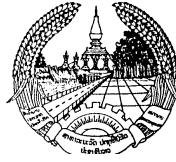


[Unofficial Translation]



Lao People's Democratic Republic
Peace Independence Democracy Unity Prosperity
Ministry of Finance

No: 3281/MoF
Dated 06October 2014

Ministerial Instruction
On Tax Revenue Collection Management

- Pursuant to the tax law No. 05/NA, dated 20 December 2011;
- Pursuant to the Law on Value-Added Tax No. 04/NA, dated 26 December 2006;
- Pursuant to the presidential edict No. 003/PM, dated 26 December 2012 on fees and service charges;
- Pursuant to the prime minister's decree No. 354/PM, dated 5 October 2007 on the tax identification Number;
- Pursuant to the Prime Minister's decree No. 80/PM, dated 28 February 2007 on roles and responsibilities of the Ministry of Finance.

Minister of Finance issues an instruction on
Tax Revenue Collection Management

I. General provision

1. Objectives

This Tax Revenue Collection Management is issued in order to determine principles, regulations, methods and procedures of Tax revenue collection management across the country to ensure the contribution to the state budget rightfully as defined by law.

2. Targets

The targets of this instruction are:

- Local and foreign legal entities and Individuals who are granted concession or other types of investment identified in the law on investment promotion.
- Legal entities and individuals who are not a resident and not registered business in Lao PDR but provide services in Lao PDR as identified in Lao PDR's tax law, law on value – added tax;
- Individuals who are a resident of Lao PDR but work in overseas and foreigners who work in Lao PDR as identified in Lao PDR's tax law;
- Government agencies-technical officials, other international organizations, embassies, projects, Non-Government Organizations;
- Individuals who have incomes such as, civil service officer, government official, employee and others.

- All Tax officials at all level, from the central to local level particularly the officials who are responsible for managing the tax revenue collection.

II. Regulations on the tax revenue collection management

1. Principles of the tax revenue collection management

The principle of the tax revenue collection management will be in a uniformed standard across the country according to law and regulation on the tax certificate issuance, tax revenue collection plan, tax declaration form usage, tax revenue collection control, and coordination and report system.

- Level of management determined in this instruction and the instruction on the implementation of the 3 build directive pilot project of finance sector.

2. Tasks of tax sector

1. Issue tax identification number for new business operator;
2. Issue a certificate of tax and other fee payment fiscally.
3. Consolidate the statistic of industries which fall under tax sector responsibilities as determined by level of management.
4. Follow up and monitor the performance of tax revenue collection in a monthly, quarterly and yearly basis;
5. Follow up, monitor and control all tax liabilities, included fining;
6. Conduct other tasks as guided by management level.

3. The issuance of tax identification number

Legal entities and Individuals, organizations who have just started their business shall apply for tax identification number from tax sector; the set of proposal must consist of:

- Copy of certificate of concession, business license, certificates from related agencies and other related certificates (if applicable);
- Copy of identification card, family book, certificate of residence or passport of the business owner or an individual or legal entity who is authorized by the business owner to make an agreement or conduct legal activity on behalf of them;
- A map of the business location certified by local authorities, telephone number, mobile number, fax number, email that are contactable;

After receiving the tax identification number application, the Tax sector shall immediately check if the application and document attached are correct and fully complied with the requirement or not. If it is not complied, the tax sector shall notify the applicant immediately. If it is complied, the tax sector shall issue the tax identification number to the applicant within 3 to 5 working days from the date of application submission;

The principle and method of the tax identification number determination are mentioned in the decree on the tax identification number No. 354/PM, dated 05 October 2007 and the instruction on the implementation No. 0559/MoF, dated 13 March 2008.

4. The fundamental statistic of enterprise

The responsible tax officer shall be able to summarize the fundamental statistic of enterprise in a monthly, quarterly and yearly basis as following:

1. Group the enterprise base on sector to show type of tax paid, type of tax exception, the period of tax exception (for detailed implementation, please refer to the form determined by the Taxation department);

Every calendar year, the responsible tax officer shall summarize all fundamental statistic of enterprise which shows the amount of enterprise that submit the annual report of financial status, the amount of the fundamental enterprise which did not submit the annual report of financial status, the number of new enterprise, the number of enterprise that temporary or permanently stop running business, number of enterprise certified as bankruptcy, number of enterprise which have moved out, number of enterprise that have been removed from the following up list, number of enterprise under tax exception divided by type of tax and number of enterprise whose tax exception have already expired.

5. The issuance of tax payment license

Legal entities and Individuals who are running business, having income either shown in the value-added tax system or not, Lao nationalities, immigrants, foreigners, shall submit the financial report to request for a certificate of tax payment every financial year, the financial report shall consist of the following documents:

- Account balance before and after counting;
- Summary of assets, liabilities of that financial year;
- The report of business outcome of that financial year;
- The summary of the list of fixed assets and the depreciation table;
- The summary of all tax payments in the financial year and supported documents such as certificate of tax payment
- The summary of the tax invoice utility;
- Production plan, the annual revenue – expenditure target plan and the tax payment plan of that financial year.

After receiving the financial report, the Tax sector shall immediately check if the report is correct and fully complied with the requirement or not. In case of incompliance, the tax sector shall notify the tax payer immediately. If it is compliance, the tax sector shall check all tax payments of the tax payer base on the annual account balance by comparing the number real amount of tax payment with the certificate of the tax payment and shall issue the tax payment certificate within 3 to 5 working days from the date of submission; if the tax payment in the

annual account balance is not fully complied, the responsible tax officer shall calculate and issue a letter of tax payment requirement to the business immediately. After all unpaid tax was paid; the certificate of tax payment shall be issued.

For business that registers their business in one province but pay tax to another province in where their income is generated, the provincial tax sector, the Vientiane capital's tax sector where the business is running shall issue the certificate of tax payment to the business in order to submit it to the tax office where the business is registered. The provincial tax sector, the Vientiane capital's tax sector shall be responsible for the issuance of the certificate of tax payment according to the law of Lao PDR.

For the tax payment in the district, tax shall be paid in fixed tax (lump sum) category as determined in article 56 of tax law, No. 05/NA, dated 20 December 2011, and assigned by the provincial tax sector, Vientiane Capital tax sector and determined by the 3 Build Directive.

6. The tax collection management

1. Follow up with all tax declaration of the business (enterprise) laid under the tax sector responsible in a monthly, quarter and yearly basis;
2. Record information about all tax declarations and tax payments of the business which are under your responsibility in a monthly, quarterly and annually in the Excel or programs determined by taxation department.
3. The official who is assigned for the follow up of tax declaration shall summarize the monthly tax revenue and report to the management level on the 20th of every next month. This report shall mention about the fundamental amount of enterprise declare tax payment in general basis, the fundamental amount of enterprise paid tax after the consideration of refunds of taxes, the liabilities from previous period, the amount of unpaid tax of the month, number of business which has not declared the tax payment in that month and providing reasons;
4. After receiving a report from responsible tax officer, the chief of tax revenue management sector in the district, province, capital, and The taxation department shall find the solution, measures to propose to the higher management level for the implementation;
5. the responsible tax officer is obligated to implement that solution, measures carefully and if there is any issue happened during the implementation, the responsible tax officer shall ask for advice from the higher management level as soon as possible;
6. Between 3 – 6 months, if the business does not declare tax payment, the responsible tax officer shall do data collection at the business offices in order to encourage the business to declare and pay the payable tax.
7. The liability to tax payment management

1. The responsible officer shall summarize the tax payable liability of the business under his/her responsibility (the transferred liability, new liability) divided by taxes categories, businesses.
2. In order to control and decrease the number of tax liability, the responsible officer shall divide liabilities into different categories such as: the liabilities from tax declaration – late tax payment of each month, liabilities occurred from a fast checking, liabilities occurred from checking business's annual account, liabilities occurred from fine, and other type of tax liabilities;
3. After dividing the liabilities into different categories, the responsible tax officer, the director of the unit, the head of the cabinet office, the director of tax revenue management division, the director of taxation division of the province, capital, shall find solution, measures in order to ask for guidance from the higher management level about the liability clearance and others solutions. Every liability clearance shall have been certified and agreed by the authorized officer in a written basis.
4. At the financial closure (31/12/N), the responsible officer shall summarize all liabilities in the year and the detail of follow up list in different tax categories and type of business.
5. The summary of liability in the year (as determined in Number 04 mentioned above) shall be kept as a reference for the periodically follow up.

8. The value-added tax monitor after declaration

1. The monthly value-added tax deduction monitoring; after receiving the value added tax declaration, the responsible officer shall select the risky or strange value added tax declaration such as the declaration that the incoming side is too high, forgery value added tax declaration, the trust toward the business and their previous tax payment performance, the amount of deductible value added tax are transferred into several month. This is to determine the target of the value added tax deduction.
2. The monitoring of value added tax refund; after receiving the value added tax declaration claiming for refunding, the responsible officer shall select the target for monitoring in order to check all certificate of tax refund declaration before proceed the refund. The procedure and method of the monitoring shall be implemented according to the regulation No. 3229/MoF, dated 17 December 2009.

9. The requirement for the tax identification number

Legal entities and Individuals, organizations who have just started their business and individuals who have income shall require for tax identification number from tax sector to be in the monitoring system for tax revenue collection. The tax payer (Legal entities and Individuals, organizations who have income) are allowed to use only one set of tax identification number for a life time of their business operation this set of tax identification number cannot be changed or transferred to other entities.

The documents required for the tax identification number requirement are determined in part II, article 3 of this instruction.

10. Change, cease, sale or transference of business

If there is any change, cease, sale or transference of some part of the business or the entire business to other entities approved by related agencies, the business owner shall closed the business and inform the tax sector where their business was registered in a written form within 10 working days from the date of change, cease, sale or transference of the business and clear the unpaid tax. The responsible officer later will issue a certificate of tax payment at the same time with change, cease, and sale or transference of the certificate.

If the business is ceased permanently, besides paying all the unpaid tax, the business shall return the certificate of tax identification number to the tax sector where the business was registered in order to remove the business name out of the list.

For temporary cease, the business will be allowed to cease their business only after the business owner has notified the tax sector where the business is registered the reasons for ceasing in writing within 10 working days and clear the unpaid tax.

If there is a change in business's location, telephone number, the business owner shall notify the tax sector where the business is registered the reason of change in writing within 10 working days.

11. The submission of the annual financial report

The tax payer shall submit the annual financial report to tax sector where the business is registered before 01 March of the next year as determined in article 38 of the tax law No. 05/NA, dated 20 December 2011; the annual financial report to be submitted to the tax sector shall be prepared according to part II, Article 5 of this instruction.

12. Types of tax declarations

The tax payer with or without income shall declare taxes monthly, quarterly, yearly as following:

1. Value added tax, excise tax, salary tax shall be declared every month before 15 of the next month;
2. Profit tax shall be declared quarterly base on last year's profit tax payment or real profit of that quarter or the estimated profit tax payment of the financial year. For the real profit tax of the year of payment shall be recalculated at the end of the year.

The profit tax payment shall be implemented in 4 periods as following:

1. First period shall be not later than 10 April of the year;
2. Second period shall be not later than 10 July of the year;

3. Third period shall be not later than 10 October of the year;
4. Fourth period shall be not later than 10 March of the following year.

The payment of each period is the advance payment. At the end of year deduction, if the advance profit tax payment is higher than the actual profit tax, the over-paid profit tax shall be transferred to the following year. But if the advance profit tax payment is lower than the actual profit tax occurred, the payment shall be made within 7 working days after the Memorandum of the monitoring signed.

3. The profit tax occurred from the shareholding profit shall be paid within 10 working days after the board of shareholder meeting or shareholders. In case, there is no profit tax declaration or board of shareholder meeting, the tax officer will calculate the profit tax of the shareholding profit according to the business outcome report of the year.
4. The profit tax occurred from rental shall be declared within 10 working days after the date of receiving the rental fee;
5. Other taxes such as tax for intellectual property income, income from receiving a prize, lottery or other subjects, income from buy-sell ownership of the land and other types of incomes, the income tax shall be deducted by the payer for tax payment and then declare tax payment within 10 working days after making payment to the individual.
6. Other taxes for the non residence but their income occurred in Lao PDR, the payer shall calculate all types of tax for that individual and declare tax payment within 30 working days after making payment to that non residence individual.

III. The level of business management and control

1. The level of business management

- Taxation department: the taxation department is responsible for managing large scale businesses with strategic planning, overseas related, involve with different sectors, have various types of professionals, a group of companies with local and international branches such as: banks, financial institutes, hotels, tour companies, large manufactures, projects or the state large concession projects such as: electricity power, natural resources exploration and others.
- The taxation divisions of province, capital are responsible for managing the large and medium scale businesses operating according to the provincial's, capital's strategies as assigned by the taxation department.
- The tax office at the district is responsible for managing the medium and small scale business as assigned by the taxation division of province, capital.

- The tax office at the village is responsible for collecting revenues as assigned by the district. The 3 build constructive villages shall follow the instruction number 206/MoF, dated 20 January 2014.

2. The dividing tax revenue

The business and its branches under the responsibility of the taxation department, the taxation division of the province, capital that is operating in other area or provinces and have income shall pay taxes as following:

1. The value added tax shall be paid to the tax office where the business is operated at 20% of the total value added tax occurred in that area or province, 80% shall be paid to the tax office where the business is registered as defined by the regulation on the value added tax declaration and payment No. 3227/MoF, dated 17 December 2009;
2. Excise tax (if applicable) shall be paid to the tax office of the area where the business is operated at 100%;
3. Income tax from salary shall be paid to the tax office of the area, province where the income occurred at 100%;
4. Profit tax shall be paid to the tax office where the business is located.

3. The tax payment certificate issuer.

1. The taxation department: Director General of the taxation department shall be the person who issues the tax payment certificate to the businesses under the management of the taxation department as defined in part III, 1 of this instruction.
2. For province, capital: the director of taxation division of the province, capital shall be the person who issues the tax payment certificate to the business under their management as defined in part III, 1 of this instruction and shall also issue the certificate of tax payment of the branch of the business operated in their province. This includes issuing the certificate of tax payment of the business registered in another province but operated in their responsible province.
3. Tax office or tax unit of the district: the chief of the tax office of district shall issue the certificate of tax payment to the business under their management including small scale business which is managed and by the village as defined in part III, 1 of this instruction.

4. The functionality of the tax payment certificate

All certified business operator, importer – exporter, manufacturer and distributor and service provider without prejudicing the number of branches or the differentiation of professionals mentioned in the business license or concession license, this includes their overseas branches, shall use the same unified certificate of tax payment across the

country and it shall be legally presented to other related agencies for business monitoring across the country.

The certificate of tax payment shall be taken as another essential factor allowing business to conduct some activities and it shall be attached along with other related documents when preceding any requirement to related government agencies such as:

- The requirement for goods import – export or service;
- The requirement for budget withdrawal through the national treasury;
- The monitoring of tax officer;
- The requirement for the certificate of tax payment for the following year;
- The requirement for investment extension or business extension;
- Other requirement such as requirement for deduction, tax exception;
- The bidding;
- The requirement for domestic movement of goods;
- The requirement for loan to financial institutes or banks;
- The project bidding: construction project, maintenance project or other services include concession;
- The visa requirement for international experts;
- The business' requirement to government agencies as required by those related agencies.

It is prohibited for the government agencies to make a contract with any businesses without a certificate of tax payment of the previous year from the taxation sector.

The certificate of tax payment shall be expired within 01 year from 01 January of (Y) to 31 December of (Y).

IV. Prohibition

1. It is strongly prohibited for customs authorities to do the following behaviors:

- disclose any government and business confidential information, retard, falsify documents, or be irresponsible for the assigned tasks;
- Abuse power, [use] violence, threaten or take bribes that cause substantial damage to the interests of the State, collectives or individuals and organizations;
- Set and summarize account and provide account related services to business operators;
- Guard or collude with business operators to breach laws and regulations;
- Falsify the invoice, receipt or other documents;
- Collect taxes and other duties without the authorization of taxation office or against the related Law;
- Use the money from tax collection for personal enrichment;
- Gather in a group which decreases the solidarity of the organization.

2. It is strongly prohibited for tax payer to do the following behaviors:

- Destroy data and evidence, falsify documents, mis-declare the information, conceal violating activities related to tax payment;
- Offer bribes and collude with tax officer taking Government's revenue;
- Falsify the invoice, receipt or other documents;
- Humiliate, threaten and use violence against customs authorities;

V. Measures against Violators

1. Measures against tax officers

Any tax officer who violates this regulation will be disciplined according to the decree on Government Personnel No: 82/PM, dated 19 May 2003 and other related laws and regulations.

2. Measures against tax payer:

Any tax payer who fails to submit the annual financial statement as mentioned in part II, article 11 of this instruction, will be obligated as determined in the accounting law and tax law. The tax office will notify other related agencies to ban the activities of the business operator such as temporary or permanently withdrawing the business license, concession and notifying the issue to the public.

Any tax payer who fails to submit the tax declaration and process tax payment as determined by law will be fined as mention in article 73 of the tax law, No: 05/NA, dated 20 December 2011 and article 52 of the law on value-added tax No: 04/NA, dated 26 December 2006.

VI. Implementation

Tax office in central, provincial, district and village level have to propagate, disseminate this instruction to the society, particularly individuals, legal entities and organizations; collaborate with other ministries and relevant local administration to manage, control, monitor and uniformly inspect the implementation of this instruction nationwide.

VII. Effectiveness

This instruction is effective after the date of signing. This instruction replaces the tax regulation No: 3225/MoF, dated 17 December 2009. Any regulations and provisions that contradict this instruction shall be cancelled.

Minister of Finance

[Sign and Seal]

Dr. Lien Thikeyo