



Perceptions, Trust, and Faith: Factors Shaping Tax Non-Compliance in Adado District

by Abdikarim Adan Osman

Governance Brief 38 | October 2025

Summary

- » Low trust and negative perceptions of the Adado local government—driven by limited transparency, unfulfilled promises, and weak communication—undermine tax compliance among businesspeople.
- » Religious misinterpretations framing taxation as haram (forbidden) discourage compliance and highlight the need for structured dialogue with religious leaders to clarify Sharia perspectives on taxation.
- » Dependence attitudes and weak governance capacity—including expectations of external assistance and inadequate service delivery—reduce confidence in locally generated revenue and weaken citizen participation.
- » The brief recommends strengthening awareness, dialogue, and inclusion. The Adado local government should invest in community education, establish an independent business committee, engage religious scholars for Sharia clarification, ensure transparency in budget discussions, and enforce fair tax compliance to rebuild trust and align revenue collection with local development priorities.

About Somali Public Agenda

Somali Public Agenda is a nonprofit public policy and administration research organization based in Mogadishu. Its aim is to advance understanding and improvement of public administration and public services in Somalia through evidence-based research and analysis.

About the Author

Abdikarim Adan Osman is a researcher, lecturer, and blogger.

www.somalipublicagenda.org

© 2025 Somali Public Agenda

Overview

Since August 2023, the Adado local government has prioritized the Local Government Tax Act, which encompasses twelve revenue streams. Currently, nine of these revenue categories are active, including business and market taxes, load taxes, ID card revenues, building permits, road and vehicle taxes, livestock and slaughter taxes, bus station taxes, land titles, and taxes from small vendors. The remaining three streams—property taxes, electricity, and water charges—are still inactive for administrative purposes, as stated by one of the Adado local government executives.

Following the approval of the Adado Local Government Tax Act, three months of consultations and discussions were held between the Adado Local Government and the Adado Business Committee—a representative body comprising local business stakeholders—before the new tax legislation was finalized.

Adado businesspeople have expressed concerns that the Adado local government has not undertaken either development or maintenance activities; rather, its actions have appeared to prioritize revenue collection and administrative duties related to taxation, with limited visible contributions to broader local development. Additionally, an Adado local government executive stated that some businesspeople have not yet fully complied with tax and revenue generation. This situation presents challenges for the local government and impedes both revenue collection and the execution of its responsibilities.

This governance brief assesses factors that hinder tax compliance among Adado businesspeople. It draws on nine interviews with Adado businesspeople and one Adado local government executive to identify the underlying reasons for tax revenue non-compliance. Furthermore, it aims to explore potential approaches to enhance tax compliance among businesspeople.

Factors Influencing Tax Non-Compliance Among Adado Businesspeople

The brief identifies key factors explaining tax non-compliance among Adado businesspeople. All interviewed participants agreed that negative perceptions of the tax

system within the community are mainly due to limited understanding of tax regulations, as well as poor trust between the local government and businesspeople, which arises from limited engagement and dialogue, hindering mutual understanding.

Many businesspeople believe that local government resources should come from international organizations, the federal government, or Galmudug state revenue rather than from local businesspeople. Strikingly, some businesspeople view tax collection as “prohibited” by Islamic Sharia. Additionally, a segment of businesspeople opposes tax collection due to disagreements with the current Adado local government.

1. Negative Perception

A negative perception among businesspeople poses a major challenge, as many local businesspeople lack clear information about the purpose and benefits of taxes, as well as their specific duties and responsibilities. This stems from insufficient awareness of tax education and good governance by local authorities. The gap arises from limited open dialogue and information channels—through posters, media, and inclusive indoor and outdoor discussions—needed to foster understanding of tax revenue within the Adado local government.

Adado businesspeople contend that negative perception arises because tax revenue payments do not result in visible improvements within the community, leading to the view that funds are primarily allocated to Adado local government salaries rather than service delivery. Conversely, local government officials mentioned that their responsibilities are heavier than the limited budget they have; the Adado local government engages in conflict resolution and peacebuilding efforts related to clan-based disputes in Adado district and surrounding villages, as well as maintaining offices, paying utility bills, and regularly paying municipal employee salaries. The local government further reasoned that limited revenue, particularly from inactive sources such as the 1.5% property tax and charges for water and electricity, hampers their effectiveness.

Local government officials revealed that businesspeople in Adado with lorries transporting goods from Bosaso to Galmudug state complain that they are double taxed by the state and local governments and argue that they should pay a single tax. However, these taxes are collected by separate levels of government: the road user tax is collected by the state government, while the unloading tax is collected by the local government.

2. Trust Deficit

In early August 2023, the Adado local government executive made several ambitious promises to initiate development projects in the district. These included improvements to both the major roads cutting through the district and the feeder roads, infrastructure development throughout the district, and the expansion of opportunities in education, health, and other sectors over an approximate period of three years.

The majority of respondents stated that the Adado local population has lost trust due to unfulfilled promises, which include road maintenance, waste management, and improved municipal services. Businesspeople argue that they have met their tax obligations; however, all commitments from the local government have remained unfulfilled owing to limited revenue sources.

Furthermore, businesspeople pointed out that there is a prevailing perception that the local government lacks the capability to implement effective campaigns to address road-related challenges and other developmental needs. Instead, it allegedly resorts to blame-shifting rather than facilitating meaningful change. The local government, however, claims that the current tax revenue is insufficient to construct or rehabilitate the main roads or even the feeder roads in the Adado district, which necessitates significant contributions from local businesspeople, as well as external, Galmudug state, and federal government support.

3. Donor Dependency

The majority of interviewed businesspeople believe that the local government has not adequately pursued external support, including contributions from the federal government,

NGOs, and state government, which are necessary to implement the primary initiatives and address the needs of the Adado district. The businesspeople criticized the local government for focusing solely on local tax revenues to cover all expenses, which they believe to be unrealistic at this stage. Consequently, businesspeople emphasized that the local government has failed to secure grants or other support, suggesting that it should seek external assistance. Nevertheless, local businesspeople indicated that the meagre tax revenue, which stands at eight thousand dollars per month, is burdensome for them.

In this context, the local government has stressed the necessity of achieving a certain fiscal threshold before seeking contributions from outside sources. “We are currently falling short of this goal,” said one of the local government executives. “That is why our local businesses need to be engaged and educated about how the local government operates, as this will present an opportunity to enhance the revenue and tax base of Adado.”

4. Religious Misperception

In early August 2023, a strong wave opposing taxation emerged among some religious businesspeople who sought to avoid paying taxes based on an Islamic Sharia perspective. They argued that the tax is “*haram*” (forbidden), referring to Islamic Sharia interpretations. Interviews revealed that religious considerations regarding taxation appear to significantly influence non-compliance, while some businesspeople allegedly exaggerate the idea that tax payments are haram in Islamic Sharia to evade their due tax obligations.

While some other businesspeople, DCs, and business committees have spoken out on these issues on multiple occasions, there is now an urgent need for in-depth dialogue between the local government and business stakeholders through the lens of Islamic interpretations. This dialogue should involve key religious and other esteemed figures in Galmudug State, Adado District, and the broader Somali context to ease tensions from an Islamic Sharia perspective and explore pathways toward compliance. Additional efforts are required to build broad-based harmony

and ensure effective governance and revenue mobilization.

5. Other Factors Influencing Tax Non-Compliance

There are several challenging tax dynamics currently affecting the Adado local government’s tax revenue collection efforts. Some businesspeople appear to be exerting pressure on the administration to influence leadership changes within the local government and consolidate their own power, which can delay or impede compliance with the Adado Local Government Tax Act.

Additionally, another challenging factor arises from misunderstandings surrounding the Adado Business Committee’s role, which fuels some resistance to tax regulations. Some businesspeople who interpret the committee as a political arm of the local government challenge its endorsement of the current tax revenues and push for changes to the committee itself.

Conclusion

The Adado businesspeople perceive tax payments as not translating into visible, meaningful service delivery, raising distrust about how funds are used. This consequently constrains active participation in tax compliance. In addition, there is a trust gap: businesspeople are cynical about local government promises and capabilities, while the local government presents excuses for its limitations. Thus, the trust gap creates a cycle of skepticism that impedes effective collaboration on tax revenue collection. Furthermore, limited revenue generation, especially from property taxes, electricity, and water charges, hampers the local government’s ability to deliver basic services.

Some businesspeople, especially lorry and minibus owners, assume the existence of overlapping tax in the road user tax and unloading tax from the Galmudug state and the Adado local government, which reduces clarity about tax obligations. This lack of information further discourages Adado businesspeople from participating in tax efforts. This perception of double taxation undermines revenue collection efforts.

Currently, there are challenges regarding the perception of dependence. The local community,

including businesspeople in Adado, believes that the local government should seek assistance from external sources, such as international organizations, the Somali federal government, and the Galmudug state, to provide basic services, rather than relying exclusively on revenue generated from local taxes in Adado.

Religious misinterpretations, particularly among some businesspeople who view taxation as haram (forbidden), significantly influence compliance and require targeted dialogue and engagement with the community to address these misconceptions toward tax payments. Furthermore, there is a broader concern that governance capacity (communication, accountability, and service delivery) does not meet Adado businesspeople's expectations, reducing buy-in and willingness to participate in tax and development initiatives.

Policy Considerations

Information gaps, trust deficits, dependence constraints, sociocultural dynamics, and religious issues present an opportunity to design awareness campaigns, governance communication, and inclusive engagement strategies to rebuild trust, clarify tax purposes and benefits, and align revenue efforts with Adado community development needs.

- The Adado local government should prioritize targeted awareness campaigns for specific business individuals and the broader Adado community and host town meetings. These efforts would build bridges between the government and the local people, and ensure open communication and inclusive participation across the district.

- The Adado local government should engage in regular meetings with local businesspeople to present and explain the budget, including income and expenditures related to tax revenue generation. These meetings—whether held monthly, quarterly, or annually—would enhance understanding of available resources and pathways for stakeholders to participate, thereby increasing awareness among local businesses and the wider Adado community.
- A new and independent local committee should be established, comprising local elders, the business community, religious leaders, and civil society representatives. This is because the current committee is accused of being partisan by some businesspeople. This body would oversee fundamental community campaigns and initiatives, making autonomous decisions about Adado's development needs. In parallel, a group of Islamic scholars should be formed to provide correct Sharia interpretations and clarifications on tax collection to address existing misconceptions.
- Efforts to foster trust between local businesspeople and the government should be prioritized, including outreach programmes to reduce perceptions of dependency, educate stakeholders about the importance of local initiatives, and seek state support to improve roads.



Somali Public Agenda

- 📍 Mogadishu Somalia
- ☎ +252(0)85 8358
- ✉ info@somalipublicagenda.org
- 🌐 <<https://www.somalipublicagenda.org>>

f @ X in @somalipubagenda

This governance brief is the fifth in a series of District Council-driven research publications under our EU-funded project, Increased Opportunities for Somali Citizens' Scrutiny of Fiscal and Financial Governance, which examines critical issues related to fiscal governance and federalism at the district level. The topics explored in this series are identified through close collaboration with District Council members, and Civil Society Organizations' (CSOs) representatives during workshops held in Bosaso, Adado, and Jowhar on a quarterly basis, ensuring the research remains grounded in local governance realities