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April 25, 2024

THE MINISTER OF FINANCE OF THE FEDERAL GOVERNMENT

- Having understood:** The necessity to reinforce the enforcement of the Revenue Administration Law of 2019 through appropriate regulations;
- Recognizing:** The paramount importance of enhancing revenue administration to foster fiscal responsibility and economic growth;
- Acknowledging:** The pivotal role regulations play in advancing the implementation of laws duly passed by the Parliament;
- Taking into consideration:** The authority vested in the Minister of Finance as stipulated in Article 6 of the Revenue Administration Law, 2019,

Hereby issues the following decree:

Article 1

Approval of the Revenue Administration Regulation

1. The Revenue Administration Regulation attached to this Ministerial Decree, and bearing initials of the Minister on the right edge of each page, is hereby approved.
2. The approved Regulation shall be made available for public access through publication on the Ministry of Finance's official website, and shall enter into force immediately upon publication.

Bth 25-04-2024

H.E. Bihi Iman Egeh
The Minister





Revenue Administration Regulation

Regulation No. 336-2024

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**CHAPTER 1
PRELIMINARY**

**Article 1
Title and Purpose**

1. This Regulation shall be cited as the Revenue Administration Regulation and henceforth referred to as "the Regulation".
2. The purpose of this Regulation is to enhance the implementation and elucidation of the principles and provisions stipulated within the Revenue Administration Law, 2019.

**Article 2
Definitions**

1. In this Regulation, the following terms are defined as follows:
 - (a) "**Contract Awarding Entity**" refers to an organization or entity responsible for awarding contracts for goods, services, projects, or works. This entity could be a government agency, a private company, or any organization that solicits bids or proposals and selects a contractor to fulfill a specific need.
 - (b) "**Contract**" means an agreement between a Contracting Awarding Entity and a Contractor for the provision of services, goods, or works, typically involving a legal obligation and exchange of considerations. The term "Contract" encompasses various types of agreements, including written and oral contracts, as well as those implied by conduct or law.
 - (c) "**Contractor**" refers to an individual or entity that enters into a contractual agreement with the Contract Awarding Entity to provide goods, services, works, or complete a project as specified in the contract.
 - (d) "**Director General for Revenue Directorate**" shall denote the Director General for Revenue Directorate of the Ministry of Finance appointed by the Minister of Finance, hereinafter referred to as "Director General for Revenue."
 - (e) "**Electronic Documents**" for purposes of this Regulation, electronic documents refer to electronic records such as documents, spreadsheets, databases, and any other digital files created, received, or stored by a person, business, or entity. These records are essential for providing the

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information required in every document to be filed with the Ministry under revenue laws and for accurately determining the tax payable by the person, business, or entity. The terms Electronic Documents shall hereinafter be referred to as "Electronic Records".

(f) "**Electronic Tax Administration System**" refers to a digital platform established under this Regulation and used by the Ministry of Finance of the Federal Government to streamline and manage various tax-related processes, such as registration, filing, payment, compliance monitoring, document storage, and communication, through electronic means.

(g) "**Fiscal Electronic Cash Register (ECR) Point of Sale (POS)**" for purposes of this Regulation, the Fiscal Electronic Cash Register (ECR) Point of Sale (POS) is a specialized electronic device used by businesses to record and process sales transactions. It accurately records the details of each sale, including the transaction amount, date, time, and items purchased. Additionally, the Fiscal ECR POS is equipped to calculate and apply applicable sales taxes to each transaction automatically. The term Fiscal Electronic Cash Register (ECR) Point of Sale (POS) shall hereinafter be referred to as "Fiscal ECR POS Device".

(h) "**Revenue Directorate**" shall denote the Directorate of the Ministry of Finance responsible for revenue administration, established pursuant to Article 8 of this Regulation, hereinafter referred to as "the Revenue Directorate."

(i) "**Tax consultant**" refers to a professional licensed by the Ministry of Finance, authorized to provide specialized advice, guidance, and support to individuals or businesses on various aspects of taxation.

(j) "**Person**" shall encompass natural persons, legal persons, associations, as well as any other entities subject to taxation, including but not limited to corporations, partnerships, trusts, estates, and any other organizational structures recognized under tax law.

(k) "**Revenue Administration Law**" shall denote the Revenue Administration Law of 2019 (Law No. 13 of October 27, 2019), hereinafter referred to as "the Law."

(l) "**Revenue Officer**" is an individual authorized by the Ministry of Finance to execute duties under revenue laws. These duties include but are not limited to gathering information relevant to revenue laws, representing the Ministry in court proceedings related to revenue laws, and administering and enforcing revenue laws. Revenue Officers play the primary role of ensuring compliance with revenue laws and safeguarding the financial interests of the Government.

2. Any word or term not expressly defined herein shall carry the meaning attributed to it in the Revenue Administration Law unless the context indicates otherwise.

Article 3
Structure of the Regulation

1. The Regulation is structured in a manner where each chapter systematically refers to and is founded upon an article within the Revenue Administration Law of 2019, except for Chapter 1 and Chapter 11 which respectively provide for preliminary and miscellaneous provisions.

2. This structuring of the Regulation ensures clarity and organization within the Regulation by referencing and building upon its chapters in line with the relevant provisions of the Revenue Administration Law. This systematic approach facilitates stakeholder navigation and interpretation, promoting compliance and alignment with the Law.

CHAPTER 2
APPROVAL AND REGISTERING OF TAX CONSULTANTS

Article 4
Objectives of Chapter Two

The objective of this Chapter is to enhance the implementation of the objectives and provisions outlined in Article 30 of the Law.

Article 5
Recognition of Tax Consultants and their functions

1. An individual is officially recognized as a Tax Consultant upon receiving a certificate issued by the Ministry, accompanied by the allocation of a unique registration number.

2. Once an individual receives a certificate from the Ministry and is given a specific registration number, they are formally acknowledged as a Tax Consultant. This certification process validates their ability to provide tax consultancy services and establishes their credibility and legal authority in the field.

3. Tax consultants shall carry out the following functions:

(a) Prepare and submit tax filing returns on behalf of a taxpayer.

(b) Provide professional advice to a taxpayer and represent them in tax dispute matters before the Directorate General for Revenue or Tax Tribunals.

(c) Represent a taxpayer in interactions with revenue offices regarding tax matters.

(d) Handle any other tax-related matters on behalf of a taxpayer.

Article 6

Tax Consultants Certification and Registration Office

1. The Office of the Director General of Revenue is hereby designated as the Ministry of Finance's designated Tax Consultants Certification and Registration Office, with the primary responsibility of managing the Certification and Licensing of Tax Consultants.

2. To accomplish this task, the Office shall establish and maintain a structured process for the certification and licensing of tax consultants, in accordance with terms of this Regulation.

3. The Office shall conduct regular audits and evaluations to ensure compliance with licensing requirements and uphold the standards of professional practice among certified tax consultants.

Article 7

Qualification required from Tax Consultants

1. Individuals who are seeking to obtain a certificate as Tax Consultants must satisfy the following qualifications:

(a) The individual must have completed a relevant degree program in accounting, finance, law, or a related field from an accredited institution, whether in Somalia or abroad. If obtained from an institution outside Somalia, the certificate must be authenticated by the Ministry of Foreign Affairs or the relevant Somali embassy in that country.

(b) The individual must possess a recognized professional certifications such as Certified Public Accountant (CPA), Chartered Accountant (CA), Certificate for Legal Practice issued by Government of Somalia or equivalent.

(c) The individual must possess verifiable experience in tax-related positions, preferably in a professional capacity, to ensure a thorough understanding of tax laws and regulations.

(d) Has not been convicted by a competent court within Somalia for violating Revenue Laws or by a court in another jurisdiction for a similar offense.

(e) Has not been convicted by a competent court within Somalia or another jurisdiction for an offense related to dishonesty.

(a) Has not been convicted by a court of competent jurisdiction in Somalia or in another country for an offense whose conviction entails a permanent interdiction from public office.

Article 8

Standards required from Tax Consultants

1. After receiving certification, tax consultants must comply with the following standards:

(a) They must continue professional development by engaging in ongoing education and training to stay abreast of changes in tax laws and regulations.

(b) They must adhere to ethical standards and professional codes of conduct in all tax-related activities.

(c) They must comply with relevant tax laws, regulations, and reporting requirements.

(d) They must maintain the confidentiality of client information and data in accordance with legal and ethical guidelines.

(e) They must conduct themselves with honesty, integrity, and professionalism in all dealings with clients and authorities.

(f) They must be diligent by providing accurate and thorough tax advice and services, and conducting due diligence in all tax-related matters.

(g) They must avoid conflicts of interest and disclose any potential conflicts to clients in a timely manner.

(h) They must maintain accurate records of all tax-related activities and transactions.

2. In instances where a tax consultant fails to adhere to the aforementioned standards, demonstrating gross misconduct, the certificate of tax consultancy may be liable to suspension for a duration of six months. This measure is implemented to maintain the integrity of the profession and enforce adherence

to ethical and professional norms as prescribed by the Ministry of Finance in a guideline.

Article 9

Application Process for the Certification of Tax Consultants

1. Individuals seeking the certificate of tax consultants must submit a formal application to the Ministry of Finance's designated licensing department.
2. The application for the certificate of Tax Consultants required as per paragraph 1 of this Article, must adhere to the following requirements:
 - (a) it must be in writing and in accordance with the prescribed form;
 - (b) it must include or be accompanied by:
 - i. the applicant's full name and address;
 - ii. the applicant's national identity number and copy of the national identity document; and
 - iii. the applicant's place of business in Somalia sufficiently described for the delivery or service of notices under this regulation; and
 - (c) include any other necessary personal and contact information and documents specified in these regulations and in the prescribed form;
 - (d) include a declaration by the applicant that he or she satisfies the conditions necessary for approval;
 - (e) be signed by the applicant, declaring that the contents of the application are correct, complete and truthful; and
 - (f) be accompanied by the prescribed fee, or proof of payment to the ministry of the prescribed fee.

Article 10

Certain procedural requirements to be issued in Ministerial Circular

1. The Minister shall issue the following procedural requirements in a Ministerial Circular:
 - (a) The application form;
 - (b) The application fee;

- (c) Time periods, with closing dates, in which applications may be made;
- (d) The examination form; and
- (e) Any additional procedural requirements deemed necessary for the submission and processing of applications, as determined by the Minister.

Article 11
Consideration of applications

1. Upon receiving an application, the Tax Consultants Certification and Registration Office must:

- (a) Reject and return the application if it is unsigned, incomplete, lacks the prescribed documents, or if the application fee has not been paid; or
- (b) Consider and make a determination on the application, if the application is not rejected and returned under paragraph (a) of this Article.

Article 12
Proceedings of the Tax Consultants Certification and Registration Office

1. The decisions of the Tax Consultants Certification and Registration Office shall be reasoned and must be based on thorough analysis and consideration of relevant factors, in order to ensure that decisions are made fairly.
2. The decisions of the Tax Consultants Certification and Registration Office shall be recorded in writing to provide a documented record of the decision-making process, in order to ensure transparency and accountability in the licensing process.
3. The Tax Consultants Certification and Registration Office shall provide applicants with the opportunity to present their case and provide any necessary evidence or documentation to support their application, in order to ensure fairness and allow applicants to have their voices heard in the decision-making process.
4. The Tax Consultants Certification and Registration Office shall assess and finalize every application in a timely manner following its submission, in order to ensure that applicants receive a prompt and efficient review process for their licensing requests.

Article 13
Approval of Certification Applications

To ensure that only individuals demonstrating the necessary competence and proficiency in tax consulting are licensed, thereby upholding the integrity and credibility of the tax consultancy profession, the Tax Consultants Certification and Registration Office shall grant approval to an application provided that it determines the applicant to be sufficiently qualified, capable of maintaining the requisite professional standards, and has successfully completed the certification examination.

Article 14

Notification of Approval of Certification Applications

1. Upon approval of a certification application by the Tax Consultants Certification and Registration Office, it shall:

- (a) Notify the applicant in writing;
- (b) Provide a certificate of approval designating them as a Tax Consultant; and
- (c) Record the applicant's name in the Tax Consultants register.

Article 15

Notification of Non-approval of Certification Applications

1. In case of non-approval of certification applications, the Tax Consultants Certification and Registration Office shall notify the applicant in writing, stating the reasons for the decision.

2. Reasons for non-approval may include insufficient qualifications, failure to meet professional standards, or unresolved certification examination issues. Applicants may address deficiencies and resubmit their application for reconsideration.

3. The notification shall outline the applicant's right to appeal and the procedure.

Article 16

Appeals against the decisions of the Tax Consultants Certification and Registration Office

1. Any individual aggrieved by a decision of the Tax Consultants Certification and Registration Office may file an appeal within thirty days from the date of notification. The appeal must be submitted to the Minister of Finance.

2. The appeal application against non-approval decisions for certification applications as a Tax Consultant, may be based on one or more of the following legal grounds:

- (a) Dispute over the assessment of qualifications.
- (b) Allegations of procedural irregularities during the application review process.
- (c) Challenge regarding the interpretation or application of certification criteria.
- (d) Presentation of new evidence or information not previously considered.
- (e) Claims of bias or unfair treatment during the decision-making process.

3. The appeal application against deregistration of a Tax Consultant, may be based on one or more of the following legal grounds:

- (a) Disputing the accuracy or validity of the conviction.
- (b) Claiming procedural irregularities during the deregistration process.
- (c) Presenting evidence of exoneration or rehabilitation since the conviction.
- (d) Challenging the interpretation or application of the deregistration criteria.
- (e) Asserting that the offense does not meet the threshold for deregistration as stipulated in this Regulation.

Article 17

Decision on Appeal by the Minister of Finance

1. The Minister of Finance shall render a decision on the appeal and provide a written notification thereof.
2. The decision of the Minister of Finance shall be conclusive and not subject to further review.

Article 18

Register of Tax Consultants

1. The Tax Consultant Certification and Registration Office shall establish and maintain a register of Tax Consultants, which includes the following details for each Certified Tax Consultant:

- (a) Name and address;
- (b) Date of approval as a Tax Consultant; and
- (c) A unique approval number assigned by the Tax Consultant Certification and Registration Office.
- (d) Qualifications of the tax consultants.
- (e) Such other information as the Tax Consultant Certification and Registration Office may deem necessary.

2. The Tax Consultants Certification and Registration Office shall publish the register on the website of the Ministry of Finance, in order to ensure public awareness of approved Tax Consultants.

Article 19 **Deregistration of Tax Consultants**

1. The Tax Consultants Certification and Registration Office shall deregister an approved Tax Consultant if satisfied that the Tax Consultant:

- (b) Has been convicted by a court of competent jurisdiction in Somalia for an offense against the Revenue Laws, or in another country for a similar offense; or
- (c) Has been convicted by a court of competent jurisdiction in Somalia or in another country for an offense involving dishonesty; or
- (d) Has been convicted by a court of competent jurisdiction in Somalia or in another country for an offense whose conviction entails a permanent interdiction from public office.

Article 20 **Notification of Deregistration of Tax Consultants**

1. If the Tax Consultants Certification and Registration Office determines, in accordance with the above Article of this Regulation, that a Tax Consultant should be deregistered, the Tax Consultants Certification and Registration Office must:

- (a) Notify the Tax Consultant of the determination to deregister him or her.

(b) Amend the published Register to reflect the deregistration of the Tax Consultant, thereby ensuring public awareness of the deregistration. This update shall occur if the Tax Consultant refrains from contesting the decision or has completed the appeals process.

Article 21
Return of Certificate

A Tax Consultant who is deregistered and receives notice under the above Article must immediately return his or her certificate of approval to the Tax Consultants Certification and Registration Office. This return of the certificate shall be executed immediately if the Tax Consultant refrains from contesting the decision or has completed the appeals process.

Article 22
Offences relating to Tax Consultants

1. The offense of fraud is committed by anyone who:
 - (a) holds himself or herself out, or advertises himself or herself, to be a Certified Tax Consultant when he or she is not so certified;
 - (b) materially alters a certificate issued under this Regulation;
 - (c) displays or utters a false certificate purporting to be a certificate issued by the Tax Consultants Certification and Registration Office; or
 - (d) materially alters the register when not authorized to alter the register.
2. The offense of non-observance of the order lawfully given by a Government Authority is committed by anyone who fails to return a certificate after the deregistration process is completed.
3. A person who commits any of the offenses specified under paragraph 1 and 2 of this Article shall be punished with imprisonment for a term of not more than six months and a fine of ten thousand dollars.

Article 23
Tax Consultant Certification does not authorize one to act as a Customs Broker

Tax Consultant Certification, while conferring authorization to practice as a tax consultant, does not extend to the role of a Customs Broker. The functions and responsibilities of Customs Brokers are subject to distinct regulations

delineated in the Customs Act. Therefore, Tax Consultants are not authorized to perform Customs Broker duties without abiding by the legal requirements of the Customs Act.

CHAPTER 3 CURRENCY FOR REVENUE LAWS

Article 24 Objectives of Chapter Three

The objective of this Chapter is to enhance the implementation of the objectives and provisions outlined in Article 32 of the Law.

Article 25 Designation of Currency for Revenue Laws

1. For purposes of Article 32 of the Law, it is hereby mandated that all monetary sums falling within the scope of revenue legislation must be denominated in United States Dollars (USD). Furthermore, pursuant to the relevant revenue statutes, any submission of tax returns and subsequent payments shall be deemed permissible if articulated or executed in United States Dollars (USD).

2. Paragraph one of this Article shall remain in full force and effect until duly revoked in accordance with the monetary and fiscal policies prescribed by the Federal Government of Somalia, as expressly stipulated.

CHAPTER 4 ELECTRONIC TAX ADMINISTRATION SYSTEM

Article 26 Objectives of Chapter Four

The objective of this Chapter is to enhance the implementation of the objectives and provisions outlined in Articles 37 and 61 of the Law.

Article 27 Establishment of the Electronic Tax Registration System

The Electronic Tax Registration System is hereby established with the primary objective of facilitating the electronic submission of documents to the Ministry of Finance, the electronic service of documents by the Ministry as well as the electronic tax payments by taxpayers.

Article 28 Main Objectives of the Electronic Tax Registration System

1. The main objectives of the Electronic Tax Registration System established in the above Article of this Regulation include:

- (a) Facilitating online registration of taxpayers, including businesses, and entities, for various tax regimes such as Sales Tax, Income Tax, and Excise Tax.
- (b) Providing a platform for taxpayers to electronically file their tax returns and related documents within the prescribed deadlines.
- (c) Allowing taxpayers to make tax payments securely and conveniently through various electronic payment methods such as internet banking, mobile money, mobile banking, and electronic funds transfer.
- (d) Enabling the Ministry of Finance to monitor tax compliance by taxpayers through data tracking, audit trails, and automated alerts for discrepancies or non-compliance.
- (e) Facilitating electronic storage, retrieval, and management of tax-related documents, including tax returns, invoices, receipts, and other relevant records.
- (f) Providing a platform for communication and correspondence between taxpayers and the Ministry of Finance, including notifications, reminders, and inquiries related to tax matters.
- (g) Leveraging data analytics and business intelligence tools to analyze taxpayer data, identify trends, detect tax evasion or fraud, and improve tax administration efficiency.
- (h) Offering online services and resources to assist taxpayers with tax-related queries, guidance, and assistance.

Article 29

Entities and business subject to compulsory registration in the Electronic Tax Administration System

1. Any business or entity falling within one or more of the following categories shall be subject to compulsory registration in the Electronic Tax Administration System:

- (a) Businesses and entities with or exceeding an annual turnover of fifty thousand (50, 000) USD.

(b) Businesses or entities engaged in inter-state transactions, import-export activities, or providing taxable services, irrespective of their annual revenue thresholds.

(c) Legal entities such as:

- i. Sole Proprietorship defined for purposes of this Regulation as individual businesses owned and operated by a single person.
- ii. Partnerships defined for purposes of this Regulation as businesses formed by two or more individuals who agree to share profits and losses.
- iii. Companies defined for purposes of this Regulation as incorporated entities with a separate legal identity from their owners, including private limited companies, public limited companies, and limited liability partnerships (LLPs).

(d) Business or entities that supply services or goods including:

- i. Manufacturers defined for purposes of this Regulation as businesses involved in the production or manufacturing of goods.
- ii. Traders/Retailers defined for purposes of this Regulation as entities engaged in buying and selling goods, including wholesalers, retailers, and distributors.
- iii. Service Providers defined for purposes of this Regulation as businesses offering various services such as consulting, professional services, hospitality, transportation, and information technology (IT) services.
- iv. Importers/Exporters defined for purposes of this Regulation as entities involved in the import or export of goods, including traders and exporters.
- v. Online Sellers/E-commerce Operators defined for purposes of this Regulation as businesses selling goods or services through online platforms or e-commerce websites.

2. Entities and businesses not falling within any of the above categories specified in the above paragraph of this Article but opting to join the Electronic Tax Administration System voluntarily, shall be allowed, provided they can comply with the procedures governing the Electronic Tax Administration System.

Article 30

The documentation and information required for registration in the Electronic Tax Administration System

1. The documentation and information required for registration in the Electronic Tax Administration System include:

- (a) Personal identification documents of the proprietor, partners, directors, or authorized signatories, such as passport, National ID Card issued by NIRA or driver's license.
- (b) Business registration documents, including certificates of incorporation.
- (c) Any specific industry-related licenses or permits required for conducting business operations.
- (d) Financial information such as bank account details of the business entity, financial statements, such as balance sheets, profit and loss statements, or audited accounts (where applicable).
- (e) Primary Merchant Accounts details, where the entity is engaged in the sale of goods, works or services.
- (f) Taxpayer Identification Number (TIN) issued by the Ministry of Finance.
- (g) Details of business activities, including the nature of goods or services supplied, turnover, and other relevant information.
- (h) Proof of address (such as utility bills, rental agreement etc).

Article 31

Procedure for registration in the Electronic Tax Administration System

1. Entities and businesses shall adhere to the following procedure for registration in the Electronic Tax Administration System:

- (a) The business or entity shall visit the designated online portal of the Ministry of Finance for administering the Electronic Tax Administration System.
- (b) The business or entity shall fill out the registration form provided on the portal, providing necessary information such as personal details (name, address, contact information), and business information (type of business, turnover, TIN details).



- (c) Along with the registration form, the business or entity shall upload scanned copies of relevant documents, which may include proof of identity (passport, National ID Card), proof of address (utility bills, rental agreement), business registration documents (certificate of incorporation), and any other required documents.
2. Following the submission of the requisite form and documents, the Ministry of Finance shall undertake a thorough verification process to ascertain the accuracy and compliance of the information provided in the registration form and uploaded documents with the applicable revenue legal frameworks. This verification may entail manual scrutiny by revenue officials or automated verification mechanisms.
3. Upon successful verification of the submitted information, the Ministry of Finance shall issue a registration certificate, formally confirming the registration of the business or entity within the Electronic Tax Administration System.
4. The registered business or entity shall be furnished with user credentials, comprising a username and password, essential for securely accessing the Electronic Tax Administration System. The recipient is notified of the code and instructed on how to use it for accessing the Electronic Tax Administration System.

Article 32

Cancellation procedures of user credentials in the the Electronic Tax Administration System

1. Cancellation procedures of user credentials within the Electronic Tax Administration System can be initiated in the event of:
- (a) Non-compliance with tax regulations or failure to adhere to registration requirements.
 - (b) Termination of business activities or cessation of operations by the entity.
 - (c) Request for cancellation by the taxpayer due to legitimate reasons, such as relocation or restructuring.
 - (d) Suspected fraudulent activities or misuse of user credentials.
 - (e) Changes in business ownership or legal status necessitating re-registration.

(f) Expiration of user credentials or termination of the taxpayer's registration.

2. The cancellation procedures of user credentials within the Electronic Tax Administration System shall begin with the identification of any of the events specified in paragraph one of this Article. Upon detection of such an event, the Ministry of Finance shall initiate the cancellation process, which involves notifying the entity in question and providing an opportunity for explanation or rectification in cases the cancellation is initiated based on a violation detected.

Article 33

Mandatory use of the Fiscal ECR POS Device and Obligations of Enterprise Resource Planning (ERP) Service Providers

1. For the purpose of facilitating the Ministry of Finance in monitoring tax compliance by taxpayers through data tracking, and in pursuit of certain objectives of the Electronic Tax Administration System, the use of the Fiscal ECR POS Device is hereby mandated.

2. Businesses and entities categorized as medium and large taxpayers are legally mandated to employ the Fiscal ECR POS Device for the electronic documentation of sales transactions. These businesses and entities include but are not limited to:

- (a) Retail chains or franchises.
- (b) Hotel chains and large resorts.
- (c) Telecom companies (large-scale operators).
- (d) Supermarkets and hypermarkets.
- (e) Restaurant chains or fine dining establishments.
- (f) Telecom equipment suppliers or distributors.
- (g) Wholesale distributors.
- (h) Large-scale grocery stores or department stores.
- (i) Shopping malls.

3. The objectives of the use of Fiscal ECR POS system is to combat tax evasion and ensure transparency in sales reporting, therefore businesses and entities mandated to use the Fiscal ECR POS systems are required to install and connect the Fiscal ECR POS system to their payment processing terminals and

ensure that the Fiscal ECR POS system captures transaction data and generates electronic records for tax purposes.

4. The Ministry of Finance shall provide Fiscal ECR POS Devices to businesses that are legally mandated to employ the Fiscal ECR POS Device. In cases where the Ministry doesn't provide these devices, all businesses that are legally mandated to employ these devices shall procure the Fiscal ECR POS devices from an authorized vendor approved by the Ministry of Finance. The device must comply with the technical specifications and requirements specified by the Ministry of Finance.

5. The Ministry of Finance shall ensure seamless integration of taxpayers' Fiscal ECR POS Devices with the Electronic Tax Administration System. This integration shall facilitate secure and efficient transmission of transaction data to enhance tax compliance and transparency.

6. Enterprise Resource Planning (ERP) service providers must ensure seamless integration between the Ministry's Electronic Tax Administration Systems and the billing/ERP systems used by taxpayers. The Ministry of Finance shall certify a list of accredited ERP Service Providers who meet the Ministry's standards and fulfill the integration requirements.

Article 34

Transmission of transaction data and generated electronic records

1. The transaction data and tax electronic records generated by the Fiscal ECR POS system shall be transmitted to the Ministry of Finance via the Electronic Tax Administration System. The Electronic Tax Administration System shall be configured to automatically receive transaction data and electronic records directly from the Fiscal ECR POS systems of registered taxpayers.

2. In instances where automated data transfer, as mandated in paragraph 1 of this Article, cannot be executed due to technical deficiencies, taxpayers are authorized to manually upload transaction data and electronic records to the online reporting portal of the Electronic Tax Administration System.

Article 35

Punitive measures for failure to use Fiscal ECR POS

1. Any business legally mandated to employ the Fiscal ECR POS Device but is found to be non-compliant with that obligation shall be subject to one or a combination of the following punitive measures:

(a) Financial penalties which shall consist of fines of not more than two thousand (2,000) USD per violation and fines of not less than five hundred (500) USD per day of non-compliance.



(b) Imprisonment of not less than 6 months and not more than 4 years against senior management and individuals exercising effective control over the business. Such individuals shall be deemed to have committed the criminal offense of impeding tax administration.

(c) In cases of persistent non-compliance, the closure of the non-compliant business may be ordered.

Article 36

Mandatory use of Merchant Accounts for sales transactions

1. All businesses and entities engaged in sales transactions shall use Merchant Accounts for the entirety of their sales transactions. To comply with this legal requirement, all businesses and entities engaged in sales transactions shall establish Merchant Accounts with payment services providers operating in the country.

2. All sales transactions conducted via Merchant Accounts are mandated and deemed to include the applicable Sales Tax. As such, payment service providers offering Merchant Accounts must enable the Federal Government to automatically deduct the requisite Sales Tax from transactions processed through these accounts.

3. Payment service providers offering Merchant Accounts must ensure that businesses and entities engaged in sales activities are not permitted to process sales transaction on other payment methods other than Merchant Accounts. To ensure that businesses and entities engaged in sales activities exclusively use Merchant Accounts for processing sales transactions, payment service providers offering Merchant Accounts shall implement strict verification procedures during the establishment of business relationships with entities. Additionally, payment service providers offering Merchant Accounts shall employ real-time monitoring systems to detect and prevent any unauthorized use of alternative payment methods.

4. If payment service providers offering Merchant Accounts discover a business not using a Merchant Account for sales transaction and in violation of this Regulation, they should take the following steps:

(a) Immediately report the violation to the Ministry of Finance of the Federal Government.

(b) Immediately notify the non-compliant business of the violation and remind them of their obligation to exclusively use Merchant Accounts for processing sales transactions.

(c) Suspend or terminate the provision of payment services to the non-compliant business until they rectify the violation and demonstrate compliance with the Regulation.

(d) Conduct follow-up checks and monitoring to ensure that the non-compliant business has taken corrective actions and is now in compliance with the Regulation.

5. To enforce the use of Merchant Accounts for all sales transactions and detect violations, the Ministry of Finance shall take, in close cooperation with the relevant law enforcement agencies, the following steps:

(a) It shall require businesses and entities engaged in sales activities to provide to the Ministry of Finance the details of their Merchant Accounts along with the documentation and information required for registration in the Electronic Tax Administration System.

(b) Conduct regular inspections of business premises and verify compliance with the requirement to use Merchant Accounts for sales transactions. This may involve scheduling regular inspection visits to randomly selected businesses across various sectors. During these visits, designated inspectors can thoroughly review the business's financial records, transaction logs, and Merchant Account documentation to ensure compliance. Additionally, inspectors can interview business owners or managers to inquire about their use of Merchant Accounts and any challenges they may be facing in adhering to the requirement.

(c) Implement, in close cooperation with payment service providers offering Merchant Accounts, systems for monitoring sales transaction data to detect any instances of non-compliance or the use of alternative payment methods.

(d) Provide guidance and outreach to businesses to help them understand and comply with the requirement to use Merchant Accounts.

Article 37

Punitive measures for failure to use Merchant Accounts

2. Any business legally mandated to employ Merchant Accounts for sales transactions but is found to be non-compliant with that obligation shall be subject to one or a combination of the following punitive measures:

(a) Financial penalties which shall consist of fines of not more than two thousand (2,000) USD per violation and fines of not less than five hundred (500) USD per day of non-compliance.

(b) Imprisonment of not less than 6 months and not more than 4 years against senior management and individuals exercising effective control over the business. Such individuals shall be deemed to have committed the criminal offense of impeding tax administration.

(c) In cases of persistent non-compliance, the closure of the non-compliant business may be ordered.

Article 38

Monitoring sales transactions carried out in cash by entities not using Fiscal ECR POS

1. For purposes of maintaining fairness and consistency in the taxation of sales transactions across different payment methods, sales transactions carried out in cash by entities not using Fiscal ECR POS shall be monitored and taxed, in the same way that sales transactions that are processed through Merchant Accounts are monitored and taxed. To achieve this, the Ministry of Finance:

(a) Shall require businesses not using Fiscal ECR POS to maintain cash registers or similar systems to record cash transactions accurately.

(b) Shall mandate businesses to report cash sales transactions to the Ministry of Finance through the Electronic Tax Administration System periodically, providing details such as transaction amount, date, and customer information.

(c) Shall conduct random audits of businesses to verify the accuracy of reported cash sales transactions. Inspectors can review cash registers, sales receipts, and financial records to ensure compliance.

(d) Shall cross-reference reported cash sales transactions with other financial data, such as bank deposits and expenses, to detect discrepancies or inconsistencies.

(e) It shall provide awareness to businesses on the importance of accurately reporting cash sales transactions and the consequences of non-compliance.

Article 39

Punitive measures for failure to maintain cash registers and report sales transactions in cash

1. Any business without Fiscal ECR POS that fails to maintain cash registers and report sales transactions in cash via the Electronic Tax Administration System shall be subject to one or a combination of the following punitive measures:

(a) Financial penalties which shall consist of fines of not more than one thousand (1,000) USD per violation and fines of not less than one hundred (100) USD per day of non-compliance.

(b) Imprisonment of not more than 6 months against individuals exercising effective control over the business. Such individuals shall be deemed to have committed the criminal offense of impeding tax administration.

(c) In cases of persistent non-compliance, the closure of the non-compliant business may be ordered.

CHAPTER 5 MAINTAINING ELECTRONIC RECORDS

Article 40 Objectives of Chapter Five

The objective of this Chapter is to enhance the implementation of the objectives and provisions outlined in Article 38 of the Law.

Article 41 General provisions on Electronic Records

1. For purposes of this Regulation, electronic documents refer to electronic records such as documents, spreadsheets, databases, and any other digital files created, received, or stored by a person, business, or entity. These records are essential for providing the information required in every document to be filed with the Ministry under revenue laws and for accurately determining the tax payable by the person, business, or entity. The terms Electronic Documents shall hereinafter be referred to as "Electronic Records".

2. Electronic records mentioned in the first paragraph of this Article shall be retained by the person, business, or entity that created, received, or stored until whichever of the following dates is later: the general retention date mentioned in paragraph 3 of this Article, or the following dates:

(a) Where a person, business, or entity makes an objection or appeal, all documents relevant to the matter in dispute must be retained until the matter is finally decided and the decision is executed;

(b) Where a person, business, or entity makes an application to the Ministry, all documents relevant to the application must be retained until the application is finally decided;

(c) Where a person, business, or entity seeks a refund of tax, all documents relevant to the calculation of the refund must be retained until the refund is

made or the application for the refund is finalized without a refund being granted; and

(d) Where a person, business, or entity has received notice of an investigation by the Ministry, all documents relevant to the investigation must be retained until the Ministry notifies the person in writing that the investigation is finalised.

3. The general retention date is 4 years from:

(a) In the case of Income Tax, the end of the last year of assessment for which the documents are relevant; and

(b) In the case of other taxes, the last date on which the taxpayer is obliged to file a document with the Ministry or pay tax for which the documents are relevant, whichever is later.

4. The Ministry has the authority, without prejudice to the provisions outlined in Article 38 of the Law, to adjust the period for retaining documents as necessary. This adjustment can involve either decreasing or extending the duration for which documents must be retained. The Ministry may make such adjustments based on a variety of reasons or considerations, including but not limited to:

(a) Ensuring effective tax administration and compliance with relevant laws and regulations.

(b) Aligning with international standards or best practices in record-keeping and tax compliance.

(c) Responding to changes in economic conditions or tax policy objectives.

(d) Streamlining administrative processes and reducing unnecessary regulatory burden on taxpayers.

(e) Addressing specific challenges or circumstances affecting certain industries or sectors.

(f) Enhancing transparency, accountability, and integrity in tax administration.

(g) Promoting fair and efficient tax collection while minimizing opportunities for tax evasion or fraud.

(h) Facilitating economic growth, investment, and business development.

(i) Reflecting advancements in technology and changes in record-keeping practices.

(j) Achieving broader public policy goals outlined by the Ministry or relevant authorities.

5. The adjustments to the retention period for documents, as outlined in paragraph 4 of the Article, can be made by the Minister through an official circular. This circular shall be published on the Ministry's website in order to serve as a formal notification of any changes to the retention period, ensuring that taxpayers are informed of their obligations regarding document retention.

Article 42

Businesses and entities mandated to comply with Electronic Record-keeping

1. Any business or entity falling within one or more of the following categories shall be subject to compulsory Electronic Record-keeping:

(a) Businesses and entities with or exceeding an annual turnover of fifty thousand (50, 000) USD.

(b) Businesses or entities engaged in inter-state transactions, import-export activities, or providing taxable services, irrespective of their annual revenue thresholds.

(c) Legal entities such as:

- i. Sole Proprietorship defined for purposes of this Regulation as individual businesses owned and operated by a single person.
- ii. Partnerships defined for purposes of this Regulation as businesses formed by two or more individuals who agree to share profits and losses.
- iii. Companies defined for purposes of this Regulation as incorporated entities with a separate legal identity from their owners, including private limited companies, public limited companies, and limited liability partnerships (LLPs).

(d) Business or entities that supply services or goods including:

- i. Manufacturers defined for purposes of this Regulation as businesses involved in the production or manufacturing of goods.

- ii. Traders/Retailers defined for purposes of this Regulation as entities engaged in buying and selling goods, including wholesalers, retailers, and distributors.
- iii. Service Providers defined for purposes of this Regulation as businesses offering various services such as consulting, professional services, hospitality, transportation, and information technology (IT) services.
- iv. Importers/Exporters defined for purposes of this Regulation as entities involved in the import or export of goods, including traders and exporters.
- v. Online Sellers/E-commerce Operators defined for purposes of this Regulation as businesses selling goods or services through online platforms or e-commerce websites.

3. Entities and businesses not falling within any of the above categories specified in the above paragraph of this Article but opted to join the Electronic Tax Administration System voluntarily, shall be subject to compulsory Electronic Record-keeping.

CHAPTER 6 OBJECTIONS TO TAX DECISIONS

Article 43 Objectives of Chapter Six

The objective of this Chapter is to enhance the implementation of the objectives and provisions outlined in Articles 53 and 54 of the Law.

Article 44 Objections To Tax Decisions

1. Where a person is dissatisfied with a tax decision that directly affects the person, the person may file with the Ministry an objection to the decision. The objection must be filed within 30 days after the decision is made. It must be in writing and state precisely the grounds upon which it is made. Grounds for filing an objection to a tax decision could include:

- (a) Errors or inaccuracies in the calculation of tax liability.
- (b) Misinterpretation or misapplication of tax laws or regulations.
- (c) Presentation of new evidence or information not previously considered.

- (d) Disputes regarding the classification of income, deductions, or credits.
- (e) Allegations of procedural irregularities or violations of due process.
- (f) Claiming entitlement to exemptions, deductions, or tax credits not granted in the decision.
- (g) Assertion of exemptions or relief provisions applicable to the taxpayer's circumstances.
- (h) Disputes regarding the valuation of assets or property subject to taxation.
- (i) Allegations of bias or discrimination in the decision-making process.
- (j) Any other legal or factual grounds relevant to contesting the tax decision.

2. Within the time for filing an objection under paragraph 1 of this Article, a person may make a written application to the Ministry for an extension of time to file an objection. The Ministry may grant the extension if satisfied that it is based on reasonable grounds. The reasonable grounds for requesting a time extension to file an objection could include:

- (a) Illness or medical incapacitation preventing timely action.
- (b) Natural disasters or emergencies affecting the ability to comply with deadlines.
- (c) Technical difficulties or system errors hindering the submission process.
- (d) Legal complexities necessitating additional time for consultation or legal advice.
- (e) Inability to access necessary documents or information within the prescribed timeframe.
- (f) Administrative delays or misunderstandings leading to missed deadlines.
- (g) Dependence on third parties for essential information or approvals.
- (h) Any other legitimate reason demonstrating a genuine need for an extension and not stemming from negligence or intentional delay.

3. The person, their tax consultant, or legal representative is required to substantiate the grounds relied upon by furnishing credible evidence when making a written application under paragraphs 1 and 2 of this Article.



4. The Ministry may grant the extension specified under paragraph 2 of this Article for a period not exceeding 60 days. Any potential second extension would be subject to the Ministry's discretion and contingent upon the presence of exceptional circumstances or compelling reasons necessitating additional time, which were not present at the time of the original application.

5. A tax decision is suspended from the time a person makes an application for an extension of time to file an objection until the Ministry of Finance serves the person with notice of the decision on the application.

6. A notice served by the Ministry of Finance under paragraph 5 of this Article shall be considered served when it is sent to the email address provided by the person or their legal representative or tax consultant. In cases where email communication is technically unfeasible, the Ministry of Finance may utilize alternative communication channels, such as postal mail or registered mail, to serve notices under paragraph 5 of this Article. In instances where both email communication and traditional postal or registered mail services are unavailable within the jurisdiction, the Ministry of Finance may employ other reliable means of communication, such as courier services or secure electronic messaging systems.

Article 45 **Objection Decision**

1. As soon as is practicable after making an objection decision, the Ministry of Finance must serve the person who made the objection with notice of the decision. The person may not elect to treat the Ministry of Finance as having disallowed the objection and must wait for an additional 60 days if the Ministry of Finance does not serve the notice of an objection decision within 60 days after the objection is filed due to any of the following grounds:

- (a) Technical issues with notification systems.
- (b) Unforeseen disruptions or emergencies affecting Ministry operations.
- (c) Procedural complexities requiring additional time for decision-making.
- (d) Legal or regulatory requirements necessitating thorough examination of the objection.
- (e) Outstanding requests for further information or documentation from the taxpayer.
- (f) Any other exceptional circumstances beyond the Ministry's control impacting its ability to serve the notice within the stipulated timeframe.

2. A tax decision is suspended from the time a person files an objection to the tax decision until the time the person is served with a notice of the objection decision.

3. A notice served by the Ministry of Finance under the above paragraph of this Article shall be considered served when it is sent to the email address provided by the person or their legal representative or tax consultant. In cases where email communication is technically unfeasible, the Ministry of Finance may utilize alternative communication channels, such as postal mail or registered mail, to serve notices under the above paragraph of this Article. In instances where both email communication and traditional postal or registered mail services are unavailable within the jurisdiction, the Ministry of Finance may employ other reliable means of communication, such as courier services or secure electronic messaging systems.

CHAPTER 7 EXTENSION OF TIME TO PAY TAX

Article 46 Objectives of Chapter Seven

The objective of this Chapter is to enhance the implementation of the objectives and provisions outlined in Article 58 of the Law.

Article 47 Extension of Time for Paying Tax

1. A taxpayer may make a written application to the Ministry for an extension of time to pay tax under a revenue law. The Ministry may grant the extension if satisfied that it is based on reasonable grounds. The reasonable grounds for requesting a time extension to file an objection could include:

- (a) Severe illness or incapacitation affecting the taxpayer's ability to meet the deadline.
- (b) Unexpected financial hardship or loss impacting the taxpayer's liquidity.
- (c) Unforeseen circumstances such as natural disasters or emergencies hindering financial transactions.
- (d) Technical difficulties or system failures preventing timely payment submission.
- (e) Legal or procedural complexities necessitating additional time for consultation or advice.

(f) Delays in receiving essential documentation or information required for accurate tax assessment.

(g) Administrative errors or misunderstandings leading to missed payment deadlines.

(h) Significant changes in personal or business circumstances affecting financial resources.

(i) Dependence on third parties for financial transactions or approvals causing delays.

(j) Any other valid reason demonstrating a genuine need for an extension and not stemming from negligence or deliberate delay.

2. The taxpayer or legal representative is required to substantiate the grounds relied upon by furnishing credible evidence when making a written application under paragraphs 1 of this Article.

3. The Ministry may grant the extension specified under paragraph 1 of this Article for a period not exceeding 12 months. Any potential second extension would be subject to the Ministry's discretion and contingent upon the presence of exceptional circumstances or compelling reasons necessitating additional time, which were not present at the time of the original application.

4. The Ministry may extend the deadline for tax payment under paragraph 1 of this Article, contingent upon the individual furnishing a security or guarantee for the tax amount and remitting any fees or charges mandated by the issuer of said security or guarantee. The aforementioned security or guarantee that may be provided may include but not limited to:

(a) Bank guarantees.

(b) Surety bonds.

(c) Pledges of assets (e.g., real estate, stocks, or other valuable property).

(d) Letters of credit issued by reputable financial institutions.

5. Upon reaching a decision concerning the application submitted under paragraph 1 of this Article, the Ministry must serve the applicant with written notice of the Ministry decision on the application.

6. A notice served by the Ministry of Finance under the above paragraph of this Article shall be considered served when it is sent to the email address provided



by the tax-payer or their legal representative or tax consultant. In cases where email communication is technically unfeasible, the Ministry of Finance may utilize alternative communication channels, such as postal mail or registered mail, to serve notices under the above paragraph of this Article. In instances where both email communication and traditional postal or registered mail services are unavailable within the jurisdiction, the Ministry of Finance may employ other reliable means of communication, such as courier services or secure electronic messaging systems.

7. If the decision on the application submitted under paragraph 1 of this Article for an extension of time to pay tax under a revenue law grants the requested extension by permitting the taxpayer to pay by installments, the Ministry shall enter into an agreement with the taxpayer. This agreement shall:

(a) Specify the terms of the extended payment arrangement, including the schedule of installments, the amount of each instalment, and the due dates for payment.

(b) Specify the financial conduct the taxpayer shall maintain throughout the extended payment period, including timely payment of all agreed-upon installments and adherence to any additional financial obligations specified in this agreement.

(c) Define the reporting obligations to the Ministry by the taxpayer, such as the frequency and format of these reports. Additionally, these reports shall include relevant financial information and updates on the taxpayer's financial status, as requested by the Ministry.

(d) Outline the type of security or guarantee provided by the taxpayer to secure the extended payment period, such as bank guarantees, or pledges of assets, and the procedures for providing and maintaining such security.

(e) Define the power of the Ministry to monitor the taxpayer's compliance with the financial conduct and reporting obligations outlined in the agreement.

(f) Define the consequences of default, empowering the Ministry to accelerate the payment schedule and appropriate the security or guarantee provided by the taxpayer to cover the outstanding tax debt in case of default.

(g) Detail the enforcement measures available to the Ministry in case of default, including the initiation of legal actions to recover the outstanding tax amount owed, such as asset seizure or pursuit of legal remedies in courts of law.

(h) Include provisions for its amendment or termination under certain circumstances, such as changes in the taxpayer's financial situation or compliance with the payment terms.

CHAPTER 8 ORDER OF PAYMENT OF TAXES

Article 48 Objectives of Chapter Eight

The objective of this Chapter is to enhance the implementation of the objectives and provisions outlined in Article 60 of the Law.

Article 49 Order of Payment of Taxes

1. In situations where a taxpayer is obligated to pay multiple tax amounts and penalties but remits less than the total outstanding sum, the Ministry reserves the authority to designate which tax or penalty amount is deemed as satisfied. Such determination lies entirely within the discretion of the Ministry, without the obligation to provide justification for the selection. This provision applies irrespective of whether the tax and penalty liabilities arise from a single revenue law or multiple revenue laws.

2. Without prejudice to the provisions contained in the above paragraph of this Article, the following rules for determining the order of payment of tax and penalties shall be followed:

(a) The payment of tax amounts shall take precedence over penalties, so as to ensure the taxpayer's primary obligation to satisfy tax liabilities is addressed first before penalties are considered.

(b) Payments shall be allocated to the earliest outstanding tax liabilities before addressing those of more recent origin, thereby prioritizing the settlement of longstanding tax obligations in the allocation of payments.

(c) If the taxpayer has multiple tax liabilities, distribute payments proportionally to each liability based on their respective amounts owed, to ensure that each tax liability receives a fair share of the payment, preventing disproportionate allocation.

3. The Ministry may determine the sequence of tax payments within the agreement outlined in Article 47(7) of this Regulation when a taxpayer is granted an extension for tax payment which allows installment payments.

CHAPTER 9

**A SPECIAL SCHEME MANDATING CONTRACT AWARDING
ENTITIES TO WITHHOLD SALES TAX**

**Article 50
Objectives of Chapter Nine**

In accordance with Article 6(1)(e) of the Law, The objective of this Chapter is to establish a special scheme mandating Contract Awarding Entities to withhold Sales Tax, so as to counter the evasion of Sales Tax by Contractors.

**Article 51
Procedure for withholding Sales Tax by Contract Awarding Entity**

1. Without prejudice to the provisions of the Sales Act, 1984 and the Regulations issued under it and for purposes of combating potential evasion of Sales Tax by Contractors, it is mandated under this Regulation that all Contract Awarding Entities shall deduct and withhold the relevant Sales Tax¹ from payments due to Contractors at the time of payment, and promptly remit the withheld Sales Tax to the designated Government revenue accounts.

2. For the effective withholding and remittance of Sales Tax, Contract Awarding Entities shall adhere to the following procedure:

(a) Contract Awarding Entities shall inform Contractors of the Sales Tax withholding requirement before payment and request them to provide an invoice detailing the applicable Sales Tax on the total invoiced amount.

(b) Contract Awarding Entities shall verify the Sales Tax amount to be withheld from the payment invoiced by the Contractor is in accordance with the applicable Sales Tax rate.

(c) Contract Awarding Entities shall deduct the verified Sales Tax amount from the payment due to the Contractor at the time of payment.

(d) The Contract Awarding Entities shall without delay remit the withheld Sales Tax amount to the designated Federal Government revenue accounts, ensuring completion within 24 hours in all cases.

(e) The Contract Awarding Entities shall submit electronically to the Ministry of Finance, a copy of the invoice issued by the Contractor, indicating the total invoiced amount and the Sales Tax amount during the remittance process.

(f) The Contract Awarding Entities shall maintain accurate records of the Sales Tax amount withheld from each payment to Contractors.

¹ The Sales Tax rate applicable is 5% of the total amount involved in the sales transaction.

(g) The Contract Awarding Entities shall prepare and submit reports to the Ministry of Finance on a quarterly basis or upon request by the Ministry. These reports must provide comprehensive details of Sales Tax withholding activities, including but not limited to Contractor details, payment amounts, Sales Tax withheld, and remittance dates.

(h) The Contract Awarding Entities shall periodically review and audit Sales Tax withholding processes to ensure compliance with regulatory requirements and identify areas for improvement.

Article 52

Liability for Sales Tax not withheld

1. Contract Awarding Entities shall bear the responsibility of ensuring accurate deduction and withholding of Sales Tax. Failure to fulfill this obligation renders them liable for any outstanding Sales Tax amount. Therefore, where a Contract Awarding Entity fails to deduct and withhold the relevant Sales Tax from payments due to Contractors at the time of payment, the Sales Tax chargeable upon the payment paid to the Contractor shall be paid by the Contract Awarding Entity to the Government, immediately and within 24 hours in all cases.

2. Contract Awarding Entities shall recover from the Contractor, the amount of the Sales Tax paid to the Government in accordance with paragraph 1 of this Article.

3. Where the amount of the Sales Tax not withheld as required under Article 52 of this Regulation is not paid to the Government by the Contract Awarding Entities in accordance with paragraph 1 of this Article, the Ministry of Finance, in addition to its authority to take legal actions against the Contract Awarding Entity, shall have the right to collect from the Contractor that has received the payment, the outstanding Sales Tax not deducted from such payment.

Article 53

Penalties for non-compliance with the procedure for withholding Sales Tax

1. In cases where the Contract Awarding Entity fails to withhold the applicable Sales Tax from payments made to the Contractor, the Contract Awarding Entity shall incur a penalty amounting to 10 times the value of the Sales Tax that was due but not withheld. In addition to this penalty, the Contracting Entity shall be required to pay the outstanding Sales Tax amount that was not remitted to the designated Government revenue accounts.

2. In cases where the Sales Tax is withheld and deducted from payments to the Contractor, but the Contract Awarding Entity delays remitting Sales Tax to the designated Government revenue accounts beyond the twenty-four (24) hours stipulated in Article 52, they shall incur a monetary penalty. This penalty amounts to ten percent (10%) of the Sales Tax value withheld for each day of delay in remittance, excluding public holidays and Fridays.

3. An act deemed fraudulent against Government revenue occurs when Contract Awarding Entities withhold Sales Tax from payments to Contractors but fail to remit it to the Government for a period surpassing two months. In such instances, the Contract Awarding Entity shall incur a financial penalty equivalent to 20 times the value of the Sales Tax withheld but not remitted. Additionally, individuals in control of Contract Awarding Entities or its senior management, accountable for ensuring Sales Tax remittance, may face a compoundable term of imprisonment lasting four years.

4. An act deemed fraudulent against Government revenue occurs when Contract Awarding Entities withhold and deduct Sales Tax from payments to Contractors but fail to remit it to the Government for a period exceeding two months. In such instances, the Contract Awarding Entity shall incur a financial penalty equivalent to 20 times the value of the Sales Tax withheld but not remitted. Additionally, individuals in control of Contract Awarding Entities or its senior management, accountable for ensuring Sales Tax remittance, shall face a compoundable term of imprisonment lasting four years. Furthermore, the Contracting Entity shall be required to pay the outstanding Sales Tax amount that was withheld and not remitted to the designated Government revenue accounts.

Article 54

Obligation of Contract Awarding Entities to report the details of contracts

1. Contract Awarding Entities are hereby obligated to promptly report the details of executed contracts to the Ministry of Finance. This reporting obligation must be fulfilled immediately and within two weeks in all cases following the execution of the contract. The report submitted to the Ministry of Finance shall be accompanied by a certified true copy of the contract document and must contain comprehensive details of the contract, including but not limited to the following:

- (a) Names and contact details of the Contractor and the Contract Awarding Entity.
- (b) Description of the contract, including scope of work, deliverables, and duration.
- (c) Total contract value, payment terms, and any financial arrangements.

(d) Date when the contract was signed or executed.

(e) Start and end dates of the contract period.

Article 55

Penalties for Non-Compliance with Contract Reporting Obligations

1. In the event that the Contract Awarding Entity fails to submit the mandated report concerning the particulars of executed contracts or submits an inaccurate report, a financial penalty equivalent to fifty (50%) percent of the overall contract value shall be levied. This penalty shall be enforced to ensure adherence to reporting obligations.

2. In the imposition of the financial penalty specified in paragraph 1 of this Article, the Ministry of Finance may consider various verifiable circumstances that could have hindered the submission of the report by the Contract awarding entity. The circumstances to be considered include but are not limited to the following:

(a) Severe system failures preventing timely or accurate reporting.

(b) Unforeseen emergencies or natural disasters affecting operations.

(c) Any other exceptional circumstances deemed justifiable by the Minister of Finance.

3. In cases where verifiable circumstances hinder the Contract Awarding Entity from submitting the required report on executed contracts, the Ministry of Finance may, at its discretion either reduce or waive the penalty specified in paragraph 1 of this Article, considering the severity of circumstances outlined in paragraph 2 of this Article.

CHAPTER 10 SUIT FOR UNPAID TAX

Article 56

Objectives of the Chapter

The objective of this Chapter is to enhance the implementation of the objectives and provisions outlined in Articles 62 of the Law.

Article 57

Procedure for Initiating and Handling Suits for Unpaid Tax



1. In accordance with Article 62 of the Revenue Administration Law, 2019, tax becomes a debt due to the Federal Republic of Somalia on the date the tax becomes payable. The Ministry may sue for and recover unpaid tax in any court of competent jurisdiction.

2. To ensure the attainment of effective outcomes in proceedings related to unpaid tax, the following procedure shall be adhered to in the initiation and handling of suits concerning unpaid tax:

(a) Upon identifying taxpayers with outstanding tax liabilities, the Ministry of Finance shall conduct thorough assessments to verify the accuracy of the claims. Following the assessment, the Ministry shall send a written formal notification to the taxpayer outlining the unpaid tax obligations, including the amount owed, the deadline for payment, and the consequences of non-payment.

(b) In the event of non-compliance by the taxpayer with the formal notification, the Ministry shall initiate, through the Office of the State Attorney General, a lawsuit against the taxpayer in any court of competent jurisdiction.

(c) The Ministry shall submit all relevant documentation concerning the unpaid tax case to the Office of the State Attorney General. This includes the formal notification letter to the taxpayer detailing unpaid tax obligations, the assessment of outstanding tax liabilities, evidence of non-compliance by the taxpayer with formal notifications, and any other document that might be necessary for initiating legal proceedings related to unpaid tax.

(d) After receiving the necessary documents from the Ministry, as specified in the preceding sub-paragraph, the Office of the State Attorney General shall, without delay, proceed to initiate a lawsuit against the taxpayer in a court of competent jurisdiction, with the aim of securing a judgment in favor of the Federal Republic of Somalia.

(e) In cases where deemed necessary, the Office of the State Attorney General shall petition the court to issue all necessary emergency resolutions and orders aimed at safeguarding and preserving the interests of the Federal Republic of Somalia. Such measures may include but are not limited to travel bans, asset restraining orders, and any other appropriate legal remedies essential for securing the interests of the Federal Republic of Somalia during the legal proceedings.

3. For purposes of ensuring the Ministry's effective representation and ability to provide the necessary expertise to navigate complex legal matters pertaining to revenue laws, and in accordance Article 101 of the Law, a Revenue Officer or

several Revenue Officers duly authorized in writing by the Ministry shall have the authority to represent the Ministry in court proceedings concerning the application of revenue laws, including cases related to unpaid tax. Where the authorized Revenue Officer is a registered lawyer, he/she shall have in courts and judicial offices, powers equal to those of a deputy of the State Attorney General.

4. The Office of the State Attorney General shall not withdraw a lawsuit pertaining to unpaid tax or request the termination of its proceedings without explicit written consent from the Ministry of Finance.

Article 58
Simultaneous Multiple Proceedings and Measures

1. For the sake of clarity, it is hereby stated that, in accordance with the spirit of Article 98 of the Law, proceeding or measures to recover tax under one provision of a revenue law does not restrict simultaneous or separate proceedings or measures to recover the same tax under a different provision of that law or a provision of another revenue law.

CHAPTER 11
MISCELLANEOUS PROVISIONS

Article 59
The obligation of the Revenue Directorate to keep statistics and produce annual reports

1. The Revenue Directorate is hereby mandated to maintain accurate and comprehensive statistical records concerning revenue administration and the enforcement of revenue laws, in order to ensure the efficacy of the revenue administration system can be assessed and the necessary information for policy decisions is available.

2. To fulfill its obligations under the above paragraph, the Revenue Directorate shall maintain statistics on:

- (a) Total revenue collected within specific time frames (monthly, quarterly and annually).
- (b) Breakdown of revenue sources (taxes, fees, tariffs, etc.).
- (c) Breakdown of tax collections by type, sector, and region.
- (d) Tax return filing compliance rates and trends.

- (e) Number of tax audits conducted and their outcomes.
- (f) The total sum of revenue obtained through enforcement measures such as fines and penalties.
- (g) Revenue collection trends over time (within specific time frames such as quarterly and annually).
- (h) Data on tax evasion and tax avoidance detected and addressed, including:
 - i. Enforcement efforts, including the number and nature of law suits initiated, assets seized, and proceeds from asset sales.
 - ii. Number of investigations, prosecutions, and convictions for tax evasion offenses.
 - iii. Number of tax related offence compounded.
 - iv. Length of custodial sentences imposed for tax evasion.
- (i) Analysis of taxpayer demographics (individuals, businesses, sectors).
- (j) Data on tax exemptions, and deductions granted.
- (k) Information on taxpayer registrations.
- (l) Expenditure on tax administration and enforcement activities.

3. To ensure crucial data availability for policy formulation and decision-making, the Revenue Directorate shall compile and present an Annual Statistics Report to the Minister, not later than the 31st of December. This report shall include the above-outlined statistics, offering an evaluation of revenue administration effectiveness and pinpointing areas necessitating enhancement.

Article 60 **Compounding of Offenses**

All offenses specified in this Regulation shall be compoundable in accordance with the provisions outlined in Article 97 of the Law.

Article 61 **Numbering Format of Revenue Regulations**

In adherence to the Somali legal tradition of assigning specific numbers to laws and regulations, regulations issued by the Minister that are aimed at advancing

and reinforcing the implementation of revenue laws shall be designated² with the main number provided in the reference section of the approval letter, followed by a hyphen and the year in which the letter was issued.

Article 62

Entry into force and implementation of the Regulation

1. This Regulation becomes effective upon its publication on the Ministry of Finance website subsequent to its approval by the Minister of Finance.
2. This Regulation is issued in Somali and in English. In case of any discrepancy, the English version of this Regulation will take precedence over the Somali version.
3. The Minister may, by order, defer or suspend the implementation of any chapter or article of this Regulation to allow for the smooth implementation of the Regulation.

² For example, if the approval letter for the regulation has a reference such as "MOF/OM/0251/2024", the regulation number shall be "0251-2024".

