

LEGAL ALERT

NEW COMPETITION LAW IN TIMOR-LESTE

Introduction

[Law No. 1/2026, of 25 March](#), establishing the legal framework for competition in Timor-Leste (Competition Law), has been published.

The Competition Law aims to promote and protect free competition in national markets, reflecting the government's commitment to building a competitive, equitable, and transparent market that strengthens the national economy, promotes international cooperation, and provides tangible benefits to society, fostering sustainable economic development and consumer welfare.

The new law prohibits practices restricting competition, establishes a mandatory merger control regime, and is to be enforced by a new competent public authority, endowed with broad investigative and sanctioning powers, including precautionary measures.

The Competition Law is, in principle, applicable to all economic activities, whether in the private, public, or cooperative sector, but the Government may, by decree-law, exclude certain activities from its application. In this context, the preamble stipulates that oil, natural gas, and minerals will be excluded from the scope of the Competition Law.

Competent Public Authority

The enforcement of the Competition Law will be ensured by a new public authority, with wide supervisory, regulatory, and sanctioning powers. In the financial sector, the competent public authority will be the Central Bank of Timor-Leste.

The new competent public authority responsible for enforcing the Competition Law will be established by a separate law, which will approve its statutes. This law shall also set the deadline for the establishment of the new authority and for the appointment of its governing body, which may not exceed 90 days after the law's entry into force.

Prohibited Restrictive Practices

The Competition Law prohibits agreements between companies, concerted practices, and decisions by associations of undertakings that have as their object or effect the prevention, distortion, or significant restriction of competition in the national market or in any part thereof. Both **horizontal agreements and practices** (i.e., between companies that are actual or potential competitors) and **vertical agreements and practices** (between companies at different stages of the production or distribution chain for a given product or service) may be prohibited.

Prohibited agreements or practices may be justified on grounds of economic efficiency if they contribute to improving the production or distribution of goods or services or to promoting technical or economic development, provided that they reserve to users a fair share of the resulting benefit, do not impose restrictions that are not indispensable to achieving those objectives, and do not give companies the possibility of eliminating competition in a substantial part of the market.

The Competition Law also prohibits unilateral conduct, namely:

- The **abuse of a dominant position** in the national market or in a substantial part thereof. The law presumes that a company is dominant if it holds a market share of 45% or more. Shares between 35% and 45% also presume dominance unless the company in question demonstrates that it lacks market power; shares below 35% will only signify dominance if the competent authority demonstrates the existence of market power;
- The **abuse of the state of economic dependence** in which a supplier or customer finds itself due to a lack of equivalent alternatives, to the extent that such abuse is likely to affect the functioning of the market or the structure of competition;

- The **abuse of purchasing power** in the market, or in a substantial part thereof, by a purchasing company that exercises influence to obtain more favourable or disproportionate terms from a supplier.

Merger Control

The new law introduces mandatory merger review in Timor-Leste. Concentrations are subject to mandatory prior notification when they occur in the energy, transportation, postal services, telecommunications, and financial services sectors and result in the acquisition of direct or indirect control of one or more companies that meet one of the following criteria:

- More than 25% of the national market share;
- Combined annual revenues exceeding US\$10 million.

Concentrations meeting the thresholds must be notified to the competent public authority after the agreement is concluded and before they are implemented, and must also be filed to the relevant sectoral authority (for the issuance of a prior and binding opinion). It is prohibited to implement a merger transaction subject to prior notification without filing and obtaining clearance from the competent authority.

Concentrations are authorised if they do not create significant obstacles to effective competition in the national market or a substantial part thereof. If a transaction creates significant obstacles to effective competition, the competent authority may refuse approval, approve it if the commitments undertaken by the notifying company are adequate, or if the justifying conditions provided for by law are met, notably if the transaction significantly reinforces the international competitiveness of the companies involved.

Market Studies and Sectoral Inquiries

The competent public authority may conduct market studies and inquiries by economic sector and by type of agreement, to supervise and monitor markets, as well as to verify circumstances that may indicate distortions or restrictions of competition.

In this context, the competent public authority may issue recommendations identifying market conditions or conduct by companies or associations of companies that affect competition and indicating the behavioural or structural measures it considers appropriate for their prevention, removal, or compensation.

Penalties

Violation of the prohibitions set forth in the new law – namely horizontal or vertical restrictive agreements and practices, abuse of a dominant position, abuse of economic dependence, abuse of purchasing power, or the implementation of a merger without prior notification – subjects the infringing companies to **finest of up to 10% of the turnover of the previous fiscal year**.

Failure to provide information or the provision of false information and failure to cooperate with the competent authority also constitute infringements punishable by a **fine of up to 5% of the turnover of the previous year**.

Infringements of the Competition Law constitute administrative offenses, without prejudice to criminal liability and any applicable administrative measures. Prior to imposing any penalties, the competent public authority should respect the rights of the defence of the investigated companies.

Next Steps

The Competition Law will enter into force 180 days after the date of its publication, that is, on 21 September 2026.

The practical enforcement of the law will depend largely on the establishment, organisation, and operation of the new competent public authority and the priorities it sets for its activities.

It is hoped that the statute of the competent public entity is approved soon. It is essential to ensure the effective implementation of the new Competition Law through the creation of an adequate institutional infrastructure, the development of skilled human resources in the public and private

sectors, and the strengthening of international partnerships to ensure the efficient enforcement of competition rules. Until the new competent public authority is established, its powers will be temporarily exercised by the government body responsible for trade and industry.

Given the broad powers available to the competent authorities and the severe penalties provided for in the new law, all companies active or planning to operate in Timor-Leste should carefully assess the impact of the new law on their activities, to avoid the risk that their conduct in the market might be deemed contrary to the Competition Law.

Pedro de Gouveia e Melo
Jonato Xavier
Beatriz Lopes da Silva

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