

VDB Loi Laos Alert – Hot off the presses: The New Income Tax Law

Dear Taxpayers,

The new Income Tax Law No. 67/NA dated 18 June 2019 (“**New Income Tax Law**”) has now been executed by the National Assembly President and promulgated by the President of the Lao PDR. It will come into force 15 days from the date of its publication in the official gazette (expected in February 2020). Are you aware of and ready to move forward with the new calculations?

What are the changes in the new law?

The New Income Tax Law replaces Tax Law No. 70/NA dated 15 December 2015 (“**Tax Law 2015**”), and covers the following:

- Profit tax (“**PT**”) - Levied on micro-enterprises, small- to large-scale enterprises, and freelancers, with generally lower rates for most activities and a change in the filing period.
- Personal income tax (“**PIT**”) - Collected on a monthly basis and audited on an annual basis, with better progressive rates and a larger deduction base.
- Income tax on other income, including:
 - Freelance income
 - Online trading income
 - Dividends
 - Enterprise-share sale
 - Non-banking loan interest
 - Guarantee fees
 - Commission fees
 - Rental income
 - Intellectual property fees
- New and more precise penalties

The following table summarizes the main changes in rates and penalties:

Tax	NEW INCOME TAX LAW		TAX LAW 2015	
PT	ACTIVITIES	RATES	ACTIVITIES	RATES
	General activities	20%	General activities	24%
	Tobacco activities	22%	Tobacco activities	26%
	Mining activities	35%	Mining activities	35%
	Human resource development and certain medical activities	5%	Lao stock exchange	5% (4 years), then 24%
	Activities using new innovative technology, and those that are environmentally friendly, use natural resources frugally, and use clean energy for their production	7%	<i>Filing due date: On a quarterly basis – by 10 April, 10 July, 10 September, and 10 January</i>	
	Lao stock exchange	13% (4 years), then 20%		
	<i>Filing due date: On a semiannual basis – by 10 July and 10 January</i>			

TAX	NEW INCOME TAX LAW				TAX LAW 2015			
PIT	LEVEL	MONTHLY INCOME BASIS (LAK MILLIONS)	CALCULATION BASIS (LAK MILLIONS)	RATES	LEVEL	MONTHLY INCOME BASIS (LAK MILLIONS)	CALCULATION BASIS (LAK MILLIONS)	RATES
	1	1.3 or below	1.3	0%	1	1 or below	1	0%
	2	Over 1.3 – 5	3.7	5%	2	Over 1 – 3	2	5%
	3	Over 5 -15	10	10%	3	Over 3 -6	3	10%
	4	Over 15 - 25	10	15%	4	Over 6 – 12	6	12%
	5	Over 25 -65	40	20%	5	Over 12 - 24	12	15%
	6	Over 65	25%	6	Over 24 – 40	16	20%
	Filing due date: On a monthly basis – by the 20 th of the following month				7	Over 40	24%
					Filing due date: On a monthly basis – by the 15 th of the following month			
	Income taxes	TRANSACTIONS			RATES	TRANSACTIONS		
▪ Share transfer			2%	▪ Share transfer			2% or 10%	
▪ Land/house/building transfer				▪ Land/house/building transfer			2% or 5%	
▪ Repairs/construction				▪ Intellectual property			5%	
▪ Online trading				▪ Commissions			10%	
▪ Agriculture land transfer			1%	▪ Dividends				
▪ Intellectual property			5%	▪ Guarantee fees				
▪ Commissions				Filing due date: On an occasional basis – within 15 working days from the date the income is generated				
▪ Consultancy/other services								
▪ Dividends			10%					
▪ Non-banking loan interest								
▪ Guarantee fees								
▪ Rentals								
Filing due date: On an occasional basis – within 15 working days from the date the income is generated				Filing due date: On an occasional basis – within 10 days from the date of withholding				
Notably, PIT and income taxes on repairs/construction, commissions, and consultancy and other services will be re-audited on an annual basis by 31 March of the following year, at which time certain expenses will be allowed for deduction, and the taxes will be recalculated on the annual income base.								
Loss carry forwards	5 years continuously				3 years continuously			
New and more precise penalties	VIOLATIONS			FINES (LAK)				
	Not including the tax identification number on the tax declaration			100,000				
	Late declaration of income tax			500,000				
	Not responding to the first demand notice for supplying information			1,000,000				
	Failure to declare income tax			1,500,000				
	Failure to provide information on the enterprise’s corporate changes			3,000,000				

The numerous changes in the New Income Tax Law, particularly with regard to rates, and calculation bases and methods, mean that businesses will have to redo their tax compliance processes.

If you would like more information on what these changes will mean for your business, or require assistance with reviewing your processes and adjusting them for the New Income Tax Law requirements, please contact the undersigned or your usual VDB Loi adviser.