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Oil and gas taxation in Timor-Leste

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Tax professionals of the member firms of Deloitte Touche Tohmatsu Limited have created the Deloitte International Oil and Gas Tax Guides, an online series that provides information on tax regimes specific to the oil and gas industry. The Guides are intended to be a supplement to the Deloitte Taxation and Investment Guides, which can be found at www.deloitte.com/taxguides.
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1.0 Summary

Timor-Leste operates a Production Sharing Contract (“PSC”) system. Petroleum operations in the Joint Petroleum Development Area (JPDA) and Timor-Leste’s exclusive areas are conducted according to PSCs concluded between the Designated Authority, now referred to as the National Petroleum Authority/Autoridade Nacional do Petróleo (“ANP”) and contractors.

Different tax regimes apply to the taxation of petroleum operations. The geographic location of the petroleum operations determines which tax regime applies.

The principal Timor-Leste taxes and rates applicable to contractors in the petroleum industry are outlined in the table below. Contractors are persons with an interest in a PSC.

Tax	Timor-Leste Exclusive Area	JPDA			
		Non-Annex F PSCs	Annex F PSCs		
			Bayu-Undan	EKKN	Greater Sunrise
Corporate Income Tax	30% of taxable income	30% of 90% of taxable income	30% of 90% of taxable income	90% of taxable income subject to progressive tax rates*	90% x 20.1% of taxable income subject to progressive tax rates*
Supplemental Petroleum Tax (SPT)	32.14% of accumulated net receipts	32.14% of accumulated net receipts	N/A	N/A	N/A
Additional Profits Tax (APT)	N/A	N/A	32.14% of accumulated net receipts	N/A	N/A
Branch profits tax	N/A	N/A	N/A	20% of 90% of after tax branch profits **	20% of 90% x 20.1% of after tax branch profits **

***The progressive corporate tax rates applicable to EKKN and Greater Sunrise are:**

- **10% on the first US$3,368 of taxable income**
- **15% on the next US$3,368 of taxable income**
- **30% on taxable income over US$6,737**

**** The branch profits tax rate of 20% is reduced to 15% where the company is a resident of either Australia or Timor-Leste.**

In addition to tax, the ANP is entitled to a share of the profits under each PSC.

2.0 Corporate income tax

2.1 In general

Timor-Leste resident companies are taxable on their worldwide income and gains. Foreign tax credits are generally available for foreign taxes paid. A company is considered to be a resident of Timor-Leste if it is incorporated in Timor-Leste.

Non-resident companies are taxable on their Timor-Leste sourced income and gains.

There are no tax consolidation rules in Timor-Leste.

Special tax regimes apply to the taxation of petroleum operations.

2.2 Salient features of the tax regime in Timor-Leste's sovereign territory (excluding the Joint Petroleum Development Area (JPDA))

Taxation of contractors

The taxation of petroleum operations in Timor-Leste's sovereign territory is primarily governed by the general taxation provisions in the Taxes and Duties Act, Decree Law No. 8 of 2008 ("TDA"), subject to special rules contained in Chapter IX of the TDA.

Rates

Corporate income tax is imposed at a rate of 30%.

Taxable income

Taxable income generally corresponds to accounting income. The major exceptions relate to:

- Ring-fencing – Expenditure incurred by a contractor in relation to petroleum operations under a PSC is only deductible against gross income arising from petroleum operations under that PSC.
- Interest expenditure – Special rules apply to the deduction of interest expenditure. In particular, the interest must relate directly and specifically to petroleum operations and the borrower must bear the economic risk of default. Additionally, the rate of interest must be substantially the same as that charged in the open market by banks to similar entities. The interest deduction is limited to 25% of the contractor's net non-interest income for the year. Any interest not deducted may be carried forward for a maximum of five years.
- Allocation of head office expenditure – Restrictions apply to the deduction of head office expenditure by a permanent establishment in Timor-Leste. The deduction of head office expenditure shall not exceed 2% of the total deductible expenditure excluding any depreciation and amortization deductions of the permanent establishment for the year excluding head office expenditure.
- Decommissioning expenditure – A contractor may claim a deduction for amounts carried to a decommissioning costs reserve for a tax year in respect of petroleum operations as approved by the ANP.
- Exploration and development expenditure – Exploration and development expenditure incurred under a Petroleum Agreement is treated as intangible expenditure and amortized from the commencement of production on a straight line basis for tax purposes at prescribed rates depending on the expected life of the project or five years for exploration expenditure and ten years for development expenditure, whichever is the lesser.
- Small field depreciation – Subject to certain conditions being satisfied, a contractor may elect for depreciable assets or intangibles (including exploration and development expenditure) to be depreciated or amortized under the units of production method based on a prescribed formula for eligible small fields.
- Transfer of interest in a Petroleum Agreement – Where a contractor transfers an interest in a Petroleum Agreement, the transferee continues to amortize any undeducted balance of exploration or development expenditure in the manner, and on the same basis, as the original contractor amortized the expenditure.

Losses

Tax losses may be utilized to offset taxable income arising in a period. Tax losses may be carried forward indefinitely to offset against future assessable income provided a "continuity of ownership" (more than 50%) or a "same business test" is satisfied. In particular, if there is a change of 50% or more in the underlying ownership of a legal person, any carried forward loss incurred for a tax year before the change, is not allowed as a deduction in a tax year after the change, unless both:

- the legal person carries on the same business after the change as it carried on before the change until the loss has been fully deducted;
- the legal person does not, until the loss has been fully deducted, engage in any new business or investment after the change if the principal purpose of the legal person or its members is to utilize the loss so as to reduce the income tax payable on the income arising from the new business or investment.

The carry-back of tax losses is not permitted.

Foreign entity taxation

Non-resident companies are subject to income tax at 30% on their Timor-Leste sourced income, less allowable deductions. Timor-Leste does not impose a branch profits tax in its Timor-Leste sovereign territory.

Capital gains

Taxable income includes gains from the alienation, sale or transfer of property. The National Directorate of Petroleum and Minerals Revenue ("NDPMR") has issued a public ruling on the alienation of a PSC interest or shares or comparable interests in a company, the assets of which consist (directly or indirectly) of a PSC interest in the JPDA.

Subcontractors and suppliers of services

Timor-Leste source services income relating to petroleum operations is taxed on a withholding basis. Such income is subject to a final withholding tax at a flat rate of 6%.

Withholding taxes also apply to passive income, such as dividends, interest, royalties and rental income. Certain other payments to non-residents may also attract withholding tax. The rate of withholding can vary depending upon the type of payment and the residency and permanent establishment status of the person providing the services.

A person who receives an amount that has been correctly subject to withholding tax has no further liability to income tax on that amount and is not allowed a deduction for any expenditure or loss incurred in earning such income. The obligation to withhold and remit withholding tax rests with the payer.

If an entity is resident in or has a permanent establishment in Timor-Leste, it will generally be required to withhold tax from payments made to suppliers.

2.3 Salient features of the tax regime in JPDA (excluding Bayu-Undan and Elang/Elang Kakatua/Kakatua North (EKKN) and Greater Sunrise)

Broadly, the tax regime in the JPDA is the same as that in Timor-Leste's sovereign territory (outlined above) with the key difference being that 90% of the revenue or profit derived from the JPDA is subject to tax in Timor-Leste by virtue of the Timor Sea Treaty ("TST") with Australia. The right to tax the remaining 10% of revenue or profit derived from the JPDA lies with Australia.

The TST also has specific rules on sourcing of business profits, residency, royalties, interest, dividends and the taxation of individuals in relation to JPDA matters.

2.4 Salient features of the tax regime in Bayu-Undan

Taxation of contractors

The Bayu-Undan field (covering PSCs JPDA 03-12 and 03-13) is located in the Timor Sea in the JPDA and as such is governed by the TST. In accordance with the TST, 90% of the revenue or profit derived from the JPDA is subject to tax in Timor-Leste. The remaining 10% of revenue or profit derived from the JPDA is subject to tax in Australia.

In addition to the TST, the Bayu-Undan field is subject to Indonesian taxation law (in effect as at 25 October 1999) as its general taxation law. This general taxation law (referred to as the Law on Income Tax) has been amended by various regulations. This law is subject to further modification as a result of the Taxation of Bayu-Undan Contractors Act ("ToBUCA") and the Law on The Petroleum Development of Timor Sea (Tax Stability) (the Tax Stability Act).

Rates

Corporate income tax is imposed at a rate of 30% (prior to application of the TST).

Income derived from building activities, installation and operation of the Bayu-Undan export pipeline is exempt from income tax.

Taxable income

Taxable income is calculated according to Indonesian generally accepted accounting principles, subject to certain modifications as outlined in legislation, rulings, decrees and elucidations in operation in Timor-Leste. Special rules apply in the determination of taxable income for permanent establishments. Key matters in relation to deductions include:

- Interest – Deductions are allowed for interest expenditure.
- Reserve for deactivation costs – A contractor may claim a deduction for the annual amount transferred to a reserve meant to deactivate a petroleum project. The amount of the deduction is calculated in accordance with a prescribed formula. The overall deactivation costs must be approved by the ANP in conformity with the deactivation plan for the project (including any revisions at each stage).

- Depreciation and amortization – Depreciation of exploration assets in respect of a petroleum project is calculated using the straight line method on a single asset basis; a maximum useful life of five years applies. The depreciation of any property acquired before commercial production commences from the date of commercial production.
- Expenditure incurred in deriving income that is taxed on a final basis is not deductible.
- Certain expenses such as penalties, fines, personal expenses, provisions and reserves are not deductible.

Losses

Tax losses may be carried forward for a maximum of five years. The carry-back of tax losses is not permitted.

Foreign entity taxation

Non-resident companies with a permanent establishment for Timor-Leste tax purposes are subject to income tax at 30% (prior to the application of the 10% reduction under the TST) on their Timor-Leste sourced taxable income, less allowable deductions. Timor-Leste does not impose a branch profits tax for the Bayu Undan area.

Capital gains

Taxable income includes gains from the alienation, sale or transfer of property. The NDPMR has issued a public ruling on the alienation of a PSC interest or shares or comparable interests in a company, the assets of which consist (directly or indirectly) of a PSC interest in the JPDA.

Subcontractors and suppliers of services

Depending on the residency status of the recipient, whether the recipient has a Timor-Leste permanent establishment and the type of services they are providing, income tax may be paid by way of a final withholding tax in some instances. Where the withholding tax is a non-final withholding tax, an income tax return must be lodged. In such a case, any non-final withholding taxes paid will serve as a credit in the income tax return.

The applicable withholding tax rates vary depending on the residency status of the recipient, whether the recipient has a Timor-Leste permanent establishment and the type of services they are providing. For example, income derived by a non-resident without a permanent establishment in Timor-Leste from the rental of property (other than land or buildings) is subject to a withholding tax of 8% (prior to application of the 10% reduction under the TST). Where such income is derived by a Timor-Leste resident company or a non-resident with a permanent establishment in Timor-Leste, the withholding tax rate is 2.4% (prior to application of the 10% reduction under the TST).

A comprehensive range of withholding taxes exist with application to different income types. Generally, the obligation to remit the withholding tax rests with the payer. In certain instances, the recipient is required to self-assess and remit the withholding tax (referred to as self-withholding). Self-withholding applies in the case of services performed by a drilling rig with a permanent establishment in Timor-Leste.

If an entity is resident in or has a permanent establishment in Timor-Leste, it will generally be required to withhold tax from payments made to suppliers.

2.5 Salient features of the tax regime in EKKN

The EKKN field is located in the Timor Sea in the JPDA and as such is governed by the TST. In accordance with the TST, 90% of the revenue or profit derived from the JPDA is subject to tax in Timor-Leste. The remaining 10% of revenue or profit derived from the JPDA is subject to tax in Australia.

In addition to the TST, the EKKN field is subject to the Law on Income Tax as amended by various regulations. Branch profits tax applies in the EKKN area.

2.6 Salient features of the tax regime in Greater Sunrise

The Greater Sunrise field (covering PSCs JPDA 03-19 and 03-20) is located partly (i.e. 20.1%) within the JPDA and partly (i.e. 79.9%) within waters that are under Australia's exclusive jurisdiction. The tax regime is governed by the TST and the Sunrise International Unitization Agreement (SIUA). In accordance with the TST and the SIUA, 20.1% of production revenue from the Greater Sunrise field is attributable to the JPDA while 79.9% is attributable to Australia. This means that Timor-Leste is effectively entitled to tax 18.09% (90% of 20.1%) of the profits attributable to the Greater Sunrise field falling within the JPDA.

The Certain Maritime Agreements in the Timor Sea Treaty (CMATS) provides for a 50:50 revenue-sharing arrangement between the governments of Australia and Timor-Leste in respect of revenues derived directly from the production of petroleum in the Greater Sunrise field in so far as the revenue relates to the upstream exploitation of that petroleum. It is important to note that the revenue sharing arrangement under the CMATS does not affect the tax calculation rules provided for in the TST and the SIUA (discussed above).

The applicable Timor-Leste tax rules are included in the Law on Income Tax. Branch profits tax applies in the Greater Sunrise field.

3.0 Other corporate income tax

3.1 Supplemental Petroleum Tax (SPT)

Overview

SPT is a supplemental tax in Timor-Leste payable by contractors on the upstream profits of a petroleum project. SPT is applicable to petroleum projects undertaken in specific geographic areas, namely, Timor-Leste's sovereign territory and within non-Annex F areas within the JPDA. It applies in addition to income tax, although a contractor is entitled to claim an income tax deduction for the SPT paid, and income tax is also deductible in the calculation of SPT.

SPT applies if a contractor has positive accumulated net receipts ("ANR") for the tax year. The ANR is calculated by subtracting total deductible expenditure for the year from gross receipts for the year. A contractor is allowed a deduction of any notional corporate income tax calculated for the year. The calculation of notional corporate income tax for the year involves the calculation of income tax for the year before deducting any SPT. Where the resulting ANR is positive, it is taxed at 32.14%. Any negative ANR is added to the current year's net receipts for the purpose of calculating the current year's ANR. Thereafter, the 16.5% uplift will continue to apply on an annual basis to the negative ANR balance (if any) until the expiration of the production sharing contract.

The ANR of a contractor for petroleum operations for a tax year is calculated according to the following formula:

$$((A \times 116.5\%) - (I \times (1 - r))) + B$$

Where:

A is the contractor's ANR for petroleum operations at the end of the previous tax year

B is the contractor's net receipts for petroleum operations for the current tax year

I is the interest expense and other financial charges paid by the contractor in respect of petroleum operations in the current tax year and is entered in the formula as a negative number; and

r is the corporate rate of tax.

Contractors are required to complete an annual SPT return and make advance instalment payments of SPT on a monthly basis. Monthly instalments of SPT for a tax year are based on 1/12th of the contractor's estimate of SPT for that year. Where a contractor's estimate of SPT for a tax year is less than 90% of the contractor's assessed SPT liability for that year, the contractor is liable to a penalty equal to:

- 50% of the shortfall, if the underestimate is due to fraud or wilful neglect; or,
- 10% of the shortfall, in any other case.

No penalty is imposed where the tax authority is satisfied that the reason for the tax shortfall was due to circumstances beyond the contractor's control (such as a significant price fluctuation) and the contractor took all reasonable care in making the estimate.

3.2 Additional Profits Tax (APT)

Overview

APT is also a supplemental tax in Timor-Leste payable by contractors on the upstream profits of a petroleum project. APT is applicable to petroleum projects undertaken in the Bayu Undan area. Like SPT, APT applies if a contractor has positive ANR for the tax year. The calculation methodology and formula for APT is similar to SPT and the tax rate is also 32.14%. Any negative ANR for the year is similarly carried forward indefinitely for offset against net receipts in future years. Negative ANR carried forward is also subject to augmentation to 16.5%.

As in the case of SPT, APT applies in addition to income tax, although a contractor is entitled to claim an income tax deduction for the APT paid. For APT purposes, a deduction of any corporate notional income tax for the year is also permitted.

Contractors are required to complete an annual APT return and make advance instalment payments of APT on a monthly basis. Monthly instalments of APT for a tax year are based on 1/12 th of the contractor's estimate of APT for that year. The penalty provisions in the case of underestimates of APT are similar to those in the case of SPT (discussed above).

3.3 Branch Profits Tax (BPT)

Overview

BPT applies to after tax branch profits derived in the EKKN and Greater Sunrise areas. The rate of BPT is 20% before the application of the 10% reduction under the TST. For Greater Sunrise, this is applied to 20.1% of the taxable profits after deducting corporate tax from Greater Sunrise. Under the TST, the 20% BPT is reduced to 15% where the company is a resident of Australia or Timor-Leste.

4.0 Tax incentives

4.1 Tax holiday

A tax holiday is available to national and foreign companies and individuals. However, the tax holiday does not apply to taxpayers engaged in:

- the oil and gas and mining industries;
- developments geared to the direct sale of goods and equipment to the final consumer; or
- developments geared to the commercialization of property.

Tax benefits under the tax holiday include:

- a 100% income tax exemption for five years, eight years or 10 years depending on the area where the investment is made;
- exemption from sales tax for five years, eight years or 10 years depending on the area where the investment is made; and
- exemption from import duty for five years, eight years or 10 years depending on the area where the investment is made.

5.0 Payments to related parties

5.1 Transfer pricing

There are anti-avoidance rules that apply to transactions between associates which allow the Commissioner to adjust any amount that could be expected had the persons been dealing with each other at arm's length.

In addition, the annual contractor corporate tax return form issued by the NDPMR requires a taxpayer to make disclosure of related party transactions and to exhibit a transfer pricing study to the return for any related party transaction exceeding US$500,000 in the aggregate from petroleum related operations and/or petroleum agreements during the year. According to the form, to the extent that any of the required documents are not attached, the return will be considered incomplete and will not be reviewed.

5.2 Thin capitalization

There are no thin capitalization rules.

6.0 Transactions

6.1 Capital gains

There are no specific rules governing the taxation of capital gains. Capital gains are taxed as ordinary income. The NDPMR has issued a public ruling on gains arising from the alienation of a PSC interest or shares or comparable interests in a company, the assets of which consist (directly or indirectly) of a PSC interest in the JPDA.

6.2 Inbound structures

Foreign contractors typically hold their PSC interests through a foreign company. Where the PSC interest relates to a field in the JPDA, it is common for this interest to be held through an Australian tax resident company. The taxation of petroleum operations undertaken in the JPDA is governed by the TST which affords certain treaty benefits to tax residents of Australia.

7.0 Withholding taxes

A comprehensive range of withholding taxes exist with application to different income types. Other than in the case of contractors who are required to complete income tax returns, in certain instances income tax is paid by way of a final withholding tax without the need to file an income tax return.

The applicable withholding tax rates vary depending on the type of services rendered, the residency of the recipient, whether the recipient has a permanent establishment in Timor-Leste and the tax regime applicable. As previously mentioned, different tax regimes are applicable depending on the geographical area.

For example, in the Bayu-Undan field, income derived by a non-resident without a permanent establishment in Timor-Leste from the provision of drilling support services (such as well testing services), will be subject to a withholding tax of 8% (prior to application of the 10% reduction under the TST) on gross income.

The same income derived by a Timor-Leste resident company or a non-resident with a permanent establishment in Timor-Leste is subject to a non-final withholding tax of 1.8% (prior to application of the 10% reduction under the TST) which is a pre-payment of corporate tax of 30% (prior to application of the 10% reduction under the TST) on net income.

Where this income relates to petroleum operations in Timor-Leste's exclusive areas, it will be subject to a final withholding tax at 6%. This rate would be reduced to 5.4% by virtue of the 10% reduction under the TST in the case where the petroleum operations are located in the Kitan field.

Withholding taxes also apply to passive income such as dividends, interest, royalties and rental income. The rates are modified under the TST for JPDA activities in certain instances.

If an entity is resident in or has a permanent establishment in Timor-Leste, it will be required to withhold tax from payments made to suppliers.

8.0 Wage income tax

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

8.1 WIT rates applicable in Timor-Leste's sovereign territory (excluding the JPDA)

The WIT rate applicable to resident employees of a contractor or subcontractor are as follows:

Monthly taxable wages	Rate
$US0 - $550	10%
Above US$550	US$55 + 30% of the amount of wages above US$550

There is a monthly personal tax credit of US$10 per month for resident employees.

In the case of a non-resident natural person, a flat rate of 20% applies on taxable wages.

8.2 WIT rates applicable in the JPDA (excluding Bayu-Undan and Elang Elang Kakatua Kakatua North (EKKN) and Greater Sunrise)

The WIT rates applicable in the JPDA (excluding Bayu-Undan, EKKN and Greater Sunrise) are the same as that in Timor-Leste's sovereign territory (discussed above) with the key difference being that 90% of the wages from the JPDA are subject to tax in Timor-Leste by virtue of the TST. The right to tax the remaining 10% of wages from the JPDA lies with Australia.

8.3 WIT rates applicable in Bayu-Undan

The WIT rate applicable to resident employees of a contractor or subcontractor in Bayu-Undan are as follows:

Monthly taxable wages	Rate
US$0 - US$3,368	10%
US$3,369 - US$6,737	15%
Exceeding US$6,737	30%

There is a tax free allowance for the employee's spouse and children. The above rates are prior to the application of the TST.

In the case of a non-resident natural person, a flat rate of 20% applies to the gross value of the remuneration (prior to application of the 10% reduction under the TST).

9.0 Tax treaties

Timor-Leste has concluded a double tax treaty with Portugal. In addition, the TST concluded with Australia contains provisions aimed at the prevention of double taxation in respect of income attributable to the JPDA.

10.0 Indirect taxes

10.1 VAT

The Director General of Revenue and Customs' current administrative practice is that, for administrative simplicity, VAT is only collected and remitted by contractors who are parties to a PSC from the services rendered by second tier service providers, i.e. subcontractors. VAT at a rate of 9% (10% x 90%) is applied to "taxable services" provided in the JPDA. The Law on Value Added Tax and Sales Tax defines a taxable service as "*any service activity under a contractual agreement or legal arrangement which makes available for use goods, facilities or rights, including services provided on order or request, for which the material is provided by the party placing the order*".

The contractor has the obligation with respect to the calculation and remittance of VAT. Where services are provided by a subcontractor to another subcontractor, under the current administrative practice of the Director General of Revenue and Customs there is no requirement for VAT to be withheld.

10.2 Sales tax

Generally where a taxpayer imports any taxable goods into Timor-Leste, sales tax is imposed on the value of the taxable goods. The rate of sales tax on an import of goods by a Contractor in relation to petroleum operations other than in the JPDA is 6%. Sales tax is calculated on the customs value of the goods, including any import duty and excise tax payable on the importation of the goods. The customs value is the fair value of the goods including cost, insurance and freight as determined in accordance with article VII of General Agreement on Tariffs and Trade ("GATT").

Sales tax does not apply in the JPDA.

10.3 Import duties and excise tax

Import duty applies to goods imported into Timor-Leste on the customs value. There are various exemptions from import duty that can apply, such as temporary importations where certain conditions are met. The rate of import duty on an import of goods by a Contractor in relation to petroleum operations other than in the JPDA is 6%. Import duty does not apply in the JPDA.

Excise tax applies at varying rates to:

a) excisable goods removed from a warehouse by a registered manufacturer for consumption in Timor-Leste; or

b) excisable goods imported into Timor-Leste.

The table below sets out the rates of excise tax payable.

Harmonized Classification System Item	General description of goods	Rate of Excise Tax
2710	Gasoline, diesel fuel and other petroleum products	US$ 0.06 per litre
8703	Small passenger vehicles with an excise value exceeding US$ 70,000	35% of the excise value above US$ 70,000
2203	Beer	US$ 1.90 per litre
2204-2206	Wine, vermouth and other fermented beverages (for example, cider, perry)	US$ 2.50 per litre
2207, 2208	Ethyl alcohol (other than denatured) and other alcoholic beverages	US$ 8.90 per litre
2401-2403	Tobacco and tobacco products	US$ 19.00 per kg
9301-9307	Arms and ammunition	200% of the excise value
9613	Cigarette lighters	12% of the excise value
9614	Smoking pipes	12% of the excise value
9706	Pleasure boats and private aircraft	20% of the excise value

Excise tax is not applicable in the JPDA.

11.0 Other

11.1 Foreign currency

The official currency in Timor-Leste is the United States Dollar ("USD"). Taxable income must be calculated in USD (transactions denominated in foreign currencies will need to be translated into USD). No specific treatment is afforded to the oil and gas industry on the treatment of foreign currency gains or losses. Realized gains and losses on foreign currency are accounted for in taxable income, while unrealised gains and losses are not.

12.0 State participation in profits

Under the PSC, contractors are entitled to retain a specified amount of petroleum to recover their costs. In addition, contractors are also entitled to share in any surplus of costs recovered, i.e. profits. The ANP, as a party to the PSC, is entitled to a share of these profits in accordance with the terms of the PSC.

In the case of PSCs in the JPDA, the ANP, as the Designated Authority under the TST, is required to transfer 10% of its share of profits to the Government of Australia. The remaining 90% is invested in the Petroleum Fund for the benefit of the Government of Timor-Leste.

13.0 Oil and Gas Contact Information

Dili (GMT +9)

Deloitte Unipessoal Lda
3rd Floor Timor Plaza Building
Rua President Nicolau Lobato
Comoro, Dili
Timor-Leste

Francis Thomas
Office Managing Partner
Tel: +670 331 3182
Email: fthomas@deloitte.com.au

Mark Leung
Partner
Tel: +670 331 3182
markwleung@deloitte.com.au

London (GMT)

Julian Small
Global O&G Tax Leader
Telephone: +44 (0) 20 7007 1853
Email: jsmall@deloitte.co.uk

Perth (GMT +8)

Deloitte Tax Services Pty Ltd
240 St Georges Terrace
Perth
Western Australia
Australia

Kenneth Wee
Partner
Tel: +61 (0) 8 9365 7288
kwee@deloitte.com.au

Nilesh Sewpal
Account Director
Tel: +61 (0) 8 9365 7222
nisewpal@deloitte.com.au

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