

1 INTRODUCTION

The purpose of this document is to provide a brief summary of the most common taxes in Afghanistan as a reference guide. However, not all types of taxes and related penalties are included in this guide. The Afghan Income Tax Law (2009), Tax Administration Law (2015), Customs Law (2016), and other official documents should be consulted in order to gain a comprehensive understanding of the tax and customs laws. Please contact team@questfinancial.af for more information.

2 WITHHOLDING TAXES

2.1 Salary Withholding Tax

Monthly Salary	Withholding Amount	Payment Due Date	Reference
0 to 5,000 AFN	0%	10 days after the end of the month in which payment was made	Articles 17, 58, and 60 of the Income Tax Law
5,000 to 12,500 AFN	2% of amount over 5,000		
12,500 to 100,000 AFN	150 AFN + 10% over 12,500		
Over 100,000 AFN	8,900 AFN + 20% over 100,000		

Notes

- Withholding is required if you have two or more employees.
- Salaries include all cash and non-cash considerations paid for services including allowances and bonuses.
- If an employer directly pays the taxes of an employee (rather than withholding the tax from the employee), the tax payment is considered payment of additional salary and therefore is itself subject to taxation.
- Employers must be careful to correctly distinguish between an employee and an independent contractor for tax purposes.
- Every year the employer must prepare an Annual Salary and Tax Statement for each employee subject to wage withholding.

2.2 Rental Withholding Tax

Monthly Rent	Withholding Amount	Payment Due Date	Reference
0 to 10,000 AFN	0%	15 days after the end of the month in which payment was made	Article 59 of the Income Tax Law
10,000 to 100,000 AFN	10% flat		
Over 100,000 AFN	15% flat		

Notes

- Payments of rent for buildings and houses which are used for business purposes are subject to withholding tax.
- The address listed on a business license will be treated as a business property subject to rental withholding tax.
- Rent payments include cash paid to the landlord as well as the cost of repairs/improvements paid for by the tenant.

- The Ministry of Finance has the authority to reassess the market value of a lease (and the associated tax) if the rent amount reported is determined to be less than market value.

2.3 Contract Withholding Tax

Annual Payments to Contractors	Withholding Amount	Payment Due Date	Reference
0 to 500,000 AFN	0%	10 days after the end of the month in which payment was made	Article 72 of the Income Tax Law
Over 500,000 AFN to a licensed contractor	2% flat		
Over 500,000 AFN to a non-licensed contractor	7% flat		

Notes

- Any license issued by the Government of Afghanistan for commercial and economic activities is considered to be a valid license for contractor tax purposes.
- Foreign suppliers who provide goods and services inside of Afghanistan are subject to contractor withholding tax.
- Contract tax withholding is not required for payments to tax-exempt organizations which have a tax exemption confirmation letter for the relevant activity.
- Contractors can claim a credit for the amount of tax withheld from them against their future tax liabilities.

3 BUSINESS RECEIPTS TAX

Business Receipts Tax is a tax which is imposed on total gross income (sales) before any deductions.

Industries	BRT Rate	Payment Due Date	Reference
Airlines, telecommunications, and superior hospitality industries	10% flat	15 days after the end of the quarter in which payment was received	Articles 64-67 of the Income Tax Law and amendments made in Presidential Decree #58 dated August 17, 2015
Regular hospitality industries	5% flat		
All other industries	4% flat		

Notes

- BRT does not apply to individuals unless quarterly revenues for that individual are AFN 750,000 or greater.
- Filing of quarterly BRT returns is a requirement even if no tax is due for the quarter.
- BRT can be deducted as an allowable expense on annual income tax returns.
- Certain types of receipts are exempt from BRT including income from interest, insurance premiums, exports, and rent received for lease of residential property to a natural person.
- NGO's are exempt from BRT tax on income for charitable activities, provided that a tax exemption confirmation letter has been obtained for such activities.

4 ANNUAL INCOME TAX

Entity Type	Net Income	Tax Rate on Net Income	Payment Due Date	Reference
Natural Persons (individuals, sole proprietors with no business name on a license, and partners in a general partnership)	0 to 60,000 AFN 60,000 to 150,000 AFN 150,000 to 1,200,000 AFN Over 1,200,000 AFN	0% 2% of amount over 60,000 1,800 AFN + 10% over 150,000 106,800 AFN + 20% over 1,200,000	Within 3 months of the end of the Afghan fiscal year	Articles 4, 32, and 33 of the Income Tax Law
Legal Persons (Corporations, LLCs, and sole proprietors with a business name on their license).	Over 0 AFN	20% flat		

Notes

- Expats located in Afghanistan who earn or derive income in Afghanistan are subject to Afghan income tax (unless the funding source is tax-exempt based on a specific agreement, treaty, or protocol with the Afghanistan Government), regardless of whether or not they are a resident of Afghanistan.
- Losses from corporations and LLCs may be eligible for carry-over to subsequent years to offset future profits.
- A fixed tax system exists in lieu of the annual income tax and business receipts tax system for individuals operating in the informal sector with income of less than AFN 3,000,000 in a year. A summary of the fixed tax system is not included in this guide.
- NGO's are exempt from income tax on income for charitable activities, provided that a tax exemption confirmation letter has been obtained for such activities.
- Organizations, both for-profit and non-profit, are required to file an annual income tax return on an annual basis (even if there was no activity during the year) and obtain a tax clearance letter.
- Even after tax clearance is obtained, tax amounts and new penalties can be reassessed through the tax audit process up to five years after the due date of the relevant return. There is no five-year limitation on a tax audit if there was intent to evade tax.

5 PENALTIES

Penalties commonly assessed for tax violations are as follows:

Violation	Penalty	Reference
Late payment of tax	0.05% of the tax due for each day of delay Total penalty is capped at 100% of the original tax due.	Article 34 of the Tax Administration Law*
Failure to submit a tax return or other required document	AFN 15 per day of delay for a natural person AFN 50 per day of delay for a legal person	Article 35 of the Tax Administration Law*
Failure to withhold or pay withholding tax	10% of the withholding tax collectable	Article 36 of the Tax Administration Law

Notes

- Penalties are not deductible for tax purposes.
- *Note: These penalties as per Articles 34 and 35 were higher in the original 2015 Tax Administration Law, but they were reduced as per the amended Tax Administrative Law effective October 2, 2018.

6 CUSTOMS TAX AND TARIFF

1. The import of goods into Afghanistan is subject to a customs tax of 4% of the cost of imported goods. Taxes paid on imports shall be treated as an advance payment of BRT. Any customs tax paid in this manner can be claimed as a credit against the BRT tax liability for the same year (but cannot be carried over and claimed against subsequent year BRT liabilities).
2. The government applies customs tariff (duty) on imports, exports, transit of materials, passenger shipments, and post parcels. These tariffs are separate (and in addition to) the 4% tax mentioned above.
3. The percentage and range of customs tariff will be selected by a Custom Tariff Committee which is composed of several Deputy Ministers.
4. The tariff rate is different on every kind material and generally ranges between 0-40% of the value of the item.