

Taliban Prove to Be Formidable Tax Collectors, Putting Squeeze on Afghans

The government is raising more money from people struggling to survive in the country's crumbling economy

By [Saeed Shah](#) | Photographs by Elise Blanchard for The Wall Street Journal
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Now every shop is ponying up, said Haji Hafeezullah Ismati, who sells fur hats in the market. For some of them, the added cost has proven untenable. A friend and fellow shopkeeper recently closed his business and now drives a taxi, Mr. Ismati said.

Mr. Ismati has run his shop through the wars of the previous 40 years in Afghanistan. "We now have good security," he said on a recent afternoon,

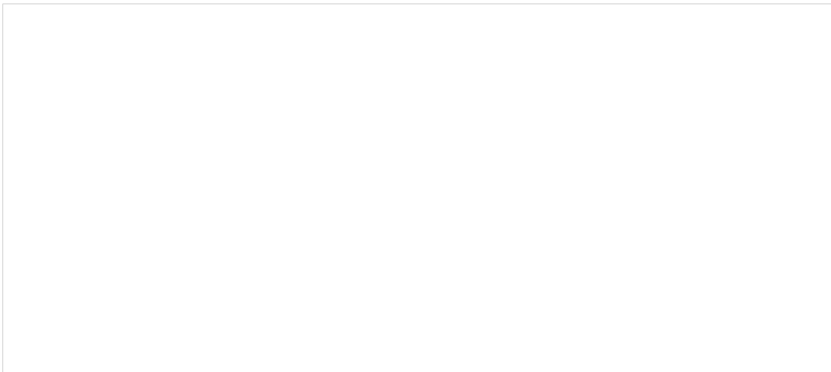
while sitting on a stool in a threadbare pullover and sweatpants at his tiny store. "But this weak economy is much worse than war."

The Taliban has managed to squeeze more tax revenue out of the country than the previous U.S.-backed governments, even as [the economy collapses](#) and most Afghans are struggling to afford food.

The government doesn't have much of a choice—it has been cut off from the international aid that sustained administrations in Kabul for nearly two decades.



Haji Hafeezullah Ismati sat in the shop where he sells karakul hats in Kabul's busy Mandawi market.



Shopkeepers chat in a fabric store near Kabul's Mandawi market.

"We are creating a culture of tax paying, in spite of all our problems," said Nooruddin Azizi, the Taliban commerce minister. "It takes effort and hardship to move the country towards self-sufficiency. Some will even sustain losses, but the person or shopkeeper who makes a loss now will enjoy a lot of benefits in future years."

Still, it isn't an easy pitch to make to a country that has plunged deeper into poverty since the Taliban took over in 2021, as the bubble of foreign aid and security funding burst. Afghanistan has largely been cut off from the international banking system, hindering trade and remittances from overseas. The Taliban has restricted women from parts of the workforce, [depriving many families](#) of livelihoods. The World Food Program says that 92% of households are straining to meet their basic food needs, including millions on the verge of famine.

How al Qaeda Is Regrouping Under Taliban Rule in Afghanistan



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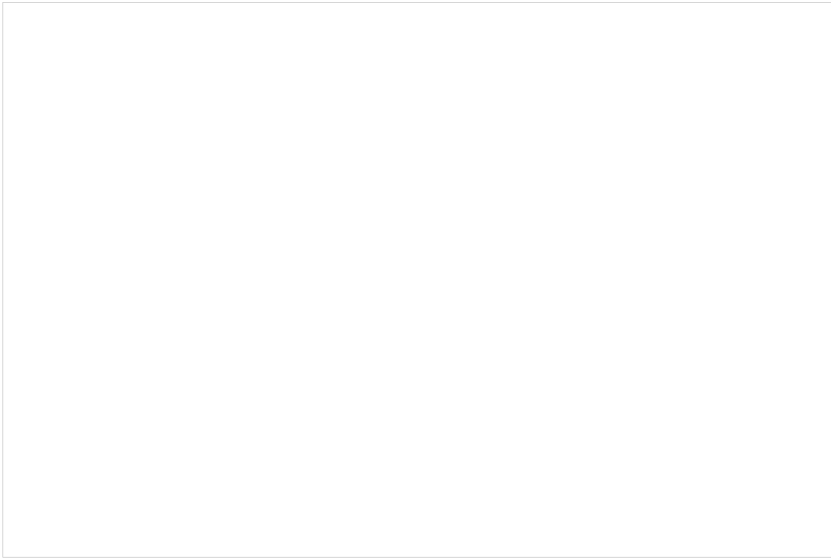
Photo composite: Ksenia Shaikhutdinova

There are indications that the administration has managed to stabilize the economy in recent months, around what the World Bank calls a "fragile low-level equilibrium" after shrinking 21% in 2021, the year the Taliban came to power.

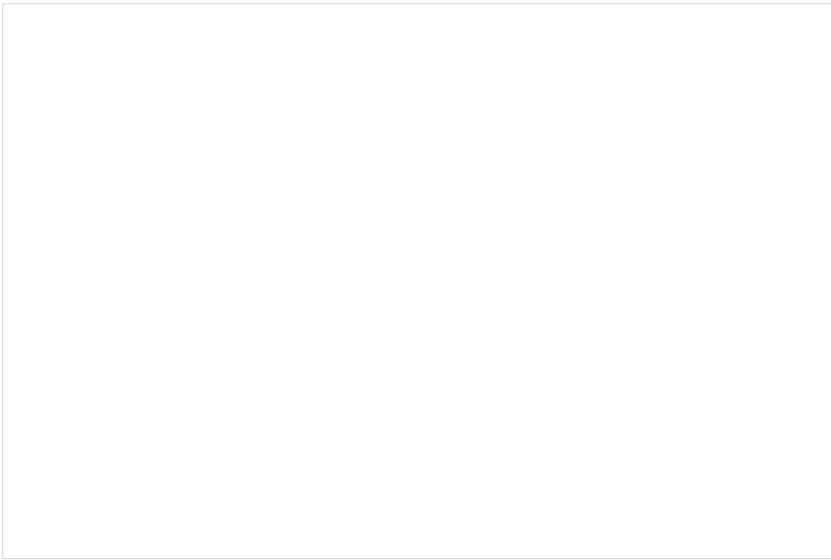
However, that economic bottoming out is dependent on the continuation of aid, which still flows into the country via international organizations, even though it doesn't go directly into government coffers. International reaction over the cascade of restrictions that the Taliban has imposed on women is now threatening that aid.

For businesses in Kabul's Mandawi market, the twin toll of the economy and the Taliban's new tax regime has been hard to bear. Under the previous government, it was common for many of the businesses to pay bribes instead of paying their taxes when inspectors showed up, said Mr. Ismati, the

hat seller.



A woman passed through Kabul's bird market.



Afghan currency traders sat in Kabul's money exchange market.

The bribes were often less than the taxes, meaning that even though they were participating in corruption the overall costs on businesses was generally lower. The owner of a grocery store, near the hat shop, said that

business was down 50% but now he has to pay his taxes, which cost twice as much.

"This is a catastrophic life. I'm using my savings so my family eats," he said. "If we don't pay the taxes, I'm afraid of a beating or being put in jail."

A spokesman for the Finance Ministry, Ahmad Wali Haqmal, denied that anyone is being jailed or beaten for not paying taxes.

"If people don't pay, we can seal their shop," Mr. Haqmal said.

Mairaj Mohammad Mairaj, the director general for revenues at the Finance Ministry, said tax rates hadn't increased. What has changed, he said, is that authorities are now collecting the taxes that are due because there is less corruption.

"People used to bargain with tax officials," Mr. Mairaj said. "We have told our employees that there will be zero tolerance of corruption."

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Taxes collected from small businesses have tripled, he said. Places like bus stations, previously in the grip of criminal gangs, are now paying taxes. Revenues from royalties the mining industry pays for minerals they extract are seven times

what they once were, according to the ministry of mines.

It isn't just taxes. Afghans are having to spend more on other necessities. At the national electricity company, revenues are up 15% to 20%, said Safiullah Ahmadzai, the chief operating officer, who also served in the same role in the prior administration.

"We've caught a lot of people who were stealing power," said Mr. Ahmadzai. "No one in Afghanistan can now refuse to pay."

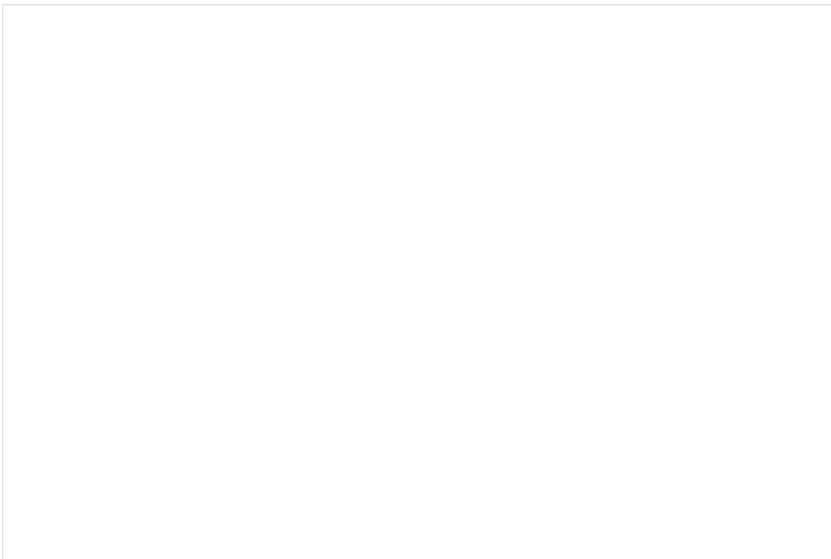
Corruption is down significantly in Afghanistan, the United Nations envoy to the country said in December. A World Bank survey of the private sector found that before the 2021 takeover, 62% of businesses paid bribes to tax collectors and 82% bribed customs officials. Under the Taliban, the figure has dropped to 8% for both categories.

Reducing graft and bureaucracy has led to a boost in exports, including coal, fruit and vegetables, because businesses are able to move goods more freely without paying bribes at checkpoints, the Commerce Ministry said. There is also greater demand from neighboring Pakistan. Annual exports have doubled to \$2 billion, according to the World Bank, while inflation is now down to low single digits.

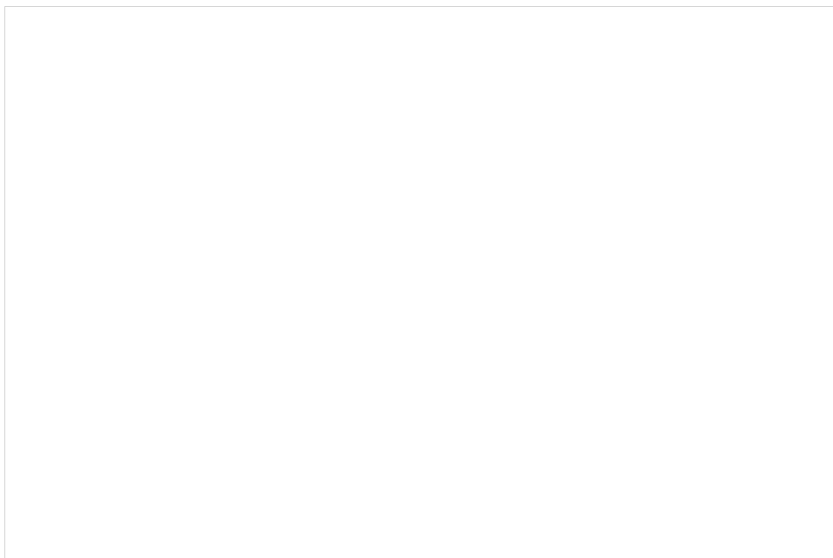
The Taliban has used government revenues to pay the wages of 800,000 government employees, including a new army of 150,000 men. International aid had made up 75% of the budget of the U.S.-backed government. The Taliban doesn't disclose how much of its revenues are used to pay its security forces, but Afghanistan experts estimate they spend about half of their revenues on military, police and intelligence.

Revenues came to the equivalent of \$2.3 billion for the year ended March

2023, according to the Ministry of Finance. That is nearly 10% better than the 12-month period for the year ended March 2021, the last full fiscal year of the U.S.-backed government. More than half of the revenues came from duties levied on imports. Revenues amounted to 16% of gross domestic product, according to the Finance Ministry, the same ratio as neighboring Pakistan, a far more developed country.



A boy collected trash to sell or burn for heating in Kabul.



Women and children waited outside a Kabul bakery for bread donations.

The Kabul municipality said that it raised the equivalent of \$52 million for the financial year ended March 2023, around 40% more than under the previous government. As well as taxing businesses, it charges households for services like cleaning streets.

"For the first time, the municipality has funded our own budget," said Nematullah Barazkzai, a spokesman.

The World Bank estimates that \$3.5 billion in aid was spent inside Afghanistan last year. Of that, the U.N. says that it flew in \$1.7 billion in cash, which was injected into the local economy by changing it for the local currency. Some \$9 billion in annual aid used to flow in under the U.S.-backed government, including funding for security forces.

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With other global priorities, such as Ukraine, and international condemnation over the tightening of restrictions on women, the U.N. is struggling to get

traction on its \$4.6 billion Afghanistan appeal for 2023, its biggest fundraising effort worldwide.

At a roadside market in Kabul, a 21-year-old man pointed to two stalls he used to run selling shoes, which are now mothballed in plastic sheeting. He said that between the tax demands of the Kabul authorities and his depleted sales, profit shrank from \$10 to \$1.50 a day, making it not viable.

Instead, he is selling plastic slippers from a wheeled cart, which is illegal and untaxed. He spends his days dodging the authorities. To get by, he sold his car.

"The authorities demand taxes even though they know business isn't good," he said. "I want to get married, but I can't afford the expense."



A man sold fruit at the side of a road in Kabul.

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