

Assessing income tax structure through a comparative lens: Evidence from India and Afghanistan

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Abstract---Taxation is essential for the survival of a country and serves as a key instrument for the development of a nation's economy. In general, taxation is separated into two basic categories: direct taxes and indirect taxes. Direct taxes are paid directly by individuals or companies to the government, whereas indirect taxes are collected through intermediaries. This research focuses on the direct taxation structures of two nations, India and Afghanistan. The major purpose of the study is to comparatively assess and analyze the tax structures of these two nations in order to find their similarities and differences. Although the two countries are not comparable in terms of their economic and political circumstances, a comparative assessment of their tax systems provides useful insights into their institutional frameworks and administrative procedures. The study adopts a thematic strategy to collect and analyze the relevant data. Four key themes were created to meet the aims of the research. The data reveal that India, with its progressive tax system, and Afghanistan, with its relatively flat tax structure, differ in numerous structural and administrative features of direct taxes.

Keywords---Income Tax, Direct Taxation, Comparative Tax Structure, India, Afghanistan.

Introduction

Taxation is a mandatory contribution by individuals and businesses to the government, serving as the primary source of public revenue (Sahebe et al., 2020). Taxes are categorized into two main categories:

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956

Direct and Indirect (Abd Hakim et al., 2022). Direct taxes are levied on Income and activities and paid directly by the taxpayers to the government. “The direct tax burden cannot be passed to another party.” (Abd Hakim et al., 2022). Taxes imposed on products and services are indirect taxes, and their burden can be shifted to another party (Abd Hakim et al., 2022). This study’s purpose is to focus on India and Afghanistan’s direct taxes. The main objective of this study is to compare the Income tax structure of the two nations with each other.

India has developed a three-tier federal tax structure with a transparent distribution of authority among the central government, state governments, and local bodies. The central government applies taxes on income “except taxes on agricultural income, which the state authority imposes.” (Singh, 2022). These three-tier authorities define rules on what types of taxes they are allowed to collect (Chaudhary, 2021). Indian federalism had developed into a two-tier system before 1992, but the 1957 committee recommended that local government be established through democratic elections. Consequently, most state governments established a third level of governance in rural areas. In a similar spirit, state governments established municipal corporations, municipalities, notified area committees, and some revenue and spending authorities to supply urban services in metropolitan areas (Ahmad & Tanzi, 2002).

- **Central Government:** charges income tax, customs taxes, Central Goods and Services Tax (CGST), and Integrated Goods and Services Tax (IGST).
- **State Government:** charges State Goods and Services Tax (SGST), stamp duty, state excise, land revenue, and profession tax.
- **Local Bodies:** impose tax on properties, octroi, and for amenities like water supply, drainage.

India’s tax system is constitutionally structured under the 1950 constitution, which clearly allocates taxing powers between the Union and State Governments. The Income Tax Act of 1961 defines various heads of income taxes. India’s system is built on a strong and well- established foundation that ensures clear administration, effective management, and solide constitutional backing (Alagappan, 2019; Arora, 2016; Bhargava, 1972; Chaudhary, 2021). To understand the laws and regulations governing direct taxes, including income tax, five crucial laws should be considered.

- 1- Income-tax-act, 1961
- 2- Annual finance acts
- 3- Income-tax rules, 1962
- 4- Notification and circulars, issued from time to time
- 5- Judicial decisions

In Afghanistan, financial affairs became more important among other organizational matters during the kingdom of Ahmad Shah Baba in 1140 AD. The Diwan Homayoun, established and the first leader of this organization, was Sardar Abdullah Khan Pupalzai. That organization becomes the Afghanistan Ministry of Finance in today’s life (Asef, 2021). During the Kingdom of Shah Amanullah Khan, crucial changes took place in the field of accounting and finance; the tax changed its form from goods to cash in 1298. Moreover, some of the taxes that were forcedly collected before were exempted. After the civil war from 1312 to 1314, an Italian tutor educated a group of Ministry of Finance officials for the first time about economic and banking finance so they could study how much money the government made and how much it spent. This was a planned or tableau method for financing, and it worked all over Afghanistan (Asef, 2021). In 1919, income tax laws were made official and put into effect for the first time. As time went on, the Ministry of Finance in Afghanistan added new types of taxes. Recently, Afghanistan’s national tax system has changed significantly to clarify the process. Investors are trained in their tax responsibilities, while government personnel are schooled in tax management. A big step was taken when, in 2017, the fast e-tax filing system was announced by ARD (Afghanistan Revenue Department). The e-forms have been launched for all medium and small taxpayers, which are available on ARD’s website. The MOF declared that all taxpayers must have a taxpayer identification number

(TIN). Even if their earnings are not taxed, all investors are required to report them. Moreover, this system allows taxpayers to file corporate and personal income taxes, withholding taxes, fixed taxes, company receipts, and other taxes. (Ahmadi et al., 2023; Sahebe, 2020). The Ministry of Finance protects all information submitted by taxpayers unless formally and legally demanded. Taxpayers must keep a record book and apply the next technique of calculation. The fiscal year runs from December 21 to the end of December 20 (Amiri & Jackson, 2022; Asef, 2021; Income Tax Law, 2009b).

Taxes are mainly classified into two categories: Direct and Indirect taxes. Income taxes come under the direct taxes category. According to the Income Tax Law of Afghanistan, an individual abroad may be exempted from taxes if he is a foreigner and his country exempts taxes for Afghan citizens in that country (Salehzada, 2015). An individual is a tax resident of Afghanistan who meets these key conditions:

- The individual is a worker or professional of the administration of Afghanistan and has been assigned to perform benefits abroad during the Tax
- Throughout the tax year, the person's primary residence is in Afghanistan.
- The person is exhibited in Afghanistan for 183 days throughout the tax year, which runs from December 21 to December 20 (Asef, 2021; Income Tax Law, 2009b; Salehzada, 2015).

Despite various reforms in Afghanistan's tax system, such as the introduction of SIGTAS (Standard Integrated Government Tax Administration System), the Taxpayer Identification Number (TIN), and support from the World Bank and other international organizations. Afghanistan still ranked 177th out of 190 countries in terms of economic development (Clark, 2022; World Bank, 2012). Under Afghanistan's Islamic legal framework, Ushr (a 10% agricultural tax) and Zakat (a compulsory charitable contribution) function as traditional forms of taxation; However, they are not officially recognized or collected under the Afghanistan

Income Tax Law (2009) (Lorenz, 2013; Naheed & Naz, 2025; Samra & Siddiqui, 2021). Despite their informal status, these taxes remain widely practiced. Particularly in rural areas, they have played a significant role in revenue collection under the Taliban administration, often placing additional burdens on low-earner individuals (Amiri & Jackson, 2022; Clark, 2022).

This research aims to compare India's and Afghanistan's income tax structures. Assessing their legal base, management methods, and their problems. Moreover, the study tries to understand and emphasize the differences and similarities between the two nations' income tax systems. The goal is to provide details about how the two nations' tax structures might be strengthened to encourage compliance, revenue collection, and mobilization.

Objectives

- 1- To study the income tax structure of India and Afghanistan
- 2- To compare the income tax rates and brackets in India and Afghanistan
- 3- To analyse the differences in the income tax structure and enforcement practices of India and Afghanistan
- 4- To highlight the strengths and weaknesses of the income tax structure of India and Afghanistan

Review of Literature

Tax regimes play a crucial role in a nation's economic growth. Multiple studies have been done that have examined the importance of taxes on the economic development of India and Afghanistan. (Neog & Gaur, 2020) in India studied the long- and short-term connections of tax structure and state-level growth from 1991 to 2016. The study discovered that focusing on property taxes will enhance

development for lower-income earners. However, the study had not gone through the structure of income tax or conducted cross-country comparisons. Likely, Alagappan (2019) in his study, indicated that indirect taxes contribute approximately twice as much as direct taxes, with corporation and income tax accounting for the majority of direct revenue collection. This instructive study did not address the tax rate structure and enforcement measures. In their assessment of India's personal income tax system Bansal and Sharma (2023) recognized the heavy tax burden on low- and middle-income earners and urged for reforms such as bracket realignment and exclusions to increase compliance and fairness. However, these studies remained nationally focused, leaving a lack of comparative analysis, which is remedied in the current study through a cross-country evaluation of Afghanistan. The Indian Constitution is the basis of the Income Tax System, which has the authority to define the roles of the central and state governments in the taxation structure (Roy, 2025). Tax structure is significantly important as a concept of taxation (Szarowská, 2014). Personal income Tax enhances a country's competitiveness in the global market, while also constituting a large part of labour costs. The goal of taxation overall is to distribute resources among people, having the goal to develop and reach particular aims (Szarowská, 2014). Taxation is historically classified as direct and indirect taxes. Asef (2021) conducted a study in Afghanistan regarding the origins of taxes from the reign of King Ahmad Shah (1225-1151). The study noted that Islamic ideal tax systems, such as Usher and Zakat, impacted the early tax regime. However, the study is historically rich, but it lacks a deep dive into current income tax regimes. Sahebe et al.(2020) used WDI data (2006-2017) to examine the impact of tax laws and systems on the Afghan economy, concluding that a strong, transparent tax system is critical for economic recovery, but did not particularly address income tax. (Lorenz, 2013) highlighted the function of Usher and Zakat as social welfare, education, and health care. The collection of Usher and Zakat is mostly spent to cover those functions. There is a gap in the Islamic region, while mostly Zakat and Usher are counted as taxes. still, no sign in the taxation law exists that can be deducted during the payment. (Naheed & Naz, 2025), who have studied "Reconciling Shari'ah Principles with modern Taxation Regimes," noted that the rate for Zakat is 2.5% based on Classical Islamic rules. To sum up, Zakat and Usher create a significant category of the Islamic financial system. The researcher also emphasized that rules for Zakat and Usher have been set by Shariah (Samra & Siddiqui, 2021). While the collector and distributor are the state government. (Alam et al., 2023) on his study recognized foreign aid, customs duties, and natural resources as the primary revenue sources. while income tax accounts for only a minor portion. Similarly, (Barai & Zahroh, 2024) found that political instability, corruption, and reliance on foreign aid harmed Afghanistan's fiscal capacity. Moreover, (Ay et al., 2021) noted that taxpayer awareness regarding taxes increased compliance. At a broader viewpoint, (Jesus et al., 2024) examined tax regimes in various European countries and found that flexible personal income tax structures improve efficiency and compliance. This comparative methodology serves as a methodological foundation for the current research. Previous studies have focused on the historical, structural, and behavioral aspects of taxation, but have rarely examined income tax regimes across nations. This study addresses the gap by comparing India's and Afghanistan's income tax structures, enforcement procedures, and institutional foundations.

Research Methodology

The study has used a comparative research design with a qualitative descriptive technique to investigate and compare the Income tax structure of India and Afghanistan. The study focused on the provision of law, its administrative framework, and its enforcement procedures. The study's comparative perspective approach identifies similarities, variances, strengths, and problems of the Income tax system of the two countries.

This research is based on secondary data, which was gathered from the Income Tax Law 2009, the Administration Tax Law 2015, and the Value Added Tax Law 2016, as well as other Ministry of Finance data (AFGHANISTAN TAX ADMINISTRATION LAW, 2015; Income Tax Law, 2009b; VALUE ADDED TAX LAW, 2016). Moreover, the data for India was gathered from the Constitution of 1950,

Income Tax Act, 1961, Finance Acts, and the data publicly released by the Central Board of Direct Taxes (CBDT). Further, Academic research was reviewed, and the World Bank and IMF publications were studied to be used as a reference.

The data was processed under the four main themes to cover the purpose of the study: Income Tax Structure, Tax Rates and Brackets, Enforcement practices, Strengths and Weaknesses of the two countries' tax systems. Firstly, data for both countries were collected individually through the main and sub-themes. Next, Excel comparative tables were made to demonstrate the key similarities and differences. Finally, data were described comparatively to ensure understanding of the two nations' tax structures.

Limitations

This study collected data through secondary sources, which may not completely grasp the modern informal practices or enforcement realities. Furthermore, the scope of the study was limited to the Income Tax Structure of India and Afghanistan. This excludes the indirect taxes and customs duties. Despite the study's limitations, it provides crucial information about the structure and administrative concept of the income tax of two nations.

Income Tax Structure

1- Taxable Entities

India

Broad taxable entities have been defined by the Income Tax Act of 1961 in India. This law defines not only an individual and a company or a firm, but also an association of persons, a body of individuals, and a local authority or any artificial juridical person that comes under the Income Tax law, counted as taxable entities.

Afghanistan

The Income Tax Law 2009 of Afghanistan classified the taxable entities more restrictively in Afghanistan. A taxable entity is defined as an Individual (resident or non-resident), A corporation (LLCs, Companies), or a Legal entity that has been defined by law as a taxable individual. In comparison to India, the Afghan taxable entity is simpler, smaller, and less varied in its economy and legal structure (see Error! Reference source not found.).

2- Income Source

India

The head or source of income, due to the Income Tax Act, 1961, is divided into five categories: Salaries, House property, Businesses and professions, and Capital gains. However, in practice, the "Other sources" categories are massively broad, which contain anything from unexplained money and benefits to trust payments and fortune profits. This shows that India is so serious about trying to close down any tax evasion or informal hidden-income generation.

Afghanistan

The Income Tax Law 2009 had defined income sources or the head of income into six basic categories. Employment, business, property, investment, winnings, partnership, and residual. This method is simpler and less complicated. Moreover, it has focused on clearer and more prevalent Income tax sources (see Error! Reference source not found.).

3- Exemptions and Deductions

Indian: The Indian Income Tax system offers a variety of tax incentives, deductions, and exemptions, including investment incentives, health, education, and charitable contributions. Under Income tax, various exemptions exist to support the middle class, such as house rent allowance, leave travel

allowance, and home loan interest. All these varieties of exemptions and deductions help taxpayers and distribute income fairly among them (see **Error! Reference source not found.**).

Afghanistan: the country's income tax system has narrower incentives. The exemptions become limited to basic household consumption, government pensions, and diplomatic income. Operational expenses and businesses may have deductions. There is a limit on exemptions and deductions for personal income, which makes it more selective for enterprises than individuals.

4- Accounting Method and Record Keeping

India

Certain professions are subject to strict regulations on record keeping, which are based on revenue or turnover limits. Cash and Mercantile accounting systems are both permitted under Indian Tax legislation. It gives taxpayers the choice between various schemes. However, the Indian Income legislation prohibits the use of a blended system (see **Error! Reference source not found.**).

Afghanistan:

Every taxpayer with taxable income must maintain records, without exception. Different accounting techniques are needed for Afghanistan's income tax system. LLCs and companies are required to use accrual. While Individuals asked to pay with Cash. However, if they are authorized, they could be able to use accrual. Afghanistan needs a year- end inventory as well. To prevent evasion, the Ministry of Finance may relocate profits or losses across businesses (Income Tax Law, 2009b)

5- Filing Obligations

India

The standards for filing are very extensive, applicable to all enterprises and conditionally to individuals and entities. Furthermore, India imposes specific reporting triggers such as international travel, real estate, high-value deposits, and so forth. Ensuring that individuals with significant assets or luxury expenditures are taxed even if their declared income falls below the exemption threshold (Income Tax Act, 1961, 1961). Clear deadlines, an alternative for late or lost returns, and mandatory filing for some organizations, such as political parties and trusts, are all features of the system.

Afghanistan

The filing duties are very straightforward in the Afghanistan Income Tax Law. While legal businesses withholding tax must provide comprehensive monthly and annual reports, taxpayers have to file if they have multiple sources of income. This points to a dependence on withholding tax as a compliance tactic, placing accountability on companies and people (Income Tax Law, 2009b).

Income Tax Rates and Brackets

India

Containing progressive slabs for individuals under both the old and new regimes, as well as several optional corporate tax regimes that offer favourable rates, the Indian system is quite complex (see **Error! Reference source not found.**, **Error! Reference source not found.**). The framework combines the minimal alternate tax, health/education cess, and surcharges to deter avoidance. Different rates apply to different types of income, such as non-resident royalties, lottery winnings, and capital gains (THE FINANCE BILL, 2025, 2025).

Afghanistan

The Afghan method is much more straightforward. Residents pay taxes on their whole income after deducting foreign tax credits, and individuals pay taxes in four progressive slabs with a maximum rate of 20% (see **Error! Reference source not found.**, **Error! Reference source not found.**). In addition to additional regulations controlling capital gains, property transactions, and withholding taxes on dividends, royalties, and bonuses, corporations pay a flat 20% tax. The administrative procedure is made simpler by the lack of fees and cess (Income Tax Law, 2009a)

Similarities

- Individuals in both countries are paying taxes at progressive rates.

- Both nations impose taxes on global income.
- Both nations adopted the holding tax method for royalties, dividends, and interest. ➤ Capital gains are considered taxable income in both countries.

Differences

- With multiple regimes (old and new), special provisions, surcharges, cess, and MAT/AMT, India's system is far more complicated. Afghanistan is uncomplicated for residents and flat/simple for enterprises.
- Afghanistan's top individual rate is about 20% whereas India's is 30%
- Afghanistan uses a flat 20% with limited incentives, while India offers a range of concessional corporate regimes to attract investment.
- Afghanistan does not use surcharges and cesses as extra levies, although India does.
- Afghanistan allows cash dividends to be deducted from taxes, although India does not.
- The Afghan system has low capability and administrative simplicity, whereas the Indian system reflects a large and diverse economy.

Structure and Enforcement Practices

1- Key Differences in Structure

India is focusing on transparency and adherence to procedures. AO may utilize best judgment assessments to calculate taxpayers' taxes when they don't comply. Faceless systems aim to reduce corruption and human discretion. The reassessment framework ensures safeguards when taxing fugitive income (Income Tax Act, 1961, 1961).

Afghanistan is emphasizing simply taxing business receipts. BRT sets different thresholds, exemptions, and sector-specific rates that apply even without profit. Its main focus is on a simple gross receipts levy (See, **Error! Reference source not found.**)

2- Filing System

India

The system in India is technologically developed, using PAN_ Adhaar for identification (see **Error! Reference source not found.**). Most of the taxpayers have to file electronically. Conversely, programs such as TRP assist small or new taxpayers. Authorized personnel examine returns, and the selfassessment tax ensures compliance. More flexibility is now possible with the updated return conditions, which include late filing with interest (*Income Tax Act, 1961, Sec. 139(AA)*).

Afghanistan

The majority of Afghanistan's filing system is manual and document-based. Withholding and reporting taxes are mostly the responsibility of employers. Both quarterly BRT returns and annual returns, which include financial statements, are required of taxpayers. All business and banking-related activities require TINs (See **Error! Reference source not found.**). Exemptions are available for simple salary earners to facilitate compliance (Income Tax Law, 2009a)

Comparison of Both Countries Structures

- **India** prioritizes taxpayer assistance, digitalization, and identity security. The strategy aims to reduce errors, make filing easier, and permit late filing with interest.
- Afghanistan follows a highly bureaucratic and paperwork-intensive system. Every work is going to be done through physical, employer-driven reporting and setting deadlines. Lowsalaried workers benefit from exemptions. However, the system is less automated and depends more on human interaction.
- **The main difference** is that the tax system in Afghanistan follows manual and is dependent on employer compliance, while in India, developed technology was used to bring simplicity and accuracy.

3- Compliance Requirements

India has strict procedures and careful monitoring as components of compliance. Requesting immediate information and opening assessments to catch fugitive income, as well as conducting audits, can be applied by the Assessing Officer. They have sufficient authority to take action and assess taxpayers' doubtful incomes. Faceless processing limited human judgment. The taxpayers' right to be heard is guaranteed, while strict disclosure requirements and predetermined reassessment deadlines ensure revenue collection (Income Tax Act, 1961, 1961).

Afghanistan: The main focus has been on record-keeping, manual employee-driven withholding, and arranging deadlines. Systematic revenue collection is supported through exit duties for departing taxpayers, annual and quarterly returns, and monthly payments. Employers are very important in promoting compliance, which is ensured by penalties and the TIN requirement (Income Tax Law, 2009a).

4-Withholding Tax Practices

India

Salary, rent, contracts, property, professional fees, dividends, and non-resident payments are among the payment categories to which the system applies particular TDS rates. Specific criteria, rates, and relief mechanisms (lower/nil deduction certificates, TDS credit) are used to handle compliance. Special consideration is given to high-value transactions, non-resident payments, and investment in infrastructure or foreign instruments. (*Income Tax Act, 1961, Sec 192*).

Afghanistan

The system in Afghanistan places a strong emphasis on in-kind donations and employer withholding of rent and income. Non-resident payments, which are often considered final tax, are subject to withholding. Rates are frequently more straightforward 10% to 20% with precise dates for payment. Compliance must be led by the employer. (*Income Tax Law 2009, Article 58-59*).

5-Enforcement Measures

India

Default interest, property recovery, fines, and criminal prosecution are all examples of enforcement. Authorities may seek firm assets, seize property, or recover revenue if nonpayment results in default interest. The kind of noncompliance-concealment, TDS failure, or offshore transaction reporting, for example, determines the penalties. Fines and imprisonment may follow wilful evasion or failure to file taxes (Income Tax Act, 1961, 1961).

Afghanistan

The Ministry of Finance (MOF) authority includes reassessment, recovery from third parties, company closure, property auction, travel limitations, and rental valuation, serving as the foundation for enforcement. Cases of tax evasion may be referred to the Attorney General. Collecting authorities are officers. The system integrates legal enforcement, collecting authorities, and administrative measures (Income Tax Law, 2009).

- Penalties for Non-Compliance

India: Record-keeping, filing identity compliance, TDS/TCS, cash transactions, and transfer pricing paperwork are just a few of the many compliance infractions that are subject to penalties. Systematic tax evasion and refusal to deposit TDS are prosecuted. There are provisions for interest on late payments and certain reporting errors, as well as monetary and criminal penalties (Income Tax Act, 1961, 1961).

Afghanistan's sanctions include jail time, bureaucratic enforcement, and monetary fines. They concentrate on false claims, unpaid taxes, late payments, mistakes in record-keeping, and misleading statements. The Ministry of Finance has broad enforcement powers to seizure, arrest, license suspension. Furthermore, the directors and shareholders may be held personally liable. Penalties and jail time are raised for deliberate or persistent infractions (Income Tax Law, 2009).

7 – Role of Institution India:

The CBDT sets policy, the ITD enforces the law, and the AO ensure individual compliance under India's centralized tax administration. While enforcement agencies deal with financial crimes and widespread evasion, appellate institutions settle organized disputes. While compliant arbitration procedures safeguard taxpayers, digital technologies like faceless assessments and electronic filing offer transparency (Ministry of finance, n.d.).

Afghanistan

The Ministry of Finance is responsible of tax taxation, whereas the Afghanistan Revenue Department manages daily operations. While arguments and court appeals are possible through appellate procedures, assessments and enforcement are overseen by AO and Taxation Officers, respectively. Payment and anti-money laundering procedures are integrated by supporting organizations such as the Financial Transactions and Reports Analysis Centre of Afghanistan, which is Afghanistan's official Financial Intelligence Unit (FIU), and the central bank. Management choice and human verification are the foundation of enforcement; yet, advancements like SIGTAS and electronic Filing increase productivity (Income Tax Law, 2009)

Strengths

India's Tax system has developed over the decades and built a strong system due to its structure and institutions. The CBDT builds a solid administrative backbone for direct taxes. In particular, it serves as the highest authority for policymaking, supervision, and enforcement. Through the Income Tax Act, 1961, India has made a significant legal system. The system was developed by regulations and guidelines. This law serves to provide flexibility and clarity. Compliance has significantly enhanced due to Digital technologies. It has brought transparency and flexibility, such as e-filing, Aadhaar-PAN integration, and data analytics, which are huge assets (Agrawal & Soni, 2025). Progressive slabs and a broad and diverse tax base provide a more proportional distribution of tax costs. Furthermore, strong enforcement practices, such as best judgment evaluations and reassessments, enable authorities to decline tax evasion. India's tax system has become stronger due to integrating these characteristics and adopting these modern methods.

Afghanistan

Despite the lack of development, the simplicity and ease of use of Afghanistan's tax system are important advantages. Business Receipt Tax (BRT), charged on gross receipts, simplifies collection and requires less administrative work (Income Tax Law, 2009a). Taxpayers who mainly have difficulty understanding complex provisions can now use the system based on this method more easily. By eliminating the need for complex assessments, source-based taxes lower compliance expenses for both administrations and taxpayers. Advantages were provided due to Afghanistan's simple tax system. Afghanistan made an effort to create a standard tax law to demonstrate well among other allies internationally. Despite their limitations, these elements show strengths in creating a system that is easy to understand and somewhat effective in situations with limited capacity. Afghanistan finds itself in a position to reform its tax system due to pressure from international coalitions such as the World Bank, bilateral, and multilateral donor institutions (Sahebe et al., 2020).

Weaknesses

India

However, India is institutionally strong on the basis of income tax machine. Its device is still difficult and time-consuming to implement (Kumar et al., 2025; Rao, 2005). Due to frequent revisions, numerous exceptions, and duplicate obligations, taxpayers find it difficult to comply with the Income Tax Act. This complexity often leads to disputes and criminal movement, creating a backlog in courts and tax tribunals. Due to the huge illicit economic system within the country, tax evasion and avoidance continue to be massive challenges regardless of India's efforts in virtual reforms. The machine's excessive reliance on oblique taxes, which unfairly penalize lower-earnings corporations and decrease equity, is some other serious trouble. Therefore, even though the framework of the system is sound, its

shortcomings include an excessive dependence on enforcement rather than voluntary compliance, procedural complexity, and unequal tax incidence.

Afghanistan

Due to its much broader and custom duties, the Afghan tax system is weak. “Corruption in Afghanistan is as ‘Big a Threat’ as the Taliban because of billions of taxpayer dollars wasted on Afghanistan’s development” (TAWHEED et al., 2022). Various businesses refuse to pay taxes due to the black market and informal economy. Furthermore, Afghanistan lacks a strong institutional framework, similar to India's CBDT, to implement rules and laws. While it has easiness to be implemented, it is unfair, as even small businesses struggle with heavy taxes. Afghanistan doesn’t have a digital infrastructure due to security and political uncertainty. What is more, the political instability has brought a situation where taxpayers don’t trust, and it automatically reduces compliance. As a result, Afghanistan's tax system is simple, unfair, and fragile (Sabebe, 2020).

Lessons Can Both Countries Learn from Each Other

This comparison study suggests that Afghanistan and India both can benefit from accepting specific aspects of each other’s tax systems. India has a strong institutional tax system. However, it may try to reduce complexities and ease compliance by cutting court cases and reducing the tax burden on small taxpayers. On the other hand, Afghanistan can learn from India and develop its institutional tax system, digital infrastructures, and widen its tax bases fairly. India and Afghanistan both need to simplify their tax systems by increasing fairness, making sure simple rules are still fair, and ensuring strict enforcement does not bring fear among the people, and motivates them to comply. A combination of India’s strong structure and Afghanistan’s simplicity could create an equal and more impactful tax framework.

Finding

Theme 1- Income Tax structure

India and Afghanistan differ significantly regarding their income generation, permissible deductions and tax liability. In India the income taxpayer categories consist of groups, including individuals, HUFs, firms, companies and associations of persons and artificial juridical entities. Conversely Afghanistan’s taxable entities are limited to a natural or legal persons along, with corporations or commercial enterprises. As stated in the Income Tax Act of 1961 Chapter IV India recognizes five categories of income: salaries, income from property income, from business or profession capital gains and income from other sources. Conversely Afghanistan primarily depends on revenues and certain defined income categories (Income Tax Law, 2009a). India’s tax framework, Chapter VI-A offers numerous deductions and exemptions to motivate saving and investment. However this also increases the complexity of the system. Afghanistan, on the other hand, only allows a few exceptions, mostly for programs and NGOs that are supported by donors. India has a complicated tax structure, but it is well-organized. Afghanistan’s tax system is easier to understand, but it is also unfair and hard to deal with.

Theme 2 Income Tax Rates and Brackets

The income tax systems in India and Afghanistan are very different. "India has a progressive tax structure. It clarifies that high earners will pay more taxes than lower-income earning individuals. This strategy promotes fairness, but also makes it harder to follow the rules. Afghanistan, on the other hand, has a flat tax system with basic slabs for people and a 20% rate for businesses (Income Tax Law, 2009a).

It is straightforward to deal with, but it might not be fair to families with modest incomes. Indian corporate taxes are different from Afghanistan's because they have rules like the Minimum Alternate Tax, which charges 22–25%. Afghanistan is following a flat tax rate of 20%, which makes the system easier and less challenging. Due to this system, India focuses more on fairness and revenue. In contrast, Afghanistan focuses on simplicity.

Theme 3- Structure and enforcement practices

The two nation has a vary method of enforcing the law and forcing individuals to follow it. The nation has an effective system that involves e-filing, withholding taxes, making payments in advance, inquiries, and laws that limit what people can do. Specific duties lead to compliance, such as jail time or seizure for not following the rules. Afghanistan relies a lot on the Business Receipts Tax (Income Tax Law, 2009a). It also has minimal enforcement and depends on people filing their taxes by hand with little fines. India has CBDT laws and oversight, which made the system stronger and more complicated (Income Tax Act, 1961, 1961). Afghanistan's inadequate tax system makes it hard to collect money and make sure people follow the rules.

Theme 4- Strengths and weaknesses

India and Afghanistan both have strengths and challenges based on their income tax systems. India significantly uses its wide coverage, progressive taxes, digital structure, and stable institutions. The system supports India by collecting more revenue while making it complex for taxpayers. Afghanistan's tax system suffers from a small tax base while having a simpler method for compliance. It also has flat rates, which make it unfair for middle-income earners, and give it the capacity to be managed easily. Afghanistan's income tax mostly relies on BRT, which makes it challenging institutionally, as its institutions are limited. To reduce compliance issues, India may adopt simplicity. On the other hand, by improving its institutions, digital infrastructure, and increasing compliance, Afghanistan might create a fair tax system. "Overall, India is recommended to focus on making a simple tax structure. In contrast, Afghanistan might be better off focusing on developing its tax structure foundation as well as using digitalization and technological improvements (Income Tax Act, 1961, 1961; Income Tax Law, 2009a).

Conclusion

This comparison shows that India and Afghanistan have very different income tax systems created under their economic infrastructure. A broad progressive tax structure has guided India's revenue generation, which has developed institutionally and digitally. However, this system is significantly complex and costly for taxpayers, yet it supports revenue generation and the distribution of wealth, and helps to develop India's economy. In contrast, a flat tax system has been followed by Afghanistan, which is simple and unfair for middle-income taxpayers. This system mainly depends on the Business Receipts Tax. However, the system is easy to understand and cheaper to manage. It has not developed institutionally, nor adopted technology. What is more, India enforces well to avoid tax avoidance through its well-organized CBDT, and makes it hard for taxpayers to escape paying taxes by applying penalties and imprisonment. On the other hand, Afghanistan, due to its uncertain political situation and insecure conditions, cannot develop its system as well as India is doing. The overall uncertainty in Afghanistan encourages tax fraud, tax evasion, and tax avoidance due to overall dilemmas.

The Indian tax efficiency might improve by simplifying its tax codes, reducing disputes, and easing compliance. On the other hand, Afghanistan's tax structure might become stronger by improving its institutional bases and adding digital elements. It might help to fair the tax system and become more sustainable. What is more, it will support more revenue collection. Finally, India's tax system has the challenge of complication, while Afghanistan has a straightforward tax system with a flat tax rate that causes inequality and injustice for individual taxpayers, in particular middle-income earners. Both nations need reforms to increase fairness, revenue generation, and reduce complexity. It will also improve taxpayers' trust in government and systems, helping both government and taxpayers to create more trust among each other.

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Here are all the tables and figures :*Table 1, Taxable entities*

India	Afghanistan
An Individual	Individuals
A Hindu Undivided Family (HUF)	Corporations (LLCs, Companies)
A Company	Other Legal Entities identified under the law
A Firm	
An Association of Persons	
A Body of Individuals	
A Local authority or any Artificial Juridical person	

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Table 2 Source of Income

India	Afghanistan
Salaries	Employment
House property	Business
Business and profession	Property
Capital gain	Investment
Others	Winings Partnership and Residual

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Table 3, Comparison of exemptions and deductions

Category	India	Afghanistan
Exemption	Agricultural Income	Goods for Own Consumption
	HUF Income Share	Fuel & household goods
	LLP Partner Share	Govt. Employee pensions
	Leave Travel Allowance (LTA)	
	Diplomatic Income	
	Govt. Allowances & gratuity	
	Pension (partial)	
	Provident fund	
	Housing Allowances	
	Special Allowances	
	Tax-free bonds / Securities	
Income of Charitable Institutions		
Deductions	Salary standard deduction	Business expenses
	Entertainment allowance	Wages & production costs
	Professional tax	Loan interest
	Housing: 30%, Loan Interest	Rent & repairs
	Investments (LLC, PPF, NSP, etc.)	Asset depreciation
	Health & Education expenses	
	Housing loans	
	Donations	

Non-Deductible	Personal / Family expenses Personal loan interest Non-business insurance Entertainment (non-business) Reserve additions Foreign Taxes (exceptions apply)
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Table 4, Accounting method and record-keeping in India versus Afghanistan

Aspect	India	Afghanistan
Accounting Method	Cash & Mercantile permitted choice based on income/ turnover Mixed system prohibited	Firms: accrual required Individuals: Cash basis Accrual allowed if authorized
Record Requirement	Mandatory for specified professions	Mandatory for all taxpayers
Record System	Flexible reporting framework	Centralized regulatory system
Inventory & Control	No strict inventory requirement	Year-end inventory required income/loss subject to state adjustment

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Table 5, India's Income Tax rate under the (Old regime)

Taxable Income (lakh)	Tax Rates
Up to 2,50,000	Nil
2,50,001 to 5,00,000	5%
5,00,001 to 10,00,000	20%
Above 10,00,000	30%

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Table 6, India's Income Tax Rate under the (New Regime)

Taxable Income (lakh)	Tax Rates
Up to 4 lakh	Nil
400000 to 800000	5%
800000 to 1200000	10%
1200000 to 1600000	15%
1600000 to 2000000	20%
2000000 to 2400000	25%
Above 2400000	30%

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Table 7, Afghanistan's Income Tax Rates for Individuals

Taxable Income Bracket (Thousand)	Tax Rate
0-5000	0%
5001 to 12500	2%
12501 to 100,000	10% + 150

100,001 and Above	Afs
Error! Reference source not found.	20% + 8900 Afs

Table 8, Corporate Tax Rate of India versus Afghanistan

India	Afghanistan
Domestic Companies 25% if Turnover is equal to or greater than 400 crore.	LLCs and resident companies Taxable income is subject to a flat 20% tax.
Foreign Companies Flat 35% (except income taxed at special rates).	Tax on Property Transfers: 1% on both immovable and movable property sales.
Capital gains 10%, 15%, 20% depending on type/ holding	Withholding tax: Interest, dividends, royalties, prizes, lotteries, gratuities, bonuses, and service fees are all subject to 20%.
Lottery /Game show winnings: flat 30 % Non-Resident royalties / technical fees 10%	

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Table 9, The Structure Comparison Table of India and Afghanistan

Feature	India	Afghanistan
Assessment Approach	Best Judgment Assessment (AO can determine noncompliance)	Business receipt tax on gross receipts
Compliance & Transparency	Faceless inquiry/valuation mechanism.	Not specified (traditional system)
Reassessment / Escaped Income	Reassessment framework	No explicit reassessment; BRT is automatically applied.
Tax Basis	Income or profit-based evaluation	Gross receipts-based levies
Exemptions	Not indicated in this extract	Interest, bank fees, insurance premiums, exports, rent, and casual sales.
Rates	Income tax rates apply according to slabs.	Sector-based: 2-10%

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Table 10, Filing requirements for India and Afghanistan

Feature	India	Afghanistan
Identification	Adhaar-PAN Linkage Necessary	TTN is necessary for all business/individuals with a Bank Account
Filing Method	Electronic filing is Mandatory	Largely Manual/ Document-Based

Support to Taxpayers	The TRP (Tax Return Preparer) scheme assists small/unfamiliar taxpayers	Do not have the same system, employers assist via withholding report
Verification	By an Authorized person based on legal status	Not mentioned clearly; manual system
Self-assessment	Tax must be paid before filing	Handled via withholding for employees or the BRT system
Flexibility	Updated return provisions for late filing with interest	Strict deadlines; annual return by the end of the 3rd month, quarterly BRT by the 15th of the following month

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