

INTRODUCTION

The purpose of this document is to provide a 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 Afghanistan Income Tax Law (2009), Income Tax Manual (2010), Tax Administration Law (2015), and other official documents should be consulted to gain a comprehensive understanding of the Afghanistan tax law. Please contact info@EmergingConsultingGroup.com for more information. The fiscal year for the government of Afghanistan begins on December 21st and ends on December 20th. Afghan government uses the solar calendar in which the months end around 20th of the Gregorian calendar. The exchange rate is around USD 1 = 70 Afghanis (AFN).

BUSINESS RECEIPTS TAX (BRT)

Business Receipts Tax (BRT) 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

- 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 can be claimed as a credit against the BRT tax liability for the same year.
- 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.

ANNUAL INCOME TAX

Entity Type	Net Income	Tax Rate on Net Income	Payment Due Date	Reference
Individuals, sole proprietors, and partners in a general partnership	0 to 60,000 AFN	0%	Within 3 months of the end of the Afghan fiscal year	Articles 4, 32, and 33 of the Income Tax Law
	60,000 to 150,000 AFN	2% of amount over 60,000		
	150,000 to 1,200,000 AFN	1,800 AFN + 10% over 150,000		
	Over 1,200,000 AFN	106,800 AFN + 20% over 1,200,000		
Corporations & LLCs	Over 0 AFN	20% flat		

Notes

- 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.

DIVIDEND TAX

Per Article 46 of the income tax law, dividend to shareholders are subject to 20% withholding tax and must be paid to the government within 10 days after the end of the month in which the taxes were withheld.

WITHHOLDING TAXES

Wages 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 allowance 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.

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.
- Rent payments include cash paid to the landlord as well as the cost of repairs/improvements paid for by the tenant.

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

- Contractors can claim a credit for the amount of tax withheld from them against their future tax liabilities.

PENALTIES

Some of the penalties commonly assessed for tax violations are as follows:

Violation	Penalty	Reference
Late payment of tax	0.10% of the tax due for each day of delay	Article 34 of the Tax Administration Law
Failure to submit a tax return or other required document	AFN 30 per day of delay for an individual AFN 100 per day of delay for an organization	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