



Syria – April 2021

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New Tax Law Set to Fuel Syria Property Prices

The Syrian government has introduced a new real estate sales tax law in a bid to increase state revenue, compounding upward pressure on property prices that have already soared as a result of the steep depreciation of the Syrian pound.

The new law issued by President Bashar al-Assad on March 29 means real estate tax will now be calculated on the basis of a property's current market value, rather than the book value listed in the Ministry of Finance's records since the 1980s.

The new tax rates range between one to three percent, depending on the location of the real estate property and its use (whether for housing, trade, industry, or land), amongst other factors. While that is significantly lower than the previous tax rate of 15 to 20 percent, current real estate values, which are the base reference for calculating tax, are much higher, meaning taxes have effectively increased.

The new law coincides with an increase in the price of construction materials that is likely to drive real estate prices up further at a time when most Syrians are unable to buy new properties because their purchasing power has been wiped out by the deterioration of the Syrian pound. Property prices have jumped as the Syrian pound sinks to record lows against the dollar, putting real estate purchases beyond the reach of all but wealthy traders and/ or expatriates.

The Ministry of Finance (MoF) said the law would help the government collect more taxes from properties sold. It has sought to present the new method for calculating tax as a tool to achieve "tax justice" between Syrians, as the market rates in the new law differentiate between real estate zones. That means property sales in prime areas will be subject to a higher rate of tax than those in less attractive districts.

The Ministry said the new mechanism, which will employ a special platform and App to provide an instant assessment of a property's value prior to taxation, would help protect against corruption by reducing the human element. According to the law, however, a special commission in each real estate zone will review property prices every six months.

Ali Youssef, a Syrian real estate expert, criticized the law for further increasing real estate prices. Iranian media outlet Al-Alam TV quoted him saying that sellers would simply increase the price of their property to cover the higher tax, effectively forcing the buyer to pay for it.

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Lamia Assi, the former minister of economy and foreign trade, said the new law would increase revenues for the Syrian treasury, and reduce tax evasion.

The Syrian government last month imposed several requirements for recognising the sale contracts of properties and vehicles by courts and the General Directorate of Cadastral Affairs, including a sight deposit of at least SYP 5 million and a three month deposit of SYP 500,000 in the seller's bank account, among other requirements, such as security approval, that violate the Syrian constitution. These new requirements complicate real estate trade and may also push prices up.

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