



JURISDICTIONAL PROFILE: **Timor-Leste**

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This Profile provides information about the application of IFRS Standards in Timor-Leste. IFRS Standards are developed and issued in the public interest by the International Accounting Standards Board (the Board). The Board is the standard-setting body of the IFRS® Foundation, an independent, private sector, not-for-profit organisation.

This Profile has been prepared by the IFRS Foundation based on information from various sources. The starting point was the answers provided by standard-setting and other relevant bodies in response to surveys that the Foundation conducted on the application of IFRS Standards around the world. The Foundation drafted the profile and invited the respondents to the survey and others (including regulators and international audit firms) to review the drafts, and their comments are reflected.

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PARTICIPANT IN THE IFRS FOUNDATION SURVEY ON APPLICATION OF IFRS

Organisation	Ministry of Finance (MOF)
Role of the organisation	MOF has temporary authority to adopt and where required develop accounting standards in Timor-Leste.
Website	www.mof.gov.tl
Email contacts	Mr. Basilio Ribeiro de Carvalho Soares: brsoares@mof.gov.tl Mr. Cirilo Pereira Mendonca: cpmendonca@mof.gov.tl

COMMITMENT TO GLOBAL FINANCIAL REPORTING STANDARDS

Has the jurisdiction made a public commitment in support of moving towards a single set of high quality global accounting standards?	Yes. In a letter dated 20 October 2015 to the Chairman of the International Accounting Standards Board, the Minister of Finance of Timor-Leste stated that the Government of Timor-Leste is interested in adopting IFRS Standards. To that end, the Government has appointed a working group to work with the Fiscal Reform Commission to initiate preparatory work necessary to adopt Timor-Leste Accounting Standards based on IFRS Standards with modifications.
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Has the jurisdiction made a public commitment towards IFRS Standards as that single set of high quality global accounting standards?	Yes. See above.
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What is the jurisdiction's status of adoption?	Accounting standards have not yet been adopted in Timor-Leste. The Ministry of Finance is developing Timor-Leste Accounting Standards based on IFRS Standards but with modifications 'to meet Timor-Leste's present stage of financial and economic development'. Currently, companies are permitted to use IFRS Standards.
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Additional comments provided on the adoption status?	None.
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If the jurisdiction has NOT made a public statement supporting the move towards a single set of accounting standards and/or towards IFRS Standards as that set of standards, explain the jurisdiction's general position towards the adoption of IFRS Standards in the jurisdiction.	Not applicable.
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EXTENT OF IFRS APPLICATION

For DOMESTIC companies whose debt or equity securities trade in a public market in the jurisdiction:

Are all or some domestic companies whose securities trade in a public market either required or permitted to use IFRS Standards in their consolidated financial statements?	There is no stock exchange at present in Timor-Leste.
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If YES, are IFRS Standards REQUIRED or PERMITTED?	Not applicable.
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Does that apply to ALL domestic companies whose securities trade in a public market, or only SOME? If some, which ones?	Not applicable.
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Are IFRS Standards also required or permitted for more than the consolidated financial statements of companies whose securities trade in a public market?	Currently, companies are permitted to use IFRS Standards. The Ministry of Finance is developing Timor-Leste Accounting Standards based on IFRS Standards but with modifications.
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For instance, are IFRS Standards required or permitted in separate company financial statements of companies whose securities trade in a public market?	Currently, companies are permitted to use IFRS Standards. The Ministry of Finance is developing Timor-Leste Accounting Standards based on IFRS Standards but with modifications.
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For instance, are IFRS Standards required or permitted for companies whose securities do not trade in a public market?	Some large state-owned enterprises and the sovereign wealth fund (Petroleum Fund of Timor-Leste) are already required to comply with IFRS Standards. Other entities are permitted to comply with no set timeframe for full compliance.
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If the jurisdiction currently does NOT require or permit the use of IFRS Standards for domestic companies whose securities trade in a public market, are there any plans to permit or require IFRS Standards for such companies in the future?	Not applicable.
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For FOREIGN companies whose debt or equity securities trade in a public market in the jurisdiction:

Are all or some foreign companies whose securities trade in a public market either REQUIRED or PERMITTED to use IFRS Standards in their consolidated financial statements?	There is no stock exchange in Timor-Leste.
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If YES, are IFRS Standards REQUIRED or PERMITTED in such cases?	Not applicable.
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Does that apply to ALL foreign companies whose securities trade in a public market, or only SOME? If some, which ones?	Not applicable.
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IFRS ENDORSEMENT

Which IFRS Standards are required or permitted for domestic companies?	Currently, companies are permitted to use IFRS Standards. The Ministry of Finance is developing Timor-Leste Accounting Standards based on IFRS Standards but with modifications. Certain large State-owned Enterprises and the Sovereign Wealth Fund (Petroleum Fund of Timor-Leste) are already required to comply with IFRS Standards.
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The auditor's report and/or the basis of presentation footnotes states that financial statements have been prepared in conformity with:	Those large State-owned Enterprises and the Sovereign Wealth Fund (Petroleum Fund of Timor-Leste) assert compliance IFRS Standards.
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Does the auditor's report and/or the basis of preparation footnote allow for 'dual reporting' (conformity with both IFRS Standards and the jurisdiction's GAAP)?	Not applicable.
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Are IFRS Standards incorporated into law or regulations?	Laws to adopt Timor-Leste Accounting Standards have been drafted and are awaiting submission to Council of Ministers after required protocols have been completed.
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If yes, how does that process work?	Not applicable.
If no, how do IFRS Standards become a requirement in the jurisdiction?	Not applicable.
Does the jurisdiction have a formal process for the 'endorsement' or 'adoption' of new or amended IFRS Standards (including Interpretations) in place?	Yes. A process for adoption and endorsement is included in the draft legislation currently being considered.
If yes, what is the process?	Under the draft legislation, MOF will identify those IFRS Standards that can be implemented in Timor-Leste without change and those Standards that need to be modified to meet Timor-Leste's current stage of economic and financial systems development. All proposed Standards will be submitted to all stakeholders for comment. Timor-Leste Accounting Standards (based on IFRS Standards with modifications) will then be submitted to the National Accounting Standards Board (to be established) for adoption and issuance. As Timor-Leste's financial sophistication develops, the modified standards will be revised to achieve full IFRS adoption.
If no, how do new or amended IFRS Standards become a requirement in the jurisdiction?	Not applicable.

Has the jurisdiction eliminated any accounting policy options permitted by IFRS Standards and/or made any modifications to any IFRS Standards?	Currently, the Ministry of Finance is developing Timor-Leste Accounting Standards based on IFRS Standards but with modifications.
If yes, what are the changes?	Not applicable, as the new standards will be Timor-Leste Accounting Standards, not IFRS Standards.
Other comments regarding the use of IFRS Standards in the jurisdiction?	None.

TRANSLATION OF IFRS

Are IFRS Standards translated into the local language?	Timor-Leste's official language is Portuguese. The new Timor-Leste Accounting Standards will be made law and published in Timor-Leste in Portuguese. In addition, as English is a working language in Timor-Leste, the Timor-Leste Accounting Standards will also be available in English.
If they are translated, what is the translation process? In particular, does this process ensure an ongoing translation of the latest updates to IFRS Standards?	Not applicable.

APPLICATION OF THE IFRS FOR SMEs

Has the jurisdiction adopted the IFRS for SMEs Standard for at least some SMEs?	No.
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If no, is the adoption of the IFRS for SMEs Standard under consideration?	Timor-Leste is developing its own accounting standards based on IFRS Standards with modifications.
Did the jurisdiction make any modifications to the IFRS for SMEs Standard?	Not applicable.
If the jurisdiction has made any modifications, what are those modifications?	Not applicable.
Which SMEs use the IFRS for SMEs Standard in the jurisdiction, and are they required or permitted to do so?	Not applicable.
For those SMEs that are not required to use the IFRS for SMEs Standard, what other accounting framework do they use?	Accounting standards have not yet been adopted in Timor-Leste. Companies are permitted to use IFRS Standards.
Other comments regarding use of the IFRS for SMEs Standard?	Not applicable.