



## Guide 10

## Taxpayer obligations and ARD service commitment



### About this guide

Afghanistan's Tax Law, like that in most other countries, adopts the concept of self-assessment of tax liabilities. Self-assessment is an approach to taxation where those who should pay taxes do not wait to be told to do so by taxation officers, and do not wait for taxation officers to calculate their tax liabilities. Under this system, taxpayers must register to pay taxes, work out the right amount of tax themselves, file forms and returns and pay the tax due on time.

Taxation officers and taxpayers need to understand taxpayers' obligations and the commitments the Afghanistan Revenue Department (ARD) of the Ministry of Finance has made to assist taxpayers. These obligations and commitments are basic to the self-assessment system. This guide outlines the main obligations and commitments, and the consequences when taxpayers fail to meet their obligations. It explains how taxpayers that don't meet their obligations will pay more.

In this guide, the term 'taxpayer' refers to a person who is required by Afghanistan's tax laws to pay taxes, and the term 'taxation officer' refers to a member of staff of the ARD. References to 'you' are references to taxpayers in general.

### Paying taxes

Taxes are payments to the government by natural and legal persons, calculated according to the law, for the purpose of strengthening government finances and providing public services.

The taxes which the ARD collects are transferred to the Central Government Fund and then transferred to other Ministries, in order that the money can be spent on government services such as building roads, dams, schools, kindergartens, and other infrastructure, and providing equipment for schools and universities.

The taxes you must pay depend on your circumstances. Generally, companies must pay income tax of

20% of their net taxable income, and natural persons also need to pay income tax unless they are exempt. Fixed taxes are payable on some types of businesses or transactions. There is a tax on business receipts. there are also requirements to withhold and pay tax on certain payments, such as payments of salary and wages, payments for rental services, and payments under contracts,

This guide does not explain which taxes are payable, when they are payable, or by whom. The ARD has taxpayer service staff to help taxpayers meet their obligations, and has published a series of guides which explain tax obligations. See under the heading 'further information' for how to obtain these guides and where to get help with tax issues.

## **Taxpayer obligations and ARD service commitment**

### ***Taxpayer obligations***

While this is not an exhaustive list, you must do the following:

- register to pay taxes,
- keep sufficient and accurate records when required,
- correctly calculate taxes, and file tax forms and returns,
- pay your taxes on time,
- provide documents and information when required,
- be honest, and
- Co-operate with taxation officers.

### ***ARD service commitment***

The ARD has a responsibility to support you in fulfilling your obligations, and expects its staff to apply the following principles:

- provide official identification when requested
- assist you in meeting your obligations when requested,
- treat you well and professionally,
- keep information confidential, and respect your privacy,
- require you to pay no more than the amount of tax the law requires, and
- advise you of options for review of decisions, and listen to your concerns.

The ARD also commits to allowing taxpayers dissatisfied with any decision of a taxation officer that affects them to have the decision clarified or, where appropriate, reviewed. Where this is the case, you may:

- Seek clarification of the decision through the decision maker's supervisor,
- File a request for amendment if you disagree with an assessment notice;
- File an objection when provided by the relevant sections of the Tax Law, and
- Appeal to a court any objection decision made.

### ***Taxpayer obligations***

This guide does not outline every obligation under the law, but provides

guidance as to the main requirements of the tax laws. You must also comply with other provisions of the tax laws that apply to you.

### ***Apply for a Taxpayer Identification Number***

Your Taxpayer Identification Number registers you with the ARD as a taxpayer. You must apply for such a number if the law requires you to pay taxes or customs duties. This requirement applies to natural persons, companies, and organizations.

You must also report subsequent changes of the information that was in the application. For example, you should report a change to your business address or your contact telephone number.

Social, non-profit and welfare organizations that withhold taxes from the salaries of employees or from rental payments must also apply for a Taxpayer Identification Number, even if they are not themselves liable to pay taxes or customs duties.

An application can be lodged at the ARD Head Office, at the Medium Tax Office, at Zonal Offices in provinces, and at offices of the Afghanistan Investment Support Agency (AISA). The ARD has issued a guide, *18: Taxpayer Identification Number*, which explains in more detail who must apply and how to apply for this registration.

### ***If you don't register, you pay more***

If you are required to have a Taxpayer Identification Number, but do not apply

for one without reasonable cause, you are liable for additional income tax of Afs 5,000 for natural persons, or Afs 20,000 for legal persons. Guide 22: *Additional tax and Penalties* further explains this penalty.

In addition, ministries, government agencies and other government organizations will not issue or renew your business license if you have not obtained a Taxpayer Identification Number.

### ***Keep sufficient and accurate records***

Keeping good records will allow you to manage your business better. For example, good recordkeeping helps you to more effectively monitor the progress of your business, manage your cash flows and decide how to operate your business more efficiently and profitably.

Recordkeeping is also a requirement of the tax laws. Most natural and legal persons must keep records related their transactions, property, and income that are sufficient to demonstrate that they have correctly calculate their tax payable for each tax period. The main exception is small businesses whose only income is taxed under fixed taxes in lieu of income tax. The application of these fixed taxes is explained in *Guide 19: Fixed Taxes on Commercial Activities*.

The recordkeeping rules and the advantages of good recordkeeping are further explained in *Guide 17: Accounting Methods and Recordkeeping*.

## **If you don't keep records, you pay more**

If you fail to prepare and maintain business records you are liable to additional income tax of Afs 5,000 in the case of a natural person, or Afs 20,000 for a legal person. You may also be prosecuted, with a punishment on conviction of Afs 25,000 for a natural person and Afs 100,000 for a legal person, or up to one year in prison, or both. Further detail on the penalties for failing to maintain proper records can be found in *Guide 22: Additional Tax and Penalties*.

## **File tax forms and returns on time**

You must file all returns, forms and information that are required by law. Such filings should:

- be filed on the official ARD form,
- contain the information the form requires, and
- be filed within due time, and in the manner stipulated by the tax laws.

In filing those documents, you must correctly calculate all taxes in the way the law requires.

Income tax returns must be filed annually. Business receipts tax forms must be filed quarterly. Other taxes are generally payable monthly or quarterly. Due dates for filing returns and paying particular taxes are shown in the Tax Calendar on the ARD website, [www.ard.gov.af](http://www.ard.gov.af), and are available from client

service counters. The due dates for filing returns are the same as the due dates for paying the relevant tax.

## **If you file late, you pay more**

If you fail to file your tax return by the due date you are liable for additional tax of Afs 100 for each working day that the return was overdue. In the case of a legal person the daily additional tax is Afs 500 per working day. In serious cases of evasion you may also be referred to the office of the Attorney General.

## **Pay taxes on time**

You must pay your taxes on time. Failure to meet this obligation can result in enforcement action. Due dates for filing returns and paying particular taxes are shown in the Tax Calendar, available from ARD client service counters, and on the ARD website, [www.ard.gov.af](http://www.ard.gov.af).

Most taxes are payable at a branch of Da Afghanistan Bank. When paying at the bank you need to include the correct information, and promptly file the relevant form or return with the ARD. This will ensure that your tax liability and the payment made can be reconciled in a timely manner. The information needed includes:

- name of taxpayer (natural or legal person),
- tax identification number,
- tax type being paid, and



- tax period (month, quarter or income year) that the payment relates to

It is important when you pay taxes by electronic transfer to notify the ARD of this information when making the payment, so that the tax involved can be identified as paid. The ARD has issued a guide, *Guide 6: Paying tax by Electronic Transfer* which explains the process.

The ARD is progressively introducing a new computer system which will generate numbered payment documents. If you receive a payment document with a SIGTAS generated number on it, you should include the document number in the payment details to ensure your payment is matched to the right tax liability.

### **If you pay late, you pay more**

For every day your tax payment is late, you must pay additional income tax of 0.1 per cent of the tax due. For example, if your tax return is 20 days late the additional tax you must pay is 2 percent (20 x 0.1) of the tax payable according to the tax return. *Guide 22: Additional Tax and Penalties* explains the consequences of failing to pay tax in more detail.

### **Provide documents and information when required**

You must submit documentation and

give any information required by taxation officers in fulfilling their duties under the law. You must provide them with access to your business premises and to your records, and permit them to take copies of your records if requested.

If you fail to provide the taxation officers with access when requested, you are liable to additional income tax of Afs 5,000 in the case of a natural person, or Afs 20,000 for a legal person.

### **Be honest**

In fulfilling your tax obligations, you must exercise reasonable care and diligence. You need to make an honest attempt to meet your tax obligations.

Taxpayers that are dishonest will ultimately pay more, as intentional dishonesty is likely to result in higher penalties. Deliberate evasion of tax carries serious consequences. Failing to keep records, file tax returns, withhold or pay tax with the intent of evading payment of tax may be referred to the Attorney General's office for prosecution. In such cases you may be subject to fines and/or imprisonment.

### **Co-operate with taxation officers**

You must co-operate with taxation officers in the course of their day-to-day duties. This means you must not obstruct or prevent taxation officers in performing their lawful duties, and must be present as required during tax audits or other tax procedures.

If you co-operate, you will enable taxation officers to complete their duties in the least time. This will minimize disruption to your operations, and help to reduce your costs of meeting your tax obligations.

### **ARD service commitment**

The ARD is obliged to administer the self-assessment system in a fair and transparent manner. In doing that the ARD makes the following commitments to service. We aim to:

- behave in an honest, fair, and open manner,
- deliver an excellent service to you,
- be responsive and sensitive to your needs and feedback, and
- carefully safeguard your tax money and confidential information

These commitments are detailed below.

You should not pay for any guides or forms, or for quicker service. The Government, through the ARD, is only entitled to collect the tax payable under the law.

#### **Note**

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

### ***Taxation officers will assist you on request***

You are entitled to receive information on the tax laws, and assistance from taxation officers in fulfilling your obligations. This includes information on how your tax is assessed. You are entitled to receive this information, including current forms and guides where requested, free of charge.

Where audits, visits to premises or other tax checks are made by taxation officers, you are entitled to be given an explanation of the decisions made in the process of these checks when requested.

### ***Taxation officers will treat you well and professionally***

You should be treated with respect and consideration by taxation officers.

This means that each taxpayer should be treated fairly within the context of the law. As a taxpayer, you are entitled to receive the services and attention of taxation officers in the same manner as any other taxpayer.

### ***Taxation officers will keep information confidential, and respect your privacy.***

You can expect that information about you gathered by the ARD is kept confidential and divulged by taxation officers only where it is necessary to fulfil their duty.

You may expect that the ARD will not intrude unnecessarily upon your privacy, and that you will not be subject to

- Unreasonable searches of premises under the applicable tax law, or
- Information requests that are not relevant to the duties of taxation officers.

### ***You should pay no more tax than the law requires***

You should pay no more tax than is required by the tax law, based on your personal circumstances, income, expenses and other criteria that the law sets out.

### ***You may dispute ARD decisions about tax payable***

If your tax return does not disclose the right tax, the ARD may make its own decision about the tax due. Where this is the case you will be issued with an assessment notice showing a different amount of tax due.

If you are dissatisfied with an assessment given to you, you can submit a written request for amendment. Competent taxation officers will review the amendment request and provide you with a decision. If you are still dissatisfied you have the right to lodge a formal objection against the decision, which will be considered by a panel of three independent senior taxation officers.

There are a number of form and timing requirements for an amendment or objection to be valid. The ARD has published *Guide 11: Disputing the amount of tax payable in a tax assessment*, which explains these requirements and the processes in detail.

### ***Taxation officers will advise you of options for review of their decisions, and listen to your concerns***

You have the right to be advised of all avenues of review open to you. This includes seeking clarification of decisions, filing an objection or filing an appeal.

All taxpayers have options to challenge decisions made by taxation officers. These are provided by the tax law. Depending on the circumstances, your rights may include:

- Requesting an amendment to your assessment,
- Objecting to your assessment, and
- Appealing an ARD decision if an objection has been decided adversely to you, or where no timely decision on your objection has been given.

These rights are explained in *Guide 11: Disputing the amount of tax payable in a tax assessment*.

In addition, at any time you need to seek clarification of any decision made by a taxation officer, you may seek

that clarification through the officer's supervisor.

### Further information

This leaflet provides a general outline of taxpayer obligations and the ARD's service commitment. Each tax levied in Afghanistan has rules regarding what it is imposed on, when it must be paid, and who must pay it. The ARD has published a series of guides explaining specific tax matters. These guides are available from any of the following

- ARD Offices,
- Afghanistan Investment Support Agency (AISA),
- ARD website, [www.ard.gov.af](http://www.ard.gov.af), and

- Kabul Chamber of Commerce and Industry (KCCI)

### Contacting ARD

Visit your ARD Office or your Mustoufiat for further information

- Small Taxpayer Office, Pamir Square, Shar-e Kohna, Kabul. The Small Taxpayer Office has a number of district offices elsewhere in Kabul.
- Medium Taxpayer Office, Tassadi Millie Bus, Old Macrorayan, Kabul.
- Large Taxpayer Office, Jalalabad Road, Kabul.
- There are also Medium and Large Taxpayer Offices in Jalalabad, Herat and Mazar-e Sharif.



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د مالی وزارت  
د عوایدو لوی ریاست  
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Islamic Republic of Afghanistan  
Ministry of Finance  
Afghanistan Revenue Department  
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Website: <http://www.ard.gov.af>

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