

Tax and policies incentives

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Taxation

With one of the lowest corporate tax rate in the world (10%), Timor-Leste presents a unique business environment for any investor. The country does not use VAT yet and only levies a small 2.5% sales tax on imported taxable goods (taxable goods and services sold and delivered in Timor-Leste are subject to 0% rate).

The following fees and tax liabilities apply in Timor-Leste:

Company income tax	10% rate
Personal income tax	progressive rate from 0 to 10%
Wage income tax	progressive rate from 0 to 10%
Withholding tax	varies between 2% to 10%
Sales tax	2.5% rate applied to imported taxable goods (taxable goods and services sold and delivered in East Timor are subject to 0% rate)
Service tax	5% rate applied to hospitality services, restaurant and bar, and telecommunications with the monthly turnover exceeding US\$500

Customs duties on imports	2.5% rate on the value of imported goods
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Source: [TradeInvest Timor-Leste](#)

For details on East Timor taxation system, please visit:
www.mof.gov.tl/taxation

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 up to 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 up to 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 up to 10 years for special zones Oe-Cusse Ambeno and Ataúro.

Source: [TradeInvest Timor-Leste](#)