

(Unofficial Translation)



**LAO PEOPLE'S DEMOCRATIC REPUBLIC**  
**PEACE INDEPENDENCE DEMOCRACY UNITY PROSPERITY**

Ministry of Finance

No: 4050/MOF  
Vientiane Capital, Date: 01 Dec 2015

**Instruction**  
**of Minister of Finance on Excise on Vehicles**

- Pursuant to the Law on Taxation, No. 05/NA, dated 20 December 2011;
- Pursuant to the Resolution of National Assembly Standing Committee Meeting, No. 0137/SC, dated 04 November 2015;
- Pursuant to the Decree of the Prime Minister on the Organization and Operation of Ministry of Finance No. 80/PM, dated 28 February 2007;
- Pursuant to the Consensus of Ministerial Level of Ministry of Finance.

In order to implement the Resolution of National Assembly Standing Committee Meeting, No. 0137/SC, dated 04 November 2015 on the Pilot Implementation of Excise on importation, manufacturing, assembling and distribution vehicle in uniform manner across country.

**Minister of Finance hereby instruct as follows:**

1. The implementation of this Instruction is for pilot implementation of excise on all types of vehicles. The instruction should be served as a rule for calculation, collection or exemption for importation, manufacturing, assembling and exportation of vehicles
2. The terms used in the instruction have following meaning:
  - 2.1. Vehicles refers to a bicycle, motorcycle, truck, train, boat, aeroplane (plane) and any things invented by human for the purpose of transport excluding living things;
  - 2.2. Transportation Vehicles refers to all types of cars with engines consuming fuel or clean energy;
  - 2.3. Motorcycles refers to vehicles moving by two wheels or more with engines consuming fuel or clean energy;
  - 2.4. Small transportation vehicles refer to:
    - motor car for transportation of passenger not more than nine people (9 people);

- Vehicles for cargo transportation of with gross weight less than three and a half tonnes (3.5 tonnes)
- 2.5. Medium-sized transportation vehicle refers to:
    - Motor cars for transportation of passengers between ten thirty-five people (10-35 people);
    - Vehicles for cargo transportation with gross weight between three and a half, and fifteen tonnes (3.5-15 tonnes)
  - 2.6. Large transportation vehicles refer to:
    - Motor cars for transportation of thirty-six passengers and more (36 people);
    - Vehicles for cargo transportation with gross weight of more than fifteen to fifty tonnes (>15-50 tonnes)
  - 2.7. Heavy machines refer to vehicle used in industrial areas such as: construction, mining, lifting and bulk breaking, grinding, concrete mixing, ground paving, asphalt paving, demolishing, agriculture and processing industry, public services (public work) and city cleaning and others;
  - 2.8. Fuel refers to substance that stimulate engines by using liquid energy including all types of petroleum products and gases;
  - 2.9. Clean energy refers to renewable energy that do not affect environment and society such as electricity and solar energy;
  - 2.10. Vehicles using clean energy refers to vehicles specifically designed for clean energy but do not include vehicles that use hybrid systems consuming fuel with other renewable energy (Hybrid Systems).
3. Vehicles that are subjected to excise includes:
    - 3.1. Motorcycles with two wheels, three wheels, four wheels that consume fuel and clean energy including bicycles driven by engine system.
    - 3.2. Small transportation vehicles:
      - motor car for transportation of passenger not more than nine people (9 people);
      - Vehicles for cargo transportation of with gross weight less than three and a half tonnes (3.5 tonnes)
    - 3.3. Medium-sized transportation vehicles refer to:
      - Motor cars for transportation of passengers between ten thirty-five people (10-35 people);
      - Vehicles for cargo transportation with gross weight between three and a half, and fifteen tonnes (3.5-15 tonnes)
    - 3.4. Large transportation vehicles refer to:
      - Motor cars for transportation of thirty-six passengers and more (36 people);
      - Vehicles for cargo transportation with gross weight of more than fifteen to fifty tonnes (>15-50 tonnes)
    - 3.5. Spare parts, accessories for all types of motorcycles and all sizes of transportation vehicles.
  4. Vehicles that are not subjected to excise includes:
    - 4.1. Bicycles;
    - 4.2. Trains;
    - 4.3. Aeroplanes (planes);
    - 4.4. Vehicles designed for rescue missions;
    - 4.5. Fire trucks;
    - 4.6. Vehicles for disables;

- 4.7. Public serving vehicles such as: garbage trucks, vacuum trucks, city cleaning trucks and other similar vehicles that have specific design;
  - 4.8. Vehicles serving in agriculture such as tractors, cropplanters, reapers, spreading trucks, seeds or plants spreading trucks, and other similar vehicles (excluding vehicle used for transportation of agricultural produces );
  - 4.9. Heavy machines serving construction, mining, lifting and bulk breaking, grinding, concrete mixing, ground paving, asphalt paving, demolishing and general heavy vehicles such as loaders, backhoe-loader, excavator, bulldozer, grader, crane, road roller, forklift and other similar heavy machine;
  - 4.10. Vehicles imported for re-export and locally produced or assembled vehicle for export;
  - 4.11. Vehicles imported and distributed for diplomatic entities, international organisations, non-governmental organisations or international consultants of government in related projects, which certified and approved by relevant ministries.
5. Base for excise calculation includes:
    - 5.1. Importation of vehicles, parts and accessories includes customs declared value plus duties (if any). Customs valuation shall refer to the Minister of Finance’s Instruction No. 1537/MOF, dated 04 June 2012 on Customs Valuation for Import Goods
    - 5.2. Tax base for parts and accessories bought from domestic producers shall refer to factory selling price (excluding excise and value-added tax paid at the time of importation);
    - 5.3. Tax base for parts assembled in self-assembling factories shall refer to cost of parts manufacturing.
  6. Excise calculation for importation of vehicles:
    - 6.1. Excise calculation for an imported vehicle as complete build-up (CBU):
      - Customs Declaration Value multiplied by import duties (if applicable);
      - Customs Declaration Value plus customs duties (if applicable) multiplied by excise rate of each type of vehicles;
      - ✦ Example: Company (A) Ltd imports a pick-up truck with cylinder capacity of 3,000 cc from abroad and declare to the customs 25,427 USD/unit:
        - \* In a case of 0% of customs duty, the calculation shall be:
          - Customs Declaration Value: 25,427 USD/unit x 8,000 Kip = 203,416,000 Kip
          - Import duty: 203,416,000 Kip x 0% = 0 Kip
          - Excise: (203,416,000 Kip + 0 Kip) x 45% = 91,537,200 Kip
        - \* If customs duty is applicable, the calculation shall be:
          - Customs Declaration Value: 25,427 USD/unit x 8,000 Kip = 203,416,000 Kip
          - Import duties: 203,416,000 Kip x 30% = 61,024,800 Kip
          - Excise: (203,416,000 Kip + 61,024,800 Kip) x 45% = 118,998,360 Kip
    - 6.2. Spare Parts and accessories:
      - ✦ Example 1: an assembling company A imports parts for assembling vehicles in form of incomplete knock-down(IKD) as follows:
        - Parts for sedan with 1,591 cc of engine size with Customs Declaration Value of 9,229 USD
        - \* In a case of 0% customs duties, the calculation shall follow:
          - Customs Declaration Value: 9,229 USD/unit x 8,000 Kip = 73,832,000 Kip
          - Import duty: 73,832,000 Kip x 0% = 0 Kip
          - Excise: (73,832,000 Kip + 0 Kip) x 5% = 3,691,600 Kip
        - \* If customs duty is applicable, the calculation method shall follows:

- Customs Declaration Value: 9,229 USD/sedan x 8,000 Kip = 73,832,000 Kip
- Import duty: 73,832,000 Kip x 40% = 29,352,800 Kip
- Excise: (73,832,000 Kip + 7,382,200 Kip) x 5% = 5,136,740 Kip

✦ Example 2: Company (A) imports part as follows:

- An engine for sedan (consuming gasoline) with 1,591 cc of engine size with Customs Declaration Value of 2,000 USD.

\* In a case of 0% customs duties, the calculation shall follow:

- Customs Declaration Value: 2,000 USD/vehicle x 8,000 Kip = 16,000,000 Kip
- Import duty: 16,000,000 Kip x 0% = 0 kip
- Excise: (16,000,000 Kip + 0 Kip) x 5% = 800,000 kip

\* If customs duty is , the calculation shall follows:

- Customs Declaration Value: 2,000 USD/vehicle x 8,000 Kip = 16,000,000 Kip
- Import duty: 16,000,000 Kip x 40% = 6,400,000 Kip
- Excise: (16,000,000 Kip + 6,400,000 Kip) x 5% = 1,120,000 Kip

7. Excise calculation method for spare parts and accessories that are domestically produced shall refer to factory price (Ex-work) multiplied by excise rate.

Example 1: an assembling company A bought parts from factory B for assembling a car, factory selling price is 200,000,000 kip.

Excise calculation method:

- VA: 200,000,000 kip x 5% = 10,000,000 kip

Example 2: manufacturer A sells accessories to individuals, legal persons and organisations for consumption or distribution, factory A shall calculate excise to be included in selling price as follows:

Accessory item 1 sold from factory at a price: 2,000,000 kip in an invoice shall calculate excise: 2,000,000 kip x 5% = 100,000 kip

Selling price without value-added tax is 2,100,000 kip.

8. Excise rate for vehicles, parts and accessories as percentage (%) are as follows:

No.	Types of vehicles	cylinder capacity or engine size (cc)	Excise rate in percentage (%)
1	Motorcycles 1.1 Motorcycles using gasoline	not more than 110 cc	20
		From 111-150 cc	30
		From 151-250 cc	40
		From 251-500 cc	60
	1.2 Motorcycles using clean energy	From 501-1,000 cc	80
			5
	1.3 spare parts and accessories of all types of motorcycles		5
2	Small transportation vehicles		
	2.1 Small transportation vehicles: sedans, SUV, mini-vans, pick-up trucks using fuel	not more than 1,000 cc	25
		From 1,001-1,600 cc	30
		From 1,601-2,500 cc	35
		From 2,501-3,000 cc	40
			45

		From 3,001-4,000 cc	70
		From 4,001-5,000 cc	80
		From 5,001-6,000 cc	90
		From 6,001 cc	
	2.2 Small transportation vehicles: sedans, SUV, mini-vans, pick-up trucks using clean energy		10
3	1. Small transportation vehicles (truck with single cap) having carriage box length longer than fifty per cent (50%) of the wheelbase: - Using gasoline - Using clean energy		8 5
	2. Medium-sized transportation vehicles: - Using gasoline - Using clean energy		8 5
	3. large transportation vehicles: - Using gasoline - Using clean energy		5 3
4	Spare parts, accessories of all types of vehicles		5

9. Excise declaration

Excise declaration shall be implemented as follows:

1. Individuals, legal person or organizations that import vehicles, parts and accessories shall declare excise at the same time as customs declaration at border customs checkpoint where goods are imported. Regarding importation of a vehicle and parts for assembling vehicles are permitted only at international customs check point.
2. Domestic parts and accessories manufacturing businesses shall submit excise declaration form to tax authority of their local area every month no later than the 15<sup>th</sup> of the following month.

10. The payment of excise on vehicles, parts and accessories shall be made in Lao Kip and shall implemented as follows:

1. Regarding the importation of vehicles, parts and accessories shall be calculated, collected and paid at border customs checkpoint prior clearance the goods home use.
2. Vehicles manufacturing and assembling businesses in Lao PDR that pay excise auto part and accessories at the time of importation shall not subject to any other excise internally. Domestic parts and accessories manufacturing businesses shall pay the excise to tax authorities of their local area every month no later than the 15<sup>th</sup> of the following month.

11. Detailed measures for implementation are as follows:

- 11.1 The commencement of the pilot implementation of this instruction on excise on vehicles, part and accessories shall begin on 01 December 2015;

11.2 The implementation of Notification of Ministry of Finance No. 2320/MOF, dated 22 December 2003 and No. 0325/MOF, dated 15 February 2010 and other Notifications that provide reference pricing for importation of vehicles, which were used as a base for customs and tax calculation, shall be terminated.

11.3 The importation of all types of vehicles, parts and accessories shall mainly be based on transaction value in accordance with Article 13 of the Customs Law No. 04/NA, dated 20 December 2011 and the Instruction of Ministry of Finance No. 1537/MOF, dated 04 June 2012.

11.4 The importation of all types of vehicles, parts and accessories from ASEAN and ASEAN+6 countries and Members of the World Trade Organisation are based on preferential tariff rates that Lao PDR has ratified.

12. The Customs Department, Tax Department, related line ministries are responsible for dissemination this Instruction to individuals, legal persons and organisations for their information and cooperation for the strict implementation of this Instruction according to their duties.

13. The companies who operate importing, manufacturing, assembling and distributing vehicles, parts and accessories shall cooperate with customs and tax officers in the implementation of this Instruction by, but not limited to:

- declare information on actual transaction price and other costs related to the transaction including: transportation costs, insurance, packaging and other costs;

- Operators shall follow standards and conditions according to establishment and operating business rules and the Law on Taxation;

- Operator shall declare selling price in accordance with vehicles distribution plan of each types of importation, domestically manufacturing and assembling and if there is a change in selling price, it shall be notified timely. Seller shall issue invoices according to transaction price, maintain account and declare for taxation in accordance with relevant laws and regulations.

- If the operator use Information Technology System (IT) to vehicles importation and distribution companies in Lao PDR. The system shall be linked to the IT system of customs and tax authorities.

14. The Customs Department is responsible for instructing international customs checkpoints across country in examination, summarising details of vehicles, parts and accessories that were imported prior 01 December 2015 in order to strictly apply measures that are provided in laws and regulations.

15. This Instruction shall be entry into force from 01 December 2015.

Minister of Finance  
[signature and seal]  
Dr. Lien Thiako