

Fixed Taxes on Commercial Activities



Introduction

Chapter 11 of the Income Tax Law 2009 provides for fixed taxes in lieu of income tax to be imposed on certain business and transaction types. In some cases the fixed tax is a prepayment of income tax and does not relieve the taxpayer from the need to file an income and/or business receipts tax return.

Note

There are no fees or charges payable to the Ministry of Finance or its Revenue Department for any Tax Guides or Forms or at any stage of the tax assessment, collection or enforcement processes.

The Income Tax Law 2009 provides for a penalty if a taxpayer fails to submit a tax return. This applies even if no tax is due for the period covered by the return. To avoid being penalized taxpayers therefore should submit returns even if no tax is due and state on the return that none is due.

Types of fixed taxes

The following fixed taxes are addressed by Chapter 11:

- Fixed tax on imports
- Fixed tax on the transport of goods or passengers for business purposes
- Fixed tax of contractors
- Fixed tax on exhibitions
- Fixed tax on small businesses

Fixed Tax on Imports

Persons who import goods are subject to a fixed tax on the value of the imported goods. Persons with a current business license are subject to a 2% fixed tax which will be taken as a credit on the income tax return in the year in which it is paid. Persons without a current license or with an interim license are subject to a 3% fixed tax which is payable instead of annual income tax. Income from the sale of the imported goods is reported in the year in which it is received for cash basis taxpayers, or in the year the transaction takes place for accrual basis taxpayers.

The fixed tax on imports is paid when and where the customs duties on the imported goods are paid.

Example 1: An Afghan corporation imports goods worth 20,000,000 afghani during the year 1389. The 20,000,000 afghani value includes customs duties applied. The corporation must pay 400,000 afghani in addition to the customs duties that it has to pay. After the end of 1389, the Afghan corporation is required to file a tax return. The tax return shows the following entries:

| | | |
|----------------------------|--------------|--------------|
| Income | | 100,000,000 |
| Business Receipts Tax | (2,000,000) | |
| Operating Expenses | (40,000,000) | |
| Interest Expense | (18,000,000) | (60,000,000) |
| Taxable Income | | 40,000,000 |
| Income Tax Liability (20%) | | 8,000,000 |
| Advance Income Tax Payment | | (400,000) |
| Income Tax Due | | 7,600,000 |

Example 2: An Afghan corporation imports goods worth 40,000,000 afghani during the year 1389. The 40,000,000 afghani includes the customs duties that are due. The corporation must pay 800,000 afghani in addition to the customs duties that it has to pay. At the end of 1389, the Afghan corporation is required to file a tax return. The tax return shows the following entries:

| | | |
|----------------------------|--------------|--------------|
| Income | | 100,000,000 |
| Business Receipts Tax | (2,000,000) | |
| Operating Expenses | (84,000,000) | |
| Interest Expense | (11,000,000) | (97,000,000) |
| Taxable Income | | 3,000,000 |
| Income Tax Liability (20%) | | 600,000 |
| Advance Tax Payment | | (800,000) |
| Tax Refunded | | (200,000) |

Note: If the Afghan corporation fails to file an income tax return, the corporation will not be entitled to receive its 200,000 afghani tax credit.

Fixed tax on transport of goods or passengers for business purposes

Persons who transport passengers or goods for business purposes are required to pay an annual tax as follows, before renewal of their vehicle registration:

| No. | TYPE OF VEHICLE | TAX |
|----------|---------------------------------|---------------|
| 1 | Vehicles Based on weight | |
| 1 | From 1 up to 2 tons | 2600 afghani |
| 2 | Over 2 up to 3 tons | 3400 afghani |
| 3 | Over 3 up to 4 tons | 4200 afghani |
| 4 | Over 4 up to 5 tons | 5000 afghani |
| 5 | Over 5 up to 6 tons | 6000 afghani |
| 6 | Over 6 up to 8 tons | 7500 afghani |
| 7 | Over 8 up to 10 tons | 9000 afghani |
| 8 | Over 10 up to 12 tons | 10500 afghani |
| 9 | Over 12 up to 14 tons | 12000 afghani |
| 10 | Over 14 up to 16 tons | 13500 afghani |
| 11 | Over 16 up to 18 tons | 15000 afghani |
| 12 | Over 18 up to 20 tons | 16500 afghani |
| 13 | Over 20 up to 25 tons | 18500 afghani |

| | | |
|----------|---|--|
| 14 | More than 25 tons | 18500 afghani and 500 afghani per additional ton |
| 15 | More than the total allowable tons of a trailer | Over 500 kg then 200 afghani per ton |
| 2 | Passenger Vehicles | |
| 1 | Taxi with capacity of 3 to 5 passengers | 2000 afghani |
| 2 | Taxi with capacity of more than 5 passengers | 2000 afghani and 200 afghani per additional seat |
| 3 | Microbus with up to 14 seats | 2600 afghani |
| 4 | Other buses from 15 up to 21 seats | 4000 afghani |
| 5 | Other buses from 22 up to 29 seats | 6000 afghani |
| 6 | Other buses from 30 up to 39 seats | 7000 afghani |
| 7 | Other buses from 40 up to 49 seats | 7500 afghani |
| 8 | Other buses from 50 up to 60 seats | 8000 afghani |
| 9 | Other buses with more than 60 seats | 8000 afghani and 200 afghani per additional seat |
| 3 | Vehicles according to their cylinders | |
| 1 | 4 cylinders | 1500 afghani per vehicle |
| 2 | 6 cylinders | 2000 afghani per vehicle |
| 3 | 8 cylinders | 3000 afghani per vehicle |
| 4 | More than 8 cylinders | 3000 afghani and 500 afghani per additional cylinder |
| 4 | Rickshaw | |
| 1 | Motorbike rickshaw | 500 afghani |
| 2 | Rickshaw | 1000 afghani |

This tax is collected from the owners of vehicles used in the business of transporting persons or property as listed above. This tax can vary depending on vehicle use.

Example 1: From a person owning two taxis 4,000 afghani per year is received as fixed tax on the operation of his taxi as provided for in Article 71 of the Income Tax Law.

Example 2: A man owns a truck which has a capacity of two tons. This man must pay 2,600 afghani per year as fixed tax on his truck.

Example 3: The fixed tax of a vehicle is not limited to a category or class solely because of its description but may be assigned another category based on its use.

A one-ton truck ordinarily rated at the 2,600 afghani is used as a taxi carrying passengers equivalent to a bus. The fixed tax imposed will be the bus rate of 4,000 afghani.

Example 4: A man who has an animal-drawn carriage (used to transport persons or goods for money) for tax purposes operates a "rickshaw" and must pay 1,000 afghani per year as fixed tax on his carriage.

This fixed tax on transport is in place of an income tax on income from the use of these vehicles in commercial activity. If the owner has other income subject to income tax, the income received from the operation of a vehicle listed above should be noted but not included in his income tax return.

This fixed tax is paid at the tax office of the district in which the owner resides. If the place of residence of the owner and the place where the highway-use license is issued are not the same, then the fixed tax is paid in the tax office of the place where the highway-use license is issued.

Fixed tax on contractors

Persons who, without a business license, provide supplies, materials, services and/or construction under contract to government agencies, municipalities, state entities, private sector business and organizations, and other persons, are subject to a 7% fixed tax in lieu of income tax. This tax is withheld from the gross amount payable to the contractor.

Persons carrying business licenses providing the above services are subject to 2% contractor tax. This tax is creditable against subsequent tax liabilities.

Fixed tax on exhibitions

The fixed tax on exhibitions applies to natural persons who are resident of Afghanistan and to non-resident natural and legal persons who provide entertainment such as theater, cinema, radio, television, music, or sport in Afghanistan. Income from these businesses is subject to a fixed tax of 10% of receipts from sale of admission or tickets. The fixed tax is imposed in lieu of income tax and business receipts tax. The fixed tax is due on a monthly basis and must be paid no later than the 15th day of the next month. If the mentioned shows are not continuous, the tax must be paid after the end of each show.

Other persons who provide entertainment and recreational services are subject to income tax and business receipts tax.

Fixed tax on small businesses

Natural persons (ie individuals) who undertake business activities (such as shopkeepers and other small businesses who do not keep detailed records) and meet the following conditions are subject to fixed tax:

- Natural persons who have income which is not exempt or subject to withholding tax.
- The gross annual income of the natural person is less than 3,000,000 afghani for a tax year.

All other natural persons are required to file an income tax return.

Determining fixed tax on small business activities

Where a natural person receives income for a tax year of no more than 60,000 afghani from sources which are subject to withholding tax or any other sources, the person is exempt from fixed tax and must file an income tax return to claim credit for any withheld taxes.

Where a natural person receives income for a tax year of more than 60,000 afghani but not more than 150,000 afghani, except for exempt income and income subject to withholding tax, the person is required to pay a fixed tax of 500 afghani for each quarter of the tax year.

Where a natural person receives income for a tax year of more than 150,000 afghani but not more than 500,000 afghani, except for exempt income and income subject to withholding tax, the person is required to pay a fixed tax of 2,000 afghani for each quarter of the tax year.

Where a natural person receives income for a tax year of more than 500,000 afghani but not more than 3,000,000 afghani, except for exempt income and income subject to withholding tax, the person is subject to 3 percent tax on gross income received. Instead of paying 3 percent tax on gross income received, the person may elect to file a tax return, pay business receipts tax on gross income and income tax on net profit. The election to pay income tax cannot be for a period of less than three years.



Tax forms and information

For tax forms, guides, and other information and assistance, you can visit the Afghanistan Revenue Department, your local Mustufiat Office or the Tax Information Page at www.mof.gov.af/tax where you can also find and download the Income Tax Law 2009.



Note

The Taxpayer Information Page at www.mof.gov.af/tax makes it easy for taxpayers to find and download useful information to meet their needs. Here the taxpayer can find the Income Tax Law 2009, various public announcements and rulings, forms, along with instructions for completing same, guides, archived documents, Questions & Answers regarding wage withholding tax, and more. The page also includes an Income Tax Manual. The manual discusses separately each article of the law, along with relevant regulations, often with helpful examples.

1389

Ministry of Finance
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Islamic Republic of Afghanistan