

**T.C.
ISTANBUL AYDIN UNIVERSITY
INSTITUTE OF SOCIAL SCIENCES**

**EVALUATION OF TAXATION IN
AFGHANISTAN
IN COMPARISON TO TURKEY**

**THESIS
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**Department of Business
Business Administration Program**

**Thesis Advisor: Assistant.Prof. Dr. Zelha
ALTINKAYA**

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İSTANBUL AYDIN ÜNİVERSİTESİ
SOSYAL BİLİMLER ENSTİTÜSÜ MÜDÜRLÜĞÜ

Yüksek Lisans Tez Onay Belgesi

Enstitümüz İşletme İngilizce Ana Bilim Dalı İşletme Yönetimi İngilizce Tezli Yüksek Lisans Programı Y1312.130040 numaralı öğrencisi **Walid Ahmad SALEHZADA**'nın "EVALUATION OF TAXATION IN AFGHANISTAN IN COMPARISON TO TURKEY" adlı tez çalışması Enstitümüz Yönetim Kurulunun 11.05.2015 tarih ve 2015/10 sayılı kararıyla oluşturulan jüri tarafından *oybirliği* ile Tezli Yüksek Lisans tezi olarak *kabul* edilmiştir.

Öğretim Üyesi Adı Soyadı

İmzası

Tez Savunma Tarihi :28/05/2015

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Not: Öğrencinin Tez savunmasında **Başarılı** olması halinde bu form **imzalanacaktır**. Aksi halde geçersizdir.

To those who struggles for education.

FOREWORD

I would like to express my high appreciation to the faculty and staff of business administration program for helping me and upheld me to carry this current master degree.

I am being exceptionally lucky for having the counsel, direction and backing of Professor Zalha Altinkaya, I am thankful to her for examining throughly the theory of thesis, for empowering me during the proposal written work and for imparting her profound learning and experiment.

I additionally owe an obligation of appreciation to the Erasmus Program for furnishing me with the uncommon and extraordinary chance to partake in to this program.

I am taking this chance to express my appreciation to the Faculty of Business Administration of University of Bucharest for bolster me during theory composing.

Much obliged are likewise because of all my associates in the Business Administration program for their great suggestion and genuine kinship. I might want to recognize my Friends who truly helped me with thoughts and materials.

I additionally feel obliged to my family for having me in their prayers and keeping me in high spirits.

At last, I must say my Family members, who constantly motivated me to seek after deeper learning and who urged me to study abroad.

May 2015

Walid Ahmad SALEHZADA

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ABBREVIATIONS

AFS	: Afghani
AISA	: Afghanistan Investment Support Agency
ANDS	: Banking and Insurance Transaction Tax
BRT	: Business Receipt Tax
GDP	: Gross Domestic Product
KDV	: Katma Deger Vergisi
MHA	: Mass Housing Administration
MOF	: Ministry of Finance
PPA	: Public Participation Administration
SAS	: Self Assessment System
TIN	: Tax Identification Number
TL	: Turkish liras
VAT	: Value added Tax

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EVALUATION OF TAXATION IN AFGHANISTAN IN COMPARISON TO TURKEY

ABSTRACT

Tax is an effective way for influencing the behaviours of buyers. This is both an advantage, on account of utilizing Taxes to discourage, or encourage to support the utilization of some goods, additionally a disadvantage as a consequence of the negative motivation impacts that redistributive taxes creates. The support for Tax may be absolutely powerful, when taxation is welfare making strides. Anyway, when the support for tax strategy is in light of contemplation of correspondence countries, the optimal of such tax gets to be more an issue of qualities.

It is a also well-established fact that the government bureaucracy in many developing countries is large, difficult to understand, non-transparent and time-conamounting, Afghanistan is also among those countries which experiments a huge bureaucracy, especially in collecting taxes however, procedures sometimes have little to do with how firms or individuals actually go about when dealing with the government bureaucracy.

Also a comparison between two countries at different stages of development is always a difficult task. Indeed, drawing lessons from one country does not mean a simple application of procedures that have proved to be successful in a foreign land. In fact, taxation may play the central role in building and sustaining the power of states, and shaping their ties to society.

However, is not to claim that taxation is an unambiguously and universally positive activity; much depends on the way in which states and the societies either achieve or fail to negotiate revenue generation.

There are only a very limited number of instruments at a government's disposal when it tries to stimulate long-run growth, and one of these instruments is tax system. That is why it's very important to analyze the way in which taxation influence economic growth.

This problem is especially vital for the countries suffering very low growth (Afghanistan is among them).

Unfortunately, there was no significant change in Afghanistan tax system during past 30 years but the present system needs changing badly, because it lacks both economic efficiency and social equity.

Keywords: Taxation, Afghanistan Taxation Policy, Turkey Taxation Policy, Income and Expense Evaluation, GDP and Tax effection in Income.

TÜRKİYE VE AFGANİSTAN'DAKİ VERGİLENDİRME POLİTİKALARININ DEĞERLENDİRİLMESİ

ÖZET

Vergi, hükümet harcamasına yönelik gelirin başlıca kaynağıdır. Vergi makroekonomi yönetiminde hayati bir önem addetmektedir. Verginin, parasal gelişmeyi garanti eden en önemli bileşenler arasında öne çıktığı düşünülmektedir. Vergilendirme yoluyla elde edilen daha yüksek hükümet harcamaları ekonominin toplam gelirini arttırmaktadır. Ancak vergi araçlarının seçimleri sosyal düzen içindeki politik çekişmeleri beraberinde getirmektedir. Finans uzmanlarının hangi boyuttaki vergilendirme oranının ideal olduğu ve özellikle, çeşitli vergi oranları olan vergiler üzerinde nasıl yoğunlaşılacağı konularında farklı görüşleri vardır. Bu tez ile beş yıllık bilgi birikiminden yararlanılarak Afganistan ve Türkiye üzerindeki vergi farklılıklarını açığa kavuşturmayı amaçlamaktadır.

Vergi sisteminin önemine ve dünyadaki vergi oranlarındaki önemli değişikliklere bakılmaksızın, Afganistan'ın vergi sistemine dair bir bulgu eksikliği vardır. Türkiye ile Afganistan arasındaki vergilendirmenin karşılaştırmasına yönelik çalışma bulunamamıştır. Bu nedenle, bu çalışmada, Afganistan açısından önemli bir örnek teşkil eden Türkiye'de uygulanan vergi uygulamalarının olumlu sonuçları değerlendirilmektedir. Bu tezde kullanılan araştırma yöntemi, teorik araştırma dergilerinin, yayınlarının, akademik makalelerin ve yayımlanan istatistiklerin analizine ve değerlendirilmesine dayanmaktadır. Bu çalışma, vergilerin daha iyi yönetilmesine ve vergi gelirin harcanmasına dair ideal yaklaşımlara, Afganistan ve Türkiye üzerindeki çapraz vergilendirme oranlarının boyutları ve bunun nedenleri üzerinde de yoğunlaşmaktadır.

Vergi seçimleri tümüyle, Afganistan ve Türkiye'deki politik stratejilerden tamamen farklı olan vergilendirme stratejilerinin incelenmesine dayandığından iki ulusun vergi temelleri dikkate alınmalıdır. Böylece, bu öneri her iki ülke tarafından hangi tür vergi oranı kullanıldığını ve vergi boyutunun gayri safi yurt içi hasıla içindeki payının nasıl etkilediğini ortaya etmek anlamına gelmektedir.

Anahtar kelimeler: Vergilendirme, Afganistan Vergilendirme Politikası, Türkiye Vergilendirme Politikası, Gelir ve Gider Değerlendirmesi, GSYH ve Gelirde Verginin Etkileri

1. Introduction

Tax is the fundamental origin of income for Government spending, Tax assumes a vital part in macroeconomic administration and is thought to be a standout among the most critical components to guarantee monetary development. Higher government spending attained through taxation, and procedure raises the total income of the economy. However, tax choices dependably bring political contentions up in social orders.

Regardless of the significance of tax system and significant varieties in tax rates over the world, there is an absence of discoveries in tax strategy of Afghanistan and when all is said and done there is no writing given examination of Afghanistan tax arrangements with Turkey.

This thesis will concentrate on positive methods for monetary execution in above referred countries.

Exchanges on the most suitable size of the administration of taxes and the most ideal approaches to spend the tax income. This thesis finds what components impact the sizes of taxation rates crosswise over Afghanistan and Turkey.

Financial specialists differ over what size of taxation rates is the ideal, and how to concentrate taxes to wind up having essentially diverse tax rates, this thesis propose to clarify tax differences over the Afghanistan and Turkey utilizing five years information investigation. The tax approaches of two nations element must be considered, since tax choices depend completely on arrangements the examination of taxation strategies mirrors the basic political distinction in the middle of Afghanistan and Turkey. In this way, this proposition means to check whether which kind of taxation rate arrangements has been taken by referred countries and how size of tax impacts income to-Gross domestic product proportion.

The objective of this thesis is to investigate the tax approach as an instrument of financial development in both countries clarifying the fluctuation of tax rates to give a reasonable picture to the individuals who need to invest into Afghanistan and Turkey and how tax impacts income of both countries and, Besides discovering

better approaches to enhance the tax intensity of Afghanistan as a point of convergence.

To achieve and elaborate above objective this thesis derives in five parts: in chapter one this thesis clarify how the problem of the incidence of taxation is one of the most neglected as it is one of the most complicated subject in economic science, and also Some significant information about taxation in general and review of taxation in developing countries. The analytical classification of taxes brings us up against the method of tax analysis and so many other taxation important issues which will discuss in this chapter. In chapter two of this thesis you will read general discussions of taxation in Afghanistan, how Afghanistan taxation works, and what rates of taxations being charged by Afghanistan government over different kind of taxation policies. In chapter three this thesis will clarify how taxation policies works in Turkey, what kind of taxation policies Turkey has and so many Turkish taxation discussions going to be provided. Chapter four of this thesis provides you how a change in a rate of tax immediately sets up economic and social reactions and necessitates readjustments, comparing two countries tax system, elaboration of taxation effects in economic indicators like GDP, Income and expenditure and so many other comparing factors. Last but not least, conclusion and recommendations for better tax system in Afghanistan in comparison to Turkey. tax is treated by many writers but its discussion in scientific literature as well as in everyday life has frequently been marked simplicity of ignorance which is important for every system of taxation, the cardinal point is its influence on the community, without a correct analysis of taxation it won't be possible for a government to achieve significant revenue to cover expenses. The analysis of the working of taxes through the economic system and taxation policies in Afghanistan as well as in Turkey.

1.1. Taxation

Taxation is one of the critical and important components in projection of a country income, particularly in matured countries and has assumed a critical part in civilized societies since their introduction to the world thousands years ago.

The precise time when the first taxations were forced is not known, however they have been gathered in any event after the time of Egyptian Pharaohs and Mesopotamian groups.

Around then taxes were for the most part gathered in parts, taking into account effortlessly recognizable attributes, for example, responsibility for variables like area or slaves. In the primitive period there was an antecedent for income taxes, scutage, an installment permitting knight to avoid military services. As wars, particularly lost wars, required revenues, there were solid motivating forces to raise taxes.

Therefore legitimacy of taxation was required. One of the first was Magna Carta issued in 1215, expressing that expanding Tax or forcing another revenues obliges the assent of Parliament

As economy changed from agrarian to financial based economy and the property tax of the state stopped with a decay of the primitive framework, there was a requirement for present day sorts of taxes. A first advanced incomeTax was forced in the late eighteenth century in Britain to fund the Napoleonic wars (James&Nobes,2000).

Later, Salary taxes was nullified and reintroduced a couple times, until it was for all time made in Britain in 1842, different countries taking after the illustration.

In the late nineteenth century the climate was warming for social viewpoints. A decent illustration of that was Prussia, where an obligatory wellbeing protection and an annuity framework were presented in the 1880(Barjoyie,1987).

With a climbing enthusiasm for the social perspectives the optimal of taxes began to incorporate a question of Tax frequency; who ought to pay taxes and in what amount?

Tax is characterized as 'a mandatory payment, constrained by government or other Tax raising associations, on income, consumptions, or capital assets, for which the resident gets nothing specific consequently'(Musgrave,1973). Then again, not all installments to government are considered tax installments: for instance, charges, tolls and different duties are paid to acquire a particular administration and are not entirely tax payments(Lymer&Hasseldine,2002).

1.2. Characteristics of Taxation

Adam Smith in the book 'The Wealth of Nations' that released in 1776 recommended that an taxation framework is taking into account certain fundamental standards, to be specific value, equity, certainty and productivity. quickly characterized the standards as takes after:

Equity implies an taxation framework ought to be reasonable among people and taxes ought to be demanded taking into account citizens' ability. Flat value implies that

citizens with the same income or wealth should pay the same measure of (taxation rate) while vertical quality suggests that natives with high pay should pay higher (tax rate).

Assurance is portrayed as a resident knowing his or her Tax obligation and when and where to pay the tax. It relates to the smoothness of the duty systems so that the residents are smoothly understood and fit for learning their Tax commitment (Lymer&Hasseldine,2002).

Convenience relates to how people pay their tax or attract with the Tax structure. Case in point, people more supportively pay tax by it being deducted at source as opposed to paying a considerable measure of Tax consistently.

The presentation of electronic recording is a substitute specimen of an office given by the Tax authority to encourage the framework for recording tax documents.

Adequacy implies how the tax authorities accumulate the tax revenue and can be divided into two subsections: administrative capability and monetary viability. Legitimate adequacy suggests the livelihoods included when social occasion charge earnings. The more a Tax income to deal with, the less of the money raised is available to the organization to spend. The regulatory expense ought to be as little as could reasonably be expected to attain to attractive monetary proficiency. Monetary productivity alluding to duty ought not meddle with the working of the business sectors. For instance, the presentation of another tax or increment on the income rates ought not twist or influence citizens' behaviour(Lymer&Oats,2009).

The guideline focus of compelling certain tax on broad society is to deliver income for the council for open utilization. On the other hand, there are diverse limits of taxes as proposed including to reduce differences through a course of action of redistribution of tax and wealth so pay fissure between the rich and the poor is not as discriminating. Charge frameworks are likewise intended for social purposes, for example, disheartening certain exercises which are viewed as undesirable and securing the earth. For example, the extract imposes on liquor and tobacco are activity to reduction spendings and in this manner energize a healthier way of life. Tax are additionally anticipated that would guarantee monetary objectives through the capacity of the tax framework to impact the portion of assets including exchanging assets from the private area to the administration to back the general population speculation program, the course of private venture into sought channels through such measures as regulation of expense rates and the conceding of duty motivators (Barjoyie,1987).

1.3. Fiscal Policy

At the point when the supply of cash is monetary steady government consumption must be financed by either taxes or borrowing. Fiscal policies includes the utilization of the administration's spending, saddling and obtaining arrangements. The administration's financial plan shortage is utilized to the heading of monetary strategy.

At the point when the administration builds its spending and or decreases imposes, this will move the administration spending plan toward a deficiency. In the event that the administration runs a shortfall, it will need to acquire trusts to cover the abundance of its spending in respect to income. Bigger spending plan shortages and expanded getting are characteristic of expansionary financial strategy. Interestingly, if the administration decreases its spending and/or builds imposes, this would move the monetary allowance toward an excess. The financial backing surplus would lessen the administration's exceptional obligation. Shifts toward spending plan surpluses and less getting are characteristic of prohibitive monetary strategy (Charles,2006).

1.4. Role of Taxation and impact of fiscal policies according to Keynes

The English financial analyst, John Maynard Keynes promoted the utilization of monetary strategy as an adjustment instrument. Composing amid the Incomparable Discouragement of the 1930s, Keynes contended that yield and vocation were well underneath their potential in light of the fact that there was inadequate aggregate demand. On the off chance that request could be expanded, yield and work could be extended and the economy would come back to its full employment potential. Also, Keynes accepted this could be accomplished with expansionary monetary arrangement.

Amid a subsidence, Keynes contended that, as opposed to adjusting its financial plan, the administration ought to expand its spending, decrease taxes, and movement its financial plan toward a deficiency. As per Keynes, larger amounts of government spending would straightforwardly expand aggregate demand. Further, lower taxes would expand the after-expense income of family units and they would spend a large portion of that extra revenue, which would likewise invigorate aggregate

demand. Subsequently, the Keynesian solution to cure a subsidence was a bigger spending plan shortage. Interestingly, if the economy was encountering an issue with expansion amid a financial blast, Keynesian investigation called for prohibitive monetary approach to temper exorbitant interest. For this situation, decreases in government spending, higher taxes, and a movement of the monetary allowance toward a surplus would lessen aggregate demand and accordingly help to battle an inflationary blast.

In this manner, Keynes rejected the perspective that the administration's financial plan ought to be adjusted. He contended that fitting budgetary strategy was subject to monetary conditions. As per the Keynesian view, governments ought to run spending plan shortages amid recessionary times and surpluses amid periods when swelling was an issue due to unreasonable interest.

To begin with, a tax break will by and large animate total request all the more quickly.

As late experience delineates, the central government has the capacity get weights to individuals in only a few months.

Regardless of the possibility that a considerable segment of the stores is not spent rapidly, there will be a quick positive effect on the monetary position of family units. Conversely, spending tasks are frequently a protracted methodology spread more than quite a long while.

Second, contrasted with an increment in government spending, a tax reduction is more averse to increment basic unemployment and decrease the profitability of assets. New government spending projects for the most part change the structure of aggregate request more than a tax break. Different things steady, bigger changes in the structure of interest will mean more unemployment, at any rate in the short run. Additionally, the extra government spending is liable to be less gainful. Government tends to end up vigorously included in designating rare assets through spending projects that support segments, organizations, and vested parties. By difference, families will have a tendency to buy things that are esteemed more than the expense of creating them when their spending increments as the aftereffect of lower expenses.

Third, a tax break will be simpler to switch once the economy has recuperated. Once began, the intrigues undertaking an administration venture and profiting from it will

campaign for its continuation. Hence spending undertakings began amid an emergency are liable to proceed long after the emergency is history.

Fourth, a diminishment in tax rates will expand the impetus to win, contribute, take part in business action, and utilize others. From a supply-side view, the minimal assessment rate forced on pay is especially essential. The negligible assessment rate decides the breakdown of an individual's extra wage between duty installments from one viewpoint and individual salary on the other. Lower minimal assessment rates imply that people get the chance to keep a bigger offer of their extra profit. This motivator impact will energize more beneficial action and help speed a recessionary economy toward recuperation (Keynes,1936).

1.5. Classification of Taxation

Taxes can be arranged into two fundamental sorts: direct and indirect taxes. Direct taxes mean the load (frequency) of tax is borne altogether by the substance that pays it, and can't be passed on to an alternate element; for instance, corporate tax and individual income taxes (Aaron,1976).

Indirect taxes are not imposed on people, however on goods and services. Clients by implication pay this taxes as higher costs. Case in point, it can be said that while acquiring products from a retail shop, the retail sales tax is really paid by the client. The retailer in the end passes this taxes to the respective entity.

The Indirect taxes really raises the cost of the products and the client's buy by paying more for that item. Dissimilar to Indirect taxes, direct taxes are in light of 'capacity to pay' rule however (by being extremely evident to the citizen) they some of the time function as a disincentive to work harder and acquire more on the grounds that would mean paying more tax(Due,1970).

A progressive tax is a tax imposed so that the tax rate increases as the amount subject to taxation increases. In simple terms, it imposes a greater burden on the rich than on the poor. It can be applied to individual taxes or to a tax system as a whole.

Progressive taxes attempt to reduce the tax incidence of people with a lower ability to pay, as they shift the incidence disproportionately to those with a higher ability to pay. The result is people with more disposable income pay a higher percentage of that income in tax than do those with less income.

The opposite of a progressive tax is a regressive tax, where the tax rate decreases as the amount subject to taxation increases. It imposes a greater burden on the poor than on the rich. Regressive taxes attempt to reduce the tax incidence of people with higher ability to pay, as they shift the incidence disproportionately to those with lower ability to pay.

A proportional tax is one that imposes the same relative burden on all taxpayers. where tax liability and income grow in equal proportion. In simple terms, it imposes an equal burden on the rich and poor. Proportional taxes maintain equal tax incidence regardless of the ability to pay and do not shift the incidence disproportionately to those with a higher or lower economic well being(Nobes,1996).

1.6. Tax Systems

The principle contrast between Direct assessment and Self Assessment System (SAS) is that in direct evaluation, it is the citizens' statutory obligation to proclaim all the fundamental particulars relating to their income and expenses for that specific year of evaluation and present the essential returns together with all obliged supporting records to the tax office. It is then the tax office's obligation to survey all Tax forms and issue a notice of tax expressing the tax liability. In any case, under SAS, the Tax power's obligations, especially on evaluating the Tax form and deciding tax liabilities, has been moved to citizens. For instance, a citizen needs to guarantee that all income is precisely proclaimed and figure the tax payable, a cost is deductible before making a case in his or her return(Valeria,2010).

The change to SAS has raised issues connected to the competency, trustworthiness, ability and availability of citizens to get the trouble of ascertaining and guaranteeing the precision of the Tax forms. For instance, under the direct appraisal, it is accepted that individual citizens may not have the sufficient learning to register their Tax payable however in SAS, tax learning is essential as a lacking level of tax information may bring about erroneous Tax forms and in this manner reckoning of Tax obligation(James&Alley,2004).

1.7. Review of Taxation Policy for Developing Countries

As I consider Afghanistan in focus to this thesis and Afghanistan is among developing countries for that reason I want to have a short review of taxation in developing countries. Why do we have taxes? The basic answer is that, until somebody thinks of a superior thought, tax is the main pragmatic method for raising the income to back government spending on the goods and services that the majority of us request. Setting up a proficient and reasonable tax framework is, nonetheless, a long way from basic, especially for developing countries that need to end up coordinated in the global economy. The perfect tax framework in these countries ought to raise fundamental income without inordinate government acquiring, and ought to do as such without demoralizing financial movement and without going astray excessively from taxes frameworks in different countries.

Developing countries face considerable difficulties when they attempt to create effective taxes frameworks. To begin with, most specialists in these countries are commonly utilized in horticulture or in little, casual investments. As they are occasionally paid a customary, altered compensation, their income vary, and numerous are paid in real money, "off the books." The base for a tax Tax is hence difficult to figure. Nor do specialists in these countries regularly spend their income in taxes stores that keep exact records of offers and inventories. Subsequently, advanced method for raising income, for example, income tax and consumption taxes, amount to a decreased part in these economies, and the likelihood that the legislature will accomplish high taxes levels is basically barred.

Second, it is hard to make a productive tax organization without a knowledgeable and decently prepared staff, when cash is missing to pay great income to taxes authorities and to automate the operation (or even to give effective phone and mail administrations), and when citizens have constrained capacity to keep accounts. Therefore, governments regularly take the easy way out, creating income frameworks that permit them to attempt whatever choices are accessible instead of making objective, advanced, and effective taxes frameworks.

Third, due to the casual structure of the economy in numerous developing countries and as a result of monetary restrictions, factual and taxes workplaces experience

issues in producing dependable measurements. This absence of information keeps policymakers from surveying the potential effect of significant changes to the taxes framework. Subsequently, peripheral changes are regularly favored over major structural changes, actually when the recent are plainly best. This sustains wasteful Tax structures.

Fourth, income has a tendency to be unevenly circulated inside developing countries. although bringing high taxes incomes up in this circumstance preferably requires the rich to be saddled more vigorously than poor people, the financial and political influence of rich citizens regularly permits them to anticipate monetary changes that would build their taxation rates. This clarifies to a limited extent why numerous developing countries have not completely abused individual income and property taxes and why their taxes frameworks seldom attain to attractive progressiveness (as such, where the rich pay proportionately more tax charges). At all, in developing countries, tax income arrangement is regularly the specialty of the conceivable as opposed to the quest for the ideal. It is accordingly not shocking that financial hypothesis and particularly ideal tax writing have had moderately little effect on the configuration of Tax frameworks in these countries. In talking about Tax strategy issues confronting numerous developing countries today (Bird & Olman, 1975).

1.7.1. Tax level income

What level of public expenditure is attractive for a developing country at a given level of national income? Should the government spend through one-tenth of national income? Just when this inquiry has been addressed can the following inquiry be tended to of where to set the perfect level of Tax income; deciding the ideal taxes level is adroitly comparable to deciding the ideal level of government spending. Lamentably, the unfathomable writing on ideal tax hypothesis gives minimal handy direction on the most proficient method to incorporate the ideal level of tax income with the ideal level of government use.

All things considered, an option, factually based way to evaluating whether the general income level in a developing country is proper comprises of contrasting the tax level in a particular country to the normal taxation rate of a delegate gathering of both developing and developed countries, considering some of these countries'

similarities and dissimilarities. This correlation demonstrates just whether the nation's income level, in respect to different countries and considering different attributes, is above or beneath the normal(Eshaq,1983).

Economic development will regularly create extra requirements for tax income to back an ascent public spending, however in the meantime it expands the countries' capacity to raise income to address these issues. More vital than the level of taxes as such is the means by which income is utilized. Given the many-sided quality of the improvement process, it is dicey that the idea of an ideal level of taxes powerfully connected to diverse phases of financial advancement could ever be seriously inferred for any nation(Boskin,Mickel,Mclure&Charles,1990).

1.7.2. Tax income compositon

Turning to the organization of tax income, we end up in a range of clashing speculations. The issues include the tax of income in respect to that of conamountption and under conamountption, the taxation of imports versus the taxes of local conamountption. Both proficiency and value are key to the investigation. The routine conviction that tax payments involves a higher welfare (proficiency) cost than taxes utilization is situated to some degree on the way that tax charge, which contains components of both a work tax and a capital tax, lessens the citizen's capacity to spare. Uncertainty has been thrown on this conviction, then again, by contemplation of the essential part of the length of the citizen's arranging skyline and the expense of human and physical capital collection. The upshot of these hypothetical contemplation renders the relative welfare expenses of the two charges unverifiable. An alternate concern in the decision between income tax and capital taxes includes their relative effect on value. taxes utilization has customarily been thought to be innately more backward (that is, harder on the poor than the rich) than income. Uncertainty has been given on this conviction a role as well. Theoretical and practical considerations recommend that the value worries about the customary type of saddling utilization are preamountably exaggerated and that, for developing countries, attempts to address these concerns by such activities as graduated utilization expenses would be inadequate and authoritatively unrealistic.

Concerning taxes on imports, bringing down these Taxes will prompt more rivalry from remote attempts. While lessening safety of residential commercial enterprises from this remote rivalry is an inescapable result, or even the target, of an exchange liberalization project, diminished budgetary income would be an unwelcome by-result of the system. Information from industrial and developing countries demonstrate that the proportion of income to tax charges in modern countries has reliably stayed more than twofold the degree in developing countries. (That is, contrasted and developing countries, modern countries determine relatively twice as much income from income tax than from consumption taxes.) The information additionally uncover an eminent distinction in the degree of corporate income taxes to personal tax. Modern countries raise around four times as much from personal income tax than from corporate income taxes. Contrasts between the two country masses in pay tax, in the refinement of the tax organization, and in the political influence of the wealthiest section of the populace are the essential givers to this dissimilarity. Then again, income from exchange duties is essentially higher in developing countries than in industrial countries (Eshaq, 1983).

While it is difficult to draw clear-cut normative policy prescriptions from international comparisons as regards the income-consumption tax mix, a compelling implication revealed by the comparison is that economic development tends to lead to a relative shift in the composition of revenue from consumption to personal income taxes. At any given point of time, however, the important tax policy issue for developing countries is not so much to determine the optimal tax mix as to spell out clearly the objectives to be achieved by any contemplated shift in the mix, to assess the economic consequences of such a shift, and to implement compensatory measures if the poor are made worse off by the shift (Rai, 2004).

1.7.3. Selection of Tax System

In developing countries where business sector strengths are progressively imperative in dispensing assets, the configuration of the tax framework ought to be as nonpartisan as could reasonably be expected in order to minimize obstruction in the design country process. The framework ought to likewise have straightforward and straightforward authoritative methodology so it is clear if the framework is not being implemented as planned (Bird & Olman, 1975).

1.7.4. Personal Income Tax in developing countries

Any dialog of personal income taxes in developing countries must begin with the perception that this Tax has yielded generally little income in a large portion of these countries and that the quantity of people subject to this tax (particularly at the most noteworthy negligible rate) is little. The rate structure of the personal income tax is the most unmistakable arrangement instrument accessible to most governments in developing countries to underscore their dedication to social equity and subsequently to increase political backing for their arrangements. Countries regularly join extraordinary significance to keeping up some level of ostensible progressivity in this taxes by applying numerous rate sections, and they are hesitant to receive changes that will diminish the quantity of these sections.

As a general rule, on the other hand, the adequacy of rate progressivity is seriously undercut by high individual exclusions and the plenty of different exceptions and derivations that advantage those with high livelihoods.

Charge alleviation through findings is especially heinous in light of the fact that these conclusions normally increment in the higher tax sections. Experience compellingly proposes that compelling rate progressivity could be enhanced by decreasing the level of ostensible rate progressivity and the quantity of sections and diminishing exceptions and findings. To be sure, any sensible value target would oblige close to a couple of ostensible rate sections in the personal income tax structure. On the off chance that political imperatives keep an important rebuilding of rates, a significant change in value could even now be accomplished by supplanting findings with Tax credits, which could convey the same profits to citizens in all Tax sections.

The adequacy of a high minimal tax rate is likewise abundantly lessened by its regularly being connected at such abnormal amounts of income (communicated in shares of per capita Gross domestic product) that little tax is liable to these rates. In some developing countries, a citizen's income must be vary on the per capita income before it enters the most elevated rate section.

Additionally, in a few countries the top minimal personal income tax rate surpasses the corporate tax impose by a critical edge, giving solid impetuses to citizens to pick the corporate type of working together for simply tax reasons. Experts and little

business people can without much of a stretch siphon off benefits through cost derivations over the long haul and departure the most noteworthy personal tax forever. An income deferred is a Tax avoided. Great Tax arrangement, thusly, guarantees that the top minor personal income tax rate does not contrast tangibly from the corporate income tax rate(Stanford,1993).

In addition to the problem of exemptions and deductions tending to narrow the tax base and to negate effective progressivity, the personal income tax structure in many developing countries is riddled with serious violations of the two basic principles of good tax policy: symmetry and inclusiveness. (It goes without saying, of course, that tax policy should also be guided by the general principles of neutrality, equity, and simplicity.) The symmetry principle refers to the identical treatment for tax purposes of gains and losses of any given source of income. If the gains are taxable, then the losses should be deductible. The inclusiveness principle relates to capturing an income stream in the tax net at some point along the path of that stream. For example, if a payment is exempt from tax for a payee, then it should not be a deductible expense for the payer. Violating these principles generally leads to distortions and inequities(Mansoor,Tayib&Yusof,2005).

The tax treatment of budgetary income is tricky in all countries. Two issues managing the tax of investment and income in developing countries are significant:

- In numerous developing countries, interest income, if exhausted by any means, is burdened as a last withholding tax at a rate considerably beneath both the top minimal individual and corporate income tax rate. For citizens with predominantly tax income, this is a worthy trade off between hypothetical rightness and reasonable possibility. For those with business tax, notwithstanding, the low Tax rate on investment income coupled with full deductibility of premium conamountption suggests that huge Tax reserve funds could be acknowledged through genuinely clear arbitrage exchanges. Thus it is critical to target deliberately the use of last withholding on investment income: last withholding ought not be connected if the citizen has business tax.
- The tax on incomes raises the remarkable twofold tax issue. For authoritative effortlessness, most developing countries would be decently prompted either to excluded profits from the personal income tax by and large, or to tax them at a

moderately low rate, maybe through a last withholding tax at the same rate as that forced on investment rate (Das-Gupta,Lahiri&Mookherjee,1995).

1.7.5. Corporate Income Tax

Tax strategy issues identifying with corporate taxes are various and complex, yet especially applicable for developing countries are the issues of numerous rates taking into account sectoral separation and the ambiguous outline of the devaluation framework. developing countries are more inclined to having various rates along sectoral lines than modern countries, conceivably as a legacy of past financial administrations that accentuated the state's part in asset designation. Such practices, additionally, are obviously impeding to the best possible working of business strengths. They are weak if an administration's dedication to a business sector economy is genuine. Bringing together numerous corporate tax rates ought to in this manner be a need. Permissible devaluation of physical resources for tax intentions is an imperative structural component in deciding the income of capital and the gainfulness of speculations. The most widely recognized deficiencies found in the beroucaratic frameworks in developing countries incorporate an excess of benefit classes and devaluation rates, too much low devaluation rates, and a structure of devaluation rates that is not as per the relative oldness rates of distinctive resource classifications. Correcting these inadequacies ought to likewise get a high need in income approach considerations in these countries(Andreoni,Erard&Feinstein,1998).

In rebuilding their tax frameworks, developing countries could well advantage from specific rules:

- Classifying resources into three or four classifications ought to be more than sufficient for instance, gathering resources that keep going quite a while, for example, structures, toward one side, and quick tax resources, for example, PCs, at the other with maybe a couple classes of hardware and gear in the middle.
- Only one tax rate ought to be allotted to every classification.

On managerial grounds, the declining-depreciation technique ought to be wanted to the straight-line strategy. The declining-depreciation strategy system permits the pooling of all revenues in the same resource classification and naturally represents

capital increases and misfortunes from resource transfers, in this way significantly rearranging accounting necessities(Aaron,1976).

1.7.6. Value-Added Tax, Excises, and Import taxes

While VAT has been received in most developing countries, it often experiences being fragmented in some perspective. Numerous essential segments, most quite administrations and the wholesale and retail division, have been let alone for the VAT net, or the credit component is unreasonably prohibitive (that is, there are dissents or defers in giving legitimate credits to VAT on inputs), particularly with regards to capital products. As these gimmicks permit a generous level of falling (expanding the taxation rate for the last client), they diminish the profits from presenting the VAT in any case. Amending such impediments in the VAT outline and organization ought to be given need in developing countries.

Many developing countries have adopted two or more VAT rates. Multiple rates are politically attractive because they ostensibly though not necessarily effectively serve an equity objective, but the administrative price for addressing equity concerns through multiple VAT rates may be higher in developing than in industrial countries. The cost of a multiple-rate system should be carefully scrutinized.

The most notable shortcoming of the excise systems found in many developing countries is their inappropriately broad coverage of products often for revenue reasons. As is well known, the economic rationale for imposing excises is very different from that for imposing a general consumption tax. While the latter should be broadly based to maximize revenue with minimum distortion, the former should be highly selective, narrowly targeting a few goods mainly on the grounds that their consumption entails negative externalities on society (in other words, society at large pays a price for their use by individuals). The goods typically deemed to be excisable (tobacco, alcohol, petroleum products, and motor vehicles, for example) are few and usually inelastic in demand. A good excise system is invariably one that generates revenue (as a by-product) from a narrow base and with relatively low administrative costs(Aaron,1981).

1.7.7. Tax Incentives

While granting tax incentives to promote investments is common in countries around the world, evidence suggests that their effectiveness in attracting incremental investments above and beyond the level that would have been reached had no incentives been granted is often questionable. As tax incentives can be abused by existing enterprises disguised as new ones through nominal reorganization, their revenue costs can be high. Moreover, foreign investors, the primary target of most tax incentives, base their decision to enter a country on a whole host of factors of which tax incentives are frequently far from being the most important one. Tax incentives could also be of questionable value to a foreign investor because the true beneficiary of the incentives may not be the investor, but rather the treasury of his home country. This can come about when any income spared from taxation in the host country is taxed by the investor's home country.

Tax incentives can be justified if they address some form of market failure, most notably those involving externalities (economic consequences beyond the specific beneficiary of the tax incentive). For example, incentives targeted to promote high-technology industries that promise to confer significant positive externalities on the rest of the economy are usually legitimate. By far the most compelling case for granting targeted incentives is for meeting regional development needs of these countries. Nevertheless, not all incentives are equally suited for achieving such objectives and some are less cost-effective than others. Unfortunately, the most prevalent forms of incentives found in developing countries tend to be the least meritorious(Kirchler,2007).

1.7.8. Tax Holidays

Of every last one of types of taxes incentives, tax holidays (exceptions from paying tax for a certain time) are the most famous among developing countries. In spite of the fact that easy to direct, they have various deficiencies. In the first place, by exempting revenues regardless of their amount, tax holidays have a tendency to profit a speculator who expects high benefits and would have made the speculation regardless of the fact that this motivating force were not advertised. Second, tax holidays provide a strong incentive for tax avoidance, as taxed enterprises can enter into economic relationships with exempt ones to shift their profits through transfer

pricing (for example, overpaying for goods from the other enterprise and receiving a kickback). Third, the duration of the tax holiday is prone to abuse and extension by investors through creative redesignation of existing investment as new investment (for example, closing down and restarting the same project under a different name but with the same ownership).

Fourth, time-bound tax holidays tend to attract short-run projects, which are typically not so beneficial to the economy as longer-term ones. Fifth, the revenue cost of the tax holiday to the budget is seldom transparent, unless enterprises enjoying the holiday are required to file tax forms. In this case, the government must spend resources on tax administration that yields no revenue and the enterprise loses the advantage of not having to deal with tax authorities(Kirchler,2007).

1.7.9. Tax Credits and investment Allowances

Compared with tax holidays, tax credits and investment allowances have various preferences. They are vastly improved focused than tax holidays for advancing specific sorts of investment and their income tax is considerably more straightforward and simpler to control. A straightforward and successful method for controlling a tax credit framework is to focus the measure of the credit to a qualified investment and to "store" this amount into an exceptional tax account as an accounting section. In all different regards the attempt will be dealt with like a customary citizen, subject to all pertinent tax regulations, including the commitment to document tax forms. The main distinction would be that its income tax liabilities would be paid from credits "withdrawn" from its tax account. Along these lines data is constantly accessible on the financial backing income sworn off and on the measure of expense attributes still accessible to the undertaking. An arrangement of investment stipends could be directed similarly a tax credits, attaining to comparative results.

There are two remarkable shortcomings connected with tax credits and investment allowances. In the first place, these incentives have a tendency to contort decision for fleeting capital resources since further credit or remittance gets to be accessible every time a benefit is supplanted. Second, qualified investment may attempt to mishandle the framework by offering and obtaining the same advantages for case various

credits or investments or by going about as an acquiring specialists for attempts not qualified to get the motivation. Shields must be incorporated with the framework to minimize these threats(Kirchler,2007).

1.8. Tax Challenges Facing Developing Countries

Developing countries attempting to wind up completely coordinated on the world economy will preamountably require a higher tax level on the off chance that they are to seek after an administration part closer to that of industrial countries, which, by and large, appreciate double the tax income. Developing countries will need to reduce sharply their reliance on foreign trade taxes, without at the same time creating economic disincentives, especially in raising more revenue from personal income tax. To meet these challenges, policymakers in these countries will have to get their policy priorities right and have the political will to implement the necessary reforms. Tax administrations must be strengthened to accompany the needed policy changes.

As trade barriers come down and capital becomes more mobile, the formulation of sound tax policy poses significant challenges for developing countries. The need to replace foreign trade taxes with domestic taxes will be accompanied by growing concerns about profit diversion by foreign investors, which weak provisions against tax abuse in the tax laws as well as inadequate technical training of tax auditors in many developing countries are currently unable to deter. A concerted effort to eliminate these deficiencies is therefore of the at most urgency(Bird&Oldman1990).

Tax competition is another policy challenge in a world of liberalized capital movement. The effectiveness of tax incentives in the absence of other necessary fundamentals is highly questionable. A tax system that is riddled with such incentives will inevitably provide fertile grounds for rent-seeking activities. To allow their emerging markets to take proper root, developing countries would be well advised to refrain from reliance on poorly targeted tax incentives as the main vehicle for investment promotion(Cornell,1987).Finally, personal income taxes have been contributing very little to total tax revenue in many developing countries. Apart from structural, policy, and administrative considerations, the ease with which income received by individuals can be invested abroad significantly contributes to this outcome(Burke,Martin&Mickel,2002)

2. A Brief History of Afghanistan

Afghanistan is an Asian country with around 30 Million people. Afghanistan has truly been the connection between Central Asia, the Middle East and the Indian sub-mainland. It is subsequently a country made up of a wide range of nationalities the aftereffect of countless intrusions and relocations. Inside its present fringes there are no less than twelve noteworthy ethnic gatherings in instance:Tajik, Uzbek, Nuristani, Arab, Kirghiz,Pashai,Persian, Baluch,Aimak, Turkmen, Hazara and Pashtun.

Inside the country there are modest Hindu, Sikh and Jewish groups, yet the dominant part of this individuals are Muslims.

In Afghanistan taxation has a far history on that time government gathered taxes from individuals as indicated by their accepts and religious issues in real money.

Tax has a past filled with 260 years prior which was 25% settled in normal taxes in Afghanistan was between 5% to 25%(Ritscher,2010).

2.1. Taxation Overview of Afghanistan

All countries have to gather taxes for a few reasons, for example, to fund governmental expenses, to meet their everyday costs identified with support of a free and reasonable society, to control the economy through financial measures, and to a certain degree, to change the monetary conduct of individuals. This power of national governments to gather cash from citizens must perceive a harmony between the countries' power to tax and citizens' rights. In this way, the genuine test for countries is to guarantee that citizens are treated with reasonableness, equity, and value, while national governments state their locale as burdened powers. Preferably this tax gathering can be analogized to the extraction of nectar from the residence bumble bees where bumble bees are not irritated and watchful extraction of the nectar brings about a round procedure where more nectar is saved by bumble bees giving better chance to the extractor to get the nectar in unendingness.

A good tax framework ought to distinguish surpluses in the economy and ought to expense it in such a manner as to cause negligible harm to gainful movement. tax

gathering ought to go about as an impetus for monetary development. Preferably a tax framework ought to be impartial regarding its impact on monetary conduct. In this present reality, notwithstanding, it is difficult to attain to lack of bias.

Regulatory achievability and practicability are two vital imperatives on tax strategy. These are additionally matters of comfort to changing degrees. A tax strategy is officially practical when its requirement does not cost excessively. In the meantime managerial plausibility ought not be a reason to trade off the first objective(Alep,2011).

Further, an tax policy ought to treat just as those people who are roughly in the same circumstance and record for contrasts among individuals who are in disparate circumstances. At long last, every tax ought to be gathered at the time or in the way in which it is the most advantageous for the supporter to pay it, and each tax ought to be so imagined as both to take out and keep out of the pockets of individuals as meager as could reasonably be expected well beyond what it brings to people in general treasury.

remarking on American tax strategy, has proposed that while planning an tax framework, the legislature must answer certain inquiries. Does the tax base comprise of stable and effectively identifiable peculiarities of the social and monetary request? Does the tax framework cause significant twisting of the base? Does allotment of the taxation rate mirror the political, social, and moral goals of overwhelming gatherings? At last, does the tax framework attempt to accomplish some or the majority of the accompanying purposes?

- (i) To make even and vertical value.
- (ii) To attain to a handy and workable tax framework.
- (iii) To supply sufficient income.
- (iv) To attain to monetary strength.
- (v) To diminish monetary imbalance.
- (vi) To achieve a high level of congruity between the tax and the planned political request?
- (vii)To keep away from hindrance of the business sector arranged economy.

Overall, citizens of all countries would prefer not to pay tax unless propelled by a circumstance where they are left with no choice other than to pay the liabilities.

Subsequently, for better tax agreeability, a framework ought to be outlined that consequently separates tax as opposed to leaves the installment of taxes to the

deliberate decision and ethical quality of citizens.

Correctional procurements making tax avoidance an expensive undertaking ought to supplement this programmed extraction of incomes(Frankle,2009).

The tax managers of developing countries face numerous difficulties in the huge errand of tax accumulation.

In numerous countries, there are flawlessly lawful tax evasion methods for minimizing tax liabilities. For the legislature, the consequences of Tax avoidance and Tax shirking are the same; for the citizen, in any case, tax evasion is best in light of the fact that there are less or no shots of getting got and arraigned.

All things considered the issue of tax avoidance annoys charge directors of developing countries and developedcountries alike. In this present reality, the individuals who wish to diminish their tax liability have a greater number of decisions than simply tax avoidance. More brilliant and more advanced citizens, who discover the tax/danger of avoidance more prominent than the profit, practice hazard free legitimate methods for non-installment of tax instead of glaring Tax avoidance, which is famously known as tax evasion.

It is likewise accepted that generally less well off and therefore less decently exhorted individuals participate in tax avoidance while moderately more rich and better-prompted individuals practice tax shirking. Subsequently, the misfortune to government income by virtue of tax shirking is much more prominent contrasted with tax avoidance. For successful tax accumulation, governments need to check the tax avoidance as well as the tax shirking. The tax gathering framework ought to be planned in such a route, to the point that the Tax avoidance as well as the expense evasion gets to be troublesome for the taxpayer(Musgrave&Musgrave,1973).

Most developing and immature countries, including Afghanistan, are described by the presence, in more prominent level of unutilized labor from one perspective and of unexploited characteristic assets on the other, however it has goal to wind up developed nation. Afghanistan is attempting to satisfy the expanding formative needs of the countryand individuals by method for open common option inside their constrained assets. taxes are a noteworthy benefactor of the income in Afghanistan. Focal Extract Obligation on goods created locally and Traditions Obligations on transported in products constitute the two noteworthy wellsprings of

roundabout tax in Afghanistan(Hillman,2003).

2.2. Income tax

taxation in Afghanistan is in light of an individual's private status for tax purposes. When all is said in done, tax inhabitants of Afghanistan are burdened on their overall income, while out-of-state people are saddled on their Afghan-source income only. Additionally, an abroad individual may be absolved from pay tax in Afghanistan if the individual is from an outside country that gives a comparable absolution to Afghan occupants situated in that nation. An individual is thought to be a tax resident of Afghanistan if any of the accompanying three conditions is met:

- The individual is a worker or official of the administration of Afghanistan and has been relegated to perform benefits abroad whenever amid the Tax
- The individual has his or her foremost home in Afghanistan whenever amid the tax year.
- The individual is exhibit in Afghanistan for a period totaling 183 days in an tax year (21 December to 20 December)(Revenue Department of Afghanistan,2010)

Table 2.1 : Afghanistan Collected Income Tax on past five years

Afghanistan Collected Income Tax (Million Dollars)					
Indicators	2010	2011	2012	2013	2014
Tax on incomes	208.30	774.00	482.88	421.66	656.00

Source: Reportation of Treasury Department. (2010,2011,2012,2013&2014). *Ministry of Finance of Afghanistan*. Retrieved December 2014, from <http://www.mof.gov.af/taxation>

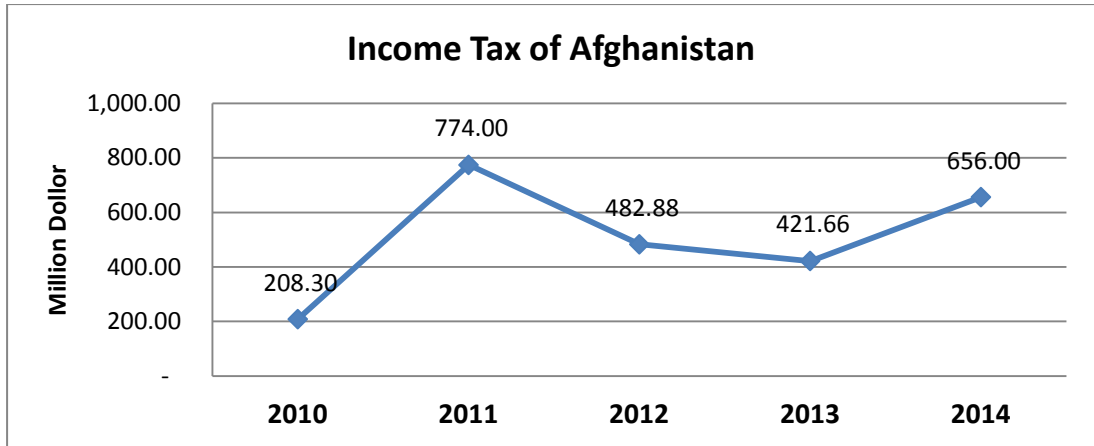


Figure 2.1: Income Tax Trend Over past Five years

Source: Reportation of Treasury Department. (2010,2011,2012,2013&2014).
 Ministry of Finance of Afghanistan. Retrieved December 2014, from
<http://www.mof.gov.af/taxation>

As per above figure we can see Afghanistan has an astonishing past performance in collecting of income tax over five years in 2013 we can see a flop in trend that is because of changes in fiscal year, Afghanistan government decided to adjust fiscal year with foreign countries fiscal year.

2.3. Income subject to tax

2.3.10. Business income:

All inhabitants and out-of-state people who are occupied with monetary, services or business activities are burdened on their business tax. Regular persons who take part in business activities and meet both of the accompanying conditions are liable to altered tax:

- Their aggregate taxable income is not exactly AFN 3 million for the tax year.
- Their pay is neither absolved nor subject to withholding tax.

Common persons who have downright income of not exactly AFN 60,000 from all sources, including business activities, are absolved from settled tax (Revenue Department of Afghanistan, 2010). The following are the rates of the fixed tax.

Table 2.2: Withholding Tax on personal Salaries in Afghanistan

Withholding Tax on Personal Salaries (Afghanies)		
Salaries		Rate
From	To	
5,000.00	12,500.00	2%
12,500.00	100,000.00	10%
100,000.00	Upper	20%

Source: Treasury Department . (2010). *Ministry of Finance of Afghanistan*. Retrieved December 2010, from <http://www.mof.gov.af/Taxmanual>.

A person who is required to pay 3% tax on gross income received may elect to pay BRT and annual income tax under the normal tax . The election to pay income tax and BRT is irrevocable for a period of three years.

All natural persons who meet the conditions described above are required to file an income tax return.

2.3.11. Employment revenue:

Income from payment is Afghan-source salary on the off chance that it is attributable to business practiced in Afghanistan. No exemptions exist. Therefore, all money and noncash profits got regarding work in Afghanistan may be viewed as taxable.

2.3.12. Income from Entertainment activities:

Income generated from entertainment exhibitions such as cinema, radio or television, music, sport and other likewise activities, is subject to a 10% fixed tax.

2.3.13. Income from Investment:

All in all, profit, investment and eminence income inferred by foriegn common persons is liable to a last tax of 20%, which is withheld at source. For inhabitant people, this tax is dealt with as development tax that may be credited against the possible tax liabilities of the citizen. Any increase got from the deal, trade, or exchange of benefits is dealt with as tax income.

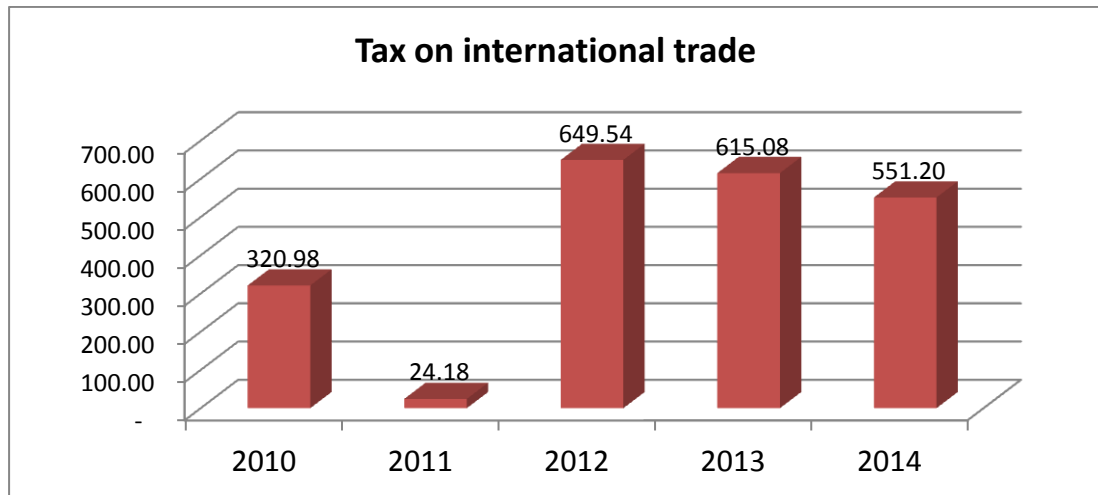


Figure 2.2: Five years tax collection from trade in Afghanistan

Source: Reportation of Treasury Department. (2010,2011,2012,2013&2014).
 Ministry of Finance of Afghanistan. Retrieved December 2014, from
<http://www.mof.gov.af/taxation>

2.3.14. Income from Rent:

revenue got from the leasing or renting of substantial property possessed by common persons is liable to pay tax that is withheld at source. The tax withheld is dealt with as development tax, which may be credited against the citizen's last tax liability ascertained utilizing the ordinary pay tax rates.

Installments of rent by common persons regarding steady property utilized for business, mechanical and other monetary intentions are liable to withholding tax at a rate of 10% or 15%, contingent upon the measure of the month to month rent.

2.3.15. Other revenues:

Revenue from gifts,tips,reward payments, lottery winners, rewards and administration charges is liable to a last withholding tax at a rate of 20%(Alep,2011).

2.4. Income which is exempted:

The accompanying sorts of income are not subject to tax in Afghanistan:

- Scholarships, associations, and different awards for expert and specialized preparing

- Grants, blessings and recompenses of the state, remote governments, global associations or not-for-profit associations, for commitment to science, craftsmanship, writing, social advancement or worldwide comprehension.
- Health, mischance, and unemployment protection advantages and life coverage paid on death.
- Scholarships, associations, and different awards for expert and specialized preparing.
- Proceeds of getting and moves ahead from stocks and bonds issued by organizations.
- Compensation or harms for individual wounds or ailment or compensation of notoriety.
- Acquisition of versatile or undaunted property through confiscation of property of indebted individuals.
- Acquisition of benefits regarding mergers of household enterprises and other legitimate persons.
- Interest on securities issued by the state or districts.
- Payments on essential got from account holders.
- Income speaking to use toward oneself of nourishment, fuel or different merchandise by the maker or by individuals from their family unit.
- Any different receipts as indicated by the legislation.
- Pensions of government representatives (Revenue Department of Afghanistan,2010).

2.5. Capital losses and gains taxation:

capital gains got from the deal, trade or exchange of such resources held for over year and a half are liable to taxed at exceptional rates. The exceptional rate is computed taking into account the normal tax rate got from conveying the addition similarly over the holding period with 2% being the most minimal rate. Then again,gains got from the offer of capital resources utilized as a part of business, including depreciable resources, shares of stock, exchanges or organizations, are exhausted at the typical individual tax rates gave in Rates.

In the event that a characteristic individual exchanges an undaunted or mobile individual resource, the cost got or receivable from such exchange is liable to a 1% tax at the time of exchange of responsibility for property.

This altered tax is forced rather than income tax. This measure does not have any significant bearing to capital gain which is got from the deal or exchange of versatile or resolute property obtained by legacy. Such capital increases are not subject to tax. Capital losses just could balance capital gains(Revenue Department of Afghanistan,2010).

2.6. Stock Exchange Providers:

those who gave stock investment opportunities are exhausted at the time the choices are worked out. The tax amount which is the distinction between the business sector estimation of the shares on the date of issuance and the amount which is paid by the representative(Alep,2011).

2.7. Tax on Partnership Activities:

General and unique associations which are dealt with as course through elements with the accomplices been burdened on their offer of benefits at the material individual tax rates. In any case, restricted risk organizations are saddled as companies, and their conveyances are dealt with as profits for taxation purposes(Revenue Department of Afghanistan,2010).

2.8. Deductions From Income

2.8.16. Expenses which are deductible:

Costs of creation, gathering and protection of the income were permitted as reasonings from business tax if these kind of costs have been acquired during the taxable year or one of the former three years. The accompanying is a rundown of deductible costs:

- Noncash profits gave to representatives if the giving of the profits is specifically identified with the business.
- Rent paid on rented property utilized for the reasons of the business.
- Premiums paid to be protected properties.

- Losses of property utilized for the creation, accumulation, or protection of property, coming about because of flames, seismic tremors, losses or any catastrophes to the degree that such misfortunes are not repaid by protection (Revenue Department of Afghanistan, 2010).

2.8.17. Those expenses are Nondeductible :

These are non deductible expenses:

- Costs and costs acquired in giving advantages to holders, officers and administration that are a bit much for the behavior of business.
- Costs of support, repair, development, change, outfitting, and different costs as for the citizen's family house or habitation or any property committed to the citizen's own individual or family utilize.
- Payments made to persons for their own profit or happiness or their family's advantage and satisfaction.
- Costs of support, repair, development, change, outfitting, and different costs as for the citizen's family house or habitation or any property committed to the citizen's own individual or family utilize.
- Costs of driving to and from work and expense of go for individual purposes.
- Cost of any sort of protection for the insurance of property utilized for indiv (Revenue Department of Afghanistan, 2010).

Table 2.3: Taxable Income of Afghanistan Individuals

Taxable Income of Individuals (Afghanies)				
Exceeding	Not exceeding	Amount		Tax(%)
0	60,000	0		0
60,000	150,000	0		10
150,000	1,200,000	1,800		15
1,200,000	—	106,800		20

Source: Treasury Department . (2010). *Ministry of Finance of Afghanistan*. Retrieved December 2010, from <http://www.mof.gov.af/Taxmanual>

2.9. What is Withholding tax:

All common persons who want to utilize two or more representatives are obliged to pay withholding tax from compensations and salaries he or she got.

The tax withheld have to be saved together with the Report of tax Withholding and Bank statement for Managers into a record controlled by the Service of Fund (MoF) no later than 10 days after the end of the month in which the amounts are withheld(Revenue Department of Afghanistan,2010).

2.10. Losses relief:

Thos losses of business which is accepted and registered business are which has net operating loss to effect profit in previous years are fully exempted.

2.11. Business credits:

Foreign tax credits are generally available if foreign tax is paid on foreign-source income.If a resident person derives income from more than one foreign country, he or she may claim a foreign tax credit against the tax on his or her foreign-source income from each country. The foreign tax credit for each country is proportionate to the foreign-source income derived from that country as compared to worldwide income. A foreign tax credit is available in full(Revenue Department of Afghanistan,2010).

2.12. Afghanistan Business receipt tax

those persons who have business revenue of AFN 3 million or more every year are liable to a 2% business receipt tax (BRT). BRT is forced on the aggregate incomegot before any reasonings. The accompanying exemptions apply:

- Hotels, visitor houses and restaurants that have complete income of more than AFN 3 million every year are liable to BRT at a rate of 5%.
- All clubs and lobbies are liable to BRT at a rate of 5%.
- Telecommunication, carrier administrations, lodgings and restaurants giving premium administrations are liable to BRT at a rate of 10%(Treasury Department of Afghanistan).

Table 2.4: Taxation on Goods and Service over past five years

Afghanistan Collected Tax from Goods and Services (Million Dollars)					
Indicators	2010	2011	2012	2013	2014
Tax on goods and services	200.60	552.00	379.16	340.58	534.44

Source: Reportation of Treasury Department. (2010,2011,2012,2013&2014). *Ministry of Finance of Afghanistan*. Retrieved December 2014, from <http://www.mof.gov.af/taxation>

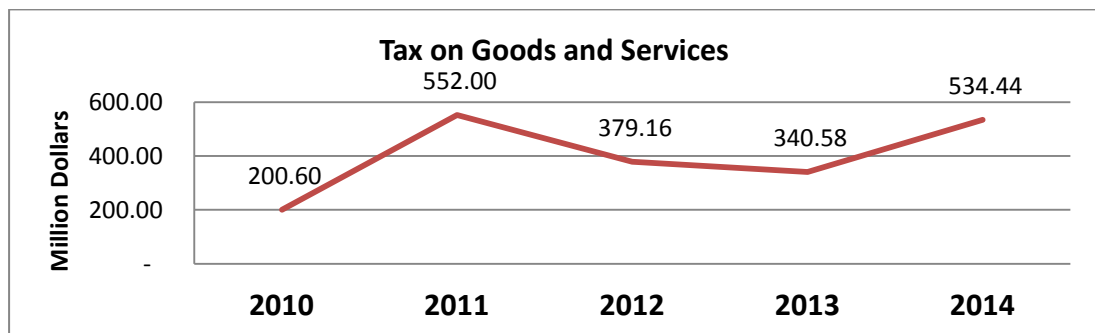


Figure 2.3: Five years collected Tax on Goods and Services in Afghanistan

Source: Reportation of Treasury Department. (2010,2011,2012,2013&2014). *Ministry of Finance of Afghanistan*. Retrieved December 2014, from <http://www.mof.gov.af/taxation>

As per above figure we can see Afghanistan has an astonish past performance in collecting of income tax over five years in 2013 we can see a flop in trend that is because of changes in fiscal year, Afghanistan goverment decided to adjust fiscal year with foreign countries fiscal year.

2.13. Tax payment process and filling

2.13.18. TIN:

Every person of a country must have a Tax Identification Number (TIN).

A TIN requester can have their TIN from Ministry of Finance or a *mustofiat* places that has TIN in their custody.

2.13.19. Afghanistan tax return income.

In Afghanistan Tax year for all common person starts from 21 December to 20 December. All liable common people those who charged for tax have to record a tax form and submit it to tax head offices before due date which is third month before end of year (that is by 21 June of the accompanying tax year).

liable citizens of Afghanistan, those who are excluded from tax under a global assentment or settlement, must record a tax income form mirroring the impact of the exception. The important understanding or share of the arrangement must be connected to the government form together with a clarification in the matter of why the assentment or bargain applies.

All occupants and out-of-state people who expect to leave the nation, and who will be out of the country when their tax form is expected must get ready and record their tax form two weeks prior to withdrawing the nation (Muneer, 2011).

2.13.20. Payment of Tax:

Citizens who are liable to settled tax are obliged to pay their liabilities quarterly by the fifteenth day of the month taking after the end of every quarter.

The pay tax (or any Tax rather than income tax) on shows, presentations, theaters, silver screens, shows and games must be paid by the fifteenth day of the accompanying month. In the event that the shows are not consistent, income charge must be paid after the end of every show.

Any income tax payable must be paid when the return is documented (Muneer, 2011).

2.14. Afghanistan Business license:

The permit needs to be restored consistently. The permit may be replenished on the recording of the yearly return and acquiring a leeway declaration. The candidate or an approved delegate must be actually display at the workplace of AISA to finish the permit enrollment process.

All out-of-state people wanting to lead business activities in Afghanistan must acquire a business permit from the Afghanistan Investment Support Agency (Revenue Department of Afghanistan, 2010).

3. Turkey History and Taxation Overview

3.1. History of Turkey in a Glance

The historical backdrop of Turkey envelops the historical backdrop of the locale now known as Turkey (got from the Medieval Latin Turchia; i.e., "place of Turks"), concludes the territories known as Anatolya and Eastern Thrace, from ancient times up to the time of the advanced Turkish republic. Be that as it may, the Turks initially entered the locale in the eleventh century, and a country called "Turkey" was not made until 1923. Anatolia (Turkish: Anadolu) includes the greater part of present day Turkey and is known by the Latin name of Asia Minor.

The region of present-day Turkey has been possessed following the Paleolithic no less than 1.2 million years prior, and has included different Ancient Anatolian developments and antiquated Thracians.

The remainders of Bronze Age civic establishments, for example, the Hattians, give cases of the lives of its natives and their exchange. After the fall of the Hittites, new states, for example, Phrygia and Lydia showed up on the western drift as Greek development started to prosper.

The developing Persian kingdom inevitably assimilated them. Taking after the Persian attack, its expansionism brought it into clash with the Greek ruler Alexander the Great who effectively removed the Persians. In spite of the fact that he brought an end to the Persian Empire, his rule was short and his domain separated on his passing. The vast majority of Anatolia in the end fell under the Seleucid Empire, the biggest of Alexander's regions, yet they were determined back by the Romans. Roman control slowly fortified cutting out territories from the Anatolian terrains, yet the Roman Empire was debilitated by progressive common wars and brute intrusions. These brought about intermittent divisions of the domain.

In the fourth century, during the rule of Constantine the Great, at the eastern piece of the Roman realm was built another capital at Constantinople. Separating from the

Western domain, the Byzantine Empire succeeded it to thrive for very nearly a thousand years.

Taking after the First World War, in which the Ottoman Empire was unified with Germany and Austria-Hungary and was crushed, the vast majority of Anatolia and Eastern Thrace was involved by the Allied forces. To oppose the occupation, a unit of youthful military officers framed an administration in Ankara. They chose pioneer of the Ankara Government, Mustafa Kemal sorted out a fruitful war of freedom against the Allied forces. After the liberation of Anatolia and East Thrace, the Republic of Turkey was built in 1923 with its capital at Ankara.

Turkey is a cross-country Eurasian nation. Asian Turkey, which incorporates 97% of the nation, is divided from European Turkey by the Bosphorus, the Sea of Marmara, and the Dardanelles. European Turkey includes 3% of the nation.

The domain of Turkey is more than 1,600 kilometres (1,000 mi) long and 800 km (500 mi) wide, with a generally rectangular shape. It lies between scopes 35° and 43° N, and longitudes 25° and 45° E. Turkey's range, including lakes, involves 783,562 square kilometres (300,948 sq mi), of which 755,688 square kilometres (291,773 sq mi) are in Southwest Asia and 23,764 square kilometres (9,174 sq mi) in Europe.

Turkey is the world's 37th-biggest country regarding range. The country is encompassed via oceans on three sides: the Aegean Sea to the west, the Black Sea to the north and the Mediterranean to the south. Turkey additionally contains the Sea of Marmara in the northwest.

The European area of Turkey, East Thrace, structures the outskirts of Turkey with Greece and Bulgaria. The Asian piece of the nation, Anatolia, comprises of a high focal level with slender seaside fields, between the Köroğlu and Pontic Mountain reaches to the north and the Taurus Mountains to the south. Eastern Turkey has a rockier scene and is home to the wellsprings of streams, for example, the Euphrates, Tigris and Aras, and contains Mount Ararat, Turkey's most noteworthy point at 5,137 meters (16,854 ft), and Lake Van, the biggest lake in the nation.

Turkey is isolated into seven enumeration areas: Marmara, Aegean, Black Sea, Central Anatolia, Eastern Anatolia, South-eastern Anatolia and the Mediterranean. The uneven north Anatolian territory running along the Black Sea takes after a long, slender sash. This district embodies give or takes one-sixth of Turkey's aggregate area zone. As a general pattern, the inland Anatolian level gets to be progressively rough as it advances eastbound.

Turkey's differed scenes are the result of complex earth developments that have melded the area over a huge number of years and still show themselves in genuinely visit quakes and incidental volcanic ejections. The Bosphorus and the Dardanelles owe their presence to the flaw lines going through Turkey that prompted the formation of the Black sea (Doughlas, 2013).

3.2. System of Taxation in Turkey

Tax system in Turkey divides in two parts: Direct and Indirect Tax

3.3. Taxation on Income:

3.3.21. Those income can be taxed:

The taxation on income is required on the income of people. The term people mean common persons. when we utilize income tax, associations are not considered to be discrete elements and every accomplice is saddled independently on their offer of benefit. A singular's income may comprise of one or more income components recorded beneath:

- Business revenues
- Income from autonomous individual administrations
- Salaries and wages
- Income from steady property and rights (rental pay)
- Income from autonomous individual administrations
- Income from versatile property (pay from capital investment)
- Other income and income without considering the source of income
- Agricultural revenue. (Revenue Department, 2007).

3.3.22. Liabilities in taxation of Turkey:

By and large residency foundation is utilized in deciding ncome liability for people. This foundation obliges that a person who has his spot of living arrangement in Turkey is at liable to pay tax for his overall income (boundless obligation). Any individual who stays in Turkey over six months in a timetable year is accepted as an occupant of Turkey.

Then again, nonnatives who stay in Turkey for six months or more for a particular employment or business or specific purposes which are indicated in the ITL are not regarded as occupant and thusly, boundless tax liability does not make a difference to them. Additionally residency foundation, inside a constrained extension, nationality measure likewise applies paying little mind to their residency status, Turkish residents who live abroad and work for government or an administrative establishment or an organization whose headquarter is in Turkey, are considered as boundless obligated citizens.

Likewise, they are liable to the tax impose on their overall income. Non-occupants are just obligated to pay tax on their income got from the sources in Turkey (Revenue Department of Turkey,2007).

For tax purposes, it is particularly vital to focus in what circumstances income is regarded to be determined in Turkey. The procurements of Article 7 of the income tax Law manage this issue. In the accompanying circumstances, the income is thought to be inferred in Turkey.

3.4. Profit from Business activities:

A man must have a changeless foundation or perpetual delegate in Turkey and incomemust result from business completed in this lasting foundation or through such agents.

3.4.23. Salaries and Wages income:

Administrations must be rendered or represented in Turkey. Charges, assignments, profits and so forth paid to the directors, executives, evaluators and outlets of the

foundation arranged in Turkey must be represented in Turkey(Investment support and promotion agency,2012).

3.4.24. Independent income from Personal Services:

Those independent personal service activities have to be in Turkey territories.

Table 3.1 : Individual Personal Service tax in Turkey

Income Scales	Percentage
Up to 10,700	15%
10,701 to 26,000	20%
26,001 to 60,000	27%
60,001 and over	35%

Source: Reportation of Investment Support and Promotion Agency. (2012). *Personal tax in Turkey*. Retrieved December 2012, from <http://www.invest.gov.tr/personaltax>.

3.4.25. Other Activity Income:

The activities or exchanges producing for other income, indicated in the income tax Act, must be performed or represented in Turkey.The term represented utilized above to elucidate tax obligation of the non-residence implies that an installment is to be made in Turkey, or if the installment is made abroad, it is to be recorded in the books in Turkey(Revenue Department of Turkey,2007).

3.5. Net Income Determination in Turkey:

3.5.26. Profit From Business Purpose:

Business revenue is characterized as income emerging from business or modern activities. Despite the fact that this definition is extremely far reaching and incorporates a wide range of business and mechanical activities, the ITL avoids a few activities from the substance of business benefits. For the most part, activities performed by tradesmen and artisans who don't have perpetual foundations are not expected as business and mechanical activities and are excluded from tax charge.

Moreover, with a specific end goal to tax income coming about because of business and mechanical activities there must be congruity in performing these activities. At the end of the day, coincidental activities in that nature are not regarded as business or modern activities and in this way, the Income tax Law manages these activities as the other tax and profit. The ITL does not list every business and mechanical movement and just alludes to the Turkish Business Law for the extent of these terms.

Yet a few activities are recorded specifically for elucidation in Article 37. These are as per the following:

- The operation mines, stone and time quarries, extraction of sand and stones operations of block and tile furnaces.
- Operating of tuition based schools, healing centers and comparative spots.
- Stock business.
- Purchase and offer of securities for somebody's benefit and on a proceeded with premise.
- Regular operations of offer buy and development of land.
- Completely or incompletely, offer of area, which has been gotten by buy or wheel and deal, subdivided inside five years of its date of procurement, and sold amid this period or in resulting years.

Essentially, the assessable tax of a business undertaking is the distinction between its net resources toward the starting and toward the end of a schedule year. Two strategies are utilized to figure business benefits: Protuberance entirety premise and real premise in the previous system, the Income tax Law indicates evaluated business benefits for citizens who are met all requirements for such treatment as indicated by the important procurements of the Law. The principle preamountption is that those citizens determined by the Law experience issues to continue bookkeeping books and to focus then income on the genuine premise. Thusly, their tax liabilities are evaluated on their assessed benefits controlled by the Law. In the last technique business benefits is resolved on the genuine premise: Citizens are obliged to continue bookkeeping books to record their real incomes and costs which happen inside the schedule year (Revenue Department of Turkey,2007).

3.5.27. Deductible Expenses:

With a specific end goal to focus net measure of business benefits on the real premise, the accompanying costs may be deducted from incomes:

- General costs made for procuring and keeping up business benefit.
- Sustenance and sheets costs given to workers at the spot of business or in its ads.
- Misfortunes, harms, and reimbursements paid based upon composed assentions, juridical announcements, or by request of law.
- Costs for travel and cabin applicable to the business.
- Expenses for vehicles, which are a piece of the attempt and utilized as a part of the business.
- Charges in kind, for example, building, and utilization, stamp and city expenses and expenses and charges, identified with the business.
- Deteriorations put aside as per the procurements of the Expense System Law.
- Installments to the unions.
- Installments, which are not acknowledged as costs.

Those installments recorded beneath are not considered as deductible costs:

- Funds withdrawn from the attempt by the holder or by his life partner or children, or different resources in kind taken by them.
- Month to month pay rates, compensation, rewards, commissions and remuneration paid to the manager of the undertaking, to his companion, or his minor youngsters.
- Enthusiasm on the capital contributed by the holder of the undertaking.
- Investment in light of the current record of the holder of the attempt, his mate, his minor youngsters including premiums on all manifestation of receivables.
- All fines and Tax punishments and reimbursements emerging from unlawful activities. Repayments brought about as punishment provisos of agreement should not be viewed as reimbursements of a reformatory nature.

- Zero percent of the publicizing costs for all sort of liquor and hard refreshments, tobacco and tobacco items.

3.6. Income from Agricultural Activities:

Income derived from Agricultural activities is likewise subject to the tax charge. The term farming action implies any movement performed in area, ocean, lakes and waterways in types of developing, planting, reproducing, angling, chasing and so forth. For tax purposes, persons who occupied with such activities are alluded to ranchers.

Little agriculturists are absolved from tax if an agriculturist's horrible income or operational size of his cultivating investment is not exactly the amount indicated by the Income Tax Law, then he is acknowledged as a little rancher for the utilization of incometax and excluded from the tax income.

The agriculturists who are not excluded from the tax fall into two classifications in deciding their farming wage. The income of agriculturists, whose yearly returns or yields are not exactly the amount indicated by the Gathering of Clergymen for every year, is dead set on an irregularity aggregate premise. In this system, just the terrible incomes of ranchers are computed on the genuine premise.

While costs are resolved basically by applying an expected cost rate to the terrible incomes. On the real premise, both incomes and costs are processed in their genuine amounts. Consequently, ranchers need to continue bookkeeping books to record their incomes and costs gathered in the significant year.

The tax policy Law determines the rates that will be connected to horrible income in deciding the measure of the evaluated costs on the irregularity aggregate premise. In this way, 80 every cent of terrible income is acknowledged as the measure of costs in deciding net income came about because of the offers of creatures, creatures' items and angling and chasing items. This rate has been set down as 70 every cents for other farming items.

On the real premise, the accompanying costs are deducted from the terrible income to reach taxable income for the year.

- Expenditures made for acquiring seed, manures, seedling plants, creature bolsters and comparative materials.
- Uses made for obtaining creatures, farming items and different materials, which are obtained with the end goal of resale.
- Salaries and compensation paid to the representatives.
- Operation and support costs of farming apparatus; hardware, and vehicles.
- Depreciation costs.
- Leases and expenses paid for apparatus and gear.
- Investment harmed for advances got and utilized for big business.
- General costs made for gaining and repayments paid based upon composed assertions juridical announcements, or by request of law.
- Losses harmed in the offering of altered resources (with the exception of steady utilized as a part of rural activities) which are a piece of the attemp.
- Full devaluation costs and 50% of different costs of the vehicles, which are a piece of the investment and utilized for individual and family need (Revenue Department of Turkey,2007).

3.7. Wages and Salaries:

Revenue got from ward individual administrations is liable to the tax charge. This incomeembodies such pay from a wide range of livelihood in both open and private area as salary rates and wages, and in addition related supplementary salary, for example, remittances, rewards, commemoration endowments, tips, commissions, premiums, pay and other compensation and pay related compensations incorporating advantages in kind at business esteem. In deciding taxable measure of pay rates and wages the accompanying conamountption are permitted to be deducted from horrible amount:

- Legal conclusion made by laws or regulations.
- Payments made for benefits.
- Installments made for different protections.
- Installments made for worker's organization partnership(Investment Support&Promotion Agency, 2012).

3.8. Independent Professional Services Provider Income :

The term autonomous expert administrations implies any action performed by a man who is independently employed, and taking into account proficient and exploratory ability as opposed to capital, income from such activities is liable to the tax charge.

The term incorporates administrations given by such free experts as legal advisors, bookkeepers, specialists, advisors and architects. Incomes got from free proficient administrations inside a year and additionally costs paid are recorded on a basic bookkeeping book. As a rule, all costs identified with free proficient administrations can be deducted from incomes.

However, the extent of those costs is narrower than those predetermined for the business and business and business activities.

The accompanying costs are permitted to be deducted from the horrible income in coming to the benefit from free proficient administrations:

- Rents paid for the rented premises in which the expert administrations are completed.
- Expenses paid for brightening, warming, telephone, wages and compensations of authority representatives, and other office overheads.
- Vocational and ad imposes and also assesses in kind, including extracts and tax paid related purposes.
- Expenses for word related books and periodicals.
- Payments made for enrollment of word related affiliations.
- Traveling and hotel costs in regards to the calling carried on.
- Expenses made for instruments, hardware, and different materials important to perform the calling.
- Depreciation costs for the altered resources in performing the calling.
- Losses, harms, and repayments paid based upon composed understandings, juridical pronouncements(Revenue Department of Turkey,2007).

3.9. Income from Immovable Property:

property which are immovable implies genuine property which incorporates land structures, and changeless leasehold rights. Boats, pontoons, air ship and different sorts of transportation vehicles are likewise viewed as undaunted property in the use of the Income Tax Law. income from undaunted property includes:

- Rental income emerging from the lease land, structures (outfitted or empty), and the rights to work mineral stores, sources and other characteristic sources including mines, sand and rock quarries, and property assistant to relentless property; - rental income from angling spot of each kind.
- Rental income from property to steadfast property, which may be liable to free renting.
- Rental income from the privilege to utilize any copyright of scholarly, masterful or investigative work, any patent, exchange check, plan or model, arrangement, mystery recipe or process, or for data concerning modern, business or exploratory experience or for the utilization of or the privilege to utilize, mechanical, business or experimental hardware.
- Rental income from the lease of boats, pontoons, air ship and other transportation vehicles.

In processing net income from unfaltering property, expenses identified with support, administration, remodel and running, and devaluation may be deducted from the terrible income on the genuine premise; it is likewise permitted to make a knot entirety reasoning rather than real expenses, aside from the pay from the lease of the rights specified previously. In such cases, protuberance entirety reasoning is 25 every penny of the rental income (Revenue Department of Turkey,2007).

3.10. Movable Property Income:

Income which is derived from movable property implies any income, for example, premium, profit, rent and so forth got from capital in trade or capital in for money kind. In any case, such capital income is not considered as revenue from portable

property, if they are earned (increased) through business, rural or autonomous expert activities.

Additionally their sources, the accompanying profit are regarded to be salary from mobile property:

- ✓ dividends from supplies of each kind including jouissance imparts, organizer's shares and premiums and different compensations paid to the stockholders in the preparatory phase of the organization and winning from the securities issued by speculation trusts and investment trusts.
- ✓ Dividends paid to the executives and the individuals from the governing body.
- ✓ Earnings from support shares including the shares of constrained organizations, cooperatives and joint attempts.
- ✓ Interests of each kind from bonds, treasury bonds, and acquiring from the securities issued by the Mass Housing Administration (MHA) and the Public Participation Administration (PPA).
- ✓ After expense pay of the companies which are liable to yearly statement or exceptional announcement.
- ✓ Profits from offering coupons of stocks and bonds before their development.
- ✓ Interest from obligation cases of each kind especially enthusiasm from banks and other budgetary establishments.
- ✓ Dividends paid to the individuals who give cash without premium and profits paid in kind of benefit Loss investment notes and benefit Loss interest records.

In deciding net income from portable property, expenses identified with and permitted to be deducted from income incorporate protection costs, gathering expenses, and charges and different tolls, barring income tax, paid for securities. The said components are incorporated in business benefit when they are associated with the business movement of the beneficiary. In such case, this income is dealt with as business benefit and get to be liable to the guidelines portrayed prior identified with the tenets depicted prior identified with business profit(Revenue Department of Turkey,2007).

3.11. Other Income:

A capital pick up non-repeating is managed by the Income Tax Law under the heading "Other Income and Earnings". Capital additions determined in the ITL are as per the following:

- ✓ Earning surpassing certain amount TL from the offering of securities before or inside one year after procurement, with the exception of those procured complimentary.
- ✓ Income from the offering of interest rights and shares.
- ✓ Income surpassing certain amount TL from the offering of scholarly rights, which are dealt with as unflinching property for Tax purposes.
- ✓ Profits from the entirely or incompletely distance of a investment which stopped its operations.
- ✓ Net measure of capital additions is controlled by deducting procurement expenses and the expenses acquired to the estrangement of the capital resources from the returns got in kind of the distance.
- ✓ Profits got from the estrangement of area, structures, the rights to work mineral stores, sources and other regular sources, angling spot of each kind, the rights enrolled as ardent property, and boats, vessels, air ship and other transportation vehicles, inside four years after their obtaining.
- ✓ Income got from the business activities and free proficient administrations performed every so often(Revenue Department of Turkey,2007).

3.12. Corporate Tax:

3.12.28. Income which is taxable:

those corporate tax which is demanded on the income and procuring inferred by enterprises and corporate bodies. The income components by Corporate Tax Law are the same as those secured in the Income Tax Law. As it were, the Corporate Tax Law sets procurements and tenets material to the income came about because of the activities of enterprises and corporate bodies, while the Income Tax Law manages the income inferred by people. Organizations and corporate bodies indicated by the Law as citizens in appreciation to the corporate Tax are as per the following:

- ✓ Capital organizations and comparative remote organizations

- ✓ Enterprises claimed by establishments' social orders and affiliations.
- ✓ Cooperatives
- ✓ Public investments
- ✓ Joint investment

3.12.29. Taxable liabilities:

As indicated by the Turkey Corporate tax Law, those lawful substances secured by the law, which their legitimate head office arranged in Turkey, or the spot of powerful administration in Turkey are burdened on their overall income. By determining two criteria the law expects to keep any issue, which may emerges in deciding tax Liability. The term legitimate head office, as utilized as a part of the setting of the Corporate Tax Law, implies the workplace determined in the composed assentions of the said elements. Thusly, it is not hard to find out where the legitimate head office of an organization is placed. Nonetheless, the spot of viable administration, which is characterized as the spot in which the business activities are thought and regulated, is not simple to focus at times. As may be normal, the Law characterizes the term restricted Tax liability truly parallel to term boundless Tax obligation, as the risk obliging burdened just the pay inferred in Turkey, gave that both legitimate head office and the spot of compelling administration are abroad.

3.13. Net Taxable Income Determination:

Generally, the procurements of the income tax Law indicate about concerning the determicountryof business benefit additionally applies to the methodology needed in deciding corporate tax. Essentially, net corporate income is characterized as the contrast between the total assets of benefits claimed toward the starting and toward the end of the financial year. Notwithstanding the costs said in article 40 of income tax Code permitted to be deducted from incomes, the followings might likewise be deducted with respect to the determicountryof business benefit, by companies:

- ✓ Incomes identified with the issuance of stocks and shares.
- ✓ Incomes brought about for general executive meeting and costs made for mergers disintegrations, and liquidations.
- ✓ Initial association and foundation costs

- ✓ If there should be an occurrence of insurance agencies, specialized stores needed for the protection contracts still legitimate at date of stock.
- ✓ Profit shares accumulated to accomplices by support banks for interest records.
- ✓ Profits shares gathered to dynamic accomplices of associations in commendams restricted by shares.
- ✓ Research and advancement reasoning ascertained as 40% of innovation and expertise examicountry costs acknowledged inside business.

In deciding net corporate income, the accompanying reasonings are not permitted:

- Interests paid or collected in view of value.
- Investment, trade contrast and different expenses paid or gathered on the premise of masked capital.
- Disguised gaining conveyed by exchange evaluating.
- Any sort of stores.
- The corporate Tax, fines, charge punishments and late installment punishments and investment.
- Leased or enlisted engine vehicles' deterioration and different costs not relate activities in business (Revenue Department of Turkey,2007).

3.14. Corporate Tax Return:

Like tax Tax, the corporate tax which is likewise surveyed on the base proclaimed through government forms filled every year by citizens. Government forms contain the aftereffects of related tax period. On a basic level, each citizen is obliged to document one and only single government form, regardless of the fact that he has inferred the incomethrough distinctive business places or extensions and those spots and limbs have their own bookkeeping and dispensed capital. The corporate tax form is filled until the 25th day nighttime of the fourth month of the year taking after the month in which the monetary year closures and the evaluated taxes are paid until the end of that month. Additionally, if a restricted at liable citizen leaves the country without a doubt the corporate government form must be submitted to the

approved expense office in the 15 days going before. In such case, tax are paid in the same time of time as forward for the assertion. In the event that the income earned by the remote organizations which are liable to the restricted risk in admiration to the corporate Tax, comprises of capital increases and non-repeating income examined in the former areas in the fifteen days after the pay has been earned. This system is called "unique affirmation". On the off chance that there is no vicinity in Turkey, withholding tax will for the most part be tax on revenue earned; for instance income earned from deal and exchange of impalpable rights like permit, ability, and eminence, income from portable and unflinching property and income from autonomous expert administrations gave in Turkey. Then again, if there is an evasion of twofold tax settlement, diminished rates of withholding tax may apply.

3.15. Taxation Rates on Corporate Income tax:

Corporate income tax which was connected at 20 % rate on the corporate income. Citizens (just for money from business activities and horticulture in restricted tax liability cases) income temporary tax at the rate of corporate tax, these installments are deducted from corporate tax of current period (Revenue Department of Turkey, 2007).

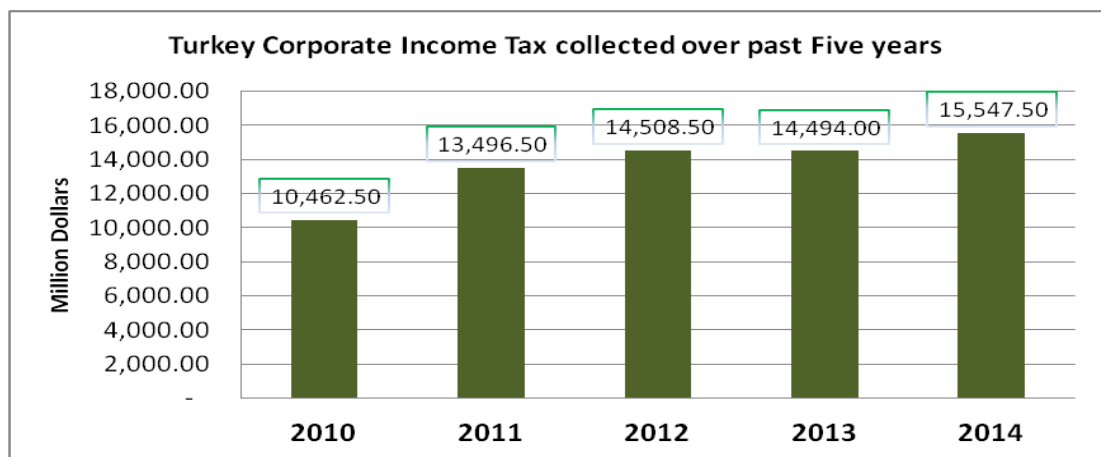


Figure 3.1: Coporate Income Tax Collected over past five years in Turkey

Source: Reportation of Ministry of Finance of Turkey. (2010, 2011, 2012, 2013 & 2014). *Corporate income tax*. Retrieved December 2014, from <http://www.maliyie.gov.tr/Taxation>.

3.16. Turkey Indirect Tax Framework

In Turkey, several indirect tax exist in turkey one of them is V.A.T. The start of the studies on (VAT) in Turkey backtracks to 1970. In 1974, a draft VAT law, which was the consequence of investigations of a specialized gathering, was readied. The subject (VAT) was examined by diverse levels of popular supposition and some undertaking recreations were composed to test the drafts with the volunteer investments. After the valuation for the aftereffects of these examicountryand diversions, seven law drafts were arranged between 1974-1984.

The eighth draft was sanctioned on November second, 1984 and went into power on January first, 1985. By the VAT Law, eight aberrant taxes on utilization were canceled. The Turkish tax Framework tolls quality included profit the supply and the importation of goods and services. The Turkish name for Worth Included Tax is Katma Değer Vergisi, contracted to KDV(Pricewaterhousecooper,2012).

3.16.30. Value Added Tax liability:

- A.** At the point when a man or substance performs business, modern, horticultural or free proficient business activities inside Turkey.
- B.** When things imported from another country to Turkey.

VAT is required at every phase of the creation and the circulation process. In spite of the fact that risk for the income falls on the individual who supplies or imports merchandise or services, the genuine weight of VAT is borne by the last shopper. This outcome is accomplished by a tax credit technique where the reckoning of the VAT risk is taking into account the contrast between the VAT obligation of a man on his business (yield VAT) and the measure of VAT he has officially paid on his buys (data VAT). The Turkish VAT framework utilizes various rates and the Board of Governors is approved to change the VAT rates inside specific points of confinement.

3.16.31. Taxpayers of Value Added Tax

3.16.31.1. General Info

Value Added Tax citizens are characterized in the Value Added Tax Law as those occupied with exchanges of taxable activity, independent of their lawful status or nature and their position concerning different taxes(Pricewaterhousecooper,2012).

3.16.31.2. Who are Taxpayers?

Followings are those who are liable to pay Value Added Tax in Turkey:

- Products and services suppliers.
- Product and services importers.
- Those obliged finishing traditions customs if there should be an occurrence of travel of merchandise through Turkey.
- General Directorates of the Approved Open Lotteries.
- General Directorates of Postal Administrations.
- Organizers of stallion races and other wagering activities.
- Organizers of shows, shows and brandishing occasions with the interest of expert artisans and expert sportsmen.
- Lesser of products and rights.

Products and rights set out in Article 70 of the income tax Law including steady property, for example, land, structures, mines and rights which are in the way of undaunted property; and. different merchandise and rights.. for example, a wide range of engine vehicles, machines and gear, ships, artistic, masterful and business copyrights, business or mechanical ability, licenses, trademarks, licenses and comparative impalpable properties right.(Revenue Department of Turkey,2007).

3.16.31.3. Responsibilities of Value Added Tax and Value Added Tax Reverse Charge

On the off chance that the citizen is not occupant or does not have a position of business in Turkey, a legitimate head office or spot of administration in Turkey, or in different cases regarded fundamental, the Service of Account is approved to hold any of the individuals included in a tax exchange in charge of the installment of tax. As indicated by the Turkish VAT law, there is a supposed converse charge VAT

system, which requires the count of VAT by occupant organizations over installments to abroad. Under this system, VAT is computed and paid to the related expense office by the Turkish organization or clients in the interest of the non-inhabitant organization (remote organization). Then again, the nearby organization regards this VAT as information VAT and balances it around the same time.

- Toll-assembling and instant (materials) are liable to incomplete withholding: Just 1/3 of the figured VAT is paid to the dealer by the buyer. In this manner, the buyer will be in charge of paying 2/3 of figured VAT to the tax office straightforwardly.
- Junk metal, waste paper, garbage plastic material conveyances are exempted from VAT: On account of the disavowal of the aforementioned absolution, the buyer pays 10% of the figured VAT to the dealer. In this manner, the buyer will be in charge of paying 90% of the figured VAT to the tax office straightforwardly.

On account of the conveyances of the petroleum items by the dealers, barring merchants, refineries, fuel oil appropriation organizations and fuel oil specialists, just 1/10 (10%) of the Worth Added Tax is paid to the dealer by the buyer. Along these lines, the buyer will be in charge of paying 9/10 (90%) of the VAT to the tax office specifically. (Pricewaterhousecooper,2012).

3.16.31.4. Basement for Taxable VAT

The tax base of an exchange is for the most part the aggregate estimation of the thought got, excluding the VAT itself. The VAT Law manages the taxable base under four headings, specifically the tax base on conveyances and administrations, on importation, on worldwide transportation, and extraordinary sorts of tax base. In the event that a thought does not exist, is obscure or is in a structure other than cash, the taxable base is the business esteem. Business sector worth is the normal value payable in the business sector for comparable products and benefits and is dead set with reference to the Tax Procedural Law(Pricewaterhousecooper2012).

3.16.31.5. Taxable Base excluded items

Tax base for merchandise conveyed and administrations rendered does exclude the VAT itself or any rebates, gave that they are at a sensible rate as to business rehearse and are unequivocally recorded in all receipts or comparative reports.

3.16.31.6. Rates of Tax:

Standard rate: The standard rate of VAT on tax exchanges is situated at 10% in the VAT Law, however this rate was expanded to 18% starting 15 May 2001.

Extraordinary rates:

- For the conveyances and administrations 1% (e.g. agrarian items, for example, crude cotton, dried hazelnuts, supply and renting of merchandise inside the extent of the Finance Leasing Law)
- For the conveyances and administrations 8% (e.g. fundamental nourishment stuffs, books and comparable publication.(Revenue Department of Turkey,2007).

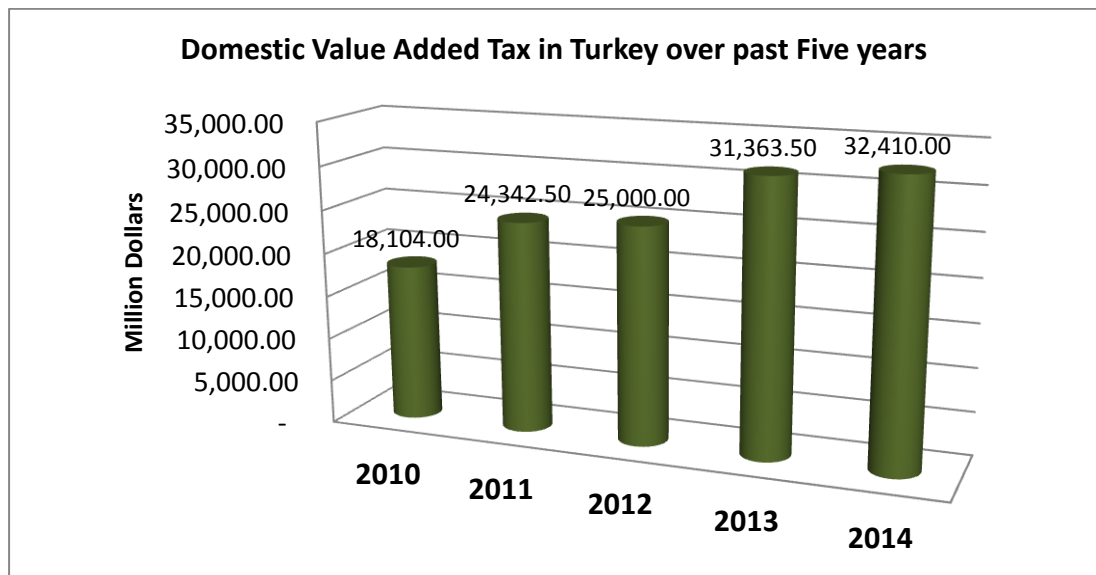


Figure 3.2: Domestic Value added Tax in Turkey over Past five years

Source: Reportation of Ministry of Finance of Turkey.(2010,2011,2012,2013&2014). *Value Added Tax in Turkey*. Retrieved December 2014, from <http://www.maliye.gov.tr/Taxation>.

3.16.31.7. Credit VAT Mechanism

The Value Added Tax is gathered at each phase of the creation and dissemination process from the starting deal by the maker to the last deal to the customer. At each of these stages, the measure of Tax payable is the distinction between the aggregate amount of expense charged on the receipts issued by the citizen and the aggregate amount of tax charged on receipts issued to the citizen amid the same period. Accordingly the VAT is at first processed by applying the

suitable rate of levy to the assessable base for merchandise and administrations supplied by the citizen amid an assessable period. This amount is then lessened by a credit for VAT already paid on importation and on products and administrations supplied to the citizen.

3.16.31.8. Non-deductible Items on VAT

These are items which Value Added Tax can not be credited from:

- a. Calculation of VAT on Buying of Car
- b. Those Stocks that is missing and rubbed.
- c. Calculation of Value added Tax on non-deductable income that is mentioned in Income tax law and Corporate tax Framework.
- d. Those items, which are exempted in Article 17 of value added tax.

3.16.31.9. Refunding of Value Added Tax

Value Added Tax demonstrated on receipts and comparative reports identified with the exchanges which are excluded from the taxation, for example,

- Exportation of goods and services.
- Transit transportation.
- Exemption for vehicles, petroleum investigation and speculations made under a speculation motivating force declaration.
- Diplomatic absolution

Are deducted from the Value Added Tax (yield VAT) to be ascertained on the exchanges of the citizen which are liable to VAT. Without exchanges subject to VAT, or if the yield VAT is not exactly the data VAT, then the information VAT which can't be deducted is discounted to the individuals who perform such exchanges, on the premise of standards to be dictated by the Ministry of Finance of Turkey(Pricewaterhousecooper,2012) .

3.17. Other Indirect Taxations:

3.17.32. Stamp Taxation:

Stamp Tax is consist of items to an extensive variety of records, including yet not constrained to, contracts, assentions, notes payable, letters of credit and letters of insurance, money related articulations and payrolls. Stamp obligation is imposed as a rate of the worth expressed on the report at rates running from 0.15% to 0.75%. The Stamp Tax Law gives that every applicable gathering should be in charge of installment of the aggregate amount of stamp Tax on the understandings. Every unique archive is independently subject to stamp taxation(Pricewaterhousecooper,2012).

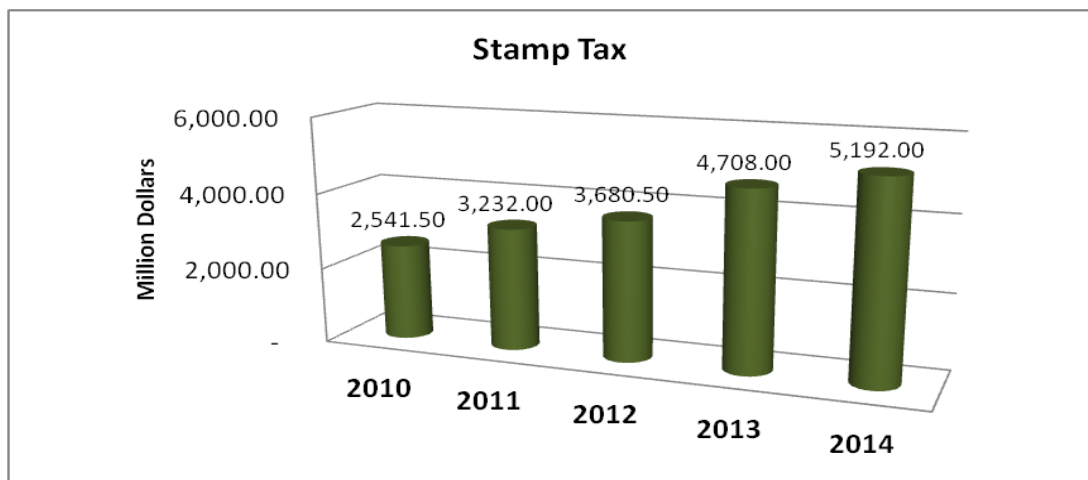


Figure 3.3: Turkey Stamp Tax Collected over past five years

Source:Reportation of Ministry of Finance of Turkey.(2010,2011,2012,2013&2014). *Stamp Tax in Tureky*. Retrieved December 2014, from <http://www.maliye.gov.tr/Taxation>

3.17.33. Tax on Motor vehicle:

tax on engine vehicle. taxable occasion is enrollment of the engine vehicles in the movement, region and docks. Citizens are genuine and lawful persons who have engine vehicles that are enrolled to their own names in the movement, region and docks register and the regular citizen air-vehicle register kept up by the Ministry of Transportation. Tax is evaluated and gathered yearly before all else of January. The engine vehicle duties are paid in two equivalent portions, in January and July, consistently. Engine vehicles are characterized into four classifications regarding engine vehicle charge:

1. Autos, uncommon utility vehicles and cruisers.
2. Minibuses, board vans, mechanized convoys, transports, pickups, trucks and so forth.
3. Yacht-cutter and a wide range of engine boats.
4. planes and helicopters

3.17.34. Insurance and Banking Transactions Tax:

Tax on exchanges and services created by banks, financiers and insurance agencies. Citizens are banks, insurance agencies and financiers. All exchanges and services delivered by banks and insurance agencies. There will be the tax upon the cash, which they gather under the name of premium, commission and expenditure on account of the services they created for the benefit of them. Bankers exchanges and services created and expressed in Law are the subject of the tax. Different exchanges of bankers are liable to VAT. Banks and insurance agencies are absolved from VAT, yet are liable to BITT at a rate of 5%, which is expected on the increases of such organizations from their exchanges. The buy of goods and services by banks and insurance agencies is liable to VAT yet is considered as a cost or expense for recuperation purposes. Outside trade exchanges are liable to 0.1% BITT.

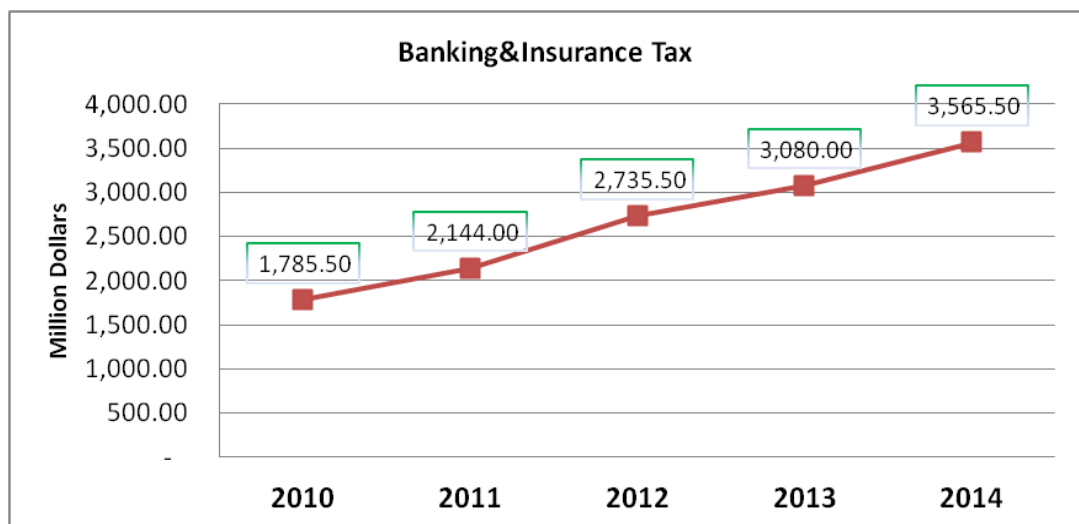


Figure 3.4: Tax on B&I over past five years in Turkey

Source: Reportation of Ministry of Finance of Turkey.(2010,2011,2012,2013&2014). *Banking and Insurance Tax*.Retrieved December 2014, from <http://www.maliye.gov.tr/Taxation>

Taxation period in BITT is every month of the timetable year. Citizens announce their taxable exchanges up to the night of the fifteenth day of the accompanying month.

3.17.35. Gambling Taxation:

taxation on wagering, lotteries and different manifestations of betting. Citizens are writers of betting activities and Gambling Tax is ascertained by applying settled or particular rate of tax. Taxation period in Gambling Tax is every month of the schedule year. Citizens announce their taxable exchanges and pay the collected tax up to the night of the twentieth day of the accompanying month (Revenue Department of Turkey, 2007).

3.17.36. Tax on Inheritance and Gifts:

Things obtained as blessings or through legacy are liable to a dynamic tax rate extending from 10% to 30% and 1% to 10%, separately, of the thing's evaluated worth. Tax paid in an outside expenditure acquired property is deducted from the taxable estimation of the benefit. Legacy and Gift Tax is payable in semiannual portions more than a time of 3 years.

3.17.37. Taxes on Property in Turkey:

Tax which is paid for property value estimations of area and structures at rates differing from 0,1% to 0.3%. On account of the offer of a property a 1% toll is paid on the business esteem by both the purchaser and the vender. Tax on property forms are documented in at regular intervals and yearly taxes are paid in two equivalent portions, the first being in March, April or May and the second in November (Revenue Department of Turkey, 2007).

3.17.38. Tax on Communication Activities:

A wide range of establishment, exchange and telecom services given by cell telephone administrators are liable to 25% Uncommon Correspondence tax. The tax base for Extraordinary Correspondence income which is the same as the Worth Included taxable base. Cell telephone administrators will pronounce the correspondence charge on the VAT returns and pay the collected tax by the fifteenth day of the accompanying month (PriceWaterHousecooper, 2002).

3.17.39. Fee in Education Contribution:

Exchanges and certain records expressed in the related law are liable to Instruction Commitment fee in diverse amounts. Training Commitment tax which is taken as a settled toll as per the report or the exchange. Training Commitment tax is a provisional income pertinent until 31 December 2010.

3.17.40. Customs Tax:

Goods foreign made from abroad and coming to Turkey are the subject of the tax. Taxable events are free circulation of goods, registration of customs declaration, and temporary importation in case of partial exemption. Citizen is chiefly individual who announce to the customs office. Customs obligations are surveyed on composed announcement by the citizen and paid inside 10 days dating from correspondence.

3.17.41. Fees charges:

There are distinctive sorts of taxes: Judgment fees, Public accountant fees, tax Judgment Charges, Title Deed Charges, Office fees, Ship and Harbor Charges, License of Permit and Endorsement Charges, Movement Charges, Identification, Visa and Service of Outside Undertakings. Affirmation fees(Revenue Department of Turkey,2007).

3.17.42. Tax on Special Consumption:

There are basically 4 distinctive item gathers that are liable to exceptional utilization charge at diverse tax rates

- Identified with petroleum items, regular gas, greasing up oil, solvents and subordinates of solvents.
- Identified with vehicles and different vehicles, bikes, planes, helicopters.
- Identified with tobacco and tobacco items, jazzed up drinks and cola.
- Identified with extravagance items (Investment support&Promotion Agency 2012).

4. Comparison of Taxes in Afghanistan and Turkey

4.1. Tax Comprison overview

A key focus for sets up a business in a given ward is the tax administration in power. In today's monetary surroundings organizations are deciding to situated up operations or considerably exchange their organizations to areas where there are impressive tax breaks. Most organizations are particularly concerned with tax matters that have a direct bearing on their business operations, for example, corporate Tax rates, tax incentives, tax treatment of outside sourced income and roundabout tax rates(Hill,2010).

The hole between the wealthiest and poorest individuals holds on. In developingcountries in specific, disparity every now and again connects with immature markets and ineffectual governments to abate development – which thusly moderates advance in diminishing poverty.

Afghanistan is among those countries that a major hole exist in the middle of poor and rich individuals. A standout amongst the most capable instruments to address imbalance at the transfer of the state is financial arrangement. taxes and exchanges can be powerful at diminishing amazing manifestations of material hardship and narrowing the hole between the financial elites and the rest(Teodor,2009).

Table 4.1 : Afghanistan Government Financial condition

Afghanistan Status of Governmental Finance (\$Billions)					
Indicators	2014	2013	2012	2011	2010
Total Budget (Development and Operating)	6,964.88	5,306.41	5,306.41	4,635.00	4,317.60
Operating Budget	4,131.70	3,159.41	3,081.26	2,397.00	1,940.54
Wages and Salaries	2,841.62	2,043.45	2,197.68	1,700.10	1,213.14
Development Budget	2,833.18	2,147.00	2,023.93	2,238.00	2,377.06
Domestic Revenue (Long portion of Taxes)	2,460.00	1,758.22	1,873.26	1,609.48	1,049.44
Total budget deficit	(4,504.88)	(3,548.19)	(3,231.93)	(3,025.50)	(3,268.1)
Operating budget deficit	(1,671.70)	(1,401.19)	(1,208.00)	(787.50)	(891.08)
External development	3,665.79	1,551.80	330.13	1,008.10	3,369.62
Total budget including External development	10,630.67	6,858.21	5,435.32	5,643.10	7,687.22

Source: Reportation of Afghanistan General Statistics Organization. (2010,2011,2012,2013&2014). *Afghanistan Budgetary review*. Retrieved December 2014, from <http://www.cso.gov.af/budgetrevision/afghanistan>

4.2. Financial development

The financial policies executed by the administration of Afghanistan over the previous years, have fundamentally centered around tending to security issues, enhancing administration conveyance, giving offices to infrastructure investment ,

lessening destitution and unemployment, encouraging development open doors for the private segment. The administration has likewise worked towards reinforcing financial sustainability and macro monetary security.

The fundamental goal of the administration's monetary methodology over the medium term is to guarantee that household incomes are sufficiently satisfactory to fund working plan through taxes.

The government of Afghanistan fundamentally intends to apportion monetary resources in accordance with Afghanistan national development strategy thusly it will be guaranteed that assets are dispensed through taxes and money related results to play imperative part in durable financial development.

Over the previous years in light of the legislature's solid responsibility and attempts, the aggregate gathering of household incomes essentially progressed.

These enhancements in local incomes were ascribed to the certain arrangements of decently characterized changes, including extending the Tax bases enhancing Tax agreeability, and improving the limit of tax organization staff, additionally solid and managed genuine financial development.

Tax revenues are the main component of domestic revenues and introduction of the large taxpayers offices and medium taxpayers offices also contributed to the robust growth of tax revenues in recent years.

To make further advance towards financial supportability, the legislature of Afghanistan will need to assume more liability for discovering the working plan, it is critical that the administration focus on activating more household incomes by presenting new Tax measures, enhancing the adequacy of tax administrations and administrations conveyance in non tax incomes zone.

Although remarkable progress has been made through past decade, still Afghanistan is dependent on foreign aids for implementing budget expenditures.

Total budget for year 2014 was 6.964 billion dollar which the operating budget was 4.132 billion dollar and development budget was 2.832 billion dollar the share operating budget was 59.3 percent and share of development budget was 40.7 percent in the total budget.

It is to be said that about 31.4 percent of total budget gained through national revenue that most of it from tax and the rest 68.6 percent is provided through foreign aids.

4.3. Operating budget Evaluation

The operating budget for 2012-2013 budget was 3.081 billion dollar more than 2.397 billion dollar in 2011-2012 budget. This is the main area to expand the size of security forces and fast implementation of payment and grading reform of civilians and teachers.

Contribution to Gross domestic product from operating budget has been increased from 16 percent in 2011-2012 to 17 percent in 2012-2013.

The operating budget for year 2014 was about 4.132 billion dollar with comprised 17.3 percent of gross domestic product. The operating for year 2014 shows 30.8 percent increase in comparison to year 2013.

The main reasons were longer period of financial year for 2013 which was changes of year from hijri to miladi which was counted 9 months only, salaries and wages, continuation of implementation of pay and grade program and increase in the number of employees who benefited from super scale salary privileges.

4.4. Development budget Evaluation

The development budget of Afghanistan for 2012-2013 has been estimated 2.147 billion dollar 8.9% less as a calculation than the development budget supplementary of 2011-2012.

The development budget for year 2014 was 2.832 billion dollar out of which 896 Million dollar was from discretionary budget and 1.936 billion dollar was non discretionary budget.

The amount of development budget for year 2013 was 11.8 percent. Comparing the development budget of 2012 with the last year shows 31.9 percent increased.

The main reasons were longer period of financial year for 2013 which was changes of year from hijri to miladi which was counted 9 months only, supporting the security headquarters, ministries of national defence and interior affairs.

4.5. Actual revenue

The actual revenue in 2013 was about 2.186 billion dollar which comprised 9.1 percent of gross domestic product of the country.

The actual revenue in 2013 increased by 36 percent compared to actual revenue of year 2012 with increase in direct tax about 34.8 percent, non tax revenue was 20

percent, custom tax was 32.2 percent, other revenues about 2 times but for the purpose of alleviating collection of revenues as well as developing bases of tax, the government has sustained its programs for increase of audit in provinces and mostofyats, introducing new systems and implementation management system in borders customs.

In addition , the new tax regulation that has been recently implemented by the government such as: oil tariff, increase in cigarette and tobacco tariff for aims to increase domestic revenue.

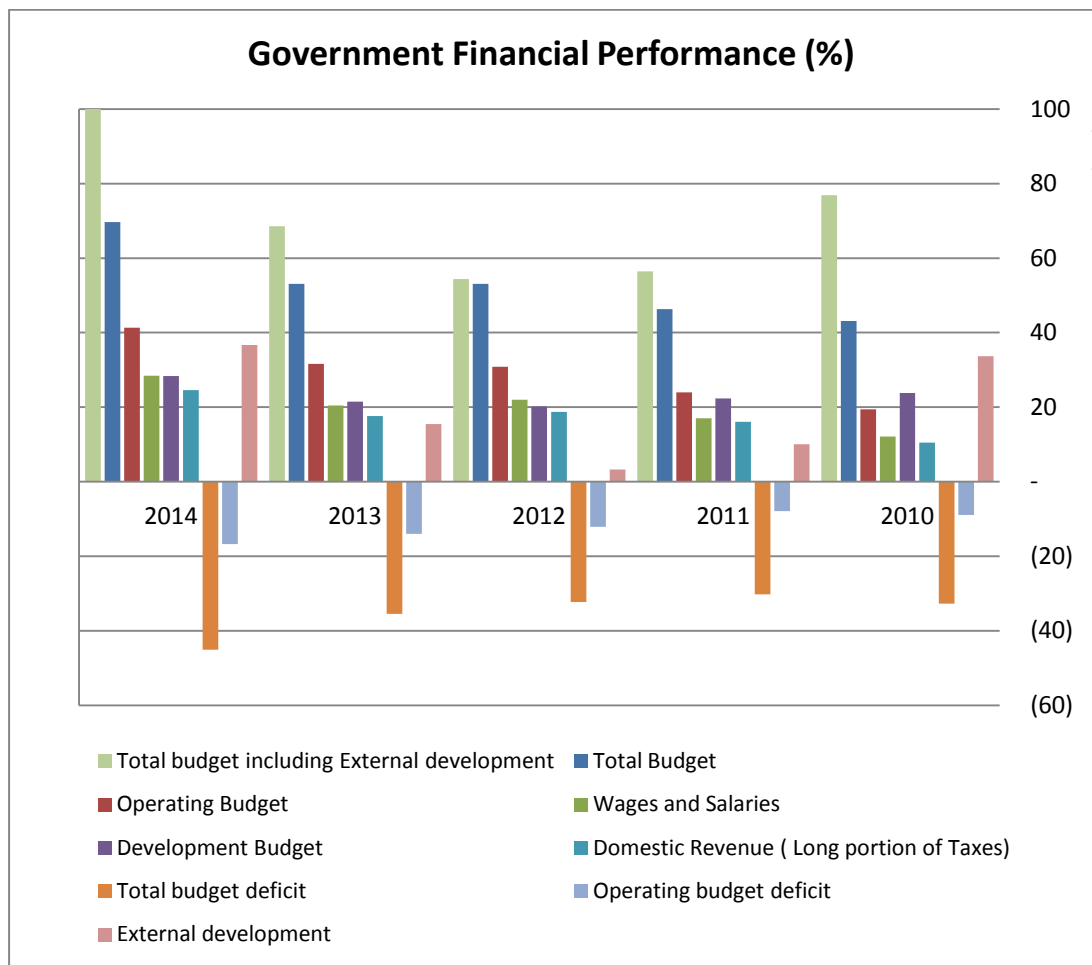


Figure 4.1: Governmental Financial Performance

Source: Reportation of Afghanistan General Statistics Organization. (2010,2011,2012,2013&2014). *Afghanistan Budgetary review*. Retrieved December 2014, from <http://www.cso.gov.af/budgetrevision/afghanistan>

4.6. Actual expenditure

Actual expenditure of development budget in 2013 was 1.604 billion dollar which comprised 56.6 percent of development budget, whereas it was 1.072 billion dollar which comprised 48.3 percent of budget in 2012. The main reasons for expending less amount of development budget was the low working capacity in ministries and government organizations for implementing development projects. In addition, the expenditures of ministries are predicted unrealistically, the actual expenditure of operating budget is 3.956 billion dollar which comprised 97.7 percent of operating budget especially tax.

Table 4.2 : Effect of Tax on GDP

Financial Proportion of Afghanistan GDP (%)					
Indicators	2014	2013	2012	2011	2010
Total B as %age of GDP	29.1	24.4	28.2	31.0	34.0
Percentage of Operating budget in GDP	17.3	14.5	17.0	16.0	15.5
%age of Wages and salaries in GDP	11.9	9.4	12.2	11.4	9.7
%age of Development budget in GDP	11.8	9.9	11.2	15.0	18.9
%age of Collected of Taxes in Domestic Revenue in GDP	10.3	8.1	10.4	10.8	8.4
Total budget deficit as %age of GDP	(18.8)	(16.3)	(17.9)	(20.3)	(26.0)

Source: Reportation of Treasury Department. (2010,2011,2012,2013&2014). *Ministry of Finance of Afghanistan*. Retrieved December 2014, from <http://www.mof.gov.af/taxation>

One measurement of a great economy is the level of tax percentage on Gross Domestic product significantly.

GDP is a general financially measurement of the output of the economy.

On the off chance that tax is high as a rate of Gross domestic product, it implies that a more prominent extent of the pay earned from a country.s yield is being moved to Government as tax.

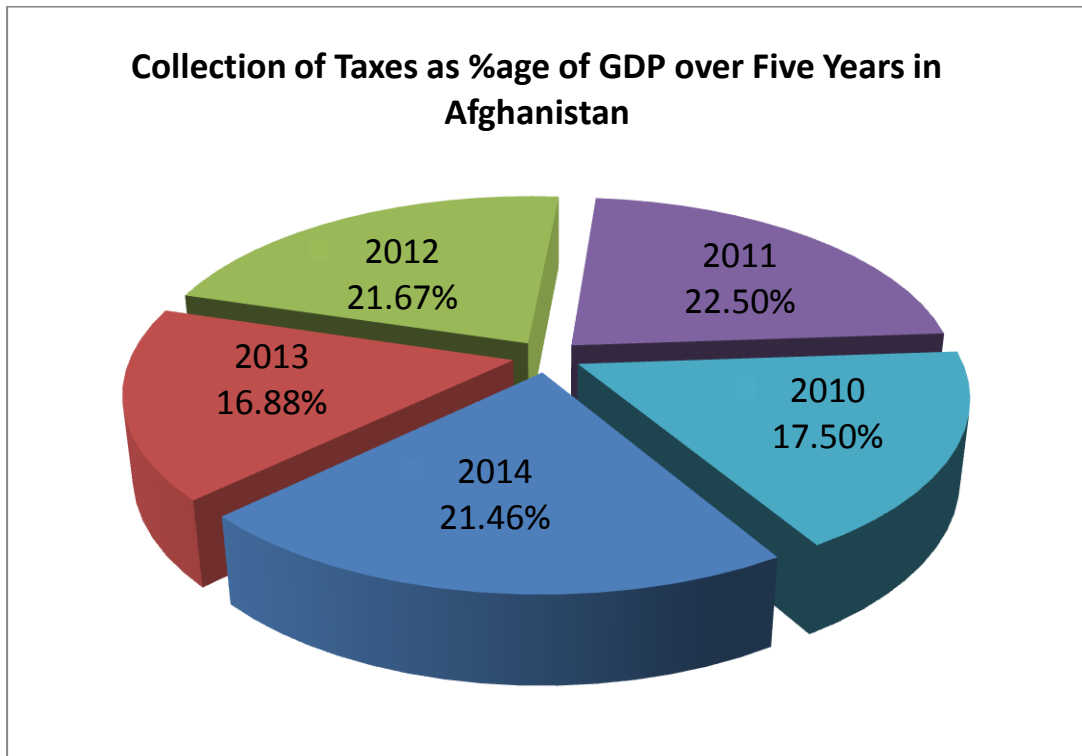


Figure 4.2 : Collection of Taxes in Afghanistan as a %age of GDP

Source: Reportation of Treasury Department. (2010,2011,2012,2013&2014). *Ministry of Finance of Afghanistan*. Retrieved December 2014, from <http://www.mof.gov.af/taxation>

As we can see in above figure Afghanistan has a flat tax collection over past five years this is because of the same policies excuted by government as percentage of GDP .

Afghanistans tax average over past five years is equivalent to 21% of its GDP, which was somehow below the average of GDP of Turkey of 34.2%.

Table 4.3 : Collection of tax in Afghanistan over past five years

Collected Taxes in Afghanistan over five Years(\$Billions)					
Indicators	2010	2011	2012	2013	2014
1. Domestic revenues	1,049.46	1,609.50	1,873.26	1,758.22	2,460.00
1.1 Total taxes	803.82	1,379.48	1,575.32	1,442.02	1,840.02
1.1.1 Tax on incomes	208.30	774.00	482.88	421.66	656.00
1.1.2 Tax on goods and services	200.60	552.00	379.16	340.58	534.44
1.1.3 Tax on international trade	320.98	24.18	649.54	615.08	551.20
1.1.4 Other tax revenues	73.94	29.30	63.74	64.70	98.38
1.2 Non tax revenues	245.64	230.00	297.94	316.20	619.98

¹Source:Reportation of Afghanistan General Statistics Organization. (2010,2011,2012,2013&2014). *Afghanistan Budgetary review*. Retrieved December 2014, from <http://www.cso.gov.af/budgetrevision/afghanistan>

Figure 2 shows the percentage of total tax, which was gathered from different types of taxation, following income taxes, personal taxes, property taxes, taxes on goods and services, and other taxes. In all cases Afghanistan tax collected figures shows a slight growth over past years, which are majored in tax on income and tax on international trade activities.

¹The currency is in dollar by the rate of 1 Dollar =50 Afghanis average of five years last date of the month of Dec from 2010,2011,2012,2013&2014 which was published in www.cba.gov.af, 2014.

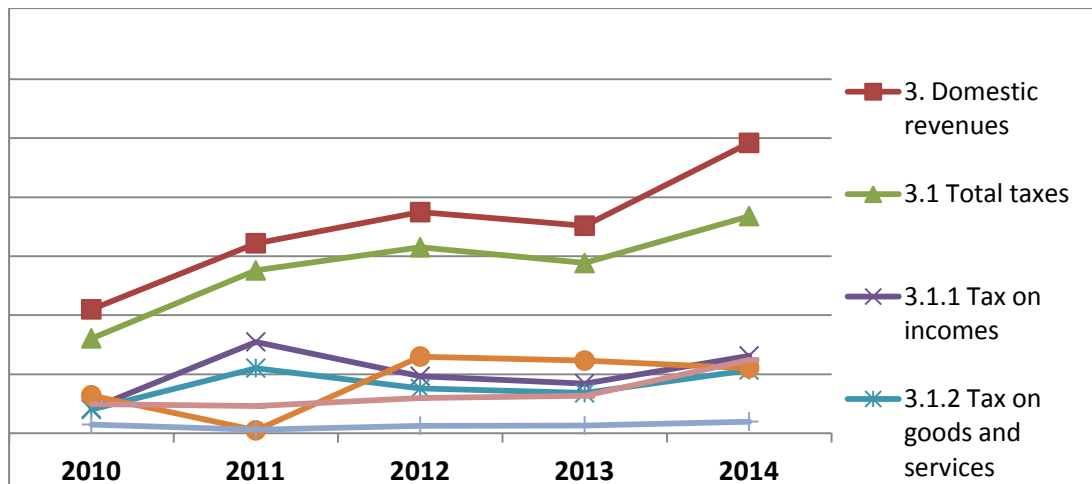


Figure 4.3: Afghanistan Tax collection Trend over past five years

Source: Reportation of Afghanistan General Statistics Organization. (2010,2011,2012,2013&2014). *Afghanistan Budgetary review*. Retrieved December 2014, from <http://www.cso.gov.af/afghanistantaxation>

Afghanistan tax rates on personal income are relatively low. Its top marginal tax rate is the lowest in the Asia. The top rate applying to the average worker is 20%. The total tax paid by the average worker as a percentage of his/her total wages is the lowest. The top tax rate for income generated in corporate businesses in Afghanistan is 20% annually which is different from all kind of businesses.

The top marginal taxation rate applying to a laborer does not so much show much about the aggregate expense he or she pays. One reason is that most individual income tax frameworks are dynamic, with a lower rate of Tax being paid on the first dollars earned contrasted and that on consequent dollars at larger amounts of salary. There are likewise different Tax remittances and expense credits. These components serve to extensively diminish the real tax a man pays as contrasted and the Tax on the last dollar earned. The normal expense rate is the measure of Tax as a rate of pay, and takes these different variables into account. The minor Tax rate is the rate of expense paid on incremental salary. Case in point, in Afghanistan the marginal tax rate on every dollar under \$1,000 of income is as of now 0%, then 2% is paid on every dollar up to \$2,500, with a rate of 7%, 10% and 20% on salary over that.

The level of the peripheral tax rate can affect on a citizen's motivator to win additional pay, in spite of the fact that the size of this impact is in debate. It additionally influences the measure of income that distinctive individuals pay altogether.

Table 4.4 : Turkey Status of Governmental Finance

Turkey Status of Governmental Finance					
(\$Billions)					
Indicators	2010	2011	2012	2013	2014
Budget Revenue	127,138.50	148,412.00	166,237.50	194,842.00	201,587.5
Budget Exp	147,179.50	157,303.50	180,943.50	204,112.50	218,216.5
Tax Revenue	105,280.00	126,904.50	139,390.50	163,084.50	174,176.5
T.budget deficit	(20,040.50)	(8,891.50)	(14,706.00)	(9,271.50)	(16,629.0)

Source: Reportation of Ministry of Finance of Turkey.(2010,2011,2012,2013&2014). *Budgetary Performance*. Retrieved December 2014, from <http://www.maliye.gov.tr/budgetturkey>.

Turkeys above governmental performance table shows that most of income generates by Turkish government is tax income and an increase has been shown each year.

Central governmental budget expenditures, budget revenues, budget balance over past five years are listed in the table above, central budget runs in deficit each year, governmental revenue is not enough to cover all expenditures, as we see in the above most of Turkish Government financed by tax, it means tax has a big impact in Turkish financial performance.

Table 4.5 :Tax collected over past years in Turkey²

Taxes collected over past five years in Turkey					
(\$billions)					
Indicators	2010	2011	2012	2013	2014
3.1 Total taxes	105,280.0	126,904.5	139,390.5	163,084.5	174,176.5
3.1.1 Tax on incomes	20,196.00	24,403.50	28,247.00	31,880.50	35,384.00
3.1.2 Corporate income tax	10,462.50	13,496.50	14,508.50	14,494.00	15,547.50
3.1.3 VAT on import	13,162.50	14,978.50	15,786.00	18,997.50	19,812.50
3.1.4 Special consumption tax	28,642.50	32,094.50	35,853.00	42,731.00	44,695.50
3.1.5 banking & Insurance tax	1,785.50	2,144.00	2,735.50	3,080.00	3,565.50
3.1.6 Domestic VAT	18,104.00	24,342.50	25,000.00	31,363.50	32,410.00
3.1.7 stamp Tax	2,541.50	3,232.00	3,680.50	4,708.00	5,192.00
3.1.8 fees	3,517.00	4,172.00	4,837.50	6,474.00	7,482.00
3.1.9 Other tax revenues	6,869.00	8,041.00	8,743.00	9,356.00	10,087.50
3.2 Non tax revenues	17,745.50	16,372.50	20,877.50	24,697.50	22,307.50

Source: Reportation of Ministry of Finance of Turkey.(2010,2011,2012,2013&2014). *Taxation Review*. Retrieved December 2014, from <http://www.maliye.gov.tr/Taxation>

Tax is one of important source of revenues for every countries especially for Turkish government. Turkey has the matured tax system than Afghanistan and other developing countries. Most of the taxes in Turkey has been collected from corporate

² The rates are in Dollar it is converted in the rate of 1Dollar = 1.94 Turkish liras. The rate has been averaged from five years last date of the month of Dec of 2010,2011,2012,2013&2014 which is the summation of 1.56,1.91,1.80,2.10&2.33 divided by 5.

income, Value Added Tax, consumption taxes, non tax revenues are also a source for government to finance a part of its expenditures.

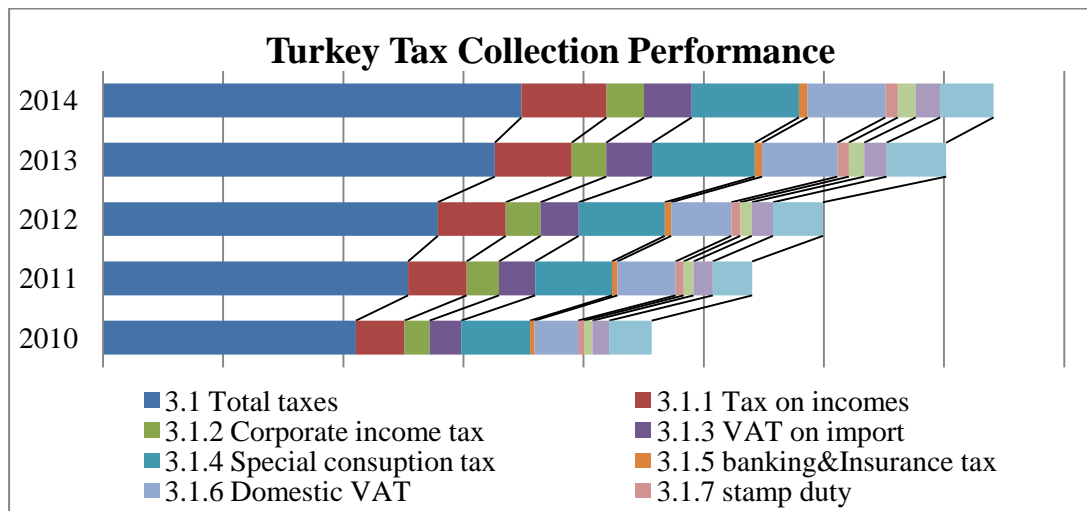


Figure 4.4: Turkey Tax collection performance

Source: Reportation of Ministry of Finance of Turkey.(2010,2011,2012,2013&2014). *Taxation Reveiw*. Retrieved December 2014, from <http://www.maliye.gov.tr/Taxation>.

In 2014 the changes in taxes 24.9% increase in corporate tax,23.1% increase in banking and insurance transaction taxes, 17.1% in income tax,16.8% increase in special consumption tax,13.6% increase in stamp tax,12.6 in VAT,4.6% increase in domestic VAT and 25.6% increase in other taxes has been occurred.

In 2013 the changes in taxes 34.7% increase in stamp tax,24.1 increase in corporate tax,14.1% increase in banking and insurance transaction taxes, 17.2% in income tax, 16.1%in VAT,31.4% increase in domestic VAT,15.5% increase in other taxes and 21% increase in fees has been occurred.

In 2012 the changes in taxes 22.9% increase in banking and insurance transaction taxes,22.8% increase in excise Tax, 22.4% in income tax,21.5% increase in fees,20.1% increase in stamp tax,12.6 in VAT,10% increase in domestic VAT and 6.8% decrease in other taxes has been occurred.

In 2011, the changes which were occurred during that year has follows:55.9% increase in VAT, 38% increase in banking and insurance transaction tax,33.5% increase in stamp Tax, 30.8% increase in personal income tax,19.5 percent increase in corporate income tax, 19.1% increase in fees,16.1% increase in domestic VAT,10.7% increase in excise tax and 25% increase in collection of other tax types.

Thus, Afghanistan's level of taxation is not exactly the Turkey normal taxation rate (as a rate of Gross domestic product) yet higher than a percentage of the countries in Asia. Afghanistan has a more noteworthy extent of its tax gathered by government centrally.

Afghanistan's dissemination of taxation among the diverse expansive sorts of tax (for instance, salary tax and taxation on products and administrations) is genuinely normal.

Afghanistan's tax rates on individual income are generally low. The aggregate tax paid by the normal specialist as a rate of his/her aggregate wages is the most minimal than Turkey.

Individual tax rate in Afghanistan are more nonpartisan among distinctive gatherings of individuals. The tax framework is more averse to support individuals on lower salaries to the detriment of those on higher earnings, nor wedded couples with youngsters to the detriment of single individuals.

Afghanistan's top negligible Tax rate on corporate tax is somewhat lower than the Turkey normal.

Turkey has the biggest extent of its Taxes on products and services made up by worth included income, Afghanistan is quality included Tax not worked legitimately now government wanting to roll out a few improvements and updation.

In general terms, tax in Afghanistan is not altogether different from that in Turkey. Afghanistan's level of tax is lower than in Turkey, however higher than a few countries on the planet.

The expansive sorts of Tax utilized are genuinely comparable. income and corporate taxes make up just a somewhat higher extent of Afghanistan's expenses than normal, and Taxes on merchandise and services a marginally lower extent.

There are a few courses, nonetheless, in which Afghanistan's tax are truly unique in relation to Turkey as rate of taxes.

This is particularly so for Taxes on individual tax and on goods and services.

Afghanistan gets a higher extent of its income tax from exhausting individual and universal exchange instead of corporate tax than is the situation in many countries.

One would consequently expect its tax rates on personal income to be high, yet this is not the situation. Indeed Afghanistan's top minor tax rate is the least among most countries, and the peripheral and normal Tax rates for the normal laborer are additionally generally low.

One clarification for this evident disagreement is that Afghanistan's tax framework may be compliment than that in Turkey.

Afghanistan additionally emerges in having its esteem included tax make up its taxes on products and services in up coming years.

Hence, Turkey tax framework more enhanced and developed than Afghanistan.

5. Conclusion and Recommendations

Afghanistan faces numerous sorts of issues and difficulties in the enormous errand of tax accumulation.

To begin with, Afghanistan experiences issues in recognizing surpluses in the economy by virtue of their low GNP, low rate of capital development, neediness, unemployment, higher populace thickness, and so on.

Second, its risks of Tax gathering are further reduced by virtue of dominatingly money exchanges with no trails, a colossal dark economy, and widespread taxes avoidance.

Third, there is an absence of political determination to gather incomes that outcomes in a thin tax base by virtue of various politically inspired tax absolutions and findings.

Residents and citizens in Afghanistan additionally endure from various perspectives.

First and foremost, there is less advancement in view of absence of trusts with the legislature and defilement in higher spots.

Second, with the power of backward aberrant taxation, the poorer segment of society needs to relinquish a greater offer of income in taxes contrasted with wealthier persons of society.

Further, citizens endure incredibly because of nonappearance of a reasonable debate determined framework.

To manage this circumstance, administrations of these countries must make moves to broaden their tax base and to decrease the dark economy, accordingly diminishing tax evasion and tax avoidance. So as to diminish the dark economy and tax avoidance, all residents of Afghanistan must be issued a widespread recognizable proof number, much like the United States government managed savings number, to stay informed regarding their exchanges.

Cash of higher divisions must be withdrawn and payments from all sources ought to be made taxable. The legislatures must show determination to gather taxes by

withdrawing all well known and politically propelled absolutions.

Bigger citizens and their incomes evasion thought processes need to be nearly checked. The officers of the tax office and other senior lawmakers and authorities ought to be held to higher measures of Tax agreeability.

Codes and regulations must be rearranged to allow better understanding and better taxation consistence by citizens.

A solitary exhaustive VAT ought to supplant all kind of incomes. Authorities of the tax division ought to be given settled residency in every tax, during their great conduct and their successive exchanges (now and again in under three months) ought to be carried out away with.

Last, but not least, the dispute resolution system in Afghanistan must be modernized, and structural changes must be made for fair and speedy disposal of disputes.

Taxpayers who contribute to the nation, must be treated fairly, and must be conferred certain basic rights in investigation of cases of tax evasion against them.

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2003-2006	Ghulam Haidar khan Kabul, Afghanistan Level: Baccalaureate.
2000-2003	Abdul Qader Bedel Kabul, Afghanistan Level: Secondary.

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- **2008 – 2009** DEL in Azrekshsh English Academy
- DBA (Diploma in Business Administration) **Kardan University**
- **Leadership in Kabul University** (20days in 2008)
- QuickBooks in Afghan Institute of Business Management (AIBM)
- **Innovative Entrepreneurship course** (April 2009_Sep 2009)
Main Subjects (business plan and presentation skills)

Personal Experience:

30/09/2012-30/09/2013 Financial Consultant at MSH/USAID in Kabul, Afghanistan

- Preparing Budget plan to all Kabul City Hospital
- Preparing Procurement plan of Kabul City Hospitals
- Preparing Hospitals Management/Finance Committee
- Coordinating financial issues of Governmental Hospitals to MoPH and MoF
- Assisting Hospitals Finance Sections to use new Governmental Financial forms
- Preparing financial guidelines for smooth financial progress to all national hospitals
- Preparing Financial Budget Controls to all Hospitals
- Preparing Financial Reports (M22 and M20) to all Hospitals
- Assisting Hospitals finance sections for better usage of their financial allotments.
- Improving Hospitals filling system
- Assist the MoPH Directorate of Central Hospitals to transition Majority of the Finance Responsibilities for the next Afghan Fiscal year 1392 to the 14 National Hospitals.
- Assisting Hospitals to ensure that contractor are paid after verification of good delivered.
- Assisting Hospitals to improve their stock management
- Reviewing finance Tasks of finance Departments of Kabul National Hospitals Other Tasks which are determined from DCH.

01/03/2012-30/09/2012 Payments&Suttlement Manager at Afghan United Bank

- Preparing of Management Reports
- Preparing Expense Comparison
- Supervising Expenses
- Assist in preparation and monitoring of budget monthly and quarterly.
- Provide support to staff and work closely with them to ensure financial information is accurate and up to date.
- Preparing Treasury Report
- Preparing comparative figures
- Authorization and Supervising of Recorded vouchers Monthly Amortization of Fixed Assets and Advances
- Monthly and Daily Adjustments of Expenses and Assets
- Reconciliation of All charts of accounts

23/01/2011-01/03/2012 Operation Officer at Afghan United Bank

- Preparing of cash on Hand statement
- Preparing monthly and daily Deposits
- Supervising Expenses
- Preparing Daily Foreign Exchange Position
- Preparing comparative figures
- Sending of letters to Main Branch and Branches
- Preparing of consolidated Income Statement and Balance Sheet
- Any other tasks required by COO (chief operating officer)

Languages:

Persian: Mother tongue English: Excellent Turkish: good Urdu: V. Good

Computer Skill:

- Ms. Dos , Ms. Windows, Ms. Word , Ms Excel, Ms power point ,Outlook
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