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Timor-Leste at the Crossroads: An Investor's Playbook for ASEAN Integration

Understanding Timor-Leste's Market Foundations Pg 05

Choosing the Right Entry Structure and Tax Strategy Pg 08

Managing Risks and Building Resilience in Timor-Leste Pg 12

Scaling for Sustainable Growth and Future Potential Pg 15



Introduction



ALBERTO VETTORETTI

Partner
Dezan Shira & Associates

Timor-Leste is entering a decisive transition. Petroleum revenues, once more than 80 percent of state income, are declining as Bayu-Undan winds down and Greater Sunrise remains unresolved. At the same time, infrastructure upgrades such as Tibar Bay Port, the South Submarine Cable, and new road links are reshaping trade capacity. Foreign direct investment has risen to around 12–13 percent of GDP, while ASEAN membership, targeted for 2025, will embed Timor-Leste in regional markets and preferential trade regimes.

For investors, the appeal lies in timing. Incentives, flexible regulatory frameworks, and available land create openings that will not last once ASEAN integration raises competition and standards. Early movers can secure favorable positions in logistics, digital connectivity, renewable energy, and tourism — sectors set to drive the next phase of growth.

A collaboration between our macro team at Dezan Shira, Think Forward Consulting & TradeInvest Timor-Leste, this magazine provides a strategic outlook on how Timor-Leste's economic shift can translate into durable opportunities. It highlights where reforms, demographics, and regional integration are converging, and what conditions matter most for sustainable returns.

With an established presence across ASEAN, our team at Dezan Shira & Associates is well-equipped to assist companies in navigating Timor-Leste's investment landscape. For more information on setting up or expanding operations in Timor-Leste, please contact us at asean@dezshira.com.

With kind regards,

Alberto Vettoretti



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Preface



VINAY MATHUR

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Timor Leste is Asia's youngest country providing a white space opportunity. With over two decades of peaceful and democratic political process, it is soon to be the newest member of ASEAN. Together with preferential US tariff structures, Timor Leste provides a unique gateway into ASEAN, as also an option for US focused exports.

Its USD economy, 10% Income Tax rate, 2.5% Sales Tax, 2.5% Customs Duty; makes it a favorable investment destination. There are fiscal benefits such as 5-to-10-year income tax holiday, customs duty exemption on capital goods; that are available through a Declaration of Benefits approval process. TradeInvest Timor Leste is a single window which directs private sector investment for Declaration of Benefits approval. In case of special approvals other than those covered under the Private Investment Law, Trade Invest can facilitate the process of a Special Investment Agreements, provided the investment meets certain criterion.

The educated work force uses English as business language, though Bahasa and Tetum are widely spoken. Most young professionals are eager to learn, though there previous work experience may or may not be in line with specific industry requirements. Investors can provide a transition period for training and development of their local staff.

A key challenge is access to land as most land in the country is privately owned. Foreigners cannot buy land on freehold, however, can lease land either from the Government (Ministry of Justice and Directorate of Land and Property) or private owners on lease. The Private Investment Law provisioning leases from the Government for fifty plus fifty years. Electricity is sufficient from a local power station in Hera (Dili). There is no water supply from the Government and there are no restrictions on access to ground water.

While expansion into Timor-Leste presents hurdles, the right local network can ensure a seamless entry. Reach out to us to leverage that expertise.

With kind regards,

Vinay Mathur

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Contents

Understanding Timor-Leste's Market Foundations

Pg 05

Choosing the Right Entry Structure and Tax Strategy

Pg 08

Managing Risks and Building Resilience in Timor-Leste

Pg 12

Scaling for Sustainable Growth and Future Potential

Pg 15

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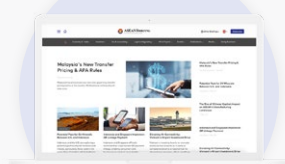
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