

Profile——The Republic of the Sudan (Sudan for short)

I. Jurisdiction Background

The Republic of Sudan (hereinafter referred to as "Sudan") is a historically rich country located in the northeast of Africa, on the west coast of the Red Sea. Khartoum is the capital of Sudan, as well as the political, economic, and cultural center of the country. Arabic is the official language of Sudan, while English is the common language. Sudan is a distinctive African country, bearing the natures of an African nation, an Arab country, and an Islamic state.

II. Organizational Structure

The Sudanese tax management authority is the Sudan Taxation Chamber, which is affiliated with the Sudan Ministry of Finance and Economic Planning (hereinafter referred to as the Ministry of Finance). Its main responsibility is to manage the national economy and create favorable conditions for achieving national strategies and economic plans. The Sudanese Ministry of Finance, along with its subordinate entities such as the Taxation Chamber, the Exercises and Customs General Administration, the General Administration of Finance and Budget, and the Bank of Sudan, collectively form the entire system of fiscal, tax, and financial government departments.

III. Current Tax System

Sudan's main tax types include customs duty, value-added tax, stamp duty, excise duty, corporate income tax, individual income tax, and capital gains tax, among others. According to their nature, they can be classified into three categories:

- ◆ Goods and Services Tax: including value-added tax, excise duty, and customs duty, etc.
- ◆ Income Tax: Including corporate income tax, individual income tax, and capital gains tax, etc.
- ◆ Property and Transaction Taxes: Including real estate tax, stamp duty, vehicle tax, and zakat tax, etc.

IV. Overview of Tax Preference Policies

In recent years, Sudan has accelerated the reform in the investment sector, attracting foreign investment through measures such as establishing free economic zones and formulating preferential policies. The incentives and preferential policies are mainly manifested as: exemption from import duties for goods of key projects, allocation of land for projects, depreciation allowances, and special preferences for underdeveloped areas.

◆ Value-Added Tax (VAT)

Exporters of goods and providers of taxable services enjoy tax incentives with a zero VAT rate,

and are entitled to claim a refund of input VAT.

In addition, enterprises are exempt from VAT on importing, producing and selling, certain goods and providing specific services, but the input VAT of these kinds of transactions is not refundable. These include unprocessed agricultural products, poultry products, financial services, insurance services, educational services and etc.

The "Investment Incentives Act of 2021" stipulates that the capital equipment of investment projects which are economically in line with the principles and objectives of the investment incentives act are exempt from VAT. The list of the capital equipment was approved by the Ministry of Investment and International Cooperation.

◆ Corporate Income Tax (CIT)

For newly purchased machinery and equipment, after being put into production, the initial depreciation tax exemption is 20% of the purchase price.

The "Investment Incentive Law of 2021" stipulates that investment projects which are economically in line with the principles and objectives of the Investment Incentive Law shall be exempt from corporate income tax starting from the date of commercial production, for a period not exceeding 5 years.

◆ Individual Income Tax (IIT)

Individual income tax exemptions are granted for the following individuals' income: (1) Pensions paid to members of municipal services or disciplinary departments; (2) Payments and transfers to envoys, diplomats, and employees of international organizations; (3) Interests from bank deposits, savings accounts, and postal savings funds; (4) Personal income of employees who are more than 50 years old and working in government or private sectors, provided that the tax-exempt income does not exceed the highest salary in the government salary plan. This does not include the remuneration of board members of government or state-owned enterprises.

All resident individuals and non-resident individuals are eligible for a tax-free allowance of 3,000 Sudanese pounds, which can be used to offset income from self-employed ventures, as well as income from rent and professional services.

The government offers tax exemption benefits to certain expatriate personnel working on major development projects in Sudan, mainly including expatriate personnel working for oil industry association and companies involved in the construction of dams, roads, and bridges.

V. Tax Collection and Administration

The Sudanese Taxation Chamber is responsible for the tax collection and management from resident and non-resident taxpayers, including tax collection, tax registration, tax assessment, tax inspection, and tax auditing.

Sudan implements a tax system that combines principle of territoriality and principle of person, taxing enterprises and individuals within its borders, as well as Sudanese companies and nationals abroad.

Sudan employs a self-assessment tax administration system. Under this system, enterprises that self-assess are required to pay taxes based on their reported tax obligations in their declaration forms. The Taxation Chamber will only issue additional assessments when an enterprise fails to submit a self-assessment tax return, or when the Taxation Chamber has sufficient reason to believe that the enterprise's self-assessment has resulted in underpayment of taxes.

Section VI: Taxpayer Services

Any enterprise or individual whose annual revenue exceeds 1.2 million Sudanese pounds must register with the VAT office in their locality and pay VAT. Due to the high business tax rate in Sudan and the strong regulatory oversight by the Taxation Chamber, the annual declaration and audit are conducted by designated personnel from the tax agency. Sudan does not have advanced rulings, but enterprises can communicate with the tax authorities to reach a consensus. Additionally, the Sudan Taxation Chamber occasionally holds taxpayer training sessions, but the tax guidance or opinions obtained in these two cases do not have legal effect.

According to Sudan's Income Tax Act of 1986, the Taxation Chamber personnel who meet the following requirements are allowed to engage in tax expert consulting work after leaving their posts: (1) having a university degree or higher; (2) having been working in taxation for fifteen years or more.

VII. Tax Legislation Process

The main laws governing taxation in Sudan include the "Income Tax Act of 1986," the "Value Added Tax Act of 1999," the "Investment Act of 2004," and the "National Investment Encouragement Act of 2021." The "Income Tax Act of 1986" stipulates the primary responsibilities of the Sudanese Taxation Chamber. The "Income Tax Act of 1986" and the "Value Added Tax Act of 1999" and some other laws lay out the payment and collection of taxes, the rights and obligations of taxpayers, the forms and methods of tax inspection, and the liabilities for violating tax laws.

VIII. Future Tax Reform Plan

In July 2019, the Economic Committee under the Sudanese Transitional Military Council approved a series of proposals regarding tax reform aimed at increasing fiscal revenue, enhancing tax revenue, simplifying and clarifying tax payments, reviewing tax-exempt items, increasing taxes on luxury goods, increasing the number of tax personnel, and adopting modern technology to intelligitize the tax system.

In April 2021, the "Investment Incentive Law of 2021" was enacted, aiming to improve the treatment of investors and to promote investment by establishing a more predictable and transparent investment mechanism.

In August 2022, Sudan's Minister of Finance and Economic Planning revealed in a media interview that Sudan was recently drafting a new plan to expand tax coverage to support the country's public finances.

IX. International Tax Cooperation

◆ Economic and Trade Cooperation: In 2020, the European Union included Sudan in its Registered Exporter system (REX), allowing registered Sudanese enterprises to enjoy zero tariffs and duty-free, quota-free exports to the EU. In September 2022, the African Tax Administration Forum (ATAF) Tax Mutual Assistance Agreement was approved by the South African Parliament. The agreement aims to provide mutual assistance among ATAF member countries on tax matters. Sudan, as one of the ATAF member countries, began implementing the mutual assistance agreement in September 2022.

◆ Conclusion of Tax Treaties: As of January 2, 2024, Sudan has concluded and brought into force agreements on the avoidance of double taxation with 17 countries and regions.

X. Others

None.