



# Federal Government of Somalia FGS

Ministry of Finance  
Revenue Directorate



**ANNUAL REVENUE PERFORMANCE REPORT**

FY 2022/2023

Date: 31, January 2024

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# 1. EXECUTIVE SUMMARY

Somalia's economic performance has remained weak in recent years due to adverse global macroeconomic conditions and climate shocks, which have led to lower crop production and weak export performance. Real GDP is projected to grow to 3.7 percent in 2024, higher than nearly 2.8% in 2023. The effects of the Covid-19 pandemic, ongoing Russian-Ukrainian war, and recurrent droughts have severely hampered economic growth. This has also impacted the government revenue collections and economy in general. This report is an annual revenue performance in the fiscal year 2022/2023, presenting annual domestic revenue performance, tax expenditure and any other issue related tax policy in FGS. The analysis utilized data retrieved from the Somali Financial Management Information System (SFMIS) and Customs Management Information System (CMIS). This data is quantitatively analyzed to show the graph, percentage of change and calculate the amount collected from heads or customs and inland revenue.

The gross domestic revenue collections in FY 2022/2023 were \$329.5 Million dollars against a budget of \$283,306,139. This has resulted revenue growth of 25%, and a surplus of \$66.78 million. Customs remains the largest source of the revenue followed by non-tax, sales tax, income tax and others including stamp, road and notary taxes respectively. At the inland revenue taxes, the revenues registered 53% whereas the customs revenue amounted 47% of total revenues. However, this customs revenue has been gradually declining when compared the revenues collected in the last decade.

**Outlook for FY2023/2024:** The budget of the FGS revenue for Fiscal year 2024 is \$345 million. The main sources include taxes on international trade, non-tax revenues, taxes and goods and services, taxes on income, profits and capital gains, as well as other taxes respectively. Tax revenue is projected to reach \$241.4 million, accounting for 70% of domestic revenue and 24% of the total budgeted revenue, whilst the collection non-tax revenues amounted to US\$103.7 million, representing 30% of the domestic revenue in and 10% of the total budget 2024.

## 2. INTRODUCTION

The mandate of the office of Directorate General of Revenue is to contribute to the achievement of Somalia's revenue objectives by maximizing revenue collection at minimum cost and providing quality input to tax and customs policy development, while providing a high quality, courteous and equitable services to taxpayers and other stakeholders. The RD is divided into main two department and three core section: Inland Revenue, Customs, Corporate Services, Compliance & Supervision, and Legal & Policy. Directorate publishes annual performance to showcase the annual domestic revenue performance, tax expenditure, key revenue drivers & policy changes, and finally conclusion and recommendation.

An outline of domestic revenues has been increasing and contributing to the government's budget. From 2013 to 2023, FGS revenues have increased more than fourfold in dollar terms. In addition, FGS tax exemptions were properly managed to avoid the government revenue. Subsequently, the ministry has made a tariff increase to the non-necessity commodities (excluding food and medical and essential products) increased by half year, to avoid the price increases that puts pressure to the necessary goods. This tariff increases for these commodities have contributed the revenue performance in the fiscal year 2023. On the other hand, The Ministry has adopted a number of tax policy reforms, administrative measures to curb corruption and malpractices and finally, tax administration measures to increase the tax compliance, tax collection efficiently, and transparency.

### 3 DOMESTIC REVENUE PERFORMANCE

#### 3.1. Introduction

Domestic revenue in Somalia serves as a fundamental pillar in economic progress. Fostering diverse revenue streams helps fulfil governmental financial commitments and allows to provide public services to the citizens. The domestic revenue of the federal government of Somalia have increased to \$329.43 in 2023 after reaching \$262.64 in 2022. To evaluate the performance of domestic revenue, it is crucial to compare Somalia's revenue from 2022 to 2023. This comparison demonstrates a noteworthy 25% growth in sales over a single year. Seeing those who drive growth and identifying places in need of development or change can yield valuable insights into the elements behind revenue growth.

The historical revenue trends in Somalia are examined in this section explores the revenue sources that have contributed to the revenue, including taxes, customs duties, foreign aid, and natural resources. Through a detailed analysis of available data, this section highlights the patterns, fluctuations, and significant events that have influenced revenue generation over the years. By understanding the historical revenue trends, stakeholders can gain insights into the factors that have shaped Somalia's financial landscape and inform decision-making processes.

This section focuses on the current revenue trends in Somalia. It provides an overview of the main sources of revenue for the country at present, such as domestic taxation, remittances, trade, and international aid. The analysis includes an examination of the challenges and opportunities faced in revenue collection and explores the efforts made by the government to enhance revenue generation. By evaluating the current revenue trends, stakeholders can gain a clear understanding of the economic dynamics at play in Somalia and identify areas for improvement to ensure sustainable revenue growth. In this section, we analyze the future revenue prospects for Somalia. It assesses the potential revenue sources that can contribute to the country's economic growth in the coming years. The analysis encompasses sectors such as agriculture, infrastructure development, tourism, and foreign investment. By examining the potential drivers and challenges, this section provides insights into the opportunities for revenue generation and the strategies required to leverage them effectively. Understanding the future revenue prospects is crucial for formulating policies and attracting investments that can help drive Somalia towards a more prosperous future.

### **3.2. Overview of Domestic Revenue (2013-2023)**

Over the past nine years, government revenues have been increasing and contributing to the government's budget. From 2013 to 2023, there has been a significant increase in revenue, as shows in the table below. So, there have been two years of declining revenues for those nine years of governments revenue collections. First, in the year 2016, it declined by **(1.4%)** due to elections process, and the second year was a 2020 it declines by **(8%)** due to the election and Coronavirus infection for effects in global economics and the previous year 2023 was a good performance for **25%** surplus. See table 4.1 and figure.

**Figure 4.1: Domestic Revenue Chart and Growth Rate (2013 – 2023).**

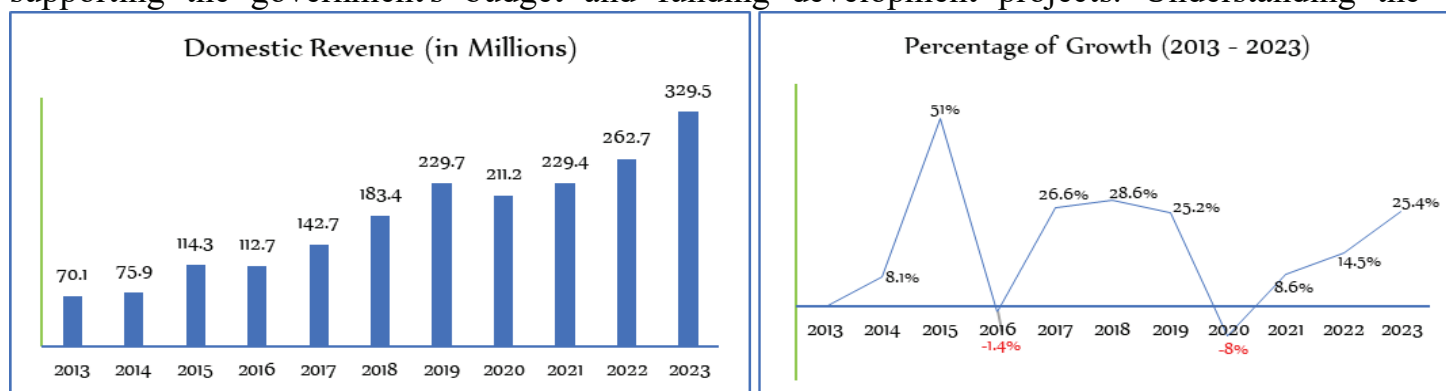
### 3.3. Domestic Revenue Performance Analysis (2023)

#### 3.3.1. Overview of Domestic Revenue

Based on the provided data, the domestic revenue for Somalia in 2022 and 2023 can be summarized as follows: In 2022, the domestic revenue was 262.6 million, with a growth rate of 25% compared to 2021. In 2023, the domestic revenue increased to 329.4 million, with a variance of 66.8% and a growth rate of 25% compared to 2022. Domestic revenues increased to 3.2% of GDP in 2022, compared to 3% of GDP in 2021, thanks to strong non-tax revenues and the efforts of the authorities to build tax capacity.

Overall, the increase in domestic revenue in Somalia from 2022 to 2023 can be attributed to a combination of improved tax collection, customs reforms, increased airport fees, growth in taxes on goods and services, and increased domestic revenues.

The domestic revenue sources in Somalia primarily comprise taxation, customs duties, non-tax revenue, and grants. Taxation forms a significant portion of the domestic revenue, encompassing income tax, value-added tax (VAT), and excise duties. Customs duties are collected on imports and exports, contributing to the revenue stream. Non-tax revenue encompasses fees, fines, licenses, and other related sources. Additionally, grants from international partners play a vital role in supporting the government's budget and funding development projects. Understanding the



composition and contribution of these revenue sources is essential for formulating effective policies to boost domestic revenue in Somalia.

Therefore, the end of 2023, the total domestic revenues were **\$329.5 Million** and 2022 was a **\$262.7 Million** for both tax and non-tax revenue. According to comparison of revenue collection of two year, the variance was an increase or surplus of **25% (\$66.78 Million)** in compared the of last year's period. See table below 4.2.

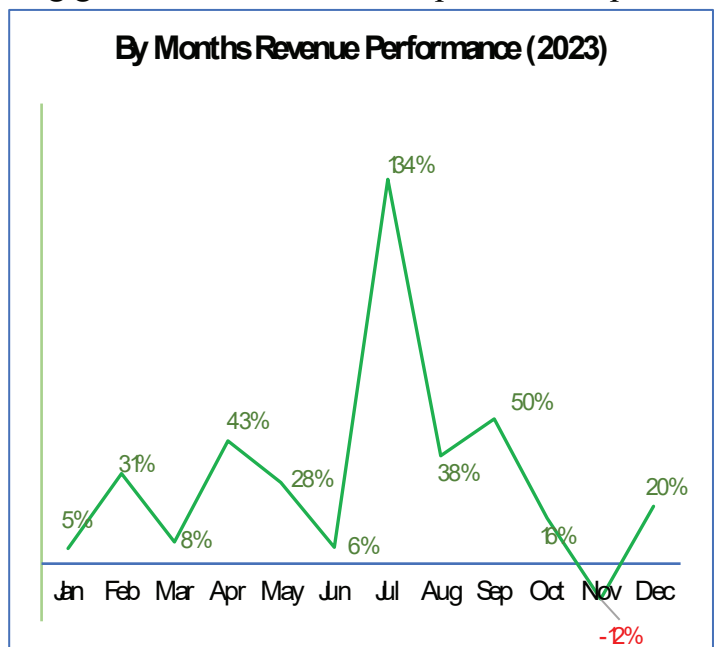
**Figure 4.2: Revenue Performance by Monthly (2023)**

| MONTHS       | Y 2023       | Y 2022       | %<br>Δ      | %          |
|--------------|--------------|--------------|-------------|------------|
| January      | 17.7         | 16.8         | 0.9         | 5%         |
| February     | 22.6         | 17.2         | 5.4         | 31%        |
| March        | 24.6         | 22.9         | 1.7         | 8%         |
| April        | 24.5         | 17.1         | 7.3         | 43%        |
| May          | 24.1         | 18.8         | 5.3         | 28%        |
| June         | 23.7         | 22.4         | 1.3         | 6%         |
| July         | 35.8         | 15.3         | 20.5        | 134%       |
| August       | 29.2         | 21.2         | 8.0         | 38%        |
| September    | 30.2         | 20.1         | 10.1        | 50%        |
| October      | 30.0         | 25.9         | 4.1         | 16%        |
| November     | 29.2         | 33.2         | -4.1        | -12%       |
| December     | 38.0         | 31.6         | 6.3         | 20%        |
| <b>Total</b> | <b>329.5</b> | <b>262.7</b> | <b>66.8</b> | <b>25%</b> |

In domestic revenue of 2023 and 2022 by months analysis. Comparing the two years 2023 and 2022 shows the largest month in terms of declining government revenue compared to the previous year. In the last revenue increased by eleven months for beginning in January to October respectively, while the only November were made a decline in revenue. After that, the largest month saw a growth of **134%** in July while the November decline by **-12%**. And the final consequence of FGS domestic revenues was resulted in an **25%** surplus. See table 4.2.

### 3.3.2. Customs Revenue Performance of 2023

In 2022, the total taxes on international trade and transactions in Somalia amounted to \$116.2 million. However, in 2023, this figure saw a significant increase, reaching \$154.1 million, representing a growth rate of 33%. This rise in tax revenue demonstrates a positive trend in tax collection and implies a strengthening economy. The increase in taxes can be attributed to various

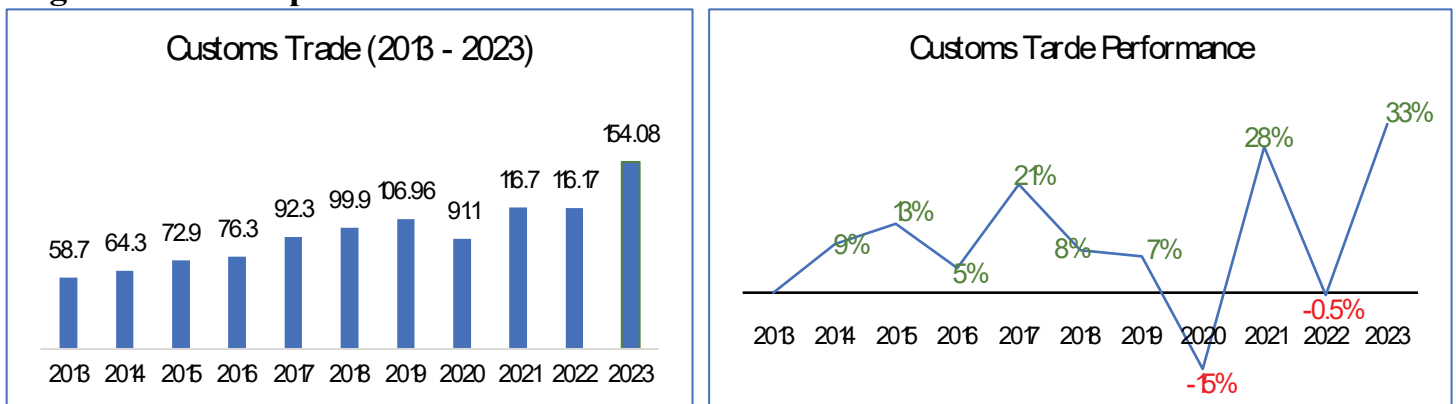




factors such as improved tax administration, enhanced compliance measures, and an expansion of economic activities. The comparison between 2022 and 2023 indicates a promising trajectory and highlights the potential for continued growth in tax revenues, which in turn can contribute to the economic development of Somalia.

International trade and transactions hold significant importance for Somalia's economy as they foster economic growth, create employment opportunities, and facilitate the exchange of goods and services. Being heavily reliant on imports and exports, Somalia thrives on international trade as a crucial driver of its economic development. Trade and transactions contribute to foreign exchange earnings, enhancing the country's balance of payments and overall financial stability. Additionally, international trade allows Somalia to access essential commodities, machinery, and technology, supporting various sectors. Recognizing the impact and significance of international trade and transactions is vital to understanding the role of taxation in ensuring an effective and sustainable trade environment.

**Figure 4.4.1: Graph of Customs Performance.**

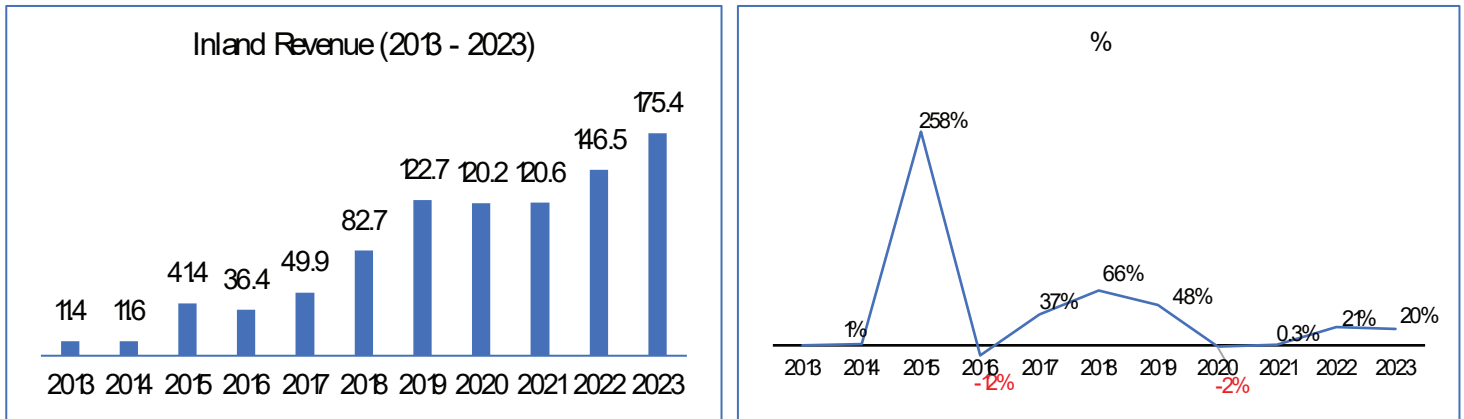


### 1.1.1. Inland Revenue Performance of 2023

Every government has its own resources, and the domestic revenues of the somali government has a combination of inland revenue taxes and customs trade. Therefore, inland revenue plays an important role in all domestic revenue. since 2013 the inland revenue has been increasing by every year, also in 2013 our inland revenue was a **16%** of domestic revenue while the rest of customs, and the last 2020 was a portion of **57%** in domestic revenue, we can show the figure below. See table 4.5.1.



**Figure 4.5.1: Inland Revenue Performance by Yearly (2013 – 2023).**



The central government's land tax was very important and contributed of the federal government's budget. After the collapse of the central government, and all institutions were dismantled. In 2001, the Somalia was re-established in Federal Government. And for the last 12 years, all government institutions, including the Ministry of Finance, were re-established. Therefore, from 2013 to 2021 the inland revenue was growing through levels so look at the chart above, in 2014 the inland revenue was growing in 1% and 2015 was biggest grow up 258% performance. And we have two years of deficit, 2016 was 12% loss, 2020 was a 2% deficit, and 2021 was 0.1% deficit and these deficit years was elections and COVID-19 effects. the other years was a positive performance and there were no inland revenue impacts.

Therefore, Inland revenue was an increase and decrease effects. In last year of 2021 was 0.1% deficit of inland revenue for the comparison of 2020. And you can show above table and chart. So, inland revenue was very important in our domestic revenue. Mainly the inland revenue we have five segments revenue lines and three of them was a deficit and remaining was growth.

We can explain in detail for the below paragraph, and you can see table 4.5.2.

**a) Income Tax (PIT):** In 2022, the income tax rates in Somalia stood at 18.6, while in 2023, these rates increased to 24.38. This represents a significant 31% growth rate. The comparison of income tax rates between these two years indicates a substantial rise in tax obligations for individuals and businesses. This increase suggests that the government of Somalia is implementing measures to strengthen its revenue collection through higher income tax rates. The rise in income tax rates in 2023 is expected to contribute to the country's fiscal stability and support government initiatives in various sectors. It is important for taxpayers to be aware of these changes and adjust their financial plans accordingly. The history of income tax in Somalia dates to the early years of the country's independence. After gaining independence in 1960, Somalia introduced income tax as a

means of revenue generation and resource mobilization. Over the years, the income tax system has undergone various changes and reforms to align with the evolving economic and social landscape of the country. These reforms aimed to enhance tax compliance, improve tax administration, and ensure a fair and equitable distribution of the tax burden.

**b) Taxes on Goods and Services (Sales Tax):** In Somalia, the growth rate of taxes on goods and services has increased from 32.8 in 2022 to 41.3 in 2023. This growth rate increases 26%, it can be attributed to various factors, such as the increase in Telecommunication and included and the impact of policy interventions, The GDP growth is forecasted to rebound to 3.7% in 2024. Overall, the growth rate of taxes on goods and services in Somalia has shown an increase in recent years, indicating a positive trend in the country's economic performance. Taxes hold significant importance for the government of Somalia, serving as a vital source of revenue to finance public expenditure and infrastructure projects. The revenue generated from taxes on goods and services facilitates the provision of essential services such as healthcare, education, and public transportation. This section sheds light on the crucial role taxes play in reducing the reliance on foreign aid and promoting self-sufficiency. Furthermore, it examines how tax revenue contributes to the overall economic stability and growth of the country.

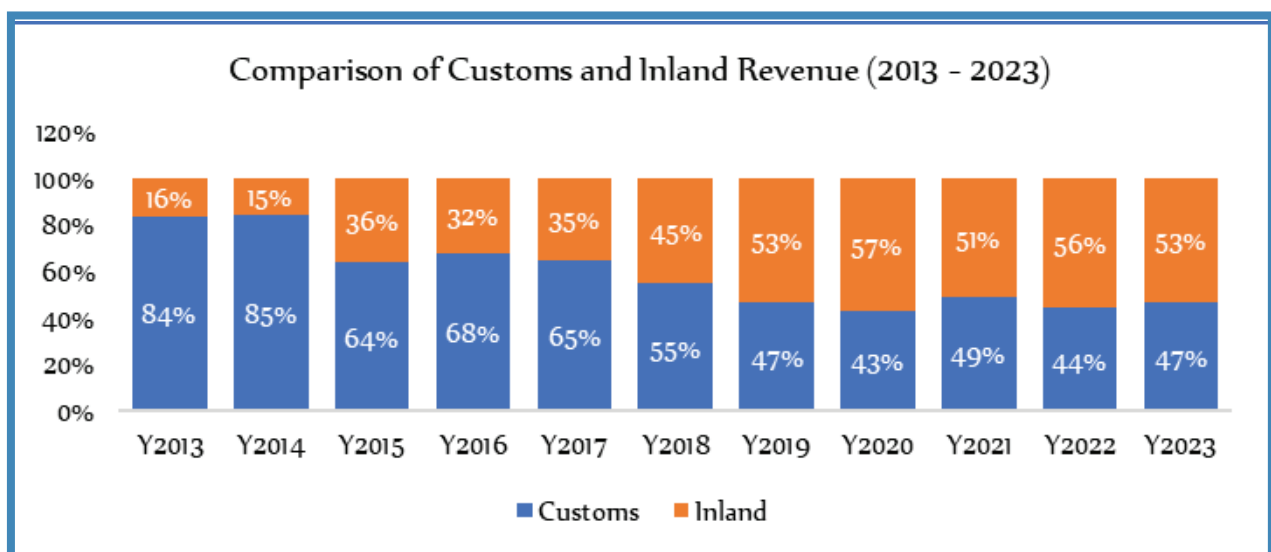
**c) Taxes Payable by business:** In comparing the taxes payable by businesses in Somalia for the years 2022 and 2023, a significant decline of 46% can be observed. In 2022, the total taxes payable were 14.1, while in 2023, this figure decreased to 7.5. This decline in taxes can have substantial implications for businesses operating in Somalia, as it may impact their financial stability and ability to invest in growth opportunities. It is crucial for businesses to thoroughly analyze these tax changes and understand the factors contributing to this decline to effectively plan their financial strategies for the coming years. Customs duties are taxes imposed on imported goods entering Somalia. These duties are a significant source of revenue for the government and are meant to protect domestic industries and regulate international trade. The number of customs duties payable depends on the nature of the imported goods and their declared value. Businesses importing goods into Somalia must complete the necessary customs declarations, provide accurate information about the goods, and pay the required customs duties. Failure to comply with customs duty regulations can result in delays in customs clearance and potential fines or penalties.

**d) Non-Tax Revenue:** Somalia experienced a notable increase in non-tax revenue between 2022 and 2023, with a growth rate of 26%. In 2022, the non-tax revenue was recorded at 80.8, while in 2023, it rose to 101.7. This growth signifies a positive trend in revenue generation for the country. The increase can be attributed to various factors such as improved collection mechanisms, enhanced administrative efficiency, and economic growth. The government's efforts to diversify revenue sources and reduce dependency on tax income seem to be yielding results. The significant rise in non-tax revenue between 2022 and 2023 demonstrates the potential for further growth and indicates a positive outlook for Somalia's financial stability in the coming years.

### 3.4. Comparison of Customs and inland Revenue.

Every government has its own domestic revenue, and our government has a combination of inland and customs revenue. So, the inland revenue plays an important role in all domestic revenue. since 2013 the inland tax has been grow as evidenced by **16%** of total domestic revenue in 2013 compared to **53%** last year of 2023 for inland revenue. In terms of customs revenue, it is very important for government revenue and contributes to the country's overall budget. Since 2013, it has been the largest share of government revenue, down **84%** from **47%** of 2023 last year. When we make a percentage of domestic revenue in to inland and customs result will be a 53% of inland and 47% for customs it means high revenue source was an inland revenue since for 2013 to 2023. And you can show below figure 8 and graph chart.

**Figure 8: Comparison of Inland revenue and Customs Revenue (2013 – 2021).**



# 4. Revenue Growth

The analysis of revenue growth in Somalia from 2022 to 2023 indicates a positive trajectory in domestic revenue generation. The growth is primarily driven by an increase in tax revenues, which can be attributed to improved tax compliance, tax administration measures and fighting corruption. Additionally, non-tax revenue sources, such as licensing fees and fines, have also contributed to the overall revenue growth. The consistent revenue growth demonstrates the effectiveness of revenue mobilization efforts and sets a promising foundation for sustainable economic development in the country.

## 4.1. Impact of Economic Factors

Economic factors have played a significant role in shaping the domestic revenue performance in Somalia during the years 2022 and 2023. The analysis shows that favorable economic conditions, such as GDP growth, increased investment inflows, and a stable business climate, have positively impacted revenue generation. These factors have stimulated economic activity, leading to higher income levels and consequently higher tax revenues. Conversely, economic downturns or negative shocks, such as a decline in commodity prices, may have temporarily impacted revenue performance. Understanding and monitoring these economic factors is crucial for formulating effective revenue generation strategies.

## 4.2. Policy Implication

The comparative analysis of domestic revenue performance in Somalia between 2022 and 2023 provides valuable policy implications for the government and relevant stakeholders. Firstly, the analysis underscores the importance of maintaining and strengthening tax compliance measures to sustain revenue growth. Enhancing tax administration systems and implementing stricter enforcement mechanisms can contribute to increased revenue collection. Moreover, the analysis highlights the need for targeted economic policies that promote investment, job creation, and economic diversification. By leveraging the identified factors that positively influenced revenue performance, policymakers can develop strategic policies that foster sustainable revenue generation and overall economic development.

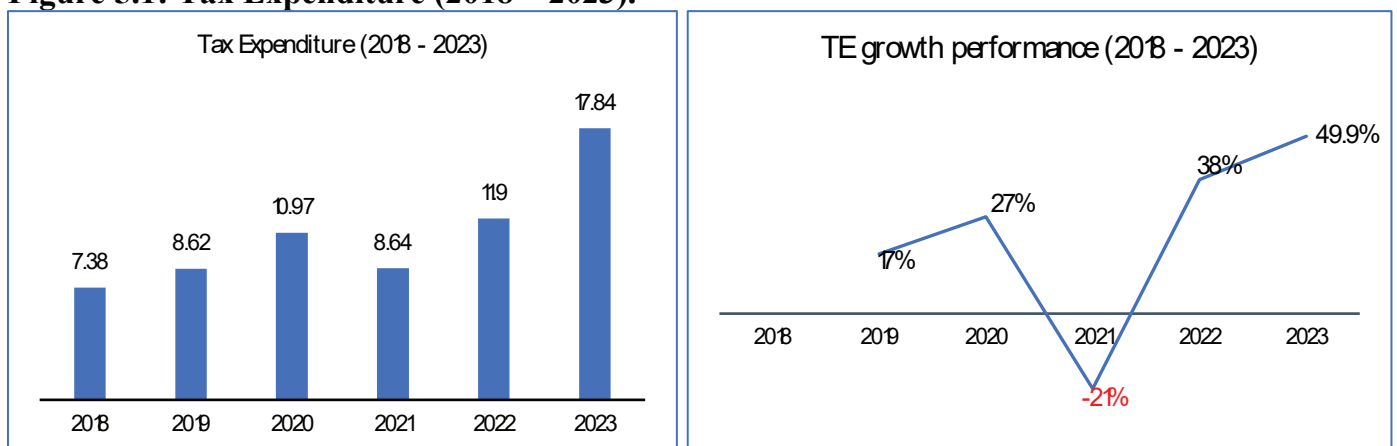
# 5. TAX EXPENDITURE

## 5.1. Overview of Tax Expenditure.

Tax expenditures are usually specified as those government expenditures taken out through tax legislation, regulations, and practices that reduce or submit taxes for some taxpayers. There is a common concern that the tax expenditures negatively affect the budget and tax policies, which in turn affect the transparency, efficiency, and equality of the fiscal systems. Many countries in Latin American and a few in the Caribbean already estimate their tax expenditures; but in many cases they do so without adopting a consistent methodology that allows for adequate comparisons or that even evaluates their effectiveness. This section discusses the conceptual characteristics of FGS tax expenditures, the comparison of tax expenditures, three years of tax expenditure forecasting, and main challenges.

The government of Somalia has a tax exemption law dated December 11, 1968, that allows organizations and entitles them to receive tax exemptions. In this section, we will talk about tax exemption agencies and how many of them are diplomatic agencies, UN information, charity institutions, departmental governments, and federal member states, and other organization organizations. The Ministry of Finance, particularly the Directorate of Revenue, deals with tax exemptions and related matters as the role of the preparation of an annual tax expenditure report. In the last two years, the tax policy office has prepared a report on tax expenditure, and in this part, we will discuss a tax revenue that was exempted by a different classification.

**Figure 5.1: Tax Expenditure (2018 – 2023).**



So, when I look back at the four years from beginning 2018 to 2023. The tax exemption is increasing every year in 2018 it was over 7.4 million while in 2019 it was 8.6 million, 10.97 million

was 2020, and last year was **17.84** million. Therefore, in the last year was the largest tax expenditure year and increase 49.9% for comparing previous year of 2022.

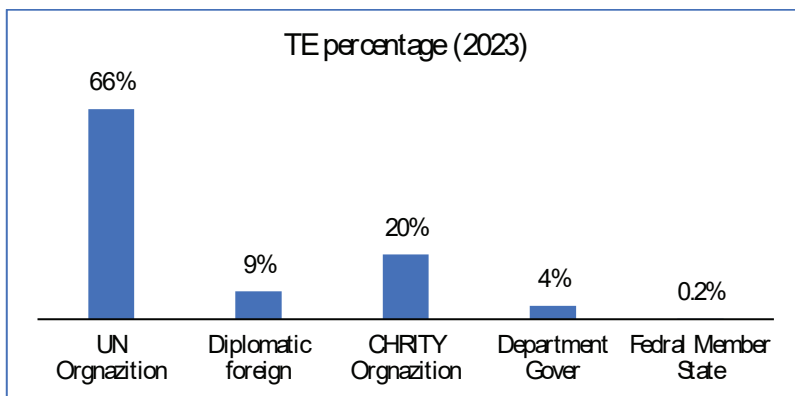
## 5.2. Tax Expenditure Analysis of 2023.

In this section, we will cover tax expenditure in detail, tax expenditure for the year 2023 increase in the previous years. In last three year of tax expenditure was **8.64, 11.9, 17.84** million, and while 2023 was a increase of 49.9% (**17.84** million) in tax expenditures and you can see the above table 5.1.

## 5.3. Details of Tax expenditure of 2021.

In this section, we will cover the details of tax expenditure in 2020. The table and figure give an overview of existing tax expenditure in each sector. The total tax expenditure of 2021 was **8.64** million, and the highest was UN **76%**, Diplomatic **11%**, MDA **5%**, Charity Organizations **7%**, and FMS and Private institutions was a **1%**. In COVID-19 was an impact of an increase in tax expenditure and made by new tax relief and we will discuss later in this report.

**Figure 5.2: Tax Expenditure (2018 – 2023).**



### 5.3.1. United Nation Organization

According to the United Nations was a 66% tax expenditure in 2023. The United Nations is the largest tax-exempt segment and calls for revenue of **11.81** million. The United Nations is a multi-sectoral organization, and with the three largest institutions being exempted from tax expenditure in terms of UN organization. These are UNSOS and WFP and UNICEF, among others. First, United Nations Support Office in Somalia UNSOS is the largest tax exemption agency and 6

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million and 51% of total UN tax expenditure and resulted was the largest tax expenditure. Secondly, WFP is the second one of tax exemptions in 2021, therefore, WFP was exempted 3.8 million and 32% was a total UN tax expenditure. Finally, 1.3 million was exempted from UNICEF and 12% of UN tax expenditure, and other remaining was 10% and you can see table 5.3 below.

## 5.3.2. Diplomatic Foreign

Diplomatic foreign was a portion of 11% tax expenditure in 2021. The Diplomatic foreign is the second-largest tax-exempt segment for revenue of 1.57 million equal to 9% of total Tax expenditure in 2023. The Diplomatic is multi-sectoral, and the three largest institutions being exempted from tax expenditure. These include was the US Embassy, European Union, and Turkish Embassy, and many other diplomatic. In US embassy was a top tax expenditure embassy. Therefore, the US was exempted 1.18 million or 75% of total expenditure, and the rest was 25% other embassies (EU, UK, Uganda, Turkish, Qatar Embassy, US Mission etc.), you can see table 5.4 below.

## 5.3.3. Ministries Departmental Agencies MDA

MDAs are non-tax revenue is made up of funds collected by the government agencies in the form of fees meant to cover the cost of regulating economic activities or administrative charges. These also include concession fees and royalty's payable for public services rendered by private entities and proceeds from the sale of public assets. Favori and Albayrak have a Turkish private company and control both the port and the airport, and an agreement has been reached with the government.

Therefore, MDAs were a portion of 20% of tax expenditure in 2023. The MDAs is the third-largest tax-exempt segment for revenue of 3.65 million. The Departmental Agencies was different parts include was Hospital Erdogan, Defense Ministry, and the Ministry of Education. First, SOMDA was the highest exempted 1.04 million and 28% of total MDAs tax exemption. Secondly, Banadir region administration was 25% and the other was 47% of the total exemption in MDA. And you can see table 5.5 below.

## 5.3.4. Charity Organization

therefore, we have agreement organizations include EN-EZ construction, Favori, and Albayrak. First En-Ez Construction is a Turkish company and FGS was a contract organization building Afgoye road and funded by Qatar. The charity organization was 5% of total tax expenditure in 2020. And the fourth-biggest portion of tax exempted and the amount was 0.58 million. The Charities organization was different parts and biggest include was EN-EZ, ICRC, Action Against



Hunger, Gift of The Givers, ARAHA, Muslin Aid, Save children, MED-AIR, and SOS CHILDREN, and many others. Therefore, the biggest tax exemption of charities was EN-EZ and ICRC, and the amount or percentage was 0.181 and 0.098 or 31% and 17%. You can see table 5.6 below.

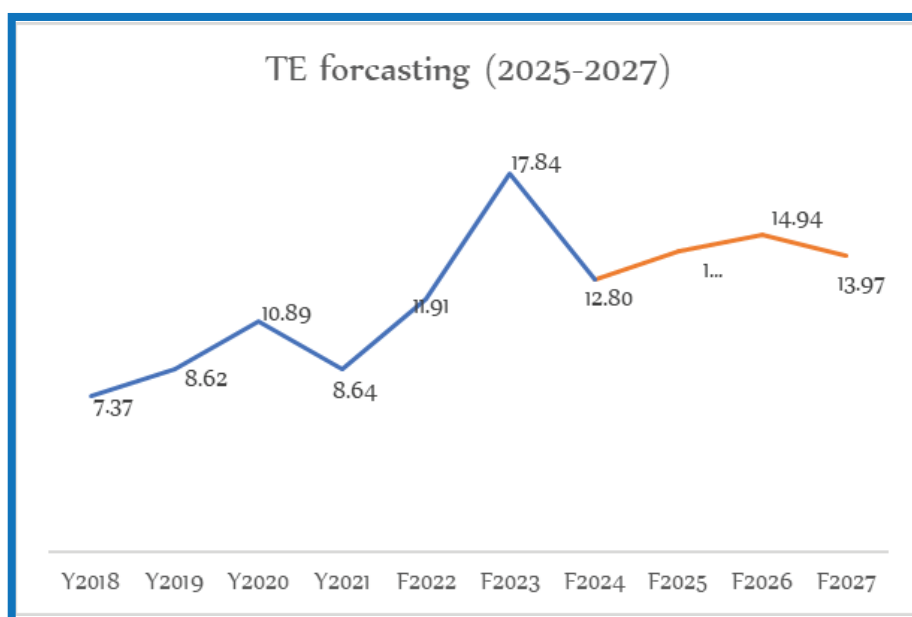
### 5.3.5. FMS and Private Sectors.

The FMS and Private sector organization was 2% of total tax expenditure in 2020. Finally, this is the last section of tax exemption and the amount exempted was a 131,136. FMS was Banadir Region Administration (BRA) and southwest state that exempted in 44,375, 13,417 respectively on 77%, 23% of that total exempted in FMS Private Sectors. You can see table 5.7 below.

### 5.4. Tax Expenditure Forecasting in Next Years (2022 – 2023).

We already discuss a tax expenditure in a different period from starting 2018 to 2021. And now we will mention three years of estimation and you can see below table. Therefore, we use the average method of forecasting approaches. In the year of 2022, we will estimate tax expenditures 8.90 million, 2023 will be a 9.28 million, and the finally 2024 will be a 9.50 million. After that, the end of every we have a comparison of actual and estimated tax expenditure that we made. And you can see table 5.8 below and figure.

**Figure 5.8: Tax Expenditure Forecasting (2018 – 2026).**



The budget of the federal government of Somalia for the fiscal year of 2024 is \$345 million, equivalent of 34% of the total budget which \$1078 million. The main sources of domestic revenues include taxes on international trade, administrative fees (non-tax), taxes on goods and services, taxes on income, profits, and capital gains, as well as other taxes respectively.

Tax revenue is projected to reach \$241.4 million, accounting for 70% of domestic revenue and 24% of the total budget, whilst the collection non-tax revenues amounted to US\$103.7 million, representing 30% of the domestic revenue in and 10% of the total budget 2024.

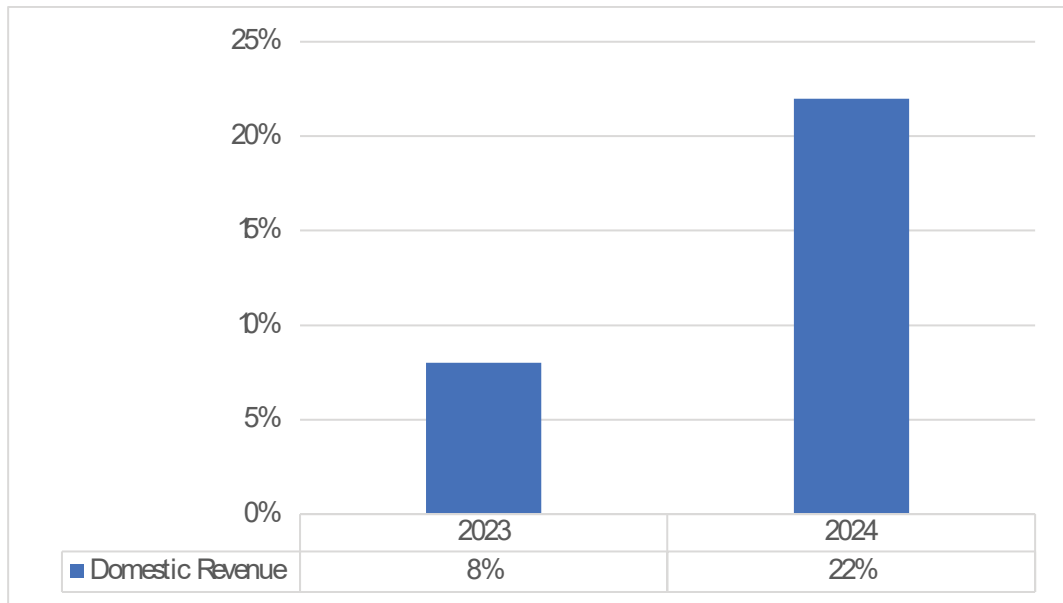
| Description                                   | 2023 Actual | 2024 Budget | Percentage |
|---|-------------|-------------|------------|
| Domestic Revenue                              | 329,551,796 | 345,114,127 | 100%       |
| Tax Revenue                                   | 227,749,492 | 241,427,153 | 70%        |
| Non-Tax Revenue                               | 101,802,304 | 103,686,974 | 30%        |
| Tax On income, Profits and Capital Gains      | 24,383,857  | 23,220,403  | 7%         |
| General Taxes on Good and Services            | 41,288,168  | 46,640,000  | 14%        |
| Taxes on International Trade and Transactions | 154,082,115 | 164,520,000 | 48%        |
| Other Taxes                                   | 7,995,352   | 7,046,750   | 2%         |
| Non-Tax Revenue                               | 101,802,304 | 103,686,974 | 30%        |

**Figure 1:** Domestic Revenue 2022-2024 (Source: MoF, 202)

### 6.1. Domestic Revenue

Domestic revenue is expected to increase a double-digit in 2023, from 8% in 2023 to 22% in 2024. This is the highest percentage since 2012. The government's efforts to improve tax administration and fight corruption are also encouraging signs. Improved tax administration: More efficient tax collection systems can help to reduce tax evasion and increase compliance, leading to higher revenue. Changes in tax policy: The government can implement changes to tax rates, deductions, and credits that can affect domestic revenue. For example, raising tax rates on certain goods or services can increase revenue, while lowering rates can decrease it.

**Figure 2:** Domestic Revenue (Percentage change) 2023-2024

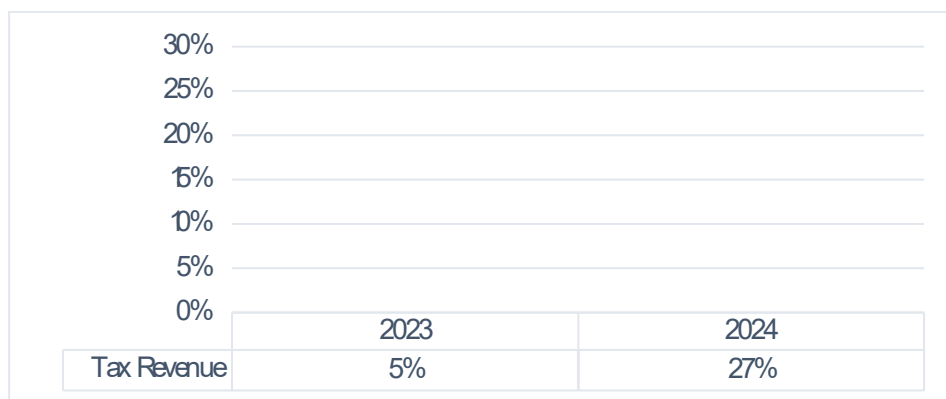


Source: MoF, 2023

## 6.2. Tax Revenue

Tax revenue is projected to increase about 27% in 2024, equivalent US\$51.5 million due to revenue mobilization, and increase customs taxes on imported goods, penalties & fines, new sales tax system as well as fight against corruption which will lead the increase of tax revenue.

Figure 3: Tax Revenue (Percentage change) 2022-2024



|             |   |                    |                    |
|-------------|---|--------------------|--------------------|
| <b>11</b>   | <b>Tax Revenue</b>  | <b>223,608,200</b> | <b>241,427,155</b> |
| <b>111</b>  | <b>Tax on income, Profits and Capital gains</b>   | <b>24,383,856</b>  | <b>23,220,403</b>  |
| <b>1111</b> | <b>Payable By individuals</b>   | <b>20,881,689</b>  | <b>19,022,743</b>  |
| 111101      | Personal income Tax on Public Employee  | 8,858,805          | 7,731,582          |
| 111102      | Personal income Tax on on Private Employee  | 10,851,912         | 10,055,524         |
| 111103      | Personal income Tax on Property income  | 1,170,972          | 1,235,637          |
| <b>1112</b> | <b>Payable By Corporation and Other Enterprises</b>   | <b>3,502,167</b>   | <b>4,197,660</b>   |
| 111201      | Payable By Corporations   | 3,502,167          | 4,197,660          |
| <b>113</b>  |   | -                  | -                  |
| <b>1131</b> | <b>Recurrent Taxes on Immovable Property</b>  |                    |                    |
| 113101      | Land  | -                  |                    |
| 113102      | Building  |                    |                    |
| <b>114</b>  | <b>General Taxes on Goods and Services</b>  | <b>34,917,372</b>  | <b>46,640,000</b>  |
| <b>1141</b> |   | <b>34,899,765</b>  | <b>43,124,280</b>  |
| 114121      | Sales Taxes - Hotels  | 1,814,737          | 2,202,408          |
| 114122      | Sales Taxes - Telecommunications  | 1,900,000          | 5,362,946          |
| 114123      | Sales Taxes - Electricity and Electric Equipment Companies  | 55,000             | 2,234,561          |
| 114124      | Sales Taxes - Airline Tickets   | 6,066,745          | 7,895,894          |
| 114125      | Sales Taxes - Tv Cable Providers  | 1,614              | 1,675,921          |
| 114127      | Sales Taxes - Pharmacy  | 1,390              | 558,640            |
| 114128      | Sales Taxes - Other Taxes on Sales  | 221,342            | 558,640            |
| 114129      | Sales Taxes - on Other Imported Goods   | 24,671,937         | 22,635,270         |
| 114131      | Turnover Tax  | 167,000            |                    |
| <b>1142</b> | <b>Excise</b>   | <b>17,607</b>      | <b>23,193</b>      |
| 114201      | Soft Drinks   | 17,607             | 23,193             |
| <b>1145</b> | <b>Taxes on Use of Goods and on Permission to Use Goods or Perform Activities</b>   | <b>3,697,452</b>   | <b>3,492,527</b>   |
| 114526      | Urban Road Users Taxes (Tremistrale)  | 1,456,754          | 2,084,534          |
| 114529      | Notary Collection Taxes.  | 2,240,698          | 1,407,993          |
| <b>115</b>  | <b>Taxes on International Trade and Transactions</b>  | <b>154,082,115</b> | <b>164,520,002</b> |
| <b>1151</b> | <b>Customs and Other Import Duty</b>  | <b>153,045,742</b> | <b>163,427,834</b> |
| 115100      | Customs and Other Import Duties   | 135,833,569        | 144,404,801        |
| 115106      | Khat  | 17,212,173         | 19,023,033         |
| <b>1152</b> | <b>Taxes on Exports For All Levies That Become Payable on Goods That Are Transported Out of The Country or Services That Are Provided to Non-Residents By Residents</b> | <b>1,036,373</b>   | <b>1,092,168</b>   |
| 115201      | Livestock Products  | 62,870             | 70,271             |
| 115202      | Agriculture Products  | 303,044            | 225,850            |
| 115203      | Seafood Products  | 35,307             | 38,552             |
| 115204      | Frankincense and Gums   | 23,126             | 27,378             |
| 115205      | Other Export Duty   | 612,026            | 730,117            |
| <b>116</b>  | <b>Other Taxes</b>  | <b>10,224,857</b>  | <b>7,046,750</b>   |
| <b>1161</b> | <b>Other Taxes Payable Solely By Business</b>   | <b>10,224,857</b>  | <b>7,046,750</b>   |
| 116101      | Stamp Duty on Customs   | 3,199,745          | 3,079,066          |
| 116102      | Road Worthiness (Galawito)  | 91,542             | 1,489,885          |
| 116103      | Stamp Duties on invoices and Contracts  | 2,311,504          | 830,313            |
| 116104      | Stamp Duties on Food Items  | 1,947,334          | 1,647,486          |
| 114531      | Signature Bonus   | 2,674,732          |                    |

## 6.2.1. Taxes in Income, Profits and Capital Gains:

The estimated amount of US\$23.2 million, accounting for 2% is expected to be collected from taxes on income, profits, and capital gains in 2024. This means the government expects to receive this revenue from individuals and businesses through various taxes, such as individual income tax, corporate income tax, and capital gains tax.

## 6.2.2. Taxes on goods and services:

the government expects to collect US\$46.5 million from GST in 2024. This means that consumers and businesses will contribute this amount through taxes levied on various goods and services. However, this amount represents only 5% of the total tax revenue target for the year. This implies that other sources of income, such as income taxes, property taxes, or customs duties, are expected to be more significant contributors to the government's budget. **taxes on goods and services** are forecasted to record US\$46.5 million, accounting for 5% of the tax revenue target in 2024.

## 6.2.3. Taxes on International Trade and Transactions

Taxes on International Trade and Transactions are projected to contribute about US\$164.5 million, representing 16% of the tax revenue target in 2024. This is largely attributed to the policy intervention in January 2023 which increased tariff rates for the majority of imported items. The other contributing factor is the increasing construction activities in Mogadishu. These are expected to be the largest contributor to tax revenue (16%) due to increased tariffs and construction activities in Mogadishu.

## 6.3. Non-Tax Revenue

Non-tax revenue is projected to increase about 10% in 2024, equivalent to US\$103.7 million, whereas most of the major non-tax revenue sources are visa fees, passports, work permits, airport fees, over-flight fees, business licenses, customs harbor fees. Passports fees are charged for issuing new passports or renewing existing ones. Increased travel demand and passport renewals could lead to higher passport fee revenue. **Over-flight Fees** Increased air traffic and changes in flight routes could lead to higher over-flight fee revenue. It's important to note that these are just some potential reasons for growth in these non-tax revenue sources. The actual increase in each source will depend on various factors specific to each country and its economic situation. Where are the reforms expected to be implemented in 2024? Without that, the revenue increase could not be acceptable to the audience

# Cont..

|             |   |                    |                    |
|-------------|---|--------------------|--------------------|
| <b>14</b>   | <b>Other Revenue</b>  | <b>102,247,399</b> | <b>103,686,974</b> |
| <b>141</b>  | <b>Rent</b>   | <b>459,677</b>     | <b>-</b>           |
| <b>1415</b> | <b>Resources Lease on Land</b>  | <b>-</b>           | <b>-</b>           |
| 141504      | Rent of Land and Buildings  | 459,677            |                    |
| <b>142</b>  | <b>Non Tax Revenue</b>  | <b>101,787,722</b> | <b>103,686,974</b> |
| <b>1422</b> | <b>Administrative Fees</b>  | <b>101,787,722</b> | <b>103,686,974</b> |
| 142201      | Visa Fees   | 8,686,762          | 7,715,494          |
| 142202      | Passport Fees   | 9,617,092          | 10,533,616         |
| 142203      | Work Permit Taxes   | 2,496,361          | 2,083,980          |
| 142204      | Airport Fees  | 3,972,500          | 3,853,537          |
| 142205      | Overflight Fees (Iata)  | 20,482,759         | 20,111,048         |
| 142207      | Business and Profession Licenses  | 1,827,451          | 1,952,514          |
| 142208      | Radio and Tv Licenses   | 26,700             |                    |
| 142212      | Local NGO'S Registrations.  | 342,260            |                    |
| 142214      | Local Company Registrations   | 233,800            |                    |
| 142217      | Agriculture Fees.   | 26,610             |                    |
| 142221      | Service Charges Fees  | 676,800            |                    |
| 142227      | Fishing Licenses Fees   | 26,000             | 5,586,402          |
| 142229      | Driving Licenses Fee  | 119,105            |                    |
| 142231      | Number Plate Registration Fees  | 2,542,712          |                    |
| 142233      | individual Id Fees  | 72,590             |                    |
| 142240      | Education Services Fees   | 218,150            |                    |
| 142243      | Security Company Fees   | 94,890             |                    |
| 142245      | Telecommunication Spectrum Fees   | 8,435,277          | 7,820,963          |
| 142247      | Other License Fees  | 87,565             | 28,437             |
| 142250      | Election Registration Fee   | 35,000             | 93,852             |
| 142256      | Clearances Letter Fees  | 869,200            |                    |
| 142257      | Court Filing Fees   | 828,930            |                    |
| 142259      | Harbour Fees - Albayrak   | 30,288,871         | 29,629,252         |
| 142260      | Customs Harbour Fees  | 6,403,586          | 6,213,665          |
| 142261      | Administrative Charges  |                    | -                  |
| 142262      | Passenger Fee   | 2,132,510          |                    |
| 142263      | Air Waybill Fee   | 36,094             |                    |
| 142264      | Registration Fee of Arrival and Departure of Air and Ships (Prtnz/Arvo) | 1,083,791          | 1,130,324          |
| 1431        | Fines, Penalties  | 62,178             |                    |
| 143102      | Penalties   | 62,178             |                    |

## 7. CONCLUSIONS AND RECOMMENDATION

The analysis of domestic revenue in Somalia for 2022 and 2023 reveals important insights. The study examined the revenue sources, trends, and factors influencing revenue performance for both years. The findings indicate that there have been notable changes in revenue sources and trends between the two years. Additionally, various factors have influenced revenue performance, including economic factors and policy implications. The report provides valuable information for understanding the domestic revenue performance in Somalia and highlights the need for strategic interventions to optimize revenue generation in the future. Revenue trends also displayed fluctuations, indicating higher reliance on the customs revenue and changing patterns of revenue generation. Factors influencing revenue performance were identified, such as economic factors and policy implications.

These results provide a comprehensive overview of the domestic revenue situation in Somalia and contribute to a better understanding of the dynamics impacting revenue generation. Several recommendations can be made. Firstly, it is crucial to diversify revenue sources to ensure a more sustainable and resilient revenue stream. This can be achieved through efforts to enhance tax collection, explore new revenue-generating opportunities, and reduce reliance on a few key sources. Secondly, policies should be implemented to address the factors influencing revenue performance, such as economic fluctuations and policy implications. Thirdly, capacity-building initiatives should be prioritized to empower revenue-generating institutions and improve their effectiveness. These recommendations aim to optimize domestic revenue generation in Somalia and mitigate the challenges identified through the analysis.





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FY 2022/2023

Date: 31, January 2024

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