

## South Sudan confirms pension income paid upon retirement is subject to taxation

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### Executive summary

South Sudan's National Revenue Authority (NRA) has issued a circular to suspend circular SSD/NRA/J/CG-5/19/11 issued by the former Commissioner General in May 2019. The new circular is intended to confirm that pension income earned upon retirement or termination of employment is subject to taxation.

### Detailed discussion

#### Taxation of pension income

Taxation of pension payments has been in contention for a long time in South Sudan. This announcement sets the record straight, once again, regarding the taxation of pension income.

In the new circular SS/NRA/J/CG -16/1/2020, issued in January 2020, the Acting Commissioner General confirmed that pension income contributions paid after the retirement period or termination of employment is deemed taxable income in accordance with Section 58(1)(d) of the *Taxation Act*.

The Acting Commissioner General also confirmed the following:

- ▶ Computation of tax on pension payments should be performed as per supplementary regulation 1.56(1)(2).
- ▶ The 8% salary contribution from employees to the pension fund is not subject to tax at the point of contribution or during the monthly payroll processing.

The regulations provide that lump-sum pension income earned at the end of services should be subject to tax based on a 10% or 15% tax rate and the percentage of total years worked during which the income was taxed at 10% and

the percentage of years during which such income was tax at 15% should be considered to avoid over taxation. With implementation of new tax rates on 1 January 2020 in accordance with *Finance Act 2019/2020*, it is expected that this regulation will be updated to accommodate these new tax rates.

### Next steps

Employers are now expected to subject pension income payments to personal income tax withholding at the point when the employee exits employment and NOT when they are still in service.

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For additional information with respect to this Alert, please contact the following:

#### Ernst & Young (Kenya), Nairobi

- ▶ Francis Kamau                      francis.kamau@ke.ey.com
- ▶ Hadijah Nannyomo                hadijah.nannyomo@ke.ey.com
- ▶ Benson Karuiru                    benson.k.karuiru@ke.ey.com

#### Ernst & Young Advisory Services (Pty) Ltd., Africa ITTS Leader, Johannesburg

- ▶ Marius Leivestad                    marius.leivestad@za.ey.com

#### Ernst & Young LLP (United Kingdom), Pan African Tax Desk, London

- ▶ Rendani Neluvhalani                rendani.mabel.neluvhalani@uk.ey.com
- ▶ Byron Thomas                      bthomas4@uk.ey.com

#### Ernst & Young LLP (United States), Pan African Tax Desk, New York

- ▶ Brigitte Keirby-Smith                brigitte.f.keirby-smith1@ey.com
- ▶ Dele Olagun-Samuel                dele.olaogun@ey.com

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EYG no. 000816-20Gbl

1508-1600216 NY  
ED None

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