

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

Ministry of Industry and Commerce

No. 0336/MOIC.DIMEX  
Vientiane Capital, dated 13 March 2017

**Order**

**To: Provincial and Vientiane Capital Director of Industry and Commerce**

**Subject: Instructions on the Auction of the Government's Seized Timbers Nationwide**

- Pursuant to the Notification of the Prime Minister's Office No. 1345/GO.DS, dated 09 September 2016; and the Notification No 324/PMO (article 3), dated 21 February 2017;
- Pursuant to the Agreement on Delegating the Provincial and Vientiane Capital Director of Industry and Commerce on the Auction of the Government's Seized Timbers Nationwide No. 19/PM, dated 02 March 2017;
- Pursuant to the Purchase-Sale Regulation of Timbers No 1726/MOIC.DIMEX, dated 23 August 2012.

In order to effectively implement the auction of the Government's seized timbers nationwide and manage the raw material supply to Lao Wood Production and furniture production enterprises in order to process the seized timber. To guarantee transparency, fairness, regulatory compliance and consistency which present mutual benefits to the relevant government sectors and private sector.

Minister of Industry and Commerce instructed the Provincial and Vientiane Capital Director of Industry and Commerce as follows:

1. Seized timbers auction committees in Vientiane Capital and at provincial level shall coordinate with the Central Seized Timbers Auction Committee to effectively implement the free auction of the seized timbers nationwide.
2. The auction of the government's seized timber shall be advertised widely nationwide through medias such as television, radio, online media or newspaper at least 15 working days prior to the date of auction, in order to draw the interest from processing plants and furniture factories nationwide, and allow sufficient time for the auction participant/interested party to prepare and participate in the auction for seized timber. In particular, members of Lao Wood Production and the Lao Furniture Association.
3. Eligible auction participants shall satisfy the requirements as follows:
  - 3.1. members of Lao Wood Production and the Lao Furniture Association registered in Lao PDR with an operating permit for the wood processing and production. Priority will be given to active members of Lao Wooden Production and Lao Furniture Associations;
  - 3.2. Proof of bank statement from any commercial bank in Lao PDR;
  - 3.3. A consistent business history with no royalty debt, outstanding fees due to the State, litigation history or penalty due to the breaches of the laws and regulations of the Lao PDR concerning timber business activities.
4. The price for bidding consists of: 1) base price, 2) value added tax and 3) profit tax
5. The bidding procedure consists of 3 phases as follows:
  - 5.1. Phase 01:
    - 5.1.1 Round timber: The base price for bidding is based on the Notification on Timber Price 2014/2015-2015/2016 that Ministry of Industry and Commerce issued in Regulation No.1813/IC.DIMEX, dated 04 September 2015. Value added tax (VAT) 10% and profit Tax (aggregate profit tax rate of 20% of profit tax rate of 24%) to be added to sale price.

Example: Round timber (Grade A)

- Value added tax from timber sales:  $927,000 \text{ Kip} \times 10\% = 92,700 \text{ kip}$
- Profit tax:  $927,000 \text{ kip} \times 20\% \times 24\% = 44,496 \text{ kip}$
- Base price for bidding:  $927,000 + 92,700 + 44,496 = \underline{\mathbf{1,064,196 \text{ kip}}}$

5.1.2. Square wood: the price calculation is based on the price of round timber (Grade A), plus 10% (as it is a processed Value Added Product). Thereafter, add 10% value added tax (VAT) and profit tax (aggregate profit rate of 20% of profit tax rate of 24%).

Example: The price of square timber

- Price of square timber:  $927,000 \text{kip} + 10\% = 1,019,700 \text{ kip}$
- Value added tax:  $1,019,700 \text{ kip} \times 10\% \times 10\% = 101,970 \text{ kip}$
- Profit tax:  $1,019,700 \times 20\% \times 24\% = 48,946 \text{ kip}$
- Base price for bidding:  $1,019,700 + 101,970 + 48,946 = \underline{\mathbf{1,170,616 \text{ kip}}}$

5.1.3. Sawed timber: The price calculation is based on the price of the round timber (Grade A), then add value added tax (VAT) 10% from timber sales and profit tax (aggregate profit tax rate of 20% of profit tax rate of 24%).

Example:

- Price of sawed timber:  $927,000 \text{ kip} + 15\% = 1,066,050 \text{ kip}$
- Value added tax:  $1,066,050 \text{ kip} \times 10\% = 106,605 \text{ kip}$
- Profit tax:  $1,019,700 \text{ kip} \times 20\% \times 24\% = 51,170 \text{ kip}$
- Base price for bidding:  $1,066,050 + 106,605 + 51,170 = 1,223,825 \text{ kip}$

(In case the bidding is not successful after phase 01, the Vientiane Capital and Provincial Seized Timbers Auction Committee shall enter into a written agreement as evidence and continue to complete phase 02 of the sale)

5.2. Phase 02: Attribute value in line with actual quality (based on evaluation of Provincial Seized Timbers Auction Committee) to increase the bidding price according to the Article 5.1 as above to set the base price for bidding.

Example:

5.2.1. round timber (Grade A) but through actual evaluation the quality is only at 70%.

Base price for bidding:  $1,064,196 \text{ kip} \times 70\% = \underline{\mathbf{744,937 \text{ kip}}}$

5.2.2. square timber: but through actual evaluation the quality is only at 70%.

Base price for bidding:  $1,170,616 \text{ kip} \times 70\% = \underline{\mathbf{819,431 \text{ kip}}}$

5.2.3. processed wood: through actual evaluation the quality is only at 70%.

Base price for bidding:  $1,223,825 \text{ kip} \times 70\% = \underline{\mathbf{856,677 \text{ kip}}}$

(In any case the bidding of timber is not successful after phase 02, Vientiane Capital and Provincial Seized Timbers Auction Committee shall enter into a written agreement as evidence and continue to complete phase 03 of the sale)

5.3. Phase 03: Shall reasonably consider the highest price submitted by the bidders

6. In relation to the seized short timber (May Ka Doud), for which measurement in cubic metre and evaluation of quality are absent, the Provincial Seized Timbers Auction Committee shall calculate its weight in tonnes. Such government seized timber shall be converted from tonne to cubic metre based on agreement No. 0116/MOD.07 Dated 17 May 2007 on the Measurement and Rule of Logs, Root Wood, Burl Wood and Log Quality Control as follows:

- 6.1. Teak (May Khayoung) 01 cubic metre is 1.5 tonne;
- 6.2. Rosewood (May Dou) 01 cubic metre is 1.2 tonne; and
- 6.3. Other type 01 cubic metre is 1 tonne.

Thereafter, the bidding shall be implemented in accordance with the article 5 of this Instruction

7. Tax collection:

7.1. Value Added Tax (10%) and Profit Tax (aggregate profit tax rate of 20% of profit tax rate of 24%) shall be calculated in addition to the sale price.

7.2. Transport Tax (10%): such tax shall be collected from transport service fee and it is only collected when a bidder uses a transport service from a transport company, including bidders who use a vehicle under their own license to move the timber. Bidders who use vehicles registered to a timber transport and logistics enterprise shall be exempted from this tax.

8. The Government's seized timbers shall be registered as state property with the Provincial Finance Sector (State Property Management) with certified signatures from the Agricultural and Forestry Sector, Finance Sector and Industry and Commerce Sector to guarantee unity of the list and seized timbers that will be auctioned.
9. Expenses incurred in relation to the auction including the collection and storage of the seized timber, bidding arrangements and miscellaneous costs shall be deducted from the revenue of the seized timber's auction sale, in accordance with the Prime Minister's Order on 57/PM (Point 1.3 D. 10% revenue from seized timber auctions shall be deducted for expenses and the remaining amount shall be divided equally for central revenue (50%) and the provincial and Vientiane Capital's revenue (50%). Any fine shall be transferred in full into the the provincial and Vientiane Capital's bank account as revenue.
10. In case any problems arise, the relevant authority shall report to the Governor and Minister of Industry and Commerce to resolve the problem in timely manner.
11. The auction committee shall record actual seized timber data, result of the auction and payment for sale of seized timber then shall report to the Central Seized Timbers Auction Committee on progress of work on the fifteenth day of each month.
12. This instruction is effective from the date of signature and replaces Order No.2071/MOIC.DIMEX, dated 14 November 2016.

Therefore, this Order is to notify you for acknowledgement and implement accordingly.

**Minister**  
**[Seal and Signature]**

***Mrs. Khemmany Pholsena***

Attention to:

- Deputy Prime Minister
- Minister, Head of the Prime Minister's Office
- Minister of Agriculture and Forestry
- Vientiane Capital and provincial governors
- Head of the National Taskforce Committee 40/PM
- President of Lao National Chamber of Commerce and Industry
- President of Lao Wooden Production
- President of Lao Furniture Associations