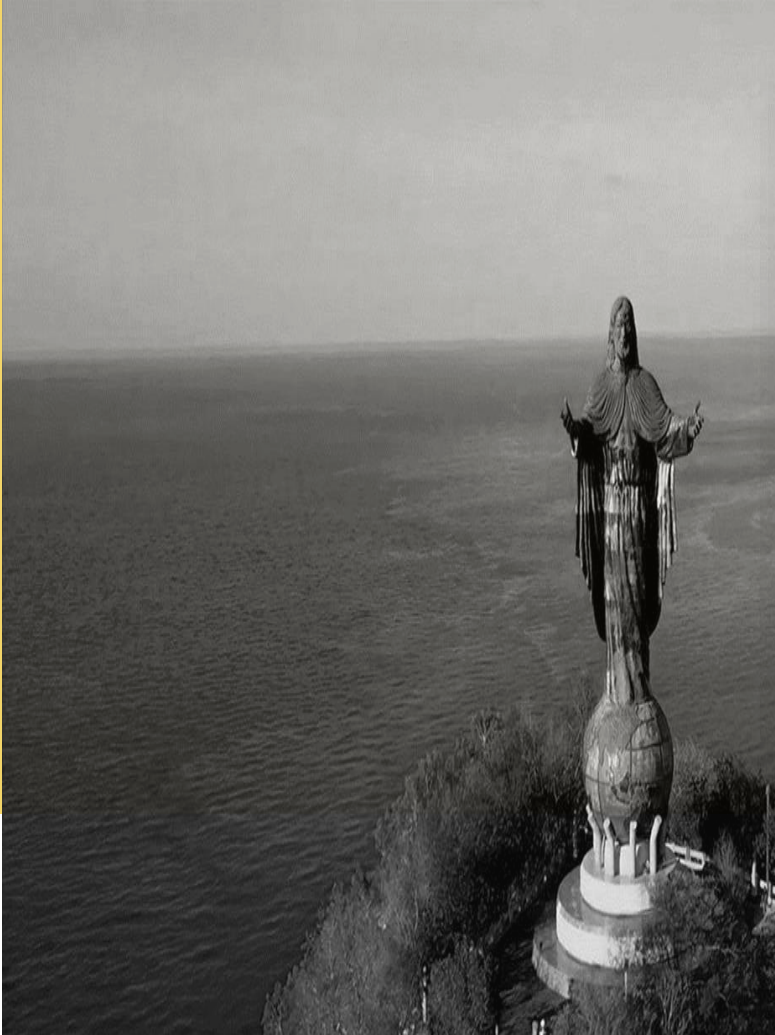




TIMOR-LESTE INVESTMENT GUIDE 2023 EDITION

TradelInvest Timor-Leste

Agência de Promoção de Investimento e Exportação, I.P



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ABBREVIATIONS

ADB	Asian Development Bank
AoA	Act of Association
ASEAN	Association of Southeast Asia Nations
ASYCUDA	Automated System for Customs Data
CEA	Classification of Economic Activity
DoB	Declaration of Benefit
DPI	Directorate of Investment Promotion
FDI	Foreign Direct Investment
GD	Government Decree
GDP	Gross Domestic Product
ILO	International Labor Organization
INL	National Institute for Linguistic
ISIS	International Standard for Industrial Classification
JSC	Joint Stock Company
LDCs	Least Developed Countries
LEA	Licensing of the Economic Activities
Mn	Million
P.I	Public Institution
PIL	Private Investment Law
SDP	Strategic Development Plan
SERVE	Business Registration and Verification Services
SIA	Special Investment Agreement
STVE	Secondary Technical Vocational Education
TIN	Tax Identification Number
TITL	TradeInvest Timor-Leste
UN	United Nations
UNTL	National University of Timor-Leste
VAT	Value Added Tax
WIT	Wage Income Tax
WTO	World Trade Organization

FOREWORD

Timor-Leste restored its independence in May 2002 and became the first sovereign nation of the 21st century. Being an island country, Timor-Leste is strategically located in Southeast Asia, 400km north of Australia (Darwin) across the Timor Sea and 1,000km south of Indonesia (Bali). Timor-Leste also shares a land border with Indonesia. Its location makes Timor-Leste a natural bridge between Asia and the Pacific.

Timor-Leste's economy has grown significantly since independence. According to the World Bank Database, Timor-Leste has performed better than some of its neighboring countries in the region with 4.4% of GDP growth in 2021, faster than the average of Small States Group (3.7%) and Least Developed Countries Group (2.3%). Timor-Leste GDP per capita with US\$1,626 is above the average of LDCs with US\$1,073, which ranks Timor-Leste as a lower middle-income country.

Furthermore, Timor-Leste is a dynamic and growing economy regarding Foreign Direct Investment (FDI) flows. During the last decade, it has presented a cyclical trend reaching an annual average growth of 3.5% (Central Bank of Timor-Leste, 2021). The internal database from Investment and Export Promotion Agency (TradelInvest Timor-Leste) demonstrates that based on investment certificate issued, the main country investing in Timor-Leste is Singapore, sharing above 85% of the flows during the last 5 years. Tourism sector is the main recipient sharing almost 50% of the flows, followed by real estate (26%) and food and drinks production (17%). The 3 sectors combined share above 90% of the flows.

The government is currently driving a large economic diversification initiative particularly in the tourism, agriculture, fisheries and manufacturing sectors. Timor-Leste aims to become increasingly attractive to investors. To this end, Timor-Leste has implemented a very effective policy to attract FDIs including, among others, fiscal incentives that can result in tax exemption up to a 100% for certain sectors and with certain conditions. Timor-Leste has an affordable, young, an increasingly well-prepared labor force willing to work and thrive in those productive sectors.

The Strategic Development Plan (SDP) 2011-2030 sets out Timor-Leste's ambitious to integrate its economy into the regional and global community. Timor-Leste applied for ASEAN membership in 2011 and for WTO membership in 2016. The Government has taken these processes seriously and the country has been working hard to accede to ASEAN and WTO in the near coming years. Full membership of ASEAN and WTO will further integrate Timor-Leste into regional and global economies, hence to promote economic growth, boost export diversification and to enable more engagement in the global value chains.

The purpose of this investment guide is to provide a summary of the main regulatory aspects governing private investments in Timor-Leste. The guide also provides a brief overview of the technical information on the process of setting up investment projects in Timor-Leste. This guideline has been updated from the previous investment guide developed in 2017 to reflect the non-binding policy document “Investment Reform Map” as well as to align with the priorities and programs of the IX Constitutional Government. Finally, this publication is useful not only for investors who are dealing with Timor-Leste’s regulatory system for the first time, but also for those who already have some prior knowledge and wish to learn more about the most important aspects of setting up and growing an investment project in Timor-Leste.

Investment and Export Promotion Agency

TradeInvest Timor-Leste

Dili, October 2023

Endorsed/approved by:

Francisco Kalbuadi Lay

Vice Prime Minister

Coordinating Minister for Economic Affairs

Minister of Tourism and Environment

(Supervisory Body of TradeInvest Timor-Leste)

1. RELEVANT INVESTMENT LEGISLATION

Summary:

List of some of the most relevant investment-related legislations:

1. Private Investment Law No. 15/2017
2. Government Decree No. 2/2018 that regulates the Private Investment Law, as amended by the Government Decree No. 4/2019
3. Company Act Law No. 10/2017
4. Decree Law No. 83/2022 on Licensing of the Economic Activities (Business Licensing)
5. Decree Law No. 16/2017 on Business Registration
6. Immigration Law No. 11/2017 as amended by Law No. 10/2021
7. Decree Law No. 7/2017 on the creation of Business Registration and Verification Services (SERVE)
8. Decree Law No. 58/2022, the first amendment of Decree Law No. 45/2015 on the creation of Investment and Export Promotion Agency (TradeInvest Timor-Leste)
9. Decree Law No. 8/2008 on the Taxes and Duties Act, as amended through Annual State Budget

Private Investment Law Number 15/2017

The promotion of the private sector of the economy is a mandate deriving from Article 140 of the Constitution of the Republic, which determines the State's duty to promote national investments and create the conditions to attract foreign investments, taking into account national interests.

In this view, the guidelines outlined in the 2011-2030 Strategic Development Plan for economic growth and private sector promotion as conditions that are essential for job creation, diversification of sources of income, and sustainability of Timor-Leste's economy, calls for the adoption of a new vision for attracting both national and foreign investments.

The private Investment Law (PIL) has been revised to ensure compliance of the national investment legislation with the guidelines of the ASEAN Comprehensive Investment Agreement as well as other related international agreements within the WTO, aiming at ensuring national alignment with Timor-Leste's membership to both organizations and modern international investment standards.

In this context, the PIL regulates not only the incentives offered to national and foreign investors including fiscal and customs benefits, but also focuses on private investment facilitation and

protection. It also establishes means to ensure attention and quality of the investor support not only in the pre-investment, but also in the post-investment phase.

Features of PIL Number 15/2017

Investors Rights and Guarantees (Chapter 3)

Equal Treatment (Article 10)

- All investors, regardless of nationality, enjoy the same rights and are subject to the same duties and obligations, under the terms of the law.
- All investors have equal opportunities of access to the special benefits provided for in this law, depending on the criteria set out.

Fair and Equitable Treatment (Article 11)

- All investors are entitled to fair and equitable treatment and, to this end, have at their disposal all legal means of a judicial and administrative nature legally in force to guarantee the full protection and security of their investments.

Right of Access to the Courts (Article 12)

- All investors are guaranteed equal access to the courts for the defense of their legally protected rights and interests, under the terms of the Constitution and the law.

Warranties against expropriation (Article 15)

- All investors are guaranteed that the State will not expropriate an Investor's property indiscriminately. A due administrative procedure based on public utility shall be respected.

Resort to bank loans (Article 17)

- All investors are guaranteed the possibility of resorting to banking loans in order to finance their investments.

Overseas Transfer of Funds (Article 18)

- All investors are guaranteed the right to freely transfer funds abroad from any investment or reinvestment in Timor-Leste, in accordance with the applicable legislation.

Intellectual Property (Article 19)

- All investors are entitled to the protection of industrial secrets, copyrights, industrial property rights, distinctive trademark signs, or any other intellectual property rights recognized by law.

Restrictions in specific sectors (Article 9)

PIL provides a legal basis to develop a negative list (reservation list). Within the terms and the effects of paragraph 3 of article 9 of the PIL, Investment and Export Promotion Agency (TradeInvest Timor-Leste) officially published the updated Timor-Leste's negative list on 19th August 2022. The negative list is an evolving document, i.e., at any time the investment sectors or activities can be deleted from or added to the list based on relevant legislations reforms.

The negative list provides some limitations on market access and national treatment in some services sectors and subsectors under two main categories: 1). Prohibited/restricted for both national and foreign to carry out investment activities; and 2). Investment activities with the possibility of a participation that limits quota/shares to foreign investors. (Full provision of the negative list can be downloaded from TradeInvest Timor-Leste website: www.tradeinvest.tl).

Summary of the sectorial classification in the Negative List

Prohibited/restricted for all investors (5 sectors)	Conditional for foreign investors' participation (5 sectors)
1. Criminal activities; 2. Activities related to environmental protection areas; 3. Activities related to offenses of traditional customs; 4. Postal and courier services; 5. Activities related to funeral services.	1. Activities related to public communication services and other media services; 2. Urban and suburban passenger land transport activities and other passenger land transport activities; 3. Air transport activities; 4. Gambling and other recreational activities; 5. Insurance activity.

Dispute Settlement (Chapter 10)

- The PIL establishes that disputes between the Government and the investor shall be preferably settled through amicable procedure.
- If the dispute cannot be amicably settled, the parties shall address the dispute to the competent judicial courts (arbitration is the preferable way in case the dispute cannot be amicably settled).
- Alternatively, the parties may always address the dispute to an arbitration court.
- Timor-Leste joined the International Center for Settlement of Disputes in 2016 and acceded to the 1958 UN Convention on recognition and enforcement of Foreign Arbitral Awards in early 2021.

- The Timor-Leste Arbitration Law entered into force on the 31st of March, 2021 (Law 6/2021), foreseeing the complete legal regime to implement an arbitral tribunal for any investment litigation.

Government Decree Number 2/2018

Government Decree Number 2/2018 provides the regulation and procedures for private investments in Timor-Leste.

Features of Government Decree Number 2/2018

In order to benefit from the incentives offered under the PIL, the investor needs to be holder of:

- A Declaration of Benefit
- A Special Investment Agreement

In order to benefit from incentives offered under the PIL, the required minimum values for investment and reinvestment are:

- US\$50,000 if it's a national investor;
- US\$500,000 if it's a foreign investor;
- US\$250,000 if it's a joint venture or one of the legal forms of partnership between a foreign investor and a national resident, in which the latest control, at least, 75% of the share capital of the commercial societies involved.

Support to investors

- TradeInvest Timor-Leste is the only Government entity and one-stop shop for private investors to have access to administrative authorization, visas, permits and also for all acts related to business registration.
- TradeInvest Timor-Leste is also in charge of facilitating investor's relations with public administration by nominating a "liaison" technical officer in charge of following up the different procedures.
- The facilitation services provided by TradeInvest Timor-Leste is free of charge (has no cost).

Companies Act

Law No. 10/2017, of 17 of May – Company Act Law

This Law of Company Act No. 10/2017 sets out principal requirements for business and companies incorporation and registration in Timor-Leste and lays down the conditions where the foreign or overseas companies should comply in order to incorporate and conduct business in Timor-Leste as well as establishing the subsidiaries of the foreign companies in Timor-Leste.

Decree-Law No. 16/2017, 17 of May – Business Registration

This Decree-Law provides legal basis for registering the business and companies including the sole traders, company of single ownership with limited liability, limited liability partnership (LLP), Joint Stock Company (JSC), Stated-owned Company, and also Foreign Branch Company. All these types of business and companies are legally allowed to conduct any of the economic activities that listed under the Classification of Economic Activities (CEA) extracted from the International Standard for Industrial Classification (ISIC) as adopted in the Decree-Law No. 83, 2022, of 23 of November regarding the Licensing of the Economic Activities (LEA), also known as Business Licensing.

The Decree-Law No. 16/2017 is a specific legislation or regulation contain with specific rules for business registration and also to ensure legal certainty in trade.

The need for setting up businesses and companies in Timor-Leste is done through SERVE, I.P. - a government agency or institution that is responsible for Business Registration and Verification of Entrepreneurs. This public institution was established through a Decree-Law No. 35/2012, of 18 of July and later was revoked and functioning through the new Decree-Law No. 7/2017, 22 of March which transformed SERVE as a Public Institute and further denominated as SERVE, I.P.

Decree-Law No. 83/2022, of 23 of November – Licensing of the Economic Activities (Business Licensing)

This Decree-Law defines the legal regime applicable for the conduct of the economic activities in Timor-Leste and this defines the classification of the economic activities where some do not require specific business licensing to conduct the activities and some required specific business licensing prior to conduct the activities considering the impacts of the activities toward the environment, human and animal health, financial and security stability. This legal framework applies for both national and foreign companies owned by foreigners. The need of licensing for each economic activity will depend on the existence of a specific sectorial legal framework for that specific economic activity requesting the special license.

Following is the examples of list of the economic activities that need specific license prior to the conduct of the activities:

Sector	Subsector	License required?	Respective Ministry
Agriculture, Forestry, Fisheries and Livestock	Animal production	Yes	Ministry of Agriculture, Forestry, Fisheries and Livestock
	Rice production	Yes	Ministry of Agriculture, Forestry, Fisheries and Livestock
Extractive Industries	Extraction of oil and natural gas	Yes	Ministry of Petroleum and Mineral and National Authority for Environmental License
	Extraction of metallic and non-metallic mineral	Yes	Ministry of Petroleum and Mineral and National Authority for Environmental License
Manufacturing Industries	Food and beverages production	Yes	Ministry of Commerce and Industry and Ministry of Health
	Dairy industry	Yes	Ministry of Commerce and Industry and Ministry of Health

Full provision of the list can be downloaded from SERVE website: www.serve.gov.tl

2. VISAS AND PERMITS: ENTERING THE COUNTRY FOR BUSINESS PURPOSE

The Immigration Law No. 11/2017 as amended by Law No. 10/2021 establishes the following provisions:

- Working visa (Article 37) is issued for a maximum period of one year renewable for the same period;
- Business visa (Article 38), which comprises of two types of visa under this category:
 - Business Visa Class I – is issued for a maximum period of 60 days, non-renewable (unless exceptions under Article 51 for humanitarian reasons). This type of visa is issued for the purpose of analyzing the possibilities of investing and/or opening a business in the country (market studies and so on)
 - Business Visa Class II – is issued for an initial period of 6 months and renewable for indefinite period of 2 years. This type of visa is issued to foreigners to establish in the country for business activities (business activities as defined in the PIL) as a partner or administrator of a company or as someone with a relevant position in a company. In addition, under Article 38 line 6, it is a condition for this type of visa holder to stay (or plan on staying) in national territory for more than 183 days/year (thus, being a fiscal resident in Timor-Leste).

3. INFRASTRUCTURE DEVELOPMENT AND CAPACITY

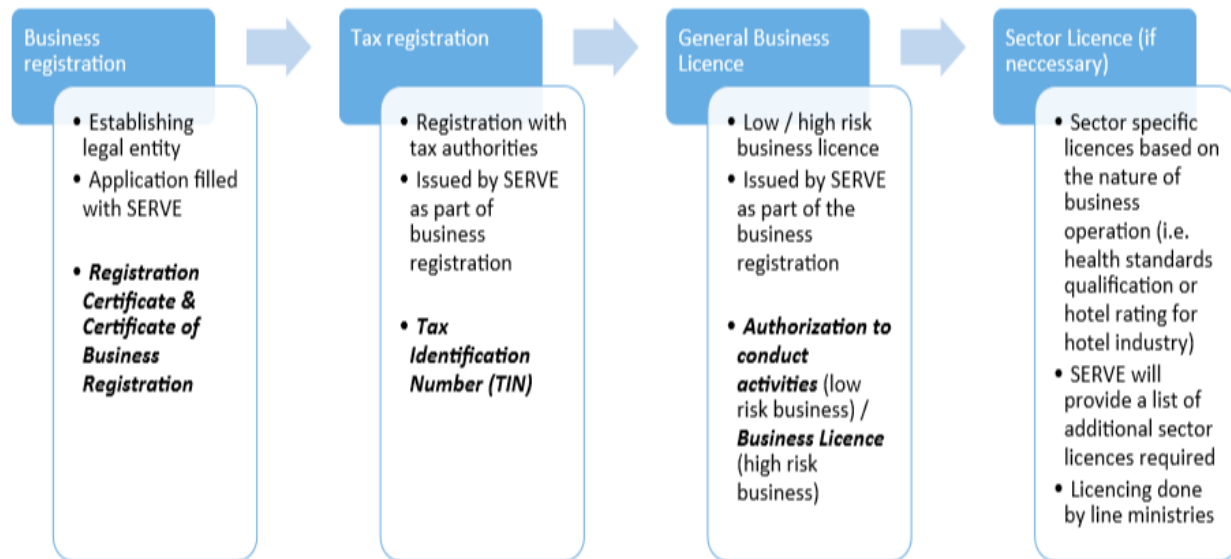
The Government of Timor-Leste is committed to improve its infrastructure development in order to support investment and promote international trade in the country.

Some of the completed and ongoing major project development commitments include:

- Tibar Bay Port - US\$490Mn under a Public-Private Partnership. Construction of a two-berth, 600m pier, cargo and container terminal, customs and administrative buildings, inland clearance facilities, and inland container depots. The port is designed to handle up to 750K containers annually to facilitate trade - completed
- International Airport "President Nicolau Lobato" - US\$135 Mn loan from Asian Development Bank to extend the runway, construct a new control tower and reconfigure facilities on the airside, increasing traffic capacity from 80-100K passengers to 1 Mn per year - ongoing
- Water supply and sanitation – more than US\$600 Mn loan-grant from the World Bank, Asian Development Bank & Millennium Challenge Corporation to upgrade and expand the existing system in Dili and Bacau to guarantee access to safely managed drinking water and sanitation
- Road Climate Resilience - US\$35.2 Mn loan from The World Bank to expand, improve and maintain +120Km and 450 bridges in national road system between north and south of the country - ongoing
- Power Distribution and Modernization - US\$35 Mn loan from Asian Development Bank to provide sustainable & reliable electricity to 12 municipalities by modernizing the distribution system (distribution control center, 30 distribution transformers & 290KM voltage lines) - completed
- ICT Development - 2 new submarine fiber-optic cables to provide reliable and high-speed broadband internet connection. Connection services would be operated on a commercial basis either by private telecom. operators or by the government - ongoing
- Building an international standard airport in Special Economic Zone for Social Market Economy in Oecusse Special Administrative Region - completed
- Setting up and implementing ASYCUDA system to align with WTO for trade facilitation by Customs Authority. This system will eventually be integrated into ASEAN single window system - completed
- Millenium Challenge Corporation Compact Development, an international agreement signed with the U.S. Government which foresees the implementation of an on-going twofold strategic project: education and complete water and sanitation rehabilitation – ongoing

4. BUSINESS REGISTRATION PROCESS

Following is the business registration process in Timor-Leste:



The business registration process in Timor-Leste targets a maximum 5 processing days although it might take longer if any follow up questions rise. All registration must be done offline (directly at SERVE's office) and there are plans for online registration in the near future. As for the company's capital, business owner are free to decide on the capital value (the minimum value of capital is US\$ 1).

General required documents for business registration:

1. Company profile contains following information:
 - a. Firm (Commercial Name);
 - b. Date of Establishment;
 - c. Office Address;
 - d. Shareholder(s);
 - e. Share Capital;
 - f. Social Object (Objective);
 - g. Administration Council/ Social Organ; and
 - h. Approval Date and Signature of the Shareholder.
2. Identification Card (Electoral Card, Identity Card or Passport)
3. Map of Locality
4. Act of deliberation (minutes of resolution of the company)
5. Power of Attorney

Once the registration process is done, companies are required to obtain a certificate of Debts by confirming their registration with the Ministry of Finance.

Documents issued by SERVE are as follows:

1. Registration Certificate – summary of the Act of Association
2. Certificate of Business Registration which indicates the company's registration number, the tax identification number (TIN)
3. Prior declaration – subject and not subject to sectorial license (refer to list of economic activities above)

Summary:

For the registration process of foreign branch, all documents as proof of the existence in foreign country, including the Minutes or the Act of Deliberation and the copy of Act of Association (AoA), and the rest as mentioned from part a to g must be compiled in one folder or package and bring to the Public Notary in the origin country to get the certification and/or legalization and after then is to bring to Timor-Leste's Embassy to also be certified as part of acknowledgment of the existence of the company in the origin country. Afterwards, the designated Administrator or Director or the Legal Representative can proceed to SERVE, I.P. to lodge the documents for the verification process purpose and if everything is comply and corresponded with the applicable requirements then they can start to work with the translation of these documents into Tétum or Portuguese as one of the Official Languages. As stated in the law, the public institution accredited and designated to work with the translation services is the Instituto Nacional de Linguística (INL) or Directorate of National Institute for Linguistic under the Universidade Nacional de Timor-Leste (UNTL) or National University of Timor-Leste. But in the case if the translation is done by any individual or any other entity aside the INL then all these documents must be certified by the Public Notary in the Ministry of Justice of Timor-Leste.

5. INVESTMENT INCENTIVES PACKAGES

Timor-Leste has one of the most attractive investment incentives packages in Southeast Asia & Pacific. Investment incentives are based on the PIL No. 15/2017 and Government Decree No. 2/2018. Investments made by the State or legal persons owned in more than 50% by the State are not eligible for the incentives as regulated in the Law.

Incentive Benefits

All investors holding a Declaration of Benefit (DoB) or a Special Investment Agreement (SIA) are entitled to:

- A minimum of 5 business visas for qualified workers with directing or technical functions in the area of the investment/reinvestment project
- The leasing of State owned land/real estate property for a maximum period of 50 years renewable for periods of 25 years up to a total of 100 years in case of investors holding a DoB, while in the case of investors holding a SIA, the leasing period can be over 100 years.

Tax Incentives

- An enterprise associated with an investment or reinvestment project in specific economic sectors and under certain conditions, may enjoy an exemption from income tax of up to 100% for a certain period of time depending on the geographical zone of the investment project. It can also enjoy an exemption of up to 100% on sales tax and services tax for the goods and services used for the construction and management of the investment project.

Customs Incentives

- An enterprise associated with an investment or reinvestment project in specific economic sectors and under certain conditions, may enjoy an exemption from import duties of 100% for a certain period of time depending on the geographical zone of the investment project on all capital goods and equipment used in the construction and management of the investment or reinvestment project.

Periods of time for the tax and customs incentives based on the geographical location of the project

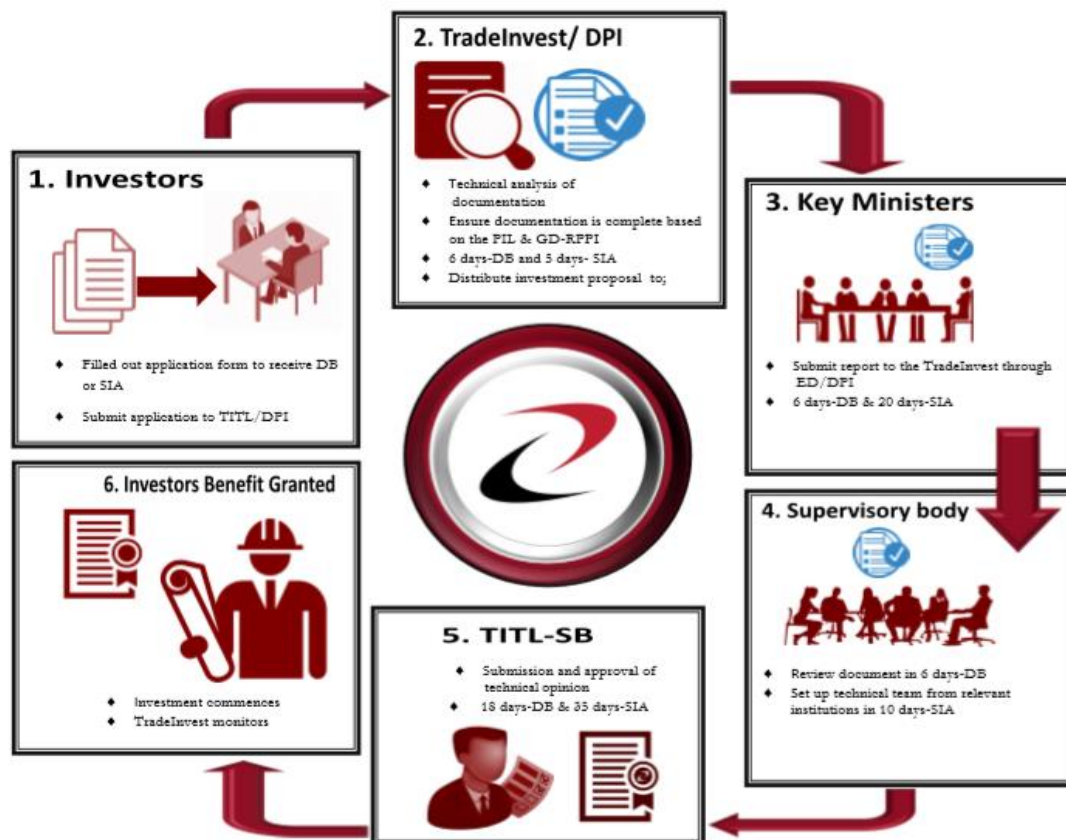
Zone	Tax and customs duties exemption period
Zone A	Tax exemptions granted for a period up to 5 years for the municipality of Dili, corresponding to the administrative posts of Cristo Rei, Dom Aleixo, Na'i Feto and Vera Cruz

Zone B	Tax exemptions granted for a period up to 8 years for areas corresponding to those located outside the boundaries of the urban area of the municipality of Dili
Zone C	Tax exemptions granted for a period up to 10 years for special zones Oe-Cusse Ambeno and Ataúro

6. INVESTMENT INCENTIVES APPLICATION PROCEDURE

Investment Incentive Application Process

Following is the investment incentive application process (how to apply for a DoB/SIA):



The investor must submit the request for a written concession to investment and export promotion agency, directly or through a legal representative.

The application must be accompanied by the following documents:

- Completed form;
- Photocopy of the passport or identification document of all-natural persons who by themselves or incorporated in a commercial company, participate in the investment, in the case of a national investor;
- Power of attorney, if the request is submitted by a legal representative;
- Photocopy of an up-to-date commercial registration certificate where the investor is a legal person already established;

- Request for a maximum of 5 working visas and all documents required by law;
- Business plan that proves the amount of the investment planned or in the execution phase.

7. CUSTOMS AND TRADE

Legal framework

- Customs Code (Decree Law Number 14/2017), Articles 94 to 96 defines general rules of origin criteria and requirements for certification of origin
- There is no specific law that deals with this issue, but there is a Ministerial Diploma Number 1/2009 that sets out the specific procedure to issue Certificate of Origin for coffee commodity
- Currently, Timor-Leste does not apply rules of origin because it applies flat import duty rate (2.5%) on all imported goods, regardless of the country of origin of the goods
- Customs Code (Decree Law Number 14/2017), Article 155 provides the legal basis to establish the national single window
- Government Resolution Number 24/2017 provides the legal basis to adopt ASYCUDA world system as the platform for national single window
- Quarantine and Sanitary Control (Decree Law Number 21/2003)
- General Quarantine Regulations (Government Diploma Number 1/2006)

Timor-Leste imports the vast majority of its goods and services from Asia including fuel, cement, building materials, tobacco and motor vehicles. Major exports include crude petroleum, coffee, candlenut, aluminum and a range of other agricultural commodities.

Importing goods

Importing goods to Timor-Leste, such as on a container, requires the use of a Customs Broker who submits the customs declaration on your behalf through the Timor-Leste Customs service ASYCUDA electronic system. A fee will be agreed by both parties. There are special license required for importing goods including live animals, live plants, animal/vegetable products, product vehicles and firearms.

Exporting goods

Exporting goods from Timor-Leste requires the use of Customs Broker who submits the customs declaration on your behalf together with appropriate documentation (export license, certificate of origin). Customs will then check the paperwork, physically inspect the goods and assist with loading of goods for export. The exporters need to pay only US\$1 for administration fee.

8. LAND

Owning land/real estate property in Timor-Leste is limited by the Constitution to Timorese nationals. Foreigners cannot own land/real estate property in Timor-Leste.

Leasing of land/real estate property is allowed to foreigners. The law establishes no distinctions between foreigners and nationals to lease land/real estate property in the country.

Land access for investors is based on the following laws:

- Decree Law No. 19/2004 (Leasing State Property)
- Ministerial Decree No. 1/2006 (develops Decree Law No. 19/2004)
- Private Investment Law No. 15/2017
- Law No. 12/2005 (Leasing real estate between private entities/individuals)

Access to land in Timor-Leste for foreign investors can be summarized as follows:

Access to Land	State Property	Private Property	Communal Land
Can a foreign citizen buy?	No	No	No
Can a foreign legal entity buy?	No	No	No
Can a foreign citizen lease?	Yes	Yes	Yes
Can a foreign legal entity lease?	Yes	Yes	Yes

There are different scenarios regarding the leasing of land/real estate property in Timor-Leste:

- Leasing of land/real estate property by holders of a DoB/SIA
- Leasing of land/real estate property by non-holders of DoB/SIA
- Leasing of land/real estate property owned by private entities/individuals

Leasing of land/real estate property by investors holding a DoB/SIA

- According to PIL, Article 25 (1) "the State may enter into a contract with the holder of a DoB or SIA to lease land/real estate property required to implement the investment project for a maximum period of 50 years, renewable for periods of 25 years up to a total of 100 years.
- According to PIL, Article 25 (2) "in case of SIA, the State can agree on "more favorable" conditions when deemed convenient (eventually the lease could be for a longer period)"

Leasing of land/real estate property by investors NOT holding a DoB/SIA

- According to Law No. 19/2004, Article 14 (2), private companies and industries can sign lease agreements:
 - Up to 10 years if it is a small company or industry

- Up to 30 years if it is a medium company or industry
- Up to 50 years if it is a big company or industry
- These leasing contracts can be renewed by agreement of both State and the company
- According to Ministerial Decree No. 1/2006:
 - Small company or industry are the ones with a monthly rental of less than USD 1,250
 - Medium company or industry are the ones with a monthly rental between USD 1,250 and USD 2,500
 - Big company or industry are the ones with a monthly rental of over USD 2,500
 - It is important to highlight that the procedure to acquire the lease of land/real estate property for investors not holding a DoB/SIA are complex and competitive

Leasing land/real estate property owned by private entities/individuals

The Law No. 12/2005 on leasing real estate between private entities/individuals does not establish any limitations for national or foreign investors to lease land/real estate property owned by national natural or juridical persons.

Summary:

- Any investor, with or without a DoB/SIA could potentially sign a lease agreement with the State
- Investors holding a DoB/SIA would be in a privileged position to access these kind of lease agreements
- Investors holding a SIA would be considered even more privileged as the State could agree on more favorable conditions for the lease agreements (even to sign lease agreements for a period of over 100 years)
- In any case, foreign investors could sign lease agreements with Timorese nationals without any specific limitations for being foreign

Finding and applying for Land

There are no estate agents currently in Timor-Leste. New customers may make pre-identification by direct observation or by simply googling maps to find the target place or area. Once some land has been identified the investor may submit an application directly to the Land and Property department for further actions.

If the investor is applying for Government land, which is empty, the Land & Property department will conduct a survey and provide it to the applicant company. If the investor is applying for Government land which is occupied, the Land & Property department will work closely with Relevant Ministry to conduct a survey and assist with any negotiations.

9. LABOR

Legal framework

Labor Law Number 4/2012

This law defines the legal regime applicable to individual and collective labor relations. Employment contracts may be established with an indefinite or a fixed period, with the latter limited to a maximum of three years, including renewals. Timor-Leste is a member of most fundamental ILO conventions.

Features of Labor Law Number 4/2012

- Fixed Term Contracts Max 3 years
- Probationary Periods Contract (Max 8-15 days) and Permanent (1-3 months)
- Work Time - Max 8 hours/week or 44 days/week. Overtime rates apply
- Annual Leave Min 12 days/year + 3 days special leave (bereavement etc.)
- National Holidays - 17/calendar year
- Remuneration Fixed or variable (performance) paid by cash, cheque, bank transfer
- Employment Termination - 30 days notice
- Parenthood Leave - Min 12 weeks (female), 5 days (male)
- Minimum Work Age - 15 years
- Medical Tests Requires written consent of job applicant or employee
- Foreign Workers - any citizen who is not a Timorese national but work/lives in Timor

Timor-Leste has one of the lowest legal minimum wages in the world, with US\$115 per month. It also has the lowest salary in Southeast Asia after Myanmar and Indonesia, which contributes directly to cost reduction operations. Therefore, Timor-Leste presents an attractive business environment for any investor looking to employ local workers. Timor-Leste has a robust labor force with 59% of its population is under working age (15-65 years) equivalent to 793,000 inhabitants.

Timor-Leste has more than 50,000 graduates in higher education (95% in university and 5% in Polytechnic) and 32 STVE (Secondary Technical Vocational Education) schools with over 8,000 students. There are very few recruitment agencies in Timor-Leste with people typically being recruited through newspaper adverts, social media and word/mouth.

Portuguese and Tetum are the two official languages in Timor-Leste. English (more than 16% fluency) and Bahasa Indonesia (more than 36% fluency) are also increasingly spoken in the workforce particularly amongst younger Timorese.

10. PROMOTED SECTORS/AREAS

Sectors and sub-sectors in which private investments are strongly encouraged are:

i). Sustainable tourism

- Religious and pilgrimage tourism
- Cultural and historical tourism
- Eco and marine tourism
- Agri-tourism
- Community-based tourism
- Adventure and sport tourism
- Accommodations
- Tour operators activities
- Bar and restaurants
- Creative industries (arts and crafts)

ii). Strategic infrastructure

- Roads, airport and seaport (connectivity)
- Transport and communication (accessibility)
- Renewable energy – solar panels, hydropower, wind farm (growth)

iii). Agricultural-based industries

- Industrial crops – coffee, coconut, candlenut, maize, rice, cocoa, vanilla
- Forestry – sandalwood, teakwood, bamboo
- Livestock – cattle, goat, pig, chicken

iv). Agricultural crops

- Horticulture
 - vegetables (broccoli, cauliflower)
 - fruits (banana, mango, avocado, tangerine)
 - legumes (red beans, mungbeans, soybeans, peanuts)
 - spices (peppers, cloves)

v). Fisheries and aquaculture

vi). Manufacturing and processing industry

vii). Services (medical services, financial services, construction services)

viii). Oil, gas and minerals

ix). Logistics, warehouse, research and development

x). Export activities

11. TAXATION

Taxes and Duties Act is regulated under Decree Law Number 8/2008 with several amendments made through the Annual State Budget, which defines and characterizes all taxes in Timor-Leste, including income tax, services tax, petroleum tax, import duties, sales tax, excise tax and other aspects of the tax system.

The following fees and liabilities apply:

- **Corporate income tax** – 10% rate
- **Personal income tax** – progressive rate from 0-10%
- **Wage income tax** – progressive rate from 0-10%
- **Sales tax** – 2.5% rate applied to imported taxable goods (taxable goods and services sold and delivered in Timor-Leste are subject to a 0% rate)
- **Service tax** – 5% rate applied to hospitality services, restaurant and bar, and telecommunications with monthly turnover exceeding US\$500
- **Import duty** applies at 2.5% on the custom value of goods imported into Timor-Leste, subject to certain exemptions
- There is no Value Added Tax (VAT), but a simple VAT system is being developed to raise revenues more efficiently
- Resident individual taxpayers are subject to wage income tax (WIT) at 10% on earnings in excess of US\$ 500, the first US\$ 500 is not taxable. For non-resident individuals, a flat rate of 10% applies on all earnings
- **Withholding tax** is imposed on the following type of income:

Type of income	Tax rate (%)
Dividends	0
Interest	0
Royalties	10
Rent (land and building)	10
Prize and winnings	10
Construction/building activities	2
Construction consulting services	4
Air and sea transportation	2.64
Income from mining and mining support services	4.5
Every Timor-Leste source of income paid to non-residents without a permanent establishment	10

- **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:

General Descriptions of Goods	Applicable Tax (USD)
Beer with alcohol content less than 4.5%	\$2.70 per liter
Beer with alcohol content of 4.5% or more	\$4.50 per liter
Fresh grape wines, including wines enriched with alcohol	\$4.50 per liter
Other fermented drinks (for example, cider, perry, mead, sack); mixtures of fermented drink and mixtures of fermented drinks with non-alcoholic beverages not specified or included elsewhere	\$4.50 per liter
Ethyl alcohol (other than denatured) and other alcohol beverages	\$8.90 per liter
Tobacco and Tobacco Products	\$50.00 per kilogram
Gasoline, diesel fuel products, and other petroleum products	\$0.06 per liter
Cigarette lighters	12% of the excise value
Smoking pipes	12% of the excise value
Arms and ammunition	200% of the excise value
Captive embola guns for slaughtering animals	10% of the excise value
Motor cars and small passage vehicles with the excise:	
a. Value up to \$10,000.00	0%
b. Valued between \$10,001.00 and \$25,000.00	10% of the excise value
c. Valued between \$25,001.00 and \$50,000.00	20% of the excise value
d. Value exceeding \$50,001.00	30% of the excise value
Private boats and aircraft	20% of the excise value
Waters, including mineral waters and aerated waters, containing added sugar or other sweetening matter or flavored and other non-alcoholic beverages, other than fruit or vegetable juices, falling under heading 20.09	\$3.00 per liter

12. INVESTMENT AND EXPORT PROMOTION AGENCY

TradeInvest Timor-Leste

Rua 25 de Abril, No.08

Colmera

Vera Cruz

Dili, Timor-Leste

Phone : +670 3311105

Website: <https://www.tradeinvest.tl>

The *Agência de Promoção de Investimento e Exportação de Timor-Leste, I.P.*, hereinafter referred to as Investment and Export Promotion Agency or TradeInvest Timor-Leste (TITL) is a Public Institute with legal personality, administrative and financial autonomy, and autonomy of assets. This agency is currently designated under the office of the Vice Prime Minister, Coordinating Minister for Economic Affairs and Minister of Tourism and Environment.

TITL was created under a Decree Law No. 58/2022, 24th of August, first amendment of Decree Law No. 45/2015, 30th of December with the mission to make it easy for investors and exporters to do business in Timor-Leste.

TITL has the mandate to carry out the following key responsibilities:

- Contribute to the economic development of the nation through the promotion, dissemination, coordination, facilitation and monitoring of investment, reinvestment and exports of goods and services in Timor-Leste;
- Disseminate and promote opportunities and advantages of investment or reinvestment and exports of goods and services in the different sectors and areas of the country, and also the image of Timor-Leste and Timorese brands abroad, as a safe and business friendly nation;
- Support the Government in defining and implementing policies and strategies to attract national and foreign investment, as well as export promotion, taking into account a gender equality perspective;
- Promote inter-ministerial and private sector dialogue in order to identify investment and export opportunities, challenges and possibilities for partnerships in strategic areas for the country's development;

- Contribute to the development of economic diplomacy, understood as the safeguard of the country's economic interests abroad, as a privileged vehicle for the dissemination of investment and export opportunities, in coordination with the government entity responsible for foreign affairs and cooperation;
- Facilitate, guide and provide support to investors and exporters, providing all information related to investment and export in Timor-Leste and monitoring its implementation;
- Act as a single interlocutor for investors and exporters, aiming at simplifying, streamlining and effectively coordinating procedures, ensuring better coordination and performance of the various services involved in the approval and implementation of investment projects in the country and exports;
- Promote processing of procedures for granting the Investor Certificate and the execution of Special Investment Agreements for the purpose of granting the benefits and incentives provided for by law;
- Support investors and exporters through the creation of databases on investment and export opportunities and aiming at the establishment of partnerships, at the request of those interested;
- Ensure the adoption of legislative and administrative measures, sensitive to gender, aimed at improving the business environment, private investment and exports in the country.