

## Summary Report for Compliance Audit of Revenues in FY1391

### Summary of SAO Audit Findings

The SAO has audited taxes affairs, custom duties and fees in tax entities, customs Departments and transportation directorates and other revenue entities in center and provinces in 1395, and its summary and key points are provided bellow:

1. The share of tax revenues in 1391 were 4.03% of GDP and custom duties and fees were 2.21% of GDP (clause 2.1.6, section 2)
2. The Growth of tax revenues means that the percentage change in tax revenues in proportion to the percentage change in GDP for the 12 months of 1391 reached to 1.2% and the average of percentage change in customs revenues in proportion to the percentage change in GDP for 12 months of the year reached to 0.5% (clauses 2.2.9 and 2.2.10, section 2)
3. There have been Weak internal control, delay in determining taxes and inappropriate management of taxes in large taxpayers and medium tax payers offices and taxpayers office of center zone that causes to collect less taxes and penalties, and other long term outstanding taxes. Lack of proper cooperation between tax payers offices and AISA led to failure of taking necessary action against those taxpayer companies that not paid their taxes and not presented their tax declarations statements, but their operation is running. And there is no appropriate database for audit to classify the taxpayers in large taxpayers, medium taxpayers and taxpayers of center zone categories accurately ( clause 3.1, section 3).
4. The remainings and penalties related to previous years totaled Afs 11234943242 and the remainings of audit year of 1391 totaled Afs 1930602036 from financial notes of large tax payers office have been remained un-adjusted.
5. The amount of Afs 4379000 of penalties in 1391 due to delay in presenting tax declaration related to 29 companies has not been collected (clause 3.3, section 3).
6. Also, the amount of Afs 9800000 of penalties due to delay in presenting tax declaration related to 3 companies has been remained un-adjusted (clause 3.4, section 3).
7. In addition to FY1391, the amount of USD 20187 of taxes and penalties are considered to be collected from Watan Oil and Gas Company ( clause 3.5, section 3)
8. The amount of Afs 161.904.496 tax in 1391 related to funds realized by center zone taxpayers has not been collected (clause 3.6, section 3).
9. The amount of Afs 52.005.924 of taxes and its penalties in 1391 has not been collected from taxpayers (clause 3.7, section 3).
10. Weak internal control, lack of required monitoring over documents of custom duties and lack of appropriate management have been observed in the Customs Departments of the country; for instance, most of the recommendations of previous year on collecting remaining funds are still outstanding which causes to lose government revenues and failure to collect all these funds. It has been observed in most of custom documents of Customs Departments that applicable valuation of imported goods is different with those showed in ASYCODA in accordance with figures recorded in database of Customs Department. This challenge leads to determining less cost and collecting less custom duties. In some cases, the imported goods are recorded without

original document of goods. In addition, the Customs Departments are not responsible for collecting custom duties and fees only but they are responsible to collect applicable tax on importers as required by income tax law; fixed taxes instead of income tax law and BRT. Furthermore, they shall collect 2% of Red Crescent society and 1% tax of Municipality. This task is has not been done in some cases(clause 4.1, section 4),

11. The amount of Afs 1040000 including taxes and custom duties related to 1391 due to incorrect classification of imported land cruiser model and collecting less custom duty has not been collected from Sher Ahmad Karimi's Company.
12. The amount of Afs 3191551 including taxes and custom duty related to 1391 due to less valuation of imported land cruiser has not been collected from company of Mohammad Hashim son of Ali Mohammad.
13. The amount of Afs 329861 including taxes and custom duty in 1394 due to incorrect calculation of information on imported white garments is collectable from Ehsanullah Ehsan Co.LTD.
14. The amount of Afs 237884 including taxes and penalties in 1391 due to failure to collect 50% applicable custom duty on imported TV table is collectable from Helal Habeeb Zada Com.LTD(clause 4.5, section 4)
15. The amount of Afs 70350 due to understatement of fixed tax on imported land cruiser in 1391 has not been collected from Mansoor Majid Co. LTD.
16. The amount of Afs 68220 including collecting less tax and custom duty due to incorrect calculation of final price of 10 mm electricity cable has not been collected from Ehsan Safi Co. LTD(clause 4.7, section 4).
17. The amount of Afs 111900 including tax and custom duty on imported helve due to incorrect calculation has not been collected from Ehsan Safi Co. LTD(clause 4.8, section 4).
18. The amount of Afs 638.336 including taxes and custom duty on imported goods due to low valuation of imported goods in 1391 has not been collected by Nangarhar Customs(audit year 1392)(clause 4.9, section 4).
19. The amount of Afs 3977628 related failure of tax/less tax and custom duty in 1391 has not collected by Andkhoy Customs(audit year 1392)(clause 4.10, section 4).
20. The amount of Afs 48144 related to collecting custom duty and less tax in 1391 due to low valuation of imported goods has not been collected by Farah Customs Departments (audit year 1392)(clause 4.11, section 4).
21. The amount of Afs 1276520 related to collecting custom duty and less tax due to low valuation of imported goods in 1391 has not been collected by Herat and Kunduz Customs Departments (audit year 1392)(clause 4.12, section 4).

### **SAO Recommendation**

In order to realize and implement observations no.1-21 of revenues audit in revenue and Customs Departments entities, the SAO considers it appropriate that one of the important objectives to be set out in the budget document and other relevant government documents shall be achieving financial stability by financing all operating budget expenditures from domestic revenues in the

medium term. This requires that domestic revenues sources shall be strengthen through collecting huge revenues and sound management of/collecting custom duty among other issues.

Unlikely, as per the audit of taxpayers offices and Customs Departments it has been observed that internal control systems are weak, there are inappropriate management of incomes taxes and applying customs law for management and effective collecting of taxes are not conducted efficiently, funds related to income tax, custom duty, penalties etc have not been collected from taxpayers and importers.

In addition, incorrect calculation of taxes and custom duty costs, less valuation of imported goods and no proper review of custom duties declarations against customs database and etc have cause the real damage to the government.

It is recommended that Taxpayers Offices and Customs Departments shall ensure that controlling indicators and applying necessary issues, which are effective for consideration of provision of income tax law and customs law, are used and applied properly and completely.

Also, it is recommended that Taxpayers Offices and Customs Departments shall take immediate action for collecting of taxes, custom duties, penalties and un-adjusted funds as described in a separate observation of this report by audit teams. These funds shall be collected and deposited to state income account. The relevant departments shall take necessary measures to implement audit recommendations included in audit observations and assure SAO of their result of executions.