

## Afghanistan

### Law on Domestic and Foreign Private Investment in Afganistan (2005)

*Unofficial translation*

#### **Note**

The Investment Laws Navigator is based upon sources believed to be accurate and reliable and is intended to be up-to-date at the time it was generated. It is made available with the understanding that UNCTAD is not engaged in rendering legal or other professional services. To confirm that the information has not been affected or changed by recent developments, traditional legal research techniques should be used, including checking primary sources where appropriate. While every effort is made to ensure the accuracy and completeness of its content, UNCTAD assumes no responsibility for eventual errors or omissions in the data.

The year indicated in brackets after the title of the law refers to the year of publication in the Official Gazette or, when this is not available, the year of adoption of the law.

# Contents

**Chapter I. General provisions**

**Chapter II. Coordination and monitoring**

**Chapter III. Benefits, waivers and obligations of approved enterprises**

Taxes

Customs duties

Renting of land

Transfer of capital and profits

Sale

Purchase and sale of shares

Access to banking

**Chapter IV. Miscellaneous articles**

Seizure and confiscation

Sectors not covered by this law

Dispute resolution

# Law on Domestic and Foreign Private Investment in Afghanistan

Official Gazette No. 869

## Chapter I. General provisions

### Article 1

This legislation has been adopted to encourage and protect domestic and foreign private investment. The goal of this legislation is to promote economic development, expand the labor market, improve national prosperity, advance the people's standard of living and assist the process of Afghanistan's reconstruction.

### Article 2

The following terms are defined to mean:

"Investment": Utilization of tangible and intangible capital in the form of cash, credit, material goods, services or other types (i.e. patent, intellectual property, trademark and copyright) in an enterprise approved by the High Commission on Investment.

"Approved Enterprise": Investment by a domestic or foreign real or legal entity as proscribed under this law.

### Article 3

Based on the provisions of this law and the Commercial Law, qualified domestic or foreign entities, real or legal, may invest in all sectors of the economy—whether production or service-related.

### Article 4

Domestic, foreign, or joint ventures may take any of the following forms:

1. One hundred percent domestic private equity.
2. One hundred percent foreign private equity.
3. Any combination of domestic and foreign private equity.
4. Joint venture between the Government of Afghanistan and the private sector, whether domestic or foreign.

In the last two categories, the parties shall determine the percentage of equity by mutual consent.

### Article 5

The Approved Enterprises shall prepare their accounts according to international standards and submit them to the relevant authorities for auditing.

## Chapter II. Coordination and monitoring

### Article 6

The High Commission on Investment will be the Government's focal point for policy-making on investment; it will also coordinate and monitor the Office of Private Investment. This Commission is composed of:

1. Minister of Commerce
2. Minister of Justice
3. Minister of Foreign Affairs
4. Minister of Finance
5. Minister of Planning
6. Minister of Reconstruction

The Minister of Commerce will chair the High Commission. When a proposed investment pertains to a particular sector, the relevant Minister(s) shall be invited to participate in the meeting of the High Commission.

If necessary, the President may modify the composition of the High Commission.

### Article 7

The High Commission shall have two rotating seats for the private sector, with one-year terms. For the first year, the Chamber of Commerce will elect these representatives. Subsequently, investors will propose to the High Commission a new modality of electing these representatives.

### Article 8

To implement the articles of this law, the Office of Private Investment will be created within the framework of the Ministry of Commerce. The powers, responsibilities and the organizational chart of this Office will be specified in bylaws to be approved by the High Commission.

### Article 9

The Director of the Office of Private Investment mentioned in Article Eight shall serve as the Secretary of the High Commission.

### Article 10

The High Commission shall establish a Secretariat Office.

## Chapter III. Benefits, waivers and obligations of approved enterprises

### Taxes

#### Article 11

The Government shall grant the following tax waivers:

- Short-term: Tax waivers shall be granted for four years from the date of licensing, or three years from the start of production—whichever comes first.
- Medium-term: Tax waivers shall be granted for six years from the date of licensing, or five years from the start of production—whichever comes first.
- Long-term: Tax waivers shall be granted for eight years from the date of licensing, or seven years from the start of production—whichever comes first.

Under special circumstances for investments requiring a longer period of maturation, the High commission, with due consideration of universal norms, may agree to extend the duration of exemption.

#### **Article 12**

With due consideration to universal norms, the Office of Private Investment shall determine as to which of the three categories of Article Eleven a particular investment falls under.

### **Customs duties**

#### **Article 13**

Products of the Approved Enterprises shall be exempt from any export tariffs and duties for four years from the start of production.

### **Renting of land**

#### **Article 14**

Foreign investors, based on the classification of their Approved Enterprise as short-term, medium-term or long-term [as described in Article Eleven], may lease real estate for ten, twenty or thirty years, respectively. Lease of land is conditional to implementation of the project.

The High Commission, based on need and justifiable cause, can extend the period of the lease.

### **Transfer of capital and profits**

#### **Article 15**

Private investors have the right to transfer their capital and profits [out of Afghanistan].

### **Sale**

#### **Article 16**

Private investors have the right to sell their approved enterprises after settling their legal accounts and obtaining the agreement of the High Commission.

#### **Article 17**

The capital and proceedings of the sale can be transferred outside the country.

### **Purchase and sale of shares**

**Article 18**

An Approved Enterprise with foreign ownership can sell its shares to Afghans citizens or the Government of Afghanistan.

**Article 19**

Purchase, sale and use of patents and trademarks, and proprietary information by the investor in the Approved Enterprise will be executed according to legal agreement.

**Access to banking****Article 20**

All investors, whether foreign or domestic, have the right to avail themselves of the banking facilities in Afghanistan, including opening of accounts in foreign currency and the receipt of loans and credit to advance investment in the country.

**Article 21**

Whenever possible, private investors are encouraged to employ Afghan personnel who possess the relevant skills, and thus assist in furthering their technical and professional development.

## **Chapter IV. Miscellaneous articles**

**Seizure and confiscation****Article 22**

The State does not have the right to confiscate or seize domestic or foreign investment without due process of law and the order of a court with the appropriate level of jurisdiction.

**Article 23**

Confiscation of foreign and domestic investment is only authorized for the purpose of safeguarding the public interest. In such a case, prior to confiscation, the State shall pay the just compensation for said investment on the basis of the prevailing market price or on the basis of an assessment of an internationally respected firm.

**Article 24**

Private investors may transfer any funds received from the Government as a result of confiscation out of Afghanistan without the payment of taxes.

Should the affected enterprises have any complaints, they have the right to approach the High Commission, which may adopt the appropriate measures for resolution of their grievances.

**Sectors not covered by this law****Article 25**

Investments in construction of pipelines, telecommunications infrastructure, oil and gas, mines and minerals, and heavy industries are exempt from provisions of this legislation.

Investment in these sectors shall be regulated under separate legislation.

## Dispute resolution

### Article 26

Disputes between foreign and domestic investors versus the Office of Investment and government officials may be directly resolved in an amicable manner by understanding and observing the rules of this legislation and documentation of the Enterprise, including whatever specialized contracts have been signed and agreed upon.

Should the disputes not be resolved in this manner, the parties shall settle their dispute according to the provisions of the Washington Arbitration Regulations of March 18, 1965 or in accordance with the United Nation's Judiciary Laws for International Commerce.

### Article 27

The decision based on these international agreements for dispute settlement and/or their rendered judgments shall be final and both parties are obliged to accept such a final decision.

### Article 28

Upon execution of this law, the Office of Investment created within the framework of Investment Legislation dated 8/2/1422 H.Q. is considered abolished. The High Commission will adopt measures concerning projects under submission to the current Office.

### Article 29

In the case of discrepancy between provisions of this legislation with any provisions of existing laws relating to national and foreign investment, the provisions of this legislation shall prevail.

### Article 30

Upon the execution by the Head of State, this legislation will be published in the Official Gazette and will thereby be executed; private foreign and domestic legislation that was published in the Official Gazette number 797 (dated 8/2/1422 H.Q.) will be null and void.

\* \* \*