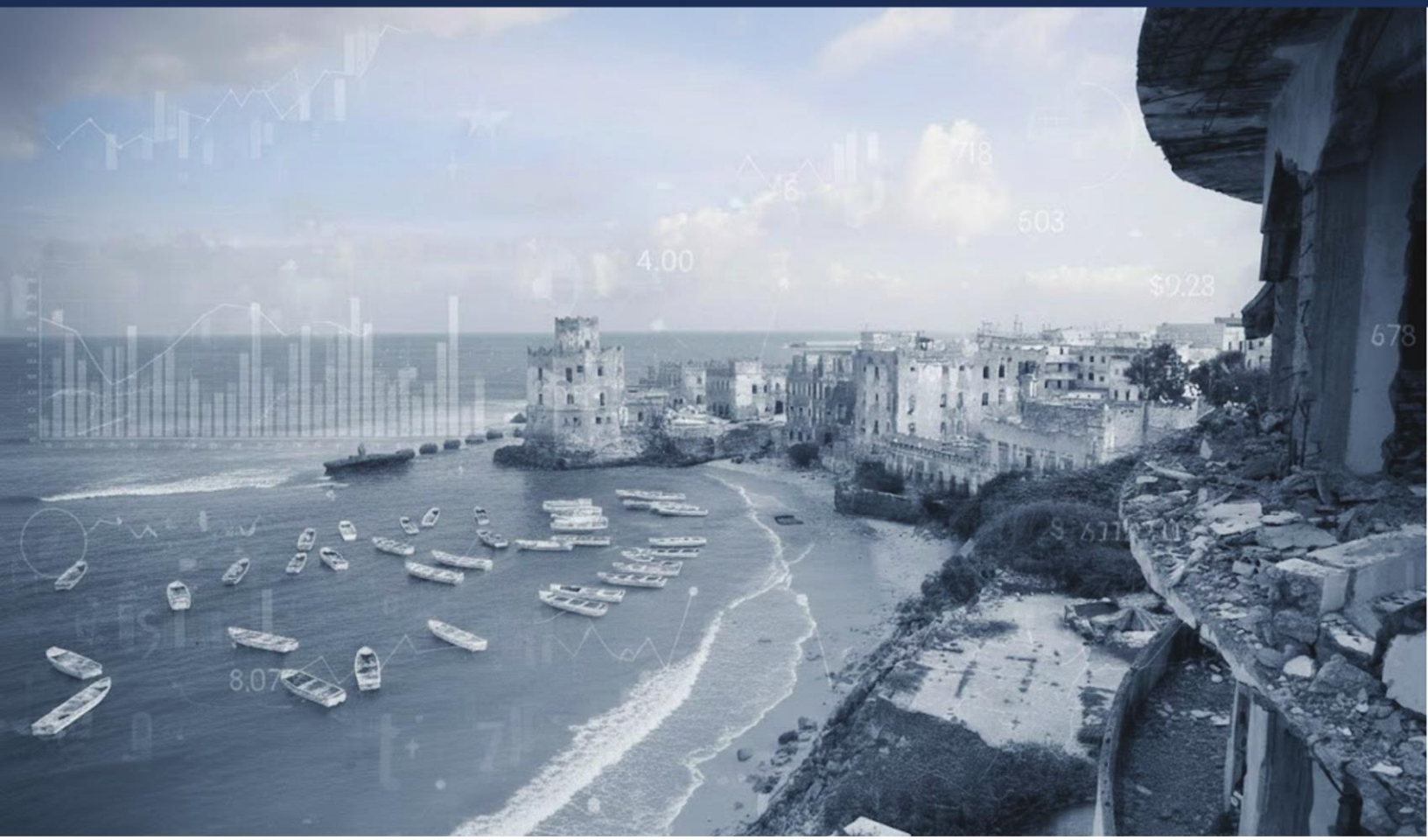
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Horizontal and Vertical Equity of Taxation in Somalia:

Citizen Beliefs and Policy Preferences — Evidence on Perceived Fairness, Tax Legitimacy, and Support for Domestic Revenue Mobilization



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Abstract

Somalia's revenue reform is moving from the port to the household: in 2025 taxes on goods and services grew 30.8 per cent and taxes on income and profit 23.8 per cent while trade taxes fell 6.2 per cent, so the Federal Government now taxes wage earners, consumers and small firms directly rather than only importers. Whether those taxpayers perceive the system as fair — and whether fairness beliefs shape support for the Medium Term Revenue Roadmap 2024–2027 — has never been measured. This working paper develops the research design to do so. It separates three concepts that Somali policy debate routinely conflates: actual tax incidence (who bears the burden), perceived fairness (who citizens believe pays too much or too little) and policy preferences (which reforms citizens would accept). It situates them in a federal system with no constitutional tax assignment, a 1984 Sales Tax Law extended to services in 2024, an Income Tax Act enacted in 2025, an ad valorem tariff applied at roughly a 7 per cent effective rate, and non-state collectors who compete with the state. It verifies, from the survey documentation, what two datasets actually measure: the World Bank's Listening to Somalia 2025 phone survey (3,110 households; items on willingness to pay, perceived income shares paid to formal and informal authorities, tax morale by tier, compliance ease and bribes) and the Somalia Integrated Household Budget Survey 2022 (7,212 households; a full consumption aggregate, business registration and payments-to-government items, and an employer-withholding item). Neither measures perceived horizontal equity, vertical-equity preferences or instrument-level reform preferences. The paper therefore specifies seven hypotheses, a survey-weighted ordinal and binary regression plan, a bounded consumption-tax exposure analysis on SIHBS, a qualitative interview programme and a field-ready supplementary questionnaire. Results sections are presented as labelled templates; no original analysis is reported.

Keywords: horizontal equity; vertical equity; tax fairness; tax morale; fiscal contract; domestic revenue mobilisation; fiscal federalism; fragile states; Somalia

JEL classification: D63; H22; H24; H26; H71; H77; O17; O55

Status statement. This document is a *working-paper draft and research framework*, not a completed empirical study. No microdata have been downloaded or analysed; Sections 8 and 9 report only evidence already published by cited sources and present the paper's own results tables

as templates labelled *pending empirical analysis*. Every number carries one of six evidence labels: established fact (cited); descriptive statistic reported by an official source; proposed hypothesis; analytical expectation; illustrative scenario; or result requiring original data analysis.

Executive Summary

The problem. Somalia must raise domestic revenue from 3.1–3.2 per cent of GDP (federal, 2025) toward the National Transformation Plan's 10 per cent target, and the instruments that will do it — personal and corporate income tax, a 5 per cent sales tax extended to services and local markets, ad valorem customs duties, property-related and road taxes — reach citizens directly. The fiscal-contract literature and Somalia's own qualitative evidence agree that compliance in a weak-enforcement state depends on whether taxpayers believe the burden is shared fairly. No representative evidence on that belief exists.

Three concepts, kept apart. *Actual incidence* is who economically bears a tax; *perceived fairness* is who citizens believe pays too much, too little or a fair share; *policy preferences* are the reforms citizens would accept. The paper never substitutes one for another: incidence is estimated from expenditure data and statutory rules, beliefs from survey items, preferences from stated choices.

What verified evidence already says (Section 8). The World Bank's Listening to Somalia 2025 survey documentation reports that, in the unweighted wave-1 sample of 3,110 households, 64.9 per cent said they would pay higher income tax if revenue improved services, 48.2 per cent said households like theirs pay no income tax to formal authorities, 68.4 per cent pay nothing to informal authorities, 8.5 per cent made an unofficial payment to a revenue official, and 40.9 per cent found compliance difficult or very difficult. In wave 2, about 65 per cent agreed they would not pay all taxes owed to the federal government if sure of not being caught, while 77 per cent agreed the federal government always has the right to tax and 76.6 per cent agreed people should refuse to pay until services improve. The World Bank's own weighted summary calls the social contract "weak" but notes that most respondents accept the state's right to tax and would pay more for better local services.

What no dataset measures. Perceived *horizontal* equity (whether comparable taxpayers are treated alike), *vertical*-equity preferences (who should pay more), perceived preferential treatment of large or

politically connected firms, and reform preferences by instrument. Afrobarometer has never surveyed Somalia. These are the paper's research gap and the reason a supplementary module (Appendix C) is proposed.

Design. Seven research questions and seven hypotheses; survey-weighted ordinal and binary models on L2S 2025 with regional, residence and welfare-proxy controls and trust × service-delivery interactions; a bounded, scenario-based consumption-tax exposure analysis on SIHBS 2022 (statutory liability, not observed payments); 40–60 semi-structured interviews across the FGS, Federal Member States and local administrations; and a 2,400–3,000 household supplementary survey if the L2S module cannot be extended.

Policy relevance. The findings would give the Ministry of Finance, FMS finance ministries, the National Bureau of Statistics and development partners the first evidence on which the MTRR's own planned taxpayer perception survey, the 2025 Tax Exemptions Manual, the Income Tax Act's simplified regimes and the fiscal-federalism harmonisation agenda can be judged for perceived fairness as well as yield.

Status. Working-paper draft and research framework. No microdata have been analysed; every number in Sections 8–9 is either a cited official statistic or a labelled template.

1. Introduction

For its first decade after 2012 the Federal Government of Somalia (FGS) taxed the port, not the citizen. Customs duties supplied 70 per cent of domestic revenue in 2013 and 47 per cent in 2023 (Ministry of Finance, 2024), and the first income taxpayers were, in the Ministry's own account, "a few hundred people … all of whom were government civil servants" (Ministry of Finance, 2024, p. 11). That has changed. In 2024 inland revenue outpaced customs for the first time (Ministry of Finance, 2025a); in 2025 taxes on goods and services grew 30.8 per cent and taxes on income and profit 23.8 per cent while trade taxes fell 6.2 per cent (Ministry of Finance, 2026; Mohamud, 2026b). The Income Tax Act 2025 introduced a banded personal income tax and a turnover-based regime for small firms; the 1984 Sales Tax Law was extended to telecommunications, electricity and cable television services and, through merchant mobile-money accounts, to Mogadishu's local markets (IMF, 2024; Ministry of Finance, 2025a). Somalia's tax system is, for the first time since 1991, a system that households and small enterprises encounter directly.

That shift raises a question the revenue literature on Somalia has not yet asked. The fiscal-sociology tradition holds that where the state cannot coerce, it must persuade: Levi's (1988) quasi-voluntary compliance rests on taxpayers' belief that the bargain is kept and that others also pay; Moore (2004) and Prichard (2015) show that bargaining over revenue is what links taxation to accountability; and the tax-morale literature finds that perceptions of fairness — both of outcomes and of procedure — predict compliance independently of enforcement (Luttmer & Singhal, 2014; Kirchler et al., 2008; Ali et al., 2014). Two dimensions of fairness matter. *Horizontal equity* asks whether taxpayers in comparable circumstances are treated alike; *vertical equity* asks whether burdens rise with ability to pay. Bachas et al. (2026) show, across 29 developing countries, that horizontal inequity between employees and the self-employed is as large as vertical differences in the same systems and that citizens care about it intensely. Somalia has features that make both dimensions acute: a history of negotiated lump-sum taxes (Ministry of Finance, 2024), audited evidence of asymmetric enforcement between large and small taxpayers (Abshir et al., 2020), a tax base assessed on reference values far below invoice values (Financial Governance Committee, 2024), US$17.5 million of discretionary exemptions in 2024 (Ministry of Finance, 2025a), and five Federal Member States applying different rules to similar firms (Rift Valley Institute, 2025; Isak, 2026).

The paper distinguishes three concepts that Somali policy discussion routinely conflates. **Actual tax incidence** is who ultimately bears the economic burden of a tax after shifting through prices and wages. **Perceived tax fairness** is who citizens believe pays too much, too little or a fair share. **Tax policy preferences** are the reforms citizens would support, oppose or regard as legitimate. The first is an empirical property of the economy and can be estimated from expenditure data and statutory rules; the second and third are properties of beliefs and must be measured by asking. Treating a regressive incidence estimate as evidence of perceived unfairness, or a stated willingness to pay as evidence of compliance, are errors this paper is designed to avoid.

The paper's contribution is a research design rather than a finding. It makes four moves. First, it documents the Somali tax and institutional context instrument by instrument, distinguishing enacted law from proposal and FGS-controlled jurisdictions from the rest (Section 2). Second, it verifies — from the survey documentation itself, not from catalogue summaries — what the two most relevant datasets actually measure: the World Bank's *Listening to Somalia* 2025 phone survey (L2S 2025), whose governance module carries ten tax-related items, and the Somalia Integrated Household Budget Survey 2022 (SIHBS 2022), whose consumption aggregate and labour and business modules

permit a bounded incidence analysis (Section 6). Third, it specifies a mixed-methods strategy — survey-weighted regression, scenario-based tax-exposure simulation, semi-structured interviews and a supplementary questionnaire — in which each research question is mapped to a measure, a method and a labelled evidence status (Sections 5, 7 and Appendices A–E). Fourth, it reports what verified evidence already says (Section 8) and presents the paper's own results as templates pending data access (Section 9), so that the abstract does not promise what the data have not yet delivered.

The argument that emerges is that Somalia's revenue strategy has an equity gap that is both evidential and institutional. The Medium Term Revenue Roadmap 2024–2027 commits the FGS to "ensure that everyone pays their fair share" and to "curb costly tax preferences, particularly those awarded on a discretionary basis" (Ministry of Finance, 2024, p. 21) and schedules a taxpayer perception survey (Ministry of Finance, 2024, Appendix A, item 13), but no instrument now in the field measures whether citizens believe comparable taxpayers are treated alike or whether they would accept burdens that rise with ability to pay. Closing that gap is a precondition for designing the Income Tax Act's simplified regimes, the sales-tax base extensions and the fiscal-federalism harmonisation agenda in a way that builds rather than erodes consent.

Section 2 sets out the context. Section 3 reviews the literature and states the research gap. Section 4 develops the conceptual framework; Section 5 the research questions and hypotheses; Section 6 the data and their limitations; Section 7 the methodology. Section 8 reports verified descriptive evidence and Section 9 the result templates. Sections 10–13 discuss, draw policy implications, state limitations and conclude. Appendices A–G and Outputs 2, 7 and 8 supply the data inventory, measurement matrix, questionnaire, model specifications, interview guide, administrative data request, reproducibility plan, evidence matrix, policy brief and implementation roadmap.

2. Somalia's tax and institutional context

All figures in this section are established facts or descriptive statistics from the cited official source; coverage (federal-only versus general government) and vintage are stated for each.

2.1 The domestic revenue mobilisation agenda

The FGS collected US$404.31 million in domestic revenue in 2025, 94.0 per cent of budget and 3.1–3.2 per cent of GDP on the IMF GDP series; tax revenue alone was 2.2 per cent of GDP, and general-government revenue including the Federal Member States (FMS) was about 4.3 per cent of GDP in 2024, the latest consolidated figure (Ministry of Finance, 2026; IMF, 2025; World Bank, 2025a). Grants supplied 56.0 per cent of total revenue in 2025 and fell 42.8 per cent short of budget, so that a 9.5 per cent rise in domestic revenue produced total revenue growth of 0.8 per cent (Mohamud, 2026a). The *Somali Medium Term Revenue Roadmap 2024–2027* (MTRR), published on 29 June 2024 as an IMF structural benchmark and described in its own text as the "Tax Policy and Revenue Administration Roadmap (2024–2027)", sets two targets: domestic revenue to cover FGS operational expenditure by 2027, and the revenue-to-GDP ratio to rise by 0.3 percentage points a year (Ministry of Finance, 2024, p. 16; IMF, 2024). The National Transformation Plan 2025–2029 raises the horizon to 10 per cent of GDP and commits to formalising 20 per cent of informal businesses and establishing a national zakat and waqf system (Ministry of Finance, 2025a, p. 12).

Table 2.1. Composition of FGS domestic revenue, 2024 and 2025 (US$ million). Descriptive statistics reported by the Ministry of Finance (2025b; 2026), as compiled in Mohamud (2026b).

Source	2024	2025	Change	Share 2025
Taxes on international trade	168.88	158.40	−6.2%	39.2%
Non-tax revenue	102.59	123.63	+20.5%	30.6%
Taxes on goods and services	51.42	67.25	+30.8%	16.6%
Taxes on income and profit	36.17	44.79	+23.8%	11.1%
Other taxes	10.30	10.24	−0.6%	2.5%
Total domestic revenue	369.35	404.31	+9.5%	100%

The MTRR's own revenue projection (Ministry of Finance, 2024, Table 1) anticipated 2025 domestic revenue of US$423.5 million; the outturn of US$404.31 million was 95.5 per cent of that forecast but, because grants collapsed, the federal budget was executed in an environment of fiscal stress rather than expansion.

2.2 Tax instruments and their legal status

Table 2.2 records, for each instrument relevant to equity, the governing law, the rate, the verified status during the study period (2024–2026) and the jurisdiction in which it is actually applied. Distinguishing

enacted law from proposal matters in Somalia because several instruments have circulated in draft for years, and because the same instrument may be enacted federally but applied in only one or two of the five FMS.

Table 2.2. Tax instruments relevant to equity analysis: legal basis, rate and verified status

Instrument	Legal basis	Rate or structure	Status 2024–2026 and jurisdiction	Source
Personal income tax (PIT)	Income Tax Act 2025 and Regulations 2025	Bands 0 / 6 / 12 / 18%; withholding at source for employees	Bill submitted 9 July 2024; MoF reports enactment "in early 2025"; in effect from May 2025 per the IPF source-verification register, which records three enactment dates in circulation. Harmonisation agreement (Aug 2023) excludes Puntland; only Hirshabelle and Galmudug assessed ready by March 2025	IMF (2024); MoF (2025a); Mohamud (2026b); RVI (2025)
Corporate income tax (CIT) and turnover regimes	Income Tax Act 2025; turnover tax for micro and small businesses introduced July 2023	CIT 18% (large); 1.5% of turnover (SME); US$150 fixed (micro); rental income 5%; capital gains 15%	Enacted and in force federally; LMTO created 2018 with 80 taxpayers, current count unverified; telecom and other large taxpayers the enforcement priority	IMF (2024, 2025); MoF (2024); Mohamud (2026b)
Sales tax	Sales Tax Law 1984 as amended; 2024 Appropriations Law extension; regulations	Flat 5% on domestic sales of goods and services and on imports; no VAT	Extended to telecom, electricity and cable TV services (2024) and to Mogadishu local markets via merchant mobile-money accounts (ETAS, Aug–Sep 2024); MoF describes the amendment as revoking exemptions granted mainly to state enterprises in the 1970s–80s; IGFF forum agreed in 2024 to implement sales tax at state level; VAT/sales-tax law redrafting planned under MTRR	IMF (2024); MoF (2024, 2025a)
Customs duties	Customs tariff 2022 (HS-based, ad valorem)	Bands 0–35%, 25% standard	Applied at Mogadishu (SOMCAS	IMF (2024,

Instrument	Legal basis	Rate or structure	Status 2024–2026 and jurisdiction	Source
		rate; assessed on transitional reference ("book") values; effective rate about 7%	since Oct 2023) and Kismayo; blocked at Bosaso; invoice-value ad valorem assessment expected from 2027; Puntland (2023) and Jubaland (Nov 2024) suspended customs cooperation	2025); FGC (2024); Mohamud (2026b)
Excise	No separate federal excise statute verified	—	Baidoa Agreement (2023) assigns "customs and excise" to the FGS; no operating excise regime could be verified in the sources used	RVI (2025)
Property-related taxes	Property transfer (notary) tax at federal level; property taxes assigned to FMS under Baidoa	Rate not verified	Property transfer tax enforcement listed in MTRR key measures; municipal property taxation operates in Benadir and some FMS under local rules; magnitudes not published	MoF (2024, Appendix B); World Bank (2023)
Road tax, stamp duties, other	Road tax (digitalised, Mogadishu vehicle register); stamp duties on customs, invoices, contracts, food items	Rates not verified in sources used	"Other taxes" US$10.24m in 2025; stamp-duty measures on food items are an equity-relevant line requiring verification	MoF (2024, 2026)
Non-tax fees	Concession agreements, air-navigation charges, passport/visa/work-permit fees	Various	US$123.63m in 2025; two largest lines rest on operator self-reporting the Auditor General could not verify	OAG (2025); Mohamud (2026b)
Tax exemptions	PFM Act; weekly/monthly/quarterly exemption reporting since 2023	US$17,542,314 of exemptions in 2024; MoF estimates about US$17m a year	Tax Exemptions Manual planned for 2025 to standardise procedures	MoF (2025a)

2.3 The federal system and jurisdictional variation

The 2012 Provisional Constitution assigns no taxing power to any tier: Article 54 reserves four exclusive federal powers, none fiscal, and leaves the rest to be "negotiated and agreed upon" (Federal Government of Somalia, 2012). Revenue assignment has therefore proceeded by agreement, and the record is one of agreements signed rather than implemented: of six FGS–FMS revenue agreements since 2018, only petroleum revenue sharing (legislated in 2020) and the harmonised tariff at Mogadishu have been implemented (RVI, 2025; Mohamud, 2026b).

The 2023 Baidoa Agreement assigns customs, excise, telecommunications and financial-sector fees to the FGS, shares sales and income taxes, and assigns property, agricultural and vehicle taxes to the FMS, but Puntland did not attend and the FGS itself breached the agreement's consultation requirement when it extended the sales tax in August 2024 (RVI, 2025). The practical consequence for equity research is that **the same tax rules do not apply throughout Somalia**: an importer at Bosaso, Kismayo and Mogadishu faces three tariff practices; a salaried employee in Garowe is not subject to the harmonised PIT bands that apply in Mogadishu; and registered-taxpayer rosters use different size thresholds in each jurisdiction. Local governments add a further layer of fees and levies, documented by the World Bank (2023) but not consolidated anywhere. Any measure of horizontal equity in Somalia must therefore be defined within a jurisdiction before it is compared across them, and Somaliland — which operates an entirely separate system — is excluded from every aggregate in this paper.

2.4 Informality, micro and small enterprises, and non-state taxation

Somalia's tax base is overwhelmingly informal. The MTRR describes "the informal economy, which currently remains broadly untaxed" and "untaxed major corporations" as the two frontiers of base expansion (Ministry of Finance, 2024, p. 31). Three parallel systems collect alongside the state: zakat (2.5 per cent of accumulated wealth), clan-based qaaraan contributions, and Al-Shabaab's administration, which the Hiraal Institute (2020) assesses as collecting more efficiently than the FGS and FMS in southern Somalia. In Gedo, over 70 per cent of 2,300 surveyed households paid at least one informal tax or fee a year, averaging 9.5 per cent of household income and regressive in incidence (van den Boogaard & Santoro, 2021). Research on the Garissa corridor finds government forces charging at every checkpoint while Al-Shabaab issues a single receipt (RVI, 2023). For a small trader the relevant comparison is therefore not between paying tax and paying nothing but between a predictable, receipted formal charge and an unpredictable, unreceipted set of informal levies — a framing that bears directly on how horizontal equity should be asked about in a questionnaire.

The formal regime for small firms is also new. The lump-sum taxes with which the FGS began in 2012 were, by the Ministry's own description, "negotiated most of the time" (Ministry of Finance, 2024, p. 12) — a practice that is by construction horizontally inequitable, since the amount depended on bargaining rather than on a common rule. The July 2023 turnover tax and the Income Tax Act's US$150 micro and 1.5 per cent SME regimes replace negotiation with presumptive rules; whether taxpayers perceive the change as fairer is an open empirical question.

2.5 Registration, compliance, enforcement and digital collection

Somalia has no semi-autonomous revenue authority; revenue is collected by the Customs and Inland Revenue departments of the Ministry of Finance with enforcement through the police (World Bank, 2021; Mohamud, 2026b). A unified taxpayer identification number existed only as a policy agreement at end-2024, the Integrated Tax Administration System remains in procurement, and no national count of active taxpayers is published (IMF, 2025). The only verified registered-taxpayer baselines are those in the Ministry's terms of reference for the SERP taxpayer perception survey (Table 2.3); they are undated, exclude Puntland, and use size definitions that differ across jurisdictions.

Table 2.3. Registered business taxpayers by segment and jurisdiction (baseline reported in the SERP Taxpayer Perception Survey ToR; undated). Source: Ministry of Finance (n.d.), Annex 1. The ToR notes that definitions of small, medium and large differ among FGS and FMS. The relatively small FGS counts likely reflect the Mogadishu inland-revenue roster only; this cannot be verified and is flagged for the administrative data request (Appendix F).

Segment (annual turnover, US$)	FGS	Jubaland	Hirshabelle	South West	Galmudug
Large (> 200,000)	123	196	15	388	430
Medium (50,001–200,000)	450	168	300	981	1,262
Small (< 50,000)	2,905	1,769	1,500	3,298	3,028

Enforcement is asymmetric in the only systematic qualitative study available: in Mogadishu, wealthy entrepreneurs "find it fairly easy to dissuade, influence or bribe government officials" while small vendors are coerced by police and charged without receipts (Abshir et al., 2020). Digital collection has advanced fast — SOMCAS at customs, POS machines in hotels and restaurants, the ETAS merchant-account sales-tax deduction, a road-tax app and a rental-income system covering all rental properties in Mogadishu (IMF, 2024; Ministry of Finance, 2025a) — which both reduces discretion and concentrates the formal burden on those visible to the systems. The MTRR plans a dispute resolution unit and a tax tribunal (Ministry of Finance, 2024, p. 24); neither could be verified as operating.

2.6 Taxation, accountability, services and legitimacy

The revenue the state collects buys little: at 3 per cent of GDP the World Bank's benchmark implies basic services for about a quarter of the population by 2030 (World Bank, 2025a), and out-of-pocket payments account for about 44.9 per cent of health expenditure with 24 per cent of households incurring catastrophic health spending (Mohamud, 2026c). Mogadishu residents describe a vicious circle in which they refuse to

pay because services are absent and the absence of revenue prevents provision (Abshir et al., 2020). Yet the FGS has built visible accountability instruments — a citizens' budget, 507-participant budget consultations, an Open Budget Index score rising from 3 in 2019 to 37 in 2023, and public reporting of exemptions (Ministry of Finance, 2025a) — and the L2S 2025 survey finds, in the World Bank's weighted summary, that most respondents accept the government's right to tax and would pay more for better local services (World Bank, 2025b). Whether the same respondents believe the burden is fairly distributed is the question this paper is designed to answer.

2.7 Distributional implications: an analytical sketch

No tax-incidence study of Somalia exists in the sources reviewed; the sketch below is an *analytical expectation*, not a finding. Somalia imports most of what it consumes, and the Ministry reports that food imports were the single largest source of customs revenue in 2024 (US$53 million), followed by fuel, construction materials and khat (Ministry of Finance, 2025a). A customs regime whose largest line is food, combined with a flat 5 per cent sales tax on imports and domestic sales, is therefore likely to fall on consumers in proportion to consumption, which — if food shares fall with welfare, as they typically do — implies a regressive burden relative to income unless essential goods are exempt. Whether they are exempt, and whether informal retail chains pass customs duty through to prices, cannot be asserted without the schedules and the data; both are specified in Section 7.7 and Appendix F. Wage earners in government and formal firms bear PIT through withholding while comparable self-employed earners largely do not — the classic horizontal inequity documented by Bachas et al. (2026). Small businesses face presumptive regimes plus informal levies; large enterprises have, on Sahgal's (2025) evidence, negotiated their contribution in exchange for formality and international access, with telecommunications tax payments rising from US$3.9 million in 2014 to US$42.8 million in 2021. The distributional question for Somalia is thus not only vertical (do burdens rise with ability to pay?) but horizontal within each tier (do a salaried teacher and a self-employed trader with the same income pay the same?) and jurisdictional (do comparable firms in Mogadishu and Kismayo pay the same?).

3. Literature review and research gap

3.1 Horizontal and vertical equity in public finance

The two equity norms descend from Adam Smith's first canon — that subjects should contribute "in proportion to their respective abilities" (Smith, 1776/1976, Book V, ch. II) — and were formalised by Musgrave (1959) as horizontal equity (equal treatment of equals) and vertical equity (appropriately unequal treatment of unequals). The subsequent debate established three things that matter for a perception study. First, horizontal equity is not derivable from a social welfare function and has an independent normative status in citizens' judgements (Musgrave, 1990), although Kaplow (1989) showed that it can conflict with welfare maximisation and is hard to measure without arbitrary choices. Second, measurement requires defining "equals": by income (Feldstein, 1976), by pre-tax rank (Auerbach & Hassett, 2002) or by consumption, and the choice is itself contestable. Third, horizontal inequity in practice arises less from statute than from enforcement: Bachas et al. (2026) show across 29 developing countries that a top-decile self-employed worker pays about 6 percentage points less tax than a comparable employee, that this gap equals the vertical gap between the top decile and the median, and that reforms improving vertical equity worsen horizontal equity by a similar amount. Jensen (2022) ties the mechanism to employment structure: income-tax enforcement expands with the share of employees subject to third-party reporting, which is small where self-employment dominates — Somalia's case.

3.2 Ability to pay and incidence in developing economies

Ability to pay may be indexed by income, wealth, consumption or household welfare, and the choice changes the verdict on a tax. Consumption taxes look regressive against income but roughly proportional against consumption, and in high-informality economies their incidence is further shaped by where the poor shop: Bachas, Gadenne and Jensen (2024) show that because poorer households buy from informal vendors who do not remit consumption taxes, effective consumption-tax rates rise with income across 31 countries, making such taxes less regressive than statutory analysis suggests. Commitment to Equity analyses (Lustig, 2018; Inchauste & Lustig, 2017) supply the standard accounting: statutory liability, then assumptions on pass-through, then net effect relative to a welfare measure. No such analysis

exists for Somalia; Section 7.7 specifies what a bounded version would require.

3.3 Tax morale, procedural fairness and compliance

The deterrence model (Allingham & Sandmo, 1972) under-predicts compliance; the residual is tax morale (Luttmer & Singhal, 2014; Torgler, 2007), which depends on perceived fairness of outcomes, fairness of procedure, trust in the authority and social norms. Kirchler, Hoelzl and Wahl's (2008) "slippery slope" framework distinguishes enforced from voluntary compliance and makes trust in authorities the hinge; Feld and Frey (2007) describe a psychological tax contract in which respectful treatment sustains compliance. African evidence is consistent: Ali, Fjeldstad and Sjursen (2014) find in Kenya, Tanzania, Uganda and South Africa that satisfaction with services and perceived enforcement of others raise willingness to pay; Fjeldstad and Semboja (2001) show that coercive collection of Tanzania's development levy destroyed compliance; Bodea and LeBas (2016) find that in Lagos voluntary compliance tracks perceived public-goods provision and community norms; and Afrobarometer syntheses report that Africans affirm a civic duty to pay but distrust tax departments (Aiko & Logan, 2014; Isbell, 2017). Hoy (2025) shows experimentally across developing countries that information on progressivity shifts tax morale, which is the direct antecedent of the L2S 2025 tax-morale battery. Prichard et al. (2019) integrate enforcement, facilitation and trust into a single compliance framework that this paper adopts.

3.4 Fiscal exchange and the social contract

Levi (1988) reformulated the fiscal contract as quasi-voluntary compliance; Moore (2004) argued that dependence on earned domestic revenue, unlike aid or rents, forces bargaining with citizens; Timmons (2005) showed that states deliver services to the groups they tax; Prichard (2015) found, on African cases, that tax bargaining produces accountability conditionally through contested politics. Bräutigam, Fjeldstad and Moore (2008) and Besley and Persson (2014) supply the state-capacity framing in which fiscal capacity is an investment made when rulers expect to retain its returns. For a fragile state whose revenue is majority aid, the literature's warning is that external finance can substitute for the bargain (Moore, 2004); Somalia's 2025 experience, in which an aid contraction absorbed the whole domestic gain, is the acute case (Mohamud, 2026a).

3.5 Preferences for redistribution and fairness beliefs

The behavioural public-finance literature shows that tax preferences depend on beliefs about who pays and why: fairness views on inequality are tied to perceived effort versus luck (Alesina & Angeletos, 2005), to beliefs about mobility (Alesina, Stantcheva & Teso, 2018) and to how people reason about efficiency, distribution and government competence (Stantcheva, 2021). Bachas et al. (2026) extend this to horizontal equity: in-person surveys in Pakistan and online surveys in five countries reveal widespread concern about employee–self-employed inequity, and information treatments heighten concern without shifting instrument preferences. Their instrument set — whether differences are a serious problem, whether they are fair or justified, which principle matters more (equal tax on equal income versus higher shares for higher income), and a budget-allocation task between income and consumption taxes — is the template for Appendix C.

3.6 Taxation in fragile and informal settings

Fragile states collect 11.5–12.5 per cent of GDP and typically stagnate after a short post-conflict recovery (Akitoby, Honda & Primus, 2020). Informal taxation is widespread, regressive and often more legitimate than formal taxation (Olken & Singhal, 2011; van den Boogaard & Santoro, 2021), and statehood in Somalia is negotiated among competing authorities rather than monopolised by one (Menkhaus, 2007). The implication for equity research is that "the tax system" a Somali household experiences is a bundle of formal, informal and insurgent levies whose combined incidence and perceived fairness must be measured together.

3.7 The Somali evidence

Somalia-specific research is rich in each element but has not combined them. Abshir, Abdirahman and Stogdon (2020) document, from 130 Mogadishu interviews in 2018, the vicious circle of non-payment and non-provision and the asymmetry between elite bargaining and coercion of small vendors. Van den Boogaard and Santoro (2021) quantify informal taxation in Gedo; van den Boogaard and Isak (2025) trace the historical and political-settlement roots of compliance; Sahgal (2025) shows an elite bargain with telecommunications operators founded on formality rather than services; Isak (2022, 2026) analyses compliance and inter-jurisdictional tax competition; RVI (2023, 2025) examine checkpoints and the Baidoa Agreement; the World Bank (2021, 2023, 2025a) and IPF (2025; Mohamud, 2026a, 2026b) assess revenue potential and the fiscal settlement. The World Bank's L2S 2025 presentation (World Bank, 2025b)

is the first representative evidence on tax perceptions and reports weighted headlines on willingness to pay, tax morale by tier, reciprocity and bribes (Section 8).

3.8 The research gap

A documented search of this literature — the Somalia tax studies above, the ICTD, RVI, Hiraal, World Bank, IMF and IPF series, and the L2S 2025 and SIHBS 2022 questionnaires — finds no study that (i) measures perceived horizontal equity among comparable Somali taxpayers; (ii) measures citizen preferences for vertical equity by instrument or taxpayer class; (iii) compares perceived fairness across welfare groups, employment status, gender, residence and jurisdiction with representative data; (iv) relates fairness perceptions to institutional trust, corruption perceptions and service delivery; or (v) juxtaposes beliefs with incidence estimates. The L2S 2025 module measures tax morale, reciprocity and burden but not equity; the government's planned SERP taxpayer perception survey targets registered businesses and administrative satisfaction, not citizens or equity (Ministry of Finance, n.d.); and Afrobarometer has not surveyed Somalia in any of its nine rounds covering 41 countries, so no comparable module exists. The gap is therefore specific and defensible: Somalia has evidence on whether people are willing to pay, but none on whether they believe the burden is shared fairly, and that belief is what the fiscal-contract theory identifies as the mechanism.

The paper's intended contributions follow. To public economics it offers a fragile-state test of Bachas et al.'s (2026) finding that horizontal inequity is salient to citizens, in a setting where employee withholding covers a far smaller share of earners. To tax-morale research it supplies the first Somali measures of outcome fairness alongside the existing procedural and reciprocity items. To the fiscal-legitimacy literature it specifies how consent is negotiated where the state competes with non-state collectors. And to Somalia's DRM agenda it provides the evidence base the MTRR itself calls for in scheduling a taxpayer perception survey.

4. Theoretical and conceptual framework

4.1 Horizontal equity

Horizontal equity requires that taxpayers in comparable economic circumstances bear comparable tax burdens. In Somalia it can be violated

at four points, each of which generates a distinct survey measure. *Statutory* violations arise where the law itself treats equals unequally — for example where exemptions are granted by decision rather than by rule, or where jurisdictions apply different rates to comparable firms. *Enforcement* violations arise where the law is common but applied selectively: withholding for employees but not for the self-employed, POS-tracked restaurants but untracked market stalls, audited SMEs but un-audited concessions. *Discretionary* violations arise where officials negotiate liabilities (the lump-sum legacy) or accept unofficial payments. *Compliance* violations arise where equals choose differently — one registers and one does not — and the state cannot tell them apart. Perceived horizontal equity is the citizen's judgement across all four; objectively measured horizontal inequity (for example, effective-rate gaps between employees and the self-employed) is a separate construct, and Section 7 keeps them in separate indicators.

4.2 Vertical equity

Vertical equity requires that burdens reflect ability to pay and the distributional objectives of the system. A tax is progressive, proportional or regressive according to whether the average effective rate rises, is constant or falls with the welfare measure. Two distinctions are essential. Statutory rates (the Income Tax Act's 0/6/12/18 per cent bands are progressive on paper) differ from effective economic burdens (if most high earners are self-employed and unenforced, the effective schedule may be flat or regressive). And the welfare base matters: Somalia's 5 per cent sales tax is proportional against consumption but regressive against income if the poor consume a larger share of income; against consumption measured by SIHBS it may be close to proportional, and informality may make it progressive in effect (Bachas et al., 2024).

4.3 The ability-to-pay principle

Ability to pay can be indexed by income, wealth, consumption, business profits or household welfare. Each index implies different "equals" and different "unequals", and citizens may hold views about which index is fair that differ from the index the law uses. Zakat, the most widely accepted levy in Somalia, is a 2.5 per cent tax on accumulated wealth above a threshold — a wealth index with an exemption floor — and may anchor citizen intuitions about fair taxation more than income does. The supplementary questionnaire therefore asks respondents which base they consider fairest before asking who should pay more.

4.4 Tax morale and procedural fairness

Tax morale is the intrinsic willingness to pay net of enforcement. Its documented drivers are trust in the collecting authority, perceived legitimacy of the state's claim, fairness of enforcement (symmetry, absence of bribery, predictability), social norms about what others do, and transparency about how revenue is used. Procedural fairness — being treated with respect, receiving a receipt, having a channel to dispute — is distinct from outcome fairness and, in the Somali evidence on checkpoints and unreceipted municipal charges, may dominate it.

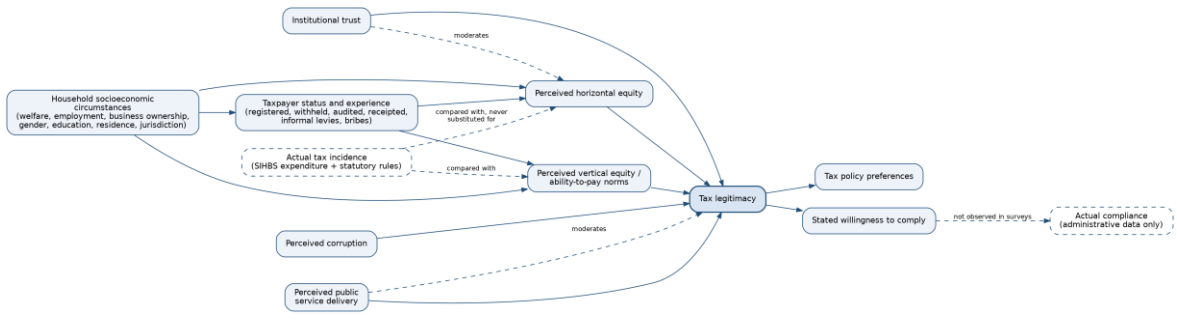
4.5 Fiscal exchange and the social contract

Citizens evaluate taxation against what they receive: public services, security, accountability and confidence that revenue is used appropriately. The L2S 2025 items on whether the government spends taxpayers' money in the population's interest and whether people should refuse to pay until services improve measure exactly this exchange. Fiscal exchange moderates the effect of fairness on support: a citizen who believes the burden is fairly shared but that the revenue is wasted may still withhold support, and vice versa.

4.6 Integrated conceptual model

Figure 4.1 integrates the five strands. Household socioeconomic circumstances and taxpayer status (employment type, business ownership, jurisdiction, registration) shape direct tax experience (what was paid, to whom, with what receipt, with what bribe). Experience and circumstances together shape perceived horizontal and vertical equity. Those perceptions, moderated by institutional trust, perceived corruption and perceived service delivery, produce tax legitimacy — the belief that the state's claim is rightful — which in turn shapes stated policy preferences and stated willingness to comply. Actual compliance sits outside the survey model and is observable only in administrative data.

Figure 4.1 Conceptual model of tax equity beliefs, legitimacy and preferences



Source: Author's framework, drawing on Sections 3 and 4. Solid arrows are hypothesised directional associations; dashed arrows are moderating or comparison relationships.

Reading the figure. The model is explicitly associational: cross-sectional survey data cannot identify the causal effect of trust on legitimacy because both respond to unobserved experiences (a bad encounter with a checkpoint lowers trust and fairness perceptions simultaneously), because reverse causation is plausible (those who intend to comply rationalise the system as fair), and because selection into the sample (phone ownership, willingness to answer governance questions) correlates with the outcomes. The confounders the models must address are jurisdiction and residence (which determine both rules and services), welfare (which determines both exposure and expectations), displacement, and survey wave. Causal interpretation is limited to the information-treatment extension proposed in Appendix C, in which randomised provision of facts about who pays allows a causal estimate of the effect of beliefs on preferences.

5. Research questions and hypotheses

5.1 Research questions and their answerability

Table 5.1 states the seven research questions and, for each, whether it can be answered from existing data, requires new data, or can only be explored qualitatively. The classification follows from the variable verification in Section 6: L2S 2025 carries items on willingness to pay, perceived burden, tax morale, reciprocity, compliance ease and bribes, but none on horizontal equity, vertical-equity preferences or instrument-level reforms.

Table 5.1. Research questions, answerability and principal evidence

RQ	Question	Answerable from existing data?	Principal evidence
RQ1 Horizontal equity	To what extent do citizens believe comparable individuals and businesses receive comparable tax treatment?	Only indirectly: L2S q6_9 (equal and fair treatment of all backgrounds) is general, not tax-specific; q6_27 (bribe to revenue official) is one enforcement-symmetry indicator	Supplementary survey module A; interviews
RQ2 Vertical equity	Do citizens support higher contributions from those with greater ability to pay, and how do preferences differ by group?	No existing item on who should pay more	Supplementary survey module B; interviews

RQ	Question	Answerable from existing data?	Principal evidence
RQ3 Socioeconomic differences	How do fairness perceptions vary by welfare, employment, business ownership, gender, education, residence and location?	Partly: L2S has region, state, urban/rural/nomadic, displacement, assets, self-reported class, and (wave 2) respondent sex, age and employment; welfare must be proxied	L2S 2025 for existing items; supplementary survey for equity items
RQ4 Institutional trust	How are fairness, trust, corruption, services and support for taxation related?	Yes for trust-adjacent items (q6_2–q6_7 dialogue/grievances by tier, q6_10 spending, q6_14 corruption) and support items (q6_11, q6_25 series); fairness items missing	L2S 2025 regression; extended in supplementary survey
RQ5 Policy preferences	Which reforms do citizens prefer on income, consumption, excise, property, business taxation, exemptions and enforcement?	Partly: q6_26 asks what government can do to ease payment (legislation, integrity, digitalisation, communication); no instrument-level preference items	Supplementary survey module E; interviews with business associations
RQ6 Fiscal legitimacy	Under what conditions are citizens more willing to accept taxation?	Yes: q6_11 (pay more if services improve), wave-2 right-to-tax, refuse-until-services and would-not-pay-if-not-caught items	L2S 2025 regression and subgroup analysis
RQ7 Policy implications	Which feasible reforms could strengthen equity, legitimacy and DRM?	Synthesis	Sections 10–11; interviews with officials

5.2 Hypotheses

All hypotheses are propositions to be tested, not findings. Each is stated with its dependent variable, main explanatory variables, expected sign, principal confounders and the data needed.

Table 5.2. Hypotheses, variables, expected relationships, confounders and data

Hypothesis	Dependent variable	Main explanatory variables	Expected sign	Principal confounders	Data needed
H1 Perceptions of unequal treatment among comparable taxpayers are associated with lower perceived horizontal equity	Perceived horizontal equity index (modules A1–A4)	Reported experience of unequal treatment: unofficial payment (L2S q6_27 / module F), knowledge of exempted or unregistered competitors, negotiated liabilities	Negative	Jurisdiction, business ownership, welfare, direct tax contact	Supplementary survey; q6_27 as partial proxy
H2 Support for ability-to-pay principles is positively	Preference for higher contributions by high-income individuals and large	Agreement with ability-to-pay statements; preferred tax base (income/wealth/consumption)	Positive	Own welfare and class, business ownership (self-interest), zakat norms	Supplementary survey

Hypothesis	Dependent variable	Main explanatory variables	Expected sign	Principal confounders	Data needed
associated with preferences for greater contributions from higher-income individuals and profitable larger businesses	firms (module B)				
H3 Greater institutional trust is positively associated with perceived tax legitimacy and support for taxation	Right-to-tax agreement (L2S w2 q6_25 series); willingness to pay more (q6_11)	Trust proxies: government dialogue/grievance items (q6_2–q6_7), spending in population's interest (q6_10)	Positive	Region, residence, displacement, welfare proxy, wave	L2S 2025 (existing)
H4 More favourable perceptions of public service delivery are positively associated with support for taxation	q6_11; refuse-until-services items (reverse)	Service-quality items (education q6_19; water, electricity, health access items in L2S module 4)	Positive	Urban residence (service access and visibility), welfare	L2S 2025 (existing)
H5 Perceived preferential treatment of politically influential or economically powerful taxpayers is negatively associated with perceived tax fairness	Overall fairness rating (module A5)	Perceived favourable treatment of large/connected businesses (module A2, A3)	Negative	Corruption perceptions (q6_14), trust, business ownership	Supplementary survey
H6 Perceptions of fairness and reform preferences differ across socioeconomic groups	Any fairness or preference item	Welfare quintile/class, employment type, business ownership, gender, education, urban/rural/nomadic, state and region	Group differences ≠ 0	Survey mode selection (phone ownership), wave	L2S 2025 (partial); supplementary survey (full)

Hypothesis	Dependent variable	Main explanatory variables	Expected sign	Principal confounders	Data needed
and locations					
H7 The association between tax fairness and support for taxation varies with institutional trust and perceived service delivery	q6_11; right-to-tax; willingness index	Fairness × trust and fairness × services interactions	Interaction > 0 (fairness matters more when trust and services are higher) or < 0 (fairness substitutes for them); sign to be tested	As H3–H4	Supplementary survey (fairness items); L2S for trust × services on q6_11

Two hypotheses can be tested now from L2S 2025 (H3, H4), one partly (H6, and the trust × services interaction underlying H7 on the willingness-to-pay outcome), and three only after the supplementary module is fielded (H1, H2, H5). The paper's design therefore proceeds in two phases: existing-data analysis of legitimacy and fiscal exchange, then new-data analysis of equity beliefs and preferences.

6. Data sources and data limitations

This section reports what was verified in the survey documentation, not what catalogue summaries claim. Verification used the World Bank DDI documentation for microdata catalogue 8088 (generated 17 November 2025) and the SNBS DDI codebook DDI-SOM-SNBS-SIHBS-2022-v02. No microdata were downloaded or analysed.

6.1 Listening to Somalia, Waves 1 and 2, 2025 (L2S 2025)

Identification. Survey ID SOM_2025_L2S_v01_M; primary investigator World Bank; data collector GeoPoll; funded by the Somalia Multi-Partner Fund; catalogue https://microdata.worldbank.org/catalog/8088 (World Bank, 2025c).

Design. Random digit dialling of mobile numbers generated from prefixes assigned by the national telecommunications agency; respondents under 18 screened out; computer-assisted telephone interviews in Somali (95.2 per cent of wave-1 interviews) or English. Wave 1 targeted 3,000 households distributed by IPC population shares for January–March 2025 and achieved 3,110 (13 April–27 May 2025), representative at the level

of the 18 pre-war regions, with the target met in all regions except Middle Juba. Wave 2 (12 July–13 August 2025) re-contacted the wave-1 sample after at least five call attempts per number; 60 per cent participated, and fresh RDD numbers replaced attriters until regional quotas were met. The documented wave-1 completion rate (completes/call attempts) was 3 per cent. Post-stratification weights (household and individual) align region, urban–rural residence and age group with census distributions.

Files. hh_microdata_w1 (3,110 cases, 283 variables), hhm_microdata_w1 (37,320 members), shocks_w1, aspirations_w1; hh_microdata_w2 (3,110, 339 variables), hhm_w2, shocks_w2, aspirations_w2.

Tax and governance variables (verified in the data dictionary). The wave-1 household file contains: engagement with government (q6_1); agreement that federal, state and local government engage in dialogue and address grievances (q6_2–q6_7); the country is on the right track (q6_8); "people of all background and lineage are treated equally and fairly" (q6_9); "the government spends taxpayers' money in the best interest of the population" (q6_10); "I am willing to pay higher tax on my income if the government uses the revenue to [improve local services]" (q6_11, yes/no; label truncated in the DDI, wording to be confirmed from the questionnaire); most pressing challenges and spending priorities (q6_12, q6_13); government is doing a good job fighting corruption and which tier does best (q6_14, q6_15); percentage of income households like yours pay in taxes to the formal government (q6_23; bands 0, 1–15, 16–30, 31–50, 51+ per cent); percentage of income paid in contributions to informal authorities — religious institutions, community, militant groups (q6_24, same bands; wave 1 only); ease of complying with tax obligations (q6_25, five-point); what government can best do to ease payment (q6_26: improve legislation, capacity of officials, integrity, digitalise, communication); and unofficial payment or gift to a revenue official in the last year (q6_27). The wave-2 file repeats q6_1–q6_15 and adds a tax-morale battery asked separately for the federal, state and local tiers of about 985–1,066 respondents each: "If I was sure I would not get caught, I would not pay all taxes that I owe to the [tier] government" (q6_23_*), "People not paying taxes they owe to the [tier] government is wrong and punishable / wrong but understandable / not wrong" (q6_24_*), "The [tier] government always has the right to make people pay taxes" (q6_25_*), and "People should refuse to pay taxes until they get better services from the [tier] government" (q6_26_*). Wave 2 also records respondent sex and age (q0_3e, q0_3g), work for pay in the reference period and whether activities are for sale (q10_1a–q10_3), and a self-reported socioeconomic class item used in the World Bank's presentation (extremely poor, poor, lower-middle, upper-middle and above).

Covariates. State, region, urban/rural/on-the-move residence, displacement in the last three years, household size, floor and roof materials, toilet, water, electricity, asset ownership (blanket, chair, bed with mattress, radio, mortar), livestock ownership, food consumption in the last seven days, borrowing, receipt of assistance, and shock exposure. There is no income or expenditure aggregate; welfare must be proxied by an asset/housing index, self-reported class, or food insecurity.

What L2S does not measure. Any item on whether comparable taxpayers are treated alike; who should pay more; preferential treatment of large or connected firms; exemptions; preferences by tax instrument; actual amounts paid; registration status; or employer withholding. The perceived income share paid (q6_23) is a burden perception in bands, not an observed payment.

Access. Public-use, anonymised files available after registration and acceptance of the confidentiality agreement (no copying beyond authorised use, no re-identification attempts); citation format prescribed in the DDI. Access authority: World Bank Development Data Group contacts listed in the catalogue. The DDI reports unweighted frequency distributions for every variable; these are used in Section 8 with that label.

Limitations. Telephone coverage excludes households without a working mobile (the 2022 SIHBS indicates about 85 per cent of individuals aged 15+ own a phone, per the Ministry of Finance, 2025a), the 3 per cent completion rate implies strong selection on willingness to answer, nomadic and insecure areas are under-covered despite weighting, Middle Juba is under-sampled, wave-2 panel attrition is 40 per cent, the tier-specific tax-morale items are asked of subsamples, and several labels are truncated so that exact wording must be confirmed from the questionnaire before analysis.

6.2 Somalia Integrated Household Budget Survey 2022 (SIHBS 2022)

Identification. Producer and distributor Somalia National Bureau of Statistics with FMS statistics departments; funded by the World Bank (IDA D6660) under the SISECB project; catalogue https://microdata.nbs.gov.so/index.php/catalog/59; DDI produced 4 December 2023 (version 2 dated 12 February 2023 in the version statement) (SNBS, 2023).

Design. Stratified multi-stage probability cluster sample of 7,212 households, representative nationally, by region and by urban, rural and nomadic residence; 12 households per enumeration area after full listing; CAPI face-to-face; national response rate 96 per cent (99

nomadic, 97 rural, 95 urban). Geographic coverage spans the 18 pre-war regions including Awdal, Waqooyi Galbeed, Togdheer, Sanaag and Sool. The DDI records data collection from 1 May to 31 July 2023, while the abstract describes implementation "throughout" 2022; the discrepancy is recorded here and must be resolved with SNBS before results are dated.

Files and variables (verified). Eighteen data files, including hh (7,212 × 173), hhm (47,623 members × 225), consagg (7,152 × 31), food (152,999 item records), nfood_7days, nfood_30days, nfood_6months, nfood_12months, asset, hhbus (1,109 household businesses × 165), land, agland, crops, livestock files and shock. The consumption aggregate file carries total and per capita nominal and real expenditure by component (food at home and away, non-food non-durables, rent, durables), a Paasche spatial deflator, real per capita expenditure deciles (pcer_dec), food and national poverty lines, a poverty indicator, household and population weights adjusted for poverty analysis, region, EA type and IDP status. Three tax-relevant items exist outside the expenditure modules: in the labour module, "Is [NAME]'s employer responsible for deducting any taxes on [NAME]'s income?" (lab44: employer responsible / employee responsible / not applicable), alongside employer type (government, private, NGO, international) and contract status; and in the business module, whether the activity is registered (hb8_15), with which agency (hb8_16), and whether the household made any payments to government to operate the activity in the last 12 months (hb8_17). Receipt of charity or zakat appears as an income source; no item records zakat or tax paid.

What SIHBS can and cannot support. It can support a distributional analysis of statutory consumption-tax exposure by applying verified rates to itemised expenditure, with welfare deciles and poverty status as the comparison axis; it can identify PAYE-withheld employees versus self-employed earners for a horizontal-equity comparison of statutory exposure; and it can describe registration and payments-to-government among household enterprises. It does not measure tax morale, perceived fairness or taxes actually paid, and it cannot support an income-tax microsimulation because incomes are not collected in a form that maps to the Income Tax Act's bands.

Access. Licensed microdata through the SNBS National Data Archive; access conditions and the application form are stated on the catalogue page and must be followed; this draft has not accessed the files.

6.3 Federal Ministry of Finance and other official revenue sources

Verified documents: the *Somali Medium Term Revenue Roadmap 2024–2027* (June 2024; revenue by source 2013–2023, projections to 2027, key measures with yield estimates, reform governance); the *Annual Report 2024: Fiscal Progress, Economic Resilience and Reform Achievements* (revenue by source 2020–2024, income-tax collection by category, customs revenue by commodity, exemption reporting, IGFF decisions); the 2025 End-Year Budget Performance Report and the FY2026 Mid-Year Report; the FY2026 Budget Strategy and Budget Policy Framework Paper; the SERP taxpayer perception survey terms of reference (registered-taxpayer baselines); the Auditor General's 2024 financial statements, SOMCAS audit and concession special audit; and the Financial Governance Committee's 2024 report. Not publicly available and therefore requested in Appendix F: registered taxpayers by segment, jurisdiction and year; active filers and payers; PIT withholding returns by employer type; sales-tax collections by sector and by collection channel (port, POS, merchant account); customs duty and sales tax by HS chapter; the exemption register by beneficiary type; the sales-tax exemption schedule in force; FMS revenue by source since FY2021; and audit, penalty and dispute statistics.

6.4 IMF, World Bank and comparative sources

IMF Country Reports 24/346 (November 2024) and 25/335 (December 2025) verify the status of the Income Tax Act, sales-tax extensions, the electronic sales-tax system, SOMCAS and the ad valorem timeline. The World Bank's L2S results presentation (2025b), Somalia Economic Update tenth edition (2025a), customs revenue-sharing study (Nurshaikhova et al., 2022), local-government study (2023) and 2021 DRM assessment supply benchmarks and the fiscal-federalism arithmetic. The World Bank's 30 January 2024 feature on Somalia data could not be fetched for this draft and is cited only as a pointer. Afrobarometer does not cover Somalia; the Afrobarometer tax items (Aiko & Logan, 2014; Isbell, 2017) and the World Bank tax-morale module used in L2S (following Hoy, 2025) are used as benchmarks for question wording, not as Somali evidence.

6.5 Data inventory

Appendix A gives the full inventory with owner, reference year, coverage, unit, key variables, research questions supported, access conditions, limitations and status (verified / access pending / proposed collection). No dataset is labelled "analysed".

7. Methodology and empirical strategy

7.1 Overall design

The study is a staged, mixed-methods design in five components, each tied to the research questions it serves. **Component 1** is secondary analysis of L2S 2025 (RQ3, RQ4, RQ6; H3, H4, H6-partial, H7-partial). **Component 2** is a bounded distributional analysis of statutory consumption-tax exposure on SIHBS 2022, with a horizontal comparison of withheld employees and self-employed earners (actual-incidence side of RQ1–RQ2, never substituted for perceptions). **Component 3** is analysis of tax law, schedules and administrative revenue data to establish the statutory and enforcement facts against which beliefs are compared (RQ1, RQ5, RQ7). **Component 4** is a qualitative interview programme (RQ1, RQ2, RQ5, RQ7; contextual depth for all hypotheses). **Component 5** is a supplementary citizen and taxpayer survey (RQ1, RQ2, RQ5; H1, H2, H5, H7), required because Component 1 verified that no existing item measures horizontal or vertical equity. The sequence is 3 → 1 → 2 → 4 → 5, so that instruments are designed with the statutory facts and the existing-data results in hand.

7.2 Data inventory

The inventory required by the design is given in Appendix A (Output 3). Its status column uses only three values — verified, access pending, proposed collection — and no dataset is labelled analysed.

7.3 Measurement of horizontal equity

Perceived horizontal equity is measured by a four-item module (Appendix C, module A) covering equal treatment of similar income earners, equal treatment of businesses with similar turnover and profit, consistency of enforcement across similar taxpayers, and access to exemptions or favourable arrangements, each on a five-point agreement scale, plus a single overall fairness rating. Objectively measured horizontal inequity is a separate indicator set: from SIHBS, the share of earners with employer withholding by employer type and welfare decile (lab44 × lab40 × pcer_dec), and the share of household enterprises registered and paying government (hb8_15, hb8_17) by turnover proxy; from administrative data, effective collection by segment. The two must be kept separate because a citizen can perceive inequity that the data do not show (if beliefs track visible cases) or fail to perceive inequity

that is large (if the comparison group is invisible), and the gap between perception and measurement is itself a finding.

7.4 Measurement of vertical equity

Vertical-equity preferences are elicited by (i) a ranking of seven groups by whether they should contribute more, the same or less than now — lower-income households, middle-income households, higher-income individuals, micro and small businesses, larger profitable businesses, property and rental-income earners, consumers of non-essential goods; (ii) an ability-to-pay statement battery; (iii) a preferred-tax-base item (income, wealth as in zakat, consumption, business turnover); and (iv) a stylised allocation task adapted from Bachas et al. (2026) in which respondents allocate a fixed revenue need between income tax, sales tax and customs duties. A hypothetical-scenario item (two businesses with equal turnover and profit, one registered and one not) measures the horizontal–vertical trade-off.

7.5 Measurement of tax legitimacy and its components

Four constructs are distinguished and never inferred from one another. *Stated willingness to pay* (L2S q6_11 and module C). *Tax morale* (L2S wave-2 would-not-pay-if-not-caught, wrong-and-punishable, right-to-tax, refuse-until-services items, each by tier). *Self-reported compliance* (module F: registered, filed, paid, received receipt). *Actual compliance* (administrative filing and payment rates; not measurable in surveys). *Policy preferences* (L2S q6_26 and module E). Institutional trust is proxied in L2S by the dialogue/grievance items by tier and the spending-in-population's-interest item, and measured directly in module C; corruption perception by q6_14 and q6_27; service delivery by L2S module 4 (water, electricity) and q6_19 (education quality) and module D.

7.6 Quantitative analysis plan

All estimates use the survey weights supplied with each dataset and standard errors that reflect the design: for L2S, robust standard errors clustered at region (the stratum of representativeness) with post-stratification weights; for SIHBS, Taylor-linearised errors with strata and primary sampling units. The plan has five steps.

1. **Survey-weighted descriptives** of every tax and governance item with 95 per cent confidence intervals, nationally and by state, residence, displacement, sex (wave 2), self-reported class and asset-index tercile.
2. **Cross-tabulations and subgroup contrasts** with design-based chi-square tests; differences reported with confidence intervals, not only p-values.
3. **Composite indices** where multi-item batteries exist: a tax-morale index from the four wave-2 items (reverse-coding would-not-pay and refuse-until-services), a

perceived-fairness index from module A, a trust index from q6_2–q6_7. Reliability assessed by Cronbach's alpha and ordinal alpha, dimensionality by polychoric principal components; indices used only where alpha ≥ 0.7 and a single dominant component emerges, otherwise items analysed separately.

4. **Regression models.** For ordered outcomes (five-point agreement items), survey-weighted ordered logit with the proportional-odds assumption tested and partial proportional-odds models as a robustness check. For binary outcomes (q6_11 willingness to pay; q6_27 bribe), survey-weighted logit with average marginal effects reported.
5. **Robustness and sensitivity.** Alternative welfare proxies (asset index versus self-reported class); alternative codings of don't-know and refused (excluded, treated as middle, treated as negative); wave-1-only, wave-2-only and panel-respondent-only samples; region versus state fixed effects; multiple imputation for item non-response; inverse-probability weights for wave-2 attrition using wave-1 covariates; and Heckman-type bounds on selection into the phone sample using the SIHBS phone-ownership distribution as the population benchmark.

The principal model, for respondent i in region r and wave t, is

$$\Pr(Y_{irt} \le k) = \Lambda(\kappa_k - \mathbf{X}_{irt}'\beta - \gamma_1 \text{Trust}_{irt} - \gamma_2 \text{Services}_{irt} - \gamma_3 \text{Corruption}_{irt} - \delta\, \text{TaxExp}_{irt} - \alpha_r - \tau_t)$$

where Y is the ordered fairness or legitimacy outcome, $\mathbf{X}$ collects socioeconomic characteristics (asset index or class, household size, residence, displacement, sex, education, employment type, business ownership), TaxExp is direct tax experience (perceived share paid, bribe, compliance ease), α_r are region fixed effects that absorb jurisdictional rules and service levels, and τ_t is a wave effect. Expected signs: $\gamma_1, \gamma_2 > 0$; $\gamma_3 < 0$; δ ambiguous (higher perceived burden may lower fairness but raise salience). For the willingness-to-pay outcome the model is the binary analogue. H7 adds interaction terms:

$$\Pr(\text{WTP}_{irt} = 1) = \Lambda(\mathbf{X}_{irt}'\beta + \gamma_1 \text{Fair}_{irt} + \gamma_2 \text{Trust}_{irt} + \gamma_3 \text{Services}_{irt} + \theta_1 \text{Fair}_{irt} \times \text{Trust}_{irt} + \theta_2 \text{Fair}_{irt} \times \text{Services}_{irt} + \alpha_r + \tau_t)$$

where Fair is available only after the supplementary module is fielded; with L2S alone the estimable interaction is Trust × Services on WTP. Interactions are interpreted through predicted probabilities at low, median and high values of the moderator, not through the raw coefficient. Because every right-hand-side perception is potentially endogenous, coefficients are reported as conditional associations; no causal language is used except for the randomised information arm of the supplementary survey.

7.7 Distributional analysis on SIHBS 2022

A full microsimulation is not feasible: the sales-tax exemption schedule in force and the customs-duty treatment by HS line are not publicly available in a form that can be mapped to SIHBS item codes, pass-through is unknown, and informal purchases are not identified by vendor. The paper therefore proposes a *bounded, scenario-based* analysis

that distinguishes three quantities and labels its output as statutory exposure, never as observed payment. For household h with itemised expenditure e_{hg} on good g:

$$T_h^S = \sum_g \left[s_g \, \phi_g + c_g \, \psi_g \, \pi_g \right] e_{hg}, \qquad \text{Exposure}_h = T_h^S / \text{pce}_h$$

where s_g is the sales-tax rate (5 per cent, or 0 where exempt), φ_g the assumed share of purchases from remitting vendors, c_g the statutory customs rate for the good's HS chapter, ψ_g the import share of consumption of that good, and π_g the assumed pass-through of duty to retail prices. Three scenarios bound the result: (S1) full statutory liability, full pass-through, no informality ($\varphi = \pi = 1$), an upper bound; (S2) effective customs rate of 7 per cent in place of statutory rates, reflecting reference-value assessment; (S3) informality-adjusted, with φ_g set by welfare decile using the Bachas et al. (2024) pattern as a prior, to be replaced by SIHBS vendor-type information if any item permits it. Exposure is compared across real per capita expenditure deciles (pcer_dec) and poverty status, with Kakwani-type progressivity indices and concentration curves, and sensitivity to π in {0.5, 0.75, 1} and to the treatment of food staples as exempt or taxed. Statutory liability (what the law implies), estimated household exposure (liability × assumed remittance and pass-through) and actual economic incidence (who finally bears it after price and wage adjustment) are kept lexically distinct throughout. If the exemption schedule cannot be obtained, the analysis is limited to descriptive food and import shares by decile — a statement about where a consumption tax would fall, not how large it is.

7.8 Qualitative methodology

A purposive programme of 40–60 semi-structured interviews covers individual taxpayers and wage earners (government and private, Mogadishu and at least two FMS capitals); micro and small business owners (market traders, transport operators, service providers); larger businesses and professional associations (chamber of commerce, telecom, import/clearing agents); federal revenue officials (Inland Revenue, Customs, LMTO, tax policy unit); FMS revenue officials (Puntland, Jubaland and at least one non-port state); local-government revenue administrators (Benadir and one district); and civil society and public-finance specialists. Sampling is stratified by jurisdiction, taxpayer segment and sex, with recruitment through business associations, revenue offices and snowballing, and a target of at least one-third women. The interview guide (Appendix E) moves from experience to fairness judgements to preferences; coding uses a hybrid framework-and-emergent scheme anchored on the conceptual model's constructs.

Integration with quantitative results is by explanatory sequencing: interviews are fielded after the L2S analysis and used to interpret subgroup differences and to generate items for the supplementary survey. Interviews provide contextual depth, not population estimates, and no interview quotation appears in this draft.

7.9 Supplementary survey

Because no existing instrument measures horizontal or vertical equity, a supplementary module (Appendix C) is proposed. Two fielding routes are costed in the roadmap: (a) negotiating inclusion of the module in a subsequent L2S wave, which inherits the RDD frame, weights and panel; or (b) a stand-alone CATI survey of 2,400–3,000 adults stratified by state and residence using the same RDD approach, supplemented by an in-person taxpayer sample of 600 registered businesses drawn from FGS and FMS rosters (with the ToR baselines in Table 2.3 as the frame). Design rules: neutral wording, no double-barrelled items, randomised item order within batteries, Somali translation with back-translation, cognitive testing with 20 respondents, a 5 per cent pilot, and a randomised information treatment (facts on who pays, drawn from Section 8) delivered to half the sample before the preference items. Power: with n = 2,400 and a design effect of 1.8, a 10-point difference in agreement between two groups of 400 is detectable at 80 per cent power. No sample has been drawn and no results exist.

7.10 Ethics and data protection

Informed consent will be oral, recorded on the CATI system, and will state the purpose, voluntariness, the right to skip any question and the absence of any link to tax enforcement. Taxpayer identifiers will never be collected; business respondents are sampled from rosters but interviewed anonymously, and the research team will hold no key linking roster entries to responses. Questions on bribery, non-state levies and militant taxation are politically sensitive and physically risky for respondents in contested areas: they will be worded about "households like yours" rather than the respondent, will not name organisations, will allow refusal without explanation, and will be dropped by the enumerator wherever the respondent indicates discomfort. Data will be stored encrypted, anonymised at the point of cleaning, and shared only as public-use files after disclosure control. Approval will be sought from the SNBS, the Ministry of Finance (for access to rosters and administrative data) and an institutional ethics committee; the L2S and SIHBS confidentiality agreements will be signed and honoured.

8. Descriptive findings from verified evidence

This section reports only evidence already published by cited sources. Nothing here results from original analysis by the author. Two evidence labels apply: **descriptive statistic reported by an official source** (DS) and **established fact from a cited source** (EF). The L2S figures in Table 8.1 are *unweighted sample frequencies* printed in the World Bank's DDI documentation; they describe the achieved sample, not the population, and must not be cited as national estimates. The World Bank's own weighted headlines from its results presentation are reported separately in the text.

8.1 What Somalis told the Listening to Somalia survey in 2025

Table 8.1. L2S 2025 tax and governance items: unweighted response distributions reported in the DDI documentation (DS). Source: World Bank (2025c), DDI documentation for SOM_2025_L2S_v01_M, variable pages for hh_microdata_w1 and hh_microdata_w2. Wave-2 tier items were asked of subsamples (federal 985; state 1,059; local 1,066). Some labels are truncated in the DDI; wording to be confirmed from the questionnaire.

Item (wave; valid n)	Response distribution (per cent of valid cases)
q6_9 People of all background and lineage are treated equally and fairly in the country (w1; 3,110)	Strongly agree 33.6; agree 35.0; neither 4.2; disagree 6.3; strongly disagree 10.2; don't know 5.9; refused 4.8
q6_10 The government spends taxpayers' money in the best interest of the population (w1; 3,110)	Strongly agree 32.3; agree 32.9; neither 4.3; disagree 8.3; strongly disagree 9.7; don't know 7.7; refused 4.9
q6_11 Willing to pay higher tax on income if the government uses the revenue to [improve services] (w1; 3,110)	Yes 64.9; no 28.7; don't know/refused 6.3
q6_11 same item (w2; 1,268 asked)	Yes 63.7; no 33.6; don't know/refused 2.7
q6_14 The government is doing a good job fighting corruption (w1; 3,110)	Strongly agree 32.7; agree 28.4; neither 3.3; disagree 8.5; strongly disagree 10.9; don't know 10.6; refused 5.7
q6_23 Percentage of income households like yours pay in taxes to the formal government (w1; 3,110)	0%: 48.2; 1–15%: 28.5; 16–30%: 9.6; 31–50%: 2.1; 51%+: 1.3; don't know 6.6; refused 3.8
q6_24 Percentage of income paid in contributions to informal authorities (religious institutions, community, militant groups) (w1; 3,110)	0%: 68.4; 1–15%: 13.9; 16–30%: 2.2; 31–50%: 1.1; 51%+: 0.5; don't know 7.9; refused 6.1
q6_25 How easy or difficult to comply with tax obligations to the formal government (w1; 3,110)	Very easy 10.1; easy 34.3; neither 8.7; difficult 29.0; very difficult 11.9; don't know 3.1; refused 2.9
q6_26 What the government can do best to ease the payment of taxes (w1; 3,110)	Improve legislation 38.9; increase integrity 21.0; digitalise payment 8.8; improve communication 7.4; capacity building of officials 6.4; other 1.5; don't know 11.4; refused 4.7

Item (wave; valid n)	Response distribution (per cent of valid cases)
q6_27 Made an unofficial payment or gift to a revenue official in the last year (w1; 3,110)	Yes 8.5; no 87.6; don't know/refused 3.9
q6_23_federal If I was sure I would not get caught, I would not pay all taxes I owe to the federal government (w2; 985)	Strongly agree 20.7; agree 44.6; neither 5.1; disagree 25.0; remainder strongly disagree/don't know/refused
q6_24_federal People not paying taxes they owe to the federal government is… (w2; 985)	Wrong and punishable 40.6; wrong but understandable 39.3; not wrong at all 16.6; don't know 3.1; refused 0.3
q6_25_federal The federal government always has the right to make people pay taxes (w2; 985)	Strongly agree 21.0; agree 56.0; neither 6.4; disagree 11.8; strongly disagree 2.4
q6_26_federal People should refuse to pay taxes until they get better services from the federal government (w2; 985)	Strongly agree 29.1; agree 47.5; remainder neither/disagree/strongly disagree/don't know
q6_26_local same item for local government (w2; 1,066)	Strongly agree 33.7; agree 46.6; remainder as above

The World Bank's weighted analysis of the same items (World Bank, 2025b) reports the following headlines (DS, weighted, share of adults 18+): around two-thirds agreed they would not pay all taxes owed if sure of not being caught, slightly more for the federal than for other tiers, with a larger share among non-urban and displaced respondents; over three-quarters agreed the government has the right to make people pay taxes, across all demographic groups for the federal tier; most agreed people should refuse to pay until they receive better services, with disagreement largest for the federal tier and smallest for local government; over three-quarters believed not paying taxes is wrong, with just over 40 per cent calling it wrong and punishable, just under 40 per cent wrong but understandable and 16 per cent not wrong, and poorer respondents more often choosing wrong and punishable; around two-thirds believed the government spends taxpayers' money in the population's interest, more so among urban respondents and, strikingly, among the self-described extremely poor; most would pay higher taxes if used to improve local services, more so among urban, non-displaced, better-educated and middle-class respondents; just under half paid no income tax to the formal government, a further quarter paid 15 per cent or less and about 10 per cent paid 15–30 per cent; 14 per cent paid less than 15 per cent of income to informal authorities; over a third found compliance easy and over a quarter found it hard; and just under 10 per cent made an unofficial payment to a revenue official, more often men and poorer respondents. The World Bank's summary judgement is that "the social contract is weak" but that the state's right to tax is broadly accepted.

8.2 What the official record says about who pays

- Income tax began with "a few hundred" civil servants and expanded to private employment, rental income and business through lump-sum taxes that were

"negotiated most of the time" before statutory rates were applied (EF; Ministry of Finance, 2024, pp. 11–12).

- Income tax collections rose from US$24.4 million in 2023 to US$36.2 million in 2024, driven by registration of new taxpayers "particularly from health and education sectors" and by digitised rental-income tax in Mogadishu (DS; Ministry of Finance, 2025a).
- Customs revenue in 2024 came overwhelmingly from eight commodities, led by food imports (US$53 million), fuel (US$25.9 million), construction materials (US$20 million) and khat (US$17 million) (DS; Ministry of Finance, 2025a).
- Sales tax in 2024 (US$46.8 million) was driven by collections at the port, by the merchant-account deduction in Mogadishu local markets, and by airline tickets, telecommunications and electricity (DS; Ministry of Finance, 2025a).
- Tax exemptions amounted to US$17,542,314 in 2024, attributed in part to humanitarian and security needs (DS; Ministry of Finance, 2025a).
- Telecommunications operators' tax contributions rose from US$3.9 million in 2014 to US$42.8 million in 2021 in exchange for formality and international access rather than services (EF; Sahgal, 2025).
- Registered business taxpayers on the FGS roster numbered 123 large, 450 medium and 2,905 small at the undated SERP baseline; the four listed FMS rosters together exceed the FGS count (DS; Ministry of Finance, n.d.; Table 2.3).
- The statutory 25 per cent customs standard rate is applied at an effective rate of about 7 per cent; the airport concession remitted 51.0 per cent of its contractual entitlement in 2021–22 (EF; Financial Governance Committee, 2024; Mohamud, 2026b).

8.3 What the qualitative record says about fairness

- In Mogadishu, wealthy entrepreneurs find it easy to dissuade, influence or bribe officials while small vendors are coerced; a tuk-tuk driver reported US$140 in licensing plus US$17.50 a month under police pressure, and a market trader about US$5 a month to the municipality without a receipt (EF; Abshir et al., 2020).
- In Gedo, over 70 per cent of more than 2,300 households paid at least one informal tax or fee a year, averaging 9.5 per cent of household income, regressively, and overwhelmingly expecting nothing in return; community leaders were seen as more legitimate collectors than formal institutions (EF; van den Boogaard & Santoro, 2021).
- On the Garissa corridor, government forces charged at every checkpoint while Al-Shabaab issued a single receipt for passage (EF; RVI, 2023).

8.4 What these facts do and do not establish

Taken together, the verified record establishes four things. First, Somalis broadly accept the state's claim to tax (over three-quarters) yet a majority would evade if unobserved and a large majority would condition payment on services — the signature of a legitimacy that is granted in principle and withheld in practice. Second, perceived formal burdens are low for most (half report paying nothing) and concentrated in a minority, while a minority also pays informal levies; the overlap between the two is unknown and is a priority cross-tabulation. Third, the modal demand on government is better legislation (38.9 per cent unweighted) and more integrity (21.0 per cent), not digitalisation — a procedural-fairness signal. Fourth, the qualitative evidence describes horizontal inequity in enforcement in the strongest terms. What none of this establishes is whether citizens *perceive* that comparable taxpayers are treated alike, whether they want burdens to rise with ability to pay, or how such perceptions vary by group — which remain results requiring original data collection and analysis.

9. Main empirical results — pending empirical analysis

No original analysis has been conducted for this draft. The tables below are templates that fix the structure, the estimand and the sample before any data are touched, so that the eventual analysis cannot be reshaped around its results. Every cell marked "—" is a *result requiring original data analysis*. Columns and rows are final; estimates will be inserted only after the L2S 2025 and SIHBS 2022 microdata have been accessed under their licences and the code in Appendix G has been run.

Table 9.1 (template). Survey-weighted distribution of legitimacy and fiscal-exchange items, L2S 2025, by subgroup (per cent agreeing, 95% CI)

Subgroup	Willing to pay more if services improve (q6_11)	Federal govt has right to tax (w2 q6_25_f)	Would not pay if not caught (w2 q6_23_f)	Refuse until better services (w2 q6_26_f)	n
All	—	—	—	—	—
Urban / rural / nomadic	—	—	—	—	—
By state (6)	—	—	—	—	—
Displaced / not	—	—	—	—	—
Women / men (w2)	—	—	—	—	—
Self-reported class (4)	—	—	—	—	—
Asset-index tercile	—	—	—	—	—
Reports paying any formal tax (q6_23 > 0)	—	—	—	—	—
Reports paying any informal levy (q6_24 > 0)	—	—	—	—	—

Table 9.2 (template). Determinants of willingness to pay higher income tax, L2S 2025 (survey-weighted logit; average marginal effects with region and wave fixed effects)

Covariate	Model 1: socioeconomic	Model 2: + tax experience	Model 3: + trust, services, corruption	Model 4: + Trust × Services
Asset index (tercile 2, 3)	—	—	—	—
Self-reported class	—	—	—	—
Urban; nomadic (ref. rural)	—	—	—	—
Displaced	—	—	—	—
Female (w2)	—	—	—	—
Household size	—	—	—	—
Perceived formal tax share paid (bands)		—	—	—
Paid informal levy		—	—	—

Covariate	Model 1: socioeconomic	Model 2: + tax experience	Model 3: + trust, services, corruption	Model 4: + Trust × Services
Unofficial payment to revenue official		—	—	—
Compliance difficult		—	—	—
Trust index (q6_2–q6_7)			—	—
Spends in population's interest (q6_10)			—	—
Good job on corruption (q6_14)			—	—
Service quality index			—	—
Trust × Services				—
Region FE; wave FE	Yes	Yes	Yes	Yes
N; pseudo-R^2	—	—	—	—

Table 9.3 (template). Determinants of tax morale by tier, L2S 2025 wave 2 (survey-weighted ordered logit; outcome: would-not-pay-if-not-caught, reverse-coded)

Covariate	Federal	State	Local
Socioeconomic block	—	—	—
Tax-experience block	—	—	—
Trust in that tier (dialogue, grievances)	—	—	—
Service quality	—	—	—
Proportional-odds test (p)	—	—	—
N	—	—	—

Table 9.4 (template). Statutory consumption-tax exposure by real per capita expenditure decile, SIHBS 2022 (per cent of per capita expenditure; three scenarios)

Decile	S1 statutory, full pass-through	S2 effective customs 7%	S3 informality-adjusted	Food share of expenditure	Import share of food
1 (poorest) … 10 (richest)	—	—	—	—	—
Poor / non-poor	—	—	—	—	—
Kakwani index (S1, S2, S3)	—	—	—		

Table 9.5 (template). Perceived horizontal and vertical equity, supplementary survey (per cent agreeing; by employment type, business ownership, welfare, sex, residence, jurisdiction)

Item	All	Employee	Self-employed	Business owner	Women	Urban	Rural/nomadic	Mogadishu	Puntland	Other FMS
A1 Similar earners pay similar tax	—	—	—	—	—	—	—	—	—	—
A2 Large/connected firms treated more favourably	—	—	—	—	—	—	—	—	—	—
A3 Enforcement consistent across similar taxpayers	—	—	—	—	—	—	—	—	—	—
B1 Higher-income individuals should pay more	—	—	—	—	—	—	—	—	—	—
B2 Larger profitable businesses should pay more	—	—	—	—	—	—	—	—	—	—
B3 Low-income households should get relief on essentials	—	—	—	—	—	—	—	—	—	—
B6 Preferred principle: equal tax on equal income vs higher share for higher income	—	—	—	—	—	—	—	—	—	—

Table 9.6 (template). Hypothesis tests summary

Hypothesis	Model and outcome	Key estimate (sign, CI)	Supported / not supported / inconclusive	Data status
H1	Ordered logit, HE index on unequal-treatment experience	—	—	Supplementary survey required
H2	Ordered logit, B1/B2 on ability-to-pay battery	—	—	Supplementary survey required

Hypothesis	Model and outcome	Key estimate (sign, CI)	Supported / not supported / inconclusive	Data status
H3	Logit/ordered logit, WTP and right-to-tax on trust	—	—	L2S 2025: access pending
H4	As H3, on service quality	—	—	L2S 2025: access pending
H5	Ordered logit, overall fairness on A2	—	—	Supplementary survey required
H6	Subgroup contrasts, all items	—	—	L2S partial; supplementary full
H7	Interaction models	—	—	L2S (Trust × Services) now; Fair × Trust later

Figures planned (not drawn): Figure 9.1, predicted probability of willingness to pay by trust tercile and service-quality tercile; Figure 9.2, concentration curves of statutory consumption-tax exposure under S1–S3 against the Lorenz curve of expenditure; Figure 9.3, agreement with equity items by employment type and jurisdiction with confidence intervals.

10. Discussion

The discussion is confined to what the verified record and the design support; it contains analytical expectations, labelled as such, and no claims about results the paper has not produced.

Legitimacy granted in principle, withheld in practice. The most robust pattern in the L2S 2025 record is the coexistence of three majorities: that the state has the right to tax, that one would evade if unobserved, and that payment should be withheld until services improve. In Levi's (1988) terms, Somalis accept the ruler's claim but doubt that the bargain will be kept and that others will comply — exactly the two beliefs on which quasi-voluntary compliance rests. The willingness of nearly two-thirds to pay more if revenue visibly improved local services is the fiscal-exchange mechanism stated in the respondents' own terms. The analytical expectation is therefore that the trust and service-delivery coefficients in Table 9.2 will be positive and that the local tier, where services are most visible, will show the strongest conditioning of morale on services — consistent with the World Bank's observation that disagreement with "refuse until services improve" is lowest for local government.

Fairness beliefs are the missing mechanism. The record says nothing about whether citizens believe the burden is shared fairly, and the

qualitative evidence suggests they have reason to doubt it: negotiated lump sums, asymmetric enforcement, unreceipted charges, checkpoint duplication and US$17.5 million of discretionary exemptions are all horizontal-equity failures visible to taxpayers. Bachas et al. (2026) find that citizens in five developing countries regard employee–self-employed inequity as a serious problem; Somalia's withholding base is far narrower than any of those countries', so the analytical expectation is that perceived horizontal inequity will be widespread among the minority who pay, and that it will be more salient to salaried government and NGO employees — the group the SIHBS lab44 item identifies — than to the self-employed who benefit from it. Whether perceived inequity lowers support for taxation (H1, H5) or is accepted as the price of a weak state is an open question the supplementary survey is designed to settle.

Vertical equity may be anchored on wealth, not income. Zakat is a wealth levy with an exemption floor, broadly complied with and carrying built-in trust (Abshir et al., 2020; van den Boogaard & Isak, 2025). Citizens may therefore hold a vertical-equity norm — the rich should pay a fixed share of what they hold — that the Income Tax Act's income bands do not speak to. If so, support for taxing larger profitable businesses and property owners may be high while support for banded income tax on wage earners is low, which would reverse the usual ordering of instrument popularity. The National Transformation Plan's proposal for a national zakat and waqf system makes this an immediately policy-relevant expectation.

Incidence and perception may diverge, and the divergence matters. A food-heavy customs base and a flat sales tax imply, on analytical expectation, a consumption-tax exposure that is roughly proportional to consumption and regressive to income, moderated by informality in the Bachas et al. (2024) manner. But the survey record shows half of respondents believe they pay nothing — because customs and sales taxes are embedded in prices and invisible. A population that underestimates its own burden will judge the system's fairness by the visible instruments (income tax, licences, checkpoints) and not by the largest ones. The policy implication is that transparency about embedded taxes could lower perceived fairness even as it improves understanding; the research implication is that the information treatment in the supplementary survey should test exactly this.

Jurisdiction is a dimension of equity, not a nuisance parameter. Because rules differ across Mogadishu, the port states and the non-port states, horizontal equity has a cross-jurisdictional meaning in Somalia that it lacks in unitary states. The L2S regional representativeness and the SIHBS regional stratification make cross-jurisdictional comparison

feasible, and the Baidoa harmonisation agenda gives it a policy audience.

What would change the conclusions. If the supplementary survey found that fairness perceptions do not predict support for taxation once trust and services are controlled, the policy priority would shift from equity to exchange. If the SIHBS analysis found consumption-tax exposure to be progressive in effect because the poor buy informally, the case for essential-goods exemptions would weaken and the case for enforcing the base among formal sellers would strengthen. If the interviews found that small traders regard a receipted 5 per cent formal charge as fairer than informal levies, the formalisation narrative should be reframed as replacement rather than addition. Each of these is a result the design can produce and this draft cannot.

11. Policy implications

The recommendations below are conditional: each is stated with the equity, revenue, administrative and political implications the verified evidence supports, the effect on small businesses and vulnerable households, and the evidence that should be in hand before implementation. None is recommended because it appears progressive or popular; each is assessed on efficiency, administration, distribution and revenue together. Where the paper's own results are needed, the entry says so.

Table 11.1. Candidate reforms assessed on six criteria

Reform	Equity implications	Revenue implications	Administrative feasibility	Political and institutional feasibility	Effects on small businesses and vulnerable households	Evidence required before implementation
1. Consistent enforcement of existing rules: audited statements from concessionaires, disallowance of unauthorised deductions, single biller for air-navigation charges, enforcement of the 2022 tariff at FGS ports	Strongest horizontal-equity gain available: closes the gap between the largest taxpayers' entitlement and receipt (51% concession remittance; 7% vs 25% customs) before any citizen is asked for more	Largest identified yields: US$185–283m a year by 2031 across customs valuation, controls, concessions and overflight (Mohamud, 2026b)	High for concessions (contract administration); medium for valuation (database, post-clearance audit)	Medium: concentrated losers with influence; no FMS consent required	Neutral to positive: shifts visible burden toward large operators; customs valuation raises import prices unless offset by informality	Already sufficient from audit evidence; monitor price pass-through on food imports
2. Transparency on exemptions and revenue use: publish the exemption register by beneficiary type, issue the planned Tax Exemptions Manual, publish a citizens' revenue report linking collections to services	Addresses perceived preferential treatment (H5) directly; low cost	Indirect; may reduce discretionary exemptions (US$17.5m in 2024)	High: reporting system already runs weekly to Cabinet and quarterly to Parliament	High: aligns with MTRR and IMF benchmarks	Positive if humanitarian exemptions are preserved and explained	Supplementary survey item on exemptions; interviews with exempted sectors
3. Simplified compliance for micro and small enterprises: publish the US$150 micro and 1.5% turnover regimes in plain Somali, guarantee	Converts negotiated lump sums into a common rule (horizontal gain); replaces regressive informal levies	Low direct yield; registration gains (MTRR target: 5,000 new taxpayers)	Medium: requires FGS–municipal coordination in Benadir and FMS adoption	Medium: municipal revenue interests	Central: 38.9% of L2S respondents want better legislation and 21% more integrity; compliance difficulty	Interviews with traders; SIHBS hb8_17 on payments to government; pilot evaluation

Reform	Equity implications	Revenue implications	Administrative feasibility	Political and institutional feasibility	Effects on small businesses and vulnerable households	Evidence required before implementation
receipts, cap combined formal and municipal charges, single annual payment	if framed as replacement				reported by 40.9% (unweighted)	
4. Equal treatment of comparable taxpayers across jurisdictions: complete income-tax and customs harmonisation, including Puntland, through a compensated compact	Removes jurisdictional horizontal inequity; equalisation worth 22.7–92.3% of non-port states' revenue at 2.5% of FGS revenue (Nurshaikhova et al., 2022)	Unlocks the 5.65–7.15% of GDP scenarios (Mohamud, 2026b)	Low–medium: SOMCAS and TIN unification required	Low at present: two states have suspended cooperation	Positive for traders facing arbitrage and duplicate charges	Port-by-port applied-rate comparison; FMS revenue data since FY2021
5. Ability-to-pay alignment of direct taxes: enforce CIT and PAYE among large and medium taxpayers before broadening PIT to small earners; publish effective tax rates by segment	Vertical gain and horizontal gain between employees and self-employed; avoids concentrating the burden on the withheld minority	US$70–110m a year by 2031 from the LMTO programme (Mohamud, 2026b)	Medium: LMTO relaunch, audit cycle, appeals channel	Medium: elite bargain documented by Sahgal (2025) may resist	Protective of wage earners near the 6% band threshold	Administrative data on filers and effective rates by segment (Appendix F); supplementary survey B-items
6. Distributional assessment of consumption and excise taxes before rate or base changes: a standing requirement that any sales-tax, stamp-duty-on-food or customs change be accompanied by	Prevents unexamined regressivity in the largest tax lines (food is the largest customs source)	Neutral; may reshape rather than reduce yield	Medium: requires SIHBS access and a reusable exposure model	High: low-cost analytical rule	Directly protective of poor households	SIHBS exposure analysis (Section 7.7) and the sales-tax exemption schedule

Reform	Equity implications	Revenue implications	Administrative feasibility	Political and institutional feasibility	Effects on small businesses and vulnerable households	Evidence required before implementation
a decile-incidence note						
7. Targeted protection for vulnerable households where justified: exemption or zero-rating of a short list of staples, or compensating transfers through Baxnaano, rather than broad exemptions	Vertical gain only if well targeted; broad exemptions leak to the non-poor	Negative for exemptions; neutral for transfer-based compensation	Exemptions easy at the port, hard in markets; transfers use the Unified Social Registry (536,000 households)	High	Positive if targeted	Table 9.4 results; estimate leakage to upper deciles before choosing exemption over transfer
8. Accessible taxpayer information and complaint mechanisms: operationalise the planned dispute resolution unit and tax tribunal, publish fee schedules, mandate receipts	Procedural fairness; addresses the single-receipt disadvantage identified on the Garissa corridor	Indirect through compliance	Medium: units planned in MTRR but not verified	High	Strongly positive for small traders	Interviews; q6_26 integrity demand; baseline of complaints
9. Digital payment and registration: unified TIN before ITAS; merchant-account collection extended with published rules and a refund channel	Reduces discretion (horizontal gain) but concentrates burden on digitally visible firms unless coverage is broad	Positive (sales tax +13.3% in 2024 with ETAS)	Medium: TIN still a policy agreement	High	Mixed: formal visibility raises burden for compliant small firms relative to unregistered rivals	Supplementary survey A3 (enforcement consistency); registration data
10. Coordination across federal, state and local revenue	Horizontal gain across jurisdictions	Positive through reduced leakage	Low–medium	Low–medium	Strongly positive for transporters and traders	Checkpoint mapping; interviews with

Reform	Equity implications	Revenue implications	Administrative feasibility	Political and institutional feasibility	Effects on small businesses and vulnerable households	Evidence required before implementation
administrations: shared registry, no duplicate assessment, single document for internal corridors	and along corridors					transport operators
11. Linking revenue to expenditure and accountability: publish service-delivery outputs financed by domestic revenue at state and district level	Strengthens fiscal exchange, the mechanism two-thirds of respondents cite	Indirect	High: citizens' budget and PBB already exist	High	Positive	L2S H3–H4 results; interviews

Sequencing. The evidence supports an order: reforms 1 and 2 first (no new tax, no consent required, largest equity and revenue gain), then 3, 8 and 9 (procedural fairness for the taxpayers the system now reaches), then 5 and 6 (direct-tax enforcement at the top and incidence discipline on consumption taxes), with 4, 7, 10 and 11 as the medium-term settlement and accountability agenda. This order inverts the common instinct to begin with base-broadening among small taxpayers, because the verified evidence shows that the largest horizontal-equity failures are at the top of the distribution and in contract enforcement, and that asking small taxpayers for more before those are corrected is the configuration the fiscal-contract literature identifies as corrosive.

Relevance to institutions. For the Federal Ministry of Finance the study would supply the taxpayer-perception evidence the MTRR schedules, with equity items the SERP survey lacks. For FMS ministries of finance it would provide the first comparable cross-jurisdictional measures of perceived fairness, relevant to harmonisation. For the SNBS it would create a reusable consumption-tax exposure module on SIHBS and a case for a tax-perception module in the next household survey. For PFM reform programmes and development partners it would offer outcome indicators — perceived fairness, trust, willingness to pay — against which DRM support can be evaluated rather than only revenue yield. For researchers it would establish the Somali baseline for the horizontal-equity literature. The paper avoids judgements about particular officials, institutions or taxpayer groups; every characterisation of behaviour is sourced to an audit, a survey or a peer-reviewed study.

12. Limitations

Status of the paper. This is a research design and working-paper draft. It reports no original estimates, and its contribution is conditional on data access that has not yet been obtained. The abstract, executive summary and conclusion are written to that status.

Survey data. L2S 2025 is a phone survey with a documented 3 per cent completion rate; selection on phone ownership, network coverage and willingness to answer governance questions is severe, post-stratification on region, residence and age cannot correct for it, and nomadic, displaced and insecure populations are under-covered despite the weights. Middle Juba did not reach its quota. Wave-2 attrition was 40 per cent and the tier-specific tax-morale items were asked of subsamples of roughly 1,000, limiting state-level inference. Several

variable labels in the DDI are truncated and the exact wording of q6_11 and q6_23 must be confirmed from the questionnaire. There is no welfare aggregate, so welfare must be proxied by assets, housing and self-reported class, each of which measures something different. Tax questions are subject to social-desirability bias and, for items on informal and militant levies, to fear; responses are about "households like yours" rather than the respondent and should be read as perceptions.

Household budget data. SIHBS 2022 does not measure taxes paid, zakat paid or tax perceptions. Its DDI records fieldwork in May–July 2023 while the abstract describes 2022, and the reference period must be settled with SNBS. It includes Somaliland regions that are excluded from all fiscal aggregates in this paper, so analyses must be subset to FGS and FMS territory. The consumption-tax exposure analysis depends on an exemption schedule and an HS-chapter mapping that are not publicly available, on unknown pass-through, and on vendor-type information the survey may not carry; its output is statutory exposure under stated scenarios, not incidence, and its most defensible form may be purely descriptive.

Administrative data. There is no published count of registered or active taxpayers beyond the undated SERP baseline, no FMS revenue data since FY2021, no published exemption register by beneficiary, no sales-tax collection by sector or channel, and no effective-rate data by segment. Every one of these is requested in Appendix F; until they arrive, objective horizontal inequity can be characterised only from audits and effective-rate approximations.

Identification. All survey relationships are associations in cross-sectional (or two-wave) data with unobserved confounders, reverse causation and selection. The design limits causal language to the randomised information arm of the supplementary survey, which itself identifies only the effect of information on stated preferences, not the effect of fairness beliefs on compliance.

Institutional heterogeneity and change. Rules differ across jurisdictions and are changing during the study period: the Income Tax Act's enactment date is recorded differently across sources, ad valorem invoice-value assessment is scheduled for 2027, state-level sales tax was agreed in 2024, and the fiscal content of the constitutional amendments of March 2026 could not be verified. Findings must be dated and jurisdiction-tagged.

Source independence. The Institute of Public Finance – Somalia is the author's institution; its tax-gap and revenue-potential estimates are not independent and are presented as order-of-magnitude figures. The

World Bank's L2S presentation reports weighted headlines without confidence intervals or exact wording; the DDI frequencies are unweighted. The World Bank feature of 30 January 2024 listed in the terms of reference could not be retrieved and is cited only as a pointer. No excise regime, property-tax rate schedule or stamp-duty rate could be verified, and the paper asserts none.

13. Conclusion

Somalia's tax system has crossed from the port into the household, and the question of whether its burden is perceived as fairly shared has become a question about whether domestic revenue mobilisation can be sustained by consent rather than only by enforcement. This paper has argued that the question is answerable, that it has not been asked, and that the instruments for asking it can be specified now.

Three conclusions follow from the verified record. First, the state's claim to tax is accepted in principle by over three-quarters of respondents to the only representative survey available, yet a majority would evade if unobserved and a larger majority conditions payment on services: legitimacy in Somalia is granted and withheld at once, and the fiscal-exchange mechanism is the one citizens themselves name. Second, the largest horizontal-equity failures the audits and qualitative studies document — a 25 per cent tariff collected at 7 per cent, concessions remitting half their entitlement, negotiated liabilities, asymmetric enforcement, unreceipted charges and duplicated checkpoints — sit at the top of the distribution and in contract administration, not among the small taxpayers the base-broadening agenda targets. Third, no existing dataset measures whether citizens perceive that inequity, whether they want burdens to rise with ability to pay, or which instruments they would accept; the L2S 2025 module measures morale, reciprocity and burden, SIHBS 2022 measures welfare and withholding, and the government's planned taxpayer survey measures administrative satisfaction among registered firms.

The design proposed here — two phases of survey-weighted analysis, a bounded consumption-tax exposure study, a purposive interview programme and a supplementary equity module with a randomised information arm — would supply the missing evidence within a single budget cycle and at modest cost, because it builds on surveys and administrative systems that already exist. Its results would speak directly to the choices the Ministry of Finance, the Federal Member States and their partners face: how to design the Income Tax Act's simplified regimes, whether

to exempt or compensate, how to frame formalisation for small traders, how to present the fiscal-federalism compact, and what to measure when DRM support is evaluated.

The paper's own results sections are empty by design. What they will contain depends on data access that is requested, not assumed, and on fieldwork that is specified, not conducted. The honest statement of that condition is itself part of the contribution: a revenue strategy that claims to make everyone pay their fair share should be able to say whether anyone believes it does.

Ethical Approval and Consent

Not applicable at this stage. This draft reports no new data on human participants and no interview or survey has been conducted. The supplementary survey and the interview programme specified in Appendices C and E will be submitted for ethics review and SNBS research clearance before any fieldwork, under the consent, confidentiality and data-protection procedures set out in Section 7.10.

Competing Interests

The author declares no competing interests. The Institute of Public Finance – Somalia is cited in this paper; where it is, it is identified as the author's own institution and not an independent source.

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Author Contributions

The author conceived the study, verified all sources against the original documents and survey documentation, designed the conceptual framework, methodology and instruments, and drafted and approved the manuscript.

Data Availability

No microdata were accessed for this draft. All quantitative evidence is drawn from publicly available official documents and survey documentation cited in the reference list. The source-verification register underlying the evidence labels (Supplementary Output 2) is available from the corresponding author on reasonable request.

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Every in-text citation in Sections 1–13 and the appendices appears below. Entries marked † are documents read in full or in relevant part for this draft (uploaded files, project documents or fetched pages); entries marked ‡ are cited from the two companion IPF working papers' verified reference lists; unmarked peer-reviewed entries are standard works whose bibliographic details should be confirmed against the publisher before journal submission. No DOI is given where it was not verified.

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Appendix A. Data inventory and access requirements (Output 3)

Status values: **Verified** = documentation read and cited; **Access pending** = exists but microdata or records not yet obtained; **Proposed collection** = does not yet exist. No dataset is labelled analysed.

Table A.1. Data inventory

Dataset	Data owner	Reference year	Population and coverage	Unit of observation	Key variables	RQs supported	Access conditions	Analytical limitations	Status
Listening to Somalia, Wave 1 (SOM_2025_L2S_v01_M)	World Bank (PI); GeoPoll (collector); Somalia Multi-Partner Fund (funder)	13 Apr–27 May 2025	Adults 18+ with mobile phones; 18 pre-war regions; regional representativeness; n = 3,110	Household/respondent; members	q6_2–q6_15 governance, trust, corruption; q6_9 equal treatment; q6_10 spending; q6_11 WTP; q6_23–q6_27 tax burden, informal levies, compliance ease, reforms, bribes; housing, assets, livestock, food, assistance, shocks	RQ3, RQ4, RQ6	Public-use after registration and confidentiality agreement on microdata.worldbank.org/catalog/8088	RDD phone selection (3% completion); no welfare aggregate; truncated labels; no equity items	Verified (documentation); access pending (microdata)
Listening to Somalia, Wave 2	As above	12 Jul–13 Aug 2025	Panel (60% re-contact) plus RDD refresh; n = 3,110	Household/respondent	Repeats w1 governance items; tax-morale battery by tier (q6_23_*–q6_26_*, subsamples ~985–1,066); respondent sex and age; employment (q10); gender-equality items; self-reported class	RQ3, RQ4, RQ6	As above	Attrition 40%; tier items on subsamples	Verified; access pending

Dataset	Data owner	Reference year	Population and coverage	Unit of observation	Key variables	RQs supported	Access conditions	Analytical limitations	Status
SIHBS 2022 (DDI-SOM-SNBS-SIHBS-2022-v02)	Somalia National Bureau of Statistics; World Bank (funder, IDA D6660)	Fieldwork 1 May–31 Jul 2023 per DDI (labelled 2022)	7,212 households; national, regional, urban/rural/nomadic; 18 pre-war regions incl. Somaliland	Household; individual; business; expenditure item	consagg (pce, pcer, pcer_dec, poverty lines, poor, weights); food and non-food item files by recall; hhm labour (lab40 employer type, lab43 contract, lab44 employer withholding); hhbus (hb8_15 registered, hb8_16 agency, hb8_17 payments to government); assets; remittances	RQ1 (objective side), RQ2 (incidence), RQ3 (welfare axis)	Licensed access via SNBS National Data Archive catalogue 59; application required	No tax-paid or perception items; date discrepancy; exemption schedule and HS mapping external	Verified; access pending
FGS budget performance reports 2022, 2024, 2025; FY2026 mid-year	Ministry of Finance	2022–2026	Federal revenue and expenditure	Revenue line	Revenue by source and target; grants	Context, RQ7	Public (mof.gov.so)	Federal only; MoF grants concept	Verified
MoF Annual Report 2024	Ministry of Finance	2024	Federal	Revenue line; reform	Revenue by source; income tax by category; customs by commodity; exemptions US$17.54m; IGFF decisions	Context, RQ5, RQ7	Public	Narrative; limited disaggregation	Verified

Dataset	Data owner	Reference year	Population and coverage	Unit of observation	Key variables	RQs supported	Access conditions	Analytical limitations	Status
Medium Term Revenue Roadmap 2024–2027	Ministry of Finance	June 2024	Federal	Measure	Revenue 2013–2023; projections to 2027; key measures and yields; planned taxpayer perception survey; tribunal	Context, RQ5, RQ7	Public	Projections, not outturns	Verified
SERP Taxpayer Perception Survey ToR (Annex 1 baselines)	Ministry of Finance / World Bank SERP	Undated	Registered business taxpayers, FGS and four FMS (Puntland absent)	Taxpayer segment	Large/medium/small counts by jurisdiction	RQ1, sampling frame for business sample	Public (archive.mof.gov.so)	Undated; definitions differ by jurisdiction	Verified
Auditor General: 2024 financial statements; SOMCAS IS audit; concession special audit 2021–22	Office of the Auditor General	2021–2024	Federal	Audit finding	Concession remittance 51%; US$32.2m unverified; 34 control findings	RQ1 (objective), RQ7	Public	Audit scope	Verified via IPF papers
Financial Governance Committee report 2024	FGC / MoF	2024	Federal	Finding	Reference-value undervaluation; overflight methodology; dormant concession	RQ1, RQ7	Public	—	Verified via IPF papers
IMF Country Reports 24/346, 25/335	IMF	Nov 2024; Dec 2025	Federal; macro	Policy measure	Income Tax Act status; sales-tax extension; electronic sales tax;	Context	Public	—	Verified (24/346 read; 25/335 via IPF)

Dataset	Data owner	Reference year	Population and coverage	Unit of observation	Key variables	RQs supported	Access conditions	Analytical limitations	Status
					SOMCAS; ad valorem timeline; GDP series				
World Bank L2S results presentation	World Bank	2025	As L2S	Weighted estimate	Weighted headlines on tax morale, WTP, burden, bribes by subgroup	RQ3, RQ4, RQ6	Public	No CIs or exact wording	Verified
World Bank SEU 10; customs revenue-sharing study; local-government study; DRM assessment 2021	World Bank	2021 – 2025	National	Benchmark	Service-delivery benchmarks; equalisation arithmetic; LG revenue; customs potential	Context, RQ7	Public	Vintage	Verified via IPF papers (SEU 10 catalogue entry fetched)
FMS revenue by source, FY2022–FY2025	FMS ministries of finance; consolidated by MoF under SERP	2022 – 2025	Five FMS	Revenue line	Revenue by source and jurisdiction	RQ1 (jurisdictional), RQ7	Not published since FY2021; request to MoF/IGFF secretariat	Consolidation standards differ	Access pending
MoF administrative tax data (Appendix F)	Ministry of Finance (Inland Revenue, Customs, Tax	2020 – 2026	Federal registered taxpayers	Taxpayer; return; transaction	Registered/active/paying taxpayers by segment; PAYE returns by employer type; sales tax by sector and channel; customs and sales tax by	RQ1, RQ5, RQ7	Formal request; confidentiality undertaking	Aggregated only; no identifiers	Access pending

Dataset	Data owner	Reference year	Population and coverage	Unit of observation	Key variables	RQs supported	Access conditions	Analytical limitations	Status
	Policy Unit)				HS chapter; exemption register; audits, penalties, disputes				
Sales-tax exemption schedule and customs tariff by HS line	Ministry of Finance	In force 2025–2026	—	Tax rule	Rates and exemptions by item	RQ2 (incidence)	Formal request (tariff partly public)	Mapping to SIHBS item codes required	Access pending
Somali Integrated Business Establishment Survey 2024	SNBS	2024	Business establishments	Establishment	Existence confirmed in MoF Annual Report 2024; content not verified	RQ1 (business frame)	Unknown; enquire with SNBS	Not verified	Access pending
Supplementary citizen survey (module in next L2S wave or stand-alone CATI)	IPF / partner; World Bank if L2S route	2027	2,400–3,000 adults; stratified by state and residence	Respondent	Modules A–G (Appendix C); information treatment	RQ1, RQ2, RQ3, RQ5, RQ6	IPF ethics approval; SNBS clearance; MoF agreement for roster use	Phone selection as L2S	Proposed collection
Supplementary registered-taxpayer sample (in person)	IPF / partner with MoF and FMS tax policy units	2027	600 registered businesses from FGS and FMS rosters	Business	Modules A–G adapted; registration and audit experience	RQ1, RQ5	Roster access under confidentiality; anonymous interviews	Roster coverage and definitions	Proposed collection
Semi-structured interviews	IPF	2027	40–60 purposive interviews across jurisdictions and segments	Interview	Appendix E guide	RQ1, RQ2, RQ5, RQ7	Informed consent; anonymisation	Not representative	Proposed collection

A.2 Data acquisition plan

Immediately available (public documents): MTRR; MoF Annual Report 2024; budget performance reports; SERP ToR; Auditor General and FGC reports; IMF country reports; World Bank L2S presentation, SEU 10, revenue-sharing and local-government studies; L2S and SIHBS DDI documentation.

Require registration or approval: L2S 2025 microdata (World Bank Microdata Library registration and confidentiality agreement; typical turnaround days); SIHBS 2022 microdata (SNBS licensed-access application stating purpose, variables, outputs and disclosure-control commitments; turnaround depends on SNBS review and is the principal external dependency, flagged in Output 8).

Administrative records to request (Appendix F): from the Ministry of Finance Tax Policy Unit and Directorate General of Revenue, with a formal letter from IPF, a data-protection undertaking and an offer of a joint technical note; from the IGFF secretariat for FMS revenue series; from SNBS for the business establishment survey.

New data collection: supplementary citizen module (route (a) via the World Bank L2S team for inclusion in a subsequent wave — requires agreement by early 2027 to meet questionnaire deadlines; route (b) stand-alone CATI with a Somali survey firm); registered-taxpayer sample with MoF and FMS tax policy units; interviews. Budget, staffing and timing are in Output 8.

Appendix B. Variable definitions and measurement matrix (Output 4)

Each research question and hypothesis is mapped to its construct, indicator, source variable (verified name where it exists), data source, analytical method and status. "L2S" = Listening to Somalia 2025; "SIHBS" = Somalia Integrated Household Budget Survey 2022; "SUP" = proposed supplementary survey (Appendix C); "ADM" = administrative data (Appendix F); "INT" = interviews (Appendix E).

Table B.1. Measurement matrix

RQ / H	Construct	Indicator and coding	Source variable	Data source	Method	Status
RQ1, H1	Perceived horizontal equity (outcome)	Four 5-point agreement items → index (reverse-code A2); overall fairness rating 1–5	SUP A1–A5	SUP	Weighted descriptives; ordered logit; reliability	Proposed
RQ1, H1	Experience of unequal treatment (explanatory)	Unofficial payment to revenue official (0/1); knows unregistered competitor (0/1); liability negotiated (0/1)	L2S q6_27; SUP F3–F5	L2S; SUP	Logit covariate	L2S verified; SUP proposed
RQ1	Objective horizontal inequity (comparison)	Share of earners with employer withholding by employer type and decile; share of businesses registered and paying government	SIHBS lab44 × lab40 × pcer_dec; hb8_15, hb8_17	SIHBS	Weighted cross-tabs	Access pending
RQ1	Objective horizontal inequity (administrative)	Effective collection by segment; exemptions by beneficiary type	ADM items F1–F6	ADM	Ratios	Access pending
RQ2, H2	Vertical-equity preference (outcome)	Should contribute more/same/less for seven groups; preferred principle (equal tax on equal income vs higher share for higher income); preferred base	SUP B1–B6	SUP	Ordered logit; multinomial logit	Proposed
RQ2, H2	Ability-to-pay support (explanatory)	3-item agreement battery → index	SUP B7–B9	SUP	Index; covariate	Proposed
RQ2	Statutory consumption-tax exposure (incidence side)	Exposure share of pce by decile under S1–S3; Kakwani index	SIHBS consagg + food/nfood items + rates	SIHBS; ADM (schedule)	Scenario simulation	Access pending
RQ3, H6	Household welfare	Asset/housing index terciles (L2S q4 items); self-reported class (L2S w2); pcer deciles (SIHBS)	L2S q4_1–q4_15, class item; SIHBS pcer_dec, poor	L2S; SIHBS	Index construction (PCA); deciles	Verified / pending
RQ3, H6	Employment and business ownership	Work for pay; activities for sale (L2S w2 q10_1a, q10_3); employer type, contract, withholding (SIHBS lab40, lab43, lab44); household business (SIHBS hhbus); SUP G items	L2S; SIHBS; SUP	Covariates; subgroup contrasts	Verified / pending / proposed	

RQ / H	Construct	Indicator and coding	Source variable	Data source	Method	Status
RQ3, H6	Gender, education, residence, location	Respondent sex and age (L2S w2 q0_3e, q0_3g); education (member file); urban/rural/on the move (q1_12); displacement (q1_13–q1_14); state (q1_10); region (q1_11)	L2S	Covariates; region FE	Verified	
RQ4, H3	Institutional trust	Agreement that federal/state/local government engages in dialogue and addresses grievances (q6_2–q6_7) → trust index by tier; spending in population's interest (q6_10); SUP C1–C3 direct trust in tax authority	L2S; SUP	Index; covariate	Verified / proposed	
RQ4, H5	Perceived corruption	Government doing a good job fighting corruption (q6_14); which tier best (q6_15); unofficial payment (q6_27); SUP C4	L2S; SUP	Covariate	Verified / proposed	
RQ4, H4, H7	Perceived service delivery	Education quality (q6_19); water disruption (q4_7); electricity (q4_10); SUP D1–D4	L2S; SUP	Index; interaction term	Verified / proposed	
RQ5	Policy preferences	What government can do best to ease payment (q6_26, 5 categories); SUP E1 reform ranking; E2 budget-allocation task; E3 instrument preferences	L2S; SUP	Multinomial; descriptives	Verified / proposed	
RQ6, H3, H4, H7	Stated willingness to pay	Willing to pay higher income tax if revenue improves services (q6_11, 0/1); SUP C5	L2S; SUP	Logit (AME)	Verified	
RQ6	Tax morale	Would not pay if not caught (reverse); not paying is wrong and punishable; government has right to tax; refuse until better services (reverse) — each by tier (w2 q6_23_*–q6_26_*) → tax-morale index	L2S w2	Ordered logit; index	Verified	
RQ6	Perceived tax burden	Share of income paid to formal government (q6_23, 5 bands + DK/ref); to informal authorities (q6_24)	L2S w1	Ordered; cross-tab formal × informal	Verified	
RQ6	Compliance ease	5-point ease of complying (q6_25)	L2S w1	Ordered	Verified	

RQ / H	Construct	Indicator and coding	Source variable	Data source	Method	Status
RQ6	Self-reported compliance	Registered; filed; paid; received receipt (0/1 each)	SUP F1–F4	SUP	Descriptives; never used as actual compliance	Proposed
RQ6	Actual compliance	Filing and payment rates by segment	ADM F7–F9	ADM	Ratios	Access pending
RQ7	Reform feasibility	Officials' assessments; traders' and firms' experience	INT	INT	Framework coding	Proposed

B.2 Coding rules. Don't-know and refused are coded missing in the main specification and as separate categories in sensitivity analysis; agreement items are scored 1 = strongly disagree to 5 = strongly agree after reverse-coding negatively worded items; indices are unweighted means of standardised items where alpha ≥ 0.7; welfare indices are built within survey using polychoric PCA on housing materials, water, electricity, toilet and asset ownership, then cut at weighted terciles; jurisdiction is coded as state (six categories including Benadir) and region (18 pre-war regions) with region used for fixed effects and state for reporting; all L2S estimates use the household weight for household items and the individual weight for respondent attitudes, as the DDI prescribes.

Appendix C. Supplementary questionnaire (Output 5, part 1)

Design rules. Neutral wording; one idea per item; agreement items on a five-point scale with explicit don't-know and refused codes; item order randomised within batteries; the information treatment (C.9) delivered to a random half before modules B and E; Somali translation by a professional translator with independent back-translation, with particular attention to the terms *canshuur* (state tax), *zakat*, *qaaraan* and "receipt"; cognitive testing with 20 respondents in Mogadishu and one FMS capital; a 5 per cent pilot; interviewer training on sensitive-item protocols (Section 7.10). Items are marked **[EXISTING]** where an equivalent is verified in L2S 2025 and **[NEW]** where none exists. The seven questions supplied in the study brief (Q1–Q7) are integrated and refined below with their module codes.

Module A — Horizontal equity [all NEW]

- **A1** (brief Q1, refined). Imagine two businesses in your town with the same yearly sales and the same profit, and the same tax rules apply to both. In practice, do you think they end up paying: much more for one of them / somewhat more for one / about the same / don't know / refused. *Measures:* perceived equal treatment of comparable businesses. (The brief's wording "should they pay the same" is normative; it is retained separately as B7 so that the belief about practice and the norm are not confused.)
- **A2** (brief Q2, refined). Compared with ordinary businesses of similar size, do large or politically connected businesses receive tax treatment that is: much more favourable / somewhat more favourable / about the same / less favourable / don't know / refused. *Measures:* perceived preferential treatment (H5).
- **A3**. Two wage earners earn the same monthly income; one is paid by a government or NGO employer and one works for a private business. In practice, do they pay: about the same tax / the government or NGO employee pays more / the private employee pays more / don't know. *Measures:* perceived employee–employer-type inequity; links to SIHBS lab44.
- **A4**. When tax officials collect from businesses in your area, is the amount: the same for similar businesses / depends on who you know / depends on negotiation / don't know. *Measures:* consistency of enforcement and discretion.
- **A5**. Overall, how fair is the way taxes are collected in your area for people and businesses in similar circumstances? Very fair / fair / neither / unfair / very unfair. *Measures:* summary perceived horizontal equity.
- **A6**. Do you know of any business similar to yours (or to businesses near you) that pays no tax to the government? Yes / no / don't know. *Measures:* perceived non-compliance of equals (H1 explanatory).

Module B — Vertical equity and ability to pay [all NEW]

- **B1** (brief Q3, refined into seven items). For each of the following, should they contribute more than now, about the same, or less than now to government revenue? (i) households with low incomes; (ii) households with middle incomes; (iii) individuals with high incomes; (iv) micro and small businesses; (v) large profitable businesses; (vi) owners of rental property; (vii) people who buy luxury or non-essential goods. More / same / less / don't know / refused.
- **B2** (brief Q4, refined). Suppose the government removed the 5 per cent sales tax on basic foods so that low-income households pay less, even though the government would collect less. Would you: strongly support / support / neither / oppose / strongly oppose. *Measures:* relief for essentials with the revenue trade-off stated.
- **B3**. Which of these is the fairest way to decide how much tax a person should pay? Their income / the wealth they hold (as with zakat) / what they spend / the size of their business / don't know. *Measures:* preferred ability-to-pay base.
- **B4**. Which principle is more important for a fair tax system? That people with the same income pay the same tax, or that people with higher incomes pay a larger share of their income? First / second / both equally / don't know. *Measures:* horizontal–vertical trade-off (adapted from Bachas et al., 2026).
- **B5** (allocation task). Suppose the government needs to raise 100 shillings more. How should it raise them: from income tax on people and businesses ***, from sales tax on what people buy ,*** from customs duty on imports ___ (sum to 100). *Measures:* instrument preference under a fixed revenue need.
- **B6** (scenario). Two traders have the same sales and profit; one is registered and pays the turnover tax, the other is not registered and pays nothing. Is this: a serious problem / a minor problem / not a problem / don't know. *Measures:* salience of horizontal inequity.
- **B7** (brief Q1, normative form). Two businesses have similar yearly sales and profits. Should they pay the same amount of tax when the same tax rules apply? Yes / no / depends / don't know.
- **B8–B9**. Agreement: "People who earn more should pay a larger share of their income in tax"; "A business that makes a loss should not pay income tax that year." Five-point.

Module C — Institutional trust and procedural fairness

- **C1** (brief Q5, refined). How much do you trust [the federal / your state / your local] tax authority to collect and manage public revenue fairly? A great deal / somewhat / a little / not at all / don't know. Asked for the tier relevant to the respondent's last payment, then for the other tiers. [NEW; L2S q6_2–q6_7 measure dialogue and grievance handling, not tax authorities]
- **C2.** When you last paid a tax or fee, were you treated with respect? Yes / no / did not pay. [NEW]
- **C3.** Did you receive an official receipt? Yes / no / did not pay. [NEW]
- **C4.** In the last 12 months, did a household like yours have to make an unofficial payment or give a gift to a revenue official? Yes / no / don't know / refused. [EXISTING: L2S q6_27]
- **C5** (brief Q6, refined). Would you support paying higher taxes if the additional revenue were used, and reported publicly, to improve essential public services in your area? Strongly support / support / neither / oppose / strongly oppose. [EXISTING in binary form: L2S q6_11; refined to five points and to add public reporting]
- **C6.** Agreement: "The government spends taxpayers' money in the best interest of the population." [EXISTING: L2S q6_10]
- **C7.** Agreement: "The government is doing a good job fighting corruption." [EXISTING: L2S q6_14]
- **C8.** Tax-morale battery for one randomly assigned tier: would not pay if not caught; not paying is wrong and punishable / wrong but understandable / not wrong; government always has the right to make people pay; people should refuse to pay until services improve. [EXISTING: L2S w2 q6_23_*–q6_26_*]

Module D — Public service delivery

- **D1.** Rate the quality of (i) primary education, (ii) health facilities, (iii) water supply, (iv) roads, (v) security in your area: very good / good / fair / poor / very poor. [PARTLY EXISTING: L2S q6_19 education; q4 water and electricity access]
- **D2.** In the last year, has any public service in your area improved, stayed the same or got worse? [NEW]
- **D3.** Do you know of any specific service in your area paid for with taxes collected by the government? Yes (specify) / no. [NEW]

Module E — Tax policy preferences

- **E1** (brief Q7, refined). Which one of the following would most improve the fairness of taxation in Somalia? Making large businesses pay what the law requires / making sure similar businesses pay the same / giving receipts for every payment / publishing who receives tax exemptions / lowering taxes on basic goods / applying the same rules in every state / stopping unofficial payments and checkpoint charges / other / don't know. Single choice, order randomised. [NEW; L2S q6_26 asks what would ease payment, not fairness]
- **E2.** What can the government do best to ease the payment of taxes? Improve legislation / capacity of officials / increase integrity / digitalise payment / improve communication / other. [EXISTING: L2S q6_26]
- **E3.** For each instrument, should it be increased, kept, reduced or removed: income tax on wages; tax on business profits; the 5 per cent sales tax; customs duties on imported food; customs duties on other imports; property and rental taxes; road tax; fees and licences. [NEW]
- **E4.** Should tax exemptions be published with the name of each beneficiary? Yes / no / don't know. [NEW]

Module F — Taxpayer experience and compliance

- **F1.** In the last 12 months, did you or your household pay any of: income tax on wages; tax on a business; the sales tax on purchases; customs duty on goods you imported; road tax; property or rental tax; a municipal or district fee; zakat; a clan contribution; a payment at a checkpoint. Yes / no for each. [PARTLY EXISTING: L2S q6_23–q6_24 as income shares]
- **F2.** If you run a business, is it registered with any government authority? Yes / no / no business. [NEW; SIHBS hb8_15 comparable]
- **F3.** Did you file a tax return or declaration in the last year? Yes / no / not required. [NEW]
- **F4.** Did you receive a receipt for the last tax or fee you paid? Yes / no. [NEW]
- **F5.** Was the amount of the last tax or fee decided by a published rule, or agreed with the official? Published rule / agreed / don't know. [NEW]
- **F6.** How easy or difficult is it to comply with your tax obligations? Five-point. [EXISTING: L2S q6_25]
- **F7.** Roughly what share of your household's income goes in taxes to the formal government? 0 / 1–15 / 16–30 / 31–50 / over 50 per cent. [EXISTING: L2S q6_23]

Module G — Socioeconomic characteristics

Sex; age; education; marital status; household size; state, region, district; urban/rural/nomadic; displacement; main activity (employee — government, NGO or international, private; self-employed; business owner with employees; farmer or pastoralist; unemployed; student; home); number of employees if a business; sector; housing materials, water, electricity, assets (as L2S q4); self-reported socioeconomic class; phone ownership; receipt of remittances; receipt of government or NGO assistance.

C.9 Information treatment

Randomised to half the sample, before modules B and E. Treated respondents hear two verified facts in neutral language: (1) "Official figures show that in 2024 the largest source of customs revenue in Somalia was imported food" (Ministry of Finance, 2025a); (2) "In a 2025 national survey, about half of households said they pay no income tax to the government, while about a quarter said they pay up to 15 per cent of their income" (World Bank, 2025b). Control respondents hear no message. Outcomes: B1–B6, E1, E3. The treatment identifies the causal effect of information on stated preferences; it does not identify the effect of beliefs on compliance.

C.10 Sampling

Route (a): module appended to a subsequent L2S wave (n ≈ 3,000; RDD; weights inherited). Route (b): stand-alone CATI, n = 2,400–3,000 adults, stratified by state (6) × residence (3) with oversampling of Puntland and Jubaland to permit port-state contrasts; plus an in-person sample of 600 registered businesses drawn proportionally from the FGS and FMS rosters (Table 2.3) stratified by segment. No sample has been drawn; no results exist.

Appendix D. Econometric model specifications and empirical analysis plan (Output 6)

This appendix fixes the estimands, estimators, samples, controls, robustness checks and output list before any data are accessed, so that it can be deposited as a pre-analysis plan (Appendix G). Section 7.6 gives the principal equations; this appendix completes them.

Table D.1. Samples and weights

Analysis	Sample	Weight	Variance estimation
L2S descriptives and models, wave 1	hh_microdata_w1, n = 3,110; respondents 18+	Individual post-stratification weight for attitudes; household weight for household items	Robust SEs clustered by region (18); design-based CIs
L2S wave 2 tier models	hh_microdata_w2 subsamples (federal 985; state 1,059; local 1,066)	Individual weight	As above; tier pooled model with tier dummies and respondent clustering
L2S panel	Respondents observed in both waves (about 60% of 3,110)	Wave-2 weight × inverse probability of retention (logit on wave-1 covariates)	Clustered by respondent
SIHBS exposure	consagg (7,152) merged with item files; restricted to FGS and FMS regions (Somaliland regions excluded)	wgt_adj (household) and wgt_adj_pop (per capita)	Taylor linearisation with strata and PSUs
Supplementary survey	2,400–3,000 adults; 600 businesses	Design weights with post-stratification to SIHBS/L2S margins	Clustered by region; randomisation inference for the information arm

Table D.2. Model family and interpretation

Outcome type	Estimator	Reporting	Checks
Five-point agreement (fairness, trust, morale items)	Survey-weighted ordered logit	Odds ratios and predicted probabilities of "agree/strongly agree" at covariate means	Brant test of proportional odds; partial proportional-odds model; linear probability on dichotomised outcome
Binary (q6_11 WTP; q6_27 bribe; registered)	Survey-weighted logit	Average marginal effects with 95% CIs	Probit; LPM; penalised logit if separation
Banded shares (q6_23, q6_24)	Ordered logit; interval regression as sensitivity	Predicted band probabilities	Treat DK as separate category
Nominal (q6_26, E1)	Multinomial logit	Relative risk ratios; predicted shares	IIA test; nested alternatives
Allocation task (B5)	Fractional multinomial logit	Mean shares by group	Beta regression on each share
Information treatment	OLS/logit of outcome on treatment with strata fixed effects	Intention-to-treat effects; Benjamini–Hochberg across outcomes	Balance table; randomisation inference; heterogeneity by welfare and employment

D.3 Control sets. Block 1 (socioeconomic): welfare index terciles (or class; or pcer deciles in SIHBS); household size; residence (urban/rural/nomadic); displacement; sex; age; education; employment type; business ownership. Block 2 (tax experience): perceived formal share band; any informal levy; unofficial payment; compliance difficulty; registered (SUP); receipted (SUP). Block 3 (governance): trust index by tier; spending in population's interest; corruption performance; service-quality index. Fixed effects: region (18) in all models; state (6) as alternative; wave; tier (pooled wave-2 models). Interactions (H7): fairness × trust; fairness × services; trust × services (L2S-only version).

D.4 Index construction and validation. Trust index from q6_2–q6_7 (six items; expected alpha reported); tax-morale index from four wave-2 items after reverse-coding; horizontal-equity index from A1–A5; ability-to-pay index from B7–B9; service index from D1. Polychoric PCA for dimensionality; Cronbach's and ordinal alpha; indices retained only if alpha ≥ 0.7 and the first component explains more than 50 per cent of common variance; otherwise items enter separately and results are reported item by item.

D.5 Missing data and selection. Item non-response: complete-case primary; multiple imputation by chained equations (20 imputations) as sensitivity. Unit selection into the phone sample: (i)

compare L2S weighted margins with SIHBS 2022 margins on housing, assets, residence and region; (ii) construct selection weights from a model of phone ownership estimated on SIHBS (the hh file carries phone-ownership items) and re-weight L2S; (iii) report Manski-type bounds under worst-case assumptions for the key WTP estimate. Attrition: inverse-probability weights from wave-1 characteristics; Lee bounds for panel contrasts.

D.6 Multiple testing and pre-specification. Primary outcomes: A5 (overall fairness), B1(iii) and B1(v) (high-income individuals and large businesses should pay more), q6_11 (WTP), tax-morale index. All other items are secondary. Benjamini–Hochberg q = 0.10 within families (fairness; vertical; legitimacy; preferences). The plan, including the hypotheses in Table 5.2 and the expected signs, will be registered before supplementary-survey fieldwork begins.

D.7 SIHBS exposure model implementation. Steps: (1) map each SIHBS food and non-food item code to a sales-tax status (taxed/exempt) and an HS chapter with its statutory band from the 2022 tariff and, where the schedule is unavailable, flag the item as "status unknown" and run with and without it; (2) obtain import shares by item from the Ministry's customs-by-commodity data or, failing that, assume 100 per cent imported for the eight dominant commodity groups and 0 per cent for domestically produced staples (sorghum, maize, milk, meat) as upper and lower bounds; (3) compute statutory exposure under S1–S3 as in Section 7.7; (4) aggregate to decile means of exposure/pce with design-based CIs; (5) compute Kakwani indices and concentration curves with bootstrapped CIs; (6) sensitivity on $\pi \in \{0.5, 0.75, 1\}$, on φ by decile, and on the exempt treatment of staples. Outputs are labelled "statutory exposure under scenario Sk" in every table; the word "incidence" is reserved for the discussion of what the scenarios bound.

D.8 Planned tables and figures (all currently empty). Tables 9.1–9.6 as templated; Table D.3 balance and summary statistics; Table D.4 selection comparison L2S vs SIHBS margins; Table D.5 reliability of indices; Table D.6 treatment effects; Figures 9.1–9.3; Figure D.1 predicted probability of "right to tax" by tier and trust; Figure D.2 concentration curves S1–S3.

D.9 What can be produced only after data access. Everything in D.8. Before access the deliverables are this plan, the code skeleton in Appendix G, and the data request. Existing-data results (L2S models for H3, H4, H6-partial, H7-partial) can be produced within two weeks of microdata access; SIHBS exposure results require the exemption schedule and tariff mapping in addition; equity results (H1, H2, H5) require the supplementary survey.

Appendix E. Interview guide and qualitative coding framework (Output 5, part 2)

Table E.1. Purposive sampling frame (40–60 interviews)

Stakeholder group	Target n	Jurisdictions	Recruitment	Rationale
Wage earners (government, NGO/international, private)	8–10	Mogadishu; Garowe; Kismayo or Baidoa	Through employers' HR and snowballing; at least 4 women	Withheld vs non-withheld experience (A3)
Micro and small business owners (market traders, transport, services)	10–12	Mogadishu markets with ETAS; one FMS market; one corridor town	Market associations; at least 4 women	Presumptive regimes, informal levies, receipts, checkpoints
Larger businesses and associations (chamber of commerce, telecom, importers, clearing agents)	6–8	Mogadishu; Bosaso; Kismayo	Chamber and association introductions	Elite bargain, port arbitrage, exemptions
Federal revenue officials (Inland Revenue, Customs, LMTO, Tax Policy Unit)	6	Mogadishu	Formal request to MoF	Enforcement practice, segmentation, discretion
FMS revenue officials	6	Puntland; Jubaland; one non-port state	Formal request via tax policy units	Jurisdictional rules and harmonisation
Local-government revenue administrators	3–4	Benadir; one district	Formal request	Fees, licences, duplication
Civil society and public-finance specialists	4–6	Mogadishu; one FMS	Direct invitation	Accountability, reform feasibility

E.2 Semi-structured interview guide

Taxpayer version; the official version adapts sections 3–5.

1. *Experience.* Which taxes, fees or contributions did you or your business pay in the last year, to whom, and how (office, mobile money, at a checkpoint)? Did you receive a receipt? Was the amount set by a published rule or agreed with the official? Were you asked for anything unofficial?
2. *Horizontal equity.* Think of someone in the same line of work with similar earnings. Do you believe they pay about the same as you? Why or why not? Do you know businesses like yours that pay nothing? How do large or well-connected businesses fare compared with ordinary ones? Are the rules the same in [other city/state]?
3. *Vertical equity.* Who in Somalia should contribute more than they do now, and who less? What is the fairest basis — income, wealth as in zakat, what people spend, the size of a business? Should basic foods be taxed?

4. *Legitimacy and exchange.* Does the government have the right to collect taxes? What would make you more willing to pay? What do you see that taxes have paid for? How does paying the government compare with paying zakat, qaaraan or other authorities?
5. *Preferences.* If one change could make taxation fairer, what would it be? What do you think of the new income-tax rules for small businesses, the 5 per cent deduction through mobile money, receipts, exemptions?
6. *Close.* Anything else about fairness in taxation that we have not asked?

E.3 Consent and conduct. Oral consent recorded; purpose, voluntariness and the absence of any link to enforcement explained; no names of officials or organisations requested; interviews not recorded where the respondent prefers notes; sensitive sections (checkpoints, militant levies) skipped on any sign of discomfort; interviews held in neutral venues; transcripts anonymised at transcription with a code key held only by the lead researcher and destroyed at project end.

Table E.2. Coding framework (hybrid: framework codes from the conceptual model, emergent codes added in first-cycle coding)

Parent code	Child codes (framework)	Emergent code space
HE Horizontal equity	HE-statutory (different rules); HE-enforcement (selective); HE-discretion (negotiation, bribes); HE-compliance (equals who do not pay); HE-jurisdiction (differences across states/ports)	Added as they arise (e.g., HE-digital visibility)
VE Vertical equity	VE-who-more; VE-who-less; VE-base (income/wealth/consumption/size); VE-essentials	VE-zakat anchoring
EX Fiscal exchange	EX-services seen; EX-services absent; EX-reporting; EX-conditional willingness	EX-local vs federal
TR Trust and procedure	TR-respect; TR-receipt; TR-dispute; TR-predictability; TR-corruption	TR-digital system trust
NS Non-state levies	NS-zakat; NS-qaaraan; NS-insurgent; NS-checkpoint; NS-comparison with state	—
PR Preferences	PR-instrument; PR-exemption transparency; PR-enforcement at top; PR-simplification; PR-harmonisation	—
FE Feasibility (officials)	FE-capacity; FE-political; FE-legal; FE-coordination	—

Two coders code 10 transcripts independently; agreement assessed by Cohen's kappa on parent codes (target ≥ 0.7); disagreements reconciled and the codebook revised before full coding. Analysis uses framework matrices (stakeholder group × code) to compare perspectives across jurisdictions and segments.

E.5 Integration with quantitative results. Interviews follow the L2S analysis (explanatory sequential design). Each major quantitative pattern (for example, lower WTP among the displaced; higher "refuse until services" at local level) is taken into the interviews as a prompt; qualitative

explanations are reported alongside the pattern they interpret, labelled as interpretation, and used to refine supplementary-survey wording. Interview material is never used to generate population estimates, and no quotation appears in this draft.

Appendix F. Proposed administrative data request

Addressed to the Director General of Revenue, Ministry of Finance, with copies to the Tax Policy Unit and the IGFF secretariat; all items requested as aggregated tables without taxpayer identifiers, in Excel or CSV, under a confidentiality undertaking, with an offer of a joint technical note. Items are ordered by priority.

#	Variable or table	Years	Disaggregation	Format	Holder	Purpose
F1	Registered taxpayers: counts, and active (filed) and paying counts	2020–2026, end-year	Segment (large/medium/small/micro) × tax type (CIT, PIT, sales, rental) × jurisdiction (FGS; each FMS as consolidated)	CSV	Inland Revenue; FMS via IGFF	Objective compliance; frame for business sample
F2	PIT withholding (PAYE) returns: number of employers, employees and amounts	2023–2026, annual	Employer type (government, NGO/international, private); income band	CSV	Inland Revenue	Employee–self-employed horizontal gap
F3	Sales-tax collections	2022–2026, monthly	Channel (port, POS, merchant account, direct filing) × sector	CSV	Inland Revenue; Customs	Burden by consumption channel; exposure model
F4	Customs duty and import sales tax by HS chapter (and the eight dominant commodity groups)	2022–2026, annual	Port (Mogadishu, Kismayo); HS chapter; statutory band; reference vs invoice value	CSV	Customs	Exposure model; effective-rate gap
F5	Tax exemption register	2023–2026	Beneficiary type (humanitarian, security, government, private); instrument; amount	CSV (as reported to Parliament)	Tax Policy Unit	Preferential-treatment perceptions vs fact
F6	Sales-tax exemption schedule and sales-	Current	Item or category	PDF	Tax Policy Unit	Exposure model mapping

#	Variable or table	Years	Disaggregation	Format	Holder	Purpose
	tax regulations in force					
F7	Audits: number conducted, assessments raised, penalties imposed	2020–2026	Segment; tax type	CSV	Inland Revenue	Enforcement symmetry
F8	Dispute resolution unit and tribunal: cases received and resolved	2024–2026	Segment	CSV	Inland Revenue	Procedural fairness baseline
F9	Turnover-tax (micro and SME) registrations and collections	2023–2026	Jurisdiction; band	CSV	Inland Revenue	Small-business regime evaluation
F10	FMS revenue by source	FY2022–FY2025	Jurisdiction; source	CSV	IGFF secretariat	Jurisdictional comparison; general-government picture
F11	Rental-income tax register: number of properties and collections, Mogadishu	2023–2026	District	CSV	Inland Revenue	Property-related burden
F12	Non-tax fee schedule (passports, visas, licences, municipal fees in Benadir)	Current	Fee	PDF	MoF; Benadir administration	Small-trader combined-charge cap analysis
F13	Taxpayer perception survey (SERP) status, instrument and, if completed, anonymised results	2024–2026	—	PDF/CSV	SERP PCU	Avoid duplication; comparability

Appendix G. Reproducibility and research implementation plan

G.1 Repository structure. A version-controlled repository (private until publication) with: **/docs** (this paper, pre-analysis plan, data-access correspondence log); **/data_raw** (never committed; local

encrypted storage with access log); /data_clean (derived files with codebooks); /code (01_access_log, 02_clean_l2s, 03_indices, 04_models_l2s, 05_sihbs_exposure, 06_sup_survey, 07_tables_figures); /output (tables and figures with run date and data version); /qual (anonymised transcripts under restricted access; codebook; framework matrices).

G.2 Software and standards. Stata 18 or R 4.x with survey/srvyr; all survey estimates via design-declared objects; a single master script reproduces every table from raw files; seeds fixed for imputation and bootstrap; package versions pinned (renv or Stata version); every output file carries the data version string from the DDI (SOM_2025_L2S_v01_M; DDI-SOM-SNBS-SIHBS-2022-v02) and the run date.

G.3 Data governance. Licence terms of the World Bank Microdata Library and SNBS observed verbatim; no attempt at re-identification; raw data never leave encrypted storage; derived public-use outputs pass disclosure control (minimum cell size 10; no sub-regional cross-tabs that could identify respondents); administrative data held as aggregates only; supplementary-survey microdata deposited with SNBS and the World Bank Microdata Library after anonymisation, with the questionnaire, weights and DDI metadata.

G.4 Pre-registration. The hypotheses (Table 5.2), primary outcomes (D.6), model specifications (Section 7.6, Appendix D) and the information-treatment design will be registered on the OSF or the AEA RCT Registry before supplementary-survey fieldwork; deviations will be logged and reported.

G.5 Verification log. The source-verification register underlying Output 2 is maintained as a spreadsheet with one row per claim (claim, source, URL, page, date accessed, status, note) and updated whenever a figure changes; the three documented discrepancies (Income Tax Act enactment date; SIHBS reference year; Customs staffing) remain flagged until resolved with the issuing institution.

G.6 Outputs and dissemination. (1) This working paper, revised with results; (2) a two-page policy brief (Output 7) updated with findings; (3) a methods note and code release; (4) an SNBS-facing proposal for a tax-perception module in the next household survey; (5) presentations to the Ministry of Finance Tax Policy Unit, the IGFF technical committee and development partners; (6) journal submission. Implementation timing, staffing and dependencies are in Output 8.

Output 7. Policy brief: Is Somalia's tax burden fairly shared? What we know, what we don't, and how to find out

Institute of Public Finance – Somalia · Policy Brief · October 2026 · For the Federal Ministry of Finance, FMS Ministries of Finance, the IGFF forum, SNBS and development partners. This brief reports no new survey results; it states the research problem, the intended contribution and the evidence required.

The problem in one paragraph. The Medium Term Revenue Roadmap commits Somalia to raising domestic revenue by 0.3 points of GDP a year so that "everyone pays their fair share". The instruments doing the work have changed: in 2025 income taxes grew 23.8 per cent and taxes on goods and services 30.8 per cent while customs fell 6.2 per cent. The system now reaches wage earners, consumers and small firms directly. In a state that cannot enforce its way to compliance, those taxpayers' belief that the burden is fairly shared is the mechanism on which the revenue target rests — and it has never been measured.

What the evidence already shows.

- *Legitimacy is granted in principle and withheld in practice.* In the World Bank's 2025 Listening to Somalia survey, over three-quarters of respondents accept that the government has the right to tax and most would pay more if revenue visibly improved local services; yet about two-thirds would not pay all they owe if sure of not being caught, and three-quarters say people should refuse to pay until services improve. Just under half report paying no income tax at all; just under 10 per cent paid a bribe to a revenue official.
- *The largest fairness failures are at the top, not the bottom.* Audits show the airport concession remitted half its contractual entitlement; the 25 per cent statutory customs rate is collected at about 7 per cent on reference values; exemptions reached US$17.5 million in 2024; qualitative research documents large firms influencing officials while small vendors are coerced and charged without receipts; checkpoints charge repeatedly where an insurgent competitor issues one receipt.
- *Rules differ by jurisdiction.* No constitutional tax assignment exists; two of six revenue agreements have been implemented; two port states have suspended customs cooperation; registered-taxpayer rosters use different thresholds in each state.

What no one knows. Whether citizens believe that comparable taxpayers are treated alike (horizontal equity); whether they want burdens to rise with ability to pay, and on what base — income, wealth as in zakat, or consumption (vertical equity); which reforms they regard as fair; how these beliefs differ between wage earners and the self-employed, between Mogadishu and the states, between women and men, and across welfare levels; and how consumption taxes — whose largest customs

line is imported food — actually fall across rich and poor households. The 2025 phone survey measures willingness to pay, burden and morale but not equity; the household budget survey measures welfare but not taxes paid; the planned SERP taxpayer survey covers registered firms' satisfaction, not citizens' fairness judgements; and Afrobarometer has never surveyed Somalia.

What the study would deliver. (1) The first representative estimates of perceived tax fairness in Somalia, by group and jurisdiction, from a supplementary module in the next phone-survey wave or a stand-alone survey of 2,400–3,000 adults plus 600 registered businesses. (2) An analysis of the existing 2025 survey linking willingness to pay to trust, corruption perceptions and services, by state and residence. (3) A bounded estimate of how the 5 per cent sales tax and customs duties fall across welfare deciles using SIHBS 2022 and the tariff and exemption schedules. (4) Interviews with taxpayers and officials across three jurisdictions on what fairness means in practice. (5) A reusable evidence base for the MTRR's own taxpayer perception survey, the Tax Exemptions Manual, the Income Tax Act's small-business regimes and the harmonisation agenda.

Why it matters for policy now. Three decisions are being taken without this evidence: how to extend the sales tax to state level and to local markets; whether to exempt staples or compensate the poor through Baxnaano; and how to frame the federal–state revenue compact. Each turns on distributional facts and fairness beliefs the study would supply. The evidence also supports a sequencing rule: enforce existing contracts and the enacted tariff at the top before asking small taxpayers for more, because the fiscal-contract literature and Somalia's own survey record indicate that visible inequity at the top is what corrodes consent at the bottom.

What is needed from government. Access to L2S 2025 and SIHBS 2022 microdata under their licences (immediate); aggregated administrative tables — registered and active taxpayers by segment and state, PAYE returns by employer type, sales-tax collections by channel, customs by HS chapter, the exemption register and the sales-tax exemption schedule (Appendix F of the working paper); FMS revenue series since FY2021 through the IGFF secretariat; agreement to a supplementary module in the next L2S wave, or support for a stand-alone survey; and the status and instrument of the SERP taxpayer survey to avoid duplication.

Timeline and cost. Existing-data results within eight weeks of microdata access; supplementary survey results within six months of agreement on fielding; the main dependency is SNBS licensed access and the World Bank's questionnaire calendar. The research team,

instruments, analysis plan and ethics protocol are ready (IPF Working Paper, October 2026).

Contact: Institute of Public Finance – Somalia, Adani Tower 106, Maka Al-Mukarama Street, Hodan District, Mogadishu · info@ipf.so · www.ipf.so

Output 8. Research implementation roadmap (12 weeks, with extensions flagged)

The plan covers the existing-data phase (Components 1–4 of Section 7.1) and the preparation of the supplementary survey (Component 5). Fieldwork for the supplementary survey falls outside the 12 weeks and depends on the fielding route agreed in week 4. Dependencies marked ⚠ are external and can extend the timeline; the mitigation is stated for each.

Table O8.1. Twelve-week work plan

Week	Workstream	Activities	Deliverable	Dependency and mitigation
1	Source verification	Resolve the three flagged discrepancies with MoF and SNBS (Income Tax Act date; SIHBS reference year; customs staffing); confirm L2S q6_11 and q6_23 wording from the questionnaire; obtain SERP survey status	Updated Output 2 register	⚠ Institutional replies; proceed with flags if unanswered
1	Data access	Register and sign the L2S confidentiality agreement; submit the SIHBS licensed-access application; send the Appendix F request letter to the DG Revenue and IGFF secretariat	Access log opened	⚠ SNBS review time is the critical path; request expedited review citing SISECB partnership; begin L2S work in parallel
2	Ethics and registration	IPF ethics review; SNBS research clearance; draft pre-analysis plan from Table 5.2 and Appendix D	Ethics approval; PAP draft	⚠ SNBS clearance; file early
2–3	L2S cleaning	Build derived files: welfare index, trust index, tax-morale index, jurisdiction codes; reliability tests; selection comparison with SIHBS margins (if SIHBS	Codebook; Table D.5	L2S microdata (typically days after registration)

Week	Workstream	Activities	Deliverable	Dependency and mitigation
		access granted) or published SIHBS tables		
3–4	Questionnaire review	Cognitive-test Appendix C items with 20 respondents; Somali translation and back-translation; decide fielding route (a) L2S module or (b) stand-alone; open discussion with the World Bank L2S team	Field-ready module v1; route decision	⚠ World Bank questionnaire calendar for the next wave; if missed, route (b)
4–6	L2S analysis	Weighted descriptives (Table 9.1); logit and ordered-logit models (Tables 9.2–9.3); interactions; robustness and bounds	Draft results for H3, H4, H6-partial, H7-partial	—
5–7	SIHBS exposure	Item-to-tax mapping; scenario runs S1–S3; decile and poverty contrasts; Kakwani indices; sensitivity	Table 9.4; Figure 9.2	⚠ SIHBS access and exemption schedule; fallback to descriptive food and import shares
6–9	Interviews	Recruit 40–60 respondents across Mogadishu, one port state and one non-port state; conduct, transcribe, double-code 10 transcripts, full coding	Framework matrices; revised module v2	⚠ Security and travel to FMS capitals; remote interviews as fallback
8–9	Administrative data	Receive and tabulate Appendix F items; compute segment-level ratios; reconcile roster counts across jurisdictions	Table of objective inequity indicators	⚠ MoF response; present partial tables with gaps shown
9–10	Drafting	Revise Sections 8–10 with results; update Output 7 brief; prepare SNBS module proposal	Working paper v2 (results from existing data)	—
11	Quality assurance	Internal review against the study brief's quality checks: concept consistency, data integrity, methods, Somalia accuracy, citation integrity; external reviewer (one public-finance economist, one Somali survey specialist)	QA log; reviewer comments addressed	—
12	Finalisation and dissemination	Register PAP for the supplementary survey; finalise v2; present to MoF Tax Policy Unit, IGFF technical committee and partners; submit module to the chosen fielding route	Final v2; presentations; survey fielding agreement	⚠ Fielding agreement

Week	Workstream	Activities	Deliverable	Dependency and mitigation
13–30 (beyond plan)	Supplementary survey	Pilot (5%); fieldwork; cleaning; analysis of H1, H2, H5, H7; working paper v3 and journal submission	Working paper v3	⚠ Funding and fielding route; 4–6 months after agreement

Staffing. Principal investigator (public finance economist); survey statistician (weights, selection, models); microsimulation analyst (SIHBS); qualitative lead and two Somali-speaking interviewers (one woman); research assistant for the verification register; translator; data manager for governance (Appendix G).

Risk register. (1) SNBS access delayed beyond week 6 — run Components 1 and 4 and publish v2 without Table 9.4; (2) administrative data refused — rely on audit evidence and the SERP baselines, state the gap; (3) next L2S wave closed to new modules — stand-alone CATI with a Somali firm, same RDD frame; (4) insecurity restricts interviews in FMS capitals — remote interviews and association-mediated recruitment; (5) sensitive-item non-response above 20 per cent — report bounds and drop items from indices; (6) findings contested by stakeholders — pre-registration, open code and the verification register as the defence.

Budget heads (to be costed). Data licences (nil); supplementary CATI survey of 2,400–3,000 (firm fee); in-person business sample of 600; interview travel and transcription; translation and cognitive testing; statistical software; external review; dissemination workshops in Mogadishu and two FMS capitals.


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