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EXPORT PROMOTION LAW

(EXPLANATORY STATEMENT)

The export sector is an essential pillar for the economic development of Timor-Leste, being one of the fundamental strategies for building a modern, diversified economy integrated into the global market.

The creation of a robust private sector capable of generating opportunities for the entire population depends largely on the country's ability to enter the international market through the export of goods and services.

This objective is clearly reflected in the instruments guiding the State's actions, such as the Strategic Development Plan of Timor-Leste and its ordinary legislation, which reinforce the importance of adopting policies to encourage exports as a central driver of sustainable economic growth.

In the current global context, the strategic relevance of exports is widely recognized. Countries of different sizes and levels of development seek to expand their international trade relations, based on the assumption that export promotion goes beyond trade liberalization, encompassing interrelated policies that facilitate, encourage, and regulate these activities.

In accordance with the principles enshrined in the Constitution of the Republic and in line with international commitments, export legislation must meet domestic economic needs, integrating with rules related to private investment, taxation, customs, and foreign trade, as well as respecting the country's administrative specificities.

This Law aims to establish a legal framework that facilitates exports and creates fiscal, administrative, and financial incentives for exporting companies.

The aim is to create a simple, clear, and efficient regime, ensuring equal treatment between exporters and the various economic sectors.

At the same time, it aims to attract foreign investment, which is essential for strengthening the national economy.

Timor-Leste has great potential to diversify its economy, despite the structural challenges it faces, particularly in terms of infrastructure, a small domestic market, and a lack of skilled labor.

With a privileged location in one of the most dynamic and competitive regions in the world, the country has the opportunity to develop new markets and expand its exports. Integration into the global economy, through membership of the World Trade Organization (WTO) and ASEAN, is a strategic step in this process, requiring trade and fiscal policies that are compatible with international standards.

Furthermore, the creation of special economic zones is a complementary measure to the promotion of exports, facilitating production and attracting industries focused on the foreign market. These initiatives, combined with clear incentives, will contribute to increasing competitiveness and national productive capacity.

This law aims to create a legal environment favorable to exports, offering guarantees, rights, and incentives to exporters. The structure of the Law is organized into chapters that deal with general principles and guidelines for export policy; freedoms, guarantees, and incentives for exporting companies, in line with international best practices; and conditions for access to benefits, including compliance with tax and social security regulations.

IX CONSTITUTIONAL GOVERNMENT

Proposed Law

EXPORT PROMOTION LAW

The export sector is an essential pillar for Timor-Leste's economic development and one of the fundamental strategies for building a modern, diversified economy integrated into the global market. The creation of a robust private sector capable of generating opportunities for the entire population depends largely on the country's ability to expand its international integration through the export of goods and services. This objective is clearly reflected in the instruments guiding the State's actions, such as the Strategic Development Plan of Timor-Leste and its ordinary legislation, which reinforce the importance of adopting export incentive policies as a central driver of sustainable economic growth.

In today's globalized context, the strategic relevance of exports is widely recognized. Countries of different sizes and levels of development seek to expand their international trade relations, understanding that the promotion of exports goes beyond trade liberalization, encompassing interrelated policies that facilitate, encourage, and regulate these activities.

In accordance with the principles enshrined in the Constitution of the Republic and in line with international commitments, export legislation must meet domestic economic needs, integrating with rules related to private investment, taxation, customs, and foreign trade, in addition to respecting the country's administrative specificities.

This Law aims to establish a legal framework that facilitates exports and creates fiscal, administrative, and financial incentives for exporting companies. The proposed framework should be simple, clear, and efficient, ensuring equal treatment between exporters and different economic sectors. In addition, it aims to attract foreign investment, which is essential for strengthening the national economy.

Timor-Leste has great potential to diversify its economy, despite structural challenges such as limited infrastructure, a small domestic market, and a lack of skilled labor. Located in one of the most dynamic and competitive regions in the world, the country has the opportunity to develop new markets and expand its exports. Integration into the global economy through membership in the World Trade Organization (WTO) and ASEAN is a strategic step in this process, requiring trade and fiscal policies that are compatible with international standards.

Furthermore, the creation of special economic zones is a complementary measure to the promotion of exports, facilitating production and attracting industries focused on the foreign market. These initiatives, combined with clear incentives, will contribute to increasing competitiveness and national productive capacity.

This law proposes a legal environment favorable to exports, offering guarantees, rights, and incentives to exporters. The structure of the Law is organized into chapters that deal with general principles and guidelines for export policy; freedoms, guarantees, and incentives for exporting companies, in line with international best practices; and conditions for access to benefits, including compliance with tax and social security regulations.

The Law seeks to create a stable, transparent, and efficient environment that inspires confidence in investors and allows for the creation of a solid export base for the country.

With its implementation, Timor-Leste will be better positioned to attract investment, diversify its economy, and, consequently, achieve sustainable and inclusive economic development.

Thus, the Government submits to the National Parliament, under Article 97(1)(c) and Article 115(2)(a) of the Constitution of the Republic, the following draft law:

CHAPTER I GENERAL PROVISIONS

Article 1 Purpose

This Law defines the legal basis for the economic activity of exporting and re-exporting goods in Timor-Leste.

Article 2 Scope

1. This Law applies to the economic activity of companies engaged in the export or re-export of goods in all sectors, except those that are subject by law to a special regime.
2. This Law does not apply, in particular, to the oil and gas sector.

Article 3 Definitions

For the purposes of this Law, the following definitions shall apply:

- a) "Exporter Certificate": the document that qualifies and recognizes the company as a certified exporter;
- b) "Foreign trade": trade between the territory of Timor-Leste and the territory of another State;
- c) "Customs clearance": the fulfillment of customs formalities necessary to export goods, or to subject them to another customs regime, in accordance with customs legislation;
- d) "Exporting company": a natural or legal person who, authorized under the law to carry out economic activities, performs export or re-export operations;
- e) "Certified exporting company": an exporting company that holds an Exporter Certificate;
- f) "Export": the departure of domestic goods or services from the customs territory of Timor-Leste by any means. Sales of domestic goods or services to tax-exempt companies resident in Timor-Leste, as well as to other exporting entities, are also considered exports when they are handled for export, incorporated or used in the production of other goods and services intended for export;
- g) "Goods": any goods that can be traded;

- h) "Prohibited goods": those whose transit, import, or export is prohibited in Timor-Leste, under the terms of the law, international agreements to which Timor-Leste is a party, or whose prohibition results from international law;
- i) "Restricted or restricted export goods": those whose export or import is subject to special conditions or restrictions, under the law, an international agreement to which Timor-Leste is a party, or general or common international law;
- j) "Re-export": the export of goods that have been imported;
- k) "Rules of origin": the set of rules and procedures establishing the criteria used to determine the country of origin of a good;

CHAPTER II

FREEDOMS, GUARANTEES, AND BENEFITS

Article 4

Freedom of export and re-export

1. Export and re-export are free and do not require any prior administrative authorization.
2. The provisions of the previous paragraph do not exempt exporting companies from complying with formalities intended to control the conformity of exported or re-exported goods and services with health and quality standards and with rules of origin or other requirements imposed by law or regulation or by an international agreement entered into by Timor-Leste, and with customs clearance in accordance with customs legislation.
3. The freedom established in this article does not apply to the export or re-export of prohibited goods, as well as those subject to restrictions or restricted export.

Article 5

Freedom of import

The importation of the following goods shall be carried out without the need for any prior authorization, subject only to a declaration in the prescribed form during the customs clearance process:

- a) Goods intended for re-export;
- b) Raw or subsidiary materials, semi-finished or finished products, and other materials intended to be incorporated or used in the production of goods and services intended for export.

Article 6

Non-discrimination

1. All exporting companies enjoy the same rights, are subject to the same obligations, and receive equal treatment under the Constitution and the law, and may not be discriminated against, in particular on the basis of nationality, registered office or domicile, or the origin of the capital invested in them.
2. The provisions of the previous paragraph shall not prevent the establishment of a more favorable regime for certified exporting companies.

Article 7
Protection

The exporting company may only be nationalized and its assets may only be expropriated for reasons of public utility or interest, in accordance with the law and upon payment of full and fair compensation.

Article 8
Effective judicial protection

The exporting company has the right to apply to the courts with administrative jurisdiction for effective protection of its legally protected rights and interests, for which purpose it may request, in particular:

- a) The annulment or declaration of nullity or ineffectiveness of any administrative act or regulation, regardless of the form taken, that harms or may harm them;
- b) The adoption of urgent or precautionary measures appropriate for its preventive protection:
- c) Compensation for damages resulting from their violation, by action or omission of public officials, committed in the exercise of their duties and because of them;
- d) The condemnation of the Administration to perform a legally required administrative act, in case of refusal or silence on its part; or
- e) The performance of the legal and material acts necessary for the effective enforcement of administrative judicial decisions.

Article 9
Resolution of conflicts with the Administration

1. In conflicts between an exporting company and the Administration, including those relating to administrative or tax matters, but excluding those relating to criminal and administrative offenses, the parties shall endeavor to reach an amicable solution, negotiated within thirty days.
2. If the period referred to in paragraph one expires without an agreement having been reached, either party may initiate arbitration to resolve the conflict, in accordance with the arbitration law in force, and shall notify the other party thereof.
3. The option for arbitration under this article does not imply that the parties waive their right to access the courts on the issues that are the subject of the dispute.
4. The option for arbitration does not prevent the filing of a preliminary injunction, before or during the arbitration proceedings, provided that the relief sought is not incompatible with those proceedings.
5. In the event of opting for arbitration, the court where the action on the matter in dispute is filed shall, as soon as it becomes aware of the document formalizing the option, dismiss the defendant from the proceedings and refer the parties to arbitration, unless it considers the option to be null and void.

Article 10
Right of establishment in special economic zones

The exporting company may establish itself in special economic zones, namely in zones or warehouses for processing for export, provided that the requirements of the law are met.

Article 11
Transfer of State property

1. The State may enter into a contract with any exporting company for the lease of State real estate, namely facilities, warehouses, and industrial pavilions, or another contract for the establishment of real rights of enjoyment over real estate, under the terms provided for in the Private Investment Law, the Civil Code, and other applicable legislation on land and property.
2. Certified exporting companies are entitled to expedited treatment in the applicable administrative procedure for entering into the contract referred to in the previous paragraph.
3. The provisions of paragraph 1 of this article are subject to the limits provided for in the Constitution, with the right to private ownership of land being recognized only for citizens of Timor-Leste.

Article 12
Taxation on actual profits

Export companies are taxed on their actual profits, as evidenced by their regularly organized accounting records in accordance with the law.

Article 13
Transfer of funds abroad

1. Owners of export companies have the right, once they have fulfilled their obligations under the law or a final court decision, to transfer abroad all income from their economic activity, namely:
 - a) Distributed net operating profits, including dividends and interest on capital;
 - b) Royalties and commissions for services related to the investment;
 - c) Income from the sale, amortization, or liquidation of holdings or assets;
 - d) Capital and interest on loans and advances made to the company, or
 - e) Compensation for nationalization or expropriation of the company's assets.
2. The right to freely transfer funds abroad shall be exercised in accordance with the applicable regulations of the Central Bank and shall only be limited by the application of the legislation in force.

Article 14
Right to hire foreign workers or employees

1. The exporting company has the right to hire qualified workers or collaborators for supervisory or management functions, recruited abroad, without the need for prior

administrative authorization, but subject to notification to the Labor Administration at least thirty days in advance and in accordance with the regulations.

2. Workers and collaborators recruited under paragraph one are entitled to a work visa in Timor-Leste, to be issued within ten days of the notification referred to in that paragraph, provided that their entry into the national territory is not expressly refused on the basis of the law.
3. The certified exporting company is entitled to monitoring and expedited processing in the issuance of a minimum of five work visas for foreign workers to be hired, recruited under paragraph one.

Article 15

Credit, guarantees, and export insurance

The Government may establish credit lines or other mechanisms for financing, guaranteeing, and insuring the risks of export operations.

Article 16

Tax and customs incentives

Exporting companies shall enjoy the tax and customs benefits established in tax and customs legislation.

Article 17

Other rights

The exporting company shall enjoy all the rights and benefits granted by law or regulation to private investors.

Article 18

Training of exporters

The Government promotes, supports, or organizes the training and updating of exporting companies or companies with export potential in Timor-Leste, especially small and medium-sized enterprises.

CHAPTER III

CONDITIONS AND OBLIGATIONS

Article 19

Obligations of exporting companies

Exporting companies are subject to the following obligations:

- a) To respect and comply with the laws and regulations in force, in particular those governing the sectors of economic activity in which they operate, environmental protection and sustainability, foreign trade, private investment, the customs regime for warehousing, storage, and transfer of goods, and the special economic zone regime.
- b) Keep and maintain in good order and up to date, organized accounting, books, and records in accordance with the law;

- c) Collaborate with the Administration, namely with the foreign trade, tax, customs, port, airport, road, and labor administrations;
- d) Submit to administrative, economic, tax, customs, labor, technical, or other public oversight of its activities and facilities;
- e) Provide the Administration with the information and documentation required by law or regulation;
- f) Comply with all other obligations of private investors, as defined in the Private Investment Law;
- g) Anything else imposed by law or regulation.

Article 20

Special obligations of certified exporting companies

Certified exporting companies are also subject to the following specific obligations:

- a) Register in the special register of exporting companies with the government department responsible for foreign trade, when they wish to enjoy tax and/or customs benefits; and
- b) Organize, promote, and support the continuous and accelerated professional training of Timorese workers and technical staff in coordination with the State and business associations, especially for skilled technical and management positions.

CHAPTER IV

MISCELLANEOUS AND FINAL PROVISIONS

Article 21

Administrative procedure for exports

1. The Government shall regulate the administrative procedure for export operations, respecting the following principles:
 - a) No act, document, obligation, proof, or procedure may be required of the exporting company that is not expressly provided for in the laws governing the formalities and controls specific to this administrative procedure;
 - b) Illegal actions or omissions by public officials involved in the procedure that cause damage to the exporting company shall determine the civil liability of the State and, by way of recourse, of those officials;
 - c) The refusal or rejection of a declaration, application, or request from an exporting company must always be justified in an express and accessible manner, based on grounds expressly provided for in law or regulation; and
 - d) Relations between certified exporting companies and the various services involved in the procedure are coordinated centrally at a single point of contact, supported, as soon as possible, by a computer platform that connects it to the aforementioned services and is directly accessible to the exporter or its customs broker or agent.

2. The Government is also responsible for:
- a) Ensuring compliance with the rules of origin, in particular those contained in Decree-Law No. 95/2022 of December 28 for products exported or re-exported from Timor-Leste, and regulating the issuance of the respective certificate for the export of products not subject to specific international regulation;
 - b) Establish standardization rules, including in particular the quality, presentation, packaging, and labeling of goods to be exported or re-exported from Timor-Leste;
 - c) Establish a special register of certified exporting companies accessible online to all public or delegated institutions involved in the administrative export procedure, economic operators, and the public;
 - d) Establish a one-stop *shop* for export operations, creating it or extending an existing one, supported by a computer platform that coherently interconnects all public or delegated institutions involved in the administrative export procedure and guarantees the exporting company or its representative direct online access to obtain forms, information, and legally required permits, to submit declarations, and to present documentation.

Article 22
Repeal

This Law repeals all legal and regulatory provisions that contradict it.

Article 23
Entry into force

This Law shall enter into force on the day following its publication.

Approved by the Council of Ministers on March 12, 2025.

The Prime Minister,
Kay Rala Xanana Gusmão

The Deputy Prime Minister and Minister for Economic Affairs,
Francisco Kalbuadi Lay

The Minister of Finance,
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