

## South Sudan: Update on recent tax changes

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### Executive summary

The South Sudan National Revenue Authority (NRA) has suspended taxation of pension income until further notice. The announcement was made through a circular issued by the Commissioner General in May 2019.

In a separate circular, the Commissioner General has taken over the responsibility of approving all tax exemptions relating to imports. The Commissioner General will have the final authority in the determination of tax exemption applications.

### Detailed discussion

#### Taxation of pension income

Taxation of pension payments has been in contention since the *Taxation Act 2009* was enacted. Until now, the Ministry of Finance has supported the taxation of pension income while in contrast, the Ministry of Labor has been prohibiting employers from subjecting pension income to personal income tax withholding. Therefore, this announcement appears to represent a common position taken by the two Ministries and the Government in general.

Though the circular from the NRA Commissioner General has suspended taxation of pension income, the *Taxation Act* under Section 58 clearly lists pension income as income subject to personal income tax withholding. The directive by the Commissioner General is therefore a contradiction to the provisions of the *Taxation Act*. We expect the Government to amend Section 58 of the law by deleting Section 58(1)(d). If this is not done, the NRA is expected to rescind the suspension of Section 58(1)(d).

Considering the earlier contradiction between the Ministry of Labor and that of Finance, taxpayers are now expected to suspend taxation of pensions as directed by the NRA.

### Tax exemptions

The tax exemption application process is now expected to be stricter. The procedure for tax exemptions relating to imports will be as follows:

1. Submission of the application letter for tax exemption and all relevant supporting documents to the Customs Division Exemption Unit.
2. The advisor for exemptions will evaluate the application and write his/her opinion.
3. The Director General, Customs Division, will make a recommendation on the application.
4. The Tariff Unit will compute the tax liability to be exempted.
5. The documents will then be forwarded to the office of the Commissioner General for final approval.

### Next steps

As this position is expected to change soon, taxpayers should monitor communications from the NRA.

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