



DEMOCRATIC REPUBLIC OF TIMOR LESTE

MINISTRY OF FINANCE

TIMOR LESTE REVENUE SERVICE

AN OVERVIEW OF TAXES IN TIMOR LESTE

As of 1st July 2008

The **Timor Leste Revenue Service** (TLRS) is the Directorate of the Ministry of Finance (Democratic Republic of Timor Leste) responsible for the administration of taxation laws in Timor Leste.

Income tax and other taxes in Timor Leste are imposed by the Taxes and Duties Act 2008. The TLRS has also issued a number of public rulings relating to specific topics and an Income Tax Guide providing a detailed outline of the TLRS's interpretation of calculating assessable income, allowable deductions and taxable income.

Income tax

Tax on income can be paid in the form of a final wage income tax, final withholding tax on various types of income or by periodic instalments and a final payment upon lodgment of an annual income tax return for remaining types of income.

Wage income tax

This tax is deducted from the wages paid to employees and paid to the TLRS by the employer.

The amount of wage income tax payable for wages of **residents** of Timor Leste can be calculated from the following table.

MONTHLY TAXABLE WAGES	RATE
0 – \$500	0%
in excess of \$500	10% of the amount exceeding \$500

Wages paid to employees who are **non-residents** of Timor Leste are taxed at a flat rate of 10% on the total monthly salary, i.e. there is no tax free threshold.

Withholding taxes

Income relating to certain payments and activities or services is taxed when the income is paid or received. The types of income and rates of tax applicable to residents of Timor Leste and Timor Leste permanent establishments of non-residents are shown in the following table.

TYPE OF INCOME	RATE
royalties	10 %
rent from land and buildings	10 %
income from prizes and lotteries	10 %
income from construction and building activities	2 %
income from construction consulting services including project management, engineering design and site supervision services	4 %
income from the provision of air or sea transportation services	2.64 %
income from mining and mining support services	4.5 %

The withholding tax rate for income paid to non-residents **without** a permanent establishment in Timor Leste is 10%.

Depending upon the circumstances, the payer or the recipient may have the responsibility to withhold and remit the tax.

Where the payment is to a **legal person** (i.e. a partnership, company, unincorporated association, etc.) and the payment is for royalties or rent, that payment is to be declared in the recipient's annual income tax form and a credit may be claimed for the amount of tax withheld. In all other situations, no further tax is payable on income that has been subject to withholding tax in Timor Leste.

Income not subject to withholding tax

The tax on other income is calculated on taxable income after the completion of an annual income tax form, which includes details of all assessable income and expenditure deductible against that income. The period covered by the annual return is from 1 January to 31 December.

Income tax is levied on *tax subjects*: Natural persons, undivided estates, companies, trusts, partnerships, government enterprises, associations, cooperatives and similar organizations are all tax subjects.

The rates of tax for the year ending 31 December 2008 are as follows:

Where the taxpayer is a resident natural person (i.e. individual business enterprises):

Taxable Income	Tax on this Income
0 - \$6,000	0%
In excess of \$6,000	10%

Where the taxpayer is a non-resident natural person (i.e. individual business enterprises):

Taxable Income	Tax on this Income
All taxable income	10%

Where the taxpayer is a legal person (i.e. non-individual business enterprises):

Taxable Income	Tax on this Income
All taxable income	10%

For the years between 1st January 2002 and 31st December 2007 the rates of tax were as follows:

Where the taxpayer is a natural person (i.e. individual business enterprises):

Taxable Income	Tax on this Income
0 - \$3 368	10% of each \$1
\$3 369 - \$6 737	\$336.80 plus 15% of each \$1 over \$3 368
\$6 738 and over	\$842.15 plus 30% of each \$1 over \$6 737

Where the taxpayer is a legal person (i.e. non-individual business enterprises):

Taxable Income	Tax on this Income
All taxable income	30%

While the final amount of income tax payable is not calculated until after the end of the year, income tax installments are payable throughout the year (see page 4).

Services Tax

From 1st July 2008 services tax is payable at the rate of 5% of total receipts from:

- hotel services,
- restaurant and bar services and
- telecommunications services.

Receipts subject to services tax are also subject to income tax. The amount of services tax paid is an allowable income tax deduction in cases where that amount has been included in total receipts subject to income tax.

For services provided between 1st July 2002 and 30th June 2007 the service tax rate was 12%.

For services provided between 1st July 2000 and 30th June 2002 the service tax rate was 10%.

Registration requirements

Businesses

Each enterprise operating in Timor Leste is required to register with the TLRS by completing a registration form. The enterprise will then be issued with a Tax Identification Number (TIN). In addition, businesses are required to register with the Business Registration Unit of the Ministry of .

Payment of taxes

Officers of the TLRS are not authorized to receive payments from taxpayers. To pay taxes in Timor Leste you are required to complete three (3) copies of the relevant monthly taxes form or annual income tax form and deliver these forms and the amount of tax to be paid to a branch of the Banco Nacional Ultramarino (BNU).

The BNU will stamp the forms and return one copy (1) to you for your records. One (1) copy will be retained for the TLRS and the other will be returned to you for your records.

Taxes may also be paid electronically. You may obtain advice on this method through the contact details below.

Due dates for payments

Payments for services tax, wage income tax, income tax instalments and withholding taxes are to be made on or before the 15th day (or the next business day if the 15th is not a business day) of the month following the month (or quarter) to which the payment relates.

Final payments of income tax are due to be paid, along with the lodgment of the annual income tax return, on or before March 31st following the end of the tax year.

Income tax installments

All **business enterprises** are required to pay income tax installments either monthly or quarterly. Income tax installments are calculated as 0.5% of total turnover of the business enterprise for either the month or quarter.

Monthly

Business enterprises with annual turnover greater than \$1 million in the previous tax year are required to pay monthly income tax instalments. The payments are due on the 15th of each month with the first instalment payable on 15th February on the January monthly taxes form.

Quarterly

Business enterprises with an annual turnover of \$1 million dollars or less in the previous tax year are required to make quarterly income tax installment payments on or before 15th April (on the March monthly taxes form), 15th July (on the June monthly taxes form), 15th October (on the September monthly taxes form) and 15th January (on the December monthly taxes form). Income tax installment payments are made using the relevant monthly taxes form. Final payments of income tax are due to be paid, along with the lodgment of an annual income tax return, on or before March 31st following the end of the tax year.

Requirement to lodge an annual income tax return

For the year ending 31 December 2000 and subsequent years, each tax subject deriving income from conducting business activities that was not covered by a final withholding tax is required to lodge an annual income tax return.

Other Taxes

Import duty and sales tax, applying to imported goods, and excise tax relating to specified goods are administered by the Timor Leste Customs Service.

Obtaining further information

More information may be obtained from the TLRS Dili District office that is located in Building 5, Palácio Do Governo, Dili. Enquiries can also be made by telephoning + (670) 331 0059.

If you are outside Dili you can obtain more information from the:

- TLRS Baucau District Office located in Vilanova Street, Kota Baru, Baucau.
- TLRS Maliana District Office located in Holsa Street, Maliana.

In addition, full copies of rulings, guides and other information may be down loaded from the Ministry of Planning and Finance Website at: www.mof.gov.tl/en/TLRS/DomesticTax/