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To Whom It May Concern

SUBJECT: CONTRACT/PURCHASE ORDER
Timor-Leste Withholding Tax (WHT) and Value Added Tax (VAT) for Services to Bayu Undan

A portion of the services provided under the subject Contract/Service Order may be performed offshore at Bayu-Undan in Timor-Leste offshore waters. Timor-Leste tax obligations will apply in relation to the value of all services performed within the Bayu-Undan Contract Area or anywhere else in Timor-Leste, and in some cases to related services performed in other locations. The information contained within this letter and its appendices is intended to provideclarification so that Contractors are cognisant of Timor-Leste taxes when rates are submitted and understand requirements for invoice preparation to facilitate prompt payment for services provided.

To ensure the correct rate of WHT is applied to Contractor rates, notification is requested from the Contractor as to whether or not the Contractor is registered for tax in Timor-Leste (i.e. has a permanent establishment or "PE" in Timor-Leste). The Contractor and Santos should agree on the applicable WHT rate.

WHT for Contractors **without** a PE in Timor-Leste / Timor-Leste non-residents

- For Contractors who do not have a PE in Timor-Leste, generally the Timor-Leste Offshore Rates will be inclusive of 7.2% WHT and the Australian Onshore Rates (including all travel/standby rates) will be exclusive of WHT.
- Australian Onshore Rates apply up to and including the day of arrival on the facilities in the Bayu-Undan Contract Area. Timor-Leste Offshore Rates apply from the day following arrival up to and including the day of departure from the facilities. Australian Onshore Rates apply from the day following the day of departure from the facilities.

Contractor WHT **with** a PE in Timor-Leste

- For Contractors who have a PE, WHT may apply to the value of all services connected with the Bayu-Undan Contract Area irrespective of where the work is performed. The rate of WHT is dependent on the type of service (see the appendices and attachements for further guidance).

VAT on services performed in the Bayu Undan Offshore Area (former-JPDA)

- VAT applies **only** to the services performed in the Bayu-Undan Offshore Area (including on the facilities – CUQ, CPP and FSO when infield). VAT will generally apply at the same time / to the same base value that WHT applies in relation to offshore services (further details are provided in the appendices and attachments). VAT applies at a rate of 9% and is an additional charge paid by Santos to Timor-Leste.

Appendix A provides an information overview on WHT and VAT and includes the rates of WHT for both Timor-Leste PE and non-tax resident / non-PE Contractors. Appendix B provides pro- forma invoices for both PE and non-PE scenarios and explains the requirements for Contractor's invoices.

This letter and its appendices are intended to provide general guidance only. Santos cannot provide legal or taxation advice in relation to Contractor taxation affairs and obligations. Contractors should confirm their legal and taxation obligations and issues relating to their contract with their own advisors.

Yours sincerely

Procurement and Contracts

Appendix A: Timor-Leste Tax Information Overview for Bayu-Undan Contractors

Important Disclaimer: The tax information set out below is intended to provide a high level practical guide for contractors undertaking any activities in Timor-Leste for Bayu-Undan operations. This general information should not be considered as advice and contractors must not rely on this information but obtain their own independent tax advice. In particular, Santos strongly recommends that any contractors or agencies with activities or employees/sub-contractors working in the Bayu-Undan Contract Area or Timor-Leste obtain independent tax advice with respect to their Timor-Leste tax obligations. This document provides a brief overview and by its nature will not be accurate or applicable for all contractors' circumstances.

1. Background

Prior to August 2019, the Bayu-Undan Contract Area was located in the JPDA which was an area of joint jurisdiction for legal and tax purposes for both Timor-Leste and Australia established and governed by the Timor Sea Treaty. Broadly, the Timor Sea Treaty provided for a special fiscal regime where 10% of profits were subject to Australian taxation and 90% were subject to Timor-Leste taxation.

On 30th August 2019, Australia and Timor-Leste ratified the Maritime Boundaries Treaty ("the Treaty") which replaced the Timor Sea Treaty and its special fiscal regime. The new Treaty delimits the permanent maritime boundary between Australia and Timor-Leste, such that the Bayu-Undan Contract Area is now wholly situated within Timor-Leste exclusive jurisdiction. Accordingly, activities related to the Bayu-Undan field performed in the Bayu-Undan Contract Area or elsewhere in Timor-Leste may be subject to Timor-Leste taxes including value added tax ("VAT"), withholding tax ("WHT") including wages tax, and income tax.

2. Timor-Leste Tax Obligations

A special tax regime applies to the Bayu-Undan project (including Decom) pursuant to laws and regulations including the *Taxation of Bayu Undan Contractors Act* ("ToBUCA"), the *Law on Income Tax*, UNTAET Regulation 2000/18, and the *Taxes and Duties Act*.

Santos is responsible for payment of VAT and WHT to the Government of Timor-Leste with respect to payments made by Santos to contractors for services performed in Timor-Leste.

Contractors performing services in Timor-Leste are also subject to tax obligations. Contractors must register with the Timor-Leste Tax Authority (TLTA) if a "permanent establishment" (PE) is created by their presence in Timor-Leste. A contractor will be deemed to have a PE when it has presence (via employees and/or contract personnel – not merely equipment/goods) in Timor-Leste for 60 days or more in any 12 month period. The days do not have to be consecutive and are based on calendar days, not man days. The Timor-Leste tax obligations for a PE include tax registration, lodgement of annual income tax returns, payment of corporate income tax, and WHT obligations with respect to sub-contractors and employees (including monthly wages tax). Different WHT rates apply to contractors with a PE.

All contractors must notify Santos whether or not they will have a PE prior to contract award. Note that under Timor-Leste law, contractors are required to register a PE where the contractor meets the PE criteria noted above – <u>it is not optional</u>.

3. VAT on Services Performed in the Bayu Undan Offshore Area

<u>Overview</u>

- Imposed at a rate of 9%.
- Applies only on services performed within the Bayu-Undan Contract Area. (VAT does not apply to goods and <u>has no application on Timor-Leste onshore</u>, e.g. Dili, Tibar, Suai etc).
- Services must be physically performed / rendered in the Bayu-Undan Contract Area (e.g. personnel and rental equipment charges accruing in the Bayu-Undan Contract Area). Services including travel time performed outside the Bayu-Undan Contract Area are not subject to VAT.
- PE is not a pre-requisite for VAT to apply.
- Santos collects VAT pursuant to current administrative arrangements and remits to the TLTA. (VAT is not imposed on second tier contractors, i.e. subcontractors of contractor).

Additional guidelines

- VAT does not apply on charges for personnel/equipment during transit to the Bayu-Undan Facility i.e. up to and including day of import to the Bayu-Undan Contract Area in Timor-Leste.
- VAT does apply on charges for personnel/equipment on day of departure from the Bayu-Undan Contract Area in Timor-Leste i.e. VAT commences on date after arrival at the Bayu-Undan Facility and continues up to and including day of departure (final day of VAT).
- Special rules apply for shipping and air transport.
- VAT exemptions apply in limited circumstances to pure "manpower" or "labour hire" services and "hotel" type services.

4. WHT on Services

General Comments

- Australian contractors with a PE in Timor-Leste will generally be exempt from Australian income tax in relation to services they perform in Timor-Leste (including at the Bayu-Undan field).
- Australian contractors who are subject to Australian income tax on services performed in Timor-Leste should be entitled to a foreign tax credit for Timor-Leste WHT.
- Applicable Timor-Leste WHT will be deducted from invoiced amounts with the net amount paid to the contractor. The WHT is paid by Santos to the TLTA.
- Santos will provide an annual WHT certificate to enable contractors to claim a tax credit.

Non Resident Contractors (No PE)

- Non-resident WHT applies to the value of services performed in Timor-Leste, including in offshore waters and onshore where the Contractor does not have a PE.
- Effective tax rate of 7.2%.
- The value (or portion) of services subject to WHT is the same as the value subject to VAT.
- Non-resident WHT is a final tax in Timor-Leste.
- Non-resident contractors (without a PE) have no other tax obligations to Timor-Leste (no tax registration or annual tax return is required).

PE Contractors (taxed like residents of Timor-Leste)

- If contractors are providing services in Timor-Leste, including at the Bayu-Undan Contract Area, WHT generally applies to the value of all services connected with or ancillary to the offshore work i.e. total services revenue irrespective of location of connected services. One common exception is incidental out-of-pocket reimbursable costs incurred outside Timor-Leste such as travel within Australia.
- Effective WHT rates vary between NIL and 10.0% depending on the nature of the services and in some cases the WHT is a final tax. The WHT is generally collected and paid by Santos to the TLTA.
- PE contractors have additional tax obligations to Timor-Leste as mentioned above.

5. "Rules of Thumb"

- VAT is a function of the physical location of the services – it only applies if services are performed in Timor-Leste and within the Bayu-Undan Contract Area. Therefore if VAT applies to a charge, WHT must also apply to the charge (unless an exemption applies).
- Timor-Leste VAT and Australian GST are mutually exclusive i.e. can never apply to the same charge.
- Australian GST could apply to charges subject to Timor-Leste WHT in limited situations (e.g. work performed in Australia that supports offshore activities in Timor-Leste, applicable for PE contractors only).

6. Customs and Import Duties (Exemption)

- Goods, plant, materials, consumables etc imported into Timor-Leste for use in relation to Bayu Undan operations or decommissioning activities are exempt from all customs and import duty.
- Such goods will become subject to customs and import duties if transferred or sold for general consumption in Timor-Leste.

7. WHT Rates

Description of Service / Recipient of Payments	WHT Rates	Final Tax [1]
Non-resident WHT (No PE – not registered for tax in Timor-Leste)	**7.2%**	**Yes**
Resident WHT (PE – registered for tax in Timor-Leste):		
> Drilling Services (drill-rig only – self withholding)	1.62%	Yes
> Drillings support services	1.62%	No
> Construction Services [2]	0.72%	Yes
> Consulting Services [3]	1.44%	Yes
> Other Services [4]	2.16%	No
> Royalties (payable by Santos) to Aust. Resident [5]	5.4%	No
> Shipping and Air Charter Service [6]	0.72%	Yes
> Labour hire/Manpower; Catering; Repairs and Maintenance services [7]	0.0%	No
Timor-Leste Mainland / Domestic Services WHT[8]:		
> Construction Services	2.00%	Yes
> Construction Consulting Services	4.00%	Yes
> Rent, payments to non-residents	10.00%	Yes

Notes:

1. Is the WHT a "final tax"? If yes, no further income tax is payable on lodgment of the annual tax return. (Note that Branch Profits Tax does not apply to Bayu-Undan). If no, income taxes are calculated in the annual income tax return with a credit given for WHT deducted.
2. Includes integral planning, supply, implementation and supervisory services resulting in a structure (e.g. infield pipelines and components of the Bayu-Undan Facilities).
3. Where not covered as "construction services" above, includes separate engineering, design, site supervision, project management etc as well as general advice/consulting except for legal and tax consulting.
4. Covers certain services including rental of assets, technical, management, accounting, legal and tax services.
5. Royalty WHT is subject to special rules.
6. Shipping and air charter services are subject to WHT according to special rules (which also apply to VAT).
7. Manpower or labour hire services are exempt from both WHT and VAT. Catering, repairs and maintenance are also types of services not subjected to WHT by the tax regulations.
8. Where payments are made to local suppliers for services on the Timor-Leste mainland the domestic WHT rates may apply. (Refer Taxes and Duties Act, Articles 20, 26, 53-57, and Schedules V, VI and VIII).

Appendix B: Invoicing Guidelines & Pro-forma Invoice Templates

The attached worksheets contain invoicing guidelines and pro-forma invoices for both PE and non-PE scenarios and explain the requirements for Contractor's invoices.

Attachments

1. PE Tax Invoice Template 2025
2. Non-PE Tax Invoice Template 2025