



Lao People's Democratic Republic
Peace Independence Democracy Unity Prosperity

Ministry of Finance

Ref. No. 4218/MOF

Vientiane capital, date 28 December 2018

Instruction on Collection of Excise Tax on Beer Products

- Pursuant to the Law on Tax (Amended) Ref. No. 70/NA, dated 05 May 2017;
- Pursuant to the Customs Law (Amended) Ref. No. 04/NA, dated 20 December 2011 and the updated of some articles in the Law Ref. No. 057/NA, dated 24 December 2014;
- Pursuant to the Decree on the Organization and Activities of Ministry of Finance Ref. No. 144/PM, dated 08 May 2017;
- Pursuant to the government's resolution Ref. No. 129/SC, dated 4 September 2018;
- Pursuant to the notification of the Prime Minister Office Ref. No. 1476/PMO.S, dated 07 September 2018.

Deputy Prime Minister, Minister of Finance issues the Instruction:

I. Objectives

This Instruction is intended to institute the National Assembly Resolution No. 129 / PC, dated 04 September 2018, by outlining the principles, procedures, methods and measures of the excise tax to ensure equality between the same types of imported and domestic products.

II. Principles

The excise tax on beer products is in compliance with the rates set forth in the Tax Law No. 70 / NA, dated 15 December 2015, setting the wholesale prices as a basis for calculating the excise tax in the country by dividing them into two categories as follows:

1. Domestic beer products are subject to excise tax at wholesale from the factory or distributors;
2. Imported beers are subject to 2 taxes for consumption: import and domestic wholesale.

III. Procedures

1. Domestic beer products:

- Calculate and declare excise tax on wholesale value excluding VAT and excise tax;
- Submit a tax return to the tax department by no later than the 15th of the following month.

2. Imported beer products:

- Import tariff is calculated and paid at the time of tax declaration - Tax at the import check point by using customs value (CIF price) plus import tariff and other fees (if any) multiplied by the excise tax rate;
- Gross domestic sales are calculated based on wholesale prices (excluding value added tax) minus excise taxes on import products multiply excise tax rates;
- Submit a tax declaration on wholesale to the Tax Department no later than the 15th of the following month after import. In case of not filing monthly, the tax declaration to the Tax Department shall be no later than the 15th day of the third month following the importation.

IV. Calculation Methods

1. Domestic beer products

Domestic beer products shall follow the following steps:

The calculation of excise tax on domestic beer products is calculated at the wholesale price from the brewery or distributor, with the wholesale price (excluding VAT and excise tax) multiplied by the following tax formula:

Excise tax base = wholesale price (excluding VAT and excise tax).

Excise tax = excise tax calculation multiplied by the excise tax.

Example A: B brand, manufactured locally at 01 case, excludes VAT and excise tax equal to 70,000 Kip. Therefore, the excise tax equals to 35,000 Kip as follows:

Excise tax calculation = 70,000 Kip

Calculation of excise tax = 70,000 Kip 50% = **35,000 Kip**

2. Imported beer products

1. The calculation of excise taxes on imports is calculated during the customs declaration period - tax at the customs checkpoint by providing the customs value (CIF) (if applicable) plus input and other fees (if any) multiplied by the following tax formula:

Excise Tax Calculator = CIF prices + import taxes + other fees (if applicable)

Excise tax rate on import = excise tax base multiplied by excise tax rate.

Example B: K brand of beer imported 01 case costs CIF equivalent to 100,000 Kip, duty is 40,000 Kip (tariff is 40%) another fee is 11,000 Kip. Therefore, the excise tax on imports of beer from the K brand is 75,500 Kip as follows:

Excise tax calculation = 100,000 Kip + 40,000 Kip + 11,000 Kip = 151,000 Kip

Excise tax on imports = 151.000 x 50% = 75,500 kip

2. **The calculation of excise tax on domestic sales from imported beer is calculated at the wholesale price (excluding VAT and excise tax) minus the excise tax calculation when importing multiplied by the excise tax rate according to the calculation formula as follows:**

Excise tax base = wholesale price (excluding VAT and excise tax) - excise tax base on import.

Excise taxes on domestic sales = Excise tax calculator multiplied by excise taxes.

Example C: Beer brand K is based on sample B, which has a wholesale price (excluding VAT and excise tax) of 240,000 Kip. Therefore, the additional internal excise tax is 44,500 kip with the method of calculating the domestic consumption of K brand as follows:

Excise tax calculation = 240,000 Kip - 151,000 Kip = 89,000 Kip

Taxes on domestic wholesales = 89,000 Kip 50% = 44,500 kip

Therefore, the total excise tax payment = 75,500 Kip + 44,500 Kip = 120,000 Kip

3. Obligations and duties of local producers or importers or distributors of beer products.

Domestic brewer or importer or distributor of beer but with the following obligations and duties:

- 1) Any domestic or imported producer or distributor of beer should submit information on the import and wholesale price (excluding VAT and excise tax) of each product to the Ministry of Finance and Ministry of Industry and Commerce periodically;
- 2) For a beer that is not certified or does not provide information on import and / or domestic wholesale prices, it is not allowed to produce and / or import and / or distribute in the Lao PDR territory;
- 3) Calculate, issue and promptly pay taxes as required by law;
- 4) Being responsible for calculating, informing and taxing accurately and clearly;
- 5) Holding accounts and using invoices in accordance with laws and regulations;
- 6) Performing other legal obligations and duties.

4. Responsibilities of the relevant government sectors

The Ministry of Finance and the Ministry of Industry and Commerce shall coordinate the collection of wholesale prices of each brand of beer, type and variety to compile and compare the wholesale prices of each brand of beer, type and variety to compile and compare the information provided by the rules and regulations.

V. Management Measures

1. Determination of an international tax threshold for the importation of beer products

The importation of beer is allowed to be imported through the international border checkpoints with the appropriate infrastructure and location as follows:

- 1) International Friendship Bridge I (Vientiane capital);
- 2) International Friendship Bridge II Friendship Bridge (Savannakhet);
- 3) International Friendship Bridge IV Friendship Bridge (Bokeo province);
- 4) Borten International Border Checkpoint (Luang Namtha province);
- 5) Savannakhet International Border Checkpoint (Savannakhet);
- 6) Nanokhaean International Border Checkpoint (Champasak province).

In case of importers having the intention to import at other international check not mentioned above, they must make a written

submission to the Ministry of Finance for consideration and approval so that they can be imported.

2. Licensing for the manufacture and import of beer products

Production and importation of beer products require a license, import and distribute beer products from relevant parties, with the age of the license being valid for one year and renewable.

3. Lao labeling and tax stamp

Before the inspection and removal of the beer products from the factory or the regulatory territory of the customs or before the distribution in the market, the operator must label in Lao language in accordance with the Industry and Commerce's regulations and stamp duty free according to customs regulations.

4. Inspection and suppression

The Domestic Trade and the Tax sector are responsible for inspecting, seizing or prosecuting individuals, legal entities that import beer products for distribution in markets within countries that do not have Lao labels and / or have no stamp duty under the laws and regulations.

5. Measures for violators

In the event that a person is permitted to produce, import and distribute if they violate or fail to comply with the requirements set forth in Article VI, the above management measures shall be considered to suspend business activity and to be carried out in accordance with the procedures laid down in the enterprise law.

VI. Implementation Measures and Effectiveness

The Department of Tax is responsible for coordinating with relevant stakeholders and local authorities to effectively disseminate, disseminate, advise and implement this guidance.

Ministries, agencies and local authorities, enterprises, individuals, legal entities or local and international organizations should be aware and properly implemented.

This instruction shall enter into force from the date of its signature and after the fifteen-day official letter.

Deputy Prime Minister,
Minister of Finance

[Seal and signature]

Somdy DOUANGDY