Syria’s New Tax System: A New Era of Simplification and Digitization

Syria is undergoing a series of tax reforms encompassing income tax, sales tax, and customs duties, as part of a broader restructuring of fiscal policy aligned with the country’s economic recovery phase. These reforms seek to strike a delicate balance between securing sustainable public revenues and stimulating economic activity and investment.

This article examines Syria’s new tax system by comparing the new legislation with previous laws, placing it within a regional context, and analyzing its capacity to broaden the tax base and support recovery and reconstruction.

A New Tax Framework

Syria’s revamped tax framework reflects a broader shift toward rebuilding the financial system on simpler and more transparent foundations. It involves a simultaneous overhaul of income tax laws, sales tax legislation, and customs duties.

A holistic reading of these laws reveals that the reforms go beyond adjusting rates they extend to the very philosophy of taxation, collection mechanisms, exemption thresholds, and the central role of digitization in regulating economic activity.

Income Tax Law: Simplified Rates and a Broader Base

The new income tax law governs the taxation of natural and legal persons' income from various economic activities in Syria including employment income, commercial, industrial, and service activities, as well as capital gains. The law introduces a more streamlined and unified approach compared to previous legislation, notably reducing the number of tax brackets and rates.

For employment income, a simplified progressive tax is applied:

6% on the first SYP 5 million of annual income,

8% on income exceeding that amount.

As for businesses and corporate entities, a 10% tax is levied on core productive and service sectors such as industry, education, healthcare, consulting, training, technology, and aviation as well as income from capital assets. Other sectors are taxed at a 15% rate.

This simplification is accompanied by a significant increase in the tax exemption threshold:
SYP 60 million of net annual income is exempt, for both individuals and legal entities. This shift is aimed at easing the burden on low- and middle-income earners while focusing the tax obligation on higher earners.

The law also introduces key economic exemptions, including:

Agricultural income in all its forms,

Dividends distributed by resident companies,

Certain types of capital gains,

Exports of locally produced goods and services,

Income earned by non-resident investors from foreign sources.

A vital component of this framework is the institutionalization of electronic invoicing and digital linkage, intended to improve the accuracy of tax declarations and enhance financial documentation. Implementation mechanisms will be detailed in executive regulations.

Sales Tax Law: Organizing Indirect Taxation and Linking It to Invoicing

In parallel with income tax reform, the new sales tax law establishes a general tax on the sale of goods and the provision of services in Syria, whether domestic or imported. The tax burden is applied at the point of sale or service delivery.

Instead of a flat rate, the law adopts a tiered rate system, imposing:

5% on a wide range of essential goods and services,

Higher rates of 10%, 15%, and up to 45% on luxury items or specialized goods and services.

Certain services such as air transport, hotels, restaurants, telecommunications, financial services, and insurance are taxed at varying rates depending on their nature.

Sales tax applies to:

Locally produced goods at the point of sale,

Imported goods at customs clearance,

Services provided domestically or linked to the domestic market.

Electronic invoicing and digital integration are central tools for enforcement. The law aims to standardize accounting practices, enhance collection accuracy, and directly tie taxes to invoicing. It also abolishes previous sales tax legislation and takes effect at the beginning of the fiscal year following its issuance.

How Has Syria’s Tax Framework Changed?

A review of older Syrian tax laws versus the newly proposed drafts reveals a fundamental shift in the philosophy and mechanisms of taxation. The former system was marked by complexity, fragmented classifications, and inconsistent rates. The new framework seeks to establish a more simplified, consistent, and transparent structure—one based on lower rates, digital linkage, and an expanded tax base. This shift is evident in three main areas: income tax, sales tax, and customs duties.

Income Tax: From Multi-Tiered Complexity to a Clear, Streamlined Model

Under the old law (Law 24 of 2003 and its amendments), income tax operated through numerous brackets and categories. For wages and salaries, rates ranged from 5% to 15%, with many intermediate levels based on monthly income. In contrast, the new draft adopts a highly simplified model with only two brackets:

6% on income up to SYP 5 million annually,

8% on income exceeding that amount.

This marks a clear effort to lower rates, ease compliance, and reduce complexity.

For corporate tax, the previous system differentiated between partnerships and corporations, with progressive rates ranging from 10% to 35%, depending on legal structure and profit size.

The new draft shifts to an activity-based classification, imposing a 10% flat rate on key sectors like industry, education, healthcare, consulting, technology, and aviation, and 15% on other activities.

This shift from legal form to economic function reflects a move toward clarity, legal stability, and administrative ease.

The tax exemption threshold has also risen dramatically from SYP 3 million to SYP 60 million annually signaling a desire to reduce pressure on lower income groups and shift focus to higher earners.

Electronic invoicing, once a supplementary tool, now plays a central role. The new system mandates the use of approved accounting software and immediate digital connection with the tax administration to monitor liabilities and curb evasion.

Sales Tax: From Scattered Fees to a Unified, Structured Tax

Previously, Syria’s consumption tax system (under a 2015 decree) relied on disparate fees imposed on selected goods and services, collected at various stages customs clearance, domestic sales, or service provision with specific charges for gold, vehicles, and travel tickets.

The new draft introduces a unified sales tax model applied across most goods and services, at production, importation, or sale. It employs a rate structure ranging from 5% on essentials to 45% on luxury items. This makes taxation more predictable and aligned with modern international practices.

The new system also gradually replaces paper invoices and field audits with full digital integration. Electronic invoicing and real-time accounting linkage are now embedded in the law, enhancing traceability and reducing evasion.

Customs Duties: Simplified Calculation and Standardized Metrics

In tandem with tax reforms, Syria has overhauled its customs tariff structure. The updated schedule includes over 6,000 tariff items, and several additional fees previously imposed via internal circulars have been eliminated.

The old method of calculating duties based on a percentage of price in Syrian pounds has been replaced with a fixed dollar amount per unit (ton, liter, kg), using standardized codes.

According to the General Directorate of Customs, the new system has reduced duties by 50% to 60% compared to the previous structure, minimizing subjective assessments, simplifying compliance, and reducing the risk of corruption.

Syria’s Tax Rates Compared to Neighboring Countries

Evaluating Syria’s new tax system requires a regional lens. Comparing it to Lebanon, Jordan, Turkey, and Iraq offers context for assessing the competitiveness of its income and sales tax rates.

Syria’s new personal income tax applies:

6% on the first SYP 5 million in income,

8% on any excess.

These are considerably lower than in neighboring countries:

Lebanon: up to 25%,

Jordan: around 30%,

Turkey: up to 40%,

Iraq: around 15%.

For corporate taxes:

Syria: 10% for core sectors, 15% for others,

Lebanon: ~17%,

Jordan: ~20%–35%,

Turkey: ~25%,

Iraq: ~15% with higher rates for the oil sector.

Syria’s sales tax, which could serve as a precursor to a VAT, begins at a 5% rate on essential goods lower than:

Lebanon’s 11% VAT,

Jordan’s 16% VAT,

Turkey’s 20% VAT.
Iraq lacks a comprehensive VAT system and applies selective taxes.

These comparisons reveal that Syria’s new tax structure leans toward lower-than-average regional rates, aiming to enhance economic competitiveness and reduce the tax burden during the recovery phase, with a focus on broadening the tax base instead of raising rates.

Will the New Tax System Succeed?

A legitimate debate exists over whether lowering and simplifying tax rates can actually increase public revenues. But this approach is rooted in the economic logic of broadening the tax base rather than overburdening a narrow segment.

From High Burden to Broader Compliance

The old system featured high nominal rates but low compliance due to widespread evasion, administrative corruption, and unpredictable assessments. This created a narrow tax base and unstable revenue.

The new system reduces rates and the cost of compliance in terms of time, legal risk, and administrative friction which improves voluntary declaration and expands the taxpayer pool, even if the per-person tax decreases.

This tax policy is part of a broader strategy to stimulate economic activity, enhance investment appeal, and increase fiscal predictability, encouraging both domestic and foreign investments in reconstruction. Syria's Ministry of Finance has pledged to allocate a quarter of sales tax revenues to supporting industry and exports, linking tax reform to development rather than mere revenue generation.

Exemptions, Fairness, and the Social Contract

Another parallel debate surrounds tax exemptions and whether they shrink the tax base. In theory, yes but in practice, low-income groups were often already outside the effective base due to their inability to pay or symbolic assessments.

Exempting them today doesn't significantly reduce real revenues; instead, it builds trust and enhances perceptions of fairness, which are vital in a post-war society facing deep socio-economic challenges.

The real tax base lies in the middle class and small and medium enterprises from freelancers and workshops to small businesses who represent most economic activity and employment. These groups were previously the least compliant.

Tax evasion was not always a moral failure; it was often a rational response to an unjust, arbitrary system with little service return and high administrative corruption. When compliance costs exceed the cost of evasion, the latter becomes a logical choice.

The new system seeks to reverse that logic by lowering compliance costs, increasing digital and legal risk for evasion, and enhancing perceived fairness.

This aligns with well-known economic principles, particularly the Laffer Curve, which posits that beyond a certain point, higher tax rates reduce total revenue by discouraging compliance.

Therefore, reducing excessively high or unfair tax rates may actually boost revenue by expanding the base, improving voluntary compliance, and formalizing economic activity. This reflects a view of taxation as a social contract, not merely a coercive extraction of resources.

Still, legitimate concerns remain. If these reforms are not implemented effectively due to digitization failure, ongoing corruption, or the continued exclusion of informal sectors—the reform goals could be undermined.

Finally, the system's success hinges on fiscal viability: ensuring revenues cover planned public spending during the recovery and reconstruction period. Without that, lower rates may create funding gaps that will later be filled by regressive taxes or indirect fees. The key to success lies in balancing a broader base with fiscal sustainability, not in rate cuts alone.