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East Timor evicts judges over tax ruling



Government of Timor-Leste

By Upstream staff & Reuters 05 November 2014 08:56 GMT

East Timor has ordered a number of judges and prosecutors out of the country after ConocoPhillips was handed a court victory over the government in a long-running tax row, according to a report.

The five foreign judges and two prosecutors were told to get out of the South-East Asian nation after the US giant won its latest battle over petroleum taxes, Reuters reported.

The seven had been expelled to "protect the interests of our people," Foreign Minister Jose Luis Guterres told an Australian radio station.

A spokesperson at the East Timor embassy in Canberra confirmed to Reuters that the seven had been asked to leave, although it is not clear when they must quit the country.

ConocoPhillips President Australia-West Todd Creeger told the news wire: "In our view, an independent and impartial court system is crucial to create a good investment climate for Timor-Leste.

"If the business community and potential investors are confident they will be treated fairly, Timor-Leste's long term economic development will benefit."

The Dili-based government began a campaign several years ago to claim unpaid taxes that it alleged were owed to it.

Timor-Leste believes it is on firm ground in both instances, and has said previously it is defending its sovereign right “to interpret and apply its own tax laws” and believes the tax assessments ConocoPhillips complains of “represent the proper exercise of sovereign taxation authority”.

The taxes the government is claiming relate to production sharing contracts in the joint petroleum development area (JPDA) area that Timor-Leste shares with Australia.

Under the JPDA, 90% of tax revenues are paid to the Timor-Leste government while the remaining 10% is paid to Australia.

There are only two producing fields in Timor-Leste’s jurisdiction — the ConocoPhillips-operated Bayu-Undan gas and condensate field and the Eni-led Kitan oil project, both in the JPDA.

Woodside Petroleum is the operator of the undeveloped Sunrise gas resource, which is in deadlock due to the legal dispute between Timor-Leste and Australia over the legality of the Certain Maritime Arrangements in the Timor Sea treaty.

ConocoPhillips served a notice of arbitration on Timor-Leste’s Minister of Finance in October 2012 following a dispute over tax assessments.

The US major has paid, as at June 2014, tax assessments totalling US\$236 million since 2010, and said it has made these payments “under protest”.

An arbitration hearing was carried out in Singapore in June this year under the United Nations Commission on International Trade Laws arbitration rules.

Post-hearing briefs from both parties were due last month, according to the US company and, subsequently, the tribunal will make a decision in the first half of next year.



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