



UNITAET
UNITED NATIONS TRANSITIONAL ADMINISTRATION IN EAST TIMOR
Nasoens Unidas Nia Administrasaun Tranzisional Iha Timor Lorosa'e

Office of Communication and Public Information

QUESTIONS AND ANSWERS

ON

TAXATION IN EAST TIMOR

1. Why should citizens pay taxes?

An independent East Timorese government will need to have tax revenue. UNTAET has a responsibility to put a tax system in place to prepare East Timor for independence.

2. Why not wait with tax collection until the country is stronger?

The East Timor Transitional Administration (ETTA) has a mandate to provide services to East Timor before an elected East Timorese government is installed. About two thirds of the ETTA budget is funded by international donors. They ask that East Timor generate some of its own revenues.

UNTAET has also a responsibility to put a tax system in place to prepare East Timor for independence. Training East Timorese to collect taxes is part of this effort.

3. Who has to pay taxes?

People who earn more than US\$100 in East Timor will have to pay income tax, except for those covered by International Conventions. For example, foreign businesses and people working for businesses, NGOs and the East Timor Transitional Administration will pay tax. Foreigners will also have to pay tax on their incomes in East Timor.

4. Why do UNTAET staff not pay taxes?

All UNTAET staff holding a regular appointment governed by UN staff rules pay 25 per cent of their gross salary as a “staff assessment” to the United Nations in New York instead of taxes. This money is paid to the home country of the staff member to replace the income taxes that they would otherwise pay.

5. Where does the tax revenue go?

The revenue from taxes in East Timor goes to the East Timor Consolidated Budget. This helps pay for expenditure by the East Timor Transitional Administration (ETTA). For example, this money helps pay the wages and provide equipment for teachers, police and nurses.

Tax revenues do not go towards UNTAET, the PKF or CIVPOL. These costs are all entirely borne by the United Nations budget with the money coming from New York.

6. How were the East Timorese people consulted about the tax regulation?

The population is involved in decisions through the Cabinet and National Council. The Cabinet and the National Council approved all changes to the tax regulation before they become law.

For example, they approved Regulation 2000/35, which introduced an income tax.

The majority of the Cabinet members (5 out of 9) are East Timorese.

All the 36 members of the National Council are East Timorese.

7. Why were these income tax rates chosen?

The income tax system is similar to the system that applied prior to the popular consultation, although it has been somewhat simplified.

The top tax rate of 30 per cent has been maintained. The 15 per cent tax rate has been abolished. The 10 per cent tax rate has been maintained. No tax is payable on the first \$100 of income, which is the maximum that could have been claimed formerly.

8. What are the largest expenditure items in the ETTA budget?

The largest expenditure items in the ETTA budget (Consolidated Fund for East Timor) for 2001-02 are for education, electricity, health and police (See below).

- Education, Youth and Culture & University (13.3 \$US million)
- Power Authority (10.8 \$US million)
- Health (6.9 \$US million)
- East Timor Police Service (5.3 \$US million)
- Central Administration, including public works (4.8 \$US million)
- Water and Sanitation Authority (2.6 \$US million)
- Judicial Affairs (1.8 \$US million)
- Roads (1.5 \$US million)
- Other (13.8 \$US million)

Total: 60.8 \$US million

The Power Authority will recover significant amounts of its expenditure through bills for the largest users of electricity.

9. What research on the East Timor economy has UNTAET undertaken?

Research has been undertaken on a wide range of economic activities in East Timor.

For example, Census and Statistics has conducted monthly surveys of prices, including in the Dili market, since April 2000. Exchange rates are monitored daily and are announced on radio. A survey of business enterprises was undertaken in November 2000. UNDP has conducted a survey of household incomes and expenditures. A joint ETTA/World Bank/UNDP poverty assessment survey will commence within the next few weeks.

11. Can an independent and elected government of East Timor change these taxes?

Yes. These taxes can be changed by an independent and elected government of East Timor. The National Council and the Cabinet can also change them.

Dili, 2 February 2001