



Islamic Republic of Afghanistan

Ministry of Commerce and Industry

Private Sector Development General Directorate

Investors Guide to Afghanistan



October 2014

Dear Investors,

I sincerely welcome you to Afghanistan. Your decision to consider investing in Afghanistan is a good one. I believe return on investment in Afghanistan is greater than in most other parts of the world. There is, in my view, no region in the world with greater untapped economic potential than Central Asia. Profitable investment opportunities abound. From gems to aviation, from marble to manufacturing fans and electric washing machines from saffron to steel, from cashmere to carpets, Afghanistan is open for business. As we continue to make progress on building our infrastructure, and as our large-scale mining and hydrocarbon extraction projects come on stream the prospects will be brighter still.

Afghanistan has always been at the heart of the major internal trading routes between Asia and Europe. Afghanistan is emerging once again as a key hub for trade as the economies of Central and South Asia continue to grow and become increasingly integrated into the global economy.

Our commitment to private sector led growth starts with our Constitution, which enshrines the sanctity of property and the role of the private sector in the economy. We recently amended our Investment Law to make it even friendlier to investors. It allows 100% foreign ownership, easy repatriation of profits, treats foreign investors identically to domestic ones and gives generous tax breaks. Our Company Law gives shareholders comparable rights to those in the US. Our Central Bank Law establishes the independence of the Central Bank and the autonomy of monetary policy. The new Banking Law regulates the operations of the banking system in accordance with the principles of a market economy. We have adopted a very liberal foreign exchange system which allows people to legally bring money to the country and easily take it out again. We have allowed banks to open foreign exchange accounts.

We are streamlining export and import processes and have recently removed taxes on almost all exports. We have signed a transit agreement with Pakistan giving us access to the giant Indian market. Our tariffs are the lowest in the region and our tariff categories simple and few in number. Our tax arrangements which emphasize simplicity and low taxation are attractive. In other words, we have created a highly pro-business investment regime. In some areas, as measured by the World Bank's Doing Business Indicator, we score very highly. Thus we rank 23 out of 183 countries for establishing a business.

Since 2002 we have built the basic infrastructure – the roads, and electricity - necessary to support a modern economy. The ring road around Afghanistan has been open for a number of years now and is almost completely paved. Critical highways connecting Afghanistan to Iran, Turkmenistan, Uzbekistan, Tajikistan and Pakistan are completely asphalted. Thousands of kilometers of new highways are under construction such as the North-South corridor, and the West East-Highway. In the last decade, the supply of power has increased by 800%. A new rail link connecting Afghanistan to Uzbekistan's rail network has been completed.

The macroeconomic results of our efforts have been good with average annual growth of over 10% in the past ten years. Our exports are increasing by an average of 30% per annum, admittedly from a low base. And our move towards a market economy has resulted in the establishment of vibrant, privately owned, telecommunications, aviation, banking, printing and media sectors. Not surprisingly, world famous companies such as Emirates Airlines, Coca-Cola, Pepsi, the American University, the Marriot Group, Serena, Roshan and ING have all invested here.

Of course, our efforts to build a functioning market economy are not complete. Nor are the results happy ones in all regards. We still have to create a more effective court system with the capacity to rapidly enforce contracts, improve our infrastructure and increase access to finance and industrial land. And spread growth more widely. To this end, we have completed our strategy for industrialization whereby we hope to generate almost a million new industrial jobs in six years. As you know, in a globally integrated economy, each nation has to identify niches in the market where they exhibit strong competitiveness. Our analysis has shown that at this juncture investment in the marble, carpet, fruit processing, agri-processing, gemstones and jewellery, and medicinal plants sectors will lead to the production of goods which are competitive in world markets and will have a high probability of success.

This is not pie in the sky talk. These opportunities are real and are being acted on now. Currently nine white cities are being created in Turkmenistan using Afghanistan white marble - perhaps the only source of high

quality white marble in the region - and a new \$4.5 million processing line for both slabs and tiles has opened in Heart to service this and other markets. We recently raised our estimate of the likely increase in production of marble over the next six years from \$450 million to \$700-800 million. Should you take advantage of some of the many wonderful opportunities available in Afghanistan, I would like to take this opportunity to wish you success.

Yours Sincerely,



Mohammad Shaker Kargar
Acting Minister of Commerce and Industry
Islamic Republic of Afghanistan

Kabul, Oct 2014

The Investors' Guide for Afghanistan is a joint initiative of the Ministry of Commerce and Industry and the DfID-funded Technical Assistance to Ministry of Commerce and Industry (TAMoCI) project implemented by Adam Smith International (ASI).

The legal framework in Afghanistan is changing rapidly and there is some confusion within Ministries on the applicable law and processes. All information contained in this Guide has been checked carefully. However, the Ministry of Commerce and Industry and Adam Smith International take no responsibility and accept no liability for any errors or omissions in this Guide. In areas critical to investors, they are encouraged to ensure that they are satisfied with the legal arrangements that they have entered into and, where necessary, they should obtain independent advice from qualified legal practitioners and accountants.

Photo 1: MoCI's Investor Guide Working Group



Photo 2: MoCI's Private Sector Development – General Directorate



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Acronyms

ACEG	Afghan Carpet Exporters Guild
ACBR	Afghanistan Central Business Registry
ACSS	Afghanistan Clearing and Settlement System
ACCI	Afghanistan Chamber of Commerce and Industry
ACD	Afghanistan Customs Department
ACSS	Afghanistan Clearing and Settlement System
AFTS	Afghanistan Funds Transfer System
AFC	Afghanistan Finance Company
AFN	Afghani
AISA	Afghanistan Investment Support Agency
ANDS	Afghanistan National Development Strategy
ANSA	Afghanistan National Standards Agency
APITA	Afghan Pakistan Transit and Trade Agreement
APU	Animal Products Union
ARD	Afghanistan Revenue Department
ASI	Adam Smith International
ASTM	American Society for Testing and Materials
ASYCUDA	Automated System for Customs Data
BDS	Business Development Services
BRT	Business Receipts Tax
CIT	Corporate Income Tax
CITES	Convention on International Trade in Endangered Species
C/O	Certificate of Origin
CLLCL	Corporations and Limited Liability Companies Law
CV	Curriculum Vitae
DAB	Da Afghanistan Bank
DFID	UK- Department for International Development
EPAA	Export Promotion Agency of Afghanistan
EPM	Export Procedures Manual
LDC	Least Developed Country
LTO	Large Taxpayer Office
GDP	Gross Domestic Product
GSP	Generalized System of Preferences
HDC	Handicraft Development Center
HCI	High Commission on Investment
IAF	International Accreditation Forum
ICSID	International Centre for Settlement of Investment Disputes
ID	Identification
ILAC	International Laboratory Accreditation Cooperation
ILO	International Labour Organisation
ISIRI	Iran Standards
KNM	Kabul National Museum
LDC	Least Developed Country

LIBOR	London Interbank Offered Rate
MFN	Most Favored Nation Principle
MAIL	Ministry of Agriculture, Irrigation and Livestock
MoCI	Ministry of Commerce and Industry
MoE	Ministry of Economy
MoF	Ministry of Finance
MoFA	Ministry of Foreign Affairs
MoI	Ministry of Interior
MoJ	Ministry of Justice
MoLSA	Ministry of Labour and Social Affairs
MoMP	Ministry of Mines and Petroleum
MTO	Medium Taxpayer Office
NEPA	National Environmental Protection Agency
NGO	Non-Governmental Organisation
OSS	One-Stop-Shop for Exports
PIL	Private Investment Law
PIT	Personal Income Tax
PL	Partnership Law
PSDD	Private Sector Development Directorate
QC	Quality Certificate
SAD	Single Administrative Document
SAFTA	South Asian Free Trade Area
SISI	Standards-based Integrated Science Instruction Program
SME	Small and Medium Size Enterprise
STO	Small Taxpayer Office
SWIFT	Society for World Wide Interbank Funds Transfer
TIN	Tax Identification Number
TTFD	Trade and Transit Facilitation Directorate
UNHAS	United Nations Humanitarian Assistance Services
UNCITRAL	United Nations Convention on International Trade Law
USAID	United States Agency for International Development
WTO	World Trade Organization

Preface

This *Investors' Guide for Afghanistan* is a guide to those wishing to invest in Afghanistan. It describes the regulations that impact on an investor's initial startup and investment, and on the investment project as it functions over time.

Chapter 1 describes the main licenses, permits, approvals, and registrations that an investor must obtain in order to begin operations, and the required documentation that investors must provide for these. It also sets out some of the key investment opportunities in Afghanistan and the details of how to obtain visas and work permits.

Chapter 2 sets out the main processes involved in exporting and importing from and to Afghanistan including necessary licenses and permits.

Chapter 3 reviews the main elements of the Private Investment Law, including investment restrictions, investment incentives, expropriation and nationalisation, leasing and owning land, dispute resolution, and controls on capital

Chapter 4 provides an overview of the framework of commercial laws in Afghanistan including a description of recent reform with summaries of the commercial laws currently being developed in Afghanistan and the status of each these reforms.

Chapter 5 is about banking and finance. It describes the evolution to date of the country's banking system, the functions of the country's central bank, currently available banking services, and a review of key legislative reforms designed to stimulate greater commercial and financial activity.

Chapter 6 describes the country's taxation system. This includes each type of tax, their respective exemptions and deductions, the current customs tariff regime, and efforts to reform the tax system.

Chapter 7 addresses the issue of employment, covering criteria for employment, key information about the hiring process, work hours, wages, unions and workers' rights, and cultural issues in the workplace.

Chapter 8 reviews the key public sector institutions which exert particular influence on the investment environment. These include the Ministry of Commerce and Industry, the Afghanistan Investment Support Agency (AISA), and the Export Promotion Agency of Afghanistan (EPAA).

The Guide also provides practical information for investors such as visa requirements, arrival and departure arrangement, currency information, accommodation, and business hours¹.

Foreign readers who wish to invest in Afghanistan are advised to contact the Afghanistan Investment Support Agency (AISA) for further information on any aspect addressed in this Guide, and for assistance in navigating Afghanistan's legal and regulatory system. Domestic investors who have further questions should contact the Private Sector Directorate in the Ministry of Commerce and Industry (MOCI) or the Afghanistan Central Business Registry also in MoCI.

¹ For more information see Appendix II.

1 Establishing a Business in Afghanistan

This chapter addresses the following:

1. First steps for foreign and domestic investors
2. Obtaining an AISA Investment License and related benefits (incl. tax incentives)
3. Registering with the ACBR and obtaining a Business (Traders) License
4. Obtaining a Tax Identification Number (TIN)
5. Investment opportunities in Afghanistan
6. Sector licenses required by type of business
7. The tax benefits derived from having a business license
8. How to obtain visas and work permits
9. Criminal background checks

1.1 Introduction

Following the passage of the 2007 Corporations and Limited Liability Companies Law, all investors, both domestic and foreign, wishing to establish a business as a legal entity in Afghanistan – i.e. as a partnership, corporation or limited liability company – need to be registered with the Afghanistan Central Business Registry in the Ministry of Commerce.

The sections of the Commercial Code of 1955, under which sole proprietors and family businesses who do not want to establish a business as a legal entity are required to register with the Commercial Court, are no longer enforced. Sole proprietors who are foreign must register with AISA (see below for details). The only legal requirements for Afghan sole proprietors and family businesses are that they obtain a tax identification number or TIN and register with the district and municipal authorities (see below). Some choose to register with ACBR, AISA or apply for MOCI's Business (or Traders) License. There are proposals to require Afghan sole proprietors to register with the ACBR. The status of these proposals can be checked on MOCI's website where the latest version of this Guide can be downloaded: <http://moci.gov.af/en>

1.2 Foreign Investors: First Steps

Investment License from the Afghanistan Investment Support Agency

Foreign investors wishing to establish a business in Afghanistan are legally required to get an Investment License from the Afghanistan Investment Support Agency (AISA) before doing so (see <http://www.aisa.org.af/index.php> for details²). The AISA licensing procedures were established by the Private Investment Law³ (2003). Registration with AISA can take a variety of different legal forms: sole proprietor, partnership, limited liability company or a corporation.

AISA's service is quick, compulsory for foreign investors and relatively straightforward. The investment license needs to be renewed annually. Fees for the initial license range from \$50 to \$5000 – depending on the type of business and areas of activity - with renewal usually costing 50% of the initial fee (see Appendix I for details). As part of its licensing procedures AISA provides a brokerage service which includes registering a foreign investor with the Afghanistan Central Business Registry (ACBR) and securing a tax identification number (TIN) from the Revenue Department of the Ministry of Finance.

Investors must notify AISA when there is a change in ownership and/or of capital structure of the company, and also when any capital increases take place⁴. In addition, a registered business must file an annual update with the AISA within ninety days of the end of the fiscal year; this must include an update of the information originally provided.

² Or visit AISA, Street 2, Kabul, Afghanistan, Charahi Haji Yaqub, Afghanistan, Phone: +93 78 854 0383

³ A copy of the 2003 Private Investment Law can be downloaded from www.aisa.org.af/investmentlaws.html.

⁴ Article 13 of the 2003 Private Investment Law.

It is important for foreign investors to understand that while they receive the investment license form AISA, the legal entity which they register with is not AISA but the Afghanistan Central Business Registry (ACBR) in the Ministry of Commerce and Industry⁵. This is the repository for papers relating to incorporation, shareholding etc. Changes to these documents must be notified to the ACBR if they are to take effect. Similarly, the TIN that they receive is from the Revenue Department of the Ministry of Finance and it is with this organization that they will need to discuss matters relating to taxation.

Table 1: The Process for Obtaining an Investment License

Description/Details
Application procedure
<ol style="list-style-type: none"> Investor submits a request/ application to AISA; Application attachments: <ul style="list-style-type: none"> Investor's legal identity: <ol style="list-style-type: none"> Afghan citizen (individual investor) presents a national ID card, passport or other documents to certify his/her identity; A foreign individual can present a passport as identification but must also provide a criminal background check through their nearest embassy. This report is received by AISA through the Ministry of Foreign Affairs of Afghanistan; and A foreign company (i.e., a company that is incorporated and has operations outside Afghanistan) obtains a corporate background check through their nearest embassy. Five photos; and A legal document to prove the applicant (investor) has an established office in Afghanistan. This could be a house deed or lease contract (signed and stamped by a legal representative such as attorney or property dealer). The licensing department of AISA provides an application form for a business registration, to be filled out by the investor. This covers the type of business, the rate/amount of investment, number of employees and names of high-rank members of his company. The investor can choose the firm's form of legal identity: sole proprietorship, partnership, corporation or limited liability company (for details, refer to corporations and limited liability companies' law). Relevant documents should be attached by the investor to the application form to show the nature of the business structure the investor has chosen; The applicant should choose a name for her/his company which is neither political, military, offensive and which does not contain the names of prohibited substances such as uranium, etc. Licensing department verifies the provided information, and checks in its database the selected name to avoid duplication. If not already taken, the name of the company will be approved and then license will be issued to the applicant; AISA provides the investor with a "Request for Tax Identification Number" form to fill. AISA uses this form to obtain a tax identification number (TIN) for the investor; After issuing the license, AISA submits the specification of the company to the Afghanistan Central Business Registry of Ministry of Commerce and arranges for details of the company to be published by the Ministry of Justice for publication in their official gazette.
Renewal procedure
<ol style="list-style-type: none"> Prior to expiration of license, the license holder submits an application for renewal of license to licensing department of AISA; The licensing department submits the application in attachment to an official letter to Afghan Revenue Department (ARD) of Ministry of Finance for tax clearance; and After obtaining the tax clearance certificate from ARD, the company fills a license renewal forms and pays the renewal fees. AISA then renews the License.

Tax Benefits and Other Benefits Deriving from AISA Licenses

⁵ See the Corporations and Limited Liability Companies Law and the Partnership Law.

In addition to the benefits available to all holders of business licenses under the Income Tax Law Articles 70 and 72 (see Section 1.6 below), AISA License holders receive the following benefits:

- Tax Concessions for Registered Enterprises⁶: A registered enterprise which incurs a net operating loss in any fiscal year may carry this loss forward and apply it as a deduction from its taxable income to the extent permitted in the Income Tax Law. A registered enterprise is also entitled to an accelerated deduction for depreciation on capital assets to the extent permitted in the Income Tax Law.
- Access to Banking⁷: A registered enterprise has the right to use banking facilities in Afghanistan: including the right to open accounts in foreign currency and to use these banks to receive loans and credit in foreign currency from outside Afghanistan to advance its legitimate business. A registered enterprise has the right to maintain bank accounts in foreign currency outside of Afghanistan for the purpose of purchasing equipment and machinery, raw materials, spare parts, feedstock and for services used by the registered enterprise in conducting its operations, and for payment of salaries and benefits to expatriate employees, and for all other purposes of the registered enterprise that are not contrary to Afghan laws.
- Labor and Employment⁸: Notwithstanding any provision to the contrary in Afghan laws, a registered enterprise has the right, directly or indirectly, to employ foreign managerial and expert personnel of any nationality. A registered enterprise has the right to enter into service contracts with foreign persons in order to conduct its business activities. The registered enterprise has the right to obtain work permits for such managerial and expert personnel, provided that employees of registered enterprises, regardless of nationality, shall be subject to and shall comply with the laws applicable in Afghanistan while present in Afghanistan. (Note that foreign investors and registered enterprises in which foreign investors have equity ownership are encouraged to hire Afghan personnel whenever possible in order to further their technical development).
- Land Use by Registered Enterprises⁹: Notwithstanding any law or regulation in Afghanistan to the contrary, a registered enterprise cannot be barred by law from leasing property for terms of up to fifty (50) years.
- Transfer of Foreign Investment Capital¹⁰: Notwithstanding any currency restrictions in Afghanistan to the contrary, a foreign investor shall be permitted to freely transfer out of Afghanistan without unreasonable delay distributions received from a registered enterprise, to the extent that such distribution is treated as a distribution of capital under the Income Tax Law, in whatever foreign currency the foreign investor chooses, at the prevailing exchange rate for that currency, in an aggregate amount equal to the amount of such foreign investor's registered foreign investment.
- Transfer of Profits Associated with Foreign Investment¹¹: A foreign investor shall be permitted to freely transfer outside of Afghanistan without unreasonable delay dividends, or distributions treated as dividends under the Income Tax Law, received from a registered enterprise in whatever foreign currency the foreign investor chooses, at the prevailing exchange rate for that currency.
- Transfer of Principal and Proceeds on Foreign Loans¹²: A registered enterprise shall be permitted freely to transfer out of Afghanistan funds for payment of principal, interest and fees

⁶ Article 17 of 2003 Private Investment Law.

⁷ Article 19 of 2003 Private Investment Law.

⁸ Article 20 of 2003 Private Investment Law.

⁹ Article 21 of 2003 Private Investment Law.

¹⁰ Article 22 of 2003 Private Investment Law.

¹¹ Article 23 of 2003 Private Investment Law.

¹² Article 24 of 2003 Private Investment Law.

relating to a foreign loan to such registered enterprise in the currency of the foreign loan at the prevailing exchange rate, provided that such foreign loan is entered into in accordance with all applicable Afghan Laws.

Additional Sector or Business Licences

In some sectors – see Section 1.5 below for further details – an additional license from a sectoral Ministry (e.g. the Ministry of Health for hospitals) is required prior to commencing operations.

1.3 Domestic Investors: First Steps

Registering a Business

As was noted above, under the Corporations and Limited Liability Companies Law (2007) which replaces parts of the Commercial Code (1955), individuals and businesses which want to become legal entities in Afghanistan (corporations, limited liability companies or partnerships) need to register with the Afghanistan Central Business Registry within the Ministry of Commerce and Industry. There are proposals to require Afghan sole proprietors to register with the ACBR. The status of these proposals can be checked on MOCI's website where the latest version of this Guide can be downloaded: <http://moci.gov.af/en>.

Afghan citizens wishing to go into business may apply for an Investment License from AISA and use their brokerage services (as part of this service AISA will register them with the ACBR) but there is no legal requirement for them to do so. If they do not do so, and they wish to establish a partnership, LLC or corporation, they will need to do this by dealing directly with the ACBR.

Registering with the ACBR in Kabul

Obtaining the necessary documents: The necessary documents vary depending on the type of business and the type of Business (Traders) License that the Applicant wants to register. The process for obtaining these documents is also different and will be described in the following sections. The summary of the necessary documents are provided in the table below.

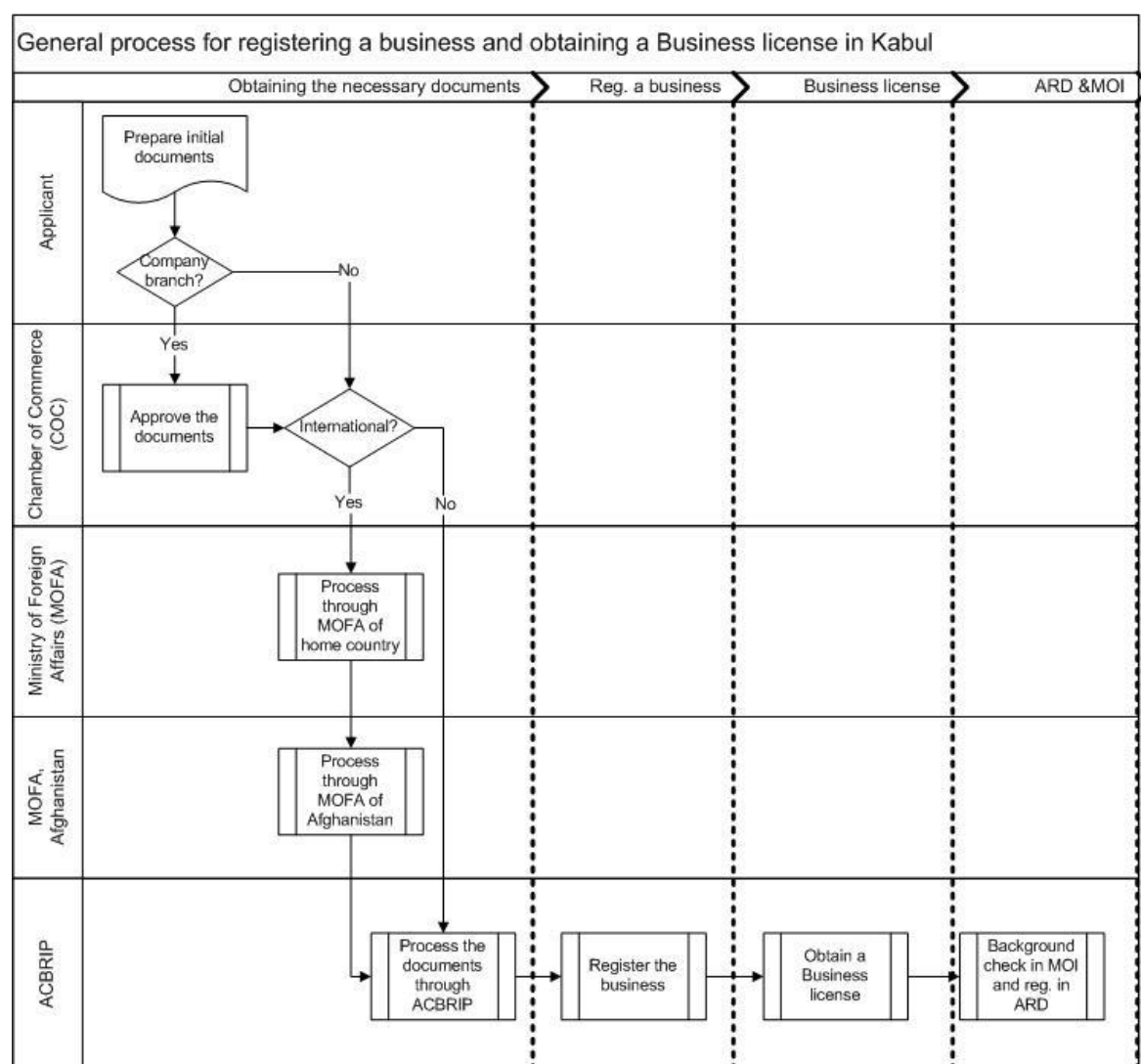
Table 2: Documents Needed to Register a New Business in Kabul

Documents	Local Nationals		Internationals			Joint venture	
	Individual	Company	Individual	Company	Company branch	Company	Company branch
2 photos of the owner/board members	X	X	X	X		X	
2 photos of the Company's representatives in Afghanistan					X		X
2 copies of "ACBR form"	X	X	X	For the Int'l party	X	X	X
2 copies and the original National ID card (Tazkera)	X	X				For the local party	For the local party
Owner background clearance from their home country			X	X		For the Int'l party	
Company's representatives in Afghanistan background clearance from their home country					X		

A letter from the bank about the credibility of the Applicant			X	X	X	X	X
2 copies of the owner(s) passport(s)			X	X		X	
An Article of Association (contains general information about the Company)		X		X	X	X	X

The procedure for registering a new business in Kabul differs from the procedure in the provinces. As in Kabul the business registration process is often combined with the application for a Business (or Traders) License which is a pre-requisite for importing or exporting goods, the process for doing both is set out schematically below. The Ministry of Commerce has prepared a Manual on Registering a Business with ACBR and Obtaining a Business License. This includes details on the provincial process and can be downloaded from its website: <http://moci.gov.af/en>

Figure 11: Process for Registering a Business & Obtaining a Business License in Kabul



The cost of registering a business is AFN2000 plus a 5Af gazettal fee.

The Business (Traders) License in Kabul is issued for three (3) years and must be renewed. The renewed license will also be valid for 3 years.

Establishing a Sole Proprietorship or a Family Businesses

AISA will register sole proprietors. Those businesses, who do not want to use AISA's services, need to register their businesses with both the municipality and district of the city in which their business is head-quartered. This is cheaper but more time-consuming than securing an AISA license.

Table 3: Registering with the Municipality

Description/Details
1. go to the municipality sub-office in the district in which the business will be located and apply for a district license. This license which needs to be renewed annually shows the type of business (there are more than four hundred categories) which will be operated.
2. Pay the fee for this license.
3. Take the municipality sub-office license to the municipality headquarters
4. Get the appropriate form for your type of business. This form specifies the approvals that they need to secure to operate their business (e.g. for a bakery they will need approvals from the Ministry of Health and the Environmental Protection Agency).
5. Go to relevant sectoral ministry to secure approvals from them.
6. Take approvals back to municipality and submit application.
7. Once they have secured the necessary approvals, you will be issued a green certificate to operate.
8. Pay fee for green certificate (this fee is twice the annual fee that you paid to the district office. This certificate does not need to be renewed – it is valid for the life of the business.

Obtaining a Tax Identification Number

All individuals, families, partnerships, limited liability companies and corporations engaged in commercial activities in Afghanistan relates to obtaining a Tax Identification Number or TIN.¹³ Those using AISA's services will receive a TIN as part of this process as will those registering with the ACBR. All others will need to obtain a TIN directly from the Revenue Department (see Article 86 of the Income Tax Law 2009 states that the following must obtain a TIN:

- Individuals, companies and organizations which are, according to the Income Tax Law 2009 and the Customs Law, required to pay taxes or customs duties
- Social, non profit and welfare organizations which are required to withhold taxes from the salaries or wages of their employees
- Persons who have an account with a bank or other financial institution; and
- Employees whose incomes are subject to income tax withholding under provisions of the Income Tax Law 2009.¹⁴

Individuals, companies and organizations which generate losses are still required to have a TIN as they are obligated to file annual tax returns and may have periodic liabilities pertaining to business receipts tax, wage withholding tax, rent withholding tax, withholding on dividends, withholding on contracts etc.

A TIN is a ten digit number which is issued to all individuals, companies and organisations that operate in Afghanistan¹⁵. It is a permanent identification number and does not need to be renewed.

¹³ Individuals and businesses using the AISA brokerage service will receive a TIN as part of this service, as will those wishing to deal directly with the ACBR, as a TIN is issued as part of this process.

¹⁴ The exception to this will be those who are on low incomes or businesses which generate minimal profit for the proprietor and which therefore fall beneath the various thresholds at which tax becomes payable.

¹⁵ Article 91 of the Income Tax Law.

As was noted above, those using AISA's brokerage service will receive a TIN as part of this process. The Income Tax Law 2009 provides for penalties for persons who fail to apply for a TIN without reasonable cause (Article 105).

Domestic investors who choose not to use AISA's service will receive a TIN when they register their business with the AICBR. Sole-proprietors, family businesses and NGO's can obtain a TIN in Kabul at the Afghanistan Revenue Department (Afghanistan Revenue. Department. Ministry of Finance. Revenue and Customs. Building. Jalalabad Road. Kabul), small tax payers can get a TIN at the STO HQ building located in the Cinema Pamir building in the Jada-e-Maiwand area of the old city. TINs can also be obtained at the Mustufiat offices in Herat, Jalalabad, Kandahar, Kunduz and Mazar-e-Sharif. For more information regarding requirements for the TIN or how to apply, or to receive forms, visit the TIN Offices mentioned. TIN applications are sometimes available online at <http://www.ard.gov.af>

Table 4: Step by Step Process for Obtaining a TIN

Description/Details
<ol style="list-style-type: none"> 1. Complete TIN application form (available from TIN offices above) 2. Provide proof of identity: <ul style="list-style-type: none"> • For Foreign Taxpayers applying for TIN registrations, their passport is required at the time of lodging their TIN application. • For Afghan Taxpayers applying for TIN registrations, an internal identity card (Tazkera) is required as such proof of identity <p>Note (1): There is no fee for obtaining a TIN.</p> <p>Note (1): The ARD will issue a TIN within 24 hours of the application being presented to the ARD on the proviso that the taxpayer has satisfactorily proved his/her identity.</p>

Further details on the procedures for obtaining a TIN can be found on the Afghan Revenue Department's website: <http://www.ard.gov.af/index.php/2012-06-04-16-53-00/taxpayer-guides>.

1.4 Investment Opportunities in Afghanistan

The Ministry of Commerce has produced a companion brochure to this guide called the Investment Opportunities Handbook which covers in detail investment opportunities in Afghanistan. It includes information on the following areas:

- Renovation and construction of infrastructure.
- Residential and commercial real estate development.
- Manufacture/importation of construction materials
- Transportation and logistics services.
- The information technology and telecommunications services.
- The extractive industries including minerals, oil, commodity metals
- Goods and services, equipment and operations and maintenance of the national army and police forces.
- Agri-business and agriculture distribution and infrastructure. Dried fruits, nuts and seeds have overtaken carpets to account for half of total exports. However, Afghanistan's export of fresh produce accounts for only 6 percent of total trade due to Afghanistan limited agriculture and food processing infrastructure including a lack of cold and dry storage facilities.

- Import substitution in the following areas:
 - poultry (chicken and eggs)
 - rebar, profile steel and steel beams;
 - pig iron;
 - cement; and
 - processed foods (tomato paste, juices).
 - dairy (yoghurt, milk powder and milk products);
 - edible oils;
 - plastic piping;
 - sugar; and
 - soap.
- The following SME Sectors:
 - cashmere;
 - carpet weaving, cutting, washing and trading;
 - marble quarrying, cutting, polishing;
 - gem stones mining, cutting & polishing and jewelry;
 - livestock skins and leather;
 - medicinal plants; and
 - wood, timber and carpentry.

1.5 Sector Licenses

Depending on the specific sector in which businesses engage, they may be required to obtain sector licenses. In particular, all businesses (sole proprietors, partnerships or incorporated entities) with activities in any of the following sectors must obtain sector licenses:

Table 5: Sector Licenses and Issuing Authorities

Sector	License	Issuing Authority
Import-Export (see Section 2.1 below for more details).	<ul style="list-style-type: none"> - Domestic Individual Trader License - Domestic Company Trader License - Foreign Company and Foreign-Domestic Joint-Venture Company Trader License - Transit and Freight Forwarding Business License - License for Establishing a Trade Office and a Transit Agency Overseas - License for Operating as Brokers with the MoCI 	Licensing Department Ministry of Commerce and Industry Darulaman Road Kabul
	Customs Broker License	Afghanistan Customs Department Ministry of Finance Pashtoonistan Watt Kabul
	License to Import an Armoured Vehicle	Counter Terrorism Unit - Armored Vehicles Registration Department- The Ministry of Interior Char Rahee Sedarat (Sedarat

Sector	License	Issuing Authority
		Cross Road) Kabul
	License to Import Military Equipment (excluding arms and ammunition)	Counter Terrorism Unit The Ministry of Interior Char Rahee Sedarat (Sedarat Cross Road) Kabul
	License to Import Ozone Depleting Substances	The Ozone Unit National Environmental Protection Agency Street Number 2 Shash Darak close to 'Drugstore Station' Kabul
Media	Private Radio and TV Stations License	Licensing Office of the Afghanistan National Radio Television and National Independent Broadcasting Commission Ministry of Information, Culture and Youth Great Masoud's Street Kabul
	Film Producing Company License Private Printing House License	Department of Private Sector Planning and Foreign Relations Directorate Ministry of Information, Culture and Youth Pole Bagh e Omomi Kabul
	License for Cultural Organisations and Associations Engaging in Media Activities	Publications Division Ministry of Information, Culture and Youth Pole Bagh e Omomi Kabul
	License to Import Movies	Afghan Film Department Ministry of Information and Culture Pole Bagh e Omomi Kabul
Tourism	License for Establishments for Tourists	Publications Division Ministry of Information, Culture and Youth Asmai Watt, Joi Shier Kabul
Telecommunications	<ul style="list-style-type: none"> - License for Fixed Line Telecommunication Companies - License for GSM Telecommunication Companies - License for Internet Service Providers 	ATRA – Afghanistan Telecom Regulatory Authority Ministry of Communications and Information Technology MoC Tower, 10th Floor Mohammad Jan, Khan Watt Kabul

Sector	License	Issuing Authority
	- License for Importing Telecommunications Equipment	
Transportation	Road Transportation Company License	Private Sector Transport Directorate Ministry of Transport and Civil Aviation Sillo, Main Road Karta e Mamoreen Kabul
	Private Aviation Company License (Air Operator Certificate)	National Aviation Directorate Ministry of Transport and Civil Aviation Ansari Watt Kabul
Banking and Finance	<ul style="list-style-type: none"> - Banking License - Foreign Banking License - Currency Exchange Operators License - Money Service Providers License - E-Banking Institutions License 	Financial Supervision Department – Licensing Section Da Afghanistan Bank Phashoonistan Watt Kabul
Insurance	<ul style="list-style-type: none"> - Domestic Insurance Company License - Foreign Insurance Company License - Insurance Agent License 	Insurance Directorate Ministry of Finance Pashtoonistan Watt Kabul
Education	Educational Institute License	Ministry of Education Ebn-e-Sina Kabul
Higher Education	Private Universities License	Private Universities and Higher Education Institutions Directorate Ministry of Higher Education Karta-i-Char Kabul
Health	<ul style="list-style-type: none"> - Private Hospitals License - Private Medical Laboratories License - Private X-Ray Clinics License 	Directorate of Curative Medicine Ministry of Public Health Great Massoud Square Kabul
Pharmaceuticals	<ul style="list-style-type: none"> - Pharmacy License - License for manufacturing pharmaceutical products - License for wholesale of pharmaceutical products - License for importing pharmaceutical products - License for Hygen, Fashion and Chemical Substances 	Pharmaceutical Products Management Committee, Directorate of Pharmacy Ministry of Public Health Joi Shier, Asmayee Watt Kabul
	License to Import Precursors and Narcotic Chemicals	The Afghan Drug Regulatory Committee Ministry of Public Health

Sector	License	Issuing Authority
		Joi Shier, Asmayee Watt Kabul
Animal Husbandry	<ul style="list-style-type: none"> - Animal Clinic License - Animal Clinic NGO License - Animal Medicines Sale License - Animal Medicines Import License - Import Veterinary Equipment - Import of Animal Sperm and Vaccines - Import of Endangered Species (CITES II and III) 	General Directorate of Animal Husbandry and Animals' Health Ministry of Agriculture Darul Aman Road Kabul
Commercial activities	<ul style="list-style-type: none"> - Municipal License for Commercial Activities - District License for Commercial Activities 	Kabul Municipality De Afghanistan Main Road, City Centre Kabul
Pollution Control and Waste Management	<ul style="list-style-type: none"> - Pollution Control License - Waste Management License - Hazardous Waste Management License - Environmental Permit 	National Environmental Protection Agency Street Number 2 Shash Darak close to 'Drugstore Station' Kabul
	<ul style="list-style-type: none"> - Export of Scrap Metal - Export of used glass, plastics and coal products 	Export Promotion Agency of Afghanistan 2nd Street Seh Aqrab Rd Karte Seh Kabul
Genetic research	Permit for Access to Genetic Resources	National Environmental Protection Agency Street Number 2 Shash Darak close to 'Drugstore Station' Kabul
Security	Private Security Firm License	Licensing Department Ministry of Interior Char Rahee Sedarat (Sedarat Cross Road) Kabul
Real Estate	Property Dealers License	General Directorate of Government Cases Ministry of Justice Debori, Karte Char Kabul
Mining	<ul style="list-style-type: none"> - Exploration License - Exploitation License 	Cadestar Directorate, Ministry of Mines
	Renovation and Expansion of Dams, Streams, and Digging Deep Wells	Water Supply Projects Surveying and Designing Directorate Ministry of Energy and Water Darulaman opposite Sanatorium Kabul
Downstream Petroleum Sector	<ul style="list-style-type: none"> - Petroleum Import License - Pomp Station License 	Petroleum Regulation Department, Ministry of

Sector	License	Issuing Authority
		Commerce and Industry, Darul Aman, Kabul

Information on documentation, time frame, costs, and the step by step procedures for many sector licenses can be found on the AISA¹⁶ website.

1.6 Tax Benefits from Having a Business License

Under the Income Tax Law, having a business license (including an AISA Investment License or MOCI's Business or Traders License) gives rise to a number of benefits. These benefits relate to reduced fixed taxes on imports and on government contracts. In particular:

- *Reduced fixed tax on imports*¹⁷: Businesses which import goods and have a business license are subject to two percent fixed tax on the total value (including custom duties) of the goods imported. The tax paid is allowed as a credit in the calculation of the person's annual income tax assessment in accordance with the provisions of the Income Tax Law. Companies which import goods without having a business license are subject to three percent fixed tax on the total value (including customs duties) of the goods imported.
- *Reduced tax on government contracts*¹⁸:
 - o (1) "Persons who, without a business license who provide supplies, materials, construction and services under contract to government agencies, municipalities, state entities, private entities and other persons shall be subject to 7 percent fixed tax in lieu of income tax. This tax is withheld from the gross amount payable to the contractor.
 - o (2) Persons who have a business license and provide the services and other activities mentioned in paragraph (1) of this Article to the specified entities shall be subject to 2 percent contractor tax. The tax levied by this paragraph is creditable against subsequent tax liabilities.
 - o (3) The tax mentioned in paragraph (1) and (2) of this Article shall be withheld by the payer from payment and shall be transferred to the relevant account within ten days. Contractors subject to this Article shall be required to, upon signing the contract, send a copy thereof to the relevant tax administration. Natural persons who, according to provision of paragraph (1) of Article 17 of this Law, earn taxable salaries shall be excluded from this provision.

1.7 Visas and Work Permits

There is a three step process to enable a person to live and work in Afghanistan:

1. Getting a single entry visa to enable a business man or woman or an employee to travel to Afghanistan.
2. Getting a work permit.
3. Extending the single entry visa in country to a multiple entry visa.

Table 6: Getting an Entry Visa

Description/Details	
Contact details	Consulate General Ministry of Foreign Affairs Phone: 0700-104-338; 0202-100-367; 0701-104-332

¹⁶ <http://www.aisa.org.af/licensing.php>

¹⁷ Article 70 of the Income Tax Law.

¹⁸ Article 72 of the Income Tax Law.

Application procedure	Website: http://mfa.gov.af/en/page/3903	
	<p><u>First Time Investor</u></p> <ol style="list-style-type: none"> 1. The President or Vice-President of the company should contact AISA and request their assistance securing a visa. The following attachments will need to accompany the letter: <ul style="list-style-type: none"> • Copy of contract of employment. • Copy of the passport of the foreign employee. • Location of the Afghanistan diplomatic mission where the foreign employee will be collecting his/her visa from. • CV of the employee • Copy of degree(s) • A letter of introduction from employer (in some cases introduction letter from sector ministry) stating purpose and duration of stay of the employee. This should include justification for employment of foreign worker. (e.g. there are no equally qualified Afghans to fill the position). 2. AISA then write to the Consulate General who after processing sends the application to their foreign diplomatic mission/consulate via fax (IMPORTANT NOTE: it is important to get a copy of this letter as it is required if the visa is to be extended to a multiple entry visa – see below); 3. The Consulate General provides the fax number (“MOFA number”) to the employer/employee; 4. The foreign employee takes the MOFA number along with following documents to the relevant foreign diplomatic mission/consulate of Afghanistan to obtain his/her visa along with: <ul style="list-style-type: none"> • A completed visa application form (available at MoFA’s website) • Two recent passport size photos (size 3/4 cm) • Passport (valid for at least 6 months) • Visa processing fee (US\$200 in Dubai but may differ elsewhere). 5. The diplomatic mission/consulate processes the application and then issues visa. In some cases, the applicant will be called for a short interview, prior to issuance of visa. <p><u>Existing Investor (with AISA License)</u></p> <ol style="list-style-type: none"> 1. Applicant (AISA or the employer (if already in possession of an AISA License) of the foreign worker directly or through their sector ministry) applies for single entry visa for their employee, to the Consulate General of Ministry of Foreign Affairs. <p>Application attachments:</p> <ul style="list-style-type: none"> • Copy of employer’s AISA license (government agencies should present a letter in their official letterhead). • Copy of contract of employment. • Copy of the passport of the foreign employee. • Location of the Afghanistan diplomatic mission where the foreign employee will be collecting his/her visa from. • CV of the employee • Copy of degree(s) • A letter of introduction from employer (in some cases introduction letter from sector ministry) stating purpose and duration of stay of the employee and justification for employment of foreign worker. <ol style="list-style-type: none"> 2. The Consulate General provides the fax number (“MOFA number”) 	

	to the employer/employee; 3. The foreign employee takes the MOFA number along with following documents to the relevant foreign diplomatic mission/consulate of Afghanistan to obtain his/her visa along with: <ul style="list-style-type: none"> • A completed visa application form (available at MoFA's website) • Two recent passport size photos (size ¾ cm) • Passport (valid for at least 6 months) • Visa processing fee (US\$200 in Dubai but may differ elsewhere). 4. The diplomatic mission/consulate processes the application and then issues visa. In some cases, the applicant will be called for a short interview, prior to issuance of visa.
Processing time	1. Processing time at Ministry of Foreign Affairs: three (3) to (10) working days; 2. Processing time at foreign diplomatic mission/consulate: depends on that mission's policy (in Dubai a passport and visa application can be lodged in the morning and if all of the paperwork is in order, the visa can be picked up the same afternoon).
Validity	Validity: Three (3) months duration of stay in Afghanistan: one month
Fees	Depends on the relevant Afghanistan foreign diplomatic mission/consulate policy

Registering With AISA

The first time foreign investor should then proceed to register his/her company/investment with AISA as a copy of his/her AISA License needs to be provided as part of the process for applying for a work permit for his/her employee.

Getting a Work Permit for Foreign Employees

Once a foreign employee has a visa, he/she must then apply for a work-permit for foreigners.

The government's general labour regulations under the Labour Code are described in a separate chapter. The laws and regulations in this chapter relates to the labour provisions in the PIL, i.e. those that apply to foreign workers¹⁹. Under the PIL an approved enterprise has the right, direct or indirect, to employ foreign labour and experts and enter in service contracts with foreign personnel for business purposes, provided the foreign personnel obey and follow Afghan rules and regulations. However, in practice approved enterprises, domestic or foreign, or those with some foreign investor shareholding, are encouraged to employ Afghans.

The Afghan labour laws regarding employment of Afghan nationals are outlined in Chapter 7 below.

The foreign employee's tax obligation is the employer's responsibility in accordance with the Income Tax Law.

Table 7: Getting a Work-Permit

Description/Details	
Name of permit/license/procedure	Work-permit for foreigners
Responsible ministry/agency	Directorate of Work-Permit for Foreigners, Ministry of Labor and Social Affairs, Martyrs and Disabled (MoLSAMD)
Relevant law (s)/regulation(s)	<ul style="list-style-type: none"> • Labor Law, Official Gazette no. 966; and • Regulation for Recruitment of foreigners, Official Gazette no.

¹⁹ Article 20 of Labour Code.

	858
Contact details	<p>Sayed Kazim Fakhri <i>Director Foreign Employees Work-Permit</i> <i>Ministry of Labor and Social Affairs (MoLSA)</i> Phone: 0752-001-299; 0702-454-545; 0700-277-023</p>
Application procedure	<p>1. To obtain a work-permit for their foreign employees, all government agencies and private companies should submit to the Directorate of Work-permit their request/application in either Dari or Pashtu language.</p> <p>Application attachments:</p> <ol style="list-style-type: none"> Passport of the worker with a valid visa (entry or work visa) along with a clear Entry Stamp. CV and educational documents of worker _ sometimes these need to be authenticated by Afghan Ministry of Foreign Affairs (MoFA) Copy of contract signed between employee and the employer Copy of the employers AISA license Health certificate from a registered medical clinic in Afghanistan showing amongst other things that the employee is not HIV+ Copy of invitation letter of foreign employee with fax number from the Ministry of Foreign Affairs. Two photos <p>2. The Directorate provides the applicant with specific forms (forma-e- marefi and form 1) to be completed and returned; and The Directorate then issues work-permit to the applicant provided all requirements are met, including a criminal background check through Interpol of MoI.</p> <p>As part of this last part of the process the applicant will need to submit the work permit fee of Afghani Ten Thousand (10,000) only to account number (1224601) Department of Revenue Ministry of Labor, Social Affairs, Martyrs and Disabled, Sub-account Number (3104749) and income code (13349) to “Da Afghanistan Bank” located in “Jada-e-Nader Pashtun” and annex the bank receipt with the applications and other documents required.</p> <p>Note: Currently there are three types of work-permits for foreigners: Blue permit: granted to foreign specialists and experts. This permit is valid for 5 years and recent changes mean that it is no longer renewable. Yellow permit: granted to semi-professional foreign workers, valid for 2 years (fee 10,000 AFN); and White permit: granted to short-term foreign employees/workers (who work for less than one year in Afghanistan) (fee 15,000 AFN).</p>
Processing time	Two (2) to three (3) working days
Renewal/ extension procedure	<p>The procedure is similar to that of obtaining work-permit.</p> <ol style="list-style-type: none"> Applicant should submit a request for renewal/extension to the directorate of foreign employees work-permit; <p>Application attachments:</p>

	<ol style="list-style-type: none"> Old/expired work-permit of the employee Two photos of the employee Company license of the employer If employee changes employer, then a no-objection letter from ex-employer should be provided (in either Dari or Pashtu language) <ol style="list-style-type: none"> The directorate then renews / extends the work-permit
Compliance/monitoring	Mobile verification team of the directorate of foreign employees work-permit, MoLSA

Getting a Multiple Entry Visa

Once in country and in receipt of a valid work permit, an employee can apply for a multiple entry visa valid for three or six months.

Table 8: Getting a Multiple Entry Visa

Description/Details	
Extendibility /renewal	Visa can be extended to multiple entry visa
Renewal procedure	<ol style="list-style-type: none"> Employer, on behalf of the foreign employ, writes a letter to the Visa Section in AISA asking for visa to be extended. Application attachments: <ul style="list-style-type: none"> Copy of valid passport; Copy of latest single entry visa; Copy of contract; Copy of CV and degrees; Copy of original AISA invitation letter (from when applying for original single entry visa); and Copy of valid work permit. If everything is in order, AISA write to MOFA who, after processing, forwards the application to the applicant for processing with Ministry of Interior; Applicant submits the letter to the Directorate of Foreign Relations and Foreigners of the Ministry of Interior. The Directorate returns the processed application to the applicant; The applicant presents the processed letter to the Passport Department of MoI for further processing; The Passport Department provides the applicant with an invoice to transfer visa processing fee into their bank account; After transferring the amount, the applicant returns a receipt to the passport department; The Passport Department issues a 6 month multiple-entry visa to the applicant.
Processing time	One (1) to two (2) weeks
Renewal fees	<ul style="list-style-type: none"> 3 months: USD 90 6 months: USD 180
Compliance/monitoring	Consulate general, , Ministry of Foreign Affairs.

AISA offers a visa facilitation service: <http://www.aisa.org.af/visa.php>

1.8 Criminal Background Check

In order to establish a business in Afghanistan a criminal background check must be conducted on an applicant. A foreign applicant must provide a certificate or some type of documentation from

his/her embassy or government which clearly states that he/she has not been involved in any kind of crime, illegal activity and is not currently under prosecution.

Afghan applicants will have a criminal background check done through the Criminal Department of the Police Head-office. This is done as part of the registration process with ACBR and AISA.

2 Exporting and Importing

This chapter addresses the following:

- 1. Obtaining a MoCI Business (Trading) Licence**
- 2. Trade agreements**
- 3. Export processes**
- 4. Import process**
- 5. Tariff rates**

The Ministry of Commerce and Industry has responsibility for preparing and managing and related to international trade with actual procedure execution managed by Afghanistan Customs Department (ACD), Afghanistan Chamber of Commerce and Industry (ACCI) and other government and non-government entities. Prior to commencing operations, all enterprises wishing to trade in Afghanistan need to obtain a Business (Trading) License from MoCI.

2.1 MoCI Business (Trading) Licenses

The Licensing Department of the Ministry of Commerce and Industry administers licenses for conducting trade and transport activities in Afghanistan. The MoCI regards a trader as any entity that engages in import-export operations, regardless of whether they are sole proprietors or companies and whether they are domestic or international businesses. These businesses must obtain a license from the MoCI before they commence their activities²⁰.

These licenses which are often referred to as business licenses will be here called Business (Traders) License in order not to cause confusion with the AISA Investment License or the business registration processes which take place at the ACBR.

There are four different types of trading licenses:

- Domestic or foreign individual trader business license;
- Domestic corporation trader license;
- Foreign or foreign-domestic joint venture company trader license; and
- License for establishing an overseas trade and/or transit office.

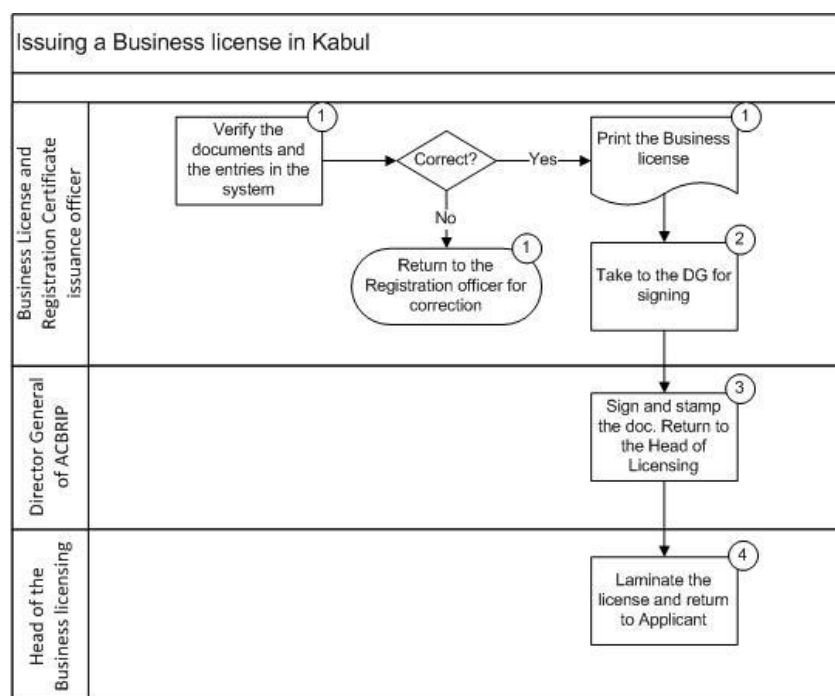
There is also a Transit and Freight Forwarding Company License.

The procedures for obtaining the five licenses are almost the same; the differences relate to whether the applicant is Afghan or foreign and the nature of the entity being licensed (company v sole proprietorship). This is an internal process to MOCI that happens after the registration officer prints out the Business registration certificate. In order to obtain a Business (Trading) License from the Ministry of Commerce and Industry, the applicant must first be:

1. Registered with the ACBR (unless they are a sole proprietor);;
2. Obtain a Tax Identification Number; and
3. Complete a criminal check process.

Figure 12: Getting a Business License in Kabul

²⁰ There is some confusion about the legal basis for this requirement.



Licensing procedures²¹ within the MoCI are detailed in the 2003 Trade Licenses Regulation issued by the Ministry of Commerce and Industry.

This license is valid for three years and costs between AFN 18,000 and AFN 30,000. In order to be renewed the licensee must have a clearance from the Mostufiat that taxes have been paid. In case of small, medium and large tax payers, clearance is provided by the Small Taxpayers Office, the Medium Taxpayer Office and the Large Taxpayer Office, respectively. The renewal is also valid for three years.

For a list of licensing fees for these licenses, see Appendix III.

2.2 Trade Agreements

Afghanistan has recently entered in different trade agreements that provide different benefits for the participant countries. While these agreements are still under implementation, a lot of progress has been made leaving impact on day to day processes. The main agreements, their rules and impact on the export are provided in the table below.

Table 9: Trade Agreements

Agreement	Members	Rules and Impact
Afghan Pakistan Transit and Trade Agreement (APTTA)	Afghanistan Pakistan	<ul style="list-style-type: none"> Freedom of transit through Pakistan Afghan trucks can transit into Pakistan on pre-settled routes along approved corridors Afghans can choose their type of vehicle but they must stay on the specified routes and exit Pakistan within the specified time No duty or taxes on goods in transit. Afghan trucks are not allowed to enter in India. Once they reach the Indian border, the cargo is uploaded in Indian trucks and shipped further.
South Asian Free	Afghanistan	<ul style="list-style-type: none"> Reduced tariffs for intra-regional trade among

²¹ There is no clarity on the legal foundations of this requirement; it should be noted however that the procedure for administering business licenses is currently under review.

Trade (SAFTA)	Area	Bangladesh Bhutan India Maldives Nepal Pakistan Sri Lanka	SAARC countries <ul style="list-style-type: none"> • Goods exported are produced, grown or extracted locally. • Every member country must accord national treatment to the products of other member countries in accordance with the rules of the World Trade Organization (WTO) • For exports require a specific form of Certificate of Origin (issued by ACCI)
World Organization Agreement (WTO Agreement)	Trade	159 member states Afghanistan is in the accession phase	<ul style="list-style-type: none"> • Most Favored Nation rule • National Treatment Policy • Everything But Arms (EBA) principle - grants duty-free quota-free access to all products, except for arms and ammunitions

2.3 Export Processes

The Ministry of Commerce recently prepared an Export Procedures Manual (EPM) in collaboration with all entities involved in exports. This explains current general procedures and rules followed by the state administrative units and exporters in order to export goods and services from Afghanistan. In mapping out the current myriad of exporting procedures, the manual includes step-by-step instructions on filling out different forms, provides key definitions, description of roles and responsibilities of different involved entities, and outlines process flows. The Manual also tries to describe possible variations of the process but may not cover all specific cases. The Manual can be downloaded from the Ministry's website: <http://moci.gov.af/en>. The following sections summarise the detailed processes in the Manual.

Afghanistan is a land locked country therefore exporters have to either use airlines (air cargo) or trucks (land cargo) to export their goods to other countries. The process is similar in both cases. Any differences between these processes like involved entities are described in the "Detailed steps" of every procedure.

The general exporting process consist of five main procedures:

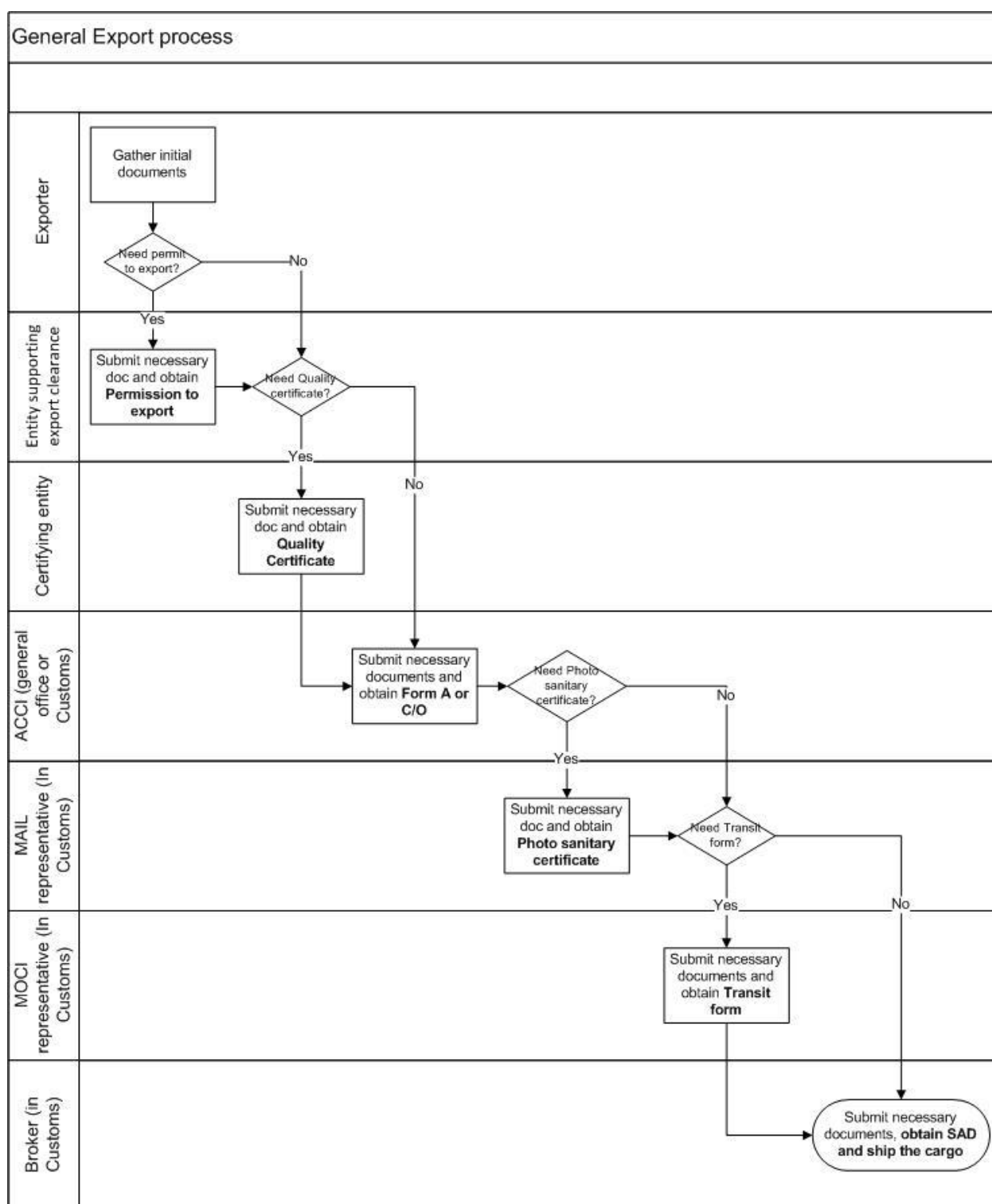
Figure 13: General Exporting Process



Sometimes the permission to export goods is acquired simultaneously with a Quality Certificate or a Certificate of Origin. Export procedures also vary depending on the export commodity, country to which the goods are exported and/or the preferred method of transportation (air or land cargo). These variations are described in the Manual.

The general process flow that exporters should follow is:

Figure 14: General Export Process



2.4 Responsibilities of the Various Entities Involved in Exporting

The different entities involved in export procedures can be divided into three groups:

- Certifying entities
- Entities supporting export clearance
- Export related advisory services

2.4.1 Certifying Entities

Certifying entities are entities that provide different types of certification that might be requested by the law or by the receiver of goods. Certifying entities can be divided in two groups by the type of certification they issue:

1. Quality certificate (optional)
2. Permission to export goods (mandatory for certain commodities)

The certification of goods is optional and largely depends on the commodity and the country to which it is being exported. The exporter may have to obtain a Quality Certificate (QC) of the product if it is required by the country to which the goods are exported. The QC provides information about the quality of exported goods or simply certifies that they are Afghan made products (in case of handicrafts).

A separate QC is issued for each cargo. If the exporter exports the same product to different locations that require a QC, he must obtain a separate QC for each cargo. The exporter can submit applications for receiving several QC at the same time. The goods are certified by different entities depending on the type of commodity.

For some goods – handicrafts, minerals, precious stones, semi-precious stones, gemstones, all animal products, medicinal plants – a certificate giving permission to export is mandatory.

Table 10: Certifying Entities for Quality Certificates and Permission to Export

Certification	Type	Commodity	Certifying entity	Location
Quality certificate	Optional	Carpets	Afghan Exporters (ACEG) Carpet Guild	Kabul Customs or Airport Customs
		Dried fruit Fresh fruit Vegetables Medical plants	Afghan Raisin Fruit and Vegetable Promotion Administration (RFVPA)	RFVPA
		Handicrafts (except carpets)	Handicraft Development Center (HDC)	HDC
Afghan made handicrafts				
Permission to export	Mandatory	Handicrafts	Kabul National Museum (KNM)	KNM or Kabul Customs or Airport Customs
		Minerals Precious stones Semi-precious stones Gemstones	Ministry of Mines and Petroleum (MOMP), Cadastre department	MOMP
		All animal products	Ministry of Agriculture, Irrigation, and Livestock (MAIL), Animal Products Union (APU)	APU
		Medical plants	MAIL, Range Land Department	MAIL

The process for obtaining the permissions and certificates and responsibilities of Certifying entities are explained in section "Export processes and procedures" of the Export Manual on MoCI's website.

2.4.2 Entities supporting export clearance

Once the exporter has obtained all necessary permissions and certificates, he or she can start the process for clearing Customs. The ways in which this is done depends on the export commodity, country to which the goods are exported, and mode of export (transit, land freight or air freight).

To clear the Customs, an exporter needs the following documents:

Table 11: Export Clearance Entities Documents Required

Document	Type	Commodity	Issuer	Location
Invoice	Mandatory	All commodities	Exporter or ACCI	ACCI head office
Certificate of Origin	Mandatory except for exports to Pakistan	All commodities	ACCI	ACCI head office or Customs department
Form A	Mandatory for countries that provide GSP treatment to Afghanistan	All commodities		
Photo sanitary certificate	Mandatory for all agricultural items	Dried fruit Fresh fruit Vegetables Medical plants	MAIL	Quarantine office in Kabul Customs or Airport Customs
		All animal products	MAIL	Animal Quarantine Department
Transit form	Mandatory only for transit for land cargo	All commodities	MOCI	Customs Department
Single Administrative Document (SAD)	Mandatory	All commodities	ACD	

The Export Promotion Agency of Afghanistan (EPAA), in collaboration with the Afghanistan Customs Department (ACD), key government ministries and Afghan traders, has established a One-Stop-Shop for Exports (OSS). The OSS is in the Afghanistan Customs Department's premises on Jalalabad Road in Kabul. In the OSS there are representatives of almost all entities that are involved in exporting.²² The OSS is designed to speed up the export documentation procedure by bringing together relevant institutions involved in exporting under one roof which, in theory, should enable traders to have all export documents processed in one location within a day without unnecessary delay.

2.4.3 Export-related Advisory Services

Exporters are supported by Export Promotion Agency of Afghanistan (EPAA). EPAA is an executive agency of Ministry of Commerce and Industry (MOCI) that was established in September 2006. The basic objective of EPAA is to promote and develop the exports of Afghanistan by assisting exporters to overcome bottlenecks in order to achieve higher levels of export performance

²² These include: The Afghanistan Chamber of Commerce and Industries □ The Export Promotion Agency of Afghanistan □ The Association of Carpet Exporters □ The Association of Animal Producers □ The Association of Raisin Exports □ The Ministry of Agriculture, Irrigation and Livestock – Plant Quarantine, Quality Control, and Animal Health □ The Ministry of Information and Culture – National Museum □ The Ministry of Mines

and foreign exchange earnings thereby enhancing economic growth. EPAA also assists exporters on the following matters:

- Provides export management and marketing training.
- Provides general management training and MIS training.
- Assists with arrangements in international conferences.
- Assists with national and international exhibition arrangements.
- Provides information to exporters about necessary export documents and procedures.

Most exporters can start the export process by obtaining the Certificate of Origin without receiving any other permissions or certificates, there few exceptions that apply to restricted items such as minerals, wild animal membrane/skin products, handicrafts and agricultural items.

2.4.4 Obtaining Certificate of Origin or Form A

After obtaining permissions to export for restricted items and other certificates (as necessary), the exporter must obtain the Certificate of Origin (C/O). A C/O is a document which is used for certification that the products exported are wholly obtained, produced or manufactured in a particular country. The “origin” does not refer to the country where the goods were shipped from but to the country where they were made. There are several different formats of C/Os:

Table 12: Certificate of Origin Formats

Country	Certificate	Cost
China, Korea, India	Certificate of Origin - a specific format for each country	300 AFS
All other countries	Form A/Certificate of Origin - to apply GSP principle	

Afghan exports receive preferential treatment and exemptions from WTO regulations from many countries because Afghanistan is considered a Least Developed Country (LDC). One these exemptions is called the Generalized System of Preferences (GSP). GSP is a system of exemption from the most favored nation principle (MFN) for the purpose of lowering tariffs for the least developed countries, without also lowering tariffs for rich countries. Afghanistan can export goods to WTO countries under the Everything But Arms (EBA) principle which grants duty-free quota-free access to all products, except for arms and ammunitions.

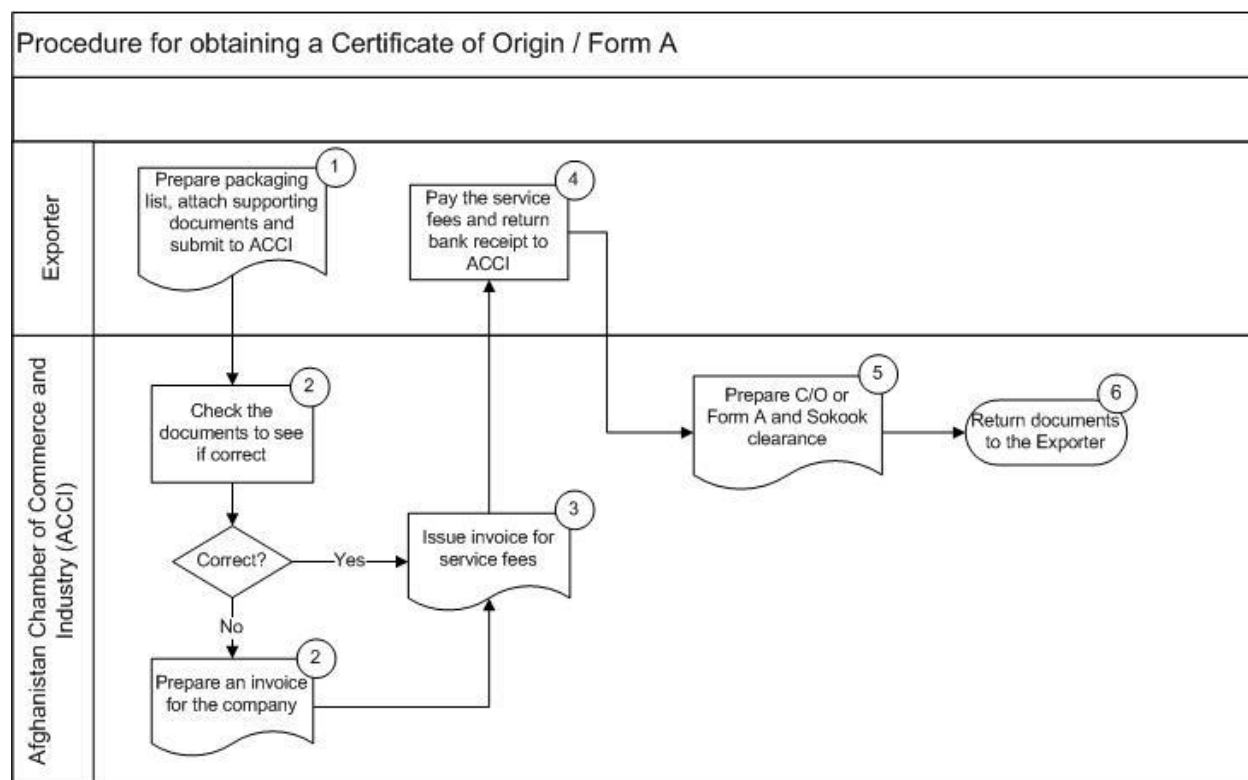
To receive this special treatment, exporters need to obtain a specific Certificate of Origin called “Form A”. Form A is used for shipments of processed or manufactured goods from less developed countries to developed countries and often referred to as the Form "A", or Generalized System of Preferences (GSP) Form “A”.

The C/O and Form A are issued by the Afghanistan Chamber of Commerce and Industry (ACCI). ACCI have their representatives in Kabul Customs Department, Airport Customs Department and provincial Customs offices so the exporter can obtain the C/O and clear the customs in the same day. If the exporter is exporting his goods to Pakistan, he doesn't need a Certificate of Origin, and can skip this step.

IMPORTANT NOTE: ACCI also can assist the exporter in issuing an invoice for the client. The exporter can prepare the invoice and submit it to ACCI together with the packing list for approval when applying for C/O or Form A. ACCI officers will check the invoice and if they find any mistakes they can offer to issue a new one or ask the exporter to prepare new invoice himself. This service is provided only in ACCI’s central office.

The procedure for applying for the C/O or Form A and getting an invoice in ACCI central office is as follows:

Figure 15: Certificate of Origin Procedure



IMPORTANT NOTE: If the exporter goes directly to and obtains the C/O from the ACCI representative in the Customs office, he can go through the following process himself or hire a Customs Broker.

2.4.5 Receiving a Clearance for Shipping

After obtaining the necessary permissions and/or other necessary certificates, the exporter can proceed with clearing Customs. To clear the Customs, the exporter should do the following:

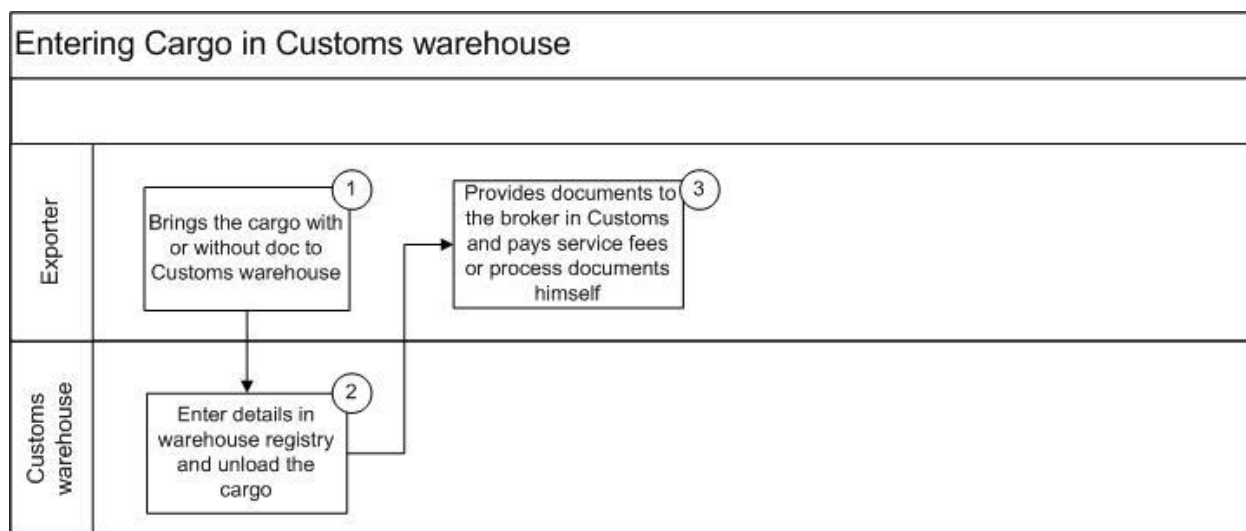
1. Enter the goods in the Customs warehouse (mandatory for all)
2. Obtain Photo sanitary certificate (for all agricultural items only)
3. Obtain Transit form (for transit only)
4. Obtain the export declaration (mandatory for all)

2.4.6 Entering the Cargo into a Custom's Warehouse

When the exporter takes his goods to Customs, he must first enter them into a Customs warehouse. In case of air freight the exporter will have to go through Kabul Airport Customs Department (KACD). In case of land freight the exporter will have to go through Kabul Customs Department (KCD) or their regional offices.

The detailed process is as follows:

Figure 16: Entering Cargo in Customs Warehouse

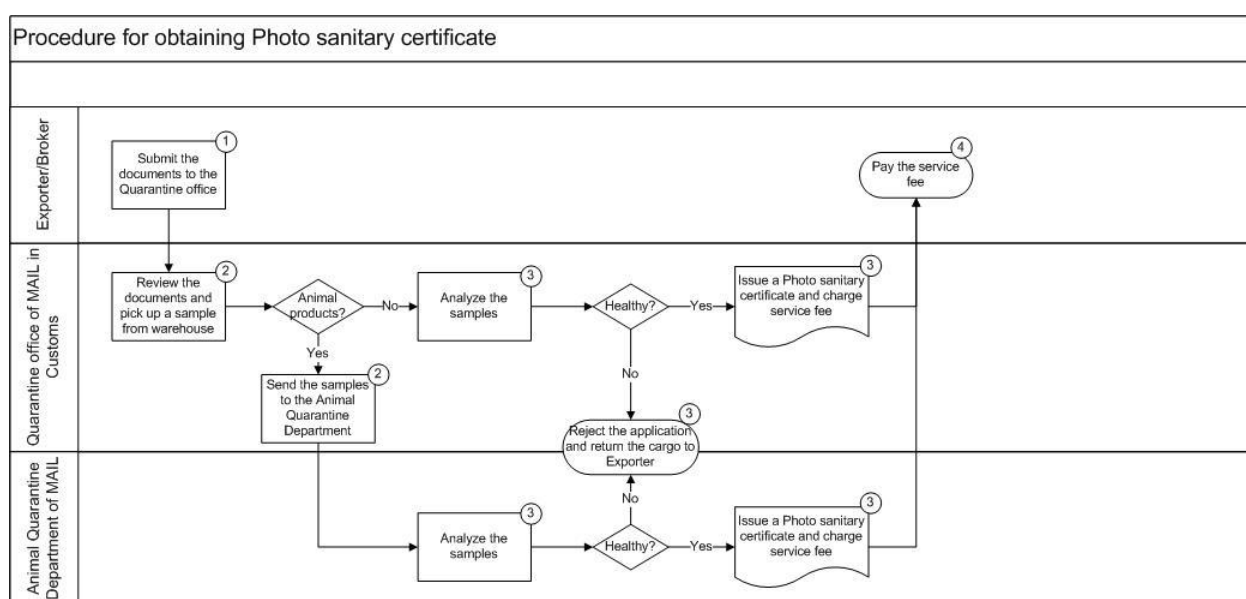


IMPORTANT NOTE: The exporter can enter his goods in the Customs warehouse before obtaining the C/O from ACCI, but they must be entered in the warehouse before processing documents through Customs. After the goods have been entered in the warehouse, they can only be removed after obtaining the necessary documents from ACCI and Customs.

2.4.7 Obtaining a Phyto-sanitary Certificate

The Phyto-sanitary certificate is necessary only for agricultural items (dried and fresh fruit, vegetables, medical herbs) and livestock. This certificate is issued by MAIL Quarantine department. The procedure for obtaining the phyto-sanitary certificate is as follows:

Figure 17: Procedure for Obtaining a Phyto-sanitary Certificate



2.4.8 Obtaining a Transit Form

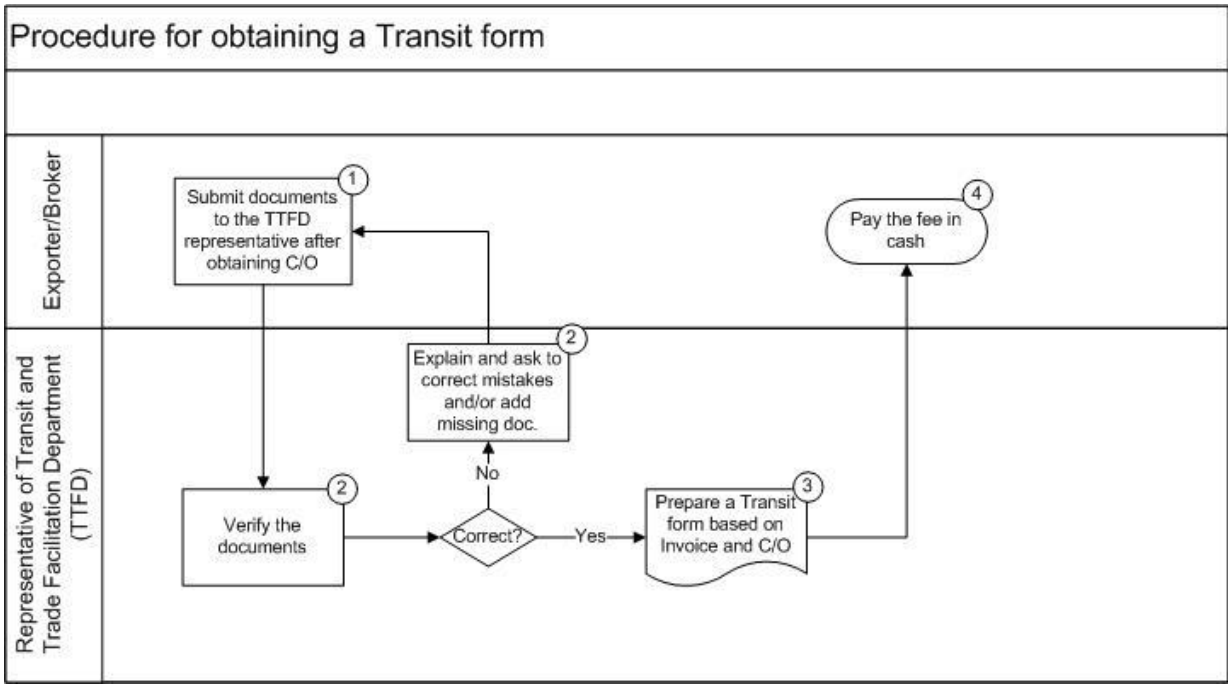
An exporter needs to obtain a transit form only if he/she is transiting through a country, for example, he/she is taking the goods to India through Pakistan. Transit forms are required only for

land freight and are not necessary for air freight regardless of the destination. The Transit Form is issued after the exporter has obtained all other necessary documents by the representative of Trade and Transit Facilitation Directorate (TTFD) of Ministry of Commerce and Industry (MOCI) before proceeding to obtain the Single Administrative Document (SAD). The necessary documents that must be submitted to the TTFD representative are:

1. Permissions to export (if applicable)
2. Quality certificate and the letter from the Certifying entity (e.g. RFVPA, HDC, ACEG, etc)
3. Exporters invoice
4. Form A or C/O
5. Phytoanitary certificate (if applicable)

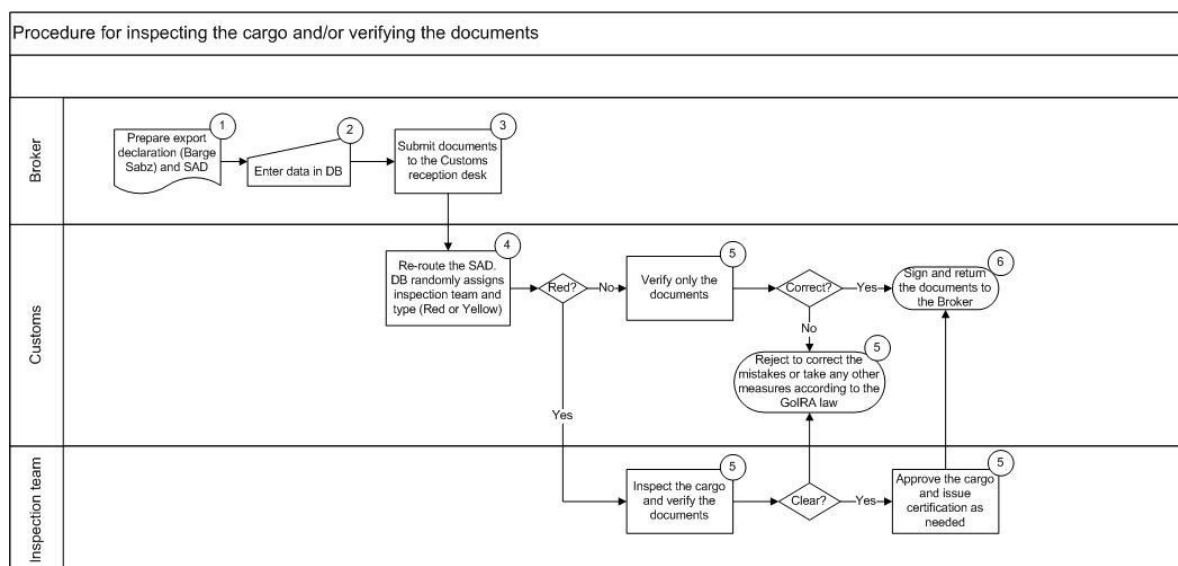
The detailed procedure for obtaining the Transit Form is as follows:

Figure 18: Procedure for Obtaining a Transit Form



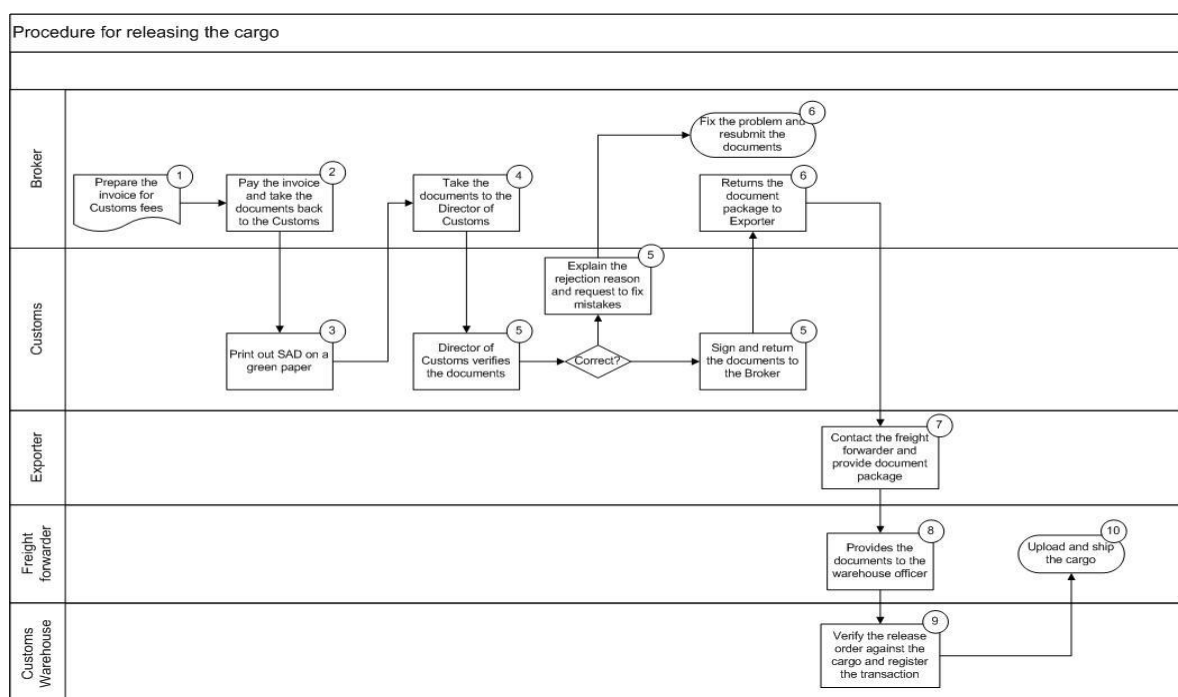
2.4.9 Obtaining the Export declaration (SAD)

Figure 19: Procedure for Inspecting Cargo/Verifying Documents



2.4.10 Uploading and Releasing the Cargo

Figure 20: Procedure for Releasing Cargo



2.5 Import Processes

Import processes depend on the nature of the border crossing point and the facilities there (with ASYCUDA (Automated System for Customs Data) versus without).

Table 13: Border Crossing Point (with ASYCUDA)

Description/Details
Arrival into Afghanistan and the approval of the Transit movement at: Aqina - Hairatan - Islam Qala – Spin Boldak - Torkham - Towraghondi – Zaranj
1. The driver/truck/cargo unit shall present to the Afghan Border Police for completion of the immigration and national security checks.
2. The driver/truck/cargo unit shall present at the Border Clearance Port, in order for Customs

	to register the arrival and seals, and weight of the truck/cargo if the site has a weighbridge, and thereafter shall move to the assigned parking area.
3.	The driver shall present the CMR and the weighbridge report to a Freight Forwarder.
4.	The Freight Forwarder shall complete a Pre-Declaration Form detailing the goods and submit it to the Customs Verification department. At some Border Crossing Points (Hairatan, Torghondi, Islam Qala, Agina and Shirkhan Bandar, and in respect of Pakistani trucks entering the country, the goods are required to be discharged from the foreign vehicle to an afghan-registered vehicle to continue the inland journey.
5.	The Broker shall prepare the T1 declaration in ASYCUDA using the details of the CMR (at the borders with Iran only), the Barnama and the Pre-Declaration Form.
6.	The Broker shall place a security of 110% of the customs value of the goods to facilitate the transit form the Border Crossing Point to the Inland Clearance Depot.
7.	The Broker shall submit the printed (white) T1 form to the Customs Cashier and pay the T1 fee.
8.	The Broker shall lodge the printed (white) T1 form, a blank (green) T1 form, the payment receipt and the supporting documents with the Customs Transit Office.
9.	If the Customs determine an examination of the goods is required, the Broker shall attend the examination.
10.	After the Customs has registered and endorsed the (green) T1 form, ordered the Inland Clearance Depot destination, and advised of any special conditions for the transit route and schedule, the Broker shall receive the endorsed T1 and documents.
11.	The driver/truck/cargo unit shall present at the Exit Gate with the endorsed T1 and documents.

Table 14: Border Crossing Point (without ASYCUDA)

Description/Details	
Arrival into Afghanistan and the approval of the transit movement at: Ghulam Khan - Aie Khanom - Mile 73 – Ishkashim	
1.	The driver/truck/cargo unit shall present to the Afghan Border Police for completion of the immigration and national security checks.
2.	The driver/truck/cargo unit shall present at the Border Clearance Port, and shall present the manifest, bills of lading, Customs Export Declaration from the port of departure and invoices, for registration by Customs. The driver shall receive an invoice for the 'Khak Poly' fee, and thereafter shall move to the assigned parking area.
3.	The driver shall pay the 'Khak Poly' fee to Customs, and shall present all documents, invoices and payment receipts to the Broker.
4.	The Broker shall prepare the Elm-e-Khabar form according to the details on the supporting documentation, and shall submit all to the Customs Transit office.
5.	The Broker shall place a security of 110% of the customs value of the goods to facilitate the transit form the Border Crossing Point to the Inland Clearance Depot.
6.	After Customs has verified the Elm-e-Khabar form and container seals, the Broker shall pay the fees at the De Afghanistan Bank.
7.	The Broker shall present the payment receipt to the Customs Transit office that shall endorse the supporting documentation.
8.	The Broker shall present the Elm-e-Khabar form and the endorsed documents to the Customs Registration office where they shall be registered, numbered and endorsed.
9.	The Broker shall submit the endorsed documents to the driver.
10.	The driver/truck/cargo unit shall present at the Exit Gate with the endorsed Elm-e-Khabar form and documents.

Table 15: Inland Clearance Depot Acquittal of the Transit Movement

Description/Details
Arrival into Afghanistan and the approval of the transit movement at: Andkhuor - Asadabad - Balkh - Farah - Feyzabad - Gardeyz - Herat - Jalalabad - Kabul - Kandahar - Khowst - Qalat - Shirkhan Bandar - Talogan - Talogan - Zaranj - Zereh Sharen
<ol style="list-style-type: none"> 1. The driver/truck/cargo unit shall present at the Inland Clearance Depot, in order for Customs to check the seals and register the arrival, and thereafter shall move to the assigned warehouse. 2. The Broker shall attend the warehouse to collect the documentation from the driver and shall witness the unloading of the cargo. 3. The Broker shall prepare the IM4 declaration in ASYCUDA. 4. The Broker shall print, sign and stamp the IM4 declaration, and lodge it and the supporting documents to the Customs Reception. 5. The Broker shall respond to any Customs query if the declaration is subject to a documentary verification. 6. The Broker shall attend the Customs examination of the goods if such intervention is required. 7. When Customs issues the assessment notice, the Broker shall make payment of the customs duties and fees at the DA Bank. 8. The Broker shall submit the signed stamped payment receipt to the Customs Release. 9. The Broker shall receive the endorsed Release Order and arranges for transport to remove the goods. 10. The Broker shall present the endorsed Release Order to the Warehouse, and shall witness the removal of the goods for delivery to the importer/consignee. 11. The Broker shall present copies of the endorsed Release Order to the Customs of the originating Border crossing Point to claim refund of the security.

Table 16: Direct Port of Entry Arrival into Afghanistan and First-port-clearance

Description/Details
Arrival into Afghanistan and the approval of the transit movement at: Kabul Airport – Khandahar Airport – Mazar-e-Sharif Airport - Hairatan Rail Customs Post
<ol style="list-style-type: none"> 1. The Broker shall obtain the air waybill from the freight forwarder. 2. The Broker shall prepare the IM4 declaration in ASYCUDA from information and documents provided by the importer/consignee. 3. The Broker shall print, sign and stamp the IM4 declaration, and lodge it and the supporting documents to the Customs Reception. 4. The Broker shall respond to any Customs query if the declaration is subject to a documentary verification. 5. The Broker shall attend the Customs examination of the goods if such intervention is required. 6. When Customs issues the assessment notice, the Broker shall make payment of the customs duties and fees at the DA Bank. 6. The Broker shall submit the signed stamped payment receipt to the Customs Release. 7. The Broker shall receive the endorsed Release Order and arranges for transport to remove the goods. 8. The Broker shall present the endorsed Release Order to the Cargo Custodian, and shall witness the removal of the goods for delivery to the importer/consignee.

Important Notes:

(1) If goods are imported by air, the airport Customs House sends the aero bill (in which all the specifications of imported goods are written) in addition to the imported goods and their invoice to the Customs House where the process described above is followed.

(2) The Elme Khabar is a paper or papers which a trader must have prepared and confirmed by signatures and stamps in any of Afghanistan's foreign trade agencies located abroad. It is a document which states the facts about the company from which goods are being purchased, the purchaser and detailed information on goods (description of each item, quantity, packing etc.). This important document is prepared on the basis of purchased materials invoices provided by the selling company. The Elme Khabar is the first document that the border Customs House asks for from a trader who imports goods into Afghanistan.

2.6 Taxes/Tariffs on Imports

An ad-valorem import duty is imposed on many goods. The Customs Tariff determines the import duty of goods based on their classification. The Customs Tariff is approved by the Minister of Finance, upon the recommendation of the Director-General of Customs. Pursuant to the Presidential Decree of July 14, 2003, only Customs Brokers licensed by the Ministry of Finance are authorized to clear imported or exported goods through Customs in Afghanistan.

Exemptions are based on treaties, international law, law, regulation, etc. and are implemented through an amendment or annex to the tariff schedule. The following imported goods are exempt from customs duty:

- goods imported by officials of the State during official travels not in excess of 100,000AFN as provided by the Customs tariff;
- office materials and equipment of political representatives and International Agencies, materials intended to be used in residency of representatives of foreign countries in Afghanistan, after confirmation by competent authorities;
- items intended for personal use by foreigners working in Afghanistan according to the terms and conditions of their contract;
- permitted books, gazettes, magazines and newspapers;
- goods provided for government projects funded by loans or imported to the country by or for public and private foreign and International relief and development agencies;
- personal effects used by Afghan delegations or Afghan international workers and their family members abroad;
- travelers' personal goods in accordance with the customs tariff;
- commercial samples and advertising gifts;
- post parcels valued at 5,000AFN or less;
- honorary decorations or awards;
- samples sent to organizations protecting copyrights or industrial or commercial patent rights;
- used movable property belonging to natural persons, who transfer their normal place of residence from another country to the State, as provided in the Customs Tariff;
- a consignment of less than 1,000AFN value;
- pure-bred breeding animals and insects and laboratory animals, biological or chemical substances needed for scientific researches;
- therapeutic substances of human origin and blood grouping and tissue typing reagents;
- substances for the quality control of medicinal products;
- fuels, lubricants and equipment carried with and necessary for the normal functioning of transport vehicles in accordance with the relevant procedure;
- other goods as may be exempted upon recommendation of Minister of Finance and approval of Council of Ministers.

Tariffs are set using the national official exchange rates published by Da Afghanistan Bank for the purpose of valuation of goods.

The General Directorate of Customs is responsible for carrying out the tariff classification of goods using descriptions and coding in accordance with the Harmonized System of the World Customs Organization and for assessing any corresponding duty under the Customs Tariff. In order to combat false valuation of certain goods with suspicious values, their minimum value shall be determined by the General Directorate of Customs based on international norms.

For a full list of current customs tariffs see the Afghan Customs Department website: <http://customs.mof.gov.af/en/page/1034/1035>

3 The Private Investment Law

This chapter addresses the key elements of the Private Investment Law:

- 1. Investment restrictions**
- 2. Equality before the law**
- 3. Approved forms of enterprises**
- 4. Labour regulations for foreign workers**
- 5. Investment incentives**
- 6. Expropriation, nationalization and compensation**
- 7. Dispute resolution and arbitration**
- 8. Leasing and owning land**
- 9. Right to access funding through the banking system**
- 10. Controls on freedom of capital, profit, dividend, interest movements**

In 2003 the Government of Afghanistan passed the Private Investment Law²³ (PIL or ‘the Investment Law’), Article 2 of which notes that ‘The State is committed to maximizing private investment, both domestic and foreign, in the economy. It aims to create a legal regime and administrative structure that will encourage and protect foreign and domestic private Investment in the Afghan economy in order to promote economic development, expand the labor market, increase production and export earnings, promote technology transfer, improve national prosperity and advance the people’s standard of living’. Article 4 indicates that “all Foreign or Domestic Persons may make investments in all sectors of the economy” unless specifically prohibited²⁴.

The Private Investment Law establishes the High Commission on Investment²⁵ (the “Commission”) to ‘... be the Government’s focal point for policy-making on Investment and the highest administrative authority with respect to the implementation of this Law’. The Law also indicates that ‘To assist [the Commission] in carrying out its duties, the Commission shall establish the Afghanistan Investment Support Agency (AISA), which is to be named “Office” in this law hereafter, as a limited liability company’²⁶.

The Commission is composed of: (i) Minister of Commerce and Industry (Chair); (ii) Minister of Finance; (iii) Minister of Foreign Affairs; (iv) Minister of Labour and Economy; (v) Minister of Mines; (vi) Minister of Agriculture, Irrigation and Livestock; (vii) the Governor of the Central Bank; and (viii) the President of AISA, as Secretary with no right to vote.

Investments above \$3 million need to be approved by HCI.

3.1 Equality Before the Law

All approved enterprises, domestic and foreign, are treated equally by the law, unless the legislation specifically provides otherwise²⁷. In other words, once a foreign investor has been granted a license for an investment project, the government extends national treatment to that investment.

3.2 Forms of Entities

Approved enterprises shall be one of the following types²⁸:

- Enterprises organized according to Afghan law;

²³ The 2003 Private Investment Law was later amended on 6 December 2006.

²⁴ Article 5 of 2003 Private Investment Law indicates the prohibited activities.

²⁵ Article 6(a) of 2003 Private Investment Law.

²⁶ Article 6(b) of 2003 Private Investment Law.

²⁷ Article 16 of The Private Investment Law covers equal treatment of foreign and domestic investors.

²⁸ Article 10 of the Private Investment Law spells out the types of enterprise that can be formed under Afghan law.

- Enterprises organized under foreign law, but the approval and registration to trade and invest in Afghanistan has taken place as per Afghan law and regulations.

The ownership of approved enterprises shall be one of the following forms:

- 100% private ownership;
- Joint ownership by the Afghan Government and private investors.

3.3 Investment Incentives

The Private Investment Law provides for a number of benefits to investors, the details of which are outlined in section 1.6.

3.4 Investment Restrictions

Article 5 of the PIL specifically prohibits:

- Nuclear energy development;
- Gambling establishment and like places;
- Narcotics and intoxicants production.

The Commission following consideration of national priorities, may prohibit further sectors or remove sectors from the prohibited list (with the exception of gambling establishments which would require a change in the law to remove from the prohibited list).

The Commission is authorized to limit the beneficial ownership of foreign investors in certain industries or economic sectors. Existing investments and approved enterprises are exceptions to this rule.

For investments in certain sectors of the economy, the Commission must approve such investments after discussing with and gaining consent from the appropriate Ministries. In such sectors the Commission also has the power to apply terms, either more or less favourable than the terms applied to other investments. However the Ministry of Finance must approve any revenue related incentives that are more generous than would otherwise be applied. The initial list of such sectors is:

- Production and sales of arms and explosives;
- Financial activities other than banking;
- Insurance; and
- Investment in natural resources (forestry included) and in infrastructure (including telecommunications, construction and pipelines installations) except when related legislation permits (in this case investment will be regulated as per related special laws).

The Commission is authorized to amend this list of sectors from time to time.

In these areas, the Commission is responsible for negotiating with ministers and related administrations regarding the appropriate limits for investment and approving those agreed with other stakeholders. In these investment categories, the Commission may set special conditions on investment²⁹.

3.5 Expropriation, Nationalization and Compensation

The State can expropriate an investment or the assets of a registered enterprise only if it is in the public interest to do so, based on a law permitting such expropriation, and on a non-discriminatory basis.³⁰

The State shall provide prompt, adequate and effective compensation in conformity with principles of international law, equivalent to the fair market-value of the expropriated investment or assets immediately before the expropriating action was taken. Such compensation shall include interest at the

²⁹ Article 5 of the Private Investment Law states “The Commission must discuss with appropriate ministries and institutions, and approve, with the consent of such ministries and institutions, on a case-by-case, investment in certain sectors of the economy (and certain types of Investment). With respect to such investments, the Commission may choose to apply terms that are different from those generally applied to Investments pursuant to this Law, provided, however, that the Ministry of Finance must approve any fiscal incentives that are more generous than those set forth in the Law”.

³⁰ Article 27 of the Private Investment Law relates to expropriation.

one-year LIBOR rate (London Interbank Offering Rate) for the period between the date of the expropriation or nationalization and the date of complete payment of the compensation. In the case of an investment made in a foreign currency, the compensation shall be made in the currency in which the investment was made at the prevailing rate of exchange.³¹

Under Article 29 of the Private Investment Law, if, in an expropriated property, the percent of ownership interest held by foreign investor(s) exceeds 25%, such foreign investor(s) or the registered enterprise, as the case may be, shall have the right to dispute the expropriation or the adequacy or fairness of the compensation offered.

A foreign investor or a registered enterprise of which over 25% of the ownership interest is held by foreign investors may freely transfer any payment from the Government as compensation for expropriation or nationalization out of Afghanistan without the payment of taxes to the extent that such exemption is permitted by the Income Tax Law.

3.6 Dispute Resolution and Arbitration

The PIL states that an investor or a registered enterprise may, in any contract or other agreement, specify the following:³²

1. Any arbitration or other dispute resolution procedure;
2. That the place of such arbitration may be outside of Afghanistan;
3. That the law of a jurisdiction other than Afghanistan may apply to the resolution of such dispute.

If such a contract or other agreement so provides, any award resulting from such arbitration or other dispute resolution procedure shall be final, and shall be enforceable by the Government of Afghanistan.

If a dispute arises regarding a contract or other agreement entered into between an investor or a registered enterprise on the one hand and the State (or any constituent subdivision, agency or instrumentality thereof) on the other, the dispute shall be resolved according to applicable Afghan law. However if a dispute arises between a foreign investor or a registered enterprise with foreign equity ownership and the State in regard to a foreign investment, the parties shall endeavor to settle such dispute amicably by mutual discussions. Failing such amicable settlement, and unless the parties to such dispute otherwise agree, the parties shall submit such dispute to either:

- (i) the International Centre for Settlement of Investment Disputes (“ICSID”) for settlement by arbitration according to the Convention on the Settlement of Investment Disputes between States and Nationals of Other States of March 18, 1965, as such may have been or may be amended from time to time
- (ii) or if ICSID rules preclude the foreign investor from arbitrating before ICSID or if the Foreign Investor otherwise prefers, to arbitration in accordance with UNCITRAL Rules.

3.7 Leasing and Owning Land

Land ownership is addressed in Section 41 of the Constitution of Afghanistan: foreign individuals are not permitted to own land either directly or indirectly³³.

“Foreign individuals” in Section 41 refers to natural and legal entities, and therefore the restriction on foreign ownership of land appears, in the absence of other legislation on the subject, absolute and applies regardless of the foreign ownership percentage.

³¹ Compensation is covered in Articles 28 and 29 of the Private Investment Law.

³² Article 30 of the Private Investment Law sets out the provisions for dispute resolution and arbitration.

³³ Article 41 of Constitution states “Foreign individuals shall not have the right to own immovable property in Afghanistan. Lease of immovable property for the purpose of capital investment shall be permitted in accordance with the provisions of the law. The sale of estates to diplomatic missions of foreign countries as well as international organization's to which Afghanistan is a member, shall be allowed in accordance with the provisions of the law”.

Land leasing is addressed in Article 21 of Constitution which allows approved enterprises to have the right lease land, for business purposes, as provided by law, for up to 50 years.

Leasing therefore appears to be the only viable alternative for foreigners to carry out projects requiring long term land possession.

3.8 Right to Access Funding Through the Banking System

Registered enterprises have the right to use banking facilities as follows:

- Open bank accounts in foreign currency and receive loans and credits through these banks for investment and production purposes;
- Open bank accounts in foreign currency outside Afghanistan to purchase machinery, equipment, raw materials, spare parts, services, foreign employees' salaries and for all other payments provided it is in compliance with all legal documentation provisions.

3.9 Controls on or Freedoms of Capital, Profit, Dividend, Interest Movements

There are no significant controls on any type of funds transfer – providing that the appropriate taxes have been paid.³⁴

A foreign investor has the right to freely transfer funds equal to the total investment capital in any currency at the current present market rate, provided all tax dues are satisfied. A registered enterprise is authorized to transfer the whole sum at once or at different times.

A foreign registered enterprise must notify the Central Bank (or such other entity designated by the Law) of such a transfer. The Central Bank or other entity, as the case may be, shall reduce the amount of such foreign investor's registered foreign investment by the amount that has been transferred.

Regarding transfer of profits, a foreign investor can freely transfer the investment profit or the distributions treated as share profit under tax law, provided that tax obligations have been satisfied.

Regarding transfer of loan repayments and associated interest payments, it is lawful for a registered foreign investor to transfer funds related to principal loan, interests and fees in foreign currency at the current exchange rate, provided that the loan was processed as per existing rules and regulations in Afghanistan.

Regarding the transfer of proceeds from the sale of a registered enterprise, foreign investors that follow the rule of law have the right to sell or put of all or part of their ownership to domestic or foreign person or to the Government of Afghanistan, without permission of the government or any other related office, provided the law is not violated and all financial and legal requirement are met and satisfied. Foreign investors also have the right to transfer sale proceeds of the enterprise freely out of Afghanistan in the currency invested.

3.10 Other Standard Rights and Obligations

There are no provisions in the PIL or in other laws concerning intellectual property rights or competition policy, although drafting of the former has commenced it has yet to be passed by Parliament. Since Afghanistan is in the process of joining the World Trade Organisation (WTO), in the future it will have to have such laws if it is to realize this goal.

³⁴ Funds transfer is addressed in Article 22 of the Private Investment Law.

4 The Legal and Regulatory Environment: Commercial Law Reform

This chapter reviews describes the framework of commercial laws in Afghanistan including commercial laws being developed by the Ministry of Commerce and Industry, and other Ministries and their current status in the legislative process. It covers:

1. Corporations and Limited Liability Companies Law
2. Partnership Law
3. Arbitration Law
4. Mediation Law
5. Contracts Law
6. Agency Law
7. Trademarks Law
8. Copyright Law
9. Patents Law
10. Standards Law
11. Competition Law
12. Consumer Protection Law
13. Minerals Law
14. The Downstream Petroleum Law

To achieve its goal of establishing and implementing a legal and regulatory framework capable of ensuring the efficient and equitable operation of a market economy, the Ministry of Commerce and Industry has drafted a total of 10 new commercial laws. The first four laws listed below have been implemented by Presidential decree and have been passed by Parliament. The remaining laws are at various stages in the legislative process.

4.1 Corporations and Limited Liability Companies Law

The Corporations and Limited Liability Companies Law (CLLCL) provides Afghanistan with the legal rules for the organization of business enterprises in Afghanistan. The law defines two types of enterprises³⁵:

- “Corporation”: a business company whose capital is definite and divided into shares, with the share and responsibility of each shareholder limited to the proportion of his share; and
- “Limited Liability company”; “Limited” is a business company whose capital is not divided into shares with the responsibility of each shareholder limited to the amount of capital agreed to [by such shareholder] in the company.

The Law sets the registration requirements for corporations by indicating the documents that may be registered in a Central Registry, which include a Business License³⁶, the Articles of Incorporation³⁷ and Annual Reports³⁸.

The Law establishes the Afghanistan Central Business Registry within MoCI.

The Corporation under this law has a two-tier Board of Directors including a Board of Supervisors that oversees the Board of Directors and can inspect the Corporation’s books and records. The new Law provides for duties and standards of the Board of Directors including the duty to disclose a conflict of interest regarding transaction effected by the corporation.

³⁵ Article 4, CLLCL.

³⁶ Article 2, CLLCL.

³⁷ Article 5, CLLCL.

³⁸ Article 7, CLLCL.

Corporations must hold Annual Meetings where Directors are elected and other business is transacted. Before such meetings, the Corporation must deliver the financial statement to all Shareholders and the financial statement, including the balance sheets, must comply with international accounting standards. The law also provides more transparent rights and protections of shareholders such as the ability to inspect the books and records of the corporation and lawsuits by a shareholder in the right of a corporation against a Director or Officer for failure to perform, or other violation of his duties in management of the Corporation. The law sets the rules for when a corporation may pay dividends and how much of a reserve fund is necessary.

The law also defines a limited liability company that has between 2 to 50 shareholders and whose shares are not to be sold on a public stock exchange.

These new provisions will enhance the ability of a corporation to attract investment.

4.2 Partnership Law

Under the Partnership Law (PL), a partnership is created by two or more persons who file and register their partnership agreement³⁹. When a partnership is created, it has a legal personality and can execute transactions, sign contracts and own property. The Law defines two types of partnerships; ‘General Partnership’ and ‘Special Partnership’⁴⁰.

A distinctive factor of a partnership (in contrast to a corporation) is that there is no limit of liability for general partners. In other words, if the partnership cannot timely meet its financial obligations the general partner(s) is/are responsible for paying off the partnership’s creditors. However, partners can limit their liability to a fixed amount if they enter into a Special Partnership as described in the Law. Special Partnerships must have a General Partner as a member and Special Partners may not interfere in the administrative matters of the General Partnership.

Partners can limit the ability of a general partner to participate in the management of a partnership but they cannot limit a partner’s access to information about the management of the partnership. Partners have a duty not to compete with the partnership or to use the partnership assets as their own. A partnership agreement may vary certain provisions in the law. It can provide for continuity after the death or withdrawal of a partner and the division of profits and losses among the partners.

A partnership may dissolve for many reasons such as death, bankruptcy, or withdrawal of a partner, the realization of the objective of the partnership or upon the order of the court. Upon dissolution, the partnership must follow liquidation procedures to protect creditors and partnership assets.

The Law’s purposes include ensuring all partners have access to financial information and ensuring transparency to third parties of its legal structure and current operations so they can better assess the risks of doing business with the partnership.

4.3 Arbitration Law

The Arbitration Law establishes nationally and internationally applicable transparency procedures for a binding arbitration tribunal to resolve business disputes that cannot be amicably settled. Parties will be able to choose their own panel of arbitrators. These procedures are available to Afghan and foreign businesses (and individuals) alike. The Law permits anyone with an unsatisfied arbitration award to sue to enforce it in Afghanistan’s commercial court.

4.4 Mediation Law

The Mediation Law offers both Afghan and foreign businesses an alternative to court litigation or binding arbitration for resolving their disputes. Mediation generally offers the benefits of speed and lower cost compared to arbitration or court proceedings but since it is not binding the parties must voluntarily honor the settlement for it to be effective. Once Mediation has commenced, the running of

³⁹ Article 2, PL.

⁴⁰ Articles 21 and 22, PL.

any statutory limitation period is stopped during the Mediation. The Mediator has no authority to impose a settlement on the parties. (By way of contrast in binding arbitration, the arbitrator can impose a decision on the arbitrating parties.) However, should the parties agree to a settlement, the settlement becomes binding and enforceable as with any other commercial agreement.

Mediation generally offers the benefits of speed and lower cost compared to arbitration or court proceedings but since it is not binding the parties must voluntarily honor the settlement in order for it to be effective. Once mediation has commenced, the running of any statutory limitation period is stopped during the mediation. The mediator has no authority to impose a settlement on the parties. However, should the parties agree to settlement, the settlement becomes binding and enforceable as with any other commercial agreement.

In addition to the above four laws that already approved, the MoCI has drafted an additional six laws which are now being reviewed by the MoJ's Legislation Department.

4.5 Contracts Law

The Contracts Law regulates and protects the rights of parties to agreements. The law includes essential elements of the contract, formation and remedies. The law also includes specific elements for sales contracts, gifts, carriage contracts, warehousing and employment and labour contracts. This law is currently before Parliament.

4.6 Agency Law

The Agency Law regulates and protects the rights of agency relationships where a principal authorizes another person in the place of himself (the agent) in an ascertained, permitted transaction. This creates a contractual relationship and allows the agent to act as though he were the principal in many situations. The law defines the types and scope of the agent relationship and the duties of care of an agent. The law describes the obligations of the principal and the termination of the agency relationship. This law is currently before Parliament.

4.7 Trademarks Law

The Trademark Law regulates trademarks by allowing the owner of the mark to register his/her trademark to identify his/her goods or services. The Law specifies under what conditions the trademark will be protected, such as it must be distinctive and not misleading or deceptive. Upon its registration, the trade mark is protected for a term of 10 years and it can be extended for additional terms of ten years upon the owner's request. The Law also has enforcement provisions against counterfeiters who use similar distinctive signs to market inferior or different products or services. The law also enforcement provisions against counterfeiters who use similar distinctive signs to market inferior or different products or services.

The law is in draft form and has not yet been passed by Parliament.

4.8 Copyright Law

The copyright law will provide legal protection to the owner of the rights in an original work he/she has created such as a literary, musical, artistic or scientific work. The law defines the various economic and moral rights of the owner, including the rights of reproduction. The Law sets the terms for the limits of the protection (50 years after the author's death), how the works may be exploited and enforcement provisions for infringement of the copyright.

4.9 Law on Protection of Inventors and Discoverers Rights (Patents Law)

This Law protects the rights of inventors and discoverers if the patent is registered in Afghanistan. The law entitles the patent owner to produce, sale or transfer its work to a third party. For Afghan inventors and discoverers, the Law entitles the owner exclusive rights of the patent for a term of 20 years from the date of registry at the Ministry of Commerce and Industry. For the patents that have previously been registered in another country, in order to seek protection under this law, the patent must be

registered in Afghanistan within two years of having been granted (a patent) in the original country. In this event the owner is entitled to exclusive rights of his or her work for a period of 20 years from the date of registry in the original country. This allows companies to import and manufacture commodities while protecting the original patents on those goods. After registering the patent, the registrant must operationalize the patent by using the patent or producing the product in Afghanistan within a certain period of time.

4.10 The Standards Law

The Standards Law established the Afghanistan National Standards Authority (ANSA) to set standards for products, processes or services in order to protect consumers and the environment. The Law authorizes ANSA to harmonize Afghan standards with international standards so there are no technical barriers to trade. The Afghan National Standards Authority is authorized to enforce the Afghanistan National Standards Law and establish laboratories to inspect goods.

See Appendix VIII for a list of Standards which have been adopted by the Afghanistan National Standards Authority.

4.11 Competition Law

The current Competition Law and its companion the Anti-Hoarding Law are in need of updating as they were both developed for non-market based economies. A more modern Competition Law has been drafted but has yet to be passed by Parliament. The new law covers monopolistic practices, outlaws collusion and anti-competitive practices dumping, price-fixing, exclusive dealing, refusal to deal, dividing territories, tying, resale price maintenance, etc.

4.12 Consumer Protection Law

A draft Consumer protection bill is currently with the Minister of Justice. It is designed to ensure the rights of consumers by protecting their interests and safety, ensure the accuracy of product labelling and advertising, prevent fraud and unfair practices in the marketplace.

4.13 Minerals Law

A new Minerals Law is currently before the Afghan Parliament. Pending approval, this new law, offers incentives for new as well as existing investors in the country. The new Minerals Law will assist the government to advance its natural resource extractions in an ecologically-friendly and more sustainable and profitable manner. The new law intends to ensure transparency, encourage international best practices and promote a fair environment for domestic and international investment in the mining sector.

The current Minerals Law can be found here: <http://mom.gov.af/en/page/3993/3994>

Those wishing to invest in this area should contact the Ministry of Mines to get an update on the legal framework governing investment in mining and consult their Investors' Guide: <http://www.afghancementtenders.com/index.html>.

4.14 The Downstream Petroleum Law

A Downstream Petroleum Law has been drafted covering the import, export, transport, processing, storage, distribution, wholesale, retail sale of Petroleum Products and related activities and installations within Afghanistan. Its purpose is as follows:

- a. To create an efficient and transparent legal and regulatory framework;
- b. To ensure that the Petroleum supply in Afghanistan is adequate, reliable and economical for the country and the consumers;
- c. To clarify the functions of institutions responsible for the Petroleum Supply Chain and making the operation of these institutions accountable and transparent;
- d. To ensure the protection of the consumer, of public health, safety and the environment;

- e. To ensure effective delivery of and equal access to Petroleum Products of adequate quality at competitive prices for all consumers;
- f. To encourage and promote private initiative and fair competition in the Petroleum market, eliminating discrimination or preferential treatment of any participant and preventing monopolistic control of any segment of the Supply Chain; and
- g. To create favorable conditions for existing operators and new participants and investors in order to improve services and to expand the infrastructure of the Supply Chain.

4.15 Commercial Law Reform

The framework of commercial laws in Afghanistan has been repeatedly revised over the last decade. A number of new laws have been developed and are at various stages in the legislative process. The following table summarises these developments:

4.16 Current Status of Commercial Laws and Regulations

Table 17: Laws and Regulations Administered by the Ministry Of Commerce and Industry

Law	Current Status
Law on Geographical Indications (new)	Initial draft finalised with MOCI (ACBR)
Law on Industrial design (new)	Initial draft finalised with MOCI (ACBR)
Commercial and Civil Codes <ul style="list-style-type: none"> ▪ Procedure Code [7/10/1976] ▪ Procedure Code [7/3/1961] 	Initial drafts finalised with MOCI (Legal Affairs Directorate)
Bankruptcy Law	Existing law, however work done on revising law (status to be confirmed)
Business Licensing	Licenses and license fees charged without clear legislative basis. Proposal is to reduce license requirements and provide new law for those that remain

Table 18: Laws and Regulations Administered by Other Government Departments

Law	Current Status
Plant protection and Quarantine Law (new)	Initial draft currently being finalised by MAIL
Animal Health and Veterinary Law (new)	Initial draft currently being finalised by MAIL
Food Safety Law (new)	Initial draft currently being finalised by MAIL
Customs Law <ul style="list-style-type: none"> • Amendments 	Draft has been developed and currently with MOJ of review, however, there are issues with the tariff provisions with MOCI and Customs having differing views
Land Laws <ul style="list-style-type: none"> • Land Management Law • Presidential Decree 83 concerning landed properties • Civil Code • Other laws 	There is not a comprehensive land law in Afghanistan

4.17 Links to Important Laws

Table 19: Internet Locations of Important Laws

Law	Language	Link to the Laws
Corporation and Limited Liabilities Companies Law (2007)	English	http://en.afghanembassy.in/index.php?option=com_content&view=category&layout=blog&id=5&Itemid=33
	Dari & Pashto	
Partnership Law (2007)	English	http://en.afghanembassy.in/index.php?option=com_content&view=category&layout=blog&id=5&Itemid=33
	Dari & Pashto	
Arbitration Law (2007)	English	http://en.afghanembassy.in/index.php?option=com_content&view=category&layout=blog&id=5&Itemid=33
	Dari & Pashto	
Mediation Law (2007)	English	http://en.afghanembassy.in/index.php?option=com_content&view=category&layout=blog&id=5&Itemid=33
	Dari & Pashto	
Income Tax Law (2009)	English	http://mof.gov.af/Content/Media/Documents/IncomeTaxLaw2009english91201381210666553325325.pdf
	Dari & Pashto	http://mof.gov.af/Content/Media/Documents/IncomeTaxLaw2009Pashto912013812106981458322570.pdf
Customs Law (2005)	English	http://mof.gov.af/Content/Media/Documents/847-Customs234201210556155553325325.pdf
	Dari & Pashto	http://mof.gov.af/Content/Media/Documents/%D8%AF%DA%AB%D9%85%D8%B1%DA%A9%D9%88%D9%86%D9%88%D9%82%D8%A7%D9%86%D9%88%D9%862342012105946581553325325.pdf
Environmental Law (2007)	English	http://www.afghan-web.com/environment/afghan_envir law.pdf
	Dari & Pashto	http://mom.gov.af/Content/files/Environment_Law-Dari.pdf
Water Law (2009)	English	https://ronna-afghan.harmonieweb.org/Lists/Submitted%20Content/Attachments/120/Unofficial%20English%20Translation%20of%20Water%20Law.pdf
Labour Law (2006)	English	http://www.aisa.org.af/files/laws/english/Labour-Law.pdf
	Dari & Pashto	http://molsamd.gov.af/Content/Media/Documents/ghanoon_kar78201195156491553325325.pdf
Banking Law (2003)	English	http://www.centralbank.gov.af/pdf/UpdatedOfDaAfghanistanBankLaw_1_.pdf
	Dari & Pashto	http://www.centralbank.gov.af/pdf/Law%20of%20Banking%20in%20Afghanistan%20Pashto%20&%20Dari.pdf
Copyright Law(2009)	English	http://www.wipo.int/wipolex/en/text.jsp?file_id=241541
Commercial Code (1955)	English	http://www.asianlii.org/af/legis/laws/clcoa1955uotcloa713/
	Dari & Pashto	http://www.centralbank.gov.af/pdf/Law%20of%20Banking%20in%20Afghanistan%20Pashto%20&%20Dari.pdf
Law of Banking in Afghanistan (2003)	English	http://www.centralbank.gov.af/pdf/UpdatedOfBankingLaw.pdf

	Dari & Pashto	http://www.centralbank.gov.af/pdf/Law%20of%20Banking%20in%20Afghanistan%20Pashto%20&%20Dari.pdf
Law on Combating Financing Terrorism	English	http://www.centralbank.gov.af/pdf/4AF%20CFT%20Law%20English.pdf
	Dari & Pashto	http://www.centralbank.gov.af/pdf/Afghanistan%20law%20on%20Combation%20Financing%20for%20Terrorism%20Pasht.%20Dari.pdf
Law for Secured Transaction on Movable Property in Banking Transactions (2006)	English	http://www.centralbank.gov.af/pdf/Secured Transaction Law English 06Jan10.pdf
	Dari & Pashto	http://www.centralbank.gov.af/pdf/Secured Transaction Law Dari 06Jan10.pdf
Law on Mortgage of Immovable Property in Banking Transactions	English	http://www.centralbank.gov.af/pdf/Mortgage Law English 06Jan10.pdf
	Dari & Pashto	http://www.centralbank.gov.af/pdf/Mortgage Law Dari 06Jan10.pdf
Minerals Law (2009)	English	http://mom.gov.af/Content/files/Minerals%20Law Feb 14 2010.pdf
	Dari & Pashto	http://mom.gov.af/Content/files/Hydrocabon%D9%80Law-Dari.pdf
Mining Regulations (2010)	English	http://mom.gov.af/Content/files/Mining Regulations.pdf
	Dari & Pashto	http://mom.gov.af/Content/files/Minerals Regulation-Dari.pdf
Hydrocarbons Law (2009)	English	http://mom.gov.af/Content/files/The Hydrocarbon Law%281%29.pdf
	Dari & Pashto	http://mom.gov.af/Content/files/Hydrocabon%D9%80Law-Dari.pdf
Hydrocarbons Regulations (2010)	English	http://mom.gov.af/Content/files/Hydrocarbons Regulations 2009.pdf
	Dari & Pashto	http://mom.gov.af/Content/files/Hydrocarbon Regulation-Dari.pdf

5 Money, Banking and Finance

This chapter covers the following topics:

1. An overview of the banking system in Afghanistan including systems for automated payments and inter-bank clearing
2. Local currency
3. Exchange controls
4. Da Afghanistan Bank (DAB)
5. Banking services in Afghanistan
6. Insurance
7. Capital markets and equity funding
8. Financial legal framework

5.1 Overview

The banking system in Afghanistan has developed in recent years, but still has some way to go. The Central Bank of Afghanistan (the Da Afghanistan Bank, or DAB), has responsibility for licensing and regulating banks and non-bank financial institutions. It also has responsibility for managing the money supply, currency in circulation and indirectly the inflation and exchange rates.

Following the establishment of a DAB office in every province, an automated payment system was developed which enabled international funds to be transferred electronically using SWIFT. This allowed for electronic funds to be transferred through the DAB branch network. An inter-bank clearing system was then set up to facilitate payment between banks. Government salaries can now be disbursed electronically and tax revenues can be collected in all 34 provinces.

The Afghanistan Insurance Authority in the Ministry of Finance (<http://mof.gov.af/en/page/477/471>) licenses insurance companies.

5.2 Currency

The official currency is the Afghani (AFN). There is legislation requiring the use of AFN for day to day transactions but US dollars are still widely accepted. The exchange rate has remained stable due to Central Bank interventions; the nominal value of the Afghani has been more or less the same since the new Afghani was introduced in late 2002. It has generally been in a band between 45 and 55 to the \$US. Recently it has been slowly depreciating and in June 2014 it was 56 to the \$US.

5.3 Exchange Control

There are no restrictions on converting or transferring funds associated with any investment into international currencies at the legal market clearing rate. There is no limitation on the inflow and outflow of funds for remittances of profits, debt service, capital, capital gains, returns on intellectual property or imported inputs, provided that applicable taxes have been paid. The only requirements placed on the outflow of funds are procedural, for the purposes of anti-money laundering. Any transfer abroad that equals or exceeds AFN 1 million (\$20,000) must be carried out via a bank or licensed foreign exchange dealer and is reported to the Central Bank.⁴¹ There are large, informal foreign exchange markets in major cities and provinces where major currencies can be exchanged.

5.4 Da Afghanistan Bank (DAB)

DAB is the central bank of Afghanistan. Some of the objectives and basic tasks of DAB as set out in the *Da Afghanistan Bank Law* include:

⁴¹ The transport of more than AFN 1 million or equivalent in cash across the border of Afghanistan into another country must be reported in advance to the Financial Intelligence Unit of the Da Afghanistan (Central) Bank.

- To achieve and to maintain domestic price stability;
- To foster the liquidity, solvency and proper functioning of a stable market based financial system, and to promote a safe, sound and efficient national payment system;
- To support the general economic policies of the Government of Afghanistan, and to contribute to sustainable economic growth; and,
- To license or register and to regulate and supervise banks, foreign exchange dealers, money service providers, payment system operators, securities service providers, securities transfer system operators and such others as shall be submitted to its oversight by or pursuant to the law.⁴²

DAB enjoys autonomous regulatory powers and authority, including those to pass regulations to facilitate orderly electronic transactions between DAB and banks and their respective customers⁴³.

DAB is managed by its Governor. The Supreme Council is DAB's highest policy and decision making body and is made up of the Governor (Chairman of the Supreme Council); First Deputy Governor (Vice Chairman of the Supreme Council); and five other members. All members of the Supreme Council shall be appointed by the President of Afghanistan with the advice and consent of the Parliament of Afghanistan.

The Comptroller General is responsible for the internal control and audit of the operations of DAB.

The Executive Board of Da Afghanistan Bank includes the Governor, the First Deputy Governor, the Comptroller General, and "such Deputy Governors as the Supreme Council shall appoint from candidates proposed for appointment by the Governor".⁴⁴ "The Governor, with the advice and assistance of the other members of the Executive Board, shall be responsible for all matters concerning the administration and operations of Da Afghanistan Bank that are not specifically assigned by [this] Law to the Supreme Council or to the Comptroller General"⁴⁵.

5.5 Banking Services in Afghanistan

Commercial banks in Afghanistan offer the following banking services:

- International Funds Transfer via SWIFT (Society for World Wide Interbank Funds Transfer);
- Domestic funds transfer within Afghanistan;
- Savings and current accounts;
- Foreign exchange transactions;
- Credit products in local and in foreign currencies;
- Letters of credit and other trade services;
- Cheque collection services;
- Bank guarantees;
- Sale and purchase of currencies;
- Safe deposit box facility; and
- Online banking.
- Islamic banking

International Funds Transfers - via SWIFT have been available through the Central Bank since July 2003. Banks are currently offering International Funds Transfers, some using their own facilities and others using those of the Central Bank. Specific information on international funds transfer procedures is given in Appendix IV.

⁴² The Law of Da Afghanistan Bank, Chapter I, Article 3.

⁴³ Ibid., Chapter I, Article 4.

⁴⁴ Ibid., Chapter II, Article 20.

⁴⁵ Ibid., Chapter II, Article 18.

Domestic Funds Transfers - are available to the commercial banks in Kabul through the Afghanistan Clearing and Settlement System (ACSS) and to all of the provinces in Afghanistan through DAB's Afghanistan Funds Transfer System (AFTS). Payments to and from other banks and DAB branches throughout Afghanistan are executed on a daily basis.

Savings and Current Accounts - can be opened at all the banks listed. Terms and conditions may vary from one bank to another. Current accounts can be opened in Afghani or U.S. Dollars in most commercial banks in Afghanistan.

Credit Products - the banks now offer credit products including agricultural, project, receivable and micro-credit financing. Terms and conditions are negotiated on a case-by-case basis. For further information, contact should be made directly with the commercial banks.

Letters of Credit and other Trade Services – the Issuance of Letters of Credit for trade transactions with the Government of Afghanistan is arranged through the Central Bank. The newly licensed banks also offer letter of credit services. Terms and conditions are basically the same among the banks.

5.6 Insurance

The insurance sector is still in its infancy in Afghanistan. An Insurance Commission was established in mid-2006 and has a licensing procedure for foreign and domestic investors in the sector. As of June 2014, four companies had been licensed:

- Afghan National Insurance Company (www.anic.gov.af);
- Insurance Corporation of Afghanistan (www.icaaf.com);
- Insurance Group of Afghanistan (www.igoaf.com); and
- Afghan Global Insurance (www.afghanglobalinsurance.com).

5.7 Capital Markets and Equity Funding

There are no stock or bond markets in Afghanistan. A number of proposals to establish a stock exchange have been made, however nothing concrete has emerged. There are a number of finance companies:

- Afghanistan Finance Company provides leasing and financing services (<http://www.afc.af/>).
- The Afghan Rural Finance Company provides Islamic loans to SMEs (<http://arfc.com.af/>).

5.8 Banking and Finance - Legislative Reform

The DAB is has created a framework of laws aimed at facilitating and safeguarding commercial and financial transactions, and creating the legal basis for a more active relationship between banks and investors. These include passage of the following:

- Law of Da Afghanistan Bank;
- Law of Banking in Afghanistan;
- Law on Combating Financing of Terrorism;
- Anti-Money Laundering and Proceeds of Crime Law;
- Negotiable Instruments Law;
- Law of Mortgage on Immovable Property; and
- Secured Transaction of Movable Property.

Copies of these are available here: <http://www.centralbank.gov.af/laws-and-regulations.php>. As are copies of the following regulations issued under the Law of Da Afghanistan Bank:

- Foreign Exchange Dealers;

- Money Service Providers;
- Reserve Requirement for Monetary Policy Purposes;
- Protection of the Payment System;
- Standing Facilities;
- Capital Notes Issuance and Auction;
- Regulation on the Secondary Market for Capital Notes;
- DAB Clearing House Rules;
- Regulation On domestic payment operations in Afghanistan;
- Credit Reporting Regulation; and
- Foreign Currency Auction Regulation.

5.8.1 Negotiable Instruments Law

The Law of Negotiable Instruments allows Afghans to follow accepted international practice for negotiating, transferring and circulating negotiable instruments. The Law defines how negotiable instruments are created, transferred among different parties and cashed.

5.8.2 Mortgage and Secured Transactions Laws

Da Afghanistan Bank administers two additional laws aimed at offering greater certainty as the basis for issuing credit to businesses and individuals. The laws apply to the use of both movable assets and immovable property as collateral in secured lending. An internet-based Central Registry, where notice of all secured transactions is recorded has been established as part of the implementation of Secured Transaction Law. See: <http://cr.centralbank.gov.af/index.aspx>

6 Taxation

This chapter addresses the following:

- I. The main types of taxes in Afghanistan, and exemptions and deductions for the following:**
 - a. Personal income tax**
 - b. Corporate income tax**
 - c. Taxes on capital gains and losses**
 - d. Business receipts tax (BRT)**
 - e. Taxes/tariffs on imports**
 - f. Fixed taxes**
 - h. Land taxes**

Afghanistan's national tax laws have recently been revised and there are new amendments to try to simplify a wide range of nuisance taxes. Tax administration issues are also being addressed with training of the tax authorities and educating investors on their tax obligations also occurring.

The Afghanistan Revenue Department tax offices and Mustufiats provide forms, guides, and instructions to taxpayers free of charge, available both as printed and as downloadable versions from their website [http:// www.ard.gov.af](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 (<http://www.ard.gov.af/index.php/2012-06-04-16-53-00/resources>). The manual discusses separately each article of the law, along with relevant regulations, often with helpful examples. These can be found at: <http://www.ard.gov.af/index.php/2012-06-04-16-53-00/taxpayer-guides>. The following sections summarise this advice and draws heavily on Guide 04: Tax Overview for Businesses, Inventors & Individuals. Those wishing for more detailed information are encouraged to consult the Revenue Department's website.

6.1 Tax Identification Number

All taxpayers are required to apply for a Taxpayer Identification Numbers or TIN (see Section 1.3 above for more details). Information regarding TIN requirements and application forms, can be obtained in Kabul at the Afghanistan Revenue Department or at the Mustufiat offices in Herat, Kandahar, Kunduz, Jalalabad, and Mazar-e-Sharif. TIN application forms are also available online at <http://www.ard.gov.af>.

6.2 Filing Returns

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.

6.3 Confidentiality

All information provided in the tax returns or gathered by the Afghanistan Revenue Department through examination of books and records of the taxpayer, or a third party associated with the taxpayer, is confidential. Such information may not be disclosed to anyone outside the Ministry of Finance unless authorized by law (Article 91).

6.4 Requirements for Books & Records

The Income Tax Law 2009 requires taxpayers maintain and preserve business records (Article 36). All natural or legal persons with taxable income in a taxable year must keep records related to all

transactions, all movable and immovable property, and all income necessary to prepare complete and accurate tax returns.

Records include ledgers, journals, vouchers, financial statements and accounts, and income tax records. They are to be supported by source documents. Records normally summarize the information contained in the source documents. Source documents include sales invoices, purchase receipts, contracts, guarantees, bank deposit slips, cheques etc. They also include cash register slips and credit card receipts, purchase orders, work orders, import and export documents, delivery slips, e-mails and general correspondence in support of the transaction.

The Afghanistan Revenue Department does not specify the books and records businesses need to keep. Businesses may choose a system of record keeping that is suited to the purpose and nature of the business. However, these records must clearly reflect the business's income and expenditure. The business's records must be:

- Reliable and complete;
- Provide the correct information necessary to calculate your tax obligations and entitlements;
- Be supported by source documents to verify the information contained in the records; and
- Include other documents such as appointment books, logbooks, income tax returns, withholding tax returns, certain accountants' working papers that assist in determining the business's obligations and entitlements.

Businesses should also retain documentation to support their transactions. International businesses especially should retain documentation related to transfer pricing policies and documentation relating to any distribution of branch and subsidiary profits.

Persons engaged in more than one business are required to keep separate records for each business.

6.5 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).

6.6 Taxation Year

The taxable year is the solar year which starts from the first day of Hamal (21st March) and ends on the last day of Hoot (20th March) (Article 3).

6.7 Availability of Records

In order to confirm that a tax liability or refund has been properly established, or to estimate the income of a person, Ministry of Finance officers are entitled to have access to a business's premises and to inspect, examine and copy books of account, papers, records etc. held by the person, business or by third parties (Article 91). Third parties may include business associates, customers, suppliers, financial institutions, other government departments etc.

6.8 Corporate Taxes

Corporate (legal persons) income tax is a flat tax of 20 percent (Article 4) of net taxable income. Net taxable income is computed by deducting all ordinary and necessary business expenses from gross income (Chapter 2). Corporate rates apply to legal entities such as corporations, limited liability companies, and other legal entities. The annual tax return is due and payable by the end of Jawza (3rd month) of the next fiscal year.

6.9 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 (Article 4):

Table 20: Income Tax Rates

Income more than	Income not more than	Tax
0	AFN 60,0000	Zero
AFN 60,000	AFN 150,000	2 percent of amount over AFN60,000
AFN 150,000	AFN 1,200,000	AFN 1,800 + 10 % of amount over AFN150,000
AFN 1,200,000		AFN106,800 + 20 % of amount over AFN1,200,000

Two aspects of personal income tax may have an impact on business owners. They are wage withholding and personal income tax for sole proprietors.

6.10 Wage Withholding Tax

Employers with two or more employees are required to withhold tax from their employees' salaries and wages based on the above rates (Article 58). There is a monthly exemption of AFN 5000 per person. Salaries and wages include: regular pay, overtime pay, cash allowances (e.g. food, transportation) and non-cash payments. These rates are pro-rated based on the frequency of payment (monthly, weekly, etc.). Wage/salary earners with only one employer, who have tax withheld from their wages and have no other sources of income are not required to file an annual tax return. A wage earner who has more than one employer or additional sources of income must file an annual income tax declaration.

The employer is required to remit to the State the amount withheld no later than 10 days after the end of the month in which the amounts were withheld (Article 60). The remittance is made directly to a branch of Da Afghanistan Bank using the appropriate form.

There are annual reporting requirements for employers both to the employee and to the Ministry of Finance (Article 61).

6.11 Sole Proprietors

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.

6.12 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 AFN750,000 or more per quarter and clubs and halls (event venues) pay 5 percent BRT.

The business receipts tax paid is deductible from gross income in arriving at taxable income for income tax purposes (Article 67). Tax forms and payments are due on a quarterly basis using the solar calendar. Tax payments are made at Da Afghanistan Bank no later than the 15th day following the end of the solar quarter in which the sales were made (Article 88).

For more information regarding the business receipts tax, please refer to Guide 03 - Business Receipts Tax on Services and Guide 12 - Airlines (available online at <http://www.ard.gov.af>).

6.13 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 by 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.

6.13.1 Fixed Tax on Imports (Article 70)

Persons who import goods are subject to a fixed tax on the cost, including customs duties, of the imported goods. Persons with a current business license are subject to a 2 percent fixed tax. The tax paid is allowed as a credit in the income tax assessment for the year in which it is paid. Persons without a business license are subject to a 3 percent fixed tax which is payable instead of income tax. The fixed tax on imports is paid where and when the customs duties on the imported goods are paid.

6.13.2 Fixed Tax on the Transport of Goods or Passengers

Persons who transport passengers or goods for business purposes are required to pay an annual fixed tax before renewal of their vehicle registration.

6.13.3 Fixed Tax on Contractors (Article 72)

Persons who, without a business license, provide supplies, materials, services and/or construction under contract to government agencies, municipalities, state entities, private sector business and organizations, and other persons, are subject to a 7percent fixed tax in lieu of income tax. Persons carrying business licenses providing the above services to the mentioned entities are subject to 2 percent contractor tax. This tax is creditable against subsequent tax liabilities. This tax is withheld from the gross amount payable to the contractor.

6.13.4 Fixed Tax on Exhibitions

The fixed tax on exhibitions applies to natural persons who are residents of Afghanistan and to non-resident natural and legal persons who provide entertainment such as theatre, cinema, radio, television, music, or sport in Afghanistan. Income from these businesses is subject to a fixed tax of 10 percent of receipts from sale of admission or tickets. The fixed tax is imposed in lieu of income tax and business receipts tax. The fixed tax is due on a monthly basis and must be paid no later than the 15th day of the next month. If the shows are not continuous, the tax must be paid at the end of each show. Other persons who provide entertainment and recreational services are subject to income tax and business receipts tax.

6.13.5 Fixed Tax on Small Businesses

Shopkeepers and other small businesses that do not keep detailed records are classified according to amount of gross income received and pay a prescribed fixed tax accordingly. For more information regarding fixed taxes, see Guide 19 – Fixed Taxes on Commercial Activities or contact the Afghanistan Revenue Department or your local Mustufiat Office.

6.14 Large Taxpayer Office (LTO)

The Large Taxpayer Office serves as a one-stop office for a select number of large taxpayers. Criteria for inclusion in this program include annual turnover, risk to Ministry revenues, specialized industry type, and amount of capital investment.

The LTO has a higher ratio of Afghanistan Revenue Department employees to taxpayer which allows for service tailored to large taxpayer needs, multi-lingual communication (Dari, Pashto, and English) and frequent contact via telephone, e-mail, and personal visits. The LTO program also features personalized information and education programs for taxpayers and their employees related to specialized business or industry/sectors concerns.

LTOs currently are co-located at the Afghanistan Revenue Department in Kabul, and with Mustufiats in Herat and Balkh. The Afghanistan Revenue Department plans to expand this program to Jalalabad, Kunduz and Nimroz.

6.15 Medium Taxpayer Office (MTO)

The criteria for inclusion of taxpayers in this category are very similar to those for the LTO but, in general, with a lower level of turnover. The following categories are included.

- A business with income or invested capital sufficient to qualify for LTO treatment but income is exempt or largely exempt.
- Business entities required to prepare balance sheets.
- Diplomatic or international representations.
- Educational or health institutions outside the state system.
- Foreign owned businesses.
- Unregistered sole proprietors or legal entities whose annual gross income does not exceed AFN 5 million or with initial capital of AFN15 million.

The intention is to extend the same level of service provided by the LTO to a much greater number of taxpayers and at the same time significantly improve the flow of revenue to the Government.

The MTO in Kabul is co-located with the Millie Bus Depot, and a second MTO is co-located with the Mustufiat in Herat. The Afghanistan Revenue Department plans to add MTOs in other provinces in response to needs.

6.16 Tax Forms and Instructions

Examples of tax returns, instructions for completing tax returns and miscellaneous guides can be found on line at <http://www.ard.gov.af>. Tax returns are available at the Large Taxpayer Office and the Medium Taxpayer office.

6.17 Audit of Taxpayers' Records

The Afghanistan Revenue Department regularly conducts audits of taxpayer records to assure accuracy of filings and correct payments based on the self-assessment methods prescribed by the Income Tax Law 2009. Audit frequency depends on a number of factors. Audits generally will be arranged in advance at times mutually convenient to the taxpayer and revenue officials so as to minimize disturbance to the taxpayer's business. Any errors and necessary corrections discovered will be discussed and agreed to at the end of the audit visit.

6.18 Enforcement Provisions

The Afghanistan Revenue Department is obliged by law to determine and collect from each taxpayer only the correct amount of tax that is due to the Government. The Income Tax Law 2009 provides the Ministry of Finance with all of the enforcement powers necessary to collect the taxes that are rightfully due.

- Assessments – the Ministry of Finance may amend tax assessments (or tax shown on tax returns) to correct intentional or inadvertent errors.
- The Ministry may also raise an assessment for tax based on estimated income where no return has been filed.
- Property actions – The Ministry of Finance may place restrictions on the sale of movable and immovable property, place liens or encumbrances on property or seize property for the purpose of sale.

These actions may be taken upon approval of the courts:

- Director and shareholder liability – The Ministry may under certain conditions collect the tax debt of the company from its directors, certain shareholders and third parties who have received assets from the debtor company.
- Collection from third parties – The Ministry has the power to issue a garnishee order to collect amounts owed to the tax debtor by third parties. These third parties could include customers, financial institutions, employers, tenants, etc.
- Departure Prevention Order – This is an order to the appropriate authorities to restrict or prevent an individual (including an assessed director, shareholder or third party) who has unpaid taxes of more than AFN 20,000 from leaving the country.
- Temporary business closure – When a person fails to file a tax return, fails to pay tax liabilities on the due date or fails to withhold (rent, wages, dividends etc.) and pay tax, that person may be the subject of an order to close the business until the taxes are paid.
- Non-issuance of licenses – When persons have not paid the taxes due, the Ministry of Finance may inform other government ministries, agencies and departments which have the authority to issue licenses, not to renew those licenses. Other ministries and government agencies are to issue licenses only when they have such documents from the Ministry of Finance to indicate that the business has fulfilled its tax obligations.

The Law also provides for the imposition of additional taxes, penalties and fines. These sanctions may be imposed under several circumstances including:

- Failure to maintain and to provide access to books and records (Article 101);
- Failure to file a tax return (Article 102);
- Failure to withhold tax as required – rent, dividends, interest, royalties, wages, salaries, commissions etc. (Article 103);
- Failure to pay the taxes due (Article 104);
- Failure to apply for a Tax Identification Number (TIN) (Article 105);
- Evasion of income tax (Article 98); and
- Offenses committed by taxation officers pertaining to disclosure of confidential information and misuse of their position. (Article 106).

6.19 Late Payment Charge

When a taxpayer has failed to pay his/ her tax liability by the due date, the person is subject to additional income tax of 0.10 percent of the tax due, per day (Article 100).

6.20 Overpayment of Tax

If the Ministry of Finance finds, upon examination of a return, refund claim, overpayment claim or court judgment that the tax paid is in excess of the amount due, the Afghanistan Revenue Department official in charge of the taxpayer's file will contact the Customs Department to confirm that the taxpayer does not have any outstanding liability for customs duties. The official will also investigate if any other taxes remain unpaid. Any overpayment will be first applied against unpaid taxes or customs duties and the excess held in credit for the taxpayer (Article 90).

6.21 Objections and Appeals

The Income Tax Law 2009 provides a formal administrative dispute resolution process for any person who is dissatisfied with an income tax assessment (Article 89). This process can involve three steps. First, a person may request an amendment to his/her income tax assessment. Second, if a person is dissatisfied with the decision on his/her request for an amendment, he/she may lodge an objection which is reviewed by an independent review panel. Third, and finally, a person who is dissatisfied with the decision of the review panel may appeal to a court of competent jurisdiction.

More detailed information concerning the objections and appeal process can be obtained from the Appeals Unit, the Large Taxpayer Office or the Case Management Team of the Medium Taxpayer Office at the Afghanistan Revenue Department, at your local Mustufiat Office, or by visiting the tax information website at <http://www.ard.gov.af>. The website provides access to the appropriate objection/appeal forms, the tax law, the tax manual and Guide 11 – Disputing the Amount of Income Tax Payable in an Income Tax Assessment.

6.22 Electronic Funds Transfer

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 Afghanistan Revenue Department, Taxpayer Assistance Team at the Ministry of Finance in Kabul.

6.23 Customs Duties

Import businesses, as well as those businesses that must import goods and materials for use in their business should contact the appropriate customs house regarding their customs affairs. For a full list of current customs tariffs see the Afghan Customs Department website: <http://customs.mof.gov.af/en/page/1034/1035>.

6.24 Corporate Tax Reform

The 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 four years for buildings and two 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.

6.25 Investment Incentives Policy

In mid-2013, the Minister of Finance announced a package of incentives in a bid to attract foreign investment into Afghanistan. The goal of the policy was to support investment in different sectors, especially in s. It applies to both foreign and domestic investors in the above sectors and existing and

new investors. While it has been approved, as yet it has not been implemented. Investors in industry, construction, exporting, agriculture and mining should contact the Ministry of Finance for the status of the following incentives which may be available:

- Provision of government owned lands free of charge for industrialists who invest at least US\$1 million;
- The purchase of lands in industrial parks in instalments over a 10-year period;
- 30 year leases on unused government owned lands and factories with first five years of rent being free;
- Ten year exemption on all taxes (except those levied by a municipality);
- Low-interest loans (subject to the establishment of a fund to provide these)
- Exemption of machinery from customs duty and a 1 percent duty on raw materials.
- Privileged access to government-owned lands in municipal areas.

6.26 Land Taxes

Land is assessed according to grade and size. Cultivated land is divided into 3 categories and 7 grades. Because of drought conditions and compliance problems, this tax has yielded zero for the past 10 years. Consideration is being given to re-introducing this tax.

Land taxes have been known to vary significantly among provinces.

Land of less than half an acre, land which is uncultivated or ruined by unexpected circumstances, land owned by agricultural co-operatives, or government, or used for religious, educational or research activities, and land used as a cemetery are all exempt.

7 Employment

This chapter addresses the following:

- 1. Right to work and employment contracts**
- 2. Work hours, overtime and leave**
- 3. Wages**
- 4. Health and safety**
- 5. Unions and workers' rights**
- 6. Gender and cultural issues in the workplace**

The 2006 Labour Code was developed and approved under Articles (48, 50) of the Constitution of the Islamic Republic of Afghanistan and to comply with Conventions and Letters of Agreement of the International Labour Organization and Afghanistan.

The Code, in general, is the guarantor of the rights, privileges, obligations and responsibilities of organizations and employees. All categories of workers are subject to the provisions of the Labour Code.

7.1 Right to Work and Employment Contracts

The nationals of the Islamic Republic of Afghanistan have the right to work in return for wages or salaries. The right to paid work and fair remuneration is ensured by legislative documents from the Ministry of the Economy and Labour with the cooperation of social organisations. Workers and personnel are entitled to rest, leave, health insurance, occupational safety, free vocational training, building level of skills, membership in trade unions and worker organisations, participation in the management of offices and production and the right to enjoy social security.

A person who fulfils the following conditions can be employed in a company:

- having obtained an Afghan Identity Card (Tazkera);
- having attained full 18 years of age;
- having obtained a vocational certificate with the agreement of the Ministry of Labour (service personnel are exempted from the requirement to have a vocational certificate);⁴⁶
- submission of high school graduation certificate for employees.

A person under the age of 18 may be employed in certain circumstances:

- having attained 15 years of age a young person may be employed in light industry⁴⁷;
- having attained 14 years of age a young person may be engaged as a trainee⁴⁸.

Employment is by way of a contract. The contracting parties determine a probation period. The probation period cannot be more than three months. During the probation period either party can abrogate the contract with or without prior notice. If the contract is not abrogated prior to termination of the probation period, then the contract will come into force with the previous period and conditions contained therein. The essential instances for the abrogation of the labour contract are:

- agreement of both parties;
- retirement;
- death;

⁴⁶ Article 17 of Labour Code states “People who are Service personnel, they do not need to have or obtain a vocational certificate with the agreement of Ministry of Labour and Economy”.

⁴⁷ Article 17 of Labour Code states “People who are hired in the light industries, they should complete 15 years of age”.

⁴⁸ Part of Article 4 of Labour Code states “People who are 14 years old can be hired as trainees to be trained in vocational skills”.

- disability and incapability that will hinder performance of the job;
- long cessation of work (more than six months);
- dissolution of the office;
- final conviction to sentences that ban continuation of work, unless the court has allowed the employee to continue working;
- repeated breach of work rules after disciplinary warnings.
- An employer can, subject to the agreement of the unions, annul a labour contract in the following cases:
 - dissolution of the company;
 - redundancy;
 - long cessation of work (more than six months);
 - when the assigned work is not carried out properly due to the low skill level;
 - the explicit and repeated breach of disciplinary rules;
 - refusal to work in another place when the office site is moved;
 - if the worker refuses his reassignment to his previous job.

In the event of dismissal of a worker the company must pay the worker as follows:

- if the duration of work is between one year and five, two months of wages with other supplementary rights;
- if the duration of work is from 5 years to 10, four months of the complete salaries;
- if the duration of work is more than 10 years, six months of the complete salaries. This refers to the employment period.

7.2 Work Hours, Overtime and Leave

The ordinary working period cannot, on average, be more than 8 hours during a 24 hour period. The working on Thursdays cannot be more than five hours. In the event of work during the night, the shift shall be one hour less. Night means 11 consecutive hours starting from 8 p.m. until 7 a.m., arranged by the internal rules of the office. During work at night, service and administration workers will be paid (15%) production workers will be paid (25%) more than their normal wage. It is not permissible to require (ask) a worker to work for two successive shifts.

Work done outside the ordinary hours of work is considered to be overtime, which is permitted in the following cases subject to the agreement of the worker:

- for essential services for public welfare e.g. assisting the disaster stricken from floods or earthquakes, that cannot be delayed;
- in order to prevent unforeseen production and social accidents (natural ones and removal of their consequences);
- in order to repair and restore pieces of equipment which, when being idle, would lead to the stoppage of work of a large number of workers;
- in order to address the effects of unforeseen events which would cause stoppage of social services such as water supply, heating, lighting, canalisation, transport and telecommunications;
- for performance of work which had started previously and which would cause material damage if discontinued;
- in order to continue a piece of work which could not be stopped should the worker in the succeeding shift be absent. In such a case the company is obliged to take speedy measures to find replacements for the workers;
- in order to compensate and make up for work stoppages;
- in order to perform other pieces of work required by the company which are agreed upon by the union and the Ministry of Labour.

Workers are entitled to the following recreational and leave periods:

- breaks for performance of prayers and eating;
- public leave (holidays) at the end of the week (Friday);
- leave on the days of national and religious leave as described in Appendix I;
- annual leave (recreational, sick and necessary or urgent leave;
- international holidays such as: International Solidarity Day of Workers, Women's Day or Mother's Day, the day of protection of the rights of children and other holidays that are set in the conventions that Afghanistan has adhered to or will adhere to;
- paid sick leave up to 20 days⁴⁹.

Work is allowed during weekend holidays, days of festivities and other public and general holidays, by the agreement of the worker and union,⁵⁰ and with the concurrence of the Ministry of Labour, in the following cases:

- performance of work in companies engaged in constant (uninterrupted) activities;
- performance of work related to public services;
- performance of work that cannot be delayed, urgent repairs, loading and unloading of consignments, work related to the prevention of unforeseen accidents, removal of consequences of natural accidents and other exceptional cases.

In these cases, the company must grant in addition to the normal overtime wage, 50 per cent of the salary of the worker as an incentive.

Workers and personnel are entitled to:

- 20 days' recreational leave with pay every year;
- 10 days' essential (urgent) leave with pay every year;
- 5 days of leave for marriage, and death in the family;
- 20 days' sick leave with pay each year;
- 45 days' paid leave only once during his entire service period in order to perform Haj rites or to make pilgrimages to the sacred places.

Women are entitled to 90 days of maternity paid leave 40 days of which are utilised before the birth of the child and 50 days after. After the completion of the leave period, the worker is reassigned to her previous job⁵¹.

7.3 Wages

Wages cannot be less than the amount fixed by the Government. If there is a cessation of production as the consequence of unpleasant or unforeseen accidents, or due to technical factors of production or to adverse climatic conditions, then the wage of the worker, with the exception of seasonal and daily paid workers, must be paid according to the following schedule:

- in the event of stoppage, the full wage must be paid for up to two months;
- in the event of stoppage from two to four months, 50% of the full wage must be paid;
- after the expiry of four months, the employer, with the agreement of the National Trade Union, can transfer the worker to another task and if this is not possible, can annul the labour contract and present the worker to the employment service center of the Ministry of Labour.

7.4 Health and Safety

Employers must provide for good occupational health and safety conditions, use safe equipment in order to prevent accidents due to work and production, and protect workers against occupational diseases.

⁴⁹ According to Article 55 of Labour Code a worker can have 50 days leave comprised of 20 days recreational leave, 20 days sick leave and 10 days essential leave.

⁵⁰ Article 52 of Labour Code.

⁵¹ Article 67 of Labour Code

7.5 Unions and Workers' Rights

Workers have the right to be trade union members. The main functions and activities of trade unions consist of the following:

- the defence and protection of workers' rights in the field of work, production, livelihood and culture;
- participation in development, strengthening of the work and production management as well as assistance to consolidate and strengthen labour and production discipline;
- exercising control so that work-related legislative documents, work protection rules and standards, safety techniques and housing and living services of workers are complied with;
- participation in the administration of social insurance such as: health insurance, unemployment insurance, pensions, as well as cultural, lighting and sports equipment;
- participation in the arrangement and implementation of progressive systems of wages, and incentive regulations, participation in the supervision of the application of the Conventions of the International Labour Organisation (ILO) to which Afghanistan has adhered, application of scientific and progressive standards, control over the revision of labour standards.

According to the Labour Code, companies are obliged to bring about favourable conditions for the worker participation in work and production management, to study their proposals and criticisms in a timely manner and to bring the decisions taken to their notice. Companies are also to ensure cultural and sport activities for their workers or allocate financial resources to the account of the trade union for this purpose. A company must not obstruct the functions and activities of trade unions, unless they are against the provisions of the law. Social security will be put into effect through financial participation of the company, workers and the Government.

Workers and, in some cases, members of their families, benefit from the following social security provisions: a company must provide the following:

- a residential place to the worker as set forth in Article (14) of the Constitution⁵²;
- use of medical services as set forth in the Article (52) of the Constitution⁵³;
- financial assistance to the worker on his retirement⁵⁴;
- assistance to the worker when he/she is not capable of working⁵⁵;
- assistance to the worker during the period of pregnancy⁵⁶;
- financial assistance to the family of a deceased worker for shrouding and interment⁵⁷;
- a retirement pension in the following circumstances: old age, disease, disability, service period, death of a worker who supports (secures the means of livelihood of) family and other cases as are envisaged and drawn up in special legislative documents.

Financial assistance is provided out of the retirement fund of the company and the pension is out of the retirement treasury fund. Financial assistance to the worker on his retirement should be equivalent to 10 month's salary with food allowance and fare. Financial assistance equal to 10 months' wages, based on the most recent wage, should be paid to the family of a deceased worker.

⁵² Article 189 of the Labour Code states "The organization is obliged through relevant authorities to provide ways of ensuring a residential place or land for the workers".

⁵³ Article 190 of the Labour Code states "According to the Labour Code, the office is obliged to provide medical and first aid services to the workers and members of their families".

⁵⁴ Equivalent to ten month's salary with food allowance.

⁵⁵ Article 191 of Labour Code states "Financial assistance to the worker on account of his inability to work is rendered temporarily, and until the time when he regains capacity to work or becomes entitled to retirement, will be paid by the office, the assistance will be equivalent to the wage and other rights that he used to be paid".

⁵⁶ Article 192 of Labour Code states "Financial assistance (paid leave) on account of pregnancy including wage, food allowances and fare is given by the office".

⁵⁷ According to Labour Code, in Afghanistan when a government servant dies the organization of his/her does financial assistance for shrouding and interment. Financial assistance (benevolent money) equal to 10 months' wages, based on the most recent wage, to the family of the deceased worker for shrouding and interment.

Male workers may retire when they have reached 65 years of age, and female workers may retire when they have reached 55 years of age⁵⁸. The constant service period of male workers is 40 years, and for female workers it is 37 years in order to be entitled to 100% of the retirement wage⁵⁹. Compulsory retirement for male workers is 70 years of age and for female workers is 60 years of age. It is not permissible to extend the service of a worker who has reached the compulsory retirement age.

As a result of a disability (infirmity) related to work, or an occupational disease arising from work or occupational disease, as attested to by the Health Commission, the retirement pension will be paid 100% on the basis of the most recent wage of the worker until the end of life.

Depending on old age, service period, illness not connected with work, disability and death not connected with work, the worker's retirement pension is computed and paid as follows:

- if the worker's service period is 10 years or more, the payment made to him/her in the form of a life pension is 40% of his/her most recent monthly salary of his/her main rank or grade, plus a further 2% for a male worker and 2.25 % for female worker for each year in excess of 10 years;
- if the worker's service period is between one and five years, a lump sum equivalent to two months' salary for each year of service should be paid, based on the basic grade or rank of the worker. The payment can be either by tranche or in full;
- if the worker's service period is between five and 10 years, a lump sum equivalent to three months' salary for each year of service, based on the main grade or rank attained by the worker. The payment can be either by tranche or in full.

For a worker who retires at the compulsory retirement age and dies, his dependant survivors will benefit from his pension and rights for 20 years from the time that he/she has been retired. The retirement financial source (fund) is ensured by the worker paying in 3% of his monthly salary and the government and employer paying in 8%. In the mixed and private sectors, the manner of the execution of the pension is covered by other laws.

7.6 Gender and Cultural Issues in the Workplace

Since Afghanistan is a Muslim country, there are certain cultural and religious customs which affect the workplace. Afghanistan is still to a great extent a male-dominated society. However, donors are supporting programmes aimed at increasing the role and prominence of women in business and as a result more women are entering the workforce.

While women are generally permitted to work in a professional capacity, this is more common in the northern provinces and within the major urban centres such as Kabul, Mazar-i-Sharif and Herat. In such centres, women also work in manufacturing facilities and factories such as textiles and fertilizer firms, either private or public. It is far more common and accepted for women to run small household business activity as opposed to formally registered companies.

Women are not generally permitted to work the night shift, one exception being in hospitals, where female doctors can work the night shift.

For transportation to and from work, it is generally considered safer for women to have transportation provided by the company; it can be difficult for women to come to work on their own, and extremely problematic for women to return home at dusk or later.

It is common for men and women to have segregated dining areas; although if a workforce has been on the job together for a long time men and women may eat in the same location.

⁵⁸ Article 197 of Labour Code states "Male workers and female workers can request retirement after having completed 25 years of work and 20 years of work respectively"

⁵⁹ Article 193 of Labour Code

During the course of a work day between 8 a.m. and 4 p.m., there is one prayer session held during lunch time, and another prayer session held near the end of the business day or early evening. A third prayer session takes place at home at night. A single prayer session typically lasts between 10-20 minutes and no more than half an hour. Men and women have separate prayer rooms.

It is more acceptable and comfortable for women to have supervisors of the same gender. Men can be managers, but it is more common for women to work directly with other women.

8 The Ministry of Commerce and Industry and its Agencies

This chapter covers the following topics:

1. The role of the Ministry and Commerce and Industry
2. The role of the subsidiary parts of the Ministry of Commerce and Industry including the following:
 - The Afghanistan Investment Support Agency;
 - The Export Promotion Agency of Afghanistan; and
3. The Afghanistan National Standards Agency
4. The Ministry of Mines and Petroleum

8.1 The Ministry of Commerce and Industry (MoCI)

The Ministry of Commerce and Industry (MoCI) is the lead government agency for private sector development in Afghanistan. The mission of the MoCI is to create an enabling environment for sustainable and equitable economic growth in a socially responsible market economy leading to an increase in employment and reduction in poverty.

The MoCI has defined the following strategic objectives to achieve poverty reduction through private sector led economic growth:

- Investment: To build a supportive, predictable and transparent investment environment.
- Formalisation: To promote and support participation in the formal economy.
- Competitiveness: To upgrade the capacity of Afghan businesses and create the conditions for them to compete successfully on domestic and international markets.
- Markets: To develop domestic markets and increase access to international markets.
- Shared vision: To build consensus on the roles of the state and the private sector in the new Afghan economy, and direct public and private sector energy towards achieving a shared vision.

The MoCI has a Private Sector Development Directorate (PSDD) responsible for formulating and implementing Investment Policy and Market and Business Development Policy.

The Government's investment policy aims to:

- Improve the legal and regulatory environment for investment
- Remove bureaucratic obstacles to investment
- Build the enforcement capacity of the public sector and the compliance capacity of the private sector
- Improve access to land and investment finance
- Implement a strategic approach to managing investment risk
- Accelerate investment in infrastructure for private sector development
- Strengthen investment promotion and facilitation

For MoCI and its relevant institutional contacts, see Appendix VII.

8.2 The Afghanistan Investment Support Agency (AISA)

The Afghan Investment Support Agency (AISA) was established in September 2003 in accordance with a directive issued by the Government of Afghanistan as a “One Stop Shop for Investors”. AISA has been charged with the responsibilities of registration, licensing and promotion of all new investments in Afghanistan.

AISA's objectives are:

- To promote productive private domestic and foreign investment, thereby, laying a solid foundation for the growth of capital markets and hence the Afghan economy.

- To promote and articulate issues of importance to the private sector and to seek to influence policy and to initiate measures crucial to the development of a market-oriented economy as well as sustainable growth of trade, commerce and industry.
- To work for the integration of Afghanistan in the global market through greater access to foreign direct investment and to address how Afghanistan's private sector can best cope with and derive the maximum benefit from globalization.

Within these aims, the Afghanistan Investment Support Agency (AISA) provides to investors the following services:

- All necessary permits, licenses and clearances;
- General information on investment opportunities;
- Judicial details on investment, tax, labour, insurance and environmental laws/regulations and social/ecological standards;
- Financial information regarding banking facilities, labour costs, and investment incentives;
- Support in the acquisition/leasehold of land;
- Assistance in custom clearance of material related to the investment;
- Online investment inquiry/information and license application;
- Conferences and symposiums on important investment related issues;
- Announcement of investment opportunities via the foreign missions in Afghanistan and the Afghan Embassies overseas;
- Research, surveys and reviews on issues, which are considered to be of vital importance for investors;
- Regular consultation, dialogue, seminars and workshops with stakeholders.

8.3 Export Promotion Agency of Afghanistan (EPAA)

The Export Promotion Centre of Afghanistan (EPCA) was established in 2006 as the MoCI Executive Agency for Export Promotion, and has been renamed the Export Promotion Agency of Afghanistan (EPAA). It has recently been bought back within the Ministry of Commerce.

EPAA provides professional support services for present and potential Afghan exporters. To this end, EPAA closely cooperates and consults with private export businesses, their associations, Afghan government administrations, foreign business associations, Afghan commercial attaches, business development service (BDS) providers, financial institutions and many others.

EPAA provides professional support services for present and potential Afghan exporters, which include:

- Collecting and distributing information on key export markets;
- Organization of Afghanistan's official participation in trade fairs on behalf of the MoCI, including ensuring the participation of Afghan exporters;
- Streamlining export procedures;
- Acting as a one-stop-shop for selected export forms and procedures;
- Providing training on important export issues (e.g. markets, procedures, transport, finance);
- Advising government institutions on export policies and legislation;
- Networking with key export partner institutions and organizations in Afghanistan and abroad.

EPAA focuses its support on the following sectors:

- Carpets and handicrafts
- Dried fruit and nuts
- Fresh fruits and vegetables
- Marble and gemstones
- Natural herbs and medicinal plants

8.4 Afghanistan National Standards Agency (ANSA)

The Afghanistan National Standards Agency is an independent body charged with the following:

- Develop and implement a modern system of standardization, conformity assessment, accreditation and metrology
- build the technical infrastructure and capacity, develop human resources to support standardization, conformity assessment, accreditation and metrology activities
- improve implementation of international standards as well as regional and national standards and their application in business and industry

There are two sets of standards in use in Afghanistan. Both of these are based on documents which have been developed using a consensus process, however one will be voluntary, and the other will be mandatory.

The mandatory specifications (globally referred to as Technical Regulations) deal with products or services which have an impact on the health and safety of consumers. Also under the label of mandatory specifications will be the National Legal Metrology System (weights and measures).

In the short term the Afghan government has decided to use international standards as the basis for Afghan National Standards wherever possible.

See Appendix VIII for a list of Standards which have been adopted by the Afghanistan National Standards Authority.

Later there may be development of standards which will be more suited to the particular needs of Afghanistan in various areas. At that time, a system of conformity assessment will have been developed, based on international standards and being recognized internationally as a result of accreditation by bodies affiliated to IAF or ILAC.

Test or inspection certificates which are issued by organizations resident in other countries will be accepted as complying with Afghan technical regulations, and products which bear such certification will be allowed to enter Afghanistan freely.

The government also has an internal system of market surveillance activities, undertaken by the Competition and Consumer Protection Directorate in MOCI, through which products being sold are checked for compliance with the relevant health or safety regulations. A system of notification of WTO requirements is in the planning stage and this will allow traders to know what the requirements are for different countries with respect to Technical Regulations.

ANSA is a member of ISO (International Standardization Organization) and has signed agreements with American Society for Testing and Materials (ASTM) and Iran Standards (ISIRI).

Technical committees have been established for the purpose of adopting the critical standards which are required by Afghan industry as Afghan standards and a process of translating these into Dari is underway. Test facilities are in the planning phase and when completed in about two years will permit producers and manufacturers to have their products tested and certified as complying with a specific standard.

8.5 The Ministry of Mines and Petroleum

The Ministry is a regulatory agency, “seeking growth through private sector investment”⁶⁰, formulating and implementing related policies, including policies for the promotion of private investment in this area. It is also responsible for granting the licenses arising from the relevant Law. It is moving away from being the owner and operator of mines; instead it is working in concert with other government

⁶⁰ The web-site of the Afghanistan Geological Survey, Department of Mines Affairs, Ministry of Mines, <http://www.bgs.ac.uk/afghanminerals>.

departments, to attract private sector investors. The Ministry is also “responsible for a number of functions and offices relating to mineral exploration, licensing, and mining which link closely with the activities of the Afghanistan Geological Survey”⁶¹.

The business plan 2010-2015 of the Ministry of Mines sets out a comprehensive reform programme covering the following dimensions:

- Creating an investor friendly environment
- Improving the management of the seven SOEs under its care.
- Improving regulation enforcement of the mining industry and service delivery to it.
- Increasing transparency & accountability of investment in mining and revenue flows associated with it.
- Increasing the supply of skilled labour for the mining industry by assessing market needs and developing TVET institutions.
- Improving infrastructure development and spin-off industries through the development of resource corridors using mineral resources as “anchors” for infrastructure development along transport routes to market.

For a brief description of other relevant government institutions, see Appendix VIII.

⁶¹ The web-site of the Afghanistan Geological Survey, Department of Mines Affairs, Ministry of Mines, <http://www.bgs.ac.uk>.

The Investors' Guide for Afghanistan

Appendices

Appendix I AISA Licensing and Renewal Fees

For latest fees, see : <http://www.aisa.org.af/>

Activity	Minimum Investment by in US\$		New License Fee	Renewal Fee
<i>Construction and Road Building</i>	Small	100,000	700	350
	Medium	1,000,000	700	350
	Large	10,000,000	1000	500
<i>Industry</i>	Small	10,000	50	50
	Medium	50,000	350	175
	Large	1,000,000	350	175
<i>Equipment Production, Consumer Goods, Cloth and Steel Mills and Steel Production</i>	Small	100,000	50	50
	Medium	1,000,000	350	175
	Large	10,000,000	350	175
<i>Production and Processing of Agricultural and Animal Products, Apiary and Honey</i>	Small	100,000	50	50
	Medium	1,000,000	350	175
	Large	10,000,000	350	175
<i>Mining, Quarrying, Storage and Refining of Oil</i>	Small	1,000,000	350	175
	Large	10,000,000	350	175
<i>Ground and Air Transport, Freight, Lease and Renting Services</i>	Small	100,000	700	350
	Medium	1,000,000	1000	500
	Large	10,000,000	1000	500
<i>Logistics, Technology, Exhibitions, Cleaning and Hotel Services, Oil and Petroleum Distribution</i>	Small	50,000	700	350
	Medium	1,000,000	1000	500
	Large	10,000,000	1000	500
<i>Telecoms and Aviation</i>	Large	10,000,000	2000	1000
<i>Educational, Entertainment, Health, Broadcasting, ISP and Advertisement Services</i>	Small	5,000	100	50
	Medium	100,000	300	150
	Large	1,000,000	500	250
<i>Security Services and Risk Management</i>	Medium	1,000,000	5000	5000
	Large	1,000,000	5000	5000
<i>Consultancy, Human Resources, Financial, Legal and Insurance Services</i>	Small	10,000	1000	500
	Medium	50,000	2000	1000
	Large	1,000,000	2000	1000

Appendix II

Practical Information for Investors

Visas

See Section 1.8 above.

Currency

The official currency is the Afghani (AFN). There is legislation requiring the use of AFN for day to day transactions but US dollars are still widely accepted. The exchange rate has remained stable due to Central Bank interventions; the nominal value of the Afghani has been more or less the same since the new Afghani was introduced in late 2002. It has generally been in a band between 45 and 55 to the \$US. Recently it has been slowly depreciating and in June 2014 it was 56 to the \$US.

Credit cards are now accepted at many major hotels, supermarkets that serve mostly foreigners (e.g. Finest and Spinneys). There are numerous ATM machines scattered around Kabul (dispensing AFN and USD), and one or two in major provincial capitals.

International Time

Local time is four and a half hours ahead of Greenwich Mean Time; eight and a half hours ahead of Eastern Daylight Time in the U.S.

Local Travel

For security reasons, it is not advisable for foreign visitors to use local taxis.

International Air Travel

Kabul is the main gateway to Afghanistan, although there are a few international flights that land in Kandahar and Herat. For a list of international airlines and destinations served, see below.

For security reasons, very few cars can get access to the terminal building.

Education

There are very few schools catering to the expatriate community. Many expatriates who have school-age children undertake home schooling. A Kabul International School was founded with USAID funding in the 1960s. It has recently reopened. The American University in Kabul has also recently opened and will accept some foreign students aged 16 and above.

Health

Well-equipped medical facilities are not widely available in Afghanistan, especially in areas outside the major cities. European and American medicines are available only in limited quantities and may be expensive, difficult to locate, counterfeit, or past their expiry date. There is a shortage of basic medical supplies. Basic medicines manufactured in Iran, Pakistan, and India are available, but they may not be reliable. A few western-style private clinics have opened in Kabul recently: the DK-German Medical Diagnostic Center (www.medical-kabul.com), and CURE International Hospital (tel. 079-883-830) offer basic and routine care; foreigners can request Western health practitioners.

For any medical treatment, payment is required in advance. Commercial medical evacuation capability from Afghanistan is extremely limited and could take days to arrange. Even medevac companies that claim to service the world may not agree to come to Afghanistan. Those investors with medevac insurance should confirm with the insurance provider that it will be able to provide medevac assistance to this country.

Business Hours

Afghanistan operates on a 6-day work week with Friday (the holy day) being a holiday. Government departments are normally open Saturday to Wednesday from 9:00 a.m. to 12:00 p.m. and from 1:00 p.m. to 3:00 p.m. Banks and stores are normally open Saturday to Thursday from 9:00 a.m. to 4:00 p.m. During Ramadan working hours are abbreviated in government offices as well as private businesses, and the pace of work is significantly slower.

Afghan Public Holidays

The Islamic calendar is a lunar one. As a result the date in the Gregorian calendar of many Afghan holidays varies from year to year including the start and end of Ramadan and the two three days Eid holidays. The following dates need to be checked each year.

Date	Holiday	Description
Variable	Eid-ul-Qurban	Three day religious holiday
Variable	Birthday of the Prophet Mohammed	One day religious holiday
March 21	Nawrooz	One day holiday (first day of the solar new year)
April 1 (March 31)	10 th of Maharam	One day religious holiday (Assassination of Prophet's grandson)
Martyrs and Ahmed Shah Masood Day	9 th of September	One day holiday
28 th April	Anniversary of the Islamic Revolution	One day national holiday
August 19 th	Independence Day (1919)	One day national holiday
Variable	Eid-Al-Fitr	Three day religious holiday

Accommodation and Food

Accommodation options in Kabul are extremely limited. There is only one hotel of international standard, the Serena Hotel. The Kabul InterContinental Hotel is presently owned by the Ministry of Transport and is not an official franchise holder. These hotels are supported by a growing network of small private guesthouses usually located in the center of Kabul.

Hotels

Kabul Serena Hotel

Froshgah Street
www.serenahotels.com
Tel: 0799 654 000

Safi Landmark Hotel & Suites

Charahi Ansari
www.safilandmarkhotelsuites.com
Tel: 0202 203 131

The Inter Continental Hotel

Baghe Bala Road
www.intercontinentalkabul.com
Tel: 0202 201 321

Gandamack Lodge Hotel

Sherpur Square
www.gandamacklodge.co.uk
Tel: 0700 276 937

Kabul Star Hotel

Zanbaq square, Ankara Cadysa
www.kabulstarhotel.af
Tel: 0202 313 131

Golden Star Hotel

Charrhay Haji Yaqoob, Shar-e-Naw
www.kabulgoldenstarhotel.com
Tel: 0799 557 281

Roshan Hotel

Charaye Turabaz Khan,
Shar-e Naw.
Tel: 0799 335 424

Heetal Airport Hotel

Great Masood rd
www.heelairporthotel.com
Tel: +93 799159697

See Afghan Scene for updates on hotels, shops and restaurants: <http://www.afghanscene.com/>

SUPERMARKETS, BAKERIES & BUTCHERS

A-One

Bottom of Shar-e Naw Park

Chelsea

Shar-e Naw main road. opp
Kabul Bank

Spinneys

Wazir Akbar Khan, opposite
British Embassy

Finest

Wazir, Shahr-e Naw, Kart-e Char

Fat Man Forest

Wazir Akbar Khan, main road

Enyat Modern Butcher

Qala-e Fatullah main road,
Near St 4

French Bakery

Kart-e Char, Ask for Khalil,
0799 316 337, 0707 373 624

Flights

Local Travel

Most taxis are old cars without meters. They take multiple passengers and drop them off along their routes. The drivers do not speak English or any other international language. Addresses in Kabul can also be problematic, giving a general area near some landmark, rather than a number and street address. For these reasons it is best to hire a car and driver for the duration of the stay.

International Air Travel

Kabul is the main gateway to Afghanistan, although there are a few international flights that land in Kandahar and Herat.

Airline Connections

There are frequent connections from international destinations to Kabul and vice-versa (numbers in parentheses are the number of times per week):

Ariana Afghan Airlines:

Dubai (daily), Delhi (daily), Islamabad (4), Jeddah (2), and once per week to Tehran, Amritsar, Ankara, Baku, Riyadh, Moscow, Kuwait, Istanbul, Dushanbe, Sharjah, and Urumqi.

Kam Air: daily to Dubai.

Indian Airlines: daily to Delhi.

Pakistan International Airlines: Islamabad (1), Peshawar (1).

Azerbaijan Airlines: Baku (3).

Iran Aseman Airlines: Mashad (1).

Turkish Airlines: Istanbul (daily).

Fly Dubai: daily to Dubai

Emirates: daily to Dubai

Environmental Laws and Utilities

The Water Law (2009)

The Water Law regulates the conservation, equitable distribution, and the efficient and sustainable use of water resources of Afghanistan for the purpose of strengthening the national economy and securing the rights of the water users, in accordance with the principle of Islamic jurisprudence and the customs and traditions of the people (Article 1, Water Law)

The Law allows the use of water resources to meet the needs of people in regards with drinking water, livelihood, agriculture, industry, public services, energy production, transportation, navigation, fisheries and the environment. This law prioritizes use of water resources for drinking water and livelihood (Article 6, Water Law).

Furthermore, the Law states that water use is free. However, the water service providers may charge the users a fee for supplying, storage, transmission, diversion, treatment, and operation and maintenance of

the water supply and irrigation systems and other related activities according to separate regulations (Article 7, Water Law).

Except used for the following purposes, the Law requires the users of water resources to acquire permit from the Ministry of Energy and Water.

- (1) Drinking water, livelihood and other needs, if the total daily consumption does not exceed 5 cubic meters per household;
- (2) Use for navigation provided no damage occurs to the banks and right-of-way area of the river and there is no adverse impact to the quality of water exceeding permissible norms; and
- (3) For fire extinguishing (Article 19, Water Law).

To properly manage and regulate use of water resources, the Law delegates to Ministry of Energy and Water the authority of issuing water usage licenses in according with the provisions of this law (Article 10, Water Law).

Environmental Law (2007)

The Environmental Law regulates rehabilitation of the environment and the conservation and sustainable use of natural resources, living organisms and non-living organisms, with the primary purpose of: i) improving livelihoods and protecting the health of humans, fauna and flora; ii) maintaining ecological functions and evolutionary processes; iii) securing the needs and interests of present and future generations; iv) conserving natural and cultural heritages; and v) facilitating the reconstruction and sustainable development of the national economy (Articles 1 and 2, Environmental Law).

This law delegates to the National Environmental Protection Agency (NEPA) authority for coordinating and monitoring conservation and rehabilitation of the environment, and of implementing this act (Article 3, Environmental Law).

According to provisions of this law, no person shall cause pollution of the environment; if such harm to the environment is authorized by law or cannot reasonably be avoided, such person must take measures to minimize such pollution of the environment. The scope of polluting activities shall be specified by legislative procedures (Article 8, Environmental Law).

In a separate provision, this law restricts undertaking of activities or implementing projects, plans or policies that are likely to have a significant adverse effect on the environment unless the provisions of Article 16⁶² of this Act have been complied with.

It also states that no ministry or national authority may grant an authorization for the execution of an activity or implementation of a project, plan or policy that is likely to have significant adverse effect on the environment unless the provisions of Article 16 of this Act have been complied with (Article 13, Environmental Law).

In accordance with relevant regulations and procedures, the National Environmental Protection Agency may appoint as inspectors such number of appropriate qualified persons for the purposes of ensuring compliance with the Act and its regulations (Article 67, Environmental Law).

The Act also authorizes NEPA to order abatement of activities that may result in significant adverse effect to environment, by serving a signed abatement order on the person causing or permitting the activities (Article 68, Environmental Law).

NEPA is also given the power to serve a compliance order on the holder of the authorization who breaches conditions of a license, permit or authorization (Article 69, Environmental Law).

⁶² Articles 16 of Environmental Law states approval procedure for licensing- for details please refer to the Environmental Law.

In accordance with Article 70 of this Act, a person who fails to comply with an abatement or compliance order will be tried by a court of law⁶³.

Therefore, any person proposing to undertake a project, plan, policy or activity shall submit to NEPA accurate information, using NEPA application forms and assessment report formats, to allow NEPA to determine the potential adverse effect and positive impacts of the project, plan or activity (Article 14, Environmental Law).

Connecting to Utilities

The process for getting connected to electricity, water and fixed line phone services can be found here: <http://www.aisa.org.af/licensing.php>

⁶³ For details refer to Article 70 of the Environmental Law.

Appendix III Licensing Fees

Type	Cost of License
Foreign or foreign-domestic Joint Venture Company Trader License	AFN30,000 for 3 years
Transit and Freight Forwarding Company License	AFN30,000 for 3 years
Establishing an Afghan Overseas Traders Trade or Transit Agency	AFN30,000 for 3 years
Domestic Individual Trader Business License	AFN18,000 for 3 years
Domestic Corporation License for Traders	AFN30,000 for 3 years

Appendix IV List of Banks Operating in Afghanistan

Primary Contacts at Da Afghanistan Bank (DAB):

Governor Da Afghanistan Bank Mr Noorulah Delawari

Governor Office Manager

Telephone: +93 (0)20 210 3815

Telephone: +93 (0)20 2100305

Afghanistan Bankers Association

Address: House #3, Lane #3, Street #13, Wazir Akbar Khan, Kabul

Tel: +93 (0) 799 852497; +93 (0)799 129161

Email: contact@aba.org.af; aba_kabul@yahoo.com

Website: www.aba.org.af

Licensed Commercial Banks

Afghanistan Commercial Bank

Type of Bank: Commercial bank

License Date : 12-March-2013

Name: Nazrul Islam

Position: Chief Executive Officer

Contact: 0752017603

Phone Banking: 075- 2016827, 075 -2017599, 075 -2017597,

Mob: +93-797450000

Write to us at: ceo.acb@afgcommercialbank.com , info@bracafbank.com

Web Site: www.bracafbank.com

SWIFT BABAAFCA

Address: BRAC Afghanistan Bank
Charai Torabaz Khan Zarghona Midan
Shahr-e-Naw, Kabul, Afghanistan

Afghanistan International Bank

Type of Bank: Commercial Bank

License Date: March 22,2004

Name: Khalil Sediq

Position: Chief Executive Officer

Contact: 0799088999

Phone Banking: +93 (0) 20 210 3567; +93 (0) 799 08 98 98; +93 (0) 799 09 89 89

Fax: +93 (020) 2550256

P.O.Box : 2074

Write to us at: khalil.sediq@aib.af, info@aib.af

Web Site: www.aib.af

SWIFT AFIB AF KA

Address: AIB Bank, Shahab Uddin Watt, Haji Yaqoob Square
Kabul-Afghanistan

Afghan United Bank

Type of Bank: Commercial Bank

License Date: 4 October 2007

Name: Mr. Hedayatullah Yahya

Position: Chief Executive Officer
Contact: +93796152031
Phone Banking: +93-20-2203834--8
P.O.Box : 425
Web Site: www.afghanunitedbank.com
SWIFT AFGUAFKA
Address: AUB Building, Zarghona Maidan, Shahr e Naw,
Kabul-Afghanistan

Arian Bank Iran

Type of Bank: Commercial Bank
License Date: 4th December 2004
Name: Muhammad Ali Shirazi
Position: Chief Executive Officer (CEO)
Phone Banking: (0093 20) 2300075, 2104241-2,
799420420.
Fax: 020 -210 -4241
Write to us at: mohammadali.shirazi@yahoo.com
SWIFT AFABAFKA
Address: Shahr-e-Naw, Masjeed Hanzala in front of AGO (Saranwali), 10th District.

5. Azizi Bank

Type of Bank: Commercial Bank
License Date : June 13,2006
Name: Inayatullah Fazli
Position: Chief Executive Officer (CEO)
Contact: 202104470
Mob: +93 799 333 444 --
Fax: +93(0) 202104471
P.O.Box : 221
Write to us at: inayatullah.fazli@gmail.com
info@azizibank.com, customercare@azizibank.com
Web Site: www.azizibank.com, www.azizibank.com
SWIFT AZBAAFKA
Address: Azizi Bank, Zanzaq Square opposite of Turkish Embassy
Kabul-Afghanistan

6. Bakhtar Bank

Type of Bank: Commercial Bank (Private Commercial Bank)
License Date: 18 March, 2009
Name: Ashokkumar Valechha
Position: Deputy Chief Executive Officer
Phone Banking: +93(0)20-2104663
Mob: +93(0)776999946
9821238167
Write to us at: ashokvalechha@hotmail.com, ceo@bakhtarbank.af
Web Site: www.bakhtarbank.af
Address: Sher Pur Square Kabul Afghanistan

7 Bank Alfalah Limited

Type of Bank: Foreign Commercial Bank's Branch
License Date : 21 May 2005

Name: Sarfraz Nazir
 Position: Country Manager
 Contact: +93-202203363 +93-202203361
 Phone Banking: +93-202203710, +93-20220336, +93-20-220-3362&3
 Email: sarfraznazir@bankalfalah.com
 Fax: +93-20-2203361
 Web Site: www.bankalfalah.com
 SWIFT: ALFHAFKA
 Address: House # 279, 2nd Street, Shahr-e-Nou, 4th District, 1st Zone, Kabul, Afghanistan

8. Bank-e-Millie Afghan

Type of Bank: State owned Commercial Bank
 License Date : Relicensed 26 July 2004
 Name: Mr. Mohibullah Safi
 Position: Chief Executive Officer
 Phone Banking: 0093 - 20 - 21003311
 Mob: 0093-799181303
 Fax: 0093 - 20 - 2101801
 00873 - 7616 12515
 P.O.Box : 522 Kabul Afghanistan
 Telex: 31 Bankmili AF
 Email Add: mohibullahsafi@yahoo.com
 Write to us at: info@bma.com.af
 Web Site: www.bma.com.af
 SWIFT: BMAFAFKA
 Address: Jade Ibne Sina, beside the Da Afghanistan Bank, Pashtoonistan Square, Kabul Afghanistan

9. *Habib Bank of Pakistan*

Type of Bank: Foreign Commercial Bank's Branch
 License Date : 18 February 2004
 Name: Liaqat Ali
 Position: Senior Vice President & Country Manager
 Contact: 0799002500, 2203317
 Email: cmhbl.afg@hotmail.com
 Phone Banking: 0093-20-2200147
 0093 - 20 2203317
 Mob: 0799-002500
 Fax: 0093-20-2200148
 Write to us at: hblkblcm@hotmail.com; hblkblcm@yahoo.com
 Web Site: www.habibbankltd.com
 SWIFT: HABB AF KA
 Address : First Floor, Park Plaza, Torabaz Khan Road Shar-e Now Kabul-Afghanistan

10 First Micro-Finance Bank

Type of Bank: Commercial Bank

License Date: 18.March.2004
 Name: Tariq Hasan Siddiqui
 Position: acting CEO
 e-Mail: : tariq-siddiqui@hotmail.com
 Phone +93-202201733
 Banking:
 Mob: (+93)-799640810
 Write to us at: info@fmfb.com
 Web Site: www.fmfb.com.af
 SWIFT FMFBAFKA
 Address: Street No.2, House No 4, left side, Shahr Now, near to Holland Embassy, Kabul Afghanistan

11. Ghazanfar Bank –Afghanistan

Type of Bank: Commercial Bank
 License Date: 1 March 2009
 Name: Mr. Ahmed Siar Khoreishi
 Position: CEO
 Mobile: (+93) (0) 791810155
 Contact: -- +0093 (0) 202101111
 Phone Banking: +0093 (0) 791810180
 Write to us at: ceo@ghazanfarbank.com
 Web Site: www.ghazanfarbank.com
 Address: 866, Shar Pur Main Road Kabul Afghanistan

12. New Kabul Bank

Type of Bank: State Owned Commercial Bank
 License Date : 18 April 2011
 Name: Mr. Masood Khan Mosa Ghaz
 Position: CEO
 Email: masood.musaghazi@newkabulbank.af
 Contact: 0093 (0) 799181325
 Phone Banking and 0093 (0) 791600700
 Mob : 0093 (0) 791600800
 Write to us at: info@newkabulbank.af
 Web Site: www.kabulbank.com, www.kabulbank.af
 SWIFT KABU AF KA
 Address: 10- 42 Turbazkhan Share-e- Now, Kabul-Afghanistan

13. Pashtany Tejaraty Bank

Type of Bank: State owned Commercial Bank
 License Date: Relicensed 26 July 2004
 Name: Ahmad Shah Zamanzai
 Position: C.E.O
 Contact: 0705180000
 Phone Banking: +93-705180000
 Write to us at: drzamanzai@gmail.com, drzamanzai@gmail.com, info@ptbank.af ,
ptbank_af@yahoo.com

Web Site: www.ptbank.af
SWIFT: PIBA AF KA
Address: Mohammad Jan Khan Watt, Kabul-Afghanistan

14. National Bank of Pakistan

Type of Bank: Foreign Commercial Bank Branch
License Date: Permitted 1st October 2003
Name: Mr. Tariq
Position: Acting Regional Chief Executive Officer
Contact: 020-2301659, +93-707451644 +93-788473286
Phone Banking: 2301660
Mob: +93-20- 2301660, +93 0799312301
Fax: +93-20-2301659 +93-20-2302729
Write to us at: nbpkbl@yahoo.com
Web Site: www.nbp.com.pk
SWIFT: NBPA AF KA
Address: House #2 Street #10 Wazir Akbar Khan, Kabul

15. Punjab National Bank - India

Type of Bank: Foreign Commercial Bank's Branch
License Date : 11 May 2004
Name: Sunil Agrawal
Position: Country Manager
Contact: 0786794170
Phone Banking: +93(0) 752022255
Mob: +93(0)0786794170
Write to us at: cmpnbnkabul@gmail.com
Web Site: www.pnbindia.com
SWIFT: PUNB AF KA
Address: House 6, Street 13, Wazir Akbar Khan,
Kabul-Afghanistan

16. Maiwand Bank - Afghanistan

Type of Bank: Commercial Bank
License Date: 31 December 2008
Name: Mukesh Verma
Position: C.E.O
Mobile: +93(0) 703000027
Write to us at: ceo@maiwandbank.com, ceo@maiwandbank.com and
mvdiamond@gmail.com
Address: Charrahi Torabaz Khan, Shar e Naw Kabul Afghanistan

Representative Offices

17. OJSC Orien Bank Tajikistan (Representative Office)

Head Office Address: Address in Kabul Najib Zarob Market 4th floor Office # 402
Contact Person: Rajabbek Sulaymonbekov (Representative)

18. Ziraat Bank Turkey (Representative Office)

Head Office Address: Address in Kabul: Chahr e Haji Yaqoobn Shar-e-Now
Contact Person: Firat Dursun (Representative)
Tel: +93 (0)799 412 921
E-mail: ziraatbankkabul@neda.af

Appendix V Funds Transfer Details

To remit money to Afghanistan, individuals and business entities need to have an account with a bank in Afghanistan and complete the following steps:

If the account is at DAB

Order the financial institution abroad to initiate a SWIFT transaction with the following information:

- Beneficiary: name or name of entity
- Beneficiary Account Number: account number at DAB
- Beneficiary Bank: DAB, Kabul, Afghanistan
- Beneficiary SWIFT BIC: AFGBAFKA
- Correspondent bank for clearing:
 - For USD clearing use:
 - 1) Citibank New York- CITIUS33 account # 10920169
 - 2) Bank of America- BOFAUS account # 629008872
 - For Euro clearing use:
 - 1) Deutschebank- DEUTDEFF account # 400871070
 - 2) Commerzbank- COBADEFF account # 1009501313
 - For other currencies, communicate with the DAB contacts.

If the account is with a commercial bank

If the bank has a direct SWIFT connection, funds may be transferred funds directly. If the funds are being transferred through DAB, request the financial institution to initiate a SWIFT transaction with the following information:

- Beneficiary: Name of the bank
- Beneficiary account number: account number at DAB for the recipient bank
- Beneficiary Bank: DAB, Kabul, Afghanistan
- Beneficiary SWIFT BIC: AFGBAFKA
- Correspondent bank for clearing (same as above)
- Forward credit information: the sending bank must include instruction that the transfer is for forward credit to: name, account number

To remit funds from Afghanistan to another country, contact the bank for detailed assistance.

Appendix VI Contacts

Institutions				Details
1	Ministry of Commerce and Industry			<p>Abdul Rahim Saeedi General Director Private Sector Development Directorate Phone: + 93 (0) 020 250 23 25 + 93 (0) 786 14 6162 Email: arsaeedi9@yahoo.com</p> <p>Manager Business Licensing Phone: + 93 (0) 799 016 291 + 93 (0) 700 497 007 Email:</p>
2	Afghanistan	Investment	Support	<p>Agency (AISA)</p> <p>Website: www.aisa.org.af</p> <p>XXXXXX Chief Executive Officer Phone: + 93 (0) 799 322 735 Email: zakhilwal@aisa.org.af</p> <p>XXXXXX Research and Policy Department Director Phone: + 93 (0) 799 669 448 Email: said.m@aisa.org.af</p> <p>Licensing Department Phone: + 93 (0) 202 103 406 + 93 (0) 202 103 404 Extension No# 122</p> <p>XXXXXX Investment Manager Phone: + 93 (0) 773 456 178 Email: nissar@aisa.org.af</p> <p>XXXXXX Publications & Public Relations Officer Afghanistan Investment Support Agency (AISA) Mobile: +93-0-700 66 54 83 Email: XXXXXX</p>

(Continued)

	Institutions	Details
3	Export Promotion Agency of Afghanistan (EPAA) Website: www.epaa.org.af	XXXXXX Chief Executive Officer Phone: + 93 (0) 799 336 616 Email add: XXXXXX XXXXXX Market Analysis Services Director Phone: + 93 (0) 799 252 706 Email: XXXXXX
4	Afghanistan National Standards Authority (ANSA) Website: www.ansa.org.af	Mr. Popalzi Popal Chief Executive Officer Phone: + 93 (0) 700 039 592 Email: ansa.ceo@gmail.com
5	Ministry of Finance (MoF) Website: www.mof.gov.af	Mr. Ahmad Jalali Director General of Revenue Department Email: Ahmad.jalali@mof.gov.af XXXXXX Communications Director Phone: + 93 (0) 700 086 402 + 93 (0) 775 577 610 Email: XXXXXX
7	Ministry of Foreign Affairs (MoFA) Website: http://www.mfa.gov.af/	Acting Head of Economic Department Phone: + 93 (0) 700 104 050 + 93 (0) 799 326 808 Email: XXXXXX

	Name	Description
1	Ministry of Finance (MoF)	<p>The MoF is specifically responsible for the management and execution of budget, collection of taxes, organization and control of public expenditures and payments to the Government, and the management of Customs Affairs. Besides this, the Ministry of Finance has taken the responsibility of restructuring and privatizing State-owned Enterprises, with the goal of promoting the private sector as the main engine of economic growth in Afghanistan.</p> <p>The broad objectives of the MoF are:</p> <ul style="list-style-type: none"> • Mobilize revenue and manage Government finances • Support economic management and promote economic growth • Manage public wealth • Promote good governance • Best practice leader within the Afghan public sector • Support a free market economy and encourage entrepreneurial activities; and • Insure both donors and foreign investors that Afghanistan has a well managed economy for whatever the MoF functions contribute

Department of Revenue

Reform of the tax administration has progressed and is undergoing. As part of the reform process, a Large Taxpayer Office and a Medium Taxpayer Office (MTO) have been established in the Tax Administration (TA) in Kabul. At the moment, domestic taxation is collected in provincial offices (Mostufiat) and district offices. The General Directorate of Revenue in Kabul provides the national headquarters function and the coordination of provincial operations. Prior to September 2005, the MoF / TA had no enforcement powers, but to refer non-compliant taxpayers to the Ministry of Interior, which had no capacity to pursue them further. The situation has somewhat improved since then. Now, there are six Tax Identification Number (TIN) offices in Afghanistan (Kabul, Herat, Kunduz, Nangarhar, Mazar and Kandahar) in charge of assigning TINs (i.e. registration with the Tax Administration), which is a precondition for registration of companies in Afghanistan.

Further, the Ministry of Finance has undertaken a reform process of the Tax Laws, which is undergoing, and is ultimately to make the Tax Laws of Afghanistan efficient, simple, and in line with our national values and international best practice.

Department of Customs

The Islamic Republic of Afghanistan has recognized that after over twenty-five years of war and civil strife there is now an enormous need for the reconstruction of infrastructure and the provision of basic services to the people of Afghanistan. Therefore, it has an obligation

to raise the current level of revenue collected by the Afghan Customs, given the scale of the trade volume and its potential for revenue maximization. Additionally, it has recognized that modernized Customs departments worldwide serve as a tool to facilitate trade and business to encourage investment and are designed to make a major contribution to the creation of a beneficial economic and social development environment.

In order for the Afghan Customs Department (ACD) to exercise its role within the next 5 years, it plans to enhance the current level of revenue collected and improve import and export clearance procedures. The simplification of Customs clearance procedures and the renovation and construction of physical infrastructure are seen as the basic needs for having a standard Customs department which allows for proper and effective Customs control. The ACD also intends to reorganize Headquarters and Regional Offices and enhance their capacity to a level where senior management is fully in control of Customs activities. Functioning Customs offices, both in the centre and in the provinces, are seen as a prerequisite for a fully functional and modern Afghan Customs.

The ACD has made substantial progress in reconstruction of customs facilities in various borders of Afghanistan, in computerizing customs communication systems, in reforming and simplifying customs procedures, and in training customs officials on the new rules and procedures, with the overall goal of serving the people of Afghanistan, encouraging and promoting international trade, and in mobilizing revenue for the Government of Afghanistan.

For further information about the Ministry of Finance and Tax and Customs procedures, please refer to the MoF official website at: www.mof.gov.af

2	Ministry of Economy (MoE)	Responsibilities of this Ministry include: <ul style="list-style-type: none"> • Registration, licensing and monitoring of operation of NGOs and other international institutions in Afghanistan; • Public procurement.
3	Ministry of Labour and Social Affairs (MoL)	Responsibilities of this Ministry include: <ul style="list-style-type: none"> • Developing policy in relation to labour related issues; • Implementation of Labour Law and protecting labour rights.
4	Ministry of Rural Rehabilitation and Development (MRRD)	Goals and objectives of the Ministry are to: <ul style="list-style-type: none"> • Ensure empowered rural communities; • Create sustainable rural livelihood strategies • social protection that would lead to enhanced human security; • equitable growth and poverty reduction through good local governance, increased productive infrastructure, enhanced livelihoods, informed decision making and mitigation of shocks⁶⁴. <p>The Ministry is also to prepare a strategic framework for the development and maintenance of rural infrastructure (roads and</p>

⁶⁴ The website of MRRD, www.mrrd.gov.af

		drinking water), including standards and norms, and is to help create better conditions for the population and for doing business.
6	Ministry of Agriculture, Irrigation and Livestock	The main objectives of this ministry are to continue utilization of the natural agricultural resources by application of technology and follow-up the economic politics of the Agriculture in the country.
7	Ministry of Justice	<p>The Ministry of Justice is in charge of a wide range of the country's legal affairs, and it works closely with other government ministries, institutions and agencies to ensure that the rule of law in Afghanistan is upheld. It helps shape the justice and legal environments in Afghanistan by providing strategic advice to the government on reforms and policies needed to strengthen the rule of law⁶⁵.</p> <p>The duties of the MoJ include:</p> <ul style="list-style-type: none"> • Drafting and/or reviewing draft laws, presidential decrees and other legal documents; • Providing comments as to whether international treaties and conventions, as well as foreign commercial agreements to which Afghanistan is a party, are consistent with the country's official laws, and making recommendations for any needed amendments that might remove identified inconsistencies; • Defending the financial and other material interests of the government and if necessary, filing petitions against debtors. of the government, as well as defending the interests of national government organizations in suits brought before the courts; and, • Upholding property rights, labour rights, family rights and other civil rights of the country's citizens when official complaints are made, and when necessary, taking measures to implement court decisions with respect to civil disputes arising between or among government agencies and institutions, joint private/government entities, and private citizens.
7	National Environmental Protection Agency (NEPA)	<p>The National Environmental Protection Agency, as an independent institutional entity, is responsible for coordinating and monitoring conservation and rehabilitation of the environment. NEPA has the following functions:</p> <ul style="list-style-type: none"> • maintain environmental integrity and promote the sustainable use of natural resources; • promote conservation and rehabilitation of the environment; • coordinate environmental affairs at the international, national and local levels; • develop and implement national environmental policies and strategies in order to integrate environmental issues and sustainable development approaches into the legal and regulatory frameworks; • provide environmental management services in the areas of environmental impact assessment, air and water quality management, waste management, pollution control, and

⁶⁵ The web-site of the Ministry of Justice, <http://www.moj.gov.af>.

permitting of related activities;

- establish communication and outreach for environmental information to ensure improved awareness of environmental issues;
 - implement bilateral or multilateral environmental agreements to which Afghanistan is a Party;
 - coordinate the preparation and implementation of a national programme for environmental monitoring and effectively utilize the data provided by that programme.
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Appendix VIII

Standards Adopted by ANSA

AS 124 Specification Portland Cement
AS 135 None load bearing concrete masonry
AS 177 Clay brick specification and test method
AS 191 Steel for the reinforcement of concrete – Part 1: Plain bars
AS 192 Steel for the reinforcement of concrete – Part 2: Ribbed bars
AS 110 Power cables with extruded insulation and their accessories for rated voltages from 1 kV ($U_m = 1,2 \text{ kV}$) up to 30 kV ($U_m = 36 \text{ kV}$) Part 2: Cables for rated voltages from 6 kV ($U_m = 7,2 \text{ kV}$) up to 30 kV ($U_m = 36 \text{ kV}$)
AS 111 Hard-drawn Aluminum wire for overhead line conductors
AS 112 Zinc - coated steel wires for stranded conductors
AS 113 Round wire concentric lay overhead electrical standard conductors
AS 114 Guide to the selection of high-voltage cables
AS 115 Insulation co-ordination - Part 1: Definitions, principles and rules
AS 116 Insulation coordination for equipment within low-voltage systems - Part 1: Principles, requirements and tests
AS 117 Characteristics of indoor and outdoor post insulators for systems with nominal voltages greater than 1000 V
AS 118 Insulators for overhead lines with a nominal voltage above 1000 V - Ceramic or glass insulator units for air conditioning systems - Characteristics of insulator units of the cap and pin type
AS 119 Insulators for overhead lines with a nominal voltage above 1 000 V part 1: ceramic or glass insulator units for air conditioning systems - Definitions, test method and acceptance criteria
AS 120 Insulators for overhead lines with a nominal voltage above 1 000 V - Ceramic insulators for air conditioning systems - Characteristics of insulator units of the long rod type
AS 121 Protection against electric shock - common aspects for installation and equipment Electro-technical
AS 227 Thermal evaluation and designation
AS 228 Aluminum magnesium silicon alloy wire for overhead line conductors Electro-technical
AS 229 Insulated Bushings for Alternating Voltages above 1000 v
AS 230 Aluminum magnesium silicon alloy wire for overhead line conductors
AS 231 Test on Indoor and Outdoor Post Insulators of Ceramic Material or Glass for Systems with Nominal Voltages Greater than 1000 v
AS 232 Polyvinyl Chloride Insulated Cables of Rated Voltages up to and including 450/750V - Part 1: General requirements
AS 233 Polyvinyl Chloride Insulated Cables of Rated Voltages up to and including 450/750V - Part 6: Lift cables and cables for flexible connections
AS 234 Conductors of Insulated Cables
AS 251 Electricity Metering Glossary of Terms
AS 252 Electricity Metering Data Exchange for Meter Reading, tariff and Load control - Part 21: Direct local data exchange
AS 269 Cable Electro-technical AS 109 Air Quality Environmental
AS 131 In use vehicle emission standards
AS 199 Emission Standard for Industries
AS 200 Quality of water resources
AS 102 Raisins
AS 103 Wheat and durum wheat
AS 104 Fats and edible oils
AS 105 Wheat flour

AS 133 Milk powders and cream powder

AS 153 General standard for bottled/package drinking waters (Other than natural mineral waters)

AS 163 Animal and vegetable fats and oils - determination of acid value and acidity

AS 164 Animal and vegetable fats and oils -determination of saponification value

AS 165 Animal and vegetable fats and oils - determination of lead by direct graphite furnace atomic absorption spectroscopy

AS 166 Animal and vegetable fats and oils - determination of copper, iron and nickel contents- Graphite furnace atomic absorption method

AS 167 Animal and vegetable fats and oils- determination of insoluble impurities content

AS 168 Animal and vegetables fats and oils determination of moisture and volatile matter content

AS 169 Animal and vegetable fats and oils - determination of peroxide value-Iodometric (visual) endpoint determination

AS 170 Cereals - Determination of bulk density called mass per hectoliter Part 3 - Routine Method

AS 171 Wheat (Triticum aestivum L) specification

AS 172 Pulses - Determination of impurities, size foreign odors, insects and species and variety - test methods

AS 173 Cereals, pulses and by-products - determination of ash yield by incineration

AS 174 Milled cereal products - Determination of fat acidity

AS 175 Cereals and pulses - Determination of the nitrogen content and calculation of the crude protein content

AS 179 Standards for table grapes

AS 190 Standard for sugars

AS 265 Standard for chocolate and chocolate

AS 266 Codex standard for apples

AS 276 Codex standard for butter

AS 122 Cylindrical knob type weights (1g to 10kg)

AS 130 Iron Weights parallel piped

AS 132 Bringer Balance

AS 176 Beam scale

AS 182 Gas Cylinder - Transportable refillable welded steel cylinder for liquefied petroleum gas (LPG) - Design, construction and testing

AS 268 Pressure cooker

AS 274 Specification for commercial metric capacity measures

AS 101 Specification for Liquefied Petroleum Gases

AS 107 Specification for Aviation Turbine Fuels

AS 125 Standard Specification for road tar

AS 128 Specification for Penetration-Graded Asphalt Cement for Use in Pavement Construction

AS 134 Classification and specification for Automotive Service Greases

AS 138 Test Methods for Cone Penetration of Lubricating Grease1

AS 139 Test Method for Dropping Point of Lubricating Grease1

AS 140 Test Method for Determining the Water Washout Characteristics of Lubricating Greases

AS 141 Test Method for Oil Separation from Lubricating Grease During Storage

AS 142 Test Method for Determining Corrosion Preventive Properties of Lubricating Greases

AS 143 Test Method for Dropping Point of Lubricating Grease Over Wide Temperature Range

AS 144 Test Method for Wear Preventive Characteristics of Lubricating Grease (Four-Ball Method)

AS 145 Test Method for Measurement of Extreme-Pressure Properties of Lubricating Grease (Four-Ball Method)

AS 146 Practice for utilization of Test Data to Determine Conformance with Specifications

AS 147 Test Method for Life Performance of Automotive Wheel Bearing Grease
 AS 148 Test Method for Fretting Wear Protection by Lubricating Greases
 AS 149 Test Method for Elastomer Compatibility of Lubricating Greases and Fluids
 AS 150 Test Method for Determining the Leakage Tendencies of Automotive Wheel Bearing Grease Under Accelerated Conditions
 AS 152 Test Method for Low-Temperature Torque of Grease-Lubricated Wheel Bearing
 AS 154 Specification for Asphalt Used in Damp-proofing and Waterproofing
 AS 155 Test Method for Penetration of Bituminous Materials
 AS 156 Test Method for Softening Point of Bitumen (Ring-and-Ball Apparatus)
 AS 157 Test Method for Flash and fire points by Cleveland open cup tester
 AS 158 Test Method for Ductility of Bituminous Materials
 AS 159 Practice for Sampling Bituminous Materials
 AS 160 Test Method for Solubility of Asphalt Materials in Trichloroethylene
 AS 161 Test Method for Softening Point of Asphalt and Pitch (Mettler Cup-and-Ball Method)
 AS 187 Specification for Cutback Asphalt (Medium – Curing Type)
 AS 188 Specification for Cutback Asphalt (Slow – Curing Type)
 AS 189 Specification for Chemically Modified Asphalt Cement for Use in Pavement Construction
 AS 194 Standard Specification for Cutback Asphalt (Rapid – Curing Type)
 AS 198 Practice for Manual Sampling of Petroleum and Petroleum Products
 AS 201 Test Method for Residue of Specified Penetration
 AS 202 Test Method for Flash and Fire Points by Cleveland Open Cup Tester
 AS 203 Test Method for Ductility of Bituminous Materials
 AS 204 Test Method for Solubility of Asphalt Materials in Trichloroethylene
 AS 205 Practice for Sampling Bituminous Materials AS 206 Manual of Petroleum Measurement Standards (MPMS), Chapter 10.5
 AS 207 Test Method for Distillation of Cut-Back Asphaltic (Bituminous) Products
 AS 208 Test Method for Kinematic Viscosity of Asphalts (Bitumens)
 AS 209 Test Method for Penetration of Bituminous Materials
 AS 210 Test Method for Flash Point of Cutback Asphalt with Tag Open- Cup Apparatus
 AS 211 Test Method for Softening Point of Bitumen (Ring-and-Ball Apparatus)
 AS 212 Test Method for Softening Point of Bitumen (Ring-and-Ball Apparatus)
 AS 213 Guide for Sampling and Testing Volatile Solvents and Chemical Intermediates for Use in Paint and Related Coatings and Material
 AS 214 Practice for Collection and Preparation of Coke Samples for Laboratory Analysis
 AS 215 Test Method for Vapor Pressure of (Reid Method)
 AS 216 Test Method for Oxidation Stability of Gasoline (Induction Period Method)
 AS 217 Test Method for Oxidation Stability of Aviation Fuels (Potential Residue Method)
 AS 218 Test Methods for Quantitative Extraction of Bitumen From Bituminous Paving Mixtures
 AS 219 Practice for Aviation Fuel Sample Containers for Tests Affected by Trace Contamination
 AS 220 Test Method for Recovery of Asphalt From Solution by Abson Method
 AS 221 Practice for Sampling and Handling of Fuels for Volatility Measurement
 AS 222 Practice for Mixing and Handling of Liquid Samples of Petroleum and Petroleum Products
 AS 223 Practices for Sampling Electrical Insulating Liquids
 AS 224 Specification for Gas Turbine Fuel Oils
 AS 225 Specification for Gas Turbine Fuel Oils
 AS 226 Guide for Generation and Dissipation of Static Electricity in Petroleum Fuel Systems AS
 275 Practice for road vehicles specification of non- petroleum base brake fluids for hydraulic systems
 AS 126 Liquid Toilet Soap-Specification
 AS 127 Soaps-Determination of Chloride content Titrimetric method

AS 129 Hair Shampoo-Specification and Test methods
 AS 137 Toothpaste-Specification and Test methods
 AS 151 Cosmetics Products-Classification
 AS 162 Surface active agents - Analysis of soaps - Determination of free caustic alkali
 AS 184 Standard Terminology Relating to Process Analytical Technology in the Pharmaceutical Industry
 AS 185 Soaps - Determination of content of ethanol-insoluble matter
 AS 186 Cosmetics products- determination of heavy metals test method AS 196 Determination of total alkali content and total fatty matter content
 AS 197 Analysis of Soaps – Determination of unsaponifiable, unsaponified and unsaponified saponifiable matter
 AS 270 Guide for Disposal Laboratory Chemical and Samples
 AS 271 Specification for Rubber Examination Gloves
 AS 272 Specification for Rubber Surgical Gloves
 AS 273 Specification for poly (vinyl chloride) Gloves for Medical Application
 AS 106 Specification for Warp of cotton Yarns in carpets
 AS 108 Specifications for cotton sewing thread 3rd revision
 AS 123 Specifications of warp cotton yarns blankets
 AS 136 Specification of voile fabrics
 AS 178 Guidance and explanatory labels for fabric
 AS 180 Classification and definitions of sheep and goat raw skin defects
 AS 181 Method of salt curing of sheep and goat skins
 AS 183 Specifications for natural casing
 AS 193 Specifications for Karakul skin
 AS 195 Specification for Hand Woven Woollen Carpets
 AS 262 Color fastness to acid chlorination of wool sodium dichloroisocyanurate
 AS 264 Test for color fastness - part color fastness to mechanical washing test
 AS 267 floor covering -methods for determination of mass
 AS 278 Hand-knotted carpets sampling and selection of areas of test