



International tax

Sudan Highlights 2013

Investment basics:

Currency – Sudanese Pound (SDG)

Foreign exchange control – There are no exchange controls, but banks must report significant foreign exchange transactions to the central bank.

Accounting principles/financial statements – IAS/IFRS. Financial statements must be prepared annually and filed with the Taxation Chamber.

Principal business entities – These are the public or private limited liability company, joint venture company and branch of a local or foreign company.

Corporate taxation:

Residence – A company is deemed to be resident in Sudan if it is incorporated in Sudan under the Companies Act 1925 or if the management and control of its affairs are exercised in Sudan in the relevant tax year.

Local and foreign businesses are required to register with the tax authorities for corporate tax, VAT tax and payroll tax purposes. An unregistered foreign entity will be deemed to be resident in Sudan if: (1) present in Sudan for a period or periods exceeding in total 183 days of the basis period; or (2) present in Sudan in the relevant basis period and the two preceding basis periods for a period exceeding, in total, 12 months.

Basis – Resident companies are liable to tax on their worldwide income, while nonresident companies only pay tax on profits derived from a Sudanese source.

Taxable income – Taxable income generally consists of all worldwide income for resident companies (all Sudanese-source income for nonresident companies), less expenditure incurred wholly and exclusively in the production of the income for the year, as may be permitted by tax legislation.

Taxation of dividends – Qualifying dividends received from taxable profits are not taxable.

Capital gains – The rates are 5% on gains from the sale of lands and buildings, 2.5% on gains from the sale of vehicles and 2% on gains from the sale of securities, shares and bonds, subject to certain exceptions.

Losses – Losses may be carried forward and set off against taxable income for not more than five years after the end of the tax year in which the loss was incurred. The carryback of losses is not permitted.

Rate – Corporate tax rates in Sudan differ, depending on the business activities of the company: 0% for agricultural activities; 10% for industrial activities; 15% for commercial and service activities, real estate rental companies, and banks, insurance and fund management companies; 30% for cigarette and tobacco companies; and 35% for companies engaged in the exploration, extraction and distribution of oil and gas, and their subcontractors.

A 3% social development tax applies to all companies exempt from tax under the Investment Encouragement Act or any other act.

Surtax – No

Alternative minimum tax – No

Foreign tax credit – Foreign tax paid on income taxable in Sudan may be deducted from taxable income subject to the approval of the Ministry of Finance. As a domestic method of relief, the Minister may exempt from tax foreign income already taxed in the source country. Double taxation relief also is provided under tax treaties.

Participation exemption – No

Holding company regime – No

Incentives – Various investment incentives are available to foreign investors upon the recommendation of the Minister of Finance, including import concessions, tax exemptions for exported products, corporate tax exemptions, carryforward of losses incurred during the exemption period for qualifying companies and the use of government lands.

Withholding tax:

Dividends – Sudan does not levy withholding tax on dividends.

Interest – A final withholding tax of 7% is imposed on interest payments made to a nonresident company.

Royalties – A final withholding tax of 15% is imposed on royalty payments made to a nonresident company.

Technical service fees – A 15% final withholding tax applies to payments made for technical services.

Branch remittance tax – No

Other – A 15% final withholding tax is levied on payments made to a nonresident subcontractor for management consulting fees.

Imports of goods are subject to a 2% creditable withholding tax if paid by a resident company. A 7% final withholding tax applies to payments from resident companies to nonresident subcontractors for interest and any other services.

A 5% creditable withholding tax applies to payments from resident companies to entities registered in Sudan as a branch of a foreign company.

A final tax of 10% is imposed on rental payments exceeding SDG 3,000.

Other taxes on corporations:

Capital duty – No

Payroll tax – No

Real property tax – Rates vary by locality.

Social security – An employer must contribute an amount equal to 17% of the monthly salary of a Sudanese employee for social security.

Stamp duty – Stamp duty has a wide application in Sudan and the rates vary depending on the type of instrument.

Transfer tax – The transfer of shares in a company is subject to a 2% tax.

Other – Zakat at a rate of 2.5% applies on the working capital of a company owned by Muslim shareholders.

Anti-avoidance rules:

Transfer pricing – There are no specific transfer pricing rules, but the tax authorities are empowered to adjust or alter the tax consequences of any transaction that they have reasonable cause to believe was arranged to result in the resident and nonresident having either no profit or less than ordinary profits.

Thin capitalization – There are no specific thin capitalization rules, but transactions are required to be conducted at arm's length.

Controlled foreign companies – No

Other – The arm's length principle applies to all transactions.

Disclosure requirements – No

Administration and compliance:

Tax year – Calendar year, although a company may adopt any year-end. All taxable income is assessed in the fiscal year in which the company's accounting year ends. In general, the tax period is 12 months.

Consolidated returns – Consolidated returns are not permitted; each company must file a separate return.

Filing requirements – A corporate taxpayer must file an annual return based on its income for the accounting year. The return is due within 3 1/2 months following the end of the accounting year. The taxpayer's audited financial statements, together with the tax due, must accompany the tax return.

Penalties – Failure to present a declaration of income to the Office of the Taxation Chamber will lead to an additional tax not more than three times the tax due. Delay in submission of an income tax return results in a penalty of SDG 10 per day or, according to the discretion of the General Secretary, not exceeding 5% of the total tax liability.

Rulings – Rulings generally are not issued, but a taxpayer may request a nonbinding opinion from the Taxation Chamber on the interpretation of the tax law or administrative procedures.

Personal taxation:

Basis – Residents are subject to tax on business profits, leasing income and

personal income from sources within and outside Sudan. Nonresidents are taxed only on Sudan-source income.

Residence – An individual will be deemed to be resident in Sudan if: (1) present in Sudan for a period or periods exceeding in total 183 days of the basis period; or (2) present in Sudan in the relevant basis period and the two preceding basis periods for a period exceeding, in total, 12 months.

Filing status – Each individual must file a return; joint filing is not permitted.

Taxable income – Employment income is generally taxable unless otherwise exempt. Business profits earned by an individual from a trade or profession or leasing and other investment income also are taxable.

Capital gains – The rates are 5% for gains on the sale of lands and buildings, 2.5% for gains on the sale of vehicles and 2% on gains from the sale of securities, shares and bonds, subject to certain exceptions.

Deductions and allowances – Personal relief of SDG 9,090 per annum is available on personal income (for resident individuals). The income tax rules provide additional deductions for personal income. For business and professional profits, the first SDG 300 is exempt from tax. The first SDG 3,000 of leasing income is exempt.

Rates – Progressive rates from 5% to 15% apply to personal income and business and professional profits. The rate on income from leasing is 10%.

Other taxes on individuals:

Capital duty – No

Stamp duty – Stamp duty is charged by both federal and state governments on various commercial and legal documents, such as transfers of deeds, insurance policies and bills of exchange.

Capital acquisitions tax – No

Real property tax – Rates vary by locality.

Inheritance/estate tax – No

Net wealth/net worth tax – No

Social security – Sudanese and expatriate private sector employees must contribute 8% of their monthly salary for social security purposes.

Administration and compliance:

Tax year – Calendar year

Filing and payment – The employer generally is responsible for withholding and paying salary tax due to the relevant tax authority on a monthly basis. Sudanese persons working abroad should declare and pay the relevant tax on their compensation on an annual basis to the relevant tax authority.

Filing and payment are due at the end of every month for resident employees and at the end of every fiscal year for Sudanese citizens working abroad.

Penalties – Failure to present a declaration of income to the Office of the Taxation Chamber will lead to an additional tax not more than three times the tax due. Delay in submission of an income tax return results in a penalty of SDG 10 per day or, according to the discretion of the General Secretary, not exceeding 5% of the total tax liability.

Value added tax:

Taxable transactions – VAT applies to the supply of most goods and the provision of services, including importation of goods and services into Sudan.

Rates – The standard VAT rate is 17%, with a special 30% rate imposed on telecommunication services. Certain activities are exempt from VAT.

Registration – Registration is compulsory for all companies in Sudan. A person who is not charged with registration may voluntarily apply for registration.

Filing and payment – VAT returns and any related payments are due by the 15th day of the following month.

Source of tax law: Income Tax Act, Value Added Tax Act, Social Securities Act and Investment Encouragement Act

Tax treaties: Sudan has six tax treaties.

Tax authorities: Ministry of Finance & National Economy; Taxation Chamber.

International organizations: African Development Bank Group (AfDB), Arab Fund for Economic and Social Development (AFESD), Islamic Development Bank (IDB), United Nations Conference on Trade and Development (UNCTAD), Common Market for Eastern and Southern Africa (COMESA).

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