

# TAX STRUCTURES

## INTRODUCTION

This chapter presents the core elements of tax structures. This chapter also outlines the Darfur Peace Agreement's provisions related to tax structures and provides sample language parties may wish to consider when drafting tax structure provisions.

State practice illustrates that typical tax structures include property tax, retail sales tax, value added tax, income tax, and customs duty. States create variations within each tax structure depending on factors such as the level economic development and existing government infrastructure.

The 2006 Darfur Peace Agreement (DPA) establishes the items that are taxable by the central government and the items that are taxable by provincial governments.<sup>1</sup> The DPA does not indicate how these taxes will be collected or whether the tax will be direct or indirect.

## CORE ELEMENTS

### Direct Versus Indirect Collection

Governments collect a tax either directly or indirectly. If the government collects the tax directly, taxpayers reimburse the government directly. A property tax is one example of a direct tax. The government collects a property tax directly from the individual. For instance, Canadian and Australian provincial governments collect property tax directly from individual property-holders.<sup>2</sup>

In contrast, an intermediary entity collects an indirect tax, rather than the government. The intermediary entity then transfers the revenue to the government.

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<sup>1</sup> Darfur Peace Agreement, art. 18, paras.117-18, May 5, 2006, *available at* [http://www.unmis.org/english/2006Docs/DPA\\_ABUJA-5-05-06-withSignatures.pdf](http://www.unmis.org/english/2006Docs/DPA_ABUJA-5-05-06-withSignatures.pdf) (last accessed Sept 20, 2007).

<sup>2</sup> CANADA'S DEPOSITORY SERVICES PROGRAM, CANADA'S FISCAL (IM)BALANCE: REVENUES AND EXPENDITURES, *available at* <http://dsp-psd.pwgsc.gc.ca/Collection-R/LoPBdP/EB/prb0235-e.htm#revenuestxt> (last accessed Sept. 6, 2007); Paul Boothe, FORUM OF FEDERATIONS, TAXING, SPENDING AND SHARING IN FEDERATIONS: EVIDENCE FROM AUSTRALIA AND CANADA, in FISCAL RELATIONS IN FOUR COUNTRIES: FOUR ESSAYS, at 4, 2003, *available at* <http://www.forumfed.org/publications/pdfs/FR-Boothe.pdf> (last accessed Sept. 6, 2007).

A retail sales tax and a value added tax are common forms of indirect taxation as businesses collect the tax from consumers and then forward this money to the government. For instance, China and Canada tax businesses and individuals in the production and purchase of certain goods.<sup>3</sup>

## **Tax Structures**

### *Property Tax*

Property tax is a tax that an owner – either an individual or business – of real estate or of other property pays on the value of that property. The amount an individual or business pays in property taxes depends on the assessed value of the property. In some states, public officials assess the property, while in other states the government authorizes private firms to assess the value of property for the purposes of taxation.<sup>4</sup> For instance, in Canada, members of the Appraisal Institute of Canada can assess the current value of an existing property or the future value of a property under construction.<sup>5</sup>

In many states, the provincial or local governments collect the majority of property taxes, and these revenues contribute to a province's overall budget. In Canada, provincial governments collect all property taxes.<sup>6</sup> The property taxes each Canadian province collects provide around one-fifth of the total tax revenue

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<sup>3</sup> Decision of the Standing Committee of the National People's Congress Regarding the Application of Provisional Regulations on Such Taxes as Value-added Tax, Consumption Tax and Business Tax (China 1994), Appendix 1, art. 2, paras. 1-3, *available at* <http://www.npc.gov.cn/zgrdw/english/news/newsDetail.jsp?id=2204&articleId=345040> (last accessed Sept. 23, 2007); Retail Sales Tax Act (Ontario, Canada, 1990) *available at* [http://www.e-laws.gov.on.ca/DBLaws/Statutes/English/90r31\\_e.htm](http://www.e-laws.gov.on.ca/DBLaws/Statutes/English/90r31_e.htm) (last accessed Sept. 29, 2007).

<sup>4</sup> APPRAISAL INSTITUTE OF CANADA, *available at* <http://www.aicanada.ca/e/index.cfm> (last accessed Sept. 7, 2007).

<sup>5</sup> APPRAISAL INSTITUTE OF CANADA.

<sup>6</sup> CANADA'S DEPOSITORY SERVICES PROGRAM, CANADA'S FISCAL (IM)BALANCE: REVENUES AND EXPENDITURES.

of that province.<sup>7</sup> In Australia, provincial governments collect more than 70 percent of the total property taxes collected in the entire state.<sup>8</sup>

### *Sales Tax*

Several different types of sales tax exist, the most common of which are retail sales, fuel, and value added taxes. Sales taxes are forms of indirect taxation in which an intermediary entity, usually a business, collects the tax and forwards it to the government.

### Retail Sales Tax

A retail (often known as a commercial) sales tax is a tax that a government imposes when an individual purchases goods and/or services.<sup>9</sup> It is an indirect tax because businesses are responsible for collecting the tax and passing the revenue to the government. Governments normally apply a retail sales tax equally to all goods and services, usually as a percentage of the value of the goods or services.

Many states exempt certain goods, such as human necessities and basic foods, from taxation for policy reasons.<sup>10</sup> The state, provincial, or local entity that collects the tax will typically pre-determine what specific products it will exempt from the retail sales tax.<sup>11</sup> Through legislation, the Canadian province of Ontario pre-determines that all food products for human consumption except candies, confections, snack foods, and soft drinks are exempt from the retail sales tax.<sup>12</sup>

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<sup>7</sup> Paul Boothe, FORUM OF FEDERATIONS, TAXING, SPENDING AND SHARING IN FEDERATIONS: EVIDENCE FROM AUSTRALIA AND CANADA, in FISCAL RELATIONS IN FOUR COUNTRIES: FOUR ESSAYS, at 4.

<sup>8</sup> Paul Boothe, FORUM OF FEDERATIONS, TAXING, SPENDING AND SHARING IN FEDERATIONS: EVIDENCE FROM AUSTRALIA AND CANADA, in FISCAL RELATIONS IN FOUR COUNTRIES: FOUR ESSAYS, at 5.

<sup>9</sup> James J. Freeland, Stephen A. Lind, & Richard B. Stephens, FUNDAMENTALS OF FEDERAL INCOME TAXATION, at 36 (10th ed. 1998).

<sup>10</sup> SOUTH AFRICA'S RECONSTRUCTION AND DEVELOPMENT PROGRAMME, A POLICY FRAMEWORK, available at <http://www.polity.org.za/html/govdocs/rdp/rdpall.html> (last accessed Sept. 6, 2007).

<sup>11</sup> Retail Sales Tax Act art. 7 (Ontario, Canada, 1990).

<sup>12</sup> Retail Sales Tax Act art. 7 (Ontario, Canada, 1990). The success of a retail sales tax often depends on the status of the retail sector of the economy. A retail sales tax may be difficult to collect in states with a historically informal market. Common retail tax collecting problems associated with enterprises operating in informal markets, such as street vendors include: (1) the

China imposes a sales tax on tobacco products, alcoholic beverages, cosmetics, skin and hair care products, precious ornaments and precious stones including those for personal adornment, firecrackers and fireworks, gasoline, and automobiles.<sup>13</sup>

### Fuel Tax

A fuel tax is a sales tax imposed on the sale of gasoline. Typically, the level of government that collects the tax decides on the level of tax.<sup>14</sup> In Canada, both the central and provincial governments impose a fuel tax.<sup>15</sup> In Japan, the Liquefied Petroleum Gas Tax specifies that individuals who purchase gas for their automobiles are subject to pay 17.7 per kiloliter.<sup>16</sup>

### Value Added Tax

A value added tax, also known as a “goods and services tax,” is common throughout the world.<sup>17</sup> In fact, more than 70 percent of all states, including

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use of a barter system, (2) failure to register a business operation with the appropriate tax collecting authority, and (3) failure to record business transactions. THE WORLD BANK, THE WORLD BANK GROUP: PUBLIC FINANCE, *available at* <http://www1.worldbank.org/publicsector/pe/Tax/retailtax.htm#example2> (last accessed Sept. 10, 2007).

<sup>13</sup> Decision of the Standing Committee of the National People’s Congress Regarding the Application of Provisional Regulations on Such Taxes as Value-added Tax, Consumption Tax and Business Tax (China 1994), Appendix 1, art. 2, paras. 1-3.

<sup>14</sup> PETRO CANADA WEBSITE, GASOLINE TAXES ACROSS CANADA, *available at* <http://www.petro-canada.ca/en/media/2128.aspx> (last accessed Sept. 29, 2007). For instance, in Canada, the central government receives \$.10 per liter of gasoline sold. Then the provinces tax an additional amount. The provincial government in British Columbia taxes each liter of gasoline an additional \$.145.

<sup>15</sup> PETRO CANADA, GASOLINE TAXES ACROSS CANADA.

<sup>16</sup> COMPREHENSIVE HANDBOOK OF JAPANESE TAXES, *available at* [http://www.mof.go.jp/english/tax/taxes2006e\\_f.pdf](http://www.mof.go.jp/english/tax/taxes2006e_f.pdf) (last accessed Sept. 29, 2007).

<sup>17</sup> Value-added Tax Act (South Africa, 1991) *available at* <http://www.acts.co.za/vat/index.htm> (last accessed Sept. 6, 2007). South Africa implemented the value added tax in 1991 with the adoption of the Value-added Tax Act. China implemented the value-added tax in 1993 and recently amended the related legislation expanding its applicability. David Williams, INTERNATIONAL MONETARY FUND, TAX LAW DESIGN AND DRAFTING, VALUE-ADDED TAX 2, *available at* <http://www.imf.org/external/pubs/nft/1998/tlaw/eng/ch6.pdf> (last accessed Sept. 29, 2007). Sri Lanka recently instituted a value added tax in 2002. SRI LANKA INLAND REVENUE,

Australia, China, Sri Lanka, and Lebanon have implemented some form of the value added tax.<sup>18</sup>

In a state using the value added tax, the government levies a tax at each stage of production, beginning with the purchase of the raw materials.<sup>19</sup> A business pays a tax on its purchases, and charges a tax on its sales. Thus, the value added tax is a fraction of the price of each taxable sale beginning with the sale of raw goods and ending with the final sale to the consumer.<sup>20</sup>

As an illustration, when business A purchases raw materials, business A pays a tax on this purchase. Business A must pay this tax to the government. However, when business A then sells goods (made from these raw materials) to business B, business B pays a tax on this purchase. Thus, business A has recouped the cost of the original tax paid on the raw materials. This cycle continues throughout the process of manufacturing the goods. When business B sells the final product to the consumer, the consumer also pays a tax on the purchase, thus allowing business B to recoup the cost of the tax. The final consumer indirectly pays the government the entire tax because it cannot recover the tax by re-selling the good.<sup>21</sup> The government thus receives a small part of the total tax from every link in the production chain culminating in the final consumer.

In Sweden, the value added tax is a 25 percent tax on the sale of most goods and services. A reduced rate of 12 percent applies to food and hotel charges and a rate of six percent applies to personal transportation, newspapers, books and magazines, and cultural events.<sup>22</sup> In China, the value added tax is a 17 percent tax on the sale of goods and services excluding exported goods. A reduced rate of 13

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TAX LAWS AND RULES, *available at* <http://www.inlandrevenue.gov.lk/atcs.html> (last accessed Sept. 29, 2007).

<sup>18</sup> James M. Brinkley, CONGRESSIONAL RESEARCH SERVICE, VALUE-ADDED TAX: A NEW U.S. REVENUE SOURCE?, at 8, 2006, *available at* [http://digital.library.unt.edu/govdocs/crs/data/2006/upl-meta-crs-9516/RL33619\\_2006Aug22.pdf](http://digital.library.unt.edu/govdocs/crs/data/2006/upl-meta-crs-9516/RL33619_2006Aug22.pdf) (last accessed Sept. 7, 2007).

<sup>19</sup> James M. Brinkley, CONGRESSIONAL RESEARCH SERVICE, FLAT TAX PROPOSALS AND FUNDAMENTAL TAX REFORM: AN OVERVIEW, at 3.

<sup>20</sup> JAMES J. FREELAND, STEPHEN A. LIND, & RICHARD B. STEPHENS, FUNDAMENTALS OF FEDERAL INCOME TAXATION, 35 (10th ed. 1998).

<sup>21</sup> David Williams, INTERNATIONAL MONETARY FUND, TAX LAW DESIGN AND DRAFTING, VALUE-ADDED TAX 7.

<sup>22</sup> SWEDEN.SE, TAXES IN SWEDEN, at 3, *available at* [http://www.isa.se/upload/english/factsheets/taxes\\_in\\_sweden.pdf](http://www.isa.se/upload/english/factsheets/taxes_in_sweden.pdf) (last accessed Sept. 23, 2007).

percent applies to grain, edible vegetable oil; tap water, central heating, hot water, and gas for use by residents; books, newspapers, magazines; feed, chemical fertilizer, agrochemicals, agricultural machinery, agricultural film; and other goods specified by the State Council.<sup>23</sup>

### *Income Tax*

An income tax collects revenue on the income of individuals and corporations.<sup>24</sup> In the case of an individual, states tax wages and salaries;<sup>25</sup> in the case of a corporation, states tax the profits of the corporation.

States use a number of different types of income taxes, ranging from a flat rate tax to a progressive tax. A flat rate tax imposes a tax on all income at the same rate.<sup>26</sup> Thus, all individuals pay the same percentage of their income in taxes, regardless of how much they earn.<sup>27</sup> Estonia, Latvia, and Lithuania all employ a flat tax rate.<sup>28</sup> A progressive tax (also known as a graduated tax) rises as the individual's taxable income increases.<sup>29</sup> Thus, an individual with a higher salary pays a greater percentage of his salary to income taxes. New Zealand,

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<sup>23</sup> Decision of the Standing Committee of the National People's Congress Regarding the Application of Provisional Regulations on Such Taxes as Value-added Tax, Consumption Tax and Business Tax (China 1994), Appendix 1, art. 2, paras. 1-3.

<sup>24</sup> JAMES J. FREELAND, STEPHEN A. LIND, & RICHARD B. STEPHENS, *FUNDAMENTALS OF FEDERAL INCOME TAXATION* (10th ed. 1998).

<sup>25</sup> JAMES J. FREELAND, STEPHEN A. LIND, & RICHARD B. STEPHENS, *FUNDAMENTALS OF FEDERAL INCOME TAXATION* (10th ed. 1998). "Salary" is a fixed payment an individual receives for regular work or services, whereas a "wage" is usually paid by the day or week for work or services which occur occasionally.

<sup>26</sup> JAMES J. FREELAND, STEPHEN A. LIND, & RICHARD B. STEPHENS, *FUNDAMENTALS OF FEDERAL INCOME TAXATION*, 35 (10th ed. 1998).

<sup>27</sup> For instance, if the tax rate is 10 percent and an individual earns \$100, that individual would pay 10 percent of \$100, or \$10 in tax.

<sup>28</sup> *The Case for Flat Taxes*, *THE ECONOMIST*, Sept. 14, 2005. These states claim that the introduction of a flat rate tax caused a decline in tax evasion.

<sup>29</sup> JAMES J. FREELAND, STEPHEN A. LIND, & RICHARD B. STEPHENS, *FUNDAMENTALS OF FEDERAL INCOME TAXATION*, (10th ed. 1998). For instance in New Zealand, income earned up to NZ\$38,000 is subject to a 19.5 percent tax, while a 33 percent tax is imposed on income earned from NZ\$38,001 to NZ\$60,000. Income earned beyond NZ\$60,001 is taxed at a rate of 39 percent. Therefore, if an individual earned NZ\$40,000, he would owe 19.5 percent of the first NZ\$38,000 and 33 percent of the remaining NZ\$2,000. NEW ZEALAND INLAND REVENUE, *available at* <http://www.ird.govt.nz/income-tax-individual/itaxsalaryandwage-incometaxrates.html> (last accessed Jan. 26, 2007).

Australia, and Canada all employ a progressive tax to collect personal income taxes.<sup>30</sup>

### *Customs Duty*

A customs duty is a tariff (or tax) on the import of goods into a state or the export of goods out of a state.<sup>31</sup> The central government, not the provincial or local authorities, typically collects customs duties due to its exclusive control over the import and export of goods.<sup>32</sup> For instance, in Australia the constitution gives the central government the exclusive power to impose customs duties.<sup>33</sup> Likewise, in Argentina the constitution explicitly prohibits provincial governments from establishing customs duties.<sup>34</sup>

States often impose customs duties on goods entering the state to safeguard domestic industry. Customs duties on incoming products raise the price of imported goods, thus making domestic goods relatively less expensive than imported goods. In the past, states often used customs duties to discriminate against non-friendly states or reward friendly states. Recently, the international community has moved towards lowering trade barriers and equalizing customs duties,<sup>35</sup> due in large part to the framework of the World Trade Organization.<sup>36</sup>

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<sup>30</sup> The Australian income tax structure includes elements of both a flat tax rate and a progressive tax. The government taxes personal income using a progressive tax structure while taxing business income with a flat rate. This hybrid system is not unique to Australia. India and the Netherlands employ similar income tax structures.

<sup>31</sup> JAMES J. FREELAND, STEPHEN A. LIND, & RICHARD B. STEPHENS, *FUNDAMENTALS OF FEDERAL INCOME TAXATION*, (10th ed. 1998).

<sup>32</sup> ARGENTINA CONST. sec. 15, 16 (1853), *available at* [http://www.argentina.gov.ar/argentina/portal/documentos/constitucion\\_ingles.pdf](http://www.argentina.gov.ar/argentina/portal/documentos/constitucion_ingles.pdf) (last accessed Sept. 6, 2007).

<sup>33</sup> AUSTRALIA CONST. art. 90 (1900), *available at* <http://www.aph.gov.au/senate/general/constitution/index.htm> (last accessed Sept. 6, 2007).

<sup>34</sup> ARGENTINA CONST. sec. 9 (1853).

<sup>35</sup> WORLD BANK, *available at* <http://web.worldbank.org/WBSITE/EXTERNAL/EXTSITETOOLS/0,,contentMDK:20147690~menuPK:344199~pagePK:98400~piPK:98424~theSitePK:95474,00.html> (last accessed Sept. 29, 2007).

<sup>36</sup> WORLD TRADE ORGANIZATION, *available at* <http://www.wto.org/> (last accessed Sept. 6, 2007). The World Trade Organization establishes rules for international trade that have an impact on customs duties. In order to become a member of the World Trade Organization, a state must first submit a memorandum to the members of the World Trade Organization describing its trade and economic policies. Second, an aspiring member enters into bilateral negotiations with member

## DARFUR PEACE AGREEMENT

The Darfur Peace Agreement (DPA) establishes the different types of tax that the central government and provincial governments, particularly Darfur, may raise and collect.

The Government of Sudan may collect revenue on (1) national personal income tax; (2) corporate or business profit tax; (3) customs duties and import taxes; (4) seaports and airports revenue; (5) service charges; (6) oil revenues; (7) national government enterprises and projects; (8) value added tax or general sales tax or other retail taxes on goods and services; (9) excise duties; (10) loans including borrowing from the Central Bank of Sudan and the public; (11) grants and foreign financial assistance; and (12) other taxes to be legislated by the National Legislature.<sup>37</sup>

The provinces of Darfur may raise and administer (1) land and property taxes and royalties; (2) service charges for state services; (3) license fees; (4) Darfur states' personal income tax; (5) levies on tourism; (6) Darfur states' share in revenues from oil and other natural resources produced in Darfur states; (7) Darfur state government projects and nature parks; (8) stamp duties; (9) agricultural taxes; (10) excise taxes; (11) loans and borrowing both domestic and foreign in accordance with their creditworthiness and consistent with the national macro-economic policy framework; (12) grants in aid and foreign aid grants; (13) allocation from the National Revenue Fund; (14) all allocations for Darfur Reconstruction and Development Fund, which will be established consistent with the general principles that the Parties agree upon; and (15) all other taxes or fees legislated from time to time, within their jurisdictions.<sup>38</sup>

## SAMPLE LANGUAGE

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states to discuss tariff rates. Finally, after the terms of accession are finalized, the membership request is submitted to the World Trade Organization General Council. Two-thirds of the General Council must vote in favor of membership in order for a new state to join the World Trade Organization. In addition, a state may require its legislative body to ratify the arrangement prior to completing the membership process. States must ratify the agreement establishing the World Trade Organization in accordance with their domestic laws concerning treaty ratification.

<sup>37</sup> Darfur Peace Agreement, art. 18, para. 117, May 5, 2006, *available at* [http://www.unmis.org/english/2006Docs/DPA\\_ABUJA-5-05-06-withSignatures.pdf](http://www.unmis.org/english/2006Docs/DPA_ABUJA-5-05-06-withSignatures.pdf) (last accessed Sept 20, 2007).

<sup>38</sup> Darfur Peace Agreement, art. 18, para. 118.

**Article XXX**  
**Property Tax**

*Regional Land Tax*

- (1) Each year, tax shall be levied in the amount determined under section (3) on land that is included in the tax roll for non-municipal territory and that is liable to assessment and taxation.
- (2) Taxes shall be levied on all land described in section (1), unless an Act or regulation expressly provides otherwise, and shall be levied according to the assessed value of the land.<sup>39</sup>
- (3) The provinces shall not impose any tax on property belonging to the Government of Sudan and the Government of Sudan shall not impose any tax on property belonging to a province.<sup>40</sup>
- (4) Subject to any regulation that may be made under section (5), the amount of tax that is payable under section (2) is calculated using the formula:  $A \times B$ , in which “A” is the prescribed tax rate for the taxation year for the property class in which the land is classified, and “B” is the assessed value of the land for the taxation year according to the last revised assessment roll for the year
- (5) The [Minister] may make regulations:
  - (a) Governing the minimum amount of tax payable on land for a taxation year and prescribing the manner for determining that amount; and
  - (b) Limiting the change in the amount of tax payable for a taxation year under section (2) from the amount of tax payable for the previous taxation year.<sup>41</sup>

**Article XXX**  
**Retail Sales Tax**

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<sup>39</sup> This language is drawn from the Provincial Land Tax Act of Ontario, Canada, *available at* <http://www.search.e-laws.gov.on.ca/en/isysquery/fe469ae5-f24b-49d7-a027-b3bdd44b6b31/1/frame/?search=browseStatutes&context=> (last accessed Sept. 18, 2007).

<sup>40</sup> This language is drawn from the AUSTRALIA CONST. ch. V, art. 114 (1900).

<sup>41</sup> This language is drawn from the Provincial Land Tax Act of Ontario, Canada..

### *Tax on Purchasers of Tangible Personal Property*

- (1) Every purchaser of tangible personal property shall pay to the Government of Sudan a tax in respect of the consumption or use thereof, computed at the rate of [X] percent of the fair value thereof.
- (2) The purchaser of the following classes of tangible personal property is exempt from the tax imposed by section (1):
  - (a) Food products for human consumption, except:
    - (i) Candies, confections, snack foods and soft drinks; and
    - (ii) Prepared food products purchased from an eating establishment, the price of which exceeds four dollars.<sup>42</sup>

**OR**

### *Regulations on Sales Tax*

- (1) Tax on taxable consumer goods produced by taxpayers shall be paid at the time of sale.
- (2) The following are taxable consumer goods and their rates of taxation:
  - (a) Tobacco at [X per cent];
  - (b) Alcoholic beverages and ethyl alcohol at [X per cent];
  - (c) Cosmetics at [X per cent];
  - (d) Skin and hair care products at [X per cent];
  - (e) Precious ornaments and precious stones, including all kinds of gold, silver, jewelry for personal adornment at [X per cent];
  - (f) Firecrackers and fireworks at [X per cent];
  - (g) Gasoline at [X per cent];
  - (h) Diesel oil at [X per cent];
  - (i) Automobile tires at [X per cent];
  - (j) Motorcycles at [X per cent]; and
  - (k) Automobiles at [X per cent].<sup>43</sup>

### **Article XXX**

#### **Fuel Tax**

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<sup>42</sup> This language is drawn from the Retail Sales Tax Act of Ontario, Canada.

<sup>43</sup> This language is from the Decision of the Standing Committee of the National People's Congress Regarding the Application of Provisional Regulations on Such Taxes as Value-added Tax, Consumption Tax and Business Tax (China 1994), Appendix 2, art. 4 and Appendix Table.

- (1) Those who ship gasoline from refineries or withdraw gasoline from bonded areas must pay the gasoline tax.
- (2) Gasoline is taxed at [X] per kiloliter.
- (3) Liquefied petroleum gas tax is an indirect tax imposed on persons who put liquefied petroleum gas into fuel tanks of automobiles or on those who receive petroleum gas from a bonded area.
- (4) Liquefied petroleum gas is taxed at [X] per kilogram.<sup>44</sup>

### **Article XXX**

#### **Value Added Tax**

- (1) Units and individuals in the territory of Sudan that sell goods, provide processing or repair and replacement services or import goods shall be payers of value added tax and shall pay value added tax in accordance with these Regulations.
- (2) The value added tax rate shall be as follows:
  - (a) The tax rate for goods sold or imported by taxpayers other than the goods set forth in (b) and (c) of this Article shall be X per cent.
  - (b) The tax rate for the sale or import of the following goods shall be X percent:
    - (i) Grain, edible vegetable oil;
    - (ii) Tap water, central heating, air-conditioning, hot water, coal gas, and coal products for use by residents;
    - (iii) Books, newspapers, magazines;
    - (iv) Feed, chemical fertilizer, agrochemicals, agricultural machinery, agricultural film; and
    - (v) Other goods specified by the National Legislature.
  - (c) The tax rate for goods exported by taxpayers shall be zero, except where otherwise determined by the National Legislature.<sup>45</sup>

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<sup>44</sup> This language is from the COMPREHENSIVE HANDBOOK OF JAPANESE TAXES, chs. VII and VIII.

<sup>45</sup> This language is drawn from the Decision of the Standing Committee of the National People's Congress Regarding the Application of Provisional Regulations on Such Taxes as Value-added Tax, Consumption Tax and Business Tax (China 1994), Appendix 1, art. 2, paras. 1-3.

**Article XXX**  
**Income Tax**

- (1) An income tax shall be paid, as required by this Act, on the taxable income for each taxation year of every person resident in Sudan at any time in the year.
- (2) Where a person is not resident in Sudan at any time in the year, an income tax shall be paid if the person, at any time in the year:
  - (a) Was employed in Sudan;
  - (b) Carried on a business in Sudan; or
  - (c) Disposed of a taxable Sudanese property.
- (3) Income tax is imposed on taxable income, at the rate or rates of tax fixed by [domestic law].<sup>46</sup>

**OR**

- (3) Unless this Act provides otherwise, income tax rates shall be 15 and 24%.
  - (a) An income tax rate of 15% shall be applied to the following income:
    - (i) Income from distributed profits;
    - (ii) Income received by sportsmen for sports activities;
    - (iii) Income received by performing artists from performing activities;
    - (iv) Royalties;
    - (v) Income from creative activities under a copyright agreement;
    - (vi) Income from the rent of property;
    - (vii) Income from individual activities not covered by subparagraphs (ii) – (vi) of this paragraph if, by the decision of the individual, no allowable deductions are made;
    - (viii) Income from the sale or other transfer into ownership of property other than that used for the purpose of individual activities; and
    - (ix) That part of pension benefits received in any manner provided for in the Law of Sudan or in any other manner provided for in

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<sup>46</sup> This language is drawn from the Income Tax Act of Canada, Division A, *available at* [http://laws.justice.gc.ca/en/showdoc/cs/I-3.3/bo-ga:l\\_I/en#anchorbo-ga:l\\_I](http://laws.justice.gc.ca/en/showdoc/cs/I-3.3/bo-ga:l_I/en#anchorbo-ga:l_I) (last accessed Sept. 18, 2007)

the law of other foreign countries, which is equal to pension contributions paid

- (b) Income not covered by paragraph (a) shall be subject to an income tax rate of 24%.
- (c) Income from activities exercised under a business certificate shall be subject to a fixed amount of income tax determined by municipality councils.<sup>47</sup>

**Article XXX**  
**Customs Duty**

The power to impose duties of customs and of excise, and to grant bounties on the production or export of goods, is exclusive to the Government of Sudan.<sup>48</sup>

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<sup>47</sup> This language is drawn from the Law on Personal Income Tax of Lithuania, Chapter I, *available at* [http://www3.lrs.lt/pls/inter3/dokpaieska.showdoc\\_e?p\\_id=273768&p\\_query=&p\\_tr2=](http://www3.lrs.lt/pls/inter3/dokpaieska.showdoc_e?p_id=273768&p_query=&p_tr2=) (last accessed Sept. 18, 2007).

<sup>48</sup> This language is drawn from the AUSTRALIA CONST. art. 90 (1900).