



Business Receipts Tax

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Introduction

Business Receipts Tax (BRT) is a tax collected from total income (from sales or services), before any deductions, of legal persons who provide goods and services in exchange for payment (in either money or in goods and/or services).

BRT is also imposed on natural persons (individuals) in certain circumstances, described below.

The Income Tax Act 2009 simplified Business Receipts Tax by exempting many items previously taxed (See Section Income Exempt from Business Receipts Tax) and reduced the rate on most taxable income, with some exceptions, to two percent.

Who must pay Business Receipts Tax?

A legal person (corporation, limited liability company, partnership, etc.) must file a quarterly return and pay tax for the quarter.

A natural person having gross receipts of AFN 750,000 or more per quarter must file a quarterly return and pay tax for the quarter.

However, a natural person who owns a hotel, restaurant, or guesthouse, and whose quarterly gross receipts are less than AFN 750,000, still must file a quarterly return and pay tax for the quarter.

Method of Accounting

BRT is based on gross receipts. The term 'gross receipts' means gross receipts under a cash method of accounting, that is, the receipts are taken as income when the money is received before any deductions.

Recordkeeping

The Income Tax Law 2009 requires taxpayers to maintain

Note

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

adequate accounting books and records to prove payment of correct amount of tax. (Chapter 5). The Ministry of Finance has authority to examine the books and records of the taxpayer and those of associated persons (Article 91).

Treatment of BRT for income tax purposes

BRT paid is considered to be an ordinary and necessary expense of doing business and is therefore deductible from gross income when computing taxable income for the year.

Tax Rates & Application

There are three rates for Business Receipts Tax: two percent, five percent, or 10 percent with rates applied on gross receipts based on business type as specified in the Income Tax Law 2009.

Gross Receipts Subject to 2% Business Receipts Tax

All gross receipts are subject to two percent with the following exceptions:

- Hotel services
- Restaurant services
- Telecommunications services
- Airline services
- Halls and clubs services as related to events

The income of a hotel, restaurant, or guesthouse with gross receipts less than AFN 750,000 per quarter is subject to two percent BRT.

The gross value of imports (including any customs duties paid) are subject to two percent BRT. The two percent BRT paid on imports will be allowed as an advance payment for business receipt tax payable. If the amount paid at the time of import is more than the business receipt tax for that year the excess amount is not allowed as credit in the subsequent year.

Gross Receipts Subject to 5% Business Receipts Tax

Gross receipts from halls and clubs where events are held (such as wedding halls).

Gross receipts from restaurants, hotels, and guesthouses with gross receipts of AFN 750,000 or more per quarter

Gross Receipts Subject to 10% Business Receipts Tax

Gross receipts of restaurants and hotels considered “luxury” hotels and restaurants.

Gross receipts or income for telecommunication and airline services regardless of whether the taxpayer has passed the tax onto the customer.

Services defined

A legal person (corporation, limited liability company, partnership, etc.) or a natural person operating as a sole proprietor providing a service as defined in categories listed below must file a return and pay tax on a quarterly basis.

Hotel services – means the provision of sleeping accommodation and related services, including the provision of meals, beverages, laundry and communications services, to persons who occupy such accommodation as transient guests.

Restaurant services – means the provision of food or beverages by an establishment that provides facilities for immediate consumption at that establishment, or catering services of prepared food; or sales of cooked foods that were prepared on the premises.

Telecommunication services – means the provision of any kind of telephone, internet, or fax service.

Airline services – means passenger air services where the flight originates in Afghanistan.

How might these rates vary for a single business?

Applicable BRT rates can vary based on the business activity generating income as documented by relevant gross receipts.

Example 1: Kabul Nights Restaurant, a legal person, is a fine dining restaurant taxed at 10 percent on its restaurant services. The restaurant also sells traditional handicrafts, which are taxed at a 2 percent rate.

How might these rates vary for by quarter?

Example 2: Ahmad, who is a sole proprietor, recently opened a restaurant in Kabul. Monthly gross sales of the restaurant for the first three months (Mizan, Aqrab and Qaus) were AFN 274,000. Since sales for the quarter were less than AFN 750,000, the business (although a sole proprietor) will have a business receipts liability at two percent of gross receipts for the quarter, or AFN 5480.

Example 3: Ahmad's restaurant has become well known and business has increased significantly. His gross receipts for Hamal, Saor, and Jowza were AFN 970,000, which exceeds the AFN 750,000 threshold. Therefore, Ahmad must pay BRT for the quarter at 5 percent, or AFN 48,500,

When is BRT Paid?

Tax forms and payments are due on a quarterly basis using the solar calendar. Tax payments should be made in afghani at Da Afghanistan Bank no later than the 15th day following the end of the solar quarter in which the sales were made.

Quarter	Due Date
Hamal – Jowza	15 Saratan
Saratan – Sunbala	15 Mizan
Mizan – Qaus	15 Jeddi
Jeddi – Hut	15 Hamal

Example 4: During the 3rd quarter (Mizan-Qaus) of the solar year, ABC Company received AFN 200,000 in commissions and AFN 100,000 from the sales of products. ABC Company has calculated its tax due on the receipts from commissions and from sales of products as AFN 6,000 $[(AFN 200,000 + AFN 100,000) \times 2\%]$. ABC Company would file this return and pay the amount due at Da Afghanistan Bank no later than 15 Jeddi.

Example 5: From Example 3 above, Ahmad has calculated his tax due on the AFN 970,000 for Hamal, Saor, and Jowza as AFN 48,500. Since the return and tax are due on a quarterly basis, he would complete his form and file this return and pay the tax at Da Afghanistan Bank no later than 15 Saratan.

The Tax Form and Calculation of Tax

The four part BRT form requires name, address, taxpayer identification number (TIN), business type, gross receipts for each type of BRT, total tax for each type of BRT and total tax payable. One copy is filed with the cashier at Da Afghanistan Bank when the tax is paid. The bank will send two copies of the form to the Ministry of Finance. Taxpayers retain a fourth copy for their records.

If BRT has been withheld and paid during the quarter, for example, BRT withheld from payments for fulfilling government contracts, it needs to be included in the calculation of tax on the BRT form.

Example 6: From Example 1 above, Kabul Nights Restaurant has receipts from restaurant services (food, beverages, etc.) subject to 10 percent BRT and receipts from sales of handicrafts subject to two percent BRT.

During the second quarter of 1389 Kabul Nights had gross receipts from sales of handicrafts of AFN 320,000 for the quarter. Kabul Nights paid AFN 2,000 BRT on some items it imported for its business in the first week of the quarter. It also had gross receipts from restaurant services of AFN 1,050,000 for the same three months. Kabul Nights would report this income by 15 Mizan 1389 as follows:

Quarterly Tax Period From Saratan To Sunbala

2% Business Receipts Tax

Line 11 - Gross receipts of goods and services	320,000
Line 14 - Total for Quarter	320,000
Line 15 - Quarterly Tax (multiply by 2%)	6,400

10% Business Receipts Tax

Line 20 – Gross receipts of luxury or premium hotels and restaurants	1,050,000
Line 22 - Total for Quarter	1,050,000
Line 23 - Monthly Tax (multiply by 10%)	105,000
Line 24 - Total Tax Due For Quarter	111,400
Line 25 - Total BRT paid during quarter	2,000
Line 26 - Total Payment Due	109,400

What if a business doesn't have income during the quarter?

If a business meets the tests for the BRT categories discussed in this guide, but has no receipts for the quarter, the taxpayer must still file a return with a statement attached

explaining that the business had no gross receipts during the quarter. Remember that BRT is applied to gross receipts and not net profits. If the claim is accepted, the business will not be subject to BRT for the quarter. If, however, the claim is found to be false, the business will incur additional tax as a penalty (under Articles 100 and 104 of the Income Tax Law) in addition to the tax owed.

Income exempt from Business Receipts Tax

- Income received from
 - Interest
 - Export of goods and services
 - Rent or lease of residential property to a natural person providing that the tenant uses the property for residential purposes for more than six months of the tax year
 - Sale of the property by a natural person outside of the ordinary course of the natural person's business. A sale is considered to be outside the course of the natural person's business when such sales are not regular and continuous.
- Fees earned from the exchange of currency, operation of savings or other bank accounts, transaction from deposits or withdrawals, issuance of checks and guarantee letters, internet banking, provision of mortgages or loans, provision of lines of credit
- Issuance of cash-settled contracts pending a specific date in the future
- Future contracts settled by physical delivery
- Premiums for the provision of insurance or re-insurance
- Distributions received by a shareholder from a corporation, limited liability company or partnership with respect to the shareholder's stocks or partnership interest
- Salary or wages

Enforcement Provisions

Failure to comply with the requirements of the Income Tax Law may result in the Ministry of Finance using administrative powers within the tax law to ensure compliance. These provisions are contained in Chapters 14 & 16 and include fines, penalties and imprisonment.

Where to find information?

Afghanistan Revenue Department tax offices and Mustufiats provide forms, instructions, and guides 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.

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