



Lao People's Democratic Republic
Peace Independence Democracy Unity Prosperity

Ministry of Finance

No.3578/MOF

Vientiane Capital, dated on December 19, 2012

Instruction of Finance Minister of Incentive on Customs Duties and Taxes under the Promotion Investment Policy

- Pursuant to the Customs Law No. 04/NA, dated on December 20, 2011
- Pursuant to the Promotion Investment Law No. 02/MOF, dated on July 8, 2009
- Pursuant to the Prime Minister's Decree No. 119/PM, dated on April 20, 2011 on the Implementation of Promotion Investment Law
- Pursuant to the MOU on Work Deliverable among/between the Ministry of Planning and Investment, the Ministry of Finance and the Ministry of Industry and Commerce, dated on October 10, 2011.

Finance Minister Issues the Instruction:

I. Objective

This Instruction is issued to implement the Promotion Investment Law No. 02/NA, dated on July 8, 2009, Prime Minister's Decree No. 119/PM, dated on April 20, 2011, Article 37 and 38 which set the principles, duties and taxes incentive, processing and methods of adoption on master list for importation of raw materials, construction materials, spare parts, machinery, vehicles, engine and others for the use of the investment and to facilitate the investors in Lao PDR.

II. Principles on Adoption of Yearly Master List

The investors have responsibility to create the yearly importation planning. If the new investors shall have their general importation planning by clearly classifying the list of goods to be imported as such raw materials, tools or instruments for production, seeds, spare parts and other which intends to import and list of construction materials for hardware infrastructure construction; vehicles, machinery for business operation and other office equipments which will be exempted from Customs duties when importation at once when the enterprise established.

The importation of such goods under the promotion investment incentive shall be based on the actual work and economic research paper and their actual requirements of each project. The master list shall be officially adopted by relevant agencies and shall not be exceeding the registered capital of enterprise.

The investors shall submit their yearly importation plan and other attached documents as such proposal letter, enterprise registration statement or Tax registration paper for general business and concession paper for concession business, registration payment receipt (as described in Article 4 of the Prime Minister's Decree No. 119/PM, dated on April 20, 2011) and economic research paper submitted to financial sector or submitted to planning and investment sector through single window.

III. Incentive policy on Customs duties and taxes

Enterprises approved to invest in Lao PDR prior the Promotion Investment Law No. 02/NA, dated on July 8, 2009 and the Prime Minister's Decree No. 119/PM, dated on April 20, 2011, want to get the incentive on Customs duties and taxes shall follow the process as mentioned in the this instruction

IV. Creation of yearly importation planning

The creation of yearly importation planning of enterprise shall be an official document as the information for the relevant agencies to manage, examine and evaluate which will follow:

1. The importation of raw materials, seeds, construction materials, equipments, tools, spare parts, machineries, office equipments, vehicles, engine and other to be imported for the use of the enterprises with proper quantity and volume of invested capital and use for the purpose of the project only.
2. The yearly importation planning shall be made by the investors and decided on the actual demand and imported for the purpose of their investment. The planning shall consist of the following information:
 - Heading code at four digit level under AHTN;
 - Description of the goods;
 - Quantity/volume;
 - Weight; and
 - Value of the goods.
3. All items to be imported shall designate in each list as following
 - The list of imported goods under duties and taxes exemption;
 - The list of imported goods under duties exemption;
 - The list of imported goods under temporary admission (importation); and
 - The list of imported goods under tariff reduction schedule.
4. The proposal statement or report on the yearly importation of the enterprise for central investment level shall submit at Customs Headquarter and for local investment level if any province has established the single service office of planning and investment agency shall submit at that office. If any provinces have not yet established the single service office the proposal statement can submit at provincial finance office where the enterprise located.
5. The yearly importation planning when approved, it is not allowed to change or amend any information or data without any permission.

- The yearly importation planning has its validity only one year or on the duration of the project implementation. When the yearly importation planning is invalid or expired, the goods listed in the yearly importation planning that not yet imported, this list shall be eliminated.
6. In case the enterprise increases its investment capital or reduces, the enterprise can request to amend the yearly importation planning which has been approved. The amendment can be made once a year in order to be consistency with the actual operation of business.
 7. Vehicles, engines, machineries given the incentives to exempt duties and taxes or to offer tariff reduction when importation based on the promotion investment law. Those items can be used for enterprise for five years and after five years the enterprise can import with the permission those items to replace the old one. Before the importation of replacement, vehicles, engines, machineries shall pay customs duties and taxes in accordance with the Customs Law right after prior the importation for replacement based on the regulation.

V. The process of adoption the yearly importation planning

After the investors submitted the proposal statement on yearly importation planning for approval, finance sector or planning and investment sector shall pay more attention to study and do the processing as stipulated in Article 38 of the Prime Minister’s Decree No. 119/PM, dated on April 20, 2011. The adoption of the yearly importation planning shall follow:

- For the investment at central level: Customs Department shall summarize the yearly importation planning of the investors for their further study and propose to the Finance Minister for consideration and issue the agreement on the adoption of yearly importation planning. Customs Department shall distribute the adopted yearly importation planning and agreement of the Finance Minister to enterprise and other relevant sectors for their reference, Customs Department shall also issue the instruction to all International Customs checkpoints to implement the agreement and facilitate the importation of the enterprise.
- In case some government agencies involve with the projects organize the meeting to study on the yearly importation planning including Customs Department to consider the importation planning, Customs Department can use the result of the meeting to propose to the Finance Minister to consider the issuance of agreement on the yearly importation planning.
- For the importation of goods rather than the adopted yearly importation planning as such equipments/tools or any other emergency spare parts for replacement the old one which value not exceeding US\$ 30,000 and allowed to import not more than twice a year by relevant government agencies, given to Customs Department to consider and approve this matter in accordance with the regulations. If the value exceeding US\$ 30,000 shall consider together with other relevant agencies in accordance with regulation.
- For the investment at local level: the provincial finance office or single window service of investment and planning sector shall summarize the yearly importation

planning and propose to the local promotion investment committee for their consideration and issue the agreement on adoption of yearly importation planning. The provincial finance office or single window service of investment and planning sector shall distribute the adopted yearly importation planning to enterprise, relevant government agencies and other international Customs checkpoints.

- For the importation of goods rather than the adopted yearly importation planning as such equipments/tools or any other emergency spare parts for replacement the old one which value not exceeding US\$ 30,000 and allowed to import not more than twice a year by relevant government agencies, given to provincial finance office or single window service of investment and planning to consider together with other relevant government agencies prior propose to the local committee for approval in accordance with regulation.

VI. The management of yearly importation planning

1. Given to Customs Department to issue the measures for the management and control the importation of goods which is not consistency with the promotion investment policy; coordinate with other relevant agencies monitor and follow up whether the enterprise imports the goods as appropriate as stipulated in the regulations.
2. International Customs checkpoints have responsibilities to manage, inspect the actual importation in accordance with the adopted yearly importation planning, to create the monitoring system for importation including the report of the importation every month, quarter to the finance sector, investment and planning sector and industry and commerce sector in accordingly.

VII. Importation planning of the projects other than promotion investment policy

1. The creation of importation planning of the grant aid or leasing projects for the development, the proposal statement shall submit at the Ministry of Investment and Planning for further study and consideration in accordance with the Prime Minister's Decree on the management and use the grant aid for development No. 75/PM, dated on March 30, 2009.
2. The creation of importation planning of the government projects shall follow the Government Investment Project Law No. 08/NA, dated on November 26, 2009
3. The creation of the yearly importation planning of the developers or investors for special economic zone and specific economic zone shall follow the Special Economic Zone and Specific Economic Zone Law.

VIII. Measures against the offenders

Any enterprises which authorized to import under the promotion investment policy for duty exemption, tariff reduction temporary admission shall import in accordance with the projects' purposes. If any enterprises import the goods not for the project but distribute or sell to domestic market or transfer the ownership of the goods without any permission from other relevant government agencies and Customs Department shall be penalized in accordance with

the Customs Law and other concerned laws strictly and the adopted yearly importation planning shall also be eliminated or cancelled.

IX. Implementation

Given to Customs Department, Tax Department, provincial finance division and Vientiane Capital to disseminate this instruction to other relevant agencies and investors to understand and implement this instruction more effectively and strictly.

X. Effectiveness

This Instruction shall become effective from the date of signature

Finance Minister

CC:

1. The Office of Central Party 1 copy
2. The Office of Government 1 copy
3. Investment and Planning Minister 1 copy
4. Industry and Commerce Minister 1 copy
5. Promotion Investment Committee 1 copy
6. Relevant government agencies 1 copy