



Federal Government of Somalia

Ministry of Finance

Revenue Directorate General

Annual Report 2025

Annual Revenue and Operational Performance in the fiscal year 2025

Executive Summary

The Federal Government of Somalia domestic revenue collections recorded a strong performance in FY2025, with collections rising to USD 404.31 million, up by USD 35 million or 9.4 percent from FY2024. This growth was driven by improvements in tax revenue, which reached USD 280.68 million, and a notable rebound in non-tax revenue, which increased to USD 123.63 million. The overall performance reflects continued progress in revenue administration, broader tax compliance, and the gradual impact of digital reforms across key revenue streams.

Revenue growth in FY2025 was supported by several important drivers, including expanded taxpayer registration, increased compliance efforts, and the continued use of digital platforms in tax and non-tax collection. Income tax performed strongly due to a wider tax base and better enforcement, while sales tax grew significantly following stronger collections from imports, sales tax collections from merchant sales deductions, telecom services, and other service sectors. Non-tax revenues also improved substantially as the Non-Tax Revenue Portal expanded digital collection and reduced leakages. Customs revenues, however, declined moderately due to weaker trade flows and a less favorable import mix, despite continued modernization of customs operations through SOMCAS and related reforms.



The year also saw significant progress in the implementation of key reforms under the Medium-Term Revenue Roadmap. These included the finalization of the new Income Tax Act and its regulations, completion of the income tax administrative manual, rollout of the Non-Tax Revenue Portal, decommissioning of PCMIS in favor of SOMCAS, completion of SFMIS-SOMCAS integration, harmonization of TIN numbers across the federation, and continued taxpayer registration and audit work. Progress was also made on ITAS procurement, with contract kicked-off in December 2025, paving the way system development and implementation.

Despite these achievements, the report identifies several challenges that affected revenue mobilization, including delays in income tax implementation, the impact of Red Sea disruptions on trade and customs revenues, and a low compliance culture among the taxpayers. These risks highlight the need for faster implementation of reforms, stronger taxpayer education, improved monitoring tools, and more robust compliance enforcement in FY2026.

Overall, the fiscal year 2025 demonstrated that Somalia's domestic revenue is growing steadily, more digital (ETAS, SOMCAS & the ongoing ITAS) and more capable of supporting fiscal sustainability. Continued reform implementation in tax policy reforms and sustained investment in technology, as well as compliance and enforcements will be essential to building on these gains and further strengthening domestic revenue mobilization in the years ahead.



1.OVERALL REVENUE PERFROMANCE FOR THE FISCAL YEAR 2025/2026

1.1 REVENUE PERFORMANCE FOR FISCAL YEAR 2025/26

The Federal Government of Somalia’s domestic revenue collections registered a strong outturn in fiscal year 2025, reaching USD 404.31 million and sustaining the upward trajectory observed since 2022. This represents an increase of USD 35 million compared to 2024, equivalent to 9.4 percent year-on-year growth. Tax revenues – comprising income taxes on employment, sales taxes on goods and services, and international trade taxes – amounted to USD 281 million, reflecting 5 percent annual growth and an additional USD 13 million in collections. Non-tax revenues also performed strongly, rising from USD 101 million to USD 124 million, a 21 percent year-on-year increase, driven by higher administrative and regulatory fees and continued progress in digitalizing non-tax revenue collection.

Table 1.1: Revenue Performance in the past three fiscal years (USD Millions)

DOMESTIC REVENUE	FY - 2022	FY - 2023	FY - 2024	FY - 2025
Total Domestic Revenue	262,669,754.16	329,489,619.00	369,353,396.94	404,313,526.78
Tax Revenues	181,861,442.16	227,749,492.00	267,449,394.94	280,678,992.85
Non-Tax Revenue	80,808,312.00	101,740,127.00	101,904,002.00	123,634,533.93
Income Tax	18,662,240.16	24,383,857.00	36,170,674.94	44,793,741.20
Sales Tax (Goods and Services)	33,995,078.00	41,288,168.00	51,419,540.00	67,252,659.42
Customs	129,900,432.00	171,294,288.00	186,023,572.00	175,258,794.50
Other Taxes	13,034,976.00	7,995,352.00	10,983,830.00	10,237,118.72
Non-Tax Revenue	80,808,312.00	101,740,127.00	101,904,002.00	123,634,533.93
Growth (%)	14%	25%	12%	9.4%



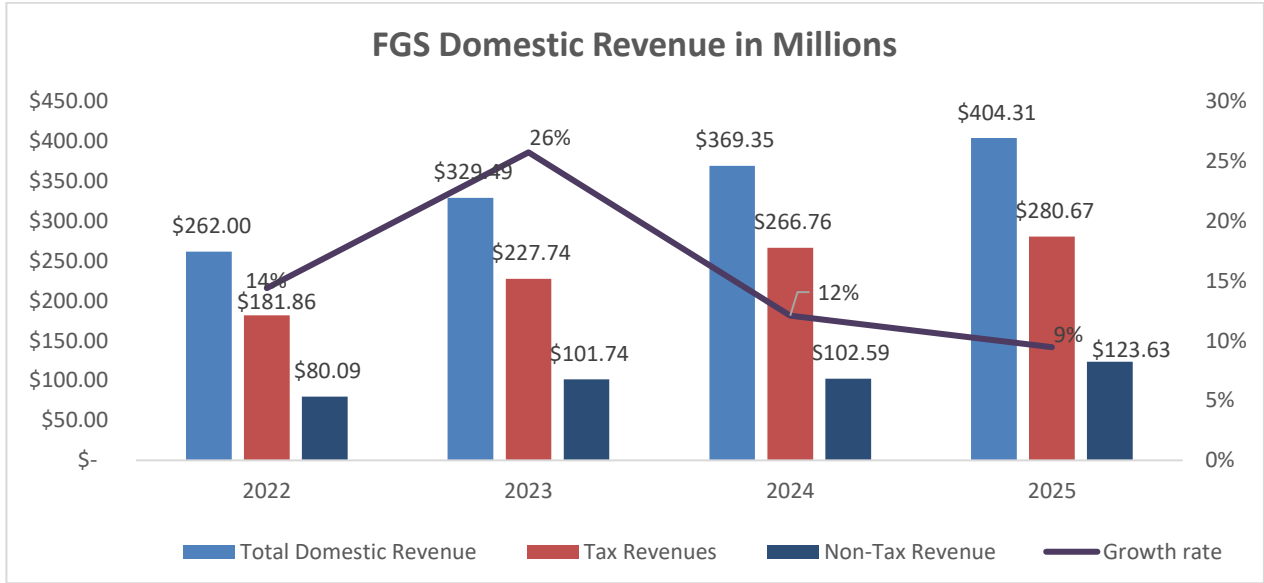


Figure 1: Domestic revenue collections (2022-2025)

In the first quarter, total domestic revenue reached about USD 93.9 million, representing 2.37 percent growth relative to the same period in 2024 and supported by moderate increases in both tax and non-tax collections. In the second quarter, however, revenues eased to roughly USD 85.6 million, a decline of 4.23 percent, driven mainly by weaker customs and non-tax collections.

Performance improved markedly in the second half of the year. Third-quarter collections rose to around USD 106.5 million, posting a robust 22.95 percent quarter-on-quarter increase, underpinned by strong gains in both tax revenue (up 17.59 percent) and non-tax revenue (up 36.96 percent). This momentum was sustained in the fourth quarter, when total revenue climbed further to approximately USD 118.4 million, with tax and non-tax revenues continuing to expand strongly. Overall, the second-half rebound more than offset the weaker second-quarter outturn, enabling the Government to close FY2025 with solid revenue growth and a higher share of collections realized in Q3 and Q4.

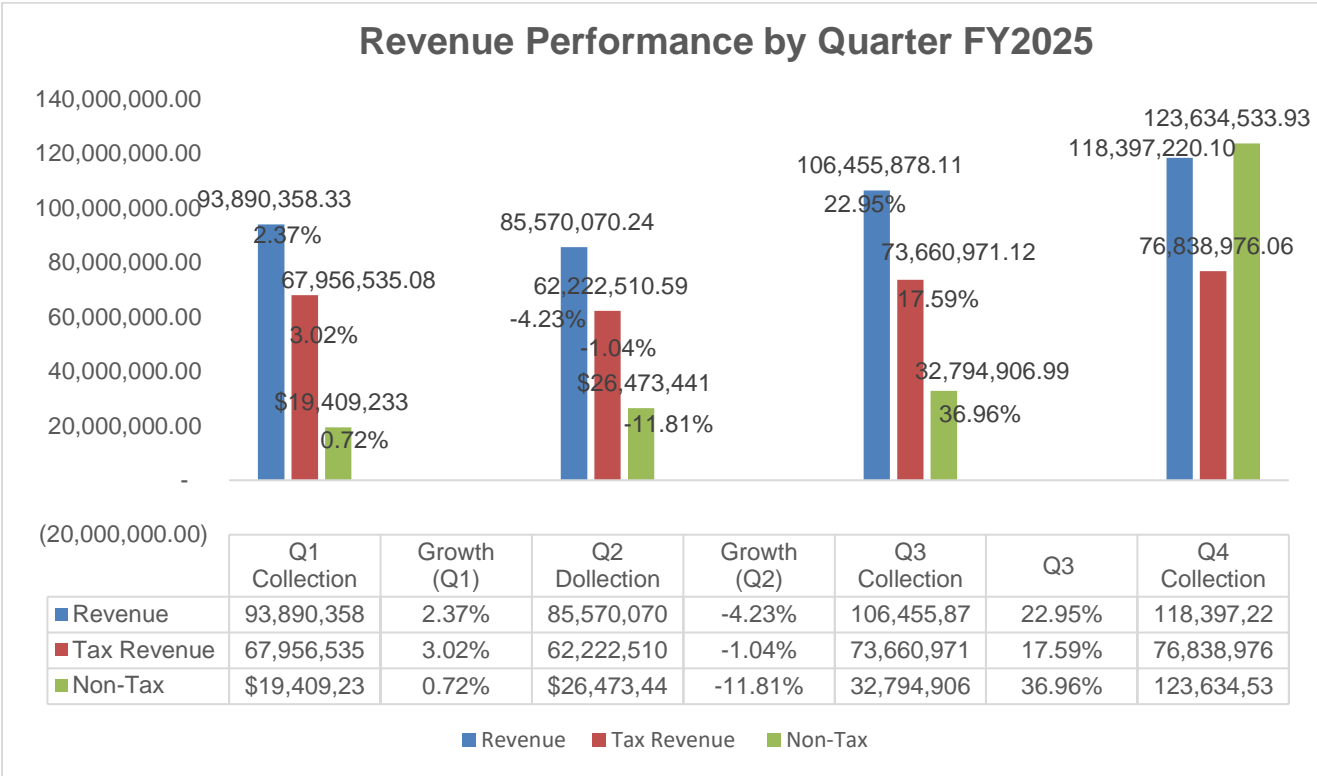


Figure 2: Domestic revenue by Quarter

2. Tax to GDP Ratio

In relation to the size of the economy, domestic revenue continued to improve, although the tax-to-GDP ratio remained low by regional and international standards.

Total revenue remained the same percentage of 3.1 percent in the FY2024 and FY2025, showing a steady collection of revenues. Tax revenue also remained at 2.2 percent of GDP, while non-tax revenue stood at 0.9 percent of GDP.

Table 1.2: Tax to GDP ratio

Tax Type (s)	Actual FY 2022	Actual FY 2023	Actual FY 2024	Actual FY 2025
Revenue	2.6%	3.0%	3.1%	3.1%
Tax Revenue	1.8%	2.1%	2.2%	2.2%
Income tax	0.2%	0.2%	0.3%	0.3%
Sales tax	0.3%	0.3%	0.4%	0.5%
Taxes on int'l trade	1.1%	1.4%	1.4%	1.2%
Other taxes	0.2%	0.1%	0.1%	0.1%
Non Tax Revenue	0.8%	0.9%	0.9%	0.9%

A. Income Tax

Income tax performance continued to strengthen in FY2025, building on the sharp gains recorded in 2024. Total income tax collections increased further from about USD 36.2 million in 2024 to roughly USD 38 million in 2025, reflecting steady growth across all major income-tax components. Public- and private-sector personal income tax, corporate profit tax, and rental income tax from business and real-estate properties all contributed to this collections, with the fastest growth coming from corporate and rental income as compliance measures has increased.

The improvement in 2025 was again driven by higher compliance rather than rate changes. The authorities continued to expand the income-tax base through systematic registration of new individual and corporate taxpayers, especially in the health, education and other service sectors. At the same time, the digital platform for rental income taxation became more fully embedded in taxpayer behavior, allowing the administration to capture a larger share of previously untaxed rental properties and to enforce filing and payment obligations more consistently. Together, these measures consolidated the gains achieved in 2024, shifting income tax from a small, volatile source to a more reliable and structurally important component of Inland Revenue collections.

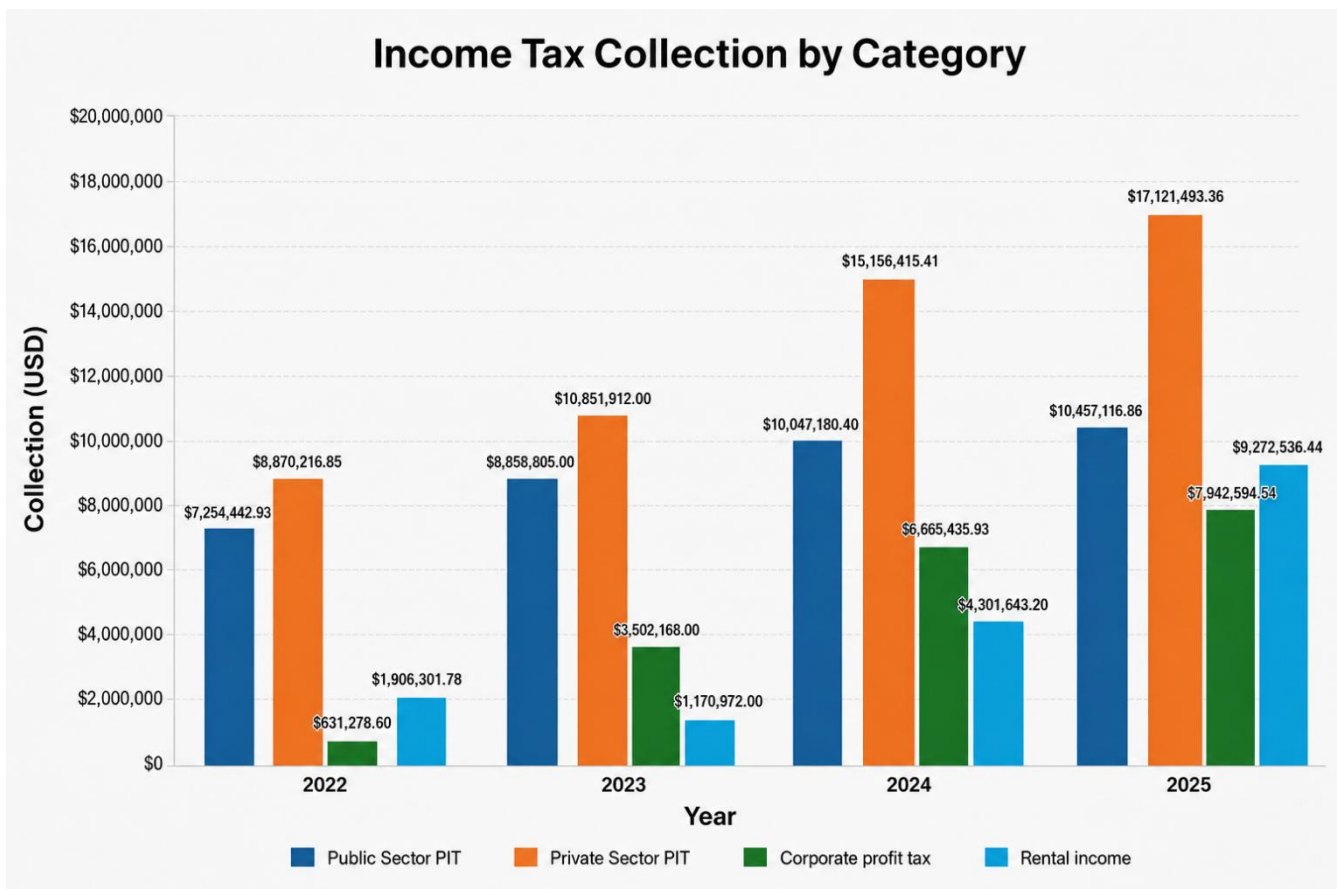


Figure 3: Income Tax Collection By Category

B. Taxes on Goods and Services

Sales tax revenue grew from USD 51.4 million in 2024 to USD 67.3 million in 2025, an increase of about 31 percent, reflecting a strong acceleration compared to previous years. This performance was driven by higher collections from imports, combined with the full-year impact of digital sales-tax collection in Mogadishu local markets.

Continued enforcement of sales taxes on airline tickets, telecommunication services, and hotel services, together with improved compliance by electricity companies, also contributed to the growth. Technology remained central, with the ETAS system applying a 5 percent withholding on businesses using merchant mobile-money accounts, thereby broadening the tax net and strengthening compliance in 2025.

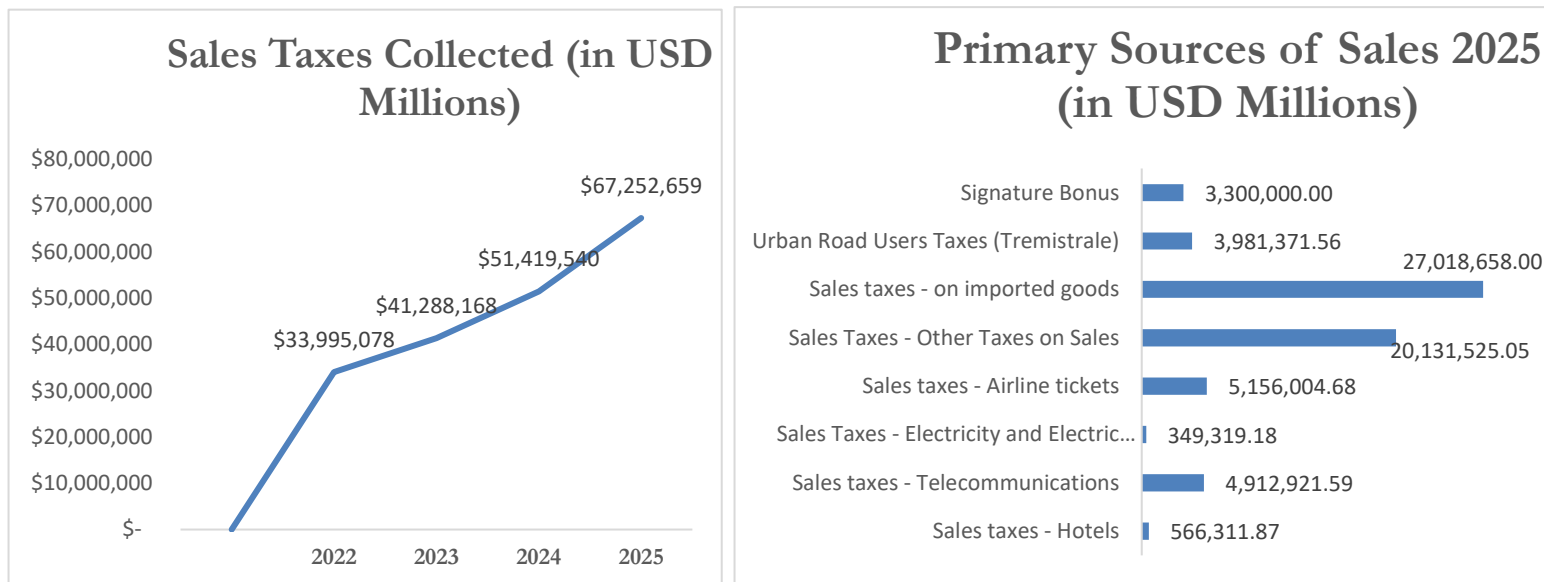


Figure 4: Taxes on Goods and Services

C. Customs Revenues

Customs and import duty collections declined moderately in FY2025 following two years of strong growth. Revenues decreased from USD 186.0 million in 2024 to USD 175.3 million in 2025, a fall of about USD 10.8 million (roughly 6 percent). The softening reflects weaker trade volumes and a less favorable import mix, particularly for high-yield commodities, despite ongoing modernization of customs operations.

From a legal and procedural perspective, the reforms initiated in 2024 were fully embedded in 2025. The book-value adoption regulation provided a standardized unit of measure and valuation approach for imported goods, while customs operations completed the full transition to SOMCAS, replacing legacy systems. Integration with PCMIS further strengthened trade and customs data management, allowing for a more data-driven approach to risk management and valuation.

These measures continued to reduce processing times, improve valuation accuracy, and limit revenue leakages at border points. However, external trade conditions and composition effects outweighed these efficiency gains in 2025, leading to a slight year-on-year decline in customs and import duty receipts.

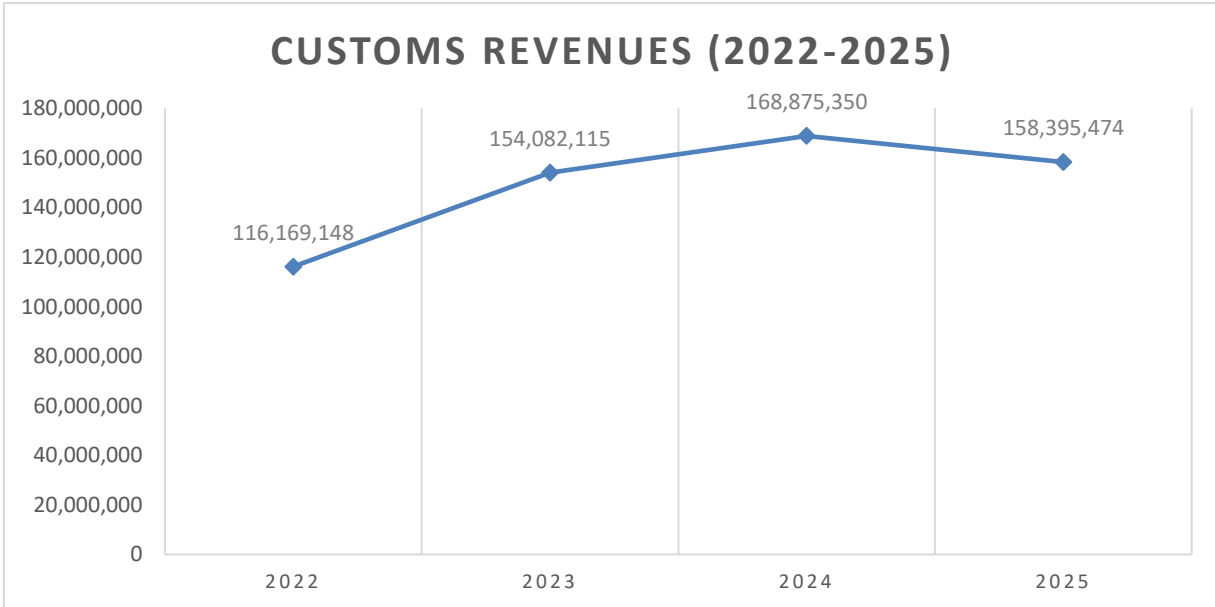


Figure 5: Customs Revenue (2022-2025)

D. Other Taxes

Other tax revenues remained broadly stable in FY2025 following the strong expansion recorded in 2024. Collections from stamp duties, road tax, notary (property transfer taxes), and rents from public lands and buildings edged down slightly from about USD 17.1 million in 2024 to USD 16.9 million in 2025, implying a marginal contraction after the earlier 25 percent increase between 2023 and 2024. The 2025 outturn suggests that most of the gains from improved compliance and the digitization of road tax collection have now been consolidated, with this category settling at a higher but more stable level compared to the pre reform period.

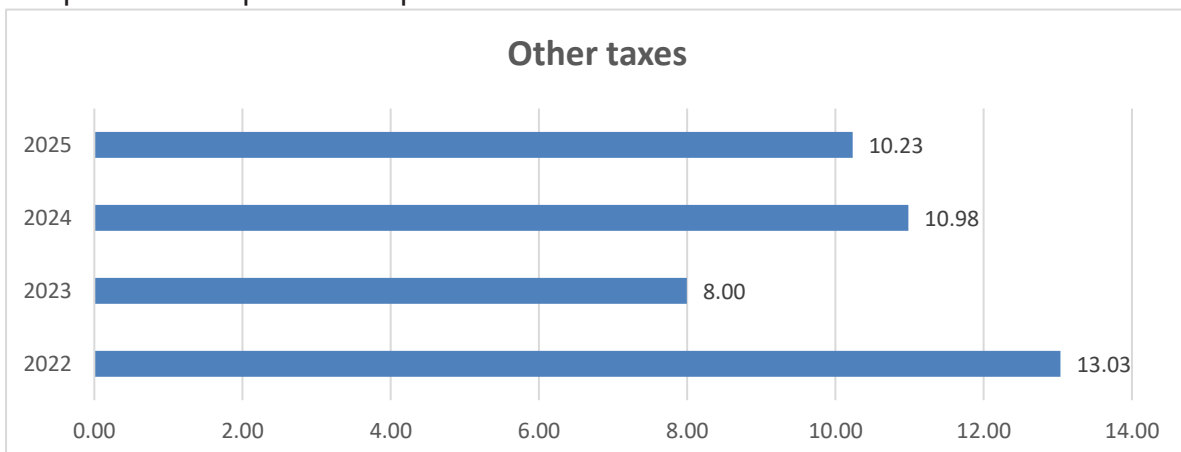
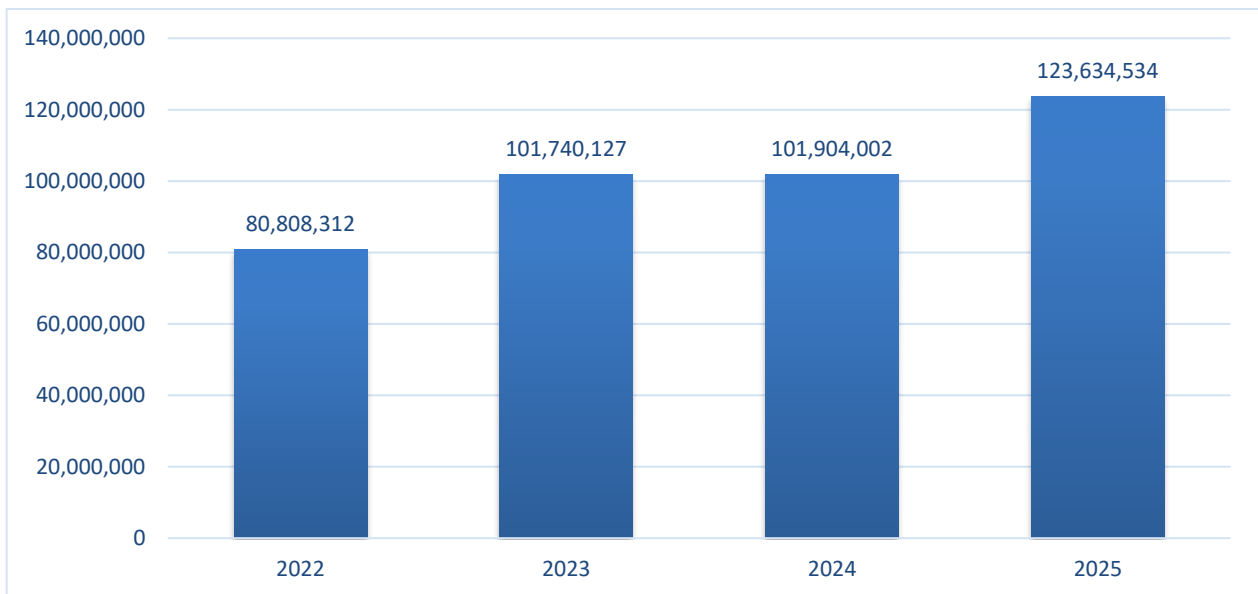


Figure 5: Other Taxes

E. Non-Tax Revenues

Non-tax revenues rebounded strongly in FY2025 after a marginal decline the previous year. Collections increased from USD 102.6 million in 2024 to about USD 123.6 million in 2025, a rise of roughly USD 21 million (around 20 percent). This turnaround contrasts with 2024, when NTRs had fallen slightly from 2023 due to lower harbor fees, telecom spectrum charges, visa fees, and vehicle registration receipts. The improvement in 2025 is attributed to the rollout of the Non-Tax Revenue Portal (NTRP), which digitized the payment of government service charges across MDAs, reduced leakages, and made it easier for taxpayers to comply, thereby broadening the non-tax revenue base and lifting overall collections.



3. Key Reforms Implemented in the Fiscal Year 2025

The Revenue Directorate General of the Ministry of Finance implemented a series of tax policy and revenue administration reforms, as detailed in the table, under the Medium-Term Revenue Roadmap (2024–2027) during fiscal year 2025 to support achievement of the fiscal targets and projected revenue collections.

#	Reform Name	Reform Objectives	Progress	Impact or the Next steps
Income Tax Reforms				
1	Finalization of the new income tax Act and issuing its regulations	<ol style="list-style-type: none"> 1. Draft and finalize the new Income Tax Bill. 2. Secure stakeholder buy in through consultations. 3. Obtain Parliamentary approval and enact the law. 	The bill is signed into law by May, 2025.	The law is implemented following in the fiscal year 2026.
2	Issuing regulations of income	<ol style="list-style-type: none"> 1. Issue clear income tax regulations. 2. Provide practical guidance for implementing the new Act. 	The regulation is issued in May, 2025.	Train the regulation for the tax officers and taxpayers.
3	Writing income tax administrative manual guide for tax administrators.	<ol style="list-style-type: none"> 1. Provide a concise, step-by-step guideline for applying the Income Tax Act and regulations. 2. Standardize key administrative procedures for income tax across all offices 	The manual is completed and published in December 2025.	Conduct training sessions for the officers and taxpayers.
Customs Reform Measures				
4	SOMCAS operationalization	SOMCAS came to a complete operationalization with all modules and previous PCMIS system outed from service.	Implemented in 2025	Operational efficiency



5	Start assessment of the yields of CET and ad valorem tariff on	1. Initiate technical work and on adopting the EAC CET and aligned customs valuation methods.	Fiscal Modelling workshop conducted in October to train Customs officers (FMS officers attended) for the implementation of customs valuation	Continue customs enforcement and harmonization efforts across all entry points, positioning the system for a smooth transition to advalorem valuation and adoption of the EAC CET.
6	Issued customs reference value regulation	To establish a database of minimum values for neutral revenue. To standardize unit of measures.	The reform implemented in 2025	The regulation issued in FY2025.
7	Strengthening of inspection	Customs department has strengthened customs inspection by enabling inspection module of the SOMCAS and deploying strict measures.	Implemented in 2025	Enforcement and inspection measures increase revenue
Non-Tax Revenue Reform Measures				
8	Review of the non-tax tariff	1. Update non tax tariffs to be clear, current and legally sound. 2. Align fees with service delivery costs while reducing Complexity and overlaps..	The tariffs of government agencies were issued by the minister of finance as per PFM Act.	Upgrade the tariffs into the NTR portal and integrate with MDAs systems.
Revenue Administration Reforms				
9	Intensify the work on registration of new taxpayers and businesses	1. Expand the tax base by onboarding new taxpayers. 2. Educate newly registered taxpayers on their rights, obligations, and how to comply (registration, filing, payment, and use of digital platforms)	The taxpayer registered is added into new taxpayers from different categories (small/micro, Medium and large taxpayers)	Monitor the compliance of the new taxpayers registered and their tax contributions.



10	Asking large taxpayers proof of evidence for income tax payments (i.e. staff salary bank evidence)	<ol style="list-style-type: none"> 1. To independently verify the accuracy and completeness of declared employment income and PAYE by large taxpayers. 2. To strengthen the audit trail by matching payroll declarations with actual bank salary payments 	This reform measure is pushed January 2026 awaiting the new income tax (taxpayers were communicated)	The reform is postponed in the fiscal year 2026
11	Decommission PCMIS and rely fully on SOMCAS to simplify and modernize customs processes	<ol style="list-style-type: none"> 1. Decommission the PCMIS and operationalize all modules of SOMCAS 2. Train the staff and traders for the use of SOMCAS 	PCMIS was decommissioned in May 2025, and SOMCAS was operationalized to fully take over its functions from that date.	Train traders and customs officers further to enhance effective use of SOMCAS at customs and improve the quality and consistency of declarations and Clearance processes.
12	Integrate SOMCAS with SFMIS to link revenue data end-to-end and improve fiscal reporting	<ol style="list-style-type: none"> 1. Seamless integration between the SFMIS and customs to report the collections in the SFMIS. 2. To reduce the risk of underreporting income or inflating fictitious salary expenses for tax Avoidance 	The integration between SFMIS and SOMCAS is completed.	The integration is completed
13	Implement unified TIN numbers across the federal government and states as agreed	<ol style="list-style-type: none"> 1. To have one harmonized TIN for all entities. 2. To automate TIN generation via SFMIS. 	TIN is harmonized across the federation	Harmonized TIN structure is completed and automated into the systems.
14	Create an explanatory document on income tax	<ol style="list-style-type: none"> 1. Create awareness videos in the taxpayer communication work plan 2. Design customized educational programs 	The planned videos will be published publicly across different channels, including both traditional media and social media platforms.	
15	Continue auditing tax payments each year (increase the audited numbers)	<ol style="list-style-type: none"> 1. Conduct an tax audit for the fiscal year tax payments 2. Increase the audited number of the businesses 	The tax audit report is completed	The tax audit report is completed.
16	Complete ITAS procurement and start system development.	<ol style="list-style-type: none"> 1. Complete the hiring process and sign the contract with the third-party entity to support the ITAS implementation 	ITAS contract is signed in December 2025 and the implementation will take up to 12 months.	Complete the ITAS project within the time frame of 12 months



I. Operational Performance for the Revenue Mobilization



Investigation Cases

27



Registered Taxpayers

53,700

Medium/Large	1,700
Properties	21,000
Vehicles	31,000



Operation Budget

0.23%



Customs Inspection

40-65%



This section presents the operational performance of the Somali Revenue Directorate for the fiscal period. It focuses on five core dimensions of tax administration: (i) tax investigation activities, (ii) growth and activation of the taxpayer register, (iii) execution of the operational budget for tax administration, including the revenue collection rate against plan (iv) Customs Physical Inspection Performance, (v) Written Off Over Time. Together, these indicators show how effectively the Directorate is detecting non-compliance, expanding and managing the taxpayer base, and using its resources to support sustained domestic revenue mobilization.

a. Tax Investigations cases

During the fiscal period, the Somali Revenue Directorate handled 27 investigation cases across a range of sectors, including hospitality, petroleum, health, manufacturing, retail, legal services, and other services. Of these, 14 cases were concluded, 10 resulted in additional tax assessments, 11 remained under follow-up, and 2 cases were referred for legal action. This distribution shows that the Directorate maintained active enforcement attention across both high-risk and routine sectors, while also advancing a number of cases to conclusion.

Table 1.2: Tax Investigation Cases

Sector	Number of cases	Cases concluded	Additional tax assessed	Under follow-up / ongoing	Referred for legal action
Health	2	2	1	0	0
Hospitality	8	4	2	1	1
Petroleum	5	3	2	1	1
Retail – small kiosks	2	1	1	1	0
Legal / professional	2	1	1	1	0
Manufacturing	3	2	1	1	0
Electronic	1	0	0	1	0
Furniture	2	1	1	1	0
Services	3	1	1	2	0
Total	27	14	10	11	2

a. Registered Taxpayers

In parallel with enforcement activities, the Directorate implemented a targeted registration drive aimed at expanding the active taxpayer register in Mogadishu. During the fiscal period, a total of 1,700 medium and large taxpayers were newly registered across the city's districts, bringing a substantial number of sizeable businesses into the formal tax net. In addition, approximately 31,000 new properties were registered for rental income tax purposes, broadening the base for property-related revenues, while 3,000 vehicles were registered for road tax, strengthening coverage of transport-related taxation. Collectively, these registrations represent a major operational gain in terms of taxpayer onboarding and create a stronger platform for future filing, assessment, and collection performance in subsequent fiscal years.

Table 1.3: Registered Taxpayers

Category	Newly registered	Status of registration
Medium and large taxpayers	1,700	Majority active and on-boarded into filing and payment cycles
Properties (rental income tax)	31,000	Majority active in the rental income tax register
Vehicles (road tax)	3,000	Majority active in the road tax register

During the reporting period, the Revenue Authority demonstrated efficiency in mobilizing domestic revenues. Total administrative expenditure, including salaries and bonuses, amounted to USD 437,000. In addition, an estimated USD 500,000 was incurred to support broader technological systems and operational activities related to revenue collection.

Accordingly, the Department's total operational cost is calculated as follows:

Total Operational Cost=Wage Bill+ Operational Expenses

=437,000+500,000=937,000= 437,000 + 500,000

= 937,000=437,000+500,000=937,000

Against a total revenue collection of USD 404.31 million, the operational efficiency is assessed using the cost-to-revenue ratio, calculated as:

Cost-to-Revenue Ratio=Total Revenue Collected/Total Operational Cost

Substituting the values:

=937,000/404,310,000

=0.00232

=0.23%

This indicates that for every USD 100 collected, only about USD 0.23 was spent on operations.

This level of efficiency compares favorably with international benchmarks, where tax administration costs typically range between 1 to 3 percent of total revenue collected. The low operational cost ratio reflects the Authority's prudent expenditure management and its ability to mobilize significant revenues with relatively limited resources.



b. Customs Physical Inspection Performance

The customs operational performance at Mogadishu Customs shows a decisive improvement in inspection outcomes between 2024 and 2025. Physical inspection rates increased from relatively low levels in 2024 to consistently high levels throughout 2025, with monthly rates stabilizing in the 40–65 percent range for most of the year. This year-on-year shift reflects the practical impact of enforcing standard operating procedures and strengthening risk-based controls, and indicates that Mogadishu Customs has progressed from largely ad-hoc inspections in 2024 to a more mature, disciplined inspection regime in 2025, with measurably stronger compliance outcomes.

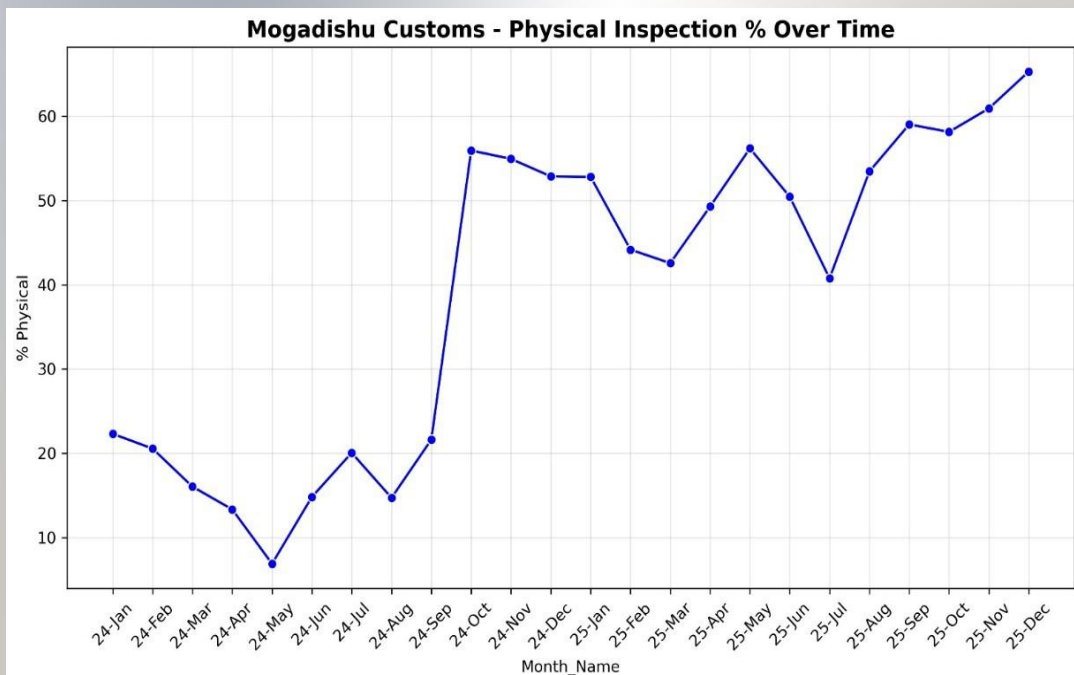


Figure 6: Physical Inspection % over time

c. Written Off Over Time

In line with the improvement in inspection outcomes, monthly release volumes are consistently higher across 2025, with both the average level and the peaks clearly above those recorded in 2024. This year-on-year shift shows that Mogadishu Customs is clearing significantly more consignments in 2025, reflecting gains in operational efficiency, enhanced officer skills, and stronger governance practices.

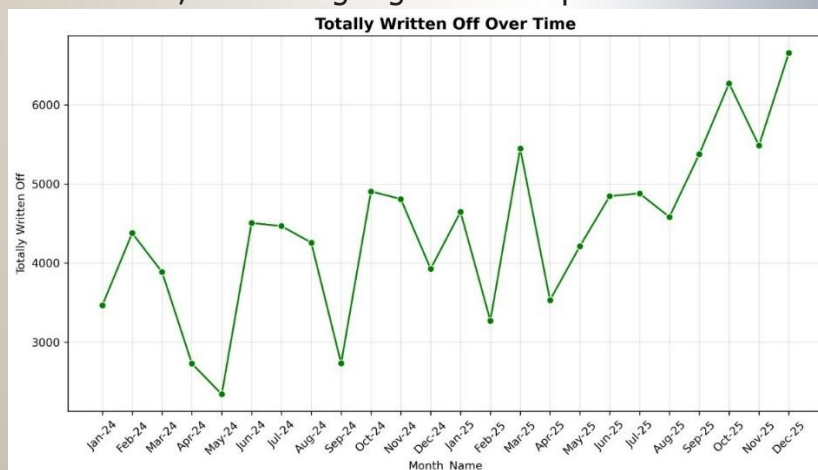


Figure 7: Written-off Over time



II. Key Challenges and risks

Despite registering a good revenue performance in the fiscal year 2025, the Revenue Directorate of the Ministry of Finance encountered a number of challenges that affected the revenue collections. The challenges are presented below:

Challenge	Impact	Mitigation Strategy
Delays in Income Tax Implementation	Revenue targets not achieved due to postponed and enforcement of the newly harmonized Income tax Act.	<ul style="list-style-type: none"> • Ensure effective and timely implementation of upcoming tax reforms in 2026
Foreign Aid Cut	Reduced income tax and consumption tax collections from the contractors and taxpayers involved in the donor funded projects.	<ul style="list-style-type: none"> •
Red Sea Blockage	Disrupted trade flows, reduced customs revenue from import/export duties, and increased costs of goods affecting the Sales Tax base.	<ul style="list-style-type: none"> • Monitor the revenue trends ahead of the risks to reflect the expected revenues in the fiscal year.
Low Compliance Culture	<ol style="list-style-type: none"> 1. Difficult to monitor the tax compliance of the taxpayers as the SFMIS revenue module limitations lacks the necessary tools. 2. Persistent tax evasion particularly the sales tax collection which the government enabled to deduct the transaction at the point of sales. 3. Low voluntary registration and filing rates of the registered taxpayers 	<ul style="list-style-type: none"> • Intensify taxpayer education and outreach; • introduce simplified compliance and monitoring tools to track the taxpayer payments • Fast-track the implementation of the ITAS to move away from the reliance on SFMIS in the tax administration, relying fully on the ITAS solution. • Enforce compliance through increased risk-based audits and penalty regimes

III. Conclusion

This report highlights the Federal Government of Somalia's continued progress in domestic revenue mobilization, modernization, and institutional capacity building. The Government achieved strong performance in revenue collection in FY2025, supported by improved compliance, expanded tax base registration, and effective implementation of administrative and digital reforms.

In FY2026, the Revenue Directorate will focus on consolidating these gains through technology-driven reforms, taxpayer engagement, and risk-based compliance. The following initiatives, outlined in the ongoing revenue reform agenda, will shape the next phase of revenue transformation:

1. Completion and rollout of ITAS – to modernize tax administration, strengthen automation, and improve taxpayer service delivery
2. Further expansion of the Non-Tax Revenue Portal – to deepen digital collection of government fees and reduce leakages across ministries and agencies.
3. Strengthening of SOMCAS functionality – to improve customs processing, valuation, and border revenue control
4. Implementation of the new Income Tax framework – to support broader compliance, improved enforcement, and more consistent tax administration
5. Taxpayer registration and education programs – to bring more businesses and individuals into the tax net and improve voluntary compliance.
6. Enhancement customs valuation and risk management systems – to detect undervaluation, protect the revenue base, and reduce trade-related leakages
7. Advancement of fiscal federalism coordination – to strengthen harmonization of revenue administration across federal and member state levels.
8. Institutional strengthening and staff capacity Revenue Directorate has the technical skills and resource required to sustain reform implementation.

Collectively, these initiatives will enhance compliance, reduce revenue leakages, improve operational efficiency, and strengthen the sustainability of domestic revenue mobilization. Through continued collaboration with the esteemed taxpayers and international partners support, the Federal Government of Somalia will continue to advance transparency, innovation, and taxpayer-centered service delivery in the years ahead.