



SPOKESPERSON V CONSTITUTIONAL GOVERNMENT



**MEDIA
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First Tax Trial delivers positive result

The first court case relating to the tax assessments issued to oil and gas contractors concluded on March 19, 2013. The tax assessments were issued to recoup tax revenue that the tax authorities believed had been improperly withheld from Timor-Leste on the basis of the contractors' failure to supply documentation supporting their tax reporting. After two days of trial in the Dili District Court, the contractor agreed to provide the documentation initially requested by the State.

The case was based on one assessment among many in which contractors have consistently refused to substantiate millions of dollars of tax deductions as required by law.

When the justification of tax deductions was not forthcoming, the State issued a tax assessment with penalties. This is the first tax assessment to land in the Dili District Court for trial.

After closing arguments, the contractor informed the court that it had decided to provide the state with the requested documents. The contractor told the court that they had requested informal conversations with the State to see if a settlement could be reached while the three Judges are deliberating.

To give time to the State and the contractor to reach a settlement after review of the documents, the Judges are delaying issuing their factual findings until May 6. The State is pleased to engage in settlement negotiations in which the contractor has decided to participate in good faith, which indicates a change in the way the contractor will continue to do business with the State.

Should the State and contractor not reach a settlement, the Judges will issue their factual findings on May 6 at which time both parties will have 10 days to provide legal arguments in support of their position. However, the State is optimistic that an agreement will be reached given the contractors willingness to provide the documentation and to reach a fair and equitable outcome to compensate the State.

Spokesperson for the Fifth Constitutional Government, Minister Ágio Pereira, noted "Timor-Leste should be proud that international proceedings have been held in a competent, fair and equitable judicial environment; trusted by both the defendants and the plaintiffs. It is an even more positive outcome that the contractors are wanting to begin a real dialogue with the State. This can only strengthen our partnerships and ensure mutual understanding now and in the future." **ENDS**



Ágio Pereira
+670 77045002
agio.pereira@cdm.gov.tl
govtmedia@gmail.com
www.timor-leste.gov.tl