

Summary Report for Compliance Audit of Revenues in FY1392

Summary of SAO Audit Findings:

The SAO has audited custom duties and fees of FY1395 in taxation entities and some other Customs Departments in center and provinces based on SAO plan for taxes affairs. The SAO has officially submitted its detailed results including audit findings and corrective recommendations to taxation entities, customs departments for implementing, collecting state rights, strengthening internal control system and improving their executions. Its summary and key points are presented in this report as follows:

1. The funds received from tax revenues form 4.4% of GDP, custom duties and fees 2.36% and non-tax revenues 1.8% in 1392(clause 2.1.6, section 2).
2. Due to weak internal control and delay in presenting tax declarations and tax payment by some taxpayers in 1392 and previous years, the tax declarations and tax payment has been delayed, no action has been take on implementation of audit findings of previous audit team and collection of amounts noted down, Lack of proper cooperation between tax payers offices and AISA leaded to failure of taking necessary action against those taxpayer companies that not paid their taxes and not presented their tax declarations statements, but still 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).
3. The amount of Afs 66000 penalties due to late filling of tax returns and the amount of Afs 1924731930 late penalties due to failure of payment of previous yeas taxes totaled Afs 1924797930 related to 14 companies have not been collected(clause 2.3 and 3.3, section 3)
4. Also, it is observed that there was no supporting documents on withholding of 2% tax in 1392(clause 3.4, section 3).
5. In addition, it is observed that the amount of Afs 15501 related to late payment of tax in Kunduz Mustofiat in 1391 has not been collected from concerned persons(clause 3.6, section 3).
6. 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 failing 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 causes to determine less cost and collect 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 has not been done in some cases(clause 4.2, section 4),

7. The amount of Afs 1130400 related less calculation of custom duties, Afs 170321 fixed tax and BRT, Afs 11303 Municipality tax and Afs 22608 share of Afghan Red Crescent Society totaled Afs 1334632 are noted down by audit team in Kabul Custom Department in 1392 which shall be collected from Arya Sharq Miana Co. LTD, Afghan Green Co. LTD and Nadir Nadiri Co. LTD (clause, 4.2, section 4).
8. The amount of Afs 380766 due to less calculation of custom duties and Afs 150702 of 4% fixed tax and BRT totaled Afs 531468 related to 11 companies in 1392 shall be collected in Farah Customs Department. (clause, 4.3, section 4)
9. The amount of Afs 119896 penalties due to failure of bijak submission in 1392 in Farah Customs Department shall be collected from Juma khan Co. LTD, Ahmad Shah Co. LTD and Haji Abdulhamid Co. LTD (caluse4.4, section 4)
10. The amount of Afs 61809 due to less calculation of custom duties, Afs 23076 due to less calculation of fixed tax and BRT totaled Afs 84855 which were noted down during the audit in Farah Customs Department in 1391 shall be collected from companies of Bradaran Shirzad and Khairullah(clause 4.5, section 4).
11. The amount of Afs 665100 due to less calculation of custom duties, Afs 558196 remained fixed tax and BRT and Afs 36579 penalties totaled Afs 1259869 were noted down during the audit in Nimrooz Customs Department in 1392 which shall be collected from 27 companies(clause 4.6, section 4).
12. The amount of Afs 480933 due to less calculation of custom duties, Afs 316912 due to less calculation of fixed tax and BRT totaled Afs 797845 were noted down during the audit in 1391 which shall be collected from 17 companies(clause 4.7, section 4).
13. The amount of Afs 237816 due to less calculation of customs and Afs 128160 fixed tax and BRT and Afs 4775 share of Afghan Red Crescent Society totaled Afs 370751 were identified in Customs Department of Herat in 1392 which have not been collected(clause 4.8, section 4).
14. The amount of Afs 23882 due to less calculation of customs, Afs 39166 related to fixed tax and BRT and Afs 37600 related to failure of submission of Bijack totaled Afs 439048 were identified in Kandahar Customs Department in 1392 which have not been collected from Omran Zahed and Samiullah Ezat Co. LTD(clause 4.9, section 4).
15. The amount of Afs 22800 due to less calculation of customs and Afs 5472 related to fixed tax and BRT totaled Afs 439048 were identified in Kandahar Customs Department in 1392 which have not been collected from Rezwan Co. LTD(clause 4.10, section 4).
16. The audit results indicate the weakness of internal control in AISA in some cases(clause, 5.1, section 5).
17. The organizational chart of AISA consists 35 employees at first which increased to 235 in 1390, 286 in 1391 and 450 in 1392n eventually. If we only compare the organizational chart of 1390 with 1392, it shows an increment of 91% but if we compare the current organizational chart with one at first, it shows a huge increment which doesn't match with the nature of entity activity. As 17 departments developed to directorates in 1392 which were paid USD 300- 400 monthly other than privileges. If the salary of head of AISA, his three deputies, three advisors and 17 directors totaled 24 staff are calculated in a month it would be equal to one-month salary of 432 grade 4 employees which are paid Afs 10000 monthly. But if the average salary of

450 employees of AISA which is USD 900 are compared to a grad 4 employee which is paid Afs 10000, it would be equal to salary of 2308 grade 4 employees in a month. There is no balance in Payment of salary in comparison to other employees (clause 5.1.1, section 5).

18. The amount Afs 1080762 and USD 10635 due to failure of withholding 5% tax were noted down in AISA in 1392 which shall be collected from Speen Burj, Sudais Hamza, Hafiz Omid, Nawi Hafiz, Etisalat and IMS companies (clause, 5.2, section 5).

19. The amount of Afs 485843 and USD 13391 due to failure of withholding 5% tax for the years 1390 and 1391 shall be collected from Mustafa Co. LTD, Shar-e-naw Oil station, Ialazar Co. LTD, Nawab logistic Co. LTD, and Zarkan Hashimi in AISA (clause, 5.3, section 5).

Recommendations

In order to realize and implement audit findings (1-19) of revenues in tax and customs departments, it is required that all aforementioned entities shall take necessary measures for implementation of audit findings and play their effective role in collecting revenues, improving domestic revenues and achieving self-sufficiency goals.

It is recommended that Taxpayers Offices and Customs Departments shall ensure that all controlling indicators are used completely which are effective for considering provision of income tax law, customs law, regulating land transportation and other relevant laws.

It is recommended that Taxpayers Offices and Customs Departments shall consider the provisions of Income Tax Law, Customs Law, Codes and other customs and taxation procedures for improving internal control system, timely collecting taxes and custom duties.

The aforementioned entities are required to take necessary measures for implementation of recommendations included in audit observations and findings and strengthening internal controls and assure SAO of their result executions