



Doing Business in Lao PDR

Tax & Legal

KPMG in Laos

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Doing Business in Lao PDR



Regulatory/legal

Forms of business entities

A person, Lao or foreigner may engage in business in the form of a sole proprietorship, limited liability company (including foreign-owned company and joint venture company), partnership, branch of a foreign corporation, a representative office, or a business cooperation by contract.

The most common form of entity used in Lao PDR is the limited liability company. Under Lao law, a branch office can be established to carry on only specific business (e.g. commercial banks, airlines, etc.), while a representative office cannot generate any income in Lao PDR.

Certain businesses require approvals or licenses from relevant authorities.

Foreign ownership restriction

A foreigner is restricted from carrying on certain types of business activities in Lao PDR such as short term accommodation activities of less than 3 stars, wholesale and retail business with registered capital not exceeding LAK 4 billion.

Investment incentives

The Law on Investment Promotion grants tax incentives to foreign and Lao investors who are engaged in promoted business activities and/or whose business is located in the promoted zone as designated by law.

A concession agreement with Lao Government also grants tax incentives to investors based on negotiation.

Tax incentives include exemption of corporate income tax on the net profit and dividends derived from the relevant project, and/or exemption/reduction of import duties and/or value added tax.

Foreign exchange controls

Foreign exchange transactions are generally permissible to be conducted through commercial banks.

The transfer of funds to foreign countries is permissible provided it is compliant with regulations issued by the Bank of Lao PDR. The foreign currency may be used for certain objectives, including:

- paying for imported goods, paying for import export related services
- repaying foreign debts in accordance with a loan agreement that has been approved by the Bank of Lao PDR, and
- repatriating or transferring profits, dividends, capital, interest, or salaries by foreign investors to a third country.

Foreign ownership of real estate

Foreigners are prohibited from owning freehold land in Lao PDR. Long-term lease is allowed.

Employment

The current minimum wage rate is LAK1.1 million (approx. USD130) per month.

All non-Lao nationals who work in Lao PDR are required to have work permits. Before applying for work permits, certain type of visa must be obtained.

Accounting period/ audited financial statements

The accounting period for local and foreign enterprises operating their businesses in Lao PDR (including companies, branches, and representative offices) is the calendar period starting from 1 January to 31 December.

Foreign companies and other entities as stated under the Law on Independent Audit (e.g. commercial banks, insurance companies, listed companies, etc.) are required to be audited by an independent audit firm.

Tax

Profit Tax (i.e. corporate income tax)

Standard rate is 24%.

Profit tax is payable quarterly in advance with finalization carried out after the year-end, i.e. by 10 April, 10 July, 10 October, and 10 January of the following year.

If the amount paid during the year is less than the actual amount due, the extra will be added to the year-end assessment.

Value Added Tax ("VAT")

Current rates include 10% standard rate, exempt and 0% for certain goods or services. Monthly VAT return must be filed within 15 days of the following month.

Any excess input tax may be claimed as a refund or used as a credit towards the subsequent months VAT liabilities for up to three months.

Deemed Profit Tax ("DPT")

Certain payments being made to a company in overseas are subject to DPT at the rate ranging from 0.72%-6% as specified under the law.

Service fees paid to a company in overseas are subject to DPT at the rate of 2.4% and 10% withholding VAT.

Withholding tax

Payers of assessable income who are residents of Lao PDR are liable to deduct tax at source from certain domestic and cross-border payments, including interest, dividends, royalties, rent of property etc.

The payer is responsible for deducting the tax, remitting the tax and filing a return within ten days after the payment has been made.

Other tax compliance

Stamp duty is payable on a number of documents and transactions as described in the Decree on Fee and Charge, including leases, security transfer documents, loan agreements and hire of work contracts.

Customs duty is levied on imports and certain exports. This is generally payable prior to the goods being released by Customs.

Transfer pricing

There are no transfer pricing regulations in Lao PDR.



Contact us



Ganesan Kolandavelu

Managing Partner
KPMG in Laos

E : ganesan@kpmg.com

T : +85 6 214 54240



Pattaraporn Kaiboriboon

Manager, Tax
KPMG in Laos

E : pattarapornk@kpmg.com

T : +85 6 214 54240



Yoottapong Soontalinka

Partner
Head of ASEAN+

E : yoottapong@kpmg.co.th

T : +66 2 677 2342

KPMG Lao Co., Ltd.

10th Floor, Royal Square Office Building,
Samsenthai Road, Nongduong Nua Village,
Sikhotabong District, P.O. Box 6978,
Vientiane, Lao PDR

T : +856 (21) 454 240-7



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