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Memo for your information
Tax on humanitarian activities Cash for work and vouchers

Questions:

I wonder if there is a 'tax free threshold' before beneficiaries have to pay tax, or whether the tax is payable by the "employer" here instead.

Explanations:

- The concept of gift in Afghanistan; if you give "cash" or "vouchers" for free no tax have to be paid
- If you give "cash" or "vouchers" and ask for any works against its, tax have to be paid by the organizations on salary sheet based.
 - o Exemption for 5 000 afghanis/ month

Law based:

According to article 10 of Income Tax law, all the non-for profit organization like NGOs, has exemption from taxation, it means they have not pay tax from their income, because they are using the money for their activities, but the NGOs have to pay the rental tax, contractor tax and their staff salary tax both (national and international).

Please see the below article 13 Income Tax law for taxable items and article 14 Income Tax law ITL for non-taxable items:

Article 13 Receipts subject to tax (1) The following receipts are subject to income tax:

1. salaries, wages, fees and commissions,
2. all receipts derived from business, industry, construction and other economic activities,
3. receipts from sale of movable and immovable property,
4. interest, dividends, rents, royalties, rewards, prizes, winning from lotteries, *bakhshishis* (gratuities, bonus payments etc.),
5. distributive shares of partnership income,
6. any other income from labor, capital, or economic activity,

7. income from other circumstances provided in this Law.

8. any other income which has not been provided in this Law.

(2) Dividends mean any distribution by a company in money or in property and any benefit provided to shareholders in their capacity as shareholders including:

(1) any tangible or intangible assets;

(2) shares in the company;

(3) discounts on any purchases from the company;

(4) loans to shareholders; and

(5) the use of any property of a company.

(3) Where a branch in Afghanistan of a non-resident person (as defined in

Article 8 of this Law) pays or incurs an amount to the non-resident person or any person connected to the non-resident person, that amount will be treated as a dividend.

Article 14 Non-taxable income The following receipts are not subject to income tax and not included in tax returns of natural and legal persons:

1. grants, gifts, and awards of the State;

2. grants, gifts, and awards of foreign governments, international organizations, or nonprofit organizations for contributions to science, art, literature, social progress, and international understanding;

3. all scholarships, fellowships, and other grants for professional and technical training;

4. health, accident, and unemployment insurance benefits;

5. life insurance paid on death;

6. compensation or damages for personal injuries or sickness or restitution of reputation;

7. proceeds of borrowing;

8. proceeds of issues of stocks and bonds by companies;

9. acquisition of assets in connection with mergers of domestic corporations and other legal persons;

10. acquisition of movable or immovable property through expropriation of property of debtors by creditors;

11. payments on principal received from debtors;
12. interest on bonds issued by the State and by municipalities; and
13. any other receipts according to the provisions of this Law.