



## Guide 19 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 percent 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 percent 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 AFN 20,000,000 during the year 1389. The AFN 20,000,000 value includes customs duties applied. The corporation must pay AFN 400,000 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	Income	3,000,000
Business Receipts	(2,000,000)	Income	600,000
Operating Expenses	(84,000,000)	Tax Liability (20%)	
Interest Expense	(11,000,000)	Advance Tax Payment	(800,000)
	(97,000,000)	Tax Refunded	(200,000)
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 AFN 40,000,000*

*during the year 1389. The AFN 40,000,000 includes customs duties that are due. The corporation must pay AFN 800,000 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	(2,000,000)
Operating Expenses	(84,000,000)
Interest Expense	(11,000,000)
	(97,000,000)
Taxable Income	3,000,000
Income	600,000
Tax Liability (20%)	
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 AFN 200,000 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
		in AFN
<b>1</b>	<b>based on weight</b>	
1	From 1 up to 2 tons	2600
2	Over 2 up to 3 tons	3400
3	Over 3 up to 4 tons	4200
4	Over 4 up to 5 tons	5000
5	Over 5 up to 6 tons	6000
6	Over 6 up to 8 tons	7500
7	Over 8 up to 10 tons	9000
8	Over 10 up to 12 tons	10500
9	Over 12 up to 14 tons	12000
10	Over 14 up to 16 tons	13500
11	Over 16 up to 18 tons	15000
12	Over 18 up to 20 tons	16500
13	Over 20 up to 25 tons	18500
14	More than 25 tons	18500 and AFN 500 per additional ton
15	More than the total allowable tons of a trailer	Over 500 kg then AFN 200 per ton
<b>2</b>	<b>based on seating</b>	
1	Taxi with capacity of 3 to 5 passengers	2000
2	Taxi with capacity of more than 5 passengers	2000 and AFN 200 per additional seat
3	Microbus with up to 14 seats	2600
4	Other buses from 15 to 21 seats	4000

5	Other buses from 22 to 29 seats	6000
6	Other buses from 30 to 39 seats	7000
7	Other buses from 40 to 49 seats	7500
8	Other buses from 50 to 60 seats	8000
9	Other buses with more than 60 seats	8000 and AFN 200 per additional seat
<b>3</b>	<b>based on cylinders</b>	
1	4 cylinders	1500 per vehicle
2	6 cylinders	2000 per vehicle
3	8 cylinders	3000 per vehicle
4	More than 8 cylinders	3000 and AFN 500 per additional cylinder
<b>4</b>	<b>Rickshaw</b>	
1	Motorbike rickshaw	500
2	Rickshaw	1000

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 AFN 4,000 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 AFN 2,600 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 AFN 2,600 is used as a taxi carrying passengers equivalent to a bus. The fixed tax imposed will be the bus rate of AFN 4,000.

*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 AFN 1,000 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 percent 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 percent 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 percent 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 AFN 3,000,000 for a tax year.

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

#### *Determining fixed tax on small business activities*

When a natural person receives income for a tax year of no more than AFN 60,000 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.

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

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

When a natural person receives income for a tax year of more than AFN 500,000 but not more than AFN 3,000,000, 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.

Date:     /     /     /

**Note**

Afghanistan Revenue Department tax offices and Mustufiats provide forms, guides, and instructions to taxpayers free of charge, available both as printed and as downloadable versions from a new website <http://www.ard.gov.af>. The website also provides locations, contact numbers and hours of operation for Afghanistan Revenue Department tax offices and Mustufiats. Taxpayers also can download other useful information including various public announcements and rulings, questions & answers regarding wage withholding tax, the Income Tax Law 2009, and an Income Tax Manual. The manual discusses separately each article of the law, along with relevant regulations, often with helpful examples.