

GLOBAL HIRING GUIDE

Laos



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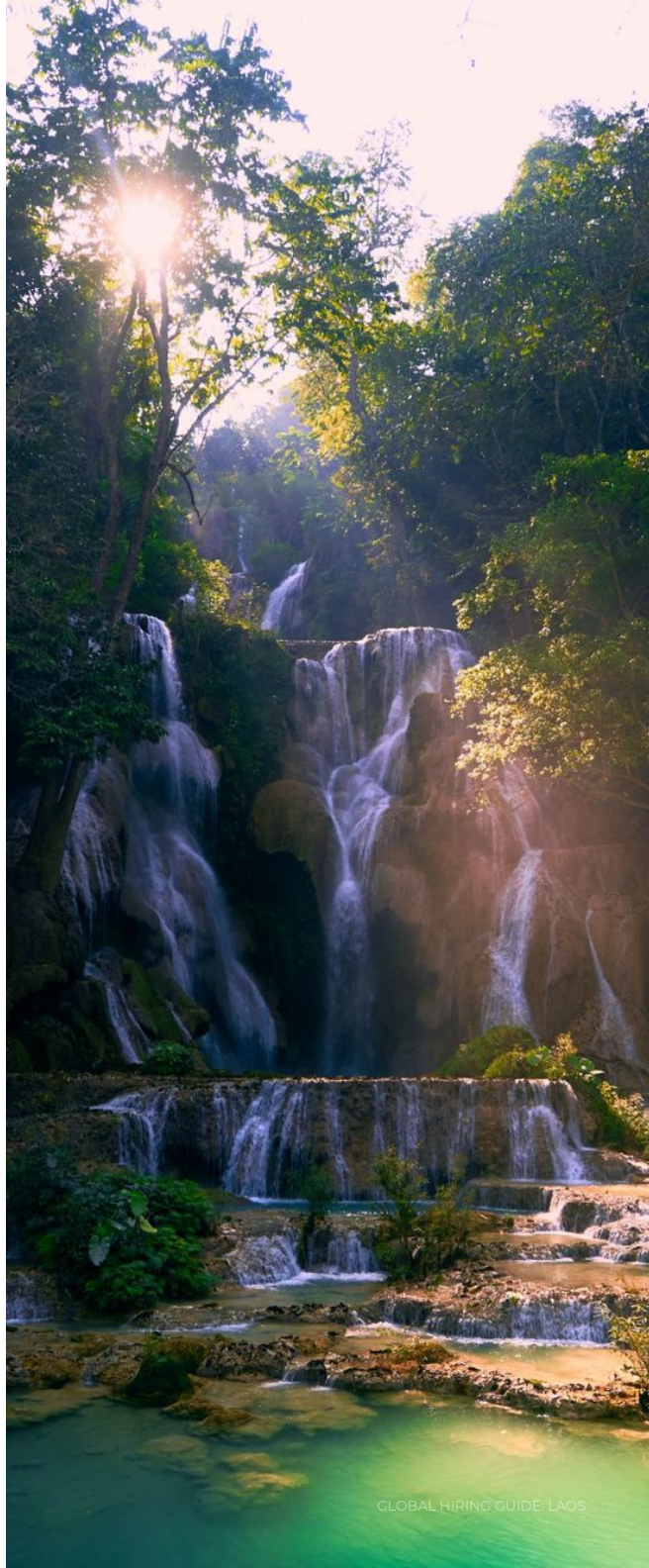
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BASIC COUNTRY FACTS

- **Full Name**
Lao People's Democratic Republic
- **Capital**
Vientiane
- **Main Languages**
Lao
Hmong
Khmu
French
- **Population**
7.425 Million
- **Monetary Unit**
Lao Kip
- **Internet Domain**
.la
- **International Dialing Code**
+856
- **Currency**
Lao kip



02

STATUTORY LABOR REQUIREMENTS

Probation Period

- For unskilled work, the duration of the probationary period shall not exceed 30 days.
- For work requiring specialized skills, the duration of the probationary period shall not exceed 60 days.

Annual Leave

- Employees who have worked consecutively for 1 year are entitled to 18 days of annual leave.

Public Holidays

1. New Year's Day
2. Army Day
3. International Women's Day
4. Lao New Year
5. Labor Day
6. Children's Day
7. Lao National Day

Maternity Leave

- Before and after giving birth, mothers are entitled to at least 105 days of maternity leave; however, at least 42 days must be taken after giving birth.

In cases of giving birth to twins, maternity

- leave extends to at least 120 days.

During such a period, the employee shall

- receive full payment at the normal salary or wages.

Paternity Leave

- Fathers are not entitled to paternity leave.

Sick Leave

- The law provides that, upon presentation of a medical certificate, employees are entitled to sick leave fully paid up to a maximum of 30 days each year.
- However, workers working on a daily or hourly basis under a specific employment contract are entitled to sick leave only if they have worked for more than 90 days for the same employer.

Work Hours

- The Labor Law limits work hours to 48 hours per week.
- Work performed beyond this limit will be considered as overtime.
- Likewise, the law provides that an employee cannot work more than 6 days per week and 8 hours per day.

Overtime

- According to the Labor Law, overtime cannot exceed three hours per day or 45 hours per month.
- In addition, an employee cannot work overtime for more than four consecutive days, except in emergencies.
- Overtime wages differ according to the type of overtime, with the Labor Law providing different rates for different days and periods in which the overtime is performed (e.g. overtime on regular days, overtime at night, overtime on public holidays).

Notice Period

- Either party to an indefinite-term employment contract can terminate it at any time by giving the following statutory notice period:

- 30 days' advance notice for employees doing unskilled work.
- 45 days' advance notice for employees doing skilled work.

Severance

- There is no statutory obligation to pay severance.
 - In the case of general unilateral termination of the contract, the severance value is 10% of the employee's last wage multiplied by the number of months worked.
 - In the case of unjustified unilateral termination of a contract, the severance value is 15% of the employee's last wages, multiplied by the number of months worked, with no capped amount for severance payment.
 - In the case of the death of an employee, the employer must pay 50% of the compensation that would have been received by the employee for general unilateral termination of the contract.

13th Month

- 13th month pay is not mandatory.

INCOME TAX

- All sole traders and independent contractors are subject to PT on their business income derived in Lao PDR.
- Both Lao and foreign individuals earning income in Lao PDR in the form of salaries, benefits in kind, and other remuneration are subject to PIT.
- Expatriates who work in Lao PDR and obtain remuneration in Lao PDR are obligated to pay PIT, regardless of the period of their employment and stay in Lao PDR.
- Foreigners who stay in Lao PDR for a period or periods aggregating more than 183 days in any one-year period and obtain remuneration from a foreign country are obligated to pay PIT.
- The PT rates are as follows:
 - ➔ 1% of gross revenue for manufacturing on agriculture, industry, and other production industries.
 - ➔ 2% of gross revenue for commerce.
 - ➔ 3% of gross revenue for services.
- The annual PIT rates for both Lao and foreign individuals are as follows:

ANNUAL INCOME BASE (LAK)		BASIS OF COMPUTATION (LAK)	TAX RATE (%)	PIT OF EACH THRESHOLD (LAK)	TOTAL PIT (LAK)
From	To				
0	15,600,000	15,600,000	0	0	0
15,600,001	60,000,000	44,400,000	5	2,220,000	2,220,000
60,000,001	180,000,000	120,000,000	10	12,000,000	14,220,000
180,000,001	300,000,000	120,000,000	15	18,000,000	32,220,000
300,000,001	780,000,000	480,000,000	20	96,000,000	128,220,000
780,000,000	And Above	-	25	-	-

SOCIAL SECURITY

Social Security

- The government is encouraging all enterprises (including individuals) to register (including their employees) in the Social Security Scheme.
- Both the employer and employee must contribute to the social security fund. The social security contributions are as follows:
 - 6% of the gross remuneration must be contributed by the employer.
 - 5.5% of the gross remuneration must be contributed by the employee.
- Social security contributions are paid at the same time as the PIT based on gross remuneration and are deductible when calculating PIT.
- Although the rate of the social security contribution is 6% and 5.5%, respectively, the total base amount to be calculated is capped at LAK 4.5 million.
- Expatriates who work in Lao PDR for more than 12 months are required to be registered in the social security scheme in Lao PDR.

CONTRIBUTION	EMPLOYER	EMPLOYEE
Social Contributions	6%	5.5%



DEDUCTIBLE EXPENSES

Deductible Expenses

- Annual personal deduction of a maximum of LAK 5 million per dependent spouse, parent, and/or children (limited to three persons or a maximum of LAK 15 million per year) may be claimed.
- Deductions for charitable contributions are not allowed.
- Generally, business expenses (including accrued expenses) are deductible unless specifically indicated as non-deductible under the Lao Income Tax Law.
- Reserves and provisions are not deductible until actually incurred.

DEDUCTIBLE EXPENSES	
Employment Expenses	• Annual personal deduction of a maximum of LAK 5 million per dependent spouse, parent, and/or children (limited to three persons or a maximum of LAK 15 million per year) may be claimed.
Personal Deductions	• Deductions for charitable contributions are not allowed.
Business Deductions	• Reserves and provisions are not deductible until actually incurred.

IMMIGRATION

Immigration

- The LA-B2 is the most common type of visa issued to foreigners living and working in Laos.
- It is a multiple entry visa and is available for a period of three-month, six-month, or one-year duration.
- Foreign applicants must ensure that they register for the visa before entering the country from a Lao consular post located in their country of residence or home country; the visa cannot be applied for while residing in Laos.
- To be eligible for the LA-B2 Visa, foreign applicants must first secure employment legally and obtain a sponsorship letter from a locally licensed and incorporated entity in Laos.
- The sponsoring entity is required to seek approval from the Lao Ministry of Foreign Affairs (MFA) in the capital Vientiane and present a financial guarantee for the prospective foreign employee.
- Once the approval is made, the Lao consular post issues the LA-B2 visa allowing the applicant to enter the country.
- A work permit is issued by the Ministry of Labor and Social Welfare, and a Stay Permit by the Immigration Department, Ministry of Public Security.
- The application for the Work Permit and SP must be registered by the employer, sponsoring the foreign applicant, within one month from the day of receiving authorization from the Lao MFA.

TYPE OF PERMIT/VISA	DOCUMENTATION	VALIDITY	ELIGIBILITY
LA-B2	• A passport valid for six months beyond the stay in Laos. • A completed and signed Laos application form • A recent (taken within the last 6 months) passport photograph • A business cover letter that can be either from the employer or sponsoring company. • Proof of travel arrangements such as a flight itinerary	3 Month, 6 Months Or 1 Year	• To be eligible for the LA-B2 Visa, foreign applicants must first secure employment legally and obtain a sponsorship letter from a locally licensed and incorporated entity in Laos.



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VALUE ADDED TAX

Value Added Tax

- The standard VAT rate is 10%.
- Exports of goods are zero-rated, except the export of natural resources that are not finished goods, which are subject to 10% VAT.

VAT	
General VAT Rate	10%
Zero Rate	0%

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WITHHOLDING TAX

Withholding Tax

Dividends

- Dividends paid to domestic and foreign individuals and legal entities are subject to a 10% withholding tax
- The withholding tax rate on dividends paid to nonresidents may be reduced under a tax treaty

Interest

- Interest paid to domestic and foreign individuals and legal entities (except for banks and financial institutions) is subject to a 10% withholding tax.
- However, interest earned on deposits, government bonds, and debentures is exempt
- The withholding tax rate on interest paid to a nonresident may be reduced under a tax treaty

Royalties

- Royalties paid to domestic and foreign individuals and legal entities are subject to a 5% withholding tax
- The withholding tax rate on royalties paid to a nonresident may be reduced under a tax treaty

Fees For Technical Services

- Service fees paid to foreign persons are subject to a withholding tax ranging from 1.4% to 3%

TYPE OF PAYMENT	RESIDENTS		NONRESIDENTS	
	Company	Individual	Company	Individual
Dividends	10%	10%	10%	10%
Interest	10%	10%	10%	10%
Royalties	5%	5%	5%	5%
Technical Service Fees	0%	0%	1.4% to 3%	1.4% to 3%

TERMINATION

- The employment will be terminated when one of the following conditions is met:
 - the expiration of the contract, or completion of tasks set out in the contract
 - the death of the employee or the employer
 - the termination of the company;
 - the employee has been sentenced to imprisonment; or
 - the employer and employee have provided mutual consent
- There is no defined notification period for a fixed-term contract, and such terms are generally agreed upon in the employment contract.
- With respect to an indefinite-term contract, each party may terminate the contract at any time provided notification is provided to the other party at least 30 days in advance for contracts involving physical labor employees, and at least 45 days in advance for contracts involving employees who use intellectual/special skills.
- Alternatively, the employer can choose to make payment in lieu of notice to the employee who will be terminated.
- The Labor Law provides for severance payments to be made for the following types of termination of employment:
 - In the case of general unilateral termination of the contract, the severance value is 10% of the employee's last wage multiplied by the number of months worked.
 - In the case of unjustified unilateral termination of a contract, the severance value is 15% of the employee's last wages, multiplied by the number of months worked, with no capped amount for severance payment.
 - In the case of the death of an employee, the employer must pay 50% of the compensation that would have been received by the employee for general unilateral termination of the contract.

STATUTORY BENEFITS

- These are mandatory benefits as postulated by law
- These include probationary period, annual leave, public holidays, sick leave, maternity leave, overtime pay, notice period, and severance pay
- Statutory benefits also include social security benefits

STATUTORY BENEFITS

- Probationary Period
- Annual Leave
- Public Holidays
- Maternity Leave
- Sick Leave
- Overtime Pay
- Notice Period
- Severance Pay
- Social Security Benefits





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