

THE TAXATION SYSTEM

OF SYRIA

By

Suhayl M. Shamiyeh

Thesis presented to the Department
of Commerce of the School of Arts and
Sciences of the American University of
Beirut in partial fulfilment of the re-
quirements for the degree of Master of
Business Administration.

To the Memory of
Lt. Raymond Hajek
October 18, 1944.

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PREFACE

The purpose of this essay is two-fold. In the first place, it is intended to describe and evaluate the taxation system of Syria. In the second place, it is intended to fill a gap in the history of the taxation system of that country. Since 1934, when Professor Himadeh's "Economic Organization of Syria" appeared,¹ no extensive study of the taxation system of Syria has been undertaken. Fundamental changes have occurred since that time. Old taxes have been abolished such as the Land Werko tax, the Tithe, most of the specific custom duties and part of the Tamattu'. New taxes have been introduced such as the Intaj'al'Ziraii tax, the Income tax, the Building Sites tax, the Army taxes and the Sugar Monopoly tax.

These changes which were introduced after 1941 were due mostly to the increase in government expenditure and the necessity for providing the funds to meet them. They were caused by the war and the requirements of independence. A certain desire to imitate neighboring countries was also among the causes.

The war, with inflation caused by the Allied Armies' expenditure in Syria, increased considerably the cost of government. The index of wholesale prices which in June 1939 was 134 rose to 834 in 1943 while the index of retail prices rose from 100 in 1938 to 690 in 1943.² Moreover, the war gave rise to new governmental functions such as the distribution of vital food supplies through the Ministry of Supply.

1. Economic Organization of Syria, edited by Said B. Himadeh, 1936, American Press, Beirut.

2. Compiled by the "Affaires Economiques, Bureau de Statistiques et d'Etudes Economiques de la France Combattante au Levant," Beirut, 1943.

This further increased the cost of government and led it to levy new taxes. The Intaj'al'Zirail indirect tax on the consumption of agricultural products affords the best example.

Syria's access to independence in 1941 brought new responsibilities on the shoulders of the Syrian government. A national army and foreign representation are the necessary corrolories of a sovereign state. These necessitated the levy of a multitude of indirect taxes among which are the "Army taxes". Thus even after the Income tax came into effect, the tendency of taxation development was still towards indirect taxation and the main burden of the taxes was falling on the poorer classes.

The desire to imitate neighboring countries which have advanced much further than Syria in the field of taxation led the Syrian legislator to study foreign tax legislation. But instead of imitating Palestine's direct Rural Property tax he imitated Iraq's Istihlak tax. The new Building Sites tax is similar to the Iraqi tax and the Income tax resembles more or less the Egyptian tax on separate incomes. In this field also Palestine would have provided a better example for Syria.

In this study the Mohafazats of Djabal al Duruz and Latakia were excluded for the following reason : the same system of taxation applies to the whole Syrian territory but these two Mohafazats have separate budgets and it was not possible to get the necessary statistical data. The reality is that nothing is lost through this omission except for the statistics. And it is hoped that what has been lost in largeur will be gained in profondeur. The first chapter of the essay is an introduction dealing with the budget, public expenditures and revenues in general. The following chapters deal with: the Intaj'al'Zirail tax; the Tamattu; the Income tax; the Poll tax; the Animal tax; the Building and Building Sites tax and the tax on Gardiennage; the Excise taxes; the Custom duties;

the other taxes; and finally a conclusion.

I am especially indebted to Professor Kimadeh under whose supervision the work has been completed and whose instruction in Public Finance provided me with the necessary basic tools. I am also greatly indebted to Adib Bey Roumani, former head of the Accounting Department of the Ministry of Finance, for the valuable unpublished statistics with which he has provided me.

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Appendix I

Chapter I
INTRODUCTION

Forward.

Adwin R.A. Seligman writes¹: "The nature of economic organization and the degree of economic well being determines the source, volume and forms of public revenue; the type of social and political organization determines the distribution of the fiscal burden among the various classes of the population, etc." and then he adds: "As trade and industry increase, excises develop. With the rising influence of the submerged classes indirect taxes give way to direct. When modern capitalism emerges, income replaces property as the norm of taxation. Finally as economic obligation becomes more widely recognized, the sphere of impersonal taxation contracts and there arises a newer interpretation of taxable ability. Each economic and political stage has its appropriate form of public revenues." To what extent does the truth of these statements apply to Syria? What are the relations between the economic and social organization of the country and the manner in which the tax burden is distributed among the different classes of the population? Has there been a real shift from indirect to direct taxation during the past years? We shall briefly try to expose the general development of the taxation system of Syria and answer these questions.

Until 1942 when the Syrian government began to feel the financial difficulties coming ahead, no major reforms had been undertaken ~~en~~ to replace

1. C.f., Encyclopaedia of the Social Sciences, Vol. XII, p. 639.

the antiquated taxes inherited from the Ottoman Empire and the arrêtes of the early twenties during the mandatory régime.

A one sided explanation for this slow taxation reform is the remaining feudal agricultural economy. The land which is held by a few landlords has not tended to be divided among the cultivators and thus it is argued with an unchanging economic organization we must have an unchanging taxation system. This faulty picture does not take into account the development of commerce and industry, the growing consciousness of the working class, the development of the ideas of justice and equity, the outburst of socialist and democratic sentiments, the responsibility thrown on the shoulders of government to correct the great inequalities of wealth and income and consequently the broadening of class distinction. Thus no valid excuse can be given for the Syrian legislator.

The financial organization of the Syrian Republic has changed with the changes in political organization of the country. Under the French Mandate, Syria was composed of three autonomous states, namely: The State of Syria, the Government of Latakia and the Government of Djabal al Duruz. The link between all these states was performed by the French High Commission. A French financial councillor was attached to each state, this made it easy for the High Commission to achieve, whenever necessary, uniformity of legislation between the states including Lebanon. In addition to this function, the High Commission assumed a direct control over certain services of common interest to all the states such as the customs. Furthermore, as a great number of Ottoman laws still apply in these three states,

the bulk of their fiscal legislation is similar. The Syrian states have, however, different budgets.

In 1936, the states of Latakia and Djabal al Duruz were annexed to Syria, thus becoming Mohafazats. In 1937, the fiscal laws of the Syrian Republic were applied to the Mohafazats of Latakia and Djabal al Duruz.¹

In 1941, Syria obtained her independence. One by one the different prerogatives which were exercised by the French High Commission passed to the national Government. In 1943, the national Governments of Syria and Lebanon took over the budget of common interests.

The system of financial administration is directed by the Minister of Finance who is in charge of the preparation of the budget and the collection and disbursement of public revenues.² He is also charged with the supervision of concessionary companies. He is assisted in his work by the Director of Finance who is directly responsible to him. The custody of public funds is entrusted to the Bank of Syria and Lebanon and the money thus remains in circulation.

No system of administration is complete without a trained and reliable personnel, the selection of whom is a task equal in importance to that of proper organization itself. Realizing this, a school designed to complete the training of the employees of the Ministry of Finance was instituted in Damascus in 1945. The number of the students admitted

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1. Rapport à la Société des Nations sur la Situation en Syrie et Liban, 1937, p. 100.
 2. See for the Organization of the Ministry of Finance Law No. 66/AS, March 22, 1943.

in the beginning of that year was 140 chosen from the different Mohafazats.^{*1}

The authority of the Minister of Finance depends upon his personality because the finance committee of the Chamber of Deputies possesses the right to modify the financial measures of the government, and any deputy has the right to propose new expenditures as well as additional credits. The Minister of Finance does not exercise an effective control over the financial activities of the other ministerial departments.

The Budget.

The budget is defined as a preliminary approved plan of public revenues and expenditures.² Professor Lutz defines it as a comprehensive program of expenditures and revenues, prepared and approved in advance of the operations to be conducted under it.³ A budget must have the following features: (a) A statement containing estimates of revenues and expenditure needs; (b) Revenue and appropriation acts; (c) Limited duration.

There are five different budgets in the Syrian Republic:⁴ (a) The ordinary budget of Syria excluding the Mohafazats of Lattakia and Djabal al Duruz; (b) The Ministry of Supply budget; (c) The budget of Common Interests; (d) The budget of the Mohafazat of Djabal al Duruz and (e) The budget of the Mohafazat of Lattakia.⁵

I. The Ordinary Budget.

The ordinary budget is prepared by the Minister of Finance. Each minister prepares an estimate for his department. The Minister of Finance

1. Le Commerce du Levant of April 11, 1945, p.4.
2. René Stourm, Le Budget (Translated from French by Walter McCabb, D. Appleton and Company, London, 1917), p.2.
3. Harley Lutz, Public Finance, (D. Appleton and Company, London, 1936) p. 120.
4. The budget of the ministry of Supply was amalgamated with the ordinary budget in 1945 and the financial autonomy of the Mohafazats was abolished as from January 1, 1946. Henceforth, their budgets will be amalgamated with the ordinary budget.
5. The last two budgets of the Mohafazats are very briefly discussed under one heading.

collects and coordinates them. An estimate of revenues is drawn up solely by his department, then he drafts the budget prior to submitting it to the Parliament. In his work he is handicapped by the fact that his authority is not greater than the other departments. The ordinary budget is then presented to Parliament where it is sanctioned by an annual law known as the Budget Law.

The budget procedure in the Chamber of Deputies is governed by the Syrian Constitution. Art. 44 of the Constitution devotes the second session which meets in the middle of October to the discussion of the budget before anything else. And article 99 requests the government to present the budget to the Chamber of Deputies in the beginning of the session of October. Art. 102 stipulates that if Parliament does not finish the discussion of the budget during the October ordinary session, then the President of the Republic shall call the Chamber to an extraordinary session ending in January. If the extraordinary session passes and Parliament does not make a final decision, then, the President of the Republic passes a decree approved by the Cabinet making the budget obligatory in the form of the bill presented to the House of Deputies.

But the Syrian budget is seldom presented to the House at the right time and often the new fiscal year which begins on January 1st is entered without its preparation. When this happens a douzième provisoire is prepared and presented to the House for voting. When approved every minister uses the credit granted to him. For example in 1941, the February douzième provisoire was promulgated by legislative decree no. 28 of the year 1941. The same thing happened in 1942. A douzième provisoire was prepared for each month of that year. For instance, the one of February was promulgated by the Law no. 64/AS of the year 1942. That of March by the Law no. 99/AS. The following may be said against the practice of such a method:

1. It is against the generally acknowledged practice which says that budgets must be prepared in advance of the period in which they are to operate. This conceals from the deputies additional appropriations which might not have been approved, and confronts them with a fait accompli.

2. The actual financial condition of the treasury will be concealed and the budget will not possess any more the essential characteristic of comprehensiveness.

3. It conflicts with art.99 of the Syrian Constitution.

4. It leads the minister to spend lavishly and wastefully public funds because he knows that once the monthly credit is used, a new credit will be opened to him the following month.

In the House the budget is studied by the Finance Committee which reports on it. Art.100 of the Syrian Constitution stipulates that the deputies have no right to present proposals incurring new expenditures during the discussion of the budget, but only the Finance Committee has this right. It is only when the debate is closed that the deputies have the right to present proposals for new expenditures.

Once the budget is approved, it is sanctioned by law and then it is sent to the Ministry of Finance for execution. The accounts for the fiscal year must be presented closed to the House of Deputies within two years from the end of the year in which the budget was in operation.

According to art. 103 of the Constitution there must be formed a Diwan'al'Muhassabat to audit revenues and expenditures. This Diwan must be independent. Its members cannot be removed without the approval of the Chamber and unless they commit an act contrary to the law of the Diwan.

The Diwan'al'Muhassabat was instituted by the Law No. 38 of May 24, 1938 which fixed its organization, defined its powers and regulated its working. It contained the following provisions.

1. The Diwan is composed of a president and two councillors who work in the name of the legislative authority and are only responsible to the Chamber of Deputies. An advocate general represents the Government and is also an agent of the Treasury in its relations with the Diwan.

2. The duties of the Diwan are to verify all receipts and expenditure of the State, the Mohafazats enjoying special budgets and public establishments endowed with moral responsibility and functioning with the help credits voted by Parliament and all municipalities of over 10,000 inhabitants. It has the power of administrative control, including approval of all disbursements and control over the work of accountants. It presents its reports to the Parliament.

The law of 1938 was not applied until January 1941 and with the following modifications:¹

The Diwan became responsible to the Prime Minister. To him all the reports must be submitted. Municipalities of over 10,000 inhabitants will not be subject to the control of the Diwan except for loans granted to these municipalities exceeding 20% of their revenues and for loans guaranteed by the government.

The Diwan has no power over municipalities in the Mohafazats of Lattakia and Djabal al Duruz.

The work of the Diwan began on the basis of the accounts dated December 31st., 1940. In 1944 the Diwan was again made directly res-

1. Décret Législatif N° 153, December 10, 1940

possible to the Chamber of Deputies.¹

Accuracy of the Budget.

Table I compares totals of actual with those of totals of estimated expenditures and revenues. The average percentage of error over a period of five years is 9.67% for the expenditures and 6.29% for the revenues. A comparative study of the percentage of error in ordinary budget estimates in foreign countries has revealed the Syrian percentage to be higher. The general remark that could be made from the study of Table I is that the tendency is to overestimate expenditures and to underestimate revenues, thus making the budget very conservative.

No clear picture could be taken from the Table which compares totals of actual with that of totals of estimated revenues and expenditures. A study of individual items will reveal better the degree of accuracy of the budget, because an over-estimation in one item may be balanced by under-estimation in another item leaving the general totals unaltered.

Table I

The Degree of Accuracy of Ordinary Budget Estimates
of the Years 1938-1942 (2)

Year	Total Actual Ordinary Expenditure. £.S.	Total Estimated Ordinary Expenditure. £.S.	Percentage of error.	Total Actual Ordinary Revenue. £.S.	Total Estimated Ordinary Revenue. £.S.	Percentage of error.
1938	9,499,648	10,412,909	9.50	9,833,152	10,247,047	4.21
1939	11,981,100	11,352,470	5.25	11,873,202	11,352,470	4.38
1940	13,562,652	14,504,308	6.90	16,908,856	14,504,308	14.21
1941	12,209,821	13,603,100	11.40	14,499,335	13,603,100	6.18
1942	22,443,825	25,851,733	15.18	26,504,974	25,851,733	2.46
Average			9.67			6.29

- Budget of the State of Syria for 1944 and 1945.
- Budgets of the Syrian Republic (excluding Lattakia and Djabal al Duruz).

in practically all cases expenditures have been overestimated. This is probably because of emphasis on safety in the face of a rising price level. In the case of revenues, the inaccuracy is due largely to the uncertainty of most of the taxes. As a large part of revenue is from taxes on agriculture, animals and from custom duties, and in view of the fact that these taxes are subject to the variation in climatic conditions and value of imports, it is not possible to forecast accurately the amount of revenue from such sources.

II. The Budget of the Ministry of Supply,

The Supply Service was instituted in Syria on March 31, 1941.¹ It was first directly attached to the Prime Minister, with a Mudir as its head. The Supply Service was then transformed into a Ministry of Supply in 1942 with a minister as its head, assisted by a General Director.²

The Minister of Supply is assisted by an Administrative Committee and a Consultative Committee. The Administrative Committee is composed of the Minister of Supply, president, the General Director of the Ministry of Supply, vice-president, and adviser of the Supply Services, a representative of the Ministry of Finance, and a representative of the Ministry of National Economy. The Consultative Committee is composed of the members of the Administrative Committee and representatives from the Chamber of Commerce and Industry in every merkez (center) of the Mohafazats.

The two committees meet in Damascus at the call of the presidents or the majority of the members.

The purposes of the Ministry of Supply are:³

a. To provide the best possible means by which the population can acquire

-
1. Décret Législatif No. 1/AS, May 31, 1941.
 2. The Ministry of Supply was reorganized by Décret Législatif No. 150, August 5, 1943.
 3. Décret Législatif No. 150, August 5, 1943.

the prime necessities of life.

b. To regulate exports and imports according to the public need.

c. To distribute the food supplies in an equitable manner.

d. To subject certain necessary commodities to controlled distribution and then to distribute them between the producers or consumers in an equitable manner.

e. To organize production, commerce, consumption and storage in accordance with the needs of the public.

f. To acquire local or foreign goods or materials and store them for distribution when the needs of the population could not be satisfied adequately and at reasonable prices in the free market.

g. To receive all revenues and fees due to it in accordance with the laws and regulations, and to administer all funds entrusted to it in accordance with the duties laid upon it, and to collect funds and debts accrued to it.

h. To establish consumers cooperatives and when necessary producers cooperatives and aid same.

The departments of the Central Administration of the Ministry of Supply are: the general directorate, the diwan, the research and statistics service, the inspection service, the accounts department, the distribution service, the foreign trade section, the price control section and the controlled commodities service. Work in the districts is undertaken by the supply service of the Mohafazats.

Up to 1944, the budget of the Ministry of Supply was independent from the Syrian budget. No control over it was exercised by the Diwan'al Mohassabat. However, Art. 9 of Decret Legislatif No. 150 of

Aug. 5, 1943 provided for a close cooperation between the Ministers of Finance and Supply through the membership of a representative of the Ministry of Finance in the Administrative and Consultative committees. Sometimes comptrollers are appointed by the Ministry of Finance to audit the accounts of all the Supply Services. This financial autonomy aroused severe criticism in the House of Deputies. To prevent abuses, the Budget Law No. 136 of January 30, 1945 abolished the financial autonomy of the Ministry of Supply. Henceforth the balance of its budget had to appear in the ordinary budget and it was to be under the direct control of the Diwan'al'Mohassabat.

The revenues of the Ministry of Supply are composed of: Taxes collected by the Ministry (especially the tax of 4% Advalorem on export permits and of 2% Advalorem on import permits,¹ the tax on controlled goods and tax on the sugar monopoly); credits granted by the state; subscriptions of municipalities; proceeds of requisitioned merchandise and fines collected; profits on sales of goods above purchase price; and miscellaneous receipts.

The expenditures of the Ministry are composed of: salaries and allowances of employees; administrative expenses; losses on sales below cost price (the greater part of these losses arise from the sale of bread below cost price); interest on loans; and grants given. The budget of the Supply Service is prepared by the Ministry of Supply and promulgated by a decree of the cabinet. The budget of the Ministry of Supply for the year 1944 is given in Table II.

The question to ask in relation to the Ministry of Supply is whether it fulfilled the purpose for which it was created; whether it has

1. Décret Législatif N° 249/AS, October 21, 1942.

TABLE II.

Budget of the Ministry of Supply¹
for the Year 1944.

A. Expenditures

	Syrian pounds.
1. Salaries, Bonuses and Allowances	435,541 02
2. General Expenses	184,000
3. Capital Expenditure	93,000
4. Supply Losses	15,000,000
5. Loans paid to the Government	2,770,000
6. Reserve	425,458 98
Total	18,908,000 00

B. Revenues

1. Revenues from the Sugar Monopoly ²	6,800,000
2. Revenues from Commerce	
Control fees 71,000	
Import " 630,000	
Export " 670,000	
Fees on Con- trolled artic. 22,000	1,393,000
3. Fines and Requisitions	93,000
4. Share of the Municipalities in the Losses	593,000
5. Revenue to the Government from Cereals Sold to Individuals and Groups	10,000,000
6. Miscellaneous Receipts	29,000
	18,908,000 00

1. Secured from the Ministry of Supply.

2. See infra, p.17. Later on transferred to the Ministry of Finance.

supplied the poor classes with the bare necessities of life at reasonable price; whether it was able to stop the speculators and to enforce a good rationing system in the country.

The Ministry of Supply helped by the Office des Céréales Panifiables, later on the "Mira office" has undoubtedly made it possible for the poor classes to get their daily rationed bread at reasonable prices. Most of the losses of the Ministry were due to wheat distribution below cost. The Supply Ministry also monopolized the sugar trade and made huge profits out of this essential product, by distributing it above the purchase price.

Several criticisms have been levelled at the Supply Ministry. In the first place many of the employees were inefficient and corrupt.¹ Secondly most of the essential articles were not rationed. The essential work of any Supply Service is rationing of essential commodities. Instead of rationing the consumption of these commodities and levying a progressive direct taxation on war profits, it tried to limit profits by price fixing alone. This measure, of course, proved unsuccessful². Thirdly, clear and definite policy was lacking. A certain arrêté to take over the artificial silk was annulled by another arrêté, then, instituted by a third one, and finally amended by a fourth one in a period of 10 days³. Fourthly some of the acts of the Supply Ministry were unconstitutional. The 1943 budget was refused by Parliament and again the 1944 budget was refused. This was on the ground that the revenues and expenditures of the Supply Ministry were based on Décrets and Arretés not sanctioned by the Chamber.⁴

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1. Minutes of the Chamber of Deputies for the year 1944, p. 89.
 2. Minutes of the Chamber of Deputies for the year 1945, tenth session, fourth extraordinary meeting.
 3. Minutes of the Chamber of Deputies for the year 1944, p. 86.
 4. Ibid, p. 88.

Accordingly, many proposals by the deputies were submitted to abolish that Ministry in 1945, and to transfer its various functions to the other ministerial and municipal departments, such as, the distribution of bread to the municipalities, exports and imports to the Ministry of National Economy, the import and distribution of sugar to the Ministry of Finance, all with the exception of the last proposal did not materialize due to the lack of cohesion and the difference of opinion between the deputies. The only definite solution which resulted from all these criticisms, as we have already noticed, is the subjection of the Ministry to the control of the Diwan and the inclusion of its budget in the general ordinary budget.

III. The Budget of Common Interests.

Syria besides its ordinary budget, has a common financial organization with Lebanon necessitated by the existence of certain services of common interest. These services, which involve both receipts and expenditures were administered by the French High Commission. The most important of the common receipts is the customs. Syria and Lebanon constitute one custom area with the same tariff legislation. On the other hand, the chief items of expenditure were the maintenance of the Special Troops, the administration of the customs and certain civil expenditures.

With the transfer of the Budget of Common Interest to the states of Syria and Lebanon in 1943, an agreement was concluded between them on October 11, 1943, which later on was ratified by both Chambers. Under the new agreement, the common interests services were divided into two groups. The first group includes those services that must be exploited under a joint administration for an indefinite period, such as the Customs Services, the Control of General Concessions

operating on both Syrian and Lebanese territories and the Régie des Tabacs. The second group includes those services the administration of which must be immediately handed over to the two governments separately, each within its own territory, such as the Gunpowder Service; the Industrial, Commercial, Literary and Art Patent Offices; the Public Works Service; the Administration of Posts and Telegraphs, the Antiquities Department etc.

The administration of common interest services included under the first group is entrusted to a mixed organism called the Supreme Council of Common Interests. This Council is composed of three delegates for each of the two states. The Council's decisions are reached by agreement, the three delegates of each state having one single vote. The Council sits for six months of the year in Damascus and for the other six months in Beirut. The Council has no power of legislation but has the function of preparing the legislation for each of the two Governments. Other powers of the Supreme Council are: the administration and supervision of all common interests services, control over the budget and personnel of each of these services, appointment of administrative officials, etc.

The receipts from Common Interests Services jointly administered and controlled by the ^{two} Governments are utilized in the first degree to defray the expenses of these services according to the decisions of the Supreme Council. The remainder is divided between the two states, each state's share being proportionate to the amount of taxes and duties paid by its inhabitants to the Common Interests treasury. Since the share of each state could not be ascertained beforehand, the contracting parties have agreed on a temporary mode of distribution, allowing each

of the two states 40% of the net receipts; the remaining 20% to be divided at the end of the first year by decision of the Supreme Council, in accordance with the above mentioned principle. The agreement is to remain in force for a period of two years, starting from the date of transfer of Common Interests Services, and is to be automatically renewed for another two years unless, six months before its expiration, one of the contracting parties demands its abrogation.

The Council is, therefore, not a free and independent body having legislative power to decide on such important questions as the proper tariff policy and customs duties. The members of the Council are appointed by the Ministries of the two states and are dependent on them for remaining in office. One outcome of this is that recommendations of the Council may remain a long time before they are decided upon by the two Governments.

Tables III and IV show the Budget of Common Interest over a period of eleven years from 1933 to 1943. Table III shows that customs receipts constitute on the average 97% of the common receipts. Other receipts are of minor importance. Those other receipts, before the transfer of the Common Interests Service to the two native Governments, consisted of fees and charges collected by certain services such as the Surete Generale, the office for the Protection of Industrial, Commercial, Artistic, Literary patent rights and the Control of Concessionary Companies. The sums appearing under the title "Produits des Exploitations Industrielles" referred to the profits from the oil refinery built by the French in Tripoli in 1941. †

The expenditures of the Budget of Common Interests, before the

TABLE

Receipts from the Budget

(1933 -

In Syrian

	1933	1934	1935
1. Customs	9,334,402	8,639,868	8,055,906
2. Office of Common Interests	129,622	38,313	51,208
3. Powder Monopoly	---	---	---
4. Office for the protection of Indus. Com. Property etc., Art., Lit, Mus.	---	---	---
5. Sureté Generale	5,473	5,017	15,672
6. Dues from Concessions	26,812	25,195	25,757
7. Participation in Profits of Conc. Sec.	---	---	---
8. Public Works	---	---	---
9. Exploitation of Railways	---	---	---
10. Products of Indus. Exploitation	---	---	---
11. Dues levied by the Office des Etats in Paris	379	315	214
12. Taxes on Trade of Antiquities	---	690	494
13. Tobacco Monopoly	---	---	---
14. Interest on Funds in Bank	19,042	28,863	72,803
15. Accidental Receipts	7,453	13,839	16,009
16. Receipts in Attenuation of Expenditure	---	---	---
17. Fonds de Concours	---	---	---
Total	9,523,183	8,752,100	8,238,205
Extraordinary Receipts:			
1. Transfer of Appropriation in Pre- vious years	---	320,294	86,579
2. Withdrawals from Reserves	---	573,546	100,671
General Total	9,523,183	9,645,939	8,458,555
Percentage of Customs to the Total Receipts	98.02%	96.72%	97.79%

1. Compiled from Rapport à la Société des Nations, 1933-1935 and the

Common Interests

3)

nds

	1937	1938	1939	1940	1941	1942	1943
54,9289,998,236	11,756,970	13,008,139	8,210,139	4,479,197	11,724,110	14,034,390	
55,939	71,245	91,320	---	---	---	---	---
---	---	---	65,877	46,890	92,557	40,118	13,905
---	---	---	10,133	9,639	4,092	---	---
22,484	25,705	38,016	43,892	13,977	25,476	---	---
27,608	30,111	33,432	34,577	34,165	33,788	34,177	49,000
---	---	---	50,709	61,109	---	---	---
---	---	---	---	---	3,334	1,630	180,236
---	---	---	---	---	---	---	---
---	---	---	---	---	2,20,000	694,129	1,292,521
218	275	359	1,051	394	28	---	---
855	1,780	2,926	1,020	155	25	1,135	1,948
6,667	10,026	11,552	9,694	8,711	8,039	4,819	8,914
89,337	44,354	19,623	25,978	27,992	27,107	55,360	79,676
10,477	16,637	44,118	31,724	51,086	136,901	102,143	153,475
---	---	---	100,729	4,645	645,045	135,748	17,756
---	---	---	---	---	---	250,000	20,500
68,513	1,198,369	11,998,316	13,383,523	8,488,902	7,655,539	13,243,369	15,649,322
78,467	439,646	49,059	190,115	439,701	---	17,686	1,746,000
---	---	---	---	---	---	2,500,000	---
745,980	1,638,015	12,047,375	13,573,638	8,928,603	7,655,539	15,761,055	17,595,322
7.35%	98.04%	97.99%	97.20%	96.91%	58.50%	74.39%	79.76%

udget of Common Interests, 1939-1943.

TABLE

Expenditures of the Budget of
(1933
In Syrian

Budget of Common Interests
1943)
Lands

	1933	1934	1935	1936	1937	1938	1939	1940	1941	1942	1943
1. Customs	930,846	875,460	864,072	871,704	1,103,867	1,312,911	1,340,632	1,148,670	1,300,143	2,150,605	3,250,307
2. Financial Services	1,528,341	1,466,007	1,54,716	150,294	199,037	236,714	318,824	482,660	536,295	1,042,766	1,359,895
3. Legal Service	---	---	---	---	---	---	---	---	---	---	---
4. Economic Offices etc.	145,530	55,465	52,912	46,947	63,506	100,954	169,615	432,867	103,251	---	---
5. Land & Topographic Ser.	39,322	52,501	50,920	56,742	44,846	50,000	52,721	26,620	89,277	286,128	323,013
6. Other Com. Int. Services	107,222	96,229	81,041	85,199	113,664	184,609	179,517	115,230	---	---	---
7. Information & Broad. Ser.	---	---	---	---	---	---	---	92,095	6,541	267,791	312,345
8. Inspection of Public Wer. & Control of Concessions	93,041	78,172	60,572	60,859	85,900	91,857	89,542	85,780	255,627	326,889	607,690
9. Post & Telegraph.	95,975	91,669	86,326	90,283	98,994	107,677	89,542	85,780	165,516	255,267	376,696
10. Railways	611,461	596,048	590,317	591,250	671,244	---	77,160	40,111	56,860	67,762	85,660
11. Inspection of Public Ins. Antiquities & Archael.	26,225	28,391	29,604	32,294	50,147	58,792	55,555	52,442	51,166	71,397	174,900
"Sûreté Générale"	137,593	134,667	131,325	157,423	16,990	225,277	250,154	267,048	---	---	---
13. Security & Déf. Passive	---	---	---	---	---	---	---	---	---	---	---
14. Civil Exp. of the Mand.	251,030	226,000	198,465	193,620	---	---	---	---	---	---	---
15. Special Troops	4,591,418	4,500,000	4,500,000	4,400,000	4,000,000	5,000,000	5,500,000	1,200,000	1,752,005	1,379,419	1,408,607
16. Extraordinary Exp. for defense	---	---	---	---	---	---	---	250,300	---	---	---
17. Extraordinary expendi.	71,305	6,421	39,987	11,417	---	---	12,500,000	---	---	---	---
18. Exp. of Previous Bud.	72	1,557	201	2,560	8,746	42,281	12,399	---	---	---	---
19. Non-recoverable exp.	---	---	---	---	4,292	621	---	7,057	122,012	18,199	213,930
20. Expend. to liquidate the Com. Int. Services	---	---	---	40,502	69,932	8,580	77,769	478	---	---	---
Total	8,627,387	8,209,693	8,308,460	8,573,714	10,250,000	---	---	460,692	11,352	303,442	---
21. Programme of Public Works	---	893,539	971,528	1,296,241	8,00,195	7,758,648	10,127,088	4,742,455	500,000	250,000	---
General Total	8,627,387	9,103,532	7,779,988	7,869,956	1,13,924	1,303,032	1,741,312	268,302	254,009	1,712,992	4,243,072
22. Amt. distributed bet- ween the States	575,502	293,500	---	395,000	9,14,119	9,061,680	11,668,400	5,010,760	5,667,408	6,651,291	12,719,230
23. Amt. carried to next year	320,294	66,579	678,467	439,646	25,000	490,000	905,000	3,595,789	229,011	2,362,071	2,000,000
24. To the Reserve Fund	---	162,323	---	42,379	9,059	190,115	439,701	---	---	---	---
Total	9,523,183	9,645,939	8,458,455	8,746,960	10,13,983	12,047,375	13,573,638	8,928,603	7,655,539	15,761,055	17,595,522

Source: Budgets of Common Interests, 1933 to 1943 and Local Budgets of
distributed to the States, in numerous cases, there was a di
State budgets.

the Syrian and Lebanese Republics, 1933 to 1943. As regards the amounts
convergence between the figures of the Budget of Common Interests and the

transfer of Service, may be classified into three categories. (See Table V.) Firstly the expenditures on security, which constituted more than 60% during the years 1933-1939. After 1939 the Special Troops of Levant which constituted the largest item of the expenditures on security were paid by the French and later on by the Allied Armies. Expenditures on security will no more appear in the future as the Special Troops have been handed to the Syrian and Lebanese government in July 1945 which will pay them from the ordinary budget. Secondly, there are the expenditures on administration of the Services of Common Interest, which constituted the next item of importance. They consisted of expenditure on administration of the customs, the financial services, the administrative personnel of the Mandate, the inspection of public works, of concessionary companies, posts and telegraphs, etc. Thirdly, expenditures on public utility, These consisted of expenditures on the economic services, the offices of common interests, the inspection of public instruction and archeology, the service of information and radio transmission. All these expenditures were below 5% of the budget during 1933-1939. Fourthly, the remaining surplus after the payment of the ordinary expenditures was used for public works, distribution among the states and for the creation of a Reserve Fund. Table VI shows the amounts distributed to the States during the years 1933-1943. In addition amounts were sometimes distributed from the Reserve Fund of the Budget. (See Table VI)

= Table V =

Distribution of Ordinary Expenditures of the Budget of Common Interests Among
Different Classes of Expenditures
1933-1939

Year	Total Ordinary Expenditures £.Syr.	Expenditures on Security £.Syr.	% of Total	Expenditures on Administration £.Syr.	% of Total	Expenditures for Public Utility £.Syr.	% of Total
1933	6,627,367	4,729,011	54.51	3,582,071	41.52	316,305	3.67
1934	8,209,693	4,634,667	56.45	3,340,340	40.69	234,686	2.86
1935	6,808,460	4,631,325	68.02	1,976,656	29.03	200,477	2.95
1936	6,573,714	4,557,423	69.33	1,813,109	27.58	203,182	3.09
1937	8,330,195	4,716,990	56.63	3,321,342	39.87	291,863	3.50
1938	7,758,648	5,225,277	67.35	2,136,816	27.57	394,555	5.08
1939	10,127,086	7,000,154	69.12	2,669,526	26.36	457,406	4.52
Total 1933- 1939.	66,435,185	35,494,847	62.69	15,841,662	33.39	2,098,476	3.72

1. Rapport à la Société des Nations, 1933-1939.

T A B L E

Amounts Distributed
From the Different Funds

	1933 £.Syr.	1934 £.Syr.	1935 £.Syr.	1936 £.Syr.	1937 £.Syr.
I. Amount Distributed from the Surplus of the Budget of Common Interests.	525502	268500	-----	360000	575000
A. To Lebanon	300087	112500	-----	150000	250000
B. To Syria (1)	225415	156000	-----	210000	325000
II. Amount Distributed from the Reserve Fund of the Budget of Common Interests.	229802	-----	28844	421908	385011
A. To Lebanon.	229802	-----	-----	126368	132395
B. To Syria (1)	-----	-----	28844	295540	250616
III. Total Amounts distributed to Syria and Lebanon from I and II above.	755304	268500	28844	781908	950011
A. To Lebanon	529889	112500	-----	276368	382395
B. To Syria (1)	225415	156000	28844	505540	575016
Amounts Distributed to the Republics of Lebanon and Syria from the Surplus of the Budget of Common Int. Acc. to their budgets.	225000	257500	100000	300000	350000
A. To Lebanon	-----	192500	65000	150000	150000
B. To Syria(1)	225000	65000	35000	210000	200000

Compiled from the Budget of Common Interests and the Ordinary Budgets of the Syrian and Lebanese Republics.

(1) Excluding Alexandretta.

VI

to Syria and Lebanon
of the Budget of Common Interests

1938 £.Syr.	1939 £.Syr.	1940 £.Syr.	1941 £.Syr.	1942 £.Syr.	1943 £.Syr.
490000	905000	3595789	229011	2382071	2000000
-----	-----	-----	-----	-----	-----
-----	-----	-----	-----	2382071	2000000
113945	12262	-----	-----	-----	-----
113945	12262	-----	-----	-----	-----
-----	-----	-----	-----	-----	-----
603945	917262	3595789	229011	2382071	2000000
-----	-----	400000	150000	-----	-----
-----	-----	3195789	79011	2382071	2000000
323042	846191	3595789	229011	2382071	2000000
198042	2251	400000	150000	-----	-----
125000	843940	3195789	79011	2382071	2000000

IV. The Budgets of the Financially Autonomous Mohafazats. (1)

The financially autonomous Mohafazats of Lattakia and Djabal al Duruz have separate budgets which are prepared by the financial services of the Mohafazats. Once drafted, each budget is presented to the respective Administrative Council for first ratification. Then each one is sent to the Mohafez for approval. When approved, the budgets are sent to the Minister of Finance in Damascus for final review and confirmation after which the President of the Republic passes a decree, approved by the Prime Minister and the Minister of Finance, making the respective budgets obligatory.

Tables VII and VIII (p. 26 and 27) show the budgets of the Mohafazats of Lattakia and Djabal al Duruz. For comparison purposes, total expenditures in the Mohafazat of Lattakia formed on the average for the years 1939-1943 9.9% of the total expenditures of the Syrian Republic (For the three budgets taken together, namely, the budget of the Syrian Republic excluding the financially autonomous Mohafazats, the budget of the Mohafazats of Lattakia and the budget of the Mohafazat of Djabal al Duruz) while total expenditure in the Mohafazat of Djabal al Duruz formed on the average for the same period 2.2% of the total expenditures of the Syrian Republic. On the other hand tables VII and VIII show that on the average for the same years total revenues in the Mohafazat of Lattakia formed 9.8% of the total revenues of the Syrian Republic while in the Mohafazat of Djabal al Duruz it consisted of 2%.

1. Supra, p. 7, footnotes 4 and 5.

TABLE VII
Budget of the Mohafazat of Lattakia ¹

1939 - 1942

(In Syrian pounds)

2 RECEIPTS					2 EXPENDITURES				
	1939	1940	1941	1942		1939	1940	1941	1942
Direct Taxes	672,576	737,780	800,000	1,172,795	Gov't & Central Adm.	67,978	28,055	40,390	48,227
Indirect Taxes and fees	347,614	500,342	523,163	994,043	Assemblies & Councils	13,930	13,632	12,756	11,910
Public Domain.....	31,174	79,167	54,855	192,084	Debt (pensions, subsidies)	218,503	221,438	247,643	426,281
Public enterprises	54,529	59,846	43,675	77,937	Finance	138,335	169,637	187,880	358,465
Miscellaneous Receipts..	86,507	63,853	89,784	166,999	Gendarmerie & Garde Mob.	192,490	236,328	277,778	452,730
Receipts in attenuation of expenditures	8,587	8,111	10,082	20,778	Police	16,616	---	---	---
Surplus distributed from the Budget of Common Interests	---	65,000	25,000	---	Public Health	57,452	77,539	67,500	166,461
Withdrawals from Reserve Fund of Local Budget...	64,000	30,000	215,500	80,000	Justice	94,989	102,558	142,717	212,388
Withdrawals from Reserve Fund at High Commission	---	---	---	---	Agriculture & Soc. Services	43,393	47,977	54,605	70,671
Reimbursement of Loans	40,172	5,160	4,625	213,742	Registry of Deeds and Public Domain	---	---	---	---
Other extraordinary Receipts	---	89,664	---	156,135	Public Works	105,902	142,666	194,520	250,746
TOTAL	1,325,159	1,658,923	1,766,722	3,074,513	Posts & Telegraphs	26,365	29,619	34,899	58,638
					Public Instruction	151,454	140,895	194,412	300,285
					Expend. of Past Years	91,158	29,443	36,262	69,865
					Bookkeeping Transfers	---	---	---	---
					Interior	---	49,742	69,691	117,329
					TOTAL	1,218,568	1,289,529	1,581,053	2,544,076
					SURPLUS	106,591	369,394	185,669	530,437
						1,325,159	1,658,923	1,766,722	3,074,513
Per cent of Total Receipts in the Syrian Republic (3)	9.8%	8.7%	10.6%	10.2%	Per cent of Total exp- enditure in the Syrian Republic (3)	9.8%	8.4%	11.2%	9.9%
Total Receipts	13,484,034	18,989,582	16,617,770	30,050,234	Total expenditures	12,337,229	15,256,906	14,128,304	25,447,643

1. Compiled from the Budgets of the Mohafazat of Lattakia, 1939-1942.

2. Government Classification.

3. Supra, p. 25.

TABLE VIII
Budget of the Mohafazat of Djabal al Duruz

1939-1942
(In Syrian Pounds)

RECEIPTS					EXPENDITURES				
	1939	1940	1941	1942		1939	1940	1941	1942
Direct Taxes	204,315	255,555	209,855	224,913	Gov't & Central Adm.....	32,308	34,195	40,531	79,692
Indirect Taxes & Fees	48,699	82,458	83,206	115,347	Assemblies & Councils	3,825	4,020	4,020	4,020
Public Domain ..	-- --	-- --	-- --	3,480	Debt (Pensions, Sub. etc.)	7,528	6,344	27,367	83,690
Public Enterprises	4,616	1,841	1,939	2,381	Finance	20,832	29,978	25,014	27,808
Misc. Receipts ..	10,947	10,462	19,156	26,200	Interior	-- --	-- --	-- --	-- --
Receipts in attenuation of Exp.	7,023	6,795	5,425	18,241	Gendarmery	42,737	31,923	38,078	88,456
Bookkeeping Transfers.....	6,644	4,173	-- --	13,708	Police	5,048	5,572	7,053	9,787
Surplus Distributed from the Bud. of Com. Interests	-- --	40,000	19,011	-- --	Public Health	15,172	16,145	17,213	22,338
Withdrawals from Reserve Fund of B. of C. Interests	-- --	-- --	-- --	-- --	Justice	15,534	16,755	19,661	31,435
Extraordinary Rec.	-- --	-- --	8,644	50,000	Agricul. & Eco. Services ..	8,191	9,267	12,914	13,473
With. Res. Fund of Local Budget	-- --	14,163	-- --	16,477	Registry of Deeds and Public Domain	-- --	-- --	-- --	-- --
TOTAL	285,673	421,803	351,713	470,747	Public Works	59,700	204,359	88,973	25,384
					Posts and Telegraphs.....	-- --	-- --	-- --	3,921
					Public Instruction	39,144	40,674	46,125	65,112
					Exp. Of Past Years	1,199	1,325	523	1,924
					Bookkeeping Transfers	6,644	4,173	8,644	13,709
					TOTAL	257,657	404,730	336,436	470,740
					Surplus	28,016	17,073	15,277	-- --
						285,673	421,803	351,713	470,747
per cent of Total (2)					per cent of Total exp. in the Syrian Republic (2)	2.1%	2.6%	2.5%	1.8%
Rec. of the Syr. Re. 2.1%	2.2%	2.1%	1.5%						
Total Receipts	13,484,034	18,989,582	16,617,770	30,050,234	Total expenditure	12,337,229	15,256,906	14,128,304	25,447,648

1. Compiled from the Budgets of the Mohafazat of Djabal al Duruz, 1939-1942.
2. Supra, p. 25.

B. Public expenditures

Public expenditures in any state are determined by the prevailing economic organization of society, the functions assigned to the state and the political pressures of class, group and sectional interest.

Syria is backward both economically and politically. The country is largely agricultural and its industry is still in its infancy. The productivity of the Syrian soil is very low. The chief handicaps are the prevalence of large land-holdings, the metayer tenancy, ignorance of the cultivators, and their primitive methods of production. These handicaps reduce the national income and consequently the volume of revenues at the disposal of the state. On the other hand, there are no political parties in the proper sense of the word, pressure groups are non-existent, and economic classes are either not organized at all or poorly organized. Consequently, public expenditures are largely for the primary functions of government, namely, security, justice and administration. Expenditures on social and developmental purposes are relatively small.

In terms of money public expenditures have increased enormously since 1936, because of the continuous depreciation of the Syrian money particularly during the inflationary period of the war; and though there has been a real increase since 1936, the increase has not been very large. The recent real increase in government expenditures was due partly to the war which created new services such as the supply service, the defence passive, etc., and partly to the access to independence which necessitated the creation of foreign representation and the maintenance of a national Army.

(1)

Total public expenditures of the Syrian Republic include, besides the central government's budget, the budget of the financially autonomous Mohafazats of Jabal al Duruz and that of Lattakia together with the share in the common budget with Lebanon called the "Budget of Common Interests". The share in the latter budget is 56% of the expenditures of this budget. Appendix 1 gives the expenditures in the foregoing budgets separately. Table IX (p. 30) in the text shows the aggregate expenditures over eleven years, classified according to departments.

For the purpose of studying the expenditures of the Syrian Republic, we shall divide them according to the various government functions. Accordingly the expenditures are divided into four classes: (a) expenditure on security; (b) expenditure on administration and justice; (c) expenditure for economic, developmental or commercial purposes; and (d) social expenditure.

(a). Expenditures on security. Before 1945, the Special Troops were maintained by the budget of common interests. (2) With their transfer to the National Government, a new budget was created for the Army. This budget is endowed with special revenues which together with the expenditures are carried over at the end of each financial year to the ordinary budget. It has been estimated that the cost of the National Army will be in 1945 around 23,000,000 Syrian pounds, though the Army was handed over to the Syrian government only in July 1945. (3) The Syrian government maintains also a police force and a gendarmerie. Expenditures on these forces constituted about 32.7% of total expenditures during the years 1935-1945. Table X (p. 31) shows the extent of expenditure on security.

-
1. The Ministry of supply had a separate budget during the years 1941-1944. The budget of the Ministry of Supply is discussed in a special section (Supra, p.p. 12-16), and is consequently omitted from this section. The financial autonomy of that Ministry was abolished in 1945 by the Budget Law No. 136 of January 30, 1945.
 2. See Table IV.
 3. Law No. 199 of Sept. 19, 1945. This item is likely to increase very much

TABLE

PUBLIC EXPENDITURES IN THE

(In Syrian

	1933	1934	1935	1936	1937
Gov't & Central Adm.	89,594	85,508	89,409	125,144	99,099
Presidency	---	---	---	---	---
Assemblies & Councils	124,108	89,629	30,535	51,711	174,141
Foreign Affairs	---	---	---	---	58,960
National Defence	---	---	---	---	1,000
Dept (pensions, Sub.)	1,310,341	1,288,796	1,392,280	1,334,800	1,391,176
Finance	830,357	737,631	743,365	627,390	694,774
Interior	427,067	309,796	280,350	235,408	361,300
Gendarmerie and "Garde Mobile"	1,401,620	1,435,397	1,400,501	1,348,488	1,609,234
Police	467,514	448,654	439,844	437,491	537,356
Public Health	305,564	272,202	269,084	254,421	301,145
Social Affairs	---	---	---	---	---
Justice	780,365	718,012	695,267	656,615	745,707
Agriculture and Economic Services	238,942	174,478	146,953	157,425	155,672
Supply	---	---	---	---	---
Registry of Deeds and Public Domain	412,155	305,690	296,368	265,021	265,055
Public Works	581,049	648,599	690,374	940,440	724,740
Post & Telegraph	165,483	200,324	197,996	195,705	200,219
Public Instruction	1,089,270	1,047,727	1,062,229	1,067,888	1,263,029
Expenditure of Past Years	81,015	317,720	144,243	163,600	131,400
Bookkeeping Transfers	11,900	14,021	9,796	13,012	8,877
Miscellaneous expenditure	---	---	---	---	---
Settlement of Deficit for 1933	---	---	50,000	175,000	---
Total	8,345,142	7,990,064	8,167,290	7,940,598	8,745,682

Price Level of Wholesale prices = base 1936 = 100. (3)

Real increase (4)

Compiled from the Budgets of the Syrian Republic including the financially

1. Compiled from the budgets of the Syrian Republic including the financially autonomous Muhafazate but excluding Alexandretta and the Ministry of Supply Budgets.

2. Estimates.

3. Compiled by the Affaires Economiques de la Délégalion Générale de la France Combattante, Beyrouth 1943.

4. Considering that the index of wholesale prices in 1943 has risen to 834, we find that there has been a real decrease in the public expenditures of Syria in 1943 as compared with the expenditures in 1936 (base year). However, not all of the expenditures have increased to the extent of the rise in the price level. It is estimated by the Ministry of Finance that around 2/3 of the budget expenditures are salaries and wages which increased only 2 1/2 times from what they were in 1936. Accordingly, to determine whether there is a real increase in the budget of Syria, we have to take the above fact into consideration and the following method of calculation will have to be followed to determine whether there has been a real increase in expenditures.

$$\frac{1}{2.5} + \frac{1}{834} = \dots$$

Expenditure in 1936 was 11,041,679 Syrian Pounds. It is, therefore, seen that there has been a real expenditure during 1943 as compared with 1936. increase in

1
SYRIAN REPUBLIC

Pounds)

2

1938	1939	1940	1941	1942	1943
261,916	187,348	168,054	229,075	393,349	535,904
---	22,837	7,145	50,361	116,760	121,096
186,655	122,293	44,313	33,104	31,662	431,700
91,391	25,377	---	11,173	65,742	447,550
36,374	4,549	---	2,261	33,497	103,716
1,742,098	1,678,623	2,049,598	1,660,080	4,463,922	5,062,946
880,964	946,964	1,029,314	1,199,569	2,106,344	3,785,057
375,121	354,049	462,818	549,627	971,094	1,241,694
2,106,479	2,091,597	2,306,615	2,720,473	4,593,617	6,640,612
694,669	749,153	749,553	677,621	1,482,604	2,414,611
374,564	409,689	442,803	507,667	930,682	1,619,343
---	---	---	---	182,554	200,964
813,711	822,261	864,700	1,005,025	1,572,070	2,321,615
233,754	235,067	271,729	343,504	624,604	1,635,967
---	---	---	3,767	19,526	26,726
327,674	351,402	339,234	338,611	552,477	916,368
880,793	1,935,323	4,098,832	1,692,845	2,621,248	3,776,767
253,675	283,907	353,083	333,160	531,583	695,364
1,723,963	1,869,626	2,013,177	2,324,767	4,026,196	6,577,262
49,621	92,357	30,768	36,885	71,809	64,351
6,257	6,644	4,173	6,644	13,709	267,000
---	148,211	---	---	---	2,565,742
---	---	---	---	---	---
11,041,679	12,337,299	15,255,906	14,128,309	25,447,648	42,052,600
100	117	205	Unavailable	750	634
11,041,679	10,544,700	7,442,400	---	67,663,394,300	5,042,200

Table X

Expenditure on Security
(1933-1943)
In Syrian Pounds

	1933	1934	1935	1936	1937	1938	1939	1940	1941	1942	1943
<u>Budgets of the Syrian Republic</u>											
(a) Police	467314	448654	439644	432491	532359	694569	749155	749555	887821	1482804	2414611
(b) National Defence	-----	-----	-----	-----	1000	36374	4549	-----	2261	33497	103716
(c) Gendarmery	1401620	1435397	1400581	1348488	1609284	2106479	2091597	2306615	2720473	4593817	6040652
TOTAL	1868934	1884051	1840425	1780979	2142643	2837522	2845299	3056168	3610555	6110118	9358979
<u>Share in Budget of Com. Interests. (56%)</u>											
(a) Special Troop	2571193	2520000	2520000	2464000	2520000	2800000	3080000	140000	-----	-----	-----
(b) Extraordinary expenditure on defence	-----	-----	-----	-----	-----	-----	7000000	-----	-----	-----	-----
(c) Sureté Générale	77052	75413	73541	88155	121513	126154	140086	149546	-----	-----	-----
(d) Défense Passive	-----	-----	-----	-----	-----	-----	-----	-----	258017	772473	789031
Total Amt. Spent on Security	4517179	4479464	4433965	4333134	4784186	5763676	13065385	3345714	3868572	6882591	10148010
cent of Total Expenditure	34.2%	34.2%	35.3%	34.5%	36.2%	35.9%	63.6%	18.5%	22.3%	22.7%	20.6%
Total Expenditure	13177519	13088160	12524078	12556697	13212237	16015219	18969443	18062935	17301058	30303365	49175268

1. Compiled from the Budgets of the Syrian Republic excluding Alexandretta, 1933-1943.
2. Excluding expenditure on Supply.
3. Estimates.

(b). expenditure on administration and justice. Disbursement for administrative purposes are especially heavy in Syria in comparison with the quality of the service rendered. The reason being the steady increase in the number of employees and their inefficiency, so that it has become very difficult to cancel jobs which already have been created. The government wants to please such and such a deputy in return for his promised support and therefore appoints his protégé who is usually inefficient. These expenditures constituted about 35.0% of total expenditures during the years 1935-1945 (See table XI, p. 53).

As Syria has become independent, foreign representation has become necessary. Legations and consulates have been created and consequently new employees have been appointed.

Pensions form the greater part of the expenditures on administration and justice, amounting to about 30% of them. The Ministry of Finance is using the practice of buying pensions at lump sums against the right for it in order to diminish the burden on future budgets. The legislation of pensions established by Legislative decree No. 161 of November 4, 1935 has been modified in part by the Law No. 65 of June 15, 1938. This new law has reduced from 20 to 15 years the duration of the services which qualify for a proportional pension right. It also modified certain articles regarding the right of families to receive pensions of employees deceased while on active duty. This new law has the effect of increasing the expenditure on administration.

(c). Disbursements for commercial and developmental purposes include expenditures on economic development and on public domain and public enterprises. Government services for business and agriculture are still negligible as will be seen from the study of Table XII in the text (p. 54). No offices are found with the object of promoting

Table XI
Expenditure on Administration and Justice (1)
(1933-1943)

In Syrian Pounds

Budgets of the Syrian Republic (2)	1933	1934	1935	1936	1937	1938	1939	1940	1941	1942	1943
Presidency	-----	-----	-----	-----	-----	-----	22837	7145	50361	116760	121096
Gov't & Central Adm.	89594	83508	89409	125144	99009	261966	187348	168054	229075	393349	535964
Debt (Pensions, etc.)	1310341	1280796	1392280	1334866	1391176	1742098	1678623	2049595	1860080	4463922	5062948
Assemblies & Councils	124108	89525	50535	51711	174141	166555	122293	44313	33104	31662	431700
Finance Department	830357	737631	743365	622390	694774	880964	946964	1029314	1199569	2108344	3765067
Department of Interior	427067	309796	280350	233408	361836	375121	354049	462818	549627	671094	1241894
Department of Justice	780369	718012	693867	656615	745707	813711	822261	884700	1005025	1572070	2521625
Foreign Affairs	-----	-----	-----	-----	56960	91391	25377	-----	11173	85742	447550
Supply Services (3)	-----	-----	-----	-----	-----	-----	-----	-----	3767	19526	23728
Total	3561532	3219272	3229806	3024134	3523603	4351956	4159752	4545939	4941761	9782469	13971552
Share in Budget of Common Interests (56%)	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----
Customs Administration	521273	490259	483880	485154	617164	735229	750765	642365	728077	1194818	1620171
Financial Services	855670	820963	75440	84500	111460	132559	178543	270706	301444	583148	763540
Inspection & Control	187913	179575	149441	154045	191087	242776	223406	149934	128193	342088	434962
Civil expenditure of the Mandate	140575	126500	111139	107426	149423	191373	421792	705600	981458	174634	185183
Grand total	5267463	4836629	4049706	3858259	4592737	5553893	5734258	6314542	7080953	12077127	17175408(4)
Percent of Total Expenditure	39.9%	38.6%	32.3%	30.7%	34.7%	35.2%	30.2%	36.4%	40.9%	39.8%	34.9%
Total expenditure	13177519	13088160	12524078	12555697	13212237	16015219	18969443	18062933	17301058	30303365	49175268

Compiled from the Budgets of the Syrian Republic excluding Alexandretta when a part of Syria and from the Budgets of Common Interests, 1933-1943, excluding the Ministry of Supply Budget. The Ministry of Supply has a separate budget. This item appears in the ordinary budget of the Syrian Republic. estimates.

Table XII
Expenditure for Commercial and Developmental
Purposes
(1933-1943)
In Syrian Pounds

	1933	1934	1935	1936	1937	1938	1939	1940	1941	1942	1943
I. Budgets of the Syrian Republic(2)											
(a)-Developmental											
1. Agriculture & Eco. Services	238942	174478	148953	137423	155672	233754	235087	271729	343504	624804	1635967
2. Public Works	581049	648599	898374	948440	724740	880793	1935328	4098832	1692845	2621245	3778767
(b)-Commercial											
1. Post & Tel.	185483	206324	197995	193705	208819	253675	283907	353083	333160	531583	895364
2. Public Domain	412155	305690	296385	288021	265653	327674	351402	339234	338611	552477	916369
Total	1417629	1332691	1541707	1567591	1354834	1695896	2305719	5062878	2708120	5330109	7226467
II. Share in the Budget of Common Interests											
1. Economic Off.	80379	31058	29630	26287	46763	56534	94983	242404	49994	161501	180886
2. Programme of Public Works	-----	500548	544055	725894	791797	729696	975134	150249	142244	959270	2376116
Grand Total	1498008	1863697	2115392	2319772	2193444	2482126	3075836	5455531	2900358	6450880	9783469
Per cent of Total Expenditure	11.3%	14.2%	16.8%	18.4%	16.5%	15.4%	20.4%	30.2%	16.7%	21.2%	19.9%
Total Expenditure	13177519	13088160	12524078	12555697	13212237	16015219	18969443	18062933	17301058	30303365	49175268

Compiled from the Budgets of the Syrian Republic excluding Alexandretta and the Budget of Common Interests for 1933-1943.
Excluding Expenditure on the Supply Services.
Estimates.

trade, inspecting exports and giving governmental certificates to maintain quality of the exported product. no research and advisory bureaus are found. no regular bulletins are published for the help of businessmen and agriculturists. Syria has no officers in residence abroad who report to a central office at home regarding such details as business conditions, prices, marketing possibilities for specific commodities, tariff and custom policies. With Syria's access to independence and the appointment of consuls, commercial attachés abroad, it is to be hoped that this ^{large} gap will be filled. Government services for agricultural constituted on the average, for the years 1940-1943, 2.2% only of total expenditures. This is a very small percentage if one considers that Syria is mainly an agricultural country. Expenditures for commercial and developmental purposes constituted about 18.3% of total expenditures during the years 1933-1943 (See table XII).

Expenditures on public works are the largest. Average yearly expenditures on public works during 1940-1943 was 14% of total expenditures. They include all construction projects undertaken by governmental agencies and financed out of public funds. The main expenditure of the government is on the construction and maintenance of roads, streets and bridges.

Public undertakings include post and Telegraphs, the Ministry of Supply ⁽¹⁾ and the Hejaz Railway. ⁽²⁾

1. Discussed separately, Supra, pp. 12-17.
2. Law No. 140 of February 28, 1945. The Hejaz railway was handed over to the Syrian government early in 1945.

(d). Social expenditure. The main social expenditure of the government is on public health and education. Disbursement from the Budget of Common Interests are made on the quarantine service and the antiquities and archeology departments. These services have been transferred to the respective governments of Syria and Lebanon. Social expenditures constitutes a very small proportion of total expenditure being on the average 13.3% during the years 1933-1943. (Table XIII p. 57)

U. Public Revenue.

Public revenue comprises the receipts and income by which the agencies and services of the government are supported. (1) It is divided into two main classes, namely, non tax-revenues and tax revenues. Non tax-revenues include the income from fees, public domain, public enterprises and miscellaneous receipts such as discounts from pensions, receipts from hospitals, royalties from the Bank of Syria and Lebanon and various other receipts. Table XIV (p. 58) shows the non-tax revenues for the years 1939 to 1943, (2) excluding the Mohafazats of Djabal al Duruz and Lattakia.

During the years 1939, 1940, 1941 and 1942, non-tax revenues formed respectively 24.48%, 18.01%, 24.78% and 20.03% of the ordinary receipts of the central government budget.

1. Harley Lutz, Social Science encyclopedia, Vol. XIII, p. 360.

2. It was impossible to get the details of the non-tax revenues for the Mohafazats of Djabal al Duruz and Lattakia. As regards the non-tax revenues for 1943, it was also impossible to secure them from the Ministry of finance because the 1943 budget was closed early in 1946.

Table XIII
Social expenditure¹
(1933-1943)
In Syrian rounds

	1933	1934	1935	1936	1937	1938	1939	1940	1941	1942	1943
<u>Budgets of the Syrian Republic.</u>											
1. Public Health	305564	272202	269084	254421	301148	374564	409689	442803	507687	930682	1819343
2. " Instruction	1099270	1047727	1082229	1067858	1283029	1723963	1869828	2013177	2324757	4026198	6577282
3. Social Affairs	-----	-----	-----	-----	-----	-----	-----	-----	-----	182554	200984
Total	1404834	1319929	1351313	1322279	1584177	2098527	2279317	2455980	2832424	5139434	8597606
<u>Share in Budget of Common Interests.</u>											
1. Antiquities & Archeology	14685	15898	16578	18084	28081	32823	31110	29365	28653	39981	97948
Grand Total	1455519	1335827	1367891	1340363	1612258	2131350	2310427	2455345	2861077	5179415	8695557 (2)
Per cent of total expenditure	11.04%	10.2%	10.9%	10.6%	12.2%	13.3%	12.1%	13.7%	16.5%	17.1%	17.6%
Total expenditure	13177519	13088160	12524078	12555697	13212237	16015219	18969443	18062933	17301058	30303365	49175268

1. Compiled from the Budgets of the Syrian Republic excluding Alexandretta when it was a part of Syria and the Budget of Common Interests, 1933-1943.

2. Estimates.

3. Excluding expenditure on the supply services.

Table XIV

Actual Income from Sources other than Taxation in the Syrian Republic¹
 (Excluding the Mohafazats of Latakia and Ljabal al Duruz)²
 (1939-1943)

	1939 £. Syrian	1940 £. Syrian	1941 £. Syrian	1942 £. Syrian	1943 £. Syrian
Fees					
Court Fees.....	187,321	350,239	332,861	412,034	713,415
Notarial Fees.....	71,086	61,165	60,887	96,406	131,752
Land and Registration Fees.	434,441	532,736	544,835	770,558	1,123,766
Guardianship Fees.....	1133,563	151,277	147,506	150,608	587,399
Mining Fees.....	291	7,945	301,288	301,330	72,775
Marital Fees.....	52,736	67,916	61,869	72,255	391,426
	<u>579,436</u>	<u>1,171,278</u>	<u>1,449,266</u>	<u>1,603,191</u>	<u>3,020,535</u>
Public Domain					
Sale of Movable Property	6,805	10,867	20,027	21,909	11,146
Instalment of rent for ultimate sale.....	69,272	105,040	95,855	118,293	227,156
Rentals etc.	318,664	474,578	793,805	961,207	1,640,264
Sale of Public Property.	20,390	42,818	128,594	41,314	191,385
Income from Forests.....	25,889	30,830	34,125	35,158	79,203
Income from State Fisheries.....	29,384	25,324	36,940	43,929	302,295
Payment of Loans for seeds	7,141	15,824	5,678	10,072	173,863
Grazing Fees.....	14,464	924	---	20	---
	<u>491,909</u>	<u>705,405</u>	<u>1,115,024</u>	<u>1,231,902</u>	<u>2,624,432</u>
Public enterprises					
Income from the Gov't Printing Press & Official publications.....	56,402	66,338	45,662	79,158	230,662
Income from the Post Of.	247,546	138,618	121,121	189,929	376,274
Income from Tel. Office	99,330	124,546	143,947	158,593	256,162
Income from Agri. Stations	15,591	25,523	40,160	51,170	78,569
	<u>418,869</u>	<u>355,025</u>	<u>350,890</u>	<u>478,850</u>	<u>941,667</u>
Miscellaneous Receipts					
Discounts for pensions	301,149	352,010	462,624	507,384	516,360
Duties on Amusements & Gambling.....	27,411	25,226	40,308	41,177	101,210
Receipts from the Control of Cars.....	21,539	13,000	16,889	28,464	158,921
Income from Hospitals	18,245	18,180	19,651	28,573	41,355
Dividend from Bank of Syria	581,712	191,524	---	965,055	861,770
Fees from Public Schools	41,792	74,681	61,266	117,372	151,576
Lines	15,824	25,125	24,888	48,161	40,128
Interest from Bank of Sy.	4,961	14,432	25,693	45,978	71,731
Miscellaneous Receipts	44,154	27,908	3,455	2,634	60,222
	<u>1,055,487</u>	<u>772,056</u>	<u>654,774</u>	<u>1,784,798</u>	<u>2,003,273</u>
Total A, B, C and D	<u>2,846,702</u>	<u>3,003,794</u>	<u>3,569,944</u>	<u>5,298,741</u>	<u>8,591,127</u>
Percent of Ordinary Re.	24.48%	18.01%	24.78%	20.03%	15.88%
Ordinary Receipts	11,625,012	16,561,388	14,400,820	26,442,829	54,073,480

D. General Background of the Taxation System.

In the course of less than thirty years, taxation in Syria has been profoundly affected in structure and character by the nature of the economic, social and political conditions that have prevailed. Three different stages can be roughly distinguished in the study of the taxation system of Syria.

Under the Ottoman Regime, the fiscal system applicable to Syria was that existing throughout the Ottoman empire before World War One. The direct taxes in rural districts were the Herko, the Tithe and the Animal Tax. The Herko was collected at the rate of 4 per thousand of the capital value of Miri Land as it had been assessed some 25 years previously; the Tithe was collected at 12½% on the gross yield of land; and the Animal Tax was a tax per head of camels and buffaloes not used for ploughing, of sheep, goats and pigs. The direct taxes in urban areas were the Herko (a house and land tax) and the Tamattu' (a vocational tax). The Herko tax was originally at 10 per thousand of the capital value, then was subsequently increased by various percentages to meet budgetary deficits, war preparations, etc., of the Turkish empire. The Tamattu' was proportional or fixed. The proportional tax was based on rough indices of income or on direct measures of income. The tax rate varied between 2 and 10 per cent of the annual earnings.

Indirect taxation consisted of Customs and Excise duties. Customs duties were collected at 8% with a surtax of 3% on goods of foreign

1. Himadeh, Economic Organization of Palestine, pp. 507-509.

origin for the benefit of the service of Ottoman public Debt. The production and sale of salt was a Government monopoly and was assigned to the Debt Administration. The excise duty on wines and liquors was administered by the Debt without any governmental intervention. Tobacco was originally a Government monopoly with the revenue ceded to the Debt Council. Then, subsequently, the monopoly was made over to a French Company for 30 years on the understanding that the Council of the Debt would receive a percentage of the profits of the Company. "Thus while the country was heavily taxed, a small portion of the tax revenue accrued to the State".¹ Such was roughly, the fiscal conditions when French occupation took place.

The second stage begins with French occupation and the advent of the Mandate. During that period a few essential modifications were made in the fiscal system, amending or abolishing particular taxes but with no fundamental change from the Ottoman system. The Old Tithe system was replaced by a Commuted Tithe which imposed a fixed tax determined by the average of the Tithe returns during the years 1921-1924. The Land Werko remained the same. The tax on Buildings became a perfected version of the Ottoman law, whereby the tax is based on the rental value of buildings as assessed by local commissions. The Animal tax (Aghnam) was reorganized. The Tamattu' was codified with some amendments. As to the Foll tax, the provision of the Ottoman law requiring the use of forced labor in case of non-payment of the tax was no longer observed. Customs duties were modified. The Tobacco Excise was amended and a Benzine tax was established.

1. See Himadeh, op. cit., pp. 507-509.

Important political developments during that period influenced fiscal administration and fiscal revenues. The capitulatory régime was suspended by article 5 of the Act of Mandate. This meant that foreign residents were no longer exempted from direct taxation. Syria was divided in 1926⁽¹⁾ into three different states, namely, the State of Syria, the Djebal al Duruz and Lattakia each with its own law-making body⁽²⁾. The last two states were transformed into Mohafazats in 1936 and their autonomy in tax legislation was cancelled in 1937. The existence of a number of services of common interests for the above states and Lebanon necessitated the organization of a separate budget known as "Compte de Gestion des Services d'Intérêt Commun" and which was directly placed under the High Commissioner's authority. The share of Syria in the Ottoman Public Debt which conceded certain revenues⁽³⁾ to the Debt Administration was extinguished by the agreement of July 29, 1933 signed in Beirut and approved by the Syrian states and the High Commissioner.⁽⁴⁾ This settlement provided for the payment of a lump sum of 32,850,555 francs by the Syrian states.⁽⁵⁾

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1. George and Sami Khouri, Le Liban et la Syrie (work approved by the Lebanese Ministry of Public Instruction), Beirut 1943.
 2. Himadeh, op. cit., p. 341.
 3. These are the salt monopoly, duties on liquors, duties on fishing, stamp duties, the silk tithe, the tithe on cereals in certain regions, the tobacco monopoly, and the customs surtax of 5%. (From the Rapport à la Société des Nations, 1924, pp. 86-87). In 1926, the obligation of Syria toward the Ottoman Public Debt was definitely determined and the revenue from customs was pledged as security for this obligation. The conceded revenues were turned over to the local authorities. (From the Rapport à la Société des Nations, 1926, p. 182.)
 4. For a study of the Ottoman Public Debt, see Himadeh, op. cit., pp. 391-394.
 5. Ibid.

The last stage begins with Syria's access to independence in 1941. Three major modifications were made in the taxation system, and a number of new taxes were introduced.

The first modification abolished the Tithe and Land Herko and replaced them by the Intaj'al'Zirai tax, a consumption tax on agricultural products. The second one modified the Tamattu' and introduced the Income Tax and lastly the Budget of Common Interests was handed to the Lebanese and Syrian national governments who created a board for its administration. The chief new taxes introduced were the Sugar Monopoly tax, the Army taxes, the Income tax and the Building Sites tax.

The historical facts having been cited, the taxes will be discussed in detail in the following chapters. The discussion of each tax will include: (1) its historical background, (2) its operation, (3) its fiscal importance, (4) incidence and criticism and (5) whenever necessary, general remarks.

Chapter II

THE INTAJ' AL'ZIRAII TAX

The Intaj'al'Ziraii tax is an indirect tax levied on the presumably market value of all types of agricultural produce. This tax was first instituted in 1942 and its aim was to replace the Tithe and the Land Werko tax.¹ The historical importance of the Tithe and Land Werko makes it desirable to discuss them briefly.

I. Historical Background.A. The Tithe.

The Tithe is a tax on the gross produce of land.² It has a very complicated history. The Ottoman regime inherited this tax from Islamic law. The Koran prescribed that conquered land should be divided among the victors. While part of it was given to the victorious military leaders against the payment of Tithe (ushriyyah land), the other part was given to its former owners mostly Christians, as a tribute paying land (Kharaaj land).

By the Ottoman law of 1279 (1863)³, the Kharaaj land whose owners were no more solely non Moslems and whose proprietors were dispersed or became unknown, was transformed into ushriyyah land (or land paying the Ushur or Tithe).

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1. Décret Législatif No. 1/AS, September 30, 1941, and Décret Législatif No. 144/AS, June 9, 1942.
 2. Ottoman Law, June 9, 1321 (1905), Sader, Majmu'at al-Qawanin, Vol. III, pp. 293-333.
 3. Faris el Khouri, 'Ilm'al'Maliyyah, Damascus 1937, p. 272.

The Ottoman land code of 1858, recognized five orthodox classes of real property, each subject to a different rule and essentially based on Islamic law. The most important two classes of real property are miri land and mulk land. Miri land is land whose title is vested in the state, while the right of occupation is enjoyed by private individuals, while mulk land is that whose title rests with its owner. With the exception of the gardens of Damascus, mulk land was comparatively insignificant in Syria. Only miri land used to pay the Tithe.

(1)
1. The Old Tithe System.

The Tithe system prevailing before 1925 was essentially that of the Ottoman Law of June 9, 1321 (1905). The original rate of the Tithe was 10%.⁽²⁾ In 1305 (1889) one per cent was added to help increase the capital of the Agricultural Bank.⁽³⁾ The rate was subsequently increased in 1313 (1897) and 1322 (1906) to 12½% in order to cover budget deficits and expenditure on military preparations.⁽⁴⁾ These two temporary additional assessments were never cancelled, so that the Ushur became more than what its name originally implied.

Direct collection by the Government was found difficult and expensive. Consequently, another method called the farming method was resorted to. By this method the right to collect the tax is auctioned^{off} to individuals. Each village was auctioned off separately. A mini-

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1. Himadeh, Economic Organization of Syria, pp. 345-347.
 2. Bilaghât Maliyyah, pp. 252-253.
 3. Ibid.
 4. Ibid.

imum Tithe was set as a basis for the auction. When the minimum was not covered, the Tithe was collected by the Government agent. (1)

The Old Tithe system had many defects. The farming system was injurious to the peasants who were exploited by the tax farmers who usually were influential persons. Also the quantity of the crop was often overestimated while the price fixed was sometimes above that of the market. The reasons for this exploitation were the ignorance of the peasants and their submissiveness. Moreover, losses were caused by the delay imposed on the peasants who could not remove their crops until the tax was collected. These defects led to the revision of the Tithe system. The preamble of arrêté No. 123, May 22, 1925 recognized the necessity of reforming the Tithe because of the justified protests of the peasants. (3)

2. The Commuted Tithe.

The Commuted Tithe was first introduced in 1925, then reshaped in 1928 and amended in 1929. The new Tithe differs from the old one in two respects. First, the farming system was discontinued and second, a fixed tax based on the average of the Tithe returns during the four years 1921-1924 was imposed. Thus the Tithe became a fixed tax on land

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1. To assess the Tithe it was necessary to determine the quantity of the crop, and to fix the price. The quantity of the crop was determined for the purpose of taxation by an agreement between the collector, whether the tax farmer or the Government agent, and the cultivator. In case of disagreement, the matter was referred to the Administrative Council of the district (qada) which appointed new assessors. In cases where their decision was not accepted, appeal was made to the council which then delegated two of its members to report on the assessment. On the basis of the report final decision was given by the council. The price was fixed by the council with due regard to the market price and the tax was collected accordingly (Bilaghat Maliyyah, 1924, pp. 252-253).
 2. See also, infra, p. 46. Some defects were enumerated by arrêté No. 123, May 22, 1925.
 3. Bilaghat Maliyyah, 1925, p. 230.

evolving into a property tax. Subsequently an amendment was made in 1929 which permitted the actual assessment of the crops for the (1) levy of the tax.

The Commuted Tithe carried two major defects of the old system. First, the tax was based on the village as a unit and not on individual peasants. Thus injustices of distribution were frequent. The division of the Tithe contingent between the farmers was carried by a committee of experts from the village. Objections to the amount of the tax were considered by the administrative council whose decisions were final. It is clear that such a system enabled influential landowners to shift the greater burden of the Tithe on the peasants.

The second defect carried by the old Tithe system is that the Commuted Tithe was based on the former competitive bidding when the tax was farmed out which unequally divided the Tithe burden between the villages. Competition in villages owned by landlords was less keen than in villages owned by the peasants. The influential landlord farming the tax in his village was able to secure the privilege to collect the tax at a low price as no one dared to antagonize an influential landlord. On the other hand, competition was keener in villages owned by small peasants. Thus the burden was lighter on villages owned by the landlord. In addition, the rent, which was in kind and which had to be paid by the tenant, was usually one half of the produce after the Tithe had been paid. The Tithe was paid by the

1. Arrêté No. 1197, June 13, 1929. Article I of this arrêté says:
 " Le Terbih qui sera fixé par application de l'article I du présent arrêté sera considéré comme une redevance fixe irréductible " .

landlord who deducted 12½% of the produce and then divided the remainder between himself and the tenant. In most cases the 12½% collected by the landlord was worth more than the money which he had paid.

The arrêté of 1928⁽¹⁾ permitted new assessments under certain exceptional conditions such as a partial or complete destruction of the village crops by floods, fire, locust etc. Only if the destruction exceeded 25% of the crop, actual assessments could be permitted.⁽²⁾ In 1929, an amendment was made which permitted the actual assessment of the crops for the levy of the tax.⁽³⁾ The reason for this amendment was to reduce the burden on the taxpayer in some villages where prices of the tithe in the years 1921, 1922, 1923 and 1924 which served as a basis for the determination of the Tithe contingent had reached too high a level.⁽⁴⁾ Thereafter, any village could ask that the Tithe be levied on the basis of an assessment of its crops, provided the new assessment reduces the Tithe by 25% or more. In 1932 more than 50%⁽⁵⁾ of the villages asked for an assessment of their crops.

The assessment was made by an assessing committee of five members

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1. Arrêté no. 177, May 20, 1928.
 2. This percentage was increased to 40 in 1935 by Décret Législatif No. 114, March 23, 1935, then, decreased to 25% by a Law dated June 6, 1937.
 3. Arrêté No. 1197, June 15, 1929. See also footnote No. 49 in Himadeh, Economic Organization of Syria, p. 349, and Rapport à la Société des Nations, 1929, p. 74.
 4. Ibid.
 5. Preamble of arrêté No. 4270 bis, June 1, 1932.

on which the village was represented by two assessors chosen by the Council of Elders. ⁽¹⁾ Appeal could be made to an assessment commission whose decisions were final.

The Tithe was collected at 3 equal instalments on August 1, September 1, and October 1. ⁽²⁾ Interest of 8% was charged on arrears and 1½% was added to the original Tithe contingent to cover the cost of collection.

Since 1929 and up to the beginning of the present war, the price of agricultural produce had been falling due to the depression. The income from land was decreasing while the Commuted Tithe remained the same. Thus many villages took advantage of the 1929 amendment and asked for a new assessment of their crops. In 1930 due to a fall in prices of crops and invasion of locusts, a 30% reduction was made ⁽³⁾ on the Tithe contingent. ⁽⁴⁾ In 1931 a similar reduction was made, while in 1935 a still further reduction of 10% was effected. ⁽⁵⁾ In 1936, ⁽⁶⁾ the Tithe was postponed in the Kohafazat of Hauran to 1937, and in 1937 the arrears of the Tithe were exempted from the legal interest ⁽⁷⁾ rate.

1. The assessment must be demanded during the month of April. In case of a sinister, the assessment must be asked within 5 days after the occurrence of the sinister. In 1937 assessments were accepted until June 10, 1937 by a Law of June 6, 1937.
2. In 1935, due to the fall in the prices, collection was postponed to September, October and November by Décret Législatif No. 156, September 24, 1935.
3. Arrêté No. 2277, July 25, 1930. This reduction was made only to those who paid the full due tax before December 31, 1930.
4. Rapport à la Société des Nations, 1931, p. 96.
5. Décret Législatif No. 114, March 23, 1935. All these reductions were of course on the Commuted Tithe of 1921-22-23-24. Tithe based on new assessments did not benefit from any reduction.
6. Décret Législatif No. 46, August 3, 1936.
7. Rapport à la Société des Nations, 1937, p. 100.

B. The Land kerko.

The Land kerko, abolished as from January 1, 1943,⁽¹⁾ was a property tax assessed on the capital value of land. In cities, small pieces of land adjacent to buildings are not subject to this tax but to the Building tax. The capital value of all land was determined by a general valuation carried in 1303 (1887).⁽²⁾ According to the Ottoman Law of July 24, 1302 (1886),⁽³⁾ the assessment of the capital value was to be made by a commission of four members, two of whom represent the government and two the village council, a fifth could be chosen in case of tie vote. This law provided for a new assessment every five years, but it was neglected and no revision was made since the original valuation in 1887.⁽⁴⁾ Moreover, this original valuation was not complete and carefully carried out.⁽⁵⁾ In general it was unfavourable to the treasury. Only a few revaluations have been made on small pieces of land whose capital value was contested by the government or the owner.

The rate of the Land kerko varied according to whether the land paid or did not pay the Tithe. Mulk land was subject accordingly to a tax of 16 per thousand of its capital value and miri land paid in addition to the Tithe, a tax of 5 per thousand of its value.⁽⁶⁾ In

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1. Décret Législatif, No. 31, March 3, 1943.
 2. Faris el Khouri, 'Ilm al-Maliyyah, 1937, p. 273.
 3. Majmuu'at al-Qawanin, Vol III, p. 384.
 4. El Khouri, op. cit., p. 272.
 5. Ibid.
 6. Bilāghat Maliyyah, 1929, p. 2. Exceptionally, uncultivable and sandy land pay the lower rate of 5 per thousand of capital value.

1942, a uniform rate of 5 per thousand was established on all kinds of land.⁽¹⁾

C. Burden of Land Taxation.

Table XV (p. 51) and table XVI (p. 52) show the fiscal importance and the money burden of the Tithe and the Land werko tax. From the fiscal standpoint, the Tithe was the second most important direct tax in Syria after the Animal tax.⁽²⁾ The burden of the tax rests on the ignorant producing peasant who is unable to calculate his cost of production and whose decision to withdraw from cultivation is accompanied by considerable difficulties. In 1925, it was established in Palestine, where similar conditions prevailed, that the Tithe which was collected at the rate of 12½% on the gross yield amounted approximately to 35% of the net return of the soil.⁽³⁾ "This was considered as an unjustifiably high tax on the rural population".⁽⁴⁾ On the other hand, it was estimated that the rates of the Land Werko in the terms of a tax on net annual value would amount to 12.5% in respect of miri land and 32.2% on mulk land.⁽⁵⁾ "In effect, therefore, 47½% of the net produce of the soil was due to the state by way of taxation".⁽⁶⁾ As has been stated by an author: "It is fair to conclude that the Land tax tends to place the burden upon the agrarian producer and that a shift of the burden to the consumer is the exception."⁽⁷⁾ Due to the war and the fixity of the ~~and the~~ ~~fixity of the~~ tax together with the rise in the price of agricultural produce, the Syrian peasant did not feel the tax burden much. However,

1. Decret Legislatif No. 144 of the year 1942.

2. Infra, p. , Table .

3. Himadeh, Economic Organization of Palestine, p. 518.

4. Ibid.

5. Ibid., p. 519.

6. Ibid.

7. Karl Brauer, Social Science Encyclopedia, Vol. IX, p. 72.

TABLE XV

(1)

Fiscal Importance and Money Burden of the Tithe

Year	# Tithe Receipts # in # L. Syrian	# Index Number # of # Retail Prices	# Per cent of (2) # Ordinary # Receipts	# Per cent of (3) Revenue # Burden	# Per cent of (4) Tax # Burden	# (5)
1933	747,574	-----	14.11	8.17	9.44	
1934	1,064,159	-----	17.88	11.06	13.03	
1935	1,058,289	-----	17.55	11.14	13.32	
1936	757,227	-----	12.64	8.22	9.87	
1937	1,264,294	-----	17.07	10.84	12.97	
1938	1,431,783	100	15.29	10.01	12.07	
1939	1,451,178	105	12.31	8.74	10.55	
1940	1,926,403	144	11.63	11.33	13.94	
1941	1,776,832	270	12.33	10.96	14.07	
1942	616,872 (6)	551	2.3	1.9	2.9	
1943	1,581,551 (6)	691	2.9	2.6	3.2	

1. The Tithe receipts were privately secured from the Ministry of Finance, Budgets of the Syrian Republic (excluding the two financially autonomous Mohafazats), 1933-1943.
2. Compiled by the "Affaires et Etudes Economiques" de la Délégation Générale de la France Combattante, 1943.
3. The ordinary receipts are those which are regular and can be relied on from year to year, while the extraordinary receipts consist mainly of withdrawals from reserves.
4. The total revenue burden includes in addition to the ordinary receipts the portion of customs receipts allotted to Syria. This share is obtained by multiplying the customs receipts by 45% (share of Syria excluding the financially autonomous Mohafazats), and is supposed to represent the customs taxation paid by the population of Syria, and therefore should be considered in determining the total revenues although not part of the budget.
5. "All taxes borne by the population of Syria (excluding the financially autonomous Mohafazats) are taken into consideration, including customs duties. The difference between tax burden and revenue burden is that the latter includes non-tax receipts while the former excludes them.

(Continued p. 52)

Table XVI

Fiscal Importance and Money Burden of the Land Tax (Werk)

Year	(1) # Land Tax # Receipts # in L.Syr.	(2) # Index Number # of # Retail Prices	(3) # Per cent of # Ordinary # Receipts	(4) # Per cent of # Revenue # Burden	(5) # Per cent of # Tax Burden
1933	342,490	---	6.46	3.74	4.32
1934	384,094	---	6.45	3.98	4.70
1935	419,346	---	6.96	4.42	5.26
1936	306,263	---	5.12	3.23	3.99
1937	444,545	---	6.00	3.84	4.56
1938	471,974	100	5.04	3.30	3.97
1939	522,965	105	4.50	3.19	3.69
1940	673,972	144	4.07	3.96	4.88
1941	638,967	270	4.44	3.92	5.06
1942	707,405	551	2.67	2.3	3.1
1943	826,209 (4)	691	1.5	1.3	1.7
1944	203,000 (4)		0.5	0.4	0.5
1945	100,000 (4)		0.1		

1. Privately secured from the Ministry of Finance, Budget of the Syrian Republic (excluding the financially autonomous Wahafazats), 1933-1945.
2. Compiled by the "Affaires et Etudes Economiques" de la Délégation Générale de la France Combattante, Beyrouth 1943.
3. For an explanation of these terms see footnotes, p. 51.
4. Arrears. Figures for 1944 and 1945 are estimates.

(Cont. from p. 51)

Consequently the percentages in this column are intended to show the ratio of the burden of the Tithe to the total tax burden. It is clear from what has been stated in explanation of the table, that while the first column of percentages views the revenues from the standpoint of the government, the last two columns view them from the standpoint of the taxpayers. That is why customs revenues are taken into consideration in the last two columns although they do not constitute a part of the budgetary receipts of the Syrian Republic, for they enter into the budget of Common interests." Mimadeh, op. cit., p. 344, footnote No. 34.

as the sale of his crops was largely controlled by the Office des Céréales Panifiables, he did not profit much from this increase. In 1942, the Tithe and in 1943 the Land werko were finally abolished and replaced by the Intaj'al'Zirali tax.⁽¹⁾ The following table shows the percentage of revenue burden and tax burden of the Tithe and Land werko taken together.

Table XVII

Percentage of Revenue and of Tax Burden of the Tithe and Land werko
(1933 - 1941)

Year	Per cent of (2) Revenue Burden	Per cent of (2) Tax Burden
1933	11.91	13.76
1934	14.05	17.75
1935	14.56	18.60
1936	11.55	13.86
1937	14.78	17.53
1938	13.31	16.04
1939	11.93	14.54
1940	15.29	18.82
1941	14.82	20.13

1. Instituted in 1942 by Décret Législatif No. 1/AS, September 30, 1941, and, Décret Législatif No. 144/AS, June 9, 1942. Since that time, that tax has undergone two major amendments in 1943 and 1944. At the end of 1944 all relevant legislation was codified into a new text. (Décret Législatif No. 3/AS, January 20, 1943, Décret Législatif No. 14/AS, February 31, 1943 and Law No. 61, May 31, 1944.)

2. For explanation of terms Revenue Burden and Tax Burden, Supra, p. 51.

II. Basis and Rate of the Intaj'al'Zirail.

This tax is imposed uniformly upon the value of all types of agricultural produce regardless of the category of land ^{to which they belong,} such as, cereals, vegetables, fruits, alcohol, olive oil etc. The original rate of the tax was 5%.⁽¹⁾ The budget estimate of the yield of the tax in 1942 was 6,000,000 Syrian pounds.⁽²⁾ The actual yield was only 3,410,105.⁽³⁾ In view of this large discrepancy between the estimates and the actual receipts,⁽⁴⁾ the rate was raised to 7% in 1943. In reality, this discrepancy was due only to the inexperience of the tax collectors and the difficulties encountered in the establishment of the tax.

The rate of the tax is not very high in comparison with the rate of the Iraqi Istihlak tax on agricultural and natural produce which is 11.5 per cent.⁽⁵⁾

III. Exemptions.

Article 2 of the Intaj'al'Zirail Law No. 108 of December 21, 1944 exempts the following products:

1. Agricultural produce consumed within a village by peasant⁽⁶⁾

1. Décret Législatif No. 1/AS, September 30, 1941.
2. Privately secured from the Ministry of Finance, Damascus.
3. Ibid.
4. Décret Législatif No. 3/AS, January 20, 1943.
5. The Istihlak Tax Law No. 59 of 1933, Article 2 and The Istihlak Tax Law No. 64 of 1943, Article 6.
6. A village is: (1), an agricultural region situated outside the merkez of the Mohafazats, qadas or nahiés and governed by a Council of Elders and unprovided with a permanent public market; (2), the merkez of nahié which is unprovided with a permanent or temporary public market.

The public seasonal markets held outside the merkez of the Mohafazats and qadas are considered as centers of consumption during the duration of the transactions of purchase and sale.

Villages and merkez of nahiés considered as having permanent or seasonal markets are determined by the Minister of Finance.

producers themselves or landowners.

2. The produce of the agriculturist intended for his consumption, his seed and the fodder for his animals.

3. Produce that retains its freshness for a short period and which cannot be preserved or dehydrated and produce of minor importance.

4. Seedlings (Plants d'arbre) and hay.

5. Cereals ground in villages and nahies for family consumption and also cereals ground in merkez of qâdas for the supply of the agriculturist provided he resides in the merkez itself.

IV. Assessment.

To assess the Intaj'al'Zirail tax it is necessary to determine the quantity of the produce and to fix its price. The quantity of the produce is determined when the holder brings his ^{products} ~~produce~~ to the entry of the center of consumption by the tax collectors⁽¹⁾. In the factories and establishments transforming agricultural produce from their original form, such as, the mills, olive oil presses etc., a suitable room is provided for the government employee charged with the collection of the tax in case the raw materials have not already been taxed. The quantities to serve as a basis for the collection are recorded in a register kept in conformity with the instructions of the Minister of Finance.⁽²⁾

The tax is levied on the produce in its raw form.

For the determination of the price to be taken as a basis for taxation, a price list is prepared on the basis of wholesale market

1. Law No. 100, December 21, 1944, Article 9.

2. Special regulations are laid down, for the purpose of controlling smuggling, for shops selling, buying, and storing agricultural produce and for factories and commercial establishments transforming agricultural products.

prices in the merkez of the Mohafazats by a committee comprising the Mohafez, President, the Director of Finance, member, a representative of the Chamber of Agriculture, member, a representative of the Chamber of Commerce, member. In the merkez of qâdas, the price list is prepared by a committee composed of the Kaimacam, member, the Mudirmal, member, a member of the Administrative Council and a member of the Municipal Council.

These committees must meet at least once a week, at the request of any member and at any time where such a necessity arises in order to fix a price list for the agricultural produce or modify an old list. The decisions of the committees are invalid in case of the absence of the Director of Finance or the Mudirmal. No appeal can be made against the decisions of these committees, which are independant one from the other, in order to avoid delays of appeal and to adopt the principle of equality between the merkez of Mohafazats and qâdas. The Minister of Finance has no power to modify the decisions of the committees. He can only prevent abuses by evicting the Director of Finance or the Mudirmal in case of corruption etc.. In the absence of a central body to control the different committees, the price lists may differ between qâdas. This has already happened in two qâdas where the price of lentils per kilogramme was fixed at 20 piasters while in another place it was fixed at 40.¹

When fixing the price list the committee must deduct from the wholesale market price of the product the carriage expenses which must not exceed 10% of the market price, the transformation cost of the product, all municipal taxes, weight taxes, middlemen's commission

1. Minutes of the Chamber of Deputies, 1944, p. 196.

provided all these deductions do not exceed 6% of the wholesale market price of the product.

The price lists are immediately put into effect after the approval of the competent committees. The prices fixed in the lists serve as a basis for the collection of the tax. If after the collection prices rise before the sale of the product or its transfer, the difference between the two price lists is not payable. Moreover, the difference between two price lists is not payable when the products are transported from one center of consumption to another.

V. Collection.

The tax can be collected in kind at the place of production by a decree taken by the Council of Ministers, at the proposal of the Minister of Finance.

The tax falls due at the moment of the transportation of the products from the village. It is collected from the person in whose possession the products are:

(1) On their arrival to the first post of inspection while on the way to the center of consumption or sale.

(2) On their transfer from the village to outside the Syrian territory.

(3) At the moment of their entry to a factory for their transformation or at the moment of their way out of the factory.

VI. Penalties.

The law provides penalties ranging from fines to confiscation and imprisonment in the following cases:

(1) When the agricultural products, whether transformed or in their original form, do not conform with the specifications on the

(1)
transport permit.

(2) When the products, whether in their original or transformed form, did not pay the tax.

VII. Fiscal Adequacy.

The Intaj'al'Aisali tax has become, with the increase in the administrative efficiency, a major source of revenue, yielding more than any other tax in Syria. While the Tithe and Land Kerke constituted in 1941 15.33% of the ordinary receipts, the Intaj tax formed in 1945 more than double that proportion, namely, 32.03%. From 1942 to 1943 the revenue from that tax increased from 3,410,105 Syrian pounds to 11,098,913. (2) In 1944, the yield was estimated at 10,060,000 Syrian pounds and in 1945 at 12,200,000. (3)

Out of this revenue, the agricultural bank receives from 3 to 4 per cent by a decision of the Cabinet, out of which 10% will be

1. The transport of all agricultural products is subject to a transport permit delivered by the Financial Services. However, the transport of quantities of a minor importance and of the products from the village to the first post of inspection is exempted from the permit.

This permit must mention the identity and residence of the sender, the identity and residence of the addressee, the place of destination, the nature and quantity of the products, the name of the transporter, the nature and the means of the transport, the quantity and the designation of the contents and the duration of the transport permit.

The following, however, can serve instead of a transport permit: the official receipt justifying the payment of the tax, for the transport of the products from the first post of inspection to the center of consumption or sale or to the factory for transformation, and, a declaration issued by the proprietor of the shop or the factory for transformation and detached from a special counterfoil book to be delivered by the Minister of Finance for the transport of the products intended for sale inside the center of consumption

2. Secured from the Ministry of Finance, Damascus. These figures as well as all other figures showing receipts from taxes exclude the financially autonomous Muhafazats.
3. Estimates privately secured from the Ministry of Finance, Damascus.

deducted to defray the administrative expenses of the tax. Another fraction not exceeding 10% of the share of the agricultural bank may be attributed to the Chamber of Agriculture.

VIII. Evaluation of the Intaj'al'Zirali tax.

A question of interest is who pays the tax ultimately? Is it shifted or not? Will the agriculturist pay it or will he shift it to the middleman who in turn will shift it to the final consumer in the form of higher prices?

A study of this question has revealed that in the majority of cases, due to the competition between the agriculturists (investment not being mobile and products sometimes perishable, the tax is only partly shifted to the middlemen who in turn shift to the consumers. It is safe, therefore, to conclude that the greater burden of the Intaj'al'Zirali tax falls on the agriculturists who due to their ignorance and lack of cooperation, are unable to bargain their prices with the shrewd merchants of the towns. When, in rare cases, the tax is shifted to the consumers, it becomes very regressive and puts the higher burden on the poorer's classes of population because the latter's expenditure on necessaries absorb a much higher proportion of income than in the case of the upper classes.

On the other hand, two criticisms can be raised against the Intaj tax when its burden falls on the agriculturists:

First from the point of view of the personal status of the taxpayer. This tax does not differentiate between a tenant and a landlord, an agriculturist with a family burden and another one without family burden etc. In a word this tax is levied without regard to the personal status of the taxpayer.

Second, from the point of view of the productivity of the land. This tax is also paid with no regard to the category of land to which the product belongs, whether the land is irrigated or not, fertile or unfertile, located near cities or deserts etc.

Besides all these theoretical objections the Intaj'al'Lirail tax has two other drawbacks: First Article 14, Section 2, of the Law No. 108 of 1944 imposes an export tax on all agricultural produce leaving the Syrian territory. This tax, therefore, puts Syria at a disadvantage with other nations which either do not employ a similar tax or have a lower rate. It is argued that exporters must compete with foreign vendors who pay no similar tax and that in such a situation the Intaj'al'Lirail tax cannot be shifted to foreign markets. Thus domestic producers and agriculturists are placed in a most unfavourable situation. This is especially important as more than 50% of the exports of Syria pays this tax (See Table XVIII below).

Table XVIII
Chief Exports of Agricultural Products from
Syria and Lebanon
in 1938 (1)

	Syrian Pounds.
Vegetables	3,343,474
Fruits	3,065,128
Cereals	2,513,517
Olive Oil	2,426,000
Silk Cloth	1,131,000
Raw Cotton	816,000
Prepared Vegetables and Fruits	777,814
Tabac Leaves	754,000
Licorice Root	249,000
Soap	244,000
Cotton Cloth	200,000
	<u>15,519,933</u>

Total Exports being 29,278,000 Syrian Pounds.

1. Compiled from the Statistiques Générales du Commerce Extérieur, 1938. It is impossible to separate Syria from Lebanon for the above data. For the purpose of our study this is not very important since Syria is more an agricultural country than Lebanon.

In conclusion, after three years of experience, the Intaj'al'Ajrall tax has proved to be both a productive and practicable tax under favourable conditions such as the present war. Collection cost and administrative complications were reduced to a minimum by concentrating the bulk of the assessment and collection before the entry of the agricultural product to centers of consumption such as Damascus, Aleppo, Hama, Homs etc. However, this tax should be considered by the Syrian Government as an emergency tax and be abolished as soon as practicable. A desirable substitute will be a rural property tax bearing some relation to the net annual income derived from the use of land, like the one existing in Palestine. ⁽¹⁾

1. See Himadeh, Economic Organization of Palestine, pp. 520-525.

CHAPTER III

The Tamattu'I. Definition and history.

The Tamattu' is a tax levied upon practically all business firms without regard to the personal status of the natural person connected with the business.

This tax is similar to the French Impôt des Patentes on which this Ottoman tax was modelled. ⁽¹⁾ The Tamattu' was regulated by the Ottoman Law of November 30, 1330 (1914). A codification of all laws and regulations relating to the Tamattu' was accomplished in 1928. ⁽²⁾ Until 1942 no major modification to the law was undertaken. In 1942, the Income tax law modified and partly abolished the Tamattu'. ⁽³⁾

II. Basis and rate.

The Tamattu' is based, in the majority of cases, on convenient indices of income which include type of business, population of locality in which the business is carried on, number of persons employed, rent of the place of business etc. This variety shows an unwillingness to probe deeply into the economic effects of the tax and a desire to levy as much as possible by easily ascertainable "external signs". In other cases the tax is arbitrarily fixed by law and in a few cases the amount of the gross receipts is taken in consideration in the assessment of the tax. The 1928 Tamattu' law modified by the 1942 Income tax law distinguishes between three groups of taxpayers.

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1. Himadeh, Economic Organization of Syria, p. 363 footnote No. 113. See Al-Khuri, op. cit., p. 297.
 2. Arrêté No. 48, January 29, 1928.
 3. Décret Législatif No. 144/AS, June 6, 1942, Articles 26 and 27.

In the first group, taxpayers are taxed on the amount of their gross receipts (Table XI^A).

Table XIX
Tamattu' on Direct measures of Income ⁽¹⁾

Taxpayer	Basis	Rate
1. Public Utility Companies (Railways Cos., Tramway Cos., Electricity Cos., Telephone Cos., Water Cos. etc.)	Gross Receipts	2/000
2. Insurance Companies	Gross Receipts	2/000

The second group is composed of those engaged in commerce, industry and the professions. In this group there is a proportional and variable tax. The proportional tax is based on the rent of the place where the business is carried on (Table XX)⁽²⁾. The variable tax depends upon the number of employees and workers employed and the means and instruments used in carrying on the trade and industry (Table XI, p.6

Certain means of transportation are also subject to the Tamattu' such as vehicles of all sorts, boats and beasts of burden. The amount of the tax varies with the class of the city. Motor transport does not pay the Tamattu' but the Benzine tax. Railways are classified with public utility companies and pay the Tamattu' as such.

1. Décret Législatif No. 144/AS, June 6, 1942, Articles 26 and 27.

2. Infra, p. 64.

Table XX

(1)

Proportional Tax on the Rent of the Place of Business

Class	Taxpayer	Basis	Rate (2)
I.	Banks and Credit Institutions		20%
II.	Transportation Companies, Commission Houses, Contractors, Engineers, Lawyers, Dentists, Physicians etc.	Rent of	15%
III.	Wholesale Merchants, Jewelry and Antique Shops.	Place	12%
IV.	Retail Shops of Hardware, Clothing, Furniture etc.	of	10%
V.	Retail Shops of Food, Charcoal etc.		8%
VI.	Workshops, Factories, Mills, Printing Presses and Warehouses.	Business	5%

Table XXI

(3)

Variable Tax According to Number of Persons Employed

(In Syrian Pounds)

(4) Business Employees			(4) Industrial Employees		
Taxpayer	Class of (5) City	Tax per (6) Employee	Taxpayer	Kind of Employees	Tax per (6) Employee
Class I and II	Class I	4.21	Factories or workshops without regard to City where they are situated	Foremen and Master Workmen	2.78
	Class II	2.80			
	Class III	2.25			
	Class IV & V	1.70			
Class III, IV, V & VI (7)	Class I	2.25		Laborers over 20 and under 60 Years of Age	.68
	Class II	1.66			
	Class III	1.12			
	Class IV & V	.65		Laborers under 20 and over 60 Years of Age	.35

1. Arrêté No. 48, January 29, 1928. (See Himaneh, *op. cit.*, p. 364).
2. These rates were increased by 50% in 1940 (Décret Législatif No. 37, February 29, 1940). However, this 50% increase was abolished in 1945 (Law No. 136, January 30, 1945). Otherwise, the rates did not change since 1928.
3. Arrêté No. 48, January 29, 1928.
4. A distinction is made between business and industrial employees.
5. Cities and towns are divided into the following classes:
 - Class I : Those having a population of over 100,000.
 - Class II : Those having a population of 50,001 - 100,000.
 - Class III : Those having a population of 20,001 - 50,000.
 - Class IV : Those having a population of 2,001 - 20,000.
 - Class V : Those having a population of 2,000 or less and which have a railway station or which are on the sea coast.

The third group is composed of those who pay neither the proportional nor the variable tax but a fixed tax. This is because the indices applicable in the first two cases are absent. For instance, a dentist practicing at home pays the fixed tax while another one who has a clinic in town pays the proportional tax based on the rent of his clinic. The tax is fixed arbitrarily on these and varies with the classification of cities. ⁽¹⁾

Table XXII

Fixed Tax on Professionals not Reached by the Proportional and the Variable Taxes (2)

Taxpayer	City	Tax in Syrian Pounds ⁽³⁾
Engineers, Masons, Lawyers, Dentists, Physicians etc.	Class I	15.95
	Class II	8.38
	Class III	4.20
	Class IV	2.80

1. Supra, p. 64, Footnote No. 5.
2. Arrêté No. 48, January 29, 1928.
3. These taxes remained the same ever since 1928.

(Cont. from p. 64)

6. These taxes remained the same ever since 1928. However, they were expressed in gold piasters, by the 1928 arrêté. Arrêté No. 968, March 7, 1929, converted the Syrian gold piaster into Syrian paper money at the rate of 490 paper piasters to 100 gold piasters (See Himadeh, op. cit., p. 365, footnote No. 122).
7. See classes of taxpayers referred to in Table XX, p. 72.

Any business, trade or profession not subject to the proportional, fixed or variable tax will be subject to the most closely related tax.

However, certain groups of bankers, merchants of all sorts, engineers; lawyers, physicians, dentists, jewelers or goldsmiths pay in addition to the proportional or fixed taxes already mentioned another fixed tax of 980 Syrian piasters in cities of the first class, 735 in cities of the second and third class and 490 piasters in cities of the fourth or fifth class. (1)

Surtaxes on the total of the Tamattu' assessed are collected, in addition to the tax, 10% for the benefit of the treasury and 10% for the benefit of municipalities. (2)

III. Exemptions. (3)

The following are exempted from the Tamattu' tax:

1. Authors, painters, sculptors, composers, editors or proprietors of newspapers whether they possess or do not possess offices of their own.
2. Doctors, chemists, veterinary surgeons in cities of Class IV and V.
3. Agriculturists who sell their produce in villages or cities without having a shop or warehouse.
4. Fishermen

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1. Bilaghat Maliyyah, 1928, pp. 45-53 and Himadeh, op.cit., p. 366. These taxes did not change ever since 1928 (Checked in Damascus at the Ministry of Finance, Revenue Department, May 1946).
 2. Arrêté No. 48, January 29, 1928.
 3. Arrêté No. 48, January 29, 1928 modified by arrêté no. 3975, February 18, 1932.

5. Those selling Government monopoly products exclusively such as salt and sugar. In case they sell other products, they will have to pay the Tamattu' in proportion to the sales of these products.

6. Dealers and manufacturers of intoxicating liquors.

7. Mills which pay a rent not exceeding 175 Syrian pounds.

8. Certain establishments and industries specially exempted by law, such as, the "Régie des Tabacs et Tombacs".

IV. Assessment and Collection

A register is kept in every district (qâda) or town in which are kept the names of the taxpayers, nature of their business and profession and the basis on which the tax is levied and the reasons for their exemption from the tax, if necessary. The rent of the place where the business is carried on is known from the assessment of the building tax. As to the number of persons employed by the taxpayer for the assessment of the variable tax, it is derived from the statement delivered by the employer to the Ministry of Finance. The register which is kept up to date by the highest financial employee in the (qâda) district or town, could be inspected by the public. It is on the basis of the information which it contains that the tax lists are prepared. Notice of the tax due is sent to every taxpayer with the basis on which it was assessed. Objections that are presented are examined by a Commission composed of a high financial employee, president, and, two members, one from the Municipal Council and the other from the Chamber of Commerce. The decisions of the Commission are subject to appeal. The tax is collected in two instalments. A fine of 20% is charged in case of failure to pay the tax on due time.

1. Arreté No. 28, January 29, 1928.

2. Ibid., Article 20.

V. Fiscal Adequacy.

The following table gives the revenue from the Tamattu' on commercial and industrial enterprises and the professions during the years 1934-1945.

Table XIII

Fiscal Importance and Money Burden of the Tamattu' on Commercial and Industrial Enterprises and the Professions.

Year	Tamattu' Receipts (Syr.L.)(1)	Index Number of (2) Retail Prices	Per cent of Ordinary (3) Receipts	Per cent of Revenue(3) Burden	Per cent of Tax(3) Burden
1934	201,327	---	3.38	2.08	2.46
1935	208,793	---	3.46	2.20	2.63
1936	181,966	---	3.03	1.97	2.37
1937	244,631	---	3.30	2.12	2.51
1938	268,237	100	2.86	1.87	2.25
1939	303,758	106	2.61	1.85	2.25
1940	419,881	144	2.53	2.47	3.04
1941	400,256	270	2.78	2.46	3.17
1942	479,816	551	1.81	1.5	2.1
1943	436,294	691	.8	.7	.9
1944	741,433	(4)	1.7	1.5	1.7
1945	1112,000	(5)	1.1		

1. Privately secured from the Ministry of Finance, Budgets of the Syrian Republic, 1934-1944.
2. Compiled by the Affaires Economiques, Bureau de Statistiques et d'Etudes Economiques, Beyrouth, 1943.
3. For explanation of terms, supra, p. 51.
4. Excluding the Mohafazat of Djezirah for the month of December 1944.
5. Estimates. Minutes of the Chamber of Deputies, 1945, p. 241.

In 1943, the Tamattu' on employees has been abolished and replaced by the income tax on wages and salaries. The following table gives the fiscal importance and money burden of the Tamattu' on wages and salaries during the years 1934-1942.

Table XXIV

Fiscal Importance and Money Burden of the Tamattu' on Wages and Salaries

Year	<u>Tamattu'</u> Receipts in Syrian Pounds. (1)	Index Number of (2) Retail. Prices	Per cent of Ordinary (3) Receipts.	Per cent of Revenue(3) Burden.	Per cent of Tax (3) Burden.
1934	97,079		1.63	1.01	1.20
1935	88,399		1.47	.93	1.11
1936	85,986		1.43	.93	1.12
1937	112,978		1.52	.98	1.15
1938	144,189	100	1.54	1.00	1.21
1939	160,295	105	1.38	.98	1.19
1940	216,454	144	1.31	1.27	1.57
1941	245,189	270	1.70	1.50	1.94
1942	372,312	551	1.40	1.11	1.66

1. Privately Secured from the Ministry of Finance, Budget of the Syrian Republic, 1934-1941.
2. Compiled by the Affaires Economiques, Bureau de Statistiques et d'Etudes Economiques, Beyrouth 1943.
3. For explanation of terms, supra, p. 51.

VI. Evaluation.

The Tenettu' tax on trades, businesses and professions has been defended on several grounds, the soundest of which is the ease of collection. It cannot, however, be defended on the grounds of ability to pay. If two firms have the same amount of gross receipts, the same structure and amount of capital and the same net income, there is yet unequal ability to pay, if one is solely owned by one rich person with no family burden and the other is owned by many poor people. In any event the tax "departs from the conventional canon that each citizen should contribute to the state according to his economic position as a whole". In addition, this tax has a regressive basis. No connection exists between the rent or the number of persons employed and the net income derived. As has been remarked if the rent paid by a merchant with an income of 3000 a year is 300, it is unlikely that the rent of another merchant with an income of 30,000 be 3000, because the tendency for the income of a person is to grow at a faster rate than the rent of his place of business. Also, this tax differs from the Income tax in that neither the investing class nor the salaried class pay the Tamattu'

The Tamattu' has become definitely a business tax which is being capitalized as a rent charge on the profits. This tax is a burden on business and must be abolished and replaced by a General Income tax.

Chapter IV

THE INCOME TAX

I. Introduction.

The taxation system of Syria is highly regressive and ine-¹quitable. More than 60% of the tax receipts are indirect. The burden of indirect taxation falls more heavily on the poorer classes because the latter's expenditure on necessities absorbs a higher proportion of income than in the case of the middle or² upper classes. To correct this defect, a reform of the taxation system, by the introduction of a General Income tax, was badly needed. The influence of vested interests, the lack of Govern-ment specialists in taxation matters and the stress on ease of collection have so far prevented the establishment of a pro-gressive Income Tax.

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1. This is a safe figure for the years 1938 to 1939. In 1940 and 1941, receipts from indirect taxes were about 52% (See Table XLII). With the introduction of Intaj'al'Ziraii in-direct tax and the abolition of the Tithe in 1942 and the Land Herko in 1943 and in view of the fact that the Intaj'al'Ziraii tax formed more than 32% of the ordinary receipts in 1943, the above proportion of 60% becomes a very con-servative estimate.
 2. Indirect taxes are composed of the excise duties, the cus-toms duties and the Intaj'al'Ziraii tax. Almost all these taxes fall on necessities or conventional necessities.

In 1942, under the stress of numerous circumstances, enumerated below, a so-called Income tax law was promulgated by Décret Législatif No. 144/AS of June 9, 1942 and regulated by Décret Législatif No. 153/AS of June 21, 1942.

The main reasons which led to the establishment of this tax were: First, the war, with its consequences: inflation and scarcity of products, made business men and merchants reap high profits. The Tamattu' with its more or less fixed tax, since it was based on certain indices of income (such as, rent and number of employees) which did not increase proportionately to the price level, was no longer sufficient to meet the Government requirements for revenue. Second, the investing class as such was not paying any tax. Third, the inequalities of income had become too glaring during the war for the masses to accept such a situation any longer. Fourth, the experience of Iraq and Palestine in this field was also an important factor which led the Syrian Government to imitate them. All these reasons taken together led the Syrian Legislator to institute the Income tax.

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1. The War Profit tax was never instituted in Syria. The reason given by the Financial Commission of the Chamber of Deputies being: First, the Income tax law was present and second its rates have been raised greatly. The Minister of Finance at that time, Khaled bey Al Azem replying to the criticism of a deputy said that the Government was studying a project by which all war profits will be taxed from 1939 to 1944. (From the Minutes of the Chamber of Deputies, 1945, p. 243). Until October 1, 1945, no such project has been submitted to the Chamber of Deputies.
 2. First introduced by the Income Tax Law No. 52 of 1927. The latest Income Tax Law is that of July 29, 1939 to which was added the Sur Tax Law No. 63 of 1943.
 3. Income Tax Law No. 32 of 1941 modified by Law No. 10 of 1942 and Law No. 5 of 1943 and Law No. 12 of 1944.

II. General Features.

The Syrian Income tax which was promulgated in June 1942, has been amended twice in 1943¹ and in 1945². The main feature of the Syrian Income tax is that it is not a General Income tax based on total income. Income from buildings and land is not taxed because these are subject to the Building tax and the Intaj'al'Ziraii tax respectively. The Syrian Income tax is divided into 3 categories: (A) Income tax on gains and profits from professions, commercial and non commercial enterprises and industries; (B) Income tax on salaries and wages; (C) Income tax on revenue from movable property. Each one of these categories is taxed separately. Exemptions are permitted to the first and second categories with the exception of moral persons in the first one. Different progressive rates are then imposed on the first and second categories while a uniform rate is imposed on the third one. The methods of assessment differ in the three categories. In addition, the first category is divided in two groups each one having a different method of assessment.

A. Category I. (Income Tax on Gains and Profits from Professions, Commercial and Non Commercial Enterprises and Industries)

1. Taxable Income.

The Income tax is levied on the profits of all industrial, commer-

1. Décret Législatif No. 38, April 29, 1943.

2. Law No. 136, January 30, 1945.

3. Décret Législatif No. 144/AS, June 11, 1942, Article 16.

cial and non commercial enterprises and liberal professions and on any other income derived from lucrative operations not subject to the Income tax on wages and salaries and the Income tax on the earnings from movable property.

2. Subjects of the tax.

These are divided into two Groups: Group I comprises all persons residing in the Syrian territory. The tax is due on their total realized profits. while Group II is composed of all persons residing in foreign countries. For these latter, the tax is due on the profits derived from operations undertaken in the Syrian territory.

Group I.

The first group of persons (those residing in the Syrian territory) is divided into two sections. The first section pays the tax on the basis of the net real profits as shown by the balance sheet and the Profit and Loss Account. The other section pays the tax on the basis of the estimated net profit determined by the Financial Authorities and based on the application of an appropriate percentage to the gross receipts.

The following are taxed on the basis of their net real profits (persons of section I):

1. Companies with a limited liability;
2. Firms and enterprises registered in the Chamber of

1. Unless otherwise mentioned, by person is meant physical and moral person.
2. The division of the Income tax into categories, groups and sections is a personal division and has been made for practical purposes.
3. Décret Législatif No. 144/AS, June 11, 1942, Article 18.

Commerce and Industry;

3. Bankers and Banking Houses;
4. Exporters and importers, wholesale merchants, consignors, commission agents and representatives;
5. Chemists and agents for pharmaceutical products;
6. Branches of foreign firms;
7. Mills in cities of over 40,000 inhabitants;
8. Factories and workshops;
9. Hotels rented at over 2500 Syrian pounds a year or whose capital value is assessed at over 40,000 pounds.
10. Movies, music-halls, dancing halls, theatres in cities of over 40,000 inhabitants;
11. Printing presses using electric power;
12. Dealers and agents of cars, motor cycles, photographic apparatus and all kinds of motors;
13. Contractors;
14. Any taxpayer having an annual gross receipts of over 100,000 Syrian pounds.

All other taxpayers are assessed on the basis of their estimated profits as determined by the financial authorities.¹

Persons exempted from the Income tax are the following:² (1) educational institutions; (2) societies and unions of mutual help;

1. The first method (on the basis of the net real profits) applies also to all taxpayers who express the wish to be taxed by that method. A taxpayer who has accepted to be assessed on the basis of his real net profits cannot the following year ask for his assessment on the basis of his estimated net profit.

2. Décret Législatif No. 153/A, June 21, 1942, Article 5.

(3) consumers' cooperatives; (4) agricultural syndicates and cooperatives for purchase and storage; (5) agricultural cooperatives which undertake the transformation and sale of agricultural products for its members provided that no tax would have been imposed on these same members were they to do the work independently; and (6) cultivators, growers and farmers who sell their own crops, fruits, animals or dairy products.

Group II.

The second group of persons is composed of those not residing in Syria. These are taxed on the basis of the amounts paid to them in remuneration for any activity subject to the Income tax. In addition, they have to pay the Income tax for any gains, income or rent realized in Syria.¹ The rates and method of assessment for this group differ from the first.

3. The Rates of the Tax.

The rates for Group I were in 1942 as follows:²

On the fraction of the profit comprised between	1500 and	7500	4%.
" " " " " " "	7501 and	15000	6%.
" " " " " " "	15001 and	22500	8%.
" " " " " " "	22501 and	30000	10%.
On above	30001		12%.

1. Décret Législatif No. 153/AS, June 21, 1942, Article 24.

2. Ibid., Article 17.

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In 1945 the rates were raised as follows:

On the fraction of the profit comprised between	3001 and	10000	6%.
" " " " " " " "	10001 and	20000	8%.
" " " " " " " "	20001 and	30000	12%.
" " " " " " " "	30001 and	40000	15%.
" " " " " " " "	40001 and	50000	18%.
" " " " " " " "	50001 and	100000	21%.
" " " " " " " "	100001 and	250000	25%.
" " " " " " " "	250001 and	500000	30%.
" " " " " " " "	500001 and	1000000	35%.
On above	1000000		40%.

Group II (persons not residing in Syria) is subject to a uniform rate of 8%.

10 % of the tax due (on persons resident in Syria and persons not resident) is added for the benefit of the municipalities.

1. Budget Law of 1945, Article 32. In Lebanon (Income Tax Law of December 4, 1944 completed by Budget Law of 1945), the rates differ according to whether the income is derived from a commercial or non commercial enterprise. They are as follows:

On the fraction of the profit bet. the exonerated minimum and	Indus. & Com. Enter.		Non Commercial
5001 and	5000	4%	3%
10001 and	10000	5%	4%
15001 and	15000	6%	5%
25001 and	25000	8%	6%
35001 and	35000	10%	8%
50001 and	50000	12%	10%
75001 and	75000	15%	12%
100001 and	100000	20%	15%
Over 250001	250000	25%	20%
		30%	25%

In Palestine (Law No. 23 of 1941, modified by Law No. 10 of 1942 and Law No. 12 of 1944), the rates are as follows:

From S.P.	Income Tax	SurTax	Total
1 to 300	5%		
301 to 600	7½%		
601 to 900	12½%		
901 to 1200	20%		
1201 to 1600	32½%		
1601 to 2600	50%		
2601 to 3100	50%	5%	55%
3101 to 3600	50%	10%	60%
3601 to 4600	50%	15%	65%
4601 to 5600	50%	20%	70%
5601 and over	50%	25%	75%

2. Décret Législatif No. 15, June 21, 1942, Article 25.

3. Décret Législatif No. 144/AS, June 9, 1942, Article 10.

4. Exemptions.

Group I. Before computing the tax a minimum exemption of £.Syrian 3000 is allowed to every real person without regard to his personal status¹ Commanditaires (persons with a limited liability) are not exempted. Total exemption should not exceed £.Syrian 4800 for all the partners of a given firm.² This is done in order to prevent evasion from the tax by registering the firm in the names of numerous persons.

In evaluating the Syrian Income tax, we shall hint to the defect of this low exemption in comparison to the high cost of living and the necessity of differentiating between the income of a bachelor and that of a married man with or without family burden.⁴ In Palestine, the minimum exemption is £.Pal. 200 for a bachelor, £.Pal. 300 for a person married and without children, £.Pal. 40 for the first child under 20 years of age, £.Pal. 30 for the second, £.Pal. 20 for the third and £.Pal. 10 for the fourth. Thus a married man with three children is exempted £.Pal. 390 or 3432 Syrian Pounds. As the price level in Palestine is lower than in Syria, the Palestinian exemption is more equitable.

Group II. Persons not residing in Syria are not exempted.

5. Assessment.

a. Assessment on the Basis of the Real Net Profits.

(Group I, Section I)

The Income tax is annually levied on the

1. Budget Law of 1945, Article 32. Before that Law the minimum exemption was 1500 Syrian pounds. (Décret Législatif No. 144/AS June 9, 1942)
2. Décret Législatif No. 36, April 29, 1943.

basis of last year's net profit.¹ By net profit is meant the sum total of the income accruing from all operations performed by the taxpayer after the deduction of all charges and expenditures necessary to the fulfilment of these operations.² As to the Insurance companies the tax is levied on their total income constituted of the total net profits plus any income accruing from any movable or immoveable property.³

Among the deductible charges the following are expressly mentioned by the law:

a. Rent. When the premises belong to the taxpayer their rental value.

b. All depreciations generally admitted by the usages of every commercial, industrial or professional enterprise with the exception of buildings depreciation.

c. All taxes paid by the enterprise during the financial year in which the profits were realized with the exception of the Income tax itself.

In case of a loss sustained, this loss can be deducted from the profits of the following year. If these are not sufficient to meet the loss, the balance can be carried forward to the following year until the fifth year.⁴

1. Decret Legislatif No. 153/AS of June 21, 1942, Art. 14.

2. Decret Legislatif No. 153/AS of June 21, 1942, Art. 15.

3. Ibid., Article 16.

4. Ibid., Article 19.

For the determination of the profits of a person established in a foreign country (Group II), the books of account kept by that person are accepted by the Financial Authorities in so far as they show clearly the net profit realized by that person in relation to any commercial, industrial or non commercial operations undertaken in Syria. Otherwise assessment will be made with reference to similar operations.¹

Returns must be submitted to the Financial Authorities not later than April 30 for companies with a limited liability and ^{not} later than March 31 for all other taxpayers.²

The Minister of Finance can, in special circumstances, extend the period to not more than 60 days. In addition to the returns the above taxpayers are requested to submit a summary of their Profit and Loss Account, a copy of their Balance Sheet and a statement containing a list of the depreciations with explanation as to the method of calculation.

In case of a cessation of an enterprise or profession, the tax due is calculated and declared to the Financial Authorities within 15 days. In case of transfer, the name of the transferee and his address must be given also.³

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1. Decret Legislatif No. 153/AS of June 21, 1942, Article 17.
 2. Decret Legislatif No. 153/As of June 21, 1942, Article 20 and Decret Legislatif No. 38 of 29th April, 1943, Article 6.
 3. Decret Legislatif No. 153/As of June 21, 1942, Article 22.

b. Assessment on the Basis of the Estimated Profit (Group I, Section II).

The net profit is arrived at by the application of an appropriate percentage to the gross receipts. This latter is defined as the total gross income resulting from the conduct of operations effectively and definitely concluded by the taxpayer during the twelve consecutive months immediately preceding the first of January of the year of assessment. These operations consist of the sales, rent and sub rent of materials, goods, crops, as well as the gross income, commissions, interests, brokerage, discounts, fees etc.¹

Persons subject to this method of assessment must keep a journal stamped by the highest financial officer. A declaration of the total gross receipts must be submitted to the Financial Authorities before January 30 of every year.

The rate to be applied to ^{the} gross receipts in order to determine the estimated net profit is fixed by the Financial Authorities between a minimum and a maximum in accordance with a schedule determined by a special commission. This commission is composed of:² the General Director of Finance

1. Décret Législatif No. 153/AS, June 21, 1942, Article 7.

2. Ibid., Article 40.

Department, President; a member from the State Council chosen by the Prime Minister, member; the Director of Public Revenue Department, member; three experts chosen by the Minister of Finance for a fixed period from a list prepared by the Ministry of National Economy, members. The Commission meets when convoked by the President. The presence of five members at least and two experts is necessary for the validity of the decisions.

The maximum and minimum rates fixed by the commission are published in the Official Newspaper by alphabetical order of the professions taxed.¹ In case of a transfer or cessation of an enterprise of profession, the tax due is immediately calculated.

c. Assessment of persons not residing in Syria
(Group II).²

The tax is levied on the amounts paid to persons not residing in Syria after a deduction of 25%. It is collected at the source from the persons, enterprises and associations who transfer the money abroad. Collection by the treasury is undertaken during the five first days of each month.

d. Place of Assessment

The tax is levied on the person exercising the commerce, industry or profession or the beneficiary of taxable income arising from other sources in the place where the

1. Decret Legislatif No. 153/As of June 21, 1942, Article 11.

2. Ibid., Article 25.

activity is carried on the first of January of the year of assessment.¹ If the taxpayer has more than one branch in Syria, the tax is due from the Head Office on the total branches. If the Head Office is outside Syria, the tax is due on the profits realized by all the branches at the branch situated in the Syrian capital or if this is not found, in the principal branch.²

6. Tax Rolls and Appeals.

Original rolls are prepared in March for persons assessed on the basis of their estimated profits and in May for taxpayers assessed on the basis of their real net profits.³ If the Financial Authorities had refused the return submitted by a taxpayer, they determine the amount of the tax according to the amendments they see fit and as resulting from their investigation. In that case a provisional roll is prepared for all those whose returns were refused.⁴

The agents of the Financial Authorities have the power to examine the books of account of the taxpayer. In case the taxpayer refuses to show or does not keep any records or documents an arbitrary tax is levied upon him.⁵

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1. Decret Legislatif No. 153/AS of June 21, 1942, Article 27.
 2. Decret Legislatif No. 38 of April 29, 1943, Article 6.
 3. Decret Legislatif No. 153/AS of June 21, 1942, Article 29 amended by Decret Legislatif No. 38 of April 29, 1943.
 4. Decret Legislatif No. 153/AS of June 21, 1942, Article 37.
 5. Ibid., Article 32, amended by Decret Legislatif No. 38 of April 29, 1943, Article 10.

Appeal can be made by the taxpayer within fifteen days from the date of the posting of the provisional rolls in the Government house¹ to a Commission of Taxation composed in each Mohafazat of the following:² the chief of the Finance Department or his delegate, President; the chief of the Revenue Department or his delegate, member; an official from the Ministry of National Economy, member; a member from the Chamber of Commerce, member; a member from the Chamber of Industry, member. This Commission reviews all provisional assessments. It examines all returns, objections, etc., and has the power to demand any document and ask the controllers and experts of the Ministry of Finance to carry out any necessary investigation. The Commission ratifies the amendments, after modification if necessary. It cannot, however, reduce the amount of the tax if no objection has been submitted, unless the modification is motivated by a material error.³

The roll prepared by the Taxation Commission is rendered executory without any other formality unless a new appeal is made to a Revision Commission⁴ by the taxpayer or an appeal is made by the Financial Authorities who have the right to ask for the revision only in the case the assessment is reduced. If no appeal is made by the taxpayer the decision of the Taxation Commission becomes final. Applications for revision

1. Decret Legislatif No. 153/AS of June 21, 1942, Article 39.

2. Ibid., Article 40.

3. Ibid., Article 41.

4. Ibid., Article 42.

are received by the Financial Authorities and transmitted with a report to a Revision Commission composed of the following:¹ the General Director of Finance, President; a member of the State Council chosen by the Prime Minister, member; the Director of the Revenue Department, member; three experts chosen by the Ministry of Finance for a fixed period or determined sessions from a list prepared every year by the Minister of National Economy and comprising ten or eight experts who are not public servants, members. The Commission of Revision meets when convened by its President. Application for revision does not suspend the collection of the tax. Moreover, it is not accepted by the Revision Commission unless the complainant declares his profit. In case of dispute over the amount, the applicant must join a receipt to the application showing that he has paid 50% of the amount of assessment fixed by the Commission of Taxation.²

The Revision Commission decides according to supporting documents. A further investigation is carried out if the complainant has expressly asked for an enquiry and provided for the expenses of the Commission. The Revision Commission judges the application for revision. Its decisions are final. It must state the reasons for any decision it makes.³

Additional rolls for omissions made and new facts found

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1. Décret Législatif No. 153/As of June 21, 1942, Article 44.
 2. Ibid., Article 45.
 3. Ibid., Article 46.

are prepared at the end of June and October of every year.

7. Collection of the Tax.

For persons resident in Syria and taxed according to their real or estimated profits, the tax is collected in two instalments. The first being the month following the Mohafez decision sanctioning the tax roll and the second being in August.¹ For persons not resident in Syria, the tax is collected by the transferors for the account of the treasury at the time of the transfer of the taxable income. It is paid to the treasury in the first five days of every month.

B. Category II. (Income Tax on Salaries and Wages)

In 1942, the Income tax on salaries and wages replaced the Tamattu' on public and private employees.² This latter tax was based on total salary and allowances after a deduction of 240 Syrian pounds per year. The rate of the Tamattu was 4%.³

1. Persons Subject to the Tax.

All government employees, directors, members of the board of directors, auditors, employees and in general all persons receiving a salary, wage or indemnity and residing in the Syrian territory are subject to the Income tax on salaries and wages.³ Ambassadors and other diplomatic agents such as consuls and consular agents and their personnel are exempted from the Income tax on salaries and wages provided a similar treatment is accorded to Syrian diplomats and their personnel in foreign

1. Décret Législatif No. 153/AS, June 21, 1942, Article 48.
 2. Décret Législatif No. 144/AS, June 9, 1942, Article 26.
 3. Ibid., Article 19.

¹
countries.

2. Rates of the Tax.

In 1943 and until January 1, 1945, the rates were as follows: ² On incomes ranging between 600 and 7500 Syrian pounds and on any lump sum payment: 4%.

On incomes ranging between 7501 and 15000	6%
On incomes " " 15001 and 22500	8%
On incomes " " 22501 and 30000	10%
Above 30000	12%

In 1945 the rates and brackets were modified as follows: ³

On incomes ranging between 1201 and 10000	4%
" " " " 10001 and 20000	6%
" " " " 20001 and 30000	8%
" " " " 30001 and 40000	10%
Above 40001	12%

3. Exemptions.

The exemption was until January 1, 1945 50 Syrian pounds per month or 600 per year. ⁴ In 1945, it was raised to 100 a month or 1200 a year. ⁵ If a taxpayer, in addition to his salary or wage, derives an income from a commercial, industrial or non commercial enterprise or profession, the minimum exemption will be allowed according to either Category I or II.

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1. Décret Législatif No. 144/AS, June 9, 1942, Article 20.
 2. Ibid., Article 21.
 3. Budget Law of 1945.
 4. Décret Législatif No. 144/AS, June 9, 1942, Article 21.
 5. Budget Law of 1945.

4. Assessment of the Tax.

The tax is levied on the net revenue from salaries and wages. The gross revenue comprises salary, wage, emoluments, re-¹numeration, allowances, gratuities etc. To arrive at the net² revenue the following are deducted from the gross revenue: (a) provision for a pension or indemnity in case of dismissal; and (b) travelling and other expenses incurred in the carrying of business.

5. Tax Rolls.

Tax rolls are established on the basis of the information supplied by the employers. However, every employee who receives a salary or wage exceeding the minimum exemption must submit within 15 days of his admission to work, to the Financial Authorities of his district a declaration of his income, surname, address, the names and address of his present and former employers. In case of modification in any of this information, he must inform the Finan-³cial Authorities within a period of 15 days. Infraction of these provisions subject the employee to a penalty. Government employ-ees are not obliged to submit such a statement.

Also every employer must submit within 15 days of the end of every quarter a statement containing the following informa-⁴tion: identity of his employees and their former employers, the amount of salaries, remuneration, gratuities etc. paid to each one

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1. Décret Législatif No. 153/AS, June 21, 1942, Article 49.
 2. Ibid., Article 50, completed by Décret Législatif No. 38, April 29, 1943, Article 17.
 3. Décret Législatif No. 153/AS, June 21, 1942, Article 54.
 4. Ibid., Article 55.

of them, the modification which may have occurred in the status of each employee. The amounts paid to members of the board of directors, auditors, trustees etc., must also be declared.

The statements sent by the employer and the employee can be checked by the Financial ^{Authorities} with the personnel register that each employer must keep up to date.

Before the publication of the tax rolls, a statement is sent to every employer informing him of the details of the tax due on his employees. ¹ Any omission in the tax roll can be corrected until the end of the year following the date of the omission.

6. Appeals.

Any taxpayer who believes he was overtaxed can appeal to the Financial Authorities within one month following the date of notification of the statement to the employer. ² Appeal can also be made by the employer. ³ Appeals are judged by a Commission of Taxation and eventually by a Commission of Revision. ⁴ Appeal does not suspend the payment of the tax and it cannot be made to the Commission of Revision unless all due taxes have been paid on the basis of the amounts fixed by the Commission of Taxation. ⁵

7. Collection.

The tax is collected by the employer and kept for the account of the treasury. ¹ It is paid within 45 days following every quarter

1. Décret Législatif No. 153/AS, June 21, 1942, Article 60.

2. Ibid., Article 63.

3. Supra, p. 84.

4. Supra, p. 95.

5. Décret Législatif No. 153/AS, June 21, 1942, Article 64.

of the year on the basis of the tax rolls. As regards Government employees, the treasury pays to these their salaries less the tax¹ due.

C. Category III. (Income Tax on Income Derived from Movable Property)

The tax on the income from movable property is levied on the dividends, interests, arrears, prizes and any other income derived² from movable property including the distribution of bonus shares.³

The rate of the tax is 4%.

For the purpose of the assessment of the tax, the income derived from movable property is divided in⁴ three sections.

1. Income from Financial Obligations Contracted in Syria such as that derived from bonds, loans issued by companies, associations, municipalities, enterprises whether industrial, financial, commercial or non commercial operating in the Syrian territory.

2. Income from Foreign Movable Property, such as that derived from stocks, bonds, loans issued by societies, companies, enterprises, municipalities, governments or other private or public establishments.

3. Income from Deposits, Mortgages, Loans Secured and Unsecured.

1. Décret Législatif No. 153/AS, June 21, 1942, Article 61, modified by Décret Législatif No. 38, April 29, 1943, Article 24.
2. Décret Législatif No. 38, April 29, 1943, Article 2.
3. Décret Législatif No. 144/AS, June 9, 1942, Article 23.
4. Ibid., and Décret Législatif No. 153/AS, June 21, 1942 and Décret Législatif No. 38, April 29, 1943.

1. Income from Financial Obligations Contracted in Syria. The income to be taken as a basis for the assessment of the tax is: (a) for the bonds and loans: the yearly interest or income derived; (b) for the lottery prizes: the amount of the prize.¹

Companies, societies, and establishments must collect the tax at the source from the beneficiaries and pay the tax to the treasury.

For the tax on the yearly interest or income derived from bonds and loans, the tax is paid in four instalments during the first five days of January, April, July and October.² As to the tax on prizes, it is paid at the time of payment of the instalment following the date fixed for the payment of the prize.³

2. Income from Foreign Movable Property. This tax is collected at the source from bankers and money changers and any other person who pays the profits accruing out of foreign securities.⁴ To prevent fraud, two registers must be kept by these persons.⁵ The first one contains the amounts on which the tax was collected directly from the taxpayer. The second contains the transactions on which the tax was not collected because some one else has undertaken this job before.⁶ A copy of the first register is made and sent with the amount of the tax due to the financial authorities during the first five days of every quarter.

1. Décret Législatif No. 153/AS, June 21, 1942, Article 66.

2. Décret Législatif No. 38, April 29, 1943, Article 26.

3. Ibid.

4. Décret Législatif No. 153/AS, June 21, 1942, Article 71.

5. Décret Législatif No. 38, April 29, 1943, Article 27.

6. Décret Législatif No. 153/AS, June 21, 1942, Article 75.

Investors in foreign securities resident in Syria who personally undertake the collection of the revenue accruing from outside the Syrian territory, must submit to the Financial Authorities a return before the 15th of January of every year. This return must contain the total amount of dividend, interest or revenue received. Penalties¹ amounting to 3 times the amount of the tax are provided for infraction.

Investors in French Government securities are exempted from the tax provided the issue expressly states so and also provided the security was held before the 1st of January 1942.² Proof of ownership before that time can be arrived at by considering purchase statements, banks accounts, legacies etc.

3. Income from Deposits, Mortgages and Loans Secured and Unsecured.
The tax is levied on the gross receipts from deposits, mortgages and loans whether secured or unsecured.³

The tax is collected by the affixing of a stamp on the receipts or any other document proving the payment of interest. The tax is paid by the creditor only in spite of all stipulations to the contrary. However, both the debtor and creditor are responsible for the payment of the tax.⁴

Bankers, companies who wish to pay the tax other than through the stamp method, must submit a statement of the tax due to the Financial Authorities.⁵ In addition, they must keep a special register

1. Décret Législatif No. 153/AS, June 21, 1942, Article 79.

2. Ibid., Article 80.

3. Décret Législatif No. 38, April 29, 1943, Article 29.

4. Décret Législatif No. 153/AS, June 21, 1942, Article 81.

5. Ibid., Article 83.

in which are recorded the amount of interest accruing, the date of its record in the books and the amount of the tax owing.¹

III. Fiscal Adequacy of the Syrian Income Tax.

It is still early to form an opinion on the fiscal adequacy of the Syrian Income tax. Receipts from Category I, II and III amounted, in 1945, to 1,698,913, 845,933 and 49,914 Syrian pounds respectively. These amounts represent 3.5%, 1.7% and 0.1% of the tax burden, that is a total of 5.1%. From this data, it appears that the tax receipts are still very low in comparison to what ~~is to be~~^{is to be} expected from such a tax. Receipts from the third category are very inadequate. Holders of shares, stocks and bonds evade the tax by selling their dividend or interest coupons to persons who smuggle these to foreign countries and obtain payment there without the agency of the bank.²

IV. Evaluation.³

The Syrian Income tax is not a true Income tax based on the taxpayer's ability to pay.⁴ The following are its main defects:

1. Decret Législatif No. 153/AS, June 21, 1943, Article 84.
2. From an interview with the Head of the Accounting Department of the Ministry of Finance in June 1944.
3. Ideas for this study have been provided by a report of Professor Said B. Hissadeh criticizing the Lebanese Government project of Income tax in 1944. This report (dated July 14, 1944) was distributed among the Lebanese deputies. Unfortunately, the remarks contained in it were not adopted by the deputies and the Government project was ratified in a matter of few hours in one single session and with practically no opposition!
4. This is measured by a number of considerations, the most important of which are: total income; exemption of the cost of living and allowances for the family burden and finally differentiation of the tax rate as regards character of income. Total income is taxed in order to allow a progressive rate because as the income of a person increases, a larger proportion of this income is spent on luxuries and comforts that is on things which are not very necessary. Thus as one's income increases the ability to pay taxes increases in a larger proportion. Exemptions of the cost of living and family allowances are provided in order not to tax the cost of subsistence. As to the differentiation with regards to character of income this is done in order to distinguish between the rates in taxing the earned and unearned income. In the former case more effort is exerted by the individual in getting his income and therefore should be taxed less.

First. The non consideration of total income of a person when taxing him is against the principle that each one should pay according to his ability. An example will make this clear. X and Y have both an income of 10,000 Syrian pounds each. X derives half of his income from salaries and the other half from a business. Y derives all his income of 10,000 pounds from his salary. The following are the taxes payable by each:

X will pay on his income from business:

$$a, (5000 - 3000 \times \frac{6}{100}) \times 1 = \text{£.Sy. } 120$$

Y will pay on his income from salary:

$$b, 5000 \times \frac{4}{100} = \text{£.Sy. } 200$$

The total tax paid by X is therefore 320 pounds plus 10% for the benefit of the municipality makes 352 pounds.

Y will pay on his income from salary:

$$10,000 - 1,200 \text{ by } \frac{4}{100} = 352$$

The tax paid by Y is 352 pounds plus 10% for the benefit of the municipality makes a total of 385 Syrian pounds.

Thus in spite of the fact that half of X's income is derived from a business in which he may not have exerted much effort, he pays a tax less than Y. (This is due to the fact that he is allowed an exemption of 3000 pounds while Y is exempted 1200 pounds: See third defect). Moreover, X does not pay a tax on his total income but rather on each income separately, if X were to have an income derived from 3 sources, profits, salary and interest, instead of

1. Before Décret Législatif No. 38, April 29, 1943, X was exempted twice, namely 3000 on his income from business and 1200 on his income from salary! By the trial and error method, this mistake in the Income tax law was discovered.

paying a high progressive rate on the three categories when added together, he will pay a lower rate on each category taken separately.

Second. Another defect of the Income tax is that the brackets of the first and second categories are very high. For the first category (Income tax on the gains and profits of commercial, industrial and non commercial enterprises and professions), the bracket is 10,000 Syrian pounds until 50,000. From 50,000 to 100,000 the bracket is 50,000. Then from 100,000 to 250,000 the bracket is 150,000 and from 250,000 to 500,000 the bracket is 250,000 and finally from 500,000 to 1,000,000 the bracket is 500,000. Above 1,000,000 the rate is uniform. Thus in reality, ^{only} few persons with large incomes are touched by the higher rates of the Income tax. The brackets of the second category are also very high. In Palestine, brackets are much smaller. They first increase by £.P. 300 or £.S. 2640 until they reach 1201 Palestinian pounds or £.S. 10568 while in Syria brackets increase by tens of thousand until they reach 50,000.

Third. Another defect is with regards to exemptions. Before Décret Législatif No. 38, of 1943 a natural person who has an income from category I and II was exempted twice. Also the exemption of 3000 Syrian pounds for category I and 1200 for category II is insufficient in proportion to the high cost of living. Besides, it is undemocratic to treat a certain class of the population i.e., capitalists, more favourably than the other. If any discrimination is advisable, it should at least be in the favour of the salaried and wage earning classes. Moreover, these two

exemptions for category I and II are uniform and do not consider the personal status of a person, whether he is a bachelor or married, with or without family burden.

Fourth. The rates of the Income tax in category I and category II are respectively ineffective and low. For category I the rates are ineffective because the brackets are high and consequently few persons are reached by the higher rates. The rates of category II are reasonable and the uniform rate of 4% for category III is low. Income from this last category is considered as unearned and so must be taxed much more because a small effort is pent in getting it.

Fifth. The Income tax makes the limited companies pay the tax in the same manner as real persons. Thus making the tax a semi-personal one. A progressive Income tax on limited companies is uneconomic because it tends to let a company divide itself into numerous limited companies to avoid paying a high tax. In Palestine the Income tax is partly collected at the source from limited companies in part settlement of the income tax falling on the shareholders. If it is found later on that no tax is due on them, the Income tax is refunded.

To correct all these defects of the Syrian Income tax, a real reform is badly needed by the introduction of a General Income tax based on the taxpayer's ability to pay. Such a reform can only be successful if proper employees and tax experts are appointed by the Government.

CHAPTER V
THE POLL TAX

I. Introduction

The distinguishing feature of a Poll tax is that every person subject to it pays the same amount regardless of his income, property, other taxes payable or services received from the state.¹ The Poll tax² in Syria is of Ottoman origin³ and was originally commuted by a few days work on the roads.⁴ Every able bodied person was under the obligation to work four days a year on the roads; if he did not wish to do so, he had either to engage a labourer to work in his place or to pay a certain sum of money sufficient to pay a labourer for that purpose.⁵ In 1326 (1910), the payment of the tax in money was made compulsory. The Law of February 27, 1329 (1913), however, provided that persons who could not pay the tax in money were required to work on the public roads for the same wages as other labourers.⁶

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1. Encyclopaedia of the Social Sciences, Vol. XII, p. 226.
 2. Called locally the "road tax".
 3. This tax was taken from the French legislation. In France it was levied since 1832 on every Frenchman economically independent.
 4. Bilâghât Maliyyah, 1924, pp. 299-305.
 5. Ibid.
 6. Majmuat al Qawanin, Vol. III, p. 404.

Half of the wages paid were set aside to pay the debt for the Government. Since the First World War the practice of forced labour was dropped.

II. Basis and Exemptions.

The tax falls on all males between the ages of 18 and 60 inclusive, except the sick, disabled persons, soldiers, non commissioned officers under arms and those imprisoned for the period of their imprisonment if it is over six months.¹ In the Mohafazat of Djezirah the tax was levied on villages as units and was then distributed by the village council between the persons subject to the tax. In 1937, due to the official census of the Mohafazat, the law regulating the Poll tax was strictly applied.²

Limitation of the poll tax to men, is not of the essence of a Poll tax, but in view of the inferior economic position of women, this limitation is quite wise.³

III. Rate of the Tax.

The amount of the tax was 150 Syrian piasters per person in 1938,⁴ became 250 Syrian Piasters in 1942,⁵ and was finally increased to 400 Syrian Piasters as from January 1st, 1943.⁶

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1. Arrêté No. 92, April 16, 1924, Bilaghat Maliyyah, 1924, p. 450 and Décret Législatif No 32/AS, July 31, 1941.
 2. Décret Législatif No. 37, June 29, 1937.
 3. Himadeh, op. cit., p. 373.
 4. Journal Officiel de la République Syrienne, No. 5 of February 9, 1939 (in Arabic).
 5. Décret Législatif No. 62/AS of 1942 and Décret Législatif No. 30 of March 3, 1943, respectively.
 6. Ibid.

IV. Assessment

A register of persons subject to the tax, as prepared from the official census, is kept up to date in villages and towns. Tax lists are then prepared annually and approved by the Minister of Finance. Objections to the tax are presented to the examination of the administrative council of the district (qada) whose decision is final.¹

V. Collection

Since 1932, the authority to collect and use the Poll tax within municipal boundaries was transferred to the municipalities.² Only in villages and certain municipalities, the tax remained a state revenue.³

Notice is sent to every person subject to the tax, stating amount and the date of payment. The tax is collected in the month of June and is deducted from salaries in the case of public employees. A penalty of fifty Syrian Piasters is collected every year in case the tax is not paid in due time.⁴

The collection of the tax is very difficult. The high cost of collection in relation to the amount of the tax prevents the government from enforcing the law strictly. It is usually paid by persons involved in government business, courts and those wanting to secure a passport.

1. Arrête No. 92, April 16, 1924, and Himadeh, op. cit., p. 373.

2. Arrête No. 3243, May 29, 1931.

3. Municipalities not organized according to Arrêtes No. 160 bis and 221 of June 10, 1925, and April 16, 1926, did not benefit from the Poll tax.

4. Decret Legislatif No. 12 of 1937.

The Poll tax is not a major source of revenue to the State; it is the least important direct tax amounting on the average to about 1.50% of the tax burden, as the greater part of the tax collected flows to local units. (See Table XXV)

VI. Evaluation

This tax being regressive in nature, its burden falls more heavily on the poor persons. Its presence in the taxation system can be explained by the natural lack of concern of the Syrian Government for justice in the distribution of the tax burden. The levy of this tax together with a real income tax¹ is more acceptable for it arouses tax consciousness.

1. The Income tax in Syria was introduced in 1942 so that there is no relation between the existence of the Poll tax which was introduced in 1910 and the Income tax. In addition, as we have already seen, the Income tax of Syria is not an Income tax in the meaning accepted by economists, and students of Public Finance.

TABLE XXV

Fiscal Importance and Money Burden of the
Poll Tax

Year	Receipts £.Syrian ¹	Index No.2 Retail Prices	1933-1945		
			% of Ordinary Receipts	% of Revenue Burden	% of Tax Burden
1933	95,869		1.81	1.05	1.21
1934	126,883		2.13	1.32	1.55
1935	145,649		2.42	1.53	1.83
1936	133,621		2.23	1.45	1.74
1937	152,024		2.05	1.32	1.60
1938	180,290	100	1.92	1.26	1.52
1939	194,262	105	1.67	1.18	1.44
1940	231,914	144	1.40	1.36	1.68
1941	193,098	270	1.34	1.18	1.53
1942	350,488	551	1.32	1.1	1.5
1943	2,674,593	691	4.9	4.4	5.8
1944	505,000 ³		1.0	1.0	1.2
1945	513,000 ⁴				

1. Privately Secured, Budgets of the Syrian Republic, 1933-1945.

2. Compiled by the "Affaires Economiques, Bureau de Statistiques et d'Etudes Economiques de la France Combattante, Beyrouth 1943."

3. Estimates.

4. Ibid.

CHAPTER VI

THE ANIMAL TAX OR AGHNAM

I. Definition

The Animal tax (or Aghnam) is a tax levied annually on camels, sheep, goats, pigs and buffaloes.¹

II. Exemptions

Exemption from the tax is provided for:

- A. All other animals not mentioned in the definition for two reasons: (a) Animals of the farm such as cows, donkeys, mules, horses, etc. contribute to agricultural produce which until recently was subject to the Tithe and now to the Intaj'al'Ziraii tax and (b) horses, donkeys and mules are subject to the Tamettu' when used as means of transportation.
- B. Sheep, goats and pigs of less than one year on April 1st as well as camels of less than two years.²
- C. Sheep and goats belonging to convents, churches and other religious institutions.
- D. Animals in transit coming from Iraq.³ When the delay of seven months allowed for this transit expires, the Custom duties which were collected will not be refunded

1. The Animal tax is still mainly regulated by arrête No. 794, December 28, 1928, Al'Asimah, December 31, 1928, with a few amendments regarding the rates and the widi tax paid by the tribes.
2. Arrête No. 794, December 28, 1928, Article 1.
3. Transit of animals is regulated by arrête No. 49, January 8, 1926, modified by arrête No. 1670 of November 17, 1927.

E. Imported animals on which Customs duties have been paid for the year during which they are imported.¹ If it is proved that the proprietor of the cattle has paid the Custom duty in order to benefit from the difference between the two rates, a census of his live stock is taken and double the amount of the Animal tax is collected in addition to the Customs duties.² Such a measure becomes unnecessary if the two rates are uniform.

Animals belonging to tribes were formerly subject to a tax called Widi, which was levied as a lump sum on each tribe according to an estimate of the animals belonging to that tribe.³ This practice was effectively abolished in 1934 and replaced by the prevailing Animal tax, without incident, thanks to the cooperation of the tribal chiefs.⁴ In return to that concession, all arrears for the years 1931-1932-1933 were not followed up.⁵

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1. Arrête No. 794, December 28, 1928, Articles 12, 13 and 14.
 2. Ibid., Article No. 15.
 3. Arrête No. 1091, December 9, 1927, Al-Asimah, January 15, 1928. See also Rapport à la Société des Nations, 1928, p. 166.
 4. Rapport à la Société des Nations, 1934, p. 109.
 5. Ibid.

III. Rates

The rates of the Animal tax are as follows:

Animals	1929 ¹ Syr. Pounds	1933 ² Syr. Pounds	1943 ³ Syr. Pounds
Sheep	.08	.20	1.35
Buffaloe	-	-	3.00
Goats	.08	.20	1.35
Pigs	.10	.75	4.00
Camels	.20	.50	2.00

A surtax of 20 piasters per animal was added in 1945 to the 1943 rates for the benefit of the Army Budget.⁴

IV. Assessment

A census of the live stock is taken twice annually.⁵ The first beginning in February 15th and ending in April 15th. The second falling between April 15th and June 15th in order to

1. Arrête No. 794, December 28, 1928, Article 1.
2. Himadeh, op. cit., p. 370 in footnote.
3. Decret Legislatif No. 3/AS, January 20, 1943.
4. Law No. 136 of January 30, 1945, Article 5.
5. Cattle belonging to certain villages of the Hermon and which had acquired the right to graze in Palestine, has its census taken by the Palestinian government. In conformity with the Syro-Palestinian agreement of March 4th, 1926, the tax is levied by the Palestinian government with reference to Palestinian rates. 2/3 of the tax collected after an allowance of 6% for collection expenses is given to the Syrian government. (Art. 20 of the Agreement.)

check the first census and reduce evasion. These two periods can be extended by decision of the Minister of Finance.¹ In the border regions which fall between Turkey, Iraq, Transjordan and Palestine on one hand and Syria on the other, the date of beginning the census is fixed in accordance with an agreement with these states.

The carrying out of the census is undertaken by gada.² Each gada is divided into sections where the agents of the Financial Authorities take the census at certain places where the animals are grouped and anywhere else where they are met. In every section the census is carried out by an agent, helped by two to five assistants according to the importance of the section. In the second census, the personnel is changed from section to section to avoid fraud and evasion. After the enumeration of his herd, the herdsman is given a certificate designating the kind and number of animals and the amount due from him. The certificate must be kept by the herdsman for further control. The proprietor or shepherd who wishes to move his live stock from gada to another must inform the controller who will indicate on the certificate where the live stock is proceeding.

In case of evasion, the tax is doubled and collected immediately from delinquents. Tax informers are used, they receive

1. Arrête No. 794 of December 28, 1928, Article 3.

2. Ibid., Article 4.

half of the penalty for any written denunciation approved by the Administrative Council.¹

V. Collection

The Animal tax is collected one month after the completion of the second census.² No tax rolls are published. The law is strictly enforced due to the relative ease of seizure and sale of animals. In case of non payment of the tax, animals amounting in value to the amount of the tax are seized and sold at auction.

VI. Fiscal Adequacy

From the revenue viewpoint, the Animal tax became the most important direct tax since 1939.³ The money importance of this tax has been constantly increasing since 1933. In that year it formed 4.93% of the tax burden then increased to 7.50% in 1935, to 8.11% in 1937, to 11.19% in 1939 and finally reached 16.87% in 1940 and 15.73% in 1941; (See Table XXVI in the text). The reasons for this increase are to be found in the rise in the rates of the tax comparatively to other taxes.

The receipts in themselves have not shown a real increase (see Table XXVI). From 1927 to 1931 the average yearly receipt of the tax was over 1,300,000 Syr. Pounds. In 1941 the receipts were 1,986,961 Syr. Pounds and in 1942 1,610,733 Syr. Pounds. Taking into account the depreciation of the franc ^{in 1934} to which the

1. Arrête No. 794 of December 28, 1928, Article 19.

2. Ibid., Article 28.

3. See Table XXVI.

Syrian Pound is attached and the rise in the price level during the war (See Table XXVI, Column 2), we can see that in reality, purchasing power of the tax receipts from the Animal tax has fallen considerably.

VII. Conclusion.

The Animal tax is the only tax on movable property that exists in Syria. Direct taxes on movable property have been avoided by the Syrian Government because they require a good administration in tax assessment and collection.¹

In Iraq, the Koda tax (Animal tax) was transformed into an Istihlak tax in 1939.² The Istihlak tax on animals and animal produce (Consumption tax) is levied at the rate of 10% on the value of animals slaughtered and animals exported as well as on the value of animal produce consumed in Iraq or exported. The Finance Committee of the Syrian Parliament recommended the Government to change the Animal tax into an Istihlak tax similar to that of Iraq, but this suggestion has not been carried out.

1. Rimadeh, op. cit., p. 366

2. The Koda Tax Law, No. 15 of 1930 and the Istihlak Tax Law on Animals and Animal Produce No. 63 of 1939 (Iraq).

TABLE XXVI

Fiscal Importance and Money Burden of the

Year	Tax Receipts £.Syr.	Index No. Retail prices ²	Animal Tax ¹ (1927-1945)		% of Tax Burden
			% of Ordinary receipts	% of Revenue Burden	
1927	1,154,183		13.0	9.1	10.8
1928	1,192,348		16.9	10.1	11.9
1929	1,285,978		14.6	10.0	11.7
1930	1,342,774		17.1	11.5	13.5
1931	1,538,864		20.0	13.2	15.6
1932	837,000		12.4	8.2	9.5
1933	390,433		7.37	4.27	4.93
1934	514,279		8.63	5.35	6.30
1935	596,541		9.89	6.28	7.51
1936	706,569		11.80	7.67	9.21
1937	790,855		10.68	6.84	8.11
1938	1,326,656	100	14.17	9.27	11.18
1939	1,504,350	105	12.94	9.19	11.19
1940	2,331,893	144	14.08	13.72	16.88
1941	1,986,961	270	13.79	12.20	15.74
1942	1,610,733	551	6.1	5.1	7.2
1943	5,253,712	691	9.7	8.7	10.6
1944	6,222,200 ³		14.5	12.9	14.7
1945	7,742,000 ⁴				

1. Privately secured, Budgets of the Syrian Republic, 1927-1945.
2. Compiled by the "Affaires Economiques", Bureau de Statistiques et d'Etudes Economiques de la France Combattante, Beyrouth, 1943.
3. Estimates
4. Ibid.

CHAPTER VII

THE NEW BUILDING TAX, THE BUILDING SITE TAX

AND THE TAX ON GARDIENNAGE

I. Historical Background

The Building Tax was first introduced by the Ottoman Law of 1302 (1886).¹ Since that time the Building Tax underwent four major amendments and was codified three times in 1931, 1938 and 1945. Originally, this tax was based on capital value at the rate of ten per thousand.² This rate applied also to the Land Werke. In 1326 (1910), the basis and the method of assessment of the tax were modified and it became a tax on the rental value of the buildings.³ But as the general assessment determining the rental value was made only partially, two different modes of taxation on buildings existed.⁴ The first similar to the Land Werke and based on the capital value of buildings assessed in 1303 (1887) with rates ranging between 5.80 and 21 per thousand⁵ and the other based on the rental value of buildings at the rate of 12% to which were added 60% of surtaxes.⁶

In 1931, a new Building Tax appeared based on the rental

1. Majmu'at al-Qawanin, Vol. III, p. 338, and Bilaghat Maliyyah, 1924, p. 542.
2. Ibid. See also Al khuri, op. cit., p.p. 286-287.
3. Ibid.
4. Rapport a la Societe des Nations, 1924, p. 76.
5. Ibid.
6. Bilaghat Maliyyah, 1924, p. 542.

value of buildings as assessed by local commissions.¹ It is a perfected version of the Ottoman Law.² The rate of the tax was fixed at 8 1/2 % instead of 12% with a surtax reaching a maximum of 30% for the benefit of the municipalities. A reduction of 25% of the assessed rental value is made for workshops, mills, factories and buildings constructed from wood or mud. This reduction is made in order to encourage industry and because buildings constructed from wood or mud require greater expense for repair and maintenance. Permanent and temporary exemptions from the tax were provided.³ Assessment was carried by an Appraisal Commission (Commission d'Evaluation) composed of four members of which two were local proprietors. Appeal was made to a Commission of Revision. Provision for the revision of the assessment was also provided by the law. Fifty one appraisal commissions were formed to make the assessment.

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1. Arrête No. 3142 of April 20, 1931, modified by Arrête No. 3595 of October 7, 1931, and completed by Arrête No. 3590 bis of Oct. 6, 1931. Arrête No. 3142 was subsequently amended by Décret Legislatif No. 114 of March 23, 1935, and by Law No. 113 of December 14, 1944. Arrête No. 3590 bis of October 7, 1931, was also modified by Law No. 113 of December 14, 1944.
 2. Himadeh, op. cit., p. 361.
 3. The following properties were permanently exempted: Government properties, Municipal properties, Charitable properties and properties owned by Churches, Mosques, Synagogues, etc. Temporary exemptions were applied to property constructed for the settlement of Nomadic tribes, for newly constructed buildings, for destroyed property, etc.

In 1938, a new law abrogated all previous legislation.¹ This law laid stress particularly on a general census of all buildings to be completed before January 1st, 1944. For this purpose, the Syrian territory was divided into 20 sections. The Minister of Finance was to fix annually the sections in which the census work was to be made. In addition, the law provided for the establishment of a cadastral matrice for every building which was to be kept up to date. The cadastral matrice was divided into three parts: (a) the first describing the grounds, the distinguishing features of the building and all modifications thereof, (b) the second recording the names of the proprietors and title holders, and (c) the third recording the appraisal. The cadastral matrice was made in every section by two agents, one from the Building Tax Department, the other from the Technical Bureau of the Land Settlement (Services Fonciers). The rental value, once determined, was to be revised every ten years. A reduction of 15% of the assessed rental value was made for buildings constructed in cement or stone or both and of 25% for all other kinds. The rate of the tax was fixed at 10% of the new assessed rental value after the forementioned reduction. 2.50% were added as a tax for 'gardiennage'. An additional surtax was levied and varied with different municipalities.²

1. Law No. 30 of June 22, 1938.

2. The fiscal regime of municipalities provides for a maximum percentage of 30% of the Building tax to the benefit of big cities. (see Minutes of the Chamber of Deputies, Year 1944, p. 81.)

Unfortunately, the incompetency of the administration prevented the assessment of the rental value of buildings to be carried out completely. In 1942, assessment as regulated by the Arrêté of 1931 was reestablished.¹ The preamble to Décret Législatif reintroducing the old method of assessment stated:² "In view of the disorder and confusion happening to the assessment of the rental value of buildings due to a multitude of conflicting legislation,³ the Council of Ministers realizing the necessity for consistent and uniform legislation decided to enforce the regulations of Arrêté No. 3124 of April 20, 1931, which was based on the rental value of buildings as assessed by local Appraisal Commissions."⁴

1. Décret Législatif No. 188/AS, August 16, 1942.

2. Ibid.

3. No conflicting legislation existed since the law of 1938 abrogated all previous legislations and provided a uniform law. Nevertheless, the preamble of Décret Législatif No. 188/AS of August 16, 1942, stated so.

4. This statement contradicts the Law No. 30, of June 22, 1938, Article 69, which says: The articles of the present law will come into effect as from the completion of the assessment operations which are to be carried out according to the present law. All previous legislations on the Impôt Foncier sur les Immeubles Batis (Building Tax) and especially the law on the Moussakafats of June 14, 1926, (1910), and its amendments and the Arrêtés No. 3142, of April 20, 1931, 3590 bis of October 6, 1931, 3595 bis of October 7, 1931, and its amendments as well as all legislation of the law on the Wenko of July 24, 1902 (1886) concerning the tax on the Immeubles Batis (Building tax) and Arrêtés No. 157 of June 6, 1925, 184 of April 5, 1936, 149 of March 25, 1926, 866 of January 29, 1929, 3251 of December 19, 1934, and all legislation regarding the law of Gardien-nage shall be gradually repealed.

II. The New Building Tax Law of 1945

A new tax on buildings and building sites became effective as from January 1st, 1946.¹ The most important changes which occurred since the law of 1938 are: (1), the introduction of the building site tax; (2), the change of the rate of the tax from 10% to 7%; (3), the change of the maximum of 30% to a maximum of 20% for the benefit of municipalities; (4), the abolishment of registration fees of rent contracts; (5), the change in the methods of assessment. This law was modelled on the Iraqi law.² But instead of enacting two separate laws like Iraq, the Syrian Legislature included the two taxes in one law without fixing separate exemptions, methods of assessment and appeals for the two.

A. Basis and Rate of the Tax

The new tax on buildings is levied on the annual rental value of building property.³ For the purpose of applying the tax, the annual rental value is taken to mean the annual gross rental value,⁴ that is with no consideration to repairs, depreciation and other maintenance expenses. The Building Site tax is a tax on the capital value of land on which there are no buildings.

The Building tax Law does not limit the maximum area of a garden or courtyard which can be attached to a building.⁵ This is

1. Law No. 178 of May 26, 1945, Article 45.

2. The Building Tax Law No. 17 of 1940 and the Building Sites Tax Law No. 15, of 1940.

3. Law No. 178 of May 26, 1945, Article 1.

4. Ibid., Article 2.

5. The same defect is found in the Building Tax Law in Iraq. (See Salim Muallim's thesis on the Fiscal System of Iraq, 1944, p. 80. Deposited at the Library of the American University of Beirut.)

objectionable especially because a tax on building sites has been instituted. Those who own vacant land can build a small dwelling house in it and thus evade the Building Sites tax by paying a smaller tax as a Building tax, the remaining area being considered as a garden connected to the house. Thus certain people can acquire large areas of land in cities and pay only small taxes.

The rate of the tax is 7%¹ which is equal to that of Al'Intaj' al'Zirai Tax. To this tax must be added a surtax not exceeding 20% (instead of the former 30%) for the benefit of the municipalities.

B. Exemptions

There are three kinds of exemptions: first, permanent exemptions; second, temporary exemptions; and third, partial exemptions.

1. Permanent Exemptions² - The following properties are permanently exempted from the Building tax:
 - (a) Government property.
 - (b) Property belonging to the municipalities and which does not produce any revenue.
 - (c) Property which is used for agricultural purposes such as warehouses for agricultural produce, dumps for agricultural

1. Law No. 178 of May 26, 1945, Article 19.

2. ~~Law~~ No. 178 of May 26, 1945, Article 3.

machinery, plants and implements, places for shelter of animals and cattles, buildings erected for the agriculturists provided they are erected in the fields or villages.

- (d) Schools and other educational institutions not rented.
- (e) Property owned by licenced charitable institutions.
- (f) Premises of accredited representatives and consuls, with a provision for reciprocity.
- (g) Mosques, Churches, Synagogues, Monasteries, etc. and their properties provided that the same are not rented and are occupied and used by the religious authorities in charge of such institutions.
- (h) Property exempted in accordance with treaties and agreements or concessions.
- (i) Places reserved for silk worm breeding, pigeon towers and horse nurseries.

2. Temporary Exemptions - These apply to properties under certain conditions.¹

- (a) Property constructed for the settlement of nomadic tribes are exempted for ten years. This exemption is granted in order to encourage the settlement of tribes.
- (b) Newly constructed buildings are exempted for a period of two years to encourage the building industry.
- (c) Certain constructions exempted for a period not exceeding

1. Law No. 178 of May 26, 1945, Article 4.

5 years to encourage tourism, summer resorts, etc.

(d) Property destroyed is exempted from the tax as from the date following the notification of the owners to the Financial Authorities.

(e) Property that remains vacant for a period of six months or more.

3. Partial Exemptions - Dwelling houses occupied by owners are exempted to the extent of 25% of the assessed rental value. However, if a person has more than one dwelling house he is exempted only once.¹ The amount payable for a dwelling house whose yearly rental value is assessed at £.Syr. 1600 is £.Syr. 84 i.e. $\frac{(1600 - 400) \times 7}{100} = 84$. On the other hand, the tax payable for a similar house but not occupied by the owner, is £.Syr. 112, i.e. $\frac{1600 \times 7}{100} = 112$.

C. Assessment

The yearly rental value is determined for buildings occupied by tenants by the registered contract of rent.² In case this latter does not exist or is not accepted by the Financial Authorities, the tax is levied on rental value as assessed by the Assessment Committee.³ Such houses are assessed at least once every ten years and also if the rental value

1. Law No. 178 of May 26, 1945, Article 19.

2. Ibid., Article 6.

3. Ibid., Article 8.

has fallen or risen by 25% during a long period.¹ The length of the period is determined by the Assessment Committee. A new assessment is also undertaken at the demand of the owner of the rental value of the house has fallen by at least one third.²

Assessment is undertaken by a committee formed in the merkez of the Mohafazats and gadas. A minimum of thirty days notice is given, to the owner or tenant, prior to the assessment. The Committee is composed of three members, two officials and a property owner chosen by the Municipal Council. The general assessment is not carried at the same time in all gadas but is carried out at different times in different gadas.

Two ways of assessment are used.³ The first takes into account the rental value of similar nearby property. The second the annual rental value of the property will be ascertained directly with reference to certain indices such as size, materials, used, location, area, etc.

Once the assessment is completed, the Assessment Committee notifies the results to the owners of property. These latter have the right to appeal within fifteen days from the date of the notification of the result of the assessment,⁴ provided

1. Law No. 178 of May 26, 1945, Article 12.

2. Ibid., Article 25.

3. Ibid., Article 12.

4. Ibid., Article 14.

that half of the tax has been paid to the treasury plus a deposit of five pounds which will be returned in case the appeal against the assessment proved to be right.

The Revision Committee is composed:¹ (a) in the merkez of the Mohafazat of a president who must be the highest financial authority of the Mohafazat, an official and one non-official property owner selected by the Administrative Council from that body; (b) in the merkez of qada by a president who is the Mudirmal, an official and one non-official property owner selected by the Administrative Council from that body.

D. Collection

1. Persons liable to the tax.² The property owner is required to pay the Building tax. Whenever the owner or co-owners are unknown or absent, the occupant of the property is liable for the payment of the tax, with a right to recover the amount paid on behalf of the owner. In cases where the property is owned by more than one person all the partners are collectively liable for the payment of the tax. The partner who pays the tax has the right to recover from the other partners, each in proportion to his share. If the property is transferred, the tax is collected from the original owner unless he notifies the Financial Authorities. In that case the tax is paid by the new owner as from the beginning of the financial year.

1. Law No. 178 of May 26, 1945, Article 15.

2. Ibid., Article 26.

2. Payment of the tax. Tax rolls are established on the basis of assessment and registered rent contracts at the beginning of each financial year for every district and village. They are put into effect by a decision of the Mohafes or Caimacam.¹ The taxpayer is notified once for the amount of the tax due. The tax is paid in one instalment within the month following the notification of payment.² A penalty of 2% of the amount of the tax is added for each month of arrear.³

3. Fiscal Adequacy. Receipts from the Building tax did not increase during the war period in proportion to the rise in the price level. This is due to the fact that rents were subject to a strict control by the Government. The following table shows the fiscal importance and money burden of the tax on buildings during the years 1933-1942:

1. Law No. 178, May 26, 1945, Article 20.

2. Ibid., Article 34.

3. Ibid., Article 35.

TABLE XXVI

Fiscal Importance and Money Burden of TheTax on Buildings

Year	Tax Receipts ¹ £.Syr.	Index No. (1933-1945) Retail Prices	Ord. Receipts	% of Rev. Burden	% of Tax Burden
1933	445,671		8.41	4.97	5.63
1934	496,289		8.35	5.16	6.08
1935	473,449		7.85	4.99	5.96
1936	444,722		7.43	4.83	5.79
1937	541,176		7.31	4.68	5.51
1938	570,332	100	6.09	3.98	4.81
1939	591,677	105	5.90	3.61	4.40
1940	818,192	144	4.94	4.81	5.92
1941	771,052	270	5.35	4.73	6.10
1942	815,488	551	3.08	2.59	3.65
1943	2,049,262	691	3.78	3.40	4.14
1944	1,303,000 ³		3.03	2.72	3.08
1945	2,003,000 ⁴				

The question to be asked is who is the ultimate payer of the tax. In general, the owner is the ultimate payer of the tax. He is legally bound to pay it and the burden of the whole

1. Privately secured, Budgets of the Syrian Republic, 1933-1945.
2. Compiled by the Affaires Economiques, Bureau de Statistiques et d'Etudes Economiques de la France Combattante, Beyrouth.
3. Estimates.
4. Ibid.

amount of the tax rests with him. However, he may be able to shift it depending upon the conditions of supply and demand for house accommodations. Property owners in normal times and in residential quarters are able to demand high rents and thus shift the burden to the tenants. In wartime, with the rent control property owners were not able to shift the tax except in the case of new rent contracts.

As the Building tax has been levied on buildings for a long time in about the same magnitude, it acts as a capital burden and is usually deducted from the purchase price by the buyer of the building.

II. The Building Sites Tax

The Building Sites Tax will be enforced in 1946.¹ This is a wise measure because by that time building materials and labour will be available and cheaper with the end of the war. In addition the Government will have had the time to undertake the preliminary assessments.²

The Building Sites Tax is a two and half per thousand tax on the capital value of all sites.³ A site is defined: "as a piece of land in the merkez (center) of the Mohafazat or the merkez of qaada including the land attached to a building and completing it whenever this land is over 1000 square meters."

No special exemption from the Sites Tax is provided for by the law. Any property exempted from the Building tax which con-

1. Law No. 178 of May 26, 1945, Article 42.

2. Ibid., Article 45.

3. In Iraq, the tax is a one per cent tax on the capital value (The Building Sites Tax Law No. 15 of 1940, Article 1.)

form within the definition of sites is exempted. For instance, Article 3, section b, of the Building Tax law states: " All municipal property with no revenue is exempted from the tax (i.e., the Building and Sites tax.)"

Also no special method of assessment for the determination of the capital value of sites is advocated. The assessment is carried out by the building assessment committee in a manner similar to the assessment of the Building tax.¹ All the provisions of the Building tax relating to objections, appeals and collection are applicable in the same manner to the Building Sites tax.

As the Sites tax has not yet been applied, no idea can be formed about it. It is, however, safe to conclude from similar experience that this tax will not be very productive,² the only reason for its establishment being to encourage building.

III. Tax on the Gardiennage³

The Gardiennage tax is a 2.50% tax on the net annual rental value of buildings as determined by the Building tax law. The persons liable to the tax are the occupants of buildings situated in the merkez of Mohafazats and qadas. The Minister of Finance can by his own decision extend the application of the Gardiennage tax on any region where a police or guardianship service is

1. Law No. 178 of May 26, 1945, Article 42.

2. In Iraq, during the financial year 1940-1941, collection amounted to about 0.03% of the total tax revenue. (From the Accounts of the Iraqi Government of the year 1940-1941.)

3. Law No. 90 of November 13, 1944.

created.

The following are exempted from this tax:

1. Public, governmental and municipal services.
2. Consular and diplomatic representatives of foreign powers for the buildings they occupy.
3. Authorized benevolent institutions.
4. The occupants of buildings holding religious services or buildings occupied and used by the religious authorities in charge of such religious institutions as well as orphanages and old men asylums.

At the beginning of each financial year, tax rolls are established by the Financial Authorities for each region. These rolls are put into execution by the Mohafez or Caimacan decision. Individual notes are sent once to the taxpayers. The Gardiennage tax is paid at the dates fixed for the collection of the building tax. In principle the Gardiennage tax is a state tax. It is only collected by the municipalities in those cases where the guardianship service is undertaken by these authorities.

Unlike the Building tax, the burden of the Gardiennage tax falls mainly on the occupant who may be the tenant or the owner of a building. If it is on the tenant it is but seldom that he succeeds in shifting it to the owner and this is when the supply of buildings is big.

Chapter VIII

EXCISE AND STAMP DUTIES

Excise duties in Syria are levied on commodities with a fairly inelastic demand, namely, tobacco, benzine, kerosene, salt, liquors, cement, matches etc. The excise duty on matches is levied by means of stamps. Stamp duties proper are levied on a wide variety of documents and advertisements.

Excise and stamp duties constitute a large proportion of the revenue burden as well as a large proportion of the tax burden (See table XXVII). Table XXVII shows the revenue from each of the excise duties and the revenue from stamp duties during the period 1934 to 1945.

I. The Tobacco Excise.

This is the most important excise duty and forms about 50% of the total excise revenue. ⁽¹⁾ The tobacco excise has a long history. Under the Ottoman régime it was a monopoly. In 1881, the famous decree of Muharram transferred the tobacco monopoly from the state ⁽²⁾ to the Administration of the Ottoman Public Debt. In 1884, this

1. See Table XXVIII

2. The origin of that debt is due to the reckless borrowing of the Ottoman Government shortly after the Crimean war. The Decree of Muharram (8/20 December 1881) created the Administration of the Ottoman Public Debt and conceded to it a number of public revenues. In July 29, 1933, the Ottoman Public Debt was settled by the payment of a final lump sum of 32,850,555 francs by the Syrian states. For a history of the Ottoman Public Debt, see Rimadeh, op. cit., pp. 391-394.

Table XXVII

Revenue and Money Burden of Excise and Stamp Duties

(1933-1945)

Year	Total Excise And Stamp Receipts (1) £.Syr.	Index Number of Retail (2) Prices	Per cent of Revenue Burden	Per cent of Ordinary Receipts	Per cent of Tax Burden
1933	1,425,916		15.59	26.91	16.00
1934	1,567,599		16.30	26.33	19.19
1935	1,489,951		15.69	24.71	16.75
1936	1,676,827		18.19	28.00	21.5
1937	1,899,818		16.44	25.65	19.48
1938	2,410,399	100	16.84	25.74	20.32
1939	3,133,097	105	19.13	26.89	23.32
1940	3,667,923	144	21.57	22.15	26.54
1941	4,686,668	270	28.77	32.54	37.12
1942	8,913,617	551	28.3	33.7	39.9
1943	16,881,435	691	28.0	31.2	34.3
1944	13,249,454	(3)	27.7	30.6	31.3
1945	18,287,000	(4)			

1. Privately Secured, Budgets of the Syrian Republic, 1933-1945.

2. Compiled by the "Affaires Economiques, Bureau de Statistiques et d'Etudes Economiques de la France Combattante, Beyrouth 1943."

3. Estimates.

4. Ibid.

Table XXVIII
 Revenue from Excise and Stamp Duties, 1934 - 1945.⁽¹⁾
 (In Syrian Pounds)

Kind of Duty	1934	1935	1936	1937	1938	1939	1940	1941	1942	1943	1944 ⁽²⁾	1945 ⁽²⁾
Tobacco	628315	538103	618231	741422	1067617	1670059	2038854	2845998	4422028	6659194	6120000	10160000
Inflammable Materials	231900	221682	222853	319771	303145	330659	26583	129382	1837719	3424868	3060000	3640000
Salt	223853	232836	230569	285861	365009	398157	557687	716151	992088	2253571	1813100	1813000
Liquors	77529	90615	62929	133933	90321	119871	160308	159101	421731	747015	610000	703000
Matches and Lighters	69134	74241	47921	38152	55718	72579	70937	89684	104808	222440	150000	300000
Cement	-----	-----	-----	-----	-----	-----	47844	40308	57749	87072	130200	251000
Stamp	336668	332274	297024	380676	528589	541872	765709	706044	1077694	1507275	1366154	1520000
	1587399	1489951	1676527	1899815	2410399	3133097	3667923	4686668	8913817	16881435	13249454	18287000

1. Privately Secured, Budgets of the Syrian Republic, 1934-1945.

2. Estimates.

concession was leased for 30 years to a private company, the Regie Co-Interessee des Tabacs, which paid to the Administration and the Ottoman Government annual rents varying with the amount of the net profits. In 1914, the lease, was extended for another fifteen years. During the post war period, the Regie paid annual rents to the states under French mandate corresponding with their shares of the net profits. But the revenue was not entered in the local budgets until 1926, when the revenues formerly conceded to the Ottoman Public Debt Administration were given to the states. The growth of smuggling due to the non inclusion of Mount Lebanon in the tobacco monopoly contributed to the establishment of a new system in 1930, the banderole system, a year after the agreement with the Regie had expired. (1)

Under the banderole system, the free cultivation, commerce and manufacture of tobacco and its products was allowed. (2) An excise ad valorem duty varying between 40 and 50% in the form of a banderole was levied on tobacco consumption (3) and a special specific import duty was provided for. (4) The banderole was sold by the Treasury

1. Himadeh, op. cit., p. 376.

2. Bulletin Economique Trimestriel, 2nd Quarter, 1930, p. 497 ff.

3. Arrête No. 3938, bis, January 29, 1932. Al-'Asimah, Feb. 29, 1932, p. 47.

4. Decret No. 3845, bis, January 26, 1932, Al-'Asimah, Jan. 31, 1932 and Decret No. 8846, Jan. 20, 1932, Journal Officiel, Jan. 27, 1932

and was affixed to every tobacco product leaving the factory. Imported tobacco products were subject to a special import duty in addition to the banderole duty and the regular customs duties levied by the Customs Administration for the benefit of the separate states. The special import duties were distributed among the states in proportion to the tobacco imported by each.

On January 30, 1935 a tobacco monopoly for a period of 26 years was instituted by arrêté of the High Commissioner and was conceded to a private company, the Régie Libano Syrienne des Tabacs et Tombacs. This company pays the Syrian and Lebanese Governments annual rents amounting to 95% of its annual net profits. These profits are divided between the two Governments according to the ratio of local consumption of cigarettes and tobacco in each of the two countries.

The control of the Régie is now undertaken by the Lebano-Syrian Supreme Board of Common Interests who appoints two controllers, one Syrian and the other Lebanese. They must present a common report every three months to the Board. In case there is divergence of views between them, they submit their report separately. Their function is to see to it that the Régie is working according to the terms

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1. Arrêté No. 16, January 30, 1935.
 2. Authorized Capital in 1935: 1,250,000 Syrian pounds divided into 25,000 shares of 50 pounds each. The majority of these shares is held by Frenchmen.
 3. Arrêté No. 343 of the Supreme Board of Common Interests, 31st March, 1945, Articles 19 and 20.

of the concession. In addition to this control, there is another one exercised by the Permanent Tobacco Commission of Syria and Lebanon. The members of this Commission are composed of the Directors of Finance of Syria, Lebanon, Djebel'al'Duruz and Latakia.¹ The Regie cannot change its major policies without the approval of this Commission. The Commission meets in Damascus and in Beirut and its decisions are sanctioned by decrees of the Ministers of Finance in Syria and Lebanon. In case there is divergence of views between its members, the matter is referred to the Supreme Board of Common Interests.²

Taxes on tobacco consumption have been an important source of revenue to the Syrian and Lebanese Governments. The demand for tobacco being extremely inelastic and the production being monopolized, it is possible to exact large revenue.

II. The Inflammable Materials Tax.

The inflammable materials tax is levied on benzine, kerosene, gasoil and fueloil. The benzine tax is the most important.

The benzine tax was introduced on the 16th of May, 1928.³ It replaced the Tamattu' on automobiles, based on the amount

1. Decret Legislatif No. 6, of March 6, 1944, Articles 1, 2 and 3.
2. Ibid.
3. Arrete No. 125, May 8, 1928, and No. 2773, January 15, 1931. Bilaghat Waliyyah, 1928, p. 189, and Al'Asimah, January 15, 1931.

of horse power. The benzine tax was considered as more equitable because it was proportional to the use of the car.¹

The rates of the inflammable materials tax are: 15 Syrian Piasters per litre on benzine; 6 piasters per litre on kerosene; 2 Piasters per kilogram on gasoil (or liquid mazout); and 1 Piaster per kilogram on fueloil (or solid mazout).²

These taxes are collected from the oil companies, their agents or authorized merchants at the time of the introduction of the inflammable materials to the warehouses. Every person importing inflammable materials is required to hand in a declaration to the Department of Finance or the goods will be confiscated. The tax is thus collected at the point of greatest concentration.

The fuel problem became very serious in 1940 when the importation of fuel into the country was stopped. Consequently, revenue from taxes on inflammable materials dropped from 330,859 Syrian Pounds in 1939 to 26,583 in 1940.³ The problem was solved by the erection of a refinery in Tripoli. It was constructed by the 'Inspection Generale des Travaux Publics' in three months' time. Towards the end of 1940, the monthly production was 3000 tons of refined oil.⁴ In December 1941, it reached 14,500 tons.⁵ Thus the revenue rose to 129,392 Syrian

1. Rapport a la Societe des Nations, 1928, p. 165.

2. Decret Legislatif No. 293 AS of December 7, 1942.

3. Budgets of the Syrian Republic, 1939-40.

4. Rapport sur la Situation Economique des Etats du Levant, 1940-1941, pp. 11-12.

5. Ibid.

Pounds in 1941, and with the increase of the production in 1942-43, and the increase in tax rates in 1942, it reached 1,837,719 Syrian Pounds in 1942, and 3,424,868 Syrian Pounds in 1943.¹ Revenue estimates for 1944 and 1945 were 3,060,000 and 3,540,000 Syrian Pounds respectively.²

The inflammable materials are well suited for excise taxation. They are articles of wide consumption and the demand for them is highly inelastic. The expense of collection is low and the tax meets with little opposition.

The benzine tax is shifted by the importer and refiner to the automobile owners. In turn it is partly or completely shifted to the consumers in the form of higher prices for transport in accordance with the supply of cars and the demand for transport. The kerosene tax is completely shifted to the consumers by the oil companies.

III. Taxes on Liquors

In 1926, the duties on liquors which were conceded to the Ottoman Public Debt Administration became part of the local income. The levying of excise duties on liquors has two purposes: to raise revenue and to bring the liquor traffic under public control. Duties on liquors are of two kinds, one on manufacture and the other on sale.

In 1942, the manufacture of liquors was subject to the following duties:³ Beer, 10 piasters per kilogram or litre;

1. Budgets of the Syrian Republic, 1942-43

2. Ibid., 1944-45

3. Décret Législatif, No. 286/AS, October 28, 1942.

wine, 16 piasters per kilogram or litre, champagne, 30 piasters per kilogram or litre, araq 0.60 piasters on every degree of alcohol, but the duty must not be less than 30 piasters per kilogram or litre.

The assessment of the excise tax on liquor production involves the determination of the quantity produced. Every person desiring to manufacture alcohol must inform the Financial Authorities. The assessors determine the quantity of liquors to be produced by inspecting the raw materials on hand and estimating their yield. To prevent evasion transport of alcoholic liquors is subject to a permit by the Financial Authorities.

For the assessment of the duty on sale of liquors, places and shops where liquors are served are divided into three categories on the basis of the quantity of liquors handled in proportion to total sales. The tax is based on the rental value of the premises. The rate of the tax paid by the first category is 25%; by the second, 12 $\frac{1}{2}$ %, and by the third 8.1/3%. The categories of shops are determined by a committee of the Finance Department, while the rental value of the shop is determined by the rental value of the buildings as assessed for the purposes of the Buildings tax. The tax is paid in two instalments, one before the first of January and the other before the first of July of every year.

The Salt Monopoly

In 1926 the Administration of the salt monopoly conceded

in 1881¹ to the Ottoman Public Debt Administration was turned over to the Syrian Government when the agreement concerning the payment of the Ottoman debt was reached.²

Salt is mainly extracted in Jabbuḥ, 35 kilometers east of Aleppo. Two other marshes are found, one in Jayrud to the east of Damascus and the other 5 kilometers to the east of Palmyra. These last two marshes are only partly exploited. The salt extracted is not of a very good quality and is insufficient to meet the requirements of the country. However, if properly extracted, the salt should meet the demand of Syria and Lebanon.³

The trading of salt is prohibited without authorization.⁴ The government reserves for itself the right of importing salt.⁵ The salt is sold from government warehouses located in the merkez of Mohafazats or when necessary in qadas. It must be consumed within the Mohafazat or district and cannot be transported from Mohafazat to Mohafazat. Its transportation to outside a city or village requires an authorization.

The price of salt is fixed by executive decree. In July 1944, the prices were as follows:⁶

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1. Decree of Muharram, 8/20 December, 1881.
 2. Himadeh, op. cit., p. 379.
 3. Rapport a la Societe des Nations, 1927, p. 164.
 4. Bilaghat Maliyyah, 1926, p. 42.
 5. Law No. 80 of 1939. Journal Officiel de la Republique Syrienne du 19 Janvier 1939. (In Arabic).
 6. Decret No. 81 of September 22, 1943, amended by Decret No. 776 of July 19, 1944.

1. Salt extracted in Jabbul, Jayrud and Palmyra:

For every 100 kilograms, twenty Syrian Pounds.

For every 100 kilograms of pure Jayrud salt 26.50 Syrian Pounds.

2. Imported chemical salt:

On every 100 kilograms twenty five Syrian Pounds.

3. Imported salt from Nejed to be consumed in the Mohafazat of Hauran:

On every camel load of 200 kilograms thirteen Syrian Pounds.

Because of its widespread use, salt is a good source of revenue for the Government which can easily control its production. However, a duty on salt is objectionable because its impact is heavier on the poor than on the rich.

V. The Stamp Duties

All contracts, receipts, commercial papers, documents of various kinds used in dealing with the Government, written declarations, advertisements, etc., are subject to stamp duties. These documents are divided into 18 categories¹ and 182 sections according to their nature. To enumerate them will require large space, and only reference to the law can be made.²

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1. These categories are: (1) concessions; (2) commerce, industry and business; (3) transport; (4) companies; banks and public debts; (5) insurance policies; (6) power to attorney; (7) petitions; (8), (9) public administration papers; (10) personal identity; (11) obligations; (12) legacies; (13) receipts; (14) licences; (15) Diplomas, certificates of schools and universities; (16) copies and duplicates; (17) advertisements etc.; (18) Tickets of admission to places of amusements; (19) Miscellaneous.
 2. Law No. 59 of May 31, 1944. For full details see Journal Officiel de la Republique Syrienne, No. 22, June 1, 1944, (In Arabic)

The stamp duty is divided into two kinds, fixed and proportional. The schedule of the fixed duty varies with the nature and importance of the document, while the proportional duty falls mainly on commercial papers, promissory notes, etc., and varies with the amount declared on the document. The rate of the proportional duty is 1 piaster for every 10 Syrian Pounds or fraction thereof.¹

VI. The Cement Tax

The cement tax is levied on cement production at the rate of five Syrian Pounds per ton,² and is collected from the cement factory. It is shifted to the consumer, thus raising the price of cement and consequently hindering the erection of new buildings.

VII. Tax on Matches and Lighters³

The tax on matches is levied by bandoles match boxes and on lighters by iron stamps. The first is collected from manufacturers by the Service de Banderole; and the second is collected from the importers by the Custom House. The import and manufacture of matches and lighters are subject to authorization.

The rates of the tax on matches were as follows in 1943:⁴

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1. Law No. 59 of May 31, 1944. For full details see Journal Officiel de la République Syrienne, No. 22, June 1, 1944. (In Arabic).
 2. This tax was formerly 200 piasters per ton (Decret Legislatif No. 37 of February 29, 1940). Decret Legislatif No. 28/AS of February 4, 1942.
 3. Regulated by Decret Legislatif No. 1 of December 26, 1933.
 4. Decret Legislatif No. 3/AS of January 17, 1943.

1. Matches made out of wood:

Syrian Piasters 1.25 per box containing up to 25 pieces

" " 2.00 per box containing from 26 to 40 pieces

" " 2.50 per box containing from 41 to 50 pieces

" " 3.00 per box containing from 51 to 60 pieces

" " 5.50 on every 100 pieces or fraction thereof

in boxes which contain more than 60 pieces.

2. Matches made out of wax:

8 Syrian Piasters on each box containing 150 pieces.

The tax on matches is completely shifted to the consumers.

The tax on lighters is evaded by smuggling.

CHAPTER IX
CUSTOMS DUTIES

I. History of the Tariff

A. The Tariff Before the First World War - The Syrian tariff as was described by Norman Burns just 'grew up'.¹ Before the 1st World War, Syria as well as the other Arab speaking countries were part of the Ottoman Empire. The Ottoman tariff law applied to them. To trace the development of the antiquated Ottoman tariff law is to show the tariff policy which was applied to Syria before the World War.

Early in the history of the Ottoman Empire, the foreigners enjoyed extraterritorial privileges.² This was intended to leave them free to settle their disputes according to their own laws and to regulate their affairs through their own courts. But it meant more than that. In 1454, the treaty of Andrianople between Turkey and Venice specified a duty of 2% on goods sold by Venetian merchants in Turkish ports. The inclusion of this provision in subsequent treaties with other powers resulted in the unforeseen and humiliating claim that Turkey could not alter its customs tariff without the consent of all nations having the capitulatory regime. Thus the most favoured nation clause was inserted in all these concessions and the foreign powers became to a certain extent jointly concerned in the application

1. Norman Burns, Tariff of Syria, 1932, p. 40.

2. Since Mohamed the Conqueror captured Constantinople on May 29, 1453. From Nasim Soussa, The Capitulatory Regime of Turkey, 1933, p. 48.

of the customs tariff in Turkey. As has been said¹, "a very serious handicap was the capitulation which prevented the Turkish Government from adopting a tariff policy favourable to the development of her industry. Customs duties on imported could be levied only for fiscal purposes and could not be changed without the consent of the privileged powers."

Early in the 19th century the tariff rate in the whole Ottoman Empire was 3% ad valorem on the assessed value of all imported goods.² In 1838, the Ottoman Government concluded treaties with Great Britain and the other European powers which enabled her to raise the tariff rate to 5%³. In 1867, after many negotiations and efforts, the Ottoman Government was able to secure the right to raise its tariff rate from 5% to 8% at the cost of many concessions.⁴ In 1907, the tariff was raised from 8% to 11% ad valorem by the consent of the foreign powers; 3% of the 11% were allocated to the Ottoman Public Debt. In return the Ottoman Government would comply with certain demands made by the powers.⁵ Commodities

1. Himadeh, Economic Organization of Palestine, p. 222.

2. Ibid.

3. Himadeh, Economic Organization of Iraq, p. 464.

4. Ibid.

5. Nasim Soussa, op.cit., p. 74. Germany demanded that a portion of the Customs revenue be detained to help the kilometric guarantee of the Bagdad railway; France insisted that the dispute concerning the Syrian railway and the quays at Constantinople be settled in her favour; England asked to be compensated with certain mining concessions in Macedonia.

destined for the use of religious and philanthropic institutions were exempted from import duties. The transit tax was 1%, and the export duty was fixed also at 1%. Such was the customs tariff in Syria when the French occupation took place.

B. The Tariff After the First World War - When the French came to Syria after the war, their first reform was to modernize the antiquated customs organization and administration. Thus all the Arrêtes issued between 1920 and 1924 were for that purpose.

Until May 1, 1924, the same rate of 11% which existed before the World War 1914-1918 was applied with certain exemptions and qualifications. Equipment for hospitals and educational and philanthropic institutions already mentioned were exempted from the tax. Breeding cattle and dairy supplies were admitted in franchise and certain imports and exports were prohibited.

Beginning May 1, 1924, the rate of 11% was departed from.¹ The tariff duty was raised to 15% except for certain articles like the living animals, cereals and flour, rice, potatoes, coffee, sugar, preserved foodstuffs, butter, cheese, milk, mineral water, wood and construction implements that continued to enjoy the duty of 11%. Several products were completely exempted from importation duty such as silk worm eggs, cotton seeds, and seeds for other textile plants. Moreover, a maximum tariff of 30% advalorem double that of the normal schedule was instituted and applied to imports originating from countries not members of the League of Nations or the United States of America and Turkey. This was

1. Arrête No. 2542, April 3, 1924.

the first time there was discrimination between members and non members of the League of Nations.

On May 15, 1926, a new general modification took place by the Arrête No. 296. It raised the ad valorem duty from 15 to 25% except for the products enjoying the 11% tariff rate. The maximum tariff of 30% was raised to 50%. Certain products were converted from advalorem to a specific duty such as gasoline, benzine, mazout, coke, coal, iron, tin zinc, certain acids, soap, electric light batteries, cement tiles, bricks, sugar, coffee and few others. The maximum specific duty was made double of the normal specific duty.

Thus the next result of the new tariff modification was to double the customs duties. In this change no attempt to follow a certain definite policy was observed. The tariff was raised for the obvious purpose of revenue. Syria was at that time disturbed by the Druze Revolution. The treasury was empty and no other means of taxation could be imposed in such a time of stringing and discontentment. This was the reason why Mr. de Jouvenel the High Commissioner raised the tariff.

For two years and until June 1928, no important change happened. On the 2nd of that month a new tariff law was promulgated¹ which reduced customs duties on imported raw materials. This was the first important encouragement to local industry. Previous to this date the tariff was mostly a uniform one. But

1. Arrête No. 1970, June 2, 1928.

after this new law there were so many adjustments that although the basic tariff was still 25% in the normal schedule, the exceptions to this rate became numerous.¹ No official statements appeared to expose the reason for this change but it seems clear that "the failure of the harvest in 1928 succeeded in turn by a world crisis which affected Syrian agriculture and industry probably brought home to the authorities the necessity for remedial tariff legislation."² By the terms of the law of June 2, fifteen classes were exempted from duty among which were hides, farming and dyes stuffs, sacks, gold, silver and platinum. Thirty classes of commodities were favoured by a reduction from 25 to 11% ad valorem duty among which were vegetable oil, wood for furniture and fuel, wrapping paper for fruits, jute cloth, artificial silk, natural silk, and wool yarn, pharmaceutical products, asphalt, goatskins, certain grades of iron, steel, tin and coal. Cotton thread tariff was reduced from 20 to 15%. Most of the commodities which were subject to specific duty were privileged with a new reduction. This new adjustment was welcomed by all producers as well as consumers.

Another modification appeared on September 2, 1930.³ Numerous items from the normal schedule were exempted from duty among which were wrapping paper, tin foil, cartoons, acids for soap, masout,

1. Burns, op. cit., p. 48.

2. Ibid.

3. Arrête No. 3267, September 2, 1930.

coal, etc., thus favouring local industry. Other reductions were made for the benefit of the consumers such as the reduction from 25 to 15% on sole leather. To compensate for the gap in revenue, duties on matches, cigarette paper, sugar and cars were increased.

Another change came on June 3, 1931.¹ It had the same trend as that of September 2, 1930. It exempted seventeen products to encourage the brush industry, tanning and fruit preserving and numerous items received a reduction of varying amounts. It raised duties on certain materials produced by local industry for protection purpose such as raw silk, silk thread, cement and printed materials, and on certain others for fiscal purposes such as on sugar, cars and cinema films.

Throughout the year 1932 and after no set of modifications were made by one single Arrête but there was a flow of adjustments appearing one after the other. They resulted in a different trend of the last three years. Duties on shoes, cement, stockings, jams, preserved fruits, textiles and thread were raised due to the demand for protective duties. The manufacturers wanted a higher protection and the consumers complained because it meant for them a higher cost of living.

In 1933, many new Arrêtes appeared. Measures were taken to consolidate the advantages that Syria enjoys from its geographical location.² These measures were of two kinds: first, a special

1. Arrête No. 49 IR of June 3, 1931.

2. Arrête of 21 June 1933, and Arrête No 91, June 28, 1933.

system of exoneration was instituted in favour of transport companies between Syria, Iraq and Persia. Secondly, a free zone was created in every port and commercial center in the interior where the goods destined for reexport can be transformed. Other measures were taken to protect certain local industries and agriculture. The tariff on amideon and match boxes were raised. The exports of sweets were encouraged by the right of drawback on crystallized sugar used in the manufacture of products destined for export. Still more the duty was doubled on the flour of wheat, barley and millet and a reduction from 25% to 11% was made on pharmaceutical products for veterinary uses. During the years 1934, 1935, 1936, no special policy has been pursued other than further encouragement and protection. That is what was expressed many times: "The Mandatory Power did not fail to take in favour of agriculture, industry and trade all the necessary measures to safeguard the local internal economy and the condition of the foreign market."¹ The agriculturists were protected further by the rise of the duty on the imported wine as well as on butter. In the industrial field many foreign products competing with the native ones were struck by a rise of the import duty. The most important industries that benefited were brewery, biscuit industry, alcohol industry, manufacture of nails, and brushes, dyeing industry, manufacturing of iron and steel wires,² hair tonics and cosmetics,³

1. Bulletin de la Banque de Syrie et du Liban, 1936, p. 37.

2. Arrête No. 25LR, February 1st, 1935.

3. Arrête No. 63LR, March 20, 1936.

iron chairs,¹ and earthenware pipes.²

Moreover many raw materials such as lead, zinc, tin ores and paper imported for envelop manufacturing were exempted in the normal duty previously taxed 25% ad valorem.³ Another Arrête appeared discontinuing the function of the Mercuriales Commission which fixed the value of the imported goods.⁴

During the next years and until March 8, 1942, no major change had been made, except in 1938, a general rise of 20% on all products on which the specific duty is applied.⁵ This change, with no discrimination to particular products, was apparently intended for revenue purposes and was due to the depreciation of the currency during the previous years.

Many other minor changes were introduced such as increase of the duty on gramophones and radio sets from 25 to 40% on the normal schedule,⁶ exemption on special kinds of fertilizers,⁷ and on petroleum ether and glass fibers.⁸

1. Arrête No. 63LR, March 20, 1936.
2. Arrête No. 96LR, May 4, 1936.
3. Arrête No. 275LR, December 7, 1936.
4. Arrête No. 211LR, January 31, 1938.
5. Arrête No. 67LR, March 27, 1938.
6. Arrête No. 185LR, May 24, 1939.
7. Arrête No. 130LR, June 27, 1939.
8. Arrête No. 161LR, August 1, 1939.

The greatest event in 1939 was the new agreement made between Palestine and Syria. The old free trade agreement promulgated in 1929 ran to 1939. In 1938, many Palestinian authorities, especially Chambers of Commerce and private industrial groups condemned the free trade treaty with Syria and asked for its immediate abolition on the ground that the cheap Syrian goods were invading their market. After difficult negotiations an agreement was reached by which Palestine goods enjoy a certain reduction, from the normal duty, of 33.3%,¹ and some products were exempted such as asphalt, metal, animal foodstuffs and others. Thus the free trade agreement was put to an end.

During the year 1940, acids destined for soap industry were exempted.² The duty on cotton tissues was increased by 20%,³ wood as fuel, saw dust and charcoal which were exempted were struck by a duty of 11%.⁴

The last important change was of March 8, 1942. Due to the war and the inflation of the currency by the Mandatory Power in 1940 and 1941, the value of imported goods increased substantially. As specific duties bear no relation to the value of imported goods, they were changed to ad valorem.⁵ This was intended

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1. Arrête No. 354LR, November 30, 1939.
 2. Arrête No. 17LR, January 24, 1940.
 3. Ibid.
 4. Arrête No. 238LR, September 23, 1940.
 5. Arrête No. 154FL, March 8, 1942.

obviously for revenue purposes because the policy in war time should be to import the most possible and export the less possible. The rate of increase depended upon the product imported. If we take cars as an example we see that the duty on cars was a specific one varying between £.Syr. 600 and £.Syr. 900. As a result of the last Arrete it was changed to 35% ad valorem. A 1939 Chevrolet car for example costs between £.Syr. 10,000 to 12,000; the duty will be £.Syr. 3,500, thus it was increased tremendously. The schedule before this change had 224 items, out of a total of 991, enjoying the specific duty. At the present time there are only 48 items left even ^{after} counting the sub-items.

C. The Present Tariff.¹

The present tariff schedule like the schedule of any country nowadays is a very detailed one with 991 items with divisions and sub-divisions covering 315 pages. It is not possible then to give a classification to this schedule; a very small proportion of the items being taxed by specific duty. The ad valorem duties range from exemption on raw materials to 50% on the normal and 100% on the maximum schedule on embroideries and luxurious products. Palestine products enjoy in general a reduction of one third from the normal duty. Finished products competing with local produce bear in most cases a duty 40% on the normal schedule. The duty on goods which are not produced at the country is 25% ad valorem in the normal schedule.

1. October 15, 1945.

Living animals and their products pay 11% ad valorem in the normal schedule. Most of the other foodstuffs such as fruits, vegetables and the like pay 25%.

II. General Features

A. The Mandate System and the Tariff - The Syrian Mandate was awarded to France in the San Remo Conference of the Supreme Allied Council of April 1920. In July 1924, a declaration was made in London defining the rights and duties of France in Syria including the policy which should be taken regarding tariffs and customs:

1. The open door policy shall apply in Syria,¹ that is, all members of the League of Nations shall enjoy the same tariff as the Mandatory Power.

2. There shall be freedom of transit under equitable conditions across the territory of Syria.

3. There shall be permitted on grounds of contiguity any special customs arrangement with the countries adjoining Syria.

4. The tariff shall be such as to favour the economic development of the country.²

The result of the first clause was the institution of the normal rate of duty. The custom duties of the normal rate were applied to merchandise originating from countries members of the League of Nations the U.S.A and eventually to all or part of the merchandise originating from certain countries with which

1. That is, Syria and Lebanon.

2. Article 11 of the declaration of the Mandate Commission.

some special tariff arrangements were made or for which the High Commissioner, by special Arrêtes, attributed the privileges of the said tariff. Fifty-nine countries fell under this category and eleven countries were accorded the normal rate by special Arrêtes.¹

Countries which were not members of the League of Nations were to be taxed in whatever way the mandate desired as long as the open door policy did not apply to them. A maximum rate was established which was twice that of the normal and was applicable to all or part of the goods originating from the said countries, except those which enjoyed the privileges of the normal rate by special decisions. So in practice there remained in the world very few countries which fell in this class.

As a result of the third clause Syria was able to conclude special commercial treaties with neighbouring countries and to give them lower rates than those enjoyed by the countries members of the League of Nations. This tariff was called the conventional schedule. The purpose of this policy was not to dislocate the commerce which used to exist before the World War in the Ottoman Empire. The result was the special custom arrangements between Syria and Palestine, Turkey, Iraq and Transjordan.

As a result of the second clause special transit arrangements were made by the Mandatory Power for goods going across the territory of Syria. As to the fourth clause it states that France has to favour the interests of Syria over and above any other interests and to facilitate its economic development.

1. Tarif des Douanes, 1936, p. 5.

With Syria's access to sovereignty, the rights and duties of France in the Syrian Republic were consequently abolished. Henceforth, Syria with Lebanon are free to follow the Tariff Policy they desire.

B. Organization of the Tariff - The attempt to understand the tariff of a country and its contribution to the progress of agriculture, industry and trade, needs no doubt a certain comprehension of the organization and the making of the tariff. If the structural mechanism for the making of the tariff is inadequate, chances are that the tariff will not respond to the changing needs of the country and will prove to be a failure. Hence before we attempt to enquire about the effects of the tariff we should know how it is made and administered.

1. Organization of the tariff under French Mandate - Under French Mandate, the customs service was concentrated in the hands of the High Commissioner. His decrees named 'Arrêtes' determined the organization of the customs service, the personnel, the administrative regulations and the tariff rates. He had advisors to whom was delegated much of the actual work; but the signature of the High Commissioner was necessary to every Arrête to have the force of the law. Three advisors played a predominant role in the making of the tariff; the General Inspector of Customs, The Advisor for Financial Affairs, and the Advisor of Economic Affairs. The General Inspector of Customs served as an advisor to the High Commissioner in all matters related to the tariff and the customs: imposition of tariffs, making commercial agreements with neighbouring countries, repression of smuggling, fiscal

encouragement to agriculture and industry. Usually tariff proposals originated from him and the High Commissioner did or did not accept them. The two other advisors were interested in two different fields rather contradictory. The advisor for Financial Affairs was interested in the tariffs for revenue reason, but the advisor for Economic Affairs was interested in promoting Syrian economic development which in many cases contradicts the purpose of revenue. In addition to the officials named above, the High Commissioner maintained three commissions to assist in the adjustments of tariff rates; the Commission of Agriculture Franchises, the Commission of Industrial Franchises and the Mercurial Commission. The function of the Commission of Agriculture Franchises was to advise the High Commissioner regarding the exemptions on agricultural implements and materials. Upon its proposal the High Commissioner promulgated lists of implements and materials which were granted tariff immunity. The members of this commission were chosen from different departments of the Government and local commercial groups and appointed by the High Commissioner. The advisor for Economic Affairs served as president of the commission.

The Commission of Industrial Franchises was instituted in 1924¹ to favour industry and to encourage educational and philanthropic institutions. These institutions had the privilege of a refund of customs duties paid on imported machinery

1. Arrête 3021, December 31, 1924.

or other articles used in the establishment of new industries or in the expansion of already existing installations. The importer pays the duty if the imported machinery is less than 1000 Syrian Pounds, a bank guarantee is sufficient in case the value is greater than 1000 Syrian Pounds.¹ The Commission examined the concern after the installation of the machinery and if convinced of the general usefulness of the installations, it submitted a favourable decision to the High Commissioner who did or did not agree to the refund of the duty paid on the entrance of the goods.

The third Commission which was the most important was the Mercurial Commission established in 1920.² The chief products of imports and exports of current salability which paid ad valorem duties were not taxed on their c.i.f. value as evidenced by invoices, etc., but according to official values fixed by the above mentioned commission every three months interval. The object of this process was to simplify the task of the smaller employees in assessing the value of the imports and to eliminate fraud. The Commission whose members were experts estimated the value of the goods; the minor officials only applied the duty. As to the determination of the Mercurial value for the ensuing quarter, the commission studied the invoices submitted

1. Arrête 6/LR, January 31, 1931.

2. Arrête 467, November 6, 1920.

by the importers of the mercurialized goods. On the basis of the wholesale price minus the customs duties collected the commission attempted to set the new official value.

The local Syrian or Lebanese Governments had always some contacts with the High Commissioner to whom they presented their wishes as to the organization of the tariff, and the High Commissioner considered them and sometimes he himself asked their advice in setting or changing tariff duties.

2. Present Organization - With the transfer of the Common Interest Services of which the Customs is a part to the Syrian and Lebanese Republics, a Common Interest Agreement was concluded in October 11, 1943. The administration of the Customs was entrusted to an organism of the Supreme Council of Common Interests. This Council is composed of three delegates of each of the two Republics. The Council's decisions are reached by agreement, the three delegates of each State having one single vote.

The Powers of the Supreme Council are:

- a. preparation of the legislation for each of the Common Interests Services;
- b. administration and supervision of all Common Interest Services;
- c. Control over the budget and personnel of each of these Services;
- d. appointment of administrative officials.
- e. preparation of projects for international, commercial and economic agreements, and the submission of such projects to the two Governments for ratification.

- f. The Supreme Council is empowered to delegate to any services the powers that it deems necessary within certain reservations.

Syria and Lebanon form together one Customs area constituting a Customs Union, within the boundaries of which goods can move freely and are not subject to any customs duty or tax.

The conditions under which the Customs Department is to be administered is defined by the Supreme Council, which also delegate to the said department the powers, which in its judgment, are necessary for its proper functioning.

III. Revenue and Fiscal Adequacy

Until 1943, the receipts of the customs were debited to the budget of common interests officially known as the "Compte de Gestion des Services d'Interet Commun". So the revenue of the Customs did not reach the Syrian and Lebanese treasuries directly but the surplus of the above mentioned budget was distributed according to certain indices.¹ The 1943

1. The problem of fair distribution among the states of the financial result of the budget of common interests was a very difficult one because of the complexity of the factors involved. In 1929, after an inquiry, the French High Commissioner adopted the following indices to control the allotment:

<u>Item</u>	<u>Bases of Allotment</u>
Customs (both receipts and expenditures)	Population and consumption of imported articles
Economic Services (both receipts and expenditures)	Extent of Work done in each territory.
Powder Monopoly (both receipts and expenditures)	Amount of sales made in each territory.
Share of profits from net circulation (receipts)	Circulation of notes in each territory.
Military (expenditures)	Population and amount of budgetary appropriations of each state.

(From the Rapport a la Societe des Nations, 1931, pp. 164-165).

Common Interests Agreement¹ between Syria and Lebanon provided that the receipts from common interests services jointly administered and controlled by the two Governments will be utilised in the first degree to defray the expenses of these services according to the decisions of the Supreme Council. The remainder was divided between the two States, each State's share being proportionate to the amount of taxes and duties paid by its inhabitants to the Common Interests treasury. Since it was not possible to ascertain these at the start, the contracting parties agreed on a temporary mode of distribution allowing each of the two States 40% of the nett receipts. The remaining 20% were to be divided at the end of one year by decision of the Supreme Council in accordance with the above mentioned principle.

Table XXIX shows the customs receipts and the share of the customs allotted to the Syrian Republic (excluding the autonomous Mohafazats²) during the years 1933-1943. Table VI (Supra. p. 24) shows the customs paid to Syria during 1933-1943.

Table XXIX shows that custom duties formed a large percentage of the tax burden during the years 1933-1939 forming about 43% of the tax burden. The curtailment of trade, due to the restrictions imposed on foreign trade by the war, decreased considerably customs receipts after 1939. However, with the improvement of the trade position, and especially the change of the tariff from specific to ad valorem duties, customs receipts increased after 1942.

1) Concluded on October 11, 1943.

2. For consistency with the previous studies of taxes, the share allotted to the Mohafazats of Djabal al Duruz and Lattakia was excluded.

To judge from Table XXIX showing the per cent of tax burden, it appears that the authorities are more concerned about revenue than protection. However, this will not give a fair view of the situation because this high percentage might be due to taxation on necessities, i.e. foodstuffs while protecting at the same time adequately the infant industries. In the following pages, the effect of the tariff on agriculture and industry will be discussed.

TABLE XXIX

Customs Burden, Percentage of Revenue and Tax
Burden in the Syrian Republic¹

(1933-1943)

Year	Customs Receipts	Share of Customs Revenue allotted to Syria ²	Index Number	Percent of Revenue Burden	Percent of Tax Burden
1933	9,334,402	4,013,793		43.87	50.69
1934	8,639,868	3,715,143		38.62	45.49
1935	8,055,868	3,464,053		36.49	43.60
1936	7,854,928	3,377,619		36.65	44.03
1937	9,998,236	4,299,241		37.21	44.09
1938	11,756,970	5,055,479	100	35.35	42.63
1939	13,908,139	5,593,500	105	34.16	40.63
1940	8,210,139	3,530,359	144	20.76	25.55
1941	4,479,147	1,926,033	270	11.82	15.25
1942	11,724,110	5,041,367	551		
1943	14,034,360	6,034,787			

1. Compiled from the Budget of Common Interests, 1933-1943.

2. These figures were obtained by multiplying the Customs Receipts by 43%, which represents the coefficient allotted to the Syrian Republic before the Syro-Lebanese Common Interests Agreement in 1943, by the French High Commissioner ~~as~~ The Lebanese and Syrian Governments did not agree to the indices proposed. It is to be noted that this 43% does not include the percentage allotted to the financially autonomous Mohafazats. (See Report ala Societe des Nations, 1931, p. 165.)

3. Estimates.

IV. Tariff and Agriculture.

A. Importance of Agriculture.

"Agriculture is the basis of Syria's national economy"¹. Sixty-
two per cent of the total population is engaged in agriculture.² More
than 50% of the country's exports are raw agricultural products.³

major part of the Syrian industry is a simple transformation of
The agricultural raw materials and products. In the following section, we
shall very briefly show the part played by the tariff in the general
progress of agriculture during the past decade. Was the tariff a very
high impetus in our agricultural development or was it a neutral fac-
tor in this process?⁴

B. The Present Agricultural Tariff.

The present agricultural tariff can be be classified into three
groups. The first group includes those items on which 25% ad valorem
is applied. It includes: (a) Edible vegetables, plants, roots and
tubercules such as mushrooms olives, tomatoes, carrots, beans, cabbages,
etc.; (b) Edible fruits such as bananas, oranges, grapes, nuts, apples
etc.; (Dates enjoy 11% duty because of the small production of Syria).
(c) Coffee, tea and spices; (d) Oleaginous grains and fruits, seeds,
industrial and medicinal plants; and (e) Oils of all kinds except the
olive oil destined for soap manufacturing. All these items bear 25%
ad valorem on the normal schedule, 50% on the maximum and 18.66% if
imported from Palestine.⁴

1. Himadeh, op. cit., p. 73.

2. Norman Burns, op. cit., p. 14. This percentage applies to Syria
and Lebanon together and is very conservative if one considers the
Syrian Republic only, because, in Lebanon a larger part of the
population derives its livelihood from commercial, summer resorts
and industrial activities.

3. Supra, p. 60, Table XVIII.

The second group includes two main items: (a) all kinds of cereals bearing a normal duty of 11% ad valorem; the maximum duty is 26% and they are exempted if imported from Palestine and (b) all kinds of wood bear a duty of only 15% normal rate, 30%¹ maximum rate, and 10% if of Palestine origin.

The third and last group includes those imports which enter Syria free from duty being essential for the increase of the agricultural productivity of Syria. The products falling under this group include all kinds of agricultural machinery, implements,² medicines and fertilizers.

We shall now examine the protective aspect of the tariff on some of Syria's most important products, namely, wheat, cotton and potatoes.

C. Wheat.

Wheat is Syria's most important crop. Half of the cultivated area is almost devoted to wheat in Syria and Lebanon.³ At the present time the area cultivated must have been increased tremendously due to the substantial rise in price. Table XXX shows the area cultivated increased from 538,825 Hectares in 1938 to 682,022 Hectares in 1945 for Syria and Lebanon.

1. Compiled from Tarif des Douanes, 1936 and Arrêté No. 154, March 8, 1942.

2. Ibid.

3. This percentage is also very conservative if one considers the Syrian Republic alone. See Hizadeh, Economic Organization of Syria, p. 76.

The following table shows the wheat situation during the years 1935-1945 in both Syria and Lebanon.

Table XXX
1
The Wheat Situation in Syria and Lebanon
(1935-1945)

Year	Area in Hectares	Production in Tons	Import of Wheat in Tons	Import of wheat Flour in Tons	Export of Wheat in Tons	Export of wheat Flour in Tons
1935	523,260	534,035	634	5424	5910	2004
1936	532,600	427,390	77	4347	36322	11641
1937	555,825	468,845	14490	5627	8239	2197
1938	538625	627,365	21483	4353	6459	1320
1939			1791	4473	32139	5720
1940	616,452	601,960	6	3922	14018	126
1941	620,005	475,077	29520	4330	36	000
1942	648,546	507,384	49065	26634	2	
1945	682,022	624,280	3562	2982		

The tariff on wheat is a fair one. It will be seen from the above table that the yearly import of flour (mainly white flour) is more or less constant, ranging between 4000 and 5000 tons per year. This flour is partly used for the manufacture of sweets and partly for the making of white bread which are consumed mostly by the richer part of the community-whose purchase were not affected by the higher prices due to taxation. On the other hand, the large discrepancy in wheat imports for the years 1935-1936 on the one hand and the years 1937-1938 on the other is due mainly to a good crop in the year 1935 and a bad one in the year 1937.

1. Compiled from Bulletin Economique Trimestrielle, 1935-1938, the Statistiques Générales du Commerce Extérieur, 1935-1943, the Rapport sur la Situation Economique dans les Etats du Levant, 1940-1941 and the Recueil de Statistiques de la Syrie et du Liban, 1945.

In time of good crops (1935) it will be seen that the country imported little wheat the following year. The tariff protecting very well the internal production. In time of bad crops, the price of local wheat rose and consequently foreign wheat jumped over the tariff wall and considerable imports of wheat resulted.

D. Cotton.

During the middle ages cotton cultivation in Syria was a very predominant occupation. Its importance declined until it was practically nil when the French occupation took place. Since 1920, the Mandatory Authorities have launched a scheme to encourage cotton cultivation. The production of cotton increased tremendously until it reached 7643 tons in 1940. The following table shows the cotton situation during the years 1933-1945.

Table XXXI
Cotton Situation in the Syrian Republic
(1933-1945)

Year	Area Cultivated in Hectares	Total Production in Tons	Import in Tons	Export in Tons
1933	6,310	934	9	379
1934	13,244	3,583	.052	1,137
1935	32,840	8,457	1	2,938
1936	40,380	6,816	.327	3,485
1937	34,891	6,656	2	3,032
1938	67,262	7,579	16	2,021
1939			51	2,676
1940	36,639	7,643	5	99
1941	25,400	5,311	1	125
1942	15,480	3,155	516	1
1943	15,991	3,425	3185	0

1. Huvelin, Que veut la Syrie? 1919, p. 16.

2. Rimadeh, op. cit., p. 79.

3. Compiled from the Bulletin Economique Trimestrielle, 1933-1936, the Statistiques G6n6rales du Commerce Ext6rieur, 1933-1945, the Rapport sur la Situation Economique dans les Etats du Levant, 1941, and the Recueil de Statistiques de la Syrie et du Liban, 1945.

The tariff on cotton encourages production in two ways. First, the 25% duty protects domestic raw cotton rather fairly well. Table XXXI shows that Syria's imports of raw cotton have been very little. Secondly, the tariff exempts agricultural machinery, cotton seeds, fertilizers and chemicals thus fostering cotton cultivation. It should be noted, however, that Syria exported before the war a large part of her cotton produce. Thus the tariff stands as a potential protection rather than an actual one.

¹ E. Potatoes.

Potatoes growing potentiality is very great in Syria and Lebanon due to favourable climatic and soil conditions. The following table shows the production, cultivation, imports and exports of potatoes during the years 1934-1943.

Table XXXII

Cultivation, Production, Imports and Exports
of Potatoes in Syria and Lebanon. ²

(1934-1943)

Year	Area Cultivated in Hectares	Total Production in Tons	Imports in Tons	Export in Tons
1934	7,098	45,191	1,416	3,714
1935	7,361	45,521	672	4,780
1936	7,100	39,922	158	7,726
1937	12,250	119,560	614	6,570
1938	11,640	40,838	557	3,816
1939			598	6,916
1940	6,777	64,386	395	5,385
1941	6,929	52,133	0	2,579
1942	9,241	71,224	.5	0,267
1943	6,318	42,943	1	29

1. About two third of the production of potatoes appearing in Table XXXII is from Lebanon.
2. Same Source as Table XXXI

The tariff on potatoes is encouraging cultivation through exemption and protection. The tariff exempts potato seeds, agricultural machinery, fertilizers and products necessary for fostering potato cultivation. Table XXXII that imports of potatoes were relatively non important in comparison to the exports during the years 1935-1940. These imports were mainly potato seeds exempted from duty. On the other hand, it should be noted that Syria and Lebanon exported a large part of their potato products. Thus the tariff stands mainly as a potential protection. As regards the area cultivated Table XXXII shows that it increased from 7,093 Hectares in 1934 to 11,640 Hectares in 1936. Syria enjoy a comparative advantage and should in the long run increase its production and consequently its exports of potatoes without protection.

F. Conclusion.

We can resume by saying that the agricultural tariff is fairly satisfactory even though it lacks alertness of application in case of crisis. The tariff has played its part fairly well in fostering the agricultural occupations of the country and it should continue to be well managed in accordance with the economic development of the country.

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1. The tariff on potatoes was 30% ad valorem in 1930 (Arrêté No. 3267, October 14, 1930), was changed to a specific duty in 1935 (131 Syrian piasters per 100 kilograms) by Arrêté No. 25 LR, February 1, 1935, then reached 139 Syrian piasters and finally was changed to 25% ad valorem by Arrêté No. 154, March 8, 1942.

V. Tariff and Industry.¹

A. Importance of Industry.

Syria has witnessed in the post war period (1914-1918) a rapid development in industry. The same factors which caused the decline of the traditional industries helped to establish modern industries in their place. After the First world war, Syria whose principal occupation was commerce was severely hit, and, since agriculture offered no impetus for investment, many capitalists turned towards industry. A market for industrial products has been created due to the improvement in the means of transportation and the rise in the standard of living of the people. The authorities, on the other hand, helped in this promotion by raising the tariff schedule on competing foreign products and exempting industrial machinery and raw materials from duties. This prompted the industrialists to modernize their methods of production. All these conditions, together with real natural causes such as cheap labor and abundant agricultural raw materials gave an impetus to the modern industrial development of Syria.

The chief Syrian industries are the textile industry, cement industry, leather industry, olive oil and soap and the food, intoxicating liquors and methylated spirits industry. Table XXXIII in

1. In writing of this section the writer has drawn freely upon his B.S.A. thesis, the Industry in Syria (Syria and Lebanon), deposited at the Social Science Department of the American University of Beirut in June 1943.

the text shows the production of the main industries in Syria and Lebanon during the years 1935-1945. Due to the relative importance of the textile and leather industries in the Syrian Republic, the effect of the tariff on these two industries will be discussed.

B. The Present Industrial Tariff.¹

The present industrial tariff may be summarized as follows:

1. Complete exemptions on machinery destined for the creation of factories.
2. Low rates and exemption on raw materials not produced at home destined for the use of local industry, such as, iron, cast iron and steel which bear 11% ad valorem duties and exemption on dyes for tanning, wool thread for the weaving industry etc.
3. Twenty five per cent duty on raw materials produced at home such as cotton, silk etc.
4. Eleven per cent ad valorem duties on semi-manufactured products which are of necessity to local industry and at the same time compete in an indirect way with the production of some raw materials such as thread.
5. Different duties ranging from 25% to 40% on manufactured articles which compete with local industries. The duty is intended for protection. The products falling under this group

1. Tarif des Douanes, 1936 and Arrêté No. 154, March 8, 1942.

Table
Production of
in Syria
(1933-

Article	Quantities in:	1933	1934	1935	1936
Cement	Tons	64,500	107,300	133,450	194,500
Olive Oil	Tons	7,524	12,896	12,636	9,809
Soap	Tons			5,610	3,065
Macaroni	Tons		575	821	560
Tanned Hides:					
Damascus	Pieces	69,655	68,155	120,300	218,500
Aleppo	Pieces	36,898	68,785	74,600	72,990
Hosiery:					
Damascus	Dozens of Pairs	37,850	76,885	132,000	205,000
Aleppo	Dozens of Pairs	49,100	67,775	70,000	74,000
Beer	Hectolitres		21,000	35,000	21,532
Cotton Thread	Tons	300	500	570	720
Cotton Goods:					
Damascus	Pieces	67,950	43,350	265,000	228,000
Aleppo	Pieces	41,650	22,000	27,000	70,000
Pure and Mi-					
Damascus	Pieces	76,850	156,700	260,000	245,000
Red Silk Co.					
Aleppo	Pieces	177,000	100,000	---	---
Crêpes					
Damascus	Meters	125,550	184,000	635,450	525,000
Aleppo	Meters	162,800	820,000	765,000	630,000
Poplins					
Damascus	Meters	154,700	250,000	837,000	1115,000
Aleppo	Meters	810,000	4,500,000	4,200,000	5500,000
Aghabani					
Damascus	Pieces	13,500	25,00	35,000	24,000
Aleppo					

1. Compiled from; Bulletin Economique Trimestriel, 1933-1938; the Direction Générale de l'Economie Générale, Damascus; the Rapport sur Sur la Situation Economique dans les Etats du Levant, 1941; and the Recueil de Statistiques de la Syrie et du Liban, Beyrouth 1945.

XXIII

the Main Industries
 1
 and Lebanon
 1943)

1937	1938	1939	1940	1941	1942	1943
249,700	251,000	225,860	91,653	82,317	214,744	151,905
16,816		10,310	19,000	8,900	28,000	26,607
2,995	2,903	3,240	5,950	4,400	4,600	7,800
1,205	1,680	2,470	2,130	2,914	755	780
274,000	170,500	560,000	640,000	560,000		
105,680	127,205					
195,000	247,000	166,000	49,000	50,000	376,000	386,000
75,000	105,000	83,000	55,000	38,000		
12,850	15,580	30,632	18,206	34,344	47,935	70,328
1,400	1,210	1,385	1,850	2,145	1,960	2,350
325,000	450,000	435,000	628,000	1,606,000	2,585,900	2,704,500
88,000	55,000	550,000				
330,000	860,000	685,000	675,000	180,000	557,000	1,115,500
	315,000	445,000				
830,000	1,200,000	3,680,000	5,768,000	3,220,000	3,997,100	1,831,000
2,110,000	3,570,000	5,200,000				
925,000	1,222,000	2,535,000	3,300,000	2,750,000	1,880,000	1,984,000
6,000,000	3,570,000	4,625,000				
35,000	30,000	36,500	31,000	5,250	48,280	16,400
35,000	26,000	14,000				

are many, and, constitute a large percentage of the schedule items such as textiles, shoes etc.

6. High rates on products competing with handmade embroideries and other needleworks and luxuries.

C. Effect of the Tariff on Textiles.

The textile industry is composed of the spinning and weaving industries. As silk spinning is of little importance in Syria, it will not be discussed.

The cotton spinning has found an outstanding success with a relatively low tariff protection (11% in 1931, low specific duty in 1936 and 11% in 1942). The following table shows the exports, imports, production of cotton thread during the "normal years" 1935-1938.

Table XXXIV

Production, Imports and Exports of Cotton
Thread in Syria and Lebanon 2.
(1935-1938)

Year	Production in Tons	Imports in Tons	Exports in Tons	Total Inter- nal Market	% of Market Supplied Lo- cally
1935	570	2106	174	2502	23
1936	720	1901	131	2490	29
1937	1400	2260	460	3200	44
1938	1210	2350	245	3515	36.5

1. Tarif des Douanes, 1931 and 1936 and Arrêté No. 154/FL, March 6, 1942.

2. Compiled from the Bulletin Economique Trimestriel, 1935-1938, and the Statistiques Générales, 1935-1938.

Table XXXV reveals that production of cotton thread has increased from 670 tons in 1935 to 1210 tons in 1939 while considerable quantities were still imported by the country. Moreover, the same table shows the increasing importance of local production in the supply of the internal market. The tariff was consequently fair enough to allow the native cotton spinning industry grow normally.

The weaving industry is the chief industry of Syria despite a noticeable decline in the old type of weaving. Upon it more than 200,000 souls are estimated to be directly dependent.¹ In the normal year 1938, besides local consumption, Syria and Lebanon exported silk cloth, cotton cloth and other clothing for 2,453,817 Syrian pounds out of total exports of 29,278,000 pounds and exports of manufactured products of 11,219,155 pounds that is 8.4% and 21.9% respectively.² The weaving industry is mainly localized in the interior. Aleppo and Damascus are the principal centers. Table XXXIII in the text shows the production of cotton goods, pure and mixed silk goods, crêpes, poplins and aghabani in Damascus and Aleppo during the years 1933-1943.

The effect of the tariff on textile is of great importance. The following table the imports of power looms exempted from customs duties during the years 1931-1944:

-
1. Le Commerce du Levant, November 28, 1941. This certainly applies to both Syria and Lebanon.
 2. Statistiques Generales, 1938.

Table XXXV
Imports of power Looms¹
in Syria & Lebanon
(1931 - 1944)

1931	44 pieces ²	1938	457 pieces ³
1932	69 pieces ²	1939	570 pieces ³
1933	129 pieces ²	1940	298 pieces ³
1934	39 pieces ²	1941	25 kilograms ³
1935	164 pieces ²	1942	2900 kilograms ³
1936	410 pieces ³	1943	2335 kilograms ³
1937	654 pieces ³	1944	2150 kilograms ³

Table XXXVI below gives the tariff rates relative to the textile industry during the years 1920, 1924, 1926, 1931, 1936 and 1942. It will be seen from this table that the tariff exempts the machinery necessary for the textile industry and imposes a low duty or exempts the raw materials for the industry. Moreover, the tariff provides high duties on competing cotton, silk and woollen cloth.

Table XXXVI
Tariff Rates Relative to the Textile Industry⁴

Year	1920	1924	1926	1931	1936	1942
Machinery	11%	Duty Re- funded	Duty Re- funded	Duty Re- funded	Duty Re- funded	Duty Re- funded
Cotton Cloth	11%	15%	20%	20%	Specific	25%
Silk & Wool "	11%	15%	25%	25%	Specific	40%
Bonneterie	11%	15%	25%	25%	Specific	40%
Cotton Thread	11%	15%	25%	11%	Specific	11% ⁵
Natural Silk ⁵	11%	15%	25%	8%	25%	25% ⁵
Art. Silk Th.	11%	15%	25%	11%	Specific	11%
Wool Thread	11%	15%	25%	Exempted	Exempted	Exempted

1. Statistiques Générales du Commerce Extérieur, 1931-1944.
2. For the weaving only.
3. For the knitting, weaving and lace making.
4. Compiled from the Tarif des Douanes, 1927, 1930, 1931 and 1936 and Arrêté No. 154/PL, March 8, 1942.
5. Some are taxed 11%.

We shall now examine the effects of the tariff on the three weaving industries, namely, cotton, silk and wool.

The following table shows the importance of exports and imports of pure cotton textiles during the years 1934-1938.

Table XXXVII

Exports and Imports of Pure
1
Cotton Textiles
2
in Syria and Lebanon
(1934 - 1938)

Year	Exports in Tons	Imports in Tons
1934	82	7044
1935	54	6967
1936	53	7250
1937	53	6984
1938	61	7276

It appears from the above table that imports are still considerable in relation to the exports. Nevertheless, the tariff has been a promoting factor in the cotton weaving industry as can be realized from Table XXXIII which shows that the production of cotton goods in the centers of Damascus and Aleppo increased from 63,350 pieces in 1934 to 985,000 pieces in 1939.

The artificial silk industry is highly protected by an ad valorem duty of 40%. Table XXXVIII shows that exports are on the average more than double the imports. These exports consist largely of local made brocades and other artificial silk cloth for which Syria is famous. On the other hand, the imports consist largely of high quality artificial silk goods of European design which are, in general, purchased by the richer section of the population which can afford to pay the high duty. The constant increase in the production of artificial silk goods indicates (See Table XXXIII) ~~shows~~ that the tariff has been an important promoting factor in the growth of this industry.

1. Statistiques Generales, 1934-1938.

2. Figures for exports and imports refer always to Syria and Lebanon.

Table XXXVIII

Exports and Imports of Artificial Silk Cloth 1

(1934- 1938)

Year	Exports in Tons	Imports in Tons
1934	557	206
1935	543	248
1936	498	249
1937	701	450
1938	719	238

As regards the wool weaving industry, its growth is mainly due to tariff protection. Woollen thread has been exempted from duty since 1931 while imported woollen cloth had to pay a high specific duty which was changed to 40% ad valorem in 1942. At the present time, two wool weaving factories, manufacturing suitings of European designs exist in Syria. The internal market is still largely dependent on imported woollen suitings. The imports of woollen cloth in 1937 and 1938 were 763 and 609 tons respectively while exports were 13 and 21 tons for the same years.³

It is fairly clear then that tariff played a very important role in the history of textile industry in Syria and it will continue to be in the future a very necessary prerequisite for the existence of part of the industry.

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1. Statistiques Générales, 1934-1938.
 2. Tarif des Douanes, 1936 and Arrêté No. 154/FL, March 8, 1942.
 3. Statistiques Générales, 1937-1938.

D. Effect of the Tariff on the Leather Industry.

The leather industry has been constantly developing since 1933. A main reason for this development is the improvement in the methods of production. The industry is composed of two branches tanning and shoe making. Tanning is one of the most widespread of the Syrian industries with many undertakings of small size all over the country. The tanning of hides and skins depends upon native raw materials and considerable imports of raw hides. It will be seen, from XXXIII in the text, that the most important centers of production are Damascus and Aleppo. The statistics in that table indicate the increasing importance of the production of native local hides used for tanning, which increased from 1933 to 1938 by 344% in Aleppo and 193% in Damascus.

The following table shows the tariff duties relative to tanning and shoes:

Table XXXIX

Tariff Rates Relative to the Tanning and Shoe Making Industries ¹

Year	1927	1931	1936	1942
Raw Hides	25%	exempted	25% (a)	25%(a)
Tanned Hides	25%	25%	25%	25%
Prepared Skins	25%	25%	25%	40%(b)
Shoes	25%	25%	Specific(c)	25%
Chemical for Tanning	25%	exempted	exempted(d)	Exempted(d)

1. Tarif des Douanes 1927, 1931, 1936 and Arrête No. 154/ML, March 5, 1942.

- a. Sheep skin.
- b. Some bear 25%.
- c. 69 piasters per pair.
- d. Some bear 25%.

The tanning industry is protected by a moderate tariff, namely, 25%. This protection stands mainly as a potential one because, as can be remarked from the following table, the exports of tanned hides were comparatively much more important than the imports.

Table LX

Imports and Exports of
Tanned Hides 1

(1934-1938)

Year	Imports in Tons	Exports in Tons
1934	56	230
1935	136	638
1936	56	578
1937	76	543
1938	17	461

As regards the shoe making, this industry derives almost all its raw materials from the tanning industry. Handicraft production still prevails in Syria, although many shoe-making factories have arisen in the country. The following gives the imports and exports of shoes during the years 1933-1944:

Table XII

Imports and Exports of Shoes
(1933-1944) 2.
in Tons

Year	Imports	Exports
1933	29	118
1934	19	174
1935	46	320
1936	15	273
1937	386	246
1938	143	417
1939	99	461
1940	25	141
1941	1	24
1942	11	66
1943	33	55
1944	20	34

Table XII shows that exports exceeded always the imports with the exception of the year 1937. The imports consist largely of rubber shoes not produced in Syria. Thus the industry is fairly protected. This protection is quite sufficient for an industry in which we should be efficient and able to compete with foreign products, for two reasons. First, Syria can supply its own raw materials for this industry, namely skins and second Syrian labor is relatively cheap.

Chapter X

OTHER TAXES

I. The Temporary Sugar Tax.

This temporary tax was instituted by Law No. 114 of December 19, 1944 for the duration of the war and for six months after its cessation. The Sugar tax, however, was extended for revenue purposes until the end of 1946.¹

The manufacture of sugar is made subject to a licence delivered by the Ministry of Finance against an annual payment of twenty five Syrian pounds.² Manufacturers can not sell their output except to the Ministry of Finance or to authorized wholesale dealers in sugar.³ The import, export and wholesale of sugar can only be undertaken by dealers authorized by the Ministry of Finance and only after the payment of an annual tax of 200 Syrian pounds payable at once.⁴

The sugar is sold to the public by authorized dealers at the official price plus a certain commission for their service.⁵ The official price is composed of the cost of sugar and the tax.⁶ The tax

1. Law No. 243, February 13, 1946.

2. Law No. 114, December 19, 1944, Articles 1 and 4.

3. *Ibid.*, Article 3.

4. *Ibid.*, Article 4.

5. This commission was fixed at 3 Syrian piasters per kilogramme (Journal Officiel de la République Syrienne, No. 8, February 8, 1945, p. 225, in Arabic).

6. The cost of sugar is fixed by the Minister of Finance after approval by the Council of Ministers.

was fixed at 50 Syrian piasters per kilogramme.^{1.}

To prevent the smuggling of sugar special regulations are laid down regulating the sale in retail, transport, export, re-export, and transit of sugar.² In addition, severe penalties are provided for any infringement of the law.

Receipts from the sugar tax were estimated to be 6,500,000 Syrian pounds in 1945.⁵

In 1944, when the Government submitted the bill for a sugar tax to the Chamber of Deputies, the Commission of Financial Laws supported the bill for the following reasons: First, in presenting the project the Government did nothing but formalize an already existing state of affairs³ and, second, because the Government was in need of revenues which "could not be increased by direct taxation"⁴.

This tax, like all the other consumption taxes, falls more heavily on the poorer classes of the population. However, though it is for a limited duration, namely, until the end of 1946, it is feared that the Government may extend this period for revenue purposes.

1. Budget Law No. 136, January 30, 1945, Article 53.

2. The transport of 10 kilogrammes of sugar is exempted from a transport permit.

3. Supra p. 15, Budget of the Ministry of Supply. The Supply Ministry used to collect as a tax 50 Syrian piasters per kilogramme (Minutes of the Chamber of Deputies for the year 1944, p. 188.).

4. See Minutes of the Chamber of Deputies for the year 1944, pp. 183-184.

5. Privately Secured, Revised Estimates.

II. Army Taxes.

These taxes were introduced by the Budget Law of 1945,¹ in order to provide for Army expenditure. They are grouped in this section because the revenue from these taxes goes to a special budget called the Army Budget. The funds under this budget are disbursed on the Army only.²

A. The Stamp Tax.³

1. A fixed stamp duty of five Syrian piasters is imposed on all: (a) instruments subject to a stamp duty of fifty Syrian piasters and below; (b) internal and external correspondence; (c) cigarette boxes at the rate of 5 piasters per twenty cigarettes and five piasters per 20 grams of tobacco and tumback provided their value does not exceed forty piasters.

2. A fixed stamp duty of ten Syrian piasters is imposed on all: (a) instruments subject to a stamp duty of fifty Syrian piasters and less than 100 piasters; (b) cigarette boxes at the rate of 10 piasters per box of twenty cigarettes and 10 piasters per twenty grams of tobacco and tumback provided their value is over forty piasters.

3. A fixed stamp duty of 50 piasters is imposed on all instruments subject to a stamp duty of more than 100 Syrian piasters and less than 1000 Syrian piasters. Instruments subject to a stamp duty of over 1000 piasters are subject to an additional proportional stamp

1. Budget Law No. 136, January 30, 1945.

2. Ibid., Article 54.

3. Ibid., Article 46.

duty at the rate of 10% of the original duty provided the additional duty is not below 50 piasters.

4. A stamp duty of five or ten piasters is imposed on entrance tickets to cinemas, theatres and amusement places depending on the grades established by the Financial Authorities and the price of tickets.

B. The Sugar Tax.¹

The sugar tax is increased by 50% which is an additional increase of 25 piasters per kilogramme of sugar.

C. The Consumption of Electricity Tax.²

10 per cent is added to the amount of the electricity bill in the form of a stamp.

D. The Benzine and Kerosene Taxes.³

4 piasters per litre is added to the kerosene tax and 6 piasters per litre to the benzine tax.

E. Amusement Duties.⁴

These duties were not discussed earlier because of their relative non-importance. They formed in 1942 and 1943 0.13 and 0.16 per cent of the revenue receipts respectively. They were classified under non-tax receipts.⁵

In 1948, the following were the rates ⁶ of the amusement duties:

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1. Budget Law No. 136, January 30, 1946, Articles 47 and 53.
 2. Ibid., Article 48.
 3. Ibid., Article 44.
 4. Ibid., Article 42.
 5. Supra, p.38, Table XIV.
 6. Décret Législatif No. 286/AS, November 28, 1942.

Per Day	Permanent Theatres and Cinemas. Tax per Seat (Syrian Piasters)	Permanent Dancing and Music Halls Tax per Square Meter (Syrian Piasters)
Class One ¹	2½	5
Class Two	2	2½
Class Three	1½	1½
Class Four	¾	¾

The above duties are increased by 100% for the benefit of the Army Budget.

F. Revenue to be provided by the Ministry of Supply.²

The Ministry of Supply is required to raise revenues amounting to 3,500,000 Syrian pounds.

G. The Poll Tax.³

All Syrian male residents between the ages of 20 and 40 on January 1, 1945 that are not exempted by the Poll tax law must pay a tax of 500 Syrian piasters per person.

H. Animal Tax.⁴

Twenty Syrian piasters are added to the tax on each animal subject to the Animal tax.

1. The classification of cinemas, theatres, music and dancing halls is established by the Financial Authorities.

2. Budget Law No. 156, January 30, 1945, Article 49.

3. Ibid., Article 51.

4. Ibid., Article 50.

I. Evaluation.

In evaluating the Army taxes we shall group them in four categories: (a) consumption taxes; (b) taxes on movable property; (c) direct taxes and, (d) arbitrary taxes.

Consumption taxes are composed of the amusement duties, the sugar tax, the electricity consumption tax, the tobacco and cigarette stamp tax, and the kerosene and benzine taxes. These taxes seek to distribute the burden of taxation according to the consumption of goods and services. They are regressive in their nature because they impose a relatively higher burden upon the income of the poorer classes of the population, since the latter's expenditure on necessaries absorbs a much higher proportion of their income than in the case of the middle or upper classes.

The Animal tax is a tax on movable property. This tax is in general shifted to the consumer in the form of a higher price of meat thus becoming a regressive consumption tax because it affects the poor in the same proportion than the rich.

As to the direct Poll tax there is no need to stress its regressiveness. It is paid without reference to ability to pay.

Finally, the request that the Ministry of Supply (Now Ministry of National Economy) should raise revenues amounting to 3,500,000 Syrian pounds without an indication as to the manner of how this should be done is a unique example in the history of scientific taxation. Never before has such an arbitrary measure been followed. Income will be provided either by increasing the

the price of rationed food stuffs and articles or by raising the export and import fees and licences, or, by using both methods at the same time. In all these cases, the ultimate result will be raising the cost of commodities to the consumers, and therefore affecting in the same proportion all classes of buyers.

In conclusion it appears that the burden of supporting the National Army will rest mainly on the poorer classes of the Syrian population.

III. The Radio Tax.

The Radio tax was instituted on October 14, 1937 and is levied on radio sets at the rate of 150 Syrian piasters per set.¹

All holders of radio sets must register their radios at the Post and Telegraph Department. Failure to do so increases the amount of the tax fourfold and may end in the set being seized. Finally, if the tax is not paid within one month from the date of seizure, the radio set will be sold in public auction.

Receipts from the Radio tax were estimated to be 101,000 in 1945.²

The tax is collected in two instalments, one before January 1, the other before July 1 of every year.

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1. The Radio tax was instituted by Décret Législatif No. 113, 14th October, 1937. The rate of the tax is that revised by Décret Législatif No. 103/AS, 18th August, 1940.
 2. Revised Estimates. The receipts from the Radio tax were included before 1945 with the receipts from the Telegraph Service.

CHAPTER XCONCLUSION

Syria has a very complex and diversified tax system. Its income tax is of recent origin and plays a minor role in lessening the inequalities of income. Most of the lucrative taxes are consumption taxes and taxes upon business transactions and operations of various sorts. In 1942, income from direct taxes (Land tax, Building tax, Tamattu' on commerce, industry and the professions, Tamattu' on salaries, Animal tax, Road tax) amounted to less than 22% of the revenue from taxation burden while indirect taxes (Intaj'al'Ziraii tax, Excise duties and Custom duties) formed the rest. (See Table XLII).

Before evaluating the taxation system, it will be interesting to raise and answer briefly the following questions: did the system of taxation in Syria change with the evolution of economic life? Does Land taxation play the same role as in the past? Has the advent of corporations (Societes Anonymes) raised new problems and occasioned the introduction of new taxes? Has the increased skill in administration, in the records of economic activity and in the technique of appraisal and valuation created opportunities to refine the distribution of burdens among taxpayers? Does special influence and favouratism influence tax distribution and payment? Do we have cooperation of the public? What is the purpose of the taxation system, is it merely the raising of money for the support of the fisc or is it accomplishing economic changes that are socially desirable.

TAX	1934		1935		1936	
	Amount in. Syrian Pounds	% of Bur-den	Amount in. Syrian Pounds	% of Bur-den	Amount in. Syrian Pounds	% of Bur-den

A. Direct Taxes

1. Tithe	1,064,159	13.03	1,058,289	13.32	757,227	9.87
2. Land Tax	384,094	4.70	419,346	5.28	306,263	3.99
3. Buildings Tax	496,289	6.08	473,449	5.96	444,722	5.80
4. <u>Tamattu'</u> (a)	201,527	2.47	208,793	2.63	181,966	2.37
5. <u>Tamattu'</u> (b)	97,076	1.19	88,399	1.11	85,986	1.12
6. Income Tax (c)	---	---	---	---	---	---
7. Income Tax (d)	---	---	---	---	---	---
8. Income Tax (e)	---	---	---	---	---	---
9. Animal Tax	514,279	6.30	596,541	7.31	706,569	9.21
10. Road Tax	126,883	1.55	145,649	1.83	135,621	1.74
Total	2,884,107	35.32	2,990,466	37.64	2,616,554	34.10

B. Excise Duties Etc.

1. Tobacco	628,315	7.69	538,105	6.78	815,231	10.63
2. Inflammable Materials	231,900	2.84	221,882	2.79	222,853	2.91
3. Salt	223,853	2.74	232,856	2.93	250,569	3.01
4. Liquors	77,529	.95	90,615	1.14	62,929	.82
5. Matches etc.	69,134	.85	74,241	.94	47,921	.63
6. Cement	---	---	---	---	---	---
7. Stamp	336,668	4.12	332,274	4.18	297,024	3.87
Total	1,567,399	19.19	1,489,951	18.76	1,676,627	21.87

C. Intaj'al'Zirail Tax --- --- --- --- ---

D. Share of Customs Receipts Alloted To Syria	3,715,143	45.49	3,464,053	43.60	3,377,619	44.03
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GRAND TOTAL 8,166,649 100.00 7,944,470 100.00 7,670,500 100.00

Source: Budget of the Syrian Republic, 1934-1944.

- a, Tamattu' on Commercial and Industrial Enterprises and the Professions.
- b, Tamattu' on Salaries and Wages.
- c, Income Tax on Commercial and Non Commercial Enterprises and the Professions.
- d, Income Tax on Salaries and Wages.
- e, Income Tax on Revenue from Revolvable Property.

Table XLII

TAX RECEIPTS

(1934-1944)

1937		X	1938		X	1939		X	1940	
Amount in	% of	X	Amount in	% of	X	Amount in	% of	X	Amount in	% of
Syrian	Tax	X	Syrian	Tax	X	Syrian	Tax	X	Syrian	Tax
Pounds	Bur-	X	Pounds	Bur-	X	Pounds	Bur-	X	Pounds	Bur-
	den	X		den	X		den	X		den
1,264,294	12.97		1,451,785	12.07		1,431,178	10.65		1,926,403	15.94
444,545	4.56		471,974	3.97		522,965	3.89		673,972	4.88
541,176	5.51		570,332	4.81		591,677	4.40		816,192	5.92
244,631	2.51		266,237	2.26		303,758	2.26		419,881	3.04
112,978	1.16		144,189	1.22		160,295	1.19		216,454	1.57
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790,855	6.11		1,326,656	11.19		1,504,350	11.20		2,331,883	16.88
152,924	1.56		180,290	1.52		194,262	1.45		231,914	1.68
3,550,513	36.38		4,393,461	37.04		4,708,485	35.04		6,618,699	47.91
741,422	7.61		1,067,617	9.00		1,670,059	12.43		2,038,654	14.76
319,771	3.28		303,145	2.57		330,859	2.46		26,583	.19
285,861	2.94		365,009	3.07		398,157	2.96		557,687	4.04
133,933	1.38		90,321	.76		119,571	.89		160,309	1.16
38,152	.39		55,718	.47		72,579	.55		70,937	.51
---	---		---	---		---	---		47,844	.34
380,676	3.91		528,589	4.46		541,872	4.04		765,709	5.54
1,899,615	19.51		2,410,399	20.33		3,133,097	23.33		3,667,923	26.54
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4,299,241	44.11		5,055,497	42.63		5,593,500	41.63		5,530,359	25.55
9,749,559	100.00		11,859,357	100.00		13,435,082	100.00		13,816,981	100.00

1941		X	1942		X	1943		X	1944	
Amount in	% of	X	Amount in	% of	X	Amount in	% of	X	Amount in	% of
Syrian	Tax	X	Syrian	Tax	X	Syrian	Tax	X	Syrian	Tax
Pounds	.Bur-	X	Pounds	.Bur-	X	Pounds	.Bur-	X	Pounds	.Bur-
	den	X		den	X		den	X		den
1,776,832	14.07		616,872	2.9		1,591,551	3.2		---	---
638,967	5.06		707,405	3.1		826,209	1.7		203,000	.5
771,052	6.11		815,488	3.6		2,049,262	4.2		1,305,000	3.1
400,896	3.17		479,816	2.1		436,294	.9		741,433	1.7
245,189	1.94		372,312	1.7		---	---		---	---
---	---		---	---		1,698,913	3.3		4,500,000	10.7
---	---		---	---		843,933	1.7		421,000	1.0
---	---		---	---		49,914	0.1		100,000	0.2
1,986,961	15.74		1,610,733	7.2		5,253,712	10.6		6,222,200	14.7
193,098	1.53		350,488	1.6		2,674,593	5.4		505,000	1.2
6,012,395	47.62		4,953,114	22.2		15,424,381	31.1		13,995,633	33.1
2,845,998	22.54		4,422,028	19.9		8,639,194	17.5		6,120,000	14.5
129,382	1.03		1,837,719	8.3		3,424,868	6.9		3,060,000	7.3
716,151	5.67		992,088	4.5		2,253,571	4.6		1,813,100	4.2
169,101	1.26		421,731	1.5		747,016	1.5		610,000	1.4
89,684	.71		104,808	.5		222,440	.5		150,000	.4
40,308	.32		57,749	.3		87,072	.3		130,200	.3
706,044	5.59		1,077,694	4.9		1,507,275	3.1		1,366,154	3.2
4,686,668	37.12		8,913,817	39.9		16,681,435	34.3		13,249,454	31.3
---	---		3,410,105	15.3		11,098,913	22.4		10,060,000	23.8
1,926,033	15.26		5,041,320	22.6		6,034,620	12.2		4,987,140	11.8
12,625,096	100.00		22,318,356	100.0		49,439,349	100.0		42,292,227	100.0

Answers to the above questions have already been given while discussing separately the different taxes. To recapitulate briefly, the taxation system of Syria has not followed the evolution of social and economic life. This is due to the fact that influence and favouritism still play a great part in the distribution of the tax burden in Syria. The wealthy class has the control of power and in the absence of a truly representative parliament, due to the ignorance of the masses, no appropriate measures can be taken to correct the situation. Syria still mainly relies on indirect taxation. The only progressive thing the Government has done was to introduce an 'Income tax' which has no feature of a real Income tax. For instance, the total income was not taken into account for the purpose of taxation and the corporations were considered like real persons and were taxed as such. The Road tax was not abolished. Instead of relieving the people from indirect taxation new indirect taxes were introduced witness, the Intaj'al'Ziraii tax, the Sugar tax, the Army taxes, etc. In view of all these defects of the fiscal system and the incompetence in the tax administration, it is not astonishing to find an uncooperating public. The Syrian Government has no long range fiscal policy and is not effecting social desirable changes. On the contrary, it is by its taxation policy increasing the gap between the different classes of the population.

In the following lines we shall evaluate the taxation system from the three customary points of view namely, fiscal adequacy, equity in the distribution of the tax burden, and effect on production and distribution.

Is the taxation system sufficient to meet the needs of the Government? Table XLIII shows that until 1942, the extraordinary receipts were falling while the surpluses increasing. Besides Syria has neither an internal nor external debt. Whether this situation will be reversed in the following years, no one can predict. All that can be said at the present time is that these large surpluses occurring since 1939 are not likely to continue because, with Syria's access to full sovereignty new functions and responsibilities have been added which require large disbursements. The Syrian Government has established new taxes such as the Army taxes to meet the situation. The taking over of the budget of common interests will also partly compensate for the increase in Government expenditure.

In the field of taxation the statement that 'Syrian legislature appears to have been guided by financial and administrative requirements, rather than by the desire to effect an equitable distribution of the tax burden'¹ still holds true. If we take as an example the change of the Tithe into the Intaj'al'Zirali we find that it was motivated by a desire to increase the Government revenue with no reference to an equitable distribution of the tax burden. Likewise, the introduction of the Army taxes shows clearly that the Government is not interested in the question of incidence

1. Himadeh, op. cit., p. 398.

of taxes so long as they are productive. Moreover, the institution of the Income tax affords the best example in showing the interest of the Government in administrative requirements rather than equitable distribution of the tax burden. The Syrian Government thought perhaps it was easier to collect the tax on each category alone than to tax the three together, to make a uniform exemption for persons of Category I and Category II without going into the details of a married person with children or without children.

TABLE XLIII

Extraordinary Receipts and Surpluses of the
Budget of the Syrian Republic ¹

Year	Extraordinary Receipts £. Syr.	Surplus £.Syr.	Deficit £.Syr.
1933	11,503,303		316,365
1934	631,551		100,557
1935	873,183	51,130	
1936	749,737		124,474
1937	824,511	762,468	
1938	469,611	333,504	
1939	248,190	1,026,228	
1940	347,471	3,346,204	
1941	98,515	2,289,514	
1942	62,145	4,061,149	
1943	3,362,482	15,621,474	

1. Excluding the financially autonomous Mohafazats.

2. Mainly withdrawals from the Reserve Funds.

The trend of taxation development during the last years has also been towards an increase in the proportion of indirect to direct taxes. As we have already seen indirect taxation lays a greater burden in proportion to income on the poorer classes of population. While in 1941 the proportion of indirect taxes was about 52%, in 1942, it increased to more than 75% and in 1943 was about 65%.

We have now to decide whether the whole tax system is equitable or not. We are, therefore, led to determine the relation between the distribution of the tax burden and the distribution of income. Tax systems are divided into three types: progressive, proportional and regressive. A progressive tax system has been defined¹ "as one which distributes the tax burden in such a way as to have the proportion paid in taxation increases as the income increases." The tax is regressive "when the proportion of income paid in taxation decreases as income increases"² and in a proportional tax system the ratio between the two is constant. In the following lines, we shall briefly determine whether the tax system is progressive, proportional or regressive.

By considering the proportion of indirect taxation to direct, we can immediately conclude that the whole taxation system is regressive. In 1942, more than 75% of the taxes were indirect while in 1943 and 1944 indirect taxes constituted more than 65% of the tax burden for every year. Let us now consider the other taxes.

1. Himadeh's, op. cit., p. 398.

2. Ibid.

The Tamattu' has a regressive basis. No definite ratio exists between the rent of an office and the net income derived by a person. As we have already remarked, the tendency for the income of a person is to grow at a faster rate than his place of business.

The Syrian Income tax is not a very progressive tax because as we have already shown, the non consideration of total income, the high brackets, the taxation of corporations as such (societes anonymes), the division of the tax into three taxes, each independant from the other, all these tend to diminish the importance of the income tax as a progressive tax. Besides, revenue from that tax is negligible in comparison to revenue from indirect taxes.

The Poll tax is regressive since it is paid by persons subject to it irrespective of income. The Animal tax is rather regressive when it is shifted to the consumers in the form of higher prices of meat, because then it will be paid by all in the same proportion. The Building tax is a proportional one. Due to its small fiscal importance it has little effect in changing the general character of the taxation system.

Thus it must be concluded that the Syrian tax system is definitely regressive. The higher the income of a person, the less taxes he pays. Such a system results, therefore, in an inequitable distribution of the tax burden.

For the purpose of examining the general effect of the the tax system on production, taxes may be roughly divided into

taxes on agriculture and taxes on commerce and industry. Taxes on agriculture consist of the Intaj'al'Ziraii tax and the Animal tax, while the Tamattu', the Income tax on gains and profits from professions, commercial and non commercial enterprises and industries, the Building tax, are taxes on commerce and industry. Table XLII shows that in the years 1942 and 1943, agricultural taxes accounted to about one third of the total tax burden while taxes on business were about 9%. Thus we can conclude that the tax system by placing a relatively higher burden on agriculture is helping to divert capital and labour from one occupation to another.

Finally, as regards the effect on distribution of income, we have seen that the Syrian tax system is regressive. Regressive taxation tends to increase the inequality in the distribution of income and wealth.

A real reform in the taxation system is, therefore, needed. Recent reforms during the war have shown that the Syrian legislator stressed very much on revenue and ease of collection and paid little attention to the economic and social effects of taxation. Such a policy is detrimental to the economic development of the country and will result in bad social effects. "The best taxes", as one writer said, "are those which, in addition to raising the revenue required, have on the whole the best effects."¹

1. Hugh Dalton, Principles of Public Finance, George Routledge and Sons, Ltd., London, 1929, p. 14.

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Appendix I
PUBLIC EXPENDITURES IN THE SYRIAN REPUBLIC
(in thousand Syrian
Pounds)
1934-1945

	1934	1935	1936	1937	1938	1939	1940	1941	1942	1943	1944	1945
EXPENDITURES:												
Central Government												
1. Gov't and Central Ad.	58	58	89	63	141	87	108	148	265	366	503	1,237
2. Presidency	--	--	--	--	--	23	7	50	117	121	239	322
3. Assemblies & Councils	75	17	37	160	174	104	27	16	16	406	1,087	1,628
4. Foreign Affairs	--	--	--	57	91	28	--	11	86	447	1,068	1,953
5. National Defence	--	--	--	1	36	4	--	2	33	104	85	15,124
6. Debt (Pensions etc.)	1,172	1,212	1,232	1,195	1,488	1,452	1,822	1,585	3,974	3,958	4,500	4,956
7. Finance	585	619	505	575	738	788	830	987	1,722	3,033	3,526	4,506
8. Interior	246	226	225	305	375	354	413	480	854	1,242	1,397	1,662
9. Gendarmerie & Garde Mob.	1,264	1,243	1,184	1,402	1,872	1,856	2,038	2,404	4,062	5,894	6,955	12,463
10. Police	429	422	413	511	671	723	744	871	1,475	2,200	2,735	4,397
11. Public Health	208	207	192	230	296	337	349	403	742	1,542	2,175	4,089
12. Ministry of Social Affairs	--	--	--	--	--	--	--	--	182	201	--	--
13. Justice	599	578	542	626	698	702	765	842	1,328	1,955	2,423	2,679
14. Commerce and Industry	--	--	--	--	--	--	--	--	--	--	1,485	3,288
15. Agriculture & Eco. Ser.	120	99	88	107	185	183	214	276	639	1,499	--	--
16. Supply	--	--	--	--	--	--	--	4	19	24	24	13
17. Reg. of Deeds & Pub. Dom.	258	254	249	243	309	351	339	338	552	916	1,321	1,444
18. Public Works	469	661	725	577	659	1,769	3,752	1,409	2,345	3,444	5,592	15,552
19. Posts and Telegraphs	173	167	161	180	224	257	324	298	469	785	1,062	1,558
20. Public Instruction	895	937	919	1,113	1,541	1,679	1,831	2,084	3,661	6,032	7,332	9,953
21. Tribes	--	--	--	--	--	--	--	--	--	--	--	3,000
22. Bookkeeping Transfers	--	--	--	--	--	--	--	--	--	--	--	--
23. Expend. of past Years	138	99	61	117	--	--	--	--	--	--	--	--
24. Expend. on Capital Dev.	--	--	--	--	--	--	--	--	--	--	6,056	--
25. Settlement of 1933 Deficit	--	50	175	--	--	--	--	--	--	--	--	--
26. Miscellaneous	--	--	--	--	--	148	--	--	--	2,509	326	681
TOTAL	6,688	6,849	6,807	6,462	9,498	10,842	13,561	12,208	22,441	36,678	49,891	108,674

EXPENDITURES	1934	1935	1936	1937	1938	1939	1940	1941	1942	1943	1944	1945
Atakia												
1. Central Administration	20	21	16	19	75	68	26	40	48	70	351	483
2. Councils	11	11	12	12	9	14	14	15	12	18	16	16
3. Debt	93	171	91	180	247	216	221	247	426	1,042	945	1,171
4. Finance	140	111	107	108	131	136	169	188	358	709	676	1,016
5. Interior	55	46	51	48	---	---	50	69	117	---	---	---
6. Reg. of Deeds & Pub. Dem.	47	42	38	22	19	---	---	---	---	274	122	161
7. Gendarmerie	139	138	142	171	191	192	236	278	453	726	971	1,478
8. Police	15	14	15	17	18	17	---	---	---	191	---	---
9. Public Health	51	51	49	57	64	57	77	87	166	254	343	499
10. Justice	106	103	100	105	100	95	102	143	212	318	423	458
11. Agriculture & Eco. Serv.	49	42	41	42	41	43	48	55	71	115	180	236
12. Public Works	143	188	149	103	124	100	143	194	251	274	363	401
13. Posts & Telegraphs	31	29	30	27	26	26	30	35	58	103	184	200
14. Public Instruction	113	113	117	134	1 44	131	141	194	300	452	657	887
15. Sureté	---	---	---	---	---	---	---	---	---	---	---	253
16. Supply	---	---	---	---	---	---	---	---	---	---	---	22
17. Miscellaneous	39	41	96	12	48	91	29	36	70	64	8	1,511
18. Exp. on Capital Devel.	---	---	---	---	---	---	---	---	---	268	---	---
19. Bookkeeping Transfers	---	---	---	---	---	---	---	---	---	---	---	---
	1048	1119	1056	1057	1235	1216	1288	1579	2542	4878	6264	8833
Djabal al Duruz												
1. Central Administration	11	9	10	26	45	32	34	41	80	100	100	
2. Councils	3	2	2	1	3	4	4	4	4	6	8	
3. Debt	14	10	11	16	7	7	6	27	83	62	62	
4. Finance	13	13	10	11	15	21	30	25	28	42	49	
5. Interior	10	8	8	9	---	---	---	---	---	---	---	
6. Gendarmerie	32	21	22	36	42	43	32	38	88	220	148	
7. Police	6	4	4	4	4	5	5	7	10	23	23	
8. Justice	12	13	13	14	15	15	16	19	31	48	48	
9. Agriculture & Eco. Serv.	6	8	9	6	7	8	9	13	13	22	22	
10. Public Works	36	49	74	44	97	60	204	89	25	61	61	
11. Posts & Telegraphs	1	2	2	2	2	---	---	---	4	6	---	
12. Public Health	13	12	14	13	14	15	17	17	22	23	23	
13. Public Instruction	39	32	33	35	38	39	41	46	65	92	92	
14. Expenditure of Past Years	40	3	4	1	1	1	1	---	2	12	---	
15. Bookkeeping Transfers	14	9	13	9	8	7	4	9	14	---	---	
16. Miscellaneous	---	---	---	---	---	---	---	---	---	44	---	
	250	195	229	227	298	257	403	335	464	763	636	

	1934	1935	1936	1937	1938	1939	1940	1941	1942	1943	1944
<u>Share in Budget of Common Interests (56%)</u>											
1. Customs	490	484	488	617	735	750	642	728	1195	1820	
2. Financial Services	821	75	84	111	132	178	271	301	583	764	
3. Inspection & Control	179	149	154	191	243	223	150	128	342	435	
4. Economic Offices	31	30	26	47	56	95	242	50	161	181	
5. Inspection of Public Inst., Anti. & Archeo.	16	16	18	28	33	31	29	29	40	98	
6. Sureté Générale	75	74	88	121	126	140	149	--	--	--	
7. Civil Exp. of the Mandate	126	111	107	149	191	422	705	981	178	185	
8. Special Troops	2520	2520	2464	2520	2800	3080	140	---	---	---	
9. Programme of Pub. Wor.	500	544	726	791	729	978	150	142	959	2376	
10. Extraordinary Expenditures for defence	---	---	---	---	---	7000	---	---	---	---	
11. Security & Def. Passive	---	---	---	---	---	---	---	---	---	---	
12. Miscellaneous	340	353	256	882	29	---	---	258	772	789	
	5098	4358	4407	5457	5074	12094	2806	3174	4845	7123	
Grand Total (All budgets)	13079	12519	12499	13203	16107	25209	18058	17296	30297	49442	

Source: Budgets of the Syrian Republic and Budget of Common Interests, 1934-1945.