MINISTRY OF FINANCE & ECONOMIC PLANNING (MOFEP)

Director General of Taxation

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All Private and Public Employers

Subject: Withholding of Personal Income Tax, including State Surcharge, from Employees

This circular is to instruct all taxpayers on the proper method of withholding Personal Income Tax from salaries, wages, allowances and benefits in kind paid, or provided, to, employees (employees' pay). The National Directorate of Taxation has been charged with the responsibility of collecting business profits tax, national excise tax, national personal income tax, and sales tax, as well as collecting state personal income and excise taxes on behalf of the states.

The Finance Bill of 2012 has included a state income tax to help the states meet their budgetary needs. The state income tax is in the form of a surcharge added to the tax withheld for the national government.

The first state income tax to be withheld from employees' pay will be for that pay which was paid in the month of August (monthly withholding tax return due on the 15th of September. Employers are to use Form 95-2, Monthly Tax Withholding Statement, to report and pay the amounts they have withheld from their employees' pay. The form can be obtained from the national Directorate of Taxation offices located in each state, or from the Directorate of Taxation website: www.tinyurl.com\RSS-Taxation.

To correctly compute the amount to be withheld from an employee's pay, the following steps must be followed:

1. Determine the employee's base pay (BP) for the month.

2. Calculate Deductable Pension Contributions (DPC) amount.

   If the employee is not making pension contributions skip this step, otherwise

   DPC = Smaller of (actual pension contribution amount or 8% of the Base Pay)

   The deductable pension contribution is the smaller of actual pension contribution paid or 8% of the base salary (BP).

Examples:

1. BP = 2000 SSP
Pension Contribution Paid =120 SSP
Maximum DPC = 8% of 2000= 160 SSP
For this employee the DPC is 120 SSP.

2. BP = 2,000 SSP
Pension Contribution Paid =180 SSP
Maximum DPC = 8% of 2,000= 160 SSP
For this employee the DPC is 160 SSP.

3. Calculate the Gross Pay (GP) as employee's base pay plus, allowances, and benefits-in-kind received (all benefits) minus DPC: ("GP" = BP – DPC + all benefits)

4. Calculate Taxable Employee's Pay (TP) Subtracting SSP 300 from the GP (300 SSP is the monthly exemption amount): "TP" = GP – 300

5. Calculate National Tax (NT)

a) If the taxable pay (TP) is less than or equal to SSP 4,700, multiply the remaining amount by 10% - this is the monthly national tax to be withheld;

b) if the TP amount is more than SSP 4,700, compute the National Tax using the following formula:

National Tax (NT)= 470 + 15% of (TP – 4,700)

6. Calculate the state income tax (ST) as 30% of the National Tax: ST = 0.30 * NT

7. Pay the total amount to the national Directorate of Taxation, but designate the amount of the payment that is for national personal income tax and the amount that is for state income tax. If there are employees in more than one state, the amount of state income tax to be paid to each state must be indicated separately.

Example:

Return for the month of August 2012

Employer "A," paid wages during the month of August 2012. "A" has employees that work in Central Equatoria, Warrap, and Lakes States. Each employee receives a Housing Allowance of SSP 500/Month and a Cost of Living Allowance (COLA) of SSP 400/month. So the total benefit each employee receives is 900 SSP. Pension Contribution (DPC) of each employee is limited to 8% of base salary (BP). The monthly withholdings are calculated as sown on the below table.

Note: All amounts are in SSP.

Table: Payroll Sheet (Withholdings included)

State	Employee	Base Salary (BP)	Pension Deduction BP X 8% or Actual if less than 8%	Allowances and benefits	Gross Salary (GP) (after Pension Contribution)	Monthly Exempted Amount	Taxable Income (TP)	National Tax (NT)	State Surcharge (NT X 30 (30%))	Total Tax withheld	Net Pay
		(1)	(2)	(3)	(4)=(1)-(2)+(3)	(5)	(6)=(4)-(5)	(7)	(8)=30% X (7)	(9)=(7)+(8)	(10)=(4)-(9
CES	X	5,000	400	900	5,500	300	5,200	545	164	709	4,79
	Y	3,000	240	900	3,660	300	3,360	336	101	437	3,22
CES Totals					9,160		8,560	881	265	1,146	8,01
WS	D	3,000	240	900	3,660	300	3,360	336	101	437	3,22
	E	2,500	200	900	3,200	300	2,900	290	87	377	2,82
WS Totals					6,860		6,260	626	188	774	6,04
LS	K	6,500	520	900	6,880	300	6,580	752	226	978	5,90
LS Totals					6,880		6,580	752	226	978	5,90
TOTAL for all employees					22,900		21,400	2,259	679	2,938	19,96

A portion of Form 95-2 is replicated below, which illustrates how the payroll amounts in the example are entered in the monthly tax withholding statement.

Description		(A) Wages	(B) Dividends (X 10)	(C) Interest (X 10)	(D) Royalties (X 10)	(E) Total
5. Number of Payees of		5				XXXXXXX
6. Taxable Amount Paid for:		21,400				XXXXXXX
7. National Tax Withheld		2,259				2,259
8. Total State Tax Withheld:		679				679
Of which:	Central Equatoria	265				265
	Eastern Equatoria					
	Jonglei					
	Lakes	226				226
	Northern Bahr El Ghazal					
	Unity					
	Upper Nile State					
	Warrap	188				188
	Western Bahr El Ghazal					
	Western Equatoria					
9. Total Amount to Pay		XXXXXXX	XXXXXXX	XXXXXXXX	XXXXXXX	2,938