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**EFFECT OF EXCISE TAX (DUTY) ON THE ECONOMIC  
DEVELOPMENT OF THE REPUBLIC OF SOUTH SUDAN**

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**Abstract**

The objective of this study is unearthing the effects of excise tax on economic development of South Sudan, while examining its drawbacks and merits. It is imposed for the purpose of raising revenue for government. Due to low production, South Sudan found itself collecting inadequate amount from Excise tax. The methods of quantitative and qualitative were used. Primary and secondary data are gathered in this investigation from 80 respondents and Statistic Package for Social Sciences (SPSS) version 20.0.was used for data analysis. Descriptive statistic suggested that low excise tax were collected. Issues of fairness, equitability, effectiveness and efficiency were other areas of the Excise tax that needed improvement in addition to need for policy clarity. It is recommended that reforms be carried out.

**Keywords:** Excise Tax, Excisable goods, Tax incidence, Elasticity of demand, Regressive impact.

**I. Introduction**

Excise goods mean any goods listed and enumerated by the tax Act which includes alcohol beverages, tobacco products, fuel and vehicles, excise services entailing air transport services, insurance services, telecommunication services, and hotel and restaurant services. South Sudan's Excise tax has the following objects: the production of excisable goods in South Sudan; the importation of excisable goods to; and the provision of excisable services in South Sudan. The essential characteristics of excise tax are that it is a compulsory contribution; it is imposed for the purpose of raising revenue; it is payable in money; it is proportionate in character; and it is used for public purpose. Excise tax laws and regulations were first introduced in South Sudan under Taxation Act 2009 meant to generate more revenues to the government. The country's Transitional Constitution 2011 stipulates that all taxes set out in the Constitution shall be regulated by law to ensure coordination, fairness, equity, transparency and to avoid an excessive tax burden and tax incidence on the citizens, private sector and investors. It is believed that for any sustainable aim to economic growth and development it is necessary to have a healthy system of public finance. In the words of Bolnick and Haughton (1998) "the tax system constitutes one of the most important instruments of development policy in any country." Lindauer and Roemer (1994) asserted that worldwide, government needs enough revenue to meet its national obligations.

### **1.1 Statement of Problem**

Due to low production and since excise is based on goods and services produced, South Sudan found itself collecting inadequate amount from this tax. The challenge is now how to improve upon the various classes of taxes particularly excise tax so that they can generate enough revenue to match the requirements of the national budget. Budgetary statistical evidences for 2013, 2014, 2015 and 2016 demonstrated that Excise Tax is graphically fluctuating.

**1.2 Objectives:** This study has the goal of unveiling the effects of excise tax on economic development of South Sudan, while examining its drawbacks and merits. Specifically to: **i)** critically look into the share of the Excise Tax in the economic growth and development of South Sudan; **ii)** To discover the challenges facing Excise Tax collection in South Sudan; **iii)** To know the importance of the volume of money collected through Excise Tax; and **iv)** To realize stability of South Sudan's Excise Taxation system.

## **2. Review of Related Literature**

According to Jain and Associates (1998), the basic meaning of excise duty is a tax on articles produced or manufactured in the taxing country and intended for home consumption. It is an indirect tax, which the manufacturer passes on to the final consumer, signifying that its final incidence will always rest on the consumer. It is collected at the moment of shifting the goods from the factory.

### **2.1 Definition and History**

James (2007) argued that the twentieth century spread of income taxation and value-added taxation (VAT) reduced the significance of excise taxation as a source of government revenue, but most governments still collect sizable taxes on petroleum products, tobacco products, and alcohol. The laws of South Sudan/ Financial Act (2016) describe Excise Tax as a levy imposed on the selling price of excisable goods and services. The applicability of Excise tax in South Sudan is as follows, in the case of excisable goods produced in South Sudan, at the time goods are released outside the production premises; in the case of excisable goods entering South Sudan, at the time the importation is completed pursuant to the provisions of the National Customs Law; in the case of air transport or charter services, at the time the ticket is sold or charter agreement is signed; and in any other case at the time the excisable goods are in the possession of a person or excisable service provided in South Sudan as may be prescribed by regulations.

### **2.2 Challenges Facing Excise Tax**

According to Farrelly et al. (2012) countries with low income, low education and low occupations are affected by highest smoking prevalence. Lower income groups are more vulnerable to smoking. This is because low-income smokers spend a disproportionate of their income on cigarette taxes compared to smokers with greater incomes. An additional element is

low elasticity of demand for some articles such as tobacco and alcohol because the total amount of disposable income is very large.

### **2.3 Assessing the Tax Due**

Osoro et al. (2001) describes Tanzania's experience on excise tax namely that, excise tax revenue is elastic with respect to the quarterly change in GDP. Furthermore, the buoyancy of excise tax is being seen to be higher than elasticity. This confirms that the government of this country can collect higher revenue by imposing higher rates of excise tax on these items.

### **2.4 Reforms**

Walbeek (2003) emphasized that in the last decade, tobacco government policy in South Africa experienced reforms leading to stricter control. The government policy changed from complete indifference to a measure where tobacco is strongly controlled. This move is considered as one of the most progressive globally.

### **2.5 Reasons for levying Tax**

Saleemi (2012) claimed that excise taxes are levied by nearly all countries, developed or underdeveloped. He put the key aims of excise duty as below: a) to generate revenue to the government; b) to prevent the production and use of those goods which may injure the body; and c) to regulate the production of some definite items. He continued to argue that even at low rates, excise duties on basic commodities produce huge amount of revenue. It has a regressive impact on those earning low income. This type of tax is also charged on items imported from abroad.

### **2.6 Scope**

Excise taxes are levied on goods such as alcoholic beverages, distilled spirits of various types, for example beers, wine and tobacco products. The taxes imposed on these products are to discriminate the consumption of the products. Secondly, excise taxes are imposed upon motor fuel and petroleum products.

The scope of liability to tax depends on a person's residence status. Excise tax is imposed on Income from sale of excisable goods. For a resident person, Excise tax is charged on excisable goods from all over the world. The tax for a non-resident person is only charged on income derived from sources within some countries in the Sub-Saharan Africa.

### **2.7 Sources of Excise**

According to SACU (Southern African Customs Union) taxation proposals for 2017, excise duties are payable by manufacturers of common products and are levied throughout the SACU,

composed of the Republic of South Africa, the Republic of Botswana, the Kingdom of Lesotho, the Republic of Namibia and the Kingdom of Swaziland.

The principal function of these duties and levies is to guarantee a regular flow of revenue to the State, with a secondary function of deterring consumption of certain harmful products, i.e. harmful to human health or to the environment.

## **2.8 Refunds**

In Kenya, the excise duty Act, 2015, part 4 excise control, stipulates that: Part VI 29.(1) If excise duty has been paid by a person on excisable goods manufactured in, or imported into, Kenya, the Commissioner, on written by the person, refund the excise duty paid if satisfied that –

(a) before being consumed or used in Kenya: i) the goods have been damaged or stolen during the voyage or transportation to Kenya; (ii) the goods have been damaged or destroyed while subject to excise control; (iii) the buyer has returned the goods to the seller in accordance with the contract of sale; or

(b) the excise duty has been paid in respect of spirits that have subsequently been used by a licensed manufacturer to manufacture un-excisable goods.

## **2.9 Procedure**

Again in the case of Kenya Tax Procedures Act, 2015

part 34, stipulates that a person liable to pay excise duty under this Act shall keep such records as may be specified in this Act or the Regulations and shall retain the records for the period, and in the manner, specified in the Tax Procedures Act.

## **3. Methodology**

### ***3.1 Research Design***

The methods of quantitative and qualitative were used. This research was confined to participants and in government institutions dwelling in Juba city. And the design of this project was the survey/descriptive one.

### ***3.2 Sources of Data***

Primary and secondary data were gathered in this investigation. Indeed, taxpayers in any country are as many as the entire population itself and near impossible therefore to interview them all. This explains why the researcher limited the study to this single town (Juba) and a random sample of 80 respondents divided into officials (60%) and taxpayers (40%) were also randomly

selected. Approved National Annual Budget Reports of the Republic by the Ministry of Finance and Economic Planning and other government documents were used as secondary source of data.

**4. Presentation and Analysis of Data**

The method of data analysis chosen for this study was the chi-square ( $\chi^2$ ) test using Statistical Package for Social Sciences (SPSS) version 20.0. (C. R. Kothari, 2011) debated that Chi-square test is also a measure of association between variables to test a hypothesis and whether distributions came from the same population. Tables and Graphs were used to primarily present the findings of the study.

**Table4.1: Indicates Demographic Characteristics of Respondents**

<b>Variable</b>	<b>Options</b>	<b>Frequency</b>	<b>Percent</b>
Age	Below 25	2	2.5
	25-30	13	16.5
	31-35	15	19.0
	36-40	18	22.8
	41-45	12	15.2
	46-50	13	16.5
	51-60	5	6.3
	Above 60	1	1.3
	<b>Total</b>	<b>79</b>	<b>100.0</b>
Sex	Male	65	82.3
	Female	14	17.7
	<b>Total</b>	<b>79</b>	<b>100.0</b>
Marital Status	Not married	12	15.4
	Married	66	84.6
	Divorced/Widowed	-	-
	<b>Total</b>	<b>78</b>	<b>100.0</b>

Educational status	Primary education	-	-
	Secondary education	8	10.1
	Diploma	19	24.1
	BSc/BA	35	44.3
	MSc/MA	11	13.9
	PhD	2	2.5
	Others	4	5.1
	<b>Total</b>	<b>79</b>	<b>100.0</b>
Years of experience	Below 1 Year	6	7.7
	2 to 5 Years	28	35.9
	Above 5 Years	44	56.4
	<b>Total</b>	<b>78</b>	<b>100.0</b>

Source: Own data.

As indicated in Table 4.1 above, 79 respondents took part in responding to the questionnaire prepared, of which 22.8% of them were aged 36 to 40, while 19% and 16.5% of respondents were in the age category of 31 to 35 and 25 to 30, respectively. In terms of their sex and marital status, the great majorities of respondents (82.3%) were male and married (84.6%). Regarding their educational status, high proportion of respondents (44.3%) have first degree, while those having second degree and diploma constituted 13.9% and 24.1%, respectively. More than half of respondents (56.4%) have above 5 years of experience in their engagement at various organizations/businesses.

**Table 4.2: Shows Job related experience**

Variable	Options	Frequency	Percent
Job position	Junior/ non-Technical or support staff	19	24.1
	Supervisor	21	26.6
	Manager	9	11.4

	Director	8	10.1
	Senior director	4	5.1
	Director general	2	2.5
	Others	16	20.3
	<b>Total</b>	<b>79</b>	<b>100.0</b>
Organization/ entity's period of Operation	Below 1 Year	4	5.1
	2 to 5 Years	29	36.7
	6 to 10 Years	21	26.6
	11 to 15 Years	8	10.1
	16 to 20 Years	4	5.1
	Above 20 Years	13	16.5
	<b>Total</b>	<b>79</b>	<b>100.0</b>
Organization Size	Less than 50	8	10.3
	50-100	17	21.8
	101-250	5	6.4
	251-500	17	21.8
	501-1000	13	16.7
	Above 1000	18	23.1
	<b>Total</b>	<b>78</b>	<b>100.0</b>

Source: Own data

The responses on job position indicate existence of respondents from various posts including supervisor (26.6%), Junior/ non-Technical or support staff (24.1%), manager (11.4%), director (10.1%), etc. Concerning the respondents' organization/ entity's period of Operation, 36.7% have operated for 2 to 5 years and 26.6% have served for 6 to 10 years. Those respondents who were selected from organizations which served for more than 20 years constituted 16.5%. In terms of organization size, 10.3% have less than 50 employees and those with organization size

50 to 100 constituted 21.8%. Those organizations with above 1000 employees share 23.1% of sampled organizations/entities.

**4.3 Knowledge and clarity of Excise Tax and Other Related Issues**

**Table 4.3: Shows Knowledge and clarity of Excise Tax and other issues**

Variable	Options; Frequency (%)					
	Yes	No	Total			
Do you have any knowledge about Excise tax policy, law and Administration?	68 (86.1)	11 (13.9)	79 (100.0)	Chi-square= 41.12, df=1, p<0.01		
	<b>Very high</b>	<b>High</b>	<b>Medium</b>	<b>Low</b>	<b>Very low</b>	<b>Total</b>
Level of Knowledge on Excise tax	32 (47.1)	4 (5.9)	26 (38.2)	2 (2.9)	4 (5.9)	68 (100.0)
	Chi-square= 59.64, df=4, p<0.01					
	<b>Yes</b>	<b>No</b>	<b>I do not know</b>	<b>Total</b>		
Do you think that the Ministry of Finance and Economic planning has a clear Excise tax Policy?	27 (34.2)	34 (43.0)	18 (22.8)	79 (100.0)		
	<b>Very simple</b>	<b>Efficient</b>	<b>Equitable</b>	<b>Effective</b>		
Do you think that Excise taxes of our Republic is ( <i>Multiple responses</i> )	58.4%	24.7%	15.6%	22.1%		

**Source: Own data**

As indicated in table 3 above, the great majority of respondents (86.1%), have indicated they have some knowledge about Excise tax policy, law and Administration, while the remaining 13.9% indicated they do not have knowledge on the issue. From those who have some knowledge about excise tax, close to half of the respondents (47.1%) rated their knowledge as ‘very high’ while 5.9% as ‘high’, 38.2% as ‘medium’, 2.9 as ‘low’, and 5.9% as ‘very low’. In terms of clarity of the Excise tax policy, 43.0% indicated as not clear while 34.2% agreed the



existence of clear policy by the Ministry of Finance and Economic planning, the remaining 22.8% respondents were indifferent to the question. In terms of attributes that characterize the Excise Tax policy, more than half of respondents (58.4%) agreed as ‘very simple’, 24.7% as ‘efficient’, 15.6% as ‘equitable’, and 22.1% as ‘effective’.

#### 4.4 Administration of Excise Tax

Table 4.4: Shows Administration of Excise Tax

Variable	Options; Frequency (%)					
	Very high	High	Medium	Low	Very low	Total
The effectiveness of Excise Tax in raising revenues for the Government	30 (38.0)	1 (1.3)	18 (22.8)	5 (6.3)	25 (31.6)	<b>79 (100)</b>
The tax burden of Excise tax system in the Republic of South Sudan has been	38 (48.1)	4 (5.1)	23 (29.1)	2 (2.5)	12 (15.2)	<b>79 (100)</b>
	<b>Yes</b>	<b>No</b>	<b>Total</b>			
Do you know how much revenue is raised from Excise tax?	5 (6.7)	70 (93.3)	75 (100.0)	Chi-square= 56.33, df=1, p<0.01		
	<b>High for the poor</b>	<b>Low for the rich</b>	<b>Neutral for all</b>	<b>Not Neutral at all</b>	<b>Total</b>	
Has the Excise tax system in the Republic of South Sudan been	30 (39.0)	13 (16.9)	24 (31.2)	10 (13.0)	77 (100.0)	
	<b>Extremely convenient</b>	<b>Very convenient</b>	<b>Moderately convenient</b>	<b>Least convenient</b>	<b>Not convenient</b>	<b>Total</b>
Has the Application	-	10 (12.7)	25 (31.6)	24 (30.4)	20 (25.3)	79

And Implementation of Excise tax system in the Republic of South Sudan been						(100)
	<b>Very Fair</b>	<b>Fair</b>	<b>Moderately fair</b>	<b>Unfair</b>	<b>Very unfair</b>	<b>Total</b>
Do you think the Excise Tax in the Republic of South Sudan has been	1 (1.3)	17 (21.5)	21 (26.6)	22 (27.8)	18 (22.8)	79 (100)
	<b>Extremely equitable</b>	<b>Very equitable</b>	<b>Moderately equitable</b>	<b>Least equitable</b>	<b>Not equitable</b>	<b>Total</b>
Do you think the Excise Tax in the Republic of South Sudan has been	1 (1.3)	7 (8.9)	28 (35.4)	29 (36.7)	14 (17.7)	79 (100)
	<b>Very good</b>	<b>Good</b>	<b>Somehow good</b>	<b>Bad</b>	<b>Very bad</b>	<b>Total</b>
Do you think the Administration of Excise Tax in the Republic of South Sudan has been	1 (1.3)	11 (13.9)	31 (39.2)	17 (21.5)	19 (24.1)	79 (100)
	<b>Realizable or workable</b>	<b>Efficient &amp; effective in raising revenue</b>	<b>Fair and just</b>	<b>Others</b>	<b>Total</b>	
The Excise Tax Policy of South Sudan must be ( <i>Multiple responses</i> )	37.7%	71.4%	41.6%	5.2%		
	<b>Yes</b>	<b>No</b>	<b>I do not know</b>	<b>Total</b>		
Do you think that the Excise tax of our	50 (63.3)	22 (27.8)	7 (8.9)	79 (100)	Chi-square= 36.17,	

Republic is easy to administer for the Tax Authority?					df=2, p<0.01
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**Source: Own data**

As indicated in Table 4 above, the effectiveness of Excise Tax in raising revenues for the Government has been rated as ‘very high’ by 38.0% of respondents. Those who have responded as ‘high’, ‘medium’, ‘low’, and ‘very low’ constituted 1.3%, 22.8%, 6.3%, and 31.6% respectively. The tax burden of Excise tax system was also responded in a similar fashion as above in which 48.1% agreed as ‘very high’, 29.1% as ‘medium’, and 15.2% as ‘very low’.

It was found out that the great majority of respondents (93.3%) have no information on the amount of revenue raised from Excise tax. The Excise tax system in the Republic of South Sudan was indicated as high for the poor by 39.0% of respondents and those who responded as low for the rich constituted 16.9%. Those who agreed as ‘neutral for all’ constituted 31.2%.

The Application and Implementation of Excise tax system in the Republic of South Sudan was regarded as ‘moderately convenient’ by 31.6% of respondents. A quarter of respondents indicated excise tax application and implementation as ‘not convenient’ and 30.4% as least convenient in the Republic of South Sudan. Regarding the fairness of Excise Tax in the Republic of South Sudan, only 1.3% of respondents rated as ‘very fair’, while 21.5% as ‘fair’, 26.6% as ‘moderately fair’, 27.8% as ‘unfair’ and 22.8% as ‘very unfair’. In terms of equitability of the Excise Tax in the Republic of South Sudan, only 1.3% agreed as ‘extremely equitable’, 8.9% as ‘very equitable’, 35.4% as ‘moderately equitable’, 36.7% as ‘least equitable’ and 17.7% as ‘not equitable’.

Regarding the administration of Excise Tax in the Republic of South Sudan, close to quarter of respondents (24.1%) rated it as ‘very bad’ and 21.5% as ‘bad’, 39.2% as ‘somehow good’. It is only 1.3% of respondents who rated the administration of Excise tax as ‘very good’, and 13.9% as ‘good’.

In terms of proposition on how the Excise tax policy of South Sudan should be, 71.4% of respondents agreed to be efficient & effective in raising revenue. The issues of fair, just, realizable, and workable were other points agreed to be fulfilled in administering Excise tax in the Republic of South Sudan.

Regarding the ease of administering of the Excise tax by tax authority in the Republic, more than half of respondents (63.3%) agreed as easy while 27.8% agreed as not eas

**Table 5.5: Shows Challenges in Administering Excise Tax**

Variable	Options; Frequency (%)				
	Lack of good Governance & Administration	Lack of good tax law	Lack of good tax experts	Others	
Some of the main challenges related to administration of Excise Tax ( <i>Multiple responses</i> )	81.0%	25.3%	45.6%	3.8%	
	Lack of peace and stability	Lack of good economic development	Lack of modernization of the Excise tax system	Others	
Other Problems related to Excise Tax administration ( <i>Multiple responses</i> )	72.4%	32.9%	35.5%	3.9%	
	Corruption	Tax evasion	Lack of capacity and training	Others	Total
The weaknesses of Excise Tax Administration in raising revenue has mainly been due to	45 (57.0)	8 (10.1)	24 (30.4)	2 (2.5)	79 (100.0)

From Table 5 above, for the multiple response question posed to identify main challenges related to administration of Excise Tax, lack of good governance and administration was agreed by majority of respondents (81.0%), followed by lack of peace and stability (72.4%), corruption (57.0%) and lack of good tax experts (45.6%)

**Table 4.6: Purpose and administration of income from Excise Tax**

Variable	Options; Frequency (%)
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	Yes	No	I do not know	Total		
Do you think the amount raised from Excise Tax is well spent to benefit the people of South Sudan?	5 (6.3)	58 (73.4)	16 (20.3)	79 (100.0)	Chi-square= 59.42, df=2, p<0.01	
Do you know where the amount of revenue collected from Excise tax is spent?	14 (18.2)	63 (81.8)		77 (100.0)	Chi-square= 31.18, df=1, p<0.01	
	Extremely significant	Very significant	Moderately significant	Least significant	Not significant	Total
How do you evaluate the role of Excise Tax in our Republic?	7 (9.0)	10 (12.8)	31 (39.7)	22 (28.2)	8 (10.3)	78 (100.0)
	Yes	No	I do not know	Total		
Do you think that the Excise Tax of our Republic is structured efficiently and fairly to achieve the appropriate level of revenue?	34 (43.0)	34 (43.0)	11 (13.9)	79 (100.0)		
Do you think that the Excise tax of our Republic reduces compliance costs?	15 (19.0)	52 (65.8)	12 (15.2)	79 (100.0)		
Do you think that the Excise tax of our Republic encourages saving?	21 (26.9)	44 (56.4)	13 (16.7)	78 (100.0)		

Source: Own data

As indicated in Table 6 above, the great majority of respondents (73.4%) do not feel that the amount raised from Excise Tax was well spent to benefit the people of South Sudan; 20.3% of respondents replied that they don't have information on the same and it is only 6.3% of respondents who agreed that the income from Excise tax is well spent to benefit the people of South Sudan. Similarly, 81.8% of respondents do not know where the revenue collected from Excise tax was spent, 18.2% do now where it was spent. With regard to significance of Excise tax to the republic, 10.3% agreed as not significant while 28.2% and 39.7% replied as least

significant and moderately significant, respectively. A bit more than 20% of respondents agreed as either extremely or very significant.

With regard to the structuring of Excise Tax to achieve the appropriate level of revenue efficiently and fairly, 43.0% of respondents agreed positively while equal percentage of respondents were also against it. It was also found out that 65.8% of respondents do not agree that the Excise tax of the Republic reduces compliance costs. More than half of respondents (56.4%) do not believe that the Excise tax of the Republic is not encouraging saving.

**Table 4. 7: Shows Tax reforms and administration**

Variable	Options; Frequency (%)					
	Yes	No	I do not know	Total		
Do you think that the Excise tax of our Republic should put the tax burden on the basis of equality of sacrifice of taxpayers and imposing the same tax burden for all tax payers?	42 (53.2)	27 (34.2)	10 (12.7)	79 (100.0)		
	Yes	No	I do not know	Total		
Do you think that our Republic has acute fiscal problems?	62 (78.5)	8 (10.1)	9 (11.4)	79 (100.0)		
If your answer is 'Yes', should it use Excise taxes to mitigate such fiscal problems?	54 (87.1)	8 (12.9)	-	62 (100.0)		
Do you feel that the Excise Tax of the South Sudan is characterized by steady and stable flow of revenue generation?	20 (25.3)	52 (65.8)	7 (8.9)	79 (100.0)		
	Very high	High	Medium	Low	Very low	Total

How do you rate the role of tax authorities in enhancing the Excise Tax outcome?	4 (5.1)	3 (3.8)	32 (41.0)	19 (24.4)	20 (25.6)	78 (100.0)
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Source: Own data

As shown in Table 4.7 above, a bit more than half of respondents (53.2%) agreed that the Excise tax of the Republic should put the tax burden on the basis of equality of sacrifice of taxpayers and imposing the same tax burden for all tax payers while 34.2% do not agree on the same.

From those respondents (78.5%) who agreed on the existence of acute fiscal problem in the Republic, 87.1% of them recommended for the use Excise taxes to mitigate prevalent fiscal problems. From the total respondents, 65.8% of them do not feel that the Excise Tax of the South Sudan is characterized by steady and stable flow of revenue generation.

A quarter of respondents also indicated the role of tax authorities in enhancing the Excise Tax outcome as ‘very low’, while 24.4% as ‘low’, and 41.0% as ‘medium’.

#### 4.8 Excise Tax and Consumption of goods

**Table 4.8: Shows Excise tax administration with regard to goods and luxury items**

Variable	Options; Frequency (%)			
	Yes	No	I do not know	Total
Do you think that the Excise tax of our Republic discourages consumption or the importation of particular type and kinds of goods?	43 (54.4)	30 (38.0)	6 (7.6)	79 (100.0)
Do you think that the Excise tax of our Republic is fair and equitable in the sense that it minimizes the tax burden on the poor and taxes luxury items that on the rich often buy?	24 (30.4)	47 (59.5)	8 (10.1)	79 (100.0)
Do you think that the Excise tax rate of our Republic has been high enough to discourage smoking and related health hazards.	28 (35.4)	46 (58.2)	5 (6.3)	79 (100.0)

Do you think that the Excise tax rate of our Republic related to Beer and Alcohol has been high enough to discourage alcohol related problems.	31 (39.2)	46 (58.2)	2 (2.5)	79 (100.0)
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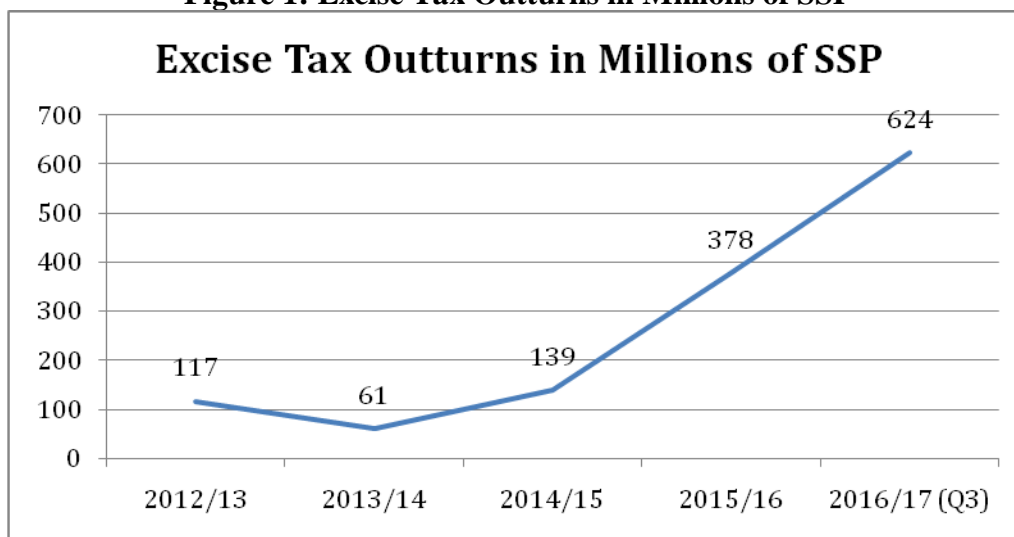
Source: Own data

As indicated in Table 4.8 above, more than half of respondents (54.4%) feel that the Excise tax of the Republic discourages consumption or the importation of particular type and kinds of goods. Close to 60% of respondents do not agree on the fairness and equitability of the Excise tax in minimizing the tax burden on the poor and taxes luxury items that on the rich often buy. The finding also indicated that 58.2% of respondents do not agree that the Excise tax rate of the Republic discourages smoking and related health hazards and also in discouraging alcohol related problems.

**4.9: Contribution of Excise Tax in Income generated by the Republic of South Sudan**

As clearly indicated in Fig 1 below, the amount of income collected from excise tax is increasing yearly paving the way to contribute to the development of the country. It is also a good opportunity for the RSS to exploit incomes from non-oil revenues like excise tax. In the 3<sup>rd</sup> quarter of the 2016/17 fiscal year, the maximum revenue has been registered from excise tax in the history of the RSS since its independence, in which 624 million SSP was collected. This revenue collected has an increase of 65% when compared to the 2015/16, and 433.33 % when compared to 2012/13.

**Figure 1: Excise Tax Outturns in Millions of SSP**



Source: Own data

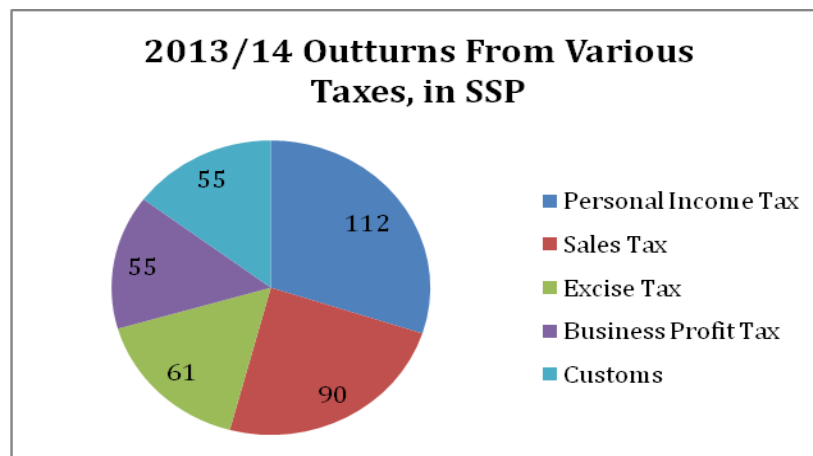
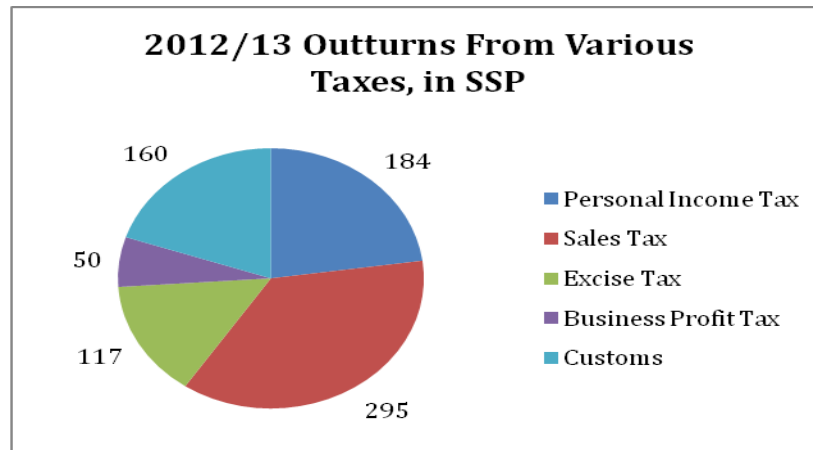
Even though the amount collected from excise tax is showing an increasing trend, it was not achieving the planned target set. The % of execution of excise tax in Quarter 3 was 60% against



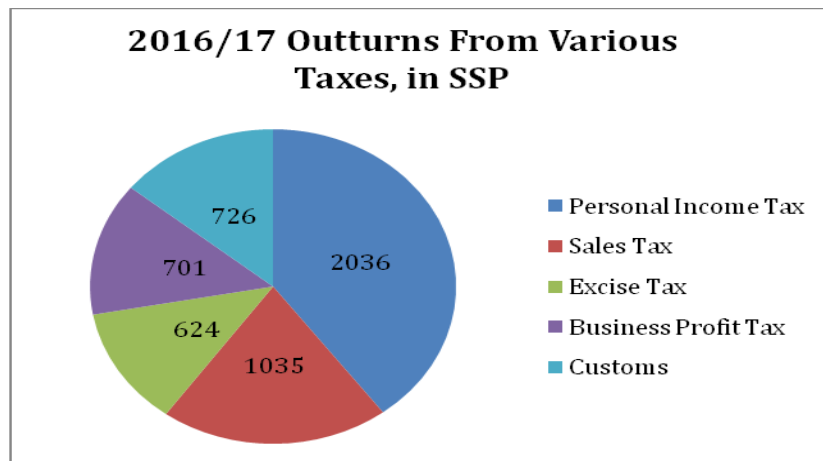
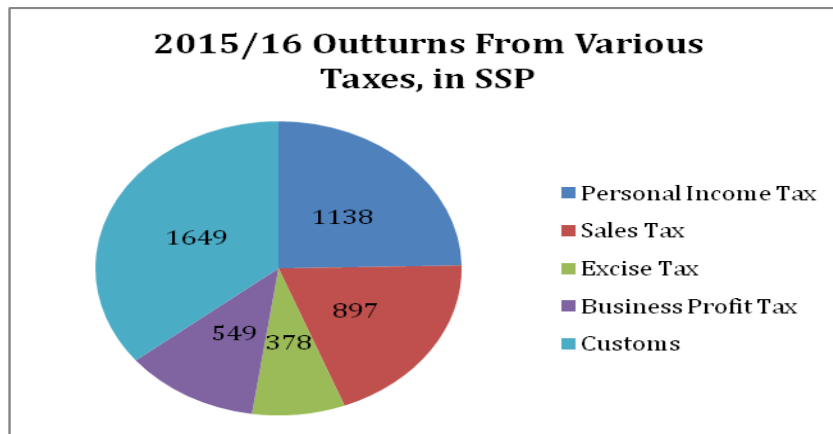
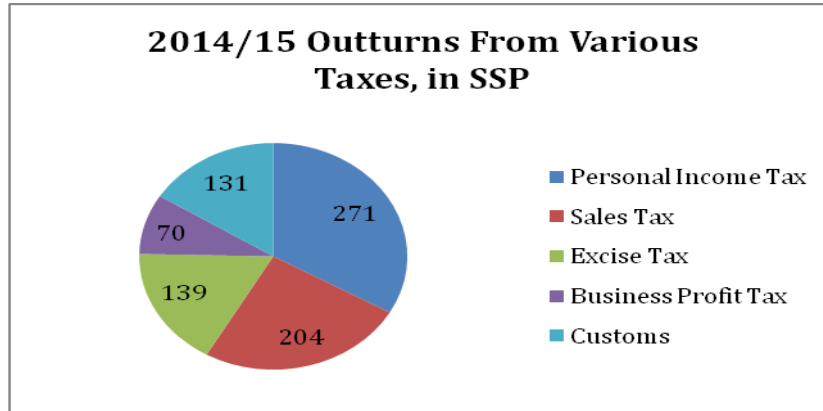
the planned target (Ministry of Finance and Planning, 2017). To demonstrate that Excise Tax is failing or progressing in generating expected revenue to South Sudan: the following budgetary statistical evidence conform that: In 2013 expected revenue was \$130 m (million) while the actual released outturn was \$117m. In 2014 expected revenue was \$ 240m while the actual released outturn was \$ 61m. In 2015 expected revenue was \$ 359 m while the actual released outturn \$ 139m. In 2016 expected revenue was \$ 247m while the actual released outturn was \$ 128m. And in 2017 expected revenue was \$ 1034m while the actual released outturn up to quarter three was \$ 624m. Throughout the FY, the actual outturn is found to be below the targeted planned budget.

From the figures presented below, Personal Income Tax and Sales tax were found to be the tax types with relatively high amount of outturns compared to other tax types listed in all FY except in 2015/16, in which the highest amount of outturn was collected from Customs. In most of the FY, Excise Tax was found to have the third highest outturn next to PIT and Sales Tax.

**Figure2: Contribution of various Tax types, in Millions of SSP**



Source: Own Data



Source: Own data

Source: National Budget Plan of the RSS by Ministry of Finance and Planning

## **5. Findings, Conclusions and Recommendations**

### **5.1 Findings**

It was found out that most of the respondents have some knowledge about Excise tax policy and its administration and also indicated that the policy lacks some clarity. Issues of fairness, equitability, effectiveness and efficiency were other areas of the Excise tax that needs improvement.

It was also indicated that there is dissatisfaction on respondents on the effectiveness of the Excise tax in raising government revenue. Almost all respondents approached have no information on the amount of revenue generated from Excise tax. With regard to the application and implementation of Excise tax system in the Republic of South Sudan, there is room for improvement since respondents indicated as not convenient.

With regard to challenges in administering Excise Tax, lack of good governance and administration, lack of peace and stability, corruption, and lack of good tax experts were the top issues acknowledged by respondents, in their order of appearance. It was also indicated that the Excise tax is not characterized by steady and stable flow of revenue generation.

The response from respondents also indicated the prevalence of a challenge in spending the revenue raised from Excise tax to the best benefits of the people of South Sudan and respondents have no information how and where the revenue was spent. More than half of respondents also indicated that Excise tax is not encouraging saving.

It was also found out that the Republic has an acute fiscal problem which respondents recommended the use of Excise tax to mitigate the challenge. Challenges were also identified as Excise tax of the republic was reported to be weak in discouraging smoking, alcohol consumption and other related health problems.

Even though the amount of revenue generated from excise tax was increasing from year to year. It fell short of achieving the planned budget targeted in the respective fiscal years.

### **5.2 Conclusions**

The main purpose of the study was assessing the effects of excise tax on economic development of South Sudan, while examining its drawbacks and merits. Specifically it has addressed the share of Excise Tax in the economic growth and development of South Sudan, identifies the

challenges facing Excise Tax collection in South Sudan, and recommended possible strategies to realize stability of South Sudan Excise Taxation system.

To achieve the objectives of the study, both primary and secondary sources of data were used. For primary data collection, questionnaire was used to get as much information as possible from a total of 79 participants drawn from various organizations representing various positions. The questionnaire prepared was administered by trained interviewers. Reports of the Republic's Tax Authority, indicating incomes generated from various tax types, was used as secondary data source. The author recommends further study on the subject to examine its implementations in the Republic of South Sudan by selecting large sample.

### **5.3 Recommendations**

The policy on Excise Tax lacks some clarity. Issues of fairness, equitability, effectiveness and efficiency were other areas of the Excise tax that needs improvement. There is need to improve good governance and administration, need to quickly seek peace and stability, need to vehemently combat corruption, and step up train tax personnel. In short, reforms are desired in South Sudan on Excise Tax policy and practices to sufficiently upgrade the economic growth.

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