



Timor-Leste Investment Guide



Building a better
working world

Investment Guide Timor-Leste

This document was prepared to provide investors with information on the business environment of Timor-Leste.

The information presented is current at the time of the document's completion. However, it should be used as a research tool only and not relied upon as the exclusive source of information for investment decisions.

The complex decision-making process involved in undertaking foreign operations requires an intimate knowledge of a country's business and commercial climate as well as the recognition of the fact that these are continuously evolving.

Companies doing business in Timor-Leste or planning to do so should view this document as generic in nature.

Specialized advice should be sought to confirm the legal, tax or financial details and implications relevant to any specific investment project.

We would like to extend our gratitude to the Government of Timor-Leste, to TradeInvest Timor-Leste and to the private investors who provided testimonials of their experience in the country.

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“As investment in infrastructure and education unlock its economic potential, Timor-Leste could become a 21st century symbol of how public policies can mobilize private investment into a path of sustainable development.”

João Alves

Portugal – Country Managing Partner

Ernst & Young Audit & Assoc. SROC SA

Foreword



João Alves
Portugal – Country Managing Partner
Ernst & Young Audit & Assoc. SROC SA

As a global organization, EY understands the importance of purpose in companies and values the legacy-building mindset of entrepreneurs and business owners. We know that the growth agenda of most of our clients is driving them to identify new opportunities, sometimes by scouting new markets or investment locations.

As one of the youngest nations in the world – having regained its status as a sovereign nation in 2002 – Timor-Leste is still not known to a large number of companies. The historical and economic connections between Portugal and Timor-Leste, which also include Portuguese as a shared language, motivated us to research the country's business environment and to identify its opportunities.

By sharing our findings, we hope that this initial glimpse into the country will result in more decision-makers considering Timor-Leste in their site selection processes.

Since future private projects are key to the achievement of the country's goal of sustainable growth, our investment in the preparation of this document honors our own purpose – building a better working world.

The people of Timor-Leste have, on multiple occasions, demonstrated their resilience when faced with adversity and their capacity to unite and persevere toward a common goal. As these are some of the hallmarks of entrepreneurs, the traits of Timor-Leste's people and the country's ongoing pro-business reformist efforts signal a fertile ground for companies looking for opportunities in Southeast Asia.

Unlike the challenges faced by some centuries-old countries, Timor-Leste has the advantage of having a young population, a wealth of natural resources and a strong commitment toward achieving sustainable growth in a diversified economy.

For a country only halfway through its second decade of existence as a sovereign nation, Timor-Leste is facing some challenges.

However, as investment in infrastructure and education unlock its economic potential, Timor-Leste could become a 21st century symbol of how public policies can mobilize private investment into a path of sustainable development.

One does not often come across opportunities where the pursuit of business goals may also result in a decisive and lasting effect in a country. This is one such opportunity.

As an entrepreneur, business owner or investor, are you prepared to include Timor-Leste in your legacy?

The Government's view



Rui Maria de Araújo
Prime-Minister

This Investment Guide is an important tool for foreign and national investors, providing key information on the country's economic situation and the principal tax, legal and labor issues, as well as how to initiate a business in Timor-Leste and general information on how to invest and do business in the country.

I strongly urge investors to make use of this Investment Guide to explore business opportunities in Timor-Leste. In doing so, you will find a nation with many comparative advantages and a young, growing population ready to engage with investors.

Since the restoration of our independence in 2002, our nation has worked hard to build a strong economy and a favorable climate for private investment. Investment in our oil and gas sector is well known and has attracted global multinationals.

Now investors are discovering the advantages of our agricultural, fisheries, tourism and manufacturing sectors.

I hope that you find this guide useful in your pursuit of business and investment opportunities in Timor-Leste.

"I strongly urge investors to make use of this Investment Guide to explore business opportunities in Timor-Leste."



Estanislau Silva
Minister of State and Coordinating
Minister for Economic Affairs

Timor-Leste is fully committed to enhancing the rule of law and the foundations of peace, stability and security in the country. The quality of the investment climate is being proactively improved by way of a forward-looking economic reform program under my direct political coordination. Our economic reform program seeks to improve the business-enabling environment and lay the foundations for a private sector-led economy with increasing levels of foreign and domestic investment.

By way of this Investment Guide, private investors are invited and encouraged to come to Timor-Leste and grasp promising investment opportunities in sectors, including oil and gas, mining, agriculture, fisheries, tourism and manufacturing, to name a few.

As described in this Investment Guide, the necessary pre-conditions investors require before committing financial, material and human resources in Timor-Leste are either already in place or being refined. The Government of Timor-Leste is aiming through these measures to promote economic diversification, attract private investments and generate secure employment. In so doing, we remain sure the outcome will be good for the investor and, above all, good for the well-being of the people of Timor-Leste.

“Private investors are invited and encouraged to come to Timor-Leste and grasp promising investment opportunities in sectors, including oil and gas, mining, agriculture, fisheries, tourism and manufacturing.”

Why Timor-Leste?

Key attractiveness factors

1. Natural resources

Timor-Leste has a wealth of natural resources, including offshore oil and natural gas reserves that have been extracted since 2003. Additional offshore sources have been identified and onshore oil seeps are also being assessed as to their extraction potential. Other mineral assets include gold, manganese and marble, with opportunities emerging for private investments.

Timor-Leste's pristine landscapes, combining temperate, subtropical and tropical climates, provide a huge potential for tourism. Other opportunities exist in agriculture, forestry and inland aquaculture projects. The Timor Sea also provides opportunities for the fishing-related activities, including aquaculture.

4. Reform program

A reform program is underway, aiming to prioritize and streamline the implementation of structural economic measures. The reform program identifies five priority sectors for public policy, signaling areas of opportunity for private investment: Oil and Gas, Agriculture, Fisheries, Tourism and Manufacturing.

To enable private investment, the reform program identifies the areas where new or improved legislation is required: regulation of lands and properties, development of economic infrastructures, labor regulation and workforce development, business environment reform, fiscal reform, reform of the Private Investment Regime, and reform and development of the private sector.

A steady pace of infrastructure building – energy production and distribution, telecommunications, roads, Tibar Port, Oecussi airport, among others – and direct negotiations with investors have already resulted in relevant foreign investment to the country, replacing imports and generating jobs.

2. Commitment to sustainable development

The country was an early adopter of the Extractive Industries Transparency Initiative, reaching compliant status as early as 2010. Extractive industries have already contributed with more than US\$16 billion to the national petroleum fund, which is the key funder of the Government's budget and of the country's public investment policy.

With general consensus as to the need to pursue a sustainable development policy, the ongoing investments in infrastructure modernization and human resources development present both investment opportunities in themselves and an incentive for private investors to monitor for future opportunities.

5. International integration

Timor-Leste is a full-fledged member of the Community of Portuguese Language Speaking Countries (CPLP), enabling access to a market of more than 250 million consumers in three continents.

The country has applied for membership to the Association of Southeast Asian Nations (ASEAN) in 2011, with ongoing investments and reforms paving the way for a closer integration in the coming years. Future access to ASEAN countries, which have a combined population of 629 million, represents an additional opportunity for businesses to set up in Timor-Leste.

In March 2017, Timor-Leste has been accepted as a regional prospective member of the Asian Infrastructure Investment Bank. This is an additional step in regional integration and paves the way for improved access to funding of infrastructure projects.

3. Currency

Timor-Leste uses the US dollar as its currency. This significantly reduces the exchange rate risk normally faced by investors, when compared to investments in economies with more volatile currencies.

While limiting the country's ability to have an autonomous monetary policy, using the US dollar provides for a more stable background in which to develop operations and meet business goals.

6. Tax regime

Timor-Leste's has a very competitive tax regime, with corporate tax, customs duties and indirect tax rates that are lower than in comparable countries in the Asia-Pacific region. Additionally, investors have access to tax incentives that can further reduce the total tax burden.

Even though regional competitiveness is likely to be maintained, the tax reform being discussed couples the Government's ambition of a more efficient tax system with that of increased revenues from non-oil-related activities, ultimately resulting in long-term fiscal sustainability.

Country profile



Historical context

The Democratic Republic of Timor-Leste was the first new sovereign state to be recognized by the United Nations (UN) in the 21st century on 20 May 2002.

The country had previously been a Portuguese colony for nearly 200 years, declaring its independence in 1975.

A period of Indonesian occupation ensued, which would end in August 1999, after UN-mediated negotiations and a popular referendum.

The country is a member of the CPLP and is seeking membership of the Association of Southeast Asian Nations (ASEAN).

Population

The preliminary results of the 2015 population census indicate a total population of nearly 1.2 million.

The most populous cities are Dili, the country's capital with over 250,000 inhabitants, and Ermera and Baucau, with over 127,000 and 124,000 inhabitants, respectively. The census indicates that nearly 72% of East-Timorese live in areas classified as rural.

As per the 2010 census, Timor-Leste is the Asian country with the highest percentage of Catholics – 96.9%. The same source indicates Protestant and Evangelic worshippers represent 2.2% of the population with Muslims representing 0.3%.

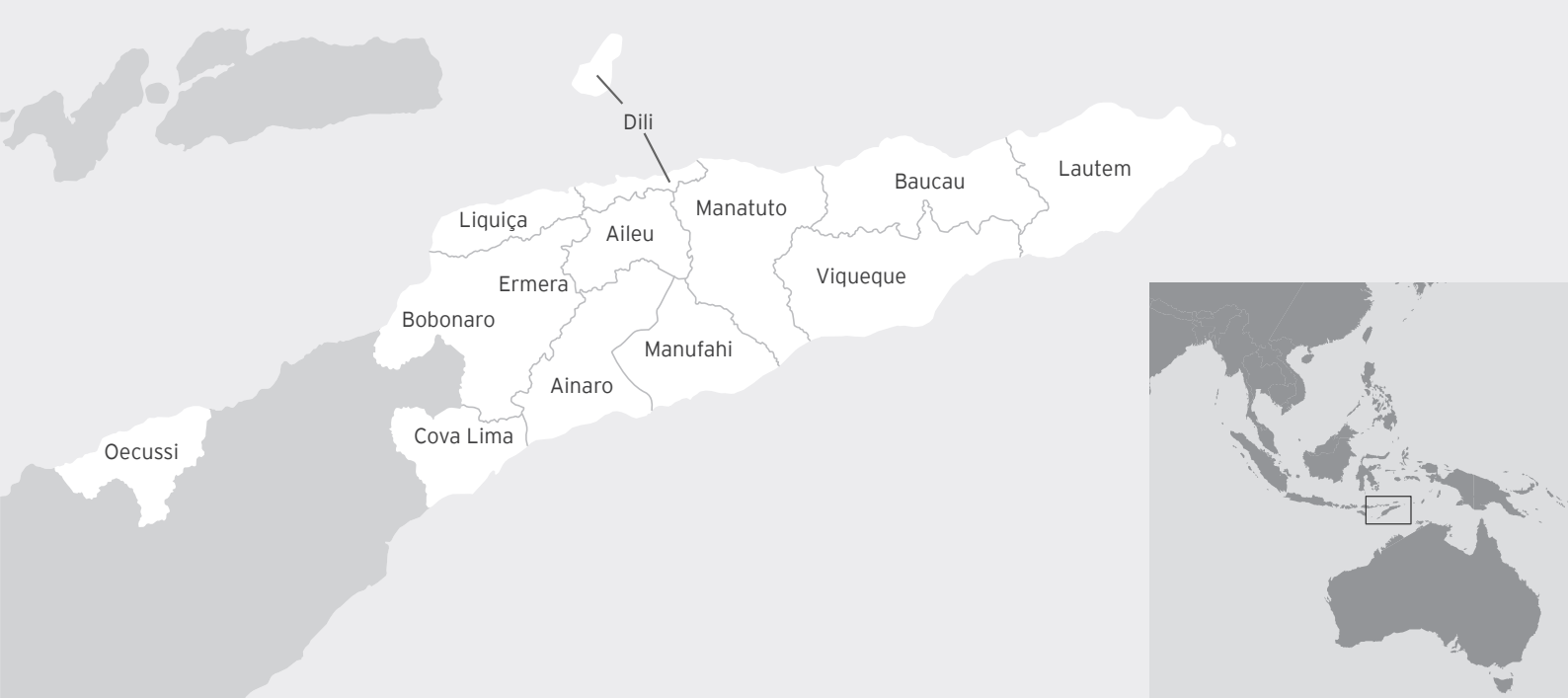
Geography and climate

Timor-Leste is one of the eleven sovereign nations of Southeast Asia. The country shares a land border with Indonesia and is located some 500km to the northwest of the Northern Territory of Australia, across the Timor Sea.

The territory of Timor-Leste comprises the eastern part of the island of Timor, the enclave of Oecusse (in the western part of the same island) and the islands of Ataúro and Jaco.

Timor-Leste is a mountainous island with Tatamailau peaking at nearly 3,000m. The country's pristine landscapes combine temperate, subtropical and tropical climates. At sea level, the climate is hot and humid, with average temperatures ranging from 19 degrees Celsius to 30 degrees Celsius.

The rainy season runs from December to April, with a dry season from June to October.



Timor-Leste

Area: 14,919 square kilometer

Population: 1.2 million

Urbanization: 32.8%

Gross Domestic Product (GDP) 2015: US\$1.4 billion

Improving socio-economic indicators

As a post-conflict country, when Timor-Leste regained sovereignty, its basic infrastructure was mostly absent and meeting basic needs was a priority. After a UN-led transition period, Timorese Governments, with continuous international support, have been using oil revenues to drive public investment and promote Timor-Leste's development.

Being a young nation with one of the world's youngest populations, there are plenty of challenges ahead. However, in a short period of time, the country has achieved significant improvements in relevant socio-economic indicators. Neonatal and under-five mortality rates have been reduced. Vaccination levels, other health indicators and livelihood conditions have also been gradually improving, with a noticeable impact in life expectancy (68 years in 2014).

As a result, in 2016, Timor-Leste was recognized, among 188 nations, as the country presenting the most improvements in the health-related Sustainable Development Goals for the period 2000-15.

High rates of school enrollment are gradually reducing adult illiteracy rates, increasing qualifications and improving the country's attractiveness for investors.

Overall, the country's performance currently corresponds to a ranking of medium in UN's Human Development Index, at par with several other Southeast Asian countries.

All these results are being achieved while adhering to the democratic process. The country ranks in the global top 50 and Asia's top 5 of the *Democracy Index* published by the Economist Intelligence Unit.

Timor-Leste is also an advocate for human rights and the promotion of women's role in society. Notably, women represent 38% of Timor-Leste's Parliament members.

Country profile

Languages

The official languages of Timor-Leste are Portuguese and Tetum. The constitution also accepts Indonesian and English as working languages and formally recognizes 15 local dialects as national languages.

Currency

The country uses the US dollar as currency, which is legal tender for all payments made in cash. There is a local coinage of “centavos” for smaller denominations, with one centavo corresponding to one US\$.

Regional and international context

On 27 September 2002, Timor-Leste was admitted, by unanimous decision, as the 191st member state of the United Nations. Since then, the country has built good political and diplomatic relations with regional and global partners.

Following a long period of discussion between both countries, Timor-Leste and Australia have resorted to an UN-backed conciliation process regarding a dispute on the maritime border in the Timor Sea, an area where relevant oil and gas reserves exist. Both countries are committed to the process, with ongoing regular meetings to continue throughout 2017.

Similarly, on February 2017, Timor-Leste and Indonesia have agreed on a consultation mechanism to address existing border disputes.

ASEAN

Soon after the formal recognition of its independence, Timor-Leste stated its intention to request accession to ASEAN, whose member states are the other ten sovereign nations located in Southeast Asia, includes in its charter the promotion of economic growth, social progress and cultural development, as well as regional peace and stability.

In 2014, ASEAN’s member countries had a total population of nearly 622 million and a combined GDP of US\$2.6 trillion.

Timor-Leste formalized its request to accede in 2011, and the country has since been gradually fulfilling the necessary formal requirements as well as gathering its regional partners’ support to be formally admitted to ASEAN.

In 2015, the regional block achieved a critical milestone as it successfully established the ASEAN Economic Community (AEC). This increases the challenges but also the benefits of a future accession of Timor-Leste.

ASEAN members – 2016

Brunei Darussalam	Myanmar
Cambodia	Philippines
Indonesia	Singapore
Lao People’s Democratic Republic	Thailand
Malaysia	Vietnam



CPLP

Timor-Leste is a full-fledged member of CPLP. This organization's charter envisions the political and diplomatic alignment of Portuguese-speaking countries and the reinforcement of their presence in the international arena. Country members commit to cooperate in areas that include education, health, science and technology, defense, agriculture, public administration, communications, justice, public safety, culture, sports and media.

In 2013, CPLP's member countries had a total population of nearly 260 million and a combined GDP of US\$2.8 trillion.

Timor-Leste's membership of CPLP has enabled the country to successfully engage in substantial international interchanges, accelerating the transference of know-how to local institutions and the training of Timorese resources. CPLP countries are also playing a role in supporting the teaching of Portuguese in Timor-Leste, with visible impact in the number of speakers in the country.

The *10th CPLP Summit* held in Dili, in 2014, was a relevant milestone to demonstrate that, a mere dozen years after its independence, the country had reached a critical mass of governance, infrastructure and resources to successfully host an international event encompassing members from four continents.

CPLP members – 2016

Angola	Equatorial Guinea	Portugal
Brazil	Guinea-Bissau	São Tomé and Príncipe
Cape Verde	Mozambique	Timor-Leste

WTO

Timor-Leste has applied for membership of the World Trade Organization (WTO) in April 2015. Membership talks were initiated in December 2016.

Asian Development Bank

A member since 2002, Timor-Leste has already received more than US\$300 million in loans, grants and technical assistance from the Asian Development Bank (ADB). Timor has signed a 2016-20 Country Partnership Strategy (CPS) with ADB designed to support its efforts to diversify from an oil-based economy. The CPS will play a relevant role in upgrading transport, water and electricity infrastructure. It will also focus in technical education and in the development of the financial sector.

World Bank Group

Both the International Bank for Reconstruction and Development (IBRD) and the International Finance Corporation (IFC) have been actively supporting Timor-Leste since becoming a member in 2002.

The IFC has been advising on regulation and policy to promote entrepreneurship and create jobs. This is further enhanced with programs that make funding available for small business and through investment in basic infrastructure.

AIIB

The Asian Infrastructure Investment Bank (AIIB) has approved Timor-Leste as a prospective member in March 2017, opening new opportunities for multilateral-funded projects in the country.

Country profile



Infrastructure

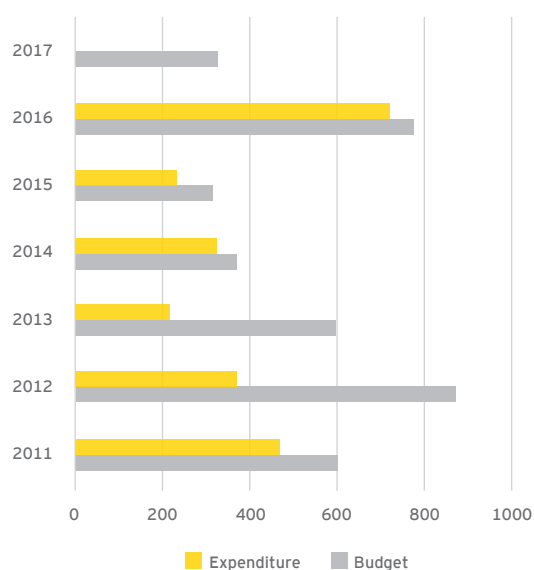
Infrastructure Fund (IF)

Developing core economic infrastructure, such as electricity grids, roads, bridges, water supply, ports and irrigation systems, is one of the key elements to support sustainable economic growth and social transformation in Timor-Leste.

In 2011, the Government created the IF with the purpose of financing key infrastructure projects above US\$1 million. Since then, more than US\$3.5 billion have been approved and allocated to more than 500 projects, with a total execution rate estimated at 67% in the end of 2016.

The key areas of intervention so far were the production and distribution of electricity, and the construction and improvement of the road network. Schools, health, sanitation and connectivity are also relevant areas of intervention for the IF, whose 2017 budget amounts to US\$324 million.

Investment Fund budget and expenditure 2011–17 (US\$ million)



Timor-Leste State Budget 2017, Book 3A, 2016

Energy

Energy production and distribution has been the key focus of the IF investment program, with close to US\$600 million allocated to nearly 600 projects planned in this area. The key power stations of Hera (120MW) and Betano (135MW) have already been completed, currently working on heavy fuel but prepared to operate with natural gas.

The ongoing investments also include extensive improvements to the power grid, involving 150KV and 20KV distribution lines, as well as a number of substations. The current estimate is that 80% of the population is already covered by the power grid. Notwithstanding, the use of private generators is still common to assure the reliability of supply.

Airports

The country's key international gateway is the Presidente Nicolau Lobato International Airport in Dili. Direct flights connect Dili to Indonesia (Denpasar Airport in Bali), Australia (Darwin Airport) and Singapore. The main airlines operating in Timor-Leste are: Airnorth, Air Timor, Sriwijaya Air, Citilink, Silk Air and Nam Air.

Domestic flights connect Dili to Ataúro, Baucau, Lospalos, Maliana, Oecusse, Same, Suai and Viqueque. Dili and the enclave of Oecusse are also connected by a fast boat operated by Dragon Star Shipping.

The IF investment program includes the upgrade and extension of Dili's airport and regional airports in Maliana, Baucau, Suai and Oecussi.



Roadways

Timor-Leste road network includes national roads that link the districts to each other (with an approximate extension of 5,500km), district roads that link district centers with sub-districts (approximately 1,426km of national roads) and rural roads that provide access to villages and the more remote areas (about 869km of local roads and 3,025km of rural roads).

The *Roads and Bridges Program* of the IF includes more than 400 projects, of which about 100 have been completed. Since 2011, the percentage of roads considered to be in poor condition have been reduced by one-third.

Road construction and maintenance in the interior of the country faces great difficulties due to mountainous terrain and the climate. As a result, the use of all-terrain vehicles is still advised on most roads.

Ports

Timor-Leste's imports and exports of general cargo use Dili's port, where international shipping carriers operate regular routes to Darwin (Australia), Kota Kinabalu (Malaysia), Surabaya (Indonesia) and Singapore.

The Dili Port is to be relocated to Tibar Bay, under a Public-Private Partnership (PPP) investment with French group Bolloré. Other ports intervened by the IF include Com, Atauro, Oecusse, Vemase and Hera.

Telecommunications

In 2015, 96% of Timor-Leste's population was covered by mobile cellular network (World Bank data). The country's official statistics indicate that at the end of 2016, the total number of mobile subscribers already exceeded 1.5 million, which results in a mobile penetration rate of 120%. The same source indicates that 3G services have more than 300,000 subscribers.

The initial telecommunications infrastructure was set up by Timor Telecom (TT). In 2012, following a liberalization process, new entrants Telkomcel and Viettel Telemor entered the market and ignited competition. As operators try to gain market share and improve service, new offers are regularly introduced and the availability and quality of services are steadily improving. As a result of the country's location and geography, the improvement of satellite links has been important to the increase in internet access speed.

The IF includes a specific program focused on the improvement of the country's connectivity, with nearly US\$70 million budgeted for investments up to 2020.

On the move

Public and private investments

Timor-Leste's vision for the future, initially laid out in the *2011–30 Strategic Development Plan*, is slowly taking form as the country's infrastructure is rebuilt and new opportunities for private investment emerge.

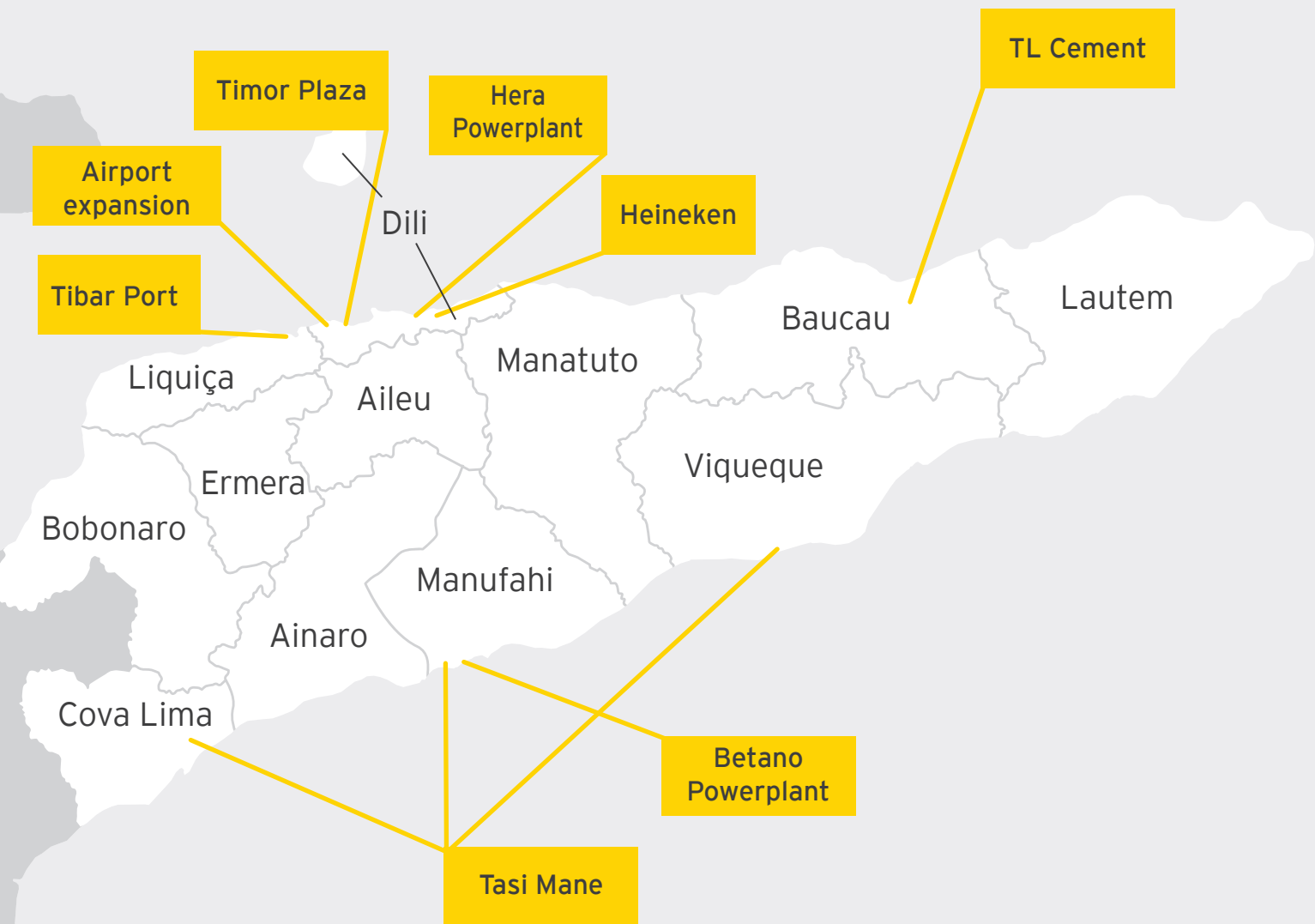
Public investment, mostly funded through the IF, has already achieved relevant milestones in terms of sanitation, health, education, roadways, communications and power grid. The most relevant public investments include:

- ▶ Hera and Betano Powerplants – already completed, provide the backbone of power generation
- ▶ Dili Airport – improvements to accommodate increasing volumes of passengers
- ▶ Oecussi International Airport – an essential tool to improve the enclave's connectivity with the rest of the country and to provide it with direct international access
- ▶ Tasi Mane project – an ambitious plan to develop the south coast of the country, including three hubs specialized in different areas of the oil and gas sector

But the evolution of the country is also driving an initial wave of private investments:

- ▶ Timor Plaza – one of Dili's business hotspots, featuring a hotel, congress center, shopping center and office buildings
- ▶ Heineken's brewery and beverages plant in Hera – to become fully operational in 2017
- ▶ Tibar Bay Port – a PPP with the Bolloré Group (France) to build and operate a new port with 350,000TEU capacity, to be operational in 2020
- ▶ TL Cement – a clinker and cement production unit, in a limestone-rich area near Baucau, projected to manufacture 5,000 ton per day, starting from 2018







Business environment

Governance

Constitution

Timor-Leste's Constitution was approved in March 2002, establishing a semi-presidential system, with a unicameral parliament. The president and the national parliament are elected by direct and universal vote for periods of five years.

The prime minister is appointed by the president, after being named by the party with the most votes or by a group of parties that represents the majority of parliament.

The fourth electoral cycle since Timor-Leste regained its independence in 2001 will be held in the first semester of 2017.

Parliament

Timor-Leste's unicameral parliament holds the legislative power and is composed of a maximum of members of parliament.

The constitution requires a political party to have at least 3% of total votes to be represented in parliament. The Hondt method is used to allocate parliamentary seats to parties.

President

The president of Timor-Leste does not have legislative power, but has a key role in approving or vetoing the result of the parliament's legislative process. The presidential powers also include the dissolution of parliament, on specific situations, to request the Supreme Justice Court's assessment on the constitutionality of legislation, and the appointment of the prime minister, upon consultation of parliament.

Government

The Government holds the executive power. The prime minister is appointed by the president, on the basis of the results of the elections for parliament. The prime minister then selects the remaining members of Government, who are appointed by the president.

Political organizations

The country's leading political organizations are:

- ▶ National Congress for Timorese Reconstruction or Congresso Nacional de Reconstrução de Timor (CNRT) – 30 deputies in the 2012-17 Parliament
- ▶ Revolutionary Front for an Independent Timor-Leste or Frente Revolucionária de Timor-Leste Independente (FRETILIN) – 25 deputies
- ▶ Democratic Party or Partido Democrático (PD) – 8 deputies
- ▶ Front for National Reconstruction of Timor-Leste or Frente-Mudança – 2 deputies

State budget

With oil revenues representing nearly 80% of the total funding, the 2017 Budget includes a withdrawal from the Petroleum Fund (PF) that exceeds the estimated sustainable income by US\$597 million. This reflects the scale of the ongoing capital investments, designed to create the infrastructure and the attractiveness conditions required for the diversification of the economy. However, this is also a key driver behind the ongoing discussions to promote a tax reform that creates a more effective tax system, improving collections and substantially increasing tax revenues.



Courts

The Supreme Justice Court (Appeals Court) is the highest ranking judicial court in Timor-Leste, having the capacity to assess the constitutionality of new legislation and to decide on appeals emanating from other judicial courts. It is also the supreme court's role to validate the legality of the creation of political parties or coalitions, as well as to oversee the regularity and validity of the electoral process.

The Supreme Justice Court also carries the role of Court of Auditors, being a member of the International Organization of Supreme Audit Institutions since 2011.

The Superior Administrative, Tax and Auditors Court oversees and assesses the legality of public expenditure, having also the capacity to rule on any matters arising from administrative or tax issues.

Regions

Timor-Leste is divided into thirteen districts, subdivided into a total of 67 sub-districts. The smallest administrative division in Timor-Leste is the "suco." The country has a total of 498 sucos, composed of one or more villages.

Immigration and visa policy

Foreigners entering Timor-Leste must present a valid visa, appropriate to the purpose of their visit. For travelers going to Timor-Leste on tourism or business, and if they enter the country through Dili's airport, the visa may be requested on arrival. Portuguese or Indonesian citizens arriving at a land border may also do so. Visas related with other purposes may need to be applied for in advance. The most commonly used visa types are:

- ▶ Common Visa Class I – applies to tourism and business, allowing the holder to stay in Timor-Leste for up to 90 days
- ▶ Work visas – allow the holder to enter Timor-Leste to work temporarily, paid or unpaid, as an employee, independent worker or professional and must be applied for in advance at one of Timor-Leste's diplomatic missions or consular offices.

Travelers may be required to comply with additional requirements, such as holding a return or onward ticket, demonstrating having made accommodation arrangements and being able to support themselves during their stay in the country.

The entity responsible for civilian immigration control at all land border crossing points, airports and ports is the Immigration Service of Timor-Leste. Detailed information on the country's visa's policy are available at migracao.gov.tl.



Business environment

On the path to sustainable development

The Petroleum Fund (PF)

The PF is a sovereign wealth fund that receives the revenues generated by the exploration of the nation's oil and gas reserves. Created in 2005, the PF is recognized for its high standard of governance, accountability, transparency and disclosure of information.

The constitutional principle governing the fund is the establishment of mandatory financial reserves to ensure that the country's oil and gas resources are managed wisely, for the benefit of current and future generations.

Each year, an Estimated Sustainable Income (ESI) is calculated. This is the amount that can be withdrawn from the fund without depleting its long-term balance (e.g., for the 2017 budget, the ESI was set at 3% of the PF's total value).

Withdrawals from the PF are used to fund the state budget, compensating the reduced level of tax revenues raised from non-oil activities. In recent years, as a result of a decline in oil revenues and of the added effort to advance the country's infrastructure, withdrawals have been exceeding the ESI.

Extractive Industries Transparency Initiative (EITI)

As one of the early adopters of EITI's principles of transparency and accountability, Timor-Leste was the third country in the world and the first in Asia-Pacific to achieve compliance with EITI.

The overall objectives of the EITI include:

- ▶ To promote openness and accountable management of natural resources
- ▶ To strengthen government and company systems, inform public debate, and enhance trust
- ▶ To provide oversight and help Timorese citizens to be informed of the revenue amounts coming from their country's natural resources
- ▶ To promote more openness and disclosure around how the country's natural resources and wealth are being managed to benefit all the citizens

Timor-Leste's Governments have been committed to transparency regarding the earnings from its petroleum resources, enabling scrutiny as to how those revenues are used to provide health care, education and security for Timorese, as well as to build and maintain the nation's infrastructure.



Investment legislation

General investor rights

Investments in Timor-Leste are regulated by Law 14/2011, the Private Investment Law. The general principles applied are:

- ▶ Free initiative
- ▶ Equal treatment of national and foreign investors
- ▶ Guaranteed protection of the investment
- ▶ Respect for previously signed international agreements or Investor Certificates

Foreign investors are granted the same level of protection than national investors, namely regarding:

- ▶ Access to courts to defend legally protected rights and interests
- ▶ Right to private property
- ▶ Imports of capital goods and equipment
- ▶ Access to credit (local or international)
- ▶ Free transfer of funds abroad
- ▶ Employment of foreign workers
- ▶ Protection of intellectual property
- ▶ Professional, banking and commercial secrecy

Restrictions to free initiative only apply in activities reserved for the state and to those that do not comply with environmental legislation that are related to the production or sale of firearms or that are illegal.

The Private Investment Law does not apply to the following activities, which have specific regulatory frameworks:

- ▶ Oil and gas, and other mining activities
- ▶ Direct sale of goods and equipment to the final consumer
- ▶ Commercialization of property

Benefits and incentives

Investors in Timor-Leste may be eligible for incentives, should their investments or re-investments exceed the following amounts:

- ▶ Resident national investor: US\$50,000
- ▶ Foreign or national nonresident investor: US\$1.5 million
- ▶ Contract of association between foreign investor and national residents, where the latter control at least 75% of share capital: US\$750,000

Upon negotiation with Timor-Leste TradeInvest, an Investor Certificate is issued containing all the relevant information about the project, the investor's obligations, and the corresponding benefits and incentives.

The incentives package may include 100% exemption of:

- ▶ Tax income
- ▶ Sales tax and customs import duty on the capital goods and equipment used in the construction or management of the project
- ▶ Service tax, for specific services required for the project

The tax exemptions granted are valid for a period of up to:

- ▶ Five years for projects located in sub-districts of Cristo Rei, Dom Aleixo, Nain Feto, Vera Cruz and Baucau
- ▶ Eight years for projects located in rural areas
- ▶ Ten years for projects located in peripheral areas (Oecussi and Ataúro)



Business environment

Financial system

Central Bank

The Central Bank has its origins in the Central Payments Office, established by the United Nations Transitional Administration in Timor-Leste. The Central Payments Office's purpose was to manage and supervise a system of payments for the currencies in use, in addition to provide licenses and supervise the banking system. It was later transformed into the Banking and Payments Authority and gained custody of the state funds and the PF.

The Central Bank of Timor-Leste or Banco Central de Timor-Leste (BCTL) was created on 13 September 2011, under Law number 5/2011, which reinforced the bank's role on monetary policy and the supervision of the banking and finance system. BCTL is the clearing house for interbank payments and it manages the country's financial and external reserves.

The Central Bank is the operational manager of the PF, providing secretariat support to the fund's Investment Advisory Board (IAB). The IAB advises the Minister of Finance on the fund's investment policy and on the return and risk of investments made by the PF.

The bank also plays a key role in raising awareness on the topics of money laundering and funding of terrorism activities, as well as in the enforcement of related regulation and in international cooperation in these areas.

Financial Sector Development Master Plan

In 2014, the Central Bank laid out the framework for the future development of the financial system of Timor-Leste in a master plan spanning the 2014-25 period.

The document identifies the following four elements as key enablers of the development of the financial sector:

- ▶ Implementation of the necessary legal and administrative arrangements to enable borrowers to offer collateral
- ▶ Development of record-keeping and accounting standards, supporting a better assessment of the borrowers' financial position
- ▶ Role of a government-backed credit guarantee scheme in sharing the risk of credit-worthy borrowers
- ▶ Development of the infrastructure required to enable bank deposits, and not cash, to be the main means of payment in the country

The Central Bank has also published its *Strategy for the Development of the Timor-Leste National Payments System*.

A relevant milestone in the development of the financial system is the launching of R-Timor, a payment network that went live on April 2015. This automated system, managed by BCTL and covering all banks present in Timor-Leste, enables efficient and secure interbank payments from payer to payee.



Banking system

There are five banks licensed by BCTL to operate in Timor-Leste:

- ▶ Banco Nacional Ultramarino Timor – Grupo Caixa Geral de Depósitos (Portugal)
- ▶ Australia and New Zealand Banking Group (Australia and New Zealand)
- ▶ Banco Nacional de Comércio de Timor-Leste (Timor-Leste)
- ▶ Bank Mandiri (Indonesia)
- ▶ Bank Rakyat (Indonesia)

There are three insurance companies authorized to operate in the country:

- ▶ National Insurance Timor-Leste, SA
- ▶ Sinarmas Insurance, SA
- ▶ Federal Insurance Timor, SA

Since the commercial bank's physical presence outside of Dili is still limited to some district capitals, there are ongoing efforts to make banking available to other areas through ATM terminals and mobile options for both deposits and withdrawals, as well as electronic means of payment.

Timor-Leste's presidency launched a *National Financial Education Program* and a *Strategic National Plan of Financial Literacy* to develop the level of financial awareness and improve citizen's ability to manage their personal financial affairs.

World Bank data indicates that the number of bank accounts per 1,000 adults has increased from 174 in 2010 to 477 in 2014. This trend illustrates the impacts of increased competition in the banking sector, improvements on the payments system and growing financial literacy.

As the country's economic situation improves, the pace at which savings are generated is far exceeding that of credit concession, resulting in excess liquidity being applied outside of the country. At the end of 2016, the Payment and Banking Authority registered a total of only US\$182.5 million in commercial bank credits to the private sector.

This situation can only be improved through more reliable and transparent financial information of borrowers or through collateral against loans.

The Minister of Finance's ongoing reforms include the implementation of local accounting standards and the regulation of the accounting and auditing professions. The intention is to bring the country to par with international best practice and to enable more reliable financial information on private ventures, to the benefit of shareholders, tax authorities, banks and other relevant stakeholders.

Regarding collateral, and as with most post-conflict countries, proving land ownership is still difficult in Timor-Leste. This is a sensitive topic, to be addressed in a land law that has been drafted and discussed over a long period of time. Even without a definitive legal solution, extensive survey works started in 2014, aiming at a complete coverage of the country and leading to a central registry with complete and georeferenced information.

Solving these bottlenecks would result in better access to long-term funding at affordable rates, improving the conditions for the development of the private sector.



Business environment

TradeInvest

Investment and Export Promotion Agency

TradeInvest Timor-Leste was created by Decree-Law 45/2015, with the mission to ensure that the country will achieve the economic transformation required to be part of the group of upper-middle-income countries by 2030. The agency embodies the country's *Strategic Development Plan* in what concerns the dissemination of information on Timor-Leste, the promotion of exports of local goods and the increase of both foreign direct and national investment.

The agency focuses on the promotion of investment opportunities in the country, interfacing directly with investors while having streamlined access to relevant ministries and counting on the support of the country's diplomatic and consular representations. Similarly, the agency supports local companies in their efforts to increase export activities.

TradeInvest Timor-Leste, located in Dili, is a public institute with administrative, financial and patrimonial autonomy. Formally, its key responsibilities include:

- ▶ Leading role in the administrative process for granting the Investor's Certificate, the Exporter's Certificate and the Special Investment Agreement
- ▶ Identification of investment and export opportunities in Timor-Leste
- ▶ Acting as a single interlocutor to assist investors and exporters, with a view to simplifying, streamlining and effectively coordinating procedures
- ▶ Monitoring and verifying on the ground the practical implementation of investment and export projects
- ▶ Creating databases on private investment and export opportunities
- ▶ Developing and publishing studies and periodic reports on investment and exports in the country
- ▶ Organizing the country's participation in congresses, conferences, colloquia or other events in the scope of investment and exports
- ▶ Establishing relationships with similar foreign entities or organizations
- ▶ Publicizing and promoting the image of Timor-Leste and Timorese brands abroad as a safe and business-friendly nation
- ▶ Recommending the adoption of economic, legislative, administrative and financial measures designed to facilitate the promotion of investment and export
- ▶ Collaborating with the government entity responsible for external trade
- ▶ Exercising its activity under the supervision and superintendence of the member of the Government responsible for economic development
- ▶ Acting as the link of the investor and exporter
- ▶ Promoting and encouraging female participation in the national private sector



Setting up a company

Procedures to create a company, types of companies and their basic characteristics

Following the initial contacts with TradeInvest Timor-Leste, and once the investment decision has been made, the setting up of a company in Timor-Leste is a straightforward process.

The Service for Registration and Verification of Entrepreneurs (SERVE), has been created by Decree-Law 35/2012 as the one-stop-shop to handle the administrative process required to incorporate a firm in Timor-Leste. As per the World Bank's *Doing Business Report 2017*, it takes four procedures and nine days to start a business in Timor-Leste, with an overall score that compares favorably to some of the other Southeast Asian economies.

Law 4/2004 determines that commercial companies can be set up under one of four types: general partnership, limited partnership, limited liability company or joint stock company.

In general partnerships, each partner is subsidiarily liable in relation to the partnership and jointly and severally liable with the other partners for the obligations of the partnership. A general partnership can only be formed by at least two partners, who can contribute with capital or labor.

Limited partnerships may be formed as a simple limited partnership or as a partnership limited by shares if the participations of the silent partners are represented by shares. Each limited partner is liable only for the payment of its share capital, which may not be fulfilled in labor.

Limited companies who have their capital divided into shares and partners are jointly and severally liable for the payment of all shares. The number of shareholders is limited to a maximum of 30, and share capital must be greater than US\$5,000 and less than US\$500,000.

Joint stock companies may only be formed by a minimum of three shareholders and their capital may not be less than US\$50,000. The liability of shareholders is limited to the value of the shares subscribed.



Business environment

Labor

Timor-Leste's Labor Law, defining the legal regime applicable to individual and collective labor relations, is enacted by Law number 4/2012.

Employment contracts may be established with an indefinite or a fixed period, with the latter limited to a maximum of three years, including renewals.

Other characteristics of the law include:

- ▶ Employment contracts may have a definite or indefinite period. Definite periods only apply in cases of seasonal or other short-term activities, or of replacement of an absent employee.
- ▶ Definite contracts of employment may not exceed three years with one month probation (three months in cases of exceptional technical complexity).
- ▶ The maximum working hours are 8 per day and 44 per week.
- ▶ Overtime is paid at 50% of the normal wage on weekdays and 100% on weekends and holidays.
- ▶ Workers are entitled to a minimum number of 12 leave days per year.
- ▶ Contract termination by the employer may be justified by serious employee misconduct or by market, technological or structural justifications. Alleged cases of wrongful dismissal must be declared by the courts within 60 days of the notification of dismissal.
- ▶ The maternity leave is of 12 weeks.
- ▶ The minimum working age is 15 years old.

Social Security

In 2008 Timor-Leste started to apply social protection measures, targeted to veterans of war, the elderly, the disabled and other social groups. These measures were funded directly from the state budget.

The discussions about a full-fledged *Social Security Program* started in 2010, with the creation of a workgroup whose mission was to study international best practice and to propose a program bespoke to the specific reality of Timor-Leste. Following extensive consultation with foreign experts, local communities and other stakeholders, the Social Security legislation was unanimously approved in October 2016.

Timor-Leste's Social Security is based on an universal, compulsory and contributive system. Employers and workers will be both required to contribute, even though the details are still pending the approval of detailed legislation.

A message from TradeInvest



Arcanjo da Silva
Executive Director

Our goal is to facilitate and support potential investors to locate in Timor-Leste. We are a one-stop-shop service provider, assisting foreign companies in the identification of projects in the vast array of business opportunities that are emerging in the country.

Timor-Leste has many key factors that make it an attractive destination for your investment. Using the country's *Strategic Development Plan 2011-2030*, and the *Guide for Economic Development Reform* as guidelines, we are committed to work together with companies to create a business environment that supports sustainable businesses.

Investors will find communication in Timor-Leste is easy. Our official languages are Tetum and Portuguese, whereas English and Indonesian are taught in public and private schools. What's more, Timor-Leste is a full-fledged member of the CPLP, enabling access to a market of more than 250 million consumers in four continents, for which more than 50 million are upper-middle-income consumers. The country has applied for accession to ASEAN in 2011, with ongoing investments and reforms paving the way for a closer integration in the coming years.

As an investment and export promotion agency, we are giving equal emphasis to both domestic and foreign investment. We acknowledge the importance of developing strong domestic support industries to attract foreign investment.

Moving forward, we want to diversify our economy. We are reducing our dependency from oil and natural gas by promoting opportunities in sectors, such as agriculture, fishery, tourism and manufacturing. If you need any information about our country or the investment opportunities available, do not hesitate to contact TradeInvest.

I will be looking forward to welcome your investment in Timor-Leste.

“If you need any information about our country or the investment opportunities available, do not hesitate to contact TradeInvest.”



Tax system

Overview

Existing taxes

The Law of Taxes and Fees from 2008 defines and characterizes all taxes in Timor-Leste, including income tax, services tax, petroleum tax, import tax, sales tax, consumption tax and other aspects of the tax system.

The following fees and tax liabilities apply:

- ▶ Company income tax – 10% rate
- ▶ Personal income tax – progressive rate from 0 to 10%
- ▶ Wage income tax – progressive rate from 0 to 10%
- ▶ Sales tax – 2.5% rate applied to imported taxable goods (taxable goods and services sold and delivered in Timor-Leste are subject to 0% rate)
- ▶ Services tax – 5% rate applied to hospitality services, restaurant and bar, and telecommunications with monthly turnover exceeding US\$500
- ▶ Custom duties on imports – 2.5% rate on the value of imported goods
- ▶ Selective consumption tax – rate varies depending on the product (alcohol, tobacco and oil products, fuel, weapons, most vehicles of a given value, etc.)

Fiscal Reform Commission

Pursuant to its objectives of economic diversification and sustainable growth, the Government of Timor-Leste has created a Fiscal Reform Commission (FRC) with the mandate to assess and reform the current fiscal sources of revenue, to introduce new sources of revenue and to reform expenditure. The FRC's ultimate goal is to achieve a diverse and stable flow of tax income, while increasing the efficiency of the tax system.

The FRC is a technical body, reaching out to experts to assess options and identify international best practices while using public consultation processes to receive feedback on its proposed changes. The reform is expected to take five years to implement and will include an overhaul of the tax system and of the tax authorities.

The reform of the tax system will be based on the following aspects:

- ▶ Update of tax rates
- ▶ Creation of a structured consumption tax (VAT)
- ▶ Revision of tax exemptions
- ▶ Development of customs duties procedures and of the inherent administrative body

Even though the FRC has already completed extensive work on the reforms, including a public consultation of Timor-Leste's future accounting standards and the regulation of the accounting and auditing professions, any major developments are expected to depend upon the Government that will result of the mid-2017 elections. In any case, it is expected that the Timorese tax system will remain one of the most competitive in the region, a relevant factor for potential investors.



Taxes on company income and capital gains

Tax assessment

The income tax for a given fiscal year is levied on the taxable income of a resident taxpayer, obtained locally or abroad, applying the corresponding tax rate. Any tax credits that have been granted are deducted from that amount.

The taxable income derived from a business activity is calculated based on net income for the year. Currently, companies are permitted to use International Financial Reporting Standards (IFRS). The Ministry of Finance is developing Timor-Leste's accounting standards, to be based on IFRS.

Taxpayers whose annual turnover is less than US\$100,000 can use either the cash method or the cumulative method for the calculation of income tax. For higher turnovers, only the cumulative method applies.

The cash method requires the taxpayer to recognize income upon receipt or provision, recognizing expenses when they are actually paid.

The cumulative method requires revenues to be recognized when they become chargeable and expenses at the time that their efflux becomes demandable.

Nonresidents

Income earned by a nonresident taxpayer is subject to withholding tax at the rate of 10%. Gross income includes the following inflows:

- ▶ Income arising from the exercise of business activities – gross profits earned by the practice of all business activities, including the sale of assets or debt forgiveness
- ▶ Income arising from ownership – dividends, interest, royalties, annuities, rents or other amounts arising from exploration properties, as well as any gains from the sale of any assets not held in a personal capacity, which do not constitute income from a business activity
- ▶ Awards or lottery winnings
- ▶ Any tax reimbursement payment previously deducted as expenditure
- ▶ Any other amounts constituting an economic capacity increase, regardless of its name or form, which can be used by the taxpayer for consumption or to increase its respective assets, with the exception of wages subject to payroll tax

The following revenues are exempt from income tax:

- ▶ Any help or donation, if the donor and the receiver do not have any business relation, ownership or control
- ▶ Offers granted by first-degree relatives, religious character of institutions, educational, charitable, or cooperatives, provided that the donor and the receiver are not related in corporate character, ownership or control
- ▶ Legacies
- ▶ Assets (including cash) received by a legal entity in exchange for shares or share capital
- ▶ Amounts paid by an insurance company to a resident taxpayer in connection with health insurance, accident, life or education
- ▶ Dividends
- ▶ Any contributions paid by a company or worker to an approved pension fund
- ▶ Income from an approved pension fund
- ▶ Fees paid to resident taxpayers, from the Timor-Leste Guarantee Fund

Ongoing reform efforts



Rui Martins
EY Market
Development Leader

Ernst & Young Audit & Assoc. SROC SA

As it is normally the case with post-conflict countries, Timor-Leste faces significant challenges. The country's infrastructure needs improvement. Its population is young and school enrolment high but further vocational training is required. The business environment is promising, but an incomplete regulatory environment still bears some uncertainty.

However, the leaders and the people of Timor-Leste have been able to unite around a common heritage and to firmly commit to a participative and democratic process. Equally important, Timor-Leste has a plan. The *2011-30 Strategic Development Plan* defines clear goals and lays out the roadmap to attain them. The Timorese Governments and parliament have been keeping to the plan and gradually designing, debating and passing into law the reforms required to create a stable and attractive business environment.

One of the major ongoing efforts is led by the Fiscal Reform Commission, charged with proposing an overhaul of the tax system that results in added effectiveness, a diverse and stable tax revenue stream and a more attractive business environment. The commission is delivering on its purpose, having initiated public consultations on key issues that include the definition of accounting standards and the regulatory framework for the accounting and auditing professions. These matters are critical for the consistence and reliability of financial reporting in the country, a staple both to attract investors and to enable sound interactions between companies and tax authorities.

A final model that adheres closely to existing international accounting standards will be important to generate trust from investors, to enable a swift adoption and to keep companies' compliance costs contained. Similarly, a clear definition of the roles of accountants and auditors, and of the respective supervisory bodies, will be important to avoid conflicts of interest and enable a swift implementation of the new framework. Whatever the conclusion is, EY is committed to work with the Government, business leaders and communities to support the transition into the new model.

“EY is committed to work with the Government, business leaders and communities to support the transition into the new model.”



Deductions from gross income deductible for tax purposes

The taxable income for resident or nonresident taxpayers is calculated as gross income deducted of the following:

- ▶ Expenses and losses incurred with the asset stripping or forgiveness of debts incurred within the taxable business activity
- ▶ Expenses incurred in obtaining any other amounts included in gross income
- ▶ Any losses recorded on the sale of assets, except for assets held in a personal capacity
- ▶ Depreciation and amortization of tangible and intangible assets associated with the business activity
- ▶ Contributions to approved pension funds
- ▶ Doubtful debts which have been calculated in accordance with Section 39 of the Taxes and Duties Act 2008 and, for financial institutions, bad debts calculated in accordance with Section 38 of the Bill of Rights and Taxes 2008
- ▶ Taxes (other than income tax)
- ▶ Losses arising from differences in exchange rates
- ▶ Expenditure incurred in Timor-Leste on research and development
- ▶ Scholarships, internships and training costs

The following are not deductible from gross income:

- ▶ Distributed profits, whatever the name or form, such as dividends, including amounts paid by an insurance company to an insured, or any distribution of surplus by cooperatives
- ▶ Expenses charged or incurred for the personal benefit of shareholders, partners or members
- ▶ Reserves, other than as allowed by law
- ▶ Health, accident, life or education insurance premiums paid by a resident taxpayer, unless the premiums are paid by an employer in respect of an employee and the premium is treated as income of the employee
- ▶ Excessive payment or compensation paid by a legal entity to a member of the same group, or paid between associates for work performed
- ▶ Gifts, aid, donations or inheritances are exempt from income tax at the recipient level
- ▶ Income tax due in Timor-Leste or abroad
- ▶ Expenses for personal benefit incurred by a taxpayer or dependent
- ▶ Wages paid to a partner in a company
- ▶ Interest on late payments, penalties and fines imposed for non-compliance with tax law
- ▶ Interest expenses, unless incurred by financial institutions
- ▶ Bribes or any similar nature of payments
- ▶ The expenses or losses incurred, to the extent recoverable under an insurance policy or contract of indemnity

Tax system

Withholding tax

The following types of income are subject to withholding tax:

Type of income	Tax 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	4%
Income from the provision of air or sea transportation services	2.64%
Income from mining and mining support services	4.5%

A flat withholding tax rate of 10% is applicable to income paid to nonresidents without a permanent establishment in Timor-Leste.

Depending on the circumstances, the payer or the recipient may have the responsibility to withhold and remit the tax. The recipient may elect to be taxed on an actual profits basis rather than on a withholding basis.

A person who receives an amount that has been correctly subject to withholding tax has no further liability for income tax on those amounts. By the same token, the payer is denied a deduction for expenses incurred which give rise to income that is subject to final withholding tax.

Tax losses

Tax losses incurred by the taxpayer can be carried forward and deducted from collectable income in subsequent years, until fully exhausted. When losses from different years are carried forward, the loss of the earliest year shall be deducted first.

Final tax filing

Taxpayers are required to file an annual income tax return by the last day of the third month after the end of the tax year. Any income tax payable is also due by that date.

Tax settlement

Taxes are paid in monthly or quarterly installments, in an amount corresponding to 0.5% of the revenue of that period, depending on the previous fiscal year's turnover:

Turnover	Up to US\$1million	Quarterly installments
Installment due by the 15th of the month following the quarter to which the obligation relates		
Turnover	Above US\$1million	Monthly installments
Installment due by the 15th of the month following the month to which the obligation relates		



Personal income tax

Withholding tax

For income tax purposes, a resident is a natural person who is present in Timor-Leste for a 183 days, continuous or over a set of periods, with reference to a time span of twelve months beginning or ending during the tax year.

Timor-Leste's residents are taxable on worldwide income. Resident taxpayers are entitled to a credit for any foreign income tax paid in respect of foreign-source income included in the gross income of the year.

The income of a resident taxpayer is subject to progressive rates of income tax, according to the table below, with the taxable income of each individual calculated separately.

Resident natural person	Tax
Taxable income: US\$0-US\$6,000	0 %
Taxable income: Above US\$6,000	10%

The income of a nonresident natural person is subject to a uniform tax rate of 10%. Nonresidents are taxable on Timor-Leste sourced income only.

For income tax purposes, there is no clear distinction between natural and legal persons, both in the calculation of taxable income and in administrative procedures.

For income tax purpose, please note that there are also a range of categories of exempt income and allowable deductions.

Tax system

Other taxes

Services tax

The tax on services is levied on the gross remuneration received by the taxpayer for the realization, in Timor-Leste, of specified services.

Falling under the category of specified services are: hospitality services, catering and bar services, and telecommunications services.

	Tax
Monthly business volume inferior to US\$500	0%
Monthly business volume equal or superior to US\$500	5%

The tax is due monthly and payable in the month immediately following the rendering of services (by the 15th day after the end of a calendar month).

Excise tax

The excise tax is levied on a specific set of goods, following its import or the removal from a warehouse by a registered manufacturer for consumption in Timor-Leste:

	Tax
Beer	US\$1.90 per liter
Wine, vermouth and other fermented beverages	US\$2.50 per liter
Ethyl alcohol and other alcoholic beverages	US\$8.90 per liter
Tobacco and other tobacco related products	US\$19.00 per kg
Gasoline, diesel and other petroleum products	US\$0.06 per liter
Passenger vehicles whose value exceeds US\$70,000	35% of the amount exceeding US\$70,000
Weapons and ammunition	200% of the value
Cigarette lighters	12% of the value
Smoking pipes	12% of the value
Pleasure boats and private aircraft	20% of the value

For imported goods, the taxable person is the importer. For goods produced in Timor-Leste, the taxpayer is the producer. For imports, excise tax is payable at the time of import. For domestic production, the taxpayer must complete an excise tax form and make a monthly remittance. The returns and remittances are due by the 15th day of the month following the relevant import or production event.

Import duty

Importers of goods into Timor-Leste which are not exempt from customs duties shall be subject to payment of a 2.5% tax on the value of imported goods.

The following goods that accompany a person arriving in Timor-Leste from another territory are exempt:

- ▶ Up to 200 cigarettes and 2.5 liters of excisable beverages per person
- ▶ Goods worth up to US\$300, of a non-commercial nature, intended solely for personal use or as gifts
- ▶ Goods of a non-commercial nature, other than jewelery, taken to Timor-Leste by travelers in accompanying luggage
- ▶ Household goods accompanying former residents in Timor-Leste, that return to their country permanently

There are other exemptions applicable under specific international conventions, applicable to re-imported and temporary admitted goods.



Wage income tax (WIT)

WIT is a final withholding tax and applies to taxable wages received by an employee in respect of employment exercised in Timor-Leste. In the case of an employee of the Government of Timor-Leste, WIT applies whether the employment is exercised in Timor-Leste or elsewhere. The concept of wages includes cash and the value of noncash benefits.

In the case of a resident natural person, wage income tax at the following rates applies:

Taxable monthly wages	Tax
US\$0 - US\$500	0%
Above US\$500	10% of the amount exceeding US\$500

If the dependent worker is a nonresident, the wage income tax rate will be 10%.

Employers are required to withhold WIT from wages. Employers must also complete monthly returns and remittances. The monthly returns and remittances are due by the 15th day of the month following the relevant wage payment. An annual return is due by the last day of the February following the end of the relevant tax year.

Information on WIT withheld must also be provided to each employee on an annual basis or on termination of employment.

Sales tax

Generally, where a taxpayer imports any taxable goods into Timor-Leste, sales tax is imposed on the value of the taxable goods. Sales tax is calculated at 2.5% of the customs value of the goods, including any import duty and excise tax payable on the importation of the goods.

Tax incentives

A tax holiday is available to national and foreign companies and individuals, as detailed in the investment legislation section. To confirm eligibility and obtain an investor's certificate formalizing the incentives package awarded to a specific investment project, the investor must apply to TradeInvest Timor-Leste.

The tax incentives may include:

- ▶ A 100% income tax exemption
- ▶ Exemption from sales tax
- ▶ Exemption from import duty

The exemptions may apply for 5 to 10 years, depending on the investment's location.

Oil and gas taxation

The taxation of petroleum activities depends on the geographic location of the operations. There are currently five specific tax regimes, not detailed in the present document.

Messages from investors



Alan F. K. Jape
Managing Director
Jape Group International

Our family returned to Timor-Leste in 1999, driven by our heritage and prior connection to the country. We identified opportunities to grow and expand our portfolio and wanted to contribute to our homeland. After other businesses, we eventually established Dili Development Company (DDC) in 2009 and started the construction of Timor Plaza – the first (and still the only) modern shopping center in the capital city of Dili.

In the early days we faced numerous challenges, including lack of confidence, fear of the unknown, political instability, language barrier, lack of skilled labor, lack of infrastructure, unreliable supply, and uncertain spending capacity and demand. However, our confidence and determination has come to a fruitful outcome. Timor Plaza first opened for business in 2011 and was recognized by the former Prime Minister Xanana Gusmao: “Never has Timor-Leste seen a project of such size, scope and potential on which a country’s future may be largely defined.”

Today the whole compound (known as Dili Central) has expanded to include a hotel and multiple office and apartment buildings. Timor Plaza has helped to change the retail landscape in Dili and to attract a number of regional and international brands. We also have the country’s first and only modern cinema.

Over the last 16 years, we have seen stability in Government, improvement of the country’s infrastructure, development of the legal framework, progress in industrial relations and labor code, simplification of company registrations, clearer immigration and working visa policies, and a more defined taxation legislation.

As part of our corporate social responsibility, we are working together with Ordem de Malta to build a medical clinic that will provide quality health care to all Timorese.

Timor-Leste is a dynamic market – it offers great promise for the future and DDC has a long-term plan for Timor-Leste that involves significant capital investments. We can speak from experience, having seen our vision come to fruition.

“Timor-Leste is a dynamic market – it offers great promise for the future and DDC has a long-term plan for Timor-Leste that involves significant capital investments.”



Vinay Mathur
General Manager
Heineken Asia Pacific

Heineken Timor S.A. (wholly owned subsidiary of Heineken N.V., Netherlands) signed a Special Investment Agreement with the State of Timor-Leste on 8 January 2015 and, subsequently, a land lease on 29 June 2015 for the factory site at Hera.

The project work commenced in September 2015 and the multi-beverage plant started local production in December 2016. The plant is capable of producing the Heineken range of international beers, international soft drinks and packaged water. Heineken is the first foreign investment in the manufacturing sector and the very first factory across sectors in Timor-Leste.

Heineken is building success for the long-term with “win-win” for its consumers, employees, distributors, customers, the Government and the society.

Heineken’s presence in Timor-Leste is a catalyst for the local manufacturing sector and a beacon for further foreign investment.

“Heineken’s presence in Timor-Leste is a catalyst for the local manufacturing sector and a beacon for further foreign investment.”

Investment opportunities

Oil and Gas

The petroleum sector is one of the pillars of the national *2011-30 Strategic Development Plan*

Petroleum sector potential

Timor-Leste has valuable natural resources. In particular, the Timor Sea has large deposits of oil and natural gas. Offshore drilling has been taking place in the Joint Petroleum Development Area (JPDA), controlled, managed and facilitated under an agreement between Timor-Leste and Australia.

Additional resources are yet to be developed, as it is the case of Greater Sunrise, Kelp Deep, Chuditch and PSC 11-106. Evidence of onshore oil and gas seeps are also resulting in extensive investments in seismic tests and drilling. In April 2017, two Production Sharing Contracts (PSC) were signed between subsidiaries of Timor Gap – the National Oil Company (NOC) – and an affiliate of the Australian Nepean Group.

The Government's strategy for the petroleum sector includes:

- ▶ The establishment of a NOC under the supervision of the Ministry of Petroleum and Mineral Resources, the National Oil and Minerals Authority, and the Institute of Petroleum and Geology that are government entities responsible for the implementation of the country's oil strategy
- ▶ Tasi Mane, a multi-year project for development of three industrial clusters on the south coast which will form the backbone for Timor-Leste's petroleum industry
- ▶ Endowing Timorese with the skills and experience they need to lead and manage the development of the petroleum industry
- ▶ Continued commitment to transparency in accounting for revenue from the petroleum sector

Sector Potential for the next 50 years

Total petroleum initially-in-place (PIIP)	12-17 billion Barrel Oil Equivalent (BOE)
Recoverable resources estimation	6.3 billion BOE
Average monetary value for the next 50 years	US\$59 per barrel US\$372 billion
Production cost Total investment	US\$35 per barrel US\$220 billion

Timor-Leste Petroleum Sector Development, Timor GAP, 2016

These figures are driving the country to develop its infrastructures, capabilities and services in order to be able to maximize the capture of value into its economy.

Diversification in the petroleum sector

Traditionally, the sector's activities have been concentrated in upstream operations. Nonetheless, to cope with the potential growth projected for the sector, the strategy is to move from an extractive-oriented industry to a more transformational industry (i.e., diversified labor and economic intensive activities in services and downstream).

The underlying objective is to align the industrialization of the sector with the economic development of the nation by provisioning jobs, building new infrastructures, and attracting new services and manufacturing activities.



Developing the south coast

The Tasi Mane project

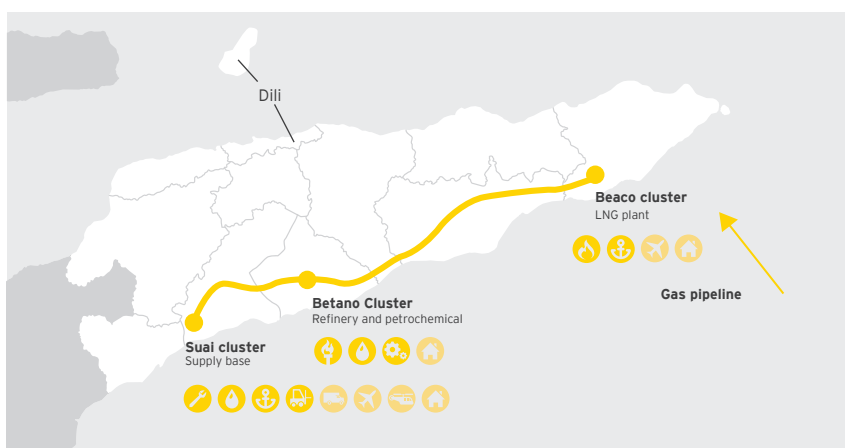
Involving the development of three hubs over 155km of the southern coast of Timor-Leste, the Tasi Mane project embodies the Government's intention to increase the value appropriated from the exploration of oil reserves. The objective of the project is to establish a dynamic and integrated national petroleum industry, including the supporting infrastructure and the development of local skills.

The *2017 State Budget* indicates the Tasi Mane project resulted in a total expenditure of US\$186 million in 2016, with another US\$49 million budgeted for 2017 and an additional US\$ 950 million planned for the 2018-21 period. The project's key features are:

- ▶ Suai Airport – renovation to cater for expanded passenger and freight services
- ▶ Suai supply base – a logistics base for the petroleum sector in the Timor Sea, to support all offshore and onshore oil and gas activities
- ▶ Betano cluster – oil refinery and petrochemical complex development at Betano, including a petroleum industry administration city

- ▶ Beaço Liquefied Natural Gas (LNG) plant cluster – where natural gas pipelines from the Timor Sea gas fields will connect to Timor-Leste
- ▶ Three development clusters – Nova Suai, Nova Betano, and Nova Beaço-Nova Viqueque
- ▶ Highway – 160km of a multi-lane road linking the three urban and industrial clusters, from Suai to Beaço
- ▶ Crocodile reserves – two crocodile reserves proposed at We Dare

The pace of investments of the Tasi Mane project is likely to remain linked to the evolution of oil and natural gas prices in the international markets, as well as to the result of the maritime border dispute with Australia. After extended discussions and diplomatic negotiations, both countries have agreed to an international arbitration process which is expected to come to a conclusion in late 2017. The outcome of this process will clarify ownership of the existing oil reserves, notably in the still unexplored Greater Sunrise area, creating greater certainty for private operators.



Timor-Leste Petroleum Sector Development, Timor GAP, 2016



Investment opportunities

Agroindustries, forestry, fisheries and aquaculture

Agriculture

Coffee has for long featured as the main non-oil export of Timor-Leste. However, the country's climate and soil enable the production and export of other valuable organic agricultural goods.

As the investment in infrastructure improves the accessibility to the interior of the country and foreign aid and technical assistance improve the skills base of farmers, the agriculture landscape in Timor-Leste is evolving from a mostly familiar and subsistence practice into the initial development of more commercial ventures.

The older farmer's traditional expertise is being replaced as a new generation gains access to high schools with specific training in business agriculture. Simultaneously, access to improved seeds and fertilizers results in better crops, improving family livelihoods and generating excess production that is channeled to markets across districts.

Within its goal of food security and import substitution, the Government's bets to diversify agricultural production from coffee include cashew, cocoa, candlenut, nutmeg, coconut, vanilla, cloca, cinnamon, cassava, corn, mangoes and horticulture products. Other goals defined in the country's *2011-30 Strategic Development Plan* include:

- ▶ Promoting the use of new production technologies, including high yield crops and new harvesting and storage techniques
- ▶ Strengthening the resilience of communities to climate change and population growth, through training and technical assistance to farmers
- ▶ Investing in irrigation, water collection and storage infrastructure, as well as conducting a feasibility study for the construction of dams for agricultural purposes
- ▶ Substituting at least 50% of imported fruit and vegetables by 2020

The target is to have the food supply cover demand and to double coffee production by 2020.

Livestock

As the agriculture landscape improves and more products or byproducts become available, livestock and aquaculture production are also evolving, enabling an increased consumption of protein and lifting a substantial part of the non-urban population from poverty. Key goals for the promotion of livestock activities include:

- ▶ The promotion of the livestock industry and the improvement of the intersectoral cattle breeding program, through the establishment of cooperatives and national campaigns on basic animal health care.
- ▶ To leverage on the high potential of the sector to increase live cattle exports to Indonesia and to substitute the import of quality beef products.
- ▶ To establish a livestock production research center.
- ▶ To implement a long-term disease control program and to supply vaccines for livestock and poultry, including brucellosis.
- ▶ A close articulation with the reforms to education and training systems and the Human Capital Development Fund to endow veterinary clinicians with the necessary skills to assist with livestock care, as well as inform and raise awareness of local farmers.
- ▶ To develop a mini-laboratory and animal medical center.
- ▶ To establish a commodity development program with the purpose of doubling cattle exports.

The target is that by 2020 livestock figures will have increased by 20%.



Forests and protected areas

The improvement in logistics is also enabling access to relevant forest resources, notably sandalwood. The Government intends to develop a forestry management plan to promote and invest in reforestation with native species and species of commercial value, particularly in affected areas and along watersheds. Other key policy goals include:

- ▶ To support terrestrial and marine protected areas, including the protection of existing national parks and the establishment of a legal framework to ensure the protection of forest resources and their industrial exploitation.
- ▶ To support forest nurseries, with a focus on community nurseries.
- ▶ To conduct research to identify hardwood and agroforestry production systems more suitable to small landholders and commercial investors.
- ▶ To establishment a forestry training and development center.
- ▶ To include training in carpentry and furniture-making in the country's vocational training sector

Given the abundance of bamboo in the country, a Bamboo Institute was created to promote a sustainable bamboo industry in Timor-Leste, namely through the expansion of the manufacturing base using bamboo as a raw material.

Fisheries and aquaculture

With a coastline of about 735km and an Exclusive Economic Area (EEA) of 72,000 square kilometers, Timor-Leste has rich marine resources and a strong potential to develop the fisheries sector. However, local fishing activities mostly rely on traditional processes, with small boats fishing close to shore. The vast fishing resources represent an opportunity for investment in larger boats and in the refrigeration and initial transformation of fishing products.

The Government's policy identifies aquaculture activities, including tilapia, seaweed, shrimp and crab, as a priority. The *2015-17 Economic Development and Reform Guide* defines the following actions as the top priorities looking forward:

- ▶ To develop a strategic plan for fisheries
- ▶ To update the strategic aquaculture plan
- ▶ To promote aquaculture (onshore and offshore) as a key sector priority
- ▶ To identify and promote private investment opportunities



Investment opportunities

Mining activities

Mineral resources

International geologic studies of Timor-Leste date back as far as the early 1900s, with German and Dutch expeditions. The complexity of the geological formations of the Banda Sea area, and specifically the different theories on the formation of the country's geological structures, have resulted in additional studies and surveys of the mineral resources available.

Even though oil and natural gas have so far been the key areas for foreign investment, different surveys point to the existence of relevant reserves of metallic minerals, including:

- ▶ Gold
- ▶ Copper
- ▶ Manganese
- ▶ Silver
- ▶ Chromite

Non-metallic minerals include sand, gravel, limestone, clay, marble, gypsum and phosphate.

The National Authority for Petroleum and Minerals of Timor-Leste is the regulatory authority for mining activities in the country. The data available indicate that the total revenues coming from licensing and extraction fees from non-oil activities amount to US\$1.1 million in the 2006-17 period. The amount of fees collected increased significantly in 2014 and continues to show a growing pattern.

In 2014, TL Cement completed extensive drilling in the Baucau area. The company released information confirming the existence of enough limestone reserves to feed its planned cement and clinker plant for 400 years. In 2016, TL Cement signed a Special Investment Agreement in what could become the country's largest non-oil extractive industry's project.

The new Mining Code

Even though non-oil extractive industries were already active in the country, in 2016, a Ministerial Diploma containing a Mining Code was approved, demonstrating the Government's willingness to provide potential investors with added clarity on how new mining projects can be licensed and start operations.

The Mining Code applies to construction materials (including sand and gravel), transformation materials (including limestone, clay and gypsum) and ornamental stones (including marble and granite). The code confirms that all mineral resources found in Timor-Leste, either in private or public land, are public domain and that an expropriation process may be applied, in due course of law, to enable their exploration.

Mining activities that explore more than 250 ton per month are considered as large-scale operations, with the following licensing costs:

- ▶ Reconnaissance – US\$500
- ▶ Prospecting – US\$1,500
- ▶ Extraction – US\$1,500

Exploration fees depend on the type of material extracted. For large-scale operations, these fees can range from US\$0.5 per ton (for clay) and US\$8 per ton (limestone, granite and marble).



Tourism

The country's pristine beauty, culture and rich history give it a strong potential as a new touristic destination.

The sector's potential

Tourism has been targeted as one of the strategic priority areas that should be developed in order to enhance national growth. The objective is to position Timor-Leste as a location that provides a range of tourism experiences that take advantage of its natural beauty, culture and heritage.

The country's natural beauty – tropical waters rich in marine life, white sand beaches, and spectacular mountain ranges – combined with its cultural heritage and the living history of its rural communities offers visitors a memorable experience. Moreover, its tropical climate makes it a sought-after destination by tourists, with tourist visa numbers increasing year by year.

The potential in this sector lies within the development of:

- ▶ Eco and marine tourism
- ▶ Agri-tourism, community-based tourism
- ▶ Historical and cultural tourism
- ▶ Conference and convention tourism
- ▶ Religious and pilgrimage tourism
- ▶ Adventure and sports tourism

Furthermore, one of the focus of Timor-Leste's education and vocational training sector will be in the development of skills for the tourism sector.

Likewise, a law on cultural heritage has been developed and approved to protect, preserve and enhance the country's' cultural heritage.

The challenges ahead

The tourism sector is still at its early stages of development but growing numbers of international visitors and an emerging tourist infrastructure open positive perspectives to the future. The planning of infrastructure development and the prioritization of projects already considers the needs of the tourism sector, including:

- ▶ Completion of a tourism and hospitality training center in Dili
- ▶ Establishment of tourist information centers in Dili, Lospalos, Balibo and Baucau
- ▶ Intensification of tourism promotion activities abroad, through the creation of tour packages and an annual calendar on special events and attractions
- ▶ Promotional campaigns featuring sports and cultural events
- ▶ Support local communities in the development of services to visitors (e.g., accommodation and guide services)
- ▶ Further regulation of the taxi industry (e.g., standardized fares, minimum car standards and a regulated fixed price ticket system at Dili airport)
- ▶ Establishment of partnerships between government and private sector in order to provide tourists with specific infrastructure and services (e.g., development of hotels, eco-resorts, restaurants, galleries and tourist offerings, such as boating, scuba diving and fishing)



Investment opportunities

Infrastructure

A central pillar of the strategic development plan is the building and maintenance of infrastructure networks.

Roads and bridges

A central pillar of the strategic development plan is the building and maintenance of core and productive infrastructure.

As per the *2017 State Budget*, total expenditure in roads, bridges, airports and other infrastructure amounted to nearly US\$230 million.

As the economy expands, investment in new roads will be required, namely:

- ▶ Expansion, improvement and maintenance of the national (urban and rural) road system and of about 450 bridges, in accordance with international standards
- ▶ Implementation of a traffic flow improvement and road safety program

The strategic development plan's comprehensive 10-year road construction program will create opportunities for local and international companies to invest and grow in Timor-Leste.

Water and sanitation

Timor-Leste still faces many challenges in improving access to clean water and sanitation across Timor-Leste, especially in rural areas.

The Government's objective is to achieve the following Millennium Development Goals by 2020:

- ▶ Clean piped water connection in all government schools
- ▶ Appropriate, well-operated and maintained, sustainable infrastructure for the collection, treatment and disposal of sewage in Dili
- ▶ Improved drainage in all districts

Electricity

A national electricity grid is being developed, which includes:

- ▶ Hera power station – 120MW
- ▶ Betano power station – 135MW
- ▶ A 150kV transmission line of approximately 715km forming a ring around Timor-Leste
- ▶ Nine substations in district capitals

Renewable energy and rural electrification

Additionally, the Government's objective is to ensure that at least half of Timor-Leste's energy demand will be met from renewable energy sources, and that approximately 100,000 families will have access to solar-powered electric light.

Its objective is to ensure the successful implementation of renewable energies, particularly solar and wind, including:

- ▶ A solar power station in Hera
- ▶ Wind farms in Lariguto and Bobonaro for connection to the national grid

The *2011-30 Strategic Development Plan* identifies the existence of more than 450MW of potential renewable energy projects across the following technologies:

- ▶ Hydro – 252MW
- ▶ Hydro pumping – 100MW
- ▶ Wind – 72MW
- ▶ Solar – 22MW
- ▶ Biomass and solid waste – 6MW



Telecommunications

The sector liberalization was one of the strategies adopted to bolster the modernization of the telecommunication network. Efforts to this end also include the implementation of national and international, terrestrial and under water, fiber optic connection.

The 2020 vision is that Timor-Leste will have access to reliable, affordable and high-speed internet; all students and health professionals will have portable internet access devices.

Maritime transport

New sea ports are being developed to support the export industries, including coffee, petroleum products, fish, meat, fruit and grain:

- ▶ Tibar's national multipurpose port and related infrastructure project has already started and it is expected to be fully operational by 2020.
- ▶ The Suai port will be part of the Suai supply base, involving the creation of a logistic base for the oil sector, including a new multipurpose port and the implementation of an integrated intersectional program for the development of port infrastructure on the south coast.

At the regional level, the construction of a port in Atauro is being planned, to support the transport of goods and passengers, as well as fishing and tourism activities. Additional navy facilities are expected to be built at the Hera seaport.

Air transport

To meet the expected growth in demand for air traffic, investments will be made in the development of airports and aerodromes, including a phased expansion of the Presidente Nicolau Lobato International Airport.

The target is to endow the main airport with the capacity to handle up to one million passengers per year by 2020. Other strategies include:

- ▶ Improvement and modernization of the functioning of the air transport institution and services by transferring the airport management to an airport authority
- ▶ Development of a district aviation program by developing the regional airports of Lospalos, Same, Viqueque, Suai and Baucau



Investment opportunities

Oecussi Ambeno

The Special Social Market Economy Zones's ambitious development program is open to private investment.

The enclave of Oecusse Ambeno is a special administrative region. As with the island of Ataúro, Oecussi has been designated by Law 3 of 2014 as a Special Social Market Economy Zone (SSMEZ). This status provides Oecussi with administrative and financial autonomy and has enabled it to launch a set of initiatives and policies designed to attract investment and create an inclusive, participated, sustained and sustainable development model.

The SSMEZ has defined the following strategic goals:

- ▶ To seize the existing opportunities and contribute to the development of the country
- ▶ To develop socio-economic projects that focus on development, job creation and the training of resources for sustainable wealth generation activities
- ▶ To act as a center to attract businesses aligned with its development goals
- ▶ To enable Timorese to take an active role in the development process
- ▶ To host a financial system that funds profitable projects that contribute to the social economy
- ▶ To develop an innovative management model that enables ethic and transparent public-private partnerships
- ▶ To enable networks and materialize business opportunities

The SSMEZ is in the final stages of the preparation of its master plan, laying out the areas where tourism, extractive, agriculture, livestock, manufacture and other activities can be developed. The design is considering the future efficiency of the economic activities in the region, as well as the interests of its population.

The initial investments included a 20MW power station, securing a stable energy supply to 90% of the Oecusse Ambeno region, the building of core roads and bridges and an irrigation project serving 1,000 families. A second phase of roadway construction will complete the accessibilities required for the touristic areas.

The International Oecusse Airport will be operational in 2018, with its 2.5km (to be extended to 3km) runway enabling the operation of commercial aircraft and providing the region with direct access to international flights.

In the meantime, and to provide the population and foreign visitors with convenient access, the region has invested in a 19-seat passenger airplane that flies to Dili regularly and is expecting the delivery of a ferry-boat that will further improve the traffic of people and goods to and from the rest of the country. The SSMEZ has also planned investments in the extension of the existing commercial port and the construction of a fishing and recreational harbor.

To further support touristic activities, key investments in health facilities have been made and the sanitation and energy networks are being improved. The Lifau landmark, celebrating the point where the Portuguese initially arrived in Timor-Leste, is being rehabilitated.

Finally, the SSMEZ vision requires the development of local talent. With that goal, 40 schools and five libraries are being built. Additionally, the regional Government has been establishing partnerships with national and international programs to develop professional training programs.

Investment projects located in the Oecussi Ambeno SSMEZ may be eligible for incentives packages that can extend for up to 10 years, making it a competitive location within Timor-Leste.



Other investment opportunities

Development priorities for the social sector in Timor-Leste

Health

Priorities include:

- ▶ Improve access to health services and essential medicines
- ▶ Improve health care, transfer systems and medical emergencies, as well as blood storage and testing systems
- ▶ Improve infrastructure and human resources
- ▶ Regulate the national health system and health care provision by private and nonprofit associations
- ▶ Establish standard operating procedures for health and safety at work, as well as other compliance regimes

Education and vocational training and employment

The ongoing programs aim to:

- ▶ Ensure all children receive a quality education by improving infrastructure and human resources
- ▶ Promote the learning and teaching of the Portuguese language and promotion of its use in the teaching of science, mathematics and other disciplines
- ▶ Increase the training of Timorese, particularly young people, unemployed, rural dwellers and women, in the areas of education, health, oil and gas, tourism and hospitality, agriculture, construction, marine, and automotive
- ▶ Improve the national internship system and expand national qualification standards to include all major sectors

Youth and Sports

The relevant policies focus on improving the living conditions of vulnerable young people, by promoting their access to study and training programs. This will include the construction of new multipurpose Youth Centers and the improvement of the National Network of Youth Centers. Investments will also be directed to the promotion of sports clubs, municipal facilities and sports equipment.

Environment

The ambition is to assure a stricter enforcement of environmental laws and regulations and to promote awareness and conservation programs, turning Timor-Leste into an international sustainable development reference.

Culture and heritage

Public investment will be focused in the protection of cultural heritage through the preservation, modernization and promotion of Timorese culture, as well as the promotion of creative arts.

About EY

At EY, we are committed to building a better working world – with increased trust and confidence in business, sustainable growth, development of talent in all its forms, and greater collaboration.

We want to build a better working world through our own actions and by engaging with like-minded organizations and individuals. This is our purpose – and why we exist as an organization.

Running through our organization is a strong sense of obligation to serve a number of different stakeholders who count on us to deliver quality and excellence in everything we do.

We want to use our global reach and scale to convene the conversation about the challenges facing economies and the capital markets.

When business works better, the world works better.



Our global structure

At EY, we have long thought that globalization is one of the defining issues of our time. Our response has been to transform our organization so that we keep in step with the changing needs of our clients and our people.

Our clients need highly integrated, cross-border service and the same high quality wherever they do business around the world. Our people want to build careers in an organization that's global in its outlook and inclusive in its approach.

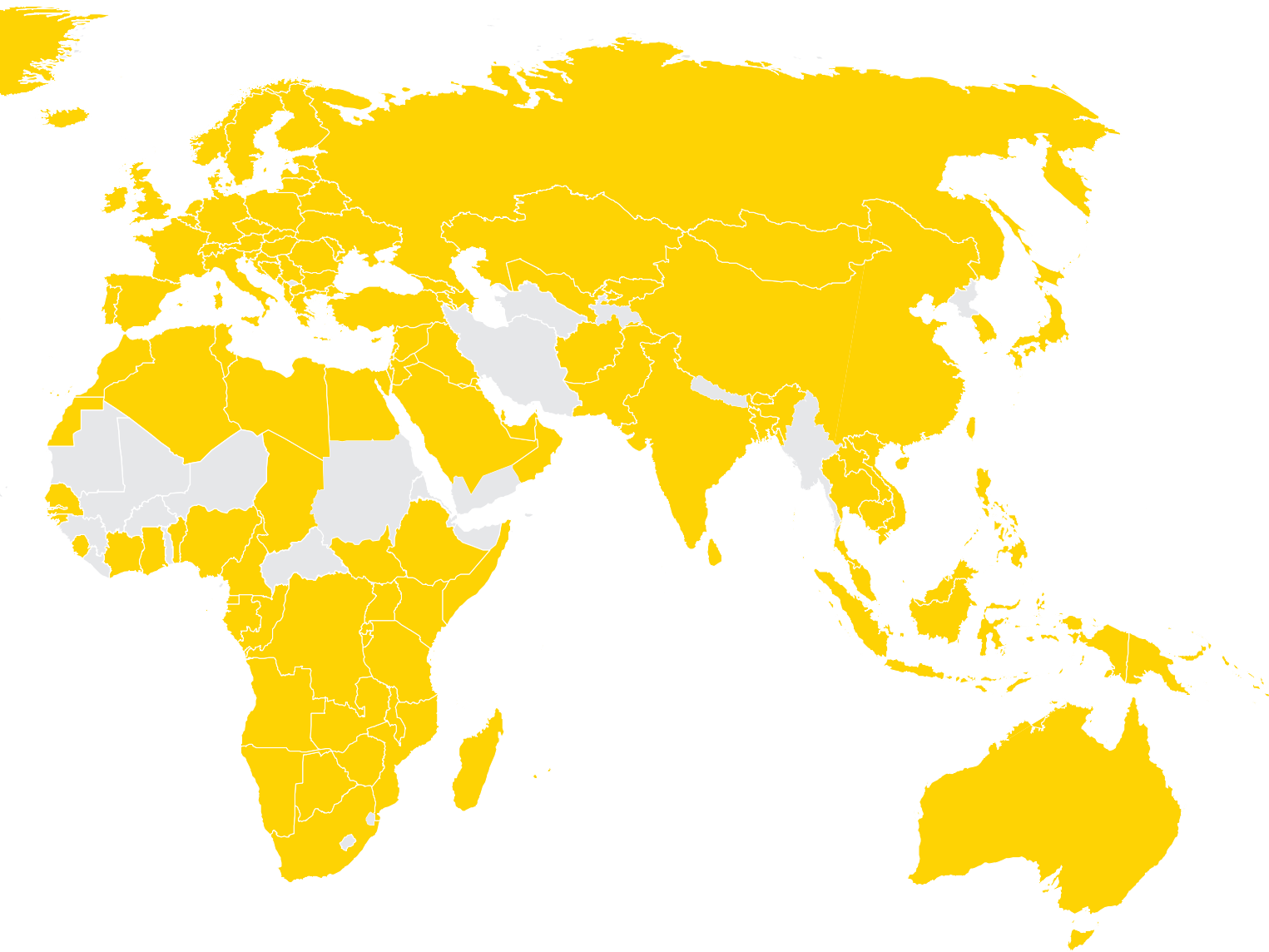
Our structure is composed of the Executive and Regions. The Executive includes our global leadership, governance bodies and our four geographic Areas. Working together they oversee our global strategy, brand, business planning, investments and priorities.

Our 28 Regions are grouped under four geographic Areas: Americas; Europe, Middle East, India and Africa (EMEIA); Asia-Pacific; and Japan.

This structure is streamlined allowing us to make decisions quickly, execute our strategy and provide exceptional client service wherever in the world our clients do business.

Our global structure means we can respond faster than our competitors. We can access the right people and assemble high-performing teams to provide exceptional client service worldwide.

So we're not merely a loose collection of national practices – we are a global organization, unified in our approach.



Our global footprint

EY has a direct presence in 150 countries, with more than 231,000 professionals providing our broad range of services to companies and governments, contributing to sustained and sustainable growth and delivering on our global purpose of building a better working world.

Highly integrated teams

EY is an organization without borders, well placed to help our clients operate more effectively and efficiently, wherever they are. We're not limited by internal structures or processes. Instead, our knowledge and insight-driven, connected and responsive culture means we're ready to support our clients anywhere at a moment's notice. Depending on the specific requirements of each project, EY can set up teams that combine the right mix of language and technical skills. EY global integration supports us to mobilize seasoned professionals, leveraging our global knowledge and transforming it into relevant insights, actionable recommendations and ongoing support.

How EY can help

Oil & Gas

EY Oil & Gas capabilities consists of a network of professionals with extensive assurance, tax, transactions and advisory experience working in the oil and gas industry. Our professionals serve a wide range of companies: independent exploration and production companies, oilfield services companies, independent refiners, major integrated corporations, and national oil companies.

Through the mobility of our global resources, we provide the right people in the right places at the right time to serve our clients. Our deep industry focus helps companies in the oil and gas industry meet their goals and compete more effectively.

Financial Services

We work with national governments, central banks, regulators and the world's largest financial services organizations to improve financial systems, protect savings and confirm investments are soundly made.

We help global and regional banks to respond to regulatory changes, to strengthen capital, transform, lend and stimulate growth. Our relationship with insurers helps them to build financial strength and better meet the needs of their customers, while engendering confidence in shareholders and trust in regulators.

Government & Public sector

Shifting demographics, urbanization and climate change are just a few of the long-term and systemic trends reshaping a 21st century government. Our Government & Public sector practice drives transformational change for governments around the world through a pool of seasoned professionals in public policy, health, infrastructure (including public private partnerships), digital government and entrepreneurship.

EY member firms experience working with investors in the definition of requirements for site-selection processes provides valuable insights to governments, investment promotion agencies and public companies, improving the way countries attract, receive and provide aftercare services to foreign investors.

Accounting and Assurance

- ▶ Audit services
- ▶ Accounting compliance and reporting
- ▶ Accounting support
- ▶ Statutory reporting services
- ▶ Support, design and development of accounting and reporting policies
- ▶ Forensic audit and fraud prevention services

Tax

- ▶ Business tax services
- ▶ Tax compliance and reporting
- ▶ Tax compliance support to expatriates
- ▶ Value chain assessment and identification of logistical and tax improvement opportunities
- ▶ Identification of tax incentives
- ▶ Digital archiving
- ▶ Analysis and drafting of tax acts
- ▶ Tax structuring services

Advisory

- ▶ Transformation programs
- ▶ Process design and implementation
- ▶ Internal control
- ▶ Internal audit, including IT audit
- ▶ IT strategy, transformation and governance
- ▶ Management information dashboards
- ▶ Cybersecurity
- ▶ Performance assessment and compensation advisory services
- ▶ Project management services

Training

Bespoke training packages for companies or government organizations on topics that may include:

- ▶ Finance
- ▶ Accounting
- ▶ Reporting
- ▶ Tax
- ▶ Compliance
- ▶ Internal control

Key contacts

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About EY

EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

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