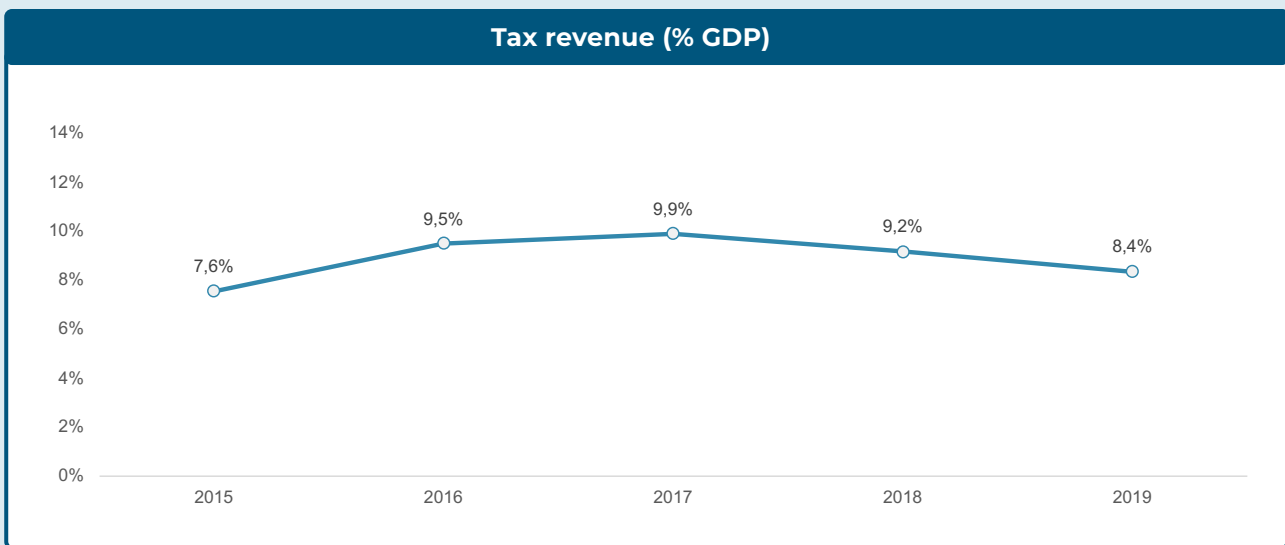


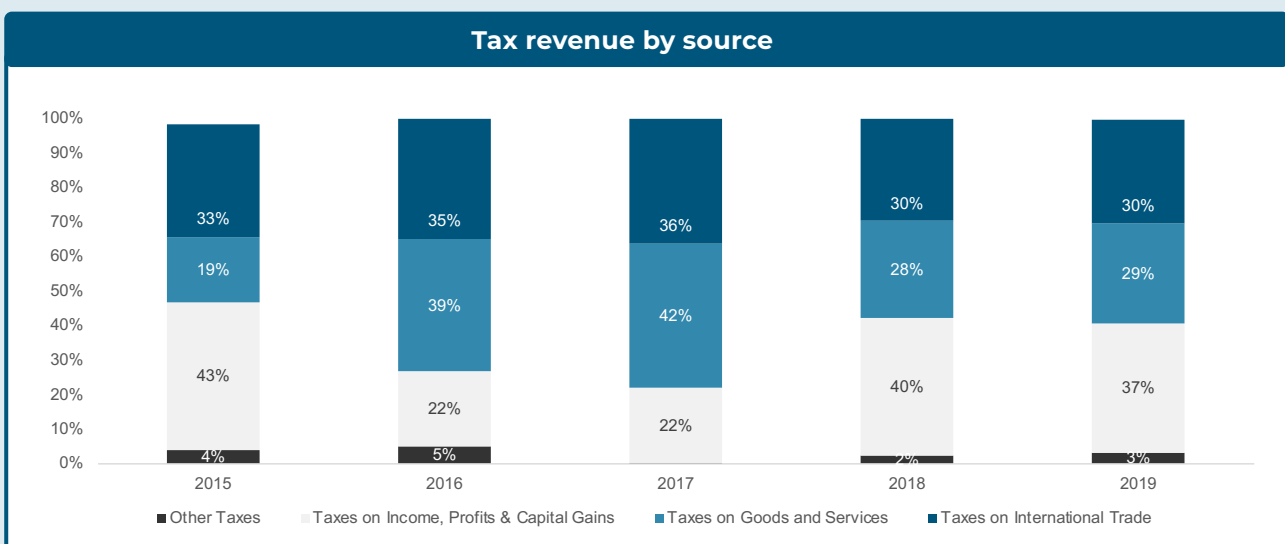


Stepping up domestic revenue mobilisation

Afghanistan



Source: Government Revenue Dataset (GRD) (ICTD-UNU-Wider).



Source: GRD (ICTD-UNU-Wider). The 2019 ATI Monitoring Report covers revenue from four core tax sources of ATI members (i.e. taxes on incomes, profits, and capital gains; taxes on goods and services; taxes on international trade and transactions; other taxes). Revenue from social security contributions, which are sometimes reported as part of the tax-to-GDP ratio, is not included.

Public Expenditure and Financial Accountability (PEFA) Assessment: 2018

P19:
Revenue administration

D+

P20:
Accounting for revenue

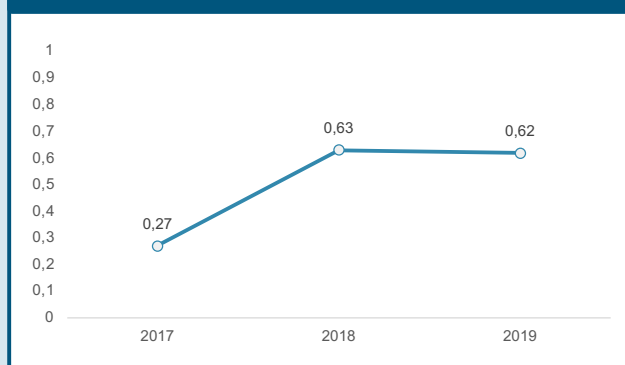
C+

Source: PEFA assessment scores.

Note: PEFA is a framework and process for assessing the public financial management systems of countries. Assessed countries receive a grade between A+ (highest) to D (lowest) for each of the assessment criteria, whereby grades for each one of the assessment criteria are based on distinct definitions. See **PEFA (2018)** for more information.

Commitment to Reducing Inequality Index (CRI)

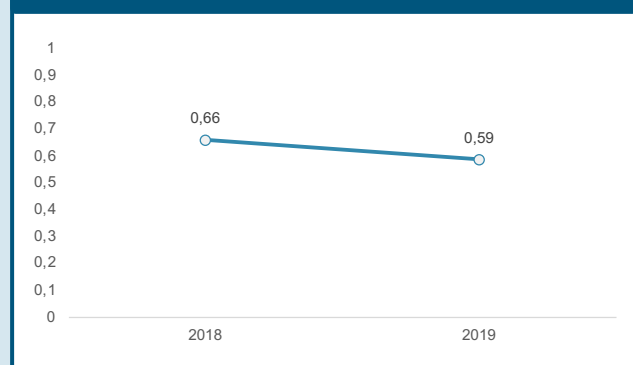
Progressivity of Tax Structure Score



Scale of zero (least progressive) to 1.0 (most progressive).

Source: Oxfam international, the Commitment to Reducing Inequality Index

Impact of Tax on Inequality



Calculated by multiplying the total revenue collected from each form of taxation as a share of GDP by a standard global coefficient for each tax that predicts its impact on the income Gini index. The results for all taxes are then summed. On a scale from 0 to 1, the country with the largest decrease in the value of the Gini coefficient as a result of this tax revenue scores a maximum of 1.0

Source: Oxfam international, the Commitment to Reducing Inequality Index

Recent reform steps

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

- Continued changes to **tax legislation**, such as the approval of a VAT implementation plan to implemented in 2021, and the implementation of Single Tariff in line Ministries and independent directorates.
- The **full implementation of an e-filing system** in the SLTO and expansion to MTO and STO.
- **Improved audit processes** to boost revenue mobilisation. This includes having drafted, approved and implemented the Time Bound Audit procedure in Kabul tax offices and provincial Mostofiat, and having established and operationalised Taxpayers Audit Department under the ARD structure.
- Undertaking a **Taxpayers Satisfaction Survey**.

Recent progress

Enabled by a variety of strategies, policies, reforms and systems implementation, Afghanistan's **revenue collection is to increase by 14%** in 2019, totalling USD 2.7 billion. These include:

- Submitting amendments for the implementation of the VAT Law in order to eliminate the Business Receipt Tax (BRT) for companies subject to VAT registration;
- Issuing a circular mandating VAT registration for eligible firms, establishing a registration process based on the use of digital national IDs;
- Implementing and expanding E-filing in Single Large Tax Office (SLTO), Medium Taxpayer Office (MTO) and other selected sectors of ARD;
- Approving Time Bound Audit, License Cancelation;
- Redrafting the Land Tax Law and Arrears Laws;
- Establishing and operationalising Taxpayers Audit Department and the Single Large Taxpayers Office (SLTO);
- Modifying the organisational structure of the ARD;
- Distributing certificates to qualifying tax accountants;
- Publishing all tax laws, consolidated with latest amendments on the ARD website;
- Implementing a public awareness campaign in Kabul and provinces to educate taxpayers and give information about their rights and obligations in accordance with the taxation laws of the country.

Outlook: DRM priorities

N/A

Ensuring policy coherence for development

The Income Tax Law and the Tax Affairs Administration Laws provide guidance and rulings for tax authorities and other agencies pertaining to tax-related issues and tax collection. A more comprehensive amendment of the 2009 Income Tax Law has been sent to the parliament and is pending approval. In addition to taking steps to expand their tax base, Afghanistan has worked to improve the skills and capacity of all ARD staff members, as well as to train staff in audit, taxpayer services and the general tax administration. Afghanistan has also demonstrated policy coherence for development by:

- Addressing **illicit financial flows** by establishing the Financial Transactions and Reports Analysis Centre of Afghanistan (FinTRACA) in 2006.
- **Promoting international tax cooperation** through its membership to Belt and Road Initiative Tax Administration Cooperation Mechanism “BRITACOM”, the Association of Tax Authorities of Islamic Countries “ATAIC”, and Addis Tax Initiative “ATI”.
- The Afghanistan Revenue Department and Ministry of Finance have developed Afghanistan’s own model for **double taxation agreements** to use in negotiations with other countries.