



DIRECÇÃO GERAL RECEITAS

DIRECÇÃO NACIONAL INFORMAÇÃO CONTRIBUINTES PETROLIFERAS E MINERAIS

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Web: www.mof.gov.tl/Taxation/Petroleum Tax/Tax forms

“Seja um bom cidadão, seja um novo herói para a nossa Nação”

2016 PRODUCTION SHARING CONTRACTORS INCOME TAX RETURN FORM GUIDE

GENERAL INFORMATION

This is a brief guide for taxpayers who derive income from petroleum activities in the Timor Sea Joint Petroleum Development Area (JPDA) or in Timor-Leste exclusive offshore or onshore area and is designed to help complete your 2014 Income Tax Return. It is **NOT** a guide to the income tax law. If you need more information you can contact the Timor-Leste National Directorate of Petroleum and Mineral Revenue (NDPMR) for assistance. Contact details for the NDPMR are provided at the end of this guide.

When is my return due and when do I have to pay my tax?

The annual Income Tax Return form for 2015 tax year is due for lodgement on or before the 31st March 2016. Any annual residual income taxes are due for payment on or before 25th March 2016.

Page 1. Taxpayer Identification Details

Taxpayer Identification Number, taxpayer name, address and contact details: Please write all details of the taxpayer and provide an email address of the appropriate contact. All formal contact and information from NDPMR will be forwarded to the email address provided in the tax return by the taxpayer.

All petroleum tax related monthly and yearly forms and returns are available in the National Directorate of Petroleum and Mineral Revenue (NDPMR) of DGR web site <http://www.mof.gov.tl/en/rc/DPR> and could be down loaded in word or excel.

Taxpayer Status for a Production Sharing Contractor is either Resident or a Non-resident with a Permanent Establishment (PE).

Acreage Block Number and description of main business activity: Please describe main activities from which you derived most of your gross income and expenditure in 2016 and the relevant area the activity was performed.

Issues of interpretation are issues where the interpretation of the law in the taxpayer's opinion is not obvious. By addressing specific issues, NDPMR should be notified of the actual facts and circumstances explained by taxpayer.

Taxpayer's Declaration: You are legally responsible for the accuracy of the information in your return, even if somebody else helps you to prepare your tax return. You must sign and date the *Taxpayer's Declaration* on your tax return to confirm that it is true, complete, and correct.

MESSAGES

Self assessment and what it means to you.

Timor-Leste National Directorate of Petroleum and Mineral Revenue (NDPMR) has prepared publications that will provide you with the information and guidance you need to complete your income tax return. It is your responsibility to lodge a tax return that is complete and correct. The NDPMR does not check everything in the

return and will in general accept the information in the return as lodged. At a later date we may check some of the details more thoroughly.

What if there is a mistake on my return.

Mistakes may be made by either the NDPMR or by you.

If the NDPMR makes a mistake that affects the amount of tax payable by you, or the amount of tax refundable to you, you will receive an amended assessment notice and an explanation about the mistake.

If you realise that there is an error in your return, you should correct it as soon as possible by requesting an amendment. You can request an amendment by writing a letter to the Commissioner or submitting an amended tax form.

If you submit an amended tax form, please remember to write 'AMENDED' on the top of the first page. You should also include a covering letter containing an explanation of why the amendment is necessary. It is important that you provide an explanation of why you made the mistake so that we can assess any additional tax correctly.

If you write to the Commissioner requesting an amendment your letter should include the following details:

- TIN
- Your full name and address
- Information about what you want to amend
- An explanation of why an amendment is necessary

How I make a payment using Electronic Funds Transfer (EFT)?

As per Timor-Leste Petroleum Fund Act all Timor-Leste petroleum taxpayers must pay petroleum taxes to the 'Petroleum Fund'. You must pay your tax debt electronically, by transferring USD funds to the Federal Reserve Bank of New York. Each payment instruction must clearly:

- Show the 'Banking & Payment Authority of East Timor – Petroleum Fund Account' as the beneficiary;
- Mention the Name and TIN of the taxpayer, and type of tax- such as monthly income tax instalment, annual income tax, withholding tax, wages tax or VAT etc.

The following particulars will assist you to make your electronic payment

Bank	:	The Federal Reserve Bank on New York 33 Liberty Street New York, New York 10045
Swift Code	:	FRNYUS33
Account Name	:	Banking & Payment Authority of East Timor - Petroleum Fund Account
Account Number	:	021080973

Retention of records

All records should be kept and be readily accessible by, or be produced to, the National Directorate of Petroleum and Mineral Revenue (NDPMR) if required.

Penalties

Penalties may apply if you:

- Lodge a return after the due date

- Fail to deliver a tax payment by the due date
- Understate the amount of tax owing on your tax form
- Fail to create and retain records

Further Information:

If you require assistance in relation to this form, please telephone +670 3339542, the NDPMR or send us an email at hsarmento@mof.gov.tl , or aramos@mof.gov.tl, or urodriques@mof.gov.tl , or mofsoares@mof.gov.tl or adcosta@mof.gov.tl.

INFORMATION REGARDING THE INCOME AND EXPENDITURE TO BE REPORTED

Section A - Gross Income and Joint Venture Expenditure:

The tax return for PSC taxpayers distinguish the expenditure and income billed by the operator through the Joint Interest Report and the contractor's individual expenditures and income. These two different types of income and expenditure should be reported separately. The expenditure should be reported on a **gross** basis; i.e. numbers before any capitalization of the expenditure.

Tax Capitalization of Joint Venture Expenditure: The tax return distinguishes capitalization of tangible assets for depreciation and capitalization of intangible assets for amortization. The capitalization of expenditures is reported as a positive value in the return since it is a reduction of the gross expenditure reported as expensed in line 50.

Section B - Contractors Individual Expenditure:

PSC taxpayer's own expenditure which has not been billed through the operators' joint interest report should be shown under this section. In case any of the individual expenditure is capitalized for tax purposes, the amount should be reported in line 110 as a positive value since the capitalization is a reduction of the total gross individual expenditure reported in line 100.

Line 62: Repairs and Maintenance.

This is expenditure (other than capital expenditure) on repairs and maintenance of plant, machinery, equipment and property used for producing assessable income or in carrying on a business for that purpose. Expenditure on repairs to property used partially for business or income producing purposes must be apportioned. Where items are newly acquired, the costs of repairs to remedy defects in existence at the time of acquisition are generally of a capital nature. Expenditure incurred in making alterations, additions or improvements is of a capital nature and is not deductible as repairs and maintenance but depreciation can be claimed.

Lines 63 & 64: Consulting Services and Expenditure for other Services.

These are expenditure for labour and services provided under contract other than those in the nature of salaries and wages.

Line 71: Losses from Sale/Transfer of Property.

These are losses due to sales or transfer of property owned and used in business or owned for the purposes of earning, recovering or securing income. Any gains from the sale or transfer of property should be included in income Line 03 or 04.

Line 74: Tax deductible Bad Debts:

A bad debts expense is allowable if:

- the debt was previously included in taxable income
- the debt is written off in the accounts during the year, and
- there are reasonable grounds for believing that the debt will not be recovered

Accounting provisions for bad debts should not be included.

Line 75: Decommissioning provision / expenditure.

This should only be used for claiming your share of the decommissioning provision. The decommissioning provision must be calculated in accordance with total approved Decommissioning Cost by the Designated Authority (ANP). A copy of such approval in support of the decommissioning provision must be attached with the tax return. Actual costs when they occur should be shown under joint venture expenditure at Line 24 – Other expenditure.

Section C: Depreciation and Amortisation

The schedule should include both your share of deductible depreciation and amortisation of joint venture operations plus any deductible depreciation attributable to the contractor individually.

Statement of Payments to Affiliated Companies.

Please provide a detail statement of all payments to affiliated companies as an attachment in addition to balance sheet, income statement and other required documents as specified in page #3 of the return.