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**IMPLICATIONS OF BUSINESS PROFIT TAX (BPT) ON THE ECONOMY  
OF THE REPUBLIC OF SOUTH SUDAN**

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**Abstract**

The main problem is that revenue from Business Profit Tax (BPT) has been declining and urgent solution needed. The goal is to seek ways for mobilization of adequate revenue to boost the economy. The research design used quantitative method, primary and secondary sources of data. Lack of peace and continuity of civil conflict affected revenue generation. Lack of good governance and administration, alongside lack of capacity and training, negatively impacted on the revenue collection. Arbitrary and widespread exemptions must be avoided and restriction imposed. Urgent reforms on BPT law, policy and practices need to be expeditiously carried out. Such reforms should emphasize a spending based on budgetary settings.

**Keywords:** Foreign direct investment, Tariff Liberalization, Monetary convertibility regime, Economic calamity, Simplicity of administration, Transfer-pricing documentation.

**1.Introduction**

Gross Income is defined per section 64 of the Taxation Act 2009 amended in 2012 and means all income earned or accrued, including, but not limited to, income from production, trade, financial investment, professional or other economic activities within the tax period in a given country;

Taxable Profit is the difference between any gross income earned or received in the tax period and any deductions allowance.

According to the Directorate of Taxation (2009), the main mission the Directorate of Taxation to contribute to the prosperity of South Sudan is to collect the proper amount of tax by: applying the tax laws with fairness and integrity; assisting taxpayers with meeting their tax obligations; and enhancing our employees' knowledge, skills and motivation.

Taxation in general started during the Roman Empire before Christ, James, and Nobes, (2012) for purposes of defense of the territory.

Once South Sudan obtained its independence, the lawmakers passed the Taxation Act, 2009 for the prosperity and defense of South Sudan Territory.

James and Nobes (2012/2013) narrated that companies in UK started to be managed differentially from individuals for the benefit of taxation in the middle of the first World war. The two authors

continued to say that economists compute the profit of business of a sole trade; its cost includes the opportunity cost of the sums of the owner that could accrue in his/her time, property and money. Nowadays, one reason of the separation of the two entities was that companies started to be taxed differently from the individuals. This change was precipitated by the burning need to fund the war.

## **1.2 Problem Statement**

Prof. Oguttu, (2015) elaborated that tax administrators and taxpayers in Africa find themselves with less experience in creating and using transfer-pricing documentation. Avoidance of levies has become rampant.

Taxpayers never used tax avoidance strategies and laws in order to lessen global tax exposure. Pfister (2009) argued that the chief test for Africa is discovering the finest balance between a tax regime that is business and investment friendly, and one that can influence generation of enough revenue for public service delivery to augment the attractiveness of the economy.

To demonstrate that Business Profit Tax is failing or not progressing in generating expected revenue to South Sudan: the following budgetary statistical evidence conform that: In 2013 expected revenue was \$80m (million) while the actual released outturn was \$50m. In 2014 expected revenue was \$ 113m while the actual released outturn was \$ 55m. In 2015 expected revenue was \$ 209m while the actual released outturn was \$ 70 m. And in 2016 expected revenue was \$ 113m while the actual released outturn was \$ 185m.

## **1.3 Objective**

The purpose of this journal article or study is to seek approaches by which South Sudan can muster sufficient revenue from Business Profit Tax and what the implications could arise on the economy.

Sub-objectives to:

- i) Detect legislations and practices that demand improvements to generate revenue that meets budgetary lines of South Sudan;
- ii) Prove if BPT could substantially help in tax diversification of South Sudan;
- iii) Analyse how significantly BPT is impacting on the GDP of South Sudan.
- iv) Discover any shortcomings of BPT in performance of South Sudan's economy.

## **2.Theoretical Framework**

### **1.1 Conceptual Framework**

Pfister (2009) asserted that the continent is not mustering domestic resources and widening the tax base to guarantee constant revenue flows for meeting developmental requirements as well as expanding the revenue sources, particularly in terms of tariff liberalization that has strong bearing on tax revenue.

## **2.1 History**

Gordon (2010) stressed that in the beginning of 21<sup>st</sup> century, Argentina encountered severe economic upheavals caused by discarding of monetary convertibility regime and characterized by sharp modifications in relative price and income, coupled with widespread breaches of contracts.

This economic calamity demonstrated that it is different from earlier ones. In spite of this economic debacle, Argentina succeeded to rapidly recuperate to a large extent. Gordon (2010) stressed that while the history of taxation in India constantly demands tax reforms particularly in the form of a number of expertise committees, the fiscal calamity of 1991 advanced the first major chance for serious revision and implementation.

## **2.2 Reforms**

James and Nobes (2012/2013) elaborated that the U.K. profit tax on companies was already supplying 3% of the total tax yielded by 1939, this rose to 7% by 1951, but by 1961 it dropped to 5% owing to sizable increment in the proceeds of income tax and an indirect taxes. Capital allowance for all businesses soon followed these arrangements with the aim of encouraging investment chiefly on capital equipment. This acted as an enticement for further investment.

By 1965 there were modifications in the UK finance Act during the era of James Callaghan who introduced corporation tax to replace both income tax and profit tax on companies.

Pfister, (2009) reasoned that taxation was pivotal to the present economic development program. In addition to assuring stability of revenue, taxation system avails funding to government projects that pushes ahead growth, good governance and bolstering infrastructural development. As a principal, taxation forms an atmosphere that culminates in healthy international trade and investment.

Rust (2010) stated that despite the fact that domestic tax systems differ significantly, an interpretation of the term “business profits” in light of the domestic tax laws of the contracting States, rarely leads to the application of different distributive rules. And

then, even if contracting states apply different distributive rules, Art. 23 of the OECD Model prevent any double taxation that would result therefrom. Yet, Rust continued that such interpretation might smooth tax treaty manipulation by those contracting states enthusiastic to raise their tax revenues to the disadvantage of the other country.

Rust, A. (2010) added that domestic tax laws vary in multiple ways between countries. In some countries, indirect taxes play a significant part in increasing tax revenue, while in others,

individual and corporate income taxes are the key revenue earners.

Basically, business income and asset management, between business income and income from agriculture or income from independent personal services vary from country to country. Some states group capital gains differently than business income even if the particular asset sold made part of the business assets. Other countries consider all profits earned through the sale of business assets as part of business profits. Some countries employ falsehood that is under certain circumstances non-business income is deemed to be business income:

James, and Nobes, (2012/2013) argue that taxes on corporate income (corporation tax) could also be beneficial in stabilizing taxation system. One merit of this tax is that company profits are likely to fluctuate more than the average form of income over the business cycle, albeit there are also demerits when these levies are collected in arrears.

Prof. Oguttu (2015) argue that tax avoidance by multinational enterprises that makes use of gaps in the interaction of different tax systems to artificially reduce taxable income or shift profit to low tax jurisdiction in which little or no economic activity is performed. International corporate tax framework is not keeping pace with changing business environment. The corporate income tax (CIT) among Organization for Economic Corporation and Development (OECD) countries is not high but averages around 10% of total tax revenues.

In the words of Dwengerand Steiner (2012) tax base effects emerged owing to the fact that corporations' response on reduction of the statutory tax rate is by either enhancing economic activity or by lessening income shifting. Profits can be shifted between the corporate and personal sectors, relying on modifications between the corporate and personal income tax rate.

Kari and Ropponen (1914) stressed that Finland carried out modifications in the corporate income tax rate from 24.5% to 20% in the beginning of 2014. Nearly 50% of the tax revenue dropped in the wake of that tax rate cut and was to have possibly been counterbalanced by behavioral responses. Both writers warned about the outcome. Alterations in the corporate income tax rate might result in equilibrium impacting on prices, wages, hours of work, consumption and so on. These could influence the tax base responses to the tax rate amendments.

In accordance with Gordon (2010), the Indian tax system had to be reformed to cope up with the changes in the development strategy. In the early years of Indian's economy, tax policy was employed as a tool to arrive at divergent objectives.

### **2.3 Sources of income**

An effective tax system needs the right bases for taxing income. These are generally two bases: Territorial (source) in which tax income derived from the territorial of most developing is easier to administer. The second base is when residents are taxed on worldwide income. This is mostly applicable in the developed countries' where administration capacity is high. To lessen global tax exposer taxpayers use tax avoidance strategies and laws.

## **2.4 Common Calculations of tax**

In South Sudan calculation of business profit tax follows a list of various sources of income and expenses of the particular company. Under the taxation Act 2009, some sources of income are taxed while others are exempt from the BPT. Similarly, some expenses are deductible while others are not for the purpose of BPT assessment. Calculation must show the total amount of taxable and tax exempt income, deductible and non-deductible expenses, taxable profit and BPT liability as per Taxation Act 2009.

To remain competitive, lessen administrative costs, and guarantee simplicity, a multiple of developed countries including Japan and UK have migrated to modernizing their BPT systems. Profits attributed to each member may differ from income in its books of accounts. In all business profit tax calculations, tax incentive should be defined with exactitude and not open-ended tax sparing. It is vital to set maximum tax rate for the tax sparing credit and there should be inclusion in anti abuse clauses in the law. Time limitations or sunset clauses are also reflected in the legislation.

The following are the areas in which African countries incur loss. Goods exported at undervalue to tax havens; commodities imported at inflated prices from companies in tax havens (tax loss) entailing excessive tax-deductible depreciation charges; African countries receiving discounted price on end market price or contract price; little or non-substance in low tax jurisdiction; hardships in getting information on substance of foreign entity and lack of comparative data on extractive sector.

In Sudan, according to Africa Tax Facts Guide (2016), a corporation is resident if it is incorporated or has its management and its affairs in Sudan. In Sudan the standard rates of corporate income tax range from 10% to 15%.

Maldives' Business Profit Tax Act, 2011: This Act contains provisions for the establishment and implementation of an administrative framework for the purpose of implementing BPT in this country. The taxable profits of the company are the full amount of its profits of that year. Wherever the profits arise and whether or not they are received in or transmitted to the Head Office, they are computed in accordance with this Act and without any other deduction than is authorised by this Act.

Where the company is not resident in Maldives its taxable profits of any tax year shall be based on the following:

- Any rent received by the company in respect of lease of land and building in Maldives;
- The full amount of any other profits of the company which are attributable to the whole or any part of a business carried on by the company through a permanent establishment in Maldives, computed in accordance with this Act and without any other deduction than is authorised by this Act; and
- Any royalty or management fee not taken into account under Section 3(c)(2) and

payable by a Person who is resident in Maldives in that year or by another Person with a permanent establishment in Maldives at any time in that year.

- Where a company within Section 3(c) is chargeable to tax in respect of more than one business or source of income otherwise than as a partner, its taxable profits for that year shall be the aggregate of the amounts in respect of which it is so chargeable.
- The amount of a company's taxable profits of a tax year shall be determined by reference to accounting periods of the company.
- Regulations made pursuant to this Act shall make provision with respect to companies being wound up.

In line with Maldives' Business Profit Tax Act, 2011 the taxable profits of any such Person carrying on any business shall be the aggregate of the following amounts:

- Any rent received by the Person in respect of lease of land and building in Maldives;
- The full amount of any other profits of that business or those businesses, computed in accordance with this Act and without any other deduction than is authorised by this Act; and
- Any royalty or management fee (not included in those profits) which is received by that Person and is payable by a Person who is resident in Maldives in that year or by a Person with a permanent establishment in Maldives at any time in that year.

In terms of taxpayers' charter, South Sudan's Directorate of Taxation regulations (2009) argued that the taxpayer's obligations include: honesty, cooperation, provide accurate information and documentation and documents on time, and pay taxes on time. Prof. Oguttu (2015) further elaborated that when OECD developed taxpayers' guidelines 1995, encompassing tax administrations. With increased tax administration capacity, African countries should be able to benefit from this three-tier approach. Amount of domestic tax avoided through the use of non-resident entities does not warrant additional administrative cost and the complication related to such laws. African countries with tax regimes that could be injurious include Mauritius, Botswana and South Africa.

#### Resident/ non – Resident taxpayers

South Sudan Business Profit Tax (2009) stipulates that BPT is levied on both residents and non-resident taxpayers. Resident means a company, a partnership or other entity established in South Sudan or has its place of effective management in South Sudan. Taxpayers other than residents are non-resident. And permanent establishment means any workshop through which a non-resident does business in South Sudan. This includes, but not limited to: plants, branches, representative offices, factories, workshops and construction sites. Taxpayers for the purpose of this chapter shall be business organizations. A business profit tax shall be charged on the taxable profit of a taxpayer at the rate of ten percent (10%).

Meaning of Taxable profit in South Sudan:

- Taxable profit for this chapter shall mean the difference between gross income earned or received during the tax period and any deduction allowable under this chapter.
- Taxable profit a resident taxpayer shall be the taxable profit from South Sudan and foreign source incomes.
- Taxable profit for a non-resident taxpayer shall be only the taxable business profit from South Sudan source incomes.

On Treatment of business losses, sometimes a taxpayer may face a situation where expenses may be more than income. The excess of expenses over income may be defined as loss. There is a common practice worldwide to provide some sort of relief for losses incurred by a taxpayer. Under the taxation Act 2009, losses can be carried forward to offset against profit of the following five years and is available as a deduction against any income in those years.

## **2.5 Scope**

In the case of OECD Model, if income is grouped in one contracting state as business income and in the other contracting state as non-business income, and both states interpret the distributive rules according to Art. 3(2) in the light of their domestic law, they will consequently apply different distributive rules.

In a decentralized system as India, Gordon (2010) outlined the tax powers of the states involving taxes on agricultural income and wealth, sales taxes, and excise duties explicitly. Compared to the rest of the taxes, the sales tax is the most paramount and contributes sixty percent (60%) of all States' revenue.

In line with South Sudan's BPT Act, 2009, Business Profit Tax is levied on worldwide income of resident taxpayers. Resident taxpayer is required to pay tax in South Sudan on income from any source irrespective of its territorial connections. Taxable profit for a resident taxpayer is the taxable profit from South Sudan and foreign source incomes. Non-residents are taxed on their domestic source income only. And taxable profit for a non-resident taxpayer is only the taxable business profit from South Sudan source incomes.

## **2.6 Exemption**

South Sudan's BPT is levied on business organizations. Business organizations for BPT purpose is any organization small, medium or large that is required to be registered for tax purposes under the Taxation Act 2009, except an insurance company, or an individual, or organization of individuals, liable to the personal income tax. Business organizations are legal entities, including private limited companies, public limited companies, and corporations; and BPT is levied on both resident business organizations and non-resident business organizations.

The following incomes are exempted from BPT: 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, dividends and interests which are subject to final withholding tax; and where provided by an agreement with the Republic of South Sudan (RSS), income from a foreign contractor generated from contracts for the supply of goods and services to the United Nations, UN specialized Agencies, or other international governmental donors to the Republic of South Sudan.

South Sudan Financial Act 2017 section on rates and rate limits for 2016/2017 states the followings:

- Business profit tax is charged for the tax year 2016/2017 on the taxable profits of business organizations.
- For that tax year the rates are per the Taxation Act 2009. Specifically:
- Taxable profits of a small businesses enterprise at the rate of ten percent 10%;
- Taxable profits of a medium business enterprise at the rate of twenty percent 20%;
- Taxable profit of a large business enterprise at the rate of twenty five percent.

### **2.6.1 Deductions**

Notwithstanding the provisions of subsection (1) above, the following expenses shall not be deductible in the calculation of taxable profit:

- Cost of acquisition and/ or improvement of land;
- Cost of acquisition, improvement, renewal and reconstruction of assets that are depreciated or amortized under the provision of the regulations.
- Contributions made to benevolent and for humanitarian organizations of different activities.
- Representation costs are allowed as expenses up to a maximum of 2% of incomes.

### **2.7 Determination of tax liability**

In accordance with Business Profit Tax (2009) on Tax rates, South Sudan's BPT is levied on taxable income at a flat rate of 10% on small businesses (annual turnover of up to SSP one Million), 20% on medium businesses (annual turnover of up to one million to 30 millions), and 25% on large businesses (annual turnover of up to 30 millions and above).

Tax calculation is a two-step process: first – determine annual gross income (total of all income received during the year including tax exempt income) while taking away allowable expenses and allowances and deciding the taxable profit, then employ the tax rate reached in step one.

#### **1.7.1 Deductible expenses**

Since income tax is levied on profit/net income, various expenses met while making taxable income are deducted from gross receipts in order to obtain profit/net income.



In line with the taxation Act 2009, a taxpayer is allowed to subtract from gross income the expenses resulting during the tax period entirely and exclusive in connection with its economic activities.

### **1.7.2 Wages/ Salaries**

Wages and Salaries, embodying general expenses such regular pay, bonuses, and overtime paid by the employer to employees in cash or kind.

### **1.7.3 Interests paid on business debt**

Interest paid on business debts is deductible. Rent paid on property necessary to and used in trade or business is also removed before taxing profit. Amount to be withheld is 10% of the gross amount of the rental payment.

### **1.7.4 Other direct related cost**

Any expense related to the cost of production or trade and business is removable.

## **2.8.0 Procedures**

### **2.8.1 Promotion costs**

These are defined as costs connected to the promotion with publicity, advertising, entertainment, and representation, and are subtracted up to a maximum of 2% of income; or South Sudanese pounds (SSP) 250,000, whichever is the lesser amount.

2.8.2 Bad debts: Are taken away based on conditions such as the sum of the debt that has earlier been considered part of the income and unsuccessful to collect, but if successfully gathered later on, they are added to taxable income.

2.8.3 Depreciations except on land are deducted up to 5%.

2.8.4 The cost of capital nature (tangible or intangible) ensuing during assets acquisition is not deducted.

## **2.9 Types of Taxes in South Sudan, Taxation Act (2009):**

a) Withholding tax, b) Personal income tax, c) Business profit tax, d) Excise Tax, e) Sales Tax, f) Customs Tax, g) Wealth Tax

Gross Income is defined per section 64 of the taxation Act 2009 amended in 2012 as all income earned or accrued, including, but not limited to, income from production, trade, financial investment, professional or other economic activities within the tax period. Taxable Profit is the variance between any gross income earned or received.

## **2.10 Business Losses**

South Sudan, Taxation Act (2009) describes business loss as the negative difference between the taxpayer's income and expenses emerging from economic activity.

A business loss shall be carried forward for up to five (5) successive tax periods and shall be available as a deduction against any income in those years.

### **2.11 Return and payments of tax**

South Sudan's Taxation Act (2009) section 84, On Tax Return and Payment stipulates that:

- Each taxpayer shall submit a tax return on or 1<sup>st</sup> April of the year following the tax period, sets forth the taxable income and amount of the tax paid during the tax period, in accordance with the form and manner prescribed by regulations.
- Taxpayers may credit against the amount of tax owed under this chapter, advance payment of tax paid pursuant to Chapter XIII of this Act.
- Any taxpayer who is required to submit a tax return under subsection (1), shall perform a final settlement of tax and settle the final sum due on or 1<sup>st</sup> April of the year following the tax period. The amount due for the final reimbursement shall be the difference between the amount of tax owed and the amount of tax paid through withholdings or advance payment of tax.

According to Africa Tax Facts Guide (2016), a corporation is resident if it is incorporated or has its management and its affairs in South Sudan, with the standard rates of corporate income tax range from 10%, 15% up to 20%.

## **2.12 Double Taxation**

A resident taxpayer who makes profit from business activity outside Southern Sudan through a permanent establishment outside Southern Sudan, and who pays tax on that profit to any other country shall be allowed a foreign tax credit determined in the manner prescribed in section 62(d) and (e) of this Act provided that other countries permit similar treatment for tax paid in Southern Sudan.

Any applicable bilateral agreement on avoidance on double taxation made by the government of Southern Sudan with any country shall supersede the provisions of this Act.

## **2.13 Reasons for levying tax on citizens**

Kari, and Ropponen (2014) stated that the aim of their literature was to try to comprehend the most likely consequence of the Finnish corporate income tax rate cut in 2014. Their paper recognised scenarios that gave answer to corporate income taxation and suggested that profit

shifting and investment resolutions were the most vital decision limits for the corporate income tax base of a country.

These two writers asserted that a corporate income tax cut is most probable to enhance the corporate tax base in the home country, while lessening abroad.

In the case of India, Gordon (2010) argued that some of the aims were enhancing the level of serving and improving inequalities, which came to surface due to oligopolistic market structures caused by a centralized planning system.

The first tax policy was instructed to increase the resources for the public sector in connection with efficiency implications. The second goal of arriving at a socialist society and endeavouring to levy huge oligopolistic rents brought to surface by the policy of licence quotas and restrictions, need a high progressive tax structure.

The third point regards following up of many goals compounded the tax system with negative influences on efficiency as well as horizontal equity. These led to large channels in evasion and avoidance of taxes. Fourthly, the forgoing made the tax system complex, selectivity and discretion became a legal person of the tax policy and administration.

The fifth factor is the effect of other players desiring to alter priorities and absence of concert information system and scientific analysis led to an ad hoc and some times inconsistent quality of policies. Conclusively, bad information system resulted in being the cheap course of selective application of the tax systems and its impact.

#### **2.14 Assessing BPT.**

Maldives' Business Profit Tax Act, 2011 section (c) states that Tax on profits from sources outside Maldives shall be charged provided the following conditions are met:

- The company is registered under the Companies Act of Maldives (Act Number 10/96) and is not resident outside Maldives;
- Such company derives income in that period from: (a) any business carried on wholly outside Maldives; or (b) bonds, shares, debentures, loans or any other financial instruments issued or granted by a Person who is not resident in Maldives; or (d) loans of any nature; or any royalties payable by a Person who is not resident in Maldives; or (e) any immovable property situated outside Maldives; and (f) does not carry on any other business or have any other source of income.

On Sudan, Prof.Ogutu (2015) underscored that the following are the areas in which African countries embodying Sudan incur losses. Goods exported at undervalue to tax havens; commodities imported at inflated prices from companies in tax havens (tax loss) entailing excessive tax-deductible depreciation charges; African countriesreceiving discounted price on

end market price or contract price. Ogotu further stressed that OECD is not toiling at depth in cooperation with the African Tax Administration Forum (ATAF). And he went on to emphasize that the OECD is not profoundly aiding in negotiating with development agencies and donors so that they effectively act to recognize the essence of revenue from tax.

**2.15 Challenges of BPT generation**

Gordon (2010) also cited that Argentina’s trial to augment the collection of corporate income tax has culminated in wide legal and administrative impediments. Consequently, the country along others in the region carried out alternative methods that would lead to substituting or complementing the assessment of the corporate tax base, with the aim of improving revenues gathering. Because of all these, a big proportion of economic activity is subjected to the corporate tax.

**3. Research Methodology**

**3.1 Research Design**

In order to capture relevant data for the study, concurrent mixed-methods design approach was employed. This approach employed both quantitative and qualitative methods. This research was confined to participants outside and in government institutions dwelling in Juba city. And the design of this project was the survey/descriptive one.

3.2 Sources of Data: Both primary and secondary data sources were used with the application of different tools including desk review, and questionnaire.

3.3 Sampling Design: The researcher limited the study to the city of Juba and a random sample of 80 respondents divided into officials (60%) and taxpayers (40%) were randomly selected.

**4.0 Presentation and Analysis of Data The analysis of this data used the SPSS version 20.0.**

**4.1 Demographic Characteristics of Respondents**

**Table 1: Demographic Characteristics of Respondents**

Variable	Options	Frequency	Percent
Age	Below 25	1	1.3
	25-30	15	19.0
	31-35	13	16.5
	36-40	22	27.8

	41-45	13	16.5
	46-50	9	11.4
	51-60	4	5.1
	Above 60	2	2.5
	Total	79	100.0
Sex	Male	65	82.3
	Female	14	17.7
	Total	79	100.0
Marital Status	Not married	13	16.7
	Married	61	78.2
	Divorced/Widowed	4	5.1
	Total	78	100.0
Educational status	Primary education	1	1.3
	Secondary education	9	11.4
	Diploma	10	12.7
	BSc/BA	43	54.4
	MSc/MA	14	17.7
	PhD	1	1.3
	Others	1	1.3
	Total	79	100.0
Years of experience	Below 1 Year	5	6.3
	2 to 5 Years	28	35.4
	Above 5 Years	46	58.2
	Total	79	100.0

**Source: Own data**

Viewing table 1 above on the demographic characteristics of the respondent, on ages, the majority (27.8%) were between the age of 36 to 40 years. The least number of 1.3% were those below 25years. As far as sex is concern, the largest number (82.3%) of the respondents were male, the rest were female. The biggest number (78.2%) were married, while the divorced or widowed become the smallest number of 5.1%. on education those holding bachelor degree were the majority (54.4%), and the holders of PhD were the lowest (1.3%). On experience, those who served for over 5 years were the majority (58.2%).

**Job Related Experience**  
**Table 2: Job related experience**

Variable	Options	Frequency	Percent
Job position	Junior/ non-Technical or support staff	30	38.5
	Supervisor	19	24.4
	Manager	17	21.8
	Director	7	9.0
	Senior director	1	1.3
	Director general	2	2.6
	Others	2	2.6
	Total	78	100.0
Organization/ entity's period of Operation	Below 1 Year	3	3.8
	2 to 5 Years	25	32.1
	6 to 10 Years	33	42.3
	11 to 15 Years	8	10.3
	16 to 20 Years	3	3.8
	Above 20 Years	6	7.7
	Total	78	100.0
Organization Size	Less than 50	18	22.8
	50-100	20	25.3

	101-250	12	15.2
	251-500	7	8.9
	501-1000	9	11.4
	Above 1000	13	16.5
	Total	79	100.0

Source: Own data

Table 2 above on job related experience, illustrated that junior and technical staff was the largest number (38.5%), while senior directors carried the least number (1.3%). On the experience of the organization, those from 6 – 10 years were the majority (42.3%), while those below one year were the fewest (3.8%). On the size of the organization, those employing 50 – 100 were the largest number (25.3%), and while those between (251 – 500) were the least (8.9%)

**Knowledge and clarity of Business Profit Tax and Other Related Issues**  
**Table 3: Knowledge and clarity of Business Profit Tax and other issues**

Variable	Options; Frequency (%)					
	Yes	No	Total			
Do you have any knowledge about Business Profit tax policy, law and Administration?	56 (70.9)	23 (29.1)	79 (100.0)	Chi-square= 13.785, df=1, p<0.01		
	Very high	High	Medium	Low	Very low	Total
Level of Knowledge on Business Profit Tax	7 (12.1)	10 (17.2)	27 (46.6)	11 (19.0)	3 (5.2)	56 (100.0)
	Chi-square= 28.897, df=4, p<0.01					
	Yes	No	I do not know	Total		
Do you think that the Ministry of Finance and Economic planning has a clear Business Profit Tax Policy?	16 (20.3)	33 (41.8)	30 (38.0)	79 (100.0)		
	Very simple	Efficient	Equitable	Effective		

Do you think that Business Profit tax of our Republic is (Multiple responses)	39.2%	27.8%	29.1%	31.6%		
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Source: Own data.

Table 3 above, on Knowledge and clarity of Business Profit Tax and Other Related Issues, the majority (70.9%) conformed positively. The rest said “No”. On level of knowledge, the largest number (46.6%) was “Medium”, while those with “very low” were the least (5.2%). On clarity of PBT policy, the majority (41.8%) said it was unclear, the rest said it was clear. On effectiveness and simplicity of the BPT (39.2%) said it was very simple, while 31.6%, 29.1% and 27.8% respectively argued the policy was effective, equitable and efficient.

**Administration of Business Profit Tax**  
**Table 4: Administration of Business Profit Tax**

Variable	Options; Frequency (%)					
	Very high	High	Medium	Low	Very low	Total
The effectiveness of Business Profit Tax in raising revenues for the Government	7 (9.1)	16 (20.8)	18 (23.4)	18 (23.4)	18 (23.4)	77 (100)
The tax burden of Business Profit Tax system in the Republic of South Sudan has been	15 (19.0)	12 (15.2)	24 (30.4)	18 (22.8)	10 (12.7)	79 (100)
	Yes	No	Total			
Do you know how much revenue is raised from Business Profit tax?	18 (22.8)	61 (77.2)	79 (100)	Chi-square= 23.40, df=1, p<0.01		
	High for the poor	Low for the rich	Neutral for all	Not Neutral at all	Total	
Has the Business Profit Tax system in the Republic of South Sudan been	22 (27.8)	24 (30.4)	33 (41.8)	-	79 (100.0)	
	The rich	The poor	All consumers / importers	I do not know	Total	
Do you think the existing Business Profit tax favors					79 (100.0)	



	Extremely convenient	Very convenient	Moderately convenient	Least convenient	Not convenient	Total
Has the Application And Implementation of Business Profit Tax system in the Republic of South Sudan been	-	10 (12.7)	16 (20.3)	26 (32.9)	27 (34.2)	79 (100)
	Very Fair	Fair	Moderately fair	Unfair	Very unfair	Total
Do you think the Business Profit Tax in the Republic of South Sudan has been	4 (5.1)	6 (7.6)	25 (31.6)	33 (41.8)	11 (13.9)	79 (100)
	Extremely equitable	Very equitable	Moderately equitable	Least equitable	Not equitable	Total
Do you think the Business Profit Tax in the Republic of South Sudan has been	2 (2.5)	8 (10.1)	19 (24.1)	27 (34.2)	23 (29.1)	79 (100)
	Very good	Good	Somehow good	Bad	Very bad	Total
Do you think the Administration of Business Profit Tax in the Republic of South Sudan has been	-	6 (7.6)	34 (43.0)	21 (26.6)	18 (22.8)	79 (100)
	Realizable or workable	Efficient & effective in raising revenue	Fair and just	Others	Total	
The Business Profit Tax Policy of South Sudan must be (Multiple responses)	45.6%	6.0%	48.4%	-		
	Yes	No	I do not know	Total		
Do you think that the Business Profit Tax of our Republic is easy to administer for the Tax Authority?	36 (46.2)	26 (33.3)	16 (20.5)	78 (100)	Chi-square= 7.692, df=2, p=0.021	
Do you think that the Business Profit tax of our Republic is easy to	27 (34.6)	40 (51.3)	11 (14.1)	78 (100)	Chi-square= 16.231, df=2, p<0.01	

administer from the point of view of Tax payers?					
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Source: Own data

Table 4 above on Administration of Business Profit Tax, about the effectiveness of BPT in raising revenues, the majority (23.4%) said it was effectively “medium”, while the minority (9.1%) pointed out that it was “very highly effective”. On tax burden of BPT system, the majority (30.4%) commented that it was “medium”, while only 12.7% admitted that it was “very low”. With respect to the size of BPT revenue raised, those who said not much was raised became the majority (77.2%), while the smallest group (22.8%) said that they know how much PBT revenue was raised. On whether the PBT system was high or not, the majority (31.8%) were neutral while those debated that it was high for the poor were the least (27.8%). On the convenience or not of the PBT application, there was nobody in the category of “extremely convenient, but the majority (34.2%) went for “not convenient”. Regarding whether the BPT system in the country was fair or unfair, the majority (31.6%) stressed that it was “moderately fair”, while the minority of 5.1% accepted that it was “very fair”. On equitability of the BPT, the majority (34.2%) stated that it was “least equitable”, while the minority of 2.5% agreed that it was “extremely equitable”. On whether the administration of BPT was good or bad, the majority (43.0%) emphasized that it was “somehow good”, while all the respondents denied that it was “very good”. On reliability of BPT policy, the majority (48.4%) accepted that it was “fair and just”, while those who said it was an “efficient and effective policy” were the least. On the ease to administer the BPT on standpoint of the tax authority, the largest set (46.2%) said “yes”, while those who said they did not know were the smallest group (20.5%). On the ease to administer the BPT on standpoint of the taxpayers, the largest set (51.0%) said “no”, while those who said they did not know were the smallest group (14.1%).

**Challenges in Administering Business Profit Tax**

**Table 5: Challenges in Administering Business Profit 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 Business Profit Tax(Multiple responses)	75.9%	45.6%	43.0%	1.3%	
	Lack of peace and stability	Lack of good economic development	Lack of modernization of the BPT system	Others	

Other Problems related to Business Profit Tax administration (Multiple responses)	78.5%	41.8%	30.4%	1.3%	
	Corruption	Tax evasion	Lack of capacity and training	Others	Total
The weaknesses of Business Profit Tax Administration in raising revenue has mainly been due to	52 (65.8)	12 (15.2)	15 (19.0)	-	79 (100.0)

Source: Own data

Table 5 above on Challenges in Administering Business Profit Tax (BPT) shows in respect to the main administrative challenges of BPT, that the majority (75.9%) acknowledge lack of good governance and administration, 45.6% admit that the BPT is not well legislated, 43.0% complain lack of good tax experts, while the smallest group on other challenges is 1.3%. On other problems, the largest set of participants (78.5%) admit that lack of peace is the principal cause impeding collection of BPT, 41.8% attribute the cause to lack good economic development, 30.4% point at lack of modernization of BPT system, but the smallest category contributed the poor administrative problems to other causes. On the weaknesses of BPT, corruption is acknowledge as number one (65.8%) factor, lack of capacity and training the second (19.0%) factor, and tax evasion the third (15.2%) element.

**The role of Business Profit Tax**  
**Table 6: Purpose and administration of income from Business Profit Tax**

Variable	Options; Frequency (%)				
	Yes	No	I do not know	Total	
Do you think the amount raised from Business Profit Tax is well spent to benefit the people of South Sudan?	3 (3.8)	54 (68.4)	22 (27.8)	79 (100.0)	Chi-square= 50.456, df=2, p<0.01
Do you know where the amount of revenue collected from Business Profit Tax is spent?	17 (21.8)	61 (78.2)		78 (100.0)	Chi-square= 24.821, df=1, p<0.01

	Extremely significant	Very significant	Moderately significant	Least significant	Not significant	Total
How do you evaluate the role of Business Profit Tax in our Republic?	8 (10.1)	15 (19.0)	22 (27.8)	27 (34.2)	7 (8.9)	79 (100.0)
	Yes	No	I do not know	Total		
Do you think that the Business Profit Tax of our Republic is structured efficiently and fairly to achieve the appropriate level of revenue?	32 (40.5)	37 (46.8)	10 (12.7)	79 (100.0)		
Do you think that the Business Profit Tax of our Republic is too high to encourage investment?	22 (28.2)	36 (46.2)	20 (25.6)	78 (100.0)		

Source: Own data

Table 6 above on the Purpose and administration of income from Business Profit Tax, in regards to spending the amount generated by BPT, tells us that the majority (68.4%) of the respondents said the proceeds were not well spent, 27.0% asserted that they don't know, so only 3.7% admitted that the revenue from this tax is well spent. On where BPT revenue was spent, the largest set of 78.2% said "no", while 21.8% said "yes". On the evaluation of BPT in terms of significance, the majority of 34.2% said that it was least significant, the smallest category of 8.9% emphasized that it was not significant. On whether the BPT was efficiently and fairly structured or not, the largest group (46.8%) said "no", the second category of 40.5% replied "yes", while those who argued that they did not know were the least (12.7%). On whether the BPT in the country was too high to encourage investment, those who said "no" were the majority (46.2%), "yes" carried 28.2%, and those who didn't know were 25.6%.

**Tax**

**Reforms**

Table 7: Tax reforms and administration

Variable	Options;				
	Frequency (%)				
	Yes	No	I do not know	Total	

Do you think that the burden of tax related to Business Profit tax should vary in accordance with each area of business/sector?	57 (74.0)	16 (20.8)	4 (5.2)	79 (100.0)		
Do you believe that all kinds of business tax payers should pay the same tax rate without discrimination?	28 (35.4)	48 (60.8)	3 (3.8)	79 (100.0)		
In your opinion, do you think that the rate of business profit tax is an attractive enough to businesses?	33 (41.8)	37 (46.9)	9 (11.4)	79 (100.0)		
Do you think it is a double taxation/charge to levy separately business profit tax and dividend tax?	44 (55.7)	27 (34.2)	8 (10.1)	62 (100.0)		
Do you think there is a dire need for Business Profit tax Reform?	74 (93.7)	2 (2.5)	3 (3.8)	79 (100.0)		
Should Business Profit tax be collected at both Federal and State levels?	39 (49.4)	38 (48.1)	2 (2.5)	79 (100.0)		

Source: Own data

Table 7 above on Tax reforms and administration, about whether or not BPT burden varies with each area of business/sector, the majority (74.0%) of the people interviewed said “yes”, while those who said know were 20.8%, but the smallest of 5.2% did not know. On whether all taxpayers should pay the same tax rate without discrimination, the majority (60.8%) answered “no”, the “yes” group became 35.4%, and the smallest group who did not know was 3.8%. On whether or not the BPT was attractive enough to businesses, the majority (46.9%) argued that it was “not attractive to businesses”. However, 41.8% agreed that it was “quit attractive”, but the tiniest (11.4%) category denied any knowledge. On whether or not it was a double taxation to apply separately BPT and dividend tax, the majority (55.7%) agreed “yes”, those who said “no” were 34.2%, and those who “did not know” were only 10.1%. On whether or not there is dire need for BPT reform, the majority of 93.7% “agreed”, those who rejected were only 2.5%, and those who “did not know” were 3.8%. On whether or not should BPT be collected at both federal and state levels, the majority said “yes”, but those who said “no” were equally many (48.1%), and those who “did not know” were the least (2.5%).

**Contribution of Business Profit Tax**

From the figures 1 and 2 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 Financial Years (FY) except in 2015/16, in which the highest amount of outturn was collected

from Customs. In most of the FY, the outturn from Business Profit Tax was found out to be the lowest compared to PIT and sales tax.

Figure 1:

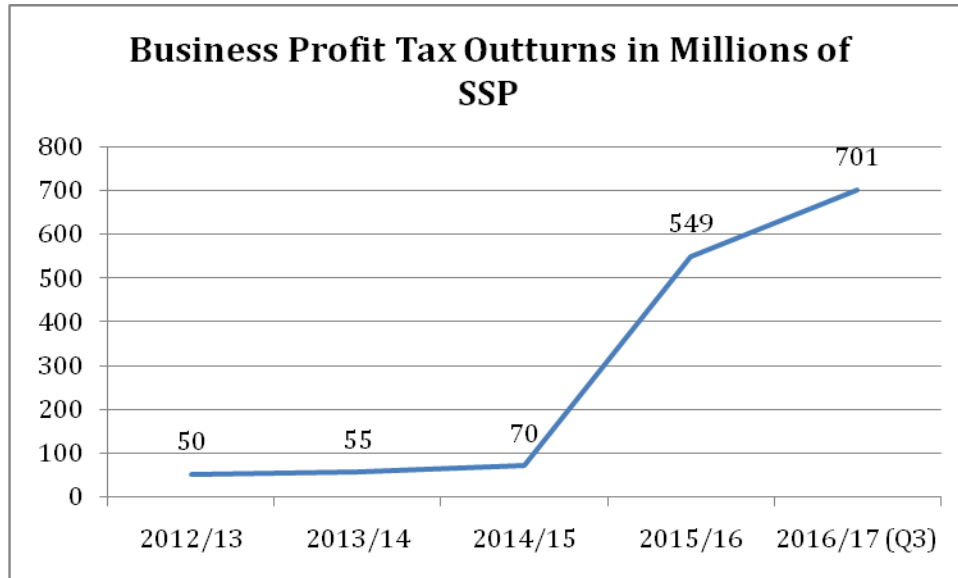
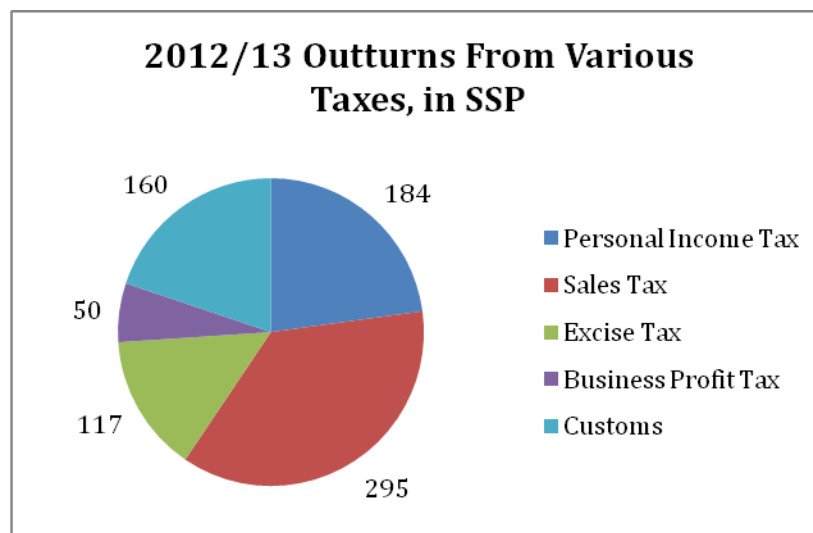
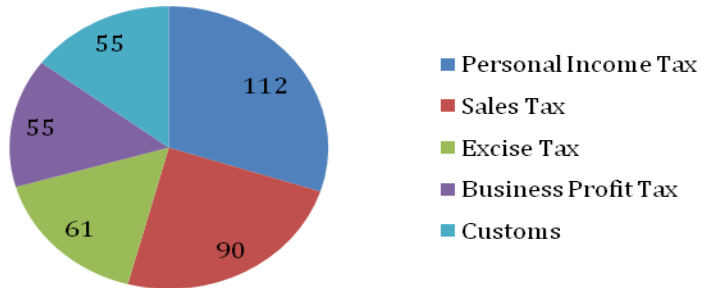


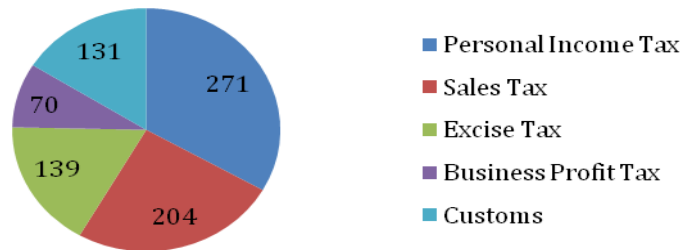
Figure 2: Contribution of various Tax types, in Millions of SSP



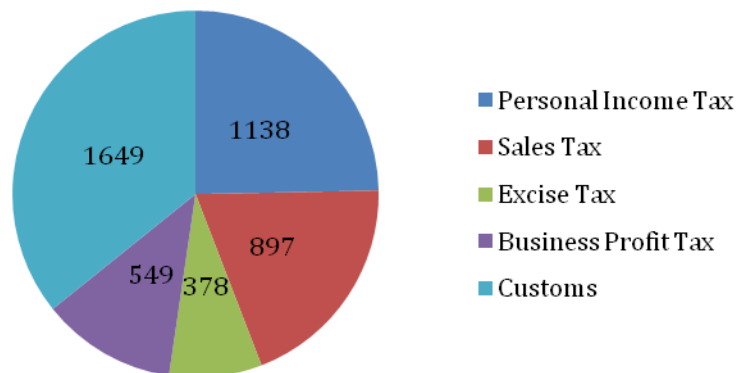
**2013/14 Outturns From Various Taxes, in SSP**

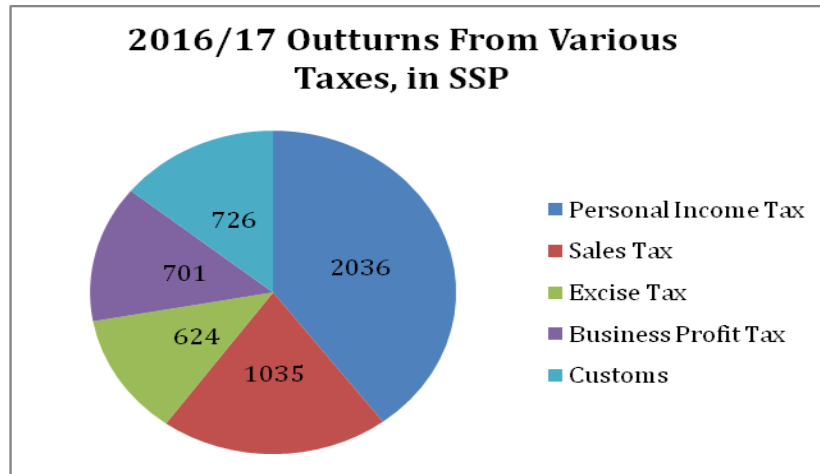


**2014/15 Outturns From Various Taxes, in SSP**



**2015/16 Outturns From Various Taxes, in SSP**





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

## 5. Findings, Conclusions and Recommendations

### 5.1 Findings

In South Sudan it has been found out that the majority of the respondents were male and minority number was female. Those married as well as holders of bachelor degree were the largest group. On the experience of the organizations, those between 6 to 10 years were largest category, while the largest size of the organizations, were those employing between 50 to 100 people. The study discovered that the majority of the interviewees confirmed having knowledge and clarity of BPT. It has been found out that BPT burden was medium. The majority of the respondents admitted that BPT was not convenient and without enough revenue raised, but it was moderately fair. Nearly half of the participants agreed that the BPT policy was efficient and effectively, but these majority said it lack simplicity of administration. On the challenges of BPT, the majority acknowledged that lack of good governance and administration along high corruption, lack of capacity and training, as well as high tax evasion ranked as the highest factor decelerate collection of BPT revenue. The study further unearthed that proceeds from BPT were not well and rightly spent and that the tax rate was too high to attract investment. It has been found out that the highest number of those investigated admitted there is dire need for BPT reform, but that it can be applied in both federal and state levels. Lack of peace and continuity of civil conflict affected revenue generation. The outturn from BPT was found to be the lowest compared to PIT and Sales Tax.

### 5. 2. Conclusion

The principal problem facing BPT in South Sudan is that this tax was not generating the expected revenue and its proceeds have been diminishing since 2013. The goal of the study was to seek mechanisms that could enable the country to muster sufficient revenue from this tax. The



methodology used was a quantitative method utilizing both primary and secondary data with a random sample of 80 respondents. It has been found out that BPT burden was medium. On the challenges of BPT, the majority acknowledged that lack of good governance and administration alongside high corruption, lack of capacity and training, as well as high tax evasion ranked as the highest factor decelerating collection of BPT revenue.

### **5.3 Recommendations**

There is need for South Sudan to improve its good governance and administration while determinedly combatting corruption, raising the capacity of the employees, and fighting evasion. There is need to legally and correctly spend the proceeds from BPT in line with the budget. Tax authorities need to exert more efforts to generate larger amount of BPT revenue and also improve on the simplicity of its administration. Urgent reforms on BPT law, policy and practices need to be carried out in order to attract local and Foreign Direct Investment (FDI). Random and widespread exemptions must be avoided and restriction imposed. Further research on Business profit Tax (BPT) needs to be carried out.

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