Executive summary

On 2 March 2016, the East Africa Community (EAC) member states of Kenya, Uganda, Tanzania, Rwanda and Burundi through their heads of states agreed by resolution to admit South Sudan into the East African Community (EAC) bloc early this month.

This decision was made during the EAC 17th summit held in Arusha on 2 March. A report of the council on the negotiations for the admission of the Republic of South Sudan into the EAC was presented and the decision was made to admit the Republic of South Sudan as a member.

The country is now expected to comply with all the laws and regulations of the EAC including, among others:

- Adoption of the *East African Community Customs Act, 2004* for customs administration
- Adoption of the EAC Common External Tariff for determination of import duty chargeable on imports
- Adoption of EAC duty remissions regulations
- Participation in the Single Customs Territory System for both intra-regional imports and those from outside the Community
Detailed discussion

Currently the EAC is at the Common Market stage and also fully implementing the customs union stage. These concepts are outlined below.

EAC customs union

The union was established via the signing of a protocol by the then three East African Heads of State of Kenya, Uganda and Tanzania on 2 March 2004. The Republics of Rwanda and Burundi joined the customs union in 2008 and started applying its instruments in July 2009.

The objectives of the customs union are:

- Liberalize intra-regional trade in goods on the basis of mutually beneficial trade arrangements among Partner States
- Promote efficiency in production within the Community
- Enhance domestic, cross-border and foreign investment in the Community
- Promote economic development and diversification in industrialization in the Community

EAC common market

This is the merger/union of the market territories represented by the different EAC member states.

The Protocol on the Establishment of the East African Community (EAC) Common Market entered into force on 1 July 2010, following ratification by the partner states.

Currently, South Sudan imports most of its goods/services from the Community. The EAC common market will mean the following to South Sudan:

- Accelerated economic growth and development through the attainment of the free movement of goods, persons and labor, the rights of establishment and residence and the free movement of services and capital
- Elimination of internal tariffs on goods imported from other member states
- Strong, coordinated and regulated economic and trade relations with other member states
- Sustenance and expansion of economic activities within the Community, the benefit of which shall be equitably distributed among the Partner States
- Promotion of common understanding and cooperation among the nationals of the Partner States for their economic and social development
- Enhanced research and technological advancement to accelerate economic and social development

Under the EAC common market protocol which South Sudan is expected to implement, Countries will enjoy free trade (or zero duty imposed) on goods and services among themselves and a common external tariff (CET), whereby imports from countries outside the EAC zone are subjected to the same tariff when sold to any EAC Partner State.

Benefits of joining the EAC

The admission of South Sudan is a positive development due to the following:

- Removal of trade barriers with the other member state
- Harmonization of common external tariffs in line with EAC member states leading to certainty and fairness during payment of taxes
- Ease of movement of goods and people from/to the other member states
- Regional cooperation with other member states
- Increased trade/larger market

Taxation

Customs duty in South Sudan remains a significant challenge as no elaborate laws have been developed to guide imports. Membership in the EAC will be a positive move to harmonize the duty rates and also to assist South Sudan in developing its own customs department.

Taxpayers should monitor the enactment of these laws in South Sudan.

Implications

Companies and individuals in South Sudan will be following keenly on the implementation of this new move especially as the authorities harmonize their systems with the rest of EAC.

Future Alerts will report on new developments as implementation progresses.
For additional information with respect to this Alert, please contact the following:

**Ernst & Young (South Sudan), Juba**
- Benson Karuiru  
  +211 959 00 3340  
  benson.karuiru@ss.ey.com
- Tom Nyakoe  
  +211 959 00 3340  
  tom.o.nyakoe@ss.ey.com

**Ernst & Young Kenya, Nairobi**
- Francis Kamau  
  +254 20 271 5300  
  francis.kamau@ke.ey.com
- Hadijah Nanyomo  
  +254 20 271 5300  
  hadijah.nanyomo@ke.ey.com

**Ernst & Young Advisory Services (Pty) Ltd., Johannesburg**
- Folkert Gaarlandt  
  +27 11 772 5220  
  folkert.gaarlandt@za.ey.com
About EY

EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients.

For more information about our organization, please visit ey.com.

© 2016 EYGM Limited.
All Rights Reserved.

EYG no. 00015-161Gbl
1508-1600216 NY
ED None

This material has been prepared for general informational purposes only and is not intended to be relied upon as accounting, tax, or other professional advice. Please refer to your advisors for specific advice.

ey.com