

PUNTLAND TAXATION FRAMEWORK



MINISTRY OF FINANCE PUNTLAND



**Revised Edition
2014**



Puntland Taxation Framework

Ministry of finance, Puntland

DAWLADDA PUNTLAND

EE SOOMAALIYA



ولاية بونت لاند الصومال

XEERKA CASHUURAH DAWLADDA PUNTLAND

Garoowe, 08-July-2014



PUNTLAND STATE OF SOMALIA

Sharci Lr. 3 ee July 9, 2014, kuna saabsan Xeerka Canshuuraha
Dawladda Puntland.

Madaxweynaha Dawladda Puntland

Markuu arkay: Dastuurka Dawladda Puntland qodobkiisa 80-aad;

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Wuxuu soo saaray

Xeerkan soo socda:

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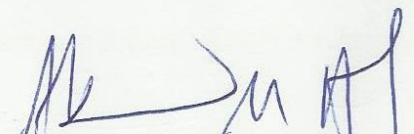
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Qodobka 2-aad

Nuqulada asalka ah (Original) waxaa lagu kala keydinayaa
Xafiiska Madaxweynaha, Xafiiska Xoghayaha Guud ee
Baarlamaanka iyo Xafiiska Garyaqaanka Guud ee DPL.

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Dhaqangalka Sharcigani wuxuu noqonayaa marka Madaxweynuhu
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Puntland, baahin kadib, cid kastana ay waajib ku tahay inuu
dhawro kuna dhaqmo xeerkan.


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Madaxweynaha Dawladda Puntland



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DAWLAD PUNTLAND EE SOOMALIA
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Sanadka 15-aad. Garowe July 9, 2014

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Faafinta bil walba soo baxda

جريدة الشهرية

Qaybta Faafinta Rasmiga ah ee Madaxtooyada Dawladda Puntland

Qiimuhu waa Sh.So 10,000 rukun walba . Sanadkii waa Sh.So 170,000 dalka gudihiisa, dalka dibaddiisa Sh.So 500,000 rukunka la waydiisto, waqtiga loo gooyay wuxuu ka bilawdaa 1-da January. Qiimaha qoritaan F.R halkii sadar iyo wixii ka yar waa Sh.So 3,000, rukunka iyo qoritaanka waxaa la waydiistaa qeybta maamulka Faafinta rasmiga ah. Lacagta waxaa lagu bixinayaa xafiiska canshuuraha barriga ee wasaaradda maaliyadda.

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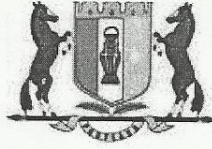
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Guddoomiyaha Golaha Wakiillada DPL



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The Minister of Finance, Mr. Shire Hagi Farah



I am pleased to share with you the Book, Puntland Taxation Framework which is the first of its kind in Puntland. The Book reveals the picture of how taxes from the Inland Revenue and Customs which constitutes the biggest contributor to the government revenues are paid. I trust this Book will be an opportunity for any interested party such as the Government

Institutions, International Organizations, NGOs and for any prospect investor in Puntland who will be satisfied with the contents of this Book as it shows low tariffs in respect of taxes from the Inland Revenue and Customs. In addition, the Book has been incorporated with the Custom clearance process that will enable businessmen to clear their goods from the Port more efficiently and effectively.

You will also see in the Book with the rates of tax charged on profits from trade, services and productions which are seen as favorable to any prospect investor in Puntland.

As you know Puntland has a strategic port which facilitates import and export of goods. The port is close to the Gulf Countries, Yemen and Djibouti where most of the goods coming to Somalia are exported from. It is therefore cost effective opportunity for any businessmen using Puntland Port to trade their goods inside Somalia or the neighboring countries where the goods are accessible to the market more easily.

Ministry of Finance would like to express its gratitude to the Co- authors of this document Mr. Osman Mohamoud Ali, Ahmed Mohamed Nur, Technical Advisors in Accountant General and Auditor General Offices respectively and Mr. Abdulkadir Ahmed Hashi, Tax Law and Revenue Consultant in the Ministry of Finance who has finally revised and updated the Book. We also acknowledge Mr. Osman H Mire, Senior Taxation consultant for the Ministry of Finance in providing wealth of information and the background of Somali Taxation System. Likewise Saeed I Saeed and Abdulwahid S Farah, Senior employees in Accountant General Office, Puntland who provided historic taxation figures and assistance in its presentation, finally Abshir M Abshir who made a comprehensive review of the document

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Shire Hagi Farah
Minister of Finance, Puntland

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EXECUTIVE SUMMARY

This handbook attempts to break down Puntland's complex tax system into a user friendly form for consumption by the average person, government stakeholders and other International bodies who are interested. The document discusses among other issues design of various tax laws, their purposes, any amendments, differences and also how they are administered.

Taxation is the key source of revenue that every country uses to provide public services to its citizenry and Puntland is no different. Over the last decade tax performance in Puntland has improved in nominal terms, an increase of 21% in 2011 compared with the year before and 8% in 2012 compared with 2010, this has enabled the government to finance entire of the budget.

Due to its importance, tax policy debates and decision making becomes a critical issue to the public, to businesses and the economy at large owing to the varied impact that it will have on each of these entities. Therefore the design and performance of the tax system has implications for inequality and as such it is the role of the government to ensure that it pursues a fair tax system for equitable distribution of income and welfare of the citizens..

Puntland Tax System, Laws and Legislatives are those inherited from previous Somalia Democratic

Republic from independence days in 1960's, some amendments made by the successive administrations in Puntland over the years. According to the Constitution, the national government will retain the powers to impose taxes both direct taxes including income taxes and indirect taxes namely; value added tax, excise duty and customs.

Of the total tax revenue collected by the state, the largest contributors are customs duty 63% in 2012, followed by Inland Revenue 12% which includes Sales Tax compared in Kenya where income tax makes up 40% which is the largest proportion of the government revenue followed by 28% VAT. Puntland government over the years was keen to increase the revenue and conducted several exercises in Inland Revenue to improve tax collection in the area of Income Tax, Sales Tax, Excise duty and property tax, and also for the Customs to move to an ad valorem systems approved by World Customs Organisation where duty is based on the value of the invoice, as a result this is seen as opportunity to significantly increase Puntland revenue.

Taxation affects incomes and prices of goods and services, individuals and businesses react differently in response to changes in income, and in relative prices, emanating from Tax issues have for a long time been viewed as a complex subject that should be left largely to tax experts. This perception has contributed to the huge information gaps on issues of tax policy, tax administration and tax performance reaching the public. This handbook, therefore, seeks to fill this gap by using a simplified approach to help the reader to a) understand how the various taxes are designed, b) differentiate the different types of taxes, and c) understand how these taxes are administered and the changes that have occurred in the tax system over the years. We hope that this handbook will be useful to the tax practitioners, tax experts, civil society and the general public looking to be more involved in tax dialogues and debates and in influencing tax and revenue policy decisions.

The next section discusses reasons we pay taxes and basic concepts and principles of Taxation. This is followed by a section on division of taxes and the tax structure in Puntland. The final section looks at the various tax heads in Puntland.

1. CHAPTER 1

1.1 Introduction

Governments in both developed and developing countries collect taxes to fund public services.

Marina *et al.* (2002) argue that, “taxation is the only known practical manner for collecting

Resources in order to finance public expenditure for goods and services consumed by any citizenry”. However, this is not strictly true, as developing countries; in particular, they get revenue from other sources besides taxation, including non-tax revenue such as user-fees and licenses charged for services rendered by ministries, department and agencies , as well as income from sale of government assets and privatization.

Moreover, many developing countries are dependent on foreign aid as an external source of revenue (Barnett and Grown, 2004). Governments need to develop tax policies and tax systems that are guided by certain tenets. Since taxation affects incomes and prices of goods and services, individuals and businesses react differently in response to changes in income, and in relative prices, emanating from taxation. Therefore, analysis of the effects of tax policy is critical for government decision makers and the public to make informed policy decisions.

Tax issues have for a long time been viewed as a complex subject that should be left largely to tax experts. This perception has contributed to the huge information gaps on issues of tax policy, tax administration and tax performance reaching the public. This handbook, is one of very limited resources in its kind over the last decade, therefore, seeks to fill this gap by using a simplified approach to help the reader to understand better the current taxation framework in the State. We hope that this handbook will be useful to the civil society and the general public looking to be more involved in tax dialogues and debates and in influencing tax and revenue policy decisions.

The reader of this document will see that most of the monetary values used are those that are relevant when the laws were passed and cannot be used at present until the laws are reviewed or updated. However, many of important direct and indirect taxation are based on percentages and is still applicable, those ones can be used as a good guide to what is currently being charged.

The next section discusses reasons we pay taxes and basic concepts and principles of taxation. This is followed by the tax structure in Puntland.

1.2 Why do we pay taxes?

Governments provide a variety of services to their citizens, including education, healthcare, water, security, roads, and , among others. In order to provide these public goods and services, governments collectively use taxes and other sources of revenue as stated earlier. As such, taxes are compulsory payments that do not necessarily bear any relationship to the benefits of government goods and services received (Hyman, 1990). It is important to note that , by paying taxes, we do not receive a direct and immediate service (instantaneously) in return; in other words, by paying tax amounting to, for example Sh,sh. 1,000,000 in January, does not mean that you will be able to enjoy health care, education, security services of an equivalent amount in the same month.

The reason why we pay taxes is because one person cannot afford to fully pay for a service they use and thus it is the responsibility of governments to collect taxes in order to fund public goods and services for the benefit of the citizens.

The question and debate that follow is on what constitutes a fair system of taxation and a fair allocation of the tax burden; i.e., taxes based on wealth, on income and ability to pay, on economic activity or on perceived benefits (Spitzer, 2003). The answer to this is usually based on legal and statutory framework that governs the design of any country's tax system. Whatever the tax system design, the widely documented common objectives of tax systems include:

- to raise revenue to be used to fund government operations;
- to assist in the redistribution of wealth and income (fairness/equity) and
- For regulation purposes, with a view to encourage or discourage certain activities such as smoking and other similar items.

1.3 Basic tax concepts and principles

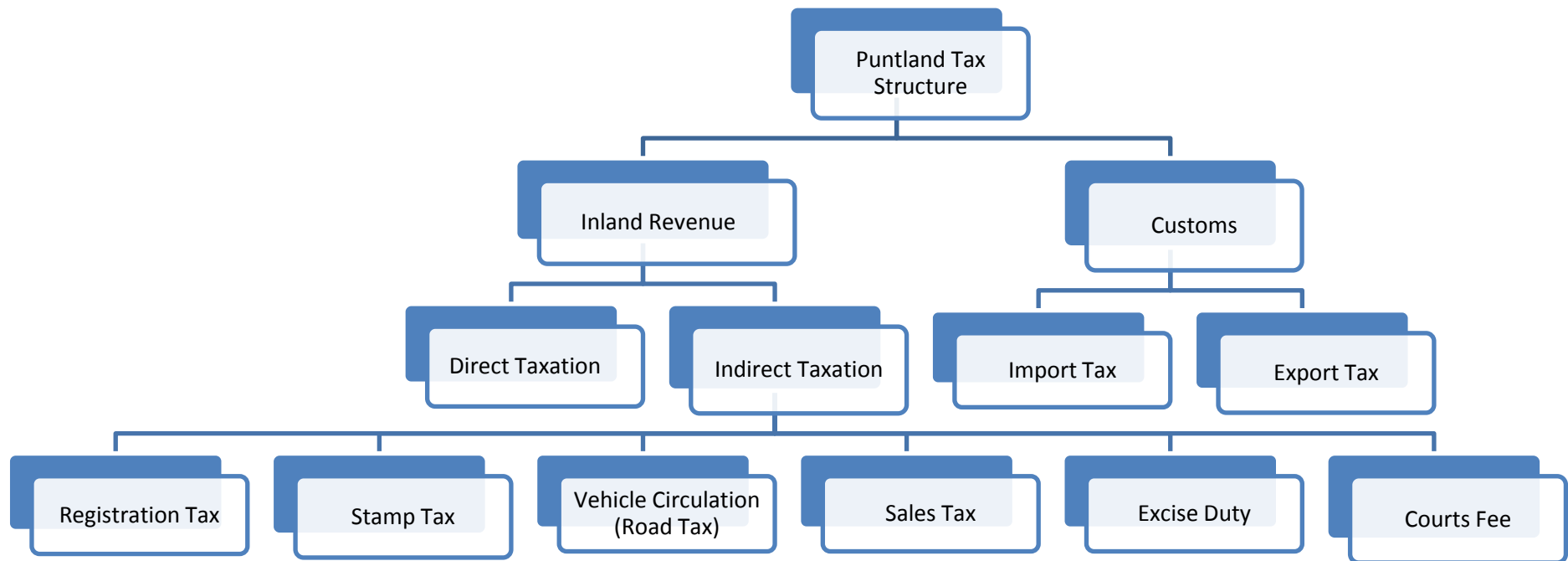
To answer the question of whether everyone has to pay the same tax, one needs to understand some basic principles for evaluating a tax system and some of the common concepts used for a better understanding of tax policy issues. The most commonly documented principles or characteristics that guide tax policy include: equity, adequacy, simplicity, and neutrality. Detailed explanations of these principles are given hereunder.

- **Adequacy** – A tax system is said to be adequate if it raises enough funds to pay for public services, and more so, in a sustainable manner. There are two factors that contribute to the adequacy of a tax, namely, stability/predictability and its elasticity. In the preparation of the Budget, policy makers usually match expected spending within a realm of predictable growth of tax revenues. However, in order to achieve adequacy in the long run, they would like to know whether growth of a specific tax keeps up with the pace of the growth of the economy (elasticity).
- **Simplicity** - This ensures that the tax system has simple rules for citizens to understand and at the same time ensure that the cost of tax collection and administration is not higher than the actual tax raised. For example, a tax system is made complex if it has many tax exemptions such as tax credits, tax breaks, and tax holidays, among others.

The complexity is likely to increase the cost of collection and administration.

- **Neutrality** - The other similar term for neutrality is efficiency. This principle answers the question of whether the tax system interferes with the investment and spending decisions of individuals and businesses.

1.4 Puntland Taxation Structure



2. CHAPTER 2

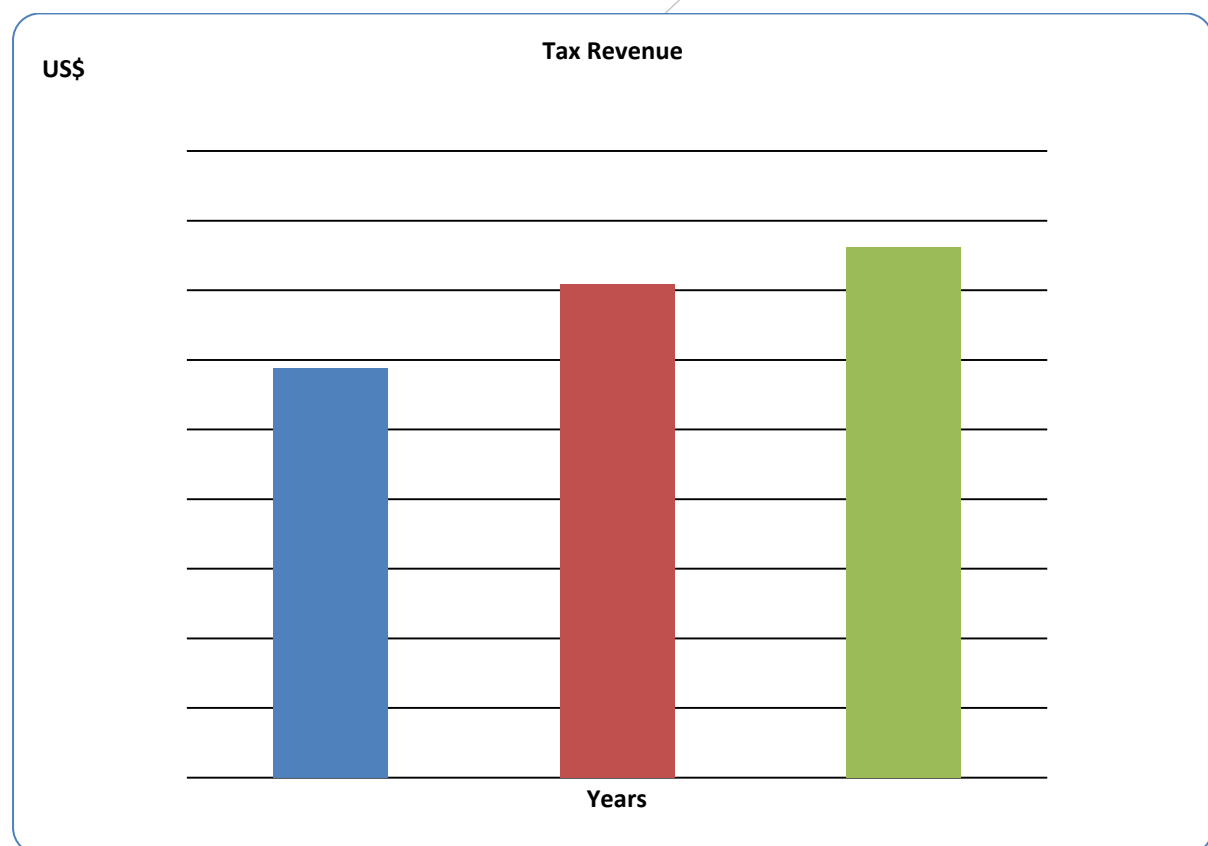
2.1 Types of Taxes in Puntland

Taxes are the most important source of public revenue (funds) for the government. Tax is a compulsory contribution (payment) from an individual (taxpayer) to the government to cover the general expenses of the state which are incurred for the public good or in the interest of all.

Generally, taxes in puntland can be classified according to government taxation collection system. Hence, it can be divided in to two broad categories.

- Inland Revenue Tax
- Customs Tax

Fig 1: Trends in Tax Revenue



2.1 Inland Revenue Tax

Inland Revenue tax is collected by Inland Revenue Department. These taxes can be classified on the basis of what is generally termed as the “Impact of tax”.

The impact of tax-refers to the individual on whose the tax is imposed and who bears the burden of the same (tax). In accordance with this criteria taxes are divided as under:

Direct tax: The impact and incidence of the tax is the same person e.g. personal income tax, corporate income tax, property income tax

Indirect tax: The impact of the tax is on one person and Incidence is on another person e.g. sales tax

2.1.1 Direct Tax

Direct Taxes can also be classified on the “Base of tax” , the “base of tax” is the object upon which tax is imposed and which the rate is applied in accordance with this criteria taxes may again be classified as under the following headings:

- Income tax
- Capital Gain Tax
- Inheritance Tax

Law on Direct Taxation – Law No. 5

S/N	Article Number	Details
1	Article 1	Territorial application of the tax
2	Article 2	Basis of Assessment
3	Article 3	Period in respect of which tax is payable
4	Article 12	Chargeable income
5	Article 13	Income from contracts and similar sources
6	Article 14	Income from industrial buildings
7	Article 15	Persons exempt from income tax
8	Article 16	Income permanently exempt from tax
9	Article 17	Temporary exemptions in favor of industrial or agricultural
10	Article 37	Rates of tax on income from employment
11	Article 38	Rates of tax on income from business

2.1.2 Income Tax

Income tax is most important direct tax in Puntland. Direct taxation including, Income tax is governed by the Direct Tax law no 5 of Somalia, which is the principal legislation with schedules and subsidiary legislations. More than 11 articles of the principle law of the Direct Tax Law (5) deals with Direct Tax.. In fact, the administration of various direct taxes, which have different rates, is undertaken by the Puntland Inland Revenue Department.

Below table summarise the direct tax law.

2.1.3 Purpose of income tax

Generally, income tax in punt-land is used for revenue mobilization and income redistribution purposes. Income tax is used to achieve equity objectives through rationalization of tax brackets and rates; in other words, tax brackets could be broadened or the number of brackets increased and the tax rates could be increased or reduced depending on the objective. The redistribution and equity purposes are more evident with personal income tax than with the other types of income tax. Evidently, the rationalization of tax brackets and rates is done so as to reduce tax burden on those with lower and fixed incomes and make the tax more equitable.

2.1.4 How Income Tax Works

First, income tax is charged on the income earned by any person resident in Puntland. A resident is defined as an individual who has permanent residence in Puntland, and has spent any part of the working year(s) in the country; or, one without permanent residence in Puntland but who has spent 183 days or more, working in the country during the period of assessment.

2.1.5 Types of Income Tax

Article 12 (a,b,c,d,e,f) Income tax shall be charged upon following incomes accruing or received in the territory of the state.

- Trade and professional income (profit from industrial, commercial or vocational activities)
- Interest or discounts, annuity and Royalties
- Capital Gain –(Occasional and extra ordinary gains)
- Agriculture income
- Real or presumed income from building and from any other permanent structure
- Pensions and income from employment of any nature whatsoever, paid under the terms of contract of employment

Article 13 and 14 state that income tax charged upon income derived from contract for works or supplies and income from industrial building respectively.

Indeed, income from individually-owned businesses is referred to as personal income tax and that from employment is subject to Pay As You Earn (PAYE). Further, tax withheld from the other incomes as aforementioned is referred to as withholding tax whereas corporate income tax is charged on profits of limited liability companies.

2.1.6 Income from Employment

The income from employment that is taxable includes salaries, wages, commission, bonus, allowances and compensation for termination of employment or self-employment. The method of collecting tax at source from individuals in formal employment is called Pay As You Earn (PAYE). The employer deducts a certain amount of tax from the employee's salary or wages on each payday then remits the deductions to the Inland Revenue Department. This relieves the employee from paying taxes at the end of the year and shifts the responsibility to the employers.

Employment income is taxable at the same graduated rates from 2% up to 10%. The first taxable band is for an annual income of sh.so.4, 812,000 – 9,600,000 sh.so at the rate of 2% and the top tax bracket is for an annual income over 48,000,000 at the rate of 10%. It is important to note that tax rates and tax brackets are subject to change from time to time and the prevailing tax brackets and tax rates since 1998 is what is captured in direct tax rate section.

Sch B rates for the Government employees.

Tax type	Tax Band	Monthly amount in Sh.so(000)	Annual Amount in Sh.so(000)	Tax rate
Tax on employment and pension income	I	Upto 400	Below 4,812-	Exempted
	II	401- 800	4,812-9,600.00	2%
	III	801-1200	9,601-14,400	3%
	IV	1201-1600	14401-19,200	4%
	V	1601-2000	19,201-24,000	5%
	VI	2001-2400	24,001-28,800	6%
	VII	2401-3000	28801- 36,000	7%
	VIII	3000-3500	36,001- 42,000	8%
	IX	3500-4000	42,001-48,000	9%
	X		Over 48,000	10%

With reference to Law no. 65 which was approved by the Puntland Council of Ministers and later passed by the Parliament in 2011, it was decreed that non state employees in private companies and in local, international and UN agencies must compulsorily pay tax on their salaries in accordance with the existing tax schedule below.

Article 40 of the above law, section 1 states that:

“All non-state employees are obligated to pay requisite tax on their incomes, which employers are authorised to deduct from their salaries. The employers are in addition required to take the deductions along with the payroll sheets to the nearest Inland Revenue office. Employers who fail to obey this article and ignores tax deductions from salaries of their employees are considered violators of the sanctity of state regulations and are punishable by the rule of law as stipulated by section 6 of the above Article.

Employment Tax Rates-Sch B for non-state employees

No.	Threshold	Rates
1	Up to \$100	Exempted
2	Over \$100	6%

2.1.7 Income from Trade (commercial, industrial, agriculture) and profession

Income from trade and profession that is taxable includes income from industrial, commercial, agriculture and professional income. This taxable income is levied at rate from 8% to 12%. Details is in tax rate section

2.1.8 Corporate Income Tax

Corporate income tax is charged on profits of companies registered as a limited liability companies. Corporation Tax Corporation tax is similar to the individual income tax, only that it is levied on companies and it does not have a graduated rate structure. Resident companies are taxable at a rate of 8%, 10% and 12% for profit come from trade, industrial and profession respectively.

2.1.9 Income from Building

Income tax charged upon income from building or other permanent structure. Taxable income from building is taxed at flat rate of 10% after 20% of wear and tear deductions.

The tax base must be defined legally and quantified for determining the tax ability of the tax payer. The government should consider when deciding tax rates the following parameters.

- Cost of collection
- Administration and effect of taxes
- Decide the best combination of all these factors

2.1.10 Rate of income taxes

The rate of tax means the percentage of the tax base to be taken or levied on in case of tax. In financial terms, the below mentioned criteria may be used for setting tax rates on the basis of taxable objects. It can be Regressive, Proportional and Progressive tax

Tax basis	Details
Regressive Tax	The tax is called regressive because the rich, although paying larger amounts of tax, actually pay smaller percentages of their income
Proportional Tax	The tax is proportional, because all the taxpayers pay the same percentage of their income.
Progressive tax	The tax is progressive, since the rich pay a greater percentage of their income in the form of tax because the rate of the tax rises as taxable income increase

Articles no. 37 & 38 clarify the rate of income tax and divided in to schedules, for example;

Schedule A deals with rate of tax on income from Buildings

Schedule B deals with rate of tax on income from Employment

Schedule C deals with rate of tax on income from commercial, industrial, agriculture, professional, vocational, activities and similar sources

Schedule D deals with rate of tax on income from companies having legal personality

Table 1: Schedule A

Tax type	Tax rate
Tax on income from buildings of any amount after 20% wear and tear deduction	4%

- The above rate has been reduced from 10% to 4% on the rental income after 20% wear & tear allowance.

Schedule B for non state employees as above.

No.	Threshold	Rates
1	Up to \$100	Exempted
2	Over \$100	6%

- **The above rates will be applied on Somali Nationals employed by private organizations, international and UN agencies as per Law No 65.**

Schedule C. Tax on profit from trade, industrial and profession carried by sole trade and Partnership

S/No	Type	Tax Rate
1	Profit from Trade income	12%
2	Profit from Industrial income	10%
3	Profit From profession	8%

- **The above rates on profits will remain unchanged for the time being but the mechanisms of how businesses can prepare their profits chargeable to income tax and make available to the Department of Inland Revenue need to be developed further.**

2.2 Exemptions

2.2.1 Persons exempt from income tax

According to Article 15, followings Persons shall be exempt from income tax:-

- The president of the State, in respect of his annual emoluments.
- The State and local Administrations
- International Organization bodies, in conformity with the generally accepted rules of international law and international treaties binding on the State
- Diplomatic agents of foreign state, in respect of their salaries and any other emolument received in connection with their function
- Consular agents of foreign states, in respect of their salaries and any other emolument received in connection with their functions
- Officials and employees of the United Nations and its specialized Agencies and of foreign and international organizations and bodies, in conformity with international agreements, in respect of their salaries and any other emolument received in connection with their function
- Members of the Armed Forces and paramilitary organizations below the rank of non-commissioned officer, on active duty, in respect of their salaries and emoluments.
- Lawfully established charitable and welfare institutions, bodies and foundations; institutes, academies and societies having exclusively cultural purposes; religious institution provided that income derived from commercial activity shall be excluded from exemption.

2.2.2 Income permanently exempt from tax

Article 16 states that Income tax shall not be charged upon the following:-

- Buildings used for public worship, and their appurtenances,
- Cemeteries and their appurtenances
- State owned buildings
- Buildings housing foreign embassies, legacies or consulates, provided such buildings are the property of the states represented by such embassies, legacies or consulates
- Buildings used as schools including private schools, provided such schools are organized on a non-profit basis and are authorized by the Ministry of Education.
- Rural building belonging to the owner or concessionaire of the land, provided they are used for the purpose of residence by those who personally cultivate the land, where the value of the building does not exceed Sh.so 300,000/= or for the purpose of housing animals bred on the land; or for the purposes storage and primary processing of the agricultural products or safe-keeping and preservation of machinery, equipment and other materials used for the cultivation of the land.
- 40% of the undistributed profit of industrial enterprises technically organized and assessable on the basis of their balance sheet, provided such profit is clearly shown in the reinvestment fund entered in the liability side of the balance sheet, and does not exceed 25% of the chargeable income. Income tax shall be charged upon any disbarment of profit undistributed and set aside in the reinvestment fund.

2.2.3 Temporary exemptions in favor of industrial or agricultural

Article 17 clarify temporary exemption of industrial and agricultural business from income tax as below.

- The Ministry of Finance may, as an exceptional measure, and for a period not exceeds 10 years, wholly or partly exempt new industrial or agriculture enterprises from income tax, on the proposal of the Ministry of Industry and Commerce as regards industrial activities or on the proposal of the. Minister of Agricultural and Animal Husbandry as regards agricultural activities
- The exemption shall only be granted where the entrepreneur concerned proves that he will run an extraordinary risk, and that he will either produce new goods or, in producing goods, will use a more advanced technique which was not previously used
- Exemption shall also be granted where the entrepreneur proves that he will run an extraordinary risk in carrying on industrial or agricultural activities which, without involving any actual processing of goods, preserve or condition such goods thereby increasing their economic value

- Exemption shall also be granted to entrepreneur who enlarge or radically renovate existing enterprises, provided that the conditions mentioned in paragraphs 2 and 3 of this article are fulfilled
- An entrepreneur who can prove that he produces the same goods or uses the same technique as another entrepreneur to whom exemption from income tax has already granted, may be exempt from income tax under conditions not more favorable than those granted to the other entrepreneur. Such exemption shall expire on the date on which the exemption granted to the other enterprises expires.

This exemption shall only be granted in respect of income not exceeding 10% of the invested capital and only for the period which, in the opinion of the Minister of Finance, will be required for the amortization of the invested capital.

2.3 Indirect Tax

Indirect Taxation is largest tax collected in Puntland and it is divided into six sections which is based on laws and legislative dated between 1960's and 1980's. During Puntland's existence the various administration has take the initiative to update the tariff reflecting the inflation to Somali Shillings, and exchange rate against US Dollar.

2.2.4 2.3.1 Registration Tax

Registration Act No.4 dated on 4th January 1985 of Somali Democratic Republic was adopted in Puntland State since its inception. Registration Tax is due from all agreements, contracts, invoices, transfer of assets (Fixed and Current) co-ownerships, company registration. Rental agreements of properties, vehicles and vessels

Table 2: Registration Tax

No	Registration fees	Rate
1	Registration of Invoices	3%
2	Registration of Vehicle Rentals	3%
3	Registration of contract agreement	3%
4	Security	2%
	a) Renewal of a Security - sh,so 20,000	
	omission of a Security	1%
5	Registration of Fixed Asset Transfers	5%
6	Distribution of Fixed Assets	3%
7	Registration of Fixed Asset Ownership	8%
8	Registration of Non-Fixed Asset Ownership	4%
9	Registration of Cars without registration	2%
10	Registration of Tenancy Agreement (Contralto Locozone)	1%
11	Registration of 2 persons inheriting each other, siblings and couples	4%
12	Registration of persons related up to 4 generations	8%
13	Registration of Companies Initial Capital Outlay	0.80%

Table 2a: New Registration Tax

No	Registration fees	Rate
1	Registration of Invoices	3%
2	Registration of Vehicle Rentals	1%
3	Registration of contract agreement	2.50%
4	Security	2%
	a) Renewal of a Security - sh,so 20,000	
	omission of a Security	1%
5	Registration of Fixed Asset Transfers	2.50%
6	Distribution of Fixed Assets	2%
7	Registration of Fixed Asset Ownership	2.50%
8	Registration of Non-Fixed Asset Ownership	2%
9	Registration of Cars without registration	1%
10	Registration of Tenancy Agreement (Contrato Locozione)	1%
11	Registration of 2 persons inheriting each other, siblings and couples	4%
12	Registration of persons related up to 4 generations	8%
13	Registration of Companies Initial Capital Outlay	0.50%
14	Road Maintenance	2%

- The Registration Tax Rates have been reduced as highlighted in Table 2a above. The Ministry of Trade and Commerce has to coordinate with the Department of the Inland Revenue before issuing licence for a company commencing trade in puntland as there will a requirement on new companies to pay tax on its capital outlay at the rate of 0f 0.50% before a licence is granted.

2.3.2 Stamp Tax

Like most of Puntland laws, Stamp Tax also was adopted from Somali Democratic Republic Legislative Decree n. 6 of December 1966. Scope and details of Stamp Tax law is clarified between Article 1 and Article 44. Stamp tax is charged upon all acts referred to in the legislative degree mentioned above, existing or used in the territory of Puntland State.

Stamp tax is charged on any such act issued in connection with transfer of ownership or possession of goods, sums of money, securities, stocks, or in connection with the transfer of good and securities from or into the territory of Puntland.

Table 3: Stamp Tax

No	Type of taxation	Rate
1	Stamp tax on invoices	2%
2	Stamp tax on payroll slips	1%
3	Stamp tax on written statements i.e. Receipts/Expenditure vouchers	2%
4	Stamp on trade bills to overseas	2%

- The above Stamp Tax Rates will remain unchanged.

2.3.3 Sales Tax

Sales Tax law No. 2 on 7 January 1984 was introduced by the President of Somali Democratic Republic to increase government revenue in order to fulfil its duties towards economic growth, security, defence, social and political. Sales Tax is levied on imports, whole sale business, invoices on hospitalities and local production.

Scope and details of Sales Tax are explained in the Articles between 1 and 22, Sales Tax rate of 5% is levied on total value of imported commodities, total sales of value or invoice value of hospitality businesses. Sales Tax is excluded on stamp tax which another government tax itself.

Table 4: Sales Tax (amended as shown Table 4a below)

No.	Types of Taxes	Rate
1	Hotel invoices	5%
2	Telecommunication – calls	5%
3	Foreign exchange	5%
4	Wholesalers	3%
5	Production	5%

Table 4a: New Sales Tax Table

No.	Types of Taxes	Rates
1	Hotel Invoices	3%
2	Telecommunications-calls	3%
3	Foreign exchange	3%
4	Wholesalers	1%
5	Production	1%
6	Professions-Engineers, Doctors, Lawyers, Business Consultants and Accountants	1%
7	Tobacco, Cigarettes and Qaad	5%
8	Airline Tickets	5%

Sales Tax in Puntland

An approximate 5% lump sum amount of tax is charged on the businesses established in Puntland. The tax is payable monthly and the Department of Puntland Inland Revenue is responsible for the administration of the Tax. The tax is purely estimate which is not based on the sales receipts of the businesses. It could therefore result an underpayment or overpayment of tax depending on the level of sales transactions being made by a business. In order to avoid this form of levy and to generate revenues from those businesses which can contribute more taxes as per their level of sales, a sustainable form of sales tax needs to be introduced in Puntland which based on the taxable supplies or services made by a business.

Registration

Puntland established businesses or professions intending to make taxable supplies or services are required to register for Sales tax. New businesses must notify to the Puntland Inland Revenue within 30 days of commencing. If the business ceased to make taxable supplies Puntland Inland Revenue must be notified within 30 days of cessations. A business is Puntland established if essential management decisions and central administration functions are carried out in Puntland or the business has a permanent physical presence with the human and technical resources to make taxable supplies in Puntland. Non Puntland-established businesses (overseas traders) must notify to Puntland Inland Revenue within 30 days of making the taxable supplies in Puntland.

Sales tax is charged on the supply of goods and services in Puntland.

Sales tax applies to taxable supplies made in the course of a business by a taxable person, i.e.an individual, firm or company registered .Taxable person must register with the Puntland Inland Revenue.

How Sales Tax is Calculated

The basic tax point is normally when goods are made available or services are performed.

Wholesalers and the Service sectors which have computerized invoicing system will need to include in the invoice a standard sales tax rate. For example a doctor who has his own practice provided professional services as a doctor of medicine amounting to \$400, he is required to include in the bill charged to his patients a standard sales tax rate of 1%. The total bill will be \$404 (\$400@1% sales tax).

Administration

The transactions for the tax period must be summarized in a sales tax account. Sales Tax registered businesses must provide tax invoices in respect of the taxable supplies made during the tax period. The businesses are required to make monthly payments of sales tax based on total invoices in respect of the goods and services supplied. Director of the Inland Revenue Department and his staff will be responsible for the administration of the tax.

The payment deadline for the sales tax is 10 days after end of the tax period. For example, if a hotel owner made total supplies (invoices) of \$2000 +3% sales tax during the tax period ended 30/04/2014, the tax payer is required to make the payment of \$60 (\$2000@3%) on or before 10 May 2014. There will be a seven days period of grace if the tax payer can provide a reasonable excuse for the late payment. A surcharge of 5% of the tax due is imposed for the first late payment, then 10% and maximum of 15% for subsequent late payments.

In accordance with Article 12 of Excise Tax Act 1985 the Inland Revenue Department may for ascertaining the tax liability of any taxable person:

- a) Order the person to bring for examination at such time and place as the Department may specify any book of accounts, balance sheets or any other document or record which the Department considers necessary.
 - b) Ask the fiscal police or the staff of the Department to inspect any business premises and examine any record they seem necessary for ascertainment of tax liability.
 - c) The Inland Revenue Department shall make any sort of supervision in factory premises to ensure proper execution of this law.
-
- 1) a) In Article 11 of the above act states that the tax payer has the right to appeal against assessment made by Inland Revenue Department according to Article 10 or tax levied according to Article 2;
 - a) appeals under (a) above shall be made and dealt with in the same manner and procedure specified in Body of Laws No.5 of 5-11-66.
 - 2) Appeals against tax collected by customs Department under this Law shall be made and dealt with in accordance with provisions of Customs Law.

2.2.5 2.3.4 Vehicle circulation Licence (Road Tax)

Road tax is levied on person who their name appears on legal vehicle ownership documents and guidance can be found in Legislation No. 4 dated 28th December 1965 of Somali Democratic Republic was further reinforced by Puntland Administration on 1st January 2000. Road Tax Act is clarified between Articles 1 and 28; different rates apply to different types of vehicles (Please see Table 5).

Important details of the vehicle that will determine the rate applicable includes;

- a) Small vehicles
- b) Large vehicles
- c) Buses
- d) Tractors or all agricultural vehicles and Large vehicles with lifting equipments
- e) Semi-Trailer Trucks
- f) Different types of Motor Bikes
- g) Tank Trucks

Table 5: Road Tax on Vehicles

Horse Power (HP)		Road Tax	Stamp Tax	Total
		Sh.so ('000)	Sh.so ('000)	Sh.so ('000)
HP 24				
>	Land Cruiser	1,204	24	1,228
>	Land Rover			
>	3F & 4F			
>	Nissan Petrol			
HP 21				
>	Surf	896	18	914
>	Hilux			
>	Paredo			
>	Toyota 4 x 4			
HP 18				
>	Mark II	588	12	600
>	Separated bus			
HP 14				
>	Bus jiir	448	9	457
>	Mark II Saloon			
>	Jeesar			
>	Mitsubishi			

Public Transport

HP	Road Tax sh,so ('000)	Stamp Tax sh,so ('000)	Total sh,so ('000)
HP 14			
> Bus jiir ah	224	24	248
> Mark II Saloon			
HP 21			
>			
HP 18			
> Mark II	280	6	286
> Bus Caravan			

Road Tax on Trucks (Tonne)

Type	Road Tax sh, so ('000)	Stamp Tax sh, so ('000)	Total sh, so ('000)
DEYNE 1 Tonne	112	2	114
DEYNE 2 Tonne	252	5	257
DEYNE 3 Tonne	192	8	200
DEYNE 6 Tonne	840	32	872
FUUSE 4 Tonne	504	11	515
CANDHA MEYDLE 8 - 12 Tonne	120	22	142

Type	ROAD TAX		
<u>Road Tax for Cars with Lifting Ability and those with Water Tanks</u>	<u>510</u>	<u>26</u>	<u>536</u>

2.2.6 2.3.5 Excise duty

Puntland Excise duty is based on presidential decree No. 3 on 23 May 1985 of last Somali Democratic Republic, which ratified the Excise Tax Act. Scope and details are clarified in between Article 1 and Article 19. Article 1 defines the Excise Tax - Tax levied on; Products manufactured wholly or partly in Puntland including assembling process, bottling, canning, refining or any other process. When such goods are imported the same rate of excise tax mentioned in table below shall be imposed in addition to customs duties.

Tax shall be levied according to the rate mentioned against each commodity in the table 6, also tax should be collected when goods are cleared for customs purposes and on goods manufactured locally at time such commodity is leaving factory premises.

Table 6: Excise Duty (Production)

No	Type of Products	Rate
1	Manufactured goods	2%
2	Agricultural produces	2%
3	Fish and Lobster	2%
4	Any other products	2%

- **The above Rates remain unchanged.**
- **When same goods as those manufactured locally are imported custom duty of 3% is imposed and payment shall made before goods leave the custom area.**

2.3.6 Courts Fee

Any civil cases brought in front of the courts are charged a fee known as courts fee – Law No. 109 dated 14 November 1975 Articles between 1 - 6 clarified scope and details of cases and fee payable by person submitting the case to be heard. Cases brought by government agencies, departments and local governments are not charged a court fee in the beginning but will be charged once the case is won in their favour.

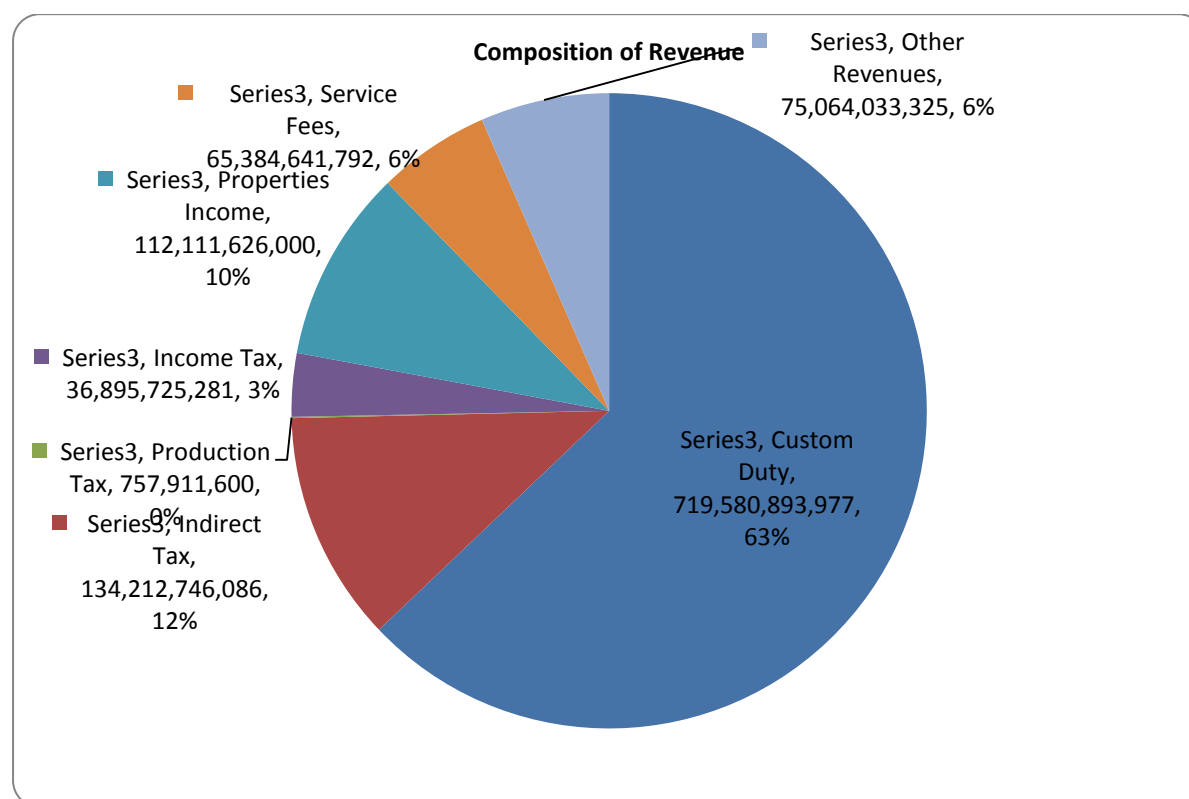
3. CHAPTER 3

3.1 Customs/Trade Tax

Customs duty may be charged on goods which are brought into or taken out of the State. The base of customs is from Law No. 1 dated 31 March 1961, The law requires that there is a dedicated customs department within the Ministry of Finance under Article 2 of the law. The law allows that customs duties to be specific or ad valorem and may be imposed, revoked or modified by decree of law. Customs Law consists of 43 Articles.

Punland State opted for the specific duties since its inception 1998 but over the last few years there were several attempts to study the ad valorem that uses total value of the goods and internationally harmonised rates from WTO. Punland Administrations have shown enthusiasm to move over to the latter system.

Fig: 2



3.2 3.1 Customs Law – Articles 22 – 29

Article 22 Offence of smuggling

1. Any person;
 - a) Who knowingly acquires possession of or is in anyway concerned in carrying, removing, depositing, concealing or in other manner deals with any goods with intent to defraud the customs authorities of any duties whatsoever due thereon, or
 - b) Who is in anyway knowingly concerned in any fraudulent evasion of any duties or of the laws and restrictions of the customs relating to the importation, unloading, warehousing, delivery, removal, loading and exportation of goods, or
 - c) Who, where any craft, ship, carriage or goods become liable to forfeiture under the customs laws is knowingly concerned in the act or omission which renders the same liable to forfeiture, shall be guilty of smuggling and shall for each offence be liable on conviction to a penalty of not less than three times or greater than ten times the amount of duty that should have been paid on the goods and all goods in respect of which such offence is committed shall be forfeited.
2. Any such person may be arrested and detained by any officer and, unless released on bail, shall within a period of forty-eight hours exclusive of the time necessary for the journey from the place of arrest to the competent court brought before a competent court to be dealt with according to law.

Article 23 Forfeiture of Ship or Arrival

If any ship or aircraft within the state or the waters thereof shall not obey any lawful order or any officer where upon chase shall be given, and any goods shall be thrown overboard on damaged to prevent seizure or to destroy evidence of smuggling, such ship or aircraft shall be forfeited.

Article 24 Aggravated Smuggling

1. If any person engaged in the commission of any offence against the customs laws be armed with an offensive weapon, he shall on conviction for any customs offense be liable to ten times the duty in respect of any goods in respect of which any offence has been committed and shall in addition be liable to imprisonment for a minimum term of one year or a maximum term of three years.
2. If any such person shall use any such offensive weapon for the purpose of attempting to cause any injury or shall cause any injury to any officer in the execution of his office or his duty, he shall be liable in addition to the penalty provided in paragraph 1 of this article to an additional term of imprisonment for a term not exceeding ten years.
3. When any offence under the customs law is committed by three or more persons associated for the purpose, the penalty for any such offence shall be not less than twice the minimum and each person shall be liable to a term of imprisonment not

exceeding twelve months or the penalty or imprisonment provided for the offence whichever is greater.

4. Where any person is convicted of any offence under the customs law, any such person has previously been convicted of any offence under the customs law, the penalty to be imposed on such person in respect of second such offence shall be not less than six times duty chargeable on the goods subject of the offence, and in respect of any offence after the second offence he shall be liable in addition to be sentenced to a term of imprisonment not greater than two years.

Article 25 Bail

1. When any person is arrested or detained without warrant in respect of a customs offence not punishable with imprisonment and is prepared at any time while in custody to give bail, such person shall be released on bail.
2. Prior to the appearance of the person before the competent court, the bail should be granted by the competent Customs Officers. The bail shall not be two thirds of the maximum penalty for the offence in respect of which he/she has been arrested or detained for.
3. This article shall not affect the power of any court or other authority to grant bail.

Article 26 Forfeiture of Modes of Conveyance

1. Where any conveyance of any kind is used in connection with any offence under the customs law, it shall be forfeited unless the owner satisfies the competent court that such mode of conveyance was not being used exclusively for the purpose of committing such offence and that the value of the goods which are the subject matter is disproportionate to the value of such conveyance.
2. Any ship of greater burden than two hundred and fifty tons may be released by the proper officer upon him being satisfied that the owners of such ship will comply with any orders of any competent court.

Article 27 Disposal of Forfeits

When any goods or modes of conveyance are forfeited under the customs laws, such goods or conveyance shall become the property of the government, and shall be disposed of in such manner as may be prescribed by regulations made by the Minister of Finance.

Article 28 General Penalty

Where any person is convicted of any offence against the customs laws for which no specific penalty has been provided, she/he shall be liable on conviction to a penalty of not less than Shs so. 200 and not more than Shs so. 1,200, or with imprisonment of not less than one month and not more than ten months, or both.

Article 29 Bribery

1. If any person shall offer or give any reward in kind or money, directly or indirectly to an officer for the doing or omission of any act in any way in relation to an officer's office or employment, such person shall be liable on conviction to a penalty of not less than So.Shs. 1,000 and not more than So.Shs. 2,000 and if the act or omission requested has been completed and any loss of revenue to the customs authorities has resulted such person shall be liable on conviction to imprisonment of not less than six months and not more than eighteen months or to a fine of not less than So.Shs. 1,000 and not more than So.Shs. 3,000.
2. Any officer, who accepts any such reward, or who on being offered any such reward fails to report the matter to his/her superiors shall be dismissed from the service, and if any loss of revenue has resulted from the act or omission, he/she shall in addition be liable on conviction to imprisonment for a term of not less than six months and not more than three years.

Article 40 Regulations

The Minister of Finance may make regulations for the further, better and more convenient effectuation of any of the provisions of this law, without prejudice to the generality of the foregoing, including:

- a) The conditions of temporary exportation and assessment of the duties on re-imported goods.
- b) The conditions of temporary importation and the assessment of duties to be paid on re-exportation.
- c) The obligations of owners, masters, agents and other persons in connection with the arrival, report, loading, unloading, procedure on arrival and departure, embarkation or disembarkation of passengers, search of persons on ships, aircrafts, vehicles and buildings or places, their powers of mandatory direction, arrest or detention of persons from or to any ship, aircraft, vehicle or other means of transportation.
- d) The establishment and operation of warehouses and customs areas, of deposits and withdrawals of goods and the conditions and procedure to be observed by persons operating or using warehouses.
- e) The coasting trade.
- f) The transit trade.
- g) The importation and exportation of goods.
- h) The importation and exportation by post.
- i) The powers, functions and duties of officers including the power of search of persons, ships, aircrafts, vehicles and buildings or places, their powers of mandatory direction, arrest or detention of persons or things.
- j) The forfeiture of goods, ships, aircraft or vehicles concerned in offences or evasions of the customs laws.
- k) The documents to be compiled and the fees to be paid by persons in connection with customs operations.
- l) Bonds and other securities, the conditions relating thereto and for their forfeiture, continuance or enforcement.
- m) Abandoned goods and the procedure concerning them.

- n) The hours of opening of customs offices and attendance by officers, the fees to be paid for overtime and other extraordinary expenses.
- o) Clearing agents.

3.2 Tariff Law

This law provides customs guidance on goods classifications, dutiable value and exemptions on imports and exports. The Legislative decree No. 5 dated 11 December 1968 consists 30 Articles that clarify in detail all related tariff issues. Customs Tariff in Puntland is based on tariff known as (Customs Cooperation Council Nomenclature) which their headquarters is in Brussels.

This tariff is divided into 21 sections which is further subdivided into 99 chapters, every section describes group of goods which their characteristics is first clarified in the introduction of each section (chapter explanatory notes). The principle of tariff is the classification of goods and each good is stated in its stages and sections. Sections are explained in the following;

3.2.1 Sections of Goods

S/N	Description
1	Live Animals Animal Products ,
2	Vegetable Products ,
3	Animals and Vegetables Fats & oils and their cleavage Products , prepared edible fats , animal & vegetable waxes,
4	Prepared Foodstuffs , beverages , spirits , and vinegar, tobacco
5	Mineral Products
6	Products of the chemical and allied industries
7	Artificial resins and plastic materials, cellulose esters and others , and artificial there of rubber, synthetic rubber factice, and artificial there of .
8	Raw hides and skins , Leather , Firkins and artificial there of saddlery and harness , travel goods Hal bags and similar containers articles of gut other than silk worm gut
13	Articles of stones, of plaster, of cement , of asbestos of mica and of similar materials, Ceramic Products , Glass and Glassware .
14	Pearls , precious and semi precious stones , precious metals ,rolled precious metals , and articles thereof , imitations jewelers ,coin .
15	Base metals and articles of base metals.
16	Machinery and mechanical appliances, electrical equipments, parts thereof.
17	Vehicles, aircrafts and parts thereof, vessels and certain associated transport equipments.
18	Optical ,Photographic ,cinematographic , measuring chuckling ,precision , medical and surgical instruments and apparatus ,clocks ,and Watches ,Musical instruments ,Sound Recorders and Sound Producers , and Producers , magnetic , parts thereof .
19	Arms , and ammunition , parts thereof .
20	Miscellaneous Manufactured articles.
21	Works of arts, collectors' pieces and antiques.

3.2.2 Dutiable Value

Dutiable value of goods is a normal price of the said good which means all the charges relating to the sale and delivery of the goods up to the port or point of entry into the State and which is the sale affected under fully competitive conditions between an independent buyer and independent seller at the date on which the goods are inspected.

For the assessment of the normal price, all charges relating to the sale, dispatch and delivery of the goods as for as the port or place of entry should be included, such as;

- a) Freight, insurance, commission, brokerage and loading.
- b) All other charges, taxes and expenses incurred abroad in connection with the sale.
- c) Exceptional discounts.
- d) Price discounts to sale agents shall also be taken into consideration for inclusion in the dutiable value.
- e) The dutiable value of the goods shall include the value of the inner and outer containers and packing in general, and when the value of the containers and packing exceeds the value of the goods, it shall be subject to separate duty.

3.2.3 Methods of Valuation

- a) Transaction value: is when an invoice is to be used for assessing customs value, and if the conditions for using the transaction value are accepted, the customs value will be the price on the invoice for the goods in question and that should be the net price "CIF" which means that all charges incurred abroad in connection with sale are included. However, it is vital to ensure before the acceptance of the invoice;
 - i. That all the data contained in the said invoice are correct and in conformity with the relevant regulation.
 - ii. That it is an actual invoice.
 - iii. That it covers that consignment in question, showing;
 - The supplier's name and address
 - Specification of the content of the consignment such as quantity, quality, marks and weights etc.
 - Conditions of sale, payment, place of loading and place of delivery.

When the invoice is for a different item a separate indication of price for each price unit should be shown separately, and if the value on the invoice is indicated in foreign currency, conversion into Somali Shillings shall be effected at the official rate in force on the day when inspection of the goods begins.

b) Valuation list

In cases, where it is not possible to assess the customs value in accordance with the transaction value method, whether the invoice is not available or when the value indicated in the invoice is not acceptable the value shown in the valuation list of the customs is to be applied.

c) Alternative methods

Where the invoice value cannot be determined on the basis of method 1 or Z, the value of identical or similar goods could be taken using either a transaction value or the valuation list of the customs. “Identical goods” means goods produced in the same country which are the same in all respects, and “Similar goods” might not be alike in all respects but should be alike in characteristics and of alike component materials which enable them to perform the same function.

Please note, where the customs value cannot be assessed in any of the fore-mentioned methods, it is advised to notify the Director of Customs for setting up a value for that goods.

3.2.4 Exemptions

The following goods shall be exempted from import duties on the conditions specified;

- a) Objects belonging to foreign sovereigns or Head of State who come to stay in Puntland on a basis of reciprocity.
- b) Objects and Motor Vehicles belonging to diplomatic or consular agents accredited to the Puntland State on a basis of reciprocity. Objects necessary for the initial establishment of diplomatic and consular offices, Motor Vehicles and other objects for official use, on the basis of reciprocity.
- c) Objects and Motor Vehicles belonging to the representative, officials and experts of the International Organisations in its Specialised Agencies and other International Organisations in accordance with Agreements ratified by Law.

Objects and Motor Vehicles for official use of the United Nations Organisation, its specialized agencies or other International Organisations and objects and Motor Vehicles necessary for the execution of projects carried out in Puntland by these organisations in accordance with agreements ratified by law except for more comprehensive concessions under agreements converted in law, one Motor Vehicle every three years for experts contracted and paid by foreign governments or International organisations, for the execution of bilateral technical assistance programmes in Puntland. The exemptions are granted by the Ministry of Finance with prior authorisation.

Customs permits the sale or other disposal of objects or motor vehicles imported duty free to persons or for purposes other than those originally stipulated after payment of import duties due on the basis of the value of the objects or motor vehicles at the time

of their sale or disposal.

- d) Personal belongings, furniture, radio receivers, sound recorders, cameras, cinematographic cameras and projectors(8mm), firearms, typewriters and sewing machines, household items, professional tools and instruments excluding motor cars belonging to persons taking up residence in Puntland for whatever reasons provided the items are all used and are not excessive in relation to the status of the person concerned.

The goods may be imported in separate shipments within six months from the date of the person's arrival in Puntland. Exemptions shall be granted by the customs authorities on submission of an application together with an itemised list of the goods to be imported in one or more shipments, and also a residence certificate issued by the municipal authorities or an equivalent document.

- e) Traveller's personal belongings, firearms, cameras, cinematographic cameras (8mm), sewing machines and typewriters, portable furnishings and instruments, and the small provision of books and bed and table linen they bring with them, provided the items are all used and are not excessive in relation to the status of the persons concerned.
- f) Clothes, used theatrical props and operatic scores which actors and singers bring with them, entertainers used instruments and performing animals for public performances. Exemption shall be granted on submission to the customs authorities of an itemised list of the foregoing articles.
- g) Objects used in religious worship which are sent to religious missions and communities in the State.
- h) Publications and other objects donated directly to cultural institutes or organisations or organisations and to be used for scientific or cultural purposes.
- i) Sample of goods, provided they are not directly utilisable.
- j) Publications, diaries, calendars, booklets, postcards, posters, metal plates, albums, illustrated and other catalogues, and price lists to be distributed free of charge to advertise tourism or business.
- k) Stamps, stamped paper, bank notes and other instruments of credit.
- l) Goods imported directly by the governments or purchased after their arrival but before they are cleared through the customs. In the latter case, exemption shall be granted only on submission of an authorisation issued by the Ministry of Finance.
- m) Materials required for organising the Desert Locust Survey, for use in the antilocus campaign and for the malaria eradication campaign.
- n) Gifts and aid in kind to populations struck by public disasters.
- o) Artificial limbs and invalid wheel chairs.
- p) Materials to be used exclusively by the blind, imported by the organisations for assistance to or re-education of the blind, or institutions attached to them.
- q) Machinery, parts thereof, shipbuilding materials for ships sailing under any flag.
- r) Selected domestic animals, male and female, for breeding and domestic animals to be used in agriculture.
- s) Live trees and other plants, slips, cuttings, tubers, selected seeds for field and kitchen garden crops, fertilisers and parasitic ices to be used exclusively for agriculture,

provided they are imported directly by the agricultural establishments concerned or their exclusive agricultural use is provided.

- t) Professional fishing equipment, but not equipment for fishing as a sport.
- u) Shops' stores, excluding monopoly goods, for the exclusive use of passengers and crews, to be used during the voyage and while the ships are in port or in roads, subject to the guarantees and limitations laid down by the customs authorities.
- v) Packing materials and packing of any kind needed for the transport of fruit and vegetables to be exported, subject to the guarantees laid down by the customs.
- w) Jars, boxes, cans and other containers for foodstuffs to be exported, subject to the guarantees laid down by the customs authorities.
- x) Fuels and lubricants for the serving of:

- 1. Ships leaving or operating outside the territorial waters
- 2. Aircraft leaving with destiny abroad including those making intermediate stops in the Puntland Territory

- y) Coffins and urns containing remains of deceased persons transported to Puntland, and ornaments thereof. Exemption shall be granted by the customs authorities on submission of an authorisation issued by the relevant authorities.
- z) Wreaths and ornaments for graves in Puntland.
- aa) Goods of proven Puntland origin. Such exemption shall be granted to the owner of the goods on behalf of whom the export was affected, subject to submission of the expert customs clearance document and provided the goods are re-imported within one year from the date shown on the document.

3.2.5 Customs Procedures

Overview of the customs clearance process in the Port

- 1. Vessel arrival – The vessels manifest of cargo is delivered to manifest control section with individual way-bills
- 2. Examination – customs conducts a tally of the goods that have been discharged from the vessel onto the wharf
- 3. Compliance check – The Manifest Control Section receives the tally report and compares it to the individual waybills presented with the ships manifest. If there is a discrepancy the examination unit is instructed to conduct a second tally examination.
- 4. Acceptance – The Manifest Control Section accepts the tally counts the tally sheet is forwarded to the evaluation section.
- 5. Classification and Duty Calculation – The evaluation section receives the tally sheet and prepares a “Bolletto Dogonale”. The goods are classified according to the tariff with specific duty rate applied. The customs duty is calculated followed by the internal levies and important taxes.
- 6. Accounting Re-Verification – The Accounting Unit reviews the tariff rates used are correct and re-calculates the duty and other taxes as an assurance that the total amount payable by the importer is correct.

7. Compliance – The “Bolleto” is then returned to the Manifest Control Unit who check that all calculations have been made according to the previously accepted quantities. If all is correct the imported is given the all clear to go to the bank and make payment.
8. Payment – The importer or Agent is given a copy of the “Bolleto” with the total amount payable so that arrangements can be made to pay the money into the government bank account.
9. Release – The importer presents the paperwork with evidence of payment to an officer of the Examination Unit who conducts a final check and comparison with the goods and paperwork and authorises the goods to be released.
10. Exit – The goods and paperwork are presented to the Fiscal Police at the Exit Gate who conduct their own tally before allowing the vehicle carrying the goods to depart the port.

Proposed way forward

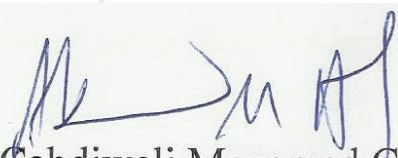
Modern customs processes and procedures are conducted in a manner where it is the responsibility of the owner or their agent to submit to customs in the first instance a declaration that details the goods that they wish to import or export. Customs using a combination of strategic risk management, operational risk assessment and documentary examination are then able to make more informed decision of the risk posed by the consignment for fraud based revenue loss, narcotics, weapons or other prohibited items.


New proposed clearance process;

1. Vessel arrival – the vessels manifest of cargo is delivered to the Manifest Control Section with individual way-bills.
2. Presentation of Declaration and Supporting Documents – The importer/Broker completes a declaration of goods to be entered for home consumption. Declaration to include quantity, description, value and origin of the goods as well as details of consignee and consignor. Supporting documents to include way-bill, consignment notes and invoices (This will be further developed to become an SAD in the future with tariff classification and duty and taxes calculated by the importer).
3. Classification and duty calculation – The Evaluation Section receives the declaration and ensures all required documents and information is provided. A “Bolleto Dogonale” is prepared in accordance with the declaration. The goods are classified according to the tariff with specific duty rate applied. The customs duty is calculated followed by the internal levies and import taxes.
4. Payment – The Importer or Agent is given a copy of the “Bolleto” with the total amount payable so that arrangements can be made to pay the money into the government bank account.
5. Risk assessments of Documents – All documents and proof of payments are presented to the Manifest Control Section who reviews all of the documents for compliance and compares to the tally sheet prepared by the Port Authority. The officer takes into account the importers history, the discrepancies in the paperwork

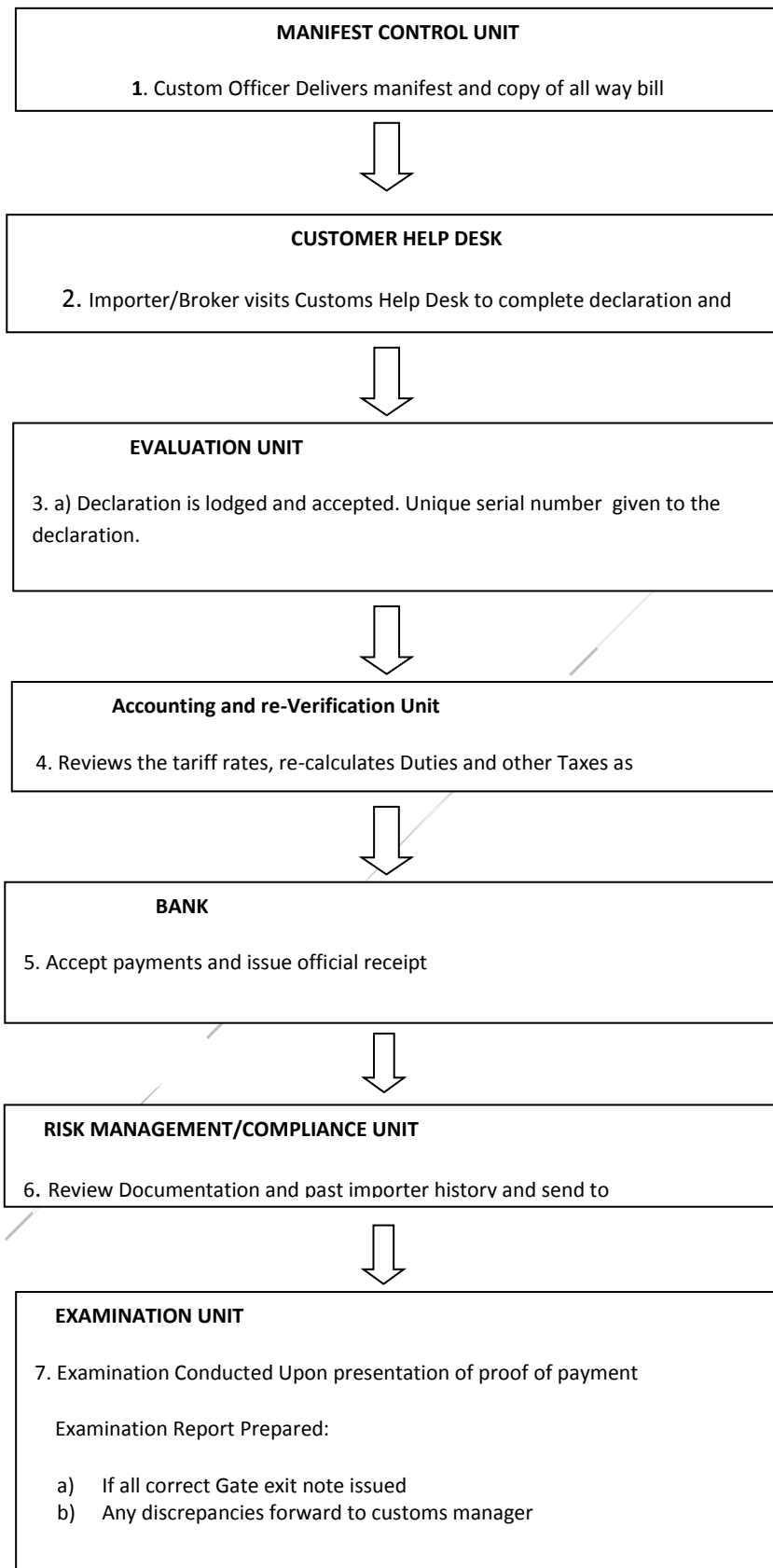
and the likelihood of smuggling according to tariff rates of the commodity and makes a “risk based” decision to send the consignment for examination or to release the goods without examination.


6. Examination – Examination officers conduct an examination according to instructions and identify any discrepancies or not. A report is prepared that identifies the goods and their quantities. All excess or undeclared goods are detained and reported to Manifest Control Unit.
7. Compliance – The Manifest Control Unit check the examination report and compare it to the declaration documents. If there are any excess /undeclared items a list is prepared and sent for “Declaration Amendments” where secondary classification, duty calculation, penalty calculation and payment occur. Nil discrepancies then a release order is prepared.
8. Release – If no discrepancies found during examination or after proof of payment after amendment the Manifest Control Unit prepares a release order so the importer can take possession of the goods and depart the port.
9. Exit – The goods and paperwork are presented to the fiscal police at the Exit Gate who conduct their own tally before allowing the vehicle carrying the goods to depart the Port.
10. Post Clearance Verification – All documentation is returned to the Accounting Unit who reviews the tariff rates used are correct and re-calculates the duty and other taxes as an assurance that the total amount paid is correct. If there are any discrepancies then the importer is contacted to arrange payment of a supplementary bill.


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Customs Clearance Procedure



	Ministry of Finance Department of customs and Revenue	CUSTOMS DECLARATION FORM

Customs Procedure	Import	License Registration	Date of Arrival/Departure	Way bill No.	Mark
	Export				

Name/Agent :	Address:	Tell:
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LINE	DESCRIPTION OF GOODS	Quantity	Unit	Total
1	Shaarar	10 cts	4Dersin	40Dersin
2	Shidaal	100 fuusto	200 ltrs	20000ltrs
3	Timir	200 cts	15 kg	3000kg
4				
5				
6				
7				
8				
9				
10				
11				
12				
13				
14				
15				
16				

I -----declare that I am the owner /authorized agent for the owner of the listed goods and that all information provided is true and correct.	SIGNATURE	
	DATE	

