Key Amendments to the Newly Enacted Law on Income Tax No. 88/NA, dated 25 June 2025

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To ensure that the income tax system remains consistent with the evolving economic environment and modern business practices in the digital era, the National Assembly has promulgated the Law on Income Tax No. 88/NA, dated 25 June 2025 ("**LIT2025**"), which became effective on 1 July 2026, replacing the Law on Income Tax No. 67/NA, dated 18 June 2019 ("**LIT2019**"). The LIT2025 aims to strengthen tax administration, broaden the tax base, and improve the fairness and efficiency of income tax collection.

1. Expansion of Taxable Income

The LIT2025 expands the scope of taxable income by introducing several new categories of taxable income, including:

- Income derived from **electronic commerce** (e-commerce): subject to income tax at 10% of total income;
- Income from the sale of **carbon credits**: subject to income tax at 10% of total income;
- Income from the sale of legally **authorized forest products**: subject to income tax at 10% of total income; and
- Income from the sale of **agricultural and handicraft products**, as well as the **provision of services**, that total income exceeds LAK 100 million: subject to income tax at 2% of total income.

2. Increase in Income Tax Exemption Thresholds

To reflect changes in the cost of living and the statutory minimum wage, the LIT2025 increases the monthly tax-exempt employment income threshold from LAK 1,300,000 to LAK 2,500,000. Consequently, the progressive income tax rates have been adjusted as follows:

Monthly Taxable Income (LAK)	Taxable Amount	Tax Rate	Tax for Each Bracket	Total Tax
Up to 2,500,000	2,500,000	0%	0	0
Over 2,500,000 – 5,000,000	2,500,000	5%	125,000	125,000
Over 5,000,000 – 15,000,000	10,000,000	10%	1,000,000	1,125,000
Over 15,000,000 – 25,000,000	10,000,000	15%	1,500,000	2,625,000
Over 25,000,000 – 65,000,000	40,000,000	20%	8,000,000	10,625,000
Over 65,000,000	–	25%	–	–

Additionally, the LIT2025 increases or introduces exemption thresholds for certain other types of income as follows:

- The exemption threshold for **overtime pays and compensation** for additional working hours has been increased to employees earning up to LAK 3 million per month, compared with the previous threshold of LAK 2 million.
- The tax exemption threshold for **gifts and awards** has been increased from LAK 1,300,000 under the LIT2019 to LAK 5,000,000.
- **Lottery winnings**, whether received in cash or in kind, are exempt from income tax up to LAK 10,000,000. Under the LIT2019, lottery winnings were fully subject to income tax regardless of the amount.

3. Key Amendments Concerning Income Tax on Non-Resident Individuals and Legal Entities

The LIT2025 expressly clarifies that the income tax regime applicable to **non-residents** covers **both individuals and legal entities**, thereby providing greater certainty regarding tax calculation, withholding, declaration, and remittance obligations.

Income tax payable by non-resident taxpayers shall be calculated by applying the applicable tax rate to the taxable income arising from each transaction or contractual arrangement. Where income is received in the form of goods, assets, or other non-cash benefits, such income must first be converted into its monetary value before the applicable tax is calculated.

The LIT2025 also clearly prescribes the applicable income tax rates for non-resident taxpayers as follows:

- **Progressive tax rates ranging from 0% to 25%** for salaries, wages, overtime pay, position allowances, attendance fees, gratuities, and other benefits received in cash or in kind;
- **10%** for dividends, loan interest, certain types of remuneration paid to committee members, artists and performers, commissions, consulting fees, service fees, and rental income;
- **5%** for income derived by researchers, royalties, patents, trademarks, and lottery winnings exceeding LAK 10 million; and
- **2%** for income derived from the sale, assignment, or transfer of shares.

Individuals, legal entities, or organizations having contractual obligations with non-resident taxpayers are required to calculate, withhold, declare, and remit the applicable income tax to the State Budget **within 15 working days** from the date of payment to the non-resident taxpayer.

Conclusion

The LIT2025 modernizes the income tax regime of the Lao PDR by broadening the tax base, recognizing new categories of income arising from the digital economy, increasing income tax exemption thresholds, and providing greater clarity on the taxation of non-resident taxpayers. These amendments strengthen tax administration, enhance transparency and fairness in tax collection, and support the Lao PDR's sustainable socio-economic development while aligning its tax framework with evolving economic conditions. This Law shall take effect and become enforceable on 1 July 2026.

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