

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

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).

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 income and expenditure. 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 paid or received and the withholding tax paid to the NDDR.

Further Information

Further information is available from:

- **Dili District Office:** Av. Pres. Nicolao Lobato - Receitas e Alfândegas Edeficio - Dili, Telephone (670) 3310059 / 60
- **Baucau District Office:** Villanova 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 at:
www.mof.gov.tl/taxation



TAXES

Help Fund Development
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HELP OUR COMMUNITY

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

**Building & Construction
Activities**

and

Building & Construction Services

Taxes and Duties Act 2008

General Series Tax Information BR8-07/2008

Effective from: 07/2008

This brochure explains how withholding tax applies to income payments for Building and Construction Activities and Construction Consulting Services. This brochure will direct you to other information guides for more detailed information, if required.

Taxes Help Pay

**For Development of Timor Leste
&**

The Welfare of Your Community

Telephone: (670)3310059/60

Withholding Tax: Building & Construction Activities and Building & Construction Consulting Services

What is Withholding Tax?

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

Prescribed Income Payments

Payments in respect of Building and Construction Activities and Building and Construction Consulting Services are prescribed income payments and withholding tax is required to be withheld at the time the payment is made. The rates of withholding tax for payments for Building and Construction Activities and Building & Construction Consulting Services are:

Withholding Tax Table	Tax
Type of Income	Rate
Income from Building & Construction Activities	2%
Income from Building and Construction Consulting Services	4%

Building and Construction Activities include:

“the construction, extension, alteration, improvement, or demolition of a building or other structure with a foundation on, above, or below land or water, including the clearing of land in preparation for the construction of a building or other structure, and the activity of dredging”

Building and Construction Consulting Services include:

“any consulting services relating to construction or building activities, including project management, engineering, design, architectural, surveying, and site supervision services”

Other Prescribed Income Payments

Please note that there are other types of income payments that are subject to withholding tax. For information on these income payments please refer to the “Withholding Tax” brochure or inquire at one of the NDDR district offices.

Who should withhold tax from income payments for building and construction activities or building & construction consulting services?

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 or associations
2. Natural Persons—Examples of Natural Persons
A 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. East Timor permanent establishments of non-residents
3. Non-residents without a permanent establishment in East Timor

Where an income payment for building and construction activities or consulting services is made to a *resident* or a *Timor Leste permanent establishment of a non-resident by a legal person* (refer table above), the **payer** is required to withhold the withholding tax.

Where an income payment for building and construction activities or consulting services is made to a *resident* or a *Timor Leste permanent establishment of a non-resident by a natural person* (refer table above), the **recipient** is required to self-withhold the withholding tax. A natural person is not required to withhold

when making the **above types of income payments**.

All persons, (that is, both legal persons and natural persons), making **these types of payments to a non-resident without a permanent establishment in Timor Leste** are required to withhold withholding tax at the rate of 10%.

Where the payer is a legal person and is required to withhold at the time of the payment the payer is also required to provide a “withholding tax notice” to the provider of the building construction activities or consulting services at the time of the payment.

Income Tax

Where withholding tax has been correctly withheld from income payments for building and construction activities or building and construction consulting services it is a “final” tax and there is no further income tax payable on that income.

Note: The providers of these 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 income tax 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.**

When is Withholding Tax paid to the NDDR?

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

For example, withholding tax withheld from income payments made for building and construction activities or consulting services during the month of January must be paid to the NDDR, on the January Consolidated Monthly Taxes Form, no later than the 15th February.