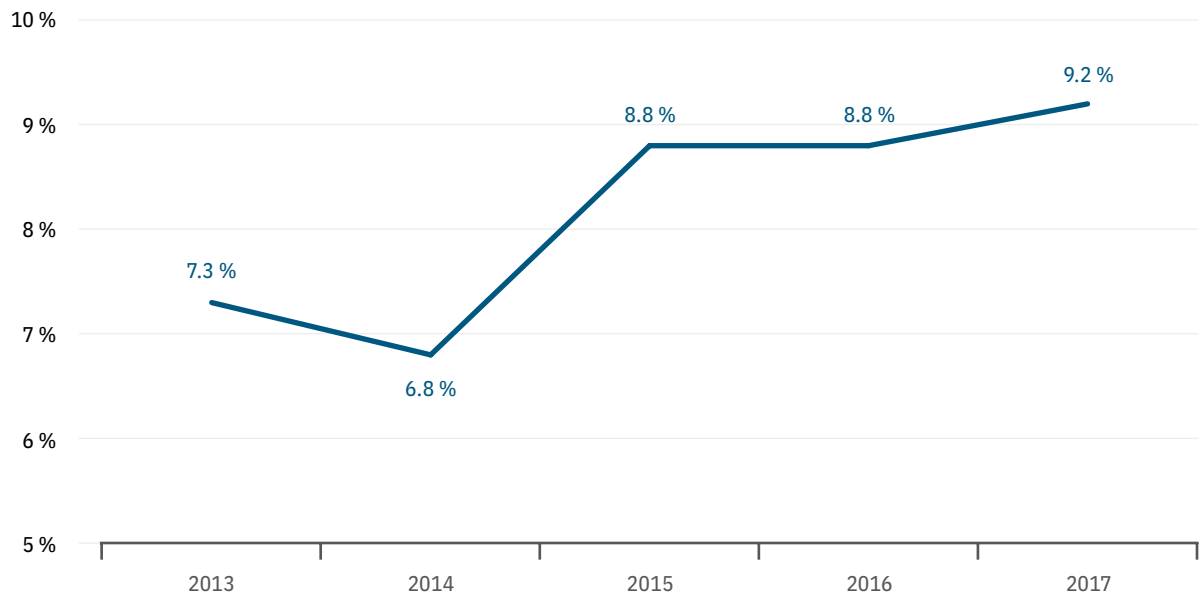




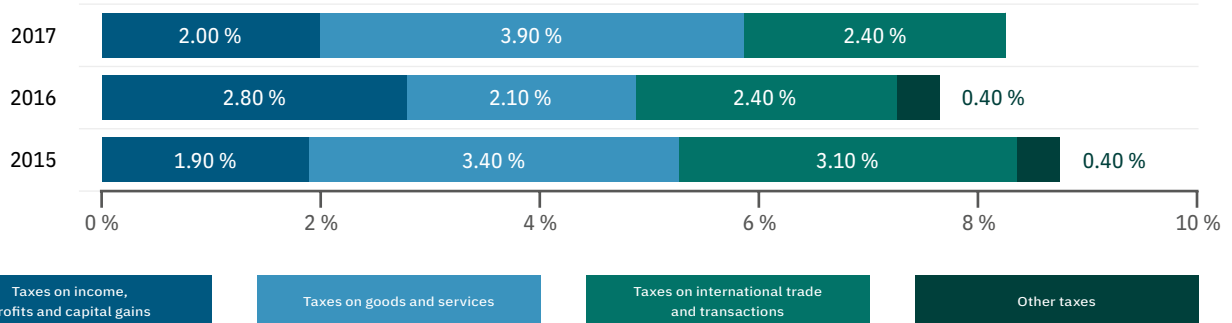
Afghanistan

Stepping up domestic revenue mobilisation



Tax revenues (% of GDP) (2013-2017)

Source: Government Finance Statistics (2019)



Tax revenues, by sources (% of GDP) (2015, 2016 & 2017)

Public Expenditure and Financial Accounting (PEFA)

2018 (2016 framework)

D+ Revenue administration

C+ Accounting for revenue

2013 (2011 framework)

C+ Transparency of taxpayer obligations and liabilities

C+ Effectiveness of measures for taxpayer registration and tax assessment

NR Effectiveness in collection of tax payments

*A = internationally-recognised level of good performance
D = performance is below the basic level*

Doing Business, Ease of Paying Taxes 2017 (DB 2018), values from 2016 (DB 2017) in parentheses

Payments (number per year)	Time (hours per year)	Total tax rate (% of profit)	Postfiling Index (0-100)
19 (20)	275 (275)	71.4 (36.3)	0 (0.45)

Overall ranking
176 / 190 (163 / 190)

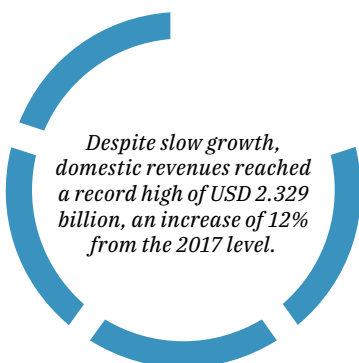
Recent reform steps

The Afghanistan Revenue Department (ARD) has taken major steps to foster domestic revenue mobilisation.

- Since 2017, **the tax legislation** has witnessed a rapid change, with the amendment of the Income Tax Law and the Tax Administration Laws, manuals, procedures and regulation becoming viable. The change in tax laws resulted in the termination or simplification of old processes that used to cause multiple problems for the taxpayers.
- An **e-filing and e-payment system** was introduced as a new step towards revenue growth. The implementation of the SIGTAS, the focus on digitalisation and the use of computer-based services in the capital and the provinces have been major achievements within the revenue department.
- **Audit process** have improved and boosted revenue mobilisation. Professional staff was hired in this area and lengthy audit processes were shortened.
- With the organisational structure as a traditional obstacle towards good governance, national and international experts have worked together to have a more robust and comprehensive structure over the past few years. The employment of youth and new talents as well as appropriate postings have been a major breakthrough.

Progress achieved

Despite slow growth, domestic revenue reached a record high of USD 2.329 billion in 2018, an **increase of 12% vis-à-vis the level from 2017**. Strong revenue growth was supported by an improved tax administration, with estimated arrears collection of USD 0.129 billion and a surge in non-tax revenues. The budget execution increased from 83% in 2017 to 92% in 2018, with the development budget execution rate reaching 93%.



Outlook: DRM priorities in 2019

<i>Priority activities</i>	<i>Expected outcomes</i>
<ul style="list-style-type: none">• Trainings for all staff of the ARD on various topics through the Tax and Customs Academy	<ul style="list-style-type: none">▶ Increased revenue and taxpayer satisfaction
<ul style="list-style-type: none">• Trainings for different groups of taxpayers	<ul style="list-style-type: none">▶ Increased taxpayer compliance
<ul style="list-style-type: none">• Long term and short-term courses and trainings	<ul style="list-style-type: none">▶ Increased revenue
<ul style="list-style-type: none">• Trainings for senior staff of the ARD on various management topics	<ul style="list-style-type: none">▶ Professional negotiations▶ Enhanced administration

Policy coherence for development

The Income Tax Law and the Tax Affairs Administration Laws provide proper guidance and rulings for tax authorities and other agencies pertaining to tax-related issues and tax collection. Furthermore, there have been several Memorandum of Understanding (MoU) signed between the ARD, the Ministry of Finance and other agencies, which facilitate cooperation in many areas. For example, a specialised taxation court is now operational. Further, the ARD signed a MoU with the Financial Transactions and Reports Analysis Centre of Afghanistan, a unit of the Afghanistan Bank.