



MOORE Afghanistan

DOING BUSINESS IN AFGHANISTAN

INTRODUCTION

Afghanistan has a fast growing economy acting as a bridge, connecting south Asia-central Asia with the Middle East & Europe ultimately. As a World Trade Organization (WTO) member, the country is committed to enable business environment for domestic as well as foreign investors. In line with its commitments, business licensing one-stop-shop, industrial parks, and investment friendly laws and regulations motivate investors to take the full advantage of the investment opportunities in the country. The investment incentives vary from low number of competitors to rich natural resources and availability of inexpensive labor force.

The Covid-19 pandemic has deteriorated investment rates globally. In response, the nations have put extra endeavors to promote and facilitate investment better than before. Likewise, Afghanistan has launched the campaign of “Invest in Afghanistan” (IIA) brand. The main objective of IIA campaign is to attract foreign direct investment (FDI), promote domestic investment in import substitute products, and promote & present Afghanistan as a potential and favorable destination for investment in the region.

Investment promotion includes marketing activities such as branding, providing website and mobile apps to make all relevant data and information available online, investment guide, releasing investment opportunities and updates through direct mailing channels, investment seminars, participation in trade shows and exhibitions, one to one direct marketing efforts, and matching prospective investors with local partners.

This investment guide has been prepared to offer information to prospective foreign and domestic investors on how to invest in Afghanistan's fast-growing economy. The guide includes seven chapters covering an overview of the country, why invest in Afghanistan, success stories, investment opportunities, guide to investing, licensing, and taxation. The first three chapters will provide a vision on investment affairs of the country, motivating investors to invest in Afghanistan for a higher profit. Meanwhile, the fourth chapter will provide plenty of investment opportunities to the prospective investors. Finally, the fifth, sixth, and seventh chapters will guide investors through their journey of investment in Afghanistan.



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ABOUT AFGHANISTAN

1.1 Geography

Afghanistan is a landlocked country situated between South Asia and Central Asia. In fact, it is considered a land-bridge to South & Central Asia and Europe due to its strategic location. It is bordered by Tajikistan, Uzbekistan, and Turkmenistan to the north, Iran to the west, Pakistan to the south and east, and China to North East.

Official Name

Islamic Republic of Afghanistan

Capital

Kabul

Provinces

Afghanistan is home to 34 provinces. From its sweeping valleys, snow-capped mountain peaks, and a mosaic of cultures and peoples, Afghanistan has one of the unparalleled natural beauties on earth.

Major Commercial Cities

Kabul, Herat, Nangarhar, Balkh, Kandahar, Helmand, and Kunduz.

Area

652,000 Km² (252,000 sq.mi)
41st largest country in the world

Climate

Afghanistan has the perfect four seasons all year round. It is known for cold winters and hot & dry summers. It gets most of its sunniest and longest days between mid April to late October making it ideal for any kind of business activity including farming, tourism, sports, construction, and many more.

1.2 Demographics

Total Population

32.9 Million

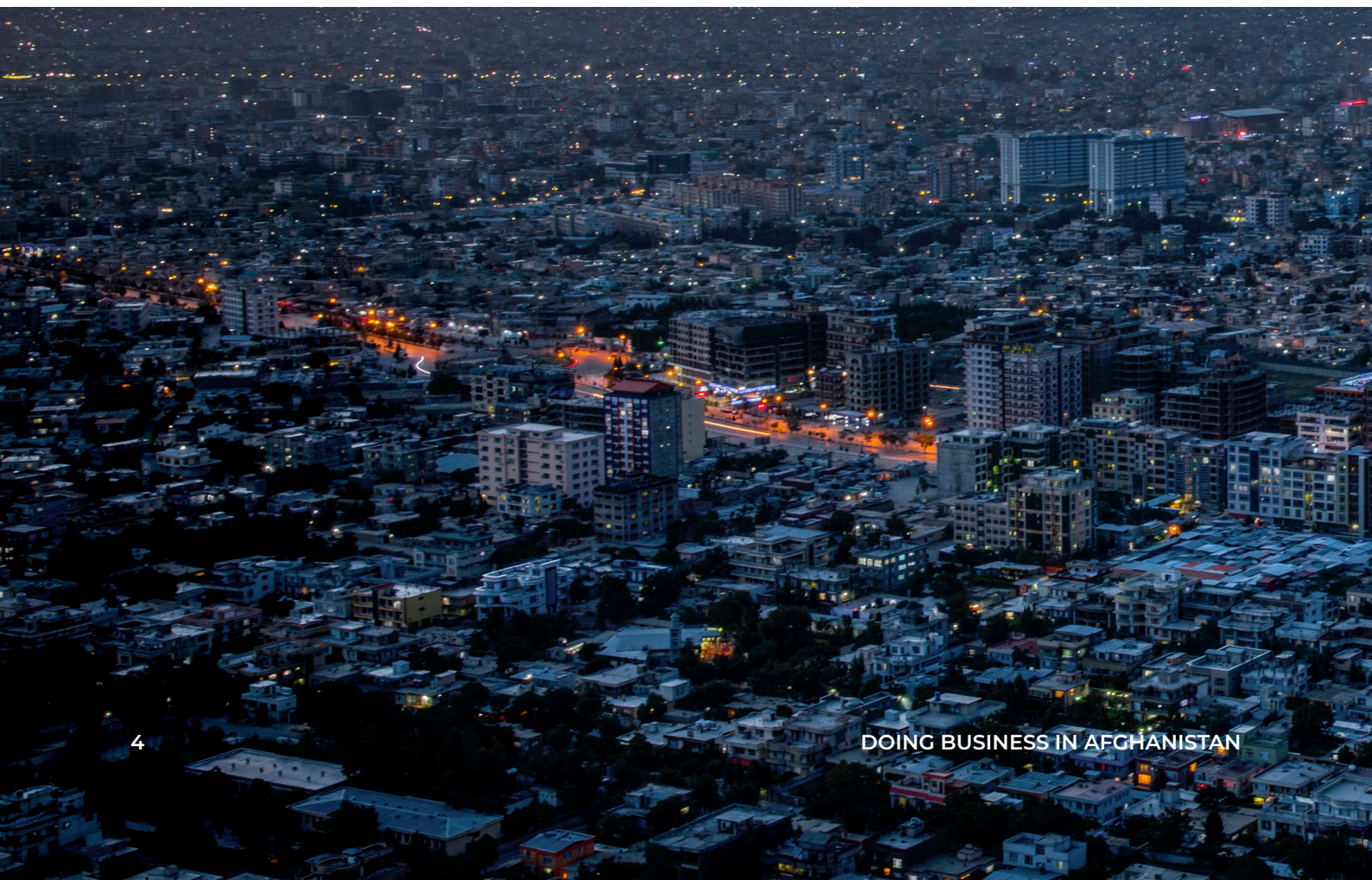
Afghanistan's total estimated population in 2020-2021

Projected Population for 2025

40 Million

Projected Population for 2050

56 Million



1.3 Economy

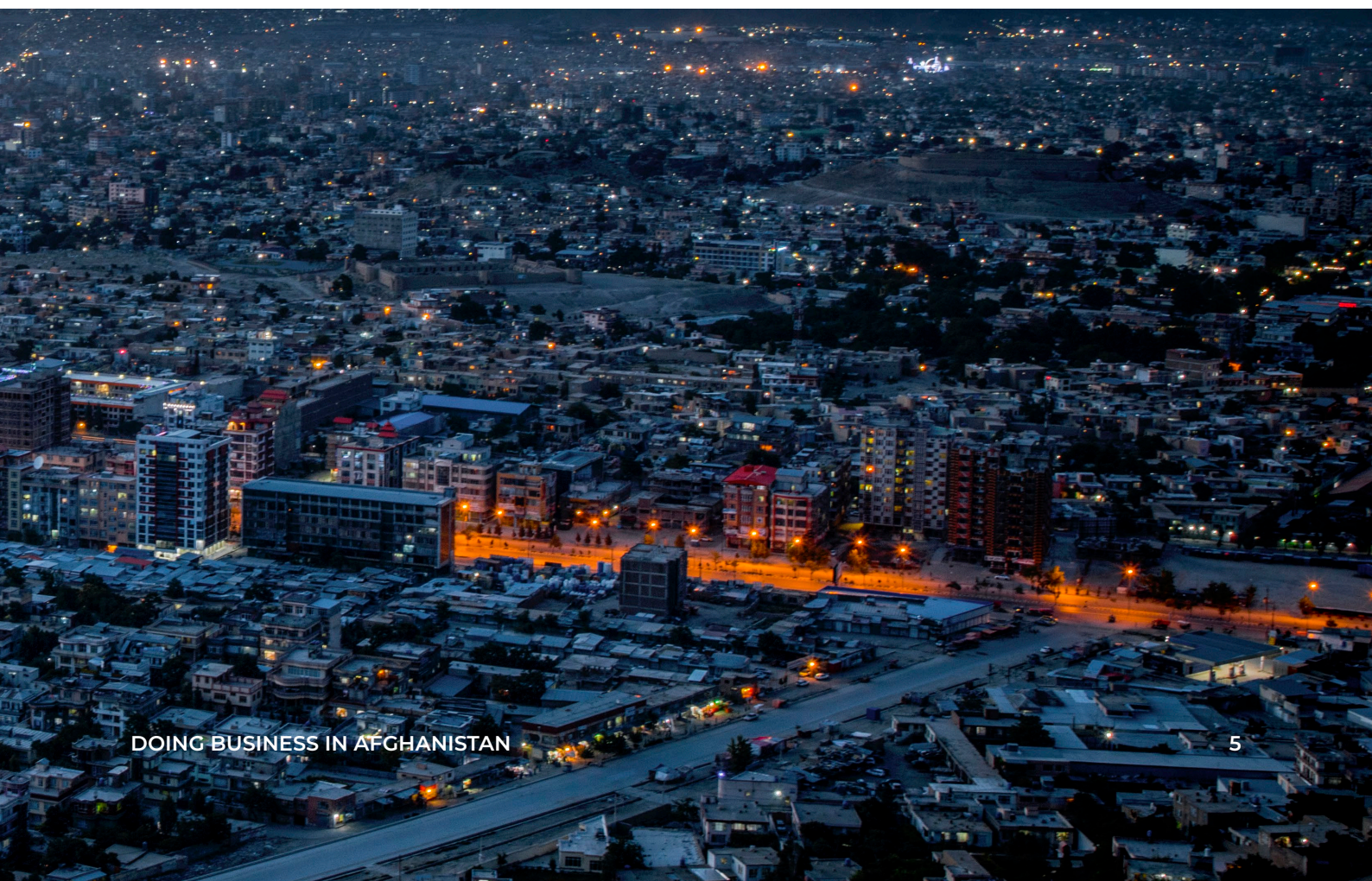
During the last two decades, Afghanistan's economy has steadily increased year by year. There has been growth in every economic sector. Data from the World Bank, as highlighted in the following chart, shows that Afghanistan's Gross Domestic Product (GDP) increased from \$4 billion in 2002 to \$19 billion in 2019 – showing an increase of a whopping 38% over 18 years which translates to an average GDP of 2.1% per year. The same source states that Afghanistan's economy grew by

3.9% in 2019 due to strong agricultural growth by government's emphasis on agriculture production.

Agriculture remains Afghanistan's most important source of employment for over 75% of Afghanistan's population and accounts for close to a quarter of its GDP. According to Afghanistan's National Infrastructure Plan (NIP), 2017-2021, the growth prospects for the economy are predominantly in agriculture and mining which will require large private sector investment.

GDP (official exchange rate)	\$19.10 billion
GDP - Real growth rate	3.9%
GDP - per capita	\$502
Main Agricultural products	Wheat, rice, barley, fruits, nuts, wool, mutton, sheepskins, lambskins, saffron
Main Industries	Small to medium-scale production of steel, carpets, bricks, textiles, soap, furniture, shoes, fertilizer, apparel, food products, non-alcoholic beverages, mineral water, cement, handwoven carpets, natural gas, coal, copper
Labor Force	14.4 million
Unemployment Rate	23.9%
Exports	\$1.48 billion
Main Export Commodities	Fruits and nuts, handwoven carpets, wool, saffron, cotton, hides and pelts, precious and semi-precious gems, and medicinal herbs
Imports	\$7.23 billion
Main Import Commodities	Machinery and other capital goods, food, textiles, petroleum products, cooking oil, sugar, tea

Table 1: Afghanistan Economic Snapshot



1.4 Economic impacts of COVID-19

The government of Afghanistan started its efforts to contain the spread of the virus early on during the month of January by controlling travelers at airports and other international entry points. Despite this, the first COVID-19 case in Afghanistan was identified on 22 February 2020 in Herat. It should be borne in mind that at the time of writing of this report, Afghanistan already passed the initial surge phase of the COVID-19 pandemic and is now entering the second phase. As of end-November, based on the worldometer database, the officially recorded cases in Afghanistan are 45,966 and the total deaths are 1,752 with actual cases and fatalities expected to be far higher.

This situation significantly impacted the MSMEs in Afghanistan, declining job opportunities for many across the country. In 2017 the unemployment and under-employment was 39.5%. Experts claim that it is expected that both unemployment and poverty rates could rise a record breaking number if the situations stay the same.

The COVID-19 pandemic has plunged the Afghan economy into a deep recession. According to the Biruni Institute, the economy is projected to contract by 8.2 % in 2020, driven by a fall in output as a result of disruptions to supply chains and exports, and a drop in consumption due to an income shock borne by the households.

The government of Islamic Republic of Afghanistan had no choice in introducing an expansionary fiscal policies as the COVID-19 triggered recession has further reduced the available policy options for the government

as domestic revenues were immediately and abruptly affected by the crisis in the second quarter of the 2020. Hence the government started reviewing its development portfolio, by re-locating resources across the development projects, restructuring some of the existing projects, and introducing new projects that are better targeted to the poor and the sectors that increase resilience at times of crisis such as agriculture sector.

1.5 Infrastructure

Infrastructure remains a critical component for long-term economic growth and development in Afghanistan. Since 2002, the government of Afghanistan has taken great strides to improve country's infrastructure. It has enacted laws, rules and regulations to create an enabling environment for both public and private sector investments. Afghanistan has rebuilt existing infrastructure and developed new ones. Key progress include building of roads, airports, railway lines, optical fiber network, dams, schools, and much more. Still the country is faced with huge infrastructure challenges.

Investment opportunities are at an all-time high and require long-term commitments from investors. Afghanistan's NIP with tremendous investment opportunities include hydropower dams, renewable solar energy plants, Kabul ring road, urban transport, civil aviation and trade facilitation, dry ports and transport logistics, rehabilitation of existing and new irrigation schemes, irrigation intake canals, water storage reservoirs for rainfed agriculture and irrigated agriculture, and housing.



WHY INVEST IN AFGHANISTAN?



1
**PRO-INVESTMENT
GOVERNMENT**



2
WTO



3
**LOWER COSTS OF
DOING BUSINESS**



4
**UNTAPPED MARKET
(LOW NUMBER OF
COMPETITORS)**



5
**GLOBAL MARKET
ACCESS THROUGH
REGIONAL
CONNECTIVITY**



6
**RICH IN
NATURAL
RESOURCES**



7
**BILATERAL &
MULTILATERAL
TRADE AGREEMENTS**



8
**DISPUTE RESOLUTION
CENTER**



9
**YOUNG &
INEXPENSIVE
LABOR FORCE**

2.1 Pro-Investment Government

The government of the Islamic Republic of Afghanistan (GoIRA) is fully committed to supporting and promoting investments by foreigners and Afghans.

Free Market Economy

The government has a vision for developing the country based on the principles of free market economy supported by private sector development.

Afghan Constitution

Article 10 of the Afghan constitution encourages and protects private capital investments and enterprises based on the market economy and guarantees their protection in accordance with the provisions of law.

Ease of Doing Business Indicators

The government has considerably implemented pro-business laws and efficient regulations to remove obstacles in line with the requirements of doing business indicators set by the World Bank. According to the World Bank's Ease of Doing Business, Afghanistan's ranking has increased considerably.

It has implemented reforms in the ease of starting

a business, getting credit, protecting minority investors, revenue collection, and a new insolvency law.

Incentive Packages

The government has undertaken several other important reforms to attract Afghan private-sector and foreign investment, by offering incentive packages to investors, including visa on arrival, benefiting from Afghanistan's preferential tariffs treatment both on imports and exports, granting of industrial land at favorable terms, promotion of public-private partnerships and streamlining of the business license registration process. Also, the international community remains committed to Afghanistan's development, pledging over \$97 billion at eleven donors conferences between 2003 and 2020 with future commitments to continue. Most recently, the November 2020 Geneva Conference had produced pledges of 12 to 13 billion US dollars for the period between 2021 to 2024.

Liberal Investment Laws

Afghanistan has one of the most liberal investment laws based on the principles of free market economy and supported by the government's vision of fostering private sector development and increasing domestic and foreign investment.

To-date, the country has created an enabling regulatory environment by developing and passing several laws to promote private sector development, attract domestic and foreign

investments, and ensure protection of investors. Below is a list of key laws enacted by the government of Afghanistan that serve different purposes and are important for investors.

Name	Enforcement Date	Gazette Number
Private Investment Law	December 06, 2005	869, 985,1230
Public Private Partnership (PPP) Law	September 05, 2018	1322
Insurance Law	July 22, 2008	954
Law on Limited Liability Companies	March 03, 2019	1292
Commercial Mediation and Arbitration Law	January 18, 2007	913
Law on Commercial Contracts and Selling Property	October 20, 2014	1150
Income Tax Law	March 18, 2009	976, 1181, 1103, 1115, 1118, 1206, 1251
Value Added Tax Law	December 21, 2016	1209, 1244
Customs Act	July 28, 2016	1235
Law on Banking of Afghanistan	August 17, 2015	1197
Da Afghanistan Bank Law	November 11, 2003	1197
Mineral Law	September 05, 2018	1315
Law on Oil and Gas (Hydrocarbons)	September 05, 2017	1277
Labor Law	November 25, 2008	966, 1230

Table 2: Important Laws to Know in Afghanistan

Source: Kakar Advocates - <https://www.kakaradvocates.com>

Attractive Tax Regime

Afghanistan has one of the most attractive tax regimes in the region. Some of the key highlights of what taxes mean to investors in Afghanistan.

- Investor can own 100% of the company. Investors can lease real estate for up to 90 years for arable land and longer for non-arable land.
- 20% flat corporate tax rate
- Zero restrictions on repatriation of capital and profits
- Indefinite carry forward of losses and use of accelerated capital depreciation
- No import duties on machinery. Only 1% duty on raw materials
- Availability of state-of-the-art dispute resolution center for all investors

2.2 WTO Membership

Afghanistan became an official member of the World Trade Organization (WTO) on 29 July 2016. Afghanistan, being a landlocked country is also considered a Least-Developed Country (LDC) by the United Nations (UN). This situation makes

Afghanistan eligible to enjoy special treatment from the WTO member states in the global trading system. Apart from the regular benefits enjoyed by the WTO members, Afghanistan is eligible to receive duty-free entry or reduced tariff rates under Preferential Trade Arrangements (PTA) for its products exported to the following countries shown in table 3.



Provider	Type of Scheme	Note
Armenia	Generalized System of Preferences	
Australia	Generalized System of Preferences	
Canada	Generalized System of Preferences	Also enjoys Most-favored nation (MFN) treatment from Canada
European Union	Generalized System of Preferences	Duty-free quota-free access to all products, except for arms and ammunitions
Iceland	Generalized System of Preferences	
Japan	Generalized System of Preferences	
Kazakhstan	Generalized System of Preferences	
New Zealand	Generalized System of Preferences	
Norway	Generalized System of Preferences	
Switzerland	Generalized System of Preferences	
Turkey	Generalized System of Preferences	
United States of America	Generalized System of Preferences	Duty-free scheme for approx. 5,000 products
India	Duty-Free Tariff Preference Scheme for LDCs	
Chile	Duty-free treatment for LDCs	
China	Duty-free treatment for LDCs	Duty-free and Quota-free scheme for 4,000 products
Kyrgyz Republic	Duty-free treatment for LDCs	
Montenegro	Duty-free treatment for LDCs	
Tajikistan	Duty-free treatment for LDCs	
Thailand	Duty-free treatment for LDCs	
Korea, Republic of	Preferential Tariff for LDCs	

Table 3: Afghanistan's Preferential Trade Arrangements Country List

Source: WTO

2.3 Lower Costs of Doing Business

Establishing a business does not cost a lot in Afghanistan. Registering a business and obtaining a business license does not take more than 8 hours and costs only 1.4 US Dollars all under one-stop-shop, which is equipped with modern data center and biometric system of licensing. The same one-stop-shops are available in 25 provinces in Afghanistan.

The government offers industrial land equipped with necessary infrastructure for just 14.5 US Dollars per square meter to investors. Investors can set up their businesses all over Afghanistan in the designated industrial parks established by the government and thus avoid unnecessary set-up costs. All industrial parks are managed by the Ministry of Industry and Commerce (MoIC).

2.4 Untapped Market (Low Number of Competitors)

Although Afghanistan is a war-torn country, many international investors enjoy a less competitive environment. Afghanistan has come a long way in a short time in terms of the rules and regulations pertaining to the entry and operations of foreign investors, providing the same opportunities for both national and international investors, the functioning and efficiency of local markets, facilitating and simplification of tax and compliance procedures, and many other aspects that facilitate foreign direct investments (FDI).

Although many companies are doing business in Afghanistan, the majority of these businesses are donor-dependent. In other words, the Afghan market is relatively untouched. According to a UNCTAD report, the total FDI inflow for 2019

was 39 million US dollars (UNCTAD's 2019 World Investment Report). Another factor that makes Afghanistan an attractive FDI destination is the labor force availability and low cost.

Last but not least, Afghanistan's location makes it more attractive for international investments. Afghanistan is located in the heart of Asia, strategically connecting the region. Afghanistan can act as a corridor connecting all countries in the region.

2.5 Global Market Access through Regional Connectivity

Due to its unique strategic location, Afghanistan offers many benefits to prospective investors. By creating an investment base in Afghanistan, investors can target not only local Afghan markets, they can also access international markets in Central Asian, South Asian, Middle Eastern countries and beyond. Economic giants such as China and India and the fast-growing markets of Pakistan are just miles away from Afghanistan. Over 2 billion consumers can be targeted right from Afghanistan, which offers unlimited earning potential to investors.

Similarly, Afghanistan is considered the future hub of trade, transit, culture and energy production and transmission. Afghanistan's NIP highlights the importance of mega energy projects related to movement of natural energy through Afghanistan, which will serve as the utility corridor connecting the energy-rich Central Asian nations to energy-poor South Asia. There are three projects that are currently in the pipeline:

- TAP 500 kV transmission line that would initially move 2000 MW from Turkmenistan to Pakistan via western Afghanistan and could eventually carry up to 4000 MW.
- TAPI gas pipeline that will transport natural gas from Turkmenistan to Pakistan and India via Afghanistan.
- CASA 1000 transmission lines that will move over 1000 MW of electricity from Kyrgyzstan and Tajikistan to Pakistan via Afghanistan.

These projects will enhance regional cooperation and connectivity by offering investment opportunities in energy supply, transport systems, freight and logistic supply chains, and high-

speed telecommunications. These projects will create tens of thousands of jobs, provide energy to Pakistan and India, bring development, reduce poverty, and increase regional cooperation between Afghanistan, Pakistan and India.

In addition, Afghanistan has signed a trilateral transit arrangement on Cross-Border Transport of Persons, Vehicles and Goods (CBTA) with Tajikistan and Kyrgyzstan, within the framework of the Central Asian Regional Economic Cooperation (CAREC). Afghanistan is a member of CAREC. The CAREC program will expand trade and improve competitiveness in the region. In this connection, Afghanistan will benefit from Corridor 5 and 6 of CAREC that aims to connect East Asia with the Middle East and South Asia; running through China, Kyrgyzstan, and Afghanistan and also to connect Europe and Russia to the Middle East and South Asia, with three routes to the Arabian Sea port of Karachi and Gwadar or Bandar Abbas in the Persian Gulf. Afghanistan will also benefit from other key corridors such as APTTA (Chaman-Karachi-Gwadar-Wagah border in India), Lapis-lazuli which will give easy access to Chabahar and Bandar Abbas seaports of Iran.

2.6 Rich in Natural Resources

Afghanistan offers untapped investment potential in its one of a kind natural resource known for quality, abundance and purity. As per the official government figures,



Afghanistan has over 1,400 identified mineral deposits related to oil, gas, coal, gold, iron and copper.

Afghanistan is also home to abundant deposits of precious and semi-precious stones mainly emerald, jade, amethyst, alabaster, beryl, lapis lazuli, tourmaline, ruby, quartz, and sapphire.

Afghanistan also offers great opportunities for investments in the hydrocarbons industry.

As an example, according to the MoIC, the Aynak copper resource (known as Mes Aynak) has been estimated at 240 million metric tons making it the 2nd largest reserve of copper ore in the world with

deposits estimated to be worth up to \$88 billion. The government of Afghanistan awarded a mining contract to China Metallurgical Group (which was selected through an international bidding process) and entered into a 30-year lease for the development of a copper mine at Mes Aynak in Logar Province for \$3 billion. This has been the biggest foreign investment in Afghanistan.

2.7 Bilateral & Multilateral Trade Agreements

Afghanistan has bilateral and multilateral trade agreements with several countries.

Afghanistan has bilateral and multilateral trade agreements with several countries.

Agreement	Type	Countries	Coverage
Preferential Trade Agreement	Bilateral	Afghanistan-India	Goods
Afghanistan-Pakistan Transit Trade Agreement (APTTA)	Bilateral/ regional	Afghanistan-Pakistan	Goods and transit
South Asian Free Trade Agreement (SAFTA)	Multilateral	Afghanistan, Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan, and Sri Lanka	Goods
Economic Cooperation Organization Trade Agreement (ECOTA)	Multilateral	Afghanistan, Azerbaijan, Iran, Kazakhstan, Kyrgyzstan, Pakistan, Tajikistan, Turkey, Turkmenistan, and Uzbekistan	Preferential treatment of goods
Chabahar Agreement	Trilateral	Afghanistan, Iran, India	Goods
International Transportation Routes	Multilateral	Afghanistan, Iran, Tajikistan, Uzbekistan	Transportation
Lapis Lazuli	Multilateral	Afghanistan, Azerbaijan, Georgia, Turkey, Turkmenistan	Goods
International Road Transport	Membership	International	Transportation

Table 4: Afghanistan Trade Agreements

Source: MoIC of Afghanistan



2.8 Dispute Resolution Center

There is a dispute resolution center that facilitates mediation and arbitration of business issues and disputes in Afghanistan. This center was recently established under the name of Afghanistan Centre for Dispute Resolution (ACDR) which aims to attract and maintain domestic and international commercial business interests in Afghanistan and beyond. ACDR offers cost-effective and timely arbitration and mediation services to domestic and international business community besides delivering training and education to businesspeople.

2.9 Young & Inexpensive Labor Force

Afghanistan has one of the youngest populations in South Asia. Over 40% of its total population include young males and females. There is an abundant supply of quality and inexpensive labor force in the Afghan market.



GUIDE TO INVESTING

This guide is designed to help foreign and domestic investors and businesses navigate investing opportunities and how to establish their businesses in Afghanistan. In this respect, besides its several other key responsibilities, the Ministry of Industry and Commerce (MoIC) of the Islamic Republic of Afghanistan is charged with promoting domestic and foreign investments by creating a strong and stable enabling environment that will encourage a competitive private sector participation and development in Afghanistan. This is also guaranteed by the Article 10 of the Constitution of Afghanistan, which articulates a clear direction for its economy. Article 10 states that Afghanistan will be a society of hope and prosperity based on a strong, private sector-led market economy, social equity, and environmental sustainability.

Within MoIC, several departments work in tandem to promote investment in Afghanistan. For instance, General Directorate of Industrial Parks and Industrial Affairs Development (GDIPIA) is responsible to promote investments, plan, develop and manage industrial parks. Similarly, Afghanistan Central Business Registry & Intellectual property (ACBRIP), which also operates under MoIC is mainly in-charge of registering businesses in the country.

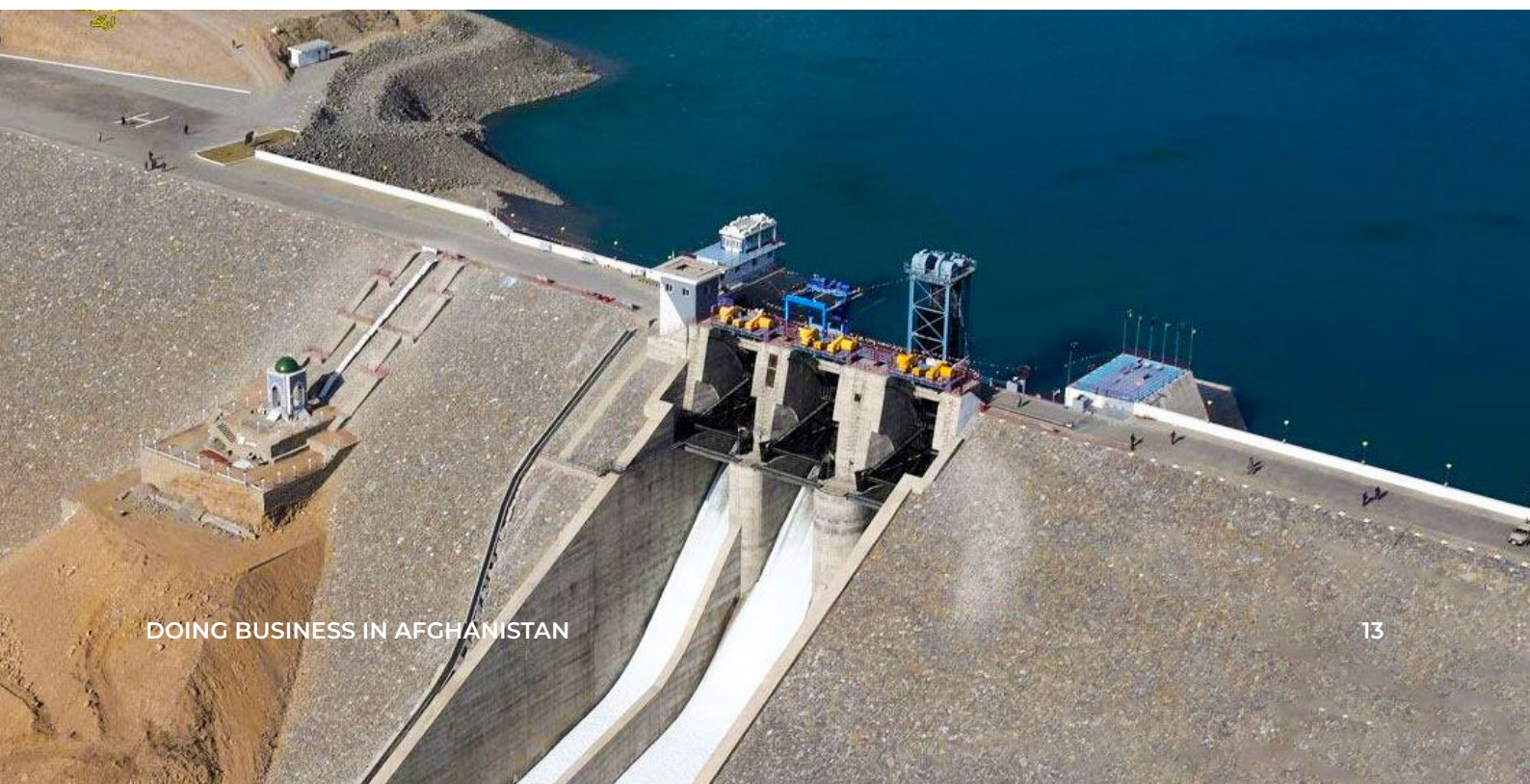
As per presidential decree #2943 dated December 31, 2017, the One Stop-Shop was also reformed under ACBRIP to bring more simplicity to the process of licensing and has become a single

window solution for all sectorial ministries and investors. ACBRIP also provides trademark registration, patents, geographical indications (GI), industrial design & integrated circuit registration services. For more information, please visit "<http://www.moci.gov.af>" and "<http://www.acbr.gov.af/en>".

High Investment Board (HIB) was established as per the instruction of the President of the Islamic Republic of Afghanistan in October 2017. HIB's main role is to attract domestic and foreign investments, recommend investment incentives in light of the applicable laws, create and approve investment policy, identify and address investment related issues. HIB has its own members composed of government ministries and independent organizations. It meets on a quarterly basis to address investors' problems and approve investment initiatives and proposals.

There are also private agencies in Afghanistan that facilitate quick business registration, visa and work permit processing, offer taxation, financial, legal, and many other valuable services at a fraction of cost. These companies know the Afghan government processes and ensure fast turnaround.

In the following sections, more information is provided about how investment should be made, what entities are involved in facilitating and making investment decisions, and what steps are needed to come to Afghanistan, and how to obtain an investment license and register your business.



Step 1- Obtaining Investment Opportunities

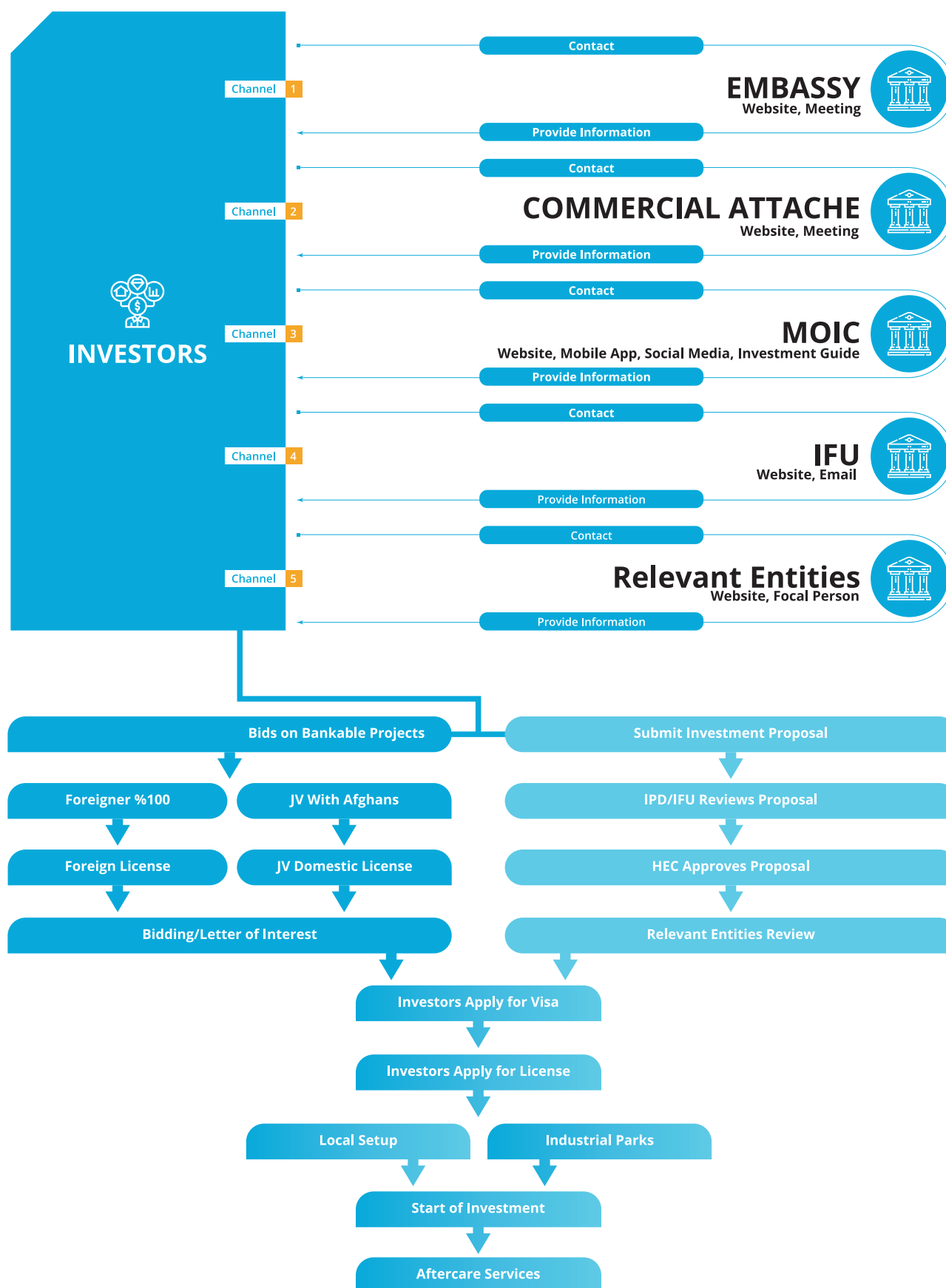


Figure 1: Investment Process Flow

3.1 Complaint Management Initiative by ACBR-IP

Afghanistan Central Business Registry and Intellectual Properties (ACBR-IP) is committed to increase transparency and prevent corruption in its services. Currently, there are two mechanisms for addressing the complaints, and one more initiative is upcoming soon. Traditionally, complaint and suggestion box under the monitoring of MOIC Minister is available at the center. Recently, a tab of complaint and suggestion is added to the website of the center. Customers can file complaint or insert suggestion online, just a click away. In addition, MOIC is going to introduce a new complaint management tool of Interactive Voice Response (IVR) system. The system enables prospective investors to receive information, talk to relevant departments, and file complaints against any inconveniences experienced in the process of receiving business license. The complaint addressing initiatives assure the investors that transparency matters for Ministry of Industry and Commerce.

3.2 Coming to Afghanistan

3.2.1 Applying for Visas

3.2.1.1 Outside Afghanistan

All prospective investors who want to invest in Afghanistan need to apply for business visa through Afghan embassies or consulates located across the world or apply at the nearest embassy or consulate serving the country of nationality of the investor. It is strongly recommended that prospective investors meet with the designated Commercial Attachés of the MoIC based at the Afghan embassies abroad. These commercial attachés have in-depth knowledge about Afghanistan and can provide valuable information to the investor in developing their business plans and guiding them throughout the visa process.

A business applicant applying from outside Afghanistan typically needs to provide the following documents to the Afghan embassy or consulate:

Introduction or permission letter from the Ministry of Foreign Affairs (MoFA), Chamber of Commerce, or other related official bodies.

Work permit and business license.

Address of the company in the country of origin and in Afghanistan, if available.

Documents showing the type of commercial activities, payment of taxes and bank account details.

3.2.1.2 Inside Afghanistan

Business visas can be issued inside Afghanistan to those applicants that have Business Passports and have been introduced by the Ministries of Commerce, Economy, Mines, Finance, Transport, and Chambers of Commerce and other relevant government bodies to MoFA.

Afghanistan's missions abroad issue three months to three-year multiple entry visas for foreign nationals. Business visas (multiple) are extended for up to three years inside the country by the Ministry of Interior Affairs upon the request of the business visa holder and letter of recommendations from the relevant government institutions.

3.2.1.3 Visa upon Arrival

The government of Afghanistan has planned to issue visas upon arrival to foreign businesspeople and investors at Hamid Karzai International Airport through the representatives of Border Police of Ministry of Interior Affairs of Afghanistan and MoFA after the examination of the required documents.

Documents required for visa upon arrival include:

- Provide a notarized copy of a valid business license with at least six-month validity.
- Submit a new notarized bank statement showing a minimum of US \$100,000 deposit.
- Complete the visa application form and provide a recent photo.
- Provide documentation showing the physical address of the company.
- Provide an original copy of the business letter issued by the company.
- Provide Police Clearance or No-Objection Certificate.
- Pay required visa fees for businesspersons and investors.

3.2.1.4 Working Entry Visa

For foreigners to work in Afghanistan, they need to apply for a Work Visa. They must be below the retirement age of 65 and must provide their educational documents along with the visa application, invitation or introduction letter from the employer company in Afghanistan. They should also have a confirmation letter from Consular Affairs Directorate-General of MoFA of Afghanistan.

Upon payment of applicable visa fees, work Visa is issued to employees, doctors, teachers,

trainers, experts, engineers, pilots, the staff of ground transportation and foreign technical workers based on need and previous invitations for the purpose of working at diplomatic and consular representations, UN offices, international organizations, government and non-governmental organizations, and national and international agencies. A work visa can be extended upon the request of the inviting departments through the Ministry of Interior (Mol) and supported by a letter from MoFA of Afghanistan.



BUSINESS & LICENSE TYPES

All foreign investors who want to establish a business in Afghanistan are legally required to get an investment license from and register with Afghanistan Central Business Registry & Intellectual Property (ACBRIP). The granting of this license is

in accordance with the Private Investment Law (2003), which was amended in 2006. As per this Law, investors have the choice to register their businesses using any of the following legal forms shown in figure 2.

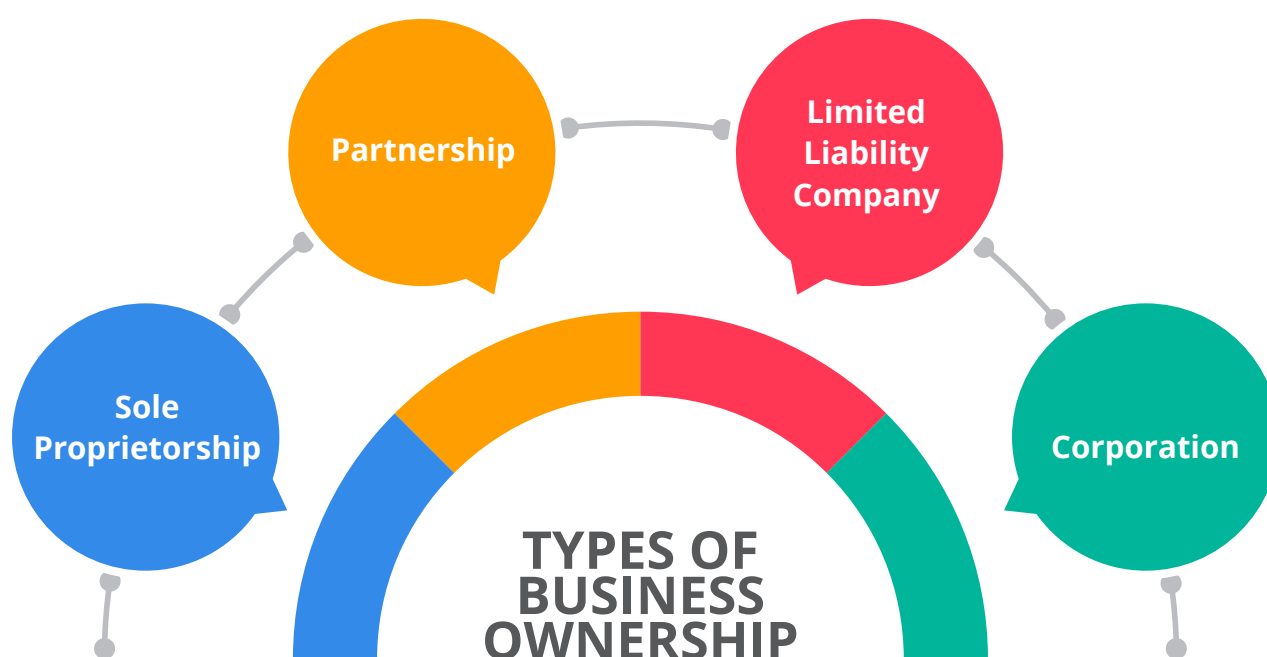


Figure 2: Legal Forms of Business Ownership Allowed under the Private Investment Law in Afghanistan

ACBRIP offers many services all under one-stop-shop for investors. It is quick, reliable and legally compliant. ACBRIP issues investment licenses valid for one year, which can be renewed for 3 years after payment of any taxes for the year or previous years to the Revenue Department of the Ministry of Finance of Afghanistan. Fees for the initial license range from \$50 to \$5000 – depending on the type of business and areas of activity. ACBRIP also processes a Tax Identification Number (TIN) from the Revenue Department of the MoF when

registering a new business. Registered businesses are legally required to inform ACBRIP in writing when ownership of capital increases take place in their companies. Additionally, a registered business must file an annual update with the ACBRIP within ninety days of the end of the Afghan fiscal year and should include an update of the information originally provided. Below is the process of registering a foreign company and obtaining a business license in Afghanistan. Please visit <http://acbr.gov.af/en> for more information.

4.1 Investment Licensing and Business Registration Process in Afghanistan



Figure 3: Investment Licensing and Business Registration Process in Afghanistan

4.2 Sector Licenses

Sector licenses are required for doing business in specific economic sectors. These licenses are issued by different line ministries and government institutions in Afghanistan. For instance, in order

to invest in the mining sector, the investor needs approval from the MoMP and a license to mine in Afghanistan besides acquiring a business license from ACBRIP. Here is a list of sectoral licenses that domestic and foreign investors need to know.

Import-Export



Licensing Department
Ministry of Industry and Commerce (MoIC)
<https://moci.gov.af/en>

Customs Broker



Counter Terrorism Unit - Armored Vehicles Registration
Ministry of Interior Affairs (MoI)
<https://moi.gov.af/en>

Armored Vehicles & Military Import



Counter Terrorism Unit - Armored Vehicles Registration
Ministry of Interior Affairs (MoI)
<https://moi.gov.af/en>

Ozone Depleting Substances



The Ozone Unit
National Environmental Protection Agency (NEPA)
<https://www.nepa.gov.af/indexen>

Media

Moore Afghanistan



Licensing Office of the Afghanistan NRT & NIBC
Ministry of Information and Culture (MoIC)
<https://moic.gov.af/en>

Tourism



Publications Division
MoIC
<https://moic.gov.af/en>

Telecom



Afghanistan Telecom Regulatory Authority (ATRA)
Ministry of Communications and Information Technology (MCIT)
<http://atra.gov.af/en> | <https://mcit.gov.af/>

Transport



Private Sector Transport Directorate | National Aviation Directorate
Ministry of Transport and Civil Aviation (MoT)
<https://mot.gov.af/en>

Banking & Finance



Financial Supervision Department – Licensing Section
Da Afghanistan Bank (DAB)
<https://dab.gov.af/>

Insurance



Insurance Directorate
MoF
<https://mof.gov.af/en>

Education



Ministry of Education (MoE)
Ministry of Higher Education (MoHE)
<https://mohe.gov.af/en>

Health



Directorate of Curative Medicine
Ministry of Public Health (MoPH)
<https://moph.gov.af/en>

Pharmaceuticals



Pharmaceutical Products Management Committee, Directorate of Pharmacy
Ministry of Public Health (MoPH)
<https://moph.gov.af/en>

Animal Husbandry



General Directorate of Animal Husbandry and Animals' Health
Ministry of Agriculture, Irrigation & Livestock (MAIL)
<https://mail.gov.af/en>

Pollution Control & Waste Management



National Environmental Protection Agency

NEPA

<https://www.nepa.gov.af/indexen>

Mining



Cadastre Directorate

Ministry of Mines & Petroleum (MoMP)

<https://www.momp.gov.af>

Downstream Petroleum Sector



Petroleum Regulation Department

MoIC

[https:// www.moci.gov.af](https://www.moci.gov.af)

4.3 Industrial Parks Land Allotment Procedure

Afghanistan has 34 industrial parks in over 14 provinces. Of these 34 industrial parks, 11 are fully operational, 11 under construction and the remaining 12 are undergoing need assessment studies. Please refer to the map on page 16 for complete list of industrial parks.

These industrial parks offer plots at cheaper rates to investors, including basic infrastructure and the ability to lease up to 90 years. The procedure for applying to a plot of land and building a factory is managed through the General Directorate of Industrial Parks and Industrial Affairs (GDIPIA) of MoIC.

Please note that the GDIPIA of the MoIC also chairs a Land Distribution Committee comprised of members of Ministries of finance, economy,

urban development, Kabul Municipality, Capital Development Zone, De Afghanistan Breshna Sherkat, and a member representing federation of chambers of commerce of Afghanistan. This committee is responsible for screening and selecting investor's applications for industrial land and recommending the selected investors to HEC for approval. After HEC approval, the investor receives temporary ownership papers from MoIC. It is incumbent on the investor to begin construction. Once construction is complete, and investor starts production/manufacturing, the GDIPIA of the MoIC recommends the investor to relevant Afghan authorities to obtain permanent legal deeds of the industrial land.

Please refer to the following figure for the steps needed to apply for industrial land in Afghanistan. For detailed information, please contact the GDIPIA of the MoIC.

4.4 Procedure for Allotment of Industrial Land in Afghanistan

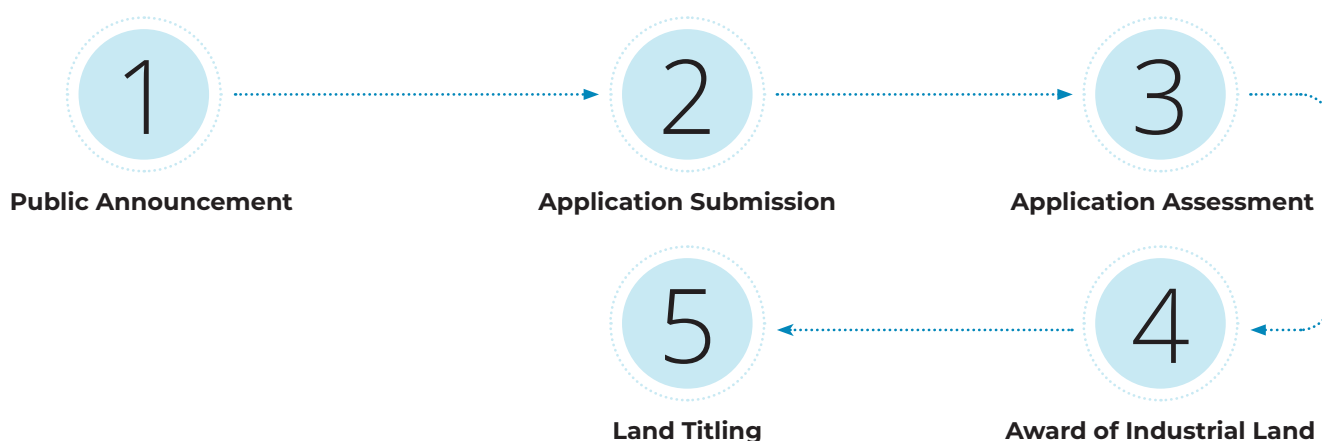


Figure 4: Procedure for Allotment of Industrial Land in Afghanistan

TAXATION IN AFGHANISTAN

The Afghanistan Revenue Department (ARD) is responsible for the administration and collection of tax and non-tax revenue for the Government of Afghanistan. ARD has segmented its taxpayers based on their income levels and economic activity. There are Large, Medium and Small taxpayer offices responsible for collecting taxes. Also, at provincial levels, ARD has its provincial representatives based at Mustofiats who also perform tax collection duties. ARD website (<http://www.ard.gov.af>) provides all necessary taxation related information and materials including the Income Tax Law 2009 and Income Tax Manual.

5.1 Obtaining a Tax Identification Number (TIN)

A Taxpayer Identification Number is a unique 10-digit number used to identify a specific taxpayer. Each taxpayer should have only one TIN. A taxpayer is defined as an individual (natural person) or legal entity (legal person) who has an obligation to report income, expenses, or business activity and/or pay tax. Please note that when an investor applies for a business license at ACBRIP in Kabul or at one of its provincial offices, the TIN number is issued at the same time ACBRIP issues the business license.

5.2 When to File Taxes?

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.

5.3 Method of Accounting

Corporations and limited liability companies are required to compute their income using the accrual method of accounting which recognizes income and expenses when due (Article 37).

5.4 Taxation Year

The taxable year starts from the 21st December (1st of Jaddi) and lasts until the 20th of December (30th of Qaws) (Article 3). A legal person (but not a natural person) wishing to use a different taxation year may apply in writing to the Ministry of Finance explaining the reasons for the requested change. The Ministry of Finance may approve such an application but only where the application is justifiable.

5.5 Personal Taxes

Resident natural persons are taxed on income from all sources worldwide, including but not limited to wages, salaries, rents, certain types of partnership income, royalties, etc. Non-residents are taxed on all income with its source in Afghanistan. The annual tax rates are as follows.

Income more than	Income not more than	Tax
0	AFN 6,000	Zero
AFN 6,000	AFN 15,000	2 percent of amount over AFN 6,000
AFN 15,000	AFN 120,000	AFN 180 + 10 % of amount over AFN15,000
AFN 120,000		AFN 10,680 + 20 % of amount over AFN120,000

Table 5: Personal Income Tax Rates in Afghanistan

Self-employed individuals must file a tax return and are allowed to deduct all ordinary and necessary business expenses against their income to compute net taxable income. Tax is calculated on net taxable income using

the same annual tax rates and thresholds as applies to other individuals (Article 4). The annual tax return for a sole proprietor is due and payable by the end of Jawza (3rd month) of the next fiscal year.

5.6 Withholding Tax on Rental Services

This is a pre-payment of landlords' income tax. Legal entity tenants and natural person tenants conducting business at the rented property and paying more than AFN 10,000 per month in rent are required to withhold the tax (and are liable for the tax) at the time the rent is paid. The tax withheld is 10 percent of the rent payment for payments over AFN 10,000 per month but less than or equal to AFN 100,000 per month, and 15 percent of the rent payment for payments over AFN 100,000. The landlord is responsible for reporting rental income on his or her annual income tax declaration (after deducting allowable expenses of maintaining a rental property if any) and paying tax annually at appropriate rates depending on entity type (legal person or natural person). Taxes are generally due on a monthly basis. However, if the rental agreement specifies a different rental payment schedule (e.g. bi-monthly, quarterly etc.) the tax withholding and payment should follow the rental schedule. The payment is made at Da Afghanistan Bank no later than the 15th day following the end of the solar month in which the rent payment is due.

5.7 Business Receipts Tax (BRT)

A 2 percent business receipts tax is imposed on gross receipts of all types of income of corporations and limited liability companies and individuals whose income is more than AFN 750,000 per quarter, except for certain types of income described below where the BRT rate is 5 percent or 10 percent. There is also a 2 percent BRT on imports, payable to the Customs House where and when the customs duty is paid. This BRT is treated as an advance payment of the quarterly BRT assessment. 10% BRT is payable on gross receipts from provision of the following services:

- International passenger airline services.
- Telecommunications services, including internet services.
- Hotels providing superior services.
- Restaurants providing superior services other hotels and restaurants with income of AFN 750,000 or more per quarter and clubs and halls (event venues) pay 5 percent BRT.

For more information, please refer to Guide 03 - Business Receipts Tax on Services available online at <http://www.ard.gov.af>.

5.8 Fixed Taxes

There are fixed taxes in lieu of income tax imposed on certain business and transaction types. In some cases, the fixed tax is a prepayment of income tax but does not relieve the taxpayer from the need to file an income and/or business receipts tax return. The following fixed taxes are addressed in Chapter 11 of the Income Tax Law:

- Fixed tax on imports;
- Fixed tax on the transport of goods or passengers for business purposes;
- Fixed tax of contractors;
- Fixed tax on exhibitions; and
- Fixed tax on small businesses.

For more information regarding fixed taxes, see Guide 19 – Fixed Taxes on Commercial Activities available at <http://www.ard.gov.af>.

5.8.1 Electronic Funds Transfer (EFT)

It is now possible to pay your taxes using electronic funds transfer. The process is simple and should make compliance easier, especially for those businesses and organizations with accounting and payment offices outside of Afghanistan. For additional information on electronic funds transfers please refer to Guide 06 – Paying Your Tax by Electronic Funds Transfer at <http://www.ard.gov.af>. You may also visit the ARD, Taxpayer Assistance Team at the Ministry of Finance in Kabul.

5.9 Corporate Tax Reform

The Afghan government is committed to making Afghanistan attractive to investors and has continued to reform corporate taxation consistent with international standards and best practice. The Income Tax Law 2009 includes provisions for accelerated depreciation (over 4 years for buildings and 2 years for other assets) and the ability to carry losses forward for an unlimited period until fully recouped.

Other corporate tax reform measures which have been implemented include:

- Taxing branches of foreign companies on the same basis as subsidiaries of foreign companies.

- Tax incentives for extractive industries.
- Extending the 20 percent withholding on dividends to include withholding for interest, royalties and other similar payments.
- Deductions allowed on the basis of attribution of actual expenses between the branch and the non-resident person.
- Ensuring 'arm's length' pricing between associated entities.
- Implementing general anti-avoidance rules to address tax avoidance practices.
- Quarantining foreign losses against foreign income.
- Allowing legal persons to apply for a fiscal year that is other than the solar year.

5.10 Afghanistan Customs and Duties

Afghanistan is a member of the World Customs Organization (WCO). Afghanistan uses the harmonized customs system. All businesses importing goods and products must submit a customs declaration form supported by documents such as original invoices, certificate of origin, original bill of lading and packing list and any other relevant document. Since Afghanistan is a landlocked country, any goods transiting from Pakistan require transit permission which is offered by the Transit Department of MoI. Also, there are other certificates and documents that need to be obtained from other government ministries prior to imports or exports of any goods when declaring goods at customs. For instance, imports of armored vehicles require MoI's certification; communication equipment requires approval from MoCIT; and imports of medicines require MoPH's certification.

For a full list of current customs tariffs see the Afghan Customs Department website: <https://www.customs.mof.gov.af>.

5.11 Required Documents for Land Acquisition

- Land acquisition form
- Business plan or a realistic and comprehensive business proposal where the parts are exact.
- Land sketch – including a site layout/plan showing all the features on the ground.
- Bank statement – an updated report from the last six months.

- Updated business license.
- Firms that have the required experience must submit a tax clearance form.
- Include all of the above documents in a CD, particularly the Land sketch and site layout/plan, which is very important.

Note: Whether the proposal is in the standardized form or not will be known after the assessment and you will be notified via email and phone.

5.12 Required Documents for Business License

Domestic enterprises applicants are required to submit the following document for registration to the center or provincial offices:

- Submitting original and updated tax identification number (TIN) of each founder and shareholder of the enterprise issued by the MoF, indicating its absence of previous duties.
- Providing NSIA approved ID Card (Tazkira) in the center and provinces indicating that the business founder is 18 years old.
- The directorate (ACBR) is obliged to ensure that the enterprise is not registered and is not liable for any previous payments. This will be verified by the TIN department.
- Submitting four pieces photo (2x3).
- Physical presence of applicant or their legal representative with an (official attorney letter) at the time of registration in order to provide a signature and fingerprint. Foreign companies who are contracting with NATO are exempt from this provision.

In addition to the sub article (1) and (3) of 24 article of limited liability law applicants are obliged to present the following documents:

- Contract form which is issued by property dealer
- Contract from which is issued by head of the relevant district or
- Personal property document of the owners or founders

USEFUL LINKS

Invest in Afghanistan
www.invest.af

Ministry of Industry and Commerce (MoIC)
www.moci.gov.af

Afghanistan Central Business Registry & Intellectual Property (ACBRIP)
www.acbr.gov.af

Investment Facilitation Unit
www.invest.gov.af

Ministry of Foreign Affairs (MoFA)
www.mfa.gov.af

Ministry of Justice (MoJ)
www.moj.gov.af

Ministry of Finance (MoF)
www.mof.gov.af

Ministry of Economy (MoEC)
www.moec.gov.af

Export Promotion Agency of Afghanistan (EPAA)
www.moci.gov.af

Ministry of Urban Development and Lands
www.mudl.gov.af

Da Afghanistan Bank (DAB)
www.dab.gov.af

Da Afghanistan Breshna Shirkat (DABS)
<https://main.dabs.af>

National Water Affairs Regulation Authority
<https://nwara.gov.af/en>

Ministry of Agriculture Irrigation & Livestock (MAIL)
www.mail.gov.af

Ministry of Mines & Petroleum (MoMP)
www.momp.gov.af

Ministry of Public Health (MoPH)
www.moph.gov.af

American Chamber of Commerce in Afghanistan (AmCham)
<https://amcham.af>

Afghanistan Chamber of Commerce and Industry (ACCI)
www.acci.org.af

Afghan-American Chamber of Commerce (AACC)
www.a-acc.org

Afghanistan Builders Association (ABA)
www.aba.af

Afghanistan Banking Association (ABA)
<http://www.aba.org.af/>

HARAKAT Afghanistan
<https://harakat.af/>

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