

Performance Assessment Report

**Bosaso District Local Government,
Somalia**

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PREFACE

An assessment of the system of tax administration of Bosaso District Local Government (BDLG), Somalia was undertaken during the period August 15 – 29, 2022 using the Tax Administration Diagnostic Assessment Tool (TADAT). TADAT provides an assessment baseline of tax administration performance that can be used to determine reform priorities, and, with subsequent repeat assessments, highlight reform achievements.

The assessment team, under the auspices of the United Nations Capital Development Fund (UNCDF), comprised the following: Ms. Damacrine M. Nyandigisi (Team Leader, TADAT expert); Ms. Robinah Nakakawa (TADAT expert); and Ms. Azhaar Ahmed Ibrahim, Messrs. Mohamed Shire Jama, Abdirashid Mohamed Muse and (all UNCDF TADAT experts).

The assessment team met with His Excellency Hon. Abdiqani Ahmed Ismacil – the Mayor of BDLG; Hon. Ahmed Nuur Huruuse – the Deputy Mayor the Executive Secretary – Mr. Cabdrisaq Ahmed Geeldoon; the Director Revenue Department – Mr. Abdixakiin Muumin Maxamed; the Director Planning Department- Mr. Abdirisaq Mohamed Qanbi; the Director Public Works – Mr. Mohamed Jama Abdi; the Director Administration Finance – Ms. Sadia Mohamed Ismail; Director Social Affairs - Ali Ahmed Mohamed; the Head Human Resource Management – Ms. Aamino Cumar Axmed; the Head of Voucher Books - Mr. Abdicasis Dahir Ali; Internal Auditor – Mr. Haashi Abdi Guuleed and other senior government officials.

The assessment team expresses its appreciation to the senior management team and staff of the BDLG for their active engagement and participation during the TADAT assessment. The team thanks Messrs. Ahmed Mohamud Dacar and Haashi Abdi Guuleed for all the assistance provided. Discussions were held at the Municipality Government headquarters located in Bosaso District. Additionally, IT systems walk-throughs were conducted and a field visit conducted in the Bosaso Headquarters where a few taxpayers were interviewed.

A draft performance assessment report was presented to the BDLG officials at the close of the in-subnational jurisdiction assessment during the exit meeting held on August 25, 2022. Following their review, the authorities agreed with the report without any comments. The PAR has been cleared by the TADAT Secretariat.

ABBREVIATIONS AND ACRONYMS

ALGAPL	Association of Local Government Authorities in Puntland
BDLG	Bosaso District Local Government
CBOs	Community Based Organizations
DDF	District Development Framework
FY	Financial Year
GDP	Gross Domestic Product
HR	Human Resource
HCRs	Human Capital Risks
HRR	Human Resource Risk
IFMIS	Integrated Financial Management Information System
KPM	Key Performance Measures
LG	Local Government
NGO	Non-Governmental Organization
PAR	Performance Assessment Report
PEFA	Public Expenditure and Financial Accountability
TADAT	Tax Administration Diagnostic Assessment Tool

EXECUTIVE SUMMARY

The results of the TADAT assessment for Bosaso District Local Government follow, including the identification of the main strengths and weaknesses.

Strengths

- Independent external oversight of BDLG operational and financial performance.
- On-going reforms: fiscal decentralization, revenue mobilization enhancement plans and automation of several processes across functional areas (for example, filing and electronic payments platforms).

Weaknesses

- The integrity of the taxpayer register is extremely low due to the manual and separate registers for each of the core taxes.
- Lack of sufficient Tax Laws to support the four main tax obligations (registration, filing, payments and reporting).
- Compliance and institutional risks are not adequately identified, assessed, and managed.
- Lack of a structured risk management program.
- The level of taxpayer services is low.
- On-time filing and payments rates are not easily ascertained due to low reliability of taxpayer records.
- Absence of automated large-scale cross-checking of declarations against third party data to assist compliance management.
- Absence of taxpayer ledgers resulting in unprocessed taxpayer accounting transactions and, consequently, delay in establishing the true stock and flow of tax arrears.
- Absence of systematized and uniform processes for conducting investigations and enforcement activities.
- Evidence on usage of the dispute resolution process is unavailable.
- Lack of standard operating procedures.

The assessment team observed some pockets of strengths in the tax administration. These include the ongoing reform activities towards automating its processes, contribution to government tax revenue forecasting and estimates, and independent external oversight of BDLG operational and financial performance; **however, weaknesses in other areas undermine the BDLG's ability to execute its mandate fully.** For example, the use of manual systems to manage taxpayer information results in inaccurate, incomplete and unreliable information. This has a pass-through effect on several outcomes such as the inability to determine, with certainty, the level of taxpayer filing of declarations, taxpayer payment of taxes, and tax arrears. The impact of these weaknesses is further exacerbated by: (i) the absence of documented processes and procedures which undermines consistency in work practices; and (ii) lack of a mechanism to monitor and evaluate most of the tax administration key functional areas.

Table 1 provides a summary of performance scores, and Figure 1 a graphical snapshot of the distribution of scores. The scoring is structured around the TADAT framework's nine performance outcome areas (POAs) and 32 high level indicators critical to tax administration performance. An 'ABCD' scale is used to score each indicator, with 'A' representing the highest level of performance and 'D' the lowest.

Figure 1. Bosaso District Local Government: Distribution of Performance Scores

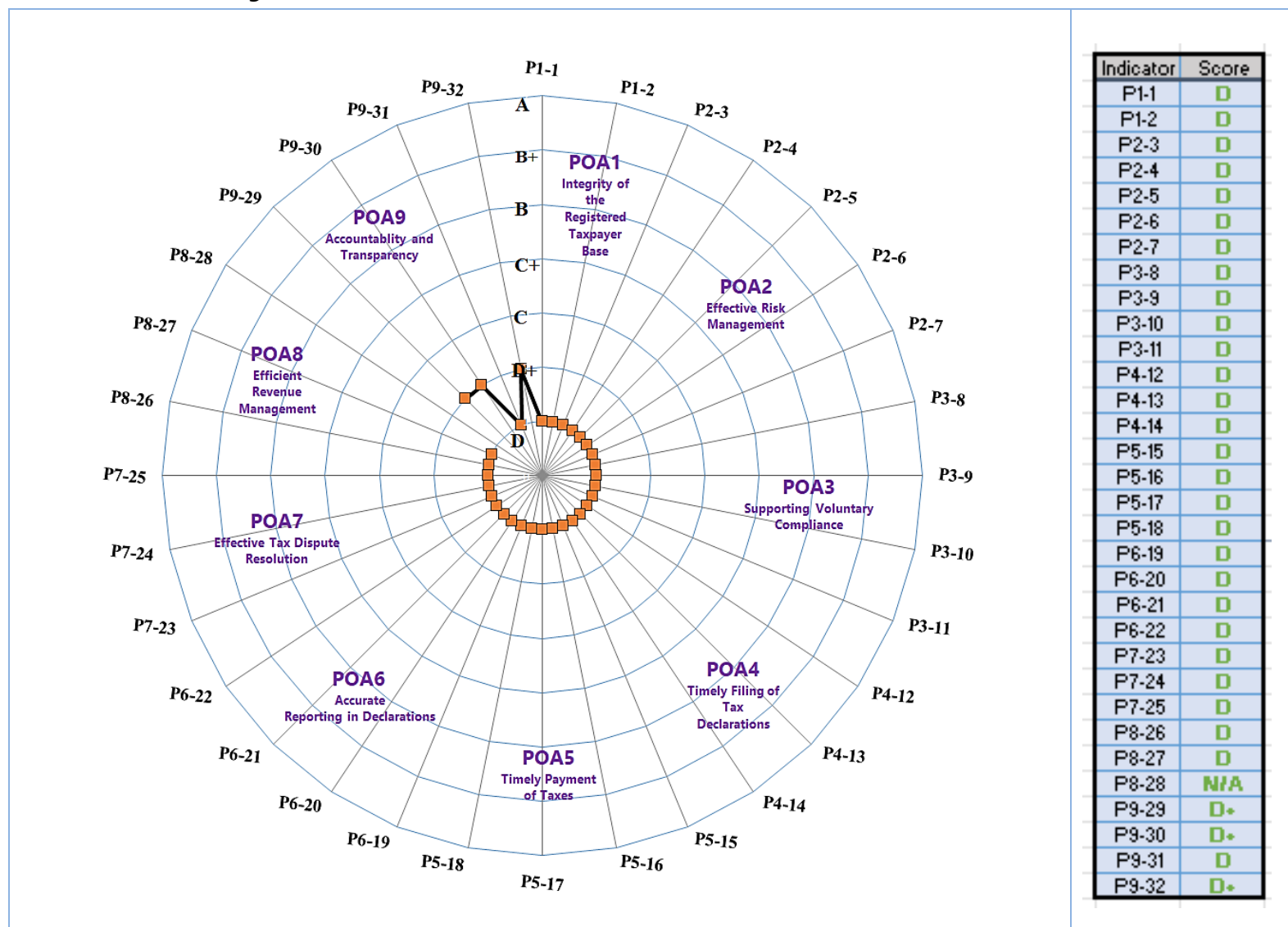


Table 1. Bosaso District Local Government: Summary of TADAT Performance Assessment

Indicator	Scores 2022	Summary Explanation of Assessment
POA 1: Integrity of the Registered Taxpayer Base		
P1-1. Accurate and reliable taxpayer information.	D	BDLG has recently partially automated its registration processes for all the core taxes. However, the taxpayer information held in the IFMIS system is insufficient to support effective interaction with taxpayers and compliance initiatives. The accuracy of information held in the BDLG registration database could not be ascertained.
P1-2. Knowledge of the potential taxpayer base.	D	BDLG undertakes ad hoc initiatives to detect unregistered businesses and individuals.
POA 2: Effective Risk Management		
P2-3. Identification, assessment, ranking, and quantification of compliance risks.	D	BDLG conducts limited intelligence gathering initiatives and research to identify and build knowledge on compliance risks.
P2-4. Mitigation of risks through a compliance improvement plan.	D	There is no process in place to assess, rank, and quantify taxpayer compliance risks. In addition, there is no compliance improvement plan to guide the administration in mitigating the identified risks.
P2-5. Monitoring and evaluation of compliance risk mitigation activities.	D	BDLG neither monitors nor evaluates the impact of compliance risk mitigation activities.
P2-6. Management of operational risks.	D	BDLG does not have a process to identify, assess and mitigate operational risks. BDLG has no documented Business Continuity Management Program in place.
P2-7. Management of human capital risks.	D	BDLG has inadequate capacity and structures to manage human capital risks (HCRs). No formal evaluation of the HCR and related mitigation interventions has been conducted.

Indicator	Scores 2022	Summary Explanation of Assessment
POA 3: Supporting Voluntary Compliance		
P3-8. Scope, currency, and accessibility of information.	D	Limited range of information is available to taxpayers to explain their tax obligations and entitlements, there are no documented procedures to update information that is publicly available to taxpayers and there is limited range of taxpayer education programs and service delivery channels.
P3-9. Time taken to respond to information requests.	D	BDLG does not monitor time taken to respond to taxpayers' and intermediaries' information requests.
P3-10. Scope of initiatives to reduce taxpayer compliance costs.	D	BDLG has implemented minimal initiatives to reduce taxpayer compliance costs.
P3-11. Obtaining taxpayer feedback on products and services.	D	BDLG utilizes limited methods to obtain feedback from taxpayers on the standard of services provided, does not make regular consultations with taxpayers and neither does it involve them in the design of administrative processes and products.
POA 4: Timely Filing of Tax Declarations		
P4-12. On-time filing rate.	D	BDLG does not monitor timely filing of declarations by Taxpayers.
P4-13. Management of non-filers.	D	BDLG has no documented procedures and dedicated staff to follow up with non-filers.
P4-14. Use of electronic filing facilities.	D	BDLG has an electronic platform for filing tax declarations known as IFMIS which was recently rolled out in 2022.
POA 5: Timely Payment of Taxes		
P5-15. Use of electronic payment methods.	D	Taxes in BDLG were paid either electronically using mobile money or in cash. There was no evidence to show the proportion of mobile money payments made out of total payments.
P5-16. Use of efficient collection systems.	D	BDLG does not use efficient tax collection systems. Withholding at source or advance payment arrangements are not utilized for payment of any of the core taxes.
P5-17. Timeliness of payments.	D	BDLG does not measure the timeliness of payments of the most important tax, property rates.
P5-18. Stock and flow of tax arrears.	D	The monitoring of stock and flow of core tax arrears is limited. There is no arrears management system in place.

Indicator	Scores 2022	Summary Explanation of Assessment
POA 6: Accurate Reporting in Declarations		
P6-19. Scope of verification actions taken to detect and deter inaccurate reporting.	D	<p>BDLG does not have a tax audit program in place; instead it conducts limited scope of on-site inspections for the core taxes only.</p> <p>BDLG does not have a tax audit manual to guide auditors in the execution of audits, in addition, the Inspection program is not systematized around uniform practices.</p> <p>The quality of inspections is not reviewed at BDLG. Further, the effectiveness of the taxpayer inspections' function is not monitored at BDLG.</p> <p>The key performance measures (KPM) of the audit function that the BDLG monitors are insufficient.</p>
P6-20. Use of large-scale data-matching systems to detect inaccurate reporting.	D	BDLG does not use large-scale automated cross-matching of data to detect inaccurate reporting.
P6-21. Initiatives undertaken to encourage accurate reporting.	D	Initiatives to encourage accurate reporting are not in place.
P6-22. Monitoring the tax gap to assess inaccuracy of reporting levels.	D	BDLG does not monitor the tax gap to assess and monitor inaccurate reporting.
POA 7: Effective Tax Dispute Resolution		
P7-23. Existence of an independent, workable, and graduated dispute resolution process.	D	<p>BDLG has no tiered disputes resolutions mechanism.</p> <p>BDLG does not have an independent mechanism to handle administrative reviews.</p> <p>BDLG does not provide general or specific information to taxpayers on the dispute resolution process.</p>
P7-24. Time taken to resolve disputes.	D	BDLG does not monitor the time taken to manage disputes.
P7-25. Degree to which dispute outcomes are acted upon.	D	The BDLG does not monitor or analyze dispute outcomes.

Indicator	Scores 2022	Summary Explanation of Assessment
POA 8: Efficient Revenue Management		
P8-26. Contribution to government tax revenue forecasting process.	D	BDLG provides inadequate input to government budgeting process for tax revenue forecasting and estimation.
P8-27. Adequacy of the tax revenue accounting system.	D	BDLG's accounting process is inadequate.
P8-28. Adequacy of tax refund processing.	D	Tax refund processing is conducted in an ad hoc manner and is not documented.
POA 9: Accountability and Transparency		
P9-29. Internal assurance mechanisms.	D+	BDLG's internal audit provides limited audit assurance. BDLG has no staff integrity assurance mechanism in place.
P9-30. External oversight of the tax administration.	D+	The State Auditor General conducts annual audits of the tax administration's financial statements and issues a report to the Mayor and Executive Secretary. BDLG has informal investigation process for suspected wrongdoing.
P9-31. Public perception of integrity.	D	BDLG has no mechanism for monitoring public confidence.
P9-32. Publication of activities, results, and plans.	D+	BDLG prepares financial statements and operational performance reports annually. BDLG has a Five multi-year strategic and operational plans (DDF).

INTRODUCTION

This report documents the results of the TADAT assessment conducted in Bosaso District Local Government] during the period August 15 to 26, 2022 and subsequently reviewed by the TADAT Secretariat. The report is structured around the TADAT framework of nine POAs and 32 high level indicators critical to tax administration performance that is linked to the POAs. Fifty-three measurement dimensions are taken into account in arriving at each indicator score. A four-point 'ABCD' scale is used to score each dimension and indicator:

- 'A' denotes performance that meets or exceeds international good practice. In this regard, for TADAT purposes, a good practice is taken to be a tested and proven approach applied by a majority of leading tax administrations. It should be noted, however, that for a process to be considered 'good practice', it does not need to be at the forefront or vanguard of technological and other developments. Given the dynamic nature of tax administration, the good practices described throughout the field guide can be expected to evolve over time as technology advances and innovative approaches are tested and gain wide acceptance.
- 'B' represents sound performance (i.e. a healthy level of performance but a rung below international good practice).
- 'C' means weak performance relative to international good practice.
- 'D' denotes inadequate performance and is applied when the requirements for a 'C' rating or higher are not met. Furthermore, a 'D' score is given in certain situations where there is insufficient information available to assessors to determine and score the level of performance. For example, where a tax administration is unable to produce basic numerical data for purposes of assessing operational performance (e.g., in areas of filing, payment, and refund processing) a 'D' score is given. The underlying rationale is that the inability of the tax administration to provide the required data is indicative of deficiencies in its management information systems and performance monitoring practices.

For further details on the TADAT framework, see Attachment I.

Some points to note about the TADAT diagnostic approach are:

- TADAT assesses the performance outcomes achieved in the administration of the major direct and indirect taxes critical to subnational government revenues. By assessing outcomes in relation to administration of identified core taxes, a picture can be developed of the relative strengths and weaknesses of the tax administration.
- TADAT assessments are evidence based (see Attachment V for the sources of evidence applicable to the assessment of [Insert subnational jurisdiction name]).

- TADAT is not designed to assess special tax regimes, such as those applying in the natural resource sector. Nor does it assess customs administration.
- TADAT provides an assessment within the existing revenue policy framework, with assessments highlighting performance issues that may be best dealt with by a mix of administrative and policy responses.

The aim of TADAT is to provide an objective assessment of the health of key components of the system of tax administration, the extent of reform required, and the relative priorities for attention. TADAT assessments are particularly helpful in:

- Identifying the relative strengths and weaknesses in tax administration.
- Facilitating a shared view among all stakeholders (subnational jurisdiction authorities, international organizations, donor countries, and technical assistance providers).
- Setting the reform agenda (objectives, priorities, reform initiatives, and implementation sequencing).
- Facilitating management and coordination of external support for reforms and achieving faster and more efficient implementation.
- Monitoring and evaluating reform progress by way of subsequent repeat assessments.

BACKGROUND INFORMATION

Bosaso District Profile

Bosaso District is located in Bari region in the Puntland State of Somalia with a land area of 60 square kilometers. The District is strategically located in the Gulf of Aden Sea which makes it commercially attractive. Bosaso District is a commercial hub for Puntland State of Somalia in the Horn of Africa. The district is regarded as a home to diverse population that hails from many different parts of the country as well as in the Region.

Bosaso established its first council approximately 55 years ago from about 1954. For administrative purposes, today Bosaso District is comprised of 18 villages and the city has four sections. The city is now graded at Level A which is the regional capital that has 31 councilors. In addition, the current administration comprising of the Mayor and the Deputy Mayor are appointed by the President of Puntland.

The environment in which its tax system operates are provided in the subnational jurisdiction snapshot in Attachment II.

Data Tables

Numerical data gathered from the authorities and used in this TADAT performance assessment is contained in the tables comprising Attachment III.

Economic Situation

BDLG contributes significantly to the national economy and is the only port and commercial hub city in Puntland State of Somalia. However, BDLG only collects a small amount of own-source revenue; most of the revenue generated from Bosaso city goes to the state-level Ministry of Finance.

Puntland tax law legitimizes regulations for the imposition of direct and indirect taxes. The major direct taxes are divided into the following categories: personal tax income, rental tax, registration tax, agreement tax, road tax, and sales tax.

Bosaso, and generally Puntland, tax bases include: salary, business activities and personal activities. Other taxes range from regional and local government tax, registration tax, road tax to agreement tax. These taxes range from 1.3 percent to 124 percent depending on the nature of the transaction. An indirect tax is imposed on most import and export goods. The rate is determined by the value of imports and ranges from 3 percent to 74 percent.

BDLG collects local revenue from different sources, and business licenses, properties tax, land registration, checkpoint entries, and market duties in order to deliver services to the people. There has been low local revenue collection due to inadequate sources of revenue, low incomes and wealth which reduces the tax base and thus low socio-economic growth in Bosaso District.

Main Taxes

Up to 80 percent of Puntland state revenue is generated from import and export taxes. However, Bosaso District Local Government generates most its revenues from inland taxes and receives ad-hoc transfers from the state-level Ministry of Finance.

BDLG's main own sources revenue comprise, property taxes, business licenses and land registration fees. The City's department of revenue manages revenue mobilization.

Further details on own source revenue collections are provided in detailed in Table 1 of Attachment III.

Institutional Framework

The BDLG's operations are clustered under various Departments led by Directors. The revenue department, headed by a Director, is responsible for administering both tax and non-tax revenue. The Director is appointed by the Mayor and is responsible for the day-to-day activities, developing plans for revenue mobilization and enhancement, and providing strategic guidance to the department staff. The BDLG's staff complement for the fiscal year ended December 2021 was 38.

An organizational chart of Puntland local government, including the tax administration, is provided in Attachment IV.

Current Status of Tax Administration Reform

Some BDLG tax administration reforms have been undertaken. These include the Integrated Financial Management Information System (IFMIS) that registers entities for Business licenses and property taxes, and also captures other revenues. With the support of UNCDF, a Revenue Mobilization Action Plan (RMAP) has been developed to identify new potential own sources of revenues, and to accordingly grow them. However, much remains to be done.

Exchange of Information

BDLG is located in Puntland state of Somalia, and it is a member of Association of local government authorities in Puntland (ALGAPL). However, the Bosaso (or any other city in Somalia) has no system that facilitates the exchange information between cities. However, there are ongoing state-level initiatives on tax information exchange led by the ministries of finance, commercial entities, as well as the Puntland Chamber of Commerce Industry and Agriculture.

ASSESSMENT OF PERFORMANCE OUTCOME AREAS

POA 1: Integrity of the Registered Taxpayer Base

A fundamental initial step in administering taxes is taxpayer registration and numbering. Tax administrations must compile and maintain a complete database of businesses and individuals that are required by law to register; these will include taxpayers in their own right, as well as others such as employers with PAYE withholding responsibilities. Registration and numbering of each taxpayer underpins key administrative processes associated with filing, payment, assessment, and collection.

Two performance indicators are used to assess POA 1:

- P1-1—Accurate and reliable taxpayer information.
- P1-2—Knowledge of the potential taxpayer base.

P1-1: Accurate and reliable taxpayer information

For this indicator two measurement dimensions assess: (1) the adequacy of information held in the tax administration's registration database and the extent to which it supports effective interactions with taxpayers and tax intermediaries (i.e. tax advisors and accountants); and (2) the accuracy of information held in the database. Assessed scores are shown in Table 2 followed by an explanation of reasons underlying the assessment.

Table 2. P1-1 Assessment

Measurement dimensions	Scoring Method	Score 2022	
P1-1-1. The adequacy of information held in respect of registered taxpayers and the extent to which the registration database supports effective interactions with taxpayers and tax intermediaries.	M1	D	D
P1-1-2. The accuracy of information held in the registration database.		D	

BDLG has recently partially automated its registration processes for all the core taxes. The taxpayer obligations are outlined in the Puntland Local Government Act. BDLG captures taxpayers' information manually, then populates it in the IFMIS. The information captured includes, amongst others: taxpayer name, physical address, business category, phone number, bank details, location of property and business. The registration process for property taxes is also managed by a third party. Additionally, the system is decentralized, there are multiple registration processes for the core taxes with no unique identifier. Instead, multiple serial numbers for each core tax are issued that are not linked within the registration database. Moreover, these serial numbers do not contain a self-check digit or algorithm for self-validation.

The taxpayer information held in the IFMIS is insufficient to support effective interaction with taxpayers and compliance initiatives. The system's key features include: (i) generation of registration-related management reports; (ii) audit trails of user access and historical changes made to the information held in the database; (iii) providing a whole view of taxpayers' information for each

core tax only at the BDLG Headquarters; and (iv) IFMIS is integrated to the GOLIS Telecom system which facilitates mobile tax payments. However, the IFMIS system was recently launched and is managed by a third party, and it can neither archive information of deactivated taxpayers nor provide secure online access to taxpayers for change of registration details. In addition, the system does not use taxpayer registration details to generate tax declarations.

The accuracy of information held in the BDLG registration database could not be ascertained.

The authenticity and proof of checks on the registration database are only conducted during assessments and field visits, and these take place once a year. BDLG does not have documented procedures or a systematic approach to identify and remove inactive taxpayers, duplicate records, or fake registrants. Consequently, the tax administration system cannot routinely identify, remove, or deactivate inactive and dormant taxpayers. Verification and validation of registration details are done on an ad hoc basis upon requests by the taxpayers. Furthermore, BDLG does not use large-scale automated processes to verify data accuracy in its systems against databases of other government agencies. The internal audit team conducts audits on the taxpayer register but there is no specific report regarding accuracy of the taxpayer register.

P1-2: Knowledge of the potential taxpayer base

This indicator measures the extent of tax administration efforts to detect unregistered businesses and individuals. The assessed score is shown in Table 3 followed by an explanation of reasons underlying the assessment.

Table 3. P1-2 Assessment

Measurement dimension	Scoring Method	Score 2022
P1-2. The extent of initiatives to detect businesses and individuals who are required to register but fail to do so.	M1	D

BDLG undertakes ad hoc initiatives to detect unregistered businesses and individuals. The tax administration conducts inspection checks to detect unregistered individuals and businesses. The collectors in the revenue units conduct field visits to verify information issued by registered businesses and to identify unregistered taxpayers. Whereas these checks are generally conducted once a year, there is no use of third-party data to identify unregistered businesses and there are no documented reports generated from the inspection exercises.

POA 2: Effective Risk Management

Tax administrations face numerous risks that have the potential to adversely affect revenue and/or tax administration operations. For convenience, these risks can be classified as:

- Compliance risks—where revenue may be lost if businesses and individuals fail to meet the four main taxpayer obligations (i.e. registration in the tax system; filing of tax declarations; payment of taxes on time; and complete and accurate reporting of information in declarations); and
- Institutional risks—where tax administration functions may be interrupted if certain external or internal events occur, such as natural disasters, sabotage, loss or destruction of physical assets, failure of IT system hardware or software, strike action by employees, and administrative breaches (e.g., leakage of confidential taxpayer information which results in loss of community confidence and trust in the tax administration). For TADAT purposes, institutional risk is divided into two components. These are:
 - *Operational risk*—refers to disruptive actions that destroy or affect part or all of the administration's assets and resources, such as buildings, IT, and other equipment, data and records; and
 - *Human capital risk*—refers to interruptions that affect the tax administration arising out of capability, capacity, compliance, cost and connection (engagement) gaps of and by its employees.

Risk management is essential to effective tax administration and involves a structured approach to identifying, assessing, prioritizing, and mitigating risks. It is an integral part of multi-year strategic and annual operational planning.

Five performance indicators are used to assess POA 2:

- P2-3—Identification, assessment, ranking, and quantification of compliance risks.
- P2-4—Mitigation of risks through a compliance improvement plan.
- P2-5—Monitoring and evaluation of compliance risk mitigation activities.
- P2-6—Management of operational (i.e. systems and processes) risks.
- P2-7—Management of human capital risks.

P2-3: Identification, assessment, ranking, and quantification of compliance risks

For this indicator two measurement dimensions assess: (1) the scope of intelligence gathering and research to identify risks to the tax system; and (2) the process used to assess, rank, and quantify compliance risks. Assessed scores are shown in Table 4 followed by an explanation of reasons underlying the assessment.

Table 4. P2-3 Assessment

Measurement dimensions	Scoring Method	Score 2022
P2-3-1. The extent of intelligence gathering and research to identify compliance risks in respect of the main tax obligations.	M1	D
P2-3-2. The process used to assess, rank, and quantify taxpayer compliance risks.		D

BDLG conducts limited intelligence gathering initiatives and research to identify and build knowledge on compliance risks. Analysis of compliance risks using third-party data from the Ministry of Public Affairs and a third-party agency collecting Property Taxes is conducted on an ad hoc basis and on selected cases. An analysis of tax audits and tax declarations for core taxes has been conducted. However, no environmental scanning, tax gap studies, and studies on taxpayers' behavior have been conducted.

There is no process in place to assess, rank, and quantify taxpayer compliance risks. BDLG has neither a structured methodology to manage compliance risks nor a register of compliance risks for all core taxes, taxpayer segments, main tax obligations (registration, filing, payment, and record-keeping), and economic sectors. Compliance risk management is also not part of a multi-year strategic planning process nor linked to the annual business plan; and no estimates of revenue leakages are made.

P2-4: Mitigation of risks through a compliance improvement plan

This indicator examines the extent to which the tax administration has formulated a compliance improvement plan to address identified risks. The assessed score is shown in Table 5 followed by an explanation of reasons underlying the assessment.

Table 5. P2-4 Assessment

Measurement dimension	Scoring Method	Score 2022
P2-4. The degree to which the tax administration mitigates assessed risks to the tax system through a compliance improvement plan.	M1	D

There is no compliance improvement plan to guide the administration in mitigating identified risks. Verification and validation of the four main compliance obligations of taxpayers (registration, filing, payment and accurate reporting in returns) is done if an error occurs during the payment stage. A system alert is sent to the Director Revenue to assign a committee to check for registration errors and a roll back is made to the necessary amendments to ensure revenue is not lost. However, there is no single document that identifies the most significant compliance risks—in the main taxpayer compliance obligation areas and core taxes—and explains how the administration intends to respond to those risks. Besides, there are no regular checks done by the senior management team.

P2-5: Monitoring and evaluation of compliance risk mitigation activities

This indicator looks at the process used to monitor and evaluate compliance mitigation activities. The assessed score is shown in Table 6 followed by an explanation of reasons underlying the assessment.

Table 6. P2-5 Assessment

Measurement dimension	Scoring Method	Score 2022
P2-5. The process used to monitor and evaluate the impact of compliance risk mitigation activities.	M1	D

BDLG neither monitors nor evaluates the impact of compliance risk mitigation activities. A post audit impact report is generated annually and the findings from the report are used as feedback for improvement of the compliance risks which mainly focuses on revenue collections. However, there is no evidence of formal governance arrangements at senior management level to approve and evaluate the impact of compliance risk mitigation activities. The lack of a tax compliance risk management plan means, therefore, that there are no identified compliance mitigation activities to evaluate.

P2-6: Management of operational risks

This indicator examines how the tax administration manages operational risks other than those related to human resources. The assessed score is shown in Table 7 followed by an explanation of reasons underlying the assessment.

Table 7. P2-6 Assessment

Measurement dimensions	Scoring Method	Score 2022	
P2-6-1. The process used to identify, assess and mitigate operational risks.	M1	D	D
P2-6-2. The extent to which the effectiveness of the business continuity program is tested, monitored and evaluated.		D	

BDLG does not have a process to identify, assess and mitigate operational risks. Operational risks are managed in an ad-hoc manner. There exists measures to manage some emergencies such as data loss, power interruptions, system down-times and pandemics such as COVID. However, there is no risk register to document and analyze operational risks. BDLG does not have a Business Continuity Plan, nor does it conduct Business Impact Analysis (BIA) for the operational risks. Due to this the Recovery Time Objective and Response Point Objective are not determined. Staff are not trained on operational risk management and roles. Business continuity exercises are further not conducted apart from ad hoc training on COVID-19 pandemic management.

BDLG has no documented Business Continuity Management Program in place. Reports on progress of risk mitigation actions are made orally by the senior management. Without a documented Business Continuity Management Program, no systemic business continuity tests can be conducted,

evaluated or audited. **No staff training has been conducted in the last three years to enable BDLG manage internal and external disruptions.** Moreover, no disaster simulation exercises have ever been conducted.

P2-7: Management of human capital risks

This indicator examines how the tax administration manages human capital risks. The assessed score is shown in Table 8 followed by an explanation of reasons underlying the assessment.

Table 8. P2-7 Assessment

Measurement dimensions	Scoring Method	Score 2022	
P2-7-1. The extent to which the tax administration has in place the capacity and structures to manage human capital risks.	M1	D	D
P2-7-2. The degree to which the tax administration evaluates the status of human capital risks and related mitigation interventions.		D	

BDLG has inadequate capacity and structures to manage human capital risks (HCRs). There exists a human resource (HR) unit and manual that provides guidelines on staff training and capacity building. The HR manual also stipulates that all staff must agree on performance with line managers. However, the HR department has one untrained staff on with limited understanding of HCR. Hence no human resource strategy addresses short- and long-term HCR in the core HR areas of capacity, capabilities, compliance, cost and connection. Furthermore, the tax administration has no formal strategy and process for identifying, assessing, prioritizing, and mitigating HCRs. No evidence exists to indicate that the human resources management staff has the training, understanding, and experience in human resource risk (HRR). Additionally, BDLG has no operational governance structure comprising a senior management team responsible for reviewing HRR and providing direction on mitigation measures. No review of the HR operations and systems has been conducted by an independent third party. There is also no governance committee to review HCR issues as a whole.

No formal evaluation of the HCR and related mitigation interventions has been conducted.

POA 3: Supporting Voluntary Compliance

To promote voluntary compliance and public confidence in the tax system, tax administrations must adopt a service-oriented attitude toward taxpayers, ensuring that taxpayers have the information and support they need to meet their obligations and claim their entitlements under the law. Because few taxpayers use the law itself as a primary source of information, assistance from the tax administration plays a crucial role in bridging the knowledge gap. Taxpayers expect that the tax administration will provide summarized, understandable information on which they can rely.

Efforts to reduce taxpayer costs of compliance are also important. Small businesses, for example, gain from simplified record keeping and reporting requirements. Likewise, individuals with relatively simple tax obligations (e.g., employees, retirees, and passive investors) benefit from simplified filing arrangements and systems that eliminate the need to file.

Four performance indicators are used to assess POA 3:

- P3-8—Scope, currency, and accessibility of information.
- P3-9—Time taken to respond to information requests.
- P3-10—Scope of initiatives to reduce taxpayer compliance costs.
- P3-11—Obtaining taxpayer feedback on products and services.

P3-8: Scope, currency, and accessibility of information

For this indicator three measurement dimensions assess: (1) whether taxpayers have the information they need to meet their obligations; (2) whether the information available to taxpayers reflects the current law and administrative policy; (3) how easy it is for taxpayers to obtain information. Assessed scores are shown in Table 9 followed by an explanation of reasons underlying the assessment.

Table 9. P3-8 Assessment

Measurement dimensions	Scoring Method	Score 2022	
P3-8-1. The range of information available to taxpayers to explain, in clear terms, what their obligations and entitlements are in respect of each core tax.	M1	D	D
P3-8-2. The degree to which information is current in terms of the law and administrative policy.		D	
P3-8-3. The ease by which taxpayers obtain information from the tax administration.		D	

The range of information is available to taxpayers to explain their tax obligations and entitlements in clear terms is minimal. BDLG has an official telephone line which taxpayers can use to contact staff on any tax related issues. However, the Municipality has no website, has not published any brochures and neither does it conduct tax education programs in respect of taxpayer obligations

and entitlements. Accordingly, there is no evidence of any customized information which is specific to the needs of the key taxpayer segments, intermediaries or disadvantaged groups.

BDLG does not have documented procedures to update information that is publicly available to taxpayers. The Municipality consults and updates taxpayers on changes in law through the taxpayer committee and whenever issues arise. Although this committee represents taxpayers' interests, there is no evidence to show that targeted and general communications are sent out to taxpayers before or after the changes in law or administrative policies have been affected. Moreover, there is no dedicated technical team to update the information.

BDLG has a limited range of taxpayer education programs and service delivery channels.

Taxpayers can obtain information and advice free of charge from the Municipality through the official telephone line and social media (Facebook) at any time. In addition, walk-in clients can obtain information at no cost through face-to-face interactions with staff from the Municipality and the different offices during office hours. However, there are no other service delivery channels such as a call center, website, brochures, fact sheets and rulings. Besides, self-service facilities to enable taxpayers access information at their convenient time do not exist. Additionally, there is no evidence that information is tailored to specific taxpayer needs such as for small taxpayers or disadvantaged groups. BDLG does not conduct tax seminars for the business community or schools.

P3-9: The time taken to respond to requests for information.

This indicator examines how quickly the tax administration responds to requests by taxpayers and tax intermediaries for information (for this dimension, waiting time for telephone enquiry calls is used as a proxy for measuring a tax administration's performance in information requests generally). Assessed scores are shown in Table 10 followed by an explanation of reasons underlying the assessment.

Table 10. P3-9 Assessment

Measurement dimension	Scoring Method	Score 2022
P3-9: The time taken to respond to taxpayers and tax intermediaries' requests for information.	M1	D

BDLG does not monitor the time taken to respond to taxpayers' and intermediaries' information requests. Whereas BDLG has an official line through which taxpayers can request for information and support, the response time is not monitored. In addition, the Municipality does not have a call center and service delivery standards to monitor performance on interactions received through other channels such as Facebook and walk-in taxpayers.

P3-10: Scope of initiatives to reduce taxpayer compliance costs

This indicator examines the tax administration's efforts to reduce taxpayer compliance costs. Assessed scores are shown in Table 11 followed by an explanation of reasons underlying the assessment.

Table 11. P3-10 Assessment

Measurement dimension	Scoring Method	Score 2022
P3-10. The extent of initiatives to reduce taxpayer compliance costs.	M1	D

BDLG has implemented minimal initiatives to reduce taxpayer compliance costs. Taxpayers make tax payments using the mobile money payment platform which minimizes compliance costs and creates convenience for taxpayers. However, no other initiatives were implemented to reduce compliance costs. For example, there was no evidence of simplified record keeping and reporting for small taxpayers, monitoring of frequently asked questions or review of tax declarations and forms to remove obsolete and unnecessary data items. There were no online self-service facilities to enable taxpayers with 24-hour access to registration and tax account details. Nevertheless, the Municipality implemented the IFMIS during the first half of 2022 to input taxpayer registration data and communicate assessments to enable taxpayers make mobile money payments. Nevertheless, the system still does not have a client interface to enable taxpayers to self-serve online.

P3-11: Obtaining taxpayer feedback on products and services

For this indicator, two measurement dimensions assess: (1) the extent to which the tax administration seeks taxpayer and other stakeholder views of service delivery; and (2) the degree to which taxpayer feedback is taken into account in the design of administrative processes and products. Assessed scores are shown in Table 12 followed by an explanation of reasons underlying the assessment.

Table 12. P3-11 Assessment

Measurement dimensions	Scoring Method	Score 2022	
P3-11-1. The use and frequency of methods to obtain performance feedback from taxpayers on the standard of services provided.	M1	D	D
P3-11-2. The extent to which taxpayer input is taken into account in the design of administrative processes and products.		D	

BDLG uses limited methods to obtain feedback from taxpayers on the standard of services provided. BDLG obtains feedback from taxpayers during meetings with the taxpayer committee and the chamber of commerce when issues that require such meetings arise especially when taxpayers raise complaints. Feedback is also obtained from interactions with taxpayers on the Facebook page. Nonetheless, there is no evidence of surveys conducted to monitor trends in taxpayer perceptions of the BDLG's standards of service and products.

BDLG does not hold regular consultations with taxpayers and neither does it involve them in the design of administrative processes and products. Whereas BDLG consults the chamber of commerce whenever there are new issues to be introduced, these meetings are never recorded. In one

of the consultations with the Chamber, BDLG took into account the issues raised by taxpayers by not raising penalties on expired drugs. However, there was no evidence of other consultations related to the core taxes. Moreover, no evidence was provided to show that tax laws have been amended in the recent past or any systems that have been introduced in the last three years arising out of consultations with the taxpaying public. To note that the IFMIS, which was introduced in 2022, was part of a broader federal state initiative with no major input from the local governments.

POA 4: Timely Filing of Tax Declarations

Filing of tax declarations (also known as tax returns) remains a principal means by which a taxpayer's tax liability is established and becomes due and payable. As noted in POA 3, however, there is a trend towards streamlining preparation and filing of declarations of taxpayers with relatively uncomplicated tax affairs (e.g., through pre-filing tax declarations). Moreover, several countries treat income tax withheld at source as a final tax, thereby eliminating the need for large numbers of PIT taxpayers to file annual income tax declarations. There is also a strong trend towards electronic filing of declarations for all core taxes. Declarations may be filed by taxpayers themselves or via tax intermediaries.

It is important that all taxpayers who are required to file do so, including those who are unable to pay the tax owing at the time a declaration is due (for these taxpayers, the first priority of the tax administration is to obtain a declaration from the taxpayer to confirm the amount owed, and then secure payment through the enforcement and other measures covered in POA 5).

Three performance indicators are used to assess POA 4:

- P4-12—On-time filing rate.
- P4-13—Management of non-filers
- P4-14—Use of electronic filing facilities.

P4-12: On-time filing rate

A single performance indicator, with three measurement dimensions, is used to assess the on-time filing rate for declarations for the three most important direct and/or indirect taxes administered by the subnational entity. A high on-time filing rate is indicative of effective compliance management including, for example, provision of convenient means to file declarations (especially electronic filing facilities), simplified declarations forms, and enforcement action against those who fail to file on time. Assessed scores are shown in Table 13 followed by an explanation of reasons underlying the assessment.

Table 13. P4-12 Assessment

Measurement dimensions	Scoring Method	Score 2022
P4-12-1. The number of declarations for the most important tax (T1) filed by the statutory due date as a percentage of the number of declarations expected from registered Property taxpayers.	M2	D
P4-12-2. The number of declarations for the second most important tax (T2) filed by the statutory due date as a percentage of the number of declarations expected from registered Business License taxpayers.		D
P4-12-3. The number of declarations for the third most important tax (T3) filed by the statutory due date as a percentage of the number of declarations expected from registered Land Tax taxpayers.		D

Filing obligations and due dates are not anchored in any law, and BDLG does not monitor timely filing of declarations. BDLG maintained manual taxpayer registers from financial years 2018 to 2021. This makes it difficult to effectively monitor on-time filing by taxpayers. There is no credible evidence on mechanisms for monitoring filing declarations by taxpayers, thus the inability to obtain numerical data in Tables 4 to 10 of Attachment III.

P4-13: Management of non-filers

This indicator measures the extent to taxpayers who have failed to file declarations when due are managed. The assessed score is shown in Table 14 followed by an explanation of reasons underlying the assessment.

Table 14. P4-13 Assessment

Measurement dimension	Scoring Method	Score 2022
P4-13. Action taken to follow up non-filers.	M1	D

BDLG has no documented procedures and dedicated staff to follow up with non-filers. In addition, there is no automated system in place to identify and follow up non-filers and generate penalties for non-filers. Coupled to this, BDLG lacks documented procedures enforcement procedures and dedicated staff to enforce filing.

P4-14: Use of electronic filing facilities

This indicator measures the extent to which declarations, for all core taxes, are filed electronically. Assessed scores are shown in Table 15 followed by an explanation of reasons underlying the assessment.

Table 15. P4-14 Assessment

Measurement dimension	Scoring Method	Score 2022
P4-14. The extent to which tax declarations are filed electronically.	M1	D

BDLG has an electronic platform for filing tax declarations known as IFMIS which was recently rolled out in early 2022. The system allows BDLG officers to manually capture the tax declarations, it however does not have functionality that allows the taxpayers to file electronically. During financial years 2018 - 2021, collectors issued manual assessment forms (serving as invoices) at premises for all core taxes before the expiry of the business operating license.

POA 5: Timely Payment of Taxes

Taxpayers are expected to pay taxes on time. Tax laws and administrative procedures specify payment requirements, including deadlines (due dates) for payment, who is required to pay, and payment methods. Depending on the system in place, payments due will be either self-assessed or administratively assessed. Failure by a taxpayer to pay on time results in imposition of interest and penalties and, for some taxpayers, legal debt recovery action. The aim of the tax administration should be to achieve high rates of voluntary on-time payment and low incidence of tax arrears.

Four performance indicators are used to assess POA 5:

- P5-15—Use of electronic payment methods.
- P5-16—Use of efficient collection systems.
- P5-17—Timeliness of payments
- P5-18—Stock and flow of tax arrears.

P5-15: Use of electronic payment methods

This indicator examines the degree to which core taxes are paid by electronic means without the direct intervention of bank staff or tax administration, including through electronic funds transfer (where money is electronically transferred via the Internet from a taxpayer's bank account to the Government's account), credit cards, and debit cards. Assessed scores are shown in Table 16 followed by an explanation of reasons underlying the assessment.

Table 16. P5-15 Assessment

Measurement dimension	Scoring Method	Score 2022
P5-15. The extent to which core taxes are paid electronically.	M1	D

Taxes in BDLG were paid either electronically using mobile money or in cash. BDLG utilized a manual system for the assessment of taxes for all the core taxes for the taxpayer to make cash or mobile money payments. Following the Presidential Decree issued as part of the wider Puntland

government initiative to have a cashless economy, cash transactions were abolished in the entire federal state in November 2020. Although the decree was later rescinded in 2021, there are no cash transactions in Puntland therefore no more cash tax payments. However, there is no evidence to show the proportion of taxes that were paid electronically due to the manual environment in which the Municipality operated up to 2022 when IFMIS was introduced. More so, BDLG has not done much to promote the use of electronic payments and does not have any immediate plans to expand to use of other electronic payment methods such as direct debit authority, internet banking, electronic funds transfer, credit cards and use of automatic teller machines.

P5-16: Use of efficient collection systems

This indicator assesses the extent to which acknowledged efficient collection systems—especially withholding at source and advance payment systems—are used. Assessed scores are shown in Table 17 followed by an explanation of reasons underlying the assessment.

Table 17. P5-16 Assessment

Measurement dimension	Scoring Method	Score 2022
P5-16. The extent to which withholding at source and advance payment systems are used.	M1	D

BDLG does not use efficient tax collection systems. The Puntland local government laws No.7 gives the Municipality powers to pass and implement resolutions in regard to the amount and due dates of collection of local government taxes subject to specific tax laws. However, there was neither evidence to show any resolutions made nor use of withholding at source or advance payment arrangements for any of the core taxes. Furthermore, there was no evidence of any withholding or mandatory reporting or disclosure arrangements in place.

P5-17: Timeliness of payments

This indicator assesses the extent to which payments are made on time (by number and by value). For TADAT measurement purposes, the most important tax (T1) payment performance is used as a proxy for on-time payment performance of core taxes generally. A high on-time payment percentage is indicative of sound compliance management including, for example, provision of convenient payment methods and effective follow-up of overdue amounts. Assessed scores are shown in Table 18 followed by an explanation of reasons underlying the assessment.

Table 18. P5-17 Assessment

Measurement dimensions	Scoring Method	Score 2022	
P5-17-1. The number of payments for Property Taxes made by the statutory due date in percent of the total number of payments due.	M1	D	D
P5-17-2. The value of payments for the Property Taxes made by the statutory due date in percent of the total value of T1 payments due.		D	

BDLG does not measure the timeliness of payments of the most important tax—property tax.

There was no collection data to show the number and value of payments of property rates that came in on time. Moreover, there is no specific law on taxation of properties by the local governments save for the Puntland local government laws No.7 which gives powers to the local governments to impose taxes and penalties, determine rates and due dates after passing and approval of resolution by the local council and rural development.

P5-18: Stock and flow of tax arrears

This indicator examines the extent of accumulated tax arrears. Two measurement dimensions are used to gauge the size of the administration's tax arrears inventory: (1) the ratio of end-year tax arrears to the denominator of annual tax collections; and (2) the more refined ratio of end-year 'collectible tax arrears' to annual collections.¹ A third measurement dimension looks at the extent of unpaid tax liabilities that are more than a year overdue (a high percentage may indicate poor debt collection practices and performance given that the rate of recovery of tax arrears tends to decline as arrears get older). Assessed scores are shown in Table 19 followed by an explanation of reasons underlying the assessment.

Table 19. P5-18 Assessment

Measurement dimensions	Scoring Method	Score 2022	
P5-18-1. The value of total core tax arrears at fiscal year-end as a percentage of total core tax revenue collections for the fiscal year.	M2	D	D
P5-18-2. The value of collectible core tax arrears at fiscal year-end as a percentage of total core tax revenue collections for the fiscal year.		D	
P5-18-3. The value of core tax arrears more than 12 months old as a percentage of the value of all core tax arrears.		D	

There is no comprehensive view of the tax arrears position, and monitoring of stock and flow of core tax arrears is limited. There is no active tax arrears inventory management with regard to the

¹ For purposes of this ratio, 'collectible' tax arrears is defined as total domestic tax arrears excluding: (a) amounts formally disputed by the taxpayer and for which collection action has been suspended pending the outcome, (b) amounts that are not legally recoverable (e.g., debt foregone through bankruptcy), and (c) arrears otherwise uncollectible (e.g., the debtor has no funds or other assets).

value, age and collectability of arrears. The IFMIS does not have an arrears management module to enable the Municipality to effectively identify unpaid tax as it falls due, automatically generate reminders and demand notices to taxpayers, risk rank the arrears and provide a consolidated picture of the taxpayers' total tax arrears across all core taxes. Moreover, IFMIS accepts only current period payments to be made during the year while prior year payments are rejected in subsequent periods. Besides, the Municipality enforcement team is not specialist trained in debt collection management techniques.

POA 6: Accurate Reporting in Declarations

Tax systems rely heavily on complete and accurate reporting of information by taxpayers in tax declarations. Tax administrations therefore need to regularly monitor tax revenue losses from inaccurate reporting, especially by business taxpayers, and take a range of actions to ensure compliance. These actions fall into two broad groups: verification activities (e.g., tax audits, investigations, and income matching against third party information sources) and proactive initiatives (e.g., taxpayer assistance and education as covered in POA 3, and cooperative compliance approaches).

If well designed and managed, tax audit programs can have far wider impact than simply raising additional revenue from discrepancies detected by tax audits. Detecting and penalizing serious offenders serve to remind all taxpayers of the consequences of inaccurate reporting.

Also prominent in modern tax administration is high-volume automated crosschecking of amounts reported in tax declarations with third-party information. Because of the high cost and relative low coverage rates associated with traditional audit methods, tax administrations are increasingly using technology to screen large numbers of taxpayer records to detect discrepancies and encourage correct reporting.

Proactive initiatives also play an important role in addressing risks of inaccurate reporting. These include adoption of cooperative compliance approaches to build collaborative and trust-based relationships with taxpayers (especially large taxpayers) and intermediaries to resolve tax issues and bring certainty to companies' tax positions in advance of a tax declaration being filed, or before a transaction is actually entered into. A system of binding tax rulings can play an important role here.

Finally, on the issue of monitoring the extent of inaccurate reporting across the taxpayer population generally, a variety of approaches are being used, including: use of tax compliance gap estimating models, both for direct and indirect taxes; advanced analytics using large data sets (e.g., predictive models, clustering techniques, and scoring models) to determine the likelihood of taxpayers making full and accurate disclosures of income; and surveys to monitor taxpayer attitudes towards accurate reporting of income.

Against this background, four performance indicators are used to assess POA 6:

- P6-19—Scope of verification actions taken to detect and deter inaccurate reporting.
- P6-20—Use of large-scale data-matching systems to detect inaccurate reporting.

- P6-21—Initiatives undertaken to encourage accurate reporting.
- P6-22—Monitoring the tax gap to assess inaccuracy of reporting levels.

P6-19: Scope of verification actions taken to detect and deter inaccurate reporting

For this indicator, four measurement dimensions provide an indication of the nature and scope of the tax administration's verification program. Assessed scores are shown in Table 20 followed by an explanation of reasons underlying the assessment.

Table 20. P6-19 Assessment

Measurement dimensions	Scoring Method	Score 2022
P6-19-1. The nature and scope of the tax audit program in place to detect and deter inaccurate reporting.	M1	D
P6-19-2. The extent to which the audit program is systematized around uniform practices.		D
P6-19-3. The degree to which the quality of taxpayer audits is monitored.		D
P6-19-4. The degree to which the tax administration monitors the effectiveness of the taxpayer audit function.		D

BDLG does not have a tax audit program in place but instead conducts limited scope on-site inspections for the core taxes only. The inspections are undertaken once a year, but the program is not tailored towards key taxpayer segments or high-risk taxpayers, the cases are not centrally selected based on assessed risks, and they provide for the direct audit methodology only which involves on-site inspections. Besides, there is no evidence to show that the impact of inspections on taxpayer compliance is evaluated.

BDLG does not have a tax audit manual to guide auditors/inspectors and the existing inspection program is not systematized around uniform practices. A manual, checklist or guidelines would normally outline procedures that auditors/inspectors are required to apply on the following key processes; creation of taxpayer profiles, informing taxpayers about dispute resolution rights and procedures, preparation of an audit case plan, examination of the records of taxpayers and determining any changes to the scope or periods covered by the audit, amongst others. Relatedly, the tax administration does not have special audit manuals for any of the major economic sectors.

The quality of inspections is not reviewed at BDLG. There is neither a designated unit nor a committee to review the inspections undertaken. Furthermore, there are no documented guidelines to monitor the quality of inspections undertaken.

The effectiveness of the taxpayer inspections' function is not monitored at BDLGs save for a limited scope of key performance measures (KPM) of the audit function that are monitored. Performance reports, which are prepared on an ad hoc basis, primarily report on audit amounts assessed. Nevertheless, there is no evidence of systems or structures in place to systematically

evaluate the audit function. Thus, the following metrics are not evaluated: (i) audit outputs-assessments versus related recoveries/collections; (ii) the percentage of audit closures without adjustments; (iii) the percentage of audit closures where additional tax is payable; (iv) average and/or median audit yield from settled audit cases (includes positive, nil and reduced assessment cases); and (v) the rate of audit adjustments accepted without objection or appeal. Furthermore, no surveys are conducted on audited taxpayers to review the professionalism and competence of staff in the performance of inspections/audits.

P6-20: Use of large-scale data-matching systems to detect inaccurate reporting.

For this indicator, one measurement dimension provides an indication of the extent to which the tax administration leverages technology to screen large numbers of taxpayer records against third-party information to detect discrepancies and encourage correct reporting. Assessed scores are shown in Table 21 followed by an explanation of reasons underlying the assessment.

Table 21. P6-20 Assessment

Measurement dimension	Scoring Method	Score 2022
P6-20. The extent of large-scale automated crosschecking to verify information reported in tax declarations.	M1	D

BDLG does not use large-scale automated cross-matching of data to detect inaccurate reporting. Utilization of large-scale automated crosschecking of third-party and internal information (for example, other tax declarations) to verify information reported in tax declarations is not in place.

P6-21: Initiatives undertaken to encourage accurate reporting

This indicator assesses the nature and scope of cooperative compliance and other proactive initiatives undertaken to encourage accurate reporting. Assessed scores are shown in Table 22 followed by an explanation of reasons underlying the assessment.

Table 22. P6-21 Assessment

Measurement dimension	Scoring Method	Score 2022
P6-21. The nature and scope of proactive initiatives undertaken to encourage accurate reporting.	M1	D

Initiatives to encourage accurate reporting are not in place. There is no system of public and private binding rulings. Coupled with this, BDLG has not entered into any cooperative compliance arrangements with qualifying taxpayers.

P6-22: Monitoring the tax gap to assess inaccuracy of reporting levels

This indicator examines the soundness of methods used by the tax administration to monitor the extent of inaccurate reporting in declarations. The assessed score is shown in Table 23 followed by an explanation of reasons underlying the assessment.

Table 23. P6-22 Assessment

Measurement dimensions	Scoring Method	Score 2022
P6-22. The soundness of tax gap analysis method/s used by the tax administration to monitor the extent of inaccurate reporting.	M1	D

BDLG does not monitor the tax gap to assess and monitor inaccurate reporting. The tax administration does not use any methodologies to assess and monitor inaccuracies in reporting. Consequently, there are no credibility tests as the tax gap is not undertaken, and no results can be used to design interventions to improve accuracy in reporting.

POA 7: Effective Tax Dispute Resolution

This POA deals with the process by which a taxpayer seeks an independent review, on grounds of facts or interpretation of the law, of a tax assessment resulting from an audit. Above all, a tax dispute process must safeguard a taxpayer's right to challenge a tax assessment and get a fair hearing. The process should be based on a legal framework, be known and understood by taxpayers, be easily accessible, guarantee transparent independent decision-making, and resolve disputed matters in a timely manner.

Three performance indicators are used to assess POA 7:

- P7-23—Existence of an independent, workable, and graduated dispute resolution process.
- P7-24—Time taken to resolve disputes.
- P7-25—Degree to which dispute outcomes are acted upon.

P7-23: Existence of an independent, workable, and graduated resolution process

For this indicator three measurement dimensions assess: (1) the extent to which a dispute may be escalated to an independent external tribunal or court where a taxpayer is dissatisfied with the result of the tax administration's review process; (2) the extent to which the tax administration's review process is truly independent; and (3) the extent to which taxpayers are informed of their rights and avenues of review. Assessed scores are shown in Table 24 followed by an explanation of reasons underlying the assessment.

Table 24. P7-23 Assessment

Measurement dimensions	Scoring Method	Score 2022
P7-23-1. The extent to which an appropriately graduated mechanism of administrative and judicial review is available to, and used by, taxpayers.	M2	D
P7-23-2. Whether the administrative review mechanism is independent of the audit process.		D
P7-23-3. Whether information on the dispute process is published, and whether taxpayers are explicitly made aware of it.		D

BDLG has no tiered dispute resolution mechanism available to and used by taxpayers.

Although taxpayers can raise complaints through the taxpayer committee and chamber of commerce which in turn discusses these with senior management of BDLG, there is no external specialist tribunal or review board to resolve disputes. Besides, the tax laws do not provide for a framework for a graduated mechanism of administrative and judicial review and there was no evidence of any disputes that have been resolved through any of the taxpayer associations or general courts of law.

BDLG does not have an independent review mechanism to handle administrative reviews.

Taxpayers with disputes always reach out to the specific officer who will have raised the assessment leading to the dispute. There is no independent unit that is separate from the inspection unit and there are no designated review officers in BDLG to handle taxpayer disputes. In addition, there was no evidence of any applicable documented administrative review procedures.

BDLG does not provide general or specific information to taxpayers on the dispute resolution process. BDLG has not developed any dispute resolution process which can be made publicly available to the taxpayers. The assessment notices do not contain any information on the dispute rights and associated dispute procedures to be followed. In any case, inspectors and other staff do not have any written instructions that obliges them to inform taxpayers of their dispute rights and procedures.

P7-24: Time taken to resolve disputes

This indicator assesses how responsive the tax administration is in completing administrative reviews. Assessed scores are shown in Table 25 followed by an explanation of reasons underlying the assessment.

Table 25. P7-24 Assessment

Measurement dimensions	Scoring Method	Score 2022
P7-24. The time taken to complete administrative reviews.	M1	D

BDLG does not monitor the time taken to manage disputes. BDLG has not undertaken any administrative review process and there is no supporting mechanism in place, such as a case

management system, to do so. A case management system has the ability to track and monitor case status including the time taken to resolve disputes.

P7-25: Degree to which dispute outcomes are acted upon

This indicator looks at the extent to which dispute outcomes are taken into account in determining policy, legislation, and administrative procedure. The assessed score is shown in Table 25 followed by an explanation of reasons underlying the assessment.

Table 26. P7-25 Assessment

Measurement dimension	Scoring Method	Score 2022
P7-25. The extent to which the tax administration responds to dispute outcomes.	M1	D

The BDLG does not monitor or analyze dispute outcomes. There are no procedures or structures in place to respond to dispute outcomes. Accordingly, no decision impact statements can be prepared to inform policy, legislation and administrative procedures.

POA 8: Efficient Revenue Management

This POA focuses on three key activities performed by tax administrations in relation to revenue management:

- Providing input to government budgeting processes of tax revenue forecasting and tax revenue estimating. (As a general rule, primary responsibility for advising government on tax revenue forecasts and estimates rests with the Ministry of Finance. The tax administration provides data and analytical input to the forecasting and estimating processes. Ministries of Finance often set operational revenue collection targets for the tax administration based on forecasts of revenue for different taxes.)²
- Maintaining a system of revenue accounts.
- Paying tax refunds.

Three performance indicators are used to assess POA 8:

- P8-26—Contribution to government tax revenue forecasting process.
- P8-27—Adequacy of the tax revenue accounting system.
- P8-28—Adequacy of tax refund processing.

P8-26: Contribution to government tax revenue forecasting process

² It is common for Ministries of Finance to review budget revenue forecasts and related tax collection targets during the fiscal year (particularly mid-year) to take account of changes in forecasting assumptions, especially changes in the macroeconomic environment.

This indicator assesses the extent of tax administration input to government tax revenue forecasting and estimating. The assessed score is shown in Table 26 followed by an explanation of reasons underlying the assessment.

Table 27. P8-26 Assessment

Measurement dimensions	Scoring Method	Score 2022
P8-26. The extent of tax administration input to government tax revenue forecasting and estimating.	M1	D

BDLG provides inadequate input into the government budgeting process for tax revenue forecasting and estimation. The Director of Administration and Finance and the technical staff are responsible for providing input to the Ministry of Finance for use in government tax revenue forecasting and estimation. Although BDLG monitors tax revenue collections against budgeted revenue forecasts, it does not make regular reports to the Ministry of Finance and neither does it monitor tax revenue foregone due to tax expenditures nor forecast tax refund levels.

P8-27: Adequacy of the tax revenue accounting system

This indicator examines the adequacy of the tax revenue accounting system. Assessed scores are shown in Table 28 followed by an explanation of reasons underlying the assessment.

Table 28. P8-27 Assessment

Measurement dimension	Scoring Method	Score 2022
P8-27. Adequacy of the tax administration's revenue accounting system.	M1	D

BDLG's accounting process is inadequate. The tax administration does not have an automated accounting system but uses a manual revenue accounting process. It is therefore not interfaced with the Ministry of Finance accounting systems or other payment platforms to allow for seamless transfer of payment information made by taxpayers. The payment information is captured when the taxpayer submits the pay-in-slip. Payments are then posted into the ledgers on same day the payment is made although this could not be verified due to the manual process. In addition, there is no system where taxpayer ledgers that contain all the individual taxpayer's liabilities and related payments are recorded. Besides, taxpayers do not have access to their ledgers.

P8-28: Adequacy of tax refund processing

For this indicator, two measurement dimensions assess the tax administration's system of processing tax refund claims. Assessed scores are shown in Table 29 followed by an explanation of reasons underlying the assessment.

Table 29. P8-28 Assessment

Measurement dimensions	Scoring Method	Score 2022	
P8-28-1. Adequacy of the tax refund system.	M2	D	D
P8-28-2. The time taken to pay (or offset) tax refunds.		D	

Tax refund processing is conducted in an ad hoc manner and is not documented in BDLG. The district does not have a documented refund processing system but handles cases of erroneous payments in an ad hoc manner and on case-by-case basis. Accordingly, the time taken to pay or offset tax refunds could not be ascertained.

POA 9: Accountability and Transparency

Accountability and transparency are central pillars of good governance. Their institutionalization reflects the principle that tax administrations should be answerable for the way they use public resources and exercise authority. To enhance community confidence and trust, tax administrations should be openly accountable for their actions within a framework of responsibility to the minister, government, legislature, and the general public.

Four performance indicators are used to assess POA 9:

- P9-29—Internal assurance mechanisms.
- P9-30—External oversight of the tax administration.
- P9-31—Public perception of integrity.
- P9-32—Publication of activities, results, and plans.

P9-29: Internal assurance mechanisms

For this indicator, two measurement dimensions assess the internal assurance mechanisms in place to protect the tax administration from loss, error, and fraud. Assessed scores are shown in Table 30 followed by an explanation of reasons underlying the assessment.

Table 30. P9-29 Assessment

Measurement dimensions	Scoring Method	Score 2022	
P9-29-1. Assurance provided by internal audit.	M2	C	D+
P9-29-2. Staff integrity assurance mechanisms.		D	

BDLG's internal audit provides limited audit assurance. The unit is headed by a Principal Internal Auditor. The unit has an annual internal audit plan; however, it does not include information systems audits. The District does not have a central repository of internal control policies, processes and procedures as well as IT system controls in place. Further, the internal auditors have not undergone any specialized training programmes in the last three years.

BDLG has no staff integrity assurance mechanism in place. BDLG neither has a code of ethics, professional conduct values nor principles and requirements guided by or closely aligned to national or international ethics and integrity legislation/regulations or equivalent. The HR departments does not require staff to sign Oath of secrecy, instead it only maintains staff documentation on disciplinary issues.

P9-30: External oversight of the tax administration

Two measurement dimensions of this indicator assess: (1) the extent of independent external oversight of the tax administration's operations and financial performance; and (2) the investigation process for suspected wrongdoing and maladministration. Assessed scores are shown in Table 31 followed by an explanation of reasons underlying the assessment.

Table 31. P9-30 Assessment

Measurement dimensions	Scoring Method	Score 2022	
P9-30-1. The extent of independent external oversight of the tax administration's operations and financial performance.	M2	C	D+
P9-30-2. The investigation process for suspected wrongdoing and maladministration.		D	

The State Auditor General conducts annual audits of the tax administration's financial statements and issues a report to the Mayor and Executive Secretary. Documented reports that are prepared by the government auditor in relation to the BDLG financial statements and operational performance exist and the review findings are responded to by the tax administration. However, operational performance audits by an external review body are not conducted.

BDLG has an informal investigation process for suspected wrongdoing. There is no documented mandate for the investigative bodies, and no investigations reports arising from complaints by taxpayers on the treatment received from BDLG.

P9-31: Public perception of integrity

This indicator examines measures taken to gauge public confidence in the tax administration. The assessed score is shown in Table 32 followed by an explanation of reasons underlying the assessment.

Table 32. P9-31 Assessment

Measurement dimension	Scoring Method	Score 2022
P9-31. The mechanism for monitoring public confidence in the tax administration.	M1	D

BDLG has no mechanism for monitoring public confidence. No independent third party conducts surveys to monitor trends in public confidence and satisfaction with the district tax administration.

P9-32: Publication of activities, results, and plans

Two measurement dimensions of this indicator assess the extent of: (1) public reporting of financial and operational performance; and (2) publication of future directions and plans. Assessed scores are shown in Table 33 followed by an explanation of reasons underlying the assessment.

Table 33. P9-32 Assessment

Measurement dimensions	Scoring Method	Score 2022	
P9-32-1. The extent to which the financial and operational performance of the tax administration is made public, and the timeliness of publication.	M2	D	D+
P9-32-2. The extent to which the tax administration's future directions and plans are made public, and the timeliness of publication.		C	

BDLG prepares financial statements and operational performance reports annually. The annual financial and operational performance reports is annually submitted to parliament/legislature but the report is not made available to the public.

BDLG has a Five multi-year strategic and operational plans (DDF). The District Development Framework (DDF) is a five - year plan which is updated every five years. DDF are made public in advance of the period covered by the plans through public participation forums.

Attachment I. TADAT Framework

Performance outcome areas

TADAT assesses the performance of a country's tax administration system by reference to nine outcome areas:

1. **Integrity of the registered taxpayer base:** Registration of taxpayers and maintenance of a complete and accurate taxpayer database is fundamental to effective tax administration.
2. **Effective risk management:** Performance improves when risks to revenue and tax administration operations are identified and systematically managed.
3. **Supporting voluntary compliance:** Usually, most taxpayers will meet their tax obligations if they are given the necessary information and support to enable them to comply voluntarily.



4. **On-time filing of declarations:** Timely filing is essential because the filing of a tax declaration is a principal means by which a taxpayer's tax liability is established and becomes due and payable.
5. **On-time payment of taxes:** Non-payment and late payment of taxes can have a detrimental effect on government budgets and cash management. Collection of tax arrears is costly and time consuming.
6. **Accurate reporting in declarations:** Tax systems rely heavily on complete and accurate reporting of information in tax declarations. Audit and other verification activities, and proactive initiatives of taxpayer assistance, promote accurate reporting and mitigate tax fraud.
7. **Effective Tax Dispute Resolution:** Independent, accessible, and efficient review mechanisms safeguard a taxpayer's right to challenge a tax assessment and get a fair hearing in a timely manner.

8. **Efficient revenue management:** Tax revenue collections must be fully accounted for, monitored against budget expectations, and analyzed to inform government revenue forecasting. Legitimate tax refunds to individuals and businesses must be paid promptly.
9. **Accountability and transparency:** As public institutions, tax administrations are answerable for the way they use public resources and exercise authority. Community confidence and trust are enhanced when there is open accountability for administrative actions within a framework of responsibility to the minister, legislature, and general community.

Indicators and associated measurement dimensions

A set of 32 high-level indicators critical to tax administration performance are linked to the performance outcome areas. It is these indicators that are scored and reported on. A total of 53 measurement dimensions are taken into account in arriving at the indicator scores. Each indicator has between one and five measurement dimensions.

Repeated assessments will provide information on the extent to which a country's tax administration is improving.

Scoring methodology

The assessment of indicators follows the same approach followed in the Public Expenditure and Financial Accountability (PEFA) diagnostic tool so as to aid comparability where both tools are used.

Each of TADAT's 53 measurement dimensions is assessed separately. The overall score for an indicator is based on the assessment of the individual dimensions of the indicator. Combining the scores for dimensions into an overall score for an indicator is done using one of two methods: Method 1 (M1) or Method 2 (M2). For both M1 and M2, the four-point 'ABCD' scale is used to score each dimension and indicator.

Method M1 is used for all single dimensional indicators and for multi-dimensional indicators where poor performance on one dimension of the indicator is likely to undermine the impact of good performance on other dimensions of the same indicator (in other words, by the weakest link in the connected dimensions of the indicator).

Method M2 is based on averaging the scores for individual dimensions of an indicator. It is used for selected multi-dimensional indicators where a low score on one dimension of the indicator does not necessarily undermine the impact of higher scores on other dimensions for the same indicator.

Attachment II. Bosaso District Local Government: subnational entity Snapshot

Geography	<p>Puntland is geographically located in the eastern portion of Somalia. It borders with northwest regions in the West, Gulf of Adan in the north, Indian Ocean in the southeast, central regions in the south and Ethiopia in the Southwest. The total area of the state of Puntland is 212,510 km² (roughly one-third of Somalia's geographical area). The state of Puntland is semi-arid. The country has a warm climate and average daily temperatures range from 27C to 37C. these are four main seasons dictated by shifts in the wind patterns. Pastoral and agricultural life revolves around these seasons. These are:</p> <p>JILAL from January to March, the dry season of the year.</p> <p>GU is the main rainy season from April to June.</p> <p>XAGAA is second dry season July to September</p> <p>DEYR is the shortest and less reliable rainy from October to December.</p> <p>Source: Puntland Facts and Figure - Ministry of Planning and Statistics.</p>
Population	4.3 million (2012/17) censuses. (Source: Puntland Facts and Figure - Ministry of Planning and Statistics)
Adult literacy rate	<p>44 percent of the population aged 40 and lower can read and write.</p> <p>Source: http://pl.statistics.so/puntland-gender-report</p>
Gross Domestic Product	<p>2019/2020 Nominal GDP: USD1,853 million</p> <p>Source: http://pl.statistics.so/gross-domestic-product-puntland-2019</p>
Per capita GDP	<p>US\$ 372</p> <p>Source: http://pl.statistics.so/gross-domestic-product-puntland-2019</p>
Main industries	Canned Fish, Detergent Powder Soap and Bottled water.
Communications	No Information
Main taxes	T1 property taxes, T2
Tax-to-GDP	No information.
Number of taxpayers	T1 (8,000), T2 (8250) and T3 (1431)
Main collection agency	BDLG revenue department.
Number of staff in the main collection agency	38 (2022)
Financial Year	January to December.

Attachment III. Data Tables

A. Tax Revenue Collections

Table 1. Tax Revenue Collections			
	[2019]	[2020]	[2021]
Budgeted tax revenue forecast of subnational entity²	224,243	386,362	403,333
Total tax revenue collections	199,999	226,409	265,231
Property tax	86,486	61,611	94,324
Business license	81,081	111,134	97,604
Land tax	32,432	53,664	73,303
Other sub-national taxes	-	-	-
Tax refunds	()	()	()
In percent of total tax revenue collections			
Budgeted tax revenue forecast of subnational entity²	100	100	100
Total tax revenue collections	89	58	65
Property tax	90	68	55
Business license	89	41	62
Land tax	90	71	97
Other sub-national taxes	-	-	-
Tax refunds	()	()	()
In percent of GDP			
Budgeted tax revenue forecast of subnational entity²	-	-	-
Total tax revenue collections	-	-	-
Property tax	-	-	-
Business license	-	-	-
Land tax	-	-	-
Other sub-national taxes	-	-	-
Tax refunds	()	()	()
Nominal GDP in local currency	-	-	-
Explanatory notes:			
¹ This table gathers data for three fiscal years (e.g., 2019-21) in respect of all subnational tax revenues collected by the tax administration.			
² This forecast is normally set by the Ministry of Finance (or equivalent) with input from the tax administration and, for purposes of this table, should only cover the taxes listed in the table. The final budgeted forecast, as adjusted through any mid-year review process, should be used.			
³ Other subnational taxes collected by the tax administration may include a variety of local taxes, levies, duties, or charges but individually do not represent a main source of revenue.			

B. Movements in the Taxpayer Register

Table 2. Movements in the Taxpayer Register					
	Registered taxpayers ¹ [A]	Taxpayers otherwise not required to file ² [B]	Taxpayers Expected to File [C] = [(A) – (B)] ³	Memorandum items ⁴ [D]	
				New Registrations [D1]	Taxpayers deregistered during year [D2]
2019					
Property tax	8,000	-	-	-	-
Business license	8,250	-	-	-	-
Land tax	1431	-	-	-	-
Other sub-national taxes	-	-	-	-	-
2020					
Property tax	7,750	-	-	-	-
Business license	7,500	-	-	-	-
Land tax	1302	-	-	-	-
Other sub-national taxes	-	-	-	-	-
2021					
Property tax	6,750	-	-	-	-
Business license	8,500	-	-	-	-
Land tax	913	-	-	-	-
Other sub-national taxes	-	-	-	-	-
Explanatory Notes:					
¹ A registered taxpayer who is in the tax administration's taxpayer database. For any core tax that does not require formal registration this figure will represent the number of taxpayers who were subject to the tax. Such taxes may also not have an associated filing obligation so figures for columns B, C and D may not be relevant.					
² Taxpayers not required to file declarations' means taxpayers who are registered but are currently not required to file by law or regulation and are explicitly flagged in the automated tax administration system.					
³ Expected filing calculations to be used in Indicator P4-12.					
⁴ Taxpayer register activity information.					

C. Telephone Enquiries

(Ref: POA 3)

Table 3. Telephone Enquiry Call Waiting Time (for the most recent 12-month period) NO INFORMATION AVAILABLE			
Month	Total number of telephone enquiry calls received	Telephone enquiry calls answered within 6 minutes' waiting time	
		Number	In percent of total calls
Month 1	-	-	-
Month 2	-	-	-
Month 3	-	-	-
Month 4	-	-	-
Month 5	-	-	-
Month 6	-	-	-
Month 7	-	-	-
Month 8	-	-	-
Month 9	-	-	-
Month 10	-	-	-
Month 11	-	-	-
Month 12	-	-	-
12-month total	-	-	-

D. Filing of Tax Declarations

(Ref: POA 4)

Table 4. On-time Filing of Property Tax Declarations NO INFORMATION AVAILABLE			
	Number of declarations filed on-time ¹	Number of declarations expected to be filed ²	On-time filing rate ³ (In percent)
All taxpayers	-	-	-
Large taxpayers only	-	-	-
Explanatory notes: ¹ 'On-time' filing means declarations (also known as 'returns') filed by the statutory due date for filing (plus any 'days of grace' applied by the tax administration as a matter of administrative policy). ² 'Expected declarations' means the number of T1 declarations that the tax administration expected to receive from registered T1 taxpayers that were required by law to file declarations. ³ The 'on-time filing rate' is the number of declarations filed by the statutory due date as a percentage of the total number of declarations expected from registered taxpayers, i.e. expressed as a ratio: $\frac{\text{Number of T1 declarations filed by the due date}}{\text{Number of declarations expected from active T1 taxpayers}} \times 100$			

Table 5. On-time Filing of T2 Declarations**NO INFORMATION AVAILABLE**

Number of declarations filed on-time ¹	Number of declarations expected to be filed ²	On-time filing rate ³ (In percent)
-	-	-

Explanatory notes:

¹ 'On-time' filing means declarations (also known as 'returns') filed by the statutory due date for filing (plus any 'days of grace' applied by the tax administration as a matter of administrative policy).

² 'Expected declarations' means the number of T2 declarations that the tax administration expected to receive from registered T2 taxpayers that were required by law to file declarations.

³ The 'on-time filing rate' is the number of declarations filed by the statutory due date as a percentage of the total number of declarations expected from registered taxpayers, i.e. expressed as a ratio:

$$\frac{\text{Number of T2 declarations filed by the due date}}{\text{Number of T2 declarations expected from active T2 taxpayers}} \times 100$$

Table 6. On-time Filing of T3 Declarations—All taxpayers

(for the most recent 12-month period)

NO INFORMATION AVAILABLE

Month	Number of declarations filed on-time ¹	Number of declarations expected to be filed ²	On-time filing rate ³ (In percent)
Month 1	-	-	-
Month 2	-	-	-
Month 3	-	-	-
Month 4	-	-	-
Month 5	-	-	-
Month 6	-	-	-
Month 7	-	-	-
Month 8	-	-	-
Month 9	-	-	-
Month 10	-	-	-
Month 11	-	-	-
Month 12	-	-	-
12-month total	-	-	-

Explanatory notes:

¹ 'On-time' filing means declarations filed by the statutory due date for filing (plus any 'days of grace' applied by the tax administration as a matter of administrative policy).

² 'Expected declarations' means the number of T3 declarations that the tax administration expected to receive from registered T3 taxpayers that were required by law to file declarations.

³ The 'on-time filing rate' is the number of T3 declarations filed by the statutory due date as a percentage of the total number of declarations expected from registered T3 taxpayers, i.e. expressed as a ratio:

$$\frac{\text{Number of T3 tax declarations filed by the due date}}{\text{Number of T3 declarations expected from active T3 taxpayers}} \times 100$$

Table 7. On-time Filing of Core Tax with Monthly or Quarterly Filing Requirement —Large taxpayers only

(for the most recent 12-month period)

NO INFORMATION AVAILABLE

Month	Number of declarations filed on-time ¹	Number of declarations expected to be filed ²	On-time filing rate ³ (In percent)
Month 1	-	-	-
Month 2	-	-	-
Month 3	-	-	-
Month 4	-	-	-
Month 5	-	-	-
Month 6	-	-	-
Month 7	-	-	-
Month 8	-	-	-
Month 9	-	-	-
Month 10	-	-	-
Month 11	-	-	-
Month 12	-	-	-
12-month total	-	-	-

Explanatory notes:

¹ 'On-time' filing means declarations filed by the statutory due date for filing (plus any 'days of grace' applied by the tax administration as a matter of administrative policy).

² 'Expected declarations' means the number of core tax declarations that the tax administration expected to receive from large taxpayers that were required by law to file core tax declarations.

³ The 'on-time filing rate' is the number of core tax declarations filed by large taxpayers by the statutory due date as a percentage of the total number of core tax declarations expected from large taxpayers, i.e. expressed as a ratio:

$$\frac{\text{Number of tax declarations filed by the due date by large taxpayers}}{\text{Number of tax declarations expected from active large taxpayers}} \times 100$$

E. Electronic Services

(Ref: POAs 4 and 5)

Table 8. Use of Electronic Services ¹			
NO INFORMATION AVAILABLE			
	[2019]	[2020]	[2021]
	Electronic filing² (In percent of all declarations filed for each tax type)		
Property tax	-	-	-
Business license	-	-	-
Land tax	-	-	-
Property tax	-	-	-
Business license	-	-	-
Land tax	-	-	-
	Electronic payments (In percent of total value of payments received for each tax type)		
Property tax	-	-	-
Business license	-	-	-
Land tax	-	-	-
Explanatory notes:			
¹ Data in this table will provide an indicator of the extent to which the tax administration is using modern technology to transform operations, namely in areas of filing and payment.			
² For purposes of this table, electronic filing involves facilities that enable taxpayers to complete tax declarations online and file those declarations via the Internet.			
³ An electronic payment is a payment made from one bank account to another via electronic means without the direct intervention of bank staff instead of using cash or check, in person or by mail. Methods of electronic payment include credit cards, debit cards, and electronic funds transfer (where money is electronically transferred via the Internet from a taxpayer's bank account to the Treasury account). Electronic payments may be made, for example, by mobile telephone where technology is used to turn mobile phones into an Internet terminal from which payments can be made.			

F. Payments

(Ref: POA 5)

Table 9. Total Main Core Tax T1 Payments Made NO INFORMATION AVAILABLE						
	Main core tax payments made on-time ¹		Main core tax payments due ²		On-time payment rate ³ (In percent)	
	All taxpayers	Large taxpayers	All taxpayers	Large taxpayers	All taxpayers	Large taxpayers
Number of payments	-	-	-	-	-	-
Value of payments	-	-	-	-	-	-
<p>Explanatory notes:</p> <p>¹ 'On-time' payment means paid on or before the statutory due date for payment (plus any 'days of grace' applied by the tax administration as a matter of administrative policy).</p> <p>² 'Payments due' include all payments due, whether self-assessed or administratively assessed (including as a result of an audit).</p> <p>³ The 'on-time payment rate' is the number (or value) of T1 payments made by the statutory due date in percent of the total number (or value) of T1 payments due, i.e. expressed as ratios:</p> <ul style="list-style-type: none"> The on-time payment rate by number is: $\frac{\text{Number of T1 payments made by the due date}}{\text{Total number of T1 payments due}} \times 100$ The on-time payment rate by value is: $\frac{\text{Value of T1 payments made by the due date}}{\text{Total value of T1 payments due}} \times 100$ 						

G. Domestic Tax Arrears

(Ref: POA 5)

Table 10. Value of Tax Arrears ¹			
NO INFORMATION AVAILABLE			
	[2019]	[2020]	[2021]
	In local currency		
Total core tax revenue collections (from Table 1) (A)	-	-	-
Total core tax arrears at end of fiscal year ² (B)	-	-	-
-	-	-	-
-	-	-	-
	In percent		
Ratio of (B) to (A) ⁴	-	-	-
Ratio of (C) to (A) ⁵	-	-	-
Ratio of (D) to (B) ⁶	-	-	-

Explanatory notes:

¹ Data in this table will be used in assessing the value of core tax arrears relative to annual collections and examining the extent to which unpaid tax liabilities are significantly overdue (i.e. older than 12 months).

² For purposes of this Table, total core tax revenue collections include only T1, T2, and T3.

³ 'Collectible' core tax arrears are defined as the total amount of tax, including interest and penalties, that is overdue for payment and which is not subject to collection impediments. Collectible core tax arrears therefore generally exclude: (a) amounts formally disputed by the taxpayer and for which collection action has been suspended pending the outcome, (b) amounts that are not legally recoverable (e.g., debt foregone through bankruptcy), and (c) arrears otherwise uncollectible (e.g., the debtor has no funds or other assets).

⁴ i.e. $\frac{\text{Value of total core tax arrears at end of fiscal year (B)}}{\text{Total core tax collected for fiscal year (A)}} \times 100$

⁵ i.e. $\frac{\text{Value of collectible core tax arrears at end of fiscal year (C)}}{\text{Total core tax collected for fiscal year (A)}} \times 100$

⁶ i.e. $\frac{\text{Value of core tax arrears >12 months' old at end of year (D)}}{\text{Value of total core tax arrears at end of fiscal year (B)}} \times 100$

H. Tax Dispute Resolution

(Ref: POA 7)

Table 11. Finalization of Administrative Reviews
(for the most recent 12-month period)

NO INFORMATION AVAILABLE

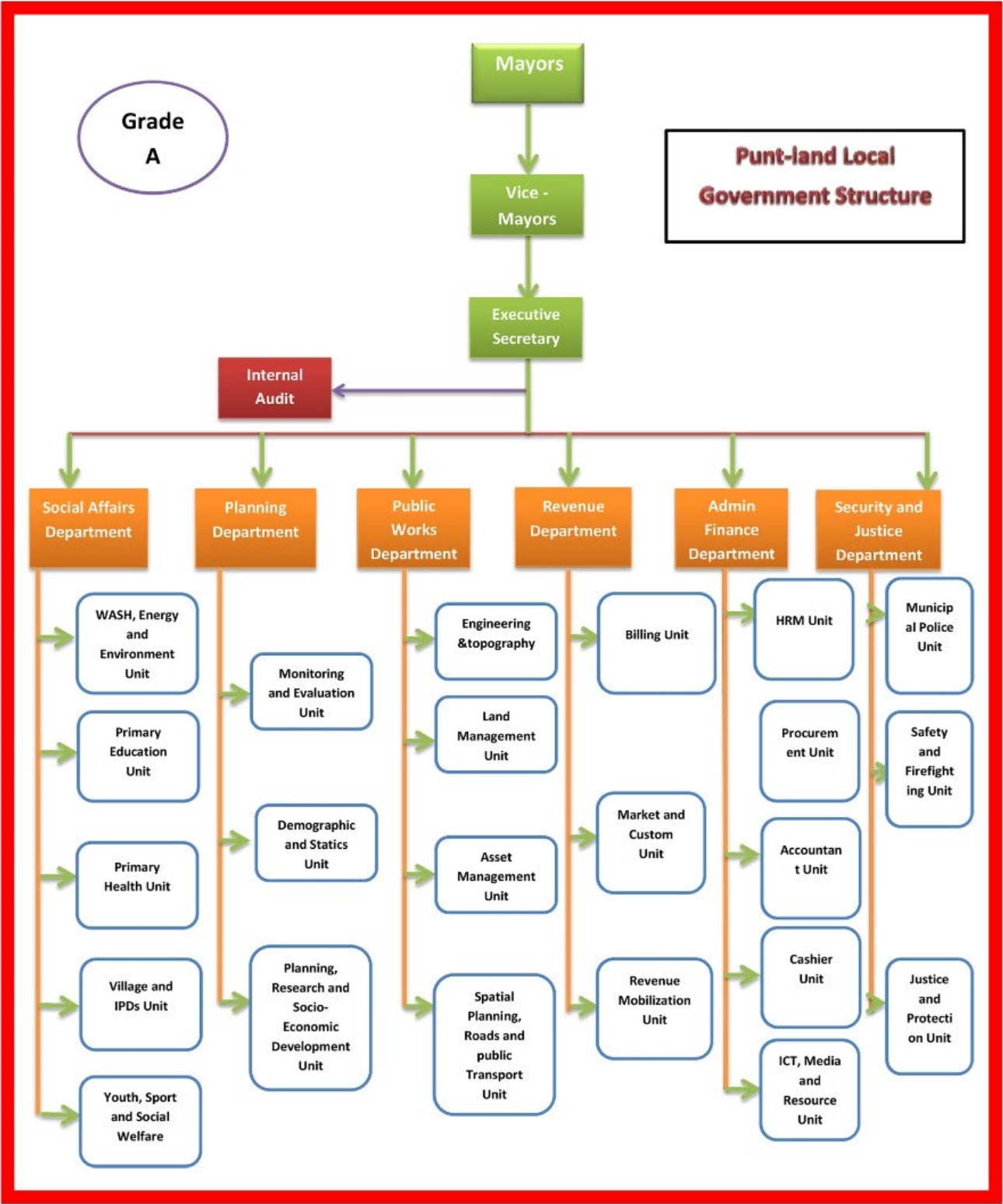
Month	Number of administrative review cases				Finalized within 30 days		Finalized within 60 days		Finalized within 90 days	
	Stock at beginning of month [A]	Received during the month [B]	Finalized during the month [C]	Stock at end of month [D] = [A + B - C]	Number [E]	In percent of total [F] = [E/D]	Number [G]	In percent of total [H] = [G/F]	Number [I]	In percent of total [J] = [I/D]
Month 1	-	-	-	-	-	-	-	-	-	-
Month 2	-	-	-	-	-	-	-	-	-	-
Month 3	-	-	-	-	-	-	-	-	-	-
Month 4	-	-	-	-	-	-	-	-	-	-
Month 5	-	-	-	-	-	-	-	-	-	-
Month 6	-	-	-	-	-	-	-	-	-	-
Month 7	-	-	-	-	-	-	-	-	-	-
Month 8	-	-	-	-	-	-	-	-	-	-
Month 9	-	-	-	-	-	-	-	-	-	-
Month 10	-	-	-	-	-	-	-	-	-	-
Month 11	-	-	-	-	-	-	-	-	-	-
Month 12	-	-	-	-	-	-	-	-	-	-
12-month total					-	-	-	-	-	-

I. Payment of Tax Refunds

(Ref: POA 8)

Table 12. Tax Refunds (for the most recent 12-month period) NO INFORMATION AVAILABLE		
	Number of cases	Value in local currency
Total core tax refund claims received (A)	-	-
Total core tax refunds paid ¹	-	-
-	-	-
-	-	-
Total core tax refund claims declined ³	-	-
-	-	-
-	-	-
Total core tax refund claims not processed ⁴	-	-
-	-	-
-	-	-
In percent		
Ratio of (B+C) to (A) ⁵	-	-
Explanatory note: ¹ Include all refunds paid, as well as refunds offset against other tax liabilities. ² TADAT measures performance against a 30-day standard. ³ Include cases where a formal decision has been taken to decline (refuse) the taxpayer's claim for refund (e.g., where the legal requirements for refund have not been met). ⁴ Include all cases where refund processing is incomplete—i.e. where (a) the formal decision has not been taken to decline the refund claim; or (b) the refund has been approved but not paid or offset. ⁵ i.e. $\frac{\text{Tax refunds paid within 30 days (B)} + \text{tax refunds declined within 30 days (C)}}{\text{Total tax refund claims received (A)}} \times 100$		

Attachment IV. Organizational Chart



Attachment V. Sources of Evidence

Indicators	Sources of Evidence
P1-1. Accurate and reliable taxpayer information.	<ul style="list-style-type: none"> • Bill registration of Business licenses • Bill registration of property tax • Form to fill taxpayer information to register
P1-2. Knowledge of the potential taxpayer base.	<ul style="list-style-type: none"> • Internal audit at local and regional level • Puntland LG audit committee • Puntland LG financial manual • Puntland LG law no 7
P2-3. Identification, assessment, ranking, and quantification of compliance risks.	<ul style="list-style-type: none"> • Changing tax rate by the local council • COVID-19 sticker • Letters of revenue enhancement
P2-4. Mitigation of risks through a compliance improvement plan.	<ul style="list-style-type: none"> • Confirmation letter of loss of revenue books
P2-5. Monitoring and evaluation of compliance risk mitigation activities.	<ul style="list-style-type: none"> • No evidence
P2-6. Management of operational (i.e. systems and processes) risks.	<ul style="list-style-type: none"> • Previous case of fire-out break
P2-7. Management of human capital risks.	<ul style="list-style-type: none"> • Staff and finger print attendance • Staff appraisal and finger printing
P3-8. Scope, currency, and accessibility of information.	<ul style="list-style-type: none"> • FMIS users
P3-9. Time taken to respond to information requests.	<ul style="list-style-type: none"> • Call center
P3-10. Scope of initiatives to reduce taxpayer compliance costs.	<ul style="list-style-type: none"> • No evidence
P3-11. Obtaining taxpayer feedback on products and services.	<ul style="list-style-type: none"> • Decree issued to stop using cashes by the president • Letter to taxpayer committee to communicate changes in the law/tariff
P4-12. On-time filing rate.	<ul style="list-style-type: none"> • No data available
P4-13 Management of non-filers.	<ul style="list-style-type: none"> • No procures and process in place
P4-14. Use of electronic filing facilities.	<ul style="list-style-type: none"> • None exists
P5-15. Use of electronic payment methods.	<ul style="list-style-type: none"> • No evidence
P5-16. Use of efficient collection systems.	<ul style="list-style-type: none"> • No evidence
P5-17. Timeliness of payments.	<ul style="list-style-type: none"> • No evidence
P5-18. Stock and flow of tax arrears.	<ul style="list-style-type: none"> • No evidence
P6-19. Scope of verification actions taken to detect and deter inaccurate reporting.	<ul style="list-style-type: none"> • Audit annual plan

Indicators	Sources of Evidence
	<ul style="list-style-type: none"> • Audit manual
P6-20. Use of large-scale data-matching systems to detect inaccurate reporting.	<ul style="list-style-type: none"> • Audit reports on fraud
P6-21. Initiatives undertaken to encourage accurate reporting.	<ul style="list-style-type: none"> • No evidence
P6-22. Monitoring the tax gap to assess inaccuracy of reporting levels.	<ul style="list-style-type: none"> • No evidence
P7-23. Existence of an independent, workable, and graduated dispute resolution process.	<ul style="list-style-type: none"> • No evidence
P7-24. Time taken to resolve disputes.	<ul style="list-style-type: none"> • No evidence
P7-25. Degree to which dispute outcomes are acted upon.	<ul style="list-style-type: none"> • No evidence
P8-26. Contribution to government tax revenue forecasting process.	<ul style="list-style-type: none"> • BLDLG budget 2021/22
P8-27. Adequacy of the tax revenue accounting system.	<ul style="list-style-type: none"> • No evidence
P8-28. Adequacy of tax refund processing.	<ul style="list-style-type: none"> • No evidence
P9-29. Internal assurance mechanisms.	<ul style="list-style-type: none"> • No evidence
P9-30. External oversight of the tax administration.	<ul style="list-style-type: none"> • No evidence
P9-31. Public perception of integrity.	<ul style="list-style-type: none"> • No evidence
P9-32. Publication of activities, results and plans.	<ul style="list-style-type: none"> • Bill registration of Business licenses • Bill registration of property tax • Form to fill taxpayer information to register • DDF reports

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