

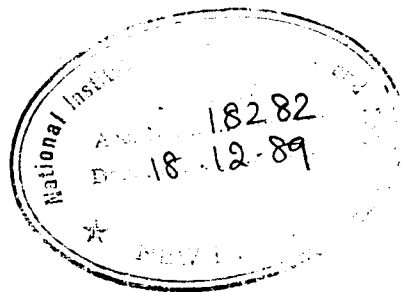
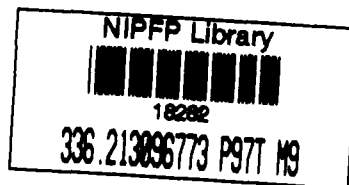


TAX REFORM IN AN UNCONVENTIONAL ECONOMY
- A CASE STUDY OF SOMALIA

MAHESH C PURDHIT

NO. 10/89

DECEMBER 1989



TAX REFORM IN AN UNCONVENTIONAL ECONOMY - A CASE STUDY OF SOMALIA

Dr Mahesh C. Purohit¹

Any proposed reform in taxation policy is necessarily congruent with the economic and administrative conditions of the country concerned. In the Somalian context, this is especially important, for Somalia has a truly unconventional economy. The macro variables relevant for analysing economic situations do not strictly apply to this economy, as in most of the important aspects it is different from those of other developing economies.

The major distinguishing characteristics of the economy are as follows: First, the core economy is in the subsistence sector where output is determined independent of activities of the public household and the taxation policy. Second, Somalians are primarily a nomadic society, with itinerant communities constituting 40 per cent of the population and having far-flung trade links. These links have a historical past dating back to the advent of settled agriculture in the riverine areas and the growth of close and mutually beneficial relationship among pastoralists, farmers and city traders. Third,

1. The author is Professor at the National Institute of Public Finance and Policy, New Delhi. This work was, however, done by him as UN Adviser in Tax Policy and Chief Technical Adviser in Somalia (SOM/86/003). The author is grateful to the authorities in the Department of Revenue, Ministry of Finance, Government of Somalia, for their help. Special thanks are due to Mr. Abdi Khalif Elmi, Director-General, Department of Revenue and Dr. Ahmed Mohamoud Hersi, Director of Planning and Statistics. Thanks are also due to Messers Abdisalam M. Abdille, Director of Excise; Mohd. Hasan Ali, Director of Customs, and Shamun Husein Mohamed, Director of Direct Taxes.

Somali pastoralists owed allegiance to clans and the essence of the pastoral life being mobility, their outlook came into conflict with the raison d`etre of the modern state. Hence, there exists a strong and functional tendency in the rural population to avoid all manifestation of government. Fourth, the measurement of the output of the overall economy in general and the pastoral sector in particular, is very complex. Fifth, extended family ties and transfers are very important. Hence, when one farm family suffers a poor harvest, another better off can be called upon to tide over the bad time. Sixth, as most rural production is for self-consumption, producer prices have a limited role in total production. Seventh, most family units span all economic activities, i.e., they are multi-occupational people, and also combine the whole gamut of economic activities, viz., pastoralism, crops, wage employment and trade. Eighth, remittances contribute substantially to domestic cash income. From Gulf countries alone, remittances equal the non-agricultural components of the GDP. Also, the manner of the remittances has severe consequences for the economy.² This explains not only the consumerism boom in Somalia but also the parallel exchange rate and the consequent inflationary process. These remittances have thus changed the character of the economy to such an extent that there is no correspondence between the measured economy and the economy in function.

Objectives of Tax Policy

The above context of the economy suggests that taxation policy may have a limited although important role to play in the Somalian pre-industrial and unconventional economy. The importance of the policy stems from the crucial role that taxation could play in accelerating

2. The franco valuta system allowed traders to purchase foreign exchange from workers abroad to finance the return flow of consumer goods, payment going to the workers' relatives in Somalian Shillings (hereafter referred to as "Shillings" or "Sh.").

savings, investment and hence economic growth and, in no less measure, from its possibly crucial role in removing the administrative difficulties which would be inherent in a country having the socio-economic conditions described above. It is thus required to take note of the various functional aspects of taxation. Generally speaking, the following functions should be performed by the tax system in a country like Somalia:

- (a) It should raise substantial and increasing revenues for necessary allocation for public consumption and investment;
- (b) It should provide fiscal incentives for savings and investment;
- (c) It should help avoid inflation and ensure stability; and
- (d) It should help in achieving economic equity.

An attempt at devising a tax system which performs the above functions could help Somalian economy to attain a higher rate of growth. Taxation would then be the crucial factor in financing planned development, with increasing revenue collections being derived from higher taxation.

Allocation

Unlike the situation in most developing economies, where the largest part of the total current revenues is derived from taxation, Somalia is heavily and increasingly dependent on foreign assistance; fiscal revenues have financed a small and declining proportion of ordinary expenditure. This is due both to the structural defects of the

taxes and to the inefficient operation and administrative weaknesses of the tax system. These factors collectively indicate that the responsiveness of the tax structure in terms of buoyancy of the tax system is very low. Thus, the ability of the tax structure to generate growth in revenue through changes in gross income or output level, has been far less than expected. Various studies conducted for different countries indicate that (i) general sales taxes, excise and consumption taxes seem to have elasticities in excess of unity; (ii) income taxes are found to be both elastic as well as inelastic, and (iii) custom duties and stamp duties seem to be relatively inelastic. In the Somalian context, therefore, there is a need to improve the responsiveness of the tax system.

Incentives

Along with a desired degree of elasticity and buoyancy of the tax system, it is important that attempts at maximisation of the flow of resources into the exchequer should not be allowed to affect adversely private savings and investment. In fact, an equally important objective of tax policy, through tax structure and appropriate incentives, is to encourage private savings and investment. Also, the flow of resources into the public exchequer must be at the expense of private (non-essential) consumption and "unproductive" or non-priority investment. In this context it is necessary to emphasise that resources are needed in the public sector primarily for capital formation and that increasing tax revenues should be available for this purpose. In fact, the trend in the last decade indicates that an increasing proportion of public investment has been financed through foreign aid. This being so, private savings acquire an important role in the economic development of Somalia.

Stabilisation and Distribution

The other two functions postulated for the tax system of Somalia are containment of inflation and reduction of economic inequalities. With inflationary pressure estimated at an annual 138 per cent during the second quarter of 1988, the anti-inflationary objectives of tax policy are crucial to the economic development of Somalia. Also, to take care of all the four objectives of tax policy, it would be necessary to adopt a tax structure which has both a broad base and required depth, and also has harmonious combination of direct and indirect taxes. It should impinge on consumption and should be highly income-elastic.

With the above objectives in view, we first present the fiscal role of the Somalian taxes. This is followed by an outline of the existing structure of all taxes. We conclude with recommendations for tax reform and related policy imperatives for accelerated and substantial economic development in Somalia.

Relative Importance of Taxes in Fiscal Armoury

Evolution of public finance in the course of economic development reveals that tax revenues are the prime determinant of the magnitude of tax effort in all countries. Higher revenue implies higher taxation. In Somalia too, tax revenue over the years has shown an increasing trend. Whereas the total tax revenue was 544.7 million Sh. in 1975, it increased to 1169.8 million Sh. in 1980 and to 8157.2 million Sh. in 1987. It is expected that the yield in 1988 (RE) and 1989 (BE)³ would be 12124 and 14356 million Sh., respectively (Table 1). However, the growth trend in tax revenue in Somalia has not kept pace with the trend in total revenue during recent years. Consequently, the proportion of

3. Hereinafter RE stands for revised estimates and BE for budget estimates of the Government.

tax revenue to total revenue has declined after 1982. It has again increased since 1985 and it is expected that in 1988 the proportion would exceed 80 per cent (Table 2).

Responsiveness

The overall annual growth rate of the total tax revenue during 1975 to 1987 has been of the order of 26.44 per cent per annum.⁴ The growth rate of the tax revenue, in relation to the growth of the Gross Domestic Product (GDP), does not compare favourably. In fact, the overall responsiveness of the tax revenue, measured through estimation of buoyancy of the tax system and indicating the ability of the tax structure to generate growth in revenue through changes in gross income or output level, has been far less than expected.⁵ The overall buoyancy, as presented in Table 3, indicates that with one per cent change in income, there would be a change in tax revenue of the order of 0.65 per cent only.

Fiscal Importance

The yield from taxes on income has increased from 109.1 million Sh. in 1975 to 144.1 million in 1980. Thereafter, inflationary conditions caused an upsurge in 1982. However, the increase in the yield in 1986 and 1987 can be attributed to good tax yield on construction activity. The increase in the yield in tax on rental value of property caused by changes in the rate structure has been another variable affecting the total yield. Notwithstanding an absolute

4. Growth rate refers to trend rate calculated by the relationship $Y_t = ab^t$; where $b = (1+r)$, Y_t is the value of growth character (tax revenue) and t varies from 1 to n .

5. The buoyancy is estimated as : $\text{Log } Y = \text{Log } A + B \text{Log } X$ where Y is tax revenue, and X is Gross Domestic Product. Thus, B shows the percentage change in revenue in response to a percentage change in income.

Table 1
TRENDS IN TAX REVENUE

(Figures in Million Shillings)

ITEMS	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988 RE	1989 RE
Total Tax Revenue	544.7	627.6	751.7	1261.9	1234.5	1160.8	2026.4	2529.3	3240.0	2990.7	5228.6	9165.9	8157.2	12124.0	14356.0
A. Total Taxes on Income and Property	109.1	113.6	136.5	193.4	213.6	211.3	353.3	420.6	628.2	439.9	482.9	1319.8	1702.5	1489.0	1800.0
a) Total Taxes on Income	98.6	101.3	120.5	148.4	153.1	144.1	211.2	336.1	361.7	303.8	316.4	1014.8	1359.2	1231.0	1500.0
1) Taxes on Wages	17.8	21.3	25.3	32.1	38.7	40.6	59.3	78.2	94.4	123.1	141.5	251.1	373.9	478.0	550.0
2) Extraordinary Tax	23.0	26.1	30.5	35.9	44.3	45.6	53.9	12.3	.3	.4	.2	N.A.	N.A.	N.A.	N.A.
3) Other Income Tax	4.4	6.6	3.3	6.4	7.8	8.4	32.6	42.8	174.5	179.2	169.7	763.7	985.4	753.0	950.0
4) Taxes on Corporate Turnover	53.4	47.3	61.4	74.0	62.3	49.5	65.4	202.8	92.5	1.1	5.0	-	-	-	-
b) Taxes on Property	10.5	12.3	16.0	45.0	60.5	67.2	142.2	84.5	166.5	136.1	166.5	305.0	343.3	258.0	300.0
(i) Registration Tax	10.5	12.3	16.0	45.0	60.3	67.2	142.2	84.5	166.5	136.1	166.5	305.0	343.3	258.0	300.0
B. Total Taxes on Goods and Services	435.6	462.8	572.1	1034.8	1163.5	1030.8	1713.9	2057.3	2935.3	2540.0	4099.4	7196.6	6436.8	10635.0	12556.0
a) Taxes on Production, Internal Trade & Services	48.1	164.8	179.6	227.1	71.0	139.0	312.5	472.0	304.7	458.7	1129.2	1969.3	1720.4	2873.0	4733.0
1) Sugar and Spirit	93.2	100.0	78.2	98.5	19.6	51.0	196.7	323.2	106.5	177.6	326.5	530.8	540.6	1284.0	3000.0
2) Fiscal Monopolies (Tobacco Matches)	49.6	60.0	96.3	118.6	18.1	55.8	55.8	83.7	118.3	93.1	245.4	423.1	100.8	194.0	330.0
3) Motor Vehicles Tax	1.3	1.3	1.3	2.8	4.8	6.1	6.8	7.4	10.4	7.2	9.1	9.7	11.1	12.0	15.0
4) Sales Tax	-	-	-	-	-	-	-	-	-	71.9	181.7	412.4	508.7	933.0	933.0
5) Others	4.0	3.5	3.8	7.2	28.5	26.9	53.2	57.7	69.5	108.9	366.5	593.3	559.2	450.0	455.0
b) Taxes on International Trade	287.5	298.0	392.5	807.7	1092.5	891.8	1401.4	1585.3	2630.6	2081.3	2970.2	5227.3	4716.4	7762.0	7823.0
1) Import Duties	230.7	241.0	329.4	687.1	927.9	746.8	1156.1	1275.3	2198.3	1816.1	2550.7	4655.7	4307.5	7023.0	7023.0
1.1 Customs Duty	177.9	189.7	255.0	527.8	774.6	565.9	922.4	1039.1	1662.0	1333.0	1719.0	3280.7	2811.7	5123.0	5123.0
1.2 Administration/Statistical Tax	52.8	51.3	74.4	114.3	153.3	180.9	233.7	236.2	536.3	483.1	831.7	1375.0	1495.8	1900.0	1900.0
2) Export Duties	16.0	13.2	12.1	17.3	16.1	18.4	50.3	123.2	123.8	37.3	89.4	83.0	65.6	100.0	100.0
3) Stamp Taxes	40.8	53.8	51.0	103.3	148.5	126.6	195.0	186.8	308.5	227.9	330.1	488.6	343.3	639.0	700.0

Note : @ Substantial increase in revenue is due totax payment by an Italian company on account of construction activity. In 1986 alone, tax paid by the Italian company was of the order of Shs. 3000 million.

- Indicates abolition of tax in the year and hence no revenue.

N.A. Indicates data not separately available for the year.

* In these years, extraordinary tax on income is merged with tax on wages.

Table 2
TRENDS IN PROPORTIONS OF DIFFERENT TAXES
(1975-1989)

ITEMS	(Percentage)						
	1975	1980	1985	1986	1987	1988 RE	1989 BE
Total Tax Revenue	100	100	100	100	100	100	100
A. Total Taxes on Income and Property	20.02	17.01	10.54	15.50	20.91	12.28	12.54
a) Taxes on Wages	3.26	3.27	3.09	2.95	4.59	3.94	3.83
b) Extraordinary Tax	4.22	3.67	.004	-	-	-	-
c) Other Income Tax	0.80	0.68	3.70	8.97	12.11	6.21	6.62
d) Taxes on Corporation turnover	9.76	3.98	0.11	-	-	-	-
Total Taxes on Income	18.09	11.60	6.90	11.92	16.70	10.15	10.45
e) Taxes on Property	1.93	5.41	3.63	3.58	4.22	2.12	2.09
i) Registration Tax	1.93	5.41	3.63	3.58	4.22	2.12	2.09
B. Taxes on Production, Internal Trade & Services	27.18	11.19	24.64	23.12	21.14	23.96	23.97
a) Excise Duty on Sugar and Spirit	17.10	4.10	7.12	6.23	6.64	10.59	20.90
b) Excise Duty on Tobacco and Metal	9.10	4.43	5.36	4.97	1.24	1.60	2.30
c) Motor Vehicles Tax	0.23	0.49	0.20	0.11	0.14	0.10	0.10
d) Salex Tax	-	-	3.97	4.84	6.25	7.70	6.50
e) Others	0.73	2.17	8.00	6.97	6.87	3.71	3.71
C. Taxes on International Trade	52.76	71.80	64.82	61.37	57.95	64.02	54.49
a) Import Duties	42.33	60.12	55.64	54.67	52.92	57.92	48.92
i) Customs Duty	32.65	45.56	37.51	38.52	34.34	42.25	35.68
ii) Administration/ Statistical Tax	9.69	14.56	18.15	16.14	18.38	15.67	13.23
b) Export Duties	0.29	1.24	1.95	0.97	0.81	0.82	0.70
c) Stamp Taxes	7.49	1.01	7.20	5.74	4.22	5.27	4.88

Source : As for Table 1.

Table 3

BUOYANCY OF SOMALIAN TAX SYSTEM

S.No.	Taxes	Buoyancy ^{1/-} (1975-1985)
1.	Total tax revenue	0.6559
2.	A) Total taxes on income and property	0.5079
3.	a) Total taxes on income	0.4204
4.	i) Taxes on wages	0.6539
5.	ii) Extraordinary tax	-1.7595
6.	iii) Other income tax	-0.8771
7.	iv) Taxes on corporate turnover	0.8404
8.	b) Taxes on property	0.8404
9.	i) Registration tax	0.8404
10.	B) Total taxes on goods and service	0.6692
11.	a) Taxes on production, internal trade and services	0.7145
12.	i) Sugar and spirit	0.4698 ^{2/}
13.	ii) Fiscal monopolies (Tobacco & matches)	0.4698 ^{2/}
14.	iii) Motor vehicle tax	0.6392
15.	iv) Sales tax	1.3672
16.	v) Others	0.7069

Notes :

(1) Buoyancy with reference to GDP at factor cost.

(2) Buoyancy with reference to GDP from manufacturing sector

increase in the yield of taxes on income and property, its proportion in the total tax revenue has declined from 20 per cent in 1975 to 10.54 per cent in 1985. Although there was an increase in its share in the following years, of late it has again subsided from 20.91 per cent in 1987 to 12.54 per cent in 1989 (BE) (Table 2). The growth of taxes on income and property measured in terms of an index (1975 = 100), as given in Table 4, reads 1560.5 in 1987. However, there is a decline in the index in 1988. In terms of growth rate per cent per annum, taxes on wages have increased by 27.3 per cent and "Other income taxes" have gone up by 57.29 per cent per annum during the period 1975 to 1987. The increase in "taxes on other income" is caused by a spurt in income from rental value of property.⁶ This is reflected in the buoyancy estimates of taxes on property with reference to the real estate component of GDP. The buoyancy coefficient in this case turns out to be 0.79.

As in most developing countries, in Somalia too, taxes on commodities and services have had an increasing share in the total tax revenue. Excise and customs duties accounted for 389.5 million Sh. in 1975, 872 million Sh. in 1980 and 5692.6 million Sh. in 1986. However, as shown in Table 1, there has been a fall in revenue to 5014 million Sh. in 1987, but it again increased to 8599 million Sh. in 1988 (RE). The budget estimates of 1989 indicate the yield to be 10453 million Sh. As a proportion of the country's total tax revenue, as presented in Table 2, excise and customs constituted about 59 per cent in 1975 and about 51 per cent in 1986. It declined in 1987, but increased further

6. Yield from the rental value of property is reported in budget under the head "3.1.2 - Taxes on other income". Its yield has been recorded as follows:

<u>Years</u>	<u>Yield (Million So.Sh.)</u>
1984	12.4
1985	29.2
1986	129.4
1987	135.0

Table 4
INDEX OF GROWTH OF SOMALIAN TAXES
(1975-100)

ITEMS	(Percentage)				
	1980	1985	1986	1987	1988 RE
Total Tax Revenue	227.9	840.9	1562.9	1493.7	2225.8
A. Total Taxes on Income and Property	193.7	442.6	1209.7	1560.5	1364.8
a) Taxes on Wages	228.1	794.9	1410.7	2100.0	2685.4
b) Extraordinary Tax	198.3	-	-	-	-
c) Other Income Tax	190.1	3856.8	16750.0	22395.4	17113.6
d) Taxes on Corporation turnover	90.3	-	-	-	-
Total Taxes on Income	146.1	320.9	1029.2	1378.5	1248.5
e) Taxes on Property	640.0	1585.7	2904.8	3269.5	2457.1
i) Registration Tax	640.0	1585.7	2904.8	3269.5	2457.1
B. Taxes on Production, Internal Trade & Services	93.9	762.5	1329.7	1161.6	5972.9
a) Excise Duty on Sugar and Spirit	54.7	350.3	569.5	580.0	1377.7
b) Excise Duty on Tobacco and Matches	110.9	494.7	853.0	203.2	391.1
c) Motor Vehicles Tax	469.2	700.0	746.1	853.8	923.1
d) Sales Tax	-	252.7	573.6	707.51	1297.6
e) Others	672.5	9162.5	14832.5	13980.0	11250.0
C. Taxes on International Trade	310.2	1033.0	1818.2	1640.50	2699.8
a) Import Duties	323.7	1105.6	2018.1	1867.1	3044.2
i) Customs Duty	318.1	966.3	1844.1	1580.0	2879.7
ii) Administration/ Statistical Tax	342.6	1575.2	2604.2	2832.9	3598.5
b) Export Duties	115.0	558.7	518.7	410.0	625.0
c) Stamp Taxes	310.3	809.1	1197.5	841.4	1566.2

Note : For Sales Tax 1984=100.

to 55.27 per cent in 1988. Over a period of thirteen years (1975 to 1987), the annual growth rate of excise on sugar and spirit was of the order of 18.97 per cent. Similarly, rate of growth for the fiscal monopolies (matches and tobacco) was 13.05 per cent. In comparison to excises, the growth recorded for import duty was 26.73 but for export duty it was only 20.47 per cent. The responsiveness of these taxes has been measured with different independent variables. As excises are directly affected by the manufacturing component of the GDP, its responsiveness with this variable comes out to be .47 for sugar and spirit and .36 for fiscal monopolies. However, the buoyancy of import duty with respect to GDP at factor cost is .68 (Table 3).

Notwithstanding a decline in the yield from customs and excise, the revenue from sales tax has increased ever since its introduction in 1984. The yield from this tax has gone up from 71.9 million Sh. in 1984 to 933 million Sh. in 1988 (Table 1). The increase in the yield from sales tax has been witnessed both in absolute and in relative terms. As shown in Table 2, the share of this tax in total tax revenue has increased from 3.97 per cent in 1985 to 7.70 per cent in 1988. The annual growth rate of sales tax during 1984 to 1987 has been of the order of 95.22 per cent. The responsiveness of the tax with respect to GDP has, however, not been calculated for want of sufficient number of observations. However, with the recent changes in the rate structure as well as coverage, it is expected that this tax would yield larger resources.

Structure of Different Taxes

The existing tax structure in Somalia has a mix of taxes on income and property and on commodities and services. In the former category are the taxes on income, designated as (a) tax on business profit, (b) tax on employment, (c) tax on rental value of the property designated as

property tax, and (d) registration fee. The latter category, commodities and services, includes customs, excise, sales tax and motor vehicles tax.

Taxes on Income

The general category of taxes on net income and profits include taxes on wages and salaries, profits and interest, rental income and on companies. All the taxes are subject to varying rate schedules. Taxes on wages and salaries are levied on monthly earnings and the tax liability falls on the individual employer. The rate schedule for this category is as follows:

Monthly Income (Sh.)	Tax Rate (Per cent)
201 - 800	6.3
801 - 1500	12.6
Over 1500	18.9

Other incomes (i.e., excluding wage income and rental income) are taxed on the basis of net income. For calculating net income, deductions are allowed for the expenses necessary to produce such incomes. The tax-paying unit is the individual. The exception to this rule is the case where husband and wife conduct their activities in the same premises even though they have separate trade licenses. In such cases both incomes are pooled and liability to tax is as follows:

<u>Annual Income (Shs)</u>	<u>Rate (%)</u>
2,401 - 3600	9
3,601 - 4800	11
4,801 - 6000	13
6,001 - 7200	15
7,201 - 8400	17
8,401 - 9600	19
9,601 - 10800	22
10,801 - 18000	25
18,001 - 30000	28
30,001 and over	30

In addition, there is a surcharge of one-sixth of tax liability. Allowance is made for certain necessary expenses incidental to the production of taxable income. The Minister of Finance has the authority to grant exemption of up to 10 years to new enterprises whose industrial and agricultural activities are considered to be conducive to the development of the country. This is an incentive for promoting economic development.

Tax on the income of companies and corporations is applied on net income from all sources accruing to or received by domestic companies and enterprises. Foreign companies are taxed on income derived only from Somali sources. The following exemptions are accorded:

- (a) State and local administrations;
- (b) International organisations;
- (c) Charitable, educational and cultural organisations; and
- (d) Holders of special concessionary agreements.

The following deductions are permitted for calculating 'net' income:

- (a) 40 per cent of undistributed profits or 25 per cent of taxable income, whichever is lower, if the amount is set aside for investments; and
- (b) Ordinary and necessary expenses, interest paid, depreciation, net losses, and contributions to gratuity funds.

The rate of tax on the net income so calculated is 35 per cent.

Tax on Property

Income tax on the rental value of property was a flat rate until very recently. With effect from August 15, 1988, the rate structure has been made progressive, as follows:

Rental Income (Sh. per annum)	Tax Rate (Per cent)
0 - 120,000	22.5
120,001 - 240,000	25.0
240,001 - and above	30.0

20 per cent of the rental income is assumed to constitute legitimate expenses and the same is allowed to be deducted. In addition, a surcharge is levied on the tax at the rate of one-sixth of the liability as "Additional Tax Liability". The total tax liability on property tax is as given in Table 5.

Taxes on property include inheritance tax and registration fee. The former is levied under Law No. 5 of December 20, 1971 and the base is the value of the property being transferred. Rate of the tax is progressive and varies between 4 and 12 per cent. In addition to inheritance tax, registration tax is also levied on the transfer of the assets. The rate of tax is as follows:

<u>Property Transferred</u>	<u>Rates (%)</u>
Real and Immovable	11
Movable	4
Tenders and Contracts	1
Mortgages	2

Table 5**Effective Rate of Tax on Rental Value of Property**

Quarterly taxable rental income	Property tax liability	Additional property tax liability	Effective rate of tax
(Sh)	(Sh)	(Sh.)	(%)
30,000	6,750	1,125	26.25
40,000	9,250	1,542	26.98
50,000	11,750	1,958	27.41
60,000	14,250	2,375	27.71
70,000	17,250	2,875	28.75
80,000	20,250	3,375	29.53
90,000	23,250	3,875	30.14
100,000	26,250	4,375	30.63

Taxes on Commodities and Services

Import duty: This is levied on all imports. The rates are categorised in 21 groups and vary according to the nature of the imported commodities. In addition, some other taxes, duties and charges collected are: (i) 20% statistical/administrative duty, (ii) 3% harbour charges, (iii) 10% sales tax, (iv) 2% stamp duty, and (v) 1.5% incentive tax for employees.

Excise duty. As in most pre-industrialised economies, in Somalia too, this tax is likely to become increasingly important in the years to come. As industrialisation takes place, the growth in revenue from this tax would accelerate. The tax is levied on all locally manufactured goods but similar countervailing excise duties are also levied on imported goods. It covers 19 different commodities at rates varying from 10 to 100 per cent. However, "all other items" not included in the 19 specified categories, are taxed at the rate of 5 per cent (Table 6).

Sales tax. This was levied through Decree Law No.2 of January 7, 1984.⁷ According to Article 1 of the Decree, the tax is levied on (i) importation of goods, (ii) wholesale trade, (iii) invoices of hotels and (iv) industry products. The impact of the tax is initially borne, as per Article 3, by the importer, buyer or hotel residents. It is incumbent upon the trader, industrialist and the owner of the hotel, according to Article 9, to make invoices on all goods sold or accommodation provided in hotels.

The rate of sales tax was initially prescribed at 5 per cent of the cost of goods imported including customs duties or the value of the invoices of the hotel. The same rate is applied when the

7. This received assent of the President of the Republic on January 21, 1984.

Table 6
RATES OF EXCISE DUTY
(As on December 15, 1988)

<u>GOODS</u>	<u>PERCENTAGE</u>
1. CARAMELS, BOILED SWEETS, CHEWING GUM & THE LIKE.....	15%
2. SYRUPS FOR BEVERAGES, JAMS, MARMALADES &THE LIKE.....	15%
3. CHOCOLATE, CANDIED FRUITS, HALVA & THE LIKE.:.....	15%
4. LIQUERS AND OTHER SWEETENED BEVERAGES.....	12%
5. FRUITS IN SYRUP AND SWEETENED FRUIT JUICE.....	10%
6. `PANETOONI`, CAKES AND PASTRIES, BISCUITS AND OTHER SIMILAR SWEETENED PRODUCTS.....	5%
7. OTHER PRODUCTS CONTAINING ADDED SUGAR.....	10%
8. MATCHES.....	80%
9. CIGARETTES	100%
10. SHAMPOO, SOAP AND HAIR OIL	20%
11. SUGAR	60%
12. MINERAL WATER	10%
13. ALCOHOLIC BEVERAGES	80%
14. PURE ALCOHOL	100%
15. TOMATOES AND KHAL	10%
16. CONSTRUCTION MATERIALS	15%
17. LEATHER AND MATERIALS MADE OF LEATHER.....	15%
18. PERFUMES	20%
19. FOAM, ETC.	15%
20. HOME UTENSILS	10%
21. CLOTHES	5%
22. MILK AND ITS BY-PRODUCTS	5%
23. CARTON, PLASTIC AND THE LIKE	5%
24. FURNITURE	5%
25. SPARE PARTS	5%
26. OTHER PRODUCTS MANUFACTURED LOCALLY AND NOT SPECIFICALLY MENTIONED	5%

wholesale trader, industrialist and the hotelier make invoices whenever they sell goods or provide services in the hotel. However, the rate of tax on sale of goods by manufacturers, importers and wholesalers has been increased to 10 per cent with effect from August 15, 1988.⁸ The rate of tax on services continues to be five per cent.

The tax extends to all goods, with few exemptions. The exemptions include "food stuffs excepting tinned stuff, medicine, electricity, water, fuel, local agricultural products, livestock and all exported goods." Materials and equipments imported by individuals or institutions accorded specific exemptions from importation tax are also exempt from sales tax. Also, materials and equipments imported temporarily are exempt. Although the coverage originally included hotel services, with effect from August 15, 1988 the following services have also been brought into the tax net: (i) services of shipping agencies; (ii) publicity advertisements; (iii) tickets for sport events, cinema and concerts; (iv) bills of dry cleaning, automobile washing, hiring of video cassettes, restaurants, first class cafes, photographs, beauty parlours and men's hairdressing saloons. The tax due from gate money of cinemas and concerts is to be collected in cash and sent to the Ministry of Finance and Treasury. The tax is collected by the officers in charge assigned for this purpose at the cinemas and concerts. Likewise, tax due from sports, publicity, advertisements and services of shipping agencies is to be collected by the Ministry of Labour and Sports, Ministry of Communication and the concerned shipping agency. The collection and follow-up work for these taxes is the responsibility of the Director of Indirect Taxation and the Head of the Sales Tax Service at Headquarters.

8. Notification number WL/X/J/9-00929 dated August 18, 1988.

Miscellaneous Taxes

Taxes in this category include motor vehicle tax, administrative and statistical fee, harbour fee, transaction registration tax, mortgage tax and insurance tax. An administrative and statistical fee of 20 per cent is levied on all goods imported into Somalia. The exemptions are the same as for customs duties. A harbour fee of 3 per cent is levied on all goods loaded and unloaded at national ports, and is treated as charge for service rendered.

A motor vehicle tax is levied on all vehicles registered in Somalia. Exemption is accorded to hearse, fire-tenders, ambulances and motor vehicles belonging to the State, diplomatic and UN personnel. Tax is levied on the basis of the vehicle's horse-power rating, capacity in quintals and the purpose for which it is used. The rates are as follows:

Motor vehicle	Rate of tax (Sh.)
Passenger car for private use or for hire	198 to 1,980
Taxi cabs	137.30 to 1,373.80
Public service vehicles	228.80 to 858
Lorries, vans, trailers used for transporting goods	109.20 to 1,365
Motorcycles	99

A tax is levied on the registration of specified documents on the basis of the value of the concerned transaction. The rates of tax are as follows:

(a) Deeds for transfer of immovable property or interests in immovable property	10%
(b) Transfer of movable property	4%
(c) Tenders and contracts	3%
(d) Lease contracts	1%

Tax at the rate of 1% is levied on the registration, extension, cancellation and recording of mortgages.

A tax is levied on all insurance transactions made within Somalia and on insurance contracts completed abroad which either relate to property situated in Somalia or are used in the national territory. It is payable by national and foreign insurance companies and their agents carrying on insurance activities within Somalia. Generally, such companies and agents are permitted to recover the tax from persons with whom they enter into contracts. Exemptions include insurance for industrial accidents and insurance contracts entered into by mutual aid organisations. The tax is levied on the amount of the insurance premium. In the case of insurance (other than marine insurance), this includes fees such as commission and policy charges. The main rates of tax are as follows:

(a) Life and casualty insurance, luggage insurance, crop and livestock insurance	2%
(b) Surface transport insurance	4%
(c) Fire insurance	9%
(d) Third party liability	5%
(e) Marine insurance	2%

Finally, there are some local levies on sale of animals, consumption of electricity, motor vehicles and public entertainments. Generally, the central government prescribes the maximum rate which may be applied.

Reforms in Tax Policy

In the context of the economic and administrative setting as profiled in the preceding sections, and to indicate the policy imperatives for attaining the objectives of rationalisation, we present below the reforms that are feasible without affecting the inertia of the system.

Taxes on Income and Property

An evaluation of the present levies on income and property suggests that each tax by itself seems suited to the existing level of administrative efficiency. However, in view of the special characteristics inherent in the socio-economic conditions induced by the prevailing multi-occupational pattern, it would be important to attempt a scenario of interaction of these taxes. As the total income of an economic entity comprises different sources, without cohesing into totality, taxation rates do not impinge upon the real base. Hence, it is necessary to add together incomes from different sources (viz., income from salary, business, rent, etc.) in the tax return submitted by taxpayers for scrutiny by the assessing officers. The base of the tax would thus be expanded considerably. Given the structure (rate) of taxes, the consequent yield would certainly spurt. Also, this would make evasion of tax a little more difficult.

Except for the amalgamation of the bases, at the present level of administrative efficiency, the existing structure of taxes on income and property does not call for any rationalisation. In fact,

the data on distribution of taxpayers collected on a sample basis (Tables 7, 8 and 9) reveal that the coverage of taxpayers is extremely limited. This is corroborated by the data collected from the Manpower Survey conducted in 1978 (Table 10). It is, therefore, important that at present we concentrate only on its improvement as a fiscal measure; no changes in the structure of the taxes on income and property (except for pooling) need be contemplated. The main emphasis has to be on market surveys, assessment, and training of officials as well as taxpayers. The attempted model district approach has sought to train district officials in functions such as proper filing, improved inspection, effective surveys as well as assessment of taxpayers. This would, in the long run, enable the government to sustain increased flow of revenue.

Taxes on International Trade

The yield from the import duty was so far quite low, primarily due to undervaluation of imports. As the official exchange rate of Sh. has now been adjusted, it is expected that the yield from import duty would substantially increase.

A related aspect is customs valuation at the time of imports. It is felt that presently there is considerable undervaluation which affects the yield of the tax. With a view to improving valuation, it is recommended that (i) an appraising department be formed at the port to integrate valuation with import, exchange control and classification functions; (ii) a valuation branch be created in the office of Director of Customs to ensure correct and constant valuation of goods, and (iii) GATT valuation agreement be implemented.

Table 7

**Structure of Business Profit Tax Paying Dealer in Somalia
a Sample Study**

Taxable income group	Income		No. of tax payers	Amount of tax paid	
	Sh.	So.		Sh.	So.
5001 - 10,000		53,504	6 (3.02)		9,130 (0.13)
10,001 - 20,000		1,013,293	67 (33.67)		224,344 (3.17)
20,001 - 50,000		2,790,856	93 (46.73)		820,380 (11.57)
50,001 - 100,000		1,276,576	20 (10.05)		444,332 (6.27)
100,001 - 200,000		863,576	6 (3.02)		275,035 (3.88)
200,001 - 500,000		1,516,230	5 (2.51)		303,688 (4.28)
2,000,001 - above		13,676,599	2 (1.01)		5,010,677 (70.70)
TOTAL			199		7,087,583

Note : Figures within parentheses indicate percentage of total.

Source : Data collected from the tax district of Mogadishu.

Table 8
EMPLOYMENT TAX PAYERS IN SOMALIA
A SAMPLE STUDY

Taxable income group	Income of employee	No. of tax payers	Amount of tax paid
	Sh. So.		Sh. So.
2500 - 5,000	158,650	.47 (12.11)	22,687 (0.07)
5001 - 10,000	129,950	17 (4.38)	18,233 (0.06)
10,001 - 20,000	587,900	43 (11.08)	64,585 (0.21)
20,001 - 50,000	1,252,527	36 (9.28)	176,330 (0.57)
50,001 - 100,000	4,782,830	59 (15.21)	681,988 (2.22)
100,001 - 200,000	3,538,142	25 (6.44)	592,432 (1.93)
200,001 - 500,000	23,641,101	73 (18.81)	3,528,105 (11.47)
500,001 - 1m	15,863,171	28 (7.22)	2,213,137 (7.29)
1m - 2m	46,565,802	33 (8.51)	8,110,893 (26.36)
2m - above	130,463,217	27 (6.96)	15,359,299 (49.17)
TOTAL		388	30,767,689

Note : Figures within parentheses indicate percentage of total.

Source : Data collected from the tax district of Mogadishu.

Table 9
STRUCTURE OF PROPERTY TAX PAYERS IN SOMALIN
A SAMPLE STUDY

Taxable income group	Rental income	No. of tax payers	Amount of tax paid
	Sh. So.		Sh. So.
2500 - 5,000	10,600	4 (0.93)	2,772 (0.008)
5001 - 10,000	72,200	9 (2.10)	15,056 (0.04)
10,001 - 20,000	396,514	25 (5.84)	89,136 (0.26)
20,001 - 50,000	2,242,980	67 (15.65)	493,237 (1.44)
50,001 - 100,000	4,462,567	60 (14.02)	983,760 (2.87)
100,001 - 200,000	7,738,920	55 (12.85)	172,974 (5.05)
200,001 - 500,000	30,812,396	96 (22.43)	4,585,016 (13.37)
500,001 - 1m	48,072,759	68 (15.88)	5,849,841 (17.06)
1m - 2m	37,026,031	28 (6.54)	8,103,843 (23.64)
2m - above	60,891,137	16 (3.74)	12,433,458 (36.26)
TOTAL		428	34,285,860

Table 10

DISTRIBUTION OF ESTABLISHMENTS IN PRIVATE SECTOR IN SOMALIA
(1978)

Regions	Size of establishment (No. of workers)					Total
	1	2	3	4	5+	
Mogadishu	9,961 (69.24)	2,581 (17.94)	996 (6.92)	296 (2.05)	551 (3.83)	14,385
Hargeisa	2,224 (74.45)	359 (12.02)	181 (6.06)	101 (3.38)	122 (4.08)	2,987
Kismayo	436 (46.63)	331 (35.40)	80 (8.56)	35 (3.74)	53 (5.67)	935
Other Towns	8,353 (66.73)	2,548 (20.35)	873 (6.97)	344 (2.75)	399 (3.19)	12,517

Note : Figures within parentheses indicate proportion of establishments in the region.

Source : 1978 Wapowr Survey.

Another important aspect related to import duty is absence of tax on accompanied baggage of air-passengers. As there are no specified limitations in the law, the duty from baggage collections at the airport is exceedingly poor. It is required to be increased through legal provisions. It is recommended that the baggage rules be implemented as early as possible.

In addition to improving the administration of import duties, it is important to analyse and, if necessary, to restructure the tax rates to ensure proper and continued protection to the indigenous infant industries. Hence, an estimation of the effective rate of protection (derived by using the input coefficients and value-added of an industry) is called for. However, with the present available information, the following recommendations seem to be extremely relevant: In order to curtail demand and encourage domestic production of the high-demand imported agricultural commodities, such as rice and wheat, import duty on such foodgrains should be drastically increased. Import duties on luxury items also are presently very low with items like airconditioners, refrigerators, washing machines taxed at 60 per cent and motor vehicles at 38 to 123 per cent. Such luxuries need to be put in a higher bracket of at least 150 per cent. The Somalian textile industry is an infant-industry case, and tax rate on imported textiles must be raised to protect the local industry. An equally pressing task incumbent upon the government is to check smuggling; the administrative machinery needs to be geared up to ensure that with change in valuation and the implementation of baggage rules, smuggling does not increase.

Taxes on Commodities and Services

Revenue from excise has increased in recent times. During the period March to December, 1988, revenue from important items has been as follows:

Items	Sh. (millions)
Sugar	1,040
Cigarettes	162
Other Excise Tax	116
Customs	465

As compared with proceeds in the preceding year, this is a substantial increase. Whereas in 1987 the yield was 1274 million Sh., in the ten months of 1987 the yield has reached a level of 1783 million Sh. Also, the Budget Estimates of 1988 was 1412 million Sh. in sharp contrast to the actuals of 1783 Sh.

Notwithstanding an increase in the yield from the excise component of the tax system, it needs to be recognised that the present administration is lax. The data compiled from the Excise Department (Table 11) indicate that there is enormous scope for extending coverage, as reflected in the meagre yield from the tax. Also, this is corroborated by the yearly data provided by the Industrial Production Surveys of the Central Statistical Department, State Planning Commission. It is important that the excise administrative machinery be strengthened for improving administration.

The structure of sales tax in Somalia is still in the preliminary stage. As the manufacturing sector in Somalia is so far not well developed, most commodities on which the sales tax is being levied are goods being imported from other countries. This being the stage of industrial development, there are not many stages of transactions before these commodities reach the consumer; often the importer himself directly sells to the consumer, although in some cases there could be two transactions. In the case of luxury goods and consumer durables, normally there is only one transaction. Thus, the demerits of cascading and inducement to vertical

Table 11

**COMPARATIVE STATIATICAL DATA FROM EXCISE AND
STATISTICS DEPARTMENT (1986)**

Commodity	No. of factories	Data from Excise Department		
		Goods Sold (Sh.)	Tax paid (Sh.)	Production data from Ind.Prod. (Sh.)
Soft Drinks	5	48,006,106	5,611,329	72,974,574
Pharmaccuticals	1	1,956,000	97,800	45,421,480
Paints	2	3,144,546	458,676	175,670,386
Sweets	1	4,710,000	2,895,060	8,880,000
Plastics	2	11,693,074	589,175	31,450,353
Perfumery/ Cosmetics/Soaps	4	43,106,854	8,792,736	55,037,391
Sparo Ruts (Metal Products)	1	3,043,544	178,912	12,997,441
Metallurgy	3	7,766,109	498,982	9,495,600
Tanncrics & Leather Flu	5	47,190,257	6,199,188	144,591,273
Statlongeries	1	190,000	10,200	129,000,239
Furnture	2	24,565,046	1,476,413	206,239,594

integration would not be quite so serious. At the same time, there is need for a levy which should be administratively easy to enforce. Somalia may therefore consider adopting either the single-point, first-stage levy or the multi-point turnover tax. Of the two, the first-stage tax would require more sophisticated administration in the sense that a system of declaration would have to be introduced and the accounts of resellers would have to be checked to see if any of their sales happen to be first-stage. Extension of first-stage tax to all commodities is thus likely to prove difficult for the tax administrators in Somalia, who have yet to be trained to enforce the sales tax system. We recommend that Somalia should adopt a combination of a first-stage tax applicable to luxury goods and a multi-point turnover tax applicable to all other taxable goods. In respect of luxury goods (consisting largely of durable consumer goods) there is likely to be only one transaction within Somalia.

The existing system has two rates, viz., 10 per cent ad valorem on goods and 5 per cent on services. With the recommended tax system, it is advisable to incorporate an element of progressivity. In fact, most countries build progressivity into their indirect tax systems through such rate differentiations. However, the rates of tax need to be kept relatively low in Somalia for the following reasons:

- (i) The per capita income of Somalia is very low;
- (ii) Monetised sector of the economy is limited;
- (iii) Already there is a parallel economy in existence and as of today it is difficult to discern any administrative attempt to check it; and

- (iv) Due to high rate of unofficial foreign exchange price and inflationary conditions of the economy, even a low rate of tax would mean high tax incentive for consumers to connive with dealers to avoid tax.

For administrative reasons, the rate structure must be kept very simple. For this purpose, there should be only three rate categories:

- (a) Luxury goods to be subjected to 10 per cent first-stage tax;
- (b) Sales tax on hotel accommodation to be charged at the rate of 5 per cent on the invoice; and
- (c) All other commodities (except those exempted) to be subjected to multi-point tax at 2 per cent.

The exempted commodities should include (i) necessities and perishable articles such as food items (excepting canned food), fresh vegetable; fresh meat and fish and eggs, and (ii) essential items for spread of education such as books, note-books, slates and slate pencils (but not all stationery items). It is important to note that the available studies on consumption pattern do indicate that with the above rate structure, the sales tax system would be progressive.

With a view to restricting the number of dealers to be administered by the government, it is essential to determine the exemption limit above which all dealers have to be registered with the taxation department. These registered dealers should collect the tax from the consumers and remit it to the government. The lower the exemption limit, the larger would be the number of registered dealers and heavier would be the work-load for tax administrators.

Table 12

NUMBER OF DEALERS PAYING SALES TAX IN MOGADISHU REGION

(As on October 1, 1987)

	REGIONS	NUMBER OF DEALERS
1.	Dog. Shaugmnni	11
2.	" X/Jab-Jab	15
3.	" Karaan	39
4.	" Hodon	20
5.	" Shibis	9
6.	" Yaqahid	24
7.	" Wardhigley	40
8.	" C/Casis	10
9.	" Bondhere	19
10.	" H/Wadag	66
11.	" X/Weyne	187
12.	" Wadajir	24
13.	" Waberi	13
	TOTAL	477

Source : Ministry of Finance, Government of Somadia.

The experience of most countries suggests that the sum of all tax receipts from a large number of small dealers forms a small proportion of total revenue. Table 12 indicates a similar situation in almost all the other countries. The information gathered through Manpower Survey indicates similar distribution of dealers in Somalia. The results of the Survey, as presented earlier in Table 10, show that 68 per cent of the establishments have one employee, about one-fourth of the establishments employ 2 to 3 persons and only 6 per cent of the establishments have 4 and more number of employees. Likewise, the structure of dealers in Somalia, according to gross turnover and amount of tax paid, would also show a similar trend. It is, therefore, important that an adequately high enough exemption limit is fixed to avoid additional work-load for the tax department. In Somalia, the exemption limit may thus be fixed at a gross turnover of one million shillings so that the administration does not have to register small dealers; in effect, it would register only those dealers who may be liable to pay the sales tax as well as the income tax. The proposed exemption limit for turnover need not apply to importers and manufacturers who may be asked to register themselves irrespective of the quantum or value of their imports.

Registration of a dealer is the cornerstone of sales tax administration. It is dealers who collect and pay the tax to the government. However, the existing practice does not require the tax department to register dealers as they obtain their license as well as operational category of wholesaler/retailer from the local government office. As per the sales tax law, retailers are not taxed. Hence, irrespective of the turnover, dealers manage to get their licenses changed from the category of wholesaler to retailer. This could be done, and is being done, without any difficulty. Hence, a large number of dealers go out of the tax net. As shown in Table 12, the number of dealers in Mogadishu region who pay sales tax is limited to 477 only. By any standards this is very small

number and does not cover even a fraction of the total. It is extremely important that the sales tax law be amended to get dealers registered with the tax department. It is, therefore, recommended that all importers and manufacturers, irrespective of their turnover, and all other dealers having minimum taxable turnover of one million shillings are registered with the department.

Finally, the structure of motor vehicles tax reveals that the rates are quite outmoded. At current income levels and the number of vehicles in the country, it is necessary to revise the rates upwards by a substantial degree.

Conclusion

Somalia is among the least developed countries of the world. Unlike most developing countries, it is an unconventional economy characterised by highly nomadic society and a large parallel economy. Somalia has been facing an extremely difficult economic and financial situation. As the government is reviewing its economic and financial policies and trying to adopt a comprehensive programme of adjustment as per the IMF recommendations, it is of paramount importance to analyse its tax policy to enable it to raise requisite resources. In this context, the Government has already instituted a Committee to review the tax structure and to recommend appropriate further changes. The Report of the Committee has been submitted, though no changes have so far been introduced. In this context, we recommend that the changes suggested above would be extremely useful. These changes are estimated to yield at least 80 per cent greater revenue than the RE for 1988.

[SOMSTUDY.MCP/MAAN]

NIPFP WORKING PAPER SERIES: 1988-89

Working paper	Title	Author's name
1/88	Recent Initiatives in Enforcement and Trends in Income Tax Revenue: An Appraisal	Amaresh Bagchi (January)
2/88	Rationing, Dual Pricing and Ramsey Commodity Taxation: Theory and An Illustration using Indian Budget Data	Raghbendra Jha M N Murty Ranjan Ray (April)
3/88	Economic Evaluation of People's Participation in the Management of Common Property Resources	Kanchan Chopra G K Kadekodi M N Murty (May)
4/88	New Series on National Accounts Statistics: Some Comments	Uma Datta Roy Choudhury (September)
5/88	On the Measurement of Unemployment	Satya Paul (September)
6/88	Private Corporate Investment and Effective Tax Rates: A Re-examination of a Feldstein-Chirinko Controversy	Raghbendra Jha Nisha Wadhwa (October)
7/88	Growth of Capital Goods Sector After the Mid-Sixties: Some Observations	Gopinath Pradhan
8/88	The Distortionary Implications of the Indian Capital Gains Tax	Subhayu Bandopadhyay Arindam Das-Gupta (October)
9/88	Export Demand and Supply Elasticities for Selected Industrial Countries, 1970-1983	A V L Narayana Arvind Panagariya
10/88	On Choice between Expenditure and Taxes on Consumption and Capital Goods	M N Murty (November)
11/88	A Model for Designing the Rate Structure of Sales Tax	Shekhar Mehta (December)

Working paper	Title	Author's name
1/89	Aggregate Demand with Parallel Markets	Arindam Das-Gupta Shovan Ray (March)
2/89	The Exemption Limit and the Personal Income Tax: An International Comparison	Pulin B Nayak Pawan K Aggarwal (May)
3/89	A Model of Local Fiscal Choice	Shyam Nath Brijesh C Purohit (May)
4/89	Tax Evasion and Income Distribution	Shekhar Mehta (May)
5/89	Optimal Mix of Urban Public Services: A Game Theoretic Approach	Partha Ganguli Shyam Nath (July)
6/89	Personal Income Tax in India: Alternative Structures and Their Redistributive Effects	Pulin B Nayak Satiya Paul (July)
7/89	Income Inequality and Elasticity of Indian Personal Income Tax	Pawan K Aggarwal (August 1989)
8/89	Shifting Fiscal Frontiers of the Central Sales Tax: An Approach Towards Equity	Mahesh C Purohit (October 1989)
9/89	Panel Data Models and Measurement of States' Tax Effort in India	J V M Sarma (November 1989)
10/89	Tax Reform in an Unconventional Economy - A Case Study of Somalia	Mahesh C Purohit (December 1989)