative office, and branch of a foreign company.

Corporate taxation

Rates

Corporate income tax rate	20% (standard)
Branch tax rate	20% (standard)
Capital gains tax rate	2%

Residence: There is no general definition of residence for tax purposes in Laos. However, Laos' tax treaties define a permanent establishment as a fixed place of business through which the business of an enterprise is wholly or partly carried on.

Entities incorporated under Laos law generally are taxed on their worldwide income, regardless of source. Foreign entities carrying on a business in Laos are subject to tax on their income derived in Laos.

Basis: The income tax law specifies that taxation applies on a worldwide basis. Branches are taxed in the same way as subsidiaries.

Taxable income: Corporate income tax is collected from domestic and foreign businesses and is imposed on income from all types of business activities.

Taxable income for corporate income tax purposes generally is calculated as net income from business activities, plus nondeductible expenses, less allowable deductions as prescribed by the tax law. Taxpayers that do not follow accounting standards or that file an incomplete tax declaration and payment to nonresident overseas suppliers are subject to a mandatory profit tax, which is deemed to be the annual gross income multiplied by the profit ratio for each type of activity and multiplied by the corporate income tax rate.

Rate: The standard corporate income tax rate is 20%. Other rates are as follows:

- A 5% rate applies to entities that conduct business activities in the education, health care, and innovation sectors;
- A 7% rate applies to entities that conduct business activities in the new technology and green energy sectors;
- A 13% rate applies to companies that are registered on the stock market for the first four years from the date of registration;
- A 22% rate applies to entities that produce, import, and supply tobacco products;
- A 35% rate applies to mining businesses; and
- Small entities and micro enterprises that are not registered for VAT purposes are subject to rates ranging from 1% to 3%, depending on the amount of income and the type of business activity. Entities with income below LAK 50 million are exempt from income tax.

Surtax: There is no surtax.

Alternative minimum tax: There is no alternative minimum tax.

Taxation of dividends: Dividend income is included in taxable income and subject to corporate income tax.

Capital gains: Income from the sale of shares (other than shares listed on a securities exchange, which are exempt from tax) is subject to income tax at a rate of 2%, imposed on the sales price.

Gains from the sale of land and transfers of land use rights, structures, or land that has structures that are considered assets of the entity are subject to corporate income tax.

Losses: Taxpayers that follow an accounting system may carry forward losses for five years if they obtain an audit certification from a state audit organization or an independent external auditor and approval from the tax authorities. Plantation and agriculture businesses that incur losses as a result of a natural disaster may carry forward the loss to offset their operating profit for 10 consecutive years. The carryback of losses is not permitted.

Foreign tax relief: Lao domestic law does not provide for a credit for foreign taxes. Tax treaties, however, may provide for relief.

Participation exemption: There is no participation exemption.

Holding company regime: There is no holding company regime.

Incentives: Profit tax exemptions or reductions may be available for investments in certain sectors in certain areas.

Compliance for corporations

Tax year: The tax year generally is the calendar year, except in cases where business activities have ceased or have been sold or transferred, or if the taxpayer has obtained approval from the accounting and tax authorities to use a tax year other than the calendar year.

Consolidated returns: Consolidated returns are allowed for corporate income tax filing and payment. Other tax filings must be made on a separate basis.

Filing and payment: Financial statements and tax returns are due by 31 March of the year following the tax year. The taxpayer must make advance payments of corporate income tax on a semi-annual basis. The first payment covering the first six months of the year must be made on or before 20 July and the second payment covering the last six months of the year must be made on or before 20 January of the following year.

Corporate income tax for small entities and micro enterprises may be due on a monthly, quarterly, biannual, or annual basis, depending on their contract with the tax authorities.

Income that is subject to income tax (other than corporate income tax) generally is subject to tax at the time of payment. The recipient of leasing income is required to pay the tax on payments received within 15 days of the payment. Otherwise (i.e., for income including dividends, interest on loans, income from intellectual property, and capital gains), the payer generally is required to withhold and pay the tax within 15 days of the transaction.

Penalties: A fine of 0.1% of the payable amount per day applies for the late payment of taxes. A fine of LAK 500,000 per month applies for late filing. A penalty is imposed for underreporting or for the issuance of incorrect or incomplete tax invoices at a rate of 50% of the tax payable amount. Noncompliance relating to income declaration or the submission of a tax return or annual accounting documents, including the failure to cooperate with an inspection by the tax authorities, is subject to penalties at rates ranging from 30% to 100% of the tax payable amount.

Rulings: Specific or general (“no name”) rulings can be requested from the tax authorities. A specific or general ruling may not necessarily be applicable to another entity.

Individual taxation

Rates		
Individual income tax rate	Taxable income	Rate
	Up to LAK 1,300,000	0%
	LAK 1,300,001-5,000,000	5%
	LAK 5,000,001-15,000,000	10%
	LAK 15,000,001-25,000,000	15%
	LAK 25,000,001-65,000,000	20%
	Over 65,000,000	25%
Capital gains tax rate		2%

Residence: A tax resident is not defined for individual income tax purposes, but an individual who has stayed in Laos for at least 183 days generally is subject to tax in Laos, unless a tax treaty applies. In addition, income is taxed in Laos if a foreigner receives income in Laos, regardless of the number of days the foreigner has resided there, or if there is a recharge to the host entity in Laos.

Basis: Lao citizens are taxed on their worldwide income. However, foreigners are only taxed on income earned for work performed in Laos.

Taxable income: Employment income is subject to income tax unless otherwise exempt, while self-employment income is subject to corporate income tax (see “Corporate taxation,” above).

Dividends, interest on loans, royalties, capital gains, leasing income, freelance income, income from online sales, etc. generally are subject to income tax, unless an exemption applies.

Rates: Monthly income of less than LAK 1.3 million and monthly employee social security contributions are exempt from income tax.

Employment income is subject to tax at progressive rates ranging from 0% to 25%. Other types of income are subject to income tax at the time of payment.

Capital gains: Income from the sale of shares (other than shares listed on a securities exchange, which are exempt from tax) is subject to income tax at a rate of 2%, which is imposed on the selling price.

Income from the sale of land and from transfers of land use rights, structures, or land that has structures is subject to income tax at a rate of 2% imposed on the selling price.

Deductions and allowances: There are no deductions and allowances.

Foreign tax relief: Lao domestic law does not provide for a credit for foreign taxes. However, relevant tax treaties may apply.

Compliance for individuals

Tax year: The tax year is the calendar year.

Filing status: Joint filing is not permitted.

Filing and payment: Employers generally are responsible for withholding the tax due on employment income and for remitting the tax to the tax authorities where they are registered on or before the 20th day of the following month. Annual individual income tax filing and payment is required on or before 31 March of the following year. Other types of income generally are subject to withholding tax, which is due within 15 days of the transaction.

Penalties: A fine of 0.1% of the payable amount per day applies to an employer for failure to file the salary income tax return, and for the late payment of taxes. A fine of LAK 500,000 per month applies for late filing. An underpayment of salary income tax discovered during a tax assessment is subject to a fine totaling 50% of the tax payable amount.

Rulings: Rulings may be requested from the tax authorities but, in practice, individual tax rulings are not common.

Withholding tax

Rates				
Type of payment	Residents		Nonresidents	
	Company	Individual	Company	Individual
Dividends	10%	10%	10%	10%
Interest (non-financial institution)	0%/10%	0%/10%	0%/10%	0%/10%
Royalties	5%	5%	5%	5%
Fees for technical services	0%	0%	1.4% to 3%	1.4% to 3%

Dividends: Dividends paid to domestic and foreign individuals and legal entities are subject to a 10% withholding tax. The withholding tax rate on dividends paid to nonresidents may be reduced under a tax treaty.

Interest: Interest paid to domestic and foreign individuals and legal entities (except for banks and financial institutions) is subject to a 10% withholding tax. However, interest earned on deposits, government bonds, and debentures is exempt. The withholding tax rate on interest paid to a nonresident may be reduced under a tax treaty.

Royalties: Royalties paid to domestic and foreign individuals and legal entities are subject to a 5% withholding tax. The withholding tax rate on royalties paid to a nonresident may be reduced under a tax treaty.

Fees for technical services: Service fees paid to foreign persons are subject to a withholding tax ranging from 1.4% to 3% (depending on the type of service). There is no withholding tax on service fees paid to residents.

Branch remittance tax: There is no branch remittance tax.

Other: A Lao company must withhold profit tax from any payments made to a foreign entity or an individual for business activities that generated income in Laos. The rates vary depending on the activity that generated the income.

Anti-avoidance rules

Transfer pricing: There are no transfer pricing rules in Laos.

Interest deduction limitations: The deduction of interest paid to shareholders and not related to the entity's business is not allowed as a deductible expense.

Controlled foreign companies: There are no CFC rules in Laos.

Hybrids: Laos does not have any rules on hybrids.

Economic substance requirements: Laos does not have any economic substance rules.

Disclosure requirements: There are no disclosure rules in Laos.

Exit tax: There are no exit tax rules in Laos, but before a company is shut down, the tax authorities will make a tax assessment before issuing a tax payment certificate verifying the company's compliance with its tax obligations.

General anti-avoidance rule: Laos does not have a GAAR.

Value added tax

Rates	
Standard rate	10%
Reduced rate	0%

Taxable transactions: VAT is levied on the sale of goods and the provision of services in Laos, and on imports.

Rates: The standard rate is 10%. Certain goods and services are exempt, and a zero rate applies to exports. Service fees paid to a nonresident company are subject to 10% VAT.

Registration: Individuals, legal entities, and organizations must register for VAT, with the exception of micro enterprises.

Filing and payment: For sales of goods or services, VAT is payable monthly by the 20th day of the following month. For imports, VAT must be fully paid at the time of the payment of customs duties.

Other taxes on corporations and individuals

Unless otherwise stated, the taxes in this section apply both to companies and individuals and are imposed at the national level.

Social security contributions: The employer must contribute to social security at a rate of 6% of the total monthly salaries and other benefits paid to its employees, up to a maximum of LAK 270,000 per month per employee. The employee's monthly salary and other benefits for purposes of the social security contribution is capped at LAK 4.5 million. The employee's contribution is 5.5%.

Payroll tax: Tax on employment income is withheld by the employer and remitted to the tax authorities where the employer is registered by the 20th day of the following month.

Capital duty: There is no capital duty

Real property tax: A tax on land is levied at varying rates. The tax applies to both individuals and corporations.

Transfer tax: There is no transfer tax.

Stamp duty: Document registration fees apply at varying rates.

Net wealth/worth tax: There is no net wealth/worth tax.

Inheritance/estate tax: A 2% income tax is imposed on assets inherited from a person other than a grandparent, parent, spouse, sibling, child, child-in-law, or grandchild.

Other: Environmental tax is levied on individuals, legal entities, and organizations that conduct activities that harm the environment.

Excise tax is imposed on certain products at rates ranging from 3% to 100%.

Tax treaties: Laos has concluded income tax treaties with 12 countries.

Tax authorities: Tax Department of the Ministry of Finance

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