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FISCAL REFORM COMMISSION

Press Release

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Investing in the future of Timor-Leste

Dili— The Fiscal Reform Commission is providing the first update on the progress of the commission.

Fiscal reform is one of the key programmes of the Sixth Constitutional Government of Timor-Leste. The Fiscal Reform Commission was established to coordinate the reform process and mandated with assessing all current and new forms of revenue.

About the Fiscal Reform programme

The reform programme deals with the three areas the government has to collect and manage money: taxation, customs duties and fees and charges. It is a national initiative to strengthen Timor-Leste for the future. An important part of the fiscal reform is the introduction of a value added tax (VAT).

“We cannot rely on oil reserves for ever,” said Prime Minister Rui María de Araújo. “We need to ensure that the government has the ability to collect and manage revenue from different sources and with integrity. The FRC proposes new forms of revenue collection as well as making the administration of revenue more efficient. This is what we need to make Timor competitive with other countries in the region. It is only in this way that Timor-Leste can continue to grow.”

“These reforms are the single most important process the government can go through to ensure that Timor is able to meet its expenditures in the medium to long term,” said Finance Minister, Santana Viegas-Cardoso. The Vice Minister of Finance, Helder Lopes reinforced the Ministers comments, stating “the fiscal reform process is about diversifying our revenue base in order to ensure that our sources of revenue are sustainable in the future.”

The process of fiscal reform is expected to take between three-five years and will be coordinated by the Fiscal Reform Commission (FRC), the body established to support the government implementing the reforms. FRC will be guided by the Government through the Ministry of Finance.

“It is important to understand that the fiscal reform commission is a technical body,” said Fernanda Borges, Coordinator of the Fiscal Reform Commission. “It was set up to serve the

whole government in the interest of the Timorese people. The FRC will retain its technical function throughout the entire reform process. It is our role to consult with all of government and other State institutions, business community, civil society and the general public.”

The FRC will socialize the reforms through a targeted campaign including workshops with the business community, outreach meetings in the districts to socialize reforms and gain feedback from the general population, engagement with civil society, regular updates to the media, creating videos and information products that provide consistent, transparent and clear information on all aspects of the reform, and by consulting with all stakeholders.

“Everyone in Timor needs to know about this and needs to feel that they are part of the process,” said Vice Minister Lopes. “These reforms cannot be sustainable otherwise.”

The FRC will send out regular press releases providing updates on each stage of the reform process along with the technical detail as the government approves them.

Update on the consultation process

Since the establishment of the FRC in March 2015, the FRC has held consultations with key stakeholders on the development of the draft policy and legal documents regarding tax legislation, tax administration reform, customs procedures, and the introduction of the value-added-tax, VAT.

During the first two weeks of February, a team comprised of national and international experts in the areas of tax administration, customs reform, VAT and income taxation together with technical experts from the International Finance Cooperation and the Asian Development Bank have presented the draft policies and laws to ministers, members of parliament, the inter-ministerial council, the President’s office and to the tax and customs administration directorates.

Further consultations were carried out with members of the private sector as well as civil society. The technical team presented an overview of the draft policy and legislation. A timeline of activities is provided below.

Timeline of activities

March 2015 to January 2016.

- Technical experts drafted policy options and legislation for tax legislation, tax administration reform, customs procedures, and the introduction of the value-added-tax, VAT in consultation with government, the private sector and civil society.
- Economists and tax lawyers and specialists presented comparative examples with other countries that have undergone similar reform.

February 2016

- FRC held a round of presentations by experts with key stakeholders to provide overview of the draft laws in order to facilitate understanding of the laws prior to requesting written comments from the stakeholders.

March-April 2016

- During March, the FRC intends to send the draft policy and laws out to the business community, NGOs and other key stakeholders for written comments.

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