

## Investment Incentives

### Legal Framework:

Investment incentives are based on the following laws:

1. Private Investment Law No. 15/2017
2. Government Decree No. 2/2018

A key principle is that foreign investors are granted the same level of protection as national investors i.e. access to courts, right to private property, import of capital goods/equipment, access to credit, employment of foreign workers and protection of IP.

### Incentive Details:

#### Incentive Eligibility

- Investments and reinvestments carried out in national territory by national and foreign investors who wish to benefit from the guarantees and incentives provided and are likely to contribute to the socio-economic development of the country.
- It does not apply to investments made by the state and by public entities.
- Excluded from the scope of tax and customs benefits are investments made by legal persons in which more than 50% of their capital is held by the State or by another public legal person.

#### Incentive Benefits

##### *Tax Incentives*

- An enterprise associated with an investment or reinvestment project, whose business is provided by law, may enjoy up to 100% exemption from income tax, sales tax and services tax.

##### *Customs Incentives*

- An enterprise associated with an investment or reinvestment project may enjoy an exemption from import duties of 100% on all capital goods and equipment used in the construction or management of the investment or reinvestment project.

##### *Special Benefits for Investors*

- A minimum of five working visas for qualified employees, with directing or technical functions appropriate to the investment project are guaranteed.
- Contract of lease of state property for implementation of the investment project, maximum term of 50 years, renewable for periods of 25 years up to a total of 100 years.

##### *Special Benefits for Zones*

- Zone A: Tax exemptions granted for a period upto 5 years for the municipality of Dili, corresponding to the administrative posts of Cristo Rei, Dom Aleixo, Na'i Feto and Vera Cruz;

- Zone B: Tax exemptions granted for a period upto 8 years for areas corresponding to those located outside the boundaries of the urban area of the municipality of Dili.
- Zone C: Tax exemptions granted for a period upto 10 years for special zones Oe-Cusse Ambeno and Ataúro.

### **Incentive Application Process**

The investor must submit the request for a written concession to the executive director of TradelInvest Timor-Leste, IP, directly or through a legal representative.

The application must be accompanied by the following documents:

- Completed form;
- Photocopy of the passport or identification document of all-natural persons who by themselves or incorporated in a commercial company, participate in the investment, in the case of a national investor;
- Power of attorney, if the request is submitted by a legal representative;
- Photocopy of an up-to-date commercial registration certificate where the investor is a legal person already established;
- Request for a maximum of 5 working visas and all documents required by law;
- Business plan that proves the amount of the investment planned or in the execution phase.

After receiving the request, the Executive Director of TradelInvest Timor-Leste, IP forwards the process to its competent department for analysis.

Within 6 business days of receipt of the request, the competent department sends it to: a) the government department responsible for leasing real estate of the state; b) the government department responsible for issuing visas. These departments have 6 working days to deliver technical opinion.

If the estimated time has elapsed without giving technical opinion to TradelInvest Timor-Leste, IP, it is considered as being a favourable technical opinion. That being so, the Executive Director sends an information report to the supervisory body recommending the issuance of a declaration of benefits in favour of the investor.

The supervisory body has 6 working days to sign the declaration of benefits and return it to TradelInvest Timor-Leste, IP.

After receiving the Declaration of Benefits, TradelInvest Timor-Leste, IP delivers it to the investor and sends a copy to the government department responsible for leasing real estate of the State and to the government department responsible for granting visas. The declaration of benefits shall discriminate the tax benefits and customs incentives allocated to the project and their duration period.

The investors should execute investment activities based on the value of investment stated by the investors and execute the project within the period of 1 year counted from the issue of the Declaration of Benefits. If the investor fails to start the investment project after received Declaration of Benefits in 1 year TradeInvest Timor-Leste shall be revoked the Declaration of Benefits according with the law.

#### Relevant Authorities:

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Please contact TradeInvest for further information and we can help you work through corporate taxation processes in Timor-Leste.

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