

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

Where do You get the Consolidated Monthly Taxes Forms?

Consolidated Monthly Taxes Forms are available from the NDDR offices in Dili, Baucau and Maliana. They are also located on the MOF website at: www.mof.gov.tl/taxation

What will happen if You do not pay Withholding Taxes?

If you do not pay withholding tax to the NDDR as required you may be subject to penalties and also be prosecuted in Court.

What Withholding Tax records do You need to keep?

All taxpayers are required to keep records verifying all payments or receipts of the prescribed income payments subject to withholding tax. Records include for example, receipts, invoices and cash books and accounting records such as sales and expenditure journals and ledgers.

You must keep these records for 5 years after the end of the calendar year in which the income was received or the payment made.

Further Information

Further information is available from:

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

In addition, full copies of rulings, guides and other information may be downloaded from the MOF Website: www.mof.gov.tl/taxation



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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

Website: www.mof.gov.tl/taxation



Ministry of Finance

National Directorate
of Domestic Revenue

Withholding Tax

Taxes and Duties Act 2008

General Series Tax Information BR5-07/2008

Effective from: 07/2008

This brochure tells taxpayers about Withholding Tax. The brochure explains how this tax type is administered by the National Directorate of Domestic Revenue (NDDR). This brochure will direct you to other information guides for more detailed information, if re-

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&

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Withholding Tax

What is Withholding Tax?

Withholding Tax is a tax on certain prescribed income payments. Withholding tax is paid at the time the income payment is made or received.

What prescribed income payments are subject to Withholding Tax?

The following table lists the prescribed income payments subject to withholding tax. It also lists the withholding tax rate at which tax must be withheld.

Withholding Tax Table	Tax Rate
Type of Income	
Royalties	10%
Rent from land and buildings	10%
Income from Prizes and Lottery	10%
Income from Building & Construction activities	2%
Income from Construction Consulting Services, including project management, engineering design and site supervision services	4%
Income from provision of Air and Sea transportation services	2.64%
Income from mining and mining support	4.5%
Income paid to non-residents without a permanent establishment in Timor Leste	10%

Income Tax

Where withholding tax has been correctly withheld from the above income payments it is a “final” tax (except for rent and royalty income received by legal persons) and there is no further income tax payable on that income.

Note: The providers of building and construction ac-

tivities and consulting services, transportation services and mining and mining support services may elect, in writing, to the National Tax Director for withholding tax “not to be final”. Where this is done they will be subject to the normal taxation regime and will be required to lodge an annual income tax form declaring all income and deductible expenses. The withholding tax withheld from income received will be allowed as a tax credit. **Once made this election is irrevocable.**

Who should withhold tax from the prescribed income payments?

There are 2 types of payers. They are:

1. Legal Persons—Examples of Legal Persons

Partnerships (more than one person owning the business)

Companies (i.e. an incorporated company)

Non Government Organizations (if not incorporated)

Un-incorporated organizations

2. Natural Persons—Examples of Natural Persons

An individual person, or

An individual business enterprise (a business owned and operated by a single person)

There are 3 types of recipients of income payments. They are:

1. Residents
2. Timor Leste permanent establishments of non-residents
3. Non-residents without a permanent establishment in Timor Leste.

Where the following types of income payments are made to a *resident* or an *Timor Leste permanent establishment of a non-resident by a legal person* (refer legal persons above), the payer is required to withhold the withholding tax:

- Payments for rent of land and buildings;
- Royalty payments

- Payments for construction and building activities;
- Payments for construction consulting services;
- Payments for air and sea transportation services;
- Payments for carrying on mining activities or mining support services

Where the above types of income payments are made to a *resident* or an *Timor Leste permanent establishment of a non-resident by a natural person* (refer natural persons above), the recipient is required self-withhold the withholding tax. A natural person is not required to withhold when making the *above* types of income payments.

Where income payments from prizes and lotteries (including gambling winnings) are made to a *resident* or a *Timor Leste permanent establishment of a non-resident, every person* (that is, both legal persons and natural persons) making such a payment is required to withhold the withholding tax:

Every person, (that is, both legal persons and natural persons), making **any type of payment of Timor Leste sourced income** to a *non-resident without a permanent establishment in Timor Leste* is required to withhold withholding tax.

When is Withholding Taxes paid to the NDDR?

The tax is to be paid by the 15th day of the month after the month in which the prescribed income payment was made or received and the withholding tax was withheld.

For example, withholding tax withheld from prescribed income payments made during the month of January is to be paid to the NDDR, on the January Consolidated Monthly Taxes Form, no later than the 15th February.

How do You pay Withholding Taxes to the NDDR?

You are required to complete three (3) copies of the **Consolidated Monthly Taxes Form** and deliver the forms and the Withholding Tax (and any other tax payments) to a branch of the Banco Nacional Ultramarino (BNU).