



REPÚBLICA DEMOCRÁTICA DE TIMOR-LESTE
MINISTÉRIO DO PLANO E DAS FINANÇAS
DIRECÇÃO NACIONAL DOS IMPOSTOS DE TIMOR-LESTE

DESIGNATION NOTICE 2006/1

PERSONS REQUIRED TO COMPLETE 2005 INCOME TAX FORMS

Introduction

This is a designation notice issued by the Commissioner of the Timor-Leste Revenue Service (TLRS) under section 68 of UNTAET Regulation 2000/18, as amended by Law Number 5/2002. It designates those persons who are required to complete an income tax form in respect of the 2005 tax year (i.e. the period 1 January 2005 to 31 December 2005, unless an alternative period has been granted by the Commissioner) and designates the time by which such tax forms must be delivered.

Designation

The following persons (individuals, companies, partnerships, etc) are required to complete income tax forms in respect of the 2005 tax year:

- (a) All persons (taxpayers) who conducted business activities during the 2005 tax year;
- (b) All persons that have a business registration; and
- (c) Persons who received income subject to final withholding taxes during the 2005 tax year, where the correct amount of tax on that income was not deducted and paid in respect of that tax year

Such persons are generally required to complete and deliver their income tax forms, and pay their income tax if applicable, to the Banco Nacional Ultramarino (BNU) in Dili by **15 March 2006**. Persons who do not have an income tax payment to make but who are required to complete and lodge an income tax form may deliver their tax form(s) direct to the TLRS Dili tax office located in the Justice Building on the corner of Don Fernando and Jacinto de Candido Streets (west of the Lyceum).

Taxpayers based outside Dili can deliver their income tax forms to the -

- Baucau - present the forms and the payment to the BNU, Baucau Branch.
- Maliana - present the forms and the payment to the Government of Timor Leste District Finance Officer, Holsa Street, Maliana.

Payments may also be made electronically where prior arrangements have been made with the TLRS.

Mr Angelo de Almeida
Commissioner of Timor Leste Revenue Service
12 January 2006

Background

The text that follows does not form part of the designation notice, but provides background to it.

Section 42.1 of UNTAET Regulation 2000/18, as amended by Law Number 5/2002, requires all persons who are required to pay income tax to complete income tax forms and provides that the Commissioner may require other persons to complete income tax forms.

For the 2005 income tax year all persons conducting business activities are required to complete and lodge a 2005 income tax form unless all income received by that person has been correctly subject to “**final**” withholding tax. Also, all business enterprises that have a Business Registration are required to lodge a 2005 income tax form. Those businesses lodging Consolidated Monthly Taxes Forms and who have paid instalments of income tax for the 2005 year are advised that the instalments paid will be credited against the final income tax payable for the 2005 tax year. Any overpayment will be held against any other tax due or will be refunded.

Where a person has no taxable income or makes a taxable loss, then previously no income tax would have been payable. However, all taxpayers earning business income may be liable to a minimum income tax that is calculated as 1% of gross income.

Regulation 2000/18 provides that certain types of income are required to have income tax withheld as it is received during the tax year. Wages are subject to wage income tax. Rents, interest, dividends and royalties are also subject to withholding taxes. Similarly, income from certain industries (e.g. construction) is subject to withholding taxes. The tax withheld and paid to the TLRS is “final” where the income is received by an **individual** or **individual business enterprise**. Where income received by an individual or individual business enterprise has been correctly subject to withholding tax they are not required to include that income in the calculation of taxable income in their 2005 income tax form. It is further noted that for all persons (individuals, companies, partnerships, etc) expenditure incurred in earning income tax **that has been subject to final withholding tax** is not an allowable income tax deduction.

However, the tax withheld is not ‘final’ where the income is received by a business enterprise other than an individual (e.g. a company, partnership, etc) and the income is rent, interest, dividends or royalties. In this situation, that entity will need to include the income from these sources in the calculation of taxable income in their 2005 income tax form but will be allowed a credit for any amounts of withholding tax that has previously been withheld and paid to the TLRS.
