

**Timor Leste Business Information**  
**September 2013**

**Official name:** República Democrática de Timor-Leste/Democratic Republic of Timor-Leste

**Government:** Semi-Presidential System with four state organs: Presidency, National Parliament, Government and Judiciary.

Executive Power rests with the Government which is headed by the Prime Minister.

Timor-Leste has 13 administrative districts; Aileu, Ainaro, Baucau, Bobonaro (Maliana), Cova-Lima (Suai), Dili, Ermera (Gleno), Lautem (Los Palos), Liquica, Manatuto, Manufahi (Same), Oecussi (Ambeno), Viqueque

**Economy<sup>1</sup>:** GDP: \$4.173 billion; GDP per capita \$10,000; growth rate 9.5% (2010), 10.6% (2011), 10% (2012); agriculture 4.3%, industry 68.3%, services 27.5%; population 1,172,390; labour force 418,200

**Legal system:** Civil law system.

Applicable legislation is a combination of legislation passed by Timor-Leste since the restoration of independence on 20 May 2002 and laws enacted by the United Nations Transitional Administration of East Timor between 25 October 1999 and 19 May 2002 and Indonesian law in force as at 25 October 1999. UNTAET legislation and Indonesian law in force as at 25 October 1999 only apply to subject matters which are yet to be regulated by Timorese legislation.

**Doing business with government:** All contracts between the Government and investors are subject to approval by the Audit Chamber within the Court of Appeal.

In the case of contracts with a value greater than USD5 million, the contract must have the prior approval of the Audit Chamber.

**TradeInvest:** TradeInvest is the entity responsible for issuing investment certificates to both foreign and domestic investors. Holders of investment certificates may be entitled to a number of benefits, most notably tax holidays in respect of:

- income tax
- sales tax
- services tax
- customs duties

**Relevant business laws:**

- Timorese Civil Code
- Law on Commercial Companies (No. 4/2004)
- Decree Law on Co-operatives (No. 16/2004)
- Law on Taxes (No. 8/2008)
- Law on Private Investment (No 14/2011)

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<sup>1</sup> CIA World Factbook

- Decree Law on Licensing of Commercial Activities (No. 24/2011)
- Labour Code (No 4/2012)
- Decree Law on Business Registration and Verification Services (SERVE) (Decree Law 35/2012)
- Business Registration Code

Certain types of commercial activities such as petroleum activities, telecommunications, aviation, gaming, insurance and banking are subject to their own specific legal regimes.

**Incorporation:**

Typically, investors in Timor-Leste incorporate one of two types of commercial companies, a “sociedade por quotas” (also known as a Quotas Company) or a “sociedade anonima” (also known as a Share Company).

Quotas Companies have the following characteristics:

- preferred company structure for small to medium sized businesses
- shareholders: between 1 to 30 members
- share capital: between USD5,000 to USD500,000
- managed by a board of directors.
- an auditing board is required if there are 10 or more shareholders or in certain other prescribed situations
- a company secretary is required if there are 10 or more shareholders or in certain prescribed situations

Share Companies have the following characteristics:

- preferred company structure for large businesses.
- shareholders: Minimum of 3. No maximum limit.
- share capital: Minimum of USD50,000. No maximum limit.
- managed by a board of directors.
- required to have an auditing board comprised of 1 or 3 members and a company secretary.

Rather than incorporating a subsidiary in Timor-Leste, investors may opt to incorporate a branch or some other type of local representation.

**Business  
Licencing and  
Regulation:**

Entities must be registered at Timor-Leste’s “one stop” registration agency, SERVE, where they will be issued a unique business number which is also the entities tax identification number.

Certain types of commercial activities such as petroleum activities, telecommunications, aviation, gaming, insurance and banking are subject to their own specific licensing regimes.

An environmental licence may be required if the commercial activity will have an environmental impact.

**Ownership of  
land:**

Land can only be owned by Timorese nationals and legislation currently before National Parliament is likely to provide that any companies owning land be wholly owned by Timorese nationals.

**Leasing:**

Under current legislation, foreigners can enter into leases with Timorese nationals to develop land for a period of up to 50 years.

**Workers compensation, social security:**

Timor-Leste does not yet have a functioning social security or workers compensation system similar to that which exists in Australia.

**Other:**

Minimum wage in Timor-Leste is USD115 per month

**Useful websites:**

Timor-Leste Government website: <http://timor-leste.gov.tl>

Ministry of Finance: <http://www.mof.gov.tl>

Central Bank: [www.bancocentral.tl](http://www.bancocentral.tl)

Lao Hamutuk: <http://www.laohamutuk.org/>

National Petroleum Authority: <http://www.anp-tl.org/>

Official Gazette: [www.jornal.gov.tl](http://www.jornal.gov.tl) (Portuguese only)

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