



Lao People's Democratic Republic
Peace Independence Democracy Unity Prosperity

Ministry of Finance

Ref. No. 2560/MOF

Vientiane Capital, date 09th August 2016

Instruction

The Implementation of Tax and Tariff incentives for the import of materials, equipment, vehicles to be used for programs/projects receiving foreign loans and grant

- Pursuant to the Law of State Budget (amended version) No. 71/NA, dated 16th December 2015;
- Pursuant to the Law on Customs (amended version) No. 57/NA, dated 24th December 2014;
- Pursuant to the Law on Tax (amended version) No. 70/NA, dated 15th December 2015;
- Pursuant to the Law on Value Added Tax No. 52/NA, dated 23rd July 2014;
- Pursuant to the Prime Minister's Decree on the saving and anti-luxury No.78/GOL, dated 10th March 2015;
- Pursuant to the Prime Minister's Decree on the Organizational Structure and Activity of Ministry of Finance No. 80/PM, dated 28th February 20017.

Minister of Finance issues an Instruction:

1. Objectives

This Instruction aims at specifying customs and tax incentives, procedures and methods for approving the import of materials, equipment and, vehicles to be used for programs/projects receiving foreign loans and grant (thereinafter called programs/projects) with an attempt to create favorable conditions for ministries/sectors and locals for their convenient implementation, fund-effective manner, and to assure the import to be transparent and predictable.

2. Customs and Tax Incentives

The implementation of Customs and Tax incentive for the import of materials, equipment, and vehicles to be used for programs/projects should follow the agreements made in partnership contract, fund supply contract or an exchange letter as government gave permit to be able to sign with other fund suppliers as following:

- (A). In case of partnership contract, fund supply contract or exchange letters specify that exemption of customs and tax and other administrative fees, It should be mandated to do so.

(B). In case of partnership contract, fund supply contract or exchange letters does not specify the exemption, It should follow customs and tax duties as well as other fees.

3. Adoption of master list

(A). Parties responsible for programs/projects have the tasks to create master list, materials, and vehicles based on the design, calculation in accordance with regulations of relevant parties that have been adopted for assuring cost effectiveness. For instance, pursuant to the article 8 of a Decree No.78/GOL, dated 10th March 2015: the prohibition of using state budget, state enterprises and the Official Development Assistance (ODA) to purchase luxury and costly vehicles exceeding 400 million KIP for serving public administrative work and administrative level staff;

(B). The master list must clearly specify the type and category of product, type of import (temporary or permanent), validity of master list, customs and tax incentives and other fees (exempted or not);

(C). Adoption procedures for master list to be used at mega construction or restoration programs/projects are as following:

- + The construction or Restoration projects of bridge, highway, waterways, pipelines, trains, airports, retaining walls, water supply and office buildings should propose the master list to Ministry of Public Work and Transportation for their consideration and verification of the follow of technical standards before adopting the master list;
- + The construction or restoration projects of power plants (hydropower, thermal energy, solar energy, biological and wind energy) power stations and power transmissions should propose the master list to Ministry of Energy and Mines for their consideration of approval and verification that should be made upon the follow of technical standards before adopting it;
- + The construction and restoration programs/projects of irrigation, reservoirs, dikes should propose the master list to the Ministry of Agriculture and Forestry for their consideration of approval that is based on the follow of technical standards before adopting it;

(D). the import request for materials, equipment and vehicles to be used for programs/projects which is not listed in the above (C). Includes as following: small projects, some important activities of the government that require less import (or once import) and those receiving foreign assistance such as from foreign governments, international monetary institutes, international organizations (this includes NGOs and non-profit organizations), foundations, legal identities, expats, legal identities serving for society and are approved by the government should follow as below:

- + Ministries/sectors or provincial authorities receiving assistance, verification, and accordance with the objectives of programs/projects/activities for each

time of their import request should submit documents to Ministry of Finance for their consideration of approval as specified in regulations;

- + Projects receiving assistance from Non-governmental organizations (NGOs), individuals, legal identities, foundations, ministries/sectors or local authorities who are the owners of the projects should propose to the Ministry of Foreign Affairs for their consideration of approval as specified in regulations.

(E). The import request for materials, equipment, vehicles to be served for experts who have been bound with contract of programs/projects for their personal use should not receive customs and tax exemption as well as other fees.

(F). for emergency or changes made to the implementation plan of programs/projects and the inevitable need to adjust master list should begin with the re-request for adoption procedures.

4. The consideration procedures for receiving customs and tax incentives.

(A). Once the master list has been adopted, responsible parties for the implementation of programs/projects should submit the master list to the Ministry of Finance to issue a Decision to be used as a reference for obtaining customs and tax incentives and other fees

(B). The required documents for consideration include:

- + Proposal letter from the responsible parties for the implementation of programs/projects signed by the issuers (Ministers, Province Governors, Vientiane Governor) to the Finance Minister;
- + Partnership contract/ fund supply contract/ exchange letters (the initial documents);
- + Annual procurement and hiring plan that is acknowledged by the fund providers;
- + Sales contract between the project owners and the product providers;
- + Invoice;
- + Import permit of products and equipment that are dominated by the management of sectors such as fuel, steels, cement, vehicles, chemicals, tools or medical equipment, laboratory supplies, X-ray, seeds, animals, other technical equipment according to the product's types as specified in relevant regulations.

5. Responsibilities of departments within the Ministry of Finance and the implementation units of programs/projects

1. Foreign Currency Department

- + Consolidate reports to Finance Minister for his/her consideration of issuing Decisions for the master list which will be used as reference for customs and tax incentives and other fees;

- + Verifying documents before submitting them to Department of Customs for their consideration of real import;
 - + Work with relevant sectors to ensure the master list is coherent with the objectives of programs/projects.
2. Customs Department is responsible for following:
- + Conduct the checking and monitoring of the import of materials, equipment, vehicles serving for programs/projects to assure the precision and accordance with the master list;
 - + Work with Foreign Currency Department and programs/projects to assure the import of materials, equipment, and vehicles in the form of temporary and permanent is used at the right targets of programs/projects. In case misuse of the import for domestic sales, import exceeding the demand plan or exceeding the amount of contract without permission shall be collaborate with relevant sectors for their consideration of punishment as the law mandates;
 - + Summarize and report the import of materials, equipment, and vehicles serving for programs/projects in each quarter to the ministerial committee for their acknowledgement and sending copies to the Department of Foreign Money, Ministry of Finance, and the International Cooperation Department of Ministry of Planning and Investment.
3. Programs/Projects Implementation Unit are responsible for following:
- + Prepare the master list that is considered for customs and tax incentives as specified in this Notification, comply necessary documents as specified in above number 4. (B).
 - + Manage and monitor the use of materials and vehicles in accordance with the objectives of programs/projects.
 - + Summarize and report the progress of implementation of the master list and the use of assets of programs/projects and submit to Foreign Money Department and

6. Implementation Approaches

(A). Department of Foreign Currency, Department of Customs, and Department of Tax are assigned to implement the dissemination of this Notification for programs/projects implementation unit and all concerned sectors for their acknowledgement and their strictly harmonized action accordingly.

(B). This Notification becomes effective after the date of signature onwards.

***(Signed instead)* Minister of Finance**
Bounchom OUBONPASEUTH