

## The Effect of Tax Evasion and Avoidance on Somalia's Economy

**Authors :** Mohamed Salad Ahmed

**Abstract :** This study explores the impact of tax evasion and avoidance on the economy of Somalia. Somalia's economy is largely informal and cash-based, making it challenging to accurately assess the extent of tax evasion and avoidance. However, it is widely recognized that these practices have significant negative effects on the economy, including reduced government revenue, an uneven playing field for businesses, corruption, and a lack of access to international aid and investment. The study focuses on identifying strategies and solutions to reduce tax evasion and avoidance and increase revenue collection. This includes improving the government's capacity to enforce tax laws and regulations, creating a more transparent and accountable tax system, and increasing public awareness of the importance of paying taxes. By addressing these issues, Somalia can improve its economic stability and enhance its ability to provide essential public services, reduce poverty, and promote growth and development. Tax evasion and avoidance have a significant negative impact on the economy of Somalia. The informal nature of the country's economy and the difficulty in accurately assessing the extent of tax evasion and avoidance make it challenging to address these issues effectively. The lack of government revenue resulting from tax evasion and avoidance makes it difficult for the government to fund essential services, leading to a decline in the quality of public services and hindering economic growth. Tax evasion and avoidance also create an uneven playing field for businesses, discourage investment, contribute to corruption, and undermine the rule of law. Additionally, tax evasion and avoidance can make it more difficult for Somalia to access international aid and investment. Addressing these issues will require a concerted effort by the government to strengthen tax collection and enforcement, as well as by the international community to provide technical assistance and support. This abstract highlights the importance of addressing tax evasion and avoidance in Somalia and the potential benefits of doing so.

**Keywords :** tax evasion, tax avoidance, Somalia economy, revenue collection, informal economy, corruption economic growth, investment, tax policy, tax administration, governance, private sector

**Conference Title :** ICEMBIT 2024 : International Conference on Economics, Management of Business, Innovation and Technology

**Conference Location :** Rome, Italy

**Conference Dates :** December 16-17, 2024