

## South Sudan enacts *Finance Act 2019/20*

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### Executive summary

South Sudan's *Finance Act, 2019/20* (the Act) was assented into law by the President on 17 September 2019. However, the Act was only published on 12 December 2019 through the Ministry of Finance and Economic Planning's website. Since the provisions of this Act were to become effective on its signing by the President on 17 September 2019, the delayed publication may present an issue of retroactive application of this law.

It is customary in South Sudan for the National Revenue Authority (NRA) to issue a public notice before implementation of a new law. However, at the time of publication of this Tax Alert, the NRA has not issued a public notice on implementation of this Act.

This Tax Alert summarizes the key changes introduced by the Act.

### Detailed discussion

#### Withholding tax

Under the Act, rental income is now taxed at 20% after deducting the standard allowance of 20% and any other allowable expenses such as local council, city rates levies, or interest expense on mortgage. The 20% standard allowance has not been defined. As such, taxpayers will require further guidance from the NRA on implementation of this provision. This treatment of rental income

contravenes Section 96 as amended by the *Taxation Amendment Act, 2016* which made the tax withheld on rental income a final payment of tax, not subject to credit or refund.

The withholding tax rate on contracts for the supply of goods and services has been reduced from 20% to 15%. However, this provision lacks clarity since it does not specify the type of contracts for the supply of goods and services that attract withholding tax. It is anticipated that this relates to government contracts. The NRA is expected to issue further guidance on this provision.

### Business Profit Tax

The Business Profit Tax rate is based on the annual turnover as follows:

SSP0 - 1,000,000	10%
SSP1,000,001 - 30,000,000	20%
SSP30,000,001 and above	25%

These scaled tax rates which are provided in Schedule II to the *Taxation Act 2009*, as amended by *Taxation Amendment Act 2016*, remain unchanged in this *Finance Act*. As such, the new proposed rates which are based on the business sector of operations are contradictory to the *Taxation Act, 2009*. The proposed tax rates are summarized below:

Sectors of Operations	Proposed Rates
Trading Companies	28%
Manufacturing Companies	28%
Financial Institutions/Banks	20%
Construction Companies	25%
Hospitality/ Hotels	25%
Mining Companies	15%
Petroleum Companies	30%
Telecommunication Companies	20%

The NRA is expected to issue a public notice to clarify the contradictory rates.

### Customs Duty

The Act specifies circumstances under which imported goods may be exempt from customs duties as follows:

- ▶ Passage baggage, commercial specimens and samples

- ▶ Goods intended for consumption inside a vessel docked outside of the customs boarders
- ▶ Spare parts for aircrafts used in international flights
- ▶ Airport equipment
- ▶ Gifts worn outside the country
- ▶ Goods passing through South Sudan to another country
- ▶ Imported seed for agricultural activity
- ▶ Re-imported machinery initially exported for repair purposes

### Excise Duty

The excise tax on Insurance services has been increased from 7% to 10%.

### Personal Income Tax

The old tax bands have been repealed and new tax bands introduced as follows:

Amount of taxable monthly income (in SSP)	Proposed rates
2,000	Exempt (not subject to Income tax)
2,001 - 5,000	5%
5,001 - 10,000	10%
10,001 - 15,000	15%
15,001 and above	20%

Previously, tax-exempt (0%) personal income was the first income below SSP600 while the highest tax rate of 15% was applied on any income above SSP5,000.

### Next steps

Taxpayers should monitor the action to be taken by the NRA regarding implementation of *Finance Act 2019/2020*. There are various measures that require a retrospective application and it remains to be seen how these provisions will be implemented without infringing on the rights of taxpayers. The NRA is expected to issue guidelines, in the form of a customary public notice, that will inform taxpayers on the proper implementation of the new Act. Taxpayers should also seek guidance and clarification on areas that require guidance from the NRA.

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