



DEMOCRATIC REPUBLIC OF TIMOR LESTE

MINISTRY OF FINANCE

NATIONAL DIRECTORATE of DOMESTIC REVENUE

**Income Tax Payable by Instalments
(Income Tax Instalments)**

A guide for Individual and Non-Individual Business Enterprises

Guide

G 06
Version 04.06.12
(English)
Income Tax
Instalments

All Individual or Non-Individual Business Enterprises WILL have an obligation relating to Income Tax Installments.

1. What are Income Tax Installments?

As of 1 January 2003 the new system of collecting Income Tax Installments was introduced in Timor Leste. All Business Enterprises (Individual and Non-Individual) are required to pay Income Tax Installments either monthly or quarterly. Whether a business enterprise is required to pay Income Tax Installments monthly or quarterly depends on the business enterprise's total business turnover of the previous tax year and is discussed further in this Guide below at point 5.

The Income Tax Installments that a business enterprise pays are a prepayment of Annual Income Tax assessed after the end of the Tax Year. The Income Tax Installments paid during the year are allowed as a credit for full or part payment of the Income Tax assessed for a business enterprise when the annual income tax form is lodged for that tax year and assessed.

2. Which Business Enterprises have to pay Monthly and which Business Enterprises have to pay Quarterly?

Monthly

If a business enterprise had a total annual turnover in the previous income tax year to the current year of more than \$1 million dollars they are required to pay Income Tax Installments monthly. For example:

- If a business enterprise had a total turnover of more than \$1 million dollars for the 2011 income tax year, Income Tax Installments payments for the 2012 year are required to be paid monthly.

Quarterly

All other business enterprises (i.e. those with a total turnover in the previous year of \$1 million dollars or less) are required to pay Income Tax Installments quarterly but may pay monthly if they wish.

For example:

- If a business enterprise had a total turnover of \$1 million dollars or less for the 2011 income tax year, Income Tax Installments payments for the 2012 year are required to be paid quarterly.

3. How are Income Tax Installments calculated?

For the period 1st January 2003 to 30th June 2008 Income Tax Installments were calculated as 1% of a business enterprise's monthly or quarterly total turnover.

From 1st July 2008 Income Tax Installments are calculated as 0.5% of a business enterprise's monthly or quarterly total turnover.

Monthly

If a business enterprise has a total turnover for July 2012 of \$110,000.00 then the amount of Income Tax Installments that has to be paid on its January Consolidated Monthly Taxes Form is \$550.00 (i.e. \$110,000 x 0.5%).

Quarterly

If a business enterprise has the following total turnover for the third quarter 2012;

July 2012	\$11,000.00
August 2012	\$13,000.00
September 2012	\$12,000.00

then the amount of Income Tax Installments that has to be paid on its September Monthly Tax Form is \$180.00 (i.e. \$11,000 + \$13,000 + \$12,000 = \$36,000 x 0.5%).

The Income Tax Installments that a business enterprise pays are applied as a credit against income tax assessed when it lodges its annual income tax form for the tax year.

4. What is Total Turnover?

Under the Income Tax Installments system **Total Turnover** has its ordinary meaning, namely the business enterprises total revenue from business activities before deduction for any expenses (including the cost of inventory sold). Where a business enterprise has disposed of a non-inventory asset (i.e. a depreciable asset) during the tax year total turnover includes the net gain, if any, from the disposal of that asset.

NOTE: the law expressly provides that total turnover does not include any amount derived that is exempt income or that has been correctly subject to a Withholding Tax.

For example: XYZ Pty Ltd received the following revenue during the September Quarter 2012 (i.e. July, August and September).

	\$
Sales of Motor Vehicles	71,000
Sales of Spare Parts	12,000
Rent Received for Offices	<u>10,000</u>
Total Turnover	93,000
	=====

As the Rent Received had been correctly subject to Withholding Tax it is not included in

total turnover subject to Income Tax Installments. Therefore, total turnover subject to Income Tax Installments is \$93,000 less \$10,000 = \$83,000 x 0.5% = \$415

5. When do Income Tax Installments have to be Paid?

Depending on whether a business enterprise pays Income Tax Installments monthly or quarterly it is required to be paid as follows:

Monthly

If a business enterprise pays Income Tax Installments monthly they are due by the 15th of the month following the month for which the obligation arose. That is:

- The Income Tax Installment for January 2012 is paid on the January Consolidated Monthly Taxes Form that is due to be lodged by the 15th of February 2012.
- The Income Tax Installment for February 2012 is paid on the February Consolidated Monthly Taxes Form that is required to be lodged by the 15th of March 2012.
- The Income Tax Installment for December 2012 is paid on the December Consolidated Monthly Taxes Form that is required to be lodged by the 15th of January 2013.

Quarterly

If a business enterprise pays Income Tax Installments quarterly they are due by the 15th of the month following the quarter for which the obligation arose. That is:

- The Income Tax Installment for January, February & March 2012 is paid on the March Consolidated Monthly Taxes Form, which is due by the 15th of April 2012.
- The Income Tax Installment for April, May & June 2012 is paid on the June Consolidated Monthly Taxes Form, which is due by the 15th of July 2012.
- The Income Tax Installment for July, August & September 2012 is paid on the September Consolidated Monthly Taxes Form, which is due by the 15th of October 2012.
- The Income Tax Installment for October, November & December 2012 is paid on the December Consolidated Monthly Taxes Form, which is due by the 15th of January 2013.

6. How are Income Tax Installments Paid?

Business Enterprises that are required to pay Income Tax Installments are required to complete three (3) copies of the *Consolidated Monthly Taxes Form* and to deliver these forms and the Income Tax Installment 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. A business enterprise may obtain advice on this method through the contact details below.

7. How do I get consolidated monthly taxes forms?

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

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

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

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

8. What record should all Business Enterprises keep?

The tax laws require that the all Individual and Non-Individual Business Enterprises must create and keep adequate records of account (such as sales and expenditure journals and ledgers) and also retain supporting documentation (such as invoices, receipts and cash books) to accurately determine their liability to pay tax. These records need to be kept for 5 years after the end of the tax year in which the tax liability to which they relate arose.

12. Where can a Business Enterprise 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 edificio Ensul) - Dili. Enquiries can also be made by telephoning + (670) 331 0059.

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

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

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