



Business Profit Tax

Frequently Asked Questions

Operating Guide



Directorate of Taxation
Ministry of Finance and Economic Planning
Republic of South Sudan
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Mission Of The Directorate Of Taxation

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 The Republic Of South Sudan.

Business Profit Tax

What is business profit tax?

Business profit tax is a tax that is levied on the taxable profit of taxpayers. In some countries it is known as corporate income tax or company tax.

Who are payers of business profit tax?

All kinds of business organizations are payers of business profit tax, except for sole entrepreneurs who file an annual personal income tax return.

Are business organizations required to pay tax on taxable profit earned outside South Sudan?

Yes, if they are residents of South Sudan, they have to pay tax on taxable profit earned in South Sudan as well as in other countries. But if they are not residents of South Sudan, then they have to pay tax on their taxable profit earned only in South Sudan.

Who is a resident business organization for the purpose of business profit tax?

A company, a partnership or other entity which is established in South Sudan or has its place of effective management in South Sudan is a resident for the purpose of business profit tax. A sole entrepreneur is not a business organization for purposes of this tax, and as mentioned, sole entrepreneurs submit an annual personal income tax return.

Who is non-resident then?

A company, a partnership or other entity which is not resident in the Republic of South Sudan is a non-resident for the purpose of business profit tax.

Is the income of any organizations exempt from the business profit tax?

Yes, the income of the following organizations is exempt from business profit tax:

- *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;*
- *where provided by an agreement with Government of South Sudan, 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 Government of South Sudan.*

Similarly, dividends and interest subject to final withholding tax are also exempt from business profit tax for both resident and non-resident companies. Withholding on rents and royalties is a final tax for non-resident companies.

What is taxable profit?

Taxable profit is the difference between gross income earned or received during the tax period and any allowable deductions under the Taxation Act 2009.

What are allowable deductions under the Taxation Act 2009?

Expenses incurred during the tax period wholly and exclusively in connection with economic activities and a few other specified expenses, including representation costs, donation and bad debts are allowable deductions, meaning that these expenses can be deducted from the gross income in order to determine the taxable profit.

How about expenses made in order to obtain capital assets such as vehicles, computers, office equipment, buildings etc.?

Expenses on capital assets cannot be deducted at the time of their purchases but such expenses can be recovered over time through depreciation deductions.

I did not get it. Could you please explain it further?

Okay. For example, if you buy a car for your business at SSP 60,000 in December 2010, you cannot deduct this amount immediately. But you can deduct 33% of this amount as depreciation each year. Similarly, you can deduct depreciation on other capital assets at the following rates:

<i>Asset</i>	<i>Rate</i>
<i>Building and other</i>	<i>10 percent</i>

<i>structures</i>	
<i>Vehicles, office equipment and computers</i>	<i>33 percent</i>
<i>All other property</i>	<i>25 percent</i>

How is depreciation calculated?

According to tax regulations 2011 depreciation for buildings and other structures (i.e. property classified in Category 1) 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. All other types of property are grouped into two categories (pooled) and depreciation is calculated using the declining balance method of depreciation. For example, category 3 properties are depreciated at a rate of 25% under the declining balance method as follows:

<i>Year</i>	<i>Beginning Balance of Category</i>	<i>Purchases</i>	<i>Sales</i>	<i>Balance Before Depreciation</i>	<i>Amount of Depreciation Deduction (25%)</i>	<i>Ending Balance</i>
<i>1</i>	<i>50,000</i>	<i>0</i>	<i>0</i>	<i>50,000</i>	<i>12,500</i>	<i>37,500</i>
<i>2</i>	<i>37,500</i>	<i>20,000</i>	<i>0</i>	<i>57,500</i>	<i>14,375</i>	<i>43,125</i>
<i>3</i>	<i>43,125</i>	<i>0</i>	<i>16,000</i>	<i>27,125</i>	<i>6,781</i>	<i>20,344</i>
<i>4</i>	<i>20,344</i>	<i>10,000</i>	<i>6,000</i>	<i>24,344</i>	<i>6,086</i>	<i>18,258</i>
<i>5</i>	<i>18,258</i>	<i>0</i>	<i>18,000</i>	<i>258</i>	<i>258</i>	<i>0</i>

How about the exploration and development costs incurred in respect to natural resources?

These costs are added to a capital account and amortized.

Is there any provision in the taxation law regarding the deduction of bad debts?

Yes, bad debts are deductible provided that, the following conditions are met:

- *the amount of the debt 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.*

It must be remembered that bad debts that are deducted as expenses and then collected later must be included as income at the time of collection.

Are there any expenses that are not allowed to be deducted from the gross income for the purpose of calculating the business profit tax?

Yes, the following expenses are not deductible from the gross income earned through economic activities:

- *cost of acquisition and/or improvement of land;*
- *cost of acquisition, improvement, renewal and reconstruction of assets that are depreciated or amortized (If the assets are depreciable and they are*

renewed for subsequent use in the business, the renewal expenses may be depreciated in accordance with the provisions noted earlier.);

- *finances and penalties; and*
- *income tax and value added tax for which the taxpayer claims a rebate or credit.*

What if a business organization incurs loss in any year?

A business organization can carry forward business loss up to 5 successive years and deduct from any income in those years.

What are the rates of business profit tax?

Business profit tax is levied with the following rates:

<i>Business enterprises</i>	<i>Tax rate</i>
<i>Small enterprises</i>	<i>10%</i>
<i>Medium enterprises</i>	<i>15%</i>
<i>Large enterprises</i>	<i>20%</i>

What is a small, medium or large business?

A business organization with a turnover in a tax period of less than SSP 1,000,000 is small business; a business organization with a turnover between SSP 1,000,000 and SSP 75,000,000 is a medium business; and a business

organization with a turnover over SSP 75,000,000 is a large business.

When do I have to pay business profit tax?

You have to first pay business profit tax as an advance payment of estimated tax in every quarter and settle the final amount due on or before first of April of the year following the tax period.

What is an advance payment of estimated tax?

Advance payment of estimated tax is the payment of tax in specified installments, which is adjusted with the final tax liability calculated on the annual income of a taxpayer.

Who is required to make an advance payment of estimated tax?

Any business organization involved in economic activities is required to remit an advance payment of estimated business profit tax.

When is it necessary to make an advance payment of estimated tax?

Business profit tax must be paid quarterly in advance as follows:

<i>Quarterly Tax period</i>	<i>Filing & payment date</i>	<i>Amount to be paid</i>
<i>1 January - 31 March</i>	<i>15 April</i>	<i>25% of estimated business profit tax</i>

<i>1 April - 30 June</i>	<i>15 July</i>	<i>25% of estimated business profit tax</i>
<i>1 July - 30 September</i>	<i>15 October</i>	<i>25% of estimated business profit tax</i>
<i>1 October - 31 December</i>	<i>15 January</i>	<i>Remaining estimated business profit tax</i>

How much do I have to pay with each quarterly payment?

Each quarterly advance payment must equal at least 25% percent of the prior year Business Profit Tax Liability. If you had no Business Profit Tax liability in the prior year, your quarterly advance payment should equal the amount of tax due on taxable income for the quarterly tax period that just ended. You must pay at least 100% of the prior year tax liability or 90% of the current year tax liability if you owed no taxes in the previous year.

Can I get credit for the advance payment of estimated tax?

Yes, you may credit against the final tax liability.

What is an advance payment of income tax on imported goods?

An advance payment of income tax on imported goods is a tax levied on goods at the time of importation into South Sudan.

Who is required to pay advance income tax on imported goods?

Any person who imports goods into South Sudan is required to make an advance payment of income tax for imported goods.

What is the rate of advance income tax on imported goods?

It is 4% of the customs value.

What is the base of advance income tax on imported goods?

It is levied on the customs value of the goods as determined per the laws of South Sudan.

Are any items exempt from the payment of advance income tax on imported goods?

Yes, the following imports are exempt from the advance payment of tax:

- *all food items that are considered to be basic necessities and unprocessed foods as may be determined by regulations;*
- *humanitarian aid when imported by a bona fide organization as prescribed by regulations;*
- *goods imported by a contractor, other than a local contractor, in the performance of a contract with the United Nations, the UN Specialized Agencies, or other international or governmental donors to the Government of South Sudan;*
- *goods imported by the United Nations, the UN Specialized Agencies, or other international or governmental donors to the Government of South Sudan;*
- *personal goods accompanying a traveler; and,*
- *used household effects of any person intending to take up permanent residence in South Sudan.*

When is it necessary to pay advance income tax on imported goods?

The tax must be paid at the time of the importation of goods into the Republic of South Sudan.

Can the advance income tax on imported goods be adjusted with the annual tax liability of a taxpayer?

Any taxpayer who is liable to file a tax return may apply a credit for an advance payment income tax on imported goods against the amount of tax owed for the taxable year. In case of those persons not required to file a Business Profits Tax Return, the advance income tax paid on imported goods is deemed to be a final payment of tax liability and shall not be subject to a refund.

Can tax paid by a resident organization in another country be adjusted with the South Sudanese business profit tax liability?

Yes, a resident taxpayer who makes profit from business activities outside South Sudan through a permanent establishment outside South Sudan, and who pays tax on that profit to any other country is allowed a foreign tax credit provided that the taxpayer is paying tax on that income in South Sudan and that the other country allows similar treatment for tax paid in South Sudan.

Do I have to maintain accounts for the purpose of business profit tax?

Yes, all taxpayers who earn or receive income from entrepreneurial activities subject to tax are required to maintain a sales book, a purchase book, an expense book, a capital account and any other prescribed book or record.

When do I have to submit return of business profit tax?

You will have to submit a return of business profit tax on or before 1 April of the year following the tax period.

What if I fail to submit the return and pay tax within the due dates?

If you fail to submit a return and pay tax within the due dates you will be liable to pay additional charges, penalties and interest as follows in addition to the payment of the tax that is due:

- *Failure to submit a return attracts an additional charge of 5% of the tax reportable on the return for each month the return is late, up to a maximum of 25% of the tax reportable.*
- *A penalty of 5% each month is imposed on any amount of tax arrears.*
- *Any tax arrears is subject to an interest of 120% of the prime commercial rate during the period the amount was due.*

Further Inquiry

Please contact the Taxpayer Service Section of the Taxation Head Quarters in Jebel Kujur or the Taxation Branch Office nearest you.

Tel: +211 (0) 955 069 720

Website: www.goss-online.org

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. Excise Tax
7. Sales Tax