Building Capacity Through Governance and Transparency

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Background

- Timor Leste (East Timor) voted for independence from Indonesian in September 1999
- Wide-spread civil disturbances followed resulting
  - Very significant destruction of infrastructure
  - Significant displacement of the population
  - The complete breakdown or loss of all administrative institutions
  - There was NO Government Administration
- This led to the intervention of
  - Foreign Nations (notably Australia and New Zealand) to restore peace and security
  - International organisations to assist in the reconstruction not only of infrastructure but important "Administrative Institutions"
Background (cont.)

• From late 1999 to May 2002 Timor Leste was governed by the United Nations Transitional Administration in East Timor (UNTAET)

• It was under this UN administration that the Institutions necessary for Government were reestablished

• The establishment and structure of the governing institutions was by way of UNTAET Regulations and Directives
Collection of Tax Revenues

• One of the first institutions established early in 2000 was the East Timor Revenue Service (ETRS) for the administration of Domestic and Petroleum taxes.

• The governing legislation establishing the ETRS and imposing taxes were UNTAET Regulation 2000/18 and UNTAET Directive 2001/2 as well as the carry over of some Indonesian Tax Laws for Petroleum Taxes. These laws have been modified and are now administered by the:
  • National Directorate of Domestic Revenue, and
  • National Directorate of Petroleum Revenue

• These 2 Directorates along with the Nation Directorate of Customs make up the General Directorate of Revenue and Customs one of the 4 General Directorates of the Ministry of Finance
Our Mission Statement

• Effectively and efficiently administer the collection of tax revenue and other financial contributions in favor of the state
• Encourage voluntary compliance
• Ensure taxpayers understand their legal and fiscal obligations through taxpayer education and dissemination of information
• Execute its mandate with integrity, professionalism, fairness and transparency
TLTA Governance Framework
Includes

• Internal Audit
• Tax Justice Directorate
• Legal Unit
• International Tax Affairs Unit
• Human Resource Unit
• Admin & Finance Unit
• Information system and registration Unit
TLTA Transparency

- Tax Laws and information easily accessible by taxpayers
  - Website

- Communication channels available for taxpayers that seek information
  - Taxpayer Services Counter
  - Information requests by email or letter
  - Enquires by telephone

- Taxpayer Rights and Obligations currently under development
Seminars and workshops provided to educate Taxpayers

• Role of the tax system
• Benefits of paying tax
• Who should register
• Tax obligations
• How to be compliant
TLTA going through a modernization program

- New IT SIGTAS system currently being rolled out
  - E-registration
  - E-filing
  - E-Payment
  - E-Tax clearance
  - Dashboard management etc.
SIGTAS 3.0
Business Process Improvements

• E-services will reduce paper processing
• Staff will be migrated to more value-added work
• Reduction of Compliance Costs
• Simplification for taxpayers
• Services available 24/7
Key Challenges Facing the TLTA

• Taxpayer Registration base needs to be cleansed
• Implementation of E-Tax and OTR.
  • Progress being made
  • Pilot project in place for e-services (Petroleum Sector)
• Tax non-compliance remains an issue
  • High volumes of outstanding tax
  • High number of tax returns outstanding
Enhancing tax compliance

• Focus on Petroleum Sector which generates 52 percent of total tax revenue
  • Improved Taxpayer Services
  • Project to register taxpayers for e-services
  • Ensuring the Petroleum Sector fully utilizes the new IT system
    • Communication
    • Seminars and Workshops
Tax Policy changes

- Implementation of VAT
- Draft laws in place
- Intended implementation date target for 2026
## Implementation of VAT

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<tbody>
<tr>
<td>Project start</td>
<td>VAT design and Draft VAT legislation</td>
<td>External Consultations</td>
<td>Finalize Legislation and consequential changes to other tax laws</td>
<td>Preparations for Implementation – Tax Education, IT system, Training and Structure</td>
<td>VAT Launch</td>
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Technical Assistance provided by

- IMF (Pacific Financial Technical Assistance Centre)
  - Improving Communication
  - Building Taxpayer Services Capability
  - Improving the tax audit function
  - Improving taxpayer registration
  - Strengthening tax arrears management
  - Strengthening the legal framework

- Other Assistance
  - ADB
  - JICA (International Taxation Workshop)
  - OECD
  - THAILAND EMBASSY (VAT Training)
Thank you
Obrigada
Arigato