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VALUE ADDED TAX (VAT) ROLE IN THE ECONOMIC GROWTH OF THE REPUBLIC OF SOUTH SUDAN

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Abstract

VAT has never been introduced in the country. The goal of this work is to find ways of introducing and legislating VAT laws and policies to boost the economic growth of South Sudan. Quantitative method was used on random sample of 80 participants. Both primary and secondary data were used. The instrument utilized was SPSS Version 20 (Software). It was found out that the majority of South Sudan demand for the introduction of VAT. It has also been found that female business people are by far fewer than males in this nation. More resources need to be allocated when introducing VAT. Bigger sizes of business organization need to be encouraged by the government of this country.

Keywords: Value Added Tax (VAT), primary production, consumer expenditure, Turnover tax, sales transaction, net value added, capital purchases, Zero-Rating, and compliance costs.

Introduction

1.1 Background of VAT;

Bannock and Baxter (eighth ed. 2011), define Value added Taxed (VAT) as a general tax (taxation) applied at each point of exchange of goods or services from primary production to final consumption, borne by the final consumer. It is imposed on the difference between the sale price of goods or services and their cost.

Worldwide VAT is recognized as an indirect and over 150 countries apply it, Bill Hassan (2015). The adoption and application of VAT is because it is proven to be a better mechanism to increase resources and standardizing the entire taxation system. Globally, VAT ranges as number three factor in the contribution of tax revenue for governments, following social security and personal income taxes.

The experience of South Sudan shows that VAT was neglected in the last six years, instead sales tax was used in the place of VAT. Nevertheless, Salem (2012) asserted that (VAT) covers all business enterprises, while the latter is imposed on businesses dealing only with trade. This explains why South Sudan relies on 98% of its income on Oil revenue, while taxation plus foreign grants contribute only to 2%.

In addition, even the sales tax is negatively impacted upon by unnecessary exemptions by unauthorized government officials and so further reducing its contribution to the revenue and economic growth. Some of the commodities from which sales taxes are exempted entail pharmaceutical (drugs), agricultural machinery, agricultural seeds, and animal feeds.

When introduced in South Sudan, as it is in Gabon, Price water House Coopers Inc.(2014), VAT is supposed to cover the following:

1.2 Rates and scope

There are three VAT rates applied in the Gabonese Republic, namely: Standard rate of 18%, applicable to all transactions unless otherwise provided for; reduced rate of 10%, which applies to production, manufacturing, and selling of the products. Reduced rate of 5%, applying to sales and services related to cement; and Zero rate of 0%, applying to exports and international transport. The 0% rate applies only to exports for which declarations have been issued by the Customs Authorities.VAT is a broadly based tax on consumer expenditure. VAT is largely removed from business costs, and thereby confined to consumer expenditure by providing taxable persons with a credit mechanism – the deduction.

1.3 Statement Of The Problem

In South Sudan, the difficulty is that, the amount of tax revenue (including sales tax) is utterly insufficient and ineffective to cater for the dire services and economic development needs of the young Nation.

Many financial institutions and individuals criticize South Sudan for failure to introduce the much needed. VAT has a high revenue yield at a low tax rate, which is essential source for deficit reduction, and finances the larger expenditures of public sectors. This is supported by the model of Tanzania VAT standard rated sales accounted for 75% of total turnover, although has now dropped to nearly 60%, Price water House Coopers Inc.(2014).

Gareth D. Myles (March 2007),lower returns mean less accumulation and innovation and hence a lower rate of growth. Significant increases of GDP raise the assurances of tax contribution on economic growth. This explains why South Sudan should boost its revenue from taxes, with VAT playing a dominant role.

1.3 Objective

This research aims at introducing and enacting VAT Law and boosting VAT performance in South Sudan for the first time since independence to effectively contribute to the economic Growth of this nation.

Sub-objectives are to: i) Find out the kind of VAT policy that leads to promoting economic growth. ii) Achieve a stable revenue growth.iii) Investigate significance of VAT policy in South Sudan. And, iv).Uncover the shortcomings of sales tax.

2. THEORETICAL FRAMEWORK

2.1 VAT Levying Stages

N. A. Salem (2012) asserts that VAT is commonly imposed on growth income of business after deducting purchases from other industries. This is calculated by viewing the value added of each firm which is based on the enterprise's contribution to the net national income. It is harder to administer as compared with sales tax due to the fact that, the former (VAT) covers all business enterprises, while the latter is imposed on businesses dealing only with trade. Generally, it is assumed that VAT is levied at a low flat rate. VAT merit is that, it has an overly broad base. Hence, can generate a good amount of revenue at low rates.

In the words of Lyme and Oats (19th Ed. 2012/2013), VAT was initially simple to apply but of recent years, it has grown more complicated in application. It has developed into an area of specialization in terms of compliance and planning.

Salem continued that it is vital to distinguish between three related taxes: sales tax, turnover tax, and VAT. The three share in common the fact that the tax base is the sale price of the commodities. Sale tax is levied on the gross value of items sold but it is imposed at one particular stage of business activity, whole or retail. Turnover tax is applied at every sales transaction. One item may be taxed many times as far as the turnover tax is concerned, since it is levied at every sale point.

VAT is levied on the net value added at each stage of production. In this context a seller is likely to pay tax on the gross value minus the value of the inputs purchased from other dealers. VAT is a good way to tackle tax evasion.

When value is added to a product (by a manufacturer, distributor, advertising agent, and so on to inputs or purchases (other than labour) before selling the improved or new products or services, it is called value added (Tait, 1988). It is a tax levied at each stage of production when a firm adds value to it. The added value is determined by subtracting a firm's sales and the value that a firm paid to acquire that product or input (Beckley, 2003). The latter continued that the general economic principles for a good tax system include efficiency, equity, certainty, simplicity and transparency.

2.2 Types of VAT

VATs are classified into three in their tax treatment of purchases or capital inputs such as plant and equipment. The first one is consumption VAT, in which the acquisition or purchase of capital assets are treated as purchase of any other input. In this VAT treatment, the purchase price of an asset is taken away at the time of purchase. The second one is the income VAT. In the

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treatment of this type of VAT, the VAT paid on the purchase of capital inputs is credited against the firm VAT liability (i.e., amortization of VAT) over the life of the capital input. The third one is called the gross product VAT in which no VAT deduction takes place on purchases of capital inputs against the firm's VAT liability (Beckley, 2003).

The rationale for adopting the VAT system is as stated by Tait (1988) has to do with unsatisfactory sales tax, abolition of discriminatory border taxes. Tait (1988) further stated that in sales taxes, this tax occurs as a product moves in the supply chain (from manufacturer to wholesaler, to retailer). It was the shortcomings of the cascade element that forced the French to consider and allow a credit for purchases of inputs or raw materials against the sales tax liability. It also permits a credit for the tax content of capital purchases

2.3 Exemption versus Zero-Rating

It is illegal for Businesses exempted from VAT to collect VAT and thus do not credit for VAT paid on its purchases of inputs. Such corporations do not have the VAT compliance costs and do not impose costs of administration on the government. The exceptions of such businesses are confirmed by the government (Tait, 1988; Beckley, 2003).

A taxpayer may forever receive refunds without paying any tax to the government if it is an exporter. This occurs if an exporter is not entitled to pay VAT as the export outputs are not subject to tax, but it is entitled to demand a credit for its input VAT (Thorny, 2003).

In VAT law, zero-rating means that there is no tax for the sales made but the import credits are allowed to be claimed fully. On the other hand, in VAT exemption, the sales are not subject to tax and the credits are denied.

As additionally referred to by Tait, (1988) and Beckley (2003), a zero-rate business credits for VAT paid on inputs but does not collect VAT on its sales.

VAT possesses a high revenue harvest at a low tax rate, which is a fundamental source for deficit reduction, and finances the larger outlays of public sectors. Beckley (2003) added that the studies made in UK, Sweden, Portugal, and Australia indicate that administrative costs as a percentage of revenue are less for consumption taxes than for their income taxes.

2.4 Single Rate Versus Multiple Rates that content the preferences of the politicians is vital. Tax superintendents want to use a single rate of VAT (excluding zero-rate on exports). It is good to reason that the administrative costs of both the tax administration and the traders' compliance costs increase with the increase of rates of VAT (Tait, 1988).

Apart from the administrative and compliance costs, it is worried that multiple rates of VAT would:

• Misrepresent both consumer and producer selections;

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• Not necessarily profit the final consumer even if the rate of VAT is low, actually traders are faced with recouping a certain quantity of money of VAT from consumers;

• Favour specific households, not just low-income households even though the tax rates are low for some items;

• Corrode the tax base and hence incentives if multiple level rates are used;

• Not be ideal since a higher rate is employed for few goods and their revenue is bound to be tiny as taxpayers fine-tune their consumption. In this case, excise taxes and user charges are preferred rather than a higher VAT rate (Tait, 1988).

2.5 Botswana

Price water House Coopers Inc. (2014) asserted that Value-added tax (VAT) was begun in Botswana with effect from 1 July 2002 to replace Sales Tax. Botswana's VAT law is covered in the Value-Added Tax Act, 2000.

2.5.1 Rates and scope

The standard VAT rate of 12% relates to all provisions that do not fit for an exemption or zero-rating. There is no other higher or reduced VAT rate. VAT is imposed on taxable supplies and the importation of goods and services into Botswana. Any supply that is not listed as an exempt supply is a taxable supply, other than the following:

• A provision of services by an employee to an employer by way of employment; and the supply of goods where the input VAT claim was originally denied, such as passenger vehicles.

• A taxable supply includes a supply between related parties for no consideration, or a provision of goods for use only as trade samples.

2.6 Burundi

Crowe Howarth International, Africa VAT/GST Guide 2016value added tax (VAT) was introduced by Law 1/02 of 17 February 2009, which is payable by any resident or non-resident individual or corporate entity carrying out transactions or rendering services in Burundi. VAT is imposed on the provision of goods and services and is based on the value added to a product by each producer, distributor or service provider.

2.7 Congo

2.7.1 Compulsory registration

Africa VAT/GST Guide 2016 continued that both legal entities (in the private and public sectors) as well as individuals can be considered liable for VAT if they carry out taxable operations within the scope of VAT, independently and habitually, and the operations consist of economic

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activity for a valuable consideration. Voluntary registration is prohibited if a business' annual turnover does not surpass the limit for compulsory registration.

2.7.2 Deregistration

All taxpayers ought to put the Tax Administration in picture about the termination of their business. As there is no standard form, this declaration is mandatory to be made on plain paper by the taxpayer within 10 days of the event concerned in the case of individuals, and three months in the case of entities.

2.8 Côte d'Ivoire (Ivory Coast)

2.8.1 Rates and scope

In accordance with Africa VAT/GST Guide 2016VAT is levied at a single rate of 18%, except when an exemption or zero-rating is involved. VAT is decreased to 9% on some food products in the range of milk, pastas, and production equipment for solar energy as well as those for oil companies.

2.8.2 Exempt supplies

The main exceptions pertain to professions concerned with activities related to the following: Health; Insurance and reinsurance; Agriculture; Transport companies; and Education.

2.8.3 Imports

VAT on imported goods is due during the customs clearance process, except for exempted goods. VAT related to services rendered by non-resident companies is collected through the reverse-charge mechanism. The VAT due is declared and paid by the client located in Côte d'Ivoire.

2.8.4 Exports

Goods exported are zero-rated, but exporters are entitled to recover VAT on their inputs. Tax credits may be refundable, subject to certain conditions. Services related to export operations are excluded from VAT. The export of services (services rendered to non residents) is subject to VAT, provided the services are used in Côte d'Ivoire.

VAT paid by foreigners on goods exported by them is not allowed as repayments are also not permitted to foreigners in respect of services consumed in Côte d'Ivoire.

2.9 Equatorial Guinea

2.9.1 VAT compliance: Reimbursements and payment of VAT

Africa VAT/GST Guide 2016 documented that all taxpayers in Equatorial Guinea must file monthly returns (before the 15th of each month) of their operations made during the preceding month, and make immediate payments to the Equatorial Guinea Revenue Authorities. Any taxpayer who has not performed any transaction during the said period must file a zero return.

2.9.2 Interest and penalties: The interest and penalty range depends on whether the administrative correction procedure is contradictory or unilateral.

2.9.3 Refunds

There is no repayment allowed according to the Tax Code. When the sum of VAT deductible for one month exceeds that of VAT payable, the surplus constitutes a tax credit attributable to the VAT payable for the subsequent period.

2.9.4 Objections: The taxpayer can pleat a decision to the same authority that took the decision or a higher authority. Tax panels are the governing bodies that must resolve controversies on factual matters that may be brought between the Tax Administration and taxpayers.

2.10 Ethiopia

Value added tax (VAT) is imposed under Proclamation No. 285/2002 and Council of Ministers Regulations No. 79/2002.

2.11 Gabon

2.11.1 Rates and scope

There are three VAT rates applying in the Gabonese Republic, namely: Standard rate of 18%, executed to all transactions unless otherwise provided for; reduced rate of 10%, which applies to production, manufacturing, and selling of products.VAT is a broadly based tax on consumer expenditure. It (VAT) is largely removed from business costs, and thereby confined to consumer expenditure by providing taxable persons with a credit mechanism – the reduction.

2.12 Ghana

2.12.1 Calculation of output tax: Output VAT is calculated by using the rate of the tax to the VAT-exclusive amount. Advertised prices include VAT taxes. Therefore, when prices are charged exclusive of such taxes, VAT at 17.5% (in total) must be added.

2.13 Kenya

Value Added Tax (VAT) is governed by the Value Added Tax Act which became effective on 1 September 2013 when the previous VAT Act was cancelled. VAT is collected on behalf of the Kenya Revenue Authority (KRA) by any person making VAT-able supplies in the course of business. Under the VAT Act, all goods and services are taxable except for those that are specifically excluded in the Act.

2.13.2 VAT filing: Kenya's 2013 VAT stipulates that every registered person is asked to file

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VAT repayments and make payment of tax due not later than the 20th day of the month following the month during which the tax became due. Kenya's system is that the returns are to be filed electronically. The Commissioner could nevertheless, relieve a taxpayer from filing their returns electronically.

2.7 Sudan

2.7.1 General: The VAT came into force since 1 January 2000 for the supply of goods and services by taxable persons in Sudan and on the import of goods and services into the country. All goods and services are taxable, unless otherwise provided by the VAT Act 1999. VAT is collected on behalf of the Taxation department by any firm creating taxable supplies of goods and services in the course of business.

2.8 Uganda

Value Added Tax (VAT) is imposed under the Value Added Tax Statute 1996 ("the Statute") on the supply of goods or services by taxable persons in Uganda and the import of goods and services into the country.VAT/GST (standard rate): 18%; VAT/ GST (Reduced rate) 0%.

2.8.1Non-residents: The VAT Act does not distinguish between resident and non-resident persons. The Commissioner asks a non-resident person to submit for registration and where that person does not have a constant location of business in Uganda, they must deploy a VAT representative who is a person commonly resident in Uganda. Where a foreign person provides goods, VAT will be paid on importation into Uganda. Where a foreign person supplies services, the recipient in Uganda is required to account for the VAT by way of the reverse-charge mechanism. VAT accounted for by reverse-charge mechanism effective 1 July 2011 cannot be claimed back as input VAT even by a registered person.

2.9 Rwanda

2.9.1 General: VAT was started in 2001 by the Law 6/2001 substituting a sales tax. The Law was substituted by the Law 37/2012, setting up the value added tax and commenced from 5 February 2013. VAT is a tax on final consumption. All persons who buy taxable goods or services pay VAT. The goods or services may be imported or locally produced.

Rates are: VAT/GST (Standard rate) 18%; VAT/GST (Reduced rate) 0%; VAT/GST (increased rate) zero; An increased rate of 15% applicable during the austerity period in times of no oil revenues.

2.10 China and India

Watts and Ropak Chattaopadhyay (2010) asserted that while VAT has been introduced in more than 141 countries, it is probably no accident that a single comprehensive VAT at the national or sub national level has not been adopted in any of the federations. Each one of the federations has

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varied forms: either a federal form of VAT or a system of dual VAT or state VAT.

Gordon (2010) argued that the sustained economic growth India and China that sailed for 15 -25 years is likely the most remunerable modification in the World economy. These two countries were among low-income nations globally prior to the economic transformations.

Admittedly, India and China stood at similar economic conditions at the time they commenced their economic reforms. The India of the 1991 could be contrasted with China of 1979, because by that time not only the per capita GDP, but also the industrial structure of the economy in the initial functions of the Government as far as the economy was concerned were very analogous. The Taxation policies operating in the initial period of the reforms could be compared with huge dependence on Excess Taxes, Cooperate Income Taxes, and Tariffs, and deep difference in effective tax rate sector-wise. The economic growth process let to deep pressures on the initial tax structures owing to the fact that, with the reforms, industries could respond aggressively to existing tax distortions, relatively most poor countries kept many regulations affecting the degree to which resources could abandon the highly improved tax sectors. The reform process in the two countries took away most of these regulations and limitations which resulted in loss of the tax base and fast reallocation.

2.11 South Africa

Robinson (2004) underscored that the OECD base broadening and tax compliance practice worldwide which is a reasonable indicator of “international best practice”, VAT should be on a broad basis (including goods and services) and a credit (invoice) system, and the destination principle should hold. Therefore, the administrative ideal of only a few rates has been realized in South Africa with only one standard rate and a zero rate.

2.11.1 Rates: The rate has also been relatively low and increased from 10 to 14 per cent, which is still within the recommendation of the World Bank (1991) of between 10 and 20 per cent for developing countries. In 1996, the VAT base was broadened to include most fee-based financial services. However, the VAT system tends to be more regressive with a few exemptions and zero-ratings still in place. The Higher VAT rates on luxury goods or a multiple VAT rate system should be avoided. The main reason for the latter recommendation was that such a system would not reduce regressively because it would have high administration and compliance costs and would not have much additional revenue potential.

Clyde Mutsotso (2010) stated that there is no ideal system threshold for the application of a presumptive regime that can be used in all countries. The key design requirement is to avoid an overlap of the presumptive tax regime with the standard VAT. Except for countries operating a particularly high VAT registration threshold (such as Senegal and Morocco) the limit for probable taxation should agree to the VAT registration boundary.

2.11.2 VAT Criterion and Concept:

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Gabriel Katanga (2010), Introduction to Tax Law, Law African Publishing (k) Ltd, Co-op Trust Plaza first floor, Lower Hill Road, P.O. Box 4260-00100 GPO Nairobi Kenya, argues that interims of criteria commodities are bound to be originating when the imported items under went a process which culminate in modifying the value of the product. To prevent a misjudgement, a minimum change in value is the base of computation. In East Africa and COMESA, a threshold of 35% was determined.

The method of valuation of inputs and the final product is a compound issue and many times it is an expensive activity. The criterion is sensitive to price fluctuation of direct and indirect cost, and creates uncertainty. In terms of the VAT concept, all commodities save a few meritorious items should have tax imposed on. Usually, one single rate is levied on all the commodities whether foreign imported or domestically produced.

Indirect taxes are form a huge chunk of 70% of the government revenue, while the remaining 30% is derived from direct taxes, Sikkim Maniple University(2010), Taxation Management, 5th Mile, Tiding, Bangkok – 737102 Sikkim.

2.10 China and India

Watts and Chattaopadhyay (2010) asserted that while VAT has been introduced in more than 141 countries, it is probably no accident that a single comprehensive VAT at the national or sub national level has not been adopted in any of the federations. Each one of the federations has varied forms: either a federal form of VAT or a system of dual VAT or state VAT.

Gordon (2010)argued that the sustained economic growth India and China that sailed for 15 -25 years is likely the most remunerable modification in the World economy. These two countries were among low-income nations globally prior to the economic transformations.

Admittedly, India and China stood at similar economic conditions at the time they commenced their economic reforms. The India of the 1991 could be contrasted with China of 1979, because by that time not only the per capita GDP, but also the industrial structure of the economy in the initial functions of the Government as far as the economy was concerned were very analogous. The Taxation policies operating in the initial period of the reforms could be compared with huge dependence on Excess Taxes, Cooperate Income Taxes, and Tariffs, and deep difference in effective tax rate sector-wise. The economic growth process let to deep pressures on the initial tax structures owing to the fact that, with the reforms, industries could respond aggressively to existing tax distortions, relatively most poor countries kept many regulations affecting the degree to which resources could abandon the highly improved tax sectors. The reform processes in the two countries took away most of these regulations and limitations which resulted in loss of the tax base and fast reallocation.

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Clyde Mutsotso(2010) stated that there is no ideal system threshold for the application of a presumptive regime that can be used in all countries. The key design requirement is to avoid an overlap of the presumptive tax regime with the standard VAT. Except for countries operating a particularly high VAT registration threshold (such as Senegal and Morocco) the limit for probable taxation should agree to the VAT registration boundary.

2.11.2 VAT Criterion and Concept:

Katanga (2010)argued that to prevent a misjudgement, a minimum change in value is the base of calculation. In East Africa and COMESA, an upper limit of 35% was fixed.

From a view point of the VAT concept, all commodities except a few worthy goods should have tax imposed on. Usually, one single rate is levied on all the commodities whether foreign imported or domestically produced.

Sikkim Maniple University (2010) elaborated that indirect taxes form a huge chunk of 70% of the government revenue, while the remaining 30% is derived from direct taxes,

3. Methodology

The method used in this study is a quantitative technique with a purposive sample of 80 participants selected from some ten technical institutions that generate taxation revenue. Part of the sample was respondents randomly selected from business investors both foreign and local, chamber of commerce and workers unions. The instruments employed were both primary and secondary data. The primary sources involved questionnaires and individual interviews while most of the secondary data utilized journals, articles, conference papers, reports, and academic books.

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4.0 Presentation and Analysis of Data.

The method of data analysis chosen for this study was the chi-square (λ2) 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.

Table 4.1: Demographic Characteristics of Respondents

Variable	Options	Frequency	Percent
Age	Below 25	10	12.5
	25-30	20	25.0
	31-35	15	18.8
	36-40	13	16.3
	41-45	14	17.5
	46-50	5	6.3
	51-60	2	2.5
	Missing	1	1.3
	Total	**80**	**100.0**
Sex	Male	63	78.8
	Female	16	20.0
	Missing	1	1.3
	Total	**80**	**100.0**
Marital Status	Not married	24	30.0
	Married	53	66.3

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	Divorced/Widowed	2	2.5
	Missing	1	1.3
	Total	**80**	**100.0**
Educational status	Primary education	1	1.3
	Secondary education	12	15.0
	Diploma	20	25.0
	BSc/BA	34	42.5
	MSc/MA	12	15.0
	Missing	1	1.3
	Total	**80**	**100.0**
Years of experience	Below 1 Year	9	11.3
	2 to 5 Years	37	46.3
	Above 5 Years	34	42.5
	Total	**80**	**100.0**

Source: own data

As shown in Table 1 above, among 79 (because one is missing) respondents out of the 80 participated in the study. 18.8% of them were in the age group of 31-35, while 16.3% and 17.5% of respondents fall in the age group of 36 to 40 and 41 to 45, respectively. The largest group is between the age of 25 to 30 (25.5%) Regarding their sex and marital status, majority of respondents (78.8%) were male and married (66.3%). In relation with their educational status, 42.5% of respondents are first-degree holders, while 15.0% and 25.0% of them are second degree and diploma holders, respectively. 46.3%of the respondents have above 5 years of experience while 42.5% have 2 to 5 years of experience.

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Table 4.2: Job related experience

Variable	Options	Frequency	Percent
Job position	Junior/ non-Technical or support staff	23	28.8
	Supervisor	31	38.8
	Manager	20	25.0
	Director	5	6.3
	Senior director	1	1.3
	Total	**80**	**100.0**
Organization/ entity's period of Operation	Below 1 Year	10	12.5
	2 to 5 Years	29	36.3
	6 to 10 Years	25	31.3
	11 to 15 Years	8	10.0
	16 to 20 Years	4	5.0
	Above 20 Years	4	5.0
	Total	**80**	**100.0**
Organization Size	Less than 50	21	26.3
	50-100	21	26.3
	101-250	10	12.5
	251-500	4	5.0
	501-1000	15	18.8
	Above 1000	8	10.0
	Missing	1	1.3
	Total	**80**	**100.0**

Source: Own data

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As shown in the table 2 above, there exist a variety of job positions that respondents are placed in. Among it, proportion constituted (28.8%) were junior/ non-Technical or support staff, the greatest number is supervisors (38.8%), managers 25.0% and directors 6.3%. Regarding organization/entity's period of operation, (31.3%) have worked there for 6 to 10 years; similarly those who served for 2 to 5 years constituted 36.3%. Among the total respondents who worked above 20 years make up only 5.0%. In relation to organizational size, proportions (10.0%) have more than 1000 employees and those organizations having size of 251 to 500 employees constituted 5.0%; and those having less than 50 employees represent 26.3% only.

Table 4.3: Knowledge and clarity of VAT and other issues

Variable	Options; Frequency (%)					
	Yes	**No**	**Total**			
Do you have any knowledge about VAT policy, law and Administration?	58 (72.5)	22 (27.5)	**80 (100.0)**	Chi-square= 16.20, df=1, $p<0.01$		
	Very high	**High**	**Medium**	**Low**	**Very low**	**Total**
Level of Knowledge on VAT	12 (21.1)	19 (33.3)	16 (28.1)	6 (10.5)	4 (7.0)	**57 (100.0)**
	Chi-square= 14.316, df=4, p=0.006					
	Yes	**No**	**I do not know**	**Total**		
Do you think that the Government should have an objective approach to introduction of VAT?	48 (60.0)	18 (22.5)	14 (17.5)	**80 (100.0)**		
Is it wise to introduce VAT in Our Republic now despite the socio-economic realities on the ground?	41 (51.3)	35 (43.7)	4 (5.0)	**80 (100.0)**		
Is it wise to introduce VAT in Our Republic now because many other countries have	35 (43.7)	41 (51.3)	4 (5.0)	**80 (100.0)**		

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already introduced such tax?						
Do you think that time is due for the introduction of VAT in South Sudan?	35 (45.5)	34 (44.2)	8 (10.4)	**77 (100.0)**		
Do you think VAT differs from Sales Tax?	29 (37.2)	32 (41.0)	17 (21.8)	**78 (100.0)**		

Source: Own data

As Indicated in table 3 above, the majority of respondents (72.5%) had clear knowledge and clarity regarding customs duties policy, law and administration before. Among the respondents 33.3%has rated 'high' on their level of knowledge on Value Added Tax ; 'medium' and 'low' were rated by (28.1%) and (10.5%) respectively. 60.0% of participants commented that the government should have an objective approach to introduction of VAT. The majority (51.3%) of the interviewees agreed that VAT should be introduced in the country. On whether to introduce the VAT or not because many countries already have it, the majority (51.3%) said "No".

On whether time is due or not for the introduction of VAT in South Sudan, the two largest groups were 45.5% saying "yes", and 44.2% said "no", but only 10.4% replied that they "do not know". On whether VAT differs or not from sales Tax, the majority (41.0%) answered "no", while 37.2% answered "yes", and those who "do not know" were the smallest group (21.8%).

Table 4.4: Administration of VAT

Variable	**Options; Frequency (%)**					
	Very high	**High**	**Medium**	**Low**	**Very low**	**Total**
How do you think that the introduction of VAT will raise substantial revenues for the Government ?	15 (18.8)	35 (43.8)	20 (25.0)	8 (10.0)	2 (2.5)	**80 (100)**
Should the tax rate of	24 (30.0)	28 (35.0)	25 (31.3)	3 (3.8)	-	**80 (100)**

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VAT on luxury items in the Republic of South Sudan be						
	High for the poor	**Low for the rich**	**Neutral for all**	**Total**		
Should VAT rate be	10 (12.7)	3 (3.8)	66 (83.5)	**79 (100.0)**		
	The rich	**The poor**	**All consumers / importers**	**I do not know**	**Total**	
Do you think the introduction of VAT will favor	17 (21.5)	8 (10.1)	45 (57.0)	9 (11.4)	**79 (100.0)**	
	Extremely Valuable	**Very valuable**	**Moderately valuable**	**Least valuable**	**Not valuable**	**Total**
How do you value the introduction of VAT in our Republic?	13 (16.3)	33 (41.3)	17 (21.3)	9 (11.3)	8 (10.0)	**80 (100)**
	Realizable or workable	Cheap administration cost	Fair and just	Easy to implement		**Total**
The VAT Policy of South Sudan must be ***(Multiple responses***	45.0%	42.5%	57.5%	32.5%		**79 (100)**

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are allowed)						
	Very easy	**Easy**	**Moderately easy**	**Difficult**	**Very difficult**	**Total**
How do you rate the simplicity in administering the introduction of VAT in our Republic by the Tax officials?	9 (11.5)	21 (26.9)	25 (32.1)	18 (23.1)	8 (6.4)	**78 (100)**
	Capacity Building	**Availing resources**	**Formulating realistic laws**	**Transparent tax administration**	**Integrity**	**Ethical Business Community**
	Yes	**No**	**I do not know**	**Total**		
Do you think that the Tax Authority has the necessary tools to implement modern VAT law?	26 (33.8)	36 (46.8)	15 (19.5)	**77 (100)**	Chi-square= 8.597, df=2, p=0.014	

Source: Own data.

Table 4.4 above shows administration of VAT. On how much the introduction of VAT will raise revenues for the government of South Sudan. The responses were 43.8% believe the revenue will raise “high”, group for “medium” is 25.0% and those who believe that VAT will generate “very low” income were 2.5%. On whether the tax rate of VAT on luxury items in South Sudan will be high or low, the majority (35.0%) were for high, followed by medium (41.3%), but those who answered for “very low” were nil. On whether VAT rate should be high for the poor or low for the rich, the answers were : those for “high for the poor” 12.7%, the highest group (83.5%) was neutral for all. While those who think that VAT should be for the rich were the least (3.8%). On whether the introduction of the VAT will favour the rich or the poor, the largest group was (57.0%) argued that VAT will favour all consumers or importers. Those who think that VAT will favour the rest were 21.5%, but the smallest group (10.1%) stressed that it will favour the poor. On how introduction of VAT is valued, the majority (41.3%) commented that that the introduction of VAT will be “very valuable”, but the smallest category (10.0%) were those who emphasized that such introduction would “not be valuable”. On whether the VAT policy for South Sudan would be realizable or not, the majority (57.5%) replied that the policy would be fair and just. The second category (45.0%) elaborated that it would be realizable of workable. The tiniest group (32.5%), commented that the new policy of VAT would be easy to implement. On how the simplicity of VAT administration if introduced, the largest set (32.1%)said that the introduction would be “moderately easy”, those who stood for that the introduction would be “very difficult”, were the smallest category (6.4%). On whether one thinks the tax authority has the necessary tools to implement modern VAT law, the majority (46.8%) said lack of resource availability will hamper the implementation. 33.8% argued that “yes” there will be capacity building to implement any modern VAT law, while the last category which is only 19.5% argued that they “do not know”.

Table 4.5: Challenges in Administering VAT

Variable	**Options; Frequency (%)**					
	Most Relevant	**Relevant**	**Moderately relevant**	**Fairly relevant**	**Not Relevant**	
						Total
How relevant is peace and reconciliation in the implementation of VAT for Development?	42 (52.5)	17 (21.3)	11 (13.8)	6 (7.5)	4 (5.0)	**80 (100)**

Source: Own data

Table 4.5 above illustrates challenges in administering VAT. On how relevant peace and reconciliation was in the implementation of VAT for development, the largest (52.5%) said that peace and reconciliation were “most; the smallest category (5.0%) of the five think that peace and reconciliation were “not relevant”

Table 4.6: Tax reforms and administration

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Variable	Options; Frequency (%)					
	Yes	No	I do not know	Total		
Do you think that the introduction of VAT in our Republic be high enough to discourage consumption of luxury goods?	34 (43.6)	34 (43.6)	10 (12.8)	**78 (100.0)**		
Do you think that basic needs products and services be exempted (Zero rate) from VAT?	56 (71.8)	14 (17.9)	8 (10.3)	**78 (100.0)**		
Should VAT be collected at both Federal and State levels?	50 (65.8)	20 (26.3)	6 (7.9)	**76 (100.0)**		

Source: Own data

Table 4.6 above demonstrates tax reforms and administrations. On whether the introduction of VAT in South Sudan should be high enough to discourage the consumption of luxury goods, those who said "yes" were equal to those who responded "no" (46.3% for each of the two), while those who said they do not know where the smallest set (12.8%). On whether one thinks that basic needs such as product and services be zero rated (exempted), those who replied "yes" were the majority (71.8%), those who said "no" were the second class (17.9%), and the last group (10.3%) were those who said they "do not know". On whether or not should VAT be collected at both federal and state levels, those who agreed were the biggest group (65.8%). Those who said should not be collected at the two levels were the second group (26.3%). The smallest group (7.9%) were those who said they did not know.

5. Findings, Conclusions and Recommendations

5.1 Findings

It has been found out that the largest group in age is between 25 to 30 years, but the majority was male. It has been uncovered that supervisors were the highest number, while senior directors were the fewest. The biggest size of the organizations was those employing less than 50 as well as between 50 and 100 in their businesses. The majority of the respondents said they have high knowledge of VAT. The majority of the interviewees agreed that VAT should be introduced into South Sudan. However, the majority of the participants admit that the Tax Authorities has no available resources to implement modern VAT laws. It has been discovered that one of the challenges in the implementation of VAT is the absence of peace and reconciliation. It has also

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been found that the majority of people agreed that VAT can be collected at both federal and state levels.

5.2 Conclusions

It has been realized that over 150 countries in the world apply VAT. Globally, VAT ranges as number three factor in the contribution of tax revenue for governments. The purpose of the study is to introduce VAT in South Sudan and to see how effectively it's share will be to the GDP of the country. The methodology used was a quantitative approach randomly selecting 80 participants, and employing primary and secondary data along dissemination of questionnaire. The majority of the participants accepted introduction of Value Added Tax in South Sudan. Nonetheless, the majority also agreed that there will be challenges because the revenue officers lack the modern tools for collection.

5.3 Recommendations

The authorities of the Republic of South Sudan need to introduce VAT. They must however, devise modern tools so that VAT implementation succeeds. Investors in South Sudan must endeavour to come up with bigger businesses. The government of South Sudan needs to facilitate and promote females to enter into businesses. The parliament of South Sudan needs to enact legislations for introduction of VAT in the country. South Sudanese leaders must endeavour to reach peace, reconciliation and cement the co-existence and unity of their people. Once introduced, VAT needs to be collected at both the central and low echelons. It is equally advisable that general reforms in the country's taxation system be carried out. Once VAT is introduced, exemption must be restricted in order not to negatively affect the revenue and thus the GDP of the country. When VAT becomes operational in the country capacity building and training of taxation personal need to be stepped up. It is highly recommended that further survey on introduction of VAT in South Sudan be conducted.

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