



**REPÚBLICA DEMOCRÁTICA DE TIMOR-LESTE  
MINISTÉRIO DAS FINANÇAS**

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**East Timor's New Tax System to be one of the Lowest in the World**

Gusmao's Government has approved plans to reform East Timor's tax system, making it one of the lowest in the world. Tax reform has been central to the governments' national development plan for 2008 and is expected to pass in parliament with bi partisan support after debate later this month.

The reforms, spearheaded by The Minister of Finance, Emilia Pires, are aimed at stimulating the economy, facilitating domestic and foreign investment, encouraging private sector growth and easing the burden on low income earners.

The proposed reforms would essentially remove all impediments to doing business imposed by the current tax system by strengthening processes and streamlining regulations within one consolidated law.

Direct taxes will combine the wage income tax and the income tax on non-wage income of both resident and non-residents to a flat rate of 10% while raising the monthly exemption threshold to \$500 per citizen.

Import duties and sales tax will be lowered to 2.5% and service tax lowered to 5%. Excise tax will only be charged on goods with clear adverse implications for health or environment.

The tax regime will have a significant impact on the overall economy in the immediate, with an estimated 4 percent reduction in the price level faced by the average consumer and in time, it is expected all consumers will benefit from higher wages, increased employment activity and a mobilized economy ripe with business activity.

Pires, says, "Over the past five years our economy has become immobilized and stagnant. The AMP government has committed to making 2008 a year for reform and at the heart of these reforms is establishing a simple yet effective tax system which is business and consumer friendly"

"The most important aspect of this reform is implementing systems which are both efficient and easy to administer. If we expect growth, we must facilitate growth with feasible propositions for both the private and public sectors. Simplifying regulatory practice, streamlining and reducing taxes are practical solutions and a productive way to begin rebuilding the economy of Timor-Leste."

Pires has already successfully implemented some radical reforms to government financial systems and has been widely praised for her prudent and progressive economic management of the nations' coffers. **ENDS**

**For further information please contact:** Ms Ines Almeida, mobile: +670 723 0032

