



# Republic of Somaliland



## The Body of laws on Direct Taxation

Note :- this edition is the edited version of the Body of Laws on Direct Taxation  
made \_\_\_\_\_

# Republic Of Somaliland

Law No.86/96

Date 13/03/96

## The Body of Laws on Direct Taxation

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Legislative Decree ..89/96, No.JSL/XERM/249; Date 15/05/96  
Body of Laws on Direct Taxation. (See last page)

**Body of Laws on Direct Taxation**

*The president of the republic of Somaliland*

HAVING SEEN the legislative decree, 5 November 1966, No.5  
HAVING SEEN the Somaliland Charter of 1993;  
RECOGNISING the necessity of issue a body of laws on  
direct taxation suitably amended;  
ON THE PROPOSAL of the Ministry of Finance;  
WITH THE APPROVAL of the Constituent Assembly

**DECREES**

The body of laws on direct taxation, attached to this  
legislative decree, is hereby approved.  
This legislative decree shall come into force on 15/05/1996  
All persons shall be required to observe it and cause  
others to observe it as a law of the state.

**THE BODY OF LAWS ON DIRECT TAXATION**

**PART 1  
TITLE 1**

**GENERAL PROVISIONS**

**CHAPTER 1**

**IMPOSITION OF TAX**

**Article 1**

***Territorial application of the tax***

Income tax shall be charged upon income accruing or  
received in the territory of the Republic of Somaliland.

**Article 2**

***Basis of Assessment***

Income tax shall be charged upon the income, accruing or  
received, in cash or in kind, whether of a permanent or of

an occasional nature, deriving from capital work or both or from any other source.

**Article 3**

***Period in respect of which tax is payable***

Income tax shall be payable for the period during which the chargeable income accrues or is received.

**Article 4**

***Prohibition to charge tax more than once upon the same income***

Income tax shall not be charged more than once upon the same income, even in the name of different person.

**Article 5**

***Year of assessment***

1. For the purposes of income tax, the year of assessment shall commence on 1 January and end on 31<sup>st</sup> December in each year.
2. Income tax shall be charged, for each year of assessment, upon the aggregate amount of the net income of the person assessed, accruing or received during the year proceeding the year of assessment.
3. The year proceeding the year of assessment shall be the calendar year in which the chargeable income accrues or is received.
4. Where the financial year of a company or association assessable on the basis of its balance sheet does not coincide with the calendar year, the year of assessment in respect of that company or association shall be the year in which the balance sheet is made up in accordance with law or by laws.
5. The aggregate amount of the net income referred to in the previous paragraphs shall constitute the chargeable income tax of the person assessed.

**CHAPTER II**  
**PERSONS ASSESSABLE**

**Article 6**  
**Persons assessable**

1. Income tax shall be charged in the name of physical or juridical persons, whether public or private.
2. Where the person assessable is an alien or a company or association established abroad, income tax shall be charged upon that portion of income, which accrues or is received in the Territory of the Republic of Somaliland

**Article 7**  
**Taxation of husband and wife**

1. Husband and Wife shall pay the income tax separately, on the basis of their respective incomes.
2. Where husband and wife are the holders of separate trade license, and the respective activities are carried on at the same premises, their incomes shall be consolidated, and the tax shall be charged in the name of the spouse carrying on the prevailing activity.

**Article 8**

**Taxation of Representatives of incapacitated persons and persons assessable not resident in the state territory.**

1. A minor or incapacitated person shall be assessable and chargeable to income tax in the name of his legal representative.
2. A person not resident in the state territory shall be assessable and chargeable to tax in the name of his receiver, guardian, and curator or of any attorney, Factor, agent, representative, branch or manager, in respect of any income arising whether directly or indirectly, through or from any warrant of attorney, agency, office, branch or administrative departments.

**Article 9**  
**Taxation duties of persons assessable and legal representative absent from, or not resident in the State territory**

1. A person or his legal representative who absents himself from, or does not reside in the territory of the Republic

shall for proposes of compliance with the fiscal obligations referred to in this Act, appoint a representative in the State territory and notify such appointment in writing to the competent office which may request the deposit of a suitable security for the payment of the tax.

2. Where any such person or legal representative fails to appoint a representative or notify the appointment, the competent office shall notify any ascertainment, additional assessment or other notice by posting it for thirty consecutive days on the notice board of the local Administration or District office of one the localities indicated in Art, 29.Par 1.
3. The local Administration or District office shall certify the posting in the return of the notification.

#### **Article 10**

##### ***Responsibility of Legal representatives***

The legal representative of a minor, an incapacitated person and a corporate body of persons shall be responsible, under the terms of this Act, for the ascertainment and assessment of the income received by the person represented by him. He shall also be responsible for the payment of the tax, within the limits of the estate of the person represented.

#### **Article 11**

##### ***Responsibility of heirs***

1. In the case of death of the person assessable, his heirs, personal representative, or custodian of the estate in abeyance or of the estate accepted without liability to debts beyond the assets descended, shall submit the return of the income in the year of assessment following the year in which the death occurred, and shall perform any other act prescribed by this Law.
2. The personal representative and the custodian of the estate in abeyance or of the state accepted without liability to debts beyond the assets descended, shall also be responsible, within the limits of the deceasedestate, for the payment of the tax due in respect of the years preceding the year of death, in accordance with the ascertainments made by the competent office or with the adjustments of returns.

*CHAPTER III*

*CHARGEABLE INCOME*

*Article 12*

*Chargeable income*

1. Except as otherwise provided by Act, income tax shall be charged upon the following incomes accruing or received, in the territory of the Republic of Somaliland.
  - a) Profits from any industrial, commercial, professional or vocational activities, irrespective of the duration of such activity
  - b) Interest or discounts, charges or annuities, rents and royalties.
  - c) Occasional and extraordinary gains and any other income of any nature whatsoever from other sources.
  - d) Agricultural incomes.
  - e) Real or presumed income from building and from any other permanent, structure even if used by the owner and on his behalf or by another for the purpose of residence or enjoyment, and not for the purpose of gain.
  - f) Pensions and incomes from employment, of any nature whatsoever, paid under the terms of a contract of employment.

*Article 13*

*Income from contracts and similar sources*

Income derived from contract for works or supplies, trusteeships, guardianships, and similar sources, whose duration exceeds one calendar or financial year, shall be calculated on the basis of the profit received and expenses incurred in respect of the activity carried on the year preceding the year of assessment, taking into account the risk involved in the activity.

*Article 14*

*Income form industrial buildings*

1. Income tax shall be jointly charged upon the income from buildings and other permanent structures used for the purpose of carrying on an industrial activity, and upon the income derived from such industrial activity, provided that the

industrial activity is directly carried on by the owner of the building.

2. Where the industrial activity is not directly carried on by owner of the building, the income tax shall be charged upon the rent at the rate provided for the tax on the income from buildings,.

**CHAPTER IV**

**EXEPTIONS**

**Article 15**

***Persons exempt from income tax***

The following shall be exempt from income tax:-

- a. The President of the Republic of Somaliland, in respect of his annual emoluments.
- b. the State and Local Administrations;
- c. International Organization bodies, in conformity with the generally accepted rules of international law and international treaties binding on the Republic of Somaliland.
- d. Diplomatic agents of foreign State, in respect of their salaries and any other emolument received in connection with their function.
- e. Consular agents of foreign States, in respect of their salaries and any other emolument received in connection with their functions;
- f. Expatriate 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.
- g. 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.
- h. 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.
- i. Companies, societies and bodies which are the holders of mining or oil concessions, where the concession agreement approved in the manner, prescribed by law provides for the

payment of direct taxes inclusive, or in lieu of income tax.

**Article 16**

***Income Permanently Exempt form Tax***

Income tax shall not be charged upon the following:

- a. Buildings used for public worship, and their appurtenances.
- b. Cemeteries and their appurtenances.
- c. State owned buildings.
- d. Buildings housing foreign embassies, legacies or consulates, provided such buildings are the property of the States represented by such embassies, legacies or consulates.
- e. Buildings used as schools including private schools, provided such schools are organized on a non-privet basis and are authorized by the Ministry of Education.
- f. 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 SL 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.
- g. 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 disbursement of profit undistributed and set aside in the reinvestment fund.

**Article 17**

***Temporary exemptions in favor of industrial or agricultural enterprises***

1. The Ministry of Finance may, as an exceptional measure, and for a period not exceeds 10 Years, wholly or party 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.