



Islamic Republic of Afghanistan
Ministry of Finance
Customs and Revenue Department
Afghanistan Revenue Department
Revenue Legal Services Directorate

Tax Exemption Issuance Procedure
For
Contractors of US and NATO Armed Forces
Under
Bilateral Security Agreement (BSA) and Status of Forces
Agreement (SOFA)

No: 10

Date: 22/2/1397

Preface:

Afghanistan Revenue Department (ARD) has previously issued a manual of procedures for issuing private ruling for certification of tax exemptions to nonprofit entities and contractors who under international agreements are implementing projects and supplying goods and services. This manual, without any exception is implemented as the only guide for issuing private ruling for certification of tax exemption to all international agreements including agreements of military cooperation between Islamic Republic of Afghanistan and USA, and Islamic Republic of Afghanistan and NATO.

Currently, upon implementation of the Bilateral Security Agreement (BSA) with USA and Status of Forces Agreement (SOFA) with NATO on security cooperation as Resolute Support (RS), to facilitate and expedite the process and issuance of private ruling of tax exemption to contractors who under these agreements are providing goods and services to RS forces, this procedure has been established after mutual agreement by a joint working group on a simplified process for issuance of tax exemption.

Authority:

This procedure has been established in accordance with Article 62 of Tax Administration Law (TAL) published in Official Gazette # 1198, dated 28/8/1394.

Objectives:

This procedure has following objectives:

1. Facilitating and accelerating the process and issuance of tax exemptions to contractors;
2. Providing opportunity of bilateral cooperation between Ministry of Finance (MoF) and Contracting Agency of the RS mission for sharing information for the transparency of process.

Cooperation of RS forces:

The Contracting and Legal Office of RS, for the purpose of transparency, ensuring the implementation of bilateral agreement and for issuing tax exemptions to the contractors of the mentioned agency, shall certify the information filled and provided by the contractor on (NATO/U.S. Contractor Supplementary Information Form) attached to this procedure and send a scan copy to Afghanistan Revenue Department (ARD) via email.

The Application Process:

The application process of private ruling for certification of tax exemption in accordance with BSA and SOFA takes place based on the following phases:

Phase 1:

The contractor is required to provide the following information to MoF (ARD) for attaining private ruling for certification of tax exemption:

1. Application for issuing private ruling for tax exemption;

2. **NATO/U.S. Contractor Supplementary Information Form** filled in accordance with information of contract and verified by the RS Contracting Agency;
3. Copy of license in case the contractor is a foreigner, (copy of documents to prove that contractor is a foreigner).

Phase 2:

Upon receiving other documents and relevant information, in response the MoF-ARD will make an effort to issue a written ruling within 21 calendar days in accordance with Article 108 of Income Tax Law. This private ruling shall clearly state that which activities are tax exempted (in case available) and also determine the exempted taxes (in case available). In order that the entity remains compliant to tax laws, the mentioned ruling will specify the terms of existing reporting.

Phase 3:

The contractor, who attains private ruling for tax exemption, attaches the copy of ruling with the tax return and submits it to the relevant tax office based on which tax clearance takes place and tax clearance letter is obtained for the renewal of license.

Custom Duties and Other Payments:

Tax exemption certificate which is issued based on the instructions of this ruling is applicable only on taxes mentioned in tax laws and is not applicable on custom duties and other payments collected by other Government entities.

Applicable Provisions:

Non-compliance with provisions of tax laws encourages MoF or ARD to apply its administrative powers described in law for ensuring compliance. These provisions are stipulated in Tax Administration Law and include additional taxes and penalties. In case the purpose of non-compliance is tax evasion, the taxpayer shall be introduced to Attorney General Office for legal prosecution.

Tax Information:

Tax forms and guides both in printed and electronic forms are available free of cost at MoF-ARD offices, local mastofiates, and on ARD's website at <http://www.ard.mof.gov.af>. Copies of Income Tax Law and Tax Administration Law can also be downloaded from the website. Locations, contacts and working hours of offices and mastofiates are provided as well. Taxpayers can also receive other useful information including different notices, regulations, questions and answers on wages holding tax, other subjects of Income Tax Law and Income Tax Law Manual. Similarly, the mentioned site includes Manuals of tax laws in which each article is explained separately with appropriate examples.

Date of Enactment:

1. This procedure with the attached Contractor Supplementary Information Form is enacted from the date of approval and relevant tax offices are obliged to implement it.

2. All contractors who have signed contracts with USA under BSA and with NATO under SOFA, to attain private ruling for certification of tax exemption, shall act in accordance with the instruction of this procedure.

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Checked

Approved

Ministry of Finance Authority