**Business Profit Tax Operating Guide**

Directorate of Taxation

Ministry of Finance and Economic Planning

Republic of South Sudan

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https://www.grss-mof.org

CHAPTER 1

**INTRODUCTION TO BUSINESS PROFIT TAX**

**Opening**

* Business profit tax (BPT) is a kind of income tax.
* BPT is also called “corporate income tax” or “company tax” in some countries.
* BPT is levied on taxable profit (net income).
* Taxable profit is the difference between gross income earned or received during the tax period and any deductions allowable under the Taxation Act 2009.
* Gross income means all income earned or accrued, including, but not limited to, income from production, trade, financial investment, professional or other economic activities within the tax period.
* Allowable deductions means business expenses that are deductible from the gross income of the taxpayers in order to determine taxable profit.

**Taxpayers**

* BPT is levied on business organizations.
* Business organization for BPT purpose is any organization --small, medium or large-- that is required to be registered for tax purposes under the Taxation Act 2009, except an insurance company, or individual, or organisation of individuals, liable to the personal income tax.
* Business organizations are legal entities, including private limited companies, public limited companies, and corporations.
* BPT is levied on both resident business organizations and non-resident business organizations (to the extent that they have income sourced within the Republic of South Sudan).

**Residents/non-residents taxpayers**

* BPT is levied on both resident and non-resident taxpayers.
* Resident means a company, a partnership or other entity which is established in South Sudan or has its place of effective management in South Sudan.
* Taxpayers other than residents are non-residents.
* Permanent establishment means any workplace through which a non-resident does business in South Sudan. This includes, but not limited to: plants, branch offices, representative offices, factories, workshops and construction sites.

**Scope**

* BPT is levied on worldwide income of resident taxpayers.
* A resident taxpayer is required to pay tax in South Sudan on income from any source irrespective of its territorial connection.
* Taxable profit for a resident taxpayer is the taxable profit from South Sudan and foreign source incomes.
* Non-residents are taxed on their domestic source income only.
* Taxable profit for a non-resident taxpayer is only the taxable business profit from South Sudan sourced income.

**Exemptions**

The following incomes are exempt from BPT:

* Income of organizations registered with the appropriate government entity as non-governmental organizations with public benefit status to the extent that the income is used exclusively for their public benefit purposes.
* Income of the Bank of South Sudan.
* Dividends and interest which are subject to final withholding tax.
* Where provided by an agreement with RSS, income from a foreign contractor generated from contracts for the supply of goods and services to the United Nations, the UN Specialized Agencies, or other international governmental donors to the RSS.

## Tax rates

BPT is levied on taxable income at a flat rate of 10% on small businesses (annual turnover of up to SSP one million), 20% on medium businesses (annual turnover from 1 Million to 30 Million) and 25% on large businesses (annual turnover of SSP 30 Million and above).

Tax calculation is a two-step process: First - determine annual gross income (Total of all income received during the year including tax exempt income) – this will determine the rate which you will apply to your taxable income; Second – determine taxable income according to the provisions of the Taxation Act, deduct allowable expenses and allowances and determine the taxable profit, then apply the tax rate determined in Step One.

## Example of the calculation of taxable and tax exempt incomes

A list of various sources of income of XYZ Company in 2015 is given below. Some incomes are taxed while others exempt from the BPT. As per the Taxation Act 2009, total taxable income and tax exempt income is calculated as follows:

|  |  |  |
| --- | --- | --- |
| **Income** | | |
| *Sources of income* | *SSP* | *Taxable/tax exempt* |
| Sales proceeds from sales | 1,500,000 | Taxable |
| Export income | 900,000 | Taxable |
| Dividends received from other companies | 200,000 | Tax Exempt\* |
| Rent | 600,000 | Taxable |
| Interest | 500,000 | Tax Exempt\* |
| **Total income** | 3,700,000 |  |
| 1. Total taxable income | 3,000,000 |  |
| 2. Total tax exempt income | 700,000 |  |

## \*Tax exempt only if subject to withholding at source.

In the above example, the gross annual turnover is SSP 3,700,000 and the tax rate to be applied to taxable profit is 20%.

## Chapter II

## DEDUCTIBLE AND NON-DEDUCTIBLE EXPENSES

## Deductible expenses

As income tax is levied on profit/net income, various expenses incurred while generating taxable income are deducted from gross receipts in order to obtain profit/net income. For example, the cost of trading stock disposed of during a tax year, start up expenses related to the business, repair and maintenance expenses, commissions, advertisement expenses, and various taxes like custom duties, excise duties, and property taxes are deductible. Similarly, wages and salaries paid to employees, interest, royalties, rent, legal fees, depreciation and losses are also deductible.

**Deductible expenses under the Taxation Act 2009**

Under the Taxation Act 2009, a taxpayer is allowed to deduct from gross income the expenses incurred during the tax period wholly and exclusively in connection with its economic activities. Examples of deductible expenses are as follows:

## The cost of supplies, materials, fuel, electricity, water etc.

The cost of supplies, materials, fuel, electricity, water, and ordinary and necessary expenses used in the production of income, or in a trade or business is deductible.

## Wages/salaries

Wages, salaries, including such items as regular pay, bonuses, and overtime pay paid by the employer to employees in money or other forms are deductible.

## Interest paid on business debt

Interest paid on business debts is deductible. A business debt is one incurred in purchase of land, buildings, equipment, goods etc., for leasing, resale, production of goods and services, and other business purposes.

## Rent

Rent paid on property necessary to and used in trade or business is also deductible. It must be noted, that rent paid to a landlord for the rental of immovable property or large movable property is subject to withholding at the time of payment. Amount to be withheld is 10% of the gross amount of the rental payment.

## Other directly related cost

Any expense directly related to the cost of production or trade and business is deductible. For example, transportation/freight expenses, and premiums paid for insurance are deductible.

## Repair and Maintenance

Cost of repairs and maintenance of properties necessary to and used for purposes of the business or trade is deductible as well. Costs of repair, maintenance, or improvement of an existing capital asset are limited to a deduction not in excess of 5 percent of the current cost basis of Category I property or for Categories 2 and 3 property the balance of the category at the end of the year. The amount of such expenses exceeding 5 percent of the cost of Category I property or, for Categories 2 and 3 properties, the balance of the category shall be added to the value of that property or category (Section 1.74(14) of Taxation Act (2009) regulations).

## Taxes

Any tax or charge that is an ordinary and necessary expense of doing business, holding property for income, or of produc­ing income, if paid or accrued during the taxable year, is deductible. However, income tax imposed under the Taxation Act 2009 is not deductible, nor are sales tax or excise tax which are collected and subsequently paid to the Directorate of Taxation.

**Representation costs**

Representation costs, which are defined as costs related to the promotion of the business or its products and include but is not limited to costs for publicity, advertising, entertainment, and representation are deductible up to a maximum of 2% of income, or SSP 250,000, whichever is the lesser amount.

## Depreciation

Depreciation of property used in a trade or business or held by the producer for the production of income is deductible. The total of deductions for depreciation of any item of property over a period of years will not exceed its cost to the taxpayer.

## Bad Debts

Bad debts are deductible when they meet the following conditions:

* the amount of the debt that has previously been included in the income;
* the debts are written off in the taxpayer’s books as worthless; and,
* there is adequate evidence of unsuccessful attempts to collect the debt.

Bad debts that are deducted as expenses and then collected later are included as income at the time of collection.

## Reserve Funds of Banks

Additions to reserves for contingencies, for bad debts, and for other similar purposes are deductible as provided by law. It is to be noted that not all loans provided by banks can be collected. Some loans may become wholly or partially worthless before maturity if circumstances show that they are likely to be uncollectible. Central bank may issue guidance to the commercial banks for provisioning.

According to the Taxation Act 2009, provisions relating to the reserve funds of the banks will be guided by the rules and regulations set by the Bank of South Sudan. Banks are entitled to a deduction for the creation of a special reserve fund for the bank’s doubtful assets, in an amount not exceeding the maximum amount allowable by the Bank of South Sudan. Any amount withdrawn from the fund must be included in income and any amount placed back into the fund, to replenish it, should be allowed as a deduction.

**Non-deductible expenses**

Expenses that are not made for preserving or enhancing taxable transaction are non-deductible expenses. For example, non-trading expenses and domestic and personal expenses (not connected with business) are disallowed. Fines and penalties, which are paid for non-compliance of laws, are not deductible, nor are bribes. BPT paid under the Taxation Act 2009 is also not deductible.

**Non-deductible expenses under the Taxation Act 2009**

The cost of capital nature is not deductible as well. The Taxation Act 2009 has specified the following expenses as non-deductible expenses:

* Cost of acquisition and/or improvement of land.
* Cost of acquisition, improvement, renewal and reconstruction of assets that are depreciated or amortized are not deductible, except in the form of depreciation expense.
* Fines or penalties paid for violations of law by the taxpayer or members of his family are not deductible.
* BPT is not deductible in computing net income. This is because this tax is levied on net income, which is obtained after all deductions are made.
* Sales Tax for which the taxpayer claims credit in South Sudan.

## Other examples of non-deductible expenses:

* Any additions to reserves that are not required by law or that cannot be justified from experience are not deductible;
* Cost of goods purchased but subsequently returned to supplier or manufacturer is not deductible
* Cost of goods purchased but used by the owners or employees for personal or household purposes and not sold is not deductible
* Cost and expense of providing benefits for the owners, officers, and management that is not necessary for the conduct of business is not deductible.
* Gifts, donations, contributions above the allowable limit are not deductible.

**Example of the calculation of deductible and non-deductible expenses**

A list of various expenses of XYZ Company in 2015 is given below. Some expenses are deductible while others are not for BPT assessment. The total amount of deductible and non-deductible expenses as per the Taxation Act 2009 can be calculated as follows:

|  |  |  |
| --- | --- | --- |
| *Items* | *SSP* | *Deductible/non-deductible?* |
| Purchase of raw materials | 300,000 | D |
| Import of machinery | 500,000 | ND |
| Cost of returned goods | 100,000 | ND |
| Salary/Wages of the employees of the company | 200,000 | D |
| Interest paid on business debt | 50,000 | D |
| Interest paid on domestic debt | 40,000 | ND |
| Donation to charity | 20,000 | D (Limited by Section 1.70(3) of the Regulations issued under Taxation Act 2009. |
| Customs duties | 90,000 | D |
| Cost of goods purchased for employees’ household use | 30,000 | ND |
| Fines | 100,000 | ND |
| Rent paid for warehouse | 300,000 | D |
| Telephone bill | 40,000 | D |
| Sales tax claimed as tax credit | 45,000 | ND |
| Repair and maintenance | 60,000 | D (Limited by Section 1.74(14) of Regulations issued under Taxation Act (2009) |
| Purchase of land | 300,000 | ND |
| Bribe | 80,000 | ND |
| Purchase of building | 400,000 | ND |
| Fuels | 70,000 | D |
| Addition to reserve provided by law | 50,000 | D |
| Purchase of stationary | 20,000 | D |
| Excise duties (paid) | 60,000 | D |
| Electricity charges | 45,000 | D |
| Water fees | 35,000 | D |
| D = Deductible, ND = Non-deductible |  |  |
| **Total expenses** | 2,635,000 |  |
| 1.Total deductible expenses | 1,040,000 |  |
| 2. Total non-deductible expenses | 1,595,000 |  |

**Chapter III**

**DEPRECIATION**

# Introduction

The cost of capital nature is not deductible. Such a cost might be incurred in acquiring assets, which may be tangible or intangible. Machinery, equipment, vehicles, furniture, buildings, and land are tangible assets while patents, trademarks, copyrights, and business goodwill, are intangible assts. As these assets have a useful life of more than a year, they are used to generate income for several years. However, their value decreases over the years due to wear and tear. This loss in value of assets is deductible in computing taxable income over the useful life of assets in the form of depreciation, which is a noncash expense that reduces the value of an asset as a result of wear and tear, age or obsolescence. As land does not have a fixed useful life and since the value of land does not reduce with its use, land is not depreciable.

Under the Taxation Act 2009, depreciable tangible properties are divided into three categories and depreciation rates for each category is fixed as follows:

|  |  |  |
| --- | --- | --- |
| Category | Type of tangible property | Depreciation rate % |
| Category 1 | Buildings and other structures. | 10 |
| Category 2 | Vehicles, office equipment and computers. | 33 |
| Category 3 | Any other property. | 25 |

According to tax regulations 2011, depreciation for buildings and other structures (i.e. property classified in Category I) will be calculated for each property separately under the straight line method of depreciation. The amount of annual depreciation deductions will be equal to 10% of the original cost of the property increased by the value of improvements that exceed 5% of the current cost basis of the property.

Let us suppose the purchase price of a building is SSP 100,000. According to depreciation provisions under the Taxation Act 2009 a useful life of a building is 10 years. This means that the depreciation is 10% under the straight-line method. Taxpayer can claim depreciation expense of SSP 10,000 each year from year 1 to year 10.

**Year Straight –Line Method 10%**

Annual Depreciation Year End-Book Value

1 10,000 90,000

2 10,000 80,000

3 10,000 70,000

4 10,000 60,000

5 10,000 50,000

6 10,000 40,000

7 10,000 30,000

8 10,000 20,000

9 10,000 10,000

10 10,000 0

Total Depreciation 100,000

**Example of Calculation of Depreciation of Category 1 Property**

Let us suppose XYZ Company purchased a building for business purpose in 2012 and the purchase price of the building was SSP. 400,000. According to depreciation provisions under the Taxation Act 2009, a useful life of a building is 10 years. This means that the depreciation is 10% under the straight-line method. Taxpayer can claim depreciation expense of SSP 40,000 each year from year 1 to year 10.

|  |  |  |
| --- | --- | --- |
| Year | Annual Depreciation in SSP | Year-end Book Value in SSP |
| 2012 | 40,000 | 360,000 |
| 2013 | 40,000 | 320,000 |
| 2014 | 40,000 | 280,000 |
| 2015 | 40,000 | 240,000 |
| 2016 | 40,000 | 200,000 |
| 2017 | 40,000 | 160,000 |
| 2018 | 40,000 | 120,000 |
| 2019 | 40,000 | 80,000 |
| 2020 | 40,000 | 40,000 |
| 2021 | 40,000 | 0 |

Total depreciation: SSP 400,000

All other types of property (other than building and other structures) are grouped into two categories and depreciation is calculated using the declining balance method of depreciation. This method applies the depreciation rate to the ending balance of the group. The ending balance of the group is the beginning balance of the group in the following tax year.

The balance of a category for purposes of calculating depreciation deduction in any taxable period is the amount determined as follows:

* the balance of the category at the end of the preceding year; plus
* purchases of property in that category; minus
* the amount received from the sale of property in that category.

**Example of Calculation of Depreciation of Category 2 Property**

Let us suppose a company purchased two cars at SSP 200,000 and 10 office machines at SSP 40,000 in 2015 and in 2016, it bought 5 computers at SSP. 15,000. Under the Taxation Act 2009, depreciation for these assets can be calculated as follow:

Begin Purchases Book New

Value Depreciation book

value



**Example of Calculation of Depreciation of Category 3 Property**

Category 3 properties are depreciated at a rate of 25% under the declining balance method. In the above example, XYZ Company has imported machinery in 2012 at SPS 500,000. Under the Taxation Act 2009, deprecation of machinery can be calculated as follows:



**Example of a sale of asset that is part of a pool (applies to either Category 2 or Category 3 assets. Assume the same facts as the above example related to Category 3 assets, except that in 2027, there was a sale of a Category 3 asset in the amount of 5,000.**

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**Points to remember:**

* For the purpose of deprecation, an asset should initially be taken into account when the asset is first placed into service.
* The initial addition to the capital account for any asset acquired during the tax period will be its cost plus insurance and freight.
* The initial addition to capital account for any buildings and other structures will include taxes, duties, and interest attributable to such property for the periods before the property is placed into service.
* The initial addition to the capital account for assets held prior to 1st January 2008 will be the book value of the assets on 1st January 2008.
* Expenditure on an asset belonging to Category 2 and Category 3 that is less than SSP 1000 will be allowed as a current expense.
* Amounts expended to repair, maintain, or improve capital assets in all categories, are allowed as a deduction up to a maximum of 5% of the current cost basis of Category I property or for Categories 2 and 3 property the balance of the category at the end of the year, as described in Section 1.74 (14) of the Taxation Act (2009) regulations. Any amount in excess of this limitation is added to the value of the property or category.

**Amortization**

Expenditures on intangible property that has a limited useful life, including patents, copyrights, trademarks, secret formula or process or information concerning industrial, commercial or scientific experience, licenses for drawings and models, contracts and franchises, are deductible in the form of amortization charges by using a simple 10 year straight line method. Taxpayers may use a shorter period if they can demonstrate that the asset’s life is less than ten years. The base for calculating amortization of intangible property is the cost of developing or acquiring such property. Intangible property is amortized only if it is held for use in a trade or business or for the production of income.

Amortization is also allowed for exploration and development costs related to the exploitation of natural resources.

**Chapter IV**

**TREATMENT OF LOSSES**

# Treatment of business losses

Sometime, a taxpayer may face a situation where expenses may be more than income. The excess of expenses over income may be defined as loss. There is a common practice worldwide to provide some sort of relief for losses incurred by a taxpayer. Under the Taxation Act 2009, losses can be carried forward to offset against profits of the following five years and is available as a deduction against any income in those years.

A company with a profit and loss situation as follows can adjust loss from the profit of the following years as follows:

|  |  |  |  |
| --- | --- | --- | --- |
| Year | Profit | Loss | Cumulative loss |
| 2012 | - | 200,000 | 200,000 |
| 2013 | - | 100,000 | 300,000 |
| 2014 | - | 50,000 | 350,000 |
| 2015 | 30,000 |  | 320,000 |
| 2016 | 100,000 |  | 220,000 |
| 2017 | 300,000 |  |  |

**Example of treatment of business losses**

Annual profit and loss situation of business from 2012 to 2019 is as follows.

|  |  |  |  |
| --- | --- | --- | --- |
| Year | Profit | Loss | Cumulative loss |
| 2012 | - | 200,000 |  |
| 2013 | 150,000 | - |  |
| 2014 | - | 300,000 |  |
| 2015 | - | 150,000 |  |
| 2016 | 100,000 | - |  |
| 2017 | 300,000 | - |  |
| 2018 | 90,000 |  |  |
| 2019 | 200,000 |  | - |

Cumulative loss of the above mentioned business can be calculated as follows:

|  |  |  |  |
| --- | --- | --- | --- |
| Year | Profit | Loss | Cumulative loss |
| 2012 | - | 200,000 | 200,000 |
| 2013 | 150,000 | - | 50,000 |
| 2014 | - | 300,000 | 350,000 |
| 2015 | - | 150,000 | 500,000 |
| 2016 | 100,000 | - | 400,000 |
| 2017 | 300,000 | - | 100,000 |
| 2018 | 90,000 |  | 10,000 |
| 2019 | 200,000 |  | - |

**Chapter V**

**ADVANCE PAYMENT, TAX CREDITS, FILING AND FINAL ADJUSTMENTS**

## Advance payment of tax

Taxpayers are required to remit an advance payment of tax in four installments as follows:

|  |  |
| --- | --- |
| **Filing Date** | **Tax Period** |
| 15 April | 1 January to 31 March |
| 15 July | 1 April to 30 June |
| 15 October | 1 July to 30 September |
| 15 January | 1 October to 31 December |

## Tax credit

BPT taxpayers can claim credits for the following tax payments.

* amounts non-final withheld as tax during the tax period,
* advance income tax payments in instalments,
* advancement payment of income tax on imported goods; and
* foreign tax credits subject to the limits of Section 82 of the Taxation Act 2009.

(a) Calculation of non-final withheld tax credit:

Annual taxable profit of Juba Company in 2015 was 100,000, of which royalty was 30,000 which was subject to 10 percent withholding tax. As withholding on royalties is non-final, Juba Company has to pay BPT on total taxable income, inclusive of royalties but the company can take credit for the withholding tax paid on royalties as follows:

Total taxable income, inclusive of royalties SSP 100,000

Tax at the rate of 20% SSP 20,000

Tax withheld on royalties SSP 3,000

Net annual tax liability (15,000 – 3,000) SSP 17,000

(b) Calculation of credit for an advance income tax payment in installments:

South Sudan Construction Company’s taxable profit in 2015 was 1,000,000. This company paid a total of SSP 130,000 in four instalments as follows:

April 10, 2015 SSP 30,000

July 13, 2015 SSP 35,000

October 15, 2015 SSP 33,000

January 12, 2015 SSP 32,000

The company can deduct the advance payment of BPT from the total annual tax liability as follows:

Taxable profit SSP 1,000,000

BPT @ 20% SSP 200,000

Advance payment of tax SSP 130,000

Net tax to be paid (200,000 - 130,000) SSP 70,000\*

\*Section 1.83(5) of the Regulations issued under this Taxation Act provides that an underpayment penalty for failure to pay an adequate amount of advance payment shall be applied which is equal to the amount of interest that would be due on the underpayment from the due date of each instalment which was underpaid until the due date of the return.

(c) Calculation of credit of an advance payment of income tax on imported goods:

Juba Export-Import Company’s taxable profit in 2015 was 800,000. This company paid SSP 70,000 as an advance income tax on imported goods, which can be claimed as credit as follows:

Total taxable profit SSP 800,000

Tax at the rate of 20% SSP 160,000

Advance payment of income tax on imported goods SSP 70,000

Net annual tax liability (120,000 – 70,000) SSP 90,000\*

\*Section 1.83(5) of the Regulations issued under this Taxation Act provides that an underpayment penalty for failure to pay an adequate amount of advance payment shall be applied which is equal to the amount of interest that would be due on the underpayment from the due date of each instalment which was underpaid until the due date of the return.

(d) Calculation of foreign tax credit

Kush Company is a resident taxpayer of South Sudan which has both domestic and foreign taxable income. It has paid tax in Kenya and Uganda. Status of its both domestic and foreign taxable income and tax paid abroad in SSP is as follows:

|  |  |  |  |
| --- | --- | --- | --- |
| Country | Taxable profit | Tax rate % | Tax paid |
| South Sudan | 500,000 | 20 |  |
| Kenya | 400,000 | 15 | 60,000 |
| Uganda | 300,000 | 25 | 75,000 |

The amount of total tax liability of Kush Company in South Sudan and amount of tax credit it is allowed to claim under the Taxation Act 2009 will be as follows:

Total South Sudanese income tax liability

Total taxable income is SSP.1, 200,000

BPT Rate 20%

Total South Sudanese BPT liability SSP 240,000

Foreign tax credit

The maximum limit of income tax credit for each country is calculated as follow:

Foreign country’s taxable income

South Sudan total tax liability \*

Worldwide total taxable income

700,000

SSP 200,000 \*

1,200,000

=SSP. 116,667 maximum limit of foreign income tax credit allowable

**Tax credit for Kenya**

400,000

SSP 200,000 \*

1,200,000

= SSP. 66,667 maximum limit of foreign income tax credit allowable for Kenya

**Tax credit for Uganda**

300,000

SSP 200,000 \*

1,200,000

= SSP. 50,000 maximum limit of foreign income tax credit allowable for Uganda

Example of foreign tax credit

*Description SSP.*

South Sudan source income 500,000

Foreign source income 700,000

Kenya 400,000

Uganda 300,000

= Total taxable income 1,200,000

\* Tax rate 20%

= Total tax liability 240,000

- Foreign tax credit 116,667

= Payable tax 123,333

## Submission of tax return

Taxpayers are required to submit a tax return on or before 1st April of the year following the tax period. For example, income return for the year 2015 must be submitted to the concerned tax office by April 1 of 2016.

**Payment of tax**

Taxpayers are required to perform a final settlement of tax and pay the final amount due on or before 1st April of the year following the tax period. For example, income tax of the year 2015 must be paid before April 1 of 2016. The amount due for the final settlement is the difference between the amount of tax owed and the amount of tax paid through withholding or advance payment of tax. Taxes due must be paid through an authorized commercial bank.

**Chapter VII**

**Tax Assessment**

**Example of calculation of business profit tax liability**

A list of various sources of income and expenses of XYZ Company in 2015 is given below. Under the Taxation Act 2009, some sources of income are taxed while others are exempt from the BPT. Similarly, some expenses are deductible while others are not for the purpose of BPT assessment. Following example would be illuminating in showing the total amount of taxable and tax exempt income, deductible and non-deductible expenses, taxable profit and BPT liability as per the Taxation Act 2009.

|  |  |  |
| --- | --- | --- |
| **Income** | | |
| *Sources of income* | *SSP* | *Taxable/tax exempt* |
| Sales proceeds | 1,500,000 | Taxable |
| Export income | 900,000 | Taxable |
| Dividends received from other companies | 200,000 | Tax Exempt |
| Rent | 600,000 | Taxable |
| Interest | 500,000 | Tax Exempt |
| Net receipts from sale of immovable property | 800,000 | Taxable |
| **Total income** | 4,500,000 |  |
| 1. Total taxable income | 3,800,000 |  |
| 2. Total tax exempt income | 700,000 |  |

|  |  |  |
| --- | --- | --- |
| **Expenses** | | |
| *Items* | *SSP* | *Deductible/non-deductible?* |
| Purchase of raw materials | 300,000 | D |
| Import of machinery | 500,000 | ND |
| Cost of returned goods | 100,000 | ND |
| Salary/Wages of the employees of the company | 200,000 | D |
| Interest paid on business debt | 50,000 | D |
| Interest paid on domestic debt | 40,000 | ND |
| Donation to charity | 20,000 | D (subject to limitation) |
| Customs duties | 90,000 | D |
| Cost of goods purchased for employees’ household use | 30,000 | ND |
| Fines | 100,000 | ND |
| Rent paid for warehouse | 300,000 | D |
| Telephone bill | 40,000 | D |
| Sales tax claimed as tax credit | 45,000 | ND |
| Repair and maintenance | 60,000 | D |
| Purchase of land | 300,000 | ND |
| Bribe | 80,000 | ND |
| Purchase of building | 400,000 | ND |
| Fuels | 70,000 | D |
| Addition to reserve provided by law | 50,000 | D (only for banks) |
| Purchase of stationary | 20,000 | D |
| Excise duties | 60,000 | D |
| Electricity charges | 45,000 | D |
| Water fees | 35,000 | D |
| D = Deductible, ND = Non-deductible |  |  |
| **Total expenses** | 2,935,000 |  |
| 1.Total deductible expenses | 1,340,000 |  |
| 2. Total non-deductible expenses | 1,595,000 |  |

Depreciation on Machinery SSP 131,934 (Cat 2 +Cat 3)

Depreciation on Building SSP 40,000

Total Depreciation SSP 171,934

XYZ Company received a total income of SSP 4,500,000 in 2015. Out of this, SSP 700,000 was exempt from BPT. While total expense was SSP 2,935,000, total allowable expense was SSP 1,340,000. Total depreciation was SSP 171,934. Under such a situation, taxable profit is determined and the BPT liability is calculated as follows:

*Description SSP*

Total income/revenues (from all sources) SSP 4,500,000

- Income exempt from tax SSP 700,000

= Income subject to tax SSP 3,800,000

- Allowable expenses & depreciation SSP 1,511934

= Profit/loss SSP 2,288,066

\* Tax rate 20%

= Total tax liability SSP 457,613

**Further Inquiry**

Please contact the Taxpayer Service Section of the Juba Tax Office located in Hai Malakia opposite Green Rokon or the Taxation Branch Office nearest you.

Tel: +211 (0) 955 123 991

**Other Tax Information Packages**

1. Taxpayer Identification Number Registration
2. Employee Withholding Employer’s Responsibilities
3. Tax Registration and Taxpayer Identification Number
4. Withholding Taxes
5. Personal Income Tax
6. Business Profit Tax
7. Excise Tax