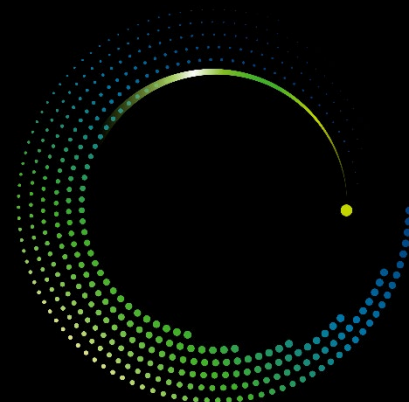


International Tax Laos Highlights 2023

Updated January 2023



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 implementation of Lao Financial Reporting Standards (LFRS) is ongoing for large as well as small and medium-sized enterprises (SMEs). However, the use of International Financial Reporting Standards (IFRS) is mandated for banks, financial institutions, and listed companies, with full adoption allowed as from 2026. 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: Income Tax Law No. 67/NA, dated 18 June 2019 ("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 income 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 corporate income tax, calculated as the annual gross income multiplied by the profit ratio for each type of activity and then charged at the corporate income tax rate.

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

- A 0.1% rate applies to micro enterprises that are voluntarily registered for VAT;
- A 3% rate applies for three years to newly established small enterprises that are registered in the VAT system, after which the standard corporate income tax rate applies;
- A 5% rate applies for three years to newly established medium-sized enterprises that are registered in the VAT system, after which the standard corporate income tax rate applies;
- 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, after which the standard corporate income tax rate applies;
- A 22% rate applies to entities that produce, import, and supply tobacco products; and
- Micro enterprises who generate income above LAK 50 million and up to LAK 400million that are not registered for VAT are subject to rates ranging from 1% to 3%, depending on the amount of income and the type of business activity. Micro enterprises with income up to and including LAK 50 million are exempt from corporate income tax.

Surtax: There is no surtax.

Alternative minimum tax: There is no alternative minimum tax.

Taxation of dividends: Dividend income no longer is included in the calculation of 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 selling price.

Income from the sale of land and transfers of land use rights, houses, structures, or land with 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 but relief may be available under a relevant tax treaty.

Participation exemption: There is no participation exemption.

Holding company regime: There is no holding company regime.

Incentives: Corporate income tax exemptions or reductions may be available for investments in certain sectors in particular areas in accordance with articles 9 through 12 of the Law on Investment Promotion No. 14/NA, dated 17 November 2016.

Compliance for corporations

Tax year: The tax year generally is the calendar year, except 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, VAT, excise tax, and other entity income tax filings. Consolidated returns are needed only when a branch's financial statements are not combined with those of its parent company. After conducting its assessment, the tax authorities will allocate the tax revenue from the branch to the tax office in the province where the branch is registered.

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 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. If the recipient of the income is nonresident and nonregistered in Laos, the payer generally is required to withhold and pay the tax within 15 working days of the transaction.

Penalties: A fine of 0.1% of the tax payable applies per day 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. 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.

Once notified of any outstanding tax and penalties, the taxpayer has 15 days to pay the amount due to the tax authorities. A maximum of three notifications, equivalent to a 45-day period, are permitted for settlement. Failure to pay may result in a charge levied on the taxpayer's Laotian bank account, suspension of the taxpayer's business, revocation of the taxpayer's enterprise registration or trading license, or other sanctions, depending on the gravity of the case.

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

Residence: A resident is defined as a person who has a permanent residential address, resides, earns a living, or operates a business in Laos. A resident also is a person who receives compensation income for work performed in Laos and who has stayed in Laos at least 183 days, 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 taxed only on income earned for work performed in Laos.

Taxable income: Employment income is subject to income tax unless otherwise exempt.

Dividends, rental income, 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%, imposed on the selling price.

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

Deductions and allowances: Employees may get a tax deduction if they provide annual financial support to qualified dependents (i.e., parents or children under 18 years old) who are unable to work and have no income. The deduction is allowed for up to three dependents per taxpayer, capped at LAK 5 million per dependent per year.

Allowances in cash or in-kind are subject to individual income tax. However, overtime pay received by an employee whose basic monthly salary does not exceed LAK 2 million is exempt from individual income tax.

Foreign tax relief: Lao domestic law does not provide for a credit for foreign taxes but relief may be available under a relevant tax treaty.

Compliance for individuals

Tax year: The tax year is the calendar year.

Filing status: Individuals who have multiple sources of income must report all income on their annual individual income tax return. Each individual must file a separate return.

Filing and payment: 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 working days of the transaction. Employers generally are responsible for withholding the tax due on employment income and for remitting the tax on or before the 20th day of the following month to the tax authorities where they are registered. Salary tax must be submitted through the Tax Revenue Information System (TAXRIS) and payment must be made via e-banking or at the bank with the National Treasury account and at the National Treasury office counter.

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.

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

Withholding tax

Type of payment	Residents		Nonresidents	
	Company	Individual	Company	Individual
Dividends	10%	10%	10%	10%
Interest (other than to a financial institution)	0%	0%	0%/10%	0%/10%
Royalties	0%	0%	5%	5%
Fees for technical services	0%	0%	1.4% to 6%	1.4% to 6%

Dividends: Dividends paid to resident and nonresident 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 nonresident individuals and legal entities (other than 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. There is no withholding tax on interest paid to residents. Interest income received by resident individuals and legal entities is subject to income tax that must be paid directly by the recipient to the tax authorities.

Royalties: Royalties paid to nonresident 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. There is no withholding tax on royalties paid to residents. Royalty income received by resident individuals and legal entities is subject to income tax that must be paid directly by the recipient to the tax authorities.

Fees for technical services: Service fees paid to nonresidents are subject to a withholding tax ranging from 1.4% to 6% (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 corporate income 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: Current legislation makes reference to the OECD transfer pricing rules. However, there currently is no mechanism in place for enforcement.

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

Controlled foreign companies: There are no CFC rules.

Hybrids: There are no anti-hybrid rules.

Economic substance requirements: There are no economic substance rules.

Disclosure requirements: There are no disclosure requirements.

Exit tax: There are no exit tax rules, 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: There is no general anti-avoidance rule.

Value added tax

Rates	
Standard rate	7%
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 7% with effect as from 1 January 2022. Certain goods and services are exempt, and a zero rate applies to exports of goods to economic zones in Laos and abroad. Service fees paid to a nonresident company are subject to 7% 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. VAT returns must be submitted through the TAXRIS system and payment made via e-banking or at the bank holding the National Treasury account and at the National Treasury office counter. For imports, VAT must be paid in full 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 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 tax or net 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, adopted child, son-in-law, daughter-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 around 11 countries.

Tax authorities: Tax Department of the Ministry of Finance

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