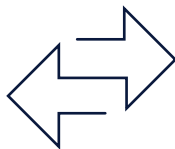




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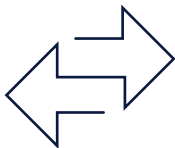
# Importing and Exporting Goods

A Brief Guide on Commercial Invoices,  
Incoterms and the Harmonized System

English version

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Information provided within this guidance manual is correct at the time of publication. However, rules and regulations may be subject to change. If you are in any doubt, please visit the Customs Authority website for further information at **[www.customs.gov.tl](http://www.customs.gov.tl)**



# Why should you read this guide?

The Government of Timor-Leste is committed to supporting the national economy by encouraging and facilitating legitimate commercial trade. As the government agency charged with the movement of goods across our borders, the Customs Authority plays a pivotal role in protecting the country from the import and export of illegal and restricted goods and ensuring that all appropriate duties and taxes are collected on behalf of the government.

This booklet is broken down into three different parts and is intended to provide you with guidance on three critical elements of the import and export process:

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Understanding why these requirements exist and how they should be applied is important, as following the rules correctly should help to ensure that your goods are processed quickly by the Customs Authority, and without any associated delays or penalties.

You can access more comprehensive information on the Harmonized Commodity Description and Coding System (HS Code) by visiting the Customs Authority website at **[www.customs.gov.tl](http://www.customs.gov.tl)**



PART I

# Commercial Invoices



## Invoice

NO.	DATE	AMOUNT	STATUS
1	2023-10-27	100.00	Paid
2	2023-10-28	200.00	Paid
3	2023-10-29	300.00	Paid
4	2023-10-30	400.00	Paid
5	2023-10-31	500.00	Paid
6	2023-11-01	600.00	Paid
7	2023-11-02	700.00	Paid
8	2023-11-03	800.00	Paid
9	2023-11-04	900.00	Paid
10	2023-11-05	1000.00	Paid

## What is a Commercial Invoice?

A commercial invoice is a legal document between the supplier (consignor) and the customer (consignee). This document should include payment details, instructions, and terms.

## What is the difference between the Packing List and the Commercial Invoice?

While the information contained within the packing list and commercial invoice may appear to be the same, the two documents serve very different purposes.

The packing list provides the exporter, the international freight forwarder, and the ultimate consignee with information about the shipment. This list also includes details about how the shipment is packed and the marks and numbers that are noted on the outside of the boxes. This document serves a more logistical purpose, and is required in the event of any disputes or claims that may arise with the shipping line, customs, or between the buyer and seller for goods. It's also used to verify that all merchandise shipped by the exporter is received in good order and condition, as well as for stock-keeping and inventory purposes.

## Why is a Commercial Invoice Required?

The commercial invoice is one of the most important documents in international trade, and the information contained within this document is used to create the customs declaration.

**Providing the commercial invoice when you make your declaration to the Customs Authority is a legal requirement under Article 156 of the Customs Code (Decree Law: 14/2017).**

Customs checks the validity of the invoice by ensuring that it would comply with the laws of the country of export. Countries like Australia, China, Indonesia and Malaysia, will always have the following minimum information on a real tax/commercial invoice:

- that the document is intended to be a tax invoice
- the seller's identity
- the purchaser's identity
- the seller's unique business number (for example in Australia it's an ABN)
- the date the invoice was issued
- a brief description of the items sold, including the quantity (if applicable) and the price
- reference to the GST or VAT amount (if any), or identification of 0% for export
- the INCOTERM.

## What Information Should be Included?

Although there is no standard format, the commercial invoice must include a few specific pieces of information, such as the parties involved in the shipping transaction, the goods being transported, the country of manufacture, and the Harmonized System codes for those goods. A commercial invoice should also include a statement certifying that the invoice is true, and a signature.

# Commercial Invoice Sample

01

Company Name: Sample Company Name

Company Address: Sample Address 1234

02

Bill / Consignee: Sample Receiving company details

Invoice N°:

03

04

PO Number

CI Number

Date:

Terms:

Ship to: same as above

Forward Agent: International Cargo Express  
789 Kingsford Smith Drive, Eagle Farm  
QLD, 4009  
07 3638 1300

05

07

08

HS Code	Descriptions	QTY PCS/SET	Unit Price USD\$/PC	Total USD\$/PC
	06			
Grand Total				

We hereby certify that this invoice is authentic and that the origin of these goods is xxx

signature: \_\_\_\_\_

10

09

## The commercial invoice should always include the following key pieces of information:

### 01. Company Name

It may sound obvious but when preparing your commercial documents, make sure you detail your company name and address. If you have company letter headed paper, use it to ensure your details are correct with no typos.

### 02. Receiving Party

Whether you are preparing the invoice for export or receiving an invoice from your supplier, make sure the receiving party (consignee) is clearly detailed with their name and address.

### 03. Purchase Order Number

In most cases, you will have a Purchase Order (PO Number) when completing a commercial transaction. Adding this on your invoice will be a quick and easy way for all parties to determine which shipment is being referenced.

### 04. Date and Shipping Terms

Including the date of order and shipping terms on the commercial invoice will help all parties identify what they are responsible for in terms of costs. More information on the types of shipping terms, which are generally known as the "incoterms", is available at Section 3 of this guide.

### 05. Forwarding Agent

Whilst including the forwarding agent is not a necessity, this will help your shipping process run with ease. If your supplier has selected an agent to work with, the shipment will be passed to their partner agent in the receiving country. If you have a preferred broker you work with, detail this on the commercial invoice and your shipment will be handed direct to your broker. This will save you being contacted by a third party on arrival to clear your shipment.



#### **06.Detailed Product Descriptions**

It is important that your commercial invoice includes detailed product descriptions to ensure the correct tariff codes and concessions are applied. Remember that whilst a product description may make sense to you, the brokers that are dealing with your shipment may not have heard of your business before. The more information you can provide, the better. If your products are samples, you must also ensure this is detailed in the product description.

#### **07.Product Quantities**

For each product you are buying or selling, detail the quantity on the commercial invoice. This will ensure the correct duties are calculated on your shipment.

#### **08.Product Value**

The purpose of the commercial invoice is to show the Commercial Value of the goods you are buying or selling. This is the value that you are selling or buying your product for, not the final sale price of the goods. Ensure the product value is detailed against each line and include the currency of your value.

#### **09.Certification**

At the bottom of your invoice it is useful to certify the authenticity of the document and the origin of the goods. This will further support any tariff concession that are applicable with Free Trade Agreements.

#### **10.Signature**

A signature at the end of your document will again provide further authenticity and verify that the document is unique and original.

It is of vital importance that the transaction and shipment information listed on the commercial invoice corresponds to that on the packing list.

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PART II

# Incoterms



## Background

Different practices and legal interpretations between traders around the world necessitated a common set of rules and guidelines and, as a result, the International Chamber of Commerce launched the first Incoterms (an acronym which meaning “international commercial terms”) rules in 1936.

More comprehensive guidance on the use of Incoterms can be found by visiting the International Chamber of Commerce website here: <https://iccwbo.org>

## Why are Incoterms important?

Incoterms identify the division of costs and risks between the buyer and seller when shipping internationally. Unlike national trade policies, Incoterms rules are universal, providing clarity and predictability to business around the world. Including the Incoterm is a requirement on all commercial invoices, as doing so reduces the risk of potentially costly misunderstandings or liabilities.

## What Are The Different Types of Incoterms?

There are a total of 10 different types of Incoterms, which are broken down into two main categories:

Those that apply to any mode of transport:

- EXW Ex Works
- FCA Free Carrier
- CPT Carriage Paid To
- CIP Carriage and Insurance Paid To
- DPU Delivered at Place Unloaded (former DAT Delivered at Terminal)
- DDP Delivered Duty Paid

### Incoterms that apply to sea and inland waterway transport only:

- FAS Free Alongside Ship
- FOB Free on Board
- CFR Cost and Freight
- CIF Cost, Insurance, and Freight

A full list and definition of these ten different terms can be found by visiting the International Chamber of Commerce website. However, the most commonly applied Incoterms used for goods being imported into Timor-Leste are listed below:

#### – FOB (Free On Board)

When shipping on FOB terms, the seller is responsible for all origin charges. This includes loading onto the named vessel. The risks and costs are then transferred to the buyer. The buyer is then responsible for the freight, any insurance required, and all charges to the final destination.

#### – CFR (Cost and Freight)

The CFR incoterm means all charges, including freight up until the intended port of destination, are born by the seller. However, as a buyer be cautious. The risk for the buyer takes over when the goods are loaded on the vessel, so even though you are not paying for the freight you may want to insure your shipment. All remaining charges at the destination are then settled by the buyer.

#### – CIF (Cost, Insurance and Freight)

This term is the same as CFR only the seller is responsible for the goods and any insurance up until the goods arrive at the intended destination port. Once the goods arrive the buyer takes on all risks and final associated charges.



PART III

# Harmonized System

This part of the booklet provides some basic information on the Harmonized Commodity Description and Coding System. You can find more detailed guidance by visiting the Customs Authority website at [www.customs.gov.tl](http://www.customs.gov.tl)

## Background

When importing or exporting any commercial goods, you must utilize the Harmonized Commodity Description and Coding System. In most countries, this is simply known as the "HS".

These codes are used extensively by over 200 countries who are contracted to the Convention on the Harmonized Commodity Description and Coding System (also known as the 'HS Convention'). Customs authorities not only use HS codes to identify what goods are being shipped, they also use them to apply relevant customs duties, taxes and regulations. Governments also use HS codes to collect global trade statistics and create tariffs.

Private companies use the same system to monitor goods, develop and advocate trade policies, collect statistics on traffic and transport as well as monitor prices.

## International Context

The HS comprises approximately 5,300 article/product descriptions that appear as headings and subheadings, arranged in 97 chapters, grouped in 21 sections. This may seem confusing at first, but this level of detail is needed when you consider all of the different types of goods that exist in the World today. At the international level, a six-digit code system is used for classifying goods, which is broken down into three parts.

- The first two digits (HS-2) identify the chapter the goods are classified;
- The next two digits (HS-4) identify groupings within that chapter;

- The next two digits (HS-6) are even more specific.

Up to the HS-6 digit level, all countries classify products in the same way (a few exceptions exist where some countries apply old versions of the HS).

## Use of the HS in Timor-Leste

Timor-Leste uses 8 numerical digits, meaning that a detailed level of description is required. If your commercial invoice is incomplete, it is unlikely you will be able to establish this level of detail.

As noted, descriptions contained within the first six digits (HS-2, HS-4 and HS-6) are the same across all countries. In terms of identifying the next pair of digits (HS-8), Timor-Leste has adopted the ASEAN 2017 HS code.

Further information on the Association of South East Asian Nations (ASEAN), and the use of the ASEAN HS Code, can be found by visiting the ASEAN website at: <https://asean.org/>

**In addition to providing the government with important trade related data, the correct classification of your goods is a legal requirement under Article 154 of the Customs Code (Decree Law: 14/2017). You can access a full copy of this law at: by visiting the Customs Authority website at [www.customs.gov.tl](http://www.customs.gov.tl)**



## What Information Should I Provide to my Agent or Customs Broker?

To help ensure that your goods are processed by Customs as quickly and smoothly as possible, it's important that you provide your agent or broker with all of the correct information from the very beginning. In all cases, this should include:

- Packing list with quantities; net and gross weights for each item (certain goods also have specific 'units of measurement' that must be included, for example alcohol is declared in litres, new clothing is declared in pieces, footwear is declared in pairs, floor tiles are declared by Meter Squared etc.);
- Transport documentation, i.e. Airway Bill or Bill of Lading;
- Commercial Invoice(s): Remember, this should include accurate and detailed descriptions of the goods that you are importing. Generic descriptions such as 'shoes', 'fridge' or 'shirts' are not sufficient to allow your broker to complete his/her task of accurately classifying the goods (see Part 2 of this booklet).

In some cases, other permits or licenses may be required depending on the nature of the goods (commodities). Your agent or broker should be able to help you with this, but further guidance can also be found by visiting the Customs Authority website at: <http://www.customs.gov.tl/>
















## The Basics

Timor-Leste utilizes the 8-digit format when applying the HS Code. The first two digits categorize the product (chapter), the second two define this classification further (heading), and the final set of four digits specify the product in more detail (HS Subheading and ASEAN Subheading):

Chapter	Heading	Subheading(HS)	Subheading(ASEAN)
21	06	90	11
First two digits indicate the Chapter. Each chapter consists of chapter notes, codes and descriptions of commodities	Second two digits indicate the position of the heading in the chapter	Each heading is then subdivided into subheadings, indicated by the dashes: (-), (- -), (- - -), (- - - -) and (- - - - -).	

## 1. Unique/Simple items with dedicated HS Codes

In some cases, certain goods have their own dedicated HS code. Examples of these goods are listed below:


Wood clothes hangers  4421 10 00	Candles  3406 00 00	Plastic Flip Flop/ Beach sandal  6402 20 00	Playing Cards  9504 40 00	Helmets for motorcyclists  6506 10 20
Swivel seats with variable height Adjustment  9401 30 00	Work gloves  6216 00 10	Second Hand Clothing and other  6309 00 00	Plastic Cigarette lighter (non-refillable)  9613 10 10	Plantains  0803 10 00
Instant Noodles  1902 30 40	Bamboo  1401 10 00	Hand Sanitizer  3808 90 99	Surgical masks  6307 90 40	Cigars  2402 10 00


## 2. Goods with different HS Codes Dependent on the Material they are Made From

In some cases, it is important to factor in what material the goods are made from. For example, you might think that descriptions such as sports shoes, flour, carpets, or cigarette lighters, is sufficient, but this is not the case.

Below are some examples highlighting how generically described goods can be classified differently based on their composition and/or what they are made of:



Flour	
	Flour made from potatoes:
	1105 10 00
	Flour made from sweet potato:
	1106 20 30
	Flour made from soya beans:
	1208 10 00
	Flour made from wheat:
	1101 00 11
	Flour made from Maize:
	1102 20 00
	Flour made from Rice:
	1102 90 10
	Flour made of Cassava:
	1106 20 10

Carpets	
	Carpets of coconut fibres:
	5702 20 00
	Carpets of wool or Animal hair:
	5702 31 00
	Carpets of man-made textile:
	5702 32 00
	Carpets of Cotton:
	5702 39 10
	Carpets of jute fibres:
	5702 39 20

Lighters	
	Plastic lighter (non-refillable):
	9613 10 10
	Plastic lighter (refillable):
	9613 20 10
	Metallic Cigarette lighter:
	9613 20 90



Touax

TICU  
2408  
261

MEDITERRANEAN  
SHIPPING CO.

MSC

TEITON

tex

TEMU 275743

2261

QC

1

### 3. Goods with two or more variants (Technical Goods)

Certain goods, such as those with two or more variants (Technical Goods), require full specifications before you can identify the correct HS Code. These types of details should already be present on your commercial invoice.

In some cases, it may also be useful to provide your agent or broker with details of brand names or part numbers, as it will assist them in identifying additional information via the internet where necessary.

These types of goods may include:

- Chemicals
- Pharmaceutical products
- Cosmetics
- Textiles
- Clothing
- Machinery
- Vehicles
- Electric tools

A number of examples are listed here showing the type of information that you would need to get from the first four HS digits to the full eight digits:

Electric Motors (8501)	
	<ul style="list-style-type: none"><li>•What is the output in Watts?</li><li>•Is it Alternating Current (AC) or Direct Current (DC) or both?</li><li>•Is it for an Air Conditioning Machine, Refrigerator, Washing Machine, etc?</li></ul>
Batteries: (8506 / 8507)	
	<ul style="list-style-type: none"><li>•What is it made of? (for example Manganese dioxide, Lithium etc.)</li><li>•What is the volume in cm3?</li><li>•What is the voltage?</li></ul>
Photocopiers/ Printers (8443)	
	<ul style="list-style-type: none"><li>•What type is it? (Laser, Ink-Jet, dot-matrix)</li><li>•Does it print Colour, Black and White or both?</li><li>•What functions does it have? (Fax, Copy, Print and Scan, etc).</li><li>•Can it be set-up on a network?</li></ul>



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