

Executive Directions of the Legislative Decree No. 51

Minister of Finance,

Based on the provisions of the article /28/ of the Legislative Decree No. /51/ dated October 1, 2004

Decides the following;

Article 1:

In accordance with the paragraph /a/ of the article /1/ of the Legislative Decree No. /51/ dated October 1, 2004, items /36-37/ including the taxpayers subject to the real profit income tax, have added to the provisions of the paragraph /2/ of the Law /24/ of 2003, these are:

36-The taxpayers classified in the high-rank category, since they are subject to the real profit tax from the beginning of the taxable year they were classified within the high-rank category, apart from their previous tax classification. For instance, a fixed income taxpayer classified as a high-rank taxpayer in 2007, he becomes a real profit income taxpayer from the beginning of the year 2007.

37-The Stock Market bureaus and exchange companies; this is a profession of commission performed by the bureaus and the companies that will be licensed in the view of launching a Stock Market, indicating that the profits of the stock exchange are not subject to the income tax in accordance with the laws and regulations being in force.

In accordance with the provisions of the paragraph /b/ of the article /1/ the tax rate of the theaters has been adjusted by excluding them from the item /16/ of the paragraph /a/ of the article /2/ of the Law /24/ for the year 2003, to be subject to the income tax since January 1, 2007 apart from their classification.

Items /23-24/ of the paragraph /a/ of the article /2/ of the Law 24 of 2003 have been amended to include the certified auditors and financial study companies and bureaus. It should be clarified that the certified auditors working in bureaus are subject to the real profit income tax, apart from the character of the taxable whether it is an individual or a company. The

certified auditors working outside the registered bureaus are subject to the fixed income tax.

Item /20/ of the paragraph /a/ of the article /2/ of the Law /24/ of 2003 has been amended and becomes as follows (investors of nightclubs, sport teams and circus shows).

Nightclubs of all classes are subject to real profit income tax since January 1, 2007, due to the amendment of item /19/ of paragraph /a/ of the article /2/ of the Law /24/ of 2003.

Article 2:

In accordance with the provisions of the article /2/ of the Legislative Decree No. /51/ dated October 1, 2006, the deadlines of submitting the written statements by the taxpayers, as mentioned in the article /13/ of the Law /24/ of 2003, have been amended as follows:

- 1- 31st of May every taxable year for the previous year for:
 - Public companies and establishments.
 - Share-holding companies that are subject to real profit tax, regardless of their purposes and classes.
 - Limited-liability companies that are subject to real profit tax, regardless of their purposes and classes.
 - High-rank taxpayers.

- 2- 31st of March every taxable year for the other taxpayers not enumerated in the previous paragraph. The Minister of Finance could grant an extension of no more than 60 days in exceptional situations as estimated by him.

Article 3:

In accordance with the paragraphs /a, b and c/ of the article /3/ of the Legislative Decree No. /51/ dated October 1, 2006, the tax categories and

rates specified in the article /16/ of the Law /24/ of 2003 amended by the article /7/ of the Law /60/ of year 2004 have been amended as follows:

Tax on net profits will be imposed according to the following rates including the addition of national defense, school fees, Municipality share and contribution permanent development except for the addition of local administration:

- 10% for the part of net profit existing between the exempted minimum and till 200.000 Syrian pounds.
- 15% for the part of the net profit exceeding 200.000 Syrian pounds and till 200.000 Syrian pounds.
- 20% for the part of net profit exceeding 500.000 Syrian pounds and till 1000.000 Syrian pounds.
- 24% for the part of net profit exceeding 1000.000 Syrian pounds and till 3000.000 Syrian pounds.
- 28% for the part of net profit exceeding 3000.000 Syrian pounds.

B. income tax shall be imposed on net profits gained by the joint- stock companies who puts its shares to the public subscription, with no less than 50% for both joint and private sectors and holds its Head Office in Syria for all of its activities in unique rate estimated 14% including all additions while will be exempted from addition in favor of local administration.

C. income tax for net profits gained by the joint- stock and limited liability companied whose main offices on branches (private and joint sectors) in the Syrian Arab Republic will be imposed on all activities and enterprises included in the laws of investment encouragement regardless of the enterprise identity (individual or company) with a unique rate amounting to 22% including all additions excluding the addition except for the joint in favor of local administration, except for the joint stack companies that sell shares at a rate not less than 50% as they remain subject to a rate of 14%.

Throughout this paragraph, it can be noticed that the rates imposed on joint-stock and limited liability companies have been reduced to 22% regardless of the nature of its activity. The provision that should be available for the industrial companies that the equipment value should exceed a certain limited to apply this rate is deleted.

Article 4:

Based on article (4) of Legislative Decree (51) dated 1.10.2006, the percentage of income tax on the profit of the economic private sector bodies, the profit of the Syrian Oil Company and the profits of Syrian gas company has been determined at a unique rate amounting to 28% of the annual net profits including all additions.

It is noticeable that the rates listed in articles (3&4) of this Legislative Decree can be applied to the works of the year 2007 and on.

Article 5:

Pursuant to article (5) of the Legislative Decree No. (51) dated 1.10.2006, reductions have been given to the tax rates mentioned in article (16) of Law No. 24 of 2003 awarded by article (3) of the Legislative Decree No. (51) dated 2006 as follows:

- 1- Reduce the rates by two grades for the industrial establishments if such establishments are established in the outlying areas. Such areas will be determined by decision to be issued by the council of Ministries based on the proposal of the Minister of finance.
 - 2- Reduce the rates by one grade for the industrial establishments employing 25 labours or more, reduction by two grades if such establishment is employing 75 labours or more, and reduction by three grades if such establishment is employing 150 labours or more in all cases, utilize this reduction, the labours must be registered in the social insurance.
 - 3- Reduce the rates by one grade for the industrial establishments if established within the industrial cities.
- It is to be noticed that reductions are made from each rate mentioned in article 16 of law 24 dated 2003 amended by article (3) of Legislative Decree No. 51 dated 2006.

The former reductions can not be applied to the public sector companies and institutions or to the joint-stock companies that sell shares to the public at a rate less than 50%. It can be seen that the industrial establishment is not

included in the provisions of the Investment Law, based at the industrial city and the outlying area employing more than 150 labours, rates will be reduced by 6 grades that means the tax rate will be 4% in the first section, 9% in the second, 14% in the fourth and 22% in the fifth section.

Based on the council of Ministers decision and the proposal of the Minister of Finance, this article has permitted the following:

- 1- Giving the former advantages to other non- industrial enterprises according to the data assessed by the council.
- 2- Approving other reduction criteria other than the aforementioned ones for industrial enterprises not exceeding two grades for a limited period.

For example: Individual establishment with profit totaling 2.000.000 Syrian pounds established at an industrial city and employing 75 labors not subject to the laws of investment encouragement laws, the tax will be calculated as follows:

- Reduction will be on three grades, one for the industrial city and two for the employment of the labors.
- $150.000 \times 7\% = 10500$ S.P
- $300.000 \times 12\% = 36000$ S.P
- $500.000 \times 17\% = 85000$ S.P
- $1000.000 \times 21\% = 210.000$ S.P

Total excluding the local administration addition= 341.000 S.P

Another example: Limited liability industrial established in the outlying areas employing 85 labors registered in the social insurance with net profits during 2007, totaling 1.000.000 Syrian Pound, tax will be calculated as follows:

- 1- This company will be subject to a unique rate of 22% being a limited liability company.
- 2- This rate will be reduced by two grades for the outlying areas and two grades for manpower, thus, tax rate will be 18%

$1000 \times 18\% = 180.000$ S.P excluding the local administration addition.

Article 6:

Based on the previous of paragraph A of article (6) of Legislative Decree No. 51 dated 1.10.1006, tourist establishment in items /16- 19- 21/ of article (2) of Law No. 24 dated 2003 have been excluded, except for the sea swimming pools, from the previous governing the real profit income tax and the salaries and wages tax to be imposed by a percentage from the total work number according to the following basis:

- 2.5% income tax from the total work number.
- 0.5% salaries and wages tax from the total work number.

Article 7:

Based on the provisions of article (7) of Legislative Decree No. 51 dated 1.10.2006 the investors of the tourist establishments mentioned in the former article (6), should submit a monthly statement during the first 10 days of the next month to the financial departments to which their establishments belong stating the total work number after excluding the work number paid for according to the provisions of law (60) dated 2004. The respective employee will check the said statement and prepare two receipt orders for the income tax amount and the salaries and wages tax, to be passed later for collection on the day the statement is submitted. Statement should be submitted according to the form determined by the Minister of Finance decision No. 3788 dated 17.12 2006 together with the consumption expense statement that must be submitted to the finance departments. It is to be noticed that the former tourist establishment is no longer obliged to submit annual statements according the provisions of article (2) of this Legislative Decree and the statements of wages and salaries according to the provisions of article (77) of law (24) dated 2003

and that the exclusion of real profit income tax includes the establishments mentioned in paragraph (A) of article (6) exclusively.

Article 8:

Based on paragraph (A) of article (8) of Legislative Decree No. 51 dated 1/10/2006, the provisions of the Law No. 25 of 2003 shall be applied for the non- submission of the statement on time according to article (7) of this Legislative Decree or giving work number less than the actual one. When such cases are detected by the officers who are in charge of tax evasion. Delay in tax payment is considered as a case of evasion.

The income section at the respective Finance Directorate must send a monthly printed list to the Directorate of Tax Enquiry as well as a copy to the Tax Enquiry Section within 10 days at most from the expiry date. The list should include the following information of all the establishments registered by the Directorate or the Finance Departments subject to the provisions of the former article (6):

- 1- Name of the establishment.
- 2- Name of the investor.
- 3- Full address of the establishment.
- 4- Kind of activity.
- 5- Declared total work number.
- 6- Paid income tax amount.
- 7- Paid salaries and wages tax amount.
- 8- Work number paid for according to law (60) dated 2004.
- 9- The term "statement not submitted" and the reason must be mentioned (for example: the establishment is seasonal or has stopped work) or when the non- submission is unjustified.

The printed list will be submitted together with the CD which includes the details mentioned in the list.

Based on paragraph (B) of this article, the taxpayers who fail to submit their statements will be subject to a penalty amounting to 10% of the tax value. They are further subject to the provisions of article (107) of Law No.24 dated 2003 which provide for a penalty fine of 10% in case the taxpayer fails to effect payment within the due period and, will be increased to 20% paid next year and to 30% if paid in the third year, which is the ceiling of this fine. These fine penalties will be applied on the taxpayers if they submit their statements before they are detected by the officers who are in charge of pursuing tax evasion.

Article 9:

Pursuant to article (9) of the Legislative Decree No. 51 dated 1.10.2006, paragraph (A) of article (17) of Law No. 24 dated 2003 has been amended to exclude some of the taxpayers, who are subject to the real profit tax, from using their statements that are obliged to submit to the Financial Directorates by their own auditors for the business activities of 2007, and on.

Those taxpayers are:

- 1- Accounts auditing offices and companies as well as authorized accountants.
- 2- Customs clearance agents.
- 3- Fuel and inflammable material stations.
- 4- The investors of entertainment parks, sports teams and circus shows.
- 5- Lease and re-lease of industrial, commercial, occupational, and vocational establishments, or some of its origins.

Article 10:

Pursuant to article (10) of Legislative Decree No. 51 dated 1.10.2006, paragraph (F-G) to article (2) of Law No. 24 dated 2003.

According to paragraph (F) the section of high ranked taxpayers became in charge of dealing with their taxes regardless of their main offices, this is considered as an exclusion from the provisions of article (3) of Law No. (24) of 2003.

For example, the high rank taxpayers section set up in Damascus Finance Directorate include taxpayers from Damascus and Damascus rural area and as in charge of following up the taxpayers in Damascus rural areas regardless of their main office stated in the commercial record. The Legislative Decree has authorized the Minister to determine the finance through which the high rank taxpayer taxes can be dealt with and audited.

According to paragraph (g) the high rank taxpayers will be obliged to be registered by the high rank taxpayers section within 30 days from the date of notification.

Article 11:

According to paragraph (A) of article (11) of Legislative Decree No. (51) dated 1.10.2006 the Committee of Obligation has been amended to be Committee of Annulment whenever stated in Law No. 24 dated 2003.

According to paragraph (B) of this article, a paragraph has been added at the end of article (30) of Law (24) dated 2003 to oblige the appeal committee to call the objecting high rank taxpayers or those who are authorized attend the sessions when reconsidering. The appeal committee should notify taxpayer in writing of the meeting date. In case the taxpayer fails to attend the meeting on time, then the committee can reconsider the objection due to the taxpayer non- attendance.

According to paragraph (C) of this article, based on the council of Ministers decision and a proposal by the Minister of Finance, it can be possible to give corporate incentives to the high rank taxpayers who provide the finance departments with statements expressing their actual activity.

According to paragraph (D) of this article it can be possible to deduct the personal expenses of the gross profits gained by the high rank taxpayers provided that such expenses and the basis for acceptance are determined by the council of Ministers decision based on a proposal by the Minister of Finance.

Article 12:

According to paragraph (A) of article (12) of Legislative Decree no-(51) dated 1/10/2006 the Minister of Finance, based on his decision, can consider the advance payment paid at the customs department for the imports as final tax according to the mechanism basis and provision in the said decision.

According to paragraph (B) of the article, the Minister of Finance or the one who acts on behalf can issue annual decision involving the names of the taxpayers to whom the decision provision will apply according to the provisions of the paragraph (A) considering their advanced payments as final tax.

Thus, their statements will not be considered or audited following the issue of these decisions.

Article 13:

According to article (13) of the Legislative Decree No. 51 dated 1.10.2006 amending the provisions of paragraph (A) of article (43) of the Law No. 24 dated 2003, the classification cycle will be every three years starting from the beginning of the year following the issue of this Legislative Decree.

This will include the taxpayers activities with the private sector. A general classification will be made every three years for all the taxpayers. There will be no individual classification cycle for each taxpayer, but all taxpayers will be obliged starting from 1.1.2007 regardless of their previous start of validity for obligation.

For example: A taxpayer whose obligation start at 1.11.2006 will be subject to re-classification starting from 1.1.2007 in accordance with the provisions of article 42 of Law No. 24 dated 2003, and in order to facilitate the procedures for the taxpayer and the finance departments, classification or re-classification will be made for 2006 and before, and the report made by the supervision will be considered as a visit made by the committee. The report will be presented to the committee for this purpose provided that the finance representative will be replaced by the appropriate departments' representative when approving the classification and issuing the decision for these years keeping the period of the classification cycle which was already effective.

According to paragraph (B) of this article amending paragraph (B) of article (43) of Law (24) dated 2003, that one year following the expiry of obligation it can be possible to re-classify some professions or some taxpayers once the following conditions are available:

- 1- One year has expired since the start of obligation.
- 2- The obligation is final.
- 3- Change has occurred on the taxpayers work not less than 25% (increase or decrease) and re-classification will be made on the basis of justified request by the finance departments or the taxpayer. It is to be registered to be passed over later by the director of finance to the income controllers to prepare their reports which will be submitted to the respective committees. Since the date of registering the re-classification requests is very important, the finance directors should personally close the registration in the records at the end of each work day of each year with a report at the last page showing the serial number of the last request, and the number of the registered requests during the year.

It is important that the income controllers and the representative committees will rapidly consider these requests after checking the validity of the reasons according to which the request has been made. They must verify that the request is registered and passed over by the finance director or the one who acts on his behalf. It is to be verified that the one year has passed since the validity of the classification decision to be amended. Then the number of works will be compared with the work number approved in the valid classification. If it is noticed that the rate of increase or decrease in the work number is less than 25% compared with that approved in the valid classification, then the request will be deemed invalid. The taxpayer can object within a period of 30 days following the day of notification. In such cases, the objections will be passed over the appeal committees for rapid consideration. If the refusal decision is final the effective classification decision which I requested to be amended will remain valid till the end of the general classification cycle unless a decision is issued to amend it or cancel it. If it is clear to the initial classification committee that the rate of increase or decrease in the taxpayer annual work is equal or in excess, then the committee will complete the classification procedures and the tax will be determined according to the prevailing general rules which are followed. Their decision for classification will be based on the tax they approve, and the date this tax will be due must be determined starting from the beginning of the year when the request was registered.

Following the issue of the decision, the taxpayer should be notified and he can object within the legal period. The former procedures must be made without any delay. The classification committees will be responsible for considering the individual re-qualification requests within one month and a period not exceeding one year from the date of submission in case the re-classification requests are for full professions. The appeal committees should consider the objections quickly since the delay in giving the obligations final grade will lead to important financial results for both the finance departments and the taxpayer.

Article (13) of the Legislative Decree No. 51 dated 2006 amending the provisions of paragraph (C) of article (43) of law (24) dated 2003 provide for the following:

- based on a decision by the Minister of Finance and following one year from the obligation validity and during any of the subsequent years, some professions or taxpayers can be re- classified if one year has passed since the obligation validity whether the obligation is final or not provided that the said decision will be referred to the respective bodies for re- classification. According to the provisions of paragraphs (B- C) does not mean that the taxpayer will not be subject to the subsequent general classification cycle.
- According to paragraph (D) Of article (43) of Law No. 24 dated 2003 amended by article (13) of Legislative Decree No. 51 dated 2006 stipulates that classification must be made according to the provisions paragraphs (A- B- C) of this article by the initial classification committee formed according to article (48) of Law No. 24 dated 2003 amended by article (14) of this Legislative Decree in accordance with the income controllers reports provided that the tax will be effective for a maximum period of three years at most unless the re- classification is made according to paragraphs (B-C) of this article.
- According to paragraph (E) of article (43) of Law No. 14 dated 2003amended by the article (13) of Legislative Decree No. 51 dated 2006, the effective classification decision will be valid if one classification cycle has passed while the taxpayer is not classified in a new classification cycle, or if he is not notified of his new classification decision after the expiry of three years or one year till the obligation is amended by the initial classification committee's decision while the taxes paid according to the taxpayer's former classification decision will be considered as advance payment for his new classification decision. It is to be noted that the costs should effected on time for the good performance of the general classification cycles.

Article 14:

According to article (14) of the Legislative Decree No. 51 dated 1.10.2006 amending the provisions of article (48) of Law No.24 dated 2003 one or more classification committees will be formed as follows:

- A. A First class Income controller or finance employee, with an experience no less than three years in the income section (Head).

- B. Representative for the finance departments nominated according upon the proposal of the finance director (member).
- C. Representative of the profession or trade chosen by the finance director in the governorate out of three names proposed by the syndicates, chambers of commerce agriculture or industry, tourism or trades, and in case it is not fulfilled, this representative will be named by the finance director from the nearest administrative unit as a member; and the finance departments should write to the respective bodies to nominate their representatives in the initial classification committees.

Decision by the Finance Director

- Classification committees can be authorized out side the office working hours if necessary.
- Controllers will be distributed to the classification committees by a decision issued by the finance director.

Article 15:

According to paragraph (A) of article (15) of the Legislative Decree No. 51 dated 1/10/2006 amending the provision of paragraph (A) of article 49 of Law No.24 dated 2003

The income controller will prepare a report which shall include:

The taxpayer full name, profession, number of the real estate area, commercial title, address and legal entity (individual company) the number of actual working partners, the date when work first commenced, its nature and duration since started, and the main office, branches, warehouses, workshops, with description to the area, location, fixed assets equipments, machineries, the way of performing the trade, number of the indusial or commercial or trade records if available, duplicate list of the taxpayer workers names should be prepared, one copy of it will be sent to the salaries and wages department to be taxed upon, while the second copy will be retained in the taxpayer folder, whereas specifying the number of workers and their wages, would be the

taxpayer responsibility, and must mention a summary of the previous classification period, he must specify the number of the taxpayer and his net profit statement, where it should attach the taxable documents and bills, that the tax controller did accept, to determine the true and real taxpayer annual business activities, in order to estimate the value of sales or daily income, and the rate of net profit applied according to the central committees report, which are approved by the Ministry of Finance instructions issued in this respect, as well as the number of annual working days where it will be possible to determine the daily and annual net profits, the annual work number and the amount of required tax, and in case that there is a new taxpayer for the first time, the obligation documents will be attached such as ownership title certificate, lease contract, investment contract or the company's registration certificate, besides to those mentioned here above, these will be submitted to the initial classification committee which is formed according to article 48 of Law No. 24 dated 2003 and amended by article /14/ of this Legislative Decree so that the initial obligation decision can be issued, and one of this committee's authorities is to fix or increase the obligation, the committee's decisions must be reasoned and must show the basics and the considerations for applying the obligation, and the committee should follow up the officers checks, and ask the controllers to provide their reports.

- According to paragraph (B) of article (49) of Law No. 24 dated 2003 amended by article (15) of the legislative Decree No. 51 dated 2006, the taxpayer has the right to object on the initial classification committee's decision within 30days starting from the day which follows the date he receives the said decision.

- According to paragraph (C) of article (49) of Law No. 24 dated 2003 amended by article (15) of Legislative Decree No. 51dated 2006, the taxpayer objection to the initial classification committee decision, will not stop tax collection in the due date and that the appeal committee will not accept the taxpayer objection request unless attached with a guarantee receipt of SYP 500, and that the guarantee deposit will be paid within the objection legal period after this Legislative Decree comes into force and for the costs which will be effective as from 1/1/2007.

- The deposit will be returned to the depositor if it is verified that all or a part of his objection is correct, otherwise the deposit will be considered as revenue for the treasury in case the taxpayer objection is rejected.

- According to paragraph (D) of article (49) of Law No. 24 dated 2003 amended by article (15) of the Legislative Decree No. (51) dated 2006. It is important that the objection to the initial classification committee's decision must be justified and show the points he submitted his objection for, and which the committee depended on to classify the taxpayer, and mention the profits he considers that it is consistent with his status.

Article 16:

According to paragraph (A) of article (50) of Law No. 24 dated 2003 amended by article (16) of Legislative Decree No. 51 dated 1.10.2006, one or more appeal committees will discuss the taxpayer objections and appeal committees shall be formed in the governorate centers and areas as follows:

1. First class finance officer holds at least three years experience in accountancy or tax matters (Head).
2. Expert officer from one of the public departments, or commissions or the public sector companies and establishments which is most related to the profession in question, upon recommendation from the Minister Finance (member).
3. Representative of the trade or profession chosen by the Director of Finance in the governorate out of a list including the names of three representatives nominated by the related syndicate, chambers of agriculture, industry or commerce, and in case that no representative was nominated, the governorate Director of Finance will name three in the nearest center so that one can be chosen, or a general expert can be named (member).

Here, it is confirmed that the finance departments should write to the related bodies to nominate their members for the appeal

committees. One or more rapporteur can be named for the committee based on a decision by the Minister of Finance

- According to paragraph (B) of article (50) amended by article (16) of Legislative Decree (51) dated 2006, the appeal committee's decision must be reasoned, comprehensive and should include the objection points. It is to be indicated that the appeal committee can take the place of the initial committee in case that the taxpayer objected on all the obligation basis. The said committee can reduce the rate of net profit at a rate not exceeding 25% of the rates approved in the central committee reports. The rate must be justified.
- According to paragraph (C) of article (50) amended by article (16) of the Legislative Decree NO. 51 dated 2006, the decisions of the appeal committee must be communicated to the taxpayer and these decisions will be final.
- According to paragraph (D) of article (50) amended by article (16) of Legislative Decree NO. 51 dated 2006 and based on a decision issued by the Minister of Finance or the one who acts on his behalf some appeal committees can be devoted for the job.

Article 17:

According to article (17) of Legislative Decree No. 51 dated 1.10.2006 amending the provisions of article (51) of Law No. 24 dated 2003, fixed income taxpayer should submit information in the following cases and periods:

- 1- Within 30 days from the date of the event belonging to the following cases:
 - A. Commencement of a trade or profession subject to tax.
 - B. Changing the trade or profession or the place where it is done or adding one of activities

- C. Full or partial transfer of the establishment to a third party.
- D. Joining of new partners in the establishment or the withdrawal of some partners.
- E. Suspending the trade or profession due to force Major.

2- Six months following the suspension of practicing the trade or profession by the taxpayer.

- According to paragraph (B) of article (51) of Law No. 24 dated 2003 amended by article (17) of Legislative Decree No. 51 dated 2006, in the cases (B- C- D) indicated in the first item of paragraph (A), obligation will be cancelled and classification will be made again. In the case (E) obligation will be partly cancelled depending on the period of suspension.
- Import or export operations made by the taxpayer is one of the activities that requires cancellation and re- classification provided that they do not exceed the work number according to the value approved by the finance departments.
- In case of excess, the taxpayer will be subject then to the groups of real profit taxpayers starting from the year when the import value exceeded the work number. It is possible by a decision issued by the Director of Finance that the taxpayer be returned to the fixed income tax group if the reasons for being placed in the group of real profits no longer exist after two or more years have passed since the absence of these reasons.

The industrial establishments which import raw materials within its production capacity will remain subject to the fixed income tax, while export transactions are exempted according to the previous of Legislative Decree No. 15 dated 2001.

In the case of voluntary suspension according to item (2) of paragraph (A) of this article, and in case the suspension decision is submitted on time and suspension continues for several years, it will be considered to cancel the tax for the period exceeding six months, while when the statement is submitted after the expiry of a period exceeding three years, then it will be considered to cancel the obligation for a period of 3 years at most. The taxpayer should submit his statement six months following the

voluntary suspension together with the documents required by the respective department. It is to be noted that if suspension takes place between two general classification cycles, classification will be made again starting from date of resuming the work. It is important to conduct periodical checks and the suspension requests submitted by the taxpayers who resumed work without presenting new resumptions will not accepted.

- According to paragraph (C) of article (51) of Law No. 24 dated 2003 amended by article 17 of Legislative Decree No. 51 dated 2006, directors of finance are authorized to issue the cancellation decisions.

Article18:

According to paragraph (A) of article 52 of Law No. 24 dated 2003 amended by article 18 of Legislative Decree No. 51 dated 1/10/2006, the tax is due starting from the first year of the validity of classification according to the provisions of paragraphs (A-B and (C) of article 43 of Law No. 24 dated 2003 and in the case of any amendment on the obligation, the paid tax will be considered as advance payment to the newly due tax and the paid amount will be settled in the light of the amendment, while the tax will be due starting from the beginning of the month that follows the event which creates the obligation according to the provisions of the first item of paragraph (A) of Law No. 24 dated 2003 amended by article 17 of Legislative Decree No. 51 dated 2006 and the tax will be calculated partly from the annual tax based on the number of months of actual practice.

Example: an event that requires classification on 1/11/2007 (new partner, withdrawal of partner, change of profession, addition of activity).

In this case the former obligation will be cancelled starting from the date of the occurrence of the event that means starting from 1/12/2007 and the tax according to the new decision will be as of 1/12/2007.

Article 19:

According to paragraph (A) of article 19 of the Legislative Decree No. 51 dated 1/10/2006, the people authorized to distribute tobacco products have been subjected to the fixed income and salaries and wages tax when taking tobacco from the General Establishment of Tobacco in the rate of 2.5 per thousand from the value of national and imported tobacco. This tax will be deducted by the General Establishment of Tobacco.

- According to paragraph (B) of this article, the bodies which deduct the tax referred to in paragraph (A) of this article must deliver the tax to the Finance Department within fifteen days following the month when deduction was made.
- According to paragraph (C) of this article, the bodies which deduct the tax referred to in paragraph (A) of this article must deliver the tax to the Finance Department with fifteen days following the month when deduction was made.
- According to paragraph (C) of this article, the bodies that deduct the tax should arrange to pay it during the limited period, should the tax be insufficient or if the tax is not deducted, then this body will be responsible for the unpaid tax in addition to the penalty stipulated in article 107 of Law No. 24 dated 2003.

Article 20:

According to article 20 of the Legislative Decree No. 51 dated 1/10/2006, the investors of harvesters, threshers, tractors, winnowing machines and their accessories have been exempted from the fixed income tax provided that ten years have passed and the tax exemption will continue regardless of the owner.

Article 21:

According to the provisions of paragraph (A) of this article, article (4) of the Legislative Decree No. 61 dated 2004 and amendments, the fine penalties provided for in the said article have been cancelled, while applying only the penalties provided for in Law No. 25 dated 2003 on those who do not comply with the duties stipulated in paragraphs (A, B and C) of article 3 of the Legislative Decree No. 61 dated 2004.

It is to be known that the non-compliance with the provisions of paragraph (D) of article 3 of the Legislative Decree No. 61 dated 2004 and amendments will be considered as one event of tax evasion.

- According to the provisions of paragraphs (B) of the above mentioned article, the non-submission of the statement provided for in paragraph (A) of article 3 of the Legislative Decree No. 61 dated 2004 will be subject to a penalty of S.P 5000 if the seller (local producer) or the investor submits the said statement voluntarily before being known.
- According to the provisions of paragraph (C) of the above mentioned article, the seller (local producer) or the investor who fails to pay the fee within the legally determined period after the submission of the statement provided for in paragraph D of article 3 of the Legislative Decree No. 61 dated 2004 will be subject to a 1% penalty for each day delay provided that the penalty does not exceed two times the fee. The delay in paying the fee is not considered as an event of tax evasion, unless it is coupled with the non-submission of the statement stipulated in paragraph D of article 3.

If it is verified by the employees working in the file of tax evasion that the seller (local producer) or the investor did not comply with the provisions of paragraphs (A, B, C and D) of article 3 of the Legislative Decree No. 61 dated 2004 collectively or individually, then the provisions of article 8 of Law No. 25 dated 2003 will be applied for one time.

The enforcement of the penalty provided for in article 8 of Law No. 25 dated 2003 will replace the fine penalty stipulated in paragraph (C).

The revenues section at the Department of Finance must send a monthly printed list within a period of 10 days at most, to the Directorate of Tax Enquiry and a copy to the Section of Tax Enquiry along with the following information on all the establishments registered.

- Name of establishment
- Name of investor

- Full address of the establishment
- Type of activity
- Number of sales declared
- Percentage of fee imposed on the establishment
- Fee paid

The term "statement not submitted" and justifying reasons should be mentioned (for example, the establishment is a seasonal one or has stopped).

Article 22:

According to the provisions of this article, article /5/ of the Legislative Decree No. 61 dated 2004 is amended to be as follows:

- According to paragraph (A) of this article the Minister of Finance, based on his decision, can close the establishments subject to consumptive expenditure fee for a period not exceeding 10 days in accordance with a report from the Tax Enquiry Directorate.

Closure can be made in either of the following cases:

- Hindering the employees of Tax Enquiry and Tax enquiry while doing their duties.
Hindrance means any deliberate behaviour by the investor or by any of his employees or any other person urged by the investor or any of his employees of the establishment. For example (disconnecting the power supply, causing riot to create psychological effect on the workers... etc)
- Following the preparation of the second offense report within one year from the date of the first offense report.

The tax evasion and tax enquiry officers should, at the time of hindrance occurrence or preparing the second offense report in one year, report in one year report the event to the Director or Tax Enquiry who will study and prepare a memo that will be passed to the Minister or the Deputy Minister. Summary of the report proposals for closure and duration must be included.

In case of the Minister approval on the closure, the duration of closure must be stated in the decision, and the Tax Enquiry Directorate should fax a copy the day following issue to the Tax Enquiry Section to notify the establishment investor within a period of three days from the date of receipt.

- According to paragraph B of this article, based n a decision, the Minister of Finance can replace the closure by a financially penalty ranging from SYP. 10000 to SYP. 50000 for each day closure if the investor applies n writing to the Tax Enquiry Section with a period of 3 days at most following the notification of closure. The investor can also apply directly to the Tax Enquiry Directorate where the directorate will suggest the financial penalty for each day closure in the light of the establishment activity, and the nature and value of the offense.

In case of the Minister approval on such a replacement, the decision will state the amount for each day closure. The establishment investor applying for replacement should pay the financial penalty stated in the Minister's decision within a period of 7 days at most starting from the day following notification. The Tax Enquiry Directorate should send a cop of this decision to the Tax Enquiry Section to notify the investor within 3 days from the date of receipt.

In case no request has been made for placement or if the penalty is not paid within the limited period, the Director of Tax Enquiry will assign two persons at least to arrange for the closure of the establishment supported by police, if necessary.

- According to the provisions of paragraph (C) of this article, the penalties provided for in paragraph B will be distributed according to the provisions of paragraph A of article 43 of the Decree No. 1684 dated 1977 and amendments.

Article 23:

According to the provisions of this article, article B of the Legislative Decree No. 61 dated 204 and amendments have been amended to be as follows:

If it is verified that the investor of the establishment has not registered his establishment in the Financial Department within which his establishment scope is located, or if he hides any of his sales, the tax evasion and the tax enquiry employees will prepare a report that will include his sales number according to the following basis:

1- **The case of the investor who did not register his establishment at the Department of Finance (hidden investor):**

All papers and documents found at the (local producer) or the investor (books, records, sales lists, invoices, ...etc) hand or computer processed, if these cover the whole practice period till the report date, then the report will be prepared accordingly. In the case of partial papers or documents that do not cover the whole practice period till the report date, the number of sales will be decided according to the partial documents for the period covered. The numbers listed in these documents will be used to decide the period not covered by the documents.

If such documents do not exist for the previous period, the sales number found on the day of preparing the report will be used as a basis to calculate the total sales.

To determine the previous period, the following should be verified:

With regard to the establishments subject to consumptive expenditure fee, the period extending from the date of classification or the temporary qualification issued by the Minister of Tourism, whichever occurs first, will be the period of hidden practice. Seasonal activity and stopping periods will be taken into consideration.

- As for the other establishments, the previous period will be decided since the date of the practice subject to the consumptive expenditure fee and till the report is prepared.

The date of the start of practice will be determined in this case depending on one of the following indicators:

- Date of lease or investment.
- Date of license by an administrative body.

- Date of declaration at the Finance Department by the fixed income taxpayers for adding the activity subject to the consumptive expenditure fee.
- The availability of selling invoices or inventory documents showing the date of the start of practice.
- The date of announcing the opening of the establishment or adding the activity subject to consumptive expenditure fee by any of the mass media.
- An official letter from one of the public bodies, organizations, unions or syndicates which the practitioner invests any of its establishments including the date of adding the activity subject to the consumptive expenditure fee.

In all cases, the seasonal activity and periods of stopping will be taken into consideration.

2- The case of the investor registered at the Department of Finance hiding some of his sales (partially hidden):

The report will be prepared depending on the papers and documents (books, records, sale lists, invoices, ... etc) found with the seller (local producer) or the investor whether hand or computer processed if no regular invoices exist or not entered on the computer approved by the Finance Departments.

If the documents are not available, the number of hidden sales found on the day of preparing the report will be considered as a basis and will be multiplied by 30 days to calculate the total hidden sales.

A report will be prepared and the fee and penalty will be calculated by the employees of tax evasion and tax enquiry.

In case of one of the establishments stated in article 6 of this Legislative Decree is found partly or wholly hiding the sales, the income tax provided for in article 6 of this Legislative Decree will be calculated for the hidden part and the penalty and sanctions stipulated in Law (25) dated 2003 will be applied.

Article 24:

According to the provisions of this article, the term (annual for one year) is deleted from article 8 of Law No. 25 dated 2003, and therefore, the sanction stipulated in article 8 of the said law will be applied on the obligation or part of the obligation of the tax or the fee (evaded), while the discovered tax events belonging to 2006 or before will be dealt with according to the laws and regulations effective before.

Article 25:

According to the provisions of this article, article 12 of the Legislative Decree No. 61 dated 2004 is cancelled. Instead, the Minister of Finance will issue a decision to determine the basis and criteria for preparing the statements, invoices, records and the duration for keeping the same for the investors who are obliged to pay the consumptive expenditure fee whether such invoices and records are hand or computer processed.

The article considered that the non-compliance with the said report will be a case of tax evasion.

Article 26:

According to the provisions of this article the term "which is considered as the same" from item 4 of list No. 1 attached to the Legislative Decree No. 61 dated 2004. Here, it is essential to identify the electric games cities:

What is meant by the electric games cities is the specialist and integral establishments set up to provide the electric games services.

What is meant by deleting the term "which is considered as the same" is that there are some establishments other than those subject to consumptive expenditure fee that have a collection of electric games to activate its work.

Such activities are not subject to consumptive expenditure fee.

Article 27:

According to article 27 of the Legislative Decree No. 51 dated 1/10/2006, exempts on income tax and custom duties provided for in Law No. 10 dated 1991 and amendments as well as the Legislative Decree No. 105

dated 1952 and amendments in addition to article 5 of the Supreme Council of Tourism No. 186 dated 1985 and amendments are no longer valid.

It is to be indicated that the enterprises which are issued with licenses or which have been included in the provisions of Law No. 10 dated 1991 and amendments, or which got an industrial license before this Legislative Decree in force or which are included in the provisions of decision No. 66 dated 1985 will remain effective till the expiry period of the exempt for the industrial establishment and till the exempt full expiry for the tourist establishments. As for the permanent partial exempt for the tourist establishment provided for the article 5 of the supreme council of tourism No. 86 dated 1985 it will be no longer valid as of 1.1.2007.

Article 28:

According to article 24 of Legislative Decree No. 51 dated 1.10.2007, the said decree will be gazetted and effective as of 1.1.2007.

Minister of Finance