 **Republic of South Sudan**

 **Ministry of Finance and Economic Planning**

 **Directorate of Taxation**

The Basic Information on the Tax System

in South Sudan

Directorate of Taxation

Hai Malakia

April 2015

 Forward

Dear Taxpayer

It is our pleasure to provide for you this “Basic Information on the Tax System in South Sudan.” It is our hope that this publication will help you to correctly determine your tax obligations and to enable you to fully comply with those obligations.

The Mission of the Directorate of Taxation is to:

***To collect the proper amount of tax by:***

 ***Applying the tax laws with fairness and integrity***

 ***Assisting taxpayers with meeting their tax obligations***

 ***Enhancing our employee’s knowledge, skills and motivation***

***To contribute to the prosperity of South Sudan***

Paying taxes is a citizen’s obligation and the means by which citizens and businesses are able to contribute to the growth and well-being of our country. Our Government requires sufficient revenues to be able to meet the social and physical needs of its citizens. Taxes help contribute the revenues needed to build our infrastructure – good roads, good schools, good health care, clean water, improved communication ability, and improved Government. Everyone needs to shoulder their fair share of the burden and when they do, the burden becomes less for each.

We are here to serve and to help you as you fulfill your obligations. Please let us know when we fall short of your expectations so that we can improve and serve you better.

Sincerely,

Albino Chol Thiik

Director General of Taxation

Ministry of Finance and Economic Planning

MoFEP/RSS - Juba

Basic Information on the Tax System in South Sudan

**Introduction**

The Republic of South Sudan has a devolved system of Government in which there are three layers of Government, National, State, and Local, each with authority to raise revenue to meet their budgetary requirements. This booklet is a discussion of taxes administered by the National Directorate of Taxation and the principles on which the administration is based.

South Sudan has previously relied heavily on revenues from oil production to fund most of its budgetary needs. With the decline in the market price for oil, the Government is no longer receiving substantial revenues from its oil production. As a result, increased emphasis is placed on the generation of revenue from sources other than oil. A primary source of the additional revenue is from the taxes that are embedded in the Taxation Act 2009 and the amendments to that Act.

**Rights and Obligations of Taxpayers**

In any democratic society like ours taxpayers/citizens have a number of basic rights as well as obligations in relation to their Government and its agencies. Basic taxpayer/citizen rights include:

• The right to be informed, assisted and heard

• The right of appeal

• The right to pay no more than the correct amount of tax

• The right to certainty

• The right to privacy

• The right to confidentiality and secrecy

In conjunction with taxpayer rights, taxpayers also have obligations. There is a set of behavioural norms expected of taxpayers by Governments. These expected behaviours are so fundamental to the successful operation of taxation systems that they are legal requirements in many, if not most, countries. Without this balance of taxpayers’ rights *and* obligations taxation systems could not function effectively and efficiently. These taxpayer obligations are:

• The obligation to be honest

• The obligation to be co-operative

• The obligation to provide accurate information and documents on time

• The obligation to keep records

• The obligation to pay taxes on time

**Legal Basis – Taxation Act 2009**

The Taxation Act 2009, as amended in 2011 and 2012, along with implementing regulations issued in 2012 and 2014, provide the legal framework for the tax administration and taxpayers alike. The Taxation Act is a comprehensive law intended to meet the needs of a developing country such as ours that includes all taxes and administrative procedures in one body of law. Rates of tax were most recently changed in the Financial Act 2014/2015, which changes are currently not reflected in the Taxation Act.

It is designed to be fair and to keep rates low. It is written in simple language that is easy to understand. It is based on the principles that:

* Low rates make food, goods and services more affordable.
* Low rates encourage people to open businesses, providing more choices for people.
* People who earn less income pay the lowest rates or nothing at all.
* Increased investment in South Sudan will result from being investor friendly: Rapid business expense recapture through very friendly depreciation scheme – the costs of equipment are recovered in 3 – 5 years. The tax rates are low – maximum rate of 25% of taxable income for businesses with gross turnover in excess of SSP 30 Million

**Self-Assessment**

South Sudan tax system is based on the principle of self-assessment. Taxpayers are expected to voluntarily comply with the tax laws and determine their tax obligation based on proper application of the law and implementing regulations. Taxpayers assess themselves and submit a return to the tax administration at the required time for filing and payment. The tax administration does assess the taxpayer, but will review returns received for accuracy and correctness. In addition, the tax administration does have the authority to investigate any return that it believes may be inaccurate or incorrect. In such situations, the tax administration does have the authority to make an assessment of any additional tax that is determined to be due.

**Registration**

As provided in Section 17 of the Taxation Act 2009:

*“Every person liable to make a payment or file a tax return under this Act, or responsible for withholding tax under Chapter XIV of this Act, shall submit an application for registration, on the prescribed form, to the Directorate of Taxation, before commencing business or in any other case before the first payment under this Act becomes due.”*

To register, complete Form 17-1 with all the information required and take it to the taxpayer service/registration offices of the National Directorate of Taxation. You must take with you the following:

1. Copy of articles of incorporation or memorandum of association
2. Copy of business registration certificate
3. Names and addresses of all directors, including the managing director
4. National ID card(s) of the directors and officers
5. Copy of lease or rental agreement for the business premises at the address given in the registration application; if the premises is owned, evidence of ownership of the property, plot certificate, etc. must be provided
6. Listing of employees which is stamped or sealed and certified by the company – if no employees, a certification by responsible person for the business must be sub mitted
7. Record of the physical location of the business premises

Registration with the Directorate of Taxation does not cost – it is free; there is no fee to be paid for registering a company with the Directorate of Taxation. A tax officer may request the physical location of the business in order to make a visit to confirm the existence of the business. The registration should be done no more than 30 days prior to starting business and preferably closer to the actual start date.

While a legal representative of the business, or the business accountant, can register a business on behalf of the Managing Director, it is important that an official of the business that will be responsible for meeting the tax requirements be present so that a full explanation of the business tax obligations can be made and the business can begin its activities with full knowledge of their tax obligations and how they can be met.

**Paying Taxes**

Tax payments are to be made through the commercial banking system. The tax payment is made by using a pay-in slip which is available at the bank. The person making payment fills out the pay-in slip with the necessary information. Accuracy in completing the slip is critical because incorrect information on the slip will result in the payment not being credited to the tax account. This will cause extra work for both the taxpayer and the tax administration. There is a fee of SSP 5 for each payment made at the bank, so when making payment, it is necessary to make the payment for the amount of tax due plus SSP 5. The bank will provide a transaction receipt (transaction record) that, at a minimum, identifies the type of tax being paid, the period for which the payment is made, the Taxpayer Identification Number of the payer, the amount of payment, and a unique transaction number. It is important to retain this transaction record as it is the only receipt that will be issued. The bank transmits the payment electronically to the tax administration and it is entered automatically into the tax administration data system and credited to the tax account. When you submit your tax return, you should also submit a copy of your transaction record to show the payment for that tax return.

**Submitting Tax Returns**

Tax returns are to be submitted to the Directorate of Taxation office responsible for the tax affairs of the business. In Juba, the tax offices are located in Hai Malakia at the Lukak Building opposite Green Rokon. There are two different offices located in that building – the Large Taxpayer Unit (LTU) and the Small and Medium Taxpayer Unit (SMTU). Taxpayers assigned to the LTU are the largest companies in South Sudan or companies that are in a particular sector of the economy. Any business in the Juba area not specifically assigned to the LTU are the responsibility of the SMTU.

**Taxes Administered**

1. Business Profits Tax and Personal Income Tax on Sole Entrepreneurs

All businesses are required to report their income on an annual basis and pay tax on their taxable profits. Legal entities are required to pay Business Profits Tax and individual entrepreneurs are require to pay Personal Income Tax.

The requirements for legal entities and sole entrepreneurs are essentially the same, so we will discuss them both together. It is important to remember, however, that legal entities report their income on a different form than sole entrepreneurs and there are some minor differences in the allowances.

All businesses, including individual enterprises are required to make quarterly advance payments of their income tax for the current tax year. Under this system, a taxpayer pays one-fourth of the amount of tax that was owed the previous year in quarterly installments – April 15, July 15, October 15, and January 15. So, if for the year 2013, a business owed a total of SSP 100,000 in income taxes, the business would pay SSP 25,000 on each of the quarterly payment dates in 2014 (April – October) and 15 January 2015.

Businesses also pay an advance income tax at the border, 2% of the value of certain foodstuff and 4% of the value of the goods being imported, which can be used to reduce the amount of quarterly advance payment due. The total amount of the advanced income tax paid at the border on imports can be used as a credit on the annual return to reduce the amount of any tax that may be due.

Annual income tax returns (Business Profits Tax and Personal Income Tax for entrepreneurs) are due on or before the 1st of April, following the end of the tax year, which is 1 January through 31 December. There are three rates that apply to Business Profits Tax on an annual basis:

* Businesses with up to SSP 1 Million or less annual turnover pay tax of 10% of their taxable income
* Businesses with SSP 1 Million up to SSP 30 Million gross annual turnover pay tax of 20% of their taxable income
* Businesses with SSP 30 Million or more in taxable income pay tax on 25% of their taxable income.

Taxable income is total gross income less allowable business expenses and deductions. The rates and thresholds shown above are the rates and thresholds provided by the Financial Act 2014/2015.

Personal Income Tax for sole entrepreneurs is also an annual return with the same due dates. For sole entrepreneurs, the rates are slightly different, with the first SSP 3,600 exempt from tax, the next SSP 56,400 subject to tax at 10% and everything over SSP 56,400 subject to tax at 15%.

To file Business Profits Tax and Personal Income Tax for sole entrepreneurs, take a copy of the applicable tax return to the Directorate of Taxation office responsible for your tax affairs with a copy of the bank transaction record you received when you made your payment.

1. Sales Tax

Sales Tax is a tax imposed on:

* imports,
* domestic producers, and
* designated services (restaurants, hotels, bars)

The Sales tax rate is 15% of the value of the service or good subject to sales tax. The value of the good for sales tax purposes includes excise tax paid and customs, insurance and freight charges. The value of the service on which sales tax is computed is the price of the service provided – cost of hotel room, restaurant invoice, bar bill, etc.

Sales Tax returns are due on the 15th day of the following month, so a sales tax return is due on 15 March for the sales tax collected in February. The taxpayer computes his/her sales tax obligation, takes payment to an authorized commercial bank and receives a transaction receipt. The taxpayer then takes a copy of the transaction receipt and tax return to the tax administration office in Hai Malakia, or if outside Juba to the tax administration office in your area, and submits the completed return and copy of transaction receipt to the returns reception staff.

All domestic producers of products which are subsequently sold are subject to sales tax on the products produced and sold. The sales tax is computed based on the value of the goods as they leave the production facility plus the excise tax due on those goods. This includes producers/manufacturers of water, fruit juices, beer, tobacco, bread, household goods, and other similar items. Domestic producers are eligible for a credit for sales tax they pay at the border on goods directly related to the goods they produce and sell so that domestic producers are not disadvantaged in comparison to the same or similar goods that are imported. For example, a company that manufactures cigarettes may import tobacco for use in the manufacture of their cigarettes. At the time of selling their cigarettes from their production facility, they charge a sales tax to the customer based on the market value of the cigarettes sold. When they file their monthly return, they can reduce the amount of sales tax that needs to be paid by the amount of sales tax they paid at the border when they imported their tobacco, because that tobacco was directly used in the manufacture of the good that was sold.

Restaurants, bars, and hotels are required to charge sales tax on the services that they provide. The sales tax is collected from customers at the time they pay for their services – restaurant bill, bar bill, hotel bill, etc. The sales tax is charged on the value of the service provided – so, if a hotel room costs SSP 300, the sales tax is SSP 45 and the customer will be charged SSP 345. At the due date of the sales tax returns, the hotel will report the total of their taxable transactions and compute the sales tax due and pay that amount to a designated commercial bank and receive a transaction record. They will take the transaction record to the tax administration office along with their monthly return.

1. Excise Taxes

There have been excise tax requirements in the tax law since the Taxation Act 2009 was first adopted. The Taxation Amendment Act of 2012 added some taxable items and raised some rates. The rates of tax currently in effect are rates that were established by the Financial Act 2014/2015.

Excise tax applies to specific goods and specific services. It applies to the good or service at a rate that is specific to that good service. The amount of tax to be collected depends on the value of the good or service and the rate of tax applicable to that good or service. Excise taxes are collected at the time of import by Customs, acting in behalf of the Directorate of Taxation, on those goods subject to excise tax. The tax is imposed on the customs value of the goods at the time of import.

Excise tax is also imposed on specific domestic production, such as tobacco, alcoholic beverages, water, and fruit juices. The tax is imposed on the selling price or fair market value of the goods at the time they leave the production facility.

Air transportation service, telecommunications services, and insurance are subject to excise tax. Those taxes apply at the time the service is provided. The excise tax on air transportation applies to passenger and cargo flights, including charter flights, which depart from a location within South Sudan. The excise tax is based on the basic cost of the flight plus additional surcharges, but other taxes are not included in the tax base.

The excise tax on telecommunications services is based on the value of the service provided. Telecommunications services includes telephone (fixed and mobile); satellite services; and internet services. The rate of tax is 10% of the value of the service.

The insurance excise tax is a tax on the gross premiums paid to a company that provides insurance in South Sudan. The tax applies to all insurance premiums received by, or on behalf of, resident insurance companies. Any insurance, including reinsurance, issued in South Sudan by a resident of South Sudan is subject to the excise tax on premiums whether the insured is a resident of South Sudan, or not. Premiums received for the insurance issued are subject to the excise tax irrespective of whether they are received by the issuer in South Sudan or received by another person, whether that other person is located in South Sudan, or not. The tax is 5% of the value of thee premiums received.

In addition to the national excise tax, the Directorate of Taxation collects a state excise tax on behalf of the states. That tax is an amount that is added to the national tax (30%) and paid to the respective states or into a general excise fund that is distributed to the states according to a formula agreed between the states and the National Government. If the National Excise Tax is SSP 100, the state excise tax is 30 (30% of 100) and the total amount paid to the National Directorate of Taxation is SSP 130 – 100 to the National Government and 30 to the states.

Excise taxes are reported on a monthly basis. Returns and payments are due on the 15th of the following month. Excise tax payments are made at an authorized commercial bank and a copy of the transaction record provided by the bank is taken to the tax administration along with the tax return.

1. **Withholding Tax**

Anyone who pays wages, interest, dividends, rents, and royalties is required to withhold tax from those payments and pay the amount withheld to the Government account through a monthly return submitted to the Directorate of Taxation. Tax withholding is a deduction for taxable amounts made by third parties. Wages, interest, dividends, rents, and royalties are subject to withholding tax. Withholding on interest and dividends are final for residents and non-residents. Withholding on rents and royalties is final tax for non-residents. Requirements for withholding on rental payments is discussed later in this publication.

Final tax means that, where tax has been withheld from interest and dividends, that income is not included on any income tax return because the tax on that income has already been taxed. However, that income is taxable on a subsequent return if withholding has not taken place. The withholding on interest and dividends is a final tax for both residents of South Sudan and non-residents of South Sudan. Final tax for rents and royalties is a final tax for non-residents of South Sudan, but residents of South Sudan must include that income on their annual income return and include it in the income on which tax is computed.

The rate of withholding on wages is 0%, 10% and 15%, depending on the level of income of the wage earner. The rate of withholding on dividends, interest, and royalties is 10% of the amount of the dividend or interest paid.

Anyone who pays wages, including allowances or benefits, to an employee for services rendered in South Sudan must withhold South Sudan taxes from that employee whether the employee is a resident or non-resident. The first SSP 300/month of wages is exempt from tax, so no withholding applies with respect to the first SSP 300 of wages per month. Below is a table of tax rates applicable to income from wages:

|  |  |
| --- | --- |
| ***Amount of Taxable Income (monthly average)***  | ***Tax Rate***  |
| *SSP 300 and below* | *Exempt* |
| *SSP 301 to 5000* | *10%*  |
| *SSP 5,001 and above* | *SSP 470 +15%* |

Tax on wages is calculated as follows (assuming 8% deduction for pensions). If a pension deduction is not made, ignore that step in the calculation.

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| a. Gross Wages | b. Allowances | c. Gross wages | d. Pension deduction(c \*.08) | e. Taxable Income(c – d) | f. Exemption | g. Taxable wages(e – f) | h. Tax(g \* .10) or 470+((g-470)\*.15) | i. Net salaryc – (d+f+h) |
| 1,600 | 500 | 2,100 | 168 | 1,932 | 300 | 1,632 | 163.20 | 1,468.30 |
| 3,000 | 800 | 3,800 | 304 | 3,496 | 300 | 3,196 | 319.60 | 2,876.40 |
| 4,500 | 1000 | 5,500 | 440 | 5,060 | 300 | 4,760 | 479 | 4,281 |
| 5,000 | 1400 | 6,400 | 512 | 5,888 | 300 | 5,588 | 603.20 | 4,984.80 |
| Total |  |  |  |  |  | 15,176 | 1,565 | 13,610.50 |

There is a withholding tax collected by the National Government on rental payments. The withholding applies to businesses, NGO’s, etc., that rent their business premises or other immovable property and to the rental of heavy equipment, such as that used in construction, mineral extraction, petroleum production, etc. The withholding requirement does not apply to individuals that rent a house or room, even though the landlord still must report the income from those rentals.

The rate of tax is 10% of the gross rental paid. The tax withheld is an advance payment of the income tax on the rental income received by the landlord. The landlord claims the amount withheld on his/her annual income tax return and applies the credit against his/her annual tax liability.

This tax is not a rental tax that some states may apply to rented properties. It is an amount to be withheld by the tenant from rents paid – so that, if the business is renting its premises for 2,000/month, the tenant withholds SSP 200 (10 %) and pays that to the Directorate of Taxation and the remaining SSP 1,800 is paid to the landlord. The tenant reports the amount withheld on a monthly withholding tax report (the same report as used for reporting the amount withheld from employee wages).

The monthly withholding tax return is due on the 15th day of the following month (return for taxes withheld in March is due by the 15th of April). The withheld tax is paid to an authorized commercial bank and a copy of the transaction record provided by the bank is taken to the tax administration along with the tax return.

The bottom portion of a sample monthly withholding form – in this case, the taxpayer must pay SSP 1,765 in taxes due:

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| *Type of Payment* (a) | *Gross Taxable Amount**(b)* | *Number of Payees (c)* | *Rate % (d)* | *Total amount withheld (e)* | *Net amount paid (f)* |
| 4. Wages | SSP 15,176 | 4 | 10,15 | SSP 1,565 | SSP 13,610.50 |
| 5. *Dividend* |  |  | 10 |  |  |
| 6*. Interest* |  |  | 10 |  |  |
| 7. Rents | SSP 2,000 | 1 | 10 | SSP 200 | SSP 1,800 |
| 8*. Royalty* |  |  | 10 |  |  |
| *9. Total* | SSP 17,176 | 5 |  | SSP 1,765 | SSP 15,410.50 |

**Penalties and Interest and Application of Payments**

If you file your return after the due date, or if you pay your tax after the due date, you will be subject to penalties and interest. Interest currently accrues at the rate of 3.6% per month. The penalty for late filing a return is 5% of the tax due on the date the return was due to be filed, up to a maximum of 25%. The penalty for late payment of tax is 5%/month of the unpaid tax and continues to apply until the tax is fully paid. If there are any penalties or interest due at the time the payment is made, the payment first applies to the outstanding penalties and interest before it is applied to the tax due. A payment made after the due date will always be first applied to any penalty or interest due, so that even though the full amount of the tax may have been paid, there will remain a tax balance on which additional late payment penalty and interest will accrue. The late payment penalty and interest will continue to accrue until the tax is fully paid.

At the time of audit, if it is determined that the amount of tax declared on the return is substantially understated, the auditor may apply an understatement of tax penalty. The penalty can range from 10% of the understated amount up to a maximum of 200% of the understated amount.

At the time of audit a failure to comply with the requirements of the auditor, including failure to provide records in a timely manner, can result in a penalty in the amount of SSP 1,000 to SSP 25,000.

**Additional Information**

Additional information can be obtained from the Directorate of Taxation website:

http:www.grss-mof.org.

Directorate of Taxation offices in Juba are located in Hai Malakia across from Green Rokon

Pay-in slip used for making payments at a commercial bank. If paying monthly withholding tax (wages, dividends, interest, royalties, rent), check the box PIT Withholding, NOT the box PIT. If paying excise tax, indicate the amount that is to be distributed to the National Government and the amount that is to be distributed to the General State Excise Tax or specific state.



Excise Tax Schedule and Rates

|  |  |  |  |
| --- | --- | --- | --- |
| **Harmonized System Number** | **Article Description** | **Percentage** | **Specific Rate** |
| 2009 | Fruit Juices | 5% |  |
| 2201 | Waters, including natural or artificial mineral water | 5% |  |
| 2202 | Soft drinks and other flavoured waters | 5% |  |
| 2203 | Beer made from malt | 50% |  |
| 2204 | Wine of fresh grapes , including fortified wines; grape (other than unfermented grape)  | 50% |  |
| 2205 | Vermouth and other wines of fresh grapes flavoured with plants or aromatic substances | 50% |  |
| 2206 | Other fermented beverages (including cider, prune wine, rice wine, or sake, sherry, and mead) | 50% |  |
| 2207.10.30 | Indentured ethyl alcohol of an alcoholic strength by volume of 80 percent volume or higher for beverage purposes | 100% |  |
| 2208 | Indentured ethyl alcohol of an alcoholic strength by volume of less than 80 percent vol.; spirits, liqueurs and other spirituous beverages; compound alcoholic preparations of a kind used in the manufacture of beverage | 100% |  |
| 2402 | Cigars, cheroots, cigarillos and cigarettes, of tobacco or tobacco substitutes | 100% |  |
| 2403 | Other manufactured tobacco and manufactured tobacco substitutes; “homogenized” or “reconstituted” tobacco; tobacco extracts and essences | 100% |  |
| 2710.00.10, 2710.00.15, or 2710.00.18 | fuel | 05% |   |
| 8702 | Buses | 10% |  |
| 8703 | Motor cars and other vehicles principally designed for the transport of persons (other than buses), including station wagons and racing cars | 20% |  |
| 8704  | Motor vehicles for the transport of goods | 10% |  |
| 8707 | Bodies of cars | 5% |  |
| 8711 | Motorcycles | 20% |  |
| **Excisable Services** |
| Service Provided | Tax Rate |
| Air Transport Services, including passenger and cargo services | 10%  |
| Charter Services | 20% |
| Telecommunication Services, including mobile telephones, fixed line telephone service, satellite communication services, internet services, etc. | 10% of the value of the service provided |
| Insurance Services | 5% of the value of insurance premiums received during the month |