Federal Government of Somalia
Ministry of Finance

June 2024

Somali Medium Term Revenue Roadmap 2024-2027

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ACRONYMS

MTRR	Medium term Revenue Roadmap
GDP	Gross Domestic Product
EAC	East African Community
SOMCAS	Somali Customs Automated System
ITAS	Integrated Tax Administration System
HIPC	Heavily Indebted Poor Countries
IMF	International Monetary Fund
SNBS	Somalia National Bureau of Statistics
NDP	National Development Plan
NTP	National Transformation Plan
FGS	Federal Government of Somalia
SFMIS	Somalia Financial Management Information System
HS	Harmonized System Codes for Commodity Classification)
VAT	Value-Added Tax
IGFF	Inter-Governmental Fiscal Federalism
DRM	Domestic Revenue Mobilization
MDAs	Ministries, Departments, Agencies
WB	World Bank
SERP	Somalia Enhancing Public Resource Management Project)
FCDO	Foreign Commonwealth and Development Office
PREMIS2	Public Resource Management in Somalia
WCO	World Customs Organization

FORWARD

The federal government of Somalia, building on its recent efforts of domestic revenue mobilization, establishes this Medium Term Revenue Roadmap -MTRR, which provides a framework for mobilizing more revenues to finance the government operations and more importantly deliver the public services. Pursuing to maintain a 0.3 percent of revenue/GDP growth and meeting the operational expenditure of the government by 2027, the anticipated reforms are based on three priorities namely, continuing revenue mobilization, improving the administrative capacity of our tax administration and lastly the policy priority of the government particularly fiscal (tax) harmonization and EAC integration.

The MTRR underlines a set of tax policy and administration reforms of over three years, specifically from July 2024 to June 2027. From the tax policy perspective, we planned to finalize and implement the new income tax law, reform sales tax, hardly work on integrating Somalia to EAC customs and trade union, complete the policy and legal foundations of extractive industry and achieve milestones on the revenue aspects of the fiscal federalism.

Furthermore, the planned revenue administration reforms include improving tax administration and enforcement capacity to mobilize more revenues from income tax, sales tax and road tax, continue modernizing customs administration and effectively communicating and educating taxpayers. These measures will be supported by use of technology (SOMCAS, which is already operational and soon to be developed ITAS), harmonization of tax and customs system with federal member state and staff capacity development.

Reflecting our commitment towards a simple and robust tax system, the MTRR sets out the road-map that is also aligned with the country's vision and strategies and its post-HIPC economic priorities. Hence, its successful implementation calls for inclusive support of all valued taxpayers stakeholders and development partners.

H.E Bihi Iman Egeh
Minister of Finance

PREFACE

TThis Medium-Term Revenue Strategy will support the Federal Government of Somalia (FGS) to mobilize extra domestic revenues, which is currently low despite the past decade-long reforms.

The roadmap is the first tax policy and revenue administration developed after Somalia achieved debt relief, covering the period, from July, 2024 to June 2027. The roadmap strategy provides a framework to undertake a set of tax policy and revenue administration reforms over the medium term, to expand the tax collection base, create an efficient tax administration and enhance taxpayer compliance.

The roadmap strategy is developed against major fiscal targets that are needed to be achieved in the medium-term. The reforms provided in this roadmap are essential to address the critical need for increased domestic revenue, which is fundamental to reducing dependency on external grants to finance the government operations and the provision of essential public services to the Somali citizens.

Through this roadmap, we aim to create a transparent and efficient tax system that encourages voluntary compliance, reduces exemptions and incentives, and integrates advanced technological solutions for e-administration. The Federal Government of Somalia is dedicated to fostering an equitable and inclusive economic environment, where taxpayers can confidently contribute to the nation's development.

We acknowledge the vital role of our development partners particularly the International Monetary Fund (IMF) and World Bank Group (WBG) for their feedback and valuable comments to improve the quality of the roadmap. We also acknowledge the role of the government institutions, private sector and other esteemed stakeholders in the implementation of this ambitious endeavor. Together, we will work towards a prosperous future, underpinned by strong economic governance and sustainable fiscal policies to achieve our targets and objectives.

Feisal M. Hashi,
Director General of Revenue,
Ministry of Finance

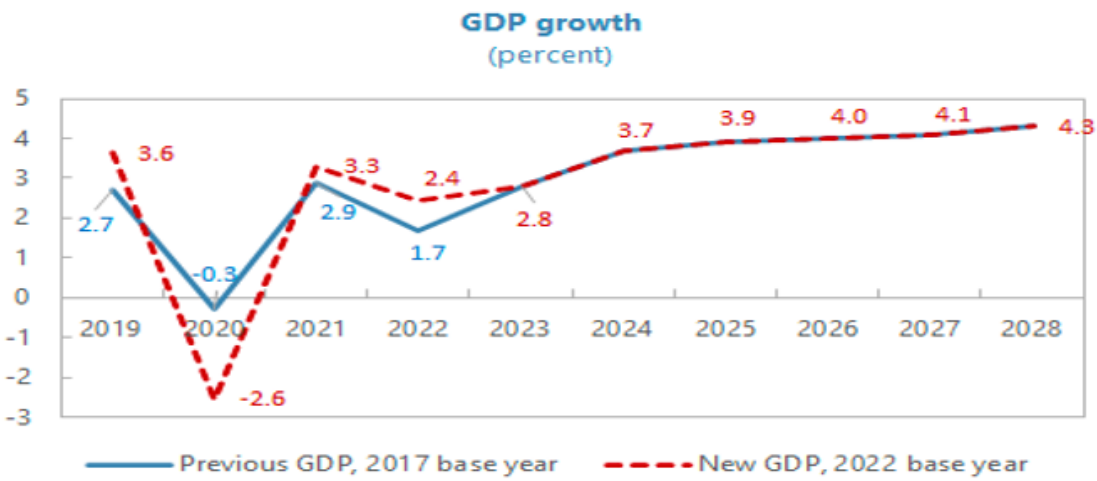
BACKGROUND

Economic Context

Somalia's economic trajectory over the past decade reflects a notable recovery marked by significant macroeconomic and institutional development reforms. Key milestones include rebuilding the national economy, strengthening the capability of the private sector, and improving overall economic governance. Despite these achievements, Somalia remains vulnerable to global economic crises, climate shocks such as droughts and floods, fluctuations in remittance inflows; and a decline in livestock exports. Inflationary pressures, exacerbated by poor rainfall and El Niño-related floods, have further compounded economic challenges and hindered economic growth.

According to the (IMF 2024; SNBS 2024), the real GDP of the economy is forecast to grow by 3.7 percent in 2024, an improvement from the 2.8 percent growth forecast for 2023 (see graph below). This projected economic growth is attributed to the recovery of crops and livestock, an expected increase in remittance inflow, and improved national stability and security. Growth is expected to reach 3.9% in 2025 and 4.1 percent in 2027. Wider state-building, governance transformation, a private-sector-led economy, increased investment opportunities, and the recovery of crops and livestock are expected to support this robust economic growth.

Figure 1: GDP growth rate



Source: SNBS (2024), IMF (2024).

In 2023, the Federal Government of Somalia (FGS) launched its first Centennial Vision 2060 (CV2060), providing a long-term blueprint to guide the nation's development plans and strategies. This vision is anchored by medium-term strategies and policies such as the ongoing National Development Plan (NDP) and the new National Transformation Plan (NTP) to support sustainable economic growth and achieve long-term developmental goals. Concurrently, implementing these comprehensive development strategies will require a supportive and robust fiscal framework, enhanced domestic revenue mobilization, and public financial management to ensure medium- and long-term financial stability and economic growth.

The proportion of domestic revenue in Somalia's GDP showed persistent but low growth from 2018 to 2022, with an average annual increase of 0.1 percentage points, followed by a significant increase of 0.4 percentage points in 2023. Fiscal year 2023 showed improvement compared to previous years, as the domestic revenue's share of GDP increased from 2.5 percent in 2022 to 2.8 percent in 2023. This progress can be attributed to various factors, including increased tax and non-tax revenues, particularly from customs duties. However, the domestic revenue collection in Somalia remains critically lower than the sub-Saharan African average of 16 percent recorded in 2021[1].

The current level of domestic revenue in Somalia is insufficient for financing public services and social development, underscoring the need to develop a medium-term roadmap for tax policy and administrative reforms.

Revenue performance 2013–2023

The tax system is the only sustainable source of financing for Somalia's development. The long-term vision of supporting economic growth, social development, and a strong private sector can be achieved only through a strong fiscal system. However, the country's fiscal system is still in its early stages of development. Thanks to the efforts of its precursor transitional governments, the federal government re-established the tax system in 2012 after more than two decades of conflict. Since then, progress has been gradual yet modest.

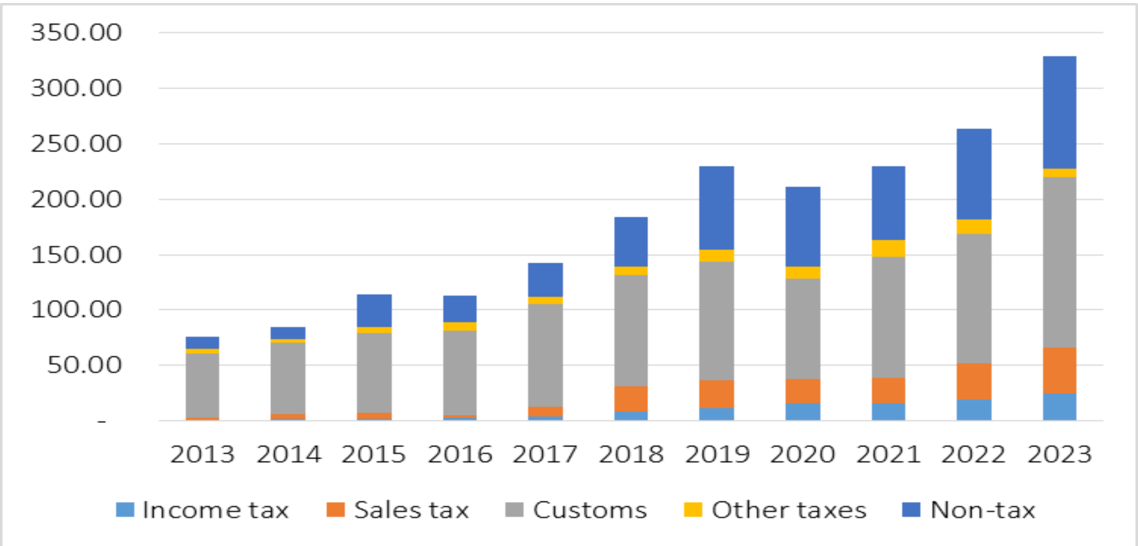
The FGS also relies heavily on grants from international partners to fund

1. IMF report 2021, Revenue Mobilization in Sub-Saharan Africa during the Pandemic

operational expenditures and development projects. In 2020, domestic revenue covered approximately 43 percent of total expenditure, with the remainder covered by external grants. This reliance on external grants increased in 2022 when they covered 64 percent of the total expenditure. Following the HIPC Completion Point, development partners are expected to gradually shift their external financing from grants to concessional borrowing. With grant financing being unsustainable, Somalia needs to further increase its domestic revenue to cover operational spending in the short term and expand public services and investments over time to protect fiscal sustainability.

Federal government revenue collection has increased more than fourfold over the past decade. In 2023, domestic revenue collection stood at $329.5 million rising from only $69 million in 2013. Before that, domestic revenue had been on an upward trajectory since 2013, except in 2020, when it was affected by the COVID-19 pandemic, resulting in an 8-percent reduction. However, the current amount of revenue being collected is insufficient to cover continually expanding public services and government operations.

Figure 2: Revenue performance 2013-2023 in millions of USD

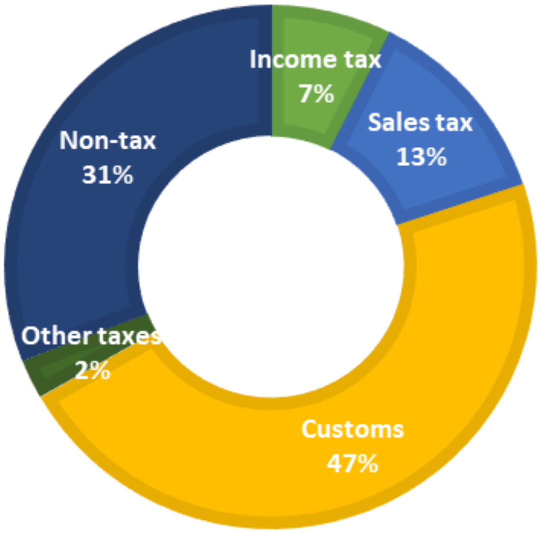


Source: MoF (2024).

The FGS collects taxes on income, consumption (sales tax), and international trade (customs), as well as through non-tax revenue and other small taxes.

Customs duties remain the largest source of tax revenue, followed by non-tax levies (e.g., user charges), sales tax, income tax, and other levies, including stamp duties, road taxes, and notary taxes.

Figure 3: Revenue components by source



The collection of the income tax started with employment income, corporate profit, and income from rented properties. Initially, only a few hundred people paid income taxes, all of whom were government civil servants. Reforms then expanded the base to private sector employment, rental income, and business

initially as lump-sum taxes and later by applying the statutory business income tax rates. As shown in Figure 2, income tax currently accounts for only 7 percent of the federal government's total revenue. Although this remains low, income tax revenue is expected to gradually increase upon implementation of the new income tax law.

Sales taxes, which are a flat 5 percent on consumption, are collected from domestic sales of goods and services and imports of commodities. Sales taxes account for 13 percent of all government domestic revenues by source. Customs is the largest revenue source and has generated approximately 47 percent of domestic revenue, compared to 70 percent in 2013. Customs duties are collected on imports. Other taxes combined comprise only 2 percent of domestic revenues. Non-tax revenue is the second largest revenue source, accounting for 31 percent of the domestic revenue of the FGS. Although these taxes and user charges generate significant revenue, Somalia remains dependent on external budgetary support from bilateral and multilateral donors.

This trajectory has been supported by decade-long efforts in revenue mobilization, with a baseline of a weak but simple tax system. First, in 2012, the government started with lump-sum taxes as a point of departure to address pressing fiscal needs, which then gradually shifted to statutory business income tax rates. These lump-sum taxes, which are negotiated most of the time, are related to income and sales taxes. The shift from lump-sum taxation to statutory rates was made possible by improvements in state capacity and the will to tax businesses. More recently, efforts to expand income and sales taxes have led to the issuance of new regulations and initiatives to develop new income and sales tax laws.

Second, moving away from the model of multiple collecting agencies that restarted in 2012, the Ministry of Finance became the sole fiscal institution responsible for revenue collection in 2017 by taking over collecting non-tax revenues and canceling ineffective private collection contracts. Non-tax revenue collection (user fees and charges) has increased extensively under the Ministry of Finance compared with revenue under other government agencies. Moreover, port and airport concessions have been reviewed, removing extravagant deductible expenses offered at the gross level and reversing several terms unfavorable to the government.

Third, shifting away from hand-to-hand cash, the government has modernized revenue collection (from the government's perspective) and tax payments (from the taxpayer's perspective). The Ministry established a system for depositing taxes and fees into designated bank accounts and easily accepting mobile money and digital banking. This has allowed taxpayers to instantly pay their taxes and fees while at their office.

Fourth, the Ministry of Finance commenced using technology for revenue collection and business process automation after a long period of manual operation. It has built SFMIS[2] , SOMCAS[3] , non-tax, road tax, and rental income tax systems, while Integrated Tax Administration System (ITAS) procurement is currently underway. Technology has helped our revenue mobilization efforts by decreasing human involvement in calculating taxes, thereby saving time and money and lowering manual workload, as it helped capture data for future decision-making. Furthermore, the integration of these systems reduced human error in manual data entry.

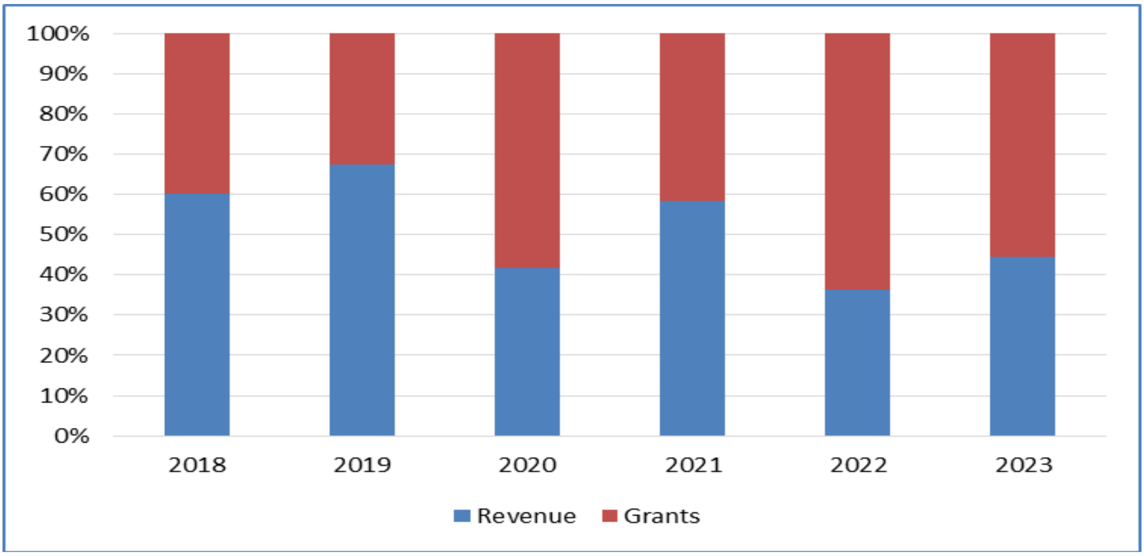
Fifth, customs operations were limited in quality and quantity at the time of their reestablishment. Manual documentation, misclassified commodities, disorganized duties, and unstandardized customs procedures are common. Recognizing that customs were the biggest source of revenue, the government has taken several measures toward customs modernization. These measures included amending customs law, implementing a harmonized system of commodity classification (HS codes), harmonizing tariffs and item descriptions, introducing e-declaration, integrating business processes into the SOMCAS, and preparing a customs reference value table for the future implementation of ad valorem customs duties.

Finally, several supportive measures have been enacted, such as tax policy changes, legal reforms, administrative improvements, institutional capacity building, and fiscal harmonization. These intertwined factors have helped accelerate the government's revenue mobilization efforts not only at the federal level but also at the state level. The implementation of the aforementioned reforms required policy decisions, supporting legal frameworks, and administrative and institutional capacity. The harmonization of reforms, customs improvements, and capacity building were equally important as key factors contributing to the fiscal landscape of the states.

However, despite these efforts, domestic revenue has fallen short of financing public service delivery, as the country remains heavily dependent on external grants for budgetary support. The government's commitment to financing its operating expenditure in the medium term and its development and social services projects at all times requires a sustained revenue base. This reflects a sustained weak fiscal capacity and revenue mobilization, which motivates the development of this medium-term revenue roadmap.

2. Somalia Financial Management Information System
3. Somalia Customs Automated System

Figure 4: Revenue and grants composition of the budget 2018-2023



Source: MoF (2024).

FISCAL TARGETS

Somalia's revenue base has been narrow, causing domestic fiscal resources to fall short of recurrent expenditures. This implies that fiscal extraction from the economy is very low. Hence, the FGS is pursuing two high-level intertwined quantitative fiscal targets within a three-year framework (36 months from July 2024 to June 2027). However, several reforms that are already ongoing are included owing to their bold continuation. The first target is for domestic revenue to meet operational expenditures by 2027. This requires domestic revenue to be sufficiently high to meet employee compensation expenditure in 2024 and then gradually increase toward the target in the next three years. Assuming that grants will decrease and other external resources will be spent on development and infrastructure, this fiscal target relates to the commitment to ensure that the FGS can use domestic revenue to cover its own operations.

The second fiscal target is to increase tax capacity by raising the ratio of domestic revenue to GDP by 0.3 percentage points of the GDP each year up to 2027. This objective ensures that the federal government collects additional revenue at a growth rate that exceeds nominal GDP growth. This set an ambitious yet realistic target that ensures a steady increase in domestic revenue to cover operational spending in the near term and an expansion in public services and investment over time. This fiscal target is also consistent with the fiscal commitments under the IMF-supported program approved in December 2023. However, comparing only FGS revenue to the national GDP underestimates the expected improvement in the revenue/GDP ratio because FMS is also expected to improve its revenue collection.

__Figure 5: Revenue operational expenditure__

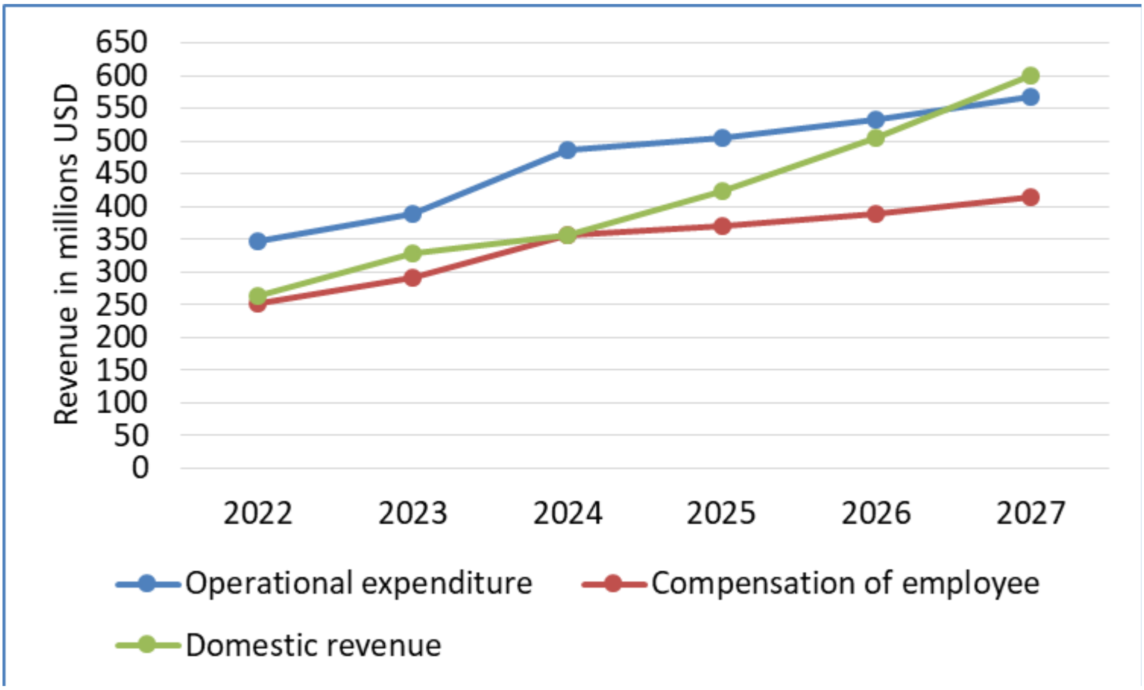
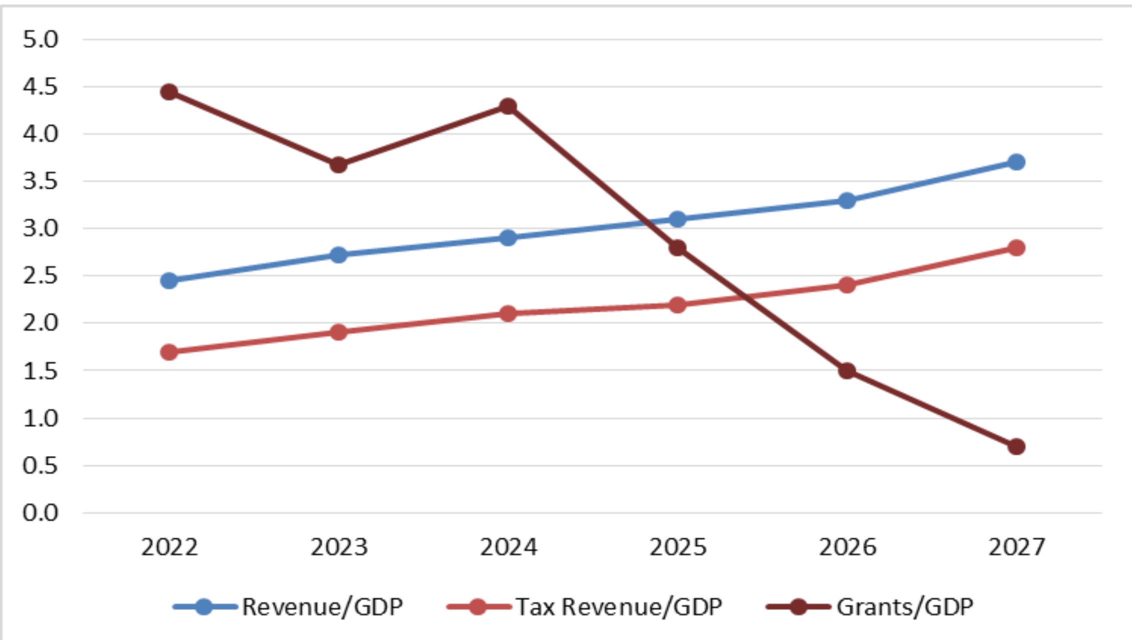


__Figure 6: Revenue and grants ratio to GDP__



Pursuing these two goals, the Ministry of Finance projects the following revenue estimates between 2024 and 2027. Revenue projection considers reforms in income tax upon enacting the new income tax bill, expanding the consumption (sales) tax base, customs modernization and shifting to valuation, and several reforms for other taxes and non-tax regimes.

Table 1: Medium-term revenue projection in millions of USD

	2021	2022	2023	2024	2025	2026	2027
Description	**2021 Actual**	**2022 Actual**	**2023 Actual**	**2024 Estimate**	**2025 Forecast**	**2026 Forecast**	**2027 Forecast**
Domestic Revenue	**229.4**	**262.9**	**329.5**	**357.4**	**423.5**	**513.4**	**602.0**
Tax Revenue	**162.6**	**182.1**	**227.8**	**253.4**	**295.3**	**369.9**	**435.7**
Income tax	15.8	18.7	24.4	27.6	38.0	50.7	66.9
Sales tax	23.4	25.8	34.9	47.2	50.6	64.3	78.8
Customs	108.9	116.6	154.1	162.7	186.2	221.1	252.0
Other taxes	14.6	21.1	14.4	15.9	20.4	33.7	38.0
Non-tax Revenue	**66.8**	**80.8**	**101.7**	**104.0**	**128.2**	**143.5**	**166.3**

Source: MoF (2024).

Figure 7: Revenue projection trend

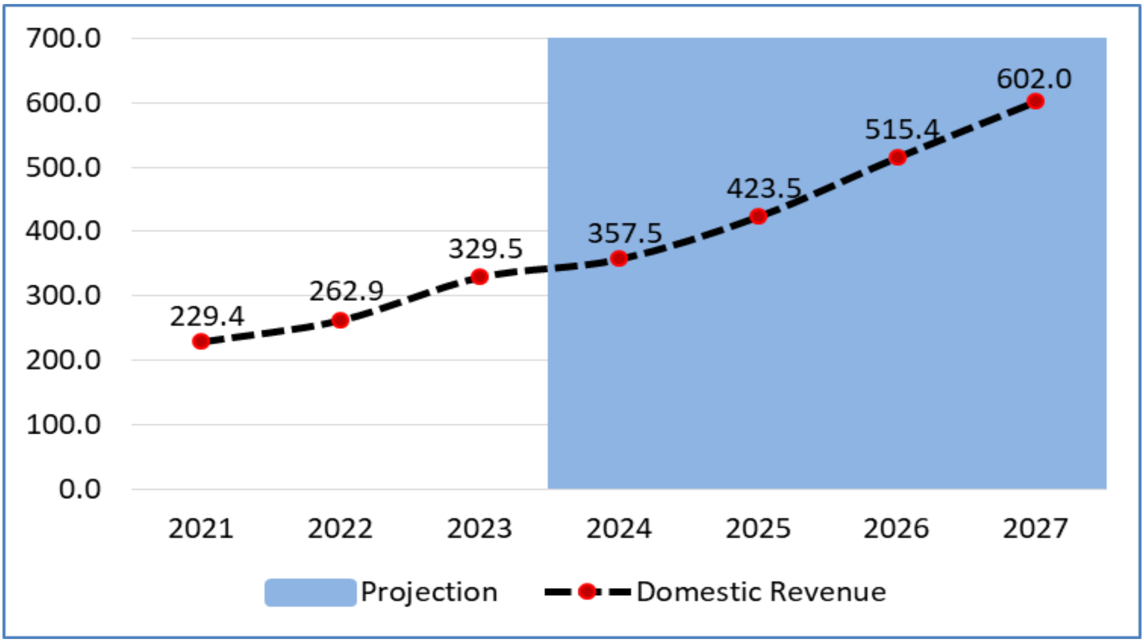
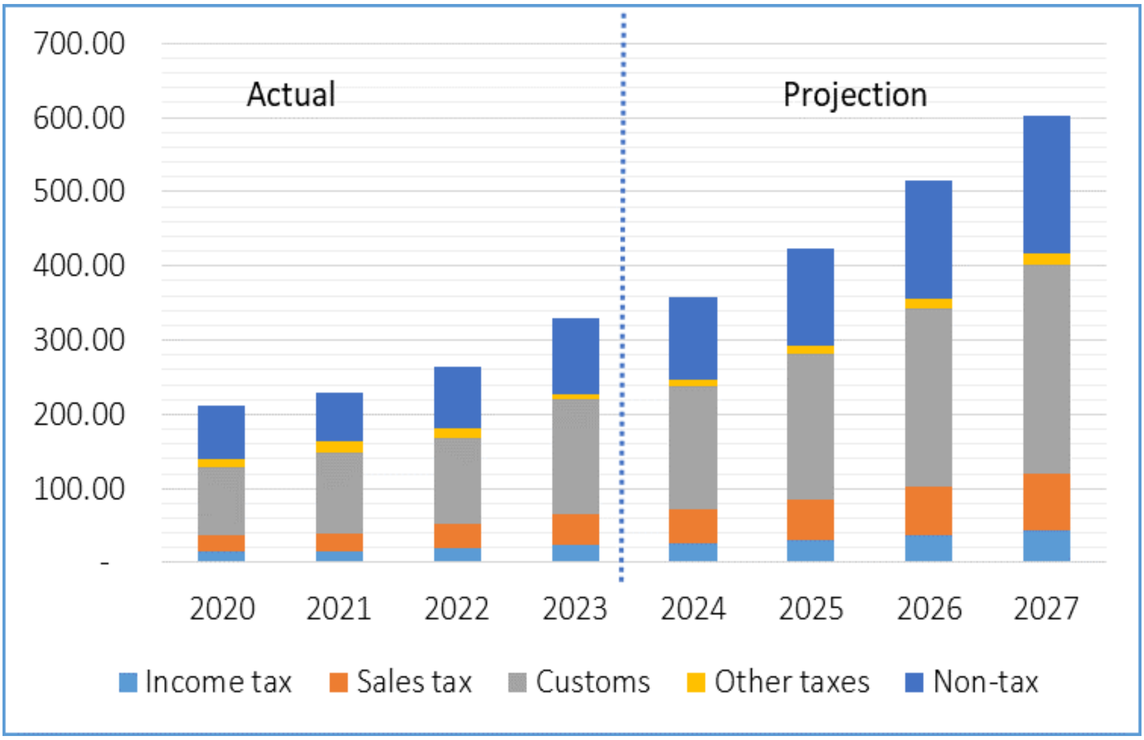


Figure 8: Revenue trend by source



MEDIUM TERM REVENUE ROADMAP

This medium-term tax policy and administration roadmap, which we also the medium-term revenue roadmap (MTRR), focuses on the revenue reform strategy of the coming three years for the FGS. It plans to address revenue needs by devising tax policy, legal, and administrative reforms that accelerate revenue mobilization through registration, investigation, addressing informality, shifting to valuation, reaching out to new tax bases, and fiscal harmonization with federal member states.

The medium-term revenue roadmap was developed based on three priorities. The first is the revenue mobilization priority, as most reform measures are selected because of their nature of providing additional revenue to the government. The second priority is to improve the administrative capacity of the tax administration to enforce tax laws, maintain compliance, and assist the government in reaching budgeted revenue targets. The third is the government's policy priority, in which fiscal (tax) harmonization and EAC integration come first in the medium term. In addition, a few ongoing revenue reforms have been added to the roadmap because of their nature of having the above-mentioned priorities if a significant part of their objective remains unachieved.

Tax policy and legal reforms

Tax policy refers to strategic decisions regarding which economic activities should be taxed and at what rates and thus plays a key role in revenue mobilization. These policy measures include expanding the base for income and sales taxes to ensure that everyone pays their fair share and these taxes can be levied at low to moderate rates according to international standards. To integrate the Somali economy with the East African Community (EAC), the FGS foresees customs reforms, including the free movement of goods and people across the community.

Beyond raising more revenue to fund critical public programs, tax policy reforms will aim to simplify the tax system and modernize the laws to make it easier to understand, comply with, administer, and curb costly tax preferences, particularly those awarded on a discretionary basis. The reforms to address these policy areas are as follows:

Finalization and effective implementation of income tax law

- Enacting the new income tax bill.
- Issuing regulations of income tax law

Adopting customs valuation and EAC tariffs

- Adopting customs valuation and shifting from package-based customs duty to ad valorem customs duty based on the EAC common external tariff
- Adopting EAC Customs Law
- Issuing regulations of customs law including standardization and pre-arrival

Reforming consumption taxes

- Reviewing and assessing the current consumption tax and recommending policy options to modernize it including the type of consumption tax, rate, and other policy decisions
- Beginning the draft of a new brand consumption (VAT/Sales) tax law

Completing policy and legal framework of extractive industry

- Issuing regulations of extractive industry fiscal regime law

Simplification of the tax system

- Reviewing and simplifying the non-tax revenue (fees) regime structure to avoid imposing complexity and heavy compliance costs on businesses, and administrative costs on the government
- Simplifying the rate structure for the Road Tax

Agreeing on a clear framework with FMS on fiscal federalism

- Developing a framework for addressing intra-state multiple taxation at the IGFF level
- Completing income tax harmonization
- Completing customs harmonization.

Revenue administration reforms

Revenue administration reforms include customs and tax administration and the implementation of anticipated policy and legal reforms. They are aimed at mobilizing more revenue and improving the administrative capacity to enable the tax administration to meet revenue targets in the short to medium term. These detailed reforms include the following:

Income tax administration

- Implementing the new income tax law and regulations
- Collecting personal income taxes from new businesses and taxpayers, focusing on large and medium taxpayers
- Collecting simplified income tax from small businesses and taxpayers
- Modernizing rental income collection
- Writing an income tax administrative manual for tax administrators
- Enforcing corporate income taxes from telecommunication and other large taxpayers

Sales tax administration

- Continuing the installation of POS machines in new businesses
- Adopting a comprehensive declaration form for telecom operators and enforcing it for declaring sales tax

Road tax

- Digitalizing road tax collection
- Expanding the vehicle registration for road tax purposes

ITAS

- Completing ITAS development
- Starting ITAS implementation
- Digitizing large and medium taxpayers' payment filing through ITAS by 20 percent

Taxpayer services

- Providing a taxpayer communication and education plan (teaching the basics of taxation, customs, and new policies and laws)
- Offering DRM Training to taxpayers, business and commerce associations, tax practitioners, and selected civil society organizations
- Continuing to train traders in SOMCAS to lower assistance (decline by 50 percent).

Audit and enforcement

- Continuing to audit tax payments annually (increase the audited firms)
- Strengthening post-clearance customs audit and risk management
- Enhancing cargo examination at customs

Revenue administration

- Strengthening registration to reach out to 5000 new taxpayers and businesses at different scales
- Asking large taxpayers for proof of income tax payments (i.e., staff salary bank evidence)
- Implementing revenue administration law regulations
- Integrating systems (non-tax, SOMCAS, SFMIS, and ITAS)
- Establishing the dispute resolution unit and tax tribunal as new specialized units
- Creating explanatory documents for income tax and sales tax laws
- Conducting taxpayer perception survey
- Establishing a non-tax revenue portal

Harmonizing tax administration

- Developing a framework to address tax administration differences at the IGFF level
- Agreeing on unified TIN numbers across the federal government and states

- Implement unified TIN numbers across the federal government and states

Modernizing customs administration

- Implementing customs regulations including the standardization
- Implement pre-arrival information submission electronically
- Updating the Customs Tariff Nomenclature to 2022 HS Edition
- Establishing a Price Reference Database to support the valuation and operationalization of the SOMCAS as a new module
- Operationalizing customs brokers' licensing regime
- Implementing and operationalizing EAC tariff rates and customs standards

Staff capacity development

- Developing a training curriculum for the revenue workforce and start implementation
- Introducing a staff appraisal system to monitor staff performance
- Establishing a job description for each office and official
- Developing and implementing a DRM Training Course in FGS using an e-learning platform
- Continuing to offer scholarships for taxation-related master's degree programs
- Training staff to implement customs valuation

REFORM COORDINATION AND GOVERNANCE

Reforms in governance, coordination, reporting and monitoring, and evaluation are crucial for the effective implementation of any strategy and will be essential in this MTRR. Given the extent of collaboration required across internal departments and other MDAs in implementing planned reforms, the leadership and governance arrangements will require extensive cooperation in performing MTRR measures and monitoring and evaluation activities. To this end, the MTRR Steering Committee, led by the Director General and reporting to the Minister, will be responsible for providing overarching guidance and organizing monitoring and evaluation activities.

The offices responsible for the MTRR and the Director General (Head), Head of Policy and Legal Division (Secretariat), and directors of the departments (members) form the MTRR Steering Committee, reporting quarterly to the Minister via the Director General.

Figure 9: Reform governance structure

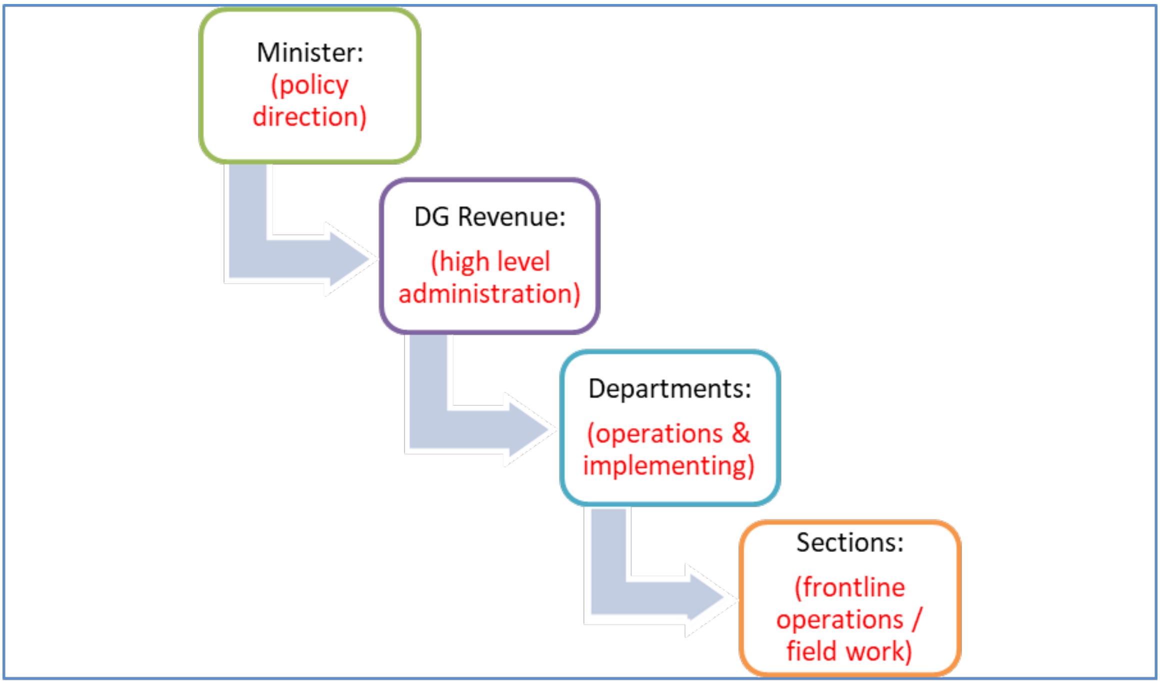


Table 2: MTRR implementation, political and external support

MTRR implementation	Political support	External support
• The Minister of Finance holds power over the policy direction and supreme oversight. • A Steering Committee at the Ministry of Finance leads the implementation. • The Steering Committee includes the DG (Chair), Head of Policy and Legal Division (Secretariat), the Directors (members), and DRM Advisor (member). • The Steering Committee works closely with all revenue stakeholders including government agencies, taxpayers, businesses/traders, and civil society.	• Reform will be overseen by the Steering Committee at the Ministry of Finance. • It takes a whole government approach. • Engaging with a wide base of stakeholders • Quantify key performance indicators in the workplans. • Evidence-based analysis of tax system reforms, including impact on revenue, income distribution, and the economy • Aligns with the medium-term fiscal framework of the government. • Considers the importance of fiscal harmonization in Somalia.	• External support is crucial. • Tax policy and administration capacity developments are supported by the IMF and WB. • Revenue administration and tax policy and harmonizing capacity are supported by the WB-SERP. • Customs capacity building and reforms are supported by the FCDO-PREMIS2. • ATAF and WCO are potential capacity-building partners. • Donor support aligned with fiscal harmonization and convergence.

For the governance, monitoring, and reporting mechanism, the following approach is followed:

Annual workplan for implementation: The MTRR Steering Committee will develop a comprehensive annual workplan based on targeted activities for the revenue roadmap within that year. The workplan will house any relevant changes/updates raised by the circumstances and necessity of implementation. The workplan will be developed and approved before the beginning of the new fiscal year.

MTRR Committee meetings: The committee led by the Minister and Director General of Revenue is the secretariat, and will meet every six months. However, quarterly and monthly meetings will be led by the DG and attended by the directors and heads of sections and specialized units.

Quarterly performance reports: The revenue department will prepare a quarterly performance report on the execution of the activities for which it is responsible. Quarterly reports will be submitted to the MTRR Steering Committee for review and consolidation. The quarterly performance report will consider the physical outputs and expected outcomes of the MTRR, the challenges met, and commendations for corrective actions. Such reports should be approved for public distribution no later than four (4) weeks after the end of the previous quarter.

Mid-term Review: Within 18 months of implementation (mid-point of 36 months), a mid-term review/evaluation shall be conducted to assess the progress of implementation, challenges encountered thus far, and areas/interventions that need adjustments/realignment and make appropriate corrections.

Final Review: After 36 months of MTRR implementation, the Ministry of Finance of Somalia will conduct a final review of the MTRR and approve its publication on the website. The report will also inform subsequent medium-term revenue strategies.

POLITICAL COMMITMENT

The FGS remains steadfast in its commitment to advancing domestic revenue mobilization reforms, which are pivotal for financing government expenditure and service delivery to the public. The Tax Policy and Revenue Administration Roadmap (2024–2027), represents a medium-term approach toward revenue policymaking, underscoring the significance of domestic resource mobilization in state-building efforts, particularly in achieving fiscal sustainability and economic growth.

This new roadmap provides government institutions and public citizens with a clear roadmap for potential tax policy and revenue administration measures in Somalia's domestic revenue mobilization. Furthermore, it will guide international partners' support for domestic revenue reforms to enhance revenue mobilization in fulfilling the necessary reforms to achieve economic and fiscal targets. It will also offer the business community and taxpayers, particularly untaxed major corporations and the informal economy, which currently remains broadly untaxed, a transparent direction in medium-term tax policy and revenue administration changes, reducing uncertainty and enhancing their confidence in government reforms. The reforms are holistic across all revenue sources, and this roadmap emphasizes the government's commitment to simplifying the old tax laws, expanding the tax revenue base, lowering reliance on trade revenue, and mobilizing more revenue from income and sales (consumption) taxes. Additionally, regarding non-tax revenue, the roadmap is poised to enhance the efficiency of the delivery of public goods and services. The roadmap also supports modernization toward e-administration to ease the collection process, simplify payment processes, and enhance stakeholder engagement.

Appendix A: Implementation table

#	Reform actions	Actions	Timeline											
			2024		2025				2026				2027	
			Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Tax policy and legal reforms														
1	Finalization and effective implementation of the new income tax law	Enacting the new income tax bill				■								
		Issuing regulations of income tax law						■						
2	Adoption of customs valuation and EAC tariff	Adopting customs valuation and shifting from the package-based customs duty to ad valorem based on EAC common external tariff												■
		Adopting EAC Customs Law.											■	
		Issuing regulations of customs law including standardization and pre-arrival		■										
3	Reforming consumption tax	Reviewing and assessing the current consumption tax and recommending the policy option to modernize it including the type of consumption tax, rate, and other policy decisions						■						
		Drafting a new sales tax law											■	
4	Completing policy and legal framework of extractive industry	Issuing regulations of extractive industry fiscal regime law										■		
5	Simplification of tax	Reviewing and simplifying non-tax revenue (fees) regime structure to avoid imposing complexity and heavy compliance costs to businesses and administrative costs to the government									■			
		Simplifying the rate structure of road tax												■

6	Fiscal federalism and harmonization	Developing a framework for addressing intra-state multiple taxation at the IGFF level												
		Completing income tax harmonization												
		Completing the customs harmonization												
Revenue administration reforms														
7	Income tax administration	Implementing the new income tax law and regulations												
		Collecting personal income tax from new businesses and taxpayers with a focus on large and medium taxpayers												
		Collecting simplified income tax from small businesses and taxpayers												
		Modernizing rental income collection												
		Writing an income tax administrative manual for tax administrators												
		Enforcing corporate income taxes from telecommunications and other large taxpayers												
8	Sales tax	Continuing installation of POS machines in new large and medium-sized business												
		Adopting a comprehensive declaration form for telecom operators and enforcing it for declaring sales tax												
9	Road tax	Digitalizing road tax collection												
		Expanding vehicle registration for road tax purposes.												

10	ITAS	Completing ITAS development												
		Starting ITAS implementation												
		Digitizing large and medium taxpayers' tax payments and filing through ITAS by 20%												
11	Taxpayer services	Providing a taxpayer communication and education plan (teaching the basics of taxation and customs and new policies and laws)												
		Offering DRM Training to taxpayers, business and commerce associations, tax practitioners, and selected civil society organizations												
		Continuing to train the traders on the SOMCAS to lower assistance (decrease assistance by 50%)												
12	Audit and enforcement	Continuing to audit tax payments annually (increase the audited firms)												
		Strengthening post-clearance customs audit and risk management												
		Enhancing cargo examinations at customs												

13	Revenue administration	Strengthening registration to reach out to 5000 new taxpayers and businesses at different scales through registration												
		Asking large taxpayers for proof of income tax payment (i.e., staff salary bank evidence)												
		Implementing revenue administration legal regulations												
		Integrating systems (non-tax, SOMCAS, SFMIS)												
		Establishing a new dispute resolution unit and tax tribunal as specialized units												
		Creating explanatory documents for income and sales tax laws												
		Conducting taxpayer perception survey												
		Establishing a non-tax revenue portal												
14	Harmonizing tax administration	Developing a framework for addressing tax administration differences at the IGFF level												
		Agreeing on unified TIN numbers across the federal government and states												
		Implementing unified TIN numbers across the federal government and states												

15	Modernizing customs administration	Implementing customs regulations including the standardization
		Implementing pre-arrival information submission electronically
		Updating the Customs Tariff Nomenclature to the 2022 HS Edition
		Establishing the Price Reference Database to support the valuation and operationalizing the SOMCAS as a new module
		Facilitating trade by setting standards for reducing the cargo release time by 10%
		Operationalizing customs brokers' licensing regime
		Implementing and operationalizing EAC tariff rates and customs standards
16	Staff capacity development	Developing a training curriculum for the revenue workforce and starting implementation
		Introducing a staff appraisal system to monitor staff performance
		Establishing a job description for each office and official
		Developing and implementing a DRM Training Course in FGS with an e-learning platform
		Continue to offer scholarships for taxation-related master's degree programs
		Training staff to implement customs valuation

Appendix B: Key Measures Table[41]

Measure	Yield in 2025	Yield in 2026	Yield in 2027
PIT enforcement and new ITL implementation	3,759,302	2,891,425	3,473,628
Reaching out to new taxpayers of PIT and simplifying the tax regime	881,101	989,757	1,010,446
Continue rental income reforms	2,883,630	976,726	1,172,071
Enforcing CIT with a focus on large and medium taxpayers	2,950,715	7,851,625	10,544,142
Enforcing sales tax collection from hotels and restaurants using POS	-	1,049,901	1,419,960
Enforcing sales tax collection from telecom operators using POS	1,000,000	4,690,327	3,452,472
Sales tax collection from airline companies	394,795	2,360,851	3,100,494
Sales taxes from imported goods reflecting customs reforms and volume of imports	1,573,749	4,799,020	5,552,948
Enforcing sales taxes using POS	1,720,000	-	-
A general enforcement of sales tax to SMEs and informal businesses	464,493	800,695.00	907,084.42
Continuing road tax reforms (digitalization)	668,540	400,837	459,197
Enforcing property transfer tax	500,000	-	-
Continuing SOMCAS implementation and efficiency gains from admin reforms	4,465,435.99	-	-
Property transfer tax enforcement	500,000	-	-
Continuing SOMCAS implementation and efficiency gains from admin reforms	4,465,435.99	-	-
Enforcement and cargo examination	5,640,550.72	-	-
Standardizing package measures	7,646,279.95		-
Shifting to ad valorem (valuation)	-	27,116,631	22,391,308
Stamp Duty on Customs reflecting customs reforms	832,290	2,756,632	1,355,515
Stamp Duties on invoices and Contracts reflecting expenditure reforms	-	1,000,000	1,000,000
Stamp Duties on Food Items, enforcement measure	974,964	3,020,112	1,792,974
Airport service revenue increases due to operations expansion	664,617	320,635	583,407
Overflight Fees due to improving air security and use of the sky	7,383,214	1,294,484	1,009,885
Port service revenue increase due to operations expansion	5,714,817	5,087,965	10,702,739
Installing a non-tax revenue portal	3,109,632	1,607,266	4,364,478

4..The total revenue arising from these measures is not necessarily required to match the expected additional revenues of these years. Gains expected from the trend increase are not included in the list.

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