



United Nations  
Economic Commission for Africa



Support from the  
Economic Commission for  
Africa for increasing tax  
revenues in the Sudan





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Publications Section  
Economic Commission for Africa  
P.O. Box 3001  
Addis Ababa, Ethiopia  
Tel: +251 11 544-9900  
Fax: +251 11 551-4416  
E-mail: [ecainfo@uneca.org](mailto:ecainfo@uneca.org)  
Web: [www.uneca.org](http://www.uneca.org)

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# Foreword

The coronavirus disease (COVID-19) pandemic has led to the largest drop in the African growth rate in the past three decades, pushing more than 55 million Africans into extreme poverty in 2020.<sup>1</sup> African efforts to achieve inclusive and resilient recovery have been challenged by the ongoing conflicts between the Russian Federation and Ukraine and between Israel and Gaza, disruptions in global supply chains, heightened global economic uncertainty, tightened international financial conditions, and the climate crisis. The import costs for essential commodities, such as wheat, maize and crude oil, have doubled for several countries. The policy responses of Governments are constrained by depleted fiscal space, rising debt servicing costs and a constrained market for new finance. As at the end of 2023, 9 African countries were in debt distress, and an additional 13 were at high risk of falling into debt distress.

The cascading crises have already reversed years of the progress made towards implementing the 2030 Agenda for Sustainable Development and Agenda 2063: The Africa We Want, of the African Union. In order to turn the situation around, African countries should institute wide-ranging fiscal reforms to expedite sustainable recovery from multiple crises that have hindered industrialization, economic diversification and job creation. Ensuring a sustainable recovery, which would protect populations and economies from the shocks of future pandemics and other crises, will re-



**Claver Gatete**  
Executive Secretary  
Economic Commission for Africa

quire a range of reforms and initiatives at the national, regional and international levels. In African countries, appropriate policy choices need to be made to implement such reforms, especially through the building of coherent and effective frameworks for the mobilization of domestic resources.

The Economic Commission for Africa (ECA) is cognizant of the need to enhance domestic resource mobilization in Africa in order to finance sustainable development on the continent. This is especially pertinent for the Sudan, where the ratio of tax revenue to gross domestic product (GDP) remains in the single digits. Tax revenue performance in the Sudan has been relatively stagnant over the past two decades and remains significantly below

<sup>1</sup> *Economic Report on Africa 2021: Addressing Poverty and Vulnerability in Africa During the COVID-19 Pandemic* (United Nations publication, 2022).



potential. In response to a request from the authorities of the Sudan, ECA, through the Subregional Office for North Africa, together with the Egyptian Tax Authority, has been supporting the tax policy reform undertaken by the Government of the Sudan since 2021. Technical assistance by ECA has been focused on improving tax assessment and compliance rates and modernizing tax administration, with a view to raising tax revenues.

Efforts by ECA to support the Taxation Chamber of the Sudan in its reform of the tax system are summarized in the present report, highlighting challenges facing the tax authority, actions taken to enhance tax procedures and the results achieved. In the Sudan, the tax-to-GDP ratio increased from 1.0 per cent in 2020 to 5.4 per cent in 2022. Security conditions permitting, ECA will support the Chamber in its efforts to further increase this ratio to achieve new ambitious targets.

# Acknowledgements

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# I. Overview of the 20-month support process

The Economic Commission for Africa (ECA) team held numerous meetings and interviews with the departments of the Taxation Chamber of the Sudan that carry out the main functions of tax administration, including the Inspection and Audit Department, the Advance Payment Department (which is the department responsible for the withholding tax system), the Tax Evasion Department, the Tax Research and Policy Department, the Legal Affairs Department, the Tax Risk Department, the Tax Refund Department and the Collection Department.

Interviews were also conducted with employees of the tax offices for large, medium and small taxpayers. These interviews helped to identify the most important gaps that required immediate action, owing to their large potential to increase tax revenues.

The following is an overview of the challenges faced, the strategy and approach followed and the actions taken during the 20-month period, from July 2021 to February 2023, during which ECA provided support to the Sudan. The main outcome of these efforts was an increase in the tax-to-gross-domestic-product (GDP) ratio from 1.0 per cent in 2020 to 5.4 per cent in 2022.

## Challenges

- The tax withholding system is poorly applied.
- Government entities are obliged to withhold 1 per cent of all purchases of goods and services and to report all related detailed information to the Chamber monthly.
- There are many tax exemptions set out in the Investment Law and other special laws.
- Tax rates in the Sudan range from 0 to 35 per cent.
- The Tax Evasion Department lacks the appropriate structure and expertise to detect taxpayers who evade taxes.
- The Large Taxpayers' Office contributes approximately 47 per cent of total tax collection, which is a low percentage in the light of global best practices.

## Strategy

- ECA technical assistance is focused on the Large Taxpayers' Office and the following sectors: telecommunications, industry, contracting, banking, mining, and oil and gas.
- The plan to modernize tax administration in the Sudan comprises a two-track programme that includes a capacity development component and an administrative component.

## Approach

- The approach is based on building a strategic partnership between the Taxation Chamber of the Sudan and the Egyptian Tax Authority.
- Technical advice is provided on modernizing and reforming tax policies following good international practices.
- The Chamber is assisted in building capacity and expertise that will enable it to help decision makers to analyse and evaluate current tax policies and study future reforms.

## Actions

### **Administrative component**

- Impose tough penalties against taxpayers who violate tax laws.
- Enforce article 65 of the Income Tax Law.
- Enforce article 37 (b) of the Income Tax Law and subject interest on loans to value added tax (VAT).
- Establish a unit in the Chamber to handle electronic account systems.
- Update the selection criteria for large taxpayers and review the criteria periodically (e.g. every three to five years).
- Review and remove complexity and ambiguity in the application of tax laws and their implementing regulations.
- Reduce the stages of appeals and objections, limiting them to three tiers.
- Amend articles 18 and 28 of the Income Tax Law to allow e-filing and e-payments to

be applied to large taxpayers.

- Review and provide technical advice on amending the exemption list in the Value Added Tax Law, so as to widen the tax base and increase the transparency and efficiency of tax administration.
- Review, update and modernize annual and monthly return forms for direct and indirect taxes.
- Introduce, for the first time in the Sudan, a reverse charge VAT return form, thereby enabling the Chamber to combat fraud and increase tax revenues.
- Design a special tax return for high-risk economic sectors, such as oil and gas exploration, design a stamp duty return for banks, and update the existing returns for the telecommunications and contracting sectors.
- Review and amend asset depreciation rates and reduce them from more than 20 rates for different asset groups to just 5.

### **Capacity development component**

- Assist the Chamber in building and enhancing a tax policy team to review and evaluate current and future reforms.
- Provide technical expertise on efficiently auditing and reviewing complex tax returns for large taxpayers.
- Help Chamber officials to modernize and simplify tax administration processes, so as to encourage voluntary compliance and reduce compliance costs for both the tax authorities and taxpayers.

## II. Introduction

Tax revenue mobilization remains a significant macroeconomic and development challenge for the Sudan. A sustained and consistent increase in revenue will not only lead to direct fiscal benefits but can also contribute to economic and social stability. Economic stability in terms of low rates of inflation and predictable exchange rate movement requires increased dependence on revenue from reliable sources and reduced dependence on government borrowing from financial institutions. Fiscal discipline is a prerequisite for the success of ongoing macroeconomic reforms in the Sudan, including managed exchange rate policies. Furthermore, empirical evidence shows that tax revenue contributes to economic growth when the revenue is greater than 12.75 per cent of GDP. Countries collecting less than 15 per cent of GDP in taxes must increase their revenue collection to meet the basic needs of their citizens. This level of taxation is important to make the State viable.<sup>2</sup>

Tax collection is low in the Sudan. Tax revenue stood at about 1 per cent of GDP in 2020, down from 6 per cent in 2019 and 5 per cent in 2018. The tax-to-GDP ratio in the Sudan is

lower than that of countries with similar characteristics and per capita GDP. For example, the tax-to-GDP ratio stood at 10 per cent in Chad and 11.2 per cent in Guinea in 2021.<sup>3</sup> The tax revenue performance of the Sudan has been relatively stagnant over the past two decades and remains significantly below that of its peers. According to an Afrobarometer survey conducted in 2022,<sup>4</sup> the majority of Sudanese citizens believe that it is difficult to find out which taxes and fees they are supposed to pay and how the Government uses the tax revenue it collects. The survey findings also show that two thirds of citizens believe that Sudanese “always” or “often” avoid paying the taxes that they owe the Government. More than half of Sudanese citizens say that they would be willing to pay higher taxes in exchange for more government services.

The International Monetary Fund argues that attaining a target tax-to-GDP ratio of about 13 per cent in the Sudan may take more than a medium-term horizon, but that a steadfast improvement in tax policy alone could achieve about 50 per cent of that target over the short term.

<sup>2</sup> International Monetary Fund, “Sudan: selected issues”, country report No. 20/73, March 2020.

<sup>3</sup> Organisation for Economic Co-operation and Development, “Revenue statistics in Africa 2023”.

<sup>4</sup> Afrobarometer, “News release: majority of Sudanese find it difficult to know which taxes to pay and how the government uses their tax revenues, Afrobarometer survey shows”, 18 May 2022. Available at [www.afrobarometer.org/wp-content/uploads/2022/05/News-release-Sudanese-say-its-difficult-to-get-information-on-taxes-Afrobarometer-18may22-.pdf](http://www.afrobarometer.org/wp-content/uploads/2022/05/News-release-Sudanese-say-its-difficult-to-get-information-on-taxes-Afrobarometer-18may22-.pdf).

In order to assist the Sudan in addressing its fiscal deficit challenge, ECA began providing technical assistance to support the Taxation Chamber of the Sudan in 2021. The assistance was mainly focused on enhancing the performance of the Chamber's Large Taxpayers' Office. In collaboration with the Egyptian Tax Authority, ECA worked hand in hand with the Chamber to improve tax assessment and compliance rates and to modernize tax administration, with a view to increasing tax revenues. The project was also aimed at improving the skills of the tax auditors through training and exchanges of experience with the Egyptian Tax Authority. ECA assisted the Chamber in improving tax policies by providing technical advice on future reforms that would have an immediate impact on tax revenues, such as simplifying tax procedures and regulations and updating taxpayer documentation.

The project is an example of South-South cooperation. A total of 44 experts from the Egyptian Tax Authority transferred valuable knowledge to Chamber employees with regard to six sectors, namely, telecommunications, banking, oil and gas, mining, services and contracting. ECA supported the Chamber in modernizing its tax administration processes in 2021 and 2022 and developing new audit methodologies to efficiently audit monthly and annual tax returns for entities from the above-mentioned sectors. A new income tax return form was developed and implemented for the oil and gas, telecommunications, contracting and banking sectors. The Chamber implemented the withholding tax system for the first time in the Sudan, resulting in significant revenues

and transaction information. Withholding tax is currently applicable in limited economic sectors, such as banking, healthcare and education, and will be extended to other sectors in the period 2023–2024. In May 2022, the Secretary-General of the Chamber issued a regulating decree to update the criteria for selecting large taxpayers. For the first time in the Sudan, a reverse charge VAT return form was developed to enforce the implementation of the VAT reverse charge mechanism across all tax offices. New guidance on auditing large taxpayers' annual and monthly returns was developed. The Chamber also strengthened the penalties against non-compliant taxpayers who violate tax laws.

The reforms implemented by the Chamber led to a significant increase in tax revenues, which jumped from 1.0 per cent of GDP in 2020 to 3.9 per cent in 2021. That positive trend continued, reaching 5.4 per cent by the end of 2022. The tax revenue contribution of the Large Taxpayers' Office increased to more than 65 per cent of total tax revenues, up from 47 per cent in previous years. In addition, following the enforcement and enhancement of the withholding tax system set out in the Income Tax Law, revenues from withholding taxes increased by 1,700 per cent in one year (from 2021 to 2022).

The Chamber is committed to continuing the ongoing reforms, and the Minister of Finance of the Sudan made an official request to ECA to continue providing technical assistance throughout 2023.

# III. Performance assessment of tax administration in the Sudan

Income tax accounts for less than 10 per cent of tax revenue, in part because of the historical importance of oil revenue, but also because of numerous tax holidays and exemptions in the Investment Law and a large informal sector, which contributes more than 60 per cent of GDP. In addition, indirect taxes, specifically those collected through customs, excises and VAT, are the main sources of tax revenue but are collected at too many different rates.

In July 2021, the ECA team held meetings with the departments that carry out the main functions of tax administration, namely, the Inspection and Audit Department, the Advance Payment Department, the Collection Department, the Tax Evasion Department, the Tax Research and Policy Department, the Legal Affairs Department, the Tax Risk Department and the Tax Refund Department. Interviews were also conducted with employees of the tax offices for large, medium and small taxpayers.

The following is a summary of the most important gaps identified that require immediate action, owing to their potential to increase tax revenues.

## Tax exemptions

The tax system is complex, characterized by generous tax exemptions, weak tax adminis-

tration and unfair tax treatments that favour some taxpayers over others. The system contains many tax exemptions set out in the Investment Law, exemptions for the financial sector and some special laws that have led to poor tax revenues. The existence of tax distortions has complicated the tax system and created investment constraints, with negative implications for growth and employment.

## Flat tax rate

A global good practice is the imposition of a uniform tax rate for all commercial economic activities. This approach, while having a limited redistributive function, is effective in countries with low tax administration capacity, such as the Sudan. The income tax rate in the Sudan ranges from 0 to 35 per cent of corporate profits, in multiple proportions, leading to distorted incentives for high-performing companies. These incentives reduce growth and increase the compliance costs for both taxpayers and tax authorities. Therefore, the integration of all tax rates should be reviewed, and a standard rate of, for example, 15–20 per cent could be applied. To support investment, consideration could be given to applying a 0 per cent tax rate on reinvested and retained profits and a 15–20 per cent tax rate on redistributed profits, as is done, for example, in Estonia. Another option is to impose a flat tax rate on

all profits except those in windfall sectors, as is done in Egypt. Such a tax regime would be more efficient and simpler to apply, in line with global good practices.

### **Large Taxpayers' Office**

Tax administration for large taxpayers in the Sudan lags significantly behind international best practices, with critical inefficiencies and gaps in the tax system. Large taxpayers globally contribute over 65 per cent of total tax revenues, driven by such modern practices as compulsory e-filing and e-payments.

Despite the significant role that large taxpayers play globally, the contribution of the Large Taxpayers' Office of the Sudan to total tax collection remains lower than expected. Large taxpayers account for only 47 per cent of total tax revenues, indicating a significant gap in revenue collection efficiency. The lack of comprehensive criteria for identifying large taxpayers exacerbates this issue, with the Large Taxpayers' Office relying solely on a turnover threshold of 5 million Sudanese pounds, ignoring other relevant factors, such as the nature of the business, gross sales and the number of employees.

With regard to international good practices whereby e-filing and e-payment are compulsory for large taxpayers, the Sudan has no legal framework or enforcement mechanism for such practices. This lack of modernization not only hinders compliance but also increases the risk of revenue leakage. Immediate adoption of these modern practices is crucial for improving tax compliance and efficiency. These measures will simplify tax compliance, reduce manual errors and increase the efficiency of tax administration.

Another major weakness is the variation in large taxpayer revenue threshold criteria across different regions of the Sudan. This inconsistency creates confusion and undermines the integrity of the tax system. Standardizing the criteria throughout the country is essential to achieve fairness and consistency in tax administration. The Sudan should therefore update and standardize the criteria for identifying large taxpayers.

An important international best practice is the auditing of associated enterprises' transactions to prevent aggressive tax planning and base erosion. The Large Taxpayers' Office lacks sufficient data on these transactions, which poses a risk of tax evasion through transfer pricing manipulation. Immediate action is needed to improve the collection of tax return data on high-risk large taxpayers in order to enhance compliance with international accounting principles and with article 22 of the Income Tax Law. Establishing a specialized audit team for transfer pricing cases is essential to address these challenges and safeguard the tax base.

Furthermore, the current dispute resolution process in the Sudan is inefficient, with cases taking months or years to resolve. The lack of transparent procedures for handling appeals has resulted in perceptions of bias, thus reducing taxpayer confidence in the system. Establishing an independent unit to handle appeals and objections would increase impartiality and restore trust in the tax system. It would also streamline the resolution process and avoid prolonged legal battles.

Moreover, voluntary compliance among large taxpayers is low, with over 13 per cent of tax differentials in the period 2016–2019 result-



ing from examinations rather than self-assessment by taxpayers. This lack of compliance increases the cost of tax collection and creates unnecessary burdens on the tax authority. To improve voluntary compliance, the Sudan should introduce premium services for compliant taxpayers and increase penalties for those who submit inaccurate tax returns.

There are a number of critical economic sectors in the Sudan that generate substantial tax revenue. At the same time, their complexity and cross-border operations pose tax compliance challenges, requiring robust audits for revenue protection. A number of these high-risk economic sectors, including telecommunications, petroleum, mining and contracting, are currently involved in judicial disputes in the Sudan, partly owing to poor tax administration. The lack of technical knowledge among tax auditors and inspectors prevents the accurate assessment of tax liabilities in these sectors. There is an urgent need to train tax officers on industry-specific revenue streams, accounting standards, transaction types and tax obligations.

It is also vital to enforce existing legal provisions, such as the those on withholding tax, which the Large Taxpayers' Office has failed to apply across any economic sector, despite being mandated to do so under the Income Tax Law.

## Withholding tax

According to article 65 of the Income Tax Law, entities are obliged to withhold 1 per cent of all purchases of goods and services and to report all related detailed information to the Taxation Chamber of the Sudan on a monthly basis. However, most of the reports lack information about third parties, while the withholding tax

system is only partially applied. Poor application of the withholding tax system has affected the effectiveness and efficiency of the tax system as a whole. For example, the withholding tax system is applied only to selected government entities, contrary to what is set out in article 65 of the Income Tax Law. This results in unfair treatment of all other public entities and private sector companies.

Enforcing article 65 of the Income Tax Law will lead to the collection of significant information about taxpayers' transactions, which will help to mitigate tax evasion opportunities and increase tax revenues.

To reduce compliance costs, the Chamber needs to enforce the electronic submission of withholding tax forms through holding protocols with relevant government entities, in compliance with article 65 of the Income Tax Law. Tax revenues from the withholding tax system amounted to approximately 700 million Sudanese pounds in 2020, which could be more than doubled through the proper application of article 65 of the Income Tax Law without exceptions.

## Tax evasion

The Tax Evasion Department lacks the appropriate structure and expertise to detect taxpayers who evade taxes. Cases of tax evasion are detected only occasionally, and there is no section or unit within the Tax Evasion Department that is responsible for the analysis of potential tax evaders.

Furthermore, efficiency in the work of inspectors could be greatly improved, as most inspectors have not been trained in implementing a variety of means to detect tax evasion since their appointment to the Department.

There is no segregation of work within the Tax Evasion Department. For example, the inspector who collects information on tax evasion cases is also responsible for examining such cases and for reconciling with evaders, thus leading to a lack of impartiality, a weakening of trust among taxpayers and the possibility of corruption.

Procedures regarding the segregation of disciplines and functions within the Tax Evasion

Department must be revised, and there is also a need to train the inspectors so that they can gain new insights on how to detect tax evaders and address modern tax evasion issues, such as aggressive tax planning methods and methods for uncovering the misuse of tax exemptions.

In the light of the above, a programme of work was designed and implemented in partnership with the Egyptian Tax Authority.

## IV. South-South cooperation

The collaboration among Egypt, the Sudan and ECA offers a powerful example of South-South cooperation in which developing countries are working together to share knowledge, expertise and resources to address common challenges. In this case, ECA played a crucial role in facilitating the cooperation between Egypt and the Sudan, focusing on improving tax administration in the Sudan by addressing legal and administrative gaps. The partnership has not only identified the most pressing weaknesses in the country's tax system but has also determined clear reform priorities for senior tax officials. In addition, the successful tax reforms carried out by Egypt provided valuable lessons that can guide the Sudan in its journey towards tax modernization.

ECA was instrumental in organizing and facilitating the partnership between tax experts from Egypt and senior tax officials in the Sudan, setting the stage for collaborative efforts to strengthen the country's tax system. The involvement of ECA ensured that the cooperation was both productive and impactful, with technical workshops bringing together over 40 tax experts from Egypt and 156 tax officials from the Sudan.

Through this programme, ECA enabled the Sudan to gain access to the extensive experi-

ence of Egypt in tax modernization, in particular in legal reform, the restructuring of the tax authority, tax collection efficiency and the digitalization of tax administration. ECA also helped officials of the Sudan to identify critical areas for improvement in their tax system, ensuring that the collaboration was targeted and focused on addressing the most pressing challenges the country is facing.

Tax administration in the Sudan has long experienced challenges owing to outdated laws, inconsistent practices and weak enforcement mechanisms. Through the cooperation facilitated by ECA, tax experts worked closely with officials in the Sudan to address these legal and administrative gaps, offering tailored recommendations based on the successful reforms carried out in Egypt.

One of the first areas of focus was the elimination of tax holidays and exemptions that disproportionately benefited large corporations and foreign businesses. In the Sudan, these exemptions have eroded the tax base, limiting revenue collection. Egypt shared its experience in eliminating similar exemptions and widening the tax base under Income Tax Law No. 91 of 2005, which helped to broaden its tax base and improve revenue collection.

The successful application by Egypt of the withholding tax on foreign services and corporate and government transactions was another important lesson for the Sudan, which learned about the importance of enforcing withholding tax provisions to ensure comprehensive tax collection, especially in such high-risk sectors as telecommunications, petroleum and mining.

Furthermore, tax reforms in Egypt led to the classification of taxpayers by size and the establishment of specialized tax offices for large, medium and small taxpayers. Officials of the Sudan recognized the value of this approach in ensuring focused tax administration and oversight for each category of taxpayer. ECA helped to facilitate the exchange of knowledge on how the Sudan could implement a similar classification to improve compliance and oversight.

An important lesson learned from the experience of Egypt was the success of its digitalization project, which resulted in an automated tax administration process. Starting with large taxpayers, Egypt gradually rolled out e-filing and e-auditing systems, ultimately covering all taxpayers. This phased approach allowed Egypt to manage the transition effectively, and the Sudan is now prepared to follow suit by focusing on the modernization of its own tax system with digital tools.

The technical workshops and discussions helped tax officials in the Sudan to design a clear road map for reform, prioritizing the following crucial actions:

- Review and limit tax exemptions under the Investment Law in order to broaden the tax base
- Fully implement a withholding tax across all sectors and ensure electronic reporting of withholding tax payments, aligning tax administration in the Sudan with global best practices
- Carry out the phased introduction of e-filing, e-auditing and e-payments for large taxpayers, with plans to gradually extend these processes to medium and small taxpayers
- Address aggressive tax planning by multinational corporations, including by establishing specialized audit teams to conduct transfer pricing audits, following the model set by Egypt

Following the example of the reforms carried out in Egypt, the Sudan is working to restructure its tax administration on the basis of functionality rather than specific tax laws. The merger of sales tax and income tax authorities into a unified tax revenue authority in Egypt provided valuable insights for officials in the Sudan, who now plan to streamline their tax administration to improve efficiency and reduce redundancy.

The experience of tax reform in Egypt, in particular between 2003 and 2008, offers the Sudan valuable lessons on how to increase tax revenues and improve compliance. The reforms in Egypt led to a significant increase in tax revenues, rising from 9 per cent of GDP in 2003 to 14 per cent of GDP by 2008. The following important factors contributed to this success.

- By removing tax holidays and reducing exemptions, Egypt widened its tax base, making it easier to capture revenue from both domestic and international businesses.
- Egypt introduced clearer rules for tax



filing and enforced severe penalties for non-compliance. This not only improved compliance but also reduced the administrative burden on the tax authority, as taxpayers became more incentivized to follow the rules.

- Egypt introduced a self-assessment mechanism, shifting the responsibility of tax compliance to the taxpayer while allowing the tax authority to focus on auditing high-risk cases. This reduced tax collection costs and streamlined the auditing process.
- The introduction of transfer pricing audits and capital gains taxation in Egypt allowed the Government to capture more revenue from multinational corporations and high-net-worth individuals. This was a crucial step in ensuring that all economic activities contributed fairly to the tax base.
- By unifying all tax procedures and codes under a single tax revenue authority, Egypt simplified its tax system and improved transparency. This made it easier for businesses

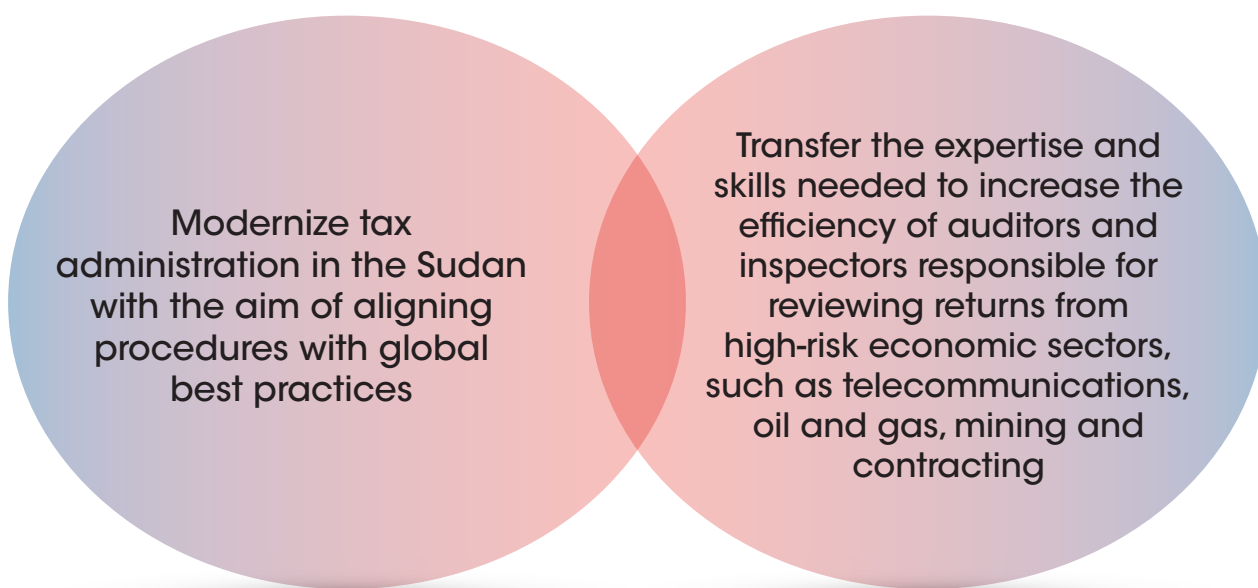
to comply with tax laws and allowed the tax authority to operate more efficiently.

In conclusion, the cooperation among Egypt, the Sudan and ECA serves as a powerful example of South-South cooperation, demonstrating how neighbouring countries can collaborate to address common challenges. The facilitation of this partnership by ECA has helped officials in the Sudan to learn from the successful tax reforms in Egypt, equipping them with the tools needed to modernize their own system. By focusing on important reform priorities, such as eliminating tax exemptions, introducing e-filing and e-payment and strengthening tax audits, the Sudan is now well positioned to enhance tax compliance, broaden its tax base and improve revenue collection. The success that Egypt achieved in increasing tax revenues serves as a model for future tax reform efforts in the Sudan, offering a road map for economic sustainability and growth.

## V. Programme of the Economic Commission for Africa aimed at increasing tax revenue in the Sudan

Following the Pareto principle,<sup>5</sup> 80 per cent of tax revenues usually come from the largest 20 per cent of taxpayers. Thus, ECA assistance was mainly focused on the operations of the Large Taxpayers' Office. The two pillars of the

programme were designed and implemented simultaneously, focusing on the modernization of tax administration in the Sudan on the one hand and capacity development on the other.



<sup>5</sup> The Pareto principle, commonly referred to as the 80/20 rule, states that 80 per cent of results or outcomes will result from 20 per cent of the actions or inputs associated with them.



## 1. Modernization of tax administration in the Sudan

During the implementation of the technical assistance programme, ECA experts identified a number of gaps in the country's tax system that undermined the ultimate performance of the Taxation Chamber. For example, the income tax return forms for all high-risk

economic sectors, such as telecommunications, banking and oil and gas, were found to be incomplete and to be missing important information on transactions conducted. Although a withholding tax is stipulated in the Income Tax Law, the Chamber does not apply it to any economic sector. ECA experts identified 18 gaps, as summarized in table 1, and supported the Chamber in taking proper actions to tackle them.

**Table 1: Action plan to modernize tax administration in the Sudan**

Gap	Recommended action	Follow-up	Final outcome
Existing income tax return forms for high-risk economic sectors, such as telecommunications, banking and oil and gas, are inadequate, incomplete and lacking critical information on important transactions	Amend the income tax return form for all high-risk economic sectors	Submitted to the Secretary-General of the Taxation Chamber and referred to the Technical Department to review and recommend for implementation  Adjustments for the industrial sector will be added and then approved for all activities	The income tax return form for the telecommunications, banking, oil and gas and contracting sectors has been approved
The existing VAT return form for all activities does not capture sufficient information and data	Amend the VAT return form for all activities	Submitted to the Secretary-General and referred to the Technical Department to review and recommend for implementation	Approved
There is no mechanism for taxing non-resident transactions	Introduce a reverse charge VAT return form for non-resident taxpayer transactions for the first time in the Sudan	Submitted to the Secretary-General	Implemented
The Chamber does not enforce the withholding tax stipulated in article 65 of the Income Tax Law in any economic sector	Enforce the withholding tax stipulated in article 65 of the Income Tax Law	Submitted to the Secretary-General	Enforced and implemented gradually for banks, government entities and private universities  Other economic sectors will be included in later stages
The penalties stipulated in the Income Tax Law, the Value Added Tax Law and the law on stamp duty against taxpayers who violate the laws are not applied	Strengthen penalties against taxpayers who violate tax laws	Submitted to the Secretary-General	The penalties currently stipulated in the Income Tax Law, the Value Added Tax Law and the law on stamp duty are being enforced  A proposal on further amendments to penalties in the Income Tax Law and the Value Added Tax Law has been submitted to the Cabinet for approval

Gap	Recommended action	Follow-up	Final outcome
There is a lack of uniformity and standardization in tax audits	Apply the standardized income tax and VAT audit report form for all activities	Submitted to the Secretary-General and referred to the Technical Department	Approved by the Technical Department and included in the tax audit guidance to be followed by all tax offices
Tax procedures are outdated and inconsistent across all tax offices	Amend the tax procedures manual for all activities and print and circulate the manual	Submitted to the Secretary-General and referred to the Technical Department	The Secretary-General issued a decision on 26 September 2022 to amend a guide on tax examination and review procedures and the adoption of quality standards for the conduct of such procedures
There is ambiguity or inconsistency in the application of VAT to interest on loans and related transactions	Subject interest on loans to VAT by enforcing article 37 (b) of the Value Added Tax Law	Submitted to the Secretary-General and referred to the Technical Department	The Technical Department has agreed, but enforcement requires amending the tax laws
There is no limitation on the deduction of non-documented expenses	Properly deal with non-documented expenses (covered in articles 18 and 28 of the Income Tax Law)	Submitted to the Secretary-General	A proposal to amend the laws and implementing regulations has been prepared and transmitted to the Secretary-General for submission to the competent authorities  The Income Tax Regulation has been amended on the basis of Ministerial Resolution No. 51 (2022) regarding limits on deductions of non-documented expenses
There is a long list of VAT exemptions	Amend article 37 of the Value Added Tax Law regarding exemptions	Submitted to the Secretary-General and referred to the Technical Department	A proposal to amend the laws and implementing regulations has been prepared and transmitted to the Secretary-General for submission to the competent authorities
The manual process for the auditing and handling of large taxpayers' files is inadequate	Establish a unit for the auditing of large taxpayers using electronic accounting systems	A committee has been set up for this purpose	An administrative decision was issued to this effect by the Secretary-General, but implementation is still ongoing
Language barriers hinder the understanding of agreements on oil and minerals exploration, thereby hindering the enforcement of tax obligations	Translate consignment agreements into Arabic	Submitted to the Secretary-General and referred to the Technical Department	The companies concerned will be required to prepare a translation through an authority approved by the Chamber once this is stipulated by law
The asset depreciation system and related rates and rules are complex	Simplify and classify assets depreciation in the Income Tax Law into fewer groups, in accordance with good international practices	Referred to the Secretary-General	The Income Tax Regulation has been amended on the basis of Ministerial Resolution No. 51 (2022), and a new schedule for the depreciation of assets has been established in accordance with article 20 (7) of the Income Tax Regulation



Gap	Recommended action	Follow-up	Final outcome
The dispute resolution process is lengthy and cumbersome	Reduce the tiers of appeals to three stages (the current dispute resolution process involves more than five stages before the case is submitted to the court)	Submitted to the Secretary-General	The Secretary-General has issued a regulation minimizing the dispute tiers to only three stages
The criteria for identifying large taxpayers are outdated and inadequate	Update the criteria for identifying large taxpayers, as no update has been made since 2010	Submitted to the Secretary-General	The Secretary-General issued an administrative decision to update the criteria for identifying large taxpayers
There are no specific tax declaration forms for the banking sector	Design a stamp duty declaration form for the banking sector for the first time in the Sudan	Submitted to the Secretary-General for implementation following approval by experts	Implemented and shared with banks serviced by the Large Taxpayers' Office
The legal framework for tax procedures is inadequate and outdated	Promulgate a new tax procedure law and amend articles 2, 7, 18, 56, 57, 58, 60 and 65 of the current law	Submitted to the Secretary-General and to be referred to the Technical Department	The proposals were initially approved and transferred to the competent authorities Implementation requires changing the law
Audit reporting for the banking sector is not standardized	Prepare a standardized report for the auditing of banks activities, for the first time in the Sudan	Submitted to the Secretary-General and to be referred to the Technical Department	Ongoing; not yet approved by the Secretary-General

## 2. Capacity development

The ECA programme included 12 in-person workshops to transfer the expertise and skills needed to increase the efficiency of auditors and inspectors responsible for reviewing tax returns from high-risk economic sectors, such as telecommunications, oil and gas, mining and contracting. A total of 158 auditors from the

Large Taxpayers' Office and the Medium Taxpayers' Office of the Taxation Chamber participated in the workshops. Experts from the Sudan were able to transfer their knowledge to 80 auditors working in tax offices in a number of states. Table 2 below outlines the recommendations and outcomes that emerged from the various workshops conducted between 2021 and 2022.

**Table 2: Recommendations and outcomes emanating from workshops for auditors and inspectors in the Sudan**

Workshop theme	Date	Resulting recommendations and outcomes
Tax audits for telecommunications companies	5–9 September 2021	<ul style="list-style-type: none"> <li>Require telecommunications companies to collect VAT on local inter-connection calls between companies</li> <li>Amend the telecommunications income tax return in accordance with good international practices</li> <li>Officials gained advanced accounting knowledge to enable them to efficiently perform complex audits of telecommunications companies</li> <li>Raise the compliance rate for companies in the sector by amending the income tax return to include detailed information about intragroup transactions</li> <li>The team gained the ability to identify and evaluate technical training needs, especially in accounting and auditing</li> <li>Amend the current turnover tax law so that telecommunications companies would be subject to regular corporate taxation, in accordance with the Income Tax Law</li> </ul>
Tax audits for the petroleum industry	10–14 October 2021	<ul style="list-style-type: none"> <li>Officials gained an understanding of the principles of accounting for exploration and evaluation activities</li> <li>Officials recognized the tax consequences related to the acquisition of mineral properties, royalty interest and working or operating interest</li> <li>The annual income tax return was amended to reflect the impact of exploration agreements on income tax and to collect information that is needed for conducting reliable risk analysis and audits</li> <li>Correct and adjust the tax base for oil and exploration companies by applying the exploration agreement terms correctly (resulting in fairer tax collection and more substantial tax revenues)</li> <li>Modernize and standardize the tax audit report form for the oil and gas industry across all tax offices in the Sudan</li> </ul>
Tax audits for contracting and real estate investment	7–11 November 2021	<ul style="list-style-type: none"> <li>Chamber officials identified important, relevant international financial reporting standards, namely International Accounting Standard 40 on investment property and International Financial Reporting Standard 15 on revenue from contracts with customers</li> <li>Officials gained knowledge of the unique accounting methods for long-term contracts</li> <li>Officials gained an understanding of technical issues related to the contracting industry for the first time, such as income recognition under the percentage of completion, income from completed contracts, and loss sharing between contracts</li> <li>A legal and administrative amendment was made to adopt income recognition under the percentage of completion for long-term contracts, in accordance with good international practices</li> <li>The team designed new guidance for auditing contracting companies and shared it with all tax offices in the Sudan</li> </ul>
Tax audits for mining and cement companies	5–9 December 2021	<ul style="list-style-type: none"> <li>Address and control the impact on taxation of the application of International Financial Reporting Standard 6 on mineral resources</li> <li>A formal proposal was made to reform taxation of the mining industry and for such taxation to be administered by the central tax authority (the Chamber), as its administration currently depends on both local and federal authorities</li> </ul>



Workshop theme	Date	Resulting recommendations and outcomes
Tax audits for the banking sector	20–24 February 2022	<ul style="list-style-type: none"> <li>• Auditors became familiar with International Financial Reporting Standard 9 and its impact on income tax returns</li> <li>• Officials proposed an amendment to simplify the law on stamp duty</li> <li>• A stamp duty return form was designed for the first time, even though its existence had already been stipulated by law</li> <li>• The income tax return for banks was modernized by removing redundant information and collecting financial information about related parties' transactions</li> <li>• An amendment was made to article 37 of the Value Added Tax Law to abolish the exemption for intrabank transactions and to subject them to the standard VAT rate</li> </ul>
Tax audits for the industrial sector	27 February–3 March 2022	<ul style="list-style-type: none"> <li>• Officials became aware of the main accounting standards that could significantly affect the tax base, such as those involving revenue recognition, assets and inventories</li> <li>• The tax return form was simplified and modernized to enhance risk management processes in accordance with good international practices; it now includes businesses' financial accounting information and associated parties' financial transactions</li> </ul>
E-invoicing	19–21 June 2022	<ul style="list-style-type: none"> <li>• Unified and simplified tax procedures were proposed and included in the new draft tax procedure law</li> <li>• Review and evaluate the current tax administration structure to efficiently manage and administer e-invoicing</li> <li>• A new structure for the project management office was developed to deal with all affected stakeholders during the digitalization process</li> <li>• New incentives for tax officials, tied to several key performance indicators, were applied to raise the quality and productivity of the officials</li> </ul>
Withholding tax system	26–30 June 2022	<ul style="list-style-type: none"> <li>• Enforce the application of article 65 of the Income Tax Law on public entities</li> <li>• The officials identified legal, administrative and information technology issues that required further modernization and reform</li> <li>• The Minister of Finance issued a decree to enforce the implementation of article 65 in relation to public and private banks, educational entities, oil and gas entities and hospitals</li> </ul>
Double tax treaty model	11–15 September 2022	<ul style="list-style-type: none"> <li>• Chamber officials identified legal and administrative issues related to international taxation</li> <li>• Officials reviewed and evaluated tax treaties currently in force and compared them with recent developments in the international tax arena</li> <li>• Officials gained expertise needed to efficiently negotiate bilateral tax treaties</li> <li>• Officials gained an understanding of challenges commonly encountered when interpreting and applying tax treaties</li> </ul>
Tax evasion	18–22 September 2022	<ul style="list-style-type: none"> <li>• Address weak penalties in the Income Tax Law and the Value Added Tax Law</li> <li>• It was established that the Tax Evasion Department lacks a proper administrative structure to detect tax evaders in a systematic way</li> <li>• It was established that interactions between the Tax Evasion Department and other internal and external stakeholders are not structured</li> <li>• Officials prepared a proposal on modernization and legal reforms for the Tax Evasion Department</li> </ul>

Workshop theme	Date	Resulting recommendations and outcomes
Transfer pricing	4–8 December 2022	<ul style="list-style-type: none"> <li>For the first time in the Sudan, officials gained an understanding of transfer pricing and profit shifting methodologies</li> <li>Officials gained an understanding of the legal framework and the practical application of the arm's length principle</li> <li>Determine the necessary legal and administrative developments to efficiently combat profit shifting and aggressive tax planning</li> </ul>
Withholding tax	11–15 December 2022	<ul style="list-style-type: none"> <li>Design new forms for the administration of withholding tax</li> <li>Restructure the Advance Payment Department in accordance with good international practices</li> <li>Identify other economic sectors in which withholding tax could be introduced in 2023</li> </ul>

Through the workshops and the provision of technical assistance, officials in the Sudan were able to conduct a deep analysis and evaluation of current practices in the Sudan and to compare them against good international practices. This led to the introduction of new practices and regulations aimed at enhancing the performance of Chamber employees and protecting the tax base from evasion and aggressive tax planning. In fiscal years 2021 and 2022, the Ministry of Finance and the Chamber issued decrees and regulations on the following issues.

- An internal regulation was approved by the Secretary-General to enforce the reverse charge mechanism and allow the Chamber to collect information about cross-border transactions and to collect VAT on those transactions.
- A new reverse charge VAT return form was designed and put into use across all tax offices in the Sudan. The new return will con-

tribute to raising the compliance rate in addition to raising tax revenues.

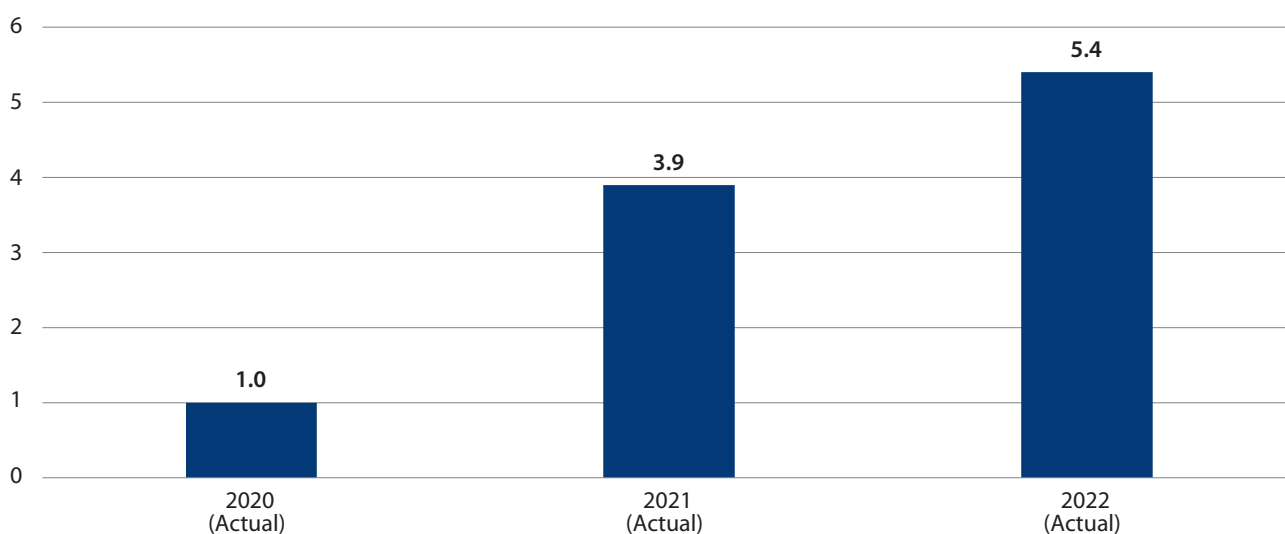
- The Income Tax Regulation was amended to limit deductions for “general and administrative expenses” for which no documentation is available to no more than 7 per cent of the total documented expenses.
- The structure of the tax depreciation system was redesigned to encompass 5 asset groups instead of more than 20 such groups.
- Tax dispute tiers were simplified from five stages to three, following good practices in that area and as recommended in the Tax Administration Diagnostic Assessment Tool guidelines.
- Chamber officials decided to establish a new unit to audit electronic accounting systems and determined the legal, administrative and information technology requirements for efficiently and successfully conducting e-audits.

## VI. Improvements to tax revenue collection in the Sudan

The figure below illustrates the significant improvement in the tax-to-GDP ratio in the Sudan following the launch of the tax reform project, which began in July 2021 with the support of ECA and in collaboration with the Egyptian Tax Authority. In 2020, before the project had begun, tax revenue in the Sudan stood at a modest 1.0 per cent of GDP. Following the initiation of the reform efforts in mid-2021, the Sudan saw a notable increase in tax revenue, reaching 3.9 per cent of GDP by the end of 2021. The upward trend continued in 2022, when tax revenue further increased to 5.4 per cent of GDP.

These improvements are a direct result of the recommendations made by ECA and tax experts from Egypt, which included modernizing tax laws, eliminating unnecessary exemptions, improving compliance mechanisms and digitalizing tax administration. The successful implementation of these reforms has clearly contributed to a more efficient tax collection system, leading to increased revenue for the Government of the Sudan.

**Increase in tax-to-gross-domestic-product ratio in the Sudan (Percentage)**



Source: Calculated on the basis of information published by the Ministry of Finance and Economic Planning in the budgets for the fiscal years 2022 and 2023.

## VII. Workplan and the way forward

The ongoing war in the Sudan has had a severe economic impact, with major destruction inflicted on infrastructure in Khartoum and other major cities. The disruption of internal trade routes has led to widespread poverty in the Sudan, as factories, banks, shops and markets have been looted or damaged, while electricity and water supplies are unreliable. As a result, people are struggling to gain access to such basic services as healthcare, education and social welfare. The human capital of the Sudan has also been eroded owing to emigration and relocation, with public institutions being largely dysfunctional.

Prior to the war, the Sudan relied heavily on tax revenue. Moreover, while the above-mentioned tax reforms had led to a significant increase in tax revenue between 2020 and 2022, the war caused a decrease in the tax base, resulting in negative impacts on tax administration performance, tax morale and governance.

To address these challenges, the Government of the Sudan must focus on strengthening tax revenue administration, which includes defining organizational structures and frameworks, developing a comprehensive risk strategy for large taxpayers and building the capacity of employees of the Taxation Chamber to effi-

ciently serve taxpayers and share knowledge with other colleagues within the Chamber.

Proper political commitment is needed in order to complete the essential tasks of addressing urgent infrastructure needs and meeting important social spending requirements. In order to achieve these objectives, it is crucial to improve tax revenue. Mobilizing domestic revenue is essential for maintaining basic public services, promoting stability and advancing development.

The Chamber should consider implementing a reform programme that is focused on strengthening policy and legislative frameworks and improving administrative capacity. In addition, addressing long-standing governance issues in tax collection should also be a priority. The tax reform should include short-term and medium-term strategies.

The short-term measures should be focused on broadening the tax base and strengthening tax revenue administration, including through the following efforts.

- The Chamber should focus on enhancing and strengthening the Large Taxpayers' Office and the Medium Taxpayers' Office and should make use of all the information

it is meant to obtain. Reviewing the identification criteria for large taxpayers and implementing e-filing and e-payments will have a positive effect on governance and the quality of the services provided to taxpayers.

- The abilities of Chamber officials to manage indirect taxes should be improved. Specifically, they should be supported in efficiently handling, governing and auditing the monthly returns of large taxpayers, with a focus on critical economic sectors. This will enhance their capacity and make their work more effective.
- The taxable base for VAT should be expanded by: (a) eliminating exemptions as much as possible and applying VAT to all goods and services; (b) expanding the definition of the sales price of domestic supplies to include excise taxes paid; and (c) reviewing and expanding the definition of the imports value to include cost, insurance and freight value plus import duty, fees and excises paid. While broadening the tax base, the threshold for the annual turnover tax should be levelled up to ease the cost of compliance for entities subject

to VAT and to decrease the administrative burden.

- Excise taxes should be introduced on imported products and services, gold mining and unhealthy products, such as cigarettes, tobacco and petroleum.
- Exemptions to direct and indirect taxes should be removed.

ECA will support the short-term and medium-term reform strategies and will assist the Chamber in properly sequencing reform measures, ensuring that the basic foundation of tax administration covering the core tax functions of registration, filing, payment and accurate reporting, supported by taxpayer services, is in place.

In the light of the progress made so far towards increasing tax revenues, future activities will continue to be focused on enhancing the skills and capabilities of the employees of the Taxation Chamber through the implementation of best tax practices in various tax administration processes, including those relating to withholding tax, transfer pricing, tax evasion, individual tax and international tax.

**Table 3: Areas of focus and action to be taken to reform tax administration in the Sudan**

Area of focus	Action
Tax evasion	Restructure and modernize the Tax Evasion Department
Regulation of tax evasion processes	Issue a regulation to revise the processes of the Tax Evasion Department
Enforcement of tax evasion articles	Issue a decree from the Secretary-General
Transfer pricing	Amend the implementing regulations
Transfer pricing guidance	Approve the guidance on transfer pricing
Transfer pricing audit report guidance	Approve the transfer pricing audit report guidance
Personal income tax	Modernize the audit report form
Tax convention model	Develop a modernized tax convention model

Area of focus	Action
Withholding tax	Extend the implementation of article 65 of the Income Tax Law to cover more economic sectors
Withholding tax documentation and auditing	Approve a unified audit report form for withholding tax and standardized tax notifications

Accordingly, future support will be focused on the topics listed below.

## Withholding tax system reform

- Improving the skills and abilities of the Chamber officials working in the Advance Payment Department and the Collection Department to expand the tax base and combat tax evasion
- Qualifying employees to audit government entities and banks to ensure the proper application of article 65 of the Income Tax Law
- Expanding the application of article 65 to additional economic sectors
- Training employees to deal with corporations and audit their financial statements, for the first time in the Sudan

It is expected that the Advance Payment Department will contribute to increasing audit efficiency and tax certainty, in addition to encouraging persons operating in the informal sector to register their businesses in the Chamber database.

## Double tax treaties

- Developing the skills and capabilities of the employees of the International Relations Department to analyse and evaluate the current double tax treaty agreements so as to avoid double taxation
- Introducing negotiation skills on how to conclude and amend agreements to avoid double taxation

- Presenting modern concepts of double taxation avoidance agreements in line with double tax treaty agreement models, such as the models established by the United Nations and the Organisation for Economic Co-operation and Development
- Providing technical assistance in updating agreements to avoid double taxation, which are exploited by some companies to shift profits to countries with low tax or no tax at all
- Training employees responsible for international taxation so they can understand and benefit from the development of international tax legislation, such as the Base Erosion and Profit Shifting Project

## Transfer pricing

Alongside efforts to enhance the skills and capabilities of auditors in the Large Taxpayers' Office, new and modern concepts will be presented for dealing with multinational companies, whether inside or outside the Sudan, using a practical approach in accordance with the following:

- Introducing the concepts of transfer pricing (transactions between related companies) guided by international best practices
- Providing the necessary legislative framework for the proper application of transfer pricing
- Assisting in initiating the implementation of article 22 of the Income Tax Law, given that it has not yet been implemented
- Familiarizing auditors and officials with the

administrative and practical framework for applying transfer pricing effectively and successfully

- Exploring modern methods to examine different types of transactions

## **Tax evasion**

- Enhancing the skills and capabilities of auditors in the Tax Evasion Department, who severely lack training on modern administrative and technical methods to detect both complex and simple tax evasion cases
- Presenting modern tax and international financial reporting concepts to employees to help them to detect and deal with tax-evading companies
- Equipping and preparing tax experts to deal with cases of tax evasion efficiently and effectively
- Raising the skills and capabilities of decision makers in the administration to contribute to the development of the work of the Tax Evasion Department and the amendment of tax legislation

## **Personal income tax**

- Enhancing the efficiency and skill of the Chamber officials responsible for auditing large individual taxpayers' annual and monthly returns
- Presenting and exchanging experiences with experts from Egypt in dealing with

large agencies and companies

- Evaluating and analysing current tax legislation and administrative procedures in the Sudan
- Presenting modern tax and accounting concepts related to the accurate and timely collection of taxes
- Introducing modern examination methods and skills in the area of personal income tax to increase the efficiency and effectiveness of auditors in the Sudan

## **Other procedures and actions**

- Ensuring the adoption of the new practices that were discussed at the workshops held in 2021 and 2022
- Following up on and reviewing the current organizational structures and providing the necessary technical assistance and proposals in the light of international best practices for the modernization of tax administration
- Providing theoretical and practical materials for participants at all tax workshops
- Assisting in analysing and evaluating current tax practices and procedures and working to reform them
- Ensuring that the reformed procedures, regulations and legislation are consistent with the objectives of tax administration

## VIII. Conclusion

Tax collection in the Sudan is low. It falls behind that of comparable countries and does not provide adequate resources for the Government to carry out effective fiscal policies. The tax revenue performance of the Sudan has been relatively stagnant over the past two decades and remains significantly below potential. Supporting the tax authorities of the Sudan in developing capacity and assisting them in reforming tax administration procedures are essential to successfully increase tax revenues in the short and medium term to support sustainable development.

In order to help the Sudan to address its fiscal deficit challenge, ECA provided technical assistance to support the Taxation Chamber of the Sudan in 2021 and 2022. The assistance was mainly focused on enhancing the performance of the Chamber's Large Taxpayers' Office. Two pillars were designed and implemented simultaneously: modernization of tax administration in the Sudan, with the aim of upgrading the procedures to bring them into line with global best practice; and capacity development to transfer the expertise and skills needed to increase the efficiency of auditors and inspectors responsible for reviewing tax returns from high-risk economic sectors.

In collaboration with the Egyptian Tax Author-

ity, ECA has been working closely with the Chamber to improve tax assessment and compliance rates and to modernize tax administration. ECA has also focused on improving the skills of tax auditors through training and the exchange of experiences with the Egyptian Tax Authority, with the aim of transferring valuable knowledge in six sectors, namely, telecommunications, banking, oil and gas, mining, services and contracting. The new techniques acquired have enabled experts from the Chamber to develop new audit methodologies to efficiently audit monthly and annual tax returns from those economic sectors.

ECA has assisted the Chamber in improving tax policies by providing technical advice on future reforms that will have both an immediate and longer-term impact on tax revenues, such as simplifying tax procedures and regulations and updating taxpayers' documentation. This has enabled officials in the Sudan to better assess the tax administration reform and modernization needs. As was shown to be the case in Egypt, widening the tax base and simplifying the tax system would raise more revenue than increasing the tax rate. Also, eliminating exemptions simplifies the administration by making it harder for taxpayers to evade or avoid their tax payments.



The reforms implemented by the Chamber led to a fast and notable increase in tax revenues, which jumped from 1.0 per cent of GDP in 2020 to 3.9 per cent in 2021 and 5.4 per cent by the end of 2022. The tax revenue contribution of the Large Taxpayers' Office increased to more than 65 per cent of total tax revenues, up from 47 per cent in previous years. In addition, subsequent to the enforcement and enhancement of the withholding tax system in the Income Tax Law, revenue from withholding taxes increased significantly.

The conflict in the Sudan, which erupted in March 2023, has caused a decrease in the tax base, negatively affecting tax administration performance, tax morale and governance. ECA

will support short-term and medium-term reform strategies and will assist the Chamber in properly sequencing reform measures, ensuring that the basic foundation of tax administration covering the core tax functions of registration, filing, payment and accurate reporting, supported by taxpayer service, are in place.

In the light of the progress made so far towards increasing tax revenues, in the period 2024–2025 the focus will continue to be placed on enhancing the skills and capabilities of the employees of the Taxation Chamber, so as to transfer good tax practices in various tax administration processes, including withholding tax, transfer pricing, tax evasion and avoidance, individual tax and international tax.