



# Miners owe East Timor millions in unpaid taxes

Four Corners By Peter Cronau and Andrew Fowler

*Updated Tue Oct 2, 2012 10:14am AEST*

**Potentially billions of dollars of tax is being withheld from the government of East Timor by some of the world's richest oil and gas companies operating in the Timor Sea, Four Corners has revealed.**

The amount owing to East Timor, or Timor Leste as it is known in the country, could be as much as \$3US 3 billion, once interest and penalties are added to the unpaid taxes.

"As of today if they do not provide us all the justification, there's a potentiality of [it] going up to \$3 billion," East Timor Finance Minister Emilia Pires has told [Four Corners](#).

A forensic audit of tax payments over the past 18 months has found what the government claims are multiple underpayments of tax by the resource companies.

These companies include the US oil giant ConocoPhillips and Australia's own Woodside Petroleum.

"Since we started auditing - and we only started auditing in the beginning of 2011, so within a year and a half since then to now - we've recovered or collected about \$362 million," Ms Pires said.

Only in 2010 did East Timor get the right to have the financial records of the oil and gas companies operating in the Timor Sea held in Dili.

It was a year later that a specialised tax task force was put together in the nation's finance ministry to begin forensic auditing investigations. It then began uncovering just how much money the nation is potentially owed in unpaid taxes.

Of the dozens of cases of tax underpayment so far discovered, 28 have been settled for a total of \$362 million. But several demands for payment have been appealed by the companies involved.

Ms Pires has hired lawyer Pierre Prosper, from prestigious Washington DC law firm Arent Fox, to advise on the legal cases that have arisen.

In cases now before the Dili District Court, Mr Prosper has submitted that companies have "improperly deducted costs" from taxes due to the government.

"Around the world multinational companies always fight for their interests and they fight tooth and nail; it's their job - they have shareholders," Mr Prosper said.

"There was no enforcement because there wasn't capacity, so it was up to the companies to do the job of following the letter of the law.

"What we are saying is that we noticed some deficiencies and... the government has begun to push

back, enforce and regulate.

"We expect the fight to get even harder, because we're talking about a lot of money, but what's changed here is that Timor is fighting back."

The task before the audit team is enormous, trawling back through five years of tax returns and financial documents, looking for illegitimate claims.

Ms Pires explains the type of problems they are seeing with many of the companies' tax returns.

"When we are doing an audit we are asking them, 'OK show us the receipts, tell us if you say that this cost you, just as an example \$100 million, then give me the receipts for \$100 million' and they're struggling," she said.

"They're not able to give us... the total cost of what they said they claim that they've spent. Now that's a bit of a problem."

Recently re-elected East Timor Prime Minister Xanana Gusmao agrees that the companies need to pay their dues.

"I believe that companies will be aware that they have to pay, and under the rules, under the laws they have to pay the tax," Mr Gusmao said.

Several of the companies involved are appealing in the Dili District Court against the tax reassessments of the East Timorese government.

**[Read the full story, Taxing Times in Timor, on the Four Corners website](#)**

**Topics:** [tax](#), [world-politics](#), [oil-and-gas](#), [industry](#), [business-economics-and-finance](#), [east-timor](#), [australia](#), [nt](#), [united-states](#)

***First posted Mon Oct 1, 2012 4:33pm AEST***