

Tax Guideline 1: Afghanistan

1. What is a taxation year in Afghanistan?

It is the Afghan fiscal year which starts on the first day of Jaddi (22nd day of Dec) and ends on the last day of Qaws (21st day of Dec).

2. Is it possible to use a different taxation year?

A legally registered entity or individual, wishing to use a different taxation year, may apply in writing to the Ministry of Finance explaining their reason for using a different taxation year. The ministry may approve such an application but only where it is justifiable. It will consider an application where:

- a) A legal entity in Afghanistan is a subsidiary of an organization registered outside of Afghanistan with a different taxable year;
- b) Where the parent organization prepares consolidated financial statements for tax purposes in a foreign country, and;
- c) Requiring the legal entity in Afghanistan to prepare its financial statements on the basis of Afghanistan's fiscal year would impose significant additional tax compliance costs for them.

3. What is the currency for tax calculation and payment?

The base currency for calculation of taxes is Afghani. All other currencies are converted to Afghani based on the monthly average exchange rate set by the central bank of Afghanistan, Da Afghanistan Bank, www.dab.gov.af.

4. What are the basic tax obligations of individuals and organizations in Afghanistan?

The most common income tax obligations for both for-profit and non-profit entities in Afghanistan are:

- 1) A monthly obligation to withhold and pay taxes from: employees' salaries or wages (a progressive scale of 0-20%), landlords' rental income (0-15%) and payments to contractors (2-7%)
- 2) A quarterly obligation to file and pay business receipts tax – a flat tax, usually four (4%) percent – on gross revenue (non-profit organizations are exempt from this obligation)
- 3) An annual obligation to file a detailed tax return and pay 20% tax on annual net profits (non-profit organizations and certain tax-exempt programmes are exempt from the obligation to pay the 20 percent tax, but not from the obligation to file returns).

For further details and assistance with taxation issues please contact GCSS on:
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