

## CAPITAL TAX AND MIGRATION

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### Abstract

*The Capital Tax which was accepted in November 11, 1942 by the 4305 Numbered Law is an extraordinary wealth tax enforced for a short-term as sixteen months taken its place as a disgrace for our history considering its consequences. It was mentioned that the capital law which was enforced by the government for taxing high-profitability due to extraordinary conditions of war was not aimed at any ethnic or religious groups. However, according to the information leaked from the Group Meeting of CHP held closed to press by Prime Minister Sukru Saracoglu, the grounds explained by the Prime Minister were different than the ones explained to press. Saracoglu said; "This is also a revolutionary law. We are against an opportunity which will provide us economic independence." and he showed his hand by saying; "We are going to eliminate the foreigners dominating our market and we shall give Turkish market under the control of Turkish people." In this study, we discuss the grounds for Capital Tax claimed to be put into force for eliminating the effects of war economy on young Turkey which has been extremely influenced even if it was not a part of the World War II, whom it is applied, how much tax has been collected and what kind of changes have happened on the demographic structure due to this tax.*

**Keywords:** *Property tax, extraordinary fortune tax, migration, minorities.*

**JEL Codes:** *N44, K34, K40*

### Introduction

Like the whole World, economic difficulties and crisis arose in the new Republic of Turkey after the World War I. Especially for Turkey, which had not laid firm economic foundations, there were formidable problems in the country also experiencing the "Great Depression" of 1929. Despite all, the statism policies implemented in 1930s and rationalist

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developments initiated under the title of "the First Five Year Industrial Development Plan" have accomplished significant success. However, in 1939 the situation experienced with the beginning of the World War II has changed completely the accomplished optimistic mood. Although Turkey was not a part of the War, an extremely problematic period, politically and economic-wise, began for Turkey (Ozturk, 2013, 137). The period between 1939 and 1945 has also been the unproductive period for statism due to disordered balances because of the war. Until these years the state had considered construction of railroads, establishing defense industry and activating national opportunities, preserving statism principle and balanced budget as its important and fundamental policies. The prices increased beginning from the second year of the war when amount of money in circulation increased due to needs of the state. The kilogram price of wheat increased from 13.5 cents to 100 cents while the kilogram price of olive oil increased from 85 cents to 350 cents. The prices increased by almost 5 times in between 1938-1945 (Yalcin, 2012, 321). The years passed under permanent war risk caused taking various precautions however a continuous economic decline was experienced by these precautions. There was 27% regression for fixed prices in gross domestic product in between 1938-1945. The decline in industry was 23% while in the agriculture it was 35%. This regression caused a panic atmosphere for all the public, tradesmen, and industrialists; and also caused the incurrence of a section who tried to create advantage for themselves from such conditions (Ozturk, 2013, 137).

### **The Grounds for the Capital Tax**

The tax was first brought on the agenda in a secret session of CHP in November 1940 after Sukru Saracoglu decided to lie economic burden on the shoulders of Turkish people. Capital Tax is more different than any other tax preceding it (Karabulut, 2005, 326).

It is heard in Istanbul that the ruling party of National Chief is preparing a law especially aiming to tax non-Muslim citizens. A group of community representatives of non-Muslims went to Ankara to visit the

Prime Minister Saracoglu. The representatives of minorities brought forward a proposal to the Prime Minister by indicating that they were aware of preparations of the Capital Tax Law (Aktar, 2008, 144):

The representatives of minorities - "Mr. Prime Minister, how much tax do you consider collecting?... Do you want to collect 300 millions, (or) 200 millions? Let us handle this and we collect this amount (among us) and give it to our government!"

President Saracoglu - "How can we accept such an offer? We are (a modern) state!" and by this way Saracoglu rejects that offer reminding functioning of the Ottoman Nation System.

The Capital Tax Law was unanimously accepted by votes of 350 deputies attending the session in November 11, 1942. On the contrary to the long and heated discussions in the secret session of CHP group, the decision was taken unanimously. However, 76 deputies of Democrat Party consisting the core of it did not attend the voting (Akar, 2006, 72).

In the preamble of the 4305 numbered Capital Tax Law, it is said that, *"this law aims the earners and mainly the ones who earns high incomes by exploiting difficulties of hard economical conditions but does not pay taxes corresponding their level of income and aims that they provide contribution to the self-sacrifice of our all nation due to current extraordinary circumstances appropriate with their earnings and power"*.

President Ismet Inonu and Prime Minister Sukru Saracoglu stated that the economical ground of this tax is to withdraw some of the money supply increasing due to wartime emissions as well as overcome the black market (Mutlu, 2009, 85). The government experienced the obligation to feed and equip a large army during the wartime has paid the price of its needs by coining through the Central Bank and consequently instigated inflation. On the other hand, it also tried to lessen the social impacts of this policy by institutionalizing price control and imposing heavy taxes on high earners such as the Capital Tax and Land Crops Tax (Zurcher, 2012, 305).

In order to ensure full support of the press on Capital Tax, Prime Minister Saracoglu had held a meeting with the lead authors of the prominent newspapers of the country before it was approved by the parliament and told the purposes of the law and requested them to tell through their articles that this tax was advantageous for the country and mold the public opinion (Aksanyar and Bicer, 2008, 383).

While, there was % 283 increase in current values of the GDP between 1940 and 1944 due to wartime inflation, the increase of budget income of the central government and provincial special administration was only at 266 percent. It is seen that the public income types were not diversified in this term and the government tried to increase its resources only by raising existing taxes (Akra, 2006, 53).

One of the reasons of the Capital Tax other than its official ones was to ensure efficiency of Turkish entrepreneurs in the market. It was seen for the term before adopting the Capital Tax Law that the tradesmen of minorities were effective in foreign trade (import and export) and food fields (Akar, 2006, 201).

### **Subject and Taxpayers of the Capital Tax**

The subject of this tax is mentioned in the Article 1 of the Capital Tax Law as below: "A one-time liability which will be collected from the fortunes and extraordinary earnings of fortune holders and earners called as "the Capital Tax" is established." According to this article, the subject of this tax was the fortune holders and extraordinary earnings. In this respect, the Capital Tax was an extraordinary fortune tax (Aktan et. al., 2002, 294).

To indicate the taxpayers Article 2 of the Law stated as: "The Capital Tax is collected from the real and legal entities within the scope of the following categories:

a) The taxpayers who are liable due to 2395 and 2728 numbered laws and their amendments (in other words, the taxpayers liable with income tax and minimum obligation),

b) Large-scale farmers,

c) The ones whose annual gross revenue from their real-estates or their shares in such real-estates is higher than 2500 Turkish Liras and the registered taxable value of their real estates are higher than 5000 who are decided to pay such tax in the amounts after the related deductions are applied,

d) The ones who used to carry out activities subjected to capital tax since 1939 in accordance with the 2395 and 2728 numbered laws and liquidated, waived or transferred their enterprise in the effective date (1942) of this law,

e) Even, if they are not tradesmen, brokers, intermediary or commission agents, they have dealt with commercial activities even for once since 1939 and collected money or any kind of security or payment under any title,

No taxpayer definition as Moslem and non-moslem has been made within the scope of the Capital Tax Law. However, the taxpayers of capital tax are classified in practice as in the following: Moslem Group (M) and Non-Moslem Group (NM). Then, the ones converted into Islam (CI) and the foreigners from other nationalities (F) from the minorities were added to these two groups. These groups were also subclassified in themselves: Extraordinary Moslem (EM), extraordinary non-moslem (ENM), declarer Moslem (DM), declarer non-moslem (DNM), revenue holder moslem (RHM), revenue holder non-moslem (RHNM), joint stock company (JSC, (M, NM, F), employee (E), property owners (PO), contractors (C), large-scale farmers (LSF), freelancers (Aktan, et.al., 2002, 294).

It is useful to look the work of Mr. Faik Okte, Provincial Treasurer of Istanbul of the term titled as the Capital Tax Catastrophe in order to give an opinion on tax assessment of Istanbul.

**Table 1. The Taxpayer Groups Determined for Istanbul, their  
Number and Accrued Tax**

<b>Taxpayer Group</b>	<b>Number of Taxpayers</b>	<b>Tax</b>
Extraordinary Taxpayers (Moslem)	460	17.294.549
Extraordinary Taxpayers (Non-Moslem)	2563	189.969.980
Declarer Taxpayers (Moslem)	924	3.128.310
Declarer Taxpayers (Non-Moslem)	1259	10.364.466
Tradesmen, Craftsmen etc. Paying Income Tax (Moslem)	2589	4.055.100
Tradesmen, Craftsmen etc. Paying Income Tax (Non-Moslem)	24.151	72.811.850
Freelancers/Home Office Workers with Daily Gross Income (Non-Moslem)	15.413	9.629.450
Employees (Non-Moslem)	10.991	6.880.500
Joint Stock Companies (Moslem, Non-Moslem, Foreigner)	159	7.490.910
Large-Scale Farmers	222	1.122.450
Property Owners	1.937	15.467.045
Districts out of the City Borders of Istanbul	788	1.272.187
<b>Total</b>	<b>61.673</b>	<b>345.586.172</b>

**Source:** Okte (1951: 102)

For taxpayers, there was a great difference between the Capital Tax Law in text and in practice. While, the taxpayers were classified in the Article 2 of the Law as the income taxpayers, large-scale farmers, rent revenue earners and tradesmen, in practice the main classification was as Moslem and non-moslem and the related sub-classifications and groups not mentioned in the law were defined as taxpayers. Also, it was allowed to exempt particular groups from this tax by an authority provided by the Government. The enforcers used this authority for Moslem employees (Aktan, 2002, 295).

### **Determining The Tax Amount and Arbitrary Treatments**

The amount or rate of tax to be paid by the taxpayers was not indicated in the Law. In the Article 7 of the Capital Tax Law, the authority to determine the liability of the fortune holders and earners was bestowed to the commissions under the supervision and control of the highest Civil Service of the related province or district, consisting from a chairman who would be the highest property officer of the related province or district and two members to be selected from own members of the chambers of commerce and municipalities. One of the most important points causing arbitrary treatment in practicing Capital Tax was that the tax amount was not determined by the law and the issue was left to the judgment of these commissions (Aktan, 2002, 296).

There was not any proper information and knowledge on the scales applied for taxation. Like preparing the Capital Tax Law, the taxation rates were determined "centrally". The tax rates were finalized upon the order of Prime Minister Saracoglu. For example, upon a directive from Ankara, the tax rates of non-moslem were increased by five to ten times (Akar, 2006, 84).

The taxpayers who were included in the lists established by the Revenue Offices were subjected to tax liability in accordance with the tax rates sent by the Ministry of Finance. The criteria to determine the taxpayers and the relevant tax rates were unusual. It was decided to collect half of the total net income after taxes and increases of 1941 were deducted from the joint stock companies of Moslems and Non-moslems without making any discrimination (Kovancilar and Kayalidere, 2012, 143).

After the names of the members were revealed, CHP members established the commissions. Also, the commissions completely consisted of Moslem Turkish nationals. The foreign researchers who studied the homogenous structure of commissions with such power and Moslem Turkish national members explain targeting minorities by the Capital Tax by "fanaticism" of Moslem Turks (Akar, 2006, 79).

Determination of the amount of Capital Tax is full of arbitrary practices. The Articles 7, 8, 9 and 10 of the Capital Tax Law include the provisions for the commissions to be established in each province and district in order to determine the liability level of fortune holders and earners and formation and activities of these commissions. According to these provisions, the commissions were fully and completely authorized for determining fortunes and earnings. Normally, 15 days were given to the commissions for making such determinations. It is still obvious that it was not possible for the commissions to complete their activities in such a short term of 15 days and the fortunes and earnings were determined based on inconsistent estimations (Aktan et.al., 2002, 299).

The taxpayers had to pay their liabilities within 15 days upon declaration. Without waiting for this term to pass, if it was considered necessary, the highest property officer of the related location could decide provisional seizure of rights, securities and properties of any taxpayer. For the taxes not paid in this term, one percent delay penalty for the first week and two percent for the second week would be applied. The taxpayers who did not pay their liabilities within a month upon declaration would be put on general or municipal services not needing minimum qualification according to their physical capacity until they would pay their liabilities in full. The half of wages to be paid to them would be deducted for their liabilities. The Law on Collection of Assets would be applied for collecting the liabilities of the women and the ones older than 55. However, there was an article in the law that women might not be put to any work (Akar, 2006, 76).

A wage would be paid to the taxpayers subjected to forced labor and half of this wage would be exempted for their tax liabilities. However, it was also indicated in this article that the forced labor liability of the taxpayers who did not pay their tax liabilities within 15 days could be delayed for a month if they submitted a bank guarantee letter or treasury bill corresponding their liability (Aktan et.al., 2002, 306).

The biggest difficulties in determining the amount of tax to be paid were the estimators determining the tax amounts of the extraordinary moslem, extraordinary non-moslem, declarer moslem and declarer non-moslem groups. This group which would determine the tax amount on its discretion tried to get information from national banks, the party (CHP), security directorate and reliable tradesmen while it was seen that there were great differences between the provided information (Aktan et.al., 2002: 301).

**Table 2. Distribution of Taxpayers of the Capital Tax According to Their Origins**

<b>Origin of Taxpayers</b>	<b>Taxpayers</b>	<b>%</b>	<b>Accrued Tax</b>	<b>%</b>
Muslim	4.195	7	25.060.409	7
Non-Muslim	54.377	87	289.656.246	83
Other	4.003	6	34.226.764	10
Total	62.575	100	349.483.419	100

**Source:** Mutlu (2009: 88)

In Article 12 it is mentioned that, the detailed provisions related with practicing the forced labor obligation were determined by "the Directive on Practicing Articles 12 and 13 of the 4305 Numbered Capital Tax Law related with the Provisions on Forced Labor". The order which the taxpayers would be sent to labor camps was indicated in the Article 1 of this Directive. According to this Article;

1. The ones who never made any payment related with their Capital Tax liability,
2. The ones who partially paid their tax liability while carrying off their assets subjected to seizure,
3. The ones who did not carry off their assets and showing goodwill for paying their liabilities,

4. And the ones subjected to liability due to exclusive real-estate ownership would be subjected to this directive in this order.

The Capital Tax Law was also applied on 26 thousands of people as the poorest section of the non-moslem citizens. On contrary, the Moslems from the same occupational groups were exempt from that tax (Akar, 2006, 85).

### **Practice of Capital Tax**

According to the related Article 12 of the Capital Tax Law the appeals made for the tax would not stop the collection. However, despite this article, the citizens raised intensive appeals for this tax. During the following days just after announcement of this Tax, 3.000 petitions objecting that tax were sent to TBMM, 4.000 to the Ministry of Finance and 19.500 to the Revenue Office of Istanbul. Some of these petitions were answered in the beginning of 1947 after the Capital Tax repealed in March 15, 1944 (Akar, 2006, 88).

Although, means of appeal were closed, the most appealed tax was also the Capital Tax. The reason for this was that the amount was based on discretion and it was inconsistent and unmeasured. Because of the Capital tax, there were 24.316 applications in total as 13.348 to the Grand National Assembly of Turkey and 10.968 to other authorities. These applications can be classified as in the following according to their contents and holders:

**Table 3. Taxpayers Appealing to the Capital Tax and their Grounds**

<b>Ground for Appeal</b>	<b>Moslem Group</b>	<b>Non-Muslim Group</b>
Error of Fact	515	1.432
Miscellaneous	2.459	3.094
Excess Claim	6.167	10.649
Total	9.141	15.173

**Source:** Okte (1951: 110)

During the 1940s, minorities dominated a significantly large part of trade business (Gökbunar et al., 2016, 232). Although, the law text did not make any discrimination, more than half of the total collected tax was paid by minorities, thus the Capital Tax goes down in our history as a tax practice based on racial and religious discrimination. When, it was revoked in the beginning of 1944, 315 millions Turkish Liras of tax was collected from 114.000 taxpayers. The tax practice also caused sending 1400 taxpayers to Askale where the taxpayers were expelled. Collection of this tax consisted 38% of state expenditures, 3.5% of national income and almost 8% of the gross domestic product created by industry and services sectors of 1943 (Boratav, 2008, 85).

**Table 4. Accrual and Collection of the Capital Tax**

	ISTANBUL	%	TURKEY	%
Total Number of Taxpayers	62.575	54	114.368	100
Accrued Capital Tax (TRY)	317.275.642	68	465.384.820	100
Collected Capital Tax	221.307.508	70	314.920.940	100

**Source:** Okte (1951: 197)

Press was publishing exemplary news related with the ones who did not pay their liability. Some of these news, the minorities who flew to foreign countries were shown as example for not paying their liabilities. "Two Jews who did not want to pay their liability were captured at the border. Then, it was determined that 10 non-moslem taxpayers flew to other countries for not paying their liabilities. The total liability needed to be paid by them was 279.000 TRY (Akar, 2006, 99).

Many taxpayers had to put up their assets for sale in order to pay their tax liability during collection term of the Capital Tax. As a result of the Capital Tax practice, the tax liability of the taxpayers who did not pay their liabilities within 15 days of payment term and two weeks of penalty term were collected by seizing their assets. The real-estate sales made for paying the Capital Tax liability were usually made under the supervision

of the Revenue Office. By the way, the buyer and seller used to get the land registry officer or an officer authorized by him/her with them and implement the sale process at the related financial collection office and the sale value was used for closing the tax liability by "detaining immediately" (Aktan et.al., 2002, 308).

The decision of Capital Tax law and its practices which can be considered soft and helpful for the taxpayers were the bank credits. Some precautions were taken for collecting the tax in a specific term and the only practice helpful to the taxpayers was to get bank credits. The Central Bank of the Turkey Republic could allow other banks using a credit up to 150 millions of Turkish Liras and distribute that amount as advance. However, it was kept mandatory for the taxpayers to pay twenty percent of their tax liability in order to take advantage from such credit (Ozturk, 2013, 151).

It is known that the most of the taxpayers who sold their properties were minorities and the most valuable properties were sold by Jews and Armenians and Greeks followed them. 67.7 percent of these sold properties were bought by Moslem/Turkish group and 30 percent by the enterprises under state control (State Economic Enterprises (SEEs), national banks, national insurance companies) (Aktan et.al., 2002, 309).

As a result of the capital tax, the share of non-moslem in manufacturing industry decreased and they headed trade like the middle of 1920s. As, the businesses/workplaces of some entrepreneurs were sold/seized for paying the Capital Tax liability, it was seen that they began black marketeering and black market boomed. In other words, it was not an issue to "make an investment". The entrepreneurs of minorities preferred the ways to trade and earn money, which would make it possible to leave the country immediately against any state intervention (Akar, 2006, 205).

### **Capital Tax and Migration**

The history of the Republic of Turkey is intertwined with international movements of migration. The early period of this history witnessed

efforts for creating a more homogenous society within the scope of establishing a nation-state. Within this frame, the migration of non-Moslem population inside this nation-state was ensured and parallel to this the migration of Moslem and Turkish populations in neighboring regions of these borders into the country was supported. At the beginning of the twentieth century, beginning from the collapse of the Empire to the middle of that century, Turkey lost almost three-millions of non-Moslem population by migrations while two millions of Turkish and Moslem population were received by that way (Icduygu et.al., 2014, 313).

The Capital Tax caused extremely important impacts on demographic structure as well as economic changes. Table 5 compares the structure of minorities' population after Capital Tax Law according to 1935 and 1950 censuses depending upon the spoken languages.

**Table 5. Population Structure of Turkey According to Spoken Languages**

	1935	1950
Turkish	13.899.073	20.947.188
Greek	108.725	89.472
Armenian	57.599	52.776
Hebrew	42.607	35.786

**Source:** Akar (2006: 207)

As seen from Table 6, the emigration, showing a leap of 50 percent between 1945 and 1950, has leaped almost four times in the term between 1950 and 1955. After the foundation of Israel state in 1948, almost 35 thousands of Turkish Jews migrated to this country. After 1945, the negative effects of Capital Tax and the 6th-7th September Incidents in 1955 targeting Greek minority were the effects accelerating migration of minorities. Minorities were migrating from Turkey where they considered security of their lives and properties at risk. The citizens lost their confidence in the state (Akar, 2006, 209).

**Table 6: Demographic Impact of Emigration on Population Density  
Net Emigration (a thousands of people)**

Term	Male	Female	Total
1935-40	67.3	76.5	134.8
1940-45	12.6	12.4	25.0
1945-50	18.6	18.4	37.0
1950-55	17.8	75.2	153.0
1955-60	73.5	70.5	144.0

**Source:** Akar (2006: 208)

The taxpayers who flew from Turkey for not paying the Capital Tax tried to go to Syria and Palestine because the German Armed Forces were in the Balkans and the Aegean Sea. During these years when the security of Turkish-Syrian border was weak, there was not any land mining and border zone fences so the border crossings were easy so the Syrian border was used for crossing other countries (Gokbunar, 2015, 182).

Before the World War I, one among every five people living in Turkey (20%) was non-moslem but this rate decreased to one to forty (2.5%) after the war (Keyder, 2011, 67). Then this rate decreased to 2 percent in 1935, 1.6 in 1945 and 1 percent in 1955. This decrease is based on increasing population of Turkish Moslem Population by continuous emigrations and conducting censuses more properly. On the other hand, the National Economical Policies applied in our country, the 6th-7th September Incidents and the Capital Tax have also an impact on decreasing population of Non-Moslem citizens.

**Table 7. Distribution of Moslem and Non-Moslem Population of Turkey**

Religious Groups	1927	1935	1945	1955
Muslim	13.269.936	15.838.763	18.497.801	23.804.048
Catholics	39.511	21.950	21.950	21.784
Orthodoxies	109.905	125.046	103.839	86.655
Protestants	6.658	8.486	5.213	8.952
Gregorian	-	44.526	60.260	60.071
Jews	81.872	78.730	76.965	45.995
Other Religions	140.718	30.402	24.146	37.258
Total of Non-Moslems	378.664	309.140	292.373	260.715
Rate of Non-Moslems in the Population	2.78	1.98	1.56	1.08

**Source:** Gokbunar (2015: 316).

The "semi-citizenship, visitor and Civil Law Turkish Citizenship" positions were reinforced for non-moslem minorities by legal regulations such as the Capital Tax. The non-moslem minorities complying with such positions continued living in Turkey and the not complying minorities migrated to European countries, Israel or the USA. Most of these immigrants were poor people, workers and craftsmen. When, these people were asked the reason to migrate, the answer was mostly "no reason". Here, it is worth mentioning that they were not only the Jews that migrated from Turkey. The comparative analysis of censuses conducted between 1927 and 1955 with regards to religious groups shows that there is serious erosion in number of all non-moslem minorities (Aktar, 2008, 208).

The "insecure" atmosphere created by the Capital Tax practice influenced the migration decision on personal level. With regards to the minorities, this was one of the most important factors for taking such a radical decision to migrate at personal level. From this perspective, it is possible to evaluate the Capital Tax as a "misfortune" which has caused extinction of minorities, considering that the behaviors which are mostly acquired in a socialization process such as "living together with peace and tolerance and assimilating different ones" often discussed in Today's Turkey can only be acquired by living together with minorities. Especially, if this issue is considered with respect to Istanbul, Capital Tax practice has made the biggest impact on eliminating the "multi-faith and multi-cultured" texture of the city (Aktar, 2008, 208).

In financial respect, the most important thing lost by this tax was the distrust of citizens to the state. In economic life, the biggest security requested by the taxpayers from the state was a fixed order. Industry, commerce and all financial activities could survive by breathing the security atmosphere. This atmosphere was intoxicated by the Capital Tax. The Capital Tax gave a catastrophic example that the state could cause anyone's bankruptcy by an arbitrary tax due to any reason (Okte, 1951, 210).

In his article on capital tax, Cyprus L Salzberger, Publisher of NYT, who spent his 1943 summer in Turkey, drew attention on the decreased role of minorities in the economy by means of the Capital Tax. In his articles, he especially drew attention that the place of minorities in Turkish economy was tried to be weakened by means of the Capital Tax. A detailed news on the Capital Tax was published for the first time in the press of "Allies". The Minister of Foreign Affairs of Turkey, Numan Menemencioglu who was concerned with the criticizing attitude of the USA press, submitted his protest to the Ankara Ambassador of the USA. It is considered that the news of the journalist Sulzberger had great impact on the Turkish government. The Great Assembly decided to erase the tax liabilities of the employees of private companies and itinerant dealers four days after the articles were published in *New York Times*.

The number of people in this group only living in Istanbul was 26.404. In December 1943, everyone working in the work camps were released. The Capital Tax was annulled by a law enacted in March 15, 1944 (Guven, 2005, 117).

### **Conclusion**

It was emphasized in the grounds of Capital Tax enacted for dressing the wounds of the World War II, it would be applied equally to all taxpayers without making any ethnic or religious discrimination. Considering the results, it is found that 87% of the accrued tax was collected from non-moslems while 7% from the Moslems. In this sense, apart from the grounds indicated by the Government, this Tax is classified within the extraordinary wealth tax applied by taking strict precautions for transferring existing capital from minorities to Turkish citizens by decreasing their commercial efficiency and disregarding their rights and remedies.

It is observed that the economical impacts of the Capital Tax which was for dressing the wounds of the war, were not high enough. This tax only corresponded to 38% of public expenditures in the following year of its enactment. The Capital Tax which created pressure over taxpayers due to its heavy conditions, caused decreasing population and increasing migration of non-muslim population in the following years.

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