Domestic Revenue Mobilisation Module 3 – Direct Taxes

PFM Education and Training Phase 2

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List of Acronyms

CAMA	Companies and Allied Matters
CD	Customs Department
CIT	Companies Income Tax
CITA	Companies Income Tax Act
DFID	Department for International Development
FIRS	Federal Internal Revenue Service
GDP	Gross Domestic Product
GoSL	Government of Somaliland
IMF	International Monetary Fund
IRD	Inland Revenue Department
MoF	Ministry of Finance
NGO	Non-Governmental Organisations
PAYE	Pay as You Earn
SRA 2016	Somaliland Revenue Act, No.72/2016
RA 2019	Revenue Act 2019
TADAT	Tax Authority Diagnostic Assessment Tool
TCC	Tax Clearance Certificate
TIN	Taxpayer Identification Number

Note: this document uses UK English spelling

1 Summary of the Workbook and Learning Objectives

1. This Module 3 of the DRM course covers an important part of taxation – direct taxation. The areas and learning objectives are summarised in Table 1.
2. This module of the course covers an important and critical part of taxation - the direct taxes of which government collects directly from business and individuals. The areas and learning objectives are summarised in Table 1 below.

Table 1: Coverage and learning objective

Topic	Learning objective
Direct Taxes	A knowledge of direct taxes in Somaliland including the following: • Revenue Act; • Major types of direct taxes – income, business, rental, withholding; • Persons assessable; • Residence; • Returns and Assessment, including deductions, exemptions etc; • Objections and appeals; and • Tax collection including withholding tax.

2 Direct Taxes Explained

What are direct taxes?

3. Direct taxes are a type of tax that are paid straight or directly to the government by an individual or an organization. Payment of direct taxes are usually through a government tax agency. A taxpayer pays direct taxes to the government for different purposes, for example, income tax, corporate tax, real estate or property tax. The payment of direct taxes is the responsibility of the individual and should be fulfilled by no one else but him.

How are direct taxes paid?

4. Unlike an indirect tax where the tax is levied on one entity (such as a seller) and paid by another (the buyer) as in the case of a sales tax, a direct tax is paid directly to the government entity in charge of collecting taxes. Direct taxes cannot be passed on to a different person or entity; the individual or organization upon whom or which the tax is levied is responsible for the fulfilment of the full tax payment.

5. To recap *Module 2 – Indirect Taxes*, *indirect taxes* are collected by an intermediary and paid over to government while *direct taxes* are collected directly by the government from the persons (legal or natural) on whom it is imposed. The difference is summarised in Figure 1 below.

Figure 1: Direct and indirect taxes

6. Tax paid on one's personal income is distinct from the tax paid on the firm's earnings. In an incorporated firm, the owners (shareholders) pay taxes on both their income (salary or dividend from the firm) and firm's income (profits).

7. In partnerships and sole-ownerships[1], the tax is paid only once on the firm's profits. Read more: http://www.businessdictionary.com/definition/personal-income-tax.html

[1] Part 8 sections 114 – 118 of SRA 2016 apply

Why are direct taxes progressive?

8. Direct taxes are based on the ability-to-pay principle [See Module 1 **Adam Smith's Cannon 1 – the ability to pa**y] which states that those who have more resources or earn a higher income should pay more taxes.

9. Direct taxes are considered a progressive tax, which is where the tax raised rises with the increases with income. The more a person earns the greater the tax that they pay. Conversely, a regressive tax is a tax where the tax raised decreases with the increase in the amount subject to tax, as in the case of indirect taxes.

10. Under a progressive tax regime, people with low incomes enjoy a reduced tax burden as the incidence is shifted to the high-income group. Hence, it is sometimes viewed as redistributing the wealth of a nation.

11. However, direct taxes, especially in a tax-bracket system where a range of incomes are subject to a certain income tax rate, are thought by some to be a disincentive to work hard and earn more money because the more money a person earns, the more taxes they pay.

2.1 Advantages and Disadvantages of Direct Tax

12. The table below shows the advantages and disadvantages of direct taxes.

Table 2: Advantages and Disadvantages of Direct Tax

Advantages	Disadvantages
Equity: A direct tax is an equitable tax as the people with more income and wealth should pay more than those with less income. In case of necessity, the lower income people may be granted exemption from payment of certain taxes.	**Evasion:** possibly, the direct tax **is** liable to be evaded. Hence, some taxpayers try to evade income tax by submitting false returns, Unless the civic sense of the taxpayers is well developed and there is spread of education among the society.
Certainty: A direct tax satisfies the canon of certainty. Therefore, the liable taxpayers pay income tax that they know. They know how much tax required to pay and appropriately account for that beforehand.	**People's Indifference:** Direct tax may not develop the society sense of tax education as people with incomes below a certain level are not liable to pay tax. Clearly when a person directly bears the burden of a tax that person tries to know how the government spends that money. But the people that are not directly affected by the burden of taxation remain unaware of that.
Elasticity: A direct tax has elasticity whereas the income of the people goes up, the rate of income tax can also be increased. If the income of the people falls, the rate of income tax can also be lowered.	**Impact on Work and Savings:** as the rate of the direct tax is generally higher it has impact on people's perception to work and save. Thus, in many cases direct taxes reduce incentives to work hard and save.
Productivity: Direct taxes constitute crucial for government t revenue; it is a major component of tax collected by the government with lower collection charges. Thus, indirect taxes are productive.	**Lack of Popularity:** As direct taxes are raised there is resentment against the government tax policies and taxpayers are critical for tax hikes.

3 Somaliland Revenue Act

13. Somaliland Revenue Act (Law No. 72/2016) or SRA 2016 is the governing law for revenue taxation within the Somaliland jurisdiction. It was passed in 2016 to: consolidate Somaliland's different tax legislation and issuances into one document; contribute to a modernized tax system that is envisioned to be simple, fair and efficient; and establish a revenue administration authority. It repeals the laws on Direct Taxation No. 89/96, Sales Tax Law No. 84/96, as well as other legislation relating to tax revenues.

14. The purpose of SRA 2016 is to:

    (1) To specify that the Somaliland Revenue Authority is an independent institution.

    (2) To strengthen the ability of Inland Revenue to collect.

    (3) To be implemented equally for all taxpayers.

    (4) To disclose the Inland Revenue Act to all citizens.

    (5) To specify that all citizens have a right to know of revenue information.

    (6) To increase Government revenue.

    (7) To simplify revenue collection processes

Creation of the Somaliland Revenue Authority

15. SRA 2016 prescribes all matters that relate to the creation and functions of the Somaliland Revenue Authority, specifically Section 191 which states the Functions of the Authority is to *administer and give effect to the laws or the specified provisions of the laws set out in the Seventh Schedule to this Act, and for this purpose to assess, collect and account for all revenue to which those laws apply.* This agency will be sole agency in charge of the government's revenue collection and administration systems to enable the efficient and effective application and enforcement of the SRA 2016.

16. The Seventh Schedule of SRA 2016 lists the taxes to be administered by the Somaliland Revenue Authority which include:

    i. Revenue law (Income Tax , Excise tax , Goods and services tax)

    ii. Customs Law

    iii. Stamp Duty Law

    iv. Traffic and Road Safety Law

    v. Registration Fees

    vi. All other taxes and non-tax revenue as the Treasury may prescribe.

17. The types of direct taxes in Somaliland include the following (Figure 2) and will be described in the next section:

Figure 2: Types of Direct Taxes in Somaliland

Existing Revenue Administration System in Somaliland

18. However, as of to date, the Somaliland Revenue Authority has not yet been established. Currently, the agency in-charge of revenue collection within Somaliland is the Inland Revenue Department (IRD).The IRD is a department under the Ministry of Finance responsible for administering Somaliland domestic revenue including tax collections, tax forecasting, tax auditing and taxpayer relationship.

4 Somaliland Direct taxes

4.1 Income taxes

19. An *Income Tax* is a tax imposed on individuals or entities that varies with respective income or profits. Income tax is generally computed as the product of a tax rate times taxable income. Taxation rates may vary by type or characteristics of the taxpayer. In Somaliland, SRA 2016 imposes tax on income under Section 55 *(Income Tax Imposed)* while Section 56 *(Rental Tax Imposed)* imposes direct taxes on rental income.

20. The government impose an income tax on all income generated by individuals and businesses within the Somaliland jurisdiction. According to the SRA 2016, taxpayers must file an income tax return annually to determine their tax obligations. There are penalties for not filing a tax return, filing late or for filing false return (Sections 16, 17 and 21 of Revenue Act 72/2016). The taxpayer may not pay taxes on all of their income due to exemptions and deductions provided by the tax system.

21. Under Section 57 (*Rates of Tax for Individuals*) of the SRA 2016, the rate chargeable on an individual for a year of income (period of 12 months ending on 31 December) is charged to tax at the rate of 10%. This does not include the rates for employment income. It also covers the rate for rental income which is 10%.

4.2 Employment Tax

22. The *Employment Income Tax or Payroll Tax* are taxes that the government impose on employees who work for employers in Somaliland.

23. Section 70 (*Employment Income*) defines Employment Income as any income derived by an employee from any employment and includes the following amounts, whether of a revenue or capital nature – any wages, salary, leave pay, payment in lieu of leave, overtime pay, fees, commission, gratuity, bonus, or the amount of any travelling, entertainment, utilities, cost of living, housing, medical, or other allowance; among other reimbursements, insurances and so on.

24. The employment income tax is calculated as a percentage of the total income that employees earn from their employment. The employment tax is 6% of the gross income and is paid on a monthly basis. The employer should complete and submit to the Inland Revenue office the monthly return of employment income withheld within 15 days after the end of the period.

Example; Abdi works for a XYZ Company and he has earned from the employment $2,000 for the month of June. Then Abdi is liable for 6% of employment tax.

Employment Income	$2,000
Rate of tax	5%
Stamp tax	1%
Solution : Tax to be paid	$120

4.3 Business taxes

25. *Business Tax* includes any trade, profession, vocation, or adventure in the nature of trade but does not include employment. Corporate tax is another form of a direct tax. This is the tax that corporations and other businesses must pay to the government on the profits they earn. However, partnerships and sole proprietorships do not pay corporate taxes. The corporate tax in the U.S. is separate from income tax.

26. In Somaliland business income means any income derived by a person carrying on a business and its coverage are described under Section 69 of the SRA 2016.

27. Businesses pay income taxes on their earnings; the Inland Revenue taxes income from corporations, partnerships, self-employed contractors, and small businesses. Depending on the business structure, either the corporation, its owners, or shareholders report their business income and then deduct their operating and capital expenses. The difference is their taxable business income

Example: Ahmed and Layla are married and have ABC company. They have earned SL Shillings 50 million for the year ended 2019.

Requirement: How much tax should Ahmed and Layla pay from their business income?

Solution:

Net profit of the ABC company	SL Shillings 50,000,000
Tax year of income	2019
Tax on income amount	10%
Administration tax	2%
Stamp tax	2.5%
Tax to pe paid SL Shillings	5,000,000+1,000,000+1,250,000 = SL Shillings 7,250.000

28. Section 58 (Rate of Income Tax for Companies) of the SRA specifies that the chargeable income of a company for a year of income is charged to income tax at the rate of 10 percent.

29. Business Income, as defined in Section 69 of the SRA, means any income derived by a person in carrying on a business and includes the following amounts, whether of a revenue or capital nature. These include gains and losses on disposal of assets, derived by a person on the disposal of a business asset, or on the satisfaction or cancellation of a business debt, amount derived by a person as consideration for accepting a restriction on the person's capacity to carry on business, the gross proceeds derived by a person from the disposal of trading stock, value of any gifts derived by a person in the course of, or by virtue of, a past, present, or prospective business relationship, rent derived by a person whose business is wholly or mainly the holding or letting of property.

Section 69. Business Income

(1) Business income means any income derived by a person in carrying on a business and includes the following amounts, whether of a revenue or capital nature –

(a) the amount of any gain, as determined under Part 6 of this Chapter which deals with gains and losses on disposal of assets, derived by a person on the disposal of a business asset, or on the satisfaction or cancellation of a business debt, whether or not the asset or debt was on revenue or capital account;

(b) any amount derived by a person as consideration for accepting a restriction on the person's capacity to carry on business;

(c) the gross proceeds derived by a person from the disposal of trading stock;

(d) any amount included in the business income of the person under any other Section of this Act;

(e) the value of any gifts derived by a person in the course of, or by virtue of, a past, present, or prospective business relationship;

(f) fees and commissions derived by a person in respect of trade receivables or by a person engaged in the business of banking or money lending; and

(g) rent derived by a person whose business is wholly or mainly the holding or letting of property.

(2) An amount included in business income under Sub-section (1)(g) retains its character as rent for the purposes of any Section of this Act referring to such income.

(3) Where, as a result of any concession granted by, or a compromise made with, a taxpayer's creditors in the course of an insolvency, the taxpayer derives a gain on the cancellation of a business debt, Section 89(3) applies in lieu of including the gain in the business income of the taxpayer under Sub-section (1).

(4) In this Section, "business asset" does not include trading stock or a depreciable asset.

Corporate tax

30. The corporate income is all the income that corporation entities earn in a taxable year, the corporations are required to pay to the government a corporate tax from their profits on a yearly basis. In Somaliland the corporate tax is the same as business tax, for that reason focus will be on business taxes.

4.4 Tax on rental income

31. If you receive income from renting out a property this qualifies as rental income and it is taxable at 10% under Section 56 of the SRA. In Somaliland, if your business is wholly or mainly the holding or letting of property then you are taxed under the business tax regime (Section 69 (1) (g)).

32. **Apart from rental income there are other sources of Property Income and Section 71 SRA 2016 provides for the taxation of these. Such property income include:** any dividends, annuity, natural resource payments, rents, royalties, and any other payment derived by a person from the provision, use, or exploitation of property; or the value of any gifts derived by a person in connection with the provision, use, or exploitation of property; any contributions made to a retirement fund during a year of income by a tax exempt employer; and any other income derived by a person, but does not include any amount which is business, employment, or exempt income.

33. However it is important to note that under this **section (S56) (2)** regardless of any of the above income streams that are assessed as property income under **S56 (1)(a)** the income retains its character as dividends, annuity, natural resource payment, rent, or royalties for the purposes of any Section of the Act referring to such income.

Section 56. Rental Tax imposed

(1) Subject to, and in accordance with this Act, a tax shall be charged for each year of income and is hereby imposed on every individual who has rental income for the year of income.

(2) The tax payable by an individual under this Section for a year of income is calculated by applying the relevant rates of tax determined under Section 57(2) to the rental income derived by the individual for the year.

(3) The tax imposed under this Section on an individual is separate from the tax imposed under Section 55

and –

(a) the rent derived by an individual shall not be included in the gross income subject to tax under this Act of the individual for any year of income;

(b) expenditures and losses incurred by the individual in the production of the rent shall be allowed as a deduction under this Act for any year of income only as provided in Section 73(1)(b);

(c) the tax payable by a resident individual under this Section shall not be reduced by any tax credits allowed to the individual under this Act.

(4) In this Section, "year of income" means the period of twelve (12) months ending on 31 December.

Example : Mohamed owns three properties in Hargeisa in 26 June, Ahmed Dhagah, and Koodbuur Districts. The 26 June property is rented for business purposes where $25,000 is earned, the Koodbuur property is a residential building where $10,000 is earned while Ahmed Dhagah property is a guest house rented for $12,000.

Requirement: How much rental tax shall Mohamed have to pay for his properties?

Solution:

Gross rent income	$47,000
Tax on amount	10%
Administration tax	2%
Stamp Tax	2.5%
Tax Liability	$4,700+$940+$1,175 = $6, 815

4.5 Property Tax

34. Property tax is charged on properties such as land and buildings and is used for maintaining public services such as the police and fire departments, schools and libraries, as well as roads. In Somaliland, property tax is the same as rental income tax. Rental income tax is an annual tax payable by individuals on their rental income. "Rental income" is the total amount of rent derived by an individual during a year of income from the lease of immovable property in Somaliland with deduction only allowed for net capital losses.

Section 71. Property Income

(1) Property income means –

(a) any dividends, annuity, natural resource payments, rents, royalties, and any other payment derived by a person from the provision, use, or exploitation of property;

(b) the value of any gifts derived by a person in connection with the provision, use, or exploitation of property;

(c) the total amount of any contributions made to a retirement fund during a year of income by a tax exempt employer; and

(d) any other income derived by a person, but does not include any amount which is business, employment, or exempt income.

(2) An amount included in property income under Sub-section (1)(a) retains its character as dividends, annuity, natural resource payment, rent, or royalties for the purposes of any Section of the Act referring to such income

35. The rental income tax is an annual tax payable by individual owners of the properties that are rented which is called rental income. The corporate taxpayers do not pay rental income tax. However, they are obliged to include their rental income with other income earned through the ordinary course of the business in their annual income tax returns. Hence, rental income is the total amount paid by the individual property owner who earns income from rented property. from the lease of immovable property in Somaliland. The rental income can be with deduction only allowed for net capital losses, if any, arising from the disposal of rental assets during the year of income are deductible from taxable rental income as per sections 56(1)(b) and 73 (1)(b) of the Revenue Act 2016.

36. According to sec 57 of the Revenue Act 2016, the rental income of an individual for a year of income is charged tax rate of 12.3%. All taxpayers whether they are individuals and business other than corporate business who earns rental income from the leases of rented properties in Somaliland are required to pay annual rental income tax in respect of each year. For instance, the rental income tax of 2019 should be paid before 30 April in 2020. as per section 142 of the Revenue Act 2016.

4.6 Capital Gain Tax

37. This tax is charged when an individual sells asset such as stocks, real estate, or a business. The tax is computed by determining the difference between the acquisition amount and the selling amount.

38. The amount of any gain arising from the disposal of an asset is the excess of the consideration received for the disposal over the cost base of the asset at the time of the disposal.

Section 101 Disposals

(1) A taxpayer is treated as having disposed of an asset when the asset has been –

(a) sold, exchanged, redeemed, or distributed by the taxpayer;

(b) transferred by the taxpayer by way of gift;

(c) destroyed or lost.

39. The amount of any gain arising on the disposal of an asset is included in gross income of the taxpayers see section 99-102.

4.7 Partnership Tax

40. Sec 116 of the SRA 2016 defines partnership as an association of persons carrying on business for joint profit. The principles for taxation of partnerships are covered under the provisions of the SRA 2016 below:

Section 114. Principles for Taxation of Partnerships

(1) The income and losses arising from activities conducted by a partnership is taxed in accordance with this Act.

(2) The presence or absence of a written partnership agreement is not decisive in determining whether a partnership relationship exists between persons.

(3) A partnership shall be liable to furnish a partnership return in accordance with Section 135, but shall not be liable to pay tax on that income.

(4) Any election, notice, or statement required to be filed in relation to a partnership's activities shall be filed by the partnership.

(5) Unless the context otherwise requires, partnership assets are treated as owned by the partnership and not the partners.

Section 116. Taxation for Partners

(1) The gross income of a resident partner for a year of income includes the partner's share of partnership income for that year.

(2) The gross income of a non-resident partner for a year of income includes the partner's share of partnership income attributable to sources in Somaliland.

(3) A resident partner is allowed a deduction for a year of income for the partner's share of a partnership loss for that year.

(4) A non-resident partner is allowed a deduction for a year of income for the partner's share of a partnership loss, but only to the extent that the activity giving rise to the loss would have given rise to the partnership income attributable to sources in Somaliland if a loss had not been incurred.

(5) Income derived, or expenditure or losses incurred, by a partnership retain their character as to geographic source and type of income, expenditure, or loss in the hands of the partners, and are deemed to have been passed through the partnership on a pro rata basis unless the Director permits otherwise.

(6), a partner's share of partnership income or loss is equal to the partner's percentage interest in the income of the partnership as set out in the partnership agreement.

(7) Where the allocation of income in the partnership agreement does not reflect the contribution of the partners to the partnership's operations, a partner's share of partnership income or loss shall be equal to the partner's percentage interest in the capital of the partnership

Example: Ali and Abdi are partners of professional firm A&A accountants, they earned SL Shillings 6,000,000 net profit for the year ended.

Requirement :How much tax each liable ?

Solution:

A&A Net profit for the year	SL Shillings 6,000,000
Tax on amount	10%
Administration tax	2%
Stam Tax	2.5%
Tax Liability for Ali	300,000+60,000+75,000 = SL Shillings 435,000
Tax liability for Abdi	300,000+60,000+75,000 = SL Shillings 435,000

41. Section 63 deals with Resident Partnerships such that a partnership is a resident partnership for a year of income if, at any time during that year, a partner in the partnership was a resident.

5 Persons assessable

42. The chargeable person is a person on whom certain tax is imposed. They are individual or body of individuals having in a year of assessment, any income chargeable to tax. Resident persons are assessed on the income they earn on earth in a year of assessment. Non-resident persons are however subject to tax on income that has a source in the country. In other words, non-resident persons may only be assessed on income generated from Somaliland. The SRA 2016 provides guidance on persons assessable, the residency rules for tax purposes and the manner of assessment.

> **Example:**
>
> Hanna has two businesses where Business A is a food processing business while Business B is a small advertising firm. Hanna also works for Dahabshiil Group of Companies.
>
> Hanna is chargeable person for three different taxes one employment tax and two business taxes.

43. **Section 55** imposes Income Tax which is charged for each year of income and is imposed on every person who has chargeable income for the year of income.

44. **Section 113** deals with the Taxation of Individuals and situation which may involve an element of tax avoidance by splitting income.

45. For companies' **Section 122** provides the following principles:

    (1) A company is liable to tax separately from its shareholders.

    (2) A dividend paid to a resident company, other than an exempt organisation, by another resident company is exempt from tax where the company receiving the dividend controls, directly or indirectly, twenty-five (25) percent or more of the voting power in the company paying the dividend.

46. However, this exemption does not apply to a dividend paid to a financial institution by virtue of its ownership of redeemable shares in the company paying the dividend.

6 Residence

47. The criteria for *residence for tax purposes* vary considerably from jurisdiction to jurisdiction, and "residence" can be different for other, non-tax purposes.

48. For individuals, physical presence in a jurisdiction is the main test. Some jurisdictions also determine residency of an individual by reference to a variety of other factors, such as the ownership of a home or availability of accommodation, family, and financial interests.

49. For companies, some jurisdictions determine the residence of a corporation based on its place of incorporation. Other jurisdictions determine the residence of a corporation by reference to its place of management. Some jurisdictions use both a place-of-incorporation test and a place-of-management test.

International Case Study for Company Residence:

The test of residence for the corporations have been a critical issue over the past, in common law countries the binding precedent for this is the landmark case De Beers Vs Howe.

The House of Lords famously decided that Dee Beers a company incorporated in South Africa was resident in London given that it was centrally managed and controlled by its London directors despite all of its diamond mining operations are being conducted in South Africa. Hence, "centrally managed and controlled has become the main test to decide the residency of the company".

Source: Oxford University, Faculty of Law

50. In Somaliland, **Section 60** of SRA 2016 provides the rules for Resident Individuals. These rules are in general uniformity with international standards and practices.

51. It provides that an individual is a resident individual for a year of income if that individual –

a) has a permanent home in Somaliland;
b) is present in Somaliland

for

- *a period of, or periods amounting in aggregate to, 183 days or more in any 12-month period that commences or ends during the year of income;*

or

- *during the year of income and in each of the two (2) preceding years of income for periods averaging more than 122 days in each such year of income;*

or

- *is an employee or official of the Government of Somaliland posted abroad during the year of income.*

52. However, there are limits:

- *An individual who is a resident individual under the "current year of income", but who was not a resident individual for the preceding year of income is treated as a resident individual in the current year of income only for the period commencing on the day on which the individual was first present in Somaliland.*

  Or

- *An individual who is a resident individual for the current year of income but who is not a resident individual for the following year of income is treated as a resident individual in the current year of income only for the period ending on the last day on which the individual was present in Somaliland.*

53. **Section 61**, SRA 2016 also has rules that apply to companies, specifically it says;

A company is a resident company for a year of income if it –

(a) is incorporated or formed under the laws of Somaliland;

(b) has its management and control exercised in Somaliland at any time during the year of income; or

(c) undertakes the majority of its operations in Somaliland during the year of income.

Once again these are in conformity with internationally applied rules for corporate residence (for tax purposes).

Example:

ABC company has been established in Somaliland in 2018 in accordance with Somaliland laws but has operations in Djibouti and Ethiopia. ABC company operates in Somaliland in 51 % of its operations and the Board of Directors and company management held its necessary decision-making meetings in Somaliland at least one time in 2018.

Then ABC comply is liable to pay Somaliland taxes.

54. Similarly, **Section 62** of the SRA 2016 provides residence rules for Resident Trust. It says that:

A trust is a resident trust for a year of income if –

(a) the trust was established in Somaliland;

(b) at any time during the year of income, a trustee of the trust was a resident person; or

(c) the trust has its management and control exercised in Somaliland at any time during the year of income.

55. And Section 63 deals with Resident Partnerships as follows:

- *A partnership is a resident partnership for a year of income if, at any time during that year, a partner in the partnership was a resident*

Resident Retirement Fund

56. A retirement fund is a resident retirement fund for a year of income if it-

(a) is organised under the laws of Somaliland;
(b) is operated for the principal purpose of providing retirement benefits to
(c) resident individuals; or
(d) has its management and control exercised in Somaliland at any time during
(e) the year of income.

57. Non-Resident Person

(1) Subject to Sub-section (2), a person is a non-resident person for a year of income if the person is not a resident person for that year.

(2) Where Section 70 (2) or (3)8 applies, an individual is a non-resident person for that part of the year of income in which the individual is not a resident individual.

7 Returns and Assessment, including deductions, exemptions

58. In Section 2.6 of Module 1, it was explained that the overriding objective of the assessment function is to ensure that all taxpayers, within a defined tax jurisdiction, are brought into the tax net and assessed correctly in order to plug all possible leakages. Figure 4 below summarises the income reported and deductions possible in arriving at the net assessable profit upon which the Somaliland IRD makes its assessment.

Figure 3: Summary of income and expenses for tax assessment in Somaliland

*All legal

7.1 References are to the SRA 2016

59. As mentioned earlier, **Section 135** of SRA 2016 covers the Filing of Returns requires that every taxpayer shall furnish a return of income for each year of income of the taxpayer not later than four months after the end of that year. Such a return of income shall be in the form prescribed by the Director, shall state the information required, and shall be furnished in the manner prescribed by the Director.

60. It is a requirement that a return of income is signed by the taxpayer and include a declaration that the return is complete and accurate. This is done so that in the event that the IRD finds errors the taxpayer cannot claim ignorance as a defence.

61. In addition, a taxpayer carrying on business shall furnish with the taxpayer's return of income a statement of income and expenditure and a statement of assets and liabilities. Section 135 also provides other rules to cover failure to sign, make a return or for non-residents.

62. There are special information requirements of taxpayers who are carrying on a business and who makes a payment of income sourced in Somaliland that is not list or subject to withholding tax at source. This a 'Business Information return' and the rules are at **Section 136.**

63. In the case of individuals who have rental income they are required to furnish a return of rental income for each year of income not later than four months after the end of that year in a prescribed form, **Section 142** applies.

Returns:

64. In Somaliland, **Section 135** of SRA 2016 provides for the filing of returns by taxpayers in a format to be proscribed by the IRD.

65. **Section 17** of SRA provides for a penalty in the case of a failure to make a return while section 30 of SRA introduces a 2% penalty on cases where a return is not made within the time limit.

    [see the returns forms as part of the Annex]

Income and expenses: Arriving at the final assessable income to tax:

66. While all income (gross income) has to be reported it is accepted and a fact that to achieve the level of gross income will require expenses, some are allowable while others are not, for the purpose of arrive at the income (profit) that should be assessable to tax. **Section 66** of SRA 2016 provides that income of a person for a year of income is gross income less allowable expenses.

67. More specifically, **Section 68** defines the gross income of a person for a year of income is the total amount of:

    (a) business income;

    (b) employment income; and

    (c) property income derived during the year by a person, other than income exempt from tax.

68. It also makes it clear that the gross income of a resident person includes income derived from all geographical sources; and for a non-resident the gross income includes only income derived from sources in Somaliland.

69. This is in keeping with international norms for defining gross income of taxable persons whether resident or non-resident.

Assessments:

70. Assessments are normally raised on the profits of both individuals/businesses and the income or profit of companies or corporations, arising from trade or business carried out by those entities. Assessment is to be imposed on the profit of an enterprise in relation to an accounting period. There are two principal types of assessments, namely:

    (a) Self-Assessment; and

    (b) Government Assessment

71. See Section 2.6.1 of Module 1 for the basics.

Self-Assessments

72. Self-Assessment - this assessment scheme aims at shifting the duty of raising of assessment to the taxpayers themselves. Under this system, taxpayers complete their tax returns and pay tax to IRD based on that self-assessment. **Section 137(7) of** SRA 2016.

73. The law says that where a taxpayer has furnished a return of income for a year of income it is deemed that the IRD has made an assessment of the chargeable income of the taxpayer and the tax payable on that chargeable income for that year, being those respective amounts shown in the return. In such cases the taxpayer's return of income is treated as a notice of an assessment served on the taxpayer by the IRD on the due date or the date the return is submitted, whichever is later.

74. Despite of the fact that the taxpayer can make a self-assessment the IRD may still make an assessment on a taxpayer in any case in which the IRD considers necessary. Bur if the IRD raises an additional

assessment the IRD shall include with the assessment a statement of reasons as to why the IRD considered it necessary to make such an assessment.

75. This is unlike many other tax regimes where it is compulsory for the taxpayer to include their self-assessment with their return. However, even in such climes the tax authority may make additional assessments or correct the self-assessment if it considers it necessary.

Government Assessments:

76. In Module 1 it was explained that there are a number of forms of government assessments, viz:

    i. Administrative assessment (currently used for business profits tax) and raised in accordance with audited accounts and computations filed by the taxpayers. Section 137(1) SRA 2016;

    ii. Best-of-judgment (BoJ) assessment where the taxpayer has not filed a tax return - based on estimated profit or profit perceived to be fair and reasonable. Section 137(2)(a) SRA 2016;

    iii. Best-of-judgment (BoJ) assessment where IRD is not satisfied with a filed tax return – usually as the result of a tax audit. Section 137(2)(b);

    iv. Amended/additional assessment. Section 137 (13) SRA 2016.

77. The following procedures and legislation apply to all the assessments made by government.

    i. Under Section 137 the IRD can make an assessment to tax based on the taxpayers return or any other information available within five (5) years from the date a return is made.

    ii. Section 137 (2) permits the IRD make an assessment to best of their knowledge/judgement (BoJ) of the chargeable income pf any taxpayer where:

        (a) a taxpayer defaults in furnishing a return of income for a year of income; or

        (b) the Director is not satisfied with a return of income for a year of income furnished by a taxpayer. (the IRD must give reasons why they are dissatisfied with the taxpayer's return.

78. The IRD can also make a BoJ assessment of the chargeable income of the taxpayer and the tax payable thereon for the year of income for rental income where a return is not made.

Form of an assessment to tax:

79. Where an assessment has been made it should state –

    (a) the amount of chargeable income of the taxpayer;

    (b) the amount of tax payable;

    (c) the amount of tax paid, if any;

    (d) the time, place, and manner of objecting to the assessment.

80. And it is important to note that the IRD can, within three (3) years after service of a notice of assessment, make an additional assessment amending an assessment previously made.

81. If the additional assessment arises by reason of fraud or any gross or wilful neglect by, or on behalf of, the taxpayer or the discovery of new information in relation to the tax payable for any year of income, the IRD may make an additional assessment for that year any time.

    [See Annex]

Limits to making an assessment:

82. The IRD shall not make an additional assessment amending an assessment in respect of an amount, if any previous assessment for the year of income in question has, in respect of that amount, been amended or reduced pursuant to an order of a court of record unless such order was obtained by fraud or any gross or wilful neglect.

Validity of assessments:

83. The law in Section 137 also provides that no notice of assessment, warrant, or other document purporting to be made, issued, or executed under SRA 2016 –

(a) shall be quashed or deemed to be void or voidable for want of form;

(b) shall be affected by reason of mistake, defect, or omission therein.

84. If it is, in substance and effect, in conformity with this Act and the person assessed or intended to be assessed or affected by the document, is designated in it according to common intent and understanding.

Late submissions of returns

85. Under sec 17 of the Revenue Act, the taxpayers who are late filers of income tax return may also be convicted of an offence and be liable to a fine of up to US $1,500. A person who deliberately fails to maintain proper records for a year is liable to pay penal tax equal to double the amount of tax payable by the person for that year. A person who fails to maintain proper records also commits an offence and is liable on conviction to;

- *Where the failure was deliberate, a fine of not less than fifteen (15) currency points ($1500) or to imprisonment for a term not exceeding one year.*
- *In any other case, a fine not exceeding twenty-five (25) currency points ($2500)*

7.2 Deductions

86. A trading company is generally permitted to deduct expenses that are incurred wholly and exclusively for the purposes of the company's trade, provided those costs are not capital in nature and are charged to the profit and loss account.

87. Relief is generally given in the period the expenses are accrued in the accounts, though sometimes subject to some specific exceptions.

88. The general rule is made subject to a range of specific statutory provisions, some of which allow deductions and others of which limit them; some of the more important of these are discussed below, but there are many others. One example is that the costs of business entertainment cannot generally be deducted.

89. In Somaliland, general expenses involved in making profits are covered by **Section 73** (Expenses of deriving Income).

Allowable deductions:

90. For the purposes of ascertaining the chargeable income of a person for a year of income, there shall be allowed as a deduction –

(a) all the expenditures and losses incurred by the person during the year of income to the extent to which the expenditures or losses were incurred in the production of income included in gross income;

(b) the amount of any loss as determined under Part 69, which deals with gains and losses on the disposal of assets, incurred by the person on the disposal of a business asset during the year of income, whether or not the asset was on revenue or capital account.

91. There are exceptions in the SRA 2016 (Section 74) that allows for a *deduction for Meals, Refreshment, and Entertainment Expenditure.* Specifically, a deduction is allowed for expenditure incurred by a person in providing meals, refreshment, or entertainment in the production of income included in gross income, but only where –

(a) the value of the meals, refreshment, or entertainment is included in the employment income of an employee or is excluded from employment income or

(b) the person's business includes the provision of meals, refreshment, or entertainment and the persons to whom the meals, refreshment, or entertainment have been provided have paid an arm's length consideration for them.

92. **Section 77** allows a person is a deduction for expenditure incurred during the year of income for the *repair of property occupied or used by the person in the production of income included in gross income*. A person is also allowed a deduction for expenditure incurred during the year of income in acquiring a depreciable asset with a cost base of less than fifty (50) currency points provided that it

is a depreciable asset that normally functions in its own right and is not an individual item that forms part of a set.

93. Other allowable deductions are also outlined below such as bad debts etc.

94. *Interest and other Expenses Related to Debt Obligations* are allowed under **Section 76.** Specifically, a person is allowed a deduction for payments (other than repayment of the principal) made to a holder of a debt obligation, including service fees, commissions, prepayment and late payment penalties, during the year of income in connection with a debt obligation to the extent that the debt obligation has been incurred by the person in the production of income included in gross income.

95. All businesses incur some **start-up Costs** and in Somaliland **Section 81** applies**.** Under these rules a person who has incurred expenditure in starting up a business to produce income included in gross income or in the initial public offering at the stock market shall be allowed a deduction of an amount equal to twenty-five (25) percent of the amount of the expenditure in the year of income in which the expenditure was incurred and in the following three (3) years of income in which the business is carried on by the person.

96. **Intangible fixed assets:** Generally special regimes apply to intangible assets, such as patent rights, know-how, and trademarks, and goodwill. In Somaliland the Costs of Intangible Assets are allowed as a deduction by **Section 82** of SRA 2016**.** Specifically, a person who has incurred expenditure in acquiring an intangible asset having an ascertainable useful life is allowed a deduction in each year of income during the useful life of the asset in which the person wholly uses the asset in the production of income included in gross income of an amount calculated according to the following formula –

A/B where –

A - is the amount of expenditure incurred;

B - is the useful life of the asset in whole years.

97. But where an intangible asset has been disposed of by a person during the year of income, the cost base of the asset is reduced by any deductions allowed under this Section to the person in respect of the asset.

98. **Income costs relating to R&D** are normally deductible in any event, and in Somaliland section 83. Deals with Scientific Research [2] Expenditure. It states that a person is allowed a deduction for scientific research expenditure incurred during the year of income in the course of carrying on a business, the income from which is included in gross income.

99. ”scientific research expenditure”, in relation to a person carrying on a business, means the cost of scientific research undertaken for the purposes of developing the person’s business, including any contribution to a scientific research institution which is used by the institution in undertaking research for the purposes of developing the person’s business, *but does not include* –

i. expenditure incurred for the acquisition of a depreciable or intangible asset;
ii. expenditure incurred for the acquisition of land or buildings;
iii. expenditure incurred for the purpose of ascertaining the existence, location, extent, or quality of a natural deposit.

100. Expenses on **training expenses** are allowed if the meet the rules under **section 84.**

101. For an employer a deduction is allowed for expenditure incurred during the year of income for the training or tertiary education, not exceeding in the aggregate five (5) years, of a citizen or permanent resident[3] of Somaliland, other than an associate of the employer, who is employed by the employer in a business, the income from which is included in gross income.

102. **Charitable Donations** are allowed in most counties as deductible expenses though there are various rules that govern the exact donations that are permitted. In Somaliland **Section 85** provides that a

[2] “scientific research” means any activities in the fields of natural or applied science for the development of human knowledge.

[3] “permanent resident” means a resident individual who has been present in Somaliland for a period or periods in total of two (2) years or more

person is allowed a deduction for a gift made during a year of income to an organisation within the definition of "exempt organisation". The specific here are that the value of a gift of property is the lesser of –

a. the value of the property at the time of the making of the gift;
b. the consideration paid by the person for the property.

103. The amount of a deduction allowed for a year of income shall not exceed five (5) percent of the person's chargeable income, calculated before taking into account the deduction under this Section.

Depreciation and amortisation

104. Depreciation of fixed assets are generally not allowable as a deduction from any source of income. However, traders, and most non-traders, are instead allowed specified rates of annual deduction in respect of specified classes of assets, together referred to as 'capital allowances', that are deducted in calculating trading income for traders and (broadly) against income derived from the use of the fixed assets for non-traders. Capital allowances for machinery and equipment can be disclaimed in whole or in part, thereby deferring allowances.

105. In Somaliland **section 78** governs the treatment of Depreciable Assets. Specifically, a person is allowed a deduction for the depreciation of the person's depreciable assets, other than an asset to which Section 77(2) applies, during the year of income as calculated in accordance with **Section 78.**

106. Depreciable assets are classified into four classes as set out in **Part I of the Fifth Schedule of SRA 2016** to this Act with depreciation rates applicable for each class as specified in that Part.

In practice: First a person's depreciable assets shall be placed into separate pools for each class of asset, and the depreciation deduction for each pool is calculated according to the following formula - A x B where –

A – is the written down value of the pool at the end of the year of income.

and

B – is the depreciation rate applicable to the pool.

107. The written down value of a pool at the end of a year of income is the total of – the written down value of the pool at the end of the preceding year of income after allowing for the deduction for that year; and the cost base of assets added to the pool during the year of income reduced, but not below zero, by the consideration received from the disposal of assets in the pool during the year of income.

108. Where the amount of consideration received by a person from the disposal during a year of income of any asset or assets in a pool exceeds the written-down value of the pool at the end of the year of income disregarding that amount, the excess is included in the business income of the person for that year.

109. Further details including for motor vehicles are laid out in section 78, sub-sections (6 – 14)

110. **Section 88** provides for the **apportionment of deductions** where a deduction relating to the production of more than one class of income shall be reasonably apportioned among the classes of income to which it relates. Where a person derives more than one class of income, the deduction allowed under Section 86 shall be allocated rateably to each class of income.

Other Allowances:

111. **Section 79. provides for an Initial Allowance** in certain circumstances. Specifically, for a person who places an item of eligible property into service for the first time during the year of income is allowed a deduction for that year of an amount equal to –

(a) where the asset is placed in service outside the area prescribed in Part IV of the Fifth Schedule to this Act, seventy-five (75) percent of the cost base of the property at the time it is placed in service; or

(b) in any other case, fifty (50) percent of the cost base of the property at the time it is placed in service.

112. "item of eligible property" means plant and machinery wholly used in the production of income included in gross income but does not include –

(a) goods and passenger transport vehicles;

(b) appliances of a kind ordinarily used for household purposes; or

(c) office or household furniture, fixtures and fittings.

113. However, a person who places a **new** industrial building[4] in service for the first time during the year of income is allowed a deduction for that year of an amount equal to twenty (20) percent of the cost base of the building at the time it was placed in service. Subject to any claims under section 80.

114. In addition, where a person has incurred capital expenditure on the extension of an existing industrial building, **Section 79** applies as if the expenditure was capital expenditure incurred on the construction of a separate industrial building.

Industrial Buildings Allowance:

115. The Industrial Buildings Allowance (IBA) was introduced by many governments across the world in the 1950s to boost post-war productivity in industry. The idea was that whatever the capital cost of constructing a manufacturing or processing building (or sometimes purchasing it 'second-hand'), the person holding 'the relevant interest' in the building would receive tax relief.

116. Aimed originally at productive industry, the scope of IBA was broadened to include allowances on infrastructure such as tunnels, bridges, roads used for highway concessions, qualifying hotels and commercial buildings in enterprise zones.

117. In effect, IBA was a writing down allowance (WDA) – allowing relevant business people to deduct a percentage of the value of an item from their profits each year, which in turn meant they paid less tax – typically for around 25 years, sometimes less. Thus, IBA constituted an incentive to build 'industrial' facilities.

118. In Somaliland section 80 deals with industrial buildings allowance. Specifically it provides that where a person has incurred capital expenditure in any year of income on the construction of an industrial building and the building is used by the person during the year of income in the production of income included in gross income, the person is allowed a deduction for the depreciation of the building during the year of income as calculated according to the formula –

A x B x C/D

where –

A - is the depreciation rate applicable to the building as determined under Part III of

the Fifth Schedule to this Act;

B - is the capital expenditure incurred in the construction of the building;

C - is the number of days in the year of income during which the asset was used or was available for use in the production of income included in gross income; and

D - is the number of days in the year of income.

119. It allows for part claims where the whole building is not in use for the business. There are further rules in Section 80 m that apply.

Deductions for Specialised trades and professions:

120. **Farming: Section 86** provides for allowance in connection with capital expenditure on farming related items. Expenditure incurred by a person in acquiring farm works is included in the person's pool for class 4 assets under **Section 78** in the year of income in which the expenditure is incurred and is depreciated accordingly.

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[4] a new industrial building or extension of an existing industrial building means a building on which construction was commenced on or after current year of income. But "industrial building" does not include an approved commercial building.

121. This includes capital expenditure incurred expenditure of a capital nature on –

(a) the acquisition or establishment of a horticultural plant; including expenditure incurred in draining or clearing land and farm works[5], propagation or cultivation of seeds, bulbs, spores, or similar things; including the propagation or cultivation of fungi and the in propagation or cultivation in environments other than soil, whether natural or artificial.

(b) the construction of a greenhouse, shall be allowed a deduction of an amount equal to **twenty (20) percent** of the amount of the expenditure in the year of income in which the expenditure was incurred and in the following four (4) years of income in which the plant or greenhouse is used in the business of horticulture carried on by the person.

122. Other qualifying expenditure of a capital nature incurred on the establishment of a horticultural plant shall

Mineral Exploration Expenditures

123. A person carrying on mining operations to produce income included in gross income is allowed a deduction under **section 87** for any expenditure of a capital nature incurred in searching for, discovering and testing, or winning access to deposits of minerals in Somaliland.

Carry Forward Losses

(1) Subject to this Section, where, for any year of income, the total amount of income included in the gross income of a taxpayer is exceeded by the total amount of deductions allowed to the taxpayer, the amount of the excess, in this Act referred to as an "assessed loss", shall be carried forward and allowed as a deduction in determining the taxpayer's chargeable income in the following year of income.

(2) Where, for any year of income, the total farming income derived by a taxpayer who is an individual is exceeded by the total deductions allowed to the taxpayer relating to the production of that income, the amount of the excess, in this Act referred to as an "assessed farming loss", may not be deducted against any other income of the taxpayer for the year of income, but shall be carried forward and allowed as a deduction in determining the chargeable farming income of the taxpayer in the following year of income.

(3) The amount of any assessed loss carried forward under this Section for a taxpayer shall be reduced by the amount or value of any benefit to the taxpayer from a concession granted by, or a compromise made with, the taxpayer's creditors in the course of an insolvency where the taxpayer's liabilities to those creditors have been extinguished or reduced, provided such liabilities were incurred in the production of income included in gross income.

(4) Where a taxpayer has more than one class of loss, the reduction in Sub-section (3) shall be applied rateably to each class of loss.

(5) Sub-section (1) shall apply separately to income derived from sources in Somaliland and to foreign-source income.

(6) In this Section -

(a) "chargeable farming income" means the total farming income of a taxpayer for a year of income reduced by any deductions allowed under this Act for that year which relate to the production of such income; and

(b) "farming income" means the business income derived from the carrying on of farming operations.

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[5] farm works" means any labour quarters and other immovable buildings necessary for the proper operation of a farm, fences, dips, drains, water and electricity supply works, windbreaks, and other works necessary for farming operations carried on to produce income included in gross income, but does not include-
(I) farm houses;
(II) depreciable assets;

Disallowed deductions:

124. Generally NO deduction is allowed for –

a. *any expenditure or loss of a domestic or private nature[6].*

b. *any expenditure or loss of a capital nature, or any amount included in the cost base of an asset.*

c. *any expenditure or loss which is recoverable under any insurance, contract, or indemnity.*

d. *income tax payable in Somaliland or a foreign country.*

e. *any income carried to a reserve fund or capitalised in any way.*

f. *the cost of a gift made directly or indirectly to an individual where the gift is not included in the individual's gross income.*

g. *any allowance given to, or a reimbursement or discharge of expenditure incurred by, an employee, in respect of the employee's housing, and any expenditures incurred in respect of housing provided to an employee.*

h. *any fine or similar penalty paid to any government or a political subdivision of a government for breach of any law or subsidiary legislation.*

i. *a contribution or similar payment made to a retirement fund by the employee either for the benefit of the employee or for the benefit of any other person.*

j. *a premium or similar payment made to a person carrying on a life insurance business on the life of the person making the premium or on the life of some other person;*

k. *the amount of a pension paid to any person; or*

l. *any alimony or allowance paid under any judicial order or written agreement of separation.*

7.3 Exemptions

125. Tax exemption is the reduction or removal of a liability to make a compulsory payment that would otherwise be imposed by a ruling power upon persons, property, income, or transactions. Tax-exempt status may provide complete relief from taxes, reduced rates, or tax on only a portion of items. Examples include exemption of charitable organizations from property taxes and income taxes, veterans, and certain cross-border or multi-jurisdictional scenarios.

126. Some governments grant broad exclusions from all taxation for certain types of organization. The exclusions may be restricted to entities having various characteristics. The exclusions may be inherent in definitions or restrictions outside the tax law itself. There are several different approaches used in granting exemption to organizations. Different approaches may be used within a jurisdiction or especially within sub-jurisdictions.

127. In Somaliland, **section 72** provides for **Exempt Income:**

Section 72. Exempt Income

The following amounts are exempt from tax –

(a) the income of a listed institution.

[6] The Somaliland law in Section 73 goes further to define expenditure of a domestic or private nature incurred by a person as including:
–
(a) the cost incurred in the maintenance of the person and the person's family or residence;
(b) the cost of commuting between the person's residence and work;
(c) the cost of clothing worn to work, except clothing which is not suitable for wearing outside of work; and
(d) the cost of education of the person not directly relevant to the person's employment or business, and the cost of education leading to a degree, whether or not it is directly relevant to the person's employment or business.

(b) the income of any organisation or person entitled to privileges under the Somaliland law on diplomatic privileges to the extent provided in the regulations and orders made thereunder.

(c) the official employment income derived by a person in the public service of the government of a foreign country provided –

(i) the person is either a non-resident person or is a resident individual solely by reason of performing such service;

(ii) the income is payable from the public funds of that country; and

(iii) the income is subject to tax in that country

(d) any allowance payable outside Somaliland to a person working in a Somaliland foreign mission;

(e) the income of any local authority;

(f) the income of an exempt organisation, other than –

(i) property income, except rent received by an exempt organisation in respect of immovable property and the rent is used by the lessor exclusively for the activities of the organisation specified in the definition of "exempt

(g) any education grant which the Director is satisfied has been made bona fide to enable or assist the recipient to study at a recognised educational or research institution;

The cost of education of the person not directly relevant to the person's employment or business, and the cost of education leading to a degree, whether or not it is directly relevant to the person's employment or business

(h) any amount derived by way of alimony or allowance under any judicial order or written agreement of separation;

(ii) the value of any property acquired by gift, bequest, devise, or inheritance that is not included in business, employment, or property income;

(k) employment income derived by an individual to the extent provided for in a technical assistance agreement where –

(iii) the individual is a non-resident or a resident solely for the purpose of performing duties under the agreement; and

(iv) the Minister has concurred in writing with the tax provisions in the agreement;

(l) foreign-source income derived by –

(v) a short-term resident of Somaliland;

(vi) a person to whom paragraph (c) or (k) applies; or

(vii) a member of the immediate family of a person referred to in sub-paragraph (i) or (ii);

8 Objections and appeals

128. Taxpayers are free to raise objection to any government assessments, which they believe are incompatible with the relevant tax laws or where they are of the opinion that such assessments were raised on wrong premises and are therefore objectionable. These are provided for by Section 138 (Objections and Appeals) of SRA 2016.

Section 139. Payment of Provisional Tax

(1) A person who derives or expects to derive any income during a year of income that is not or will not be subject to withholding of tax at source under Section 143, or subject to tax under Section 618 is liable to pay provisional tax under this Section.

(2) A provisional taxpayer, other than an individual, is liable to pay two instalments of provisional tax, on or before the last day of the sixth and twelfth months of the year of income, in respect of the taxpayer's liability for income tax for that year.

(3) For the purposes of Sub-section (2), the amount of each instalment of provisional tax for a year of income is calculated according to the formula –

(50% x A) – B

where –

A - is the estimated tax payable by the provisional taxpayer for the year of income;

B - is the amount of any tax withheld under this Act, prior to the due date for payment of the instalment, from any amounts derived by the taxpayer during the year of income, which will be included in the gross income of the taxpayer for that year.

Example:

XYZ is willing to pay annual income tax that is not subject to withholding tax at source. XYZ has a profit of SL Sh 200 million.

XYZ should first pay provisional instalment of 50% of the tax (200m X 10% = 2% + 2.5%).

(4) A provisional taxpayer who is an individual is liable to pay four (4) instalments of provisional tax, on or before the last day of the third, sixth, ninth, and twelfth months of the year of income, in respect of the taxpayer's liability for income tax for that year

(5) For the purposes of Sub-section (4), the amount of each instalment of provisional tax for a year of income is calculated according to the following formula -

(25% x A) – B

where –

A - is the estimated tax payable by the provisional taxpayer for the year of income;

B - is the amount of any tax withheld under this Act, prior to the due date for payment

of the instalment, from any amounts derived by the taxpayer during the year of income, which will be included in the gross income of the taxpayer for that year. 18 The Somali version incorrectly showed this reference as being to Sub-section (5). This will be corrected at a future date

(6) Upon written application by the taxpayer, the Director may, where good cause is shown, extend the due date for payment of an instalment of provisional tax or allow for payment of such an instalment in equal or varying amounts.

(7) An instalment of provisional tax, when it becomes due and payable, is a debt due to the Government and the provisions of this Act shall apply for the purposes of the collection and recovery of provisional tax by the Director.

(8) Each instalment of provisional tax shall be credited against the income tax assessed to the provisional taxpayer for the year of income to which the instalment relates.

(9) Where the total of the instalments credited under Sub-section (8) exceeds the taxpayer's income tax assessed for that year, the excess shall be dealt with by the Director in accordance with Section 141(3).

(10) No instalment of provisional tax paid by a provisional taxpayer shall be refunded to the taxpayer other than in accordance with Sub-section (9).

(11) In this Section, "estimated tax payable" has the meaning in Section 140.

Section 140. Estimated Tax Payable

(1) A provisional taxpayer's estimated tax payable for a year of income is –

(a) in the case of a taxpayer to whom Section 55(5) applies, the amount determined under the Third Schedule to this Act for that year as the tax payable on the gross turnover of the taxpayer estimated for that year under Sub-section (2);

(b) in any other case, the amount calculated by applying the rates of tax in force for that year against the amount estimated under Sub-section (3) by the taxpayer as the chargeable income of the taxpayer for that year.

(2) Every provisional taxpayer to whom Section 55(5) applies shall furnish an estimate of the gross turnover of the taxpayer for each year of income and shall include with the estimate for a year of income, a statement of the actual gross turnover of the taxpayer for the previous year of income.

(3) Every provisional taxpayer, other than a taxpayer to whom Section 55(5) applies, shall furnish an estimate of the chargeable income to be derived by the taxpayer for a year of income in respect of which provisional tax is or may be payable by the taxpayer.

(4) A provisional taxpayer's estimate under Sub-section (2) or (3) shall be in the form prescribed by the Director and shall be furnished to the Director by the due date for payment of the first instalment of provisional tax for the year of income.

(5) A provisional taxpayer's estimate under Sub-section (2) or (3) shall remain in force for the whole of the year of income unless the taxpayer furnishes a revised estimate to the Director which revised estimate shall only apply to the calculation of the provisional tax payable by the taxpayer after the date the revised estimate was furnished to the Director.

(6) Where a provisional taxpayer fails to furnish an estimate of gross turnover or chargeable income as required by Sub-section (2) or (3), the estimated gross turnover or chargeable income of the taxpayer for the year of income shall be such amount as estimated by the Director.

Section 141. Refunds

(1) A taxpayer may apply to the Director for a refund, in respect of any year of income, of any tax paid by withholding, instalments, or otherwise in excess of the tax liability assessed to or due by the taxpayer for that year.

(2) An application for a refund under this Section shall be made to the Director in writing within five years of the later of –

(a) the date on which the Director has served the notice of assessment for the year of income to which the refund application relates;

(b) the date on which the tax was paid.

(3) Where the Director is satisfied that tax has been over paid, the Director shall –

(a) apply the excess in reduction of any other tax due from the taxpayer;

(b) apply the balance of the excess, if any, in reduction of any outstanding liability of the taxpayer to pay other taxes not in dispute or to make provisional tax payments during the year of income in which the refund is to be made; and

(c) refund the remainder, if any, to the taxpayer.

(4) Where the Director is required to refund an amount of tax to a person as a result of –

(a) an application made to him under this Act; or

(b) a decision by the tax tribunal or court of record under Section 138;

the Director shall pay a late refund fee equal to two (2) percent per month for the period commencing on the date the person made the application for refund and ending on the last day of the month in which the refund is made.

(5) The Director shall, within thirty (30) days of making a decision on a refund application under Sub-section (1), serve on the person applying for the refund a notice in writing of the decision.

(6) A person dissatisfied with a decision referred to in Sub-section (4)(a) of this Section may only challenge the decision under the objection and appeal procedure set forth in Section 138.

9 Tax collection including withholding tax

9.1 Withholding tax

129. A withholding tax, or a retention tax, is the amount that is withheld by a company against the direct tax payable by the individual or a corporate body when making their tax returns. It is a collection method to help counter potential tax payment defaults.

130. In most jurisdictions, withholding tax applies to employment income. Many jurisdictions also require withholding tax on payments of interest or dividends. In many jurisdictions, there are additional withholding tax obligations if the recipient of the income is resident in a different jurisdiction, and in those circumstances withholding tax sometimes applies to royalties, rent or even the sale of real estate.

131. Governments use withholding tax as a means to combat tax evasion, and sometimes impose additional withholding tax requirements if the recipient has been delinquent in filing tax returns, or in industries where tax evasion is perceived to be common.

132. In Somaliland, Part 11 of SRA 2016 deals with Withholding Tax.

133. **Section 143** covers withheld tax on account of employment income and this is the final tax to pay where such individuals only income source is that employment. See also Section 55 (4).

134. **Section 144** (Payment of Dividends to Resident Shareholders) provides that where taxes are due from a resident the withheld tax is treated as the final tax due under 147 which deals with withholding as a Final Tax.

135. **Section 146** (International Payments) deals with withholding tax on International Payments including those of visiting sports persons and entertainers.

136. **Section 148** (Payment of Tax Withheld) provides for the payment of tax withheld to the Somaliland government. All withheld taxes must be paid to the SRA within 15 days of the end of the month in which they are withheld. And where this withheld tax is not paid the person who should have withheld the tax becomes personally liable under Section 149 (Failure to Withhold Tax).

137. Further sections of the SRA 2016 deal with the records of payments and tax withheld (**Section 150**). While **Section 151** provides for the treatment and priority of tax withheld.

138. The choice between separate withholding taxes or ordinary assessment for income from capital will depend on a range of political and administrative considerations. In some countries withholding tax system can be applied to payments made to some self-employed persons, although it is not administratively possible to apply such withholding taxes to all payments made to those persons. For instance, the tax is withheld by the payer of the income but it is always confined to those industries with a small number of business customers. there is generally a value threshold before withholding.

139. While tax authorities may no longer be concerned with attributing income from capital to the correct taxpayer if final withholding taxes are used, they will be interested in comparing income from capital with other income sources to ascertain whether the taxpayer declared enough income to explain the investments now generating investment income.

Figure 4: Withholding Tax

140. The relevant provisions in the SRA 2016 with regards to withholding taxes are found below:

Section 143. Withholding of Tax by Employers

1) Every employer shall withhold tax from a payment of employment income to an employee as prescribed by regulations made under Section 51.

(2) The obligation of an employer to withhold tax under Sub-section (1) is not reduced or extinguished because the employer has a right, or is otherwise under an obligation, to deduct and withhold any amount from such payments.

(3) The obligation of an employer to withhold tax under Sub-section (1) applies notwithstanding any other law which provides that the employment income of an employee shall not be reduced or subject to attachment.

144. Payment of Dividends to Resident Shareholders

(1) A resident company that pays a dividend to a resident shareholder shall withhold tax on the gross amount of the payment at the rate of ten (10) percent of the gross amount.

(2) This Section does not apply where the dividend income is exempt from tax in the hands of the shareholder.

Section 145. Payment for Goods and Services

(1) Where the Government of Somaliland, a Government institution, a local authority, any company controlled by the Government of Somaliland, or any person designated in a notice issued by the Minister, in this section referred to as the "payer", pays an amount or amounts in aggregate exceeding one million Somaliland shillings to any person in Somaliland –

(a) for a supply of goods or materials of any kind;

(b) for a supply of any services,

the payer shall withhold tax on the gross amount of the payment at a rate of 6% and the payer shall issue a receipt to the payee. Tax withheld under this section is subject to the provisions of section 151.

(2) Where -

(a) there are separate supplies of goods or materials, or of services and each supply is made for an amount that is one million Somaliland shillings or less; and

(b) it would reasonably be expected that the goods or materials, or services would ordinarily be supplied in a single supply for an amount exceeding one million Somaliland shillings,

Sub-section (1) applies to each supply20.

(3) This section does not apply to -

(a) a supply of plant and machinery;

(b) a supply of human or animal drugs;

(c) a supply of scholastic materials;

(d) a supplier –

(I) who is exempt from tax under this Act; or

(II) who the Director is satisfied has regularly complied with the obligations imposed on the supplier under this Act.

Section 146. International Payments

(1) Any person making a payment of the kind referred to in Section 129 or 13021 shall withhold from the payment the tax levied under the relevant Section.

(2) Any promoter, agent, or similar person -

(a) paying remuneration to a non-resident entertainer or sportsperson; or

(b) responsible for collecting the gross receipts from a performance in Somaliland by a theatrical, musical, or other group of non-resident entertainers or sportspersons, shall withhold from the remuneration or receipts the tax levied under Section 130.

(3) This Section does not apply where the payment is exempt from tax.

Example:

Mohamed paid renumeration of $15,000 to non-resident team coach which is not tax-exempt. The onus that the team coach should pay the tax is on Mohamed. Thus, Mohamed is obliged to pay that tax to IRD.

Section 147. Withholding as a Final Tax

Where tax has been withheld under Section 144 on a payment of dividends to a resident individual

(a) the withholding tax is a final tax;

(b) no further tax liability is imposed upon the taxpayer in respect of the income to which the tax relates;

(c) that income is not aggregated with the other income of the taxpayer for the purposes of ascertaining chargeable income;

(d) no deduction is allowed for any expenditure or losses incurred in deriving the income;

(e) no refund of tax shall be made in respect of the income.

Payment of Tax Withheld

(1) A withholding agent shall pay to the Director any tax that has been withheld or that should have been withheld under this Part within fifteen (15) days after the end of the month in which the payment, subject to withholding tax, was made by the withholding agent.

(2) The provisions of this Act relating to the collection and recovery of tax apply to any amount withheld under this Part as if it were tax.

Section 149. Failure to Withhold Tax

(1) A withholding agent who fails to withhold tax in accordance with this Act is personally liable to pay to the Director the amount of tax, which has not been withheld, but the withholding agent is entitled to recover this amount from the payee.

(2) The provisions of this Act relating to the collection and recovery of tax apply to the liability imposed by Sub-section (1) as if it were tax.

Example:

Farah Ltd pays to Abdi Sl Sh. 500,000 where Abdi is liable for 6% tax to be deducted at source for work he has done for Farah Ltd. However, Farah Ltd did not deduct from Abdi.

Solution:

Farah Ltd. must pay SL. Sh 30,000 to Inland Revenue Department right after it pays Abdi even though they did not deduct that from Abdi. The company can recover that amount from their next payment to Abdi.

Section 150. Record of Payments and Tax Withheld

(1) A withholding agent shall maintain, and keep available for inspection by the Director, records showing, in relation to each year of income –

(a) payments made to a payee;

(b) tax withheld from those payments.

(2) The records referred to in Sub-section (1) shall be kept by the withholding agent for five (5) years of income after the end of the year of income to which the records relate.

(3) A withholding agent shall deliver to the payee a tax credit certificate setting out the amount of payments made and tax withheld during a year of income.

(4) A payee who is required to furnish a return of income shall attach to the return the tax credit certificate or certificates supplied to the payee for the year of income for which the return is filed.

(5) The Director may call upon a withholding agent to allow an auditor to examine the agent's records to verify their accuracy against the agent's tax credit certificates.

Section 151. Treatment and Priority of Tax Withheld

(1) Tax withheld by a withholding agent under this Act –

(a) is held by the withholding agent in trust for the Government of Somaliland;

(b) is not subject to attachment in respect of a debt or liability of the withholding agent, and in the event of the liquidation or bankruptcy of the withholding agent, an amount withheld under this Act does not form a part of the estate in liquidation, assignment, or bankruptcy and the Director shall have a first claim before any distribution of property is made.

(2) Every amount which a withholding agent is required under this Act to withhold from a payment is –

(a) a first charge on that payment;

(b) withheld prior to any other deduction which the withholding agent may be required to make by virtue of an order of any court or any other law.

(3) The amount of tax withheld under this Part is treated as income derived by the payee at the time it is withheld.

(4) A withholding agent who has withheld tax under this Part and remitted the amount withheld to the Director is treated as having paid the withheld amount to the payee for the purposes of any claim by that person for payment of the amount withheld.

(5) Tax withheld from a payment under this Part is deemed to have been paid by the payee and, except in the case of a tax that is a final tax under this Act, is credited against the tax assessed on the payee for the year of income in which the payment is made.

10 Taxpayer Charter

141. The Inland Revenue Department developed a taxpayer charter with the aim of improving the relationship between the tax authorities and taxpayers. The charter provides a basic rights and obligations information that builds trustful relationship with common mutual interest. However, this taxpayer charter does not substitute the existing laws of taxation. The taxpayer charter spells out what the taxpayers as customers expect from tax authorities and what the IRD also expects from the taxpayers.

142. The purpose of the taxpayer charter is to provide fair and efficient service to the customers and facilitate the process of tax collection. The charter consists two parts; taxpayer rights and taxpayer obligations.

10.2 Taxpayer rights

143. *Information:* the tax authorities provides any information requested by the taxpayer at any time and assist to comply with the revenue law. The Inland Revenue Department is willing to help the taxpayers in completing forms and where appropriate reasons for decisions made by IRD.

144. *Treatment* ; The tax author and staff will treat all taxpayers equally in respect, courtesy, dignity and impartiality;

145. *Complains*, The IRD is open to tax complaints, object and appeal. The IRD will respond to customers as soon as possible in matters relates to tax decisions and complaints.

146. *Privacy*: The personal and business information and data must be protected from unauthorised access. Hence, all information received from the taxpayers will be treated as confidential. The information about taxpayers will only be shared internally to enable the Ministry to do its work. In some cases where the law permits or requires to do so it may be shared with consent of the taxpayers.

10.3 Taxpayer Obligations

147. *Registration:* The taxpayer must register with the IRD swiftly and promptly if turnover exceeds the registration threshold of Sl.sh 5 million.

148. *Taxpayer Identification Number (TIN):* the taxpayer must apply TIN on the official form within 21 days of from the date that business became operational or whenever requested by the IRD.

149. *Tax Returns* : The taxpayer is obliged to file tax returns and to pay their taxes on time.

150. *Records:* the taxpayer must keep complete, accurate and up-to-date records for at least five years; the records should include transactions and assets that are sufficient to assess the tax liabilities. It is also important to translate if some records are required in Somali language.

151. *Honesty* :The taxpayer must be honest in all tax matters such as completing tax forms and providing accurate and reliable returns to tax authorities. If there are questions to be answered the IRD is willing to help.

152. *Cooperation:* The taxpayer must treat the tax authority and staff with respect, courtesy, and dignity. The taxpayer must also listen tax officers politely and respectfully. It is important to avoid any actions that can obstruct tax officers to conduct their duties and responsibilities. Taxpayer must be polite and respectful in dealing with our staff.

153. *Advise and Learning*: It is necessary that taxpayers understand their obligations to avoid mistakes, the taxpayers should learn and seek advice from IRD. They should also ensure that they understand the requirements and the information being given to the IRD.

Refrences for Further Learning

1. Auriol, E., & Warlters, M. (2005). Taxation base in developing countries. *Journal of Public Economics,* 89(4), 625–646. https://econpapers.repec.org/article/eeepubeco/v_3a89_3ay_3a2005_3ai_3a4_3ap_3a625-646.htm)
2. Diamond, P. A., & Mirrlees, J. A. (1971). Optimal taxation and public production II: Tax rules. *The American Economic Review*, 261–278

   https://assets.aeaweb.org/asset-server/files/9447.pdf
3. Institute of Fiscal Studies UK available @ www.ifs.org.uk
4. Somaliland e-learning (https://somaliland-pfm-training.com/)
5. Somaliland Revenue Act 2016, No. 72/2016, translation in English - http://slmof.org/wp-content/uploads/2019/03/Somaliland-Revenue-Act-2016-English-v2.pdf

Annex

Form04

Jamhuuriyadda Somaliland	***Soomaalilaan Republic of***
Wasaaradda Development	***Maaliyadda Ministry of Finance***
Waaxda Cashuuraha Berriga Inland Revenue Department	

EMPLOYMENT INCOME TAX RETURN FORM

General filing information		
1. Tax Period (Month of)		20.....
2. Reporting Period	1st to 15th **of each Month**	

Instructions: The employer should complete and submit to IRD Office the monthly return of employment income withheld within 15 days after the end of the period. Please read the fields before and while completing this form and attach all the required documents for expeditious processing of your return. There are penalties for not filing a tax return, filing late or for filing false return (sections 16, 17 and 21 of Revenue Act 72/2016).

Section A: Taxpayer's Details			
A1. Employer's Full Name			
A2. Trade Name (if different to Taxpayer's Name)		A3.TIN	
A4. Business Address (District)		A5. Village	
A6. Mobile Phone Number		A7. Email Address	
A8. Size of taxpayer	Large taxpayer ☐	Medium taxpayer ☐	Small taxpayer ☐

Section B: Computation of Employment Income Tax withheld by the employer	
Category of employees	**Number**

B1.	Number of Permanent employees (including short and long term contracts)	
B2.	Number of Occasional/Temporary employees	
B3.	Number of employees with second employer	
Computation of chargeable income and tax due		**Amount**
B4.	**Total wages and salaries.**	
B5.	**Total allowances in cash paid, bonus and taxable payment.**	
B6.	**Total benefits in kind** (free use of vehicle, employer provided accommodation, other amounts incurred by employer for the benefit of employees).	
B7.	**Terminal benefits**	
B8.	**Employees' contribution to retirement fund.**	
B9.	**Taxable employment income (sum up the amounts in line B4+B5+B6+B7-B8)**	
B10.	**Total Employment Income Tax due (apply 5% to the amount in line B9)**	
B11.	**Stamp Tax (apply 1% to the amount in line B9)**	
B12.	**Amount of tax withheld payable (add amounts in lines B10+B11)**	

Section C: Declaration by the Taxpayer or the Representative			
I hereby declare that the information given on this form and accompanying accounts and documents are accurate, complete and contain a full and true statement of withholding tax retained to the best of my knowledge and belief. I've read and comprehend the provisions of sections 21 and 135 of the Revenue Act 72/2016.			
Full Name		Title	
Signature and Stamp		Date	

Section D: Official Use only (Tax Administration)
Note – All documents received together with the tax declaration form are to be kept in the taxpayer's physical file.

Tax Centre		**GR Number (Revenue Receipt)**									

Penal Tax (if applicable)		**Late payment fee (if applicable)**	
Total tax due (Penal tax + Late payment fee + principal tax in B12 above)			

Attachment remitted	Contract(s) ☐ Monthly Payroll Sheet ☐	Date	
Full Names of Returns Reception Officer		Signature and Stamp	

FORM 05

Jamhuuriyadda Soomaalilaan *Wasaaradda Maaliyadda* *Waaxda Cashuuraha Berriga*	*Republic of Somaliland* *Ministry of Finance Development* *Inland Revenue Department*

RENTAL INCOME TAX (RIT) RETURN

	Year of Income	YYYY
	Due Date	

Note: Rental income" means the total amount of rent derived by an individual for the year of income from the lease of immovable property in Somaliland. This rental income tax return should be submitted to an IRD Office within four months after the end of the year (not later than 30th April). Please read the fields below while completing this form and attach all the required documents for expeditious processing of your return (Sec. 142). There are penalties for not filing a tax return, filing late or for filing false return. Sections 16, 17 and 19.

Section A: Taxpayer's Details

Taxpayer's Name (Owner/ Landlord)		TIN	
Trade Name (if different to Taxpayer's Name)			
Taxpayer Address (District)		Village	
Mobile Phone Number		Email Address	

Section B: Computation of Rental Income Tax.		**Amount** in SLSh **-000-**
B1	Number of Tenants	
B2	Number of properties rented (residential house, apartments, shop, office, etc.)	
B3	Total annual rental income (Total from Appendix 1)	
B4	Deductions arising from disposal of rental assets. Secs.56(1)(b) and 73 (1)(b)	
B5	Net taxable rental income (B3 minus B4)	
B6	Rental Income Tax due (Apply the rate of 10% to amount in B5)	
B7	Administration tax 2% of B5	
B8	Stamp tax 2.5% of (B7+B6)	
B9	**Total Tax due (B6+B7+B8)**	

Section C: Declaration by the Taxpayer or their Representative

I hereby declare that the information given on this form and accompanying accounts and documents are accurate, complete and contain a full and true statement of my income to the best of my knowledge and belief. I've read and comprehend the provisions of sections 21 and 142 of the Revenue Act 72/2016.			
Full Name of taxpayer/agent		Role	
Signature and Stamp		Date	

Section D: Official Use - Tax Administration

Note – All documents received together with the tax declaration form are to be kept in the taxpayer's physical file.

Tax Centre		**GR Number (Revenue Receipt)**									
Penal Tax (if applicable)		**Late payment fee (if applicable)**									
Total tax due (Penal tax + Late payment fee + B9)			Date								
Names of returns Reception Officer			Signature and Stamp								

FORM 05

Appendix 1 – Rental Income Tax Details.										
L#	**A** **Plot Number** **(Land Registry)**	**B** **Usage of rented property**	**C** **District**	**D Village**	**E Street**	**F** **Names of the Tenant**	**G** **TIN of the Tenant (If any)**	**H** **Monthly Rental** **SL-sh (-000-)**	**I** **Number of Months**	**J** **Total of annual rental income (Hx I)**
1										
2										
3										
4										
5										
6										
7										
8										
9										
10										
11										
12										

13										
14										
15										
16										
17	**Total annual rental income (to be taken to B3 of Section B).**									

Jamhuuriyadda Soomaalilaan *Wasaaradda Maaliyadda* *Waaxda Cashuuraha Berriga*	*Republic of Somaliland* *Ministry of Finance Development* *Inland Revenue Department*

BUSINESS INCOME TAX RETURN (LARGE TAXPAYERS)

Year of Income	Starting…1/1/ 2019…. Ending…….31/12/2019	Tax Period	**2019**
Reporting Period	**1st January** to **30th April**	Due Date	30/04/2020 YYYY

Section A: Taxpayer's Details

Taxpayer's Name		TIN	
Trade Name (if different to Taxpayer's Name)			
Business Address (District)		Village	
Mobile Phone Number		Email Address	

Section B: Computation of Taxable Income from Business		**Amount** in SLSh **-000-**
1	Gross sales	
2	Opening inventory (raw materials, goods in process, finished goods)	
3	Purchases/imports and goods manufactured	
4	Closing inventory (raw materials, goods in process, finished goods)	
5	**Cost of sales (line 2 + 3 – 4)**	
6	**Gross profit (line 1 - 5)**	
7	Property or investment income (excluding rental income received by individuals in business)	
8	Other income	
9	**Total income (line 6 + 7 + 8)**	
10	Salaries or wages, benefits and employer contribution expenses	
11	Advertising expenses	
12	Bad debts	
13	Delivery, freight and messenger service expenses	
14	Insurance	
15	Bank charges and other expenses related to debt obligations	

16	Repairs and maintenance expenses	
17	Management and administration fees (corporate businesses only)	
18	Stationery and office supplies expenses	
19	Legal & accounting expenses	
20	Deductible taxes and trade licences	
21	Rent and lease expenses (corporate businesses only)	
22	Travel and training expenses	
23	Telephone, electricity and water	
24	Meals, refreshment, and entertainment expenditure	
25	Depreciation of physical assets	
26	Scientific research expenditure	
27	Investment expenses	
28	Other expenses not specified above (attach details if more than 10% of total expenses)	
29	**Total expenses (add lines 10 up to 28)**	
30	**Net income (line 9 - 29)**	
31	Addback of non-deductible expenses	
32	Loss carried forward from previous tax period	
33	**Taxable income from Business (line 30 + 31 - 32)**	
34	**Business Income Tax (line 33 x 10 %)**	
35	Foreign tax credit	
36	**Net tax due (line 34 – 35)**	
37	Administration Tax (2% of line 33)	
38	Stamp Tax (2.5% of line 34 + 37)	
39	**Total tax due (line 36 + 37 + 38)**	

Section C: Attachments and Declaration by the Taxpayer or their Representative

Attachments submitted	Balance Sheet		Statement of income & expenditure		Other

I hereby declare that the information given on this form and accompanying accounts and documents are accurate, complete and contain a full and true statement of my income to the best of my knowledge and belief.

Name of taxpayer or representative		Role	
Signature and Stamp		Date	
Representative's telephone number		Representative's email address	

Section D: Official Use - Tax Administration

Note – All documents received together with the tax declaration form are to be kept in the taxpayer's physical file

Returns Reception Unit

…

Tax Centre		GR Number (Revenue Receipt)									
Penal Tax (if applicable)		Late payment fee (if applicable)									
Total tax due (Penal tax + Late payment fee + line 40)			Date								
Name of Returns Reception Officer			Signature and Stamp								

……