



Report of Survey of Taxation on Small Scale Businesses In Juba

SEPTEMBER 22, 2021

Introduction

South Sudan is on the path for systems and institutional reform and transformation in security, socio-economic, civil and political sectors during the transitional period and beyond. In conformity with the spirit and letter of the Revitalized Agreement on Resolution of Conflict in Republic of South Sudan (R-ARCSS) 2018, the parties committed to promote sustainable economic development as stipulated in chapter 4 of R-ARCSS. Hence, effective management of public resources in any country is a key element of sustainable development and economic growth. Promotion of public participation is a prerequisite in facilitating transparency and accountability of PFM processes. This will go a long way to return ownership of public resources to the people and facilitate effective management and realization of efficient services delivery (common good)

The role of civil society and key population groups such as women, youth and trade unions among others is paramount in this process. The PFM Reform Process (PFM-RP) in South Sudan has gone an extra mile in achieving inclusion by having space for mainstreaming of Civil Society participation in the national PFM reform architecture.

Objectives

1. To understand taxation on small-scale business in Juba.
2. To examine the effect of tax on the growth of small-scale business.
3. Develop a policy brief/advocacy paper based on the findings of the assessment

Rational

Taxation is an important pillar of PFM reform process and as well as service delivery to the people. In South Sudan young women own majority of small-scale business such as Restaurants, Shops and Salons. However, the taxation regime in the country is not clear to the traders and there seems to be limited knowledge especially amongst young women. Thus, this leaves their business vulnerable to exploitation or even collapsing. This assessment is to examine the effect of tax on small-scale business in Juba and the findings from this conversation will be used to develop a policy brief that will be shared with public finance management (PFM) Oversight Committee.

Methodology

The assessment team reached out to women running small-scale business in Jebel, Konyokonyo and Custom markets engaging with 37 small-scale business (earning 250,000sspp per month) that is predominantly owned and run by women. This was done for period of two-week. This assessment was primarily qualitative and conducted through one-on-one structure interview using a questionnaire prepared by the team. Upon data collection, the team compiled the data and relayed the information to SSuDEMOP team for

development of the survey report on understanding taxation on mall scale business.

Findings:

Of note, the team discovered that there were three institutions taxing business in Juba;

1. There is no comprehensive knowledge of what is expected to pay by these business (clarity of tax regime)
2. Public consultation is nonexistent meaning the taxes and levies are imposed without stakeholder's inputs. Hence, this compounds the fear of authorities and hesitance of business owners to seek redress despite their membership in the chamber of commerce and other unions.
3. National Revenue Authority (NRA) – dealing with taxation of corporate entities and responsible for matters such personal income tax, business profit tax, clearance certificate tax amongst others.
4. State Government (City Council) on the other handled both incorporated and registered companies; responsible for Rental value, Town rate and Trading license amongst others
5. Payam authorities responsible for garbage/Trash collection and services fees at payam level
6. Majority of small-scale business owners are foreign nationals from Uganda, Kenya and other neighboring countries. However, they employed both South Sudanese and national from their countries on equal basis

Analysis:

Information gap and lack clarity on official taxation and fines especially at the state and payam levels reminds as an obstacle to both revenue collection. Therefore, this has created an environment of ignorance around official fees and levies required by the city council and payam authorities. In turn, it enables harassment and extortion of small businesses and owners forced to pay exorbitant amounts of money. However, when asked about their approach and response to these exorbitant and exploitative amounts being impose on them, most of the interviewees cited fear of being subjected to physical and sexual harassment. Therefore, they opt to comply with the demands by council officials to pay the often arbitrary, random and frequently imposed fines. This further leaves business owners un-informed, unprepared and vulnerable to extortion. Therefore, resorting into shortcuts, which exacerbate corruption.

Surprisingly, most policies, taxes and fines are imposed without prior warning and notices to the business owners. Information regarding tax regime in the country still remain scanty among the public. From the findings of the survey, there are several entities that collect revenue from small businesses and other corporate entities. However, the role and responsibility of these entities seem to overlap in some cases and in some instances leave a gap that is often exploited by either the entities responsible for revenue collection or rogue official who exploit the gap for their benefit. This unfortunately facilitates leakage in the revenue collection and exposes the small business owners to exploitation.

The survey brought out clearly that some of the numerous fees and levies are imposed with an intention of providing specific services to the businesses and the operating environment. However, on the contrary, services such as garbage collection, security to the businesses still remain responsibility of the owners and in some cases they have to make private arrangement to safeguard their commodities and businesses. Gender disparity seems to play significant role in determining conducive environment for women in business to thrive and

for women small business owners to assertively defend their right and stand against exploitation. This can be seen in how they comply with the exorbitant and exploitative amounts being imposed on them.

While Majority of small-scale business owners are foreign nationals from Uganda, Kenya and other neighboring countries? However, they employed both South Sudanese and national from their countries on equal basis

Despite women being more vulnerable to poverty and the most in need of essential services, there is still little understanding of the different impact of fiscal policy especially revenue raising. Unfortunately, strong gender analysis of tax policy is challenged by lack of disaggregated data on taxpayers and by large proportions of women working informally outside the tax net.

In addition, a lack of knowledge and understanding of household power dynamic around control of income means that analyzing the impact of indirect taxes on women's expenditure is challenging.

Lastly, lack of accountability and transparency on tax collection, aside from renewal of business license, often neither receipts are provided nor services provided for taxpayers. Shop owners for example are fined after paying city council and payam for garbage collection, yet garbage still piles without collection by these authorities. Likewise, there is no form of auditing conducted or declaration by these taxation authorities declaring the collected and thus enable adequate planning for people.

Challenges:

- The survey was greatly hindered by lack of trust and/or faith from the interviewees. There is suspicion and shock among the interviewees regarding where the concern for their financial or entrepreneurial well being is coming from. Others though the questionnaire may be from (public authority) and their safety may be at stake once they respond to the questions.
- Weak unions, associations and mechanisms that would ordinarily provide information regarding the operation environment for small businesses posed a challenge to the ability of the survey team to find necessary information in one institution.
- Absence of comprehensive information and clarity regarding tax regime, responsibility of revenue collecting entities was a challenge for the team to instantly verify the information being collected from the small business owners. This also affects participation of stakeholders in conversations and processes that lead to adoption of policies regarding taxation.

RECOMMENDATIONS

1. Make available to the public, a comprehensive, transparent and harmonized tax regime including rates, fees and penalties. Where when and how these are to be paid.
2. Business owners should be notified before imposing any chargers and should be issue receipts on payment of fines/levies
3. There's need to strengthen trade unions to advocate for right and protection of individual business owners and business entities
4. Revenue authorities to conduct fair assessment of business and their capacity to pay specific levies, enhance tax education, collection and ensure simplification of tax regulations and regime for better understanding by taxpayers

5. Civil society should work closely with the legislature to ensure that annual budget processes reflect interest of small-scale business owners, especially women own business
6. Need to conduct analysis of national tax policies and how it impact on women

Conclusion:

Assessment of how the revenue collection, taxation process and tax regime in South Sudan impact women is an important entry point to understanding the possibility of having women engaged in doing business on equal footing with their male counter-part. Based on the findings of the assessment women and specifically South Sudanese women, be it small scale business owners or employ by small scale business seems to be more impacted by lack of clarity in the taxation system in the country. Therefore future assessment will be important to further interrogate and recommend how the working environment for women and particularly women small scale business owners and those employed by these small businesses can be improve for purpose of steady growth and stability.