

The NDDR Provides ALL Tax Information and Tax Forms Free of Charge to the Public

Losses

- Losses incurred in the 2008 or later tax years may now be carried forward indefinitely.
- Losses incurred in tax years prior to the 2008 tax year may still only be carried forward for 5 years.

Interest Expense

- Interest expense is no longer an allowable deduction except for financial institutions

More information about annual income tax is contained in:

- Tax Guide G05: Income Tax – A Guide for Taxpayers (this guide is expected to be available by the end of July 2008),
- Brochure BR3 – Annual Income Tax Form, &
- Each year an *Income Tax Form Instructions* guide is produced and provides information on how to complete the Annual Income Tax Form line by line.

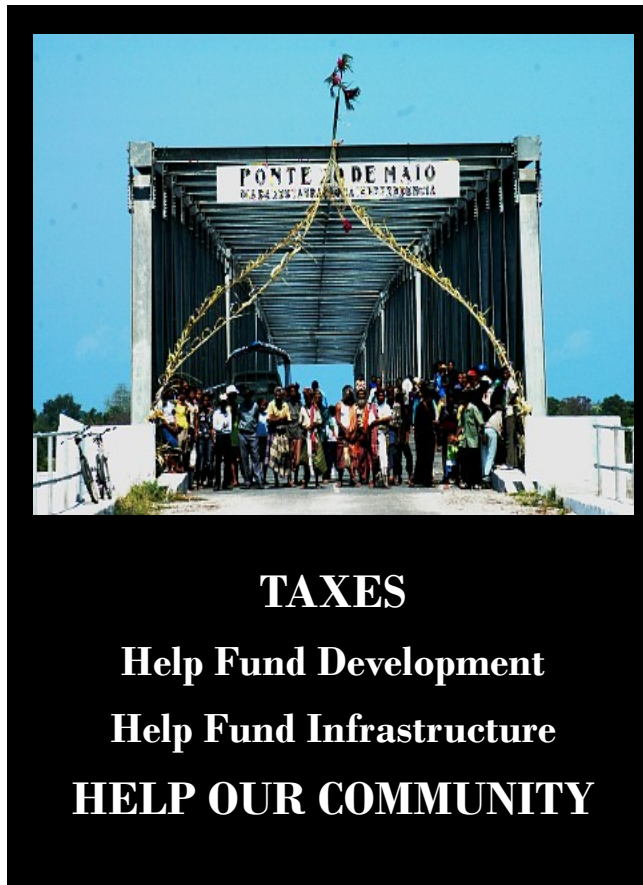
Further Information

Further information is available from:

- **Dili District Office:** Av. Pres. Nicolao Lobato - Receitas e Alfândegas Edeficio - Dili, Ph (670) 331 0059 / 60
- **Baucau District Office:** Villanova St, Baucau, and;
- **Maliana District Office:** Holsa St, Maliana

In addition, full copies of rulings, guides and other information (i.e. Brochures) may be downloaded from the MOF Website:

www.mof.gov.tl/taxation



NATIONAL DIRECTORATE OF DOMESTIC REVENUE

Dili District Office: Av. Pres. Nicolao Lobato - Receitas e Alfândegas Edeficio - Dili

Baucau District Office: Villanova St, Kota Baru, Baucau

Maliana District Office: Holsa St. Maliana

Phone: (670) 3310059 / 60



Ministry of Finance

National Directorate
of Domestic Revenue

Summary of Tax Changes
July 2008

Taxes and Duties Act 2008

General Series Tax Information BR10-07/2008

Effective from: 07/2008

This document provides taxpayers with a brief summary of the significant changes to taxes administered by the National Directorate of Domestic Revenue (NDDR) that came into effect with the passing of the Taxes and Duties Act 2008. This brochure will direct you to other information guides for more detailed tax information if required.

Taxes Help Pay
For Development of Timor Leste
&
The Welfare of Your Community

Telephone: (670)3310059 / 60

Annual Income Tax Form

Taxes and Duties Act 2008

In June 2008 the Timor Leste Parliament passed the Taxes and Duties Act 2008 which came into force on 1 July 2008. This brochure provides a brief summary of the significant changes that may effect you.

Wage Income Tax-New Tax Rates

The new wage income tax rates came into effect on 1 July 2008 for the July 2008 and later monthly tax periods.

Wage Income Tax Rates (Per Month)	
Residents of Timor Leste	Tax Rate
\$0.00 to \$500.00	0%
Each dollar above \$500.00	10%
Non Residents	Tax Rate
Fixed rate for whole of salary	10%

Employees are **no longer entitled** to a monthly tax credit of \$10.00.

More information about Wage Income Tax is contained in Brochure BR1: Wage Income Tax

Services Tax—New Services Tax Rate

The new services tax rate came into effect on 1 July 2008 for the July 2008 and later monthly tax periods.

Services Tax	Tax Rate
Paid on the total sales of services when sales are \$500.00 or more in any calendar month	5%

Services subject to services tax are:

- Hotel services
- Restaurant and bar services
- Telecommunication services

Transport rental services are **no longer** subject to services tax

More information about Services Tax is contained in Brochure BR2: Services Tax

Withholding Tax-New Rates of Withholding Tax

The new withholding tax rates came into effect on 1 July 2008 for the July 2008 and later monthly tax periods.

- Royalties: Rate reduced from 15% to 10%
- Prizes and Lottery Winnings: Rate reduced from 15% to 10%
- Income paid to a non-resident without a permanent establishment in Timor Leste: Rate reduced from 20% to 10%
- Interest: no longer subject to withholding tax
- Dividends: no longer subject to withholding tax (**Note:** Dividends are now also exempt income)

The rates on all other types of income subject to withholding tax remain unchanged

More information about withholding tax is contained in:

- Brochure BR5: Withholding Tax (General), &
- Brochure BR8: Withholding Tax (Building & Construction)

Income Tax Installments-New Installment Tax Rate

The new income tax installment rate came into effect on 1 July 2008 for the July 2008 and later monthly tax periods.

Income Tax Installment	Tax Rate
Monthly or Quarterly Total Turnover	0.5%
Total Turnover (for 1 month or 1 quarter) x 0.5% = Payment	

There are no other changes to income tax installments. More information about income tax installments is contained in Brochure BR4: Income Tax Installments.

Annual Income Tax

The changes for income tax take effect for the 2008 and later tax years.

New Annual Income Tax Rates

For **resident natural persons** the following income tax rates apply:

Taxable Income Level	Tax Rate
\$0.00 to \$6,000	0%
More than \$6,000	10%

For **legal persons and non-resident natural persons** the following income tax rate applies:

Taxable Income Level	Tax Rate
All taxable income	10%

Other significant changes to Income Tax

Minimum Income Tax

- The minimum income tax has now been removed and is no longer a requirement

Business Inputs

1. Depreciation:

- A 100% depreciation deduction is allowed for the cost of depreciable assets and business buildings in the year in which they are purchased.
- Business enterprises will be allowed a depreciation deduction for the undeducted amount of depreciable assets and business buildings as at 31 December 2007 in the first year of operation of this law, i.e. the 2008 tax year.

The same rules apply to the amortization of intangible assets and expenditure.

2. Trading Stock/Inventory

Business enterprises are now allowed a full and immediate deduction for the purchase of all trading stock/inventory.