



HELP DEVELOP SOMALILAND - BE A GOOD TAXPAYER

TAXPAYER REGISTRATION IN SOMALILAND



INTRODUCTION

Paying taxes is a legal duty for Somalilanders as for people in any civilised society. The money paid in taxes goes directly to services the government provides, such as security, health and education. To help Somaliland move forward, the Ministry of Finance is implementing a new Revenue Act, which became law on 16 July 2016.

One key change is creating a taxpayer accounting system. This will help make the tax system fairer, by ensuring every taxpayer pays the right taxes according to law. It requires the Ministry's Inland Revenue Department (IRD) to compile and maintain a tax registry of all the businesses and individuals required by law to register.

The mission of the IRD is to collect tax and non-tax revenues by:

- Collecting revenues that contribute to the prosperity of Somaliland
- Applying the Somaliland tax laws with fairness and efficiency to all taxpayers
- Assisting taxpayers to meet their tax obligations.

If you have a business, or are an employer with tax withholding responsibilities such as an NGO, project or government institution, you will be required to register and obtain a Taxpayer Identification Number (TIN).

WHAT IS A TIN?

Registration involves assigning a TIN to you, and issuing you with a Taxpayer Registration Certificate. Your TIN is your unique tax identifier. Once issued, it will be used to identify all your tax transactions and dealings with the Ministry of Finance for tax related purposes. It will also be used for all communications between you and the IRD and Customs Department. It will ensure that the returns you file and payments you make are correctly identified to you, and enforcement action is not started unnecessarily.

The TIN will be used for all types of taxes that you must declare and pay on a periodic basis. Depending on your circumstances, these may include Business Income Tax, Employment Income Tax (Payroll Tax), Rental Income Tax, Withholding Taxes, Sales/Goods and Services Tax, and Excise Taxes.

WHO NEEDS TO REGISTER AND OBTAIN A TIN?

Every person, individual and non-individual, that is required by law to file a tax return, including an income tax return, a sales tax/goods and services tax return, an excise tax return, or a rental income tax return, will be required to register as a taxpayer. In addition, every person responsible for withholding tax under the Revenue Law, including withholding from employment income paid to employees, will be required to register as a taxpayer.

A legal entity should only register once, and there are penalties for improper use of a TIN (liable on conviction to a fine of at least \$US 2,000, imprisonment of up to a year, or both). A business that operates from multiple locations (branches) should only apply for one TIN to cover its head office and all of its branches, even if the branches carry on different types of business.

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WHY SHOULD TAXPAYERS REGISTER?

Obtaining a TIN will help to provide a fair and just tax system for you, and for all taxpayers, large and small. The filing and payment tracking that proper taxpayer registration and accounting provides will be critical to ensure that the returns you file and taxes you pay is correctly recorded against your name, and you will not be subject to unnecessary enforcement action. This is why taxpayer registries exist in virtually every other African country.

In addition, being registered for taxes will increasingly be an important part of doing business in Somaliland:

- The IRD will be able to provide better support in the future for registered businesses' tax affairs such as timely advice of changes in the system, and reminders about tax deadlines;
- Registration is a way of becoming involved with the system, with potential future opportunities for registered taxpayers to have their say in shaping the tax system so that it works effectively for all;
- In future, tax clearances will only be given to businesses with a TIN, and only businesses with a TIN will be able to:
 - o tender for Government procurement contracts,
 - o receive payment for providing goods and services to Government,
 - o receive or renew annual business licenses from the Ministry of Trade, Industries and Tourism,
 - o import or export goods to, from or through Somaliland, or
 - o have transfers of property registered by notaries.



Displaying your Taxpayer Registration Certificate will show your customers that you are making a positive contribution to Somaliland.

WHEN DO I NEED TO REGISTER?

Existing businesses whose gross annual turnover exceeds SL/Shs 5 million per annum must register with the IRD and obtain a TIN and Taxpayer Registration Certificate. Smaller businesses may register, and will need to do so in order to get a tax clearance.

New businesses or other entities that commence taxable activities must register within 21 days of becoming liable to register.

HOW DO I GET REGISTERED OR FIND OUT MORE??

The Taxpayer Registration Unit is a division of the IRD. Taxpayers should obtain the taxpayer registration form TPRF01. The form and detailed instructions for completing the form are available from the Taxpayer Registration Unit, or can be downloaded from somalilandmof.org.

In addition to completing the form, you need to bring with you copies of your national identity card, passport, trade license, and, for companies, "articles of association" as applicable.

The Taxpayer Registration Unit can also answer enquiries about TIN and registration related matters and can be contacted in person, by phone, or by email. Any IRD Office can also answer TIN and registration related enquiries.

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