

MORAIS LEITÃO
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GUIDE TO DOING BUSINESS IN TIMOR-LESTE

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INTRODUCTION

TIMOR-LESTE IS ASIA'S YOUNGEST NATION, HAVING RESTORED ITS INDEPENDENCE IN 2002. SINCE THEN, IT HAS SHOWN REMARKABLE RESILIENCE, PURSUING ECONOMIC DEVELOPMENT WITH A YOUNG AND DYNAMIC WORKFORCE, A RICH CULTURAL HERITAGE, AND GROWING BUSINESS POTENTIAL.

Timor-Leste has **significant prospects for economic growth**, especially in sectors such as oil and gas and critical minerals. Despite oil and gas being the most active economic sector in the country, accounting for 90% of its total exports, there are new opportunities to further develop hydrocarbons in the country. As the hydrocarbons sector continues to play a fundamental role for the energy supply in the APAC region, the significant resources available in projects such as Chuditch and the Greater Sunrise offer the country opportunities to further develop its role in the production and supply of hydrocarbons.

On the other hand, the exploration of critical minerals (such as lithium, cobalt, and rare earth elements, which are essential namely for renewable energy and electronics production) has been gaining global attention. While its mining sector is still developing, Timor-Leste's mineral resources can play a pivotal

role in meeting the growing global demand for these minerals. Timor-Leste has the potential to become an important player in the global supply chain. The country is already partnering with international mining companies to explore and extract its mineral resources, leveraging foreign expertise and investment to accelerate the development of its mining sector. This collaboration is crucial as the country seeks to tap into its mineral potential and meet the growing global demand for these critical minerals.

As a member of the Extractive Industries Transparency Initiative since 2008, Timor-Leste has in place a legal framework that provides for adequate reporting.

Agribusiness is also a fundamental sector that can add value to the country's growth path. With coffee representing 7% of the country's total exports, there

is room for new agricultural operations to benefit from the country's rich soil and favourable weather, placing Timor-Leste as an important player for securing cultures for countries in the region.

THE COUNTRY'S THREE MAIN SECTORS (OIL AND GAS, MINERALS AND AGRIBUSINESS) SHOW A SIGNIFICANT POTENTIAL TO ATTRACT INVESTMENT AND ADVANCE ITS ECONOMY.



Gross Domestic Product (GDP)

+3.1% (2024)

+3.9% (2025)

Growth forecast, reflecting a stable and peaceful democracy

\$163M (2023)

Exports (USD)

Crude petroleum, gas and coffee

\$988M (2023)

Imports (USD)

Refined petroleum, rice, cars and coal



In 2025 Timor-Leste formally acceded to the Association of Southeast Asian Nations (ASEAN) as its 11th Member State. ASEAN is projected to become the world's fourth-largest economic bloc by 2030, with a combined GDP expected to exceed USD 4.5 trillion. Membership provides Timor-Leste with enhanced regional integration, improved market access, and the potential to attract increased foreign direct investment under ASEAN's trade and investment frameworks.

BECOMING A FULL ASEAN MEMBER WILL SIGNIFICANTLY BOOST TIMOR-LESTE'S PROSPECTS BY FOSTERING GREATER REGIONAL INTEGRATION, ATTRACTING FOREIGN INVESTMENT, AND PROMOTING COLLABORATION ON JOINT INFRASTRUCTURE PROJECTS.

Membership will bolster Timor-Leste's political and economic stability, enhance trade opportunities, and accelerate development efforts, positioning the nation to respond effectively to Asia's growing demand for key sectors, such as oil and gas, minerals and agribusiness.

BASIC DATA

OFFICIAL NAME

República Democrática de Timor-Leste (Democratic Republic of Timor-Leste)

STATE FORM

Timor-Leste has a semi-presidential system, in which the President is the head of state, while the Prime Minister is the head of government. The country has a multi-party system, and political stability is generally maintained

CAPITAL

Díli

LOCATION

Southeast Asia, on the eastern half of Timor Island, 550 km north of Australia

CURRENCY

United States Dollar (USD)

OFFICIAL LANGUAGES

Portuguese and Tetum. English and Bahasa Indonesia are also working languages

STRATEGIC LOCATION

Timor-Leste occupies a strategic position as a maritime gateway to both Australian and ASEAN markets. With a combined **population exceeding 600 million and a GDP of USD 3.6 trillion**, the ASEAN region offers significant opportunities for Timorese goods and services. Forecasted to become the world's fourth-largest economy by 2030, with a projected GDP of USD 4.5 trillion, ASEAN represents a dynamic market for growth. Timor-Leste's location between the Indian and Pacific Oceans places it along key global shipping routes, enhancing its potential to serve as a logistics hub and a convenient transshipment point for cargo vessels in the region.

TIMOR-LESTE FORMALLY APPLIED FOR ASEAN MEMBERSHIP IN 2011 AND BECAME THE ORGANISATION'S 11TH MEMBER IN 2025.

By joining ASEAN, Timor-Leste will have access to its dynamic market and opportunities to access capital needed for national development programmes. In addition, Timor-Leste can leverage the free trade agreements ASEAN has with countries such as China, Japan, and South Korea, and thus boost foreign investments.

TIMOR-LESTE IS ACTIVELY SEEKING ACCESSION TO THE WORLD TRADE ORGANIZATION (WTO) AND EXPLORING TRILATERAL ECONOMIC COOPERATION WITH INDONESIA AND AUSTRALIA TO ENHANCE CROSS-BORDER INVESTMENT AND ECONOMIC INTEGRATION.

The country was accepted as observer to the WTO in 2016. In 2022, bilateral meetings with WTO members, WTO secretariat and development partners were held in Geneva.

The government views building international ties as part of its effort to increase foreign direct investment opportunities and Timor-Leste's desire to join ASEAN and WTO provides incentive to implement fiscal and economic reforms to meet regional and international norms and to bring the country into compliance with ASEAN and WTO standards.



DOMINANT INDUSTRIES

OIL AND GAS

Timor-Leste's economy is primarily driven by its oil and gas sector, which dominates the economic landscape. Significant offshore oil reserves have been a major source of revenue, with the oil and gas industry accounting for approximately **70% of GDP and 90% of total exports**. This reliance has fueled economic growth and created opportunities for further investment in the energy sector.

The Bayu-Undan field, previously operated by ConocoPhillips and now by Santos, has been a key revenue generator since production began. In March 2024, the government of Timor-Leste signed a Carbon Capture and Storage agreement with the IFC, marking a significant step in managing the closure of production at the Bayu-Undan gas field. Additionally, Sunda Energy, through its subsidiary SundaGas Unipessoal, Lda., is advancing the Chuditch gas field project located 50 km South from the Greater Sunrise, currently in the preparation phase for drilling, scheduled for Q2 2025.

The Chuditch gas field is set to constitute a turning point in the industry's development going forward by relaunching the country's hydrocarbons production. With estimated total reserves in place of 3.3 billion cubic feet, a commercial discovery during 2025 will allow for a long-term plateau of >300 million cubic

feet of liquefied natural gas (LNG) exports after 2028, supporting a new sustained economic growth phase for the country.

Moreover, the government is in final negotiations with the Australian government to develop the Greater Sunrise fields, which contain an estimated 5.1 billion cubic feet of natural gas and are located in the Timor Sea. The project is expected to start producing natural gas by 2028-2030. The country intends to develop a new refinery in Tasi Mane for the gas extracted in the Greater Sunrise fields with an estimated cost of USD 18 billion (six times the country's GDP), and would bring not only revenues, but also jobs, technical training and associated business that could create a modern economy and modern workers.

THE GOVERNMENT DEPOSITS OIL AND GAS REVENUES INTO THE PETROLEUM FUND, A SOVEREIGN WEALTH FUND, WHICH IS THE PRIMARY SOURCE OF FUNDING FOR THE GOVERNMENT BUDGET.

In 2024 just over 80% of the country's budget came from the Petroleum Fund. Based on the

¹ Eni signed a contract for the offshore Block, located near the Greater Sunrise field; Santos won offshore exploration licence for Block R; Timor GAP acquired the rights to explore onshore Block A; Esperança Timor Oan was awarded rights to onshore Block B; HTS Exploration (Kazakhstan) signed on to explore onshore Block F.

² TL Cement, an Australian privately owned company, have discovered enough limestone to feed its cement plant for 400 years and has signed with the government the largest non-oil investment agreement, with a total investment amounting to USD 500 million for large-scale cement-manufacturing in Baucau. The project will provide training and employment for 650 people, and feed local and international markets with cement clinker base.

³ Estrella Resources; Peak Everest Mining; Beacon Mineral; Iron Fortune Pty.

Norwegian Sovereign Fund model, the government is only allowed to make a transfer of money from the Petroleum Fund once a year by law enacted by the National Parliament.

Also, the amount to be transferred is not supposed to be over the yearly return of the investments made out of the Petroleum Fund. By so doing, the Petroleum Fund is permanently growing. However, in the past years since 2009, withdrawals from the fund have exceeded sustainable levels and yearly returns, and at the current trajectory it is predicted to be exhausted in the 2030's. The Fund's growth trajectory will depend on (i) future investment income and development of the Greater Sunrise gas and condensate fields, and (ii) public financial management reforms and policy shifts to avoid excessive withdrawals and ensure a more effective use of development finance opportunities. The Central Bank and the Ministry of Finance are in charge of managing the portfolio of investments.

The government, through its autonomous agency, the National Petroleum Authority (ANP), contracts with foreign firms to explore and develop offshore oil and gas deposits. Pre-qualification for Timor-Leste's second licensing round of 11 onshore and seven offshore blocks closed on 14 January 2022. Thirteen companies submitted bid documents. Bid results were announced on 22 April 2022, with five blocks awarded.¹

MINERAL RESOURCES AND MINING SECTOR

The geological process of formation of the Timor Island is critical in the formation of both metallic and non-metallic minerals potential in Timor-Leste. Studies conducted point to the existence of significant reserves of metallic minerals, such as copper, manganese, gold, silver, and zinc to non-metallic such as kaolinite, gypsum, and many other rocks such as marble, limestone and amphibolite which can serve as process material and/or ornamental stone.²

In 2021, the government of Timor-Leste committed to developing and investing in its mining sector, an untapped resource since the country's independence. Studies suggest that the mining sector has the potential to become a significant contributor to the state budget once its development is fully realised. The regulatory framework for this industry was established with the approval of the Mining Code under Law no. 12/2021, of 30 June, which governs mining activities in the country.

On 21 March 2023, ANP launched its first licensing round for mineral exploration, for the concession areas located in zones A, B and G in the municipalities of Baucau, Viqueque, Manatuto and Oé-Cusse Ambeno, with only four companies from the 14 that submitted bid documents being awarded.³ No mineral extraction currently takes place in the country.



AS A COUNTRY HEAVILY DEPENDENT ON PETROLEUM FUNDS, TIMOR-LESTE HAS ENACTED CLEAR LEGISLATION ON PETROLEUM

It has also adopted a specific law regulating the use and reporting of petroleum dollars. That legislation can be found at:

PETROLEUM FUND LAW (LAW NO. 9/2005, OF 13 JULY), amended by The Petroleum Fund Amendments of 2011 (Law no. 12/2011, of 19 November)

PETROLEUM ACTIVITIES LAW (Law no. 13/2005, of 2 September, as amended by Law no. 6/2019, of 2 September)

Moreover, the Ministry of Finance keeps a "transparency portal" related to the Petroleum Fund. The non-governmental organisation (NGO) "*La'o Hamutuk*" (walk together) provides extensive analysis and information on the industry in English and in Tetum



Following the successful completion of the first round of the Mineral Public Tender in 2023, on 24 November 2025, in the Timor-Leste Energy, Mining and Business Forum 2025, ANM announced the second mineral public tender for awarding Exploration and Evaluation Licences for metallic minerals, gemstones, industrial minerals (except construction materials), radioactive minerals and rare earth minerals. This second tender offers a total of 33 Concession Areas divided into six mineral zones (A, B, C, D, E and G). Each of the defined zones contains various metallic minerals such as gold, copper, zinc, manganese and silver, in addition to minerals such as kaolin and potential for rare earth elements.

In September 2023 the Government of Timor-Leste created the National Mining Authority (ANM), separating these responsibilities from ANP (former ANPM).

AGRICULTURE

After oil and gas, agriculture stands as the second-most important sector in Timor-Leste's economy. It serves as a vital livelihood for approximately 66% of households. Coffee, the country's primary non-oil export, is a highly profitable commodity that performs strongly in both domestic and international markets, making it an attractive area for investment. Other main commodities for domestic and international markets include, rice, corn, beans, carrots, cassava, cinnamon, clove, potatoes, nutmeg,

taro, konjac and organic horticulture (fruit, vegetable, cashew, cocoa, coconut oil and vanilla).

As the investment in infrastructure improves the accessibility to the interior of the country, the agriculture landscape in Timor-Leste is evolving from a mostly familiar and subsistence practice into the initial development of more commercial ventures.

FISHERIES

With a coastline of approximately 735 km and an Exclusive Economic Area (EEA) spanning 72,000 km², Timor-Leste is endowed with rich marine resources and significant potential for developing its fisheries sector. The waters are abundant in species such as tilapia, milkfish, and grouper, along with ample stocks of shrimp, crabs, and seaweed, offering promising opportunities for sustainable growth and investment in this industry. The government has a stated goal to increase fish production up to 12,000 metric tons per year by 2030. The abundant fishing resources in Timor-Leste present a compelling opportunity for investment in larger fishing vessels, refrigeration facilities, and the initial processing of seafood products. Both fishing and aquaculture offer investors the chance to establish and grow a burgeoning industry, creating a solid foundation for long-term development and value addition in the sector.⁴

⁴ International investors in the Fisheries sector include Best Seafood, Lda.

TOURISM

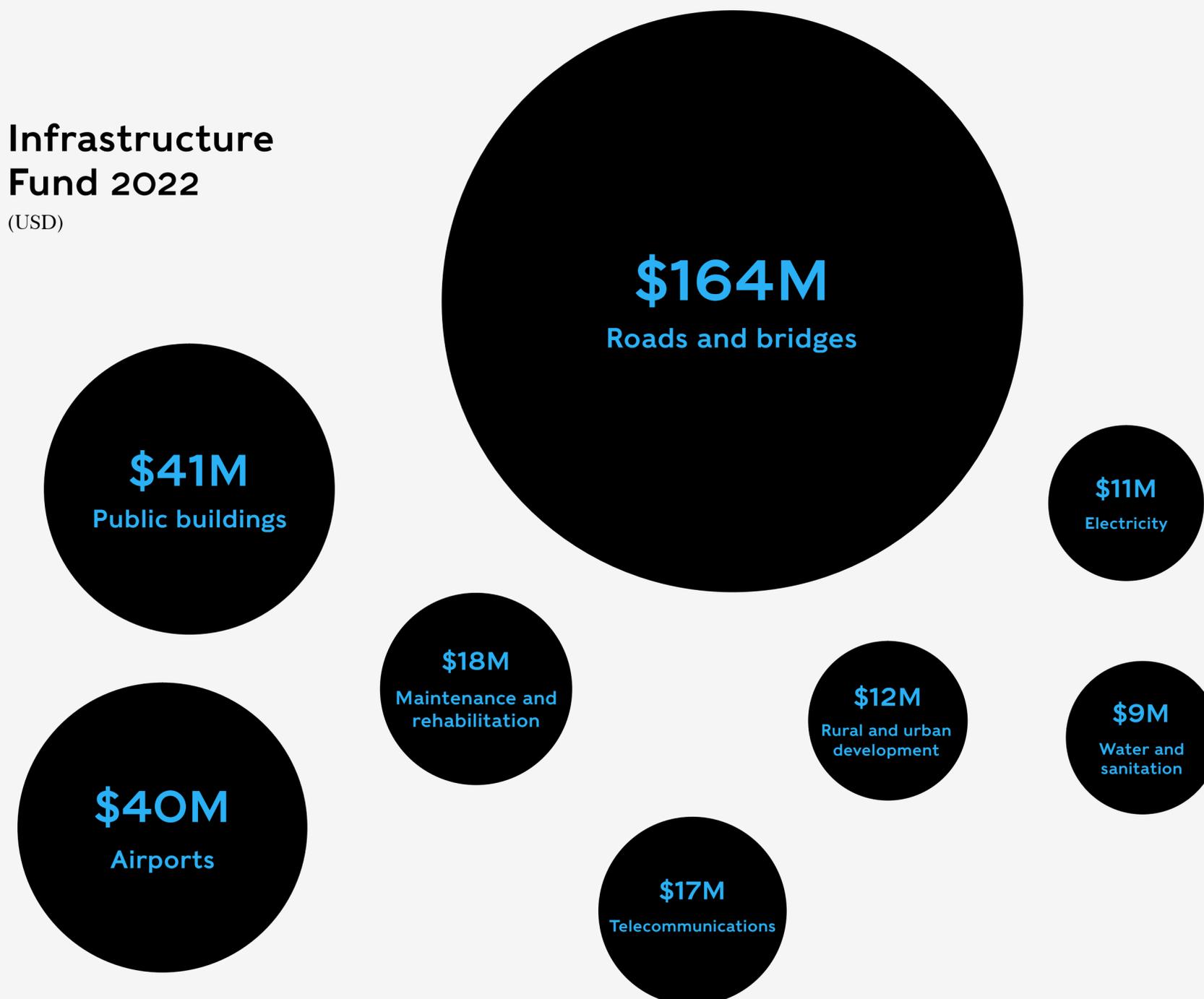
Timor-Leste's natural beauty, cultural heritage, and rich history lends itself to the development of the country as a new and emerging tourist destination. A range of opportunities for tourism investment has been identified including Díli waterfront developments, development of popular landmarks, holiday resorts and cultural site tours. The current main source of tourists is Australia, Indonesia and Portugal. Timor-Leste is also becoming more attractive as a cruise ship stopover and internationally managed hotels or chains have yet to enter the local market although one of the world's major hotel chains is currently under construction in Díli.

INFRASTRUCTURE

Timor-Leste has made significant investments in infrastructure, particularly in transportation (roads, airports, and ports)⁵ and energy. However, there remains a pressing need to further develop and enhance infrastructure in key areas such as transportation, energy (power generation and grids), telecommunications (mobile networks and internet), water and sanitation, and real estate. To address this, the government established the **Infrastructure Fund** in 2011 as a dedicated mechanism to finance large-scale infrastructure projects. This initiative aligns with the government's strategy to provide critical infrastructure that supports and accelerates economic growth and development.

Infrastructure Fund 2022

(USD)



⁵ The Tibar Bay Port is Timor-Leste's first Public-Private Partnership (PPP).

INVESTMENT INCENTIVES

REGULATORY FRAMEWORK

Pursuant to the Constitution of the Republic of Timor-Leste, the State shall promote the national investments and create the necessary conditions to attract foreign investment. The Timor-Leste government provides an array of investment incentives to attract foreign investment, including tax breaks, reduced tariffs, and streamlined procedures establishing operations. However, businesses should be prepared for bureaucratic challenges and should engage with local partners and legal advisors to facilitate the process.

The TradeInvest Timor-Leste, I.P. (TradeInvest) is Timor-Leste's investment and export promotion agency. The organisation's goal is to facilitate and support potential investors in the country and assist foreign companies in identifying projects among the limited business opportunities emerging in Timor-Leste. TradeInvest reviews foreign investment applications which are then presented to the Private Investment Commission for further study and evaluation. The Private Investment Commission evaluates applications for foreign investment permits, verifying the compliance with a number of requirements.

TradeInvest can issue investment certificates for projects approved by the Private Investment Commission valued at less than USD 20 million. However, projects exceeding USD 20 million or requiring more than five hectares of state land for tourism or 100 hectares for agriculture, livestock, or forestry must obtain approval from the Council of Ministers. Investors can also request a Special Investment Agreement, through TradeInvest, prior to submitting the project to the Council of Ministers for approval. TradeInvest should issue investment decisions within 30 days. Regulatory actions requiring approval from the Council of Ministers may take additional time to process and finalise.⁶

Investors' protection in Timor-Leste can be leveraged through bilateral investment treaties (BIT) that promote and offer legal protection to several potential risks impacting their investments. Although Qatar and Germany have also signed a BIT with Timor-Leste, currently only the Portugal-Timor-Leste BIT is in force since the country's independence in 2002, which allows for a safe legal environment to structure investment between the two countries.

⁶ The government granted a foreign company the rights to invest an initial USD 100 million to develop 16 hectares into an upscale resort just west of the capital in March 2020. Timor Port, a USD 490 million project developed as the country's first PPP was completed and began operating in September 2022. Another multi-million-dollar large-scale investment, a cement plant in Baucau, is still awaiting its opening.

FOREIGN INVESTMENT LAWS INCLUDE:

NEW PRIVATE INVESTMENT LAW (Law no. 15/2017, of 23 August) specifies the conditions and incentives for both domestic and foreign investment and guarantees to foreign investors full equality the same level of protection as domestic investors

GOVERNMENT DECREE NO. 2/2018, OF 21 FEBRUARY, ON THE REGULATION OF THE PROCEDURES FOR PRIVATE INVESTMENT specifies the minimum investment and reinvestment amounts and establishes the procedures for the request of the incentives provided in the New Private Investment Law

OTHER MAJOR LAWS

NEW COMPANIES ACT OF 2017 (Law no. 10/2017, of 17 May)

TAXATION ACT OF 2008 (Law no. 8/2008, of 30 June), and subsequent amendments

COMMERCIAL REGISTRATION CODE (Decree-Law no. 16/2017, of 17 May)

COPYRIGHT LAW OF 2022 (Law no. 14/2022, of 21 December)

LICENSING OF ECONOMIC ACTIVITIES REGIME (Decree-Law No. 34/2017, of 27 September, and Decree-Law no. 89/2023, of 23 December)

THE PRIVATE INVESTMENT LAW STIPULATES THAT INVESTMENT AND REINVESTMENT CAN BE CARRIED OUT THROUGH VARIOUS MEANS, INCLUDING BUT NOT LIMITED TO THE FOLLOWING:

INCORPORATION OR EXTENSION of a company organised under the laws of Timor-Leste

ACQUISITION OF PART OR ALL OF THE SHARE CAPITAL of a company, participation in the share capital increase or supplementary capital contributions

EXECUTION OR AMENDMENT of consortium, association in participation, joint ventures, and any other form of association agreements

CONCLUSION AND AMENDMENT OF CONTRACTS involving the ownership or management of companies, agricultural, industrial and commercial establishments, property complexes and other installations or equipment intended for the development of economic activities

PURCHASE, LEASE OR ACQUISITION of any other “rights *in rem*” over immovable property in Timor-Leste, when such acquisition is part of private investment projects pursuant to the applicable law

ACQUISITION ON BEHALF OF THE COMPANY OF CAPITAL GOODS OR EQUIPMENT allocated to the development, and the acquisition and import of semi processed materials for the exclusive realisation of the investment or reinvestment

MAKING ANY CASH OR CASH EQUIVALENTS AVAILABLE for the sole purpose of the investment or reinvestment

(NEW) PRIVATE INVESTMENT LAW

Private Investment Law applies to all investments and reinvestments made in Timor-Leste, by both domestic and foreign private investors who wish to benefit from the guarantees and incentives provided by the law and that may contribute to the socioeconomic development of the country.

Pursuant to the Private Investment Law, foreign investors may invest in any sector other than economic activities specifically reserved for the State – postal services, public communications, transportation, protected natural areas, funeral services, and weapons production and distribution. Investors are also prohibited from investing in sectors otherwise restricted by law. In general, foreign investment in permitted sectors has no restrictions on the level of foreign ownership or control. However, certain exceptions apply, such as in downstream activities, where the involvement of a local partner is required.

This Law also states that foreigners can be granted the right to private property for investment and reinvestment projects subject to the limits set out in the Constitution and in legislation on land and commercial companies. However, the property rights and interests are protected, as Section 54 of Timor-Leste’s constitution grants the right of land ownership exclusively to Timorese nationals, either individuals or corporate entities. The same is provided in the Land Law (Law no. 13/2017, of 5 June). While outright land ownership is restricted, foreigners can enter into long-term leases with the State, for up to 50 years, provided a minimum investment requirement is met.

Private Investment Law also provides for special benefits in the work visas and property lease. Thus, foreign investors can benefit from a guarantee of a minimum of five work visas for workers or collaborators qualified for supervisory functions, in addition to any other visas required for other foreigner employees or collaborators necessary for the installation and operation of the development. In addition, the State may enter into a State property lease for the implementation of the investment project, for the term maximum of 50 years, renewable for periods of 25 years up to a total of 100 years.

The above special benefits can only be granted to foreign investors whose investment or reinvestment is equal to or greater than:

- USD 500,000.00; and
- USD 250,000.00 in the case of a joint venture or legally permissible partnerships between a foreign investor and a national resident, in which they control, for at least 75% of the stakes of the companies involved.

The State may, on an exceptional basis, enter into special investment agreements with investors for projects of significant national interest. These agreements are reserved for investments that, due to their scale, nature, or economic, social, environmental, or technological impact, warrant the adoption of tailored, non-fiscal benefits. Such benefits are negotiated directly with the investor to support and encourage these impactful projects.

Benefits provided by the Private Investment Law

Investors may request a benefit declaration that recognises tax and customs benefits for investment projects in:



INCOME TAX EXEMPTION, in the amount of 100%

100% SALES TAX EXEMPTION ON ALL CAPITAL GOODS AND EQUIPMENT used in the construction or management of the investment or reinvestment project

EXEMPTION FROM TAX ON SERVICES in the amount of 100% on undertakings dedicated to the provision of specified services

EXEMPTION FROM ALL CUSTOMS IMPORT DUTIES in the amount of 100% on all capital goods and equipment used in the construction or management of the investment or reinvestment project



THE TAX EXEMPTIONS REFERRED ABOVE ARE GRANTED FOR DIFFERENT PERIODS DEPENDING ON THE SPECIAL BENEFITS ZONE DEFINED BY THE GOVERNMENT



Main tax rates

10% Corporate income

0%-10% Personal income and salaries

12%-200% Excise duty

5% Customs duties

2.5% Imported goods

0% Country sales

TAXES

Timor-Leste's tax system is designed to promote economic growth while ensuring that the government can fund public services. With a low corporate tax rate and targeted incentives, the environment is conducive to investment. However, a significant portion of the economy is informal, making tax collection challenging. The government is undertaking reforms to simplify the tax system, enhance compliance, improve taxpayer services, and increase transparency. Below is a summary of the key taxes and duties currently levied in Timor-Leste:

TAXES ON INCOME

Corporate income tax is levied on domestic income on a flat rate of **10%**. To promote foreign investment, certain sectors may benefit from tax incentives or exemptions, particularly in agriculture, tourism, and renewable energy.

Personal income tax is levied on domestically earned income and on all individuals, including non-residents with income in Timor-Leste. There is a progressive rate of **0% to 10%**. Certain allowances and deductions may apply.

SALARY TAX

The salary tax is levied on domestically earned salary received by employees either from work provided in the country or outside the country and is applicable

to all individuals, including non-residents. The salary tax rate ranges between **0% and 10%**. Some salaries specified in the law are exempt of salary tax.

OTHER TAXES

Excise duty is applied to specific goods, including alcohol, arms and ammunition, passenger vehicles (with an excise value exceeding USD 10,000), and petroleum products. The rates vary between 12% and 200%, depending on the product type. Tobacco is taxed at a flat rate of USD 50.00 per kilogram.

Customs duties on imported goods are set at a rate of **5%**, calculated based on the customs value of the goods. Some essential items identified in the law are exempt from custom tax.

Apart from the special tax regimes for oil and gas, Timor-Leste does not impose VAT. Instead, a small sales tax of 2.5% is applied to taxable imported goods. For taxable goods and services sold and delivered within the country, the tax rate is 0%.

Oil and gas have a special tax regime with different tax rates for each applicable tax.

Currently, there are no taxes on ownership of real estate, transfer taxes or stamp duties.

LAND OWNERSHIP AND REAL ESTATE

TIMOR-LESTE'S CONSTITUTION GRANTS THE RIGHT OF LAND OWNERSHIP EXCLUSIVELY TO TIMORESE NATIONALS, EITHER INDIVIDUALS OR CORPORATE ENTITIES.

Pursuant to the Land Law (Law no. 13/2017, of 5 June), only Timorese nationals (either individuals or corporate entities) can own real estate properties. However, determining the ownership of the property can be difficult. A history of displacement, overlapping titles, and lack of legal clarity regarding competing claims on land and properties arising from various occupancies during Portuguese, Indonesian, and post-independence eras make protecting land titles and property rights difficult.

The two pieces of legislation that define the core structure of the Timorese legal system regarding the regularisation of property rights are the Land Law and the Civil Code. The Land Law's sole purpose is to recognise or grant the first property rights over immovable property. Once the original title is settled, the Civil Code applies and governs rights *in rem* other than the right of ownership, transfers, security over property, encumbrances, and charges. The Land Law establishes criteria for resolving disputes when

more than one valid declaration of ownership over the same property has been collected. If disputes are not resolved by negotiation, mediation or other means provided for by law, the Land Law provides for their resolution through an administrative process dealt with by the Land and Property Commission (CTP), or through a court decision. Once the holder of the first right of ownership over a given property has been defined under the Land Law, and this has been duly publicised (in the land registry), only that person shall have the legitimacy to create other rights and/or charges over said property. However, issuance of land titles and resolution of disputed titles is pending additional government action on additional complementary legislation. Additionally, there are no administrative systems in place (land registry offices are still not fully working) to track land transactions following initial titling. The legal framework needed for regularising property rights in Timor-Leste and issuing land titles and registration is not yet complete.

Alternatives to ownership of land for foreign investors

≤ 50 years

LEASES OF PRIVATE LAND
(maximum duration)

≤ 100 years

LEASES OF STATE-OWNED LAND

Maximum duration is 50 years (renewable for periods of 25 years, up to a maximum of 100 years)

(*E.g.*, for foreign investors who have signed a special investment agreement under the Private Investment Law)

≤ ∞

SURFACE RIGHTS

Agreements can be entered into for a fixed or indefinite period



IN TIMOR-LESTE, TWO COMMON TYPES OF SECURITY ARE TYPICALLY USED, PARTICULARLY IN FINANCING AGREEMENTS:

MORTGAGES, taken over land

PLEDGES, taken over shares, contractual rights, receivables, movable assets (e.g., equipment, machinery and tools) and bank accounts

A **PERSONAL GUARANTEE** (*fiança*), as an additional guarantee, is also very common in financing deals in Timor-Leste

SECURITY

Mortgages in Timor-Leste must be formalised through a public deed notarised by a public notary and then registered to be legally enforceable. Although Timorese law requires mortgages to be registered to be legally effective, there are currently no operational land registry services in place to process such registrations. Furthermore, there is no legal mechanism for secured parties (e.g., financing entities) to repossess property in cases of default. The lack of registration procedures means that, in practice, it is not possible to create *in rem* security interests (such as real estate mortgage). Despite existing shortcomings, such as (i) the absence of operational land registry services and (ii) weak enforcement mechanisms, financing entities still require promissory mortgages to be included in the security package of financing agreements. Typically, promissory mortgages are supplemented by irrevocable powers of attorney granted by the security provider to the secured party, in order for the latter to be able to create the mortgage once all the procedures are in place in Timor-Leste. Nonetheless, the value attributed to mortgages, by financing entities, is not the highest.

Pledges over shares must be registered with the Commercial Registry Office in order to be perfected, while pledges over assets and rights do not have that requirement. For a pledge over movable assets to be effective, the pledged asset must either be delivered to the secured party or the right of disposal must be granted to the security provider. Unlike mortgages, pledges do not require formalisation through a public deed. However, it is common practice for financing entities to request notarisation of the security document (such as a security agreement) and the granting of irrevocable powers of attorney to enable private enforcement in the event of default.



In certain cases, financing entities require borrowers to provide cross-border security involving assets held in other jurisdictions. This is done to secure the liabilities in conjunction with the onshore security, ensuring broader coverage and risk mitigation for the financing arrangement.

In project finance or secured lending arrangements in Timor-Leste, a typical security package would generally include the following components, where applicable: *(i)* Pledge over shares; *(ii)* Pledge over shareholder credits; *(iii)* Pledge over receivables; *(iv)* Pledge over movable assets; *(v)* Pledge over bank accounts; *(vi)* Personal guarantee; and *(vii)* Promissory mortgage over real estate.

These elements collectively provide comprehensive security coverage for the financing deal. Moreover, promissory security is also typically granted, alongside irrevocable powers of attorney to enforce the aforementioned in case of default.

Timor-Leste does not recognise trusts, therefore parallel debt provisions are used to achieve similar commercial result. Security may be registered in favour of each and all the secured parties or just in favour of the security agent.

Security can be enforced through a court driven sale process.

The creation of security in Timor-Leste is not subject to stamp duty.

FOREIGN LENDERS SHOULD NOTE THAT, WITH FEW EXCEPTIONS, ENGAGING IN “MONEY LENDING” ACTIVITIES IN TIMOR-LESTE REQUIRES A LICENCE FROM THE CENTRAL BANK OF TIMOR-LESTE. AN EXCEPTION APPLIES WHEN AN INTERNATIONAL FINANCING AGREEMENT EXISTS BETWEEN THE GOVERNMENT OF TIMOR-LESTE AND THE FINANCIAL INSTITUTION, SUCH AS AGREEMENTS INVOLVING EXPORT CREDIT AGENCIES OR MULTILATERAL DEVELOPMENT BANKS LIKE THE INTERNATIONAL FINANCE CORPORATION (IFC) AND THE ASIAN DEVELOPMENT BANK (ADB).

A Secured Transactions Framework for Timor-Leste is currently being developed with the support of the IFC and is expected to be discussed in the near future.

COMPANIES

TIMOR-LESTE'S COMPANY LAW (LAW NO. 10/2017, OF 17 MAY) IDENTIFIES TWO TYPES OF COMPANIES: (I) LIMITED LIABILITY COMPANY (SOCIEDADE POR QUOTAS), WHICH INCLUDES SINGLE MEMBER PRIVATE LIABILITY COMPANY (SOCIEDADE UNIPessoAL POR QUOTAS); AND (II) JOINT STOCK COMPANY (SOCIEDADE ANÓNIMA).

LIMITED LIABILITY COMPANY

(SOCIEDADE POR QUOTAS)

A limited liability company is a business structure that provides the owners with limited liability protection. This means that the owner's personal assets are protected in case the business incurs any debts or legal issues. The company must have a **minimum of two quota holders and a maximum of thirty** (individuals or legal entities). There is **no minimum capital requirement**, but the nominal value of each quota shall be equal or higher than **USD 1.00**. This is the most commonly used form for incorporating small and medium-sized enterprises (SMEs).

SINGLE MEMBER PRIVATE LIMITED COMPANY

(SOCIEDADE UNIPessoAL POR QUOTAS)

A single member private limited company is basically a limited liability company, which can be established by **one sole quota holder** (individual or legal entity), who will hold the entire capital. The rules applicable to limited liability companies apply to single member private limited company with the necessary adaptations.

JOINT STOCK COMPANY

(SOCIEDADE ANÓNIMA)

A joint stock corporation must have a **minimum of three shareholders** (individuals or legal entities), except in the cases where the State holds the majority of the share capital, in which case it can be incorporated with only one or two shareholders. The **minimum share capital of the company shall be USD 50,000.00** and the nominal value of each share shall be USD 1.00. These companies may be public joint stock companies (where share capital is offered for public subscription) or private joint stock companies (where share capital is privately held).

BRANCH/REPRESENTATIVE

OFFICE/SUBSIDIARY *(REPRESENTAÇÃO PERMANENTE)*

A foreign company can establish a branch office, representative office, or subsidiary in Timor-Leste to conduct permanent business activities in the country. Share capital is limited or defined with the **minimum value of USD 5,000.00** and no maximum value.

SETTING UP A BUSINESS

SETTING UP A BUSINESS IN TIMOR-LESTE IS RELATIVELY STRAIGHTFORWARD, THANKS TO THE ESTABLISHMENT OF A ONE-STOP-SHOP IN 2013 AIMED AT STREAMLINING AND EXPEDITING THE PROCESS. SERVE, I.P., THE GOVERNMENT AGENCY RESPONSIBLE FOR BUSINESS REGISTRATION AND VERIFICATION, PLAYS A CENTRAL ROLE IN FACILITATING THIS PROCESS.



Business registration and application processes require an in-person **VISIT TO SERVE'S OFFICE**, although there are plans for online registration in the near future

Upon submission of the necessary incorporation documents, the registration process aims to be completed within a maximum of **FIVE BUSINESS DAYS**. However, this timeline may be extended if follow-up questions or additional clarifications are required

After registering and receiving the **TAX IDENTIFICATION NUMBER** from SERVE, companies must activate it and obtain the **CERTIFICATE** by confirming their registration with the Ministry of Finance



The following documents will be issued by SERVE:

REGISTRATION CERTIFICATE (*CERTIDÃO DE REGISTO COMERCIAL, CRC*) indicates the members of the different corporate bodies of the Company, Tax Identification Number, registered office, registered share capital, corporate purpose

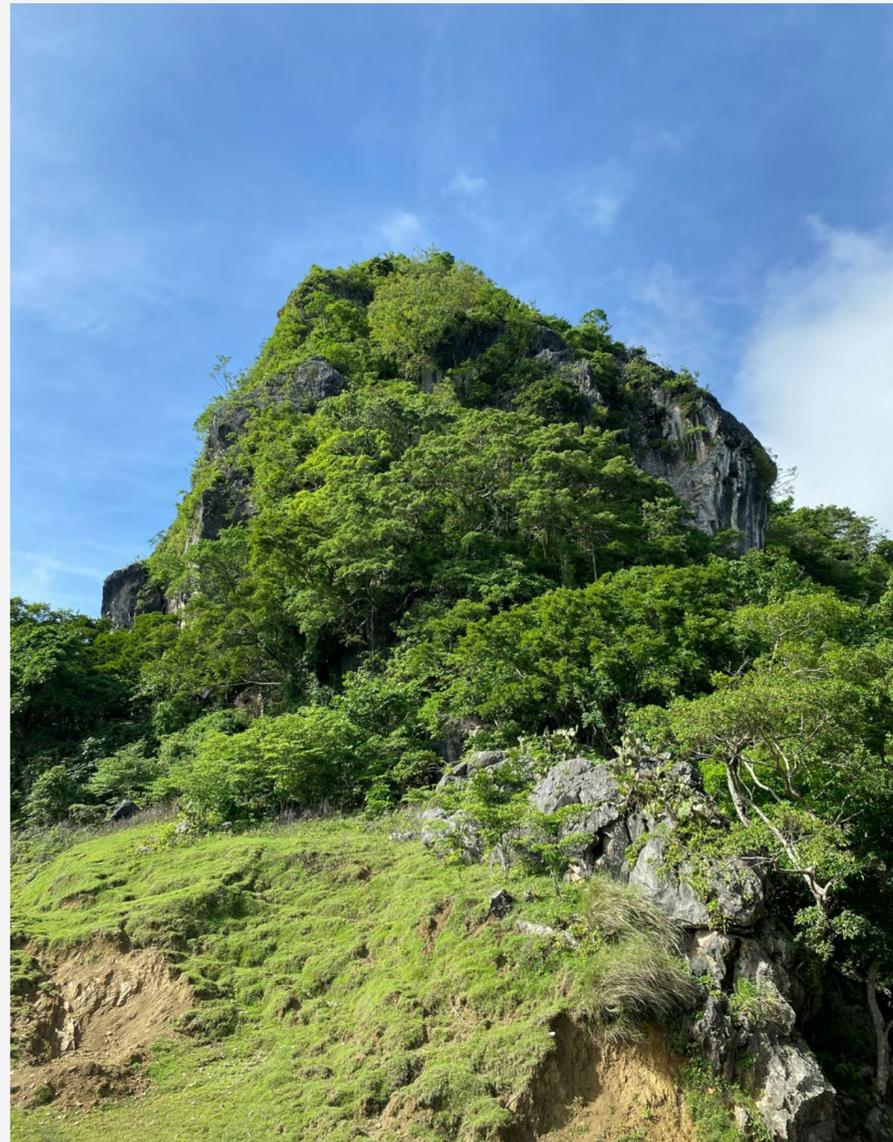
CERTIFICATE OF BUSINESS REGISTRATION indicates the company's registration number and the tax identification number

AUTHORISATION TO CONDUCT ACTIVITY refers to the economic activities with low risks

OR

BUSINESS LICENCE refers to the economic activities with medium and high risks

INVESTORS MUST OBTAIN SPECIFIC SECTORIAL LICENCES before starting their business activities to comply with industry regulations. Sectorial permits vary based on the nature of the business, and SERVE provides guidance on the specific permits required. For instance, a hotel investor must obtain several sectorial licences from relevant ministries, such as the Ministry of Tourism for hotel rating certification and the Ministry of Health for health standard qualification



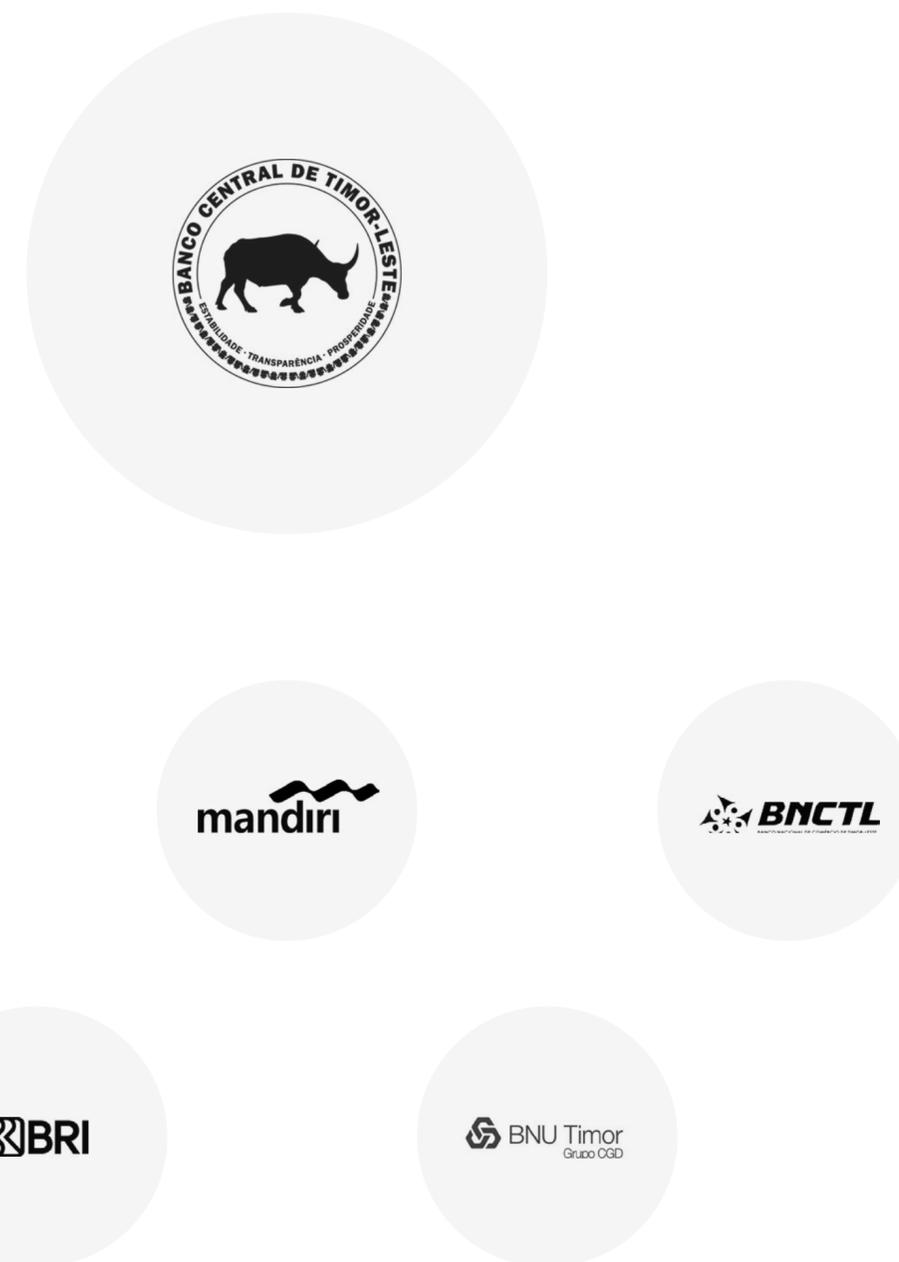
FOREIGN EXCHANGE

The USD is the official currency of Timor-Leste. There are no official currency controls, although the Central Bank of Timor-Leste imposes reporting requirements for the importation or exportation of cash above USD 5,000.00 and requires explicit authorisation for sums in excess of USD 10,000.00.

Investors are guaranteed the right to freely transfer funds from investments or reinvestments in Timor-Leste abroad, as outlined in the Private Investment Law. All investors can request the conversion of any amounts into foreign currency through the banking system, as well as transferring these amounts abroad to comply with financial obligations assumed in relation to investments made, such as payment of imports, payment of capital or interest on loans taken abroad, or payment of rights and management services. The right to transfer funds abroad must comply with Central Bank regulations and is subject to general legislation, including tax laws. Foreign banks operating in Timor-Leste may impose reporting requirements for transactions above a certain amount to comply with home-country anti-money laundering regulations, in addition to the requirements stipulated by the Central Bank.

BANKING SYSTEM

There are five commercial banks operating in Timor-Leste: Australia and New Zealand Bank (ANZ), Mandiri of Indonesia, Bank Rakyat Indonesia (BRI), *Caixa Geral de Depósitos, S.A.* also known as Banco Nacional Ultramarino (BNU) of Portugal, and the State-owned bank National Commercial Bank of Timor-Leste (BNCTL). All banks in Timor-Leste are subject to prudential measures and regulation by the Central Bank. Since most of the country's operating banks are branches of foreign banks, the system is relatively resistant to domestic economic shocks. The Central Bank of Timor-Leste serves as the country's monetary authority. It oversees commercial banks, money transfer operators, currency exchange offices, insurance companies, and other deposit-taking entities. Additionally, it manages the sovereign wealth Petroleum Fund, acts as the clearing house for interbank payments, and handles banking operations for the government and public administration of Timor-Leste.





LABOUR LAWS AND PRACTICES

THE PRIVATE INVESTMENT LAW STIPULATES THAT ALL INVESTORS ARE REQUIRED TO EMPLOY TIMORESE WORKERS AND PROMOTE THEIR PROFESSIONAL TRAINING FOR THE PERFORMANCE OF QUALIFIED FUNCTIONS, INCLUDING THE IMPROVEMENT OF TECHNICAL OR MANAGERIAL KNOWLEDGE.

Domestic labour laws are not waived to attract investment. The law does grant qualified investors the right to a minimum of five work visas for workers or collaborators qualified for supervisory, directing, or technical functions necessary for the investment project, and the ability to request work visas for foreign workers required to install or operate the venture.

TIMOR-LESTE HAS A YOUNG AND DYNAMIC WORKFORCE, WITH ABOUT 67% OF THE POPULATION UNDER THE AGE OF 30. HOWEVER, A SHORTAGE OF SKILLED LABOUR REMAINS A MAJOR CHALLENGE TO PRIVATE SECTOR GROWTH.

Labour relations in Timor-Leste are governed by the Labour Law (Law no. 4/2012, of 21 February). As a general rule, employment contracts must be in writing to be valid. However, only the employee can challenge the contract's validity; if they do not, the contract is deemed valid. Contracts may be for a fixed term or an indefinite term. Fixed-term contracts, including extensions, that last three years or more automatically convert into indefinite-term contracts.

Working hours in Timor-Leste are limited to a maximum of eight hours per day and 44 hours per week. Employees are entitled to overtime pay for additional hours worked. The Labour Law also guarantees benefits such as maternity and paternity leave, a 13th-month bonus salary, paid vacation, sick and family leave, minimum health and safety standards, and other worker protections. It also establishes specific procedures for termination and winding-up as well as procedures and relief for cases

of wrongful termination. Regulations provide for a minimum salary which has been set at USD 115.00 for more than 10 years.

As stipulated in Labour Law, employees have the right to strike; however, they must notify companies in advance of the planned strike. Labour unions exist and engage in collective bargaining and exercise rights to strike.

SOCIAL SECURITY CONTRIBUTIONS

The General Contributory Social Security Framework (Law no. 12/2016, of 14 November), implemented in 2017, replaced the previous transitory framework. Under this system, both employers and employees in the public and private sectors must contribute 10% of the employee's wages, divided as follows: 6% paid by the employer and 4% by the employee. The framework provides cover for loss of income/benefits due to work-related accidents, maternity, old age, and death.



LEGAL SYSTEM AND DISPUTE SETTLEMENT

The legal system in Timor-Leste is based on a mix of civil law (inspired on the Portuguese system) and customary law (as long as it is not contrary to the Constitution). Indonesian law, in effect until August 1999, remains a subsidiary source of law in Timor-Leste for matters not yet covered by its legislation. Additionally, some United Nations Transitional Administration in East Timor (UNTAET) regulations continue to apply unless expressly revoked. While the country is working to harmonise its legal system, a comprehensive reform to address overlapping and disparate frameworks has yet to be completed.

THE JUDICIAL SYSTEM OPERATES INDEPENDENTLY OF THE EXECUTIVE BUT IT'S STILL DEVELOPING AND FACES A SHORTAGE OF TRAINED LEGAL PROFESSIONALS. TIMOR-LESTE HAS COURTS OF FIRST INSTANCE AND A COURT OF APPEAL. COURTS OPERATE IN ONLY FOUR OF THE COUNTRY'S THIRTEEN JUDICIAL MUNICIPALITIES, AND CUSTOMARY LAW GOVERNS MOST CASES AT THE LOCAL LEVEL.

Additional courts outlined in the Constitution and the law, such as specialised tax and administrative courts, have not yet been established due to lack

of specialised personnel. Waiting times to bring a case before a judge remain long, and cases may be unresolved for years. Although Timor-Leste uses a civil law system, court decisions do have effect in helping set jurisprudence and setting judicial precedent.

ARBITRATION

Since 2022 Timor-Leste is a Contracting State to the International Centre for Settlement of Investment Disputes (ICSID) and therefore, the dispute settlement provisions of ICSID Convention are directly applicable to disputes involving Timor-Leste or nationals of Timor-Leste.

In January 2023 Timor-Leste became the 172nd State party to the Convention of the Recognition and Enforcement of Foreign Arbitral Awards (1958 New York Convention) which entered into force on 17 April 2023.

Since September 2024, Timor-Leste has been a member of the Permanent Court of Arbitration, reflecting its commitment to upholding international law and promoting peaceful dispute resolution through arbitration.

The Portugal-Timor-Leste bilateral investment treaty allows an investor from one country to resolve a dispute with the other country (i) by negotiation between the two parties or, failing this, (ii) through the ICSID; or (iii) through an *ad hoc* arbitral tribunal established in accordance with the arbitration rules of the United Nations Commission on Trade and Development (UNCTAD).

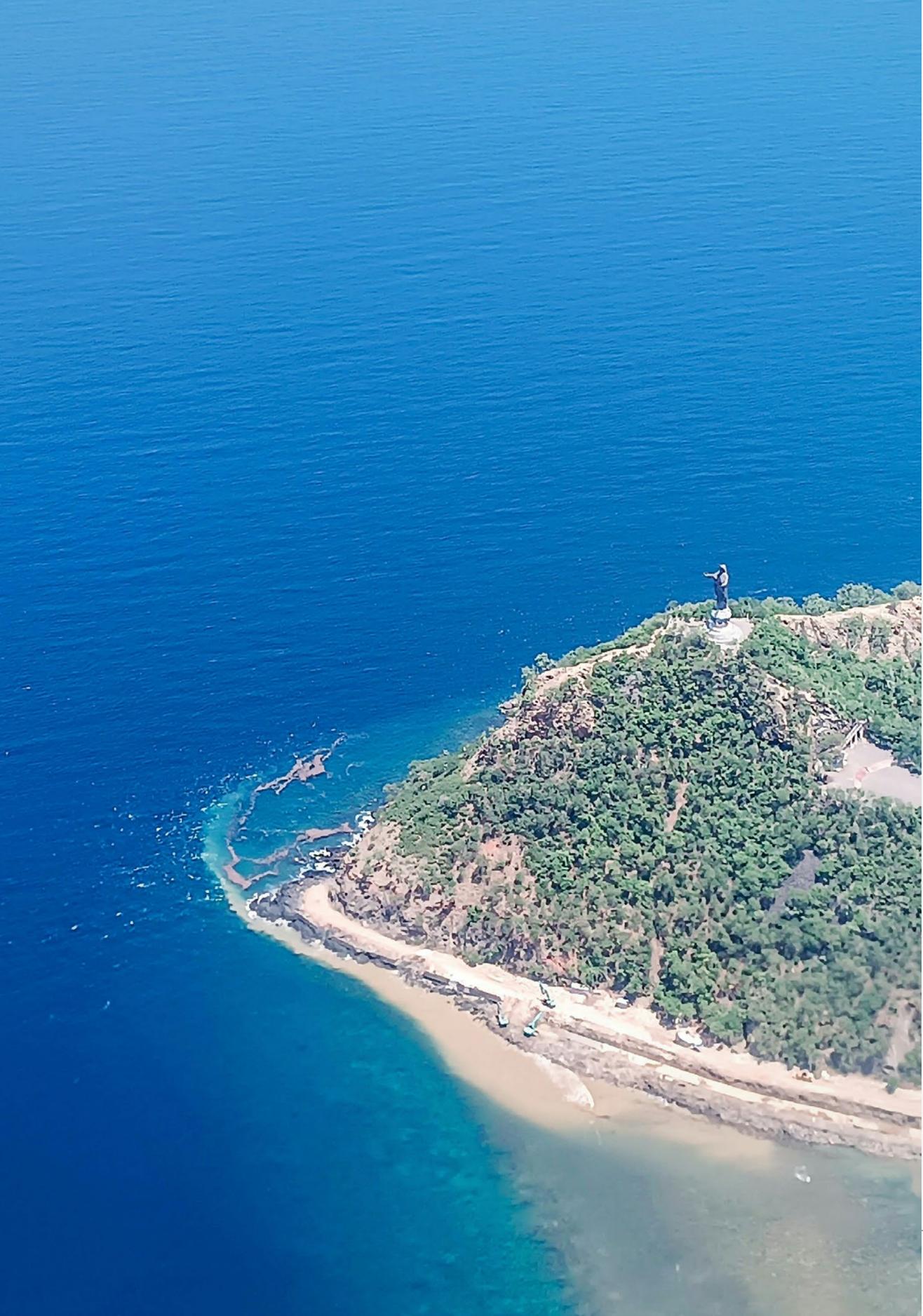
The Voluntary Arbitration Law (Law no. 6/2021, of 31 March) governs all arbitration proceedings conducted in Timor-Leste, both domestic and international. It also applies to the recognition and enforcement of arbitral awards issued in other countries, subject to the provisions of applicable international conventions.

DUE TO TIMOR-LESTE'S STRATEGIC SIGNIFICANCE IN THE ENERGY SECTOR, PARTICULARLY IN OIL AND GAS, ARBITRATION CLAUSES ARE FREQUENTLY INCLUDED IN CONTRACTS BETWEEN THE GOVERNMENT AND MULTINATIONAL CORPORATIONS. THESE CLAUSES USUALLY SPECIFY THE USE OF INTERNATIONAL ARBITRATION CENTRES SUCH AS THE INTERNATIONAL CHAMBER OF COMMERCE (ICC) OR THE SINGAPORE INTERNATIONAL ARBITRATION CENTRE (SIAC) AND, SINCE 2022, ICSID.

Local courts recognise foreign arbitral awards against the government. There are some cases where there was international arbitration in disputes between the government and foreign companies (Singaporean, Australian, American and Spanish). A notable case was the arbitration with Australia over oil and gas resources in the Timor Sea, which led to the landmark maritime boundary agreement in 2018 under the United Nations Convention on the Law of the Sea (UNCLOS).

SOVEREIGN IMMUNITY

Timor-Leste is a signatory to the United Nations Convention on Jurisdictional Immunities of States and Their Property (New York, 2 December 2004) since 2005. Clause 10 of this Convention stipulates that a signatory State cannot claim immunity in proceedings related to commercial transactions, with certain exceptions. While the Convention is not yet in force, Timor-Leste's courts are familiar with this principle. Consequently, sovereign immunity can be limited, and the State has the option to waive its right to immunity.



INTERNATIONAL TREATIES

TIMOR-LESTE IS A PARTY TO SEVERAL INTERNATIONAL TREATIES CURRENTLY IN FORCE, INCLUDING THE FOLLOWING:

PORTUGAL AND TIMOR-LESTE SIGNED AN AGREEMENT ON THE PROMOTION AND RECIPROCAL PROTECTION OF INVESTMENTS IN DÍLI ON 20 MAY 2002, WHICH HAS BEEN IN FORCE SINCE 7 APRIL 2004.

The Agreement aims to create favourable conditions for investments by investors from one party in the territory of the other, based on principles of equality and mutual benefit. Timor-Leste has also signed a Bilateral Investment Treaty with Germany in 2005 and with Qatar in 2012 but neither are yet in force.

ON 27 SEPTEMBER 2011 THE COUNTRY SIGNED WITH PORTUGAL A BILATERAL INCOME TAX TREATY, WHICH ENTERED INTO FORCE ON 12 OCTOBER 2022.

The treaty covers Portuguese personal and corporate income taxes and surtaxes on corporate income and Timor-Leste income tax, wage tax, and withholding tax.

THE MARITIME BOUNDARY TREATY WAS SIGNED WITH AUSTRALIA ON 6 MARCH 2018 AND IS IN FORCE SINCE 30 AUGUST 2019.

The treaty resolved a long-standing dispute, establishing maritime boundaries between the two countries and creating a stable legal framework for resource development. This framework provides certainty and stability for businesses and investors. Additionally, it enables both countries to jointly develop the Greater Sunrise gas fields and share in the resulting benefits.

CONCLUSION

Investing in Timor-Leste offers a unique opportunity to leverage a country rich in potential, though it also comes with certain challenges. Despite its past conflicts and economic challenges, Timor-Leste is on a promising trajectory of recovery and growth. With rich natural resources, a strategic location, and its anticipated full membership in ASEAN, the country is well-positioned as a gateway to some of the world's most dynamic markets. Its focus on developing key sectors and improving the business environment offers significant opportunities for investors prepared to navigate its evolving landscape.

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