



# Somaliland

Tax Guide

**2016/17**

### FOREWORD

A country's tax regime is always a key factor for any business considering moving into new markets. What is the corporate tax rate? Are there any incentives for overseas businesses? Are there double tax treaties in place? How will foreign source income be taxed?

Since 1994, the PKF network of independent member firms, administered by PKF International Limited, has produced the PKF Worldwide Tax Guide (WWTG) to provide international businesses with the answers to these key tax questions.

As you will appreciate, the production of the WWTG is a huge team effort and we would like to thank all tax experts within PKF member firms who gave up their time to contribute the vital information on their country's taxes that forms the heart of this publication.

The PKF Worldwide Tax Guide 2016/17 (WWTG) is an annual publication that provides an overview of the taxation and business regulation regimes of the world's most significant trading countries. In compiling this publication, member firms of the PKF network have based their summaries on information current on 30 April 2016, while also noting imminent changes where necessary.

On a country-by-country basis, each summary such as this one, addresses the major taxes applicable to business; how taxable income is determined; sundry other related taxation and business issues; and the country's personal tax regime. The final section of each country summary sets out the Double Tax Treaty and Non-Treaty rates of tax withholding relating to the payment of dividends, interest, royalties and other related payments.

While the WWTG should not to be regarded as offering a complete explanation of the taxation issues in each country, we hope readers will use the publication as their first point of reference and then use the services of their local PKF member firm to provide specific information and advice.

Services provided by member firms include:

- Assurance & Advisory;
- Financial Planning / Wealth Management;
- Corporate Finance;
- Management Consultancy;
- IT Consultancy;
- Insolvency - Corporate and Personal;
- Taxation;
- Forensic Accounting; and,
- Hotel Consultancy.

In addition to the printed version of the WWTG, individual country taxation guides such as this are available in PDF format which can be downloaded from the PKF website at [www.pkf.com](http://www.pkf.com)

## **IMPORTANT DISCLAIMER**

This publication should not be regarded as offering a complete explanation of the taxation matters that are contained within this publication. This publication has been sold or distributed on the express terms and understanding that the publishers and the authors are not responsible for the results of any actions which are undertaken on the basis of the information which is contained within this publication, nor for any error in, or omission from, this publication.

The publishers and the authors expressly disclaim all and any liability and responsibility to any person, entity or corporation who acts or fails to act as a consequence of any reliance upon the whole or any part of the contents of this publication.

Accordingly no person, entity or corporation should act or rely upon any matter or information as contained or implied within this publication without first obtaining advice from an appropriately qualified professional person or firm of advisors, and ensuring that such advice specifically relates to their particular circumstances.

PKF International Limited (PKFI) administers a family of legally independent firms. Neither PKFI nor the member firms of the network generally accept any responsibility or liability for the actions or inactions of any individual member or correspondent firm or firms.

### **PKF INTERNATIONAL LIMITED**

JUNE 2016

© PKF INTERNATIONAL LIMITED

ALL RIGHTS RESERVED

USE APPROVED WITH ATTRIBUTION

## STRUCTURE OF COUNTRY DESCRIPTIONS

### A. TAXES PAYABLE

- COMPANY TAX
- CAPITAL GAINS TAX
- BRANCH PROFITS TAX
- VALUE ADDED TAX (VAT)
- EMPLOYMENT TAX
- LOCAL TAXES
- VEHICLE ROAD TAX
- LAND RATES
- RENTAL INCOME TAXES
- SINGLE BUSINESS PERMIT

### B. DETERMINATION OF TAXABLE INCOME

- CAPITAL ALLOWANCES

### C. PERSONAL TAX

### MEMBER FIRM

City	Name	Contact Information
Hargeisa	Atul Shah	+254 57 2505787 ashah@ke.pkfea.com

### BASIC FACTS

Full name:	Republic of Somaliland
Capital:	Hargeisa
Main languages:	Somali, Arabic
Population:	3.5 million (2008 estimate)
Major religion:	Islam
Monetary units:	Somaliland Shilling (SLSH)
Internet domain:	.so
Int. dialling code:	+252

### KEY TAX POINTS

- Resident companies pay tax at a rate of 10% whilst non-resident companies pay tax at the higher rate of 16.3%.
- Capital gains are liable to tax at 10% (of the net gain).
- Value Added Tax (VAT) is levied at 5%.
- Personal tax is levied at 6% on gross income.

### A. TAXES PAYABLE

#### COMPANY TAX

Company tax is based on computed tax profits as follows:

- Resident companies: 10%
- Non-resident companies: 16.3%

#### CAPITAL GAINS TAX

Capital gains are subject to tax at a rate of 10% of the net gain.

#### BRANCH PROFITS TAX

Branch of a foreign entity pays tax at the rate of 16.3%.

#### VALUE ADDED TAX (VAT)

The VAT rate is 5%.

#### EMPLOYMENT TAX

Employment income is taxed at 6% of the gross annual income

#### LOCAL TAXES

The following local taxes are levied in the republic of Somaliland:

### VEHICLE ROAD TAX

Vehicle road tax rate 0.5% of the value of the vehicle

### LAND RATES

Land rates are based on the percentage of the site value.

### RENTAL INCOME TAXES

10% of the rental income

### SINGLE BUSINESS PERMIT

Depending on the type of business, this permit costs a minimum of USD 200 to a maximum of USD 600.

## B. DETERMINATION OF TAXABLE INCOME

### CAPITAL ALLOWANCES

- Land 0%
- Buildings 5%
- Machinery 10%
- Computers 33%
- Equipment 20%
- Trucks 20%

## C. PERSONAL TAX

- Tax is charged at a rate of 6% on the gross income



[www.pkf.com](http://www.pkf.com)