



LAO PEOPLE'S DEMOCRATIC REPUBLIC
PEACE INDEPENDENCE DEMOCRACY UNITY PROSPERITY

Ministry of Finance

No. 0077/MOF
Vientiane, Date: 11 JAN 2017

Minister's Instruction

on the implementation of the Value-Added Tax

- Pursuant to The Law on Value Add Tax (VAT) No 52/NA, Date 23 August 2014;
- Pursuant to Prime Minister's decree No 80/PM, Date 28 February 2007 on Implementation and movement of Ministry of finance.

This instruction to implement the principles, regulations, methods and measures relating to the Law on value-added tax (revised) No 52/NA, Date 23 August 2014 Value-Added Tax is applicable to individuals, organizations and legal entities, both domestic and foreign, that are operating businesses, manufacturing, and services on the territory of the Lao PDR as stipulated to understand and implement through country.

Minister of Ministry of Finance issue the introduction:

1. Component , Meaning and Principle of Value Add Tax

The value-added tax is an indirect tax that is collected from individual and entity occurring in all processes, on the proportion of value added to goods and services as end consumers on the Lao PDR as payer;

The value Add tax comprise with action principle, procedure on VAT system, holding account, use receipt , calculation, declaration form, delivery, deduction and VAT refund;

Individuals, organizations, legal entities that do business on value-added tax system and officially assigned by Tax depart to be calculated to collect the tax from importer, buyer or seller of goods and services accord to Tax principle they shall pay value-added tax to the State budget.

2. Value-added-tax-payable, collected and delivery VAT targets ,

2.1. Refers to organizations, legal entities and individuals that import, buy or use the goods and service on Lao territory which is not discriminate whether Lao national or internalities.

2.2. **Value-added-tax-payable targets** refers to organizations, legal entities and individuals that do business and collect who registered into VAT system as follow below:

- a) refers to who is doing business in the Lao PDR distribution or supply goods and services which is not discriminate business type whether main or subdivided operation; profitable or non-profitable.
- b) Any state organizational enterprise that operates as a business

or similar to a taxpayer and in the case where such a state enterprise who undertakes the following activities is considered as a value-added tax payer:

- Telecommunication and postal services
- Sales of water, gas, electricity and heat energy
- Transportation services, cargo, ports and airport services
- Transporting the passengers
- Produce goods and services for sale
- Sell agricultural products
- Event for commercial exhibitions
- Warehouse service
- Advertising Business
- Tourism
- Grocery stores, cooperatives and restaurant services

Any state organizational enterprise that operates as a business or similar to a taxpayer if the case that business run as unfair manner who can be taken advantage its competitors on VAT (in a comparable condition).

❖ Obligations and options to register into VAT system.

- (1) Businesses and state enterprise that defined above paragraph a) and b) that must be registered into VAT system with annual business earning of four hundred million kip.
- (2) Businesses and state enterprise that have not yet register into the Value Added Tax (Annual Earning is not up to four hundred million kip). If there is a willingness to be registered into VAT system that can do so, but they need to have a valid enterprise registration or business license, holding account accordance to the accounting standard of the Lao PDR.

Annual business revenue is received from all business's activities that the taxpayers have made during the end of the year, starting from January 1st and year ending December 31st and also includes business's income from activities that are exempt VAT with the rate equal zero and business's income from abroad.

The taxpayer for VAT who has more than one business in the territory of the Lao PDR, the tax payer is required to register in VAT system as a single taxpayer.

The Value Added Tax payer has a responsible for declare change of the information that he / she has made on previous registering on VAT System, or any changes on information that need to inform and let tax authority acknowledge and take note into Tax voucher that is submitted in each month or each quarter.

- c). Individuals, legal entities and non-residence in Lao PDR but they supplies goods and services into Lao PDR by themselves or through contractors, agencies

or sub-contractors they must have committed to register into VAT system regardless whether they have annual revenue in certain amount or not.

When taxpayers have registered into VAT system through tax authority, individuals, entity or state enterprise must commit to pay the tax according to the law on Value Added Tax (VAT) of Lao PDR, as same as other type of tax, need to attain the business's purpose who operates in Lao territory that had been registered, and they need to register into VAT system, to the business who have non-residence in Lao PDR as per specific provision on Article 35 of the Law of Value Added Tax (VAT) their representatives must be also responsible for VAT and other type obligated to contribute to state budget, employer who use labor, project owner also need to register into VAT system.

For example, A Company Group public Ltd. Co. who has a constructing project to construct the modern building in Lao PDR but they have to hire foreign company to conduct that project with project's value is specified in the contract (not including VAT) totally US\$ 30,000,000 (exchange rate of the bank is 1 US \$ / 8,000 LAK) Thus, hired foreign constructing company who will provide the constructing service they must follow these below conditions:

1. Foreign constructing companies are required to register into Lao VAT system prior to carry on this construction. If that foreign company is not registered into VAT system yet, the company group public Ltd. Co who is main contractor of the project must notify and advise to the hired foreign company to make registration into VAT system accordance to the law and relevant regulations:
2. They must pay VAT for construction contracts as follows:
 - Basic calculation for VAT US \$ 30,000,000 x 8,000 = 240,000,000,000 kip
 - Value-added tax of 240,000,000,000 X 10% = 24,000,000,000 kip

If individuals, entity or organization is not registered into VAT system in Lao PDR but they supply goods or services to Individual, entity or organization that has been established or residentially locate in the Lao PDR, it shall be regarded as a supplier in the Lao PDR, which must be classified in each case as follows:

- 1) Individuals, entity or organization locate or establish in Lao PDR who is received such a services if the value added tax payer he/she must be VAT as preserve for supplier who has no residential and not establish in Lao PDR

The Value Add Tax taxpayers in the Lao PDR must record their VAT's amount in writing of relevant line in VAT invoice or the period in receiving of the service in quarterly or monthly. If the taxpayers continuously pay VAT's activities he/she can able to deducted preserved VAT amount from goods and services from VAT invoice.

For example, Import-Export Medical product Company who registered in the value-added tax system in the Lao PDR wants to make their advertise sign of its products. The company must design with value of US \$ 3,000 which is clearly stated in the contract and the exchange rate is US \$ 1 / 8,000 kip

VAT that must be deducted or reserve for such services are calculated as follows:

- Basic calculation of VAT US \$ 3,000 x 8,000 kip = 24,000,000 kip
- Value added tax deductible VAT 24,000,000 x 10% = 2,400,000 kip

Due to the fact that the Import – Export Medical product Company must pay the VAT by record as writing certain amount (ie, the amount of taxable VAT) on VAT invoice during October of the year N. Because the company's sign for Advertise Medical product is related to business activities, the company can deduct VAT to the same VAT invoice.

2) Individual, entities or organization has residence or established in Lao PDR has been received a service but they are not VAT taxpayer, in case they has obligation to pay or deduct the VAT for goods and Service at Point of Sale to tax sectors that's occurring within ten days since the day of payment clearing for goods and service for supplier who is non-residence in Lao PDR. To commit this obligation that tax payer need to enter VAT voucher No 02 /VAT (Appendix 03) then submitted to Tax Authority.

Basis calculation of Value-added Tax In all cases for good and services which is excluding VAT.

Documentation and Notification for Registration into VAT System

(1) Individual, entities or organization has residence or established in Lao PDR:

- The application form for registration of VAT, Issued by Tax Department
- Copy of Personal Identification (copy of a passport) of person who relates to business (owner, shareholder and company shared)
- In the case of a company: Copy of related law on Business establishment
- Financial Statements from the Bank certifying that the enterprise has a bank account.
- Residential Certificates is issued by local authorities where is living place
- Certificate of Taxpayer Identification Number (TIN)
- A copy of certificate for business registration or concession license
- A copy of the investment permission or establishing license from the relevant office
- Copy of feasibility study and technical speculation
- The annual payment plan of VAT
- Notification of location and number of warehouse system
- Contracts or commitments to between business and the Government of Lao PDR or among business to business, including land concession, houses, vehicle warehouse, and so forth, that is used in business operations.
- 2 photo with size 2 cm x 3 cm of less than 3 months.

(2) Individual, entities or organization has non-residence or non-established in Lao PDR:

- The application form for registration of VAT, Issued by Tax Department
- Copy of Commitments, Contract between business and government of Lao PDR include Concession land contract, Building , warehouse, Vehicle and etc to operate the business
- 2 photo with size 2 cm x 3 cm of less than 3 months.

(3) Assigned officers from Tax Authority:

- Custom's officers are who are relate to Tax Department, Custom's checkpoint, Special economic zone who will calculate VAT for Import and exported goods and service accords to the law and relevant regulations.
- Buyers or project owners or employers who purchase goods and service and non-resident in Lao PDR.

Cancellation of Value Add Tax (VAT) System

Exiting from the VAT system has the following cases:

1. Cancellation of VAT: Taxpayer must inform the intention of a business stoppage within 30 days and return the tax registration certificate to Tax Department. In case this case, Tax Authority must review if taxpayers still have overdue debt on VAT and need to be payoff all outstanding VAT, and other taxes fully.
2. All business separations: After the separation decision made of business (within 15 official days) the value added tax payer must notify the tax administration for all taxes and payment of all outstanding taxes, and other taxes, and return the VAT registration certificate to Tax authority.
3. Business Merger: Prior to business merger, the relevant taxpayer must pay the overdue royalties, VAT, and other type of taxes, then inform the tax authorities and return the tax registration certificate within 30 days.
4. Bankruptcy: The value-added taxpayers must return the VAT registration certificate to the tax administration within 30 days after the court declared that business is bankrupt and has a lawful effect on bankruptcy.

3. Goods and services that need to pay Value Add Tax (VAT)

Goods and services are paid for Value Add Tax (VAT) as defined in Article 11 of the Law of Value Added Tax That goods and services are imported into the territory of Lao PDR, which is including fixed assets of supplier who supplies goods and services to buyer or other end consumer in the territory of Lao PDR that must be paid VAT with cash or other type of benefit include wage pay for suppliers who has residence or non-residence in Lao PDR they must be committed on paying VAT as detail follows:

3.1 Goods and Services with Value Added Tax

1) Goods and services that's imported into the territory of Lao PDR from abroad for special economic zone and non-economic zone that's imported by entity or individuals where is whether discriminate as VAT or not that will must be paid VAT as specified on Article 12 of the Law on Value Added Tax (revised version) and unless the exempt goods and Service that allow upon the agreements and permitted with Lao National Assembly.

For example:

- Goods and services were transported from Thailand into Vientiane capital by land and after they are declared the customs duty at checkpoint that means the goods and services are authorized to import into Lao territory and they must be subjected to value added tax;

- Imported products from Japan via the air to Wattay International Airport has been declared to tax authorities and said that the goods and services were imported into Lao PDR and pay the VAT;

- Goods and services in Special Economic Zones or Specific Economic Areas If goods are exported from the area for internal use in the Lao PDR as imported goods and services must pay value added tax, if goods and services are exported directly from the special economic zone to foreign countries, they are not subject to the value-added tax of Lao PDR

2) Goods and Services are supplied (for Sale) in Lao PDR by Taxpayer for VAT:

a. Products or property of an enterprise that the taxpayer paid VAT that is a supplier (sales) for individual use or for other purposes

For example:

- Beds, cabinets, wooden sofa that taxpayer to runs business for wood processing to sale for client or for their personal use or gift others.

- A computer set with value-added tax on a computer manufacturer to its employees:

- Fixed assets of a business with Value Added Tax that sold to a customer or transferred to others

b.) Goods and Services or property of an enterprise that is import for their use purposes within business activities won't be VAT :

for example:

- Cargo truck that VAT payer use to transport goods and services from one location to another location without collecting VAT.

- The vehicle that VAT payer as dealer has given to other as a gift.

c) The goods and services that the taxpayers pay for VAT that is a supplier or other consumer that will be received compensation or will be able to refund as lump sums at one time or more include supplying that taxpayer pay VAT on business process must be exempt VAT such as bank, microfinance and other.

For instance:

- The company A is a VAT payer who runs a mining business, bought a truck from a dealer, and then assign to some transport company by transporting their mineral soil by down payment monthly with the payable interest:

- The bank has expropriated the truck from client who didn't commit to pay the loan

d.) Goods or property of an enterprise that the taxpayer is preserved for his own or his successor when he ceases to operate a business with VAT;

For instance: a warehouse of export-import company who has stopped operating the business.

e) . The goods and services were sold by VAT payer into Lao PDR before tax declaration, whether sold locally or outside Lao PDR that still will be collected VAT for Lao PDR.

For example, a car dealer that currently be a VAT payer who bought a car from a Auto manufacturer in Thailand, which had exported from Thailand, but the car

must be declare tax in the Lao PDR. In this case that would be calculated for VAT of Lao PDR;

3.2 The servicing that is paid the VAT:

1)The VAT payer who is operating a business on servicing for their own property to use its services including own goods, or given to others whether pay or not.

Example:

- A construction-maintaining company who is VAT payer that provide service on equipment , Materials – labor of their company to repair a house for their boss or repair the house for others for free of charge;

2) The services free of charge that VAT payer provided for themselves , to their staff or others.

Example

- Providing the service on Investment Consultancy in Lao PDR that VAT payer who is currently run business as a consultant services for their friends.
- Support the consultancy on Designing and construction for Head Quarter office of company A through electronic channel (e-mail) from non-residents and not establish company within Lao PDR.

3) The excavation on natural resource and transport services by others who are not concessive person.

Example:

- Company A who is VAT taxpayer who operate the business as a specialist on mining , to supplying service for Company B who is concessive company to mining concession with government
- Company C who is VAT payer to be a subcontractor of company A where is giving the transporting service from excavating site to the company B's office;

3.3 Supplying location of goods and services with VAT;

1) location of supply the goods and services must be paid the value added tax That stipulated on Article 11 of the Law on Value Added Tax is for exchange product that occurred in the territory of Lao PDR, which specifies the following:

- The case of a provide the transported services mean that supplying real occurring at location in the time of supplying.

- In the case, supplying goods and service where connected the transportation whether supplier or his/her represented or the buyer that would be considered that transporting of that supplying is occurring at original point;

- In the case, supplying of goods and services that includes the installation and assembly by supplier or his representative that would be determined that supplying is happening at the location of the installation or assembling of the goods and services.

- If goods and services are sold in foreign country before being shipped and imported into the Lao PDR, the taxpayer for the VAT or residential or non-

residential taxpayer in Lao PDR, assuming that supplying is occurred in Lao PDR

- The goods and services are actually supplied into Lao PDR, but are transported to a special economic zone or specific economic zone by a supplier or buyer, that supplying is counted as happening in Lao PDR

2) Location of supplying the services with value added tax;

The location that's a supplying is pay for VAT it will be assumed that supplying is happen in La PDR, if the recipient of that supplying provider who have residence and established in Lao PDR, except in the case as follows:

- If the Consultancy to give services in Lao PDR it would be counted whether service provider has a residence in Lao PDR or not;

- The supply the services is related directly to real estate such as design, constructing, maintenance and repair, services to prepare and coordinate for construction for instance, service of architecture engineer, supervisor who works on work station of real estate company, experts and other type of services that is occurring and that be connected directly to fix asset that locates around work station which include hotel, guesthouse or something are similar mentions that happens in Lao PDR this construction would be counted if that real estate company established in Lao PDR.

- The services of leased goods or assets of all movable enterprises (cars, boats, ships, etc.) That is assumed to occur in Lao PDR if the goods and services are actually used in Lao PDR,

- transportation, transfer goods and services will be considered in the Lao PDR if the actual movement in territory of Lao PDR;

- The services providing as the follow for actual physically happens:

- Servicing and value add services is related to cultural activities, fine art , sports, science, education, entertainment or similar include providing the services to operators who conduct these activities:
- Restaurant and outdoor service
- Other type of services not mentioned elsewhere the tourism services to foreign tourists directly or agents, tour company or tour organizer or similar which is not limited of service usually that services provider is the hotel, task of tour guides, group of real estate and Spa businesses (relaxing massage and nourishing the skin) or keeping health care and Beauty
- The mining excavation and transport of natural resource or on behalf of other's name who is concessional person

- The supplying of the post and telecommunications services also are counted that occurs in the Lao PDR if objectively to use in Lao PDR even if supplier whether has residential or non-residential in Lao PDR.

- Tourism services include connected fee in Lao PDR if service provider whether established in Lao or not they must contribute to the VAT and if the tour service that occurs in Lao PDR or not.

4. Goods and services that's subject to VAT

Goods and services that are not subject to VAT include as follow below:

1) New product is distributed as for a business trial run or for new introduce to market seeking for acceptance from buyers in the future.

Example:

One brewery factories who distribute a small pack of coffee without charge for advertisement or market dominate.

2) Personal property of taxpayers (not an enterprise asset) such as personal vehicles is sold by the taxpayers who make a business selling computer.

3) Goods and services that the taxpayers sell for non-profit to who those got impact critical disaster or natural disasters.

4) Goods and services that's supplied by individuals, entities and organizations in Lao PDR that are not taxpayer.

5 Goods and services are exempted from VAT

Goods and services are exempted from the value added tax as mentioned in Article 12 of the Law on Value Added Tax include as follow:

5.1 Goods and services are exempt from VAT

1) Importation and supply within the Country of Agricultural plants by individual, a Legal Entity, or a Business Organization

Importation and supplying within the country of agricultural crops are exempt from VAT for importing agricultural product that have not yet been processed or only through primary processing, such as:

- Agricultural product which is not yet process such as; Fresh Vegetable, Corn, Rice gain, yam, root, Sugarcane, flower, leaf, tree branch, shooting, seed or etc.

- Primarily processed plants are objectively to keep them away from decay, such as cleaning, drying, separation, cutting, cooling, chilling, peeling, freezing, soaking, etc., but not including logs and fire wood, as well as products obtained by sawing and excluding food products manufactured by the plant which is packed in containers, can, packages.

2) Sell domestic animal:

Sale of animals that are exempt from VAT is the value of all unprocessed or primary processed (semi-product) in the form of fresh or not decays as living or non-living animal as follows:

- Animals are all still alive and breathing, or can move on its own or not;

- Non-living animals means to dead animals that may or may not be decayed in a fresh or frozen condition by freezing, soaking, drying, grinded, but not including food products in package, can or container that is manufactured through industrial factories.
- Production of animals such as milk, eggs and other type of products

For importation of all types of animals, the Law on Value Added Tax does not detail mention on the exemption from VAT.

3) Reforestation service, tree planting, industrial planting and planting for medicine that individuals, legal entities and other organization who operates which is including land pioneering, land adjustment, conservation and soil improvement, preservation and sale of such products throughout the year of planting process such seedlings to branches trimming of industrial wood, fruit and medicinal plants.

4) The importation, sale of all corps, animal breeds, feedstuffs, raw materials for producing of feedstuffs, regardless of whether they are individuals, entity or organization who runs business on this area.

Importing and selling all kinds of plant varieties, animal breeds, feedstuffs, raw materials to use for feedstuff production are except for value added tax are include as detail follows:

- All varieties of plants: stems, branches, buds, tree branch, shooting, seed that is capable to replants and grow in the future.
- All breeds of animals that can reproduce that can be able to breeding or sell the breeding product such mature growth animal such buffalo, poultry, fish, etc.
- All kinds of feedstuffs are feedstuffs for raising animals or feed animals
- All type of raw material that to provide to produce feedstuffs for raising animal or feed animal for animal production such as meat, animal liver, fish, corn, leaves and peanuts, acacia and other crops.

b.) The conditions for granting exemptions for VAT includes as follow:

For the importation of plant varieties and animal breeds, they must be certified by the relevant sectors, the import of raw materials for the produce of feedstuffs which are animal or animal's body parts must be imported by the taxpayers who are engaged in the production of feedstuff according to the requirements plan and approved by relevant sectors.

5) Importation, sales, pesticides, medicines for treatment of animal, Bio-fertilizers, Scientific fertilizers and raw materials for producing of such things:

a. Import and supply within country of pesticides, medicine for treatment of animal, bio-fertilizers, scientific fertilizers and raw materials for the producing process that must be exempted VAT as follow:

- Pesticides, medicines for animal that is made of natural or chemical substances that

may be in form of tablet, powder, or liquid.

- Medicine used to treat animal are made of from natural or chemical substance they are in form as a tablet, powder or liquid and raw materials for the produce such drugs.

- Organic fertilizers are natural fertilizers used to improve soil quality and sufficient to increase productivity they are in form as a tablet, powder or liquid

- Scientific fertilizers are fertilizers that are made of by chemical substance to increase productivity they are in form as a tablet, powder or liquid.

- The raw materials to use for producing the fertilizers and import as ingredients to make the production of fertilizer or pesticides.

B. The condition for granting exemptions of VAT as detail follows:

For import, sale of scientific fertilizers and pesticides before being exempt VAT from importation, importers or buyers must have documentation has been approved by relevant sectors and be sure that not harmful to the ecosystem, health and life of humans and animals.

6) The importation, sale of agricultural machinery or equipment used in agricultural production by an individual, entity or organization that whether operate the business or not

Import, sale, machinery and equipment that to use for producing agricultural products must be exempt from VAT which import and sell in domestic, machinery or equipment used in agricultural production directly to consuming by themselves or taxpayer himself such as tractors , rice transport trucks, harvesting truck, water pumps to use for agriculture such as spade , shovel, hook, tools for farming and livestock.

7) Importing chemical substance

The importation of chemical substance must be exempted from VAT if that import in purpose of chemical substance to use in research, experiment, scientific analysis by state agencies and taxpayers who have been permitted for import only, but need to have a plan of actual use at each stage and has been approved by relevant sector.

8) Import of aircraft and its components for domestic and international air-transportation service

Imports of aircraft and its equipment use for air transport service both domestic and international route that must be exempt from VAT, the imported of aircraft for the purpose of doing business services, air transportation or public service shall be exempt VAT but it is needed to be approved by relevant sectors.

9) Import of fuels and other oils such as gasoline, diesel, and lubricant, hydraulics for purpose to serve air transport services and serve for airline service both Domestic and international air transport services. The import must have a proper plan and get the license from the relevant sectors.

To importation and buying fuel and other goods and services that use to service inside the airplanes is not exempt VAT.

10) importing equipment to serve for the diplomats, embassies and international organizations based in Lao PDR will be exempt from VAT but they import themselves the exempt must be based on area of official agreements and the agreement between International organization and that international organization only, including their personal belonging who is representative, high level delegate, and completed mission of diplomat from abroad.

11) importing, selling textbook for a teaching – learning on modern equipment such as computer, a projector and teaching tools and other teaching purpose will be exempted from VAT, the exemption of importing that is for children, school, kindergarten, primary school, secondary-school, college, university, institutions, the university according to the required plans, and approved by relevant sectors which includes as follow:

- Curriculum textbook for Learning- Teaching materials for general educational system, colleges, universities, vocational schools such as mathematics books, science, sociology, legality, vocational training.

- Equipment objects such as taps coils, projector, CDs, VCDs, DVDs, computers and projector as required for teaching and learning only as well as objects for experiment in the laboratory.

For computers, projector, and other modern products there must have detailed of actual use as well as approval from educational and sports sector. After a period of exempt sometime, there would be inspecting of actual use, if any use of those equipment are not proper use, the VAT will be calculated in full, as well as take penalty accordance to related provisions of the law.

Chair, table, stationary, the room, the building which is including facilitated components and the required installation for office, the building is not exempt from VAT

12) Importation, sale of traditional medicine, artificial organs to replace for human or animal organ, blood, equipment, wheelchairs for disable people and seniors person.

Imports and supplying domestic use of artificial organs and traditional medicine, medical Equipment will be exempt VAT which is include as follows:

- Traditional medicine is medical product or distill, squeezed, fermented or derived from a plant or animal that contains a mixture of chemicals used to make therapy of humans or animals which originate in form of plants, stems, vines, seeds, bark, roots, yam, fruit, leaves, in character of liquid, powder or tablet;

- Artificial organs for patients and disable people such as artificial heart or prosthetic, artificial kidney, artificial limbs, prosthesis, artificial teeth, artificial eyes, including a wheelchair for disable and aging people who is particular ly designed for those patients.

- Medical equipment for diagnosis, monitoring and medical care
 - Serving the analysis: Medical imaging scan devices such as ultrasound, MRI, PET and CT scanner to monitoring and evaluate about physically body system make sure they are in proper condition, including heart valves, anesthetic device / anesthetic medicine, heart & lung scanner, ECMO and other analysis device.
 - Serves and monitor ECG, EEG Blood pressure and blood compressed where nurse can measure the medical condition of the patient on the basis of significant and constant values.
 - Serve the treatment
- Medical tool for laboratory room as per Automatic system or special too to assist in analyzing blood pressure, urine and generic analysis.
- Medical Life –Longevity devices include ironic lung, oxygen cylinders, aerosol sprays, rubber tubes, hospital beds, patient wheels and others.

For other medical devices not listed above, including hospital and surgical tools which is no exemption of the value added tax.

13) Imported professional vehicles for public use such as fire trucks, ambulances, mobile repair truck, television transmitted vehicle, mobile radios and other specialist vehicle which belong to state and social organizations.

14) Vehicle to use for national security – national defense to use in administrative such as armored truck, tanks, ammunition carrier truck, repairer truck and other professional vehicle that is needed to use in national security – national defense which is not included luxury car, mini-van, trucks, Jeep, pickup truck and other which is provided to service of national security – national defense.

5.2 Servicing area are not subject to Value Added Tax:

1) The area of education is teaching of all educational levels, which is authorized by the Ministry of Education and Sports, or relevant sectors such as kindergartens, schools, kindergartens, secondary schools, colleges, universities, vocational schools, music schools, artistic schools, driving schools, dancing schools, training of gun shooting and other schools.

For restaurant services, photocopy and other services that are not directly related to the educational institutions or educational work area are not exempt from the VAT even the place of the service is located within the school area.

2) Public health services are services of examination and diagnosis of human's and animal's health who is authorized by the relevant sectors.

- Health examination is monitored and checked by various methods for symptoms and diagnosis.

- Treatment is a service for cure the patient technically and responsibility In order to provide health care, preventing diseases, sterile the diseases, healing, dental healing, give a healthcare, disease prevention, childbirth plan, pregnancy care, physical treatment and other kind of treatments. Providing of sleeping room for patients, and facility for patient;

- The disease analysis is analysis of breakout of diseases with a medical tools,

a). For human: The service provider is a licensed as medical specialist by public health sector in area of service for a scientific and natural therapy such as physically massage, acupuncture, dentistry, pediatrics, etc., including research, provide service patients (pharmacies factory, Research center, hospital and etc.)

In case of movement that is made by hospital but on behalf of the outsourced company such as treatments of new emerging disease which is needed to use new kind of medicine in name a pharmaceutical company, it is not exempted from the value-added tax at the time of being treatment that movement is not considered a hospital benefit, but it is a direct to that mentioned pharmaceutical company.

For restaurant services, photocopy and supplying – other type of services at the hospital and other facilities are not exempt from VAT.

b). For animals: Value-added tax is exempted for animal treatment such as disease vaccination, disease analysis, and treatment of abnormalities or injuries of animals.

- Value-added tax is exempted for animal treatment by veterinarians who have been registered in relevant veterinary sector:

- Exemption of Value Added Tax for providing Services by Animal treatment by veterinarian Officers who assistance in treating animals in the process of conducting or tacking the animal health for procedures of the Animal Health System, including: animal nursery, animal health care, animal health expert, and animal scientists.

- The case of animal treatment directly staff of the veterinary clinic of is also exempted from the value added tax.

- Value-added tax exemptions on health also include many supplies and services as following:

- Examination and treatment of animal
- Supplying food chain, drinking water and accommodated place
- Supplying and veterinary medicine

- Exemption of value-added tax for the transportation of patients and injured (including animals) must comply with the following conditions:

- Must be vehicle for transfer patients or animals from one place to another;
- The person who is transported must be the patient or the person who is injured (including the animal)
- The ambulance or injured person (ambulance, helicopter, etc.) must be fully

installed set of equipment for ambulance or injured persons.

3) The following business operate which related to health insurance, life insurance, livestock and plantations are exempted from VAT.

1. Insurance and its refund means to commitment that a person has an obligation (to pay compensation) to receive the compensation or payback in the event that the risk actual happen. That's specified in agreement that is exempt from VAT

- Health insurance, sickness and disability insurance
- Life insurance, whether it is a personal life insurance or a group of individuals
- Pet insurance and plantation farm insurance

2 . Intermediate insurance (medium insurance) refers to services and payback by the agreement to the party as a legitimate intermediate which is an exclusive commercial relationship with third person. For the implementation of terms such special activity must attain to one or more term as follows

- intermediate party has an authority to bind the service or sell insurance to customers, which is exempt from VAT.
- Activities may cause the creation, continuation, conversion, or elimination of term of premiums which is exempted from VAT.
- Activities consist of provide the counseling that reflects the specific expertise of insurance that is exempt from VAT.

Intermediate person in Insurance does not include the following: provide a standard service such as Customer Service Center, Brand Management, onsite services or other Management Services and Advertising and Information Services.

Servicing that is exempted from value added tax also covers to all the supplying of insurance elements that's all specific features and necessary services for exempted from VAT for the implement of these provisions as follows;

1. The following must be considered as specific feature of services which is exempted from VAT.

- The contract and issuance of certificates to recognize to the honorary names of clients who is exempted from VAT.
- Assigned, renewal, mandatory, and termination of contracts which is related to the exemption of VAT.
- Trustworthy service that includes credit ratings of supplier or insurance customers.
- The valuation of the financial guarantee

2. The following shall not be determined as specific and necessary feature of services which is exempted from VAT.

- Management

- Legal services, accounting, audit and accounting
- Services that's corresponded to the law
- Marketing, research, Analysis, definition and create new products or new opportunities
- Supplying and design software or computer programs

Damage monitoring must not be regarded as a specific and necessary feature of the insurance and reinsurance.

4) Banking services or financial institutions is licensed by the Bank of Lao PDR consist of money deposit, interest on loans, including transfer fees and profits from foreign currency Exchange.

Financial institutions that is exempt from VAT that must be licensed or recognized by Bank of Lao PDR only which has certified documents from relevant sectors:

For the sale of such assets such as car, home and other property that took over from client that must be exempted from VAT.

5) Goods and services that's supplying for the grant project

Goods and services for supplying to granted projects (foreign aid) must comply as contracts or commitments within area of Government of Lao PDR have signed.

Prior to receiving a VAT exemption, the recipient of the grant project must report the name of the project, bided certificate and objective (Devise), related document and present purpose, the use plan and the quantity of goods and service which is needed to be used correctly for actual use in the project, through the certification of relevant sectors, and approval from Ministry of Finance for VAT exemption.

6. Principles and methods of VAT calculation

6.1 Principles for the calculation of VAT

The value-added tax calculation for import for goods and services domestically use that is the based on VAT calculation which mentions at Article 16 of the Law on Value Added Tax, in the case of,

Goods and services that are exempted from VAT if there is imported and supplying altogether with non-exempted goods and service (including the same value) therefore, Importers must separate goods and services which are subject to VAT and exempt from VAT.

- If foreign currency is calculated in kip that must be based on the exchange rate of the bank at the time of such a calculation.

6.2 Basis of Value Added Tax calculation

The value-added tax calculation based on the value of trading, exchange, delivering, consuming goods, property and services with the added value added tax as specified in Article 14 of Law on the Value Add Tax (revised).

1) For importation of goods and services

Basis of calculation of Value Added Tax for Imported Goods and service from Foreign Countries Special Economic Zones and Specific Economic Zones that's declared value for import duty (if any) and plus with excise tax (if any) and Total profit (if any) as detail followings:

A. In the case of import of the goods and service by VAT taxpayer

- In case of import of goods and service from abroad by importer that is value of goods and services are arrived at border (CIF) plus import duty (if any) plus with excise tax (if any) plus the associated fees and other service charges that occurred (at checkpoint) in the territory of Lao PDR such as broker fee, packing fees, transit fee, warehouse storage fee, etc.

Checkpoint where are goods and service that had been imported into Lao territory and declaration of import duty to the custom sector.

For importation of goods and service for use in special economic zones and specific economic zones by VAT taxpayers, that is a value of goods and service at the arriving at border (CIF) plus with import duty (if any) plus with excise tax (if any) and plus with connected fee and other service fees

B. In the case of importation by individual, entity or organization that's not a VAT taxpayer

- In case of import of goods and service by individual, entity or organization that's not a VAT taxpayer that's value of goods and service that's arriving at border (CIF) plus import duty (if any) plus excise tax (if applicable) plus with applicable fees and other charges plus total profit 10% of the value of imported goods and 24% of the net profit as specific by Article 33 of The Law on Tax (revised). Ref. No. 70 / NA 15th December 2015:

- For importation of goods and services from special economic zones and specific economic zones of individuals, entities and organization who is not VAT taxpayer that will calculate the value of goods and service plus import duty (if any) plus with excise tax (if any) plus connected fees and other service charges plus total profit 10% of the imported value and also pay for profit tax 24% of the total profit.

C. In case of temporary importation of goods and service but not re-export

In case of temporary import of goods but not re-exported by the use of that supplying for use or self-consumption within the country even expiration for using in Lao PDR or not that must calculate as import duty (if any) plus with excise tax (if any) plus with associated expense or the value of monitored by steering committee officially issue plus with 24% of the total profit

D. In the case of importation of goods and service temporarily import and exported to abroad

In the case of importation of goods temporarily and export to abroad for particular tasks for instance processing, improvement, maintaining, repair, assembling that's the basic calculation of VAT is that to calculate once the goods are imported into Lao PDR that must be a compensation for ongoing to collect the goods from customer who make payment or that must be made of payment for supplier in abroad if there is no payment for compensation for value of ongoing task in abroad.

2) To supplying (Sell) of goods and services within the country by the VAT taxpayer, which define as basis of calculation as follows:

A. For the supplying of goods and services in Lao PDR including occasional supplying or each shipment that's value of actual goods or services plus with excise taxes (if any) but not include VAT or all value of everything that the supplier receives from his/her customers which can be able to determine as money the basis calculation includes as follows:

- Price
- The bonus that government has allocated directly to the price of the supplying
- Custom duty ,some type of taxes, fees and other related obligations (but not including VAT);
- Other Additional Expenses such as broker, packaging , Cost , insurance and freight that supplier collected from customers even that will be covered by different agreements.

❖ The Item is not a basis of calculation of VAT as follows:

1. Value Added Tax (VAT)
2. The value of the packaged item is returned without a billing statement

B. For the supplying of Goods and Services in Lao PDR in the case of compensation cannot be defined or cannot estimate to be money in market price of goods and service at that time not include to value added tax, where the value of goods or services are known on the market price it is define as follows:

1. For goods and service are value that's not less than the purchase price or similar goods but the price is not defined with less than price of the original price in the supplying.
2. for a service is value that's not less than the value of services

A. In the case of supplying of goods and services payment by commodities exchange services or service exchange by service according to the contracts of exchanged between two parties that's sell-buy end to end therefore, if the parties in contract is VAT payer the basis to calculate the value added tax to be set for each supplier which depends on the price of the market plus with excise tax (if any) of goods and services to be exchanged or value of the market at that time, including excise tax (if any) of goods or services that the supplier have the remuneration for goods and services that he/she has supplied

In case of goods and services that are exchanged, if the value is not equal with amount of remuneration for the price of goods and services on the market that is supplied by another party that should be subtracted of the amount of money that has been paid to another party plus with excise tax (if any).

For the other parties who have been compensated for good or service plus with differ accord to market price that supplied to him plus with amount of money that's received or value of actual goods and service at market price at that time plus with excise tax (if any)

B. For supplying of goods and services that is personal property or supplying services with free of charge, the basis calculation of VAT is the full value of the supply services.

C. For supplying of goods and services that use other forms of invoice that define as constant value that's including VAT such as air tickets, movie ticket, prepaid recharge cards, lottery and etc. basic VAT calculation as follows:

$$\begin{aligned} & \bullet \text{ Basis VAT calculation} = \frac{\text{Total value of VAT}}{1 + 10\% \text{ or } 1 + 0\%} \\ \text{Or} & \\ & \bullet \text{ Basis VAT calculation} = \frac{\text{Total value of VAT} \times 100}{100 + \text{VAT rate (10 or 0)}} \end{aligned}$$

D. For the business is about Agent and broker the VAT calculation is the value of deriving from actual business operating or a contract that does not include VAT.

E. For partial distributor (received partial rate) such as sales of prepaid recharge card, air ticket, insurance, lottery,.... Define for fix rate that's basic calculation of VAT is the value of a contract that does not include VAT.

F. For distributor is not full package the basis of calculation of the value added tax is the value that is actual earned

G. As a consultant for individual, legal entity or organization to negotiate a contract among parties the basis of calculation of value added tax is the value of a contract that does not yet include VAT.

H. For tourism the value of services may include other services fee both domestic and international such as travel fees, accommodation fee, meals, transportation, tour guide fees, entrance fee and other charges. The basic of calculation of VAT that is the value derived from specific services in territory of Lao PDR which does not include VAT.

I. To post and telecommunications sector the basis calculation of value added tax is as follows:

- Postal service such as mailing, email, parcel etc. they are the value of receive from service which is not include VAT.

- Telecommunication services such as telephones, faxes, internet, intranets, cable TV, satellite TVs, and other electronic communications are the value of access to services that do not include VAT.

S. Natural resources (natural minerals, wood and forest products from nature) Basic calculation of value-added tax is the value of actual supplying itself which is not including VAT.

J. supplying the excavation of natural resources by other who is not concessional person the basic calculation of VAT will refers to actual value of excavation service or contract that does not include VAT.

K. For construction or maintain activities, the base value of VAT is the actual value of the construction – maintain or value of a contract that does not yet include VAT.

L. in the case of supplying the goods and services that are written as billing without separated VAT (write down total value added tax) Basic calculation of value added tax is a total value of the receipt.

M. In the case of a supplying of goods and services according to directed price by state, VAT calculation is the public price even that's supplying has discounted is there however, if there is selling over the directed price the basic calculation of value added tax is based on the actual occurred value.

m. For local transport, overland and overwater transportation the basic calculation of VAT is the value of actual transport plus the allowance that relate to price directly (if any), but not including VAT.

In the case of international supplying services The basic cost of calculating value-added tax is the value of supplying that occurs in territory of Lao PDR, based on section of road's distance run through Lao PDR:

- Basic calculation of VAT = Total value of transport x Section of service in Lao PDR
$$\frac{\text{Distances occurring in Lao PDR} \times 100}{\text{Total road distance}}$$
- Section service in Lao PDR = -----

P. In the case of supplying of goods and services are subject to value added tax and exempted from value added tax are the same price. The basis of calculating value added tax is the value of goods and services subject to value added tax.

The VAT payer must distinguish from the value clearly the income of supplying and exempted VAT, if it cannot break down that must count that all supplying is basic calculation of VAT.

M. In the case of supplying goods and services that have been multiple payments such as down payment or leasing - purchase basic calculation of value-added tax as follows:

- For down payment basic calculation of VAT that's all value of sale of goods and services which is not include VAT then it must be calculated altogether once the supplying occurred (the basis of calculating VAT will not include imported interest)

- For leasing – Purchasing that basis of calculation of VAT is value of the sale which includes VAT to calculate by based on the actual payment during each period as according to the leasing-purchasing agreement (The VAT basis calculation will not include interest on the principal)

3) Purchase of services from non-residential and not established in Lao PDR

Purchase of service from non-residential and non-established in Lao PDR Basis of calculation of Value Added Tax accord to actual value or contract (if any) but not including VAT

Individuals, legal entities or organizations in Lao PDR who purchase services from non-resident and non-established in Lao PDR have the right to deduct VAT and deliver to state

6.3 Adjustment of basic calculation of Value-added tax

1) Adjustment of basic calculation of value-added tax is the improvement or adjustment of the tax base on the value-added tax to the condition of the supplying due to some or all changes in the supplying process.

The adjustment must occur after the issuance of the invoice and notification of a value added tax on the receipt of VAT in that period only.

2) In case of adjustment of basic calculation of the value added tax as follow

A. There is a cancellation of supplying partial service or all good and service after a bill has been issued

In the event of a denial of the quantity, quality or price of goods or services that have been completely canceling, through reasonable evaluation or reasonable acceptance or agreed from relevant sector in writing

C. In the case the buyer returns the package back to supplier as recycle container after issued the receipt

D. In case of the goods and service is damaged or deformation caused by natural

disasters or other cases of escalated event which is not able to reuse or cannot be used in the economic cycle.

In this case VAT payer must be confirmed that the product was actual damaged or destroyed by natural disaster or other cases of natural cause such as fire, flood, civil war, terrorism, or attacks by other weapons, report of insurance, letters from customers and the other that's describing to the actual event (fire, flood, storm, etc.) and damage or other hazards occurs

Y. The case of downgrade in price of product in some type kinds of goods that is quick decayed such as animal meat, fruits, vegetables, and all type of plants for consumption

Natural loss in price is allowed to a maximum of five percent (5%) of the quantity or value of the goods being sold.

3) The case of adjusting the VAT basis of calculation is as follows

A. In case of canceling sales of goods or services afterwards

In the event of a cancellation of goods or services afterwards, it is usually happened in the case one of any party does not comply with a contract or commitment on the sale of goods or services that both parties have been signed or escalated arisen due to a natural cause, political crisis or one of party is death which is not able to process a contract of sale of goods and service that cannot be able to carried out.

For example, Export – Import company A who is VAT payer has signed a contracts for Purchase- Sell company B for electronic equipment who is also VAT payer with price 15,000,000 Kip not including VAT. In the contract specified advance payment 10% of all total costs within 30 days, after seller delivered the products to buyers completely ,buyer must make payment to the remain amount immediately, the contract is performed as follows:

- The buyer paid advance amount 10% in amount of money 1,500,000 kip to the company A and received all goods within 30 days completely. When delivering the goods and services to the buyer, the seller is calculated the VAT and put in the invoice and declared VAT correctly as stipulated by the law.

- subsequently escalated event that buyer can be able to pay the remaining 13,500,000 Kip to seller as agreed in the contract the both sides decided to cancel all that purchase – sell contract in order seller must refund advance amount to buyer, because of VAT That company A (sellers) had already declared VAT and company B also clearance VAT in both sides in term of cancellation of contract he buyer must inform in writing total value of goods and service in amount of 15,000,000 Kip and VAT underlying 1.500.000 kip

That amount of VAT that must declared for next upcoming month of company A and company B can be deducted VAT in amount of previous clearance of VAT (period of supplying actual goods and service) in all cases must be kept cancelled documents of Purchase and Sell as evidentially verification to tax authority

B. In case of the customer partial returns of good and service or all

Case 1: Buyers who are VAT payer that have returned partially or all goods and service (due to those products are defective or part of that product is disqualified, incomplete or unfinished repairing product), the buyer must issue document to seller of actual amount of that goods and service that's returned.

Case 2: A export – import company who is VAT payer to sell 15 washing machines to wholesale shop (A) who is VAT payer for price is not yet included VAT 5,000,000 Kip /machine and total amount included VAT 75,000,000 kip in receipt total amounts 7,500,000 kip it is paid by the buyer, later seller has specified amount of value added tax themselves and cleared VAT themselves accords to the law, then the buyer send back 5 washing machines because of those machines are out of standard as per agreed by the seller and the change request of purchase - sales accords to customer's request.

The VAT calculation basis was modified as follows:

- The value of washing machine, not include VAT $5,000,000 \times 5 = 25,000,000$ kip
- VAT for returned washing machine $25,000,000 \times 10\% = 2,500,000$ kip
- Value of washing machines include VAT $(25,000,000 + 2,500,000) = 27,500,000$ kip
- Adjustment of basis of VAT calculation $75,000,000 - 25,000,000 = 50,000,000$ kip
- VAT after adjustment $50,000,000 \times 10\% = 5,000,000$ Kip

Wholesale store A must issue a certified document for 5 washing machines that is returned to that company, specifying the price and associated value-added tax of 27,000,000 kip

The company who distribute the washing machine is regarded as certified document of adjustment in amount of VAT of 2,500,000 kip. In the result that the wholesale store A will keep 10 washing machines

$(75,000,000 - 25,000,000 = 50,000,000$ kip) and include the amount of VAT $(7,500,000 - 2,500,000 = 5,000,000$ kip)

In the case of a washing machine that is return within the same tax period (monthly or quarterly), the bill of value added tax of the wholesaler store A will show the purchase of 50,000,000 kip for the 10 washing machines and the value added tax which can be deducted from 5,000,000 kip from entry pole.

In case of washing machine is returned in the next tax period both original and VAT invoices will be adjusted to reflect the actual value of purchase – sell of the goods and service after the returning of those goods and products.

In all cases, all revised invoices must be kept in the bill for evidence and for declared to taxes authority.

Case 2 buyer is not a value-added tax or not use invoice when returning the goods and service he/she must issue the bill before proceed of cancellation. Cancelled Invoice must be attached along account book and note detail information of buyer and new invoice accord to actual products the note must describe about the content and reference number of invoice that has been adjusted

For example, Mr. A who has bought 4 air conditioners from factory (VAT payer) to install for his home at a price of 10,000,000 kip, not including VAT total of 40,000,000 kip in invoice which is connected to the sales with the amount of VAT 4,000,000 kip paid by the buyer (the seller also listed the value added tax on the bill) within that day Mr. A has returned three air-conditioner because of those machines are out of standard. After inspected by manufacturer, found that those air conditioners are defective and they have adjusted their purchases-sale request.

The VAT calculation basis was modified as follows

- o Value of Air conditioners are returned, not include VAT $10,000,000 \times 3 = 30,000,000$ kip
- o Value added tax for air conditioners are returned $30,000,000 \times 10\% = 3,000,000$ kip
- o Value of air conditioners include VAT $(30,000,000 + 3,000,000) = 33,000,000$ kip
- o Basis of calculation of VAT $(40,000,000 - 30,000,000) = 10,000,000$ kip
- o Value Added Tax after adjustment $10,000,000 \times 10\% = 1,000,000$ kip

After air conditioner factory has completely returned three air conditioners to Mr. A the factory must issue new bill (a copy for buyer) accord to adjusted amount by specified price not include VAT of 10,000,000 Kip and recalculate the value added tax 1,000,000 Kip in revised bill to be kept in book as evidence to proof for tax authority, because of the air conditioners have been returned in same tax period of original supplying, VAT voucher must specify the number of adjustment (basic calculation of payable VAT) in case of goods and services are returned within next upcoming month, for this case supplier to submit the invoices to deducted the VAT of adjustment amount that returned for Mr. A.

C. In the case of the return of product's container for recycle use then issue the bill, the basis for calculating value added tax must also be reduced as well.

If the value of the package is defined as specific and separated from receipt for product supplying, the value of the packaging must be also included in the value-added tax for the supplying when the returning of that container basic calculation of VAT for that container also is reduced as well.

In this manner must be treated as returning goods and services as part partial or all.

For example, an export-import company that is a value-added tax payer that sold 20 washing machines to wholesalers store A (who are also VAT payer). The price not includes VAT of 5,000,000 kip per machines. Total sales value which is not including value-added tax total 100,000,000 kip those washing machines will be shipped in a special containers which is belonging to import-export companies A and it must be returned that containers to the company after deliver those machine and the wholesalers

store A must pay 5,000,000 kip immediately with returning the containers once they receive the machines due to it is high cost, so , the container will be sent back immediately. Basis of calculation of VAT for supplier, Washing machines and Container $100.000.000 + 5.000.000 = 105.000.000$ Kip Adjustable value is 10,500,000 Kip

Once the container is sent back, wholesaler must issue a clearance document to the supplier company with indicating 5,000,000 kip and the value added tax of 500,000 kip, totaling 5,500,000 kip

The Company sells washing machines to wholesalers store A has adjusted document with a value added tax of 500,000 kip which is able deducted from entry pole the consequence is that washing machine is cost of 5,000,000 kip which he/she paid 100,000,000 kip (105,000,000 kip paid initially to subtract 5,000,000 kip to wholesale store A that payback).

In case the container is returned within a month of initiative supplying the value added tax on the buy–sell specify 100,000,000 kip is the value of the washing machine and 10,000,000 kip is the value-added tax to be paid in name of the buyer A mean that washing machine is 100.000.000 kip and a deductible value added tax 10,000,000 kip

In case the container is returned in next month the original Value Added Tax voucher will be modified accord the actual value of the purchase after the delivery of the container.

In every case all adjusted invoices must be kept in the book log as evidence and in order to inform to tax authority.

For trade discounts and financial discounts that occurred after the issuance of the invoice are not allowed to adjust the VAT.

6.4 Value Added Tax rate

The Value added tax rate as describe in Article 16 of the Value Added Tax Law is as follows:

1) with rate of 10% of goods and services subject to value added tax on imports, producing and consumption within the Lao PDR, including export of natural resources other than products as follows:

- Importing goods and services, supplying (sales) goods and services domestically, including telecommunication, postal services, telecommunication services such as leasing satellite signals to individuals or regal entities in domestic international, incoming calls and outgoing calls by domestic users.

o Individuals, legal entities and organizations that are not registered in the VAT system

o Individuals, legal entities and organizations that have been registered in the VAT and operating business but not use raw materials, chemical substance , materials, machinery, and vehicle to produce the production for their business

directly.

- o Individuals, legal entities and organizations that have not been registered into VAT system.
- o The business operator of cigarette production

- Exports of natural resources which is not completed products that is export natural resource it is unprocessed or primary processed such as timber, wooden bulk, logging, sliced wood, minerals, rattan, tree's batch, tree's oil, grains, and other natural products.

Natural product-derived from nature are products that are man-made through the process of processing of natural resources on industrial method and ready to use.

Incompletes products derive from nature is a products that is unprocessed after harvesting or cutting or processing, but not yet as completed product.

2) Zero percentage (0%) rates that uses for

A. The supplying (sale) raw materials, chemicals, materials, machinery and vehicles for producing products, that becomes domestic product and imported products (in the case of that is not able to product in domestic or not enough) for import in producing and invest in fix asset as follows:

- Raw materials are used in the process of production for new products, for example, the produce cement there are comprise with limestone, sands, clay, glue stone, dirt, and coal.

- Chemicals are used for mixing, dissolving, separating, disinfecting materials used in production processes such as phosphorus, used to extract raw gold (AU).

- The object is the composition of the product, such as packing materials, tool to produce drinking water include containers, bottles, can, , or gap, trademark.

- Machinery and vehicles is used for process of producing product such as cement factory is required rock driller, crushing machine, mixture machine, stone carrier belts, forklift for material; etc.

- Direct investment in fixed assets is the material to use to construct factories, warehouses, buildings, machinery, vehicles and others used to fixed assets.

B. transporting the goods and service or delivery of natural resources as a polish product to a foreign or special zone or specific economic zone

C. Terms use of 0% for importation

Domestic importers or manufacturers are subject to VAT at the rate of 0% must comply with the following conditions:

- There is exact plan for the produce and distributed planning for raw

materials, chemicals, materials, machinery, and production vehicles, both locally and internationally which are approved by the relevant sectors and under the control of the tax authority.

- That person must be Value Added Tax payer that carries to pay value-added tax.

6.5 Calculate the VAT on each portion

The value-added tax calculation is made in three portions: Imported goods and service from foreign countries, special economic zones or specific economic zones, supplying portion (sales) goods and services domestically and purchasing portion of goods and services from non-resident person in the Lao PDR as follows:

1) Import portions

A. In the case, Import of goods and service that are exempted from import duty

For example, a factory who is subjected to VAT payer from foreign country with 100,000,000 kip that is exempted goods and service accords to the Law on custom, need to pay excise tax 10% and 10% VAT.

How to calculate Value Added Tax from Imported Goods:

- Declared amount of importation (CIF)	=	100,000,000 Kip
- Import duty	=	exempt
- Excise tax	$100,000,000 \times 10\%$	= 10,000,000 kip
- Basic calculation of VAT	$100,000,000 + 10,000,000$	= 110,000,000 kip
- Value added tax	$110,000,000 \times 10\%$	= 11,000,000 kip

Import duty, taxes that importer must pay as follows:

- Import duty	=	Except
- Excise tax	=	10,000,000 kip
- Value added tax	=	11,000,000 kip

including total import duty and taxes must be paid = 21,000,000 kip

B. In case, imported goods and service are taxed at rate of 0%

For example, a factory who is subjected to VAT payer from who import the goods and service from foreign country with value 100,000,000 kip that is goods and service is exempted import duty, need to pay excise tax 10% and 10% VAT.

How to calculate Value Added Tax from Imported Goods:

- Declared amount of importation (CIF)	=	100,000,000 Kip
- Import duty	=	0 kip
- Excise tax	$(100,000,000+0) \times 10\%$	= 10,000,000 kip
- Basic calculation of VAT	$100,000,000 + 10,000,000$	= 110,000,000 kip

- Value added tax $110,000,000 \times 10\% = 11,000,000$ kip

Import duty, taxes that importer must pay as follows:

- Import duty	=	0
- Excise tax	=	10,000,000 kip
- Value added tax	=	11,000,000 kip

Including total import duty and taxes must be paid = 21,000,000 kip

C. In case the imported goods are subject to Import duty

For example, an export-import company that is a value-added tax payer who import 50 washing machines to sale within country, with value of 50.000.000 kip with import duty 15% , excise tax 10% and VAT 10%.

How to calculate Value Added Tax from that imported Goods:

- Declared amount of importation (CIF)	=	50,000,000 Kip
- Import duty $100,000,000 \times 15\%$	=	7500,000 kip
- Excise tax $(100,000,000 + 7500,000) \times 10\%$	=	5,750,000 kip
- Basic calculation of VAT $(50.000.000 + 7.500.000 + 5.750.000)$	=	63.250.000 Kip
- Value added tax $63.250.000 \times 10\%$	=	6.325.000 kip

The tax and import duties of such importers are as follows:

- Import duty	=	7,500,000 kip
- Excise tax	=	5,750,000 kip
- Value added tax	=	6,325,000 kip

Including total import duty and taxes must be paid = 19,575,000 kip

D. In case of temporarily import goods and service from abroad but the supplying in Lao PDR

To import goods and service temporarily from abroad by custom rule and taxes in temporarily to serve foreign diplomatic missions, international organizations and international special projects in the Lao PDR, including investment both domestic and international companies that have been won the bidding or international project base agreement by government, if the goods and service are being supply to other (whether expiration of temporary imported or not) or self-used after temporary import period has expired within Lao PDR then they must be subject to tax and all type of taxes, once full supplying unless there are exempted from duty and / or tax

Basis of calculation of Value Added Tax is according to the value of the goods and services as assessed or evaluated by price (steering committee) plus with the excise tax (if any) plus with the total profit.

The "Steering committee" means to an organization that's assigned by the tax authority for calculating and evaluating the price of temporary import goods and service that is supplying or considered to supply into the Lao PDR for custom duty and tax collection

purposes.

If the goods and service are not evaluate the price by the Audit Committee the value added tax calculation is based on the actual selling price, plus the import duty (if any), plus the excise tax (if any) and the overall profit which the buyer must pay for other tax profits.

For example, a construction company, a taxpayer, purchased a pick-up truck US\$ 3,000 from an expert who is on duty in the Lao PDR, who brought the pick-up truck into country with term of duty-free conditions a temporary import. Therefore, construction companies will have to pay 30% import duty, 25% of excise tax, 10% VAT, 24% profit tax (proportion of 10% profit at exchange rate US\$ 1 = 8,000 kip).

How to calculate Value Added Tax from Imported Goods:

- The purchase price is $US\$ 3,000 \times 8,000 = 24,000,000$ kip
- Import duty $24,000,000 \times 30\% = 7,200,000$ kip
- Excise tax $(24,000,000 + 7,200,000) \times 25\% = 7,800,000$ kip
- Total profit $(24,000,000 + 7,200,000 + 7,800,000) \times 10\% = 3,900,000$ kip
- Value Added Tax $(24,000,000 + 7,200,000 + 7,800,000 + 3,900,000) \times 10\% = 4,290,000$ Kip
- Profit tax $3,900,000 \times 24\% = 936,000$ kip

The tax and import duties of such importers are as follows:

- Import duty = 7,200,000 kip
- Excise Taxes + Value Added Tax + Profit Tax $(7,800,000 + 4,290,000 + 936,000) = 13,026,000$ Kip

Including total import duty and taxes must be paid = 20,226,000 kip

E. In the case is returned goods after temporary transit from abroad:

Where some goods and service are exported temporarily to foreign countries such as polish, processed, restore, repaired and assembling.

Basic calculation of VAT once the goods and service are return to import back into Lao PDR that is remuneration for a product that has been processed by the importer or it is needed to paid for service in abroad. If there is no payment of compensation, Basis of VAT calculation is a value added for the work carried out in abroad.

For example, wholesale electric company A who is a Value Add tax payer that sold out a type of electronic device to a client in Lao PDR but later on they received from customer's returning of that electric device to that company A, Due to that device is defective and it is not be able to repair which is needed to bring it out to abroad , and repairing value is equal 5,000,000 kip then VAT will be subject at import value at 5,000,000 Kip once it is importing.

F. For the importer of goods and service who is not the value added tax payer or VAT payer, but not in a business purpose (individual movement) sometimes or shipment:

1. In the case of import of goods and service from abroad

For example, Mr. A has imported one air condition from abroad for personal use, declare for custom 2,000,000 kip, import duty 15% , excise tax 10% , profit tax 10%, 10% VAT rate.

Tax calculations and taxes from the import are as follows:

- Declared Customs Value (CIF) = 2,000,000 kip
- Import duty $2,000,000 \times 15\% = 300,000$ kip
- Excise tax $(2,000,000 + 300,000) \times 10\% = 230,000$ kip
- Total profit $(2,000,000 + 300,000 + 230,000) \times 10\% = 253,000$ kip
- Value Added Tax $(2,000,000 + 300,000 + 230,000 + 253,000) \times 10\% = 278,300$ kip
- Profit tax $253,000 \times 24\% = 60,720$ kip

The tax and import duties of such importers are as follows:

- Import duty = 300,000 kip
 - Excise Taxes + Value Added Tax + Profit Tax $(230,000 + 253,000 + 60,720) = 543,720$ kip
- including total import duty and taxes must be paid = 843,720 kip

2. Importing goods and service from special economic zones, specific economic zones

For example, Mr. A has imported five cameras from the SENO special economic zone , Savannaket for personal use, declare for custom 4,000,000 kip/camera , import duty rate 15%, excise tax 10% , profit tax 10%, 10% VAT rate.

Tax calculations and taxes from the importation are complying as follows:

- Declared Customs Value: $4,000,000 \times 5 = 20,000,000$ kip
- Import duty $20,000,000 \times 15\% = 3,000,000$ Kip
- Excise tax $(20,000,000 + 3,000,000) \times 10\% = 2,300,000$ kip
- Total profit $(20,000,000 + 3,000,000 + 2,300,000 + 2,530,000) \times 10\% = 2,530,000$ kip
- Value Added Tax $(20,000,000 + 3,000,000 + 2,300,000 + 2,530,000) \times 10\% = 2,783,000$ kip
- Profit tax $2,530,000 \times 24\% = 607,000$ kip

The Mr. A must be paid tax and import duties as follows:

- Import duty = 3,000,000 Kip
- Excise Taxes + Value Added Tax + Profit Tax $(2,300,000 + 2,783,000 + 607,000) = 5,690,200$ kip

Including total import duty and taxes must be paid = 8,690,200 kip

2) To calculate the VAT from the domestically supplying (sales) of goods and services.

A. Value Added Tax calculation of on product supplying

1. In case of supplying product is subjected to VAT in 10% rate.

For example, a ceramic tile factory is VAT payer who distribute ceramic tile in Lao PDR without VAT 50,000,000 kip

Value Added Tax is calculated at the time of supplying:

- Basic calculation of VAT = 50,000,000 kip
- Value add tax $50,000,000 \times 10\% = 5,000,000$ kip

2. in case, supplying of goods and service that are subjected to excise taxes and VAT

For example, VAT taxpayer provides 10 air-conditioners to a construction company, the price is not including excise tax and VAT with value 60,000,000 kip. Excise Tax rate at 15%, VAT rate of 10%.

How to calculate Value Added Tax as follows:

- Excise Tax $60,000,000 \times 15\% = 9,000,000$ kip
- Basic calculation of VAT $(60,000,000 + 9,000,000) = 69,000,000$ kip
- VAT $69,000,000 \times 10\% = 6,900,000$

3. In the case of export the natural resources

For example, A mining companies export tin which was primary processed by filtering as a pie of Tin, but not yet full process (semi-product) 2,500 tons, export amount of \$ 5,000 per ton with exchange rate 1 \$ = 8,000 kip

The method of calculating the value added tax is as follows:

- Basis of VAT calculation $(2.500 \times 5.00 \times 8.000) = 100.000.000.000$ kip
- Value added Tax $100,000,000,000 \times 10\% = 10,000,000,000$ kip

exportation of mineral (Tin) are not allow to deducted and refund VAT, so the calculation of value added tax is allocated to the state budget.

For example 2, Sawmill has exported processed wood such as: 4x8x400 in amount 200 cubic meters(m3) in value of 3,000,000 kip /m3, wooden size 5x10x500 , 300 m3 in amount of 3.500.000kip /m3, wooden size 5x12x600 , in amount of 350 m3 for 5,000,000kip /m3, wooden size 5x15x600 , 400 m3 in value of 7,500 .000 kip /m3 to international export with value wooden types as follows:

- Wood (4x8x400) $200 \times 3,000,000 = 600,000,000$ k
- Wood (5x10x500) $300 \times 3.500.000 = 1.050.000.00$ k
- Wood (5x12x600) $350 \times 5.000.000 = 1.750.000.000$ k
- Wood (5x15x600) $400 \times 7.500.000 = 3,000,000,000$

Total export value = 6,400,000,000 kip

The method of calculating the value added tax is as follows:

- Basic calculation of VAT = 6,400,000,000 kip
 - Value added tax: 6,400,000,000 x 10% = 640,000,000 kip
- Export of processed wood cannot be deducted and refunded, so that the amount of value added tax must be contribute into state budget totally.

Example 3; Sawmills have exported wood 4x8x400 in number of 200 cubic meters with the price 3.500.000kip / m³, wooden size 5x12x600, 350 m³ for 5,000,000 kip / cubic meter, and wooden products including beds, wooden sofa sets, dining table with total amount 1,200. 000,000 kip to export these wooden products to abroad

- Wooden size (4x8x400) 200x3.000.000 = 600.000.000 kip
- Wooden size (5x10x500) 300x3.500.000 = 1.050.000.00 kip
- Wooden size (5x12x600) 350x5.000.000 = 1.750.000.000 k

Total export value	= 3,400,000,000 kip
Associated Value of export	= 1,200,000,000 kip
Total export value	= 4,600,000,000 kip

Sawmill has paid for initiative VAT in entry pole at the time of purchase wood and exporting with value of 306,700,000 Kip with all evidence that can be deducted.

How to calculate the value of export value at the rate of 10% as follows:

- Basic calculation of VAT = 3.400.000.000 kip
- VAT 3,400,000,000 x 10% = 340,000,000 kip

This movement there is exportation from processed timber which is subjected to VAT at rate 10% which cannot be deducted VAT and there is exportation of processed wood products at a rate of 0%, which can be refunded.

In conclusion, the calculation method of refunding the value added tax is related to exports at rate 0%, as follows:

$$1.200.000.000 \times 100$$

- Partial exported at rate 0% = ----- = 26.08%

$$4,600,000,000$$

- Amount of VAT is refunded: 306,700,000 x 26,08% = 78,987,360 kip
- Amount of VAT to be paid : 340,000,000 - 79,987,360 = 260,012,640 kip

4. in case this supplying of goods and service with other cost by included into value as follows:

For example, the value added tax payer in Vientiane Capital has sold 15,000 washing machines for a company in Luangprabang, this value includes excise tax and value added tax 30,000,000 kip, excise tax 10% refers to contract, supplier also calculate

the shipment washing machine from Vientiane Capital to buyer's business place in Luangprabang 1,000,000 kip.

The method of calculating the value added tax is as follows:

- Supplying value without VAT = 30,000,000 kip
- Excise tax $30,000,000 \times 10\% = 3,000,000$ kip
- Shipping cost = 1,000,000 kip
- Basic calculation of VAT $(30,000,000 + 3,000,000 + 1,000,000) = 34,000,000$ kip
- VAT $34,000,000 \times 10\% = 3,400,000$ kip

1. in case supplying for self-consuming, for gifts, for a present:

For example, in Jan a cement factory who is VAT payer has brought about 60 tons of cement as a charity for a school director's house construction as a gifts or present of 5 tons to sold out for 10,000 tons of cement the selling price excluding VAT of 600,000 kip

The method of calculating the value added tax is complying as follows:

1. Using cement builds houses for school's directors

Basic calculation of VAT 600,000 kip per ton due to the company has sold cement to market in market's price, so the basic calculation of VAT for 60 tons of cement to use to build a house is $600,000 \times 60 = 36,000,000$ kip. The value added tax is $36,000,000 \times 10\% = 3,600,000$ kip

2. Take the cement to others as gifts and rewards

For the same reason, The basic calculation of VAT is $600,000 \times 5 = 3,000,000$ kip and the value added tax for the cement is $3,000,000 \times 10\% = 300,000$ kip

3. Cement is sold

- Basic calculation of VAT is $600,000 \times 10,000 = 6,000,000,000$ kip
- Value added tax for sale is $6,000,000,000 \times 10\% = 600,000,000$ kip

Total VAT of 3 cases: $3.600.000 + 300.000 + 600.000.000 = 603.900.000$ kip

6. In case of supplying by distributing agent:

For example, Mr. B is running business as motorcycle dealer in Pakze, Champasack province, who is dealer motorcycle company A in Vientiane to receive 50 motorbikes with value about 750,000,000 kip within a month Mr. B has sold 30 motorbikes with selling value 18,000,000 kip not include VAT total amount 540,000,000 kip.

The method of calculating VAT is as follows:

1. Company A must calculate from Mr. B $750,000,000 \times 10\% = 75,000,000$ kip
2. Mr. B will calculate from customers $540,000,000 \times 10\% = 54,000,000$ kip

7. In case of sale a product or property by financial institution or leasing business:

For example 1, the Leasing Business A has lent to Mr. Ba in amount of 500,000,000 kip accords loan agreement with 3 years payback period and 3% interest rate per month, by comply as regular term in period of 3 years but, Mr. B cannot be able to repay its principle, Subsequently he refinance his car by value his to equal to remain amount for \$ 55,000; 1 \$ = 8000 kip

The method of calculating VAT shall comply as follows:

- Basic calculation of VAT: $55.00 \$ \times 8.000 = 440.000.000$ kip
- VAT $440,000,000 \times 10\% = 44,000,000$ kip

Example 2: A leasing company limited has collecting service from customers at place (collect from home) with a service charge of 20,000 kip / customer, there are total 200 customers.

How to calculate Value Added Tax for service as follows:

- Total value received within 1 month: $200 \times 20,000 = 4,000,000$ kip
- Basic calculation of VAT: $4,000,000 \times 100/110 = 3,636,360$ kip
- Value added tax: $3,636,360 \times 10\% = 363,600$ kip (only)

8. In cases of supplying product included Value Added Tax

For example; you bought a four doors pickup truck from a car dealer company in voucher has a total cost of US\$ 24,000 includes VAT (not separated VAT), but the buyer ask to pay \$ 15,000 (exchange rate 8,000 kip / 1 \$) The remaining \$ 9,000 is agreed for down payment in period of 9 months and define the interest rate of 5% of remaining value per month.

Calculating the value-added tax for that supplying as follow:

- Sold value include VAT $\$ 24,000 \times \$ 8,000 = 192,000,000$ kip
- VAT $192,000,000 \times 10\% = 19,200,000$ kip

For the sale in down payments to calculate and collect VAT from sales all at once, not to calculate and collect VAT in each time that seller must define the way to calculate as above method, need to have invoice clearly to partial payment's interest that would be as sale's income and not be taken to be a basis of VAT calculation.

B. Calculating Value Added Tax from supplying the services

1. In case of the supplying of service 10% charge

Example 1: Supplying services for Road Construction project covered by state budget 100% of construction value 15,000,000,000 kip not include VAT

The method of calculating VAT shall comply as following:

- Basic calculation of VAT = $15.000.000.000$ kip
- Value Added Tax $15.000.000.000 \times 10\% = 1.500.000.000$ Kip

Example 2: A mining company who is VAT payer signed the contract to rent heavy machines from leasing service company which are including 1 excavator , 1 bulldozer, 4 dump trucks , total rental value in contract which is not include value added tax 3,000,000,000 Kip / year. Deadline of rental period is 3 years which start on 01 January of Year N and settlement of payback be set at each year in January of each year.

Method of calculation of VAT from the supplying from leasing service as follows:

- Basic calculation of VAT = 3,000,000,000 kip
- VAT of 3,000,000,000 x 10% = 300,000,000 kip

1. Supplying services in case by scenario as exchange form:

For example 1, Lao government needs to make paved road from one province to another, with the value of construction excluding VAT equal to 50 billion kip. The construction project has been agreed to the road construction company to implement project and value added tax is paid as a substitute for wood.

How to calculate value added tax for this construction as follows:

- Construction contract value not includes VAT: 50,000,000,000 Kip
- Tax on value added 50,000,000,000 x 10% = 5,000,000,000 kip

For example2, a transportation company who is VAT payer need to build a building to be used as operating office not include VAT, with a value of 250,000,000 kip only and In the meantime, there is also a construction company who is also a VAT payer, as well as they need to transport their constructive materials from one place to another, therefor they agreed to exchange the service with value 250,000,000 Kip

In this case, transportation company and construction company have become service users, so that each party will be calculated VAT as follows:

- Value added tax: 250,000,000 kip x 10% = 25,000,000 kip

For example3, a person who bought a car from a car dealer who is VAT payer for a car with the price excluding VAT of 100.000.000 kip, at the same time he car return his used car to exchange with new car in value of 20,000,000 kip. So he has to pay more money to a car dealer of 80,000,000 kip

How to calculate Value Added Tax for the sale of this car as follows:

Sales of car for this dealer is a business operation of VAT payer which is under consider for a the value added tax , so the value added tax is calculated based on the market price of 100,000,000 kip.

The sale of used cars by general individual is not considered to be under VAT due to he is not a VAT payer.

Example 4: The VAT payer is a company who produced television program has a deal with a grocery store who sell drinking water that store agreed to supply free water every day between production TV, total value being sent is 5,000,000 kip (purchase price of

the beverage which include excise tax but not include VAT) for actors in the drama TV drinking, but in contract that each bottom line of the scene must be advertise of that band of drinking water for 5 seconds.

How to calculate Value Added Tax for such movement is as follows:

In this case, the two parties have become suppliers of goods and services who is subjected to value added tax: a grocery store provides drinking water to television producers, with return of advertising at the end of the scene and television producers provide services to the grocery store with remuneration with value 5,000,000 Kip, VAT is equal $5,000,000 \times 10\% = 500,000$ Kip

Example 5: Mr. A who is VAT payer bring t-shirt include trademark and internet website of his business to deliver to Mr. B, each t-shirt is costs 20,000 kip and sells to Mr.C at a price of 10,000 kip

This movement is calculated for a value-added tax as follows:

- If Mr. A take the t- shirt to Mr. B for free, the supplying is turnover as free advertising due to this t-shirt have logo and website of Mr.A the basic calculation will be based on the value that Mr.A deliver to Mr.B as an advertisement and price of t-shirt of 20,000 kip the value add value is $20.000\text{kip} \times 10\% = 2.000$ kip

- If Mr.A sell a t-shirt to Mr.B that will be considered that supplying which is remuneration in amount of money, the amount of money will be taken to calculate the VAT plus with advertising fee, which is equal to $10,000 + 10,000 = 20,000$ kip

If Mr.A or Mr.C are both VAT payer their movement although they will be also subject to VAT. Basic calculation of VAT of Mr.B is 20,000 kip, because that is the value of t-shirt that's received from Mr.A and the amount money that Mr.A has already paid.

Basic calculation of the value-added tax for advertising by Mr C is 10,000 kip because the total VAT of the sale is 20,000 kip (the price of total cost) but the amount of paid (10,000 kip) must be removed. In fact, 10,000 kip is the basis of calculating for value added tax Mr. A must pay more for the advertisement.

Example 6; Manufacturers A have hired the value-added tax payer B to carry out certain kinds of products at a price of 100,000,000 Kip, but through actual work, they have received the remaining partial sold at the market price of 10,000,000 kip,

The calculation is calculated as follows:

Basic calculation of value-added tax for party B is 110,000,000 kip among that supplying service is 100,000,000 kip and the sale of remaining materials 10,000,000 kip

3. In case of the supplying service is collected VAT 10% which is partial done within a year.

For example, a construction company who enters the contract to hospital with contracted value 1,000,000,000 kip 2 years project, in the first year the project had completed 30%

of the project's task.

The tax calculation for the first year is as follows:

- Basic calculation of VAT $1,000,000,000 \times 30\% = 300,000,000$ kip
- Value Added Tax $300,000,000 \times 10\% = 30,000,000$ Kip

Calculating the value added tax in the second year or the whole task completed

- Basis of VAT calculation $1,000,000,000 \times 70\% = 700,000,000$ kip
- Value Added Tax $700,000,000 \times 10\% = 70,000,000$ Kip

4. in case there is supplying service on hotel

For example; a hotel provides accommodation service for customers for 3 nights at the price of 500,000 kip per night which is excluding value-added tax, and at the end of the staying, the hotel must calculate the VAT at the rate of 10%

The value-added tax calculation is as follows:

- Basic calculation $500,000 \times 3$ days = 1,500,000 kip
- VAT $1,500,000 \times 10\% = 150,000$ kip

5. in case of supplying service of a restaurant

For example, a restaurant has service the food and drink outdoor service. The total price of 20,000,000 kip does not include VAT.

The value-added tax calculation is as follow:

- Basic VAT calculation = 20,000,000 kip
- Value Added Tax $20,000,000 \times 10\% = 2,000,000$ Kip

6. in case supplying services as representative:

Example 1: Mr. C who is VAT payer as representative to a company who is servicing for contraction to process and conducting for negotiations and entering a contract with a company who supplying constructive material and heavy machines to supply foe process irrigation project where that company had won the bid the value of those machines in value 2,000,000,000 Kip not include VAT and as contract's provision Mr.C was assigned as representative for negotiation and signing the contract of that construction 5% of project which is not include the value added tax

The value-added tax calculation is as follows:

- Value added tax that heavy machines company collected from construction company for equipment providing : $2,000,000,000 \times 10\% = 200,000,000$ kip
- Value added tax Mr.C (representative) is calculated from the construction company for

his service $(2,000,000,000 \times 5\%) \times 10\% = 10,000,000$ kip

Example 2; company A who is VAT payer they are doing business as agency who sell the air ticket for domestic and international flight which will received the share 2% of total sales, as an actual movement in January of year N company A has sold air tickets for domestic flight 100,000,000 Kip include VAT , sold for international flight 200,000,000 Kip

The value-added tax calculation for the air ticket agency is as follows:

- Basis of Value Added Tax (VAT) for Company A from selling air ticket for domestic flight: $(100.000.000 \times 100 \times / 110 \times 2\%) = 1.818.182$ kip
- Value added tax to that agency $(1,818,182 \times 10\% = 181,818$ kip

For example 3, a telecommunication company has delivered recharge card with a value of 50,000 kip of 100 with value 5,000,000 kip to distributing agency 8% of the total sale.

To this special case the selling of mobile phone's recharge card is calculated VAT Due to VAT is calculated, collected and paid by telecommunications company fully.

Example 4: State-owned Lottery Development Company has sold a Lottery within the month:

- price 5,000 kip/lotto in amount of 500,000,000 kip
 - price 10,000kip/lotto in amount of 850,000,000 kip
 - price 30,000 kip/lotto in amount of 4,500,000,000 kip
- Total sales of lotteries with value 5,850,000,000 kip

The value-added tax calculation is as follows:

- Basic VAT calculation $(5.850.000 \times 100 \ / 110) = 5.318.181.800$ kip
- Value added tax: $5,318,181,800 \times 10\% = 513,818,180$ kip

7. The case is a supplying postal service

For example, the postal service has provided express mail service from Lao PDR to foreign countries valued at 500,000,000 kip, not including VAT.

The calculation of value added tax from customers is as follows:

- Basic VAT calculation = 500,000,000 kip
- Value Added Tax $500,000,000 \times 10\% = 50,000,000$ Kip

8. Supplying for jobs seeking service

For example, the company service for jobs seeking had supplies labor about 100 employees to a garment factory the value of the labor which is not including VAT for 500,000 kip per 1 employee.

The calculation of value added tax from customers is as follows:

- Base tax calculation $500,000 \times 100 = 50,000,000$ kip

- VAT $50,000,000 \times 10\% = 5,000,000$ kip

9. Supplying a construction services particularly labor

For example, a construction company A has bought constructive material and hired labor with an estimated cost 50,000,000 kip not includes VAT, constructive wage 15,000,000 kip

The value-added tax calculation is as follows:

- Basic calculation of value added tax = 15,000,000 kip
- Value Added Tax $15,000,000 \times 10\% = 1,500,000$ Kip

10. Supplying service for real estate

For example, a construction company has been permitted from the government to invest in the development of residential land that state-owned in an area of 50,000 square meters. The use of 5,000 square meters to be roads and 5,000 square meters to be park for community who live within that plot of Land (still be land of state, not sell) the value of land allocated is 300,000 kip / 1 sq. meters among accounting year that company sold out 1 house with 400,000,000 kip that is not include VAT there is 200 square meters, yard 100 sq. meters, garden 20 sq. meters.

The value-added tax calculation is as follows:

- Basic calculation of VAT = 400,000,000 kip
- Value Added Tax $400,000,000 \times 10\% = 40,000,000$ kip

The right to use the land, the value-added tax payer must commit to pay to government according to in agreement in the land allotment when selling the house. The amount of money that must be payback to the government is $(320 \times 300,000 \text{ kip}) = 96,000,000$ kip

Note: The area of land that's used for construction of the house is not a basis for calculating value-added tax because the land sale value must be allocated to the state budget fully during the sale and the transfer of land ownership and transfer ownership to the buyer.

Example 2: company A has invested infrastructure in Economic - industrial zone they has a concession of government's land 100 hectares as period 50 years, rental price 10,000 kip / square meter / year they has been a pioneer and build the infrastructure such as enhance the area of land , provide electrical, water supply and even telecommunications completely. Then given to company B to be building the factory in area 20,000 square meters, in period of 30 years , contract price is 25,000 kip / sq.meters / year, the company B must pay rent each year regularly.

NOTE: If the value added tax payer has paid for pioneering the land it is considered as a VAT that can be able to deduct.

The value-added tax calculation is as follows:

- Basic calculation of VAT (20.000m² x 25.000 kip = 500.000.000 kip
- Value Added Tax 500,000,000 x 10% = 50,000,000 Kip

For concession the land , company A rented from the Government 20,000,000 x 10,000 kip = 200,000,000 kip is considered to be the company's principal cost.

In the case, there are many years by pay for rent, such as 10 years or 30 years period that must be calculated at once in period has paid.

Example 3: A company who is VAT payer that runs a estate business, has invested in building a designated home for sale which is connected transferred ownership to other VAT payer. During accounting period, that company sold three houses to customers, each house has land area of 400 square meters; including house and garden area total sale value not include VAT of 750,000,000 kip.

The value-added tax calculation is as follows:

- Basic calculation of VAT = 750,000,000 kip
- VAT 750,000,000 x 10% = 75,000,000 kip

For example 4 , Company A invests 100 hectares of their own land to build a construct on infrastructure for rent, this investment include pioneer and build the house supplying the facilities such as supply for electricity, water and telecommunication. Company A then lend to other sectors:

- To give the company B to rent to build footwear factory for 20 hectares in period of 30 years, value of land not include VAT 5,000,000 kip per hectare per year. According to the contract, the company B must pay annual regularly

- Assign to company C in amount of 10 hectares in period of 15-years rental contract to build a Notebook factory 5,000,000 kip / hectare / year. According to the contract, the company C must pay for rents regularly to company B.

The value-added tax calculation is as follows:

1. For Company A to lend the land to company B for 20 ha

- Basic calculation VAT 20 x 5,000,000 = 100,000,000 kip
- VAT 100,000,000 x 10% = 10,000,000 kip

2. for the land that lend to company B for 10 ha

- Basic calculation of VAT 10 x 5,000,000 = 50,000,000 kip

- VAT $50,000,000 \times 10\% = 5,000,000$ kip

Example 5: Value Added Taxes payer who operate business for leasing the movable equipment they lend the excavator to VAT payer who has residence in Lao PDR with rental value 20,000,000 Kip/Month, to the rental period is 3 months:

How to calculate VAT for lend the excavator for each case as follow:

A. VAT payer who is running leasing business

- Basic calculation of VAT $20,000,000 \times 3$ months = 60,000,000 kip
- VAT $60,000,000 \times 10\% = 6,000,000$ kip

B. for VAT payer who rent

1. in case VAT payer rent the excavator to dig the soil within country and bring income among 3-monthes of 100,000,000 kip

How to calculate VAT for supplying service foe excavates the soil:

- VAT from excavating service $100,000,000 \times 10\% = 10,000,000$ kip
- Value added tax can be deducted entry pole = 6,000,000 kip
- Value Added Tax to be paid $10,000,000 - 6,000,000 = 4,000,000$ Kip

2. In case the excavator is moved to Thailand there is income that's deriving within 3 month in 600,000,000 Thai Bath. Therefore according to the principles that's defined that there is leasing service of every movable goods include vehicle of VAT payer who run leasing business that service in actual operation. Therefore, VAT is calculated and delivered by VAT by rental 6,000,000 Kip will be refund because of that excavator is not used in Lao PDR.

3. In this case that excavator has been taken to digging within country for two month and makes income 55,000,000 kip and it is used in Thailand for another month, with revenue of 250,000 Thai baht (exchange rate of 1 baht = 250 kip).

How to calculate the VAT:

- income from digging within country $55,000,000 \times 2 = 110,000,000$ kip
- Income from digging in Thailand $250,000 \times 250 = 62,500,000$ kip
- Total income $110,000,000 + 62,500,000 = 172,500,000$ kip
- Value added tax within country $110,000,000 \times 10\% = 11,000,000$ kip
- partial that can be refunded $\frac{62,500,000 \times 100}{172,500.00} = 36,23\%$

- Value Added Tax which can be claimed $6,000,000 \times 36,23\% = 2,173,000$.kip
- Value added tax is allowed to deducted $6,000,000 - 2,173,000 = 3,827,000$ kip or $(6,000,000 \times 63,77\% = 3,827,000$ kip)
- VAT that can be refund and deducted $2,173,000 + 3,827,000 = 6,000,000$ kip
- VAT that's delivered $11,000,000 - 6,000,000 = 5,000,000$ kip

3.) Value-added tax calculation for purchasing the services for who is non-residence and not established in Lao PDR

A. For non-residential who has been operating business in the Lao PDR for 90 days above:

Individuals, legal entities or organizations who is not non-residence in Lao PDR to supply goods and services in Lao PDR must be registered as value-added tax in Lao PDR and must comply the Law on Value Added Tax of Lao PDR as the same as other VAT taxpayers in Lao PDR.

Relevant public sector, Project Owners or Employers in Lao PDR are responsible to encouraged to apply for register into Value Added Tax system, if they are not registered they would be paid for connected taxed and including fines (if any)

Example 1, a group of public company who has objectively construct the modern building hired an international company with a total cost of construction contract for 30,000,000 US which is not include VAT, exchange rate of 8,000 kip/1\$US, Therefore before there is providing of that construction must be as follows:

Prior to process the construction, that foreign company must be registered in VAT system with tax office where the project is located.

Basic calculation of VAT for construction services:

- Basic calculation of VAT $US\$ 30,000,000 \times 8,000 \text{ kip} = 240,000,000,000 \text{ kip}$
- Value Added Tax: $240,000,000,000 \text{ Kip} \times 10\% = 24,000,000,000 \text{ Kip}$

B. to who is non-residence and operate business less than 90 days:

Any person, entity or organization in Lao PDR if purchasing services in Lao PDR from non-resident and non-establish in Lao PDR he must be deducted and subjected to VAT to deliver into the state budget The basic calculation will be calculated accord to contract value for make a payment to supplier in foreign country which is not include VAT.

Example 2, the import-export pharmacy company which is VAT payer in the Lao PDR, is wanted to make a banner of its goods which employs foreign advertising company to design the banner to advertise for 10 months of year N. Value of designing state in the contract US\$3,000.

The value-added tax to be calculated is as follows:

- Basic calculation of VAT $3,000\text{USA} \times 8,000 \text{ kip} = 24,000,000 \text{ kip}$
- VAT is deducted and delivered $24,000,000 \text{ kip} \times 10\% = 2,400,000 \text{ kip}$

6.6 When calculation of Value Added Tax:

1) In the case of importation of goods and service shall be calculated at the same time as import duty or when it is imported which is goods are released means that goods and service is not under controlled by custom anymore.

2) In case (sales) goods and services domestically by VAT payer, to calculate VAT when the supplying is occurred as follow:

- For supplying goods and service but that are not transported, to calculate value added tax when the supplying is actual occurred when the goods and service are delivered to customer
- For goods and service that's transported by supplier or on behalf of buyer or themselves, to calculate VAT when the shipment begins into the country.
- In the case of supplying that has a component or needed to provide installation the VAT when there is going to install completely
- For supplying the service, to calculate value added tax when partial service or whole services are completed.
- For goods and services that are consumed either themselves or as gifts to others such as to officer or their employee which includes the use of the exchange to calculate the value-added tax base upon receipt or ownership transfer after end of service,
- In the case of supplying continually or continuous payment to calculate the VAT monthly, quarterly but not over 6 month period:
- In the case of supplying of goods and services that makes advance payment of several months or many years, to calculate VAT at the time of payment.
- In case of down payment, to calculate the value added tax as a single payment at the time of supplying actual goods and service (when delivered right and goods and service).
- In the case, supplying of a leased product, to calculate the value added tax at the time of each payment accord to contract;

7. Deduction and refund of value added tax

The most important feature of the value added tax system is the deduction mechanism and the refund of value added tax not be a burden to the business operator and not duplicate pay VAT of final consumer, as well as to encourage of exportation.

7.1 Deduction of Value added tax

Value-added tax deductions are payback of the value added tax once taxpayers has paid when they are importing goods and service domestically

The value-added tax at entry port comprise that can be deducted and VAT won't be deducted as follow conditions and the actual use details:

1) Value Added Tax it can be deducted at entry port

A. The value-added tax that can be deducted as specified at Articles 19-22 of the Law on Value Added Tax to every VAT in entry port which is related to all goods and services that are used for business operations directly that subjected to value added tax.

Officially meaning that all imported goods and services that purchased by VAT payer which are necessary for produce, distribution, advertising, and sales of goods and services and , subject to value added tax stated under the Law on Value Added Tax or

supplying abroad.

B. The amount of VAT that can be deducted as stipulate as follows

- to VAT on entry port which is related goods and service there are purchased within the country there are approval documents and used in the business directly and supplier are VAT payer that service can be deducted entirely.

- For entry port VAT that's related to goods and services there are approval documents for import for business directly and uses for other purpose (indirect or not related to business operation) that is allowed to deduct for the VAT entry port only which associated with business operation directly only. Therefore, VAT payer must separate the value added tax for entry port in certain amount which post into account separately, if there is not able to separate VAT from entry port that is not allow to deduct.

In cases where the value added tax entry port is not able to separate or service to use directly and indirectly but there can be able to separate VAT of goods and service to used directly and indirectly to business operate that would deductions partially as follows:

Value of goods and services directly used x 100

- Direct Partial Used = -----

The value of goods and services

o VAT entry port that's deductible = all VAT entry port x direct partial use.

- For VAT entry port which related to importation, goods and services was purchased domestically to use in business directly of combined business which includes supply is subject to VAT and exempt VAT, can be deducted VAT from entry port which relates with supplying that is subjected to VAT only.

The value added tax payer must separate the value added tax from entry pole which relates to the value added tax that's paid and it relates to the supplying that is exempt VAT in certain account, if VAT payer cannot able to separate VAT from all entry pole that is not allow to deduct but if there is able to separate VAT from that supplying of good and service or service that is subjected and exempted VAT from entry pole that can be deducted partially and let calculate as follows:

The value of supplying is subjected VAT X 100

- Partial supplying is subject to VAT = ----- -

All value of supplying

o VAT that can be deducted: = VAT entry pole X Partial supply is subjected to VAT.

For example, in February 2016, the VAT payer who runs publicity business and they bought a paper coils in price of 10,000,000 kip to produce notebook where they paid

VAT 10% in amount of money 1,000,000 kip in the same month he sell teaching textbooks which is also exempt VAT with value of 4,000,000 kip and sold notebook with VAT in amount of 8,000,000 kip

How to find the value added tax from entry pole deductible as follows:

1) In the case of VAT payer can separate clearly, the value added tax from entry pole of paper coil that relates the supplying which is subjected to VAT (sell notebook) in such a amount that count VAT from entry pole relate to sale of notebook the VAT from entry pole can be deducted.

2) However, if the value added tax payer cannot break down, the amount of value added tax from entry pole relate to the supplying is subjected to VAT and exempt VAT that must calculate by find the ratio of VAT that can be deducted as follows:

$$8,000,000 \times 100$$

- The rate of VAT that can be deducted = ----- = 66,67%

$$8,000,000 + 4,000,000$$

o VAT can be deducted = $1,000,000 \times 66,67\% = 666,7000$ kip

- For value added tax related to water supply, electricity and natural gas

- In case of separation of electric meter for business that is allow to deduct for all.
- In case there is no separation of electric meter let's calculate as follow:

o VAT on entry pole of energy power for industrial production and services is allowed to reduce 80% for deducted amount 60% of electric quantities to be used.

o Value added tax on entry pole water supply for industrial production and producing is allowed to deduct 80% of total water supply that actual uses.

o Value-added tax on entry pole , natural gas for industrial production and producing is allowed to be deducted 80%

- For value added tax on entry pole for fixed assets:

VAT on entry pole that can be deducted for fixed assets that's belonging to enterprises or leases or rentals for using in business's activities directly and other non-business operation. Value added tax payers must accurately divide the value-added tax at entry pole in early of the year which will be revised at the end of the year by taxes authority to adjust The first value added at entry pole and it will be carry on to next year's resolution as follow.

1. For the value added tax at entry pole that's connected with the vehicle of a company that managers or personal use is not allowed to deducted

2. For VAT at entry pole of construction and services fee related to the used in business operation directly and other purposes are deductible from the value added tax on entry pole that related to the procurement, rental or leasing that used in business operation

directly that subjected to VAT, in such a case there are not allowed to deduct more than 70% for the remain that would be include for VAT for fixed assets and bring to deducted with depreciation

For value added tax on entry pole that's related to computers, laptops, mobile phones ... which are personal assets of the value-added tax payer that is not allow to deduct.

3. For value added tax entry pole that's related to new products that free of charge distribution to customers, buyers or who will be future business partner that are allowed to be deducted, but it is not allow to deduct exceed 50,000 kip/person /item.

C. Time and period of deduction for value added tax:

- The value added tax on entry pole that is deducible period (monthly, quarterly) period of VAT clearance by balancing of deducible amount that included in VAT monthly vouchers, or quarterly voucher.

- Value Added Tax on entry pole within a month or quarter that is allow to deducted in next mother or next quarter but that won't be excess than 6 months by deducted monthly or quarterly that VAT on entry pole is occurring. Value Added Tax on entry pole it is still remain after deduction within 6 months VAT payer must request to TAX authority to review tax to continuous deduct or become expense as per circumstance and resultant.

D. Relevant documents for Value Added Tax on entry pole:

The deduction of value added tax will be process up on VAT monthly or quarterly and be tracked by use table include in VAT voucher (invoices, when there is supplying of goods and services), invoices and relevant documents when importing goods and services relates to the deduction of value added tax in order to facilitate to tax authority as follows :

1. The receipt from supplier for purchasing the goods and services within country where records VAT detail and accurately.

2. Import document that tax authority has calculated VAT and receipts or approval documents when they are importing the goods and services.

3. Documents to verify of the purchase of services from a person who has non-residential and non-established in Lao PDR and the deduction of VAT

❖ Value Added Tax on entry pole is not allowed to be deducted as follows:

A. Value Added Tax on entry port that relates to supplying of Goods and Services are exempted VAT as specified in Article 12 of the Law on Value Added Tax and Exemptions by Contracts, and agreement is approved by the National Assembly.

B. The value added tax on entry pole that relates to the expense of business operators who are subjected to VAT as follows:

- Expenses related to importation of goods and services used for: party, event, festival, traditional festivals, rituals, exaggerative party, staff party, dancing party, or entertainment, golfing and other sport, charity, unless there are activity relates to business operation.
- Expense that occur other the business operation and personal expenses of business owners, shareholders, employee and their workers;
- Expense on business that has no referenced document or inaccurately documents or exceed amount than a reality;
- Partial expenditure to be expense before calculating of profit tax as mention in Article 35, paragraph 2 of the law on Taxation (revised version) which includes: travel cost, delegate hospitality cost, telephone fee, charity, sponsorship, advertising charges;
- Expenses related to fixed assets that are not registered into business's assets or enterprise's assets, but it is not use for business operation it may not all or partial such as the shareholders, directors, managers or employees to his personal use or there is requirement for business operation ;
- Expenditure related to electricity, water supply, natural gas, specific partial that is not allow to deduct.
- Computers, laptops, tablets, mobile cellular phones or not asset to VAT payer.
- Goods and service that is personal use which is include:
 - o Tobacco unless a it is relate to tobacco business;
 - o Alcoholic production unless the business operation there is alcoholic
 - o All type of food and beverages products unless there is business operation about restaurant, hotel, or service of food and beverages business;
 - o Every goods and services are used to serve personal purposes;

C. The value-added tax on entry pole to export of goods and service with a rate 10% and supplying in foreign country is exempt VAT include as follow:

- Value added tax on entry pole relates to the export of natural resources unfinished products which are unprocessed natural resources after excavation or partially processed, which are unfinished products;
- Goods and services is supplied in foreign country or special economic zone or specific economic zone that is a supplying that is exempted from the value added tax of the Lao PDR

D. Value Added Tax on entry pole as specified in Article 23, Clauses 4 and 5 of the Law on Value Added Tax in revised version.

All VAT entry pole that is not allow to deduct that specific in this article will not allow to deduct before the calculation of profit tax Annual again, which is considered to be the final user who is value-added tax payer.

7.2 Refund of Value Added Tax

The refund of value added tax is amount of money for the replacement of the value added tax in form of cash or back draft that VAT payer has right to claim when they have paid for goods and services within country;

1) The person who is entitled to a refund of VAT as follows:

A. Value Added Tax payer

- Export of goods and services at the rate of 0%;
- Supplying of goods and services at 0% rate within country;
- Supplying of goods and services that are subject to VAT of Lao PDR that arises in foreign countries or in special economic zones and specific economies zone;

- Stopping, merging or acquisition or the bankruptcy of business under the law, in case VAT on entry pole is remaining and goods and service remain in warehouse.
- VAT delivery or paying VAT accord to the law;

B. Embassies, consular office;

C. The international organization who is dependent or independent with government

D. Passengers, foreign tourists

E. Individuals, legal entity and organizations that is subjected to VAT accords to law;

2) Return of Value Added Tax

A. For VAT payers who will receivable VAT to exported at the rate of 0%, goods and service domestically which are 0 % and supplying is subject to VAT that occur in abroad as follows:

- Before refunding value added tax it must be reviewed according to the term and conditions as specify in Articles 24 to 28 of the Law on VAT.
 - Implementation of the regulation of VAT completely (notification and delivery of VAT)
 - there are relevant document to verify completely such as bill for internal supply, import-export documents of goods and service that's approved custom officer and evidential document that contribute into the state budget (invoice of national treasury or bank statement or other required documents)

- Refund the Value Added Tax shall be refund monthly or quarterly based on the amount of VAT that is allowed to be returned, which is calculated in VAT voucher monthly or quarterly;

- The value-added taxpayer who claim the return that has totally evidence completely in period of 6 month continuous to request the refund or each day accord to

recommendation. The verification comprises with documents and record that be able to confirm the period of VAT clearly that to be an evidence to refund the VAT as follows:

- All aggregated VAT on entry pole that can be deductible and uneducable that notify in VAT invoice or last period correctly and completely;
- The Value Added Tax payer has exports goods and service at are 0% of the supplying the goods and services domestically at rate 0% and carry on the supply of goods and service VAT in foreign country in that period;
- Export of goods and service with 0% supplying goods and services that declared at rate 0% , as specific at Article 16, clause 2 of the Law on Value-added Tax and supplying goods and service that declare that happen in abroad actually;
- Payments for exported goods and service and supplying services that happens in abroad that must be subject to transfer through the banking system or in the form of exchange of goods and services and service and payments through specific form accord to the law;

- Documentation and main record for the Refund of Value Added Tax as below:

1. Original invoice correctly Value Added Tax payer issued refund for each supplying items of goods and services he/she claims refund of VAT within period of VAT;
2. Record of the supplying into account of VAT payer as defined in Article 33 of the Law on Value Added Tax.
3. Supplying that declares to export in tax period, purchase of goods contract, or document is similar , document about transport the goods and services from Lao PDR to foreign country or to warehouse or similar place within Lao PDR by supplier or in name of his behalf, documents that previews about the payment from abroad through bank transfer;
4. supplying of goods and service that declares at rate 0% purchase of goods and services contract and other documents that comply at rate 0% as defined in Article 16, clause 2 of the Law on Value Added Tax;
5. Supplying of goods and services that's declared in abroad, purchase of goods and services or similar documents , documents about the payment that reveals about the that goods and services have been paid in abroad through bank transfer or document that reveals about supplying of goods and services is occurring or will happen in abroad.

If a contract has covered to multi items of supplying of goods and services in case of receipt and other document that can be able to refer to only one contract which is not required to separate contract.

The amount of value added tax to be refund to VAT payer it is a VAT that tax payer has entitle to receivable amount which is calculated on the monthly or quarterly accords to amount of VAT that taxpayers objectively need to refund that may equal or less than the actual amount of refunds.

How to calculate the refund of Value-Added Taxes related to rate 0% of goods and services in the supplying within a country at the rate of 0% and the supplying of goods and service that occur in foreign country in tax period as follows:

Example 1: In cases VAT payer has export goods and service 100%

In February 2016 soft drink factory who is VAT payer they has exported within country to abroad with value US \$ 500,000 (exchange rate 1 US \$ = 8,000 kip) within a month this factory has import and buy raw material, process product within a country and from abroad to import for producing and has paid for VAT on entry pole as follow detail.

- Value added tax on entry pole to import of container of soft drink has paid accord to declaration form at checkpoint is 25,000,000 kip;
- Value added tax on entry pole for ingredient to produce the soft drink that delivers accord to the invoice with amount of 60,000,000 kip

Due to total goods and service are exported at a rate 0% so, VAT on entry pole can be able to refund that factory to all amount.

How to calculate the refundable VAT as follows:

- Basic calculation of VAT $US\$ 500,000 \times 8,000 \text{ kip} = 4,000,000,000 \text{ kip}$
- Value added tax $4,000,000,000 \times 0\% = 0 \text{ kip}$
- Refundable VAT $(25,000,000 + 60,000,000) = 85,000,000 \text{ k}$

If there are review of a request to refund by this this factory's submission (or after inspection) if it is found that the claim is incorrect because of some reason such as it cannot be certified partially or total that the tax authority to evaluate and claim the amount of money or partial of that money back, VAT payer must be fined for fraud report and investigation for fraudulent intent if it is proved to be fraud.

If there is fully refund to VAT payer but there is find out that there was no export in reality that VAT payer who receive that refund to return that refundable amount back to state with the measurement that defined in a Law or after that the factory shall be calculated VAT at rate 10% the base on exportation similar as purchase of selling the goods and service within a country. The VAT payer must also be fined for false reporting and will be prosecuted for legal fraudulent intent.

Example 2: In case VAT payer supplies goods and services domestically and export:

One motorbike factory who is VAT payer, during the month has sold motorcycle o value of 4,000,000,000 Kip not include VAT which domestically sales of 800,000,000 kip, export to abroad with value 3,200,000,000 kip. Within a month this factory has paid 120,000,000 kip of VAT at the time to import spare part, to purchases domestically 75,000,000 kip for buying spare parts, to purchases equipment 65,000,000 kip, including VAT on entry port with 260,000,000 kip.

How to calculate the deductible and refundable VAT as follows:

- Gross value added tax on entry pole $800,000,000 \times 10\% = 80,000,000$ kip
- Gross value added tax on entry pole = 260,000,000 kip
- Tax balance (credit) $80,000,000 - 260,000,000 = 180,000,000$ kip
- Ratio of Export product $3.200.000.000 / 4.000.000.000 = 0.8$ or 80%
- Refundable Value added tax $180,000,000 \times 80\% = 144,000,000$ kip

Value added tax on entry pole is remaining $180,000,000 - 144,000,000 = 36,000,000$ Kip shall be deducted and record into VAT for next month or next quarter.

In this case, the Value Added Tax payer can claim a total of 144,000,000 kip or can choose to voluntarily return it not more than 144,000,000 kip, and the leftover amount shall be deducted in the following month or next quarter. Assuming that the VAT payer request to return only 100,000,000 kip so, the VAT amount to be deducted in the next month or the next quarter shall be equal to: $180,000,000 - 100,000,000 = 80,000,000$ kip, the VAT payer must record the amount that he return 100.000.000 Kip into room 16.2 of the Value Added Tax form.

B. Refund VAT that exceed paid, stopper, supervisor, separator, and bankrupt as the law:

1. The case is awarded as required by law:

- in case individual, legal entity, or organization who is not VAT payer of Lao PDR has paid exceed amount of VAT accords to the Law on Value Added Tax which may occur when import-export goods and services, purchase of goods and services domestically or purchasing services in Lao PDR from foreign supplier who has non-residential and not establish in Lao PDR or that may occur from multi-payment or complex in multi-times exceed amount in reality who has right to claim VAT by submitting request for a VAT to tax authority where he is living within 30 days with attaching refer to VAT, submitted request will be considerate within 30 official days.

- In case of overpayment by the VAT payer, write down the amount of exceed pay of VAT into the box 13 of VAT form in the Monthly or quarterly for refund of that exceed VAT from the State.

2. In case quit the business operation

- In case of quit the business operation which is VAT on entry pole that can be deductible by no goods and services is not remain within warehouse however, in the action before refund the VAT that must calculate comparatively with other type of tax although they are totally paid then can be able to refund,

- In case of cease business but there are still remain deductible VAT and there are goods and service still leftover in warehouse, in this case of cease business and become consumer, so there would calculate the value added tax on entry pole relate to the inventory warehouse after take into account for the VAT on entry pole if still not cover

other type of payable tax if there is still remain that can be able refund.

3. for merging and acquisition or separation of business:

- In case there is a deductible value added tax on entry pole but there is no inventory in warehouse, request to refund the total VAT, but that must be balancing with other payable type of tax if there is still remain that can be able refund.

- In case there is a deductible value added tax on entry pole at the same time, in this case to determine that he become a consumer of such goods and service. So, before refund the VAT that must be balancing with other payable type of tax if there is still remain that can be able refund.

In case of that goods and services are transferred to the supplying in merging company (new merged company) or separated company that goods and services will considerate to be subject to VAT on exit pole and to deduct the VAT on entry pole that's declared in VAT form of new merging company or new acquisitive company in box 2;

4. For Bankruptcy accords to the law:

- in the case there is bankruptcy as the laws without inventory remaining in warehouse but there are deductible or refundable VAT, to tax authority who responsible for to refund the VAT but there must be commit with its evidence correctly after refund the VAT to business firm then tax authority should send one copy to VAT payer and keep original version with tax department and submit one copy to tax office where is the business's location where they have register the VAT in order to track and monitor in next step and submit one copy to tax department as a reporting.

Example 1: Company A has opened factory for 8 years, but they could not be able to manage a factory anymore because of lack of capital in many years continually and about to bankrupt as lawful and the factory has non-goods and service inventory in warehouse, there is merely remain deductible value added tax on entry pole or refundable amount 50,000,000 Kip, company has request refund the VAT that must be considered as evidence , relevant documents to verify of refunding VAT on entry pole 50,000,000 Kip of remaining amount to the factory.

Example 2: In case of bankruptcy as lawful but deductible value added tax or returned and at the same time there is still remain the product inventory in warehouse (cant distribution) assumes that the value add tax for end consumer that's still remain so before refund the VAT tax authority responsible to evaluate the VAT that is needed to pay for goods and service in stock and deducted amount that request to refund if refundable amount that tax authority must process as case 1.

The request letter to refund VAT for above case that must be submitted to tax authority where business's homicide are depending on within 3 months after there was exceed delivered VAT or there is bankruptcy is proceeding or decision is made for emerging and acquisition or cancellation of business by approving of relevant sector. Request letter to refund of VAT in this case will be used specifically comprise with relevant document or record data that can be verified of refundable VAT, if there over period of

three months will not consider.

Regulation about the audited document and accounting, considerate about requesting letter for refundable VAT

-General Regulations

- When the request letter to claim the credit of refundable VAT from VAT payer as request through VAT form or specific request letter to tax authority that need to check the details of each condition (date, prosecutors, Signature, information about VAT) and tax period correctly and digit and information correctly refer to VAT pay has submit. If there review of profile found any issue that must inform to VAT payer to adjust and resubmit before determine. After that will be refer to relevant regulations of tax authority to analyze the data of refundable document and take action (quick check before refund) or check before refund VAT;
- If a refund is successfully selected (quick check before refund) tax authority responsible to notify to VAT payer to ask them to bring more evidential document to request for refundable VAT to tax officer at the tax office within one month after they received the notification to request for refund the VAT.
- If a refund is successfully selected (quick check before refund) tax authority responsible to inform to VAT payer (to check before refund) that must process within one month (check at the office or need to check onsite before refund VAT) that is objectively to check the refundable document as per note to refund the VAT.

- Process and duration of refunding the VAT:

- The refund of VAT will always be request through VAT voucher and it shall be determined before 15th of next upcoming month. So if VAT payer not request for refundable VAT during that they will automatically be denied and postpone the tax period in next scheme.
- If refundable request is define legally that would accepted and not required to take action (quick check before refund) or (check before refund refund) the refund of the VAT must be implement within one month from the date of receipt of a valid refundable request of VAT and lawful.

- **Documentation to request for refundable VAT;**

Value Added Tax payer is allow to deduct and refund VAT they must documents of refunding completely as per in full, accurate and accurate according to the regulations and must be accepted in accordance with the laws on the return of VAT.

- Request letter for refundable VAT to tax authority
- referent document for VAT delivery on entry port and exit port

The tax administration has the authority to review the relevant documents including the amount of refundable VAT and documentation about refund of VAT and to comply with the regulations.

C. Refundable or non-refundable VAT to Embassy and consular

1. in case that refunds the VAT to Embassy:

Goods and services that needs to be refunded the Value Added Tax that is used officially or use for public matter for embassy, consular office to those goods and service that must be necessary and specific required to use for embassy panels or consular officer as follows;

- Construction of office building – Head Quarter Office where is receiving the agreement by the Ministry of Foreign Affairs
- Installation of equipment and device for professional service of Embassy and consular
- Provide the furniture and office's used stuff for consular or main office
- IT equipment and Telecommunication and television
- For vehicles that needs to refund the VAT that will comply as the provisions of the Agreement between the Government of Lao PDR and the Contracting Parties(country).

- Relevant Individual that can be refund the VAT as follows:

- Seniors diplomatic officer such as ambassador, minster's advisor, embassy's secretaries, and special ambassador who are a part of diplomatic panels during they are working in Lao PDR.
- Consular officer (Main consular office, consoler's assistant, vice consoler and representative) who works in consular office in Lao PDR
- Executives and technicians who is foreigner of diplomatic officer who is working in Lao PDR
- Admin and officer who is Foreigner who serve as part of consular office in Lao PDR.

- To issue the agreement to who is actual legal and able to refund the VAT

- Reciprocity rule (changeable principle)

Refundable VAT is approved by the conditions that are exchanged with the embassy or consular office of the Lao PDR under agreement between the Government of the Lao PDR and the foreign country as a partner by on behalf of Lao government that is the Ministry of Foreign Affairs (MOFA).

- Documentations and duration:
 - o In case of official use

Within one month after the first six months of the year (January-June) or six months late of the year (July-December) the Embassy or consular office has submit the request to MOFA for a refundable VAT which is including VAT invoice in Lao PDR. Ministry of foreign Affair shall revise the correctness particular stamp of embassy or consular although the regulation and rules then let's submit documents to tax department to

consideration.

When receiving of that request application the tax department shall examine all the conditions as relevant documents as regulation for refund the VAT within two months from the date of the request from the Ministry of Foreign Affairs.

In the case of there is incorrect documents that will be sent back to embassy or consular office through MOFA to revise within a month and then resubmit to tax authority to determine.

• **In case personal use**

after the first six months of the year (January-June) or six months late of the year (July-December) member of Embassy or consular office has submit the request for refundable VAT through MOFA through their embassy and consular office, that application comprise with evidentially VAT invoice was issued by tax authority who residents in Lao PDR to attach along this request letter.

Ministry of foreign Affair has to revise the correctness particular stamp of embassy or consular although the regulation and rules then let's submit documents to tax department to consideration. Tax Department must review the profile for all conditions as defined in the regulation and process to refundable VAT within two months from the date of received submission.

In the case of incorrect of requesting document that tax department must notify back to embassy and consular office where he/she is working within one month then resubmit back to tax department to determine.

2. In the case of not refundable VAT

- Supplying of goods and service that will not refundable value added tax as follows:

- Foreigner who is participate the event through embassy or consular for trade fair or exhibition;
- foreigner who accommodate at architecture of embassy or consular who is not ambassador or consoler even that architecture is belong to foreigner ;
- Vehicles or personal belongings of members of diplomatic commissions or consular officer but not senior ambassador or chief of consoler.
- Supplying water, natural gas, and electricity or lubricant oils.
- Supplying foods and drinks, (alcohol, wine, beer, fruit juice, etc.).
- Supplying foods and drinks to consume at hotel, restaurant, and restaurant and bar, living room, coffee shop, and other places that related to this purpose, accommodation fee, including breakfast where are connected with fee.
- The telephone phone fee and the connection to telecommunication and use fix phone's network;
- Supplying goods and services where pay by money
- Purchasing and rent the vehicles such as trucks, buses, caravans, camping bus, mobile house , trailer truck, ships and large boats without classification, aircraft, helicopters

and other type of aircraft.

- Ancient artificial, collection art, artistic objects, and weapons
- annually participate in cultural event, artistic, sporting, scientific, education, and other similar event.
- Banking and financial movement, including supplying services of travel companies
- supplying of goods and services for the personal use of diplomatic member, administrative staff and technician, consular officer who relates to working of Embassy in Lao PDR.

- Relevant individual but not entitled to receive the refundable VAT as follows:

- close friend or family members living in Lao PDR (husband, wife, child and relative) of the rightful person
- Senior Lao officer who works for foreign consular office in Lao PDR
- Local labor worker but they work for diplomatic missions and foreign consular office in the Lao PDR (drivers for embassies, consular office, including house maid, housekeepers, etc.).
- Permitted person who is living permanently in Lao PDR
- Business Tycoon who make high income from business activities
- Lao original but hold Foreign nationality

D. Refund the VAT to international organization and non-governmental organizations

1. Refunding the VAT for international organizations and non-governmental organizations as pursuant to Article 25, clause 6 of the Law on Value-added Taxes for supplying goods and service that is the refund the value added tax to international organizations which is depending to government and non-governmental organizations in Lao PDR and members of such international organizations as mutually signed on treaty between international organization and Lao PDR.

- The official use of the refundable VAT that is an official movement of that organizations in the Lao PDR any case that will not be allowed to refund for economic activities, unnecessary activities of the movement of that organization and in the case of that movement is connected to personal benefit .official movement such as purchase and real estate of official use that must approved by MOFA and budgetary use of that organization.

- Personal use: Refundable VAT is related to Personal Use who is working on above mentioned organization that must be complied as approval of MOFA which has signed a contract with the relevant that organization. There is not allowed to refund for the any economic activity.

2. Issuing an agreement to who can be accepted and refund of VAT

- In case of official use : within one month first six months of the year (January-June) or six months late of the year (July-December) that organizations must submit request a refundable VAT to MOFA. Application set must include the VAT invoice which is issued by the tax authority of Lao PDR that attached together. The Ministry of Foreign

Affair have to check the refundable application correctness such stamp, signatory of that organization t then submit to Tax Department to consider they need to review the condition completely and process of refund the VAT within two months since the date of submitted application.

In the case of the request is incorrect it will be sent back to relevant organization within one month to update and re-submit to tax department for considering.

- The Personal use (if any) within one month after first early six months (January - June) or last six months the end of year (July - December) members of organizations who are met with such conditions as Ministry of Foreign Affairs has signed a contract with the related organization that must submit request letter include VAT invoice it was issued by the tax authority and need to submit to Lao Ministry of Foreign for claim the refund of VAT.

The Ministry of Foreign Affair have to check the refundable application correctness such stamp, signatory of that organization t then submit to Tax Department to consider they need to review the condition completely and process of refund the VAT within two months since the date of submitted application.

In the case of the request is incorrect it will be sent back to relevant organization within one month to update and re-submit to tax department for considering.

E. Refundable or nonrefundable VAT to travelers, tourists.

1. In case of refund of value added tax

- Goods and service that have been refund the value added tax to travellers or tourists who is living in the territory of Lao PDR as follows:

- Supplying products for personal use purposes
- Goods was exported from Lao PDR by travelers at the end of 60 days after the supplied date occur
- total VAT of that supplying in value which is not include VAT from 10, 000,000 kip above per one receipt.

- Term and condition of Refund

- Entitlement to receive the refundable VAT means to every purchase from commercial shop which was established in Lao PDR and that has been registered into value-added tax system and for traveller and tourist.
- Value Added Tax payer that was registered into VAT system for traveller and tourist that must apply VAT invoice for officially issued for traveller and tourist from tax department after they are allowed VAT payer must label about the refundable VAT for journey and tourist of his/her shop
- Export authorization must include valid receipts from supplier who are VAT payer and VAT receipt for travelers, tourists.
- Travelers must declared product that he/she will export with attach the VAT invoice that he want to refund VAT to tax authority before end period of 60

days for tax officer to check together with passport check or other relevant document that refer to tourist's particular information;

- Location to claim the money of refundable VAT for traveller and tourist or departure passenger who is foreign nationality that is at the international check in international airport as follows:

- o Wattay International airport, Vientiane Capital
- o International airport, Luangprabang

- Procedures for refundable VAT to Travelers:

- After the traveller and tourist has exported approval and documents according to the customs sector's regulations, and then to process of claiming for refund of VAT.
- In case of a refundable VAT that is not more than 500,000 kip/time/ person, the excess is transferred back into the account system, credit card or bank transfer within 5 official days.
- Tax officer must submit the VAT invoice for tourist 1 copy and kept for archived 1 copy.

2. In case is not able to refund VAT

Goods and services that is allow to refund the VAT as follows:

- Every industrial product, freight, and, and equipment for boats and private aircraft that relevant to personal transport
- Food and drink such as cigarette, liquor and similar
- Used product or purchased over 60 days

3.) The budget for refund the VAT

The budget for refund the VAT that is derived from the state budget and opening accounts at the National Treasury in the central, provincial and capital city.

8.1 Notification of VAT

1. Meaning and regulation on VAT notification

- Value Added Tax is reporting on import of goods and services, business activities related to the VAT on monthly or quarterly of VAT payer and the purchase of goods and services from supplier who has non-residents and not established in Lao PDR of buyers or project owners that is occurring within such that period.

- To who is responsible for notify the VAT as follows:

- For importing goods and services that is importer
- For the internal supplier who is a value-added payer
- For selling-purchasing of services from who has non-residents and not established in Lao PDR for that is services

- The importers must declare VAT invoice together with the customs declaration form when imports goods and service by using a printed formatted.

- VAT payer in Lao PDR are defined to commit to submit VAT invoices monthly or quarterly that must be submitted to tax authority where VAT payer depend to as tax period that from business income or there is no VAT on exit pole or not and there are VAT on entry pole or sum total amount of VAT on exit pole which is equal to entry pole;

- For business's branches where they located at other local level which is including to business's movement in other location who need to submit form 01 / VAT (Branch code) with the tax authorized sector locates to where business's branch has office to calculate the VAT must delivered to that tax office and tax authority from that location responsible to send tax notification to that parent company to summary of all branch that depends on same company to submit at single batch of VAT from one company subsequently submit to tax authority where the branch is roll up to;

- Value Added Tax payers who can submit VAT in quarter who is allowed from tax authority to manage the files and conditions as follows:

- refer to request of VAT payer who needs to submit VAT on quarterly tax authority has to consider and notify back to VAT payer to acknowledge the status within 15 working days from the date of receive the request;

- Annual income from business of VAT payer over 20.000.000.000 kip.

- After being considered and approved to submit value added tax invoices from the tax office in quarterly, VAT payer must begin to declare his/her VAT in quarterly in next tax period as per approval scope accurately;

- In case VAT payer is allowed to declare VAT in quarterly or start up new business or quit business before end of quarter that can be able declare the VAT for actual month that operation within quarter (not full quarter)

- In the case of VAT payer who has notified as quarterly and swap to be monthly he / she must submit a proposal to the tax office where is his/her business location within 60 days for consideration;

- The time, place, and relevant document for VAT declaration as follows:

- For importation of goods and service that to submit VAT in same period to tax authority at the same time with the customs declaration at the checkpoint for import of the goods and service actually and relevant document

- To VAT payer who submit VAT voucher as follows:

- to VAT payer who submit VAT each month, needed to be submit not later than 15th of next month to tax office where it is administered form 01 /VAT;
- to VAT payer who submit VAT quarterly they must submit VAT to tax office where they are rolled up as Form 01/ VAT that should not later than 15th next upcoming month for instance: first quarter not later than 15th of April , Second quarter is not later than 15th of August, Third

quarter is not later than 15th of October and fourth quarter is not later than 15th Jan.

- For buyer of service who is not living or established business in Lao PDR, they must submit VAT form as follows:

- o In case of VAT payer to refill the information into VAT form at box 14 of form 01/VAT then submit to tax authority where they roll up to that office no later than the 15th of upcoming month;

- o In case of buyer who is not VAT payer that to submit the VAT invoice as form 02 /VAT and deliver the VAT within 10 working days from the deducted date of VAT or submit to tax office is nearest location where his/her business or he/she is living on;

1) The combination and submission of VAT for importer need to comply as follows:

- Importation of goods and service from abroad to import into Lao PDR that must submit custom declaration form to custom officer at checkpoint to evaluate import duty and tax where is needed to meet with required document completely;

- For importation goods and service from special economic zones or specific economic zones that must be informed to relevant officer who is official assign to check –evaluate that tax.

2) Value Added Tax form 01/VAT:

A. Meaning and regulation on VAT declarations

VAT declaration form is a type of publicity that VAT payer must refill require information about their business into that form within (month or quarter) tax period correctly and accord to regulation, to the calculated table to attach along to certify of importation and VAT on entry pole then officially report to tax authority to where they are depend on. VAT declaration is able to writing down or printing by black or blue ink but not allow to print oversize of box, every data to those are refilled must be correct and lawful;

VAT declaration form can be evidentially approval and be able to use a right to deduct the VAT on entry pole once they paid for VAT and can be used as a substitutable request when they need to refund the VAT in the case of a refundable value-added tax;

B. Set of VAT documents

VAT form 01/VAT for one set will consists with 2 sheets each page will be used as as follows:

- Form 1: Assign to tax authority to keep one copy as informative evidence and review at the revenue administration division (Tax Department, Provincial Tax Office, Capital or Provincial Taxation Department, Tax office at district, urban tax office).

- Form 2: Value Added Tax pay should keep as per evidence of VAT declaration.

C. The general content of Value Added Tax on Form 01 /VAT as follows:

- The top of the Value Added Tax form will preview the tax period of declaration (monthly or quarterly), as the first declaration, the date of submission, tax period and VAT payer's information;

- Calculation section is divided into five categories as follows:

- o Group A: Report on Business operation, declaration period and VAT on export pole (VAT from buying of goods and services)

- o Section B: Report on business expenditures occurring during the tax period and value added tax declaration (VAT from import or purchase of goods and service domestically)

- o Group C: Reporting on calculation of payable VAT, refunded and deducted VAT within the term of VAT declaration;

- o Group D: The report on the adjustment of the payable value-added tax, refund and deduction of VAT that may carry forwards or declaration of VAT before calculation of VAT that's been submitted ;

- o Group E: Report on the calculation of the payable value added tax , refundable VAT that must be deducted after the adjustment.

D. Printing model , Explanation and how to refill information of Value Added Tax Form please read more are the back page of form 01 /VAT (Appendix 02).

4) Specific Value Added Tax form 02 /VAT

A. General principle.

For individuals, legal entities or organizations who is outside the value-added tax system of Lao PDR, purchasing of goods and services from supplier who has non-resident and not established in Lao PDR that must be deducted VAT and transfer to the National Treasury within 10 days from the date of VAT payer who make payment as special VAT Form (02 /VAT)

This specific form of writing can be hand-written or hand printer or computerized print but that is not allowed to print over box and need to responsible for every information that she/he refilled.

Special print format set 2 that are used as follows:

- Form 1: to keep as information and inspection with tax department / Unit of revenue administration division of Tax department, Provincial Tax Office or District Tax Office;

- Form 2: VAT payer to keep as evidence that he/she has declaration of of VAT

Specific VAT form 02/VAT is divided into 3 categories:

1. Category A: Specific information of VAT payer
2. Section B: Calculating the payable Value Added Tax
3. Category C: Refill the information and signature on Value Added Tax declaration form.

B. Printing model, explanations and instructions for refilling of VAT Form 02 /VAT let's read more for Appendix 03

8.2 Value Added Tax delivery:

- 1) The Law and regulations on value-added tax

Value Added Tax is obligation that VAT payer need to commit their amount of money accord to declaration form or assessment results for those who have notified by month , quarter to deliver into state budget as specified in the laws and regulations on value added tax.

Value added tax must be given as Lao kip, in the case of foreign currency, must be calculated in Kip at day of official exchange rate accords to bank of Lao PDR's rate where he has opened an account. Even if he submitted voucher of Value Added Tax (VAT) as a month or previous quarter, normally Value Added Tax must be given within a month no later than the 15th day of the next month to the National Treasury or the Bank or as specifies in the laws and regulations fully and be on time.

- 2) Calculation of the value added tax payable or deducted to carry out.

A. For value added tax payer that must submit VAT voucher in each month.

The calculation of payable VAT or carry on to deduct for VAT payer that submit VAT voucher to deduct in each month that VAT outgoing pole to subtract value added tax on entry pole that is allow to deduct it shall be resultant as follows:

- Payable Value Added Tax in this case where outgoing pole of VAT is larger than VAT on entry pole that is allowed to deduct.
- Value added tax is carried to deduct in case that VAT outgoing pole is less than value added tax on entry pole which is allowed to deduct.

The value-added tax on entry pole that is allowed to deduct that is value-added tax that pay for goods and service that subjects to VAT on entry pole directly of supplying where to subject to VAT and accord to stipulated to Article 21 of the Law on Value Added Tax.

B. For VAT payer who have submitted VAT declarations for quarterly.

- The amount of payable VAT to payer that submits VAT voucher that is submitted VAT invoice quarterly that's payable VAT that was calculated accords to Invoice quarterly to submit at least before 15th of next month, to VAT payer who submit VAT in advance in each month which is equal 1/3 of VAT that must be paid in last quarter and deliver not less than 15th of next month at National treasury or commercial bank or legal location and lawful.

- In the case of a VAT deliver in advance for quarter must be paid totally VAT within a quarter, that credit will not allow to refund but can be deducted payable VAT for next quarter include advance pay.

- New VAT payer who is just registering into VAT system that is no need to pay in advance for first quarter which is a period that VAT payer becomes a taxpayer.

C. For buyer who bought the service but there is non-residence and establish in Lao PDR.

Value-added tax from purchasing of services in Lao PDR from supplier who has non-residence and non-establish in Lao PDR shall be as follows:

1. In case of individual, legal entity or organization that buy a services from foreign suppliers but he is VAT payer in Lao PDR , VAT is deducted as previous that must be delivered in order to include the VAT that need to be adjusted to facilitate to government (Room 14) of VAT declaration form as form 01 /VAT tax payer must submitted VAT accord to each period refer to notification;

2. in the case buyers of services from supplier who has non-residence and non-established in Lao PDR if that is individual, legal entity or organization that are running business or business operation which is not lie among VAT system of Lao PDR to buyer f service must be deducted VAT as reserve and submit VAT declaration form 02/VAT to tax authority and VAT must be pay VAT to deduct into state budget within 10 official day since there is supplying or payment for this service.

9. Rights and duties of each sector to VAT

the rights and duties of each sector on VAT as follows:

9.1 Tax department

Beside right and responsibility as define at Articles 51, 52, 53 and 54 of the Law on Taxation, the tax department also has the following major responsible as follow:

- Issue Taxpayer Identification Number (TIN)
- Issue a certificate of registration into a VAT system
- Manage the notification and VAT
- Manage and collect VAT's liability
- Check and consider the deduction and refund of value added tax
- Implement compensate to good performer and use measures against perpetrators
- Summarize and report on the implementation of the laws related to VAT.

The tax office also has the following rights:

- Verify the authenticity of all type of documents such as contracts, electronic mail (email) or letter of suppliers, customers, invoices and other issue such as the account holding of VAT within their activities Business and use data to prove the truth including the financial statement such as business bank account for doing business. If there is VAT payer are using financial account for business purposes and business objective which is other than business so that Tax department has right to investigate for the truth and use of those data.
- Collection of information from state and private agencies, individuals or entities associated with value added tax purposes in entry pole or entry pole of VAT payer, use this information and necessary information to verify the accuracy of the provided information.

9.2 Custom sector.

The custom administration is responsible for the following:

- collecting VAT on import and export of goods and services accord to the Law on Value Added Tax and as this Recommendation;
- Provides information related to the import and export of goods and services to the tax authority as follows:
 - o Post the accounts on the import and export of VAT taxpayers as well as individuals, legal entities or corporative organization include the date, Type, version, quantity and declared value for imported and exported goods, value added tax and other taxes that's collected from importation;
 - o Delivery of customs clearance documents for imported and exported of goods and services.

9.3 National Treasury Sector.

The National Treasury Sector has been compensated for the value added tax:

- Receiving value added tax payment from VAT payer from goods and service within country and imported;
- Refund value added tax to taxpayers according to the approval of the tax authorities;
- Manage and monitor the refunded of the value added tax according to the approval of the tax authority
- Deduct VAT that related to budget and entry into the value-added tax account for goods and services that is provided to state projects accords to official notification from Tax authority.

9.4 Budgetary sector.

The state budget is responsible for value-added tax as follow:

- To consider for requesting officially of tax authority for refund value added tax each year and annually report to the minister of finance;
- To approve the amount of tax refunded to the National Treasury accord to requesting

from tax administration;

- Monitoring and budgeting for refund the value added tax in case of inadequate amount of actual return.

10. Implementation

Ministries, Departments, equivalent ministries, Provinces, capital, and all related sectors to recognize and implement this regulation.

11. Effectiveness

This guideline of implement of the law on value adds tax is effective since the date of signature.

Minister of finance
Mr. Somdy Duangdy