



# DEMOCRATIC REPUBLIC OF TIMOR LESTE

## MINISTRY OF FINANCE

### Guide

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(English)  
Services Tax

### National Directorate of Domestic Revenue

## SERVICES TAX

### A GUIDE FOR PROVIDERS OF DESIGNATED SERVICES

#### If you:

- own or operate a hotel
- own or operate a restaurant or bar
- own or operate a business that provides telecommunications

you may have an obligation to pay services tax

#### 1. What is the services tax?

It is a tax on the monthly total receipts received from the provision of designated services in Timor Leste.

The Taxes and Duties Act 2008 defines designated services to mean:

- (a) *hotel services;*
- (b) *restaurant and bar services; and*
- (c) *telecommunications services.*

Prior to the Taxes and Duties Act 2008 Services Tax was also applied to the total receipts received for the provision of:

- rental services of:
  - (i) cars, trucks, omnibuses, motorcycles and similar motorized land vehicles;
  - (ii) helicopters and airplanes; and
  - (iii) seagoing vessels.

These rental services are no longer subject to services tax.

#### 2. When did services tax start?

Services tax came into effect on 1 July 2000.

### **3. Is there a minimum amount that a business can receive before services tax is payable?**

Yes. In order to reduce the impact of the tax on small and new businesses, there is a threshold that affects when the tax will apply. Businesses with total receipts from the provision of designated services of **less than \$500** in a month are not required to pay services tax for that month.

Where the total receipts of a business, in respect of the provision of a designated service, are **\$500 or more** in a month, services tax is payable in relation to the total amount of receipts received for the provision of the designated services.

### **4. What is the rate of services tax?**

From the 1<sup>st</sup> July 2008 services tax is payable at the rate of 5% of the total receipts received in relation to the designated services provided.

For designated services provided between 1<sup>st</sup> July 2002 and 30 June 2008 the service tax rate was 12%.

For designated services provided between 1<sup>st</sup> July 2000 and 30<sup>th</sup> June 2002 the services tax rate was 10%.

### **5. How is the amount of services tax calculated?**

Consider the following examples:

- (a) Maria owns a bar and restaurant which had total receipts of \$4,500 for the month of July 2008.

The tax payable is \$225, which is 5% of \$4,500.

- (b) Hermes operates a small restaurant and has total receipts of \$450 for the month of July 2008.

Hermes does not have to pay services tax as his total receipts are below the \$500 threshold.

- (c) Ramalho operates a hotel that provides rooms, meals, bar services and laundry services. Ramalho receives \$30,000 income from the hotel in October 2008.

The services tax payable is \$1,500 ( $\$30,000 * 5\%$ ) as it is payable in relation to food, drinks and accommodation and related services, such as laundry and telephone services, provided by Ramalho. Services tax would only be payable on laundry services to the extent that they are provided to hotel guests.

## **6. Who pays the services tax?**

Services tax is payable by the provider of the designated services. This means the person who receives the payment for the services, such as the owner of a hotel or restaurant business, is liable to pay the tax.

## **7. When is services tax to be paid?**

Services tax is to be paid by the 15<sup>th</sup> (or next business day if the 15<sup>th</sup> is not a business day) of the month following the month in which the services were provided.

## **8. How do I pay services tax?**

All business enterprises who are liable for services tax are required to complete three (3) copies of the *Consolidated Monthly Taxes Form* and to deliver these forms and the Services Tax required to be paid (plus any other tax obligation they have to pay) to a branch of the Banco Nacional Ultramarino (BNU).

The BNU will stamp the forms and return one (1) copy to you for your records.

Payments may be made electronically. You may obtain advice on this method through the contact details below.

## **9. How do I get monthly tax forms?**

Consolidated Monthly Taxes Forms may be obtained from the NDDR Dili District Office. The forms are also available at the Banco Nacional Ultramarino.

The NDDR Dili District Office is located in Av. Pres. Nicolao Lobato - Receitas e Alfândegas Edefício, (em frente ao edifício Ensul) - Dili. Enquiries can also be made by telephoning + (670) 331 0059.

If you are outside Dili you can obtain monthly taxes forms from the:

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

## **10. What happens if I do not pay this tax?**

If you fail to pay the tax, then you will be charged additional tax and penalties. The additional tax and penalties may be high depending on the reason for not paying the tax. You may also be prosecuted in a court.

## **11. What records do I need to keep?**

The tax laws require that you must create and keep adequate accounting records (such as sales and expenditure journals and ledgers) and supporting documents (such as receipts, invoices and cash books) to prove that you have paid the correct amount of tax. These records need to be kept for 5 years after the end of the tax year in which the services were provided.

## **12. Is there any income tax payable on income subject to services tax?**

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

## **13. Where can I get more information?**

More information may be obtained from the NDDR Dili District Office that is located in Av. Pres. Nicolao Lobato - Receitas e Alfândegas Edeficio, (em frente ao edifício Ensul) - Dili. Enquiries can also be made by telephoning + (670) 331 0059.

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In addition, full copies of rulings, guides and other information may be down loaded from the Ministry of Finance website at: - [www.mof.gov.tl/taxation](http://www.mof.gov.tl/taxation)