ŞAHİN YEŞİLYURT DOKTORA TEZİ 2020

T.C.
ANKARA YILDIRIM BEYAZIT ÜNİVERSİTESİ
SOSYAL BİLİMLER ENSTİTÜSÜ

TAX EXPENDITURE PRACTICES IN THE 19th CENTURY OTTOMAN PUBLIC FINANCE SYSTEM

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MALİYE PROGRAMI

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Prof. Dr. HÜSEYİN ŞEN DANIŞMAN

ANKARA, 2020

ONAY SAYFASI

Şahin YEŞİLYURT tarafından hazırlanan **"Tax Expenditure Practices in the 19th Century Ottoman Public Finance System"** adlı tez çalışması aşağıdaki jüri tarafından **oy birliği** ile Ankara Yıldırım Beyazıt Üniversitesi Sosyal Bilimler Enstitüsü MALİYE Anabilim Dalı'nda **Doktora** tezi olarak **kabul edilmiştir**.

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İmza
Şahin YEŞİLYURT

DEDICATION

To my country

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Özet

Bu çalışma vergi muafiyeti, vergi indirimi, vergi mahsup ve iadesi, vergi ertelemesi ve indirimli vergi oranı unsurlarından oluşan vergi harcamasının bir maliye politikası aracı olarak 19. Yüzyıl Osmanlı Devleti maliye sisteminde nasıl kullanıldığını araştırmaktadır. Çalışma ilk olarak bu kavramın önemine, etkilerine ve bu kavram hakkındaki düşüncelere odaklanarak vergi harcamasının tanımı ve bu tanıma ilişkin tartışmaların genel bir çerçevesini çizmektedir. Çalışmanın sonraki bölümü, Osmanlı İmparatorluğu maliye sisteminin genel görünümünü, özellikle Tanzimat sonrası dönemdeki maliye sisteminin genel durumu, Osmanlı zihin yapısında meydana gelen değişimler, kamu mali sisteminde ve vergilemede meydana gelen gelişmeler kapsamında ele almaktadır. Çalışma, Osmanlı arşivleri ile İngiliz arşivlerinden temin edilen belgelerden ve İngiliz gazetelerinden yararlanarak vergi harcaması uygulamalarının ardında yatan nedenleri iktisadi, mali, sosyal, siyasal ve dini unsurlar kapsamında ele alarak devam etmekte ve daha sonra Britanya, Rusya, Almanya ve Fransa gibi ülkelerdeki uygulamaları ele almaktadır. Son olarak, tüm bu açıklamalara ilişkin genel bir değerlendirme yapmaktadır.

Vergi harcaması uygulamalarını dikkate aldığımızda, bu uygulamaların Osmanlı Devleti'ni kuruluşundan itibaren farklı amaçlar kapsamında bir maliye politikası aracı olarak geniş ve yaygın bir şekilde kullanıldığını görürüz. Arşiv belgelerinde, özellikle Tanzimat sonrası dönemde, vergi harcamasının miktarı ve amacı hakkında önemli tartışmalar yer almıştır. Bu tartışmalar bu dönemde uygulamaya konulan reform hareketlerinin odak noktasını oluşturmuştur. Bu tartışmalar kapsamında, vergi harcamasının vergi yükünün adil bir şekilde dağıtılmasında, sosyal adaletin tesis edilmesinde, Osmanlı toplumunda görülen sosyal olayların (iç karışıklıkların ve huzursuzlukların) giderilmesinde önemli bir maliye politikası aracı olarak ön plana çıktığı müşahede edilmiştir. Dahası, bu politika aracı Osmanlı İmparatorluğu hakkında

ileri sürülen ağır bir vergi yükü politikası uyguladığına ilişkin iddiaların gerçeği yansıtmadığı fikrini doğrulamaktadır.

Anahtar Kelimeler: Ağır Vergi Yükü, Osmanlı Devleti, Osmanlı Devleti Maliye Sistemi, Vergi Harcaması, 19. Yüzyıl Osmanlı Devleti Maliye Sistemi, Vergileme ve Din

Abstract

This thesis examines how the tax expenditure, which is consisted of tax exemption, tax reduction, tax refund, tax deferral, and rate relief, was used in the 19th century Ottoman State public finance system as a tax policy tool. It begins by sketching the definition and arguments against and in favor of tax expenditure, focusing first on the importance, effects, and views concerning this concept. The next part charts the general outlook of the Ottoman State Public Finance system by discussing the Post-Tanzimat public finance case, changes in perception within the Ottoman fiscal mind, developments in fiscal administration, and developments in taxation. The thesis goes on to investigate the reasons behind the tax expenditure practices by using the archives, which compiled from the Ottoman Archives and the National Archives, as well as British newspaper articles, under the headings of economic, fiscal, social, political, and religious issues, and then on practices in the context of county experiences s, which are Britain, Russia, Germany, and France. It, in the end, makes a general assessment regarding all these explanations.

In retrospect of the practices of the tax expenditure, these practices have been used in such a deep and wide manner as a fiscal policy tool for different purposes since the establishment of the Ottoman State. There were essential debates on the purpose and amount of tax expenditure in the archives, particularly during the post-Tanzimat Era. These debates were at the center of the reform movements introduced in this period. Within the context of these debates, tax expenditure practices have become a prominent tax policy tool in providing an equitable distribution of the tax burden, in the establishment of social justice, and in suppressing adverse social issues in Ottoman society.

Keywords: Heavy Tax Burden, Ottoman State, Ottoman State Public Finance, Tax Expenditure, Taxation in 19th Century Ottoman State Public Finance, Taxation and Religion

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1. INTRODUCTION

Countries with a dynamic administrative structure have a public finance system that changes day to day and in this context, several new concepts, such as budget ethics, tax expenditure, and so on, have emerged. There are ongoing discussions about how these new concepts are now and in the past applied. The term tax expenditure is one of the most critical topics that are being debated in public finance literature. The tax expenditure was first put into words by S. Surrey in 1967 at the conceptual level and since then it has been extensively debated in the public finance literature. In general terms, the concept of tax expenditure can be defined as tax privileges and how governments use them to carry out their specific economic, social, and political purposes. Besides, the definition encompasses support of particular sectors, occupations, or taxpayers' groups or activities. The tax expenditure is frankly essential for the fiscal system. Therefore, it is becoming increasingly important, and there are extensive discussions regarding this in literature.

The driving forces behind the discussions on tax expenditure in literature have been shaped by both the definition of the term tax expenditure and what would be assessed within the scope of tax expenditure. However, in general, there has been a negative attitude towards this concept, which has been subject to intense criticism. This criticism has focused generally on the following issues: justice, efficiency, effectiveness, simplicity, and financial responsibility in taxation. The basis of this criticism has been that although this concept has benefited specific segments of society, it incurs costs to the whole of society. It is often claimed that the tax expenditure practices have led to rental activities because they are a tax instrument that is adhered to by various pressure and special interest groups. These groups may be able to reduce their expenditure and increase their income more easily rather than through government expenditure, which nonetheless may be beneficial over a long-scale.

It is widely argued in the literature that tax expenditure may have some adverse effects on countries' public finance systems. For example, tax expenditure may lower public revenues, induce some government expenditure to become permanent as well as encourage rental activities. It is argued further that tax expenditure practices are likely to lead taxpayers to act in some negative ways, possibly causing immoral practices and deterioration in a moral sense. Based on all these afore-said negatives, the criticism becomes more severe because tax expenditure is open to political misusing. Consequently, there is a concern that tax expenditure may cause not only a deterioration in the distribution of resources and income and but also an increase in macroeconomic instability. What is more, it is frequently argued that tax expenditure creates difficulties in collecting tax revenues as well as causes complexity in the fiscal system.

The above arguments have raised concerns over tax expenditure since it plays a significant role in the deterioration of justice and social order, especially in income distribution. As a result, a negative view in literature on the concept of tax expenditure has emerged. However, in response to this negative view on tax expenditure, some academics have claimed that this tax policy practice makes a significant contribution to society and is a useful tax policy tool for society in some cases. Proponents contend that reporting of tax expenditure has become widespread in both developed and developing countries in recent years, explaining the increasing importance of tax expenditure practices in countries' public finance system. With tax expenditure reports, these countries aimed to have, for example, more fiscal transparency and accountability, ensuring increasing efficiency in their tax systems, providing an efficient and fair allocation of national resources, and strengthening their public finance structure.

In sum, tax expenditure practices are the subject of intense discussion in literature and are vital for governments in revenue generation. Tax expenditure practices are shaped by the opinions of governments. However, the importance of tax expenditure for taxpayers stems from the fact that it reduces tax liabilities and thus eases their tax burdens. In contrast to the negative effects that have been already identified before, considering the positive effect of tax expenditure on the economy of these two groups (which constitute the parties of the taxation), it should be noted that this practice contributes significantly to the nature of the economy as well as has implications for social life and political, diplomatic and military issues.

However, it should be emphasized here that all the above debates have occurred within the context of the tax policies of today's governments rather than in the past. In other words, what we see from the available literature that, as far as we know, there is no comprehensive study on tax expenditure before the time of Stanley Surrey. So, the present thesis aims to reduce this gap in the literature and to provide a new perspective on tax expenditure considering the case of the 19th century Ottoman State. To that aim, the practices of tax expenditure are comprehensively examined from economic, fiscal, political, social, and religious perspectives in the 19th-century Ottoman State. In brief, the objectives of the thesis can be summarized as follows: examining tax expenditure from the Ottoman State perspective; how tax expenditure was used as a tax policy tool in the Ottoman State. Besides, contrary to what is presumed in existing literature, the present thesis attempts to understand that it was not the sole aim of the Ottoman fiscal administration to raise public revenues by raising the tax burden. Rather, the aim was to ensure public order and public welfare through tax expenditure practices.

Recently, there has been an increased interest in the history of Ottoman finance. So, many studies have been carried out in this area. The focus of these studies has been on the budget of the Ottoman State. Although there are extensive studies on the Ottoman State's budgets in the existing literature, we observe that no previous study has been conducted related to tax expenditure practices. In a sense, the topic of tax expenditure practices is neglected as well as a *'virgin'* topic. Put differently, to our best knowledge, there is no previous study from a historical perspective neither on the Ottoman State nor other states over tax expenditure that encompasses tax exemption, tax reduction, tax refund, tax deferral, rate relief practices, throughout history.

Not only the pre-19th century period but also throughout the 19th century there was a lack of systematic recording of tax expenditure and the amount applied in the Ottoman public finance system. In other words, the archival records on tax expenditure practices did not exist holistically in the Ottoman archives. So, it is widely believed that the unavailability of the relevant records in the Ottoman archives is one of the major reasons why the topic of tax expenditure has not been studied before. Furthermore, it is also believed that why this topic was not given sufficient importance in the literature is due to the assertion that tax expenditure practices in the Ottoman public finance system were used as a distinctive feature in society, and that there was an important line between the governed and the government in the Ottoman State. However, both the Ottoman and British archives have sufficient records that this issue is of great importance in the Ottoman public finance. Furthermore, available records obtained from both country archives confirm that tax expenditure practices (appealing to all segments of society) had been implemented in the Ottoman public finance.

In light of the above explanations, the second chapter of the present thesis discusses the definition, and types of tax expenditure. Then, the thesis continues by discussing the theoretical importance of tax expenditure not only for the government but also for taxpayers. Following this, the thesis discusses the positive and negative effects of tax expenditure on the national economies including the arguments for and against tax expenditure. All these explanations comprise the theoretical background of the thesis and play an important guiding role in dealing with the subject of tax expenditure in the Ottoman public finance system.

In the third chapter of the thesis, the general situation of the Ottoman public finance system is discussed. With this, I propose to understand more clearly the importance of tax expenditure in the 19th-century Ottoman public finance system that the thesis focuses on. The reasons behind focusing on the 19th century are being explained in this thesis, along with the problem of periodization in Ottoman historical studies. In this context, the arguments done by leading scholars, such as Özvar (1999), İnalcık (1998), Pamuk (2011), Genç (2013), and Abou-El-Haj (2018) are elaborated. In light of their arguments, the periodization used by Özvar (1999) is followed throughout this thesis. Accordingly, the main reasons for choosing this period are explained as below:

i. The transformation of the economic and fiscal system under the westernization and modernization ideas in the Ottoman State, and their possible potential impact on the tax expenditure.
ii. The expansion of the money-based economic system and the importance attached to government budgeting, and the effects of both situations on the tax expenditure.
iii. The changes concerning the termination of tax expenditure in return for services and the determination of the payment related expenses from the budget, the effect of industrialization on countries, and through these ways, the Ottoman administration’s aim to get benefit from tax expenditure. iv. Tax expenditure may help to answer criticisms about the overbearing tax burden at that period in the Ottoman State on a sound basis.

The above chapter of the thesis confirms that tax expenditure practices date back to very early periods in the Ottoman State's public finance system. This is to say that the Ottoman State has made use of tax expenditure as a tax policy instrument since its establishment. Also, the chapter provides valuable information regarding the effects of the 19th century —that is known as the 'modernization era'— on tax expenditure practices and the changes it has created over the period beginning with the declaration of the Tanzimat Edict. Therefore, although the major focus of the thesis is on tax expenditure practices in the 19th-century Ottoman public finance system, developments in the public finance during the classical period of the Ottoman State is also touched to trace the transformation in the state administration and fiscal mentality throughout its history.

A further reason for focusing on the pre-19th century period is to determine the breakpoints to make sense of the regulations introduced during this period. The importance of this issue is further emphasized by previous periods showing evidence of foreshadowing the new period that started with the Tanzimat Era. Therefore, the present thesis defines the position of tax expenditure practice in the old structure, and what is carried over from the old structure to the new period, while observing what has been repealed over time. In addition, the thesis examines the 19th century, known as the post-classical period or the modernization period. Thus, the thesis has examined the relationship between tax expenditure practices and the reform and improvement movements that put into practice since the beginning of the 19th century by the regulations in almost every subject.

The fourth chapter of the thesis —that consists of the backstone of the thesis— looks into tax expenditure practices in the 19th-century Ottoman public finance system. In this part, there is an exploration of what can be learned by taking a systematic approach to archive documents concerning the practices of tax expenditure in this period. In particular, how tax expenditure relates to economic, fiscal, social, political, and religious issues under the headings of tax exemption, tax reduction, tax refund, tax deferral, and rate relief practices. The reactions of taxpayers to each practice are also studied. There is a discussion of how the reasons behind tax expenditure practices (covered by both the Ottoman and the British archives) are essential for understanding the Ottoman administration mentality. This thesis is also noteworthy for the discussion of the claim that the heavy tax burden on the Ottoman peoples was a factor leading to the destruction of the Ottomans.

In addition to the explanations on tax expenditure practice in the Ottoman public finance system above, the fifth chapter of the thesis looks into the assessment of the tax expenditure practices in leading states of that time: Britain, Russia, Germany, and France. This assessment allows us to make a comparison concerning tax expenditure practices of the above states that had close relationships with the Ottoman State in the 19th century.

In sum, within the context of tax expenditure practices mentioned above, the Ottoman public finance administrators took advantage of tax exemption and tax reduction practices that would cover almost all segments of the society and could meet their needs. In practice, these two policy instruments were used extensively, as documented in the Ottoman and British archives. During the post-Tanzimat period, in particular, Tanzimat reforms played a significant role in tax reduction in this regard. Taking a close look at the Ottoman archives, tax refund practices did also exist in the Ottoman State tax system.
However, they were not largely practiced as tax exemption and tax reduction practices.

The Ottoman archives also report that tax deferral played an important role as another tax expenditure practice in the Ottoman State. However, compared to other sorts of tax expenditure practices, tax deferral practices come to the fore as a practice that is related to social events. Furthermore, the Ottoman archives contain rate relief practices. However, it seems that when looking into the archives in detail, this is a rare practice in the Ottoman State.

Throughout this thesis, whole types of tax expenditure mentioned above will be analyzed in detail from economical, fiscal, social and religious, and political perspectives. Thus, Chapter 4 of the thesis is deserved to these issues. Chapter 5 looks into the tax expenditure practices for some 19th-century nation-states. Finally, Chapter 6 concludes.

2. TAX EXPENDITURE: A GENERAL FRAMEWORK

2.1. Definition of Tax Expenditure

No doubt, in a great many countries, taxation is the primary source of public revenue, and it is of great importance in establishing relations between those who are governed and the government. Governments have the potential to intervene in the economy by using various tools. By doing so, the government can shape the economic structure. The government's interventions are sometimes carried out through either direct or indirect methods or both. Tax expenditure practices can be considered as indirect intervention methods (Surrey & McDaniel, 1979).

At the same time, although the tax expenditure term is known in general in the literature, there are also some different terms, such as 'tax breaks', 'tax subsidies', 'tax reliefs', 'tax aids', 'tax preferences', 'tax loopholes' and 'escapes from tax', that are used interchangeably with tax expenditure (see Burton & Sadiq, 2013). Most notably, however, the term tax expenditure is widely used in the existing literature and there is a definite superiority of this usage in the literature.

Tax expenditure evokes the impression of costs charged by the public administration during the collection of taxes because it contains the concept *'expenditure'* (Şen & Sağbaş, 2017). But there is no relation to the cost of collecting taxes and this concept is defined as a 'privilege' granted to some individuals or groups in society. The concept privilege is of Latin origin and means of private law; in fact, it includes the meaning of the advantages applying to some individuals, groups, or regions in some matters rather than for the rest of the society. In this sense, it can be in the form of providing a benefit or contribution; moreover, it may contain a symbolic understanding of protection and promotion of their dignity (Bossenga, 1991).

As mentioned earlier, tax expenditure is one of the most essential tools of government tax policy, and it can be designed to promote specific sectors, activities, regions, or intermediaries (Tyson, 2014). In other words, to pursue a higher objective of political economy or social policy with the help of the tax system, governments must consider partially or abandoning their possible public revenues (Villela, et al. 2010). Therefore, tax expenditure is very often called *'foregone revenue'* in the literature (see OECD, 1984; 1996; Kasich, 2013). However, Kraan (2004) stated that foregone-revenue related terminology used in these studies was abandoned in the following periods with the idea that it is not a very enlightening concept.

The term 'tax expenditure' is usually defined as the arrangement of the relevant tax legislation and practices implemented by lowering or deferring taxes (see Villela, Lemgruber & Jorratt, 2010). In another study, a definition has been made in the form of measuring the costs of the expenditure programs carried out through the tax system (Burman, et al. 2008). Besides, Lenjosk (2004) emphasized some of the objectives, which this concept has, or at least it is expected to have, that tax expenditure practice is a necessary tool for financing basic expenditures and for achieving economic and social goals. As shown from the above definitions, it is obvious that in the relevant literature there is a fervent debate about the definition of tax expenditure (Burton & Sadiq, 2013). Detecting which practices are examples of tax expenditure, and which are not, consist of the focal point of these discussions. In this context, it is often stated that a practice that is considered as the tax expenditure in a country, may not be the case for the other (Schick, 2007). In short, the discussions over the definition of tax expenditure are still ongoing. Some parts of these discussions focus on how to develop a criterion for the definition of tax expenditure (see for the related studies, OECD, 1984; 1996; Kraan, 2004; Kasich, 2013).

Therefore, an argument is proposed to solve the problem of how to define tax expenditure, based on whether it is being applied to society in general or just a certain layer of society. Accordingly, if a tax practice that provides a reduction in tax liabilities is applied to a certain area rather than the public domain, then this practice is considered to be tax expenditure. Otherwise, if the practice resulting in a decrease in tax liabilities is applied to society in general, this practice cannot be considered within the scope of tax expenditure (Hazine ve Maliye Bakanlığı, 2018). However, in response to these comments, there is an assessment based on tax cuts as the basic definition of tax expenditure is expected to eliminate these discussions regarding the definitions of tax expenditure
(Burton & Sadiq, 2013). Considering practices that lead to a reduction in tax revenue as tax expenditure can help overcome at least some of these debates. As a result, a reduction in tax revenue as a result of deviations from the tax system may be the most simplified, inclusive, and correct definition for the concept of tax expenditure (Ende, Haberham & Boogert, 2004).

Looking at the initial use of the term ‘tax expenditure’ in the literature, we see that it was pioneered by Surrey (1973), the Assistant Secretary for Tax Policy at the Treasury Department of the US. This term came to light with the widening US budget deficits due to the expansionary fiscal policies and the impact of the Vietnam War started in 1967. At this time, the term was mainly used to describe exemption, reduction, and other tax benefits given within the scope of income tax. From the fiscal year 1972 onwards, the ‘tax expenditure’, which previously did not figure as an item on the government budget, has become a regular item in the US budgets. Everything ranging from national security to agriculture, natural resources, trade, health, labor force, education, and many other areas, where tax expenditure is applicable, was itemized in detail in the budget. And attention has been given to keeping records regarding these practices (Surrey, 1973). Since then, ‘tax expenditure’, as a fiscal concept, has taken its place in the public finance literature and a widespread discussion environment.

What is more, when we consider the countries where the concept of ‘tax expenditure’ was first used, it was used in Germany and the US in the same period. Whereas Germany is the country that first prepared a tax expenditure report in 1959, the US has been accepted as the first country to introduce this term in 1968. Hence, there was a fierce debate concerning the first usage of this term (Hybka, 2016; Hazine ve Maliye Bakanlığı, 2018). On the other hand, there is a consensus about the benefit of using tax expenditure as a tax policy tool. Mainly, it can be brought forward that to enhance transparency in public budget management, these countries, Germany and the US, reported government expenditures, as well as tax expenditure together. So, they were the first countries that considered tax expenditure practices in their budgets (Craig & Allan, 2001). These countries’ implementations were followed by other countries, such as Australia, Austria, Canada, France, and Spain. In later periods, this practice was extended in a manner that will cover almost all OECD members (Kraan, 2004).

Particularly, with the increasing demand for further transparency in tax policy by those who intend to invest in developing countries that take advantage of taxes, the interest in tax expenditure practices has increased worldwide. According to the IMF’1998 Report ‘*Manual on Fiscal Transparency’*, countries should consider tax expenditure practices when preparing their annual budgets. It is believed that this manual has had a significant impact on the dissemination of the concept of tax expenditure. However, despite this report, it is regarded that tax expenditure has not been extensively investigated in recent years, particularly in developing countries. In this sense, it has been highlighted in the literature that developing countries should give importance to the tax expenditure to consider the size of tax expenditure and to create harmonization between countries in terms of tax expenditure methodology (Villela, Lemgruber and Jorratt, 2010).

As mentioned earlier, the term tax expenditure as a conceptual basis was first used by Stanley Surrey in 1967 (Surrey, 1973), and since then, further debates arose on this subject. Within this scope, essential studies on tax expenditure have been put forth in a wide range of studies, both by academics and by international institutions, including the IMF, World Bank, and OECD (OECD, 1984; 1996; 2003; 2004; Brixi et al. 2004). A characteristic feature of these studies is that it tends to focus on current debates on the concept of tax expenditure. However, although the tax expenditure definition is new, when we look at its use in historical context, it has been observed that tax expenditure practices were used in the past periods. In other words, in past times, tax expenditure practices were included and used, although not in name as *'tax expenditure'*, and different implementation examples were observed in the literature. However, it is observed that there were not any studies focusing on tax expenditure practices in the historical perspective.

On the other hand, despite the debates and deficiencies of the literature regarding tax expenditure from a historical perspective, it can be observable from the available literature that there are several important studies on the tax expenditure experiences of countries. Amongst these studies, we see the studies by Howard (1997), Brown (2004), Valenduc (2004), and Mandel (2011), at first glance. Moreover, the relevant literature encompasses considerable studies on tax expenditure in a holistic manner. For instance, a number of country-specific studies have been carried out on the subject. Such as Brown (2004) for Australia, Valenduc (2004) for Belgium, Seguin & Gurr (2004) for Canada, Ende et al. (2004) for the Netherlands, Sunley (2004) for the US, Shi (2004) and Ma (2004) for China, Cavalcanti (2004) for Poland.

In addition to the above studies, some specific issues related to tax expenditure have also been tackled in the relevant literature. For example, Howard (1997) and Mandel (2011) studied the relationship between tax expenditure and social policy applied in the US whereas Sheils & Hogan (1999) studied tax exemptions given in the field of health in the same country. On similar grounds, for the US, Richardson (2005) looked at tax expenditure opportunities from the perspective of wage earners, whereas Poterba & Sinai (2008) explored the tax expenditure practices on real estate. Similarly, for the US, Whittington (1992) investigated the relationship between tax expenditure and marital status. On the other hand, for instance, Bilsborrow & Porter (1972) studied the effect of tax exemption on industrial enterprise investment for Colombia. Metcalf (2008) investigated the relationship between tax expenditure and energy.

The political dimension of tax expenditure is also a focus of recent academic debates. The reason why this issue has been attracted much attention is mainly due to widening fiscal deficits experienced by many countries, including those developed and those developing. So, it has been reported that many economies, in particular developed countries, might confront budget deficits. Therefore, they have acted on the assumption that they will be exposed to ever more growing budget deficits due to the fact that they have been facing a growing elderly population overall in a short period which worsens their fiscal deficits. As a result, to overcome the fiscal deficits and the restriction and control of tax expenditure, there is a growing interest in the budget process and discipline. Thus, it has been brought to the agenda of nations (OECD, 2010). In recent years, the amount of the tax expenditure has reached a significant level in government budgets, which has begun to leave deep marks on the tax system. Therefore, as a result, it can be said that all these are among the critical reasons that have caused discussions on the issue of tax expenditure (Valenduc, 2004).

Discussions on tax expenditure go further on that there are some government budgets and tax policymakers' related concerns. These concerns usually originate from the idea that tax expenditure harms both budgets and tax policies. This is because tax expenditure can often be easily passed through parliamentary audits. As a result, that situation can equalize tax expenditure to the actual government expenditure but have less legal responsibilities (OECD, 2010). Thus, although tax expenditure is a tool used for the implementation of fiscal policies and they have a structure capable of performing essential tasks in political areas, they are considered a factor that deepens the concerns mentioned above (Cavalcanti & Swift, 2004). Perhaps due to the above reasons and providing facilities for the political mechanism in practice, tax expenditure is named with different monikers. For instance, Kraan (2004) named it as *the back door of public expenditures.* On the other hand, Ende et al. (2004) called it *'invisible loss of tax revenue'* due to the fact that it is challenging to track it in budgets.

In fact, it is assumed that tax expenditure does not pose a problem for the fiscal structure of the countries as long as tax expenditure practices are included and controlled as well as followed-up in the budget process (Kraan, 2004). However, according to the general acceptance, there is a grave concern that while parliamentary approval must be obtained for direct expenditures for every fiscal year, tax expenditure requires the approval of the parliament only when it is accepted. In other words, it is only the case when it comes into force.

Meanwhile, existing literature compares to tax expenditure with government expenditure. For example, Tyson (2014) and Marples (2015) compare them in terms of the benefits, applicability, accountability, and transparency as well as their role on equality and justice issues. Based on these comparisons, the authors argue that both tax expenditure and government expenditure have similar effects on the allocation of resources, providing incentives to change the allocation of resources. In this sense, tax expenditure, as in government expenditure, is widely regarded as one of the ways to shape the overall economy. However, it is frequently pointed out that tax expenditure practices are open to misusing of tax policy.

It is obvious that both tax expenditure practices and government expenditures pose a cost to governments striving to achieve public policy objectives. However, to be able to make an expenditure directly from the government budget, this expenditure must be among the expenditure items in the budget. On the other hand, in the case of tax expenditure practices, it is difficult to monitor the loss of income in the government budget if it is not included in the budget as a separate item or report (Şen & Sağbaş, 2017). In other words, unlike government expenditure, tax expenditure implementations may remain in force for an indefinite period, with little or no controls from policymakers, unless there is a preexisting termination date. In essence, although it is accepted that tax expenditure has the same effect as government expenditure, it is considered that government expenditures are more transparent in terms of fiscal management since public spending is subject to an auditing process. However, tax expenditure does not pass through a strict auditing process (Brixi et al. 2004; Kasich, 2013).

Moreover, in response to the claim that the practice of tax expenditure has the same effect as government expenditure, it is alleged that tax expenditure is not real expenditures. On the contrary, they are nominal or abstract expenditures since they do not come directly from the governments' treasury as with government expenditures (OECD, 2010). In other words, the occurrence of these expenditures is based on assumptions and estimates of how taxpayers will behave under conditions, rather than enforcing the governments for making government expenditures. This is another issue that leads to discussions on tax expenditure. Like the comparisons between tax expenditure and government expenditure, there is also a comparison between tax expenditure and contingent liabilities in the literature (Brixi, 2004). Just like tax expenditure, it put forward that expenditures made through contingent liabilities contain similar practices with tax expenditure because they impose a burden on the public in terms of providing confidential or open support without detailed examination. Besides, Brixi et al. (2004) emphasize that both practices should be handled by carefully providing a wide policy area for politicians.

A tax expenditure is known as *'positive tax expenditure'* since they were introduced at the conceptual level. And the primary focus of the tax expenditure reports and analyses are discussed around the word of *'positive tax expenditure'*. However, Burton & Sadiq (2013) argued that there is a second category of tax expenditure that proposed the concept of *negative tax expenditure*. With the concept of *'negative tax expenditure'*[1], countries aim to eliminate the negative externalities of some activities by increasing the taxes on some tax issues considered to cause harm to the individuals and society. For example, taxes imposed on tobacco products and liquor are considered as a negative tax expenditure. It is

suggested that these kinds of tax expenditure provide an increase in public revenues but they have the objectives of achieving the same goals as social or economic policy objectives with 'positive tax expenditure'.

[1] However, there are different terms such as '*sin tax*' and '*obesity tax*' regarding imposing taxes on eliminating the negative externalities. In fact, the negative tax expenditure does not make a clear sense in mind.

Another issue that makes tax expenditure practices controversial is whether these practices are measurable. In this sense, tax expenditure needs to be measurable for budgetary use. The literature provides several methods for the measurement of tax expenditure practices. These methods are generally in the form of *'initial revenue loss (gain)'*, *'final revenue loss (gain)'*, and *'outlay equivalence'* (Brixi et al. 2004; Kraan, 2004; OECD, 2010).[2] However, it is argued that these estimation methods have an underlying bilateral problem. That is, the measurement of tax expenditure practices may incorporate either a broad range of them or a narrow one (Seguin & Gurr, 2004). Despite this problem, in addition to the methods mentioned above on the measurement of tax expenditure, there are different methods that have been put forward in the literature (Cavalcanti & Swift, 2004). Nevertheless, discussions on all these methods are ongoing, and there is no standard view for the calculation and estimation of tax expenditure (Burman et al. 2008).

Despite these common difficulties and disagreements on the measurement of tax expenditure, there is a consensus on tax expenditure in the literature is the importance of tax expenditure for the fiscal system. This importance is because tax expenditure contributes to those who benefit from it, though it causes a cost to society. Therefore, it is stressed that tax expenditure has a significant impact on a nation's economy and this impact should be controlled to establish proper budget management due to having a vital role in this process (Burman et al. 2008).

However, it is pointed out that the idea of providing services to the public in government expenditure is not like in the tax expenditure practice since tax expenditure provides direct benefits to those who benefit from it. So, this assessment constitutes the focal point of the discussions on the tax expenditure. But, a common criticism of tax expenditure is that this assessment is biased. This is because governments can benefit from tax expenditure to achieve a balanced economic distribution of income, to reach social justice, and to accomplish some economic and fiscal objectives in society. So, rather than the idea that the concept of tax expenditure has a direct negative meaning, it should be kept in mind that the assessments regarding this fiscal policy tool are dependent on how to use

[2] These estimation methods of the tax expenditure together with how they are used are beyond the scope of the present thesis. So, no detailed information is provided about them throughout the present thesis.

tax expenditure. Thus, it should not be disregarded that the answers to the question of which objectives of tax expenditure help us to think about tax expenditure practices are either being used in a positive or negative sense.

In addition to all these assessments on tax expenditure, the relationship between tax expenditure and the development level of the economy is also highlighted in the literature. And, it is stated that the effect of tax expenditure on developed economies, and the tax expenditure practices put forward by these economies and their perspectives on these practices can differ. It is also stated that tax expenditure is incorporated into the tax system through reports supported by empirical data for developed economies. These reports are used to encourage policies that are in favor of national aims (Brixi, 2004). Moreover, tax expenditure reports enhance transparency in the fiscal system of developed countries and establish a robust fiscal system.

Furthermore, like these mentioned benefits, tax expenditure reporting may help governments to assess the demands of specific interest groups or which priorities in the allocation of the public resources can be offered to the community (Seguin & Gurr, 2004, 124). Similarly, these reports can be used to determine the types and sizes of tax expenditure. These reports, as part of planned tax reforms, can provide a comprehensive review of tax expenditure and ultimately lead to an essential first step in decision-making (Brown, 2004).

Despite these benefits of tax expenditure in developed economies, there are issues related to tax expenditure in developing countries. A widespread view holds that developing countries do not sufficiently understand the importance of tax expenditure for their fiscal system. This idea seems not entirely appropriate. In fact, there are many developing countries that have come to appreciate tax expenditure as a fiscal policy tool, considering the role of tax expenditure on the establishment of a transparent and prudent fiscal system (Brixi et al. 2004).

On the other hand, considering the implementation of tax expenditure practices, it combines two different types of practices: *'direct practices* and *'indirect practices*. Direct tax expenditure practices, such as tax exemption, tax reduction, tax deferral, and rate relief, have the advantage of simplicity and certainty, while indirect tax expenditure policies, like tax refunds, have the advantage of flexibility. Besides, it is recognized that direct tax expenditure practices facilitate to understand taxpayers' attitudes regarding tax avoidance and rent-seeking, whereas indirect tax expenditure practices are considered to increase the incentives for regulating the taxpayer's behavior and activities regarding production. Therefore, while it is indicated that indirect tax expenditure practices are preferred instead of direct tax expenditure practices in the implementation of those policies, it is stated that indirect tax expenditure is commonly used in countries that have a deep-rooted tax system (Ma, 2004).

In sum, there are debates on and arguments for or against tax expenditure as a policy tool to occupy a central place in the public finance literature. As it is argued above attention has been paid to the types of tax expenditure, and there are essential discussions on these types. These types of tax expenditures are discussed in the subsequent subsection. We believe that the above-mentioned tax expenditure types would also serve as a model to judge tax expenditure in the Ottoman public finance system which is the major focus of this thesis. Thus, assessments with regard to tax expenditure in the Ottoman State public finance are built on tax exemption, tax reduction, tax refund, tax deferral, and rate relief that are largely regarded as the tax expenditure.

2.2. Main Types of Tax Expenditure

For today's national economies, tax expenditure practices are largely seen as one of the ingredients of tax policy. However, they appear in different forms in different countries' public finance systems. *Tax exemption*, *tax reduction*, *tax deferral,* and *rate relief* are major types of tax expenditure that are commonly come across countries (see Kraan, 2004; Schick, 2007; Tyson, 2014). Also, the available literature offers extra tax expenditure types. For example, Jogarajan (2011) claims that the legal regulations introduced for double taxation could be considered an example of tax expenditure. However, many scholars oppose this due to the fact that they could not be conceived within the scope of tax expenditure practices since they are applied to the public rather than to a specific group of society. Apart from this suggestion, depreciation, legal reserves, loss deduction, and expense deduction are also considered as tax expenditure (see Hazine ve Maliye Bakanlığı, 2018). Nonetheless, considering the above explanations, it is not easy to accept them within the scope of tax expenditure practices.

Hence, as pointed out by Brixi et al. (2004), it is possible to provide new types of tax expenditure under different names and practices. For example, *tax refund*, which is a new tax expenditure concept that has entered into literature recently, is a typical example of this, and it is a subject of some studies (Şen & Sağbaş, 2017; Hazine ve Maliye Bakanlığı, 2018).

Thus, based on the above arguments regarding tax refunds, there are some documents in the Ottoman archives. These documents are related to the practice that deducting an amount of tax to return other collected taxes and reimburse the remaining amount for a variety of reasons. Therefore, in addition to the examples presented above, the practice regarding the tax refund as a type of tax expenditure was handled in this thesis. This type, which is the subject of limited studies, was discussed in a separate title within the context of examples of tax refunds in the Ottoman period.

Besides, in some studies, it has been observed that tax holiday, which is the practice of ending tax liabilities of specific people or subjects in a temporary period, has been evaluated within the scope of tax expenditure. In other words, tax holiday, in fact, is an incentive policy tool applied to increase the total income of the investment in the future rather than affecting the investments by reducing the capital required for the investment. So, taxpayers, mainly entrepreneurs, are excluded from taxation for a period either partially or totally (Şen & Sağbaş, 2017). However, since this practice example could be evaluated under the heading of tax deferral, there is no separate title in this study for this type. In this context, as stated above, in the thesis, tax exemption, tax reduction, tax refund, tax deferral, and rate relief were included, and historical analysis has been made about these types. These kinds of tax expenditures which were practiced in the Ottoman State public finance system will be discussed and evaluated in the third part of the thesis.

2.2.1. Tax Exemption

Tax exemption is one of the practices that are widely discussed in the literature and stands out among the tax expenditure policy instruments of government. In this context, considering the definition of tax exemption, it is mainly defined by the OECD (2010) as a narrowing of the tax base subject to taxation. It is possible, of course, to expand this definition. Accordingly, it can be defined as a tax to be assessed or to be paid in accordance with tax laws, to be excluded from the tax on the basis of the sanctions arising from the laws, and to bring about a reduction in the tax itself or its base.

The concepts of *tax exemption* and *tax exception* are often used interchangeably in the literature. However, there is a slight difference between the two in the Turkish Tax System. Accordingly, the concept of tax exemption is used in terms of individuals, whereas the concept of tax exception is used for subjects (Şen & Sağbaş, 2017). In this sense, it is observed that this differentiation in the Turkish Tax System makes it different from the current definition in the literature. Thus, only the concept of tax exemption is used in this thesis in particular since these concepts were also used in the same sense in the Ottoman public finance system.

2.2.2. Tax Reduction

Tax reduction is known variously in the literature as *'tax deduction'*, *'tax deductions'*. Moreover, there are two types of tax reduction as 'tax credit' and 'tax allowance'. Whereas the former refers to amounts deducted from tax liability, the latter denotes amounts deducted from the benchmark to arrive at the tax base (see Kraan, 2004). Therefore, the concept is defined either as a discount plan implemented at the tax base or upon payment of the calculated tax (OECD, 2010). In this context, tax reduction can be seen in two different ways:

i) a discount from the tax base, i.e. the deduction of specific amounts of taxable income in the taxpayers' tax base under various conditions within the scope of economic, social, or environmental objectives. These discounts are generally considered to be implemented through declarations
ii) a discount from taxes assumed to be a discount on the calculated tax under certain conditions (Hazine ve Maliye Bakanlığı, 2018)

2.2.3. Tax Refund

Another type of tax expenditure is a tax refund, known as *'tax rebate'.* As mentioned earlier, this kind of practice is not widely used in the literature, and it has been discussed in only a limited number of studies. The tax refund is defined as the acceptance of previouslypaid tax liability for an existing tax liability, with any difference being repaid to the taxpayer (Şen & Sağbaş, 2017; Hazine ve Maliye Bakanlığı, 2018). Even though it is not widely highlighted in the literature, this type of practice has been examined in the fourth chapter of this thesis as a separate section because of its usage in the 19th century Ottoman public finance system.

2.2.4. Tax Deferral

It is a type of tax expenditure in which the calculated tax is postponed for various reasons due to payment in a certain period (Şen & Sağbaş, 2017). In the literature, tax deferral is known as *'postponing payments'*. In contrast to the other types of tax expenditure mentioned above, when tax deferral is applied, the government, as the tax collector, waives the public revenues for a specified period for a specified purpose or purposes. Governments do not perpetually give up tax revenues and postpone the tax collection because of economic, political, social, and various other reasons. Rather, when the specified period expires, the deferred tax is collected unless government litigation or decree further defers for a specified period.

2.2.5. Rate Relief

In the literature, rate relief is variously referred to as *'lower rates,'* or *'preferential tax rates'*. It is a tax expenditure method applied at a lower rate than the 'standard tax rates' for certain taxpayer groups or transactions (OECD, 2010). Under the authority arising from the law or the authority granted by the law, this kind of tax expenditure can be seen as having two components as a reduction in the standard tax rate, or in the tax tariff and an introduction of tax increases of differing rates or amounts for individual taxpayers, organizations, and groups (Hazine ve Maliye Bakanlığı, 2018).

2.3. Importance of Tax Expenditure for Taxpayers and the Government

Tax expenditure that is accepted as a deviation in the tax system results from the abandonment of taxes collected by governments. A tax expenditure is significant not only for the governments that hold the power of sovereignty acting under the compulsory authority but also for taxpayers who are liable to pay taxes (at least, this is theoretically expected). It implies a decrease in the tax liability of taxpayers (an increase in their disposable incomes). For the government, in contrast, it means a potential revenue loss that will be collected by the government in the near future. In today's world, it is obvious that this concept becomes more and more important for both sides due to reasons argued above (Schick, 2007).

In what follows, tax expenditure will be discussed in terms of the government as well as taxpayers.

2.3.1. Importance of Tax Expenditure for Taxpayers

The importance of tax expenditure for taxpayers is stem mainly from the reduction of tax obligations and tax burdens. In this respect, tax expenditure is a practice within the fiscal system that is widely supported by taxpayers. This practice provides some benefits to some parts of society but it does impose a cost to overall society. It is valuable to note here that tax expenditure is at the heart of tax burden debates. These debates run on various concepts such as justice and equality (i.e. the possibility of an unjust distribution in the tax burden). Consequently, it can be said that it attracts great attention from the viewpoint of taxpayers.

These mentioned debates are often shaped in the context of tax expenditure and government spending discussions. Accordingly, in the literature, it is argued that tax expenditure and government expenditure are accepted as substitutes but also co-existing as complementary concepts. They lead to considerable differences in the distribution of resources and social costs in society. Therefore, while government expenditure benefits the whole society, tax expenditure practices, in this sense, is considered as having a more specific position because they enable taxpayers, who are indifferent to the policies put into practice by governments, to be promoted. Accordingly, taxpayers can expect some additional advantages with tax expenditure compared to government expenditures (Schick, 2007). On the other hand, there are also some assessments of the idea that tax expenditure might provide justice in the tax burden. However, there is no doubt that it leads to some rent-seeking activities by existing as a fiscal instrument that special interest groups aim to follow with great importance.

For these reasons highlighted above, governments should publicly disclose tax expenditure reports and other legal documents on a regular basis. This disclose may ensure that tax expenditure is controlled and followed by taxpayers, in addition to helping to increase transparency and encouraging the confidence of taxpayers in fiscal policies. When these reports are shared with other governmental institutions, they also help to promote adherence to policies that are followed by these institutions as well as by taxpayers, leading to enhanced transparency and accountability (Brixi, 2004).

To sum, it can be said that tax expenditure practices are beneficial for particular societal groups or individuals but impose extra costs on the rest of society. Due to these reasons, tax expenditure practices are seen by taxpayers as a matter of great importance.

2.3.2. Importance of Tax Expenditure for the Government

The government, as the tax collector, has the power to influence large areas of society. Tax expenditure should not be considered solely in terms of loss of income to the public administration but also it should not be forgotten that the economic consequences of tax expenditure do not only lead to loss of income. Rather, it should also be kept in mind that it exerts a positive effect on larger areas. In this sense, with the implementation of tax expenditure, it is thought that the government does not only produce general policies in the economic, fiscal, social, and political fields. But at the same time, it is also believed that it provides a wide area of movement to governments by considering the specific objectives (e.g. causing disruptive or constructive effects on market prices by altering the structure of the tax system). In addition to these effects, it is thought that tax expenditure is also important for financing government expenditure by having the lowest possible administrative and compliance costs (Valenduc, 2004). In this sense, it is suggested that governments may take a step towards ensuring these goals through tax expenditure.

Moreover, as emphasized above, tax expenditure is vital for governments that have an essential position due to having the power of sovereignty and being a tax collector, since it is providing a space for action in many areas (e.g. economic, fiscal, political, and social areas). Therefore, it is widely accepted in the literature that tax expenditure is one of the most crucial tools in the implementation of the policies that the government (as tax collector) has implemented or intended to pass through, from economic to social and national security policies (Burton & Sadiq, 2013).

The effect of tax expenditure spreads to a wide range of areas through a country's public finance system, and thereby influences society members. Therefore, to get benefit from tax expenditure practices, the government should periodically compile an inventory of tax expenditure practices within its tax system. Moreover, it should report on the tax expenditure qualifications, legal basis, expected and actual impacts, and possible future costs (Brixi, 2004). It is expected that these reported tax expenditures should facilitate more accurate assessments on the achievements as well as the follow-up of the targeted objectives by using tax expenditure. These assessments also provide essential information to the tax collector.

2.4. Effects of Tax Expenditure on National Economies

The impact of tax expenditure practices on the national economies has a great concern in the existing literature. It is widely regarded that there are both negative and positive effects of tax expenditure on the economy. Put it differently, whilst having positive effects, tax expenditure also has adverse effects on an economy. In what follows, we explain in turn both effects of tax expenditure practices.

To start with Schick (2007), the author explains the importance as well as the effects of tax expenditure on the economic structure by using high or low tax rates. The author also states that the relationship between tax expenditure and economic structure could be a bidirectional and linear manner. The author further notes that the tax expenditure prevalence in an economy is usually related to high tax rates. According to Shick (2007), if the aim is to decrease the size of tax expenditure, tax rate reduction could be the best solution. By contrast to Shick (2007), some authors, such as Brixi et al. (2004) and Tyson (2014), focused on the evaluation of all economic and fiscal structures from the perspective of tax expenditure. They focused on a comprehensive assessment of tax expenditure within the scope of the responses given to the following questions:

i) Does tax expenditure enhance or impede economic efficiency?
ii) Does tax expenditure have a constructive or disruptive effect on the behavior of taxpayers?
iii) Is the tax expenditure fair? Do people with different income levels have an practice according to their capacities?
iv) Is tax expenditure simple and easy to implement when the issues such as calculation of tax liability, fiscal management, and tax evasion are considered?
v) Is tax expenditure open to lobbying? Does tax expenditure get some benefits for interest groups?
vi) How often cost-benefit analyses related to tax expenditure are examined?

To give a proper answer to the above questions, Cavalcanti & Swift (2004) suggest that the first step should be strengthening tax expenditure administration. In this regard, the authors make a suggestion that tax system-related issues such as effectiveness, efficiency, and equality should be resolved, and the costs of tax expenditure should be as lowered as possible.

In a word, it is obvious that tax expenditure has significant some positive and adverse effects on not only taxpayers and but also the economic and fiscal structures of national economies. Within these effects, although the negative effects of tax expenditure are generally dominant, it should not be ignored that its positive effects are also pivotal for countries' economic and public fiscal systems, as will be discussed in detail below.[3]

[3] The positive effects of tax expenditure on the Ottoman public finance system and the Ottoman society are the focal point of the thesis. So, detailed information in this regard is provided in Chapter 4.

2.4.1. Positive Effects of Tax Expenditure on National Economies

The positive effects of tax expenditure on a country's economy can be various. Its positive effects range from social issues to political, diplomatic, and military issues. At this point, Tyson (2014) holds the view that all sorts of tax expenditure practices do not give rise to negative consequences. The author suggests that they could be designed in a useful manner, and thus can be made use of favor of the economy. For example, as stated by the author, through tax expenditure practices, governments can have an opportunity to perform some public services without allocating resources and spending money independently from their budgets. According to this view, tax expenditure practices can be implemented directly in line with the required areas without subject to the budget negotiations. As a result, tax expenditure can provide great convenience in time management and quick responses to taxpayers' demands.

In addition, it is expected that tax expenditure ensures progressive taxation, enables a more effective tax structure, encourages consumption of various goods (including merit goods, providing positive externalities to society), and development of regions or specific sectors. Therefore, as pointed out by Villela, Lemgruber, and Jorratt (2010), there is a wide consensus in the literature on that tax expenditure is expected to have positive effects on the economy. This is because it is believed that tax expenditure can play a crucial role in a nation's economy, particularly in eliminating market failures (Valenduc, 2004) by reducing costs in compliance with the tax system (Marples, 2015).

Besides, tax expenditure can help those who are opposed to the legal system of taxation ─even though they have a personal responsibility for paying their taxes in the tax system─ to be encompassed to the formal economy. Consequently, tax expenditure practices can play a supportive role in reducing the size of the informal economy while increasing the formal size of it. Moreover, tax expenditure provides reduced compliance and administrative cost in relation to ordinary government expenditures. But this depends very much on the numbers of target group associated with tax expenditure and the amount of tax expenditure. Against this background, tax expenditure can be seen as a typically proper instrument for governments in terms of their public finance system. However, it is not a useful tool in case of the target taxpayers' group is very small, and when tax expenditure is subject to various criteria (Valenduc, 2004).

On the other hand, tax expenditure may improve the overall structure of the economy and increase economic efficiency. In this context, Ma (2004) argues that tax expenditure can be utilized to promote entrepreneurs and firms, to create and shape commercial zones, to increase economic output, and to ensure sustainable growth. It is also important to highlight that tax expenditure is benefited to support or prevent imports and exports, to increase investments, to apply external debt and domestic debt, to promote technological development, and to support new investment areas. Notably as emphasized in the recent literature, tax expenditure is widely regarded as one of the most critical tax policy instruments in encouraging research and development (see Valenduc, 2004). By allocating direct resources to research and development, tax expenditure may provide opportunities for enterprises in developing high value-added products.

What is more, tax expenditure can encourage the private sector to be included in various public services offered by the government. Thereby, it may drive up the private sector's productivity (Brixi et al. 2004). The inclusion of the private sector to the marketplace and promoting the private sector through tax expenditure can boost the quality of services. This is particularly the case for semi-public goods (e.g. education and health services), which are demanded by quite large part of society. It is clear that the improvement in the quality of these sectors may also facilitate the development of social life.

Tax expenditure plays an essential role in enhancing social welfare as well. It is an inconvenient idea to admit that all tax expenditure practices are a way of avoiding taxes, as will be discussed in the subsequent sub-section. In fact, as argued by Tyson (2014), tax expenditure practices are a tax policy tool that can be used to achieve a more equitable and efficient tax system. In some cases, tax expenditure can be more beneficial than government expenditures, and thus can make a remarkable contribution to the economic structure. For instance, the services towards society provided by charitable organizations represent a typical example of this. The promotion of social welfare and charitable activities through using tax expenditure is useful in particular for i) increasing the effectiveness of appropriating resources by identifying the needs of these organizations; ii) helping to lower administrative costs for governments by shifting the administration from governmental institutions to other voluntary organizations.

Lastly but least, as claimed by Ma (2004), tax expenditure not only contributes to the national economy, but also plays an essential role in various areas, including solving environmental problems, ensuring the development of social structure, and impacting the political, military and diplomatic fields. So, it would be very useful to look into the concept of tax expenditure from very large perspectives. The case in point is environmental pollution that could be reduced through tax expenditure. Along a similar line, it is possible to promote recycling activities, to facilitate social structure development by various basic needs being met in education, health, housing, and food, to increase social welfare (e.g. supporting families living with disability), and to develop rural areas through tax expenditure. Additionally, as Ma (2004) points out, applying to tax expenditure makes sense in terms of political, military, and diplomatic points. Indeed, tax expenditure practices are an essential tool for governments to promote the media, to support those who are empowered to represent the country or governments, and to encourage the industrial development of required military materials, among many others.

2.4.2. Adverse Effects of Tax Expenditure on National Economies

Apart from the positive effects of tax expenditure, it has also some adverse effects on the countrys' economies. It is highly probable that tax expenditure practices induce controversy in countries' tax systems by providing or disrupting justice, causing complexity, and impacting efficiency and effectiveness.

Despite its positive effects on the national economies, it has some adverse impacts on the economies. Its negative impacts on the economy depend to a large extent on its size and for what purposes it is used. Brixi et al. (2004) itemized that there are signs of the negative impacts of tax expenditure on the national economy as follows i) erosion of the tax base, and a reduction in public revenue; ii) an increased challenge to estimate public revenues; iii) an increased complexity in the legal system owing to increases in the cost of tax law enforcement, and facilitation of rent-seeking activities; iv) an increased challenge to uncover the true size of government expenditure.

As is known, tax expenditure is used instead of public expenditures. So, it is worth noting that in practice, it is difficult to track the actual size of government expenditure (Brown, 2004). This is mainly because it is not easy to track the actual value or amount of tax expenditure in the government budget. Therefore, tax expenditure is frequently referred to as *'invisible loss of tax revenue'* in the existing literature (Ende et al. 2004). On the other hand, it is highly likely that tax expenditure (if it is put into practice for a political purpose) can lead to a significant reduction in tax revenues, as well as widens government budget deficit (Şen & Sağbaş, 2017).

In the literature, there is a consensus over tax expenditure that has some negative impacts on budget and tax policies. This is because it negatively affects transparency, efficiency, and equity of fiscal systems (Villela et al. 2010). Moreover, as frequently argued in the literature, tax expenditure may create problems for the functioning of the government budget. Kraan (2004) explains this under two items:

i) Tax expenditure practices are not included in the budgetary control process so that they may lead to deviations from targeted fiscal rules. This can create negative consequences for basic fiscal policy purposes (i.e. macroeconomic stability, allocation of resources, and income distribution)
ii) In almost all countries, the institution that is responsible for the administration of tax expenditure is the finance ministry. So, this is another factor that increases risks explained in the first item.

On the other hand, there is also a consensus that tax expenditure practices have adverse effects on tax policy unless there is a well-planned tax administration. This reality, originated from poor tax administration, results in a decrease in public revenues, ultimately harming the fiscal structure of governments (Brixi, 2004). Therefore, tax expenditure practices may trigger deterioration in the economic structure (Tyson, 2014).

In addition to the above arguments, tax expenditure practices may negatively influence taxpayers' attitudes and behaviors, resulting in inefficiency in the economy (Marples, 2015). By directing them to non-profitable areas, tax expenditure can alter the behavior of taxpayers, and by implication may cause inefficiency in the overall economy. Besides, it may bring about moral degradation and immoral practices over taxpayers (Brixi, 2004). Therefore, as highlighted by Cavalcanti & Swift (2004) some sorts of tax expenditure implementations are thought to give rise to deteriorating taxpayer behavior, and wastage of resources.

Also, it is often claimed in the literature that tax expenditure practices are practices that allow the governments to make concessions on justice regarding the tax burden. For example, in a progressive taxation case, tax expenditure could be put into practice without taking into account any tax rates or income levels. In such a case, it may turn into a tool that benefits the upper-income groups rather than the general population or the lowerincome groups. Therefore, tax expenditure is open to lobbying activities, which raises an important argument about the influence of interest groups on government policies (Tyson, 2014). These upper-income groups may have privileges to obtain various other longer-term benefits (e.g. cost-reduction or income-enhancing activities) through tax expenditure more easily than through government expenditure in which benefits are more difficult to obtain. Thus, the necessary time and processes for government expenditures are bypassed or not included in the yearly budget process by using tax expenditure. Consequently, the privileged interest groups may have some prerogative to obtain extra benefits when compared to other taxpayers. Inevitably, that can lead to the elimination of transparency, and inefficient use of public resources.

To reduce the harmful effects of tax expenditure on a nation's tax system, and thus to design a robust tax system through tax expenditure, it is proposed that the primary focus should be given on each tax item within a classified system, rather than general practices applied to the whole tax system. Given a classification by the source of taxation, tax expenditure can help reduce both adverse effects and achieve some targeted objectives (Tyson, 2014).

To sum, tax expenditure practices inevitably have some positive and negative effects on the national economies. For this reason, taking all these effects into consideration, governments and policymakers should focus on the practices that provide benefits to a greater society. Also, based on these above explanations, all these effects of the tax expenditure practices have played a significant role in shaping the opinions about tax expenditure in the literature as argued below.

2.5. Main Arguments for and against Tax Expenditure

Indeed, tax expenditure is a highly controversial issue in the public finance literature, stimulating various debates, commonly known to cause support or rejection. In these debates, those who oppose tax expenditure argue that such a practice is unnecessary and tends to harm society. According to opponents, taxes are key revenue for the government.
Thus, taxes should be collected fully and efficiently.

By contrast, those who are in favor of tax expenditure claim that by taking advantage of tax expenditure in the context of economic, fiscal, and social concepts, governments can reach their targets by making use of tax expenditure. Therefore, according to advocators, tax expenditure should be regarded as an alternative or complement to the government expenditure (Schick, 2007).

In the following, tax expenditure will be discussed under two separate sub-sections from the point of view of those who support it, and those who reject it.

2.5.1. Arguments for Tax Expenditure

Tax expenditure practices are an integral part of the tax systems of almost all countries across the world. What we see from these country experiences is that these practices play an essential role in the implementation of the appropriate policies that are compatible with the priorities of tax policy. Because, tax expenditure practices stand out in front of us as an important public finance issue in today’s world (OECD, 2010). This widely stems from the belief that there is no serious and reasonable reason for removing tax expenditure. So, in general terms, tax expenditure practices are broadly considered as a tax policy instrument that contributes to the national economies.

According to the advocators, tax expenditure may help to achieve goals like encouraging the government to measure the taxpayer’s income accurately; changing the distribution of fiscal benefits and fiscal burdens among taxpayers in a balanced manner depending on their ability to pay and promoting socially desirable economic activities. Moreover, they who support tax expenditure state that tax expenditure that deviates from the principles of taxation, particularly from the 'generality principle', may play an essential role in getting better income distribution. However, it is worth noting here that the related literature also holds a counter-view that tax expenditure harms the 'generality principle', as will be discussed below. Nonetheless, the exponents believe tax expenditure practices will be beneficial for the whole society eventually (Marples, 2015). When the issue is looked at from this perspective, it can be safely suggested that tax expenditure might have positive effects at the macro level of national economies.

Apart from the above favorable arguments related to tax expenditure, since tax expenditure emerges from the legal process, those in favor of tax expenditure assert that these legalized practices limit misuse or exploitation by policymakers and taxpayers alike. In other words, because tax expenditure has a legal character, there are legal limits that shape what will be considered in its implementation (OECD, 2010). Therefore, it is often argued that when boundaries of tax expenditure are drawn within the limited framework of legal rules, taxpayers will know that they will be subject to punishment if they have not complied with the law.

On the other hand, in comparison to government expenditure that faces with problems such as *'bureaucracy'*, *'lags'*, and *'cumbersome'* or *'inertia'*, a tax expenditure is a more useful and practical due to not having these kinds of problems. In this sense, it is claimed that tax expenditure practices are more practical than government expenditures (Schick, 2007). Also, due to the fact that today's world is increasingly industrialized and globalized, budgetary discipline needs to address tax expenditure in a more systematic and internationally comparable way to encourage tax reforms. Therefore, tax expenditure becomes more and more important than ever and continues to increase its importance in both developing and developed countries within the context of tax reforms (Craig & Allan, 2001).

What is more, the implementation and follow-up of various public targets can be costly through traditional government spending programs. Instead, however, benefiting from tax expenditure practices can help not only to reduce costs but also to boost efficiency in a nation's tax system. In other words, the spending institutions will not have to make extra administrative efforts to manage a spending related program. Tax expenditure practices, therefore, can be of great importance in terms of lowering the administrative costs that are especially related to taxes subject to the taxpayers' declarations (OECD, 2010). Needless to say, to reduce the administrative costs, tax expenditure should be arranged incompatible with the characteristics of a country (Shi, 2004). In addition to that, Shi (2004) further argues that tax expenditure practices should be designed in a manner that supports critical areas, such as the energy and transport sectors, new and high-tech industries, and environmental protection industries. However, the author notes that, from the perspective of reducing costs for the governments, less support should be given to areas that can be considered as ordinary industrial systems which have relatively lower potential contributions to the economy.

On the other hand, Ma (2004) focuses on how to use tax expenditure practices within the perspective of the idea that tax expenditure per se is not a tax policy tool for the governments. At this point, the author draws attention to the fact that governments can also benefit from various other tools that are available in the current fiscal, economic, and legal systems. Therefore, the author explicitly states that there should be coordination among all these policy instruments. Otherwise, as the author emphasized, a conflict could occur between these policy instruments, resulting in a reduction with the impact of their decisions.

On balance, tax expenditure is a tool that has the potential to be used both in favor of governments and taxpayers. More importantly, tax expenditure may be more beneficial for governments and taxpayers especially when eliminating, or at least, by exercising scrutiny on, the potential disadvantages in the tax expenditure structure.

2.5.2. Arguments against Tax Expenditure

Despite the positive views on tax expenditure as discussed above, various counterarguments suggest that tax expenditure cannot be among the most appropriate tools for achieving government targets. These arguments generally focus on certain subjects such as justice, effectiveness, efficiency, simplicity, and financial responsibility in the public finance system of a country. Among these subjects, considering the claim that tax expenditure leads to injustice, it is claimed that tax expenditure may lead to harmful consequences that may constitute the main problem of unfairness in taxation. This is mainly because of taxpayers who seek to benefit unjustly from tax expenditure.

As far as the scope of the above claim is concerned, there are some sentiments on labor and capital income, with attention drawn to capital gainers' ability to influence the political process for an extra benefit (OECD, 2010). The principal basis of this view, especially as regards capital income, is that the economically-strong capital sector benefits from tax expenditure applied to income from capital rather than income from labor. Moreover, capital income, which in general terms represents the highest share in terms of earnings, is promoted through tax expenditure. Another reason why capital income is benefiting more from tax expenditure is that the capital sector has a closer relationship with taxable events. Considering the complexity of tax legislation, it can be argued that the capital sector can provide more benefits from tax expenditure because of having detailed information in the finance and tax system, as well as benefiting from experts who work in those fields (OECD, 2010).

Meanwhile, it is noteworthy to discuss the claim that tax expenditure may create considerable problems for the economy. A case point is that tax expenditure is used in unproductive and irrelevant areas by the government as part of its objectives (Villela et al. 2010). Trying to ease the pressure of certain company groups that may have a lot of influence, or the objective to obtain the support of pressure groups, and to reach or exceed the potential voting rates by governments are typical examples of such objectives. Tax expenditure may be directed toward these objectives for the interests of specific sectors and organizations, rather than the benefits of the society.

Along a similar line, tax expenditure may lead to unforeseen and unfair gains for some groups within society, rather than the general. According to this claim, in many cases, tax expenditure can encourage people to do what they already do. In this case, the stimulus effect of tax expenditure eventually turns into an unexpected benefit for some specific social groups. Thus, by encouraging various individuals, groups, or sectors, the costs become shared by all taxpayers. At the same time, if a particular sector of the economy is promoted through tax expenditure, it is accepted that tax expenditure may disrupt the decision-making process in the national economy due to resources being redirected to the preferred sector (Villela et al. 2010). So, some groups of society have benefited from this practice but the cost is attributed to almost all segments of the community.

Another issue emphasized by those who expressed their views against tax expenditure is whether tax expenditure practices give rise to social costs (Schick, 2007). In fact, by definition, each tax expenditure practiceis a reason that incurs a cost for the governments. However, this view draws attention to tax expenditure to make a change in the taxpayers' decisions. In other words, if a taxpayer takes a decision as a result of the implementation of the tax expenditure, this decision inevitably creates a social cost. Since all tax expenditure is put into practice in a manner either reducing the taxpayer liabilities and/or increasing disposable income, tax expenditure practices are likely to affect private consumption or investment decisions.

In addition to that tax expenditure causing injustice in the income distribution and negatively affecting investment decisions, there are also some other reasons for being opposed to the tax expenditure practices. This is because tax expenditure refers to a kind of deviations from a certain taxation principle (Schick, 2007; Şen & Sağbaş, 2017). Generally speaking, tax expenditure practices reduce the potential tax revenues that will be generated by the governments. Therefore, a possible decrease in tax revenues owing to tax expenditure practices may lead to tax hikes in other tax items (Villela et al. 2010). Consequently, tax expenditure practices can bring about deviations from the principles of a successful tax system, including efficiency, neutrality, simplicity, certainty, effectiveness, fairness, and flexibility.

What is more, there is another issue raised by researchers who express their opinion against the tax expenditure practices, saying that tax expenditure is not suitable for budget control because of the idea that it is difficult to follow-up tax expenditure in the budget (Schick, 2007). In this respect, it is widely believed that it is challenging to subject tax expenditure to budget control in the same way as government expenditures. In other words, tax expenditure is less strictly-controlled than government expenditures, and this may result in the spread of subsidies and transfers committed through tax expenditure, regardless of its objectives. That also may jeopardize the functions of the budgets and the collection of public revenues that are among the main goals of the tax system.

Also, when comparing tax expenditure with government expenditures, there is a widespread belief that it is more challenging to terminate tax expenditure after the firsttime enactment. Although this claim is not supported by any empirical studies so far, this allegation is raised in response to the feeling that tax expenditure is a way to disrupt government control of the budget (Schick, 2007).

On the other hand, it is essential to estimate tax expenditure accurately and integrate this regarded estimation into the government expenditure documents submitted for the consideration of the budget authorities. Therefore, many countries have included tax expenditure estimates as part of their annual budget. Some countries have also included tax expenditure estimation in the multi-year budget estimates (Kraan, 2004). Due to these circumstances, it is argued that it is more challenging to manage and control tax expenditure rather than that of government expenditures (Villela et al. 2010). Also, based on the assumption that tax administrations do not have sufficient experience in the management, control, and tax expenditure programs, the administrations may challenge to conduct a policy based on the tax expenditure. Moreover, it is thought that tax expenditure is more difficult to control because it contains many kinds of practices and detailed information. So, these circumstances may lead to fraud and even some other problems for taxpayers and governments.

Lastly, apart from these above arguments, another reason for having views against tax expenditure is the claim of deficiencies in the tax expenditure system. Craig & Allan (2001) argued these deficiencies as below:

i. unavailability of adequate data
ii. difficulties in making international comparisons based on tax expenditure because of the diversity of approaches used in tax expenditure estimates
iii. the lack of the general classifications for all countries' tax systems on tax expenditure
iv. two different administrations (central and local government) in some countries and this situation makes it challenging to monitor both administrations' tax expenditure practices, and difficult to conduct a research on the whole tax expenditure system

To conclude, there are opinions against tax expenditure practices based on the negative effects of tax expenditure argued above. There are also some criticisms of using tax expenditure practices as a tax policy tool. It is possible to say that critiques or evaluations of tax expenditure practices are not only restricted to the current public fiscal system. However, there were also some discussions on this tax policy instrument in question in the prior periods in many countries without using the term ‘tax expenditure’. So, in Chapter 4, tax expenditure practices will be discussed for the Ottoman State public finance system. In addition, tax expenditure practices will be argued in Chapter 5 for the public fiscal systems of Britain, Russia, Germany, and France.

3. GENERAL OUTLOOK OF THE OTTOMAN PUBLIC FINANCE SYSTEM

As discussed in detail in Chapter 2, tax expenditure is not a tax policy instrument that is not only being used for today but also it was used in earlier periods. It can be said that tax expenditure was a common tax policy practice in the Ottoman State just as it was in many other countries at that time in terms of both historical evolution and its objectives.

For this reason, in this chapter, it is aimed to examine the Ottoman public finance system from a historical viewpoint. It is believed this would be useful for providing background information to understand well the archival documents on the tax expenditure. As well, types of tax expenditure practices used in the Ottoman State public finance system are discussed in this chapter to find out how tax expenditure was important.

Considering the Ottoman fiscal history, in general terms, it would be useful to divide this long period into two sub-periods. This is because it would contribute to the preparation of the appropriate ground on which a researcher can find an answer to the questions in his/her mind. Besides, it would help the formation of research today by looking at the past. It is believed that this logic would contribute to a research study by providing a suitable ground for it.

Indeed, today, the main controversial point of the research studies conducted on the Ottoman State is how to breakdown the periods. Reviewing the available literature, it can be observed that periodization used in a research study is criticized by another one. Perhaps this is due to the fact that the Ottoman State had a structure that survived for more than six centuries and took control of three continents under its sovereignty across the world. In a word, the periodization of Ottoman history is a problematic issue and thus makes it hard to assess its history in a commonly acceptable manner.

On the other hand, because of this reality and some evaluations about some different terms that occurred in different periods by using the same terms is another problem in terms of periodization. For example, Abou-El-Haj (2018) suggests a distinction in terms of ‘administration’ between the early modern period, ranging from the 14th century to the 17th century, and the modern period, from the 18th century to 19th century. Abou-El-Haj (2018) further points out that there was a significant centralization during the early modern period, which constituted the first period of his dual periodization system, and to thereby, according to the author, the most crucial indicator of this period is the laws of the province, known as *liva or sanjak*. These laws were defined and put into practice by the Ottoman central administration, and the continuation of the existing system, which was applied in the regions joining the Ottoman State either through conquest or peacefully, maintained without exception throughout the early modern period. Towards the end of the 17th century, the introduction of new laws almost ended, especially in the field of public finance as well as an institutionalized and generally stable tax collection system that was replaced with a system that no longer had clear rules. With this new system, it was just intended to generate more revenue from the taxpayer as possible. Moreover, even if there were legal documents regarding taxation, these binding rules set out in these documents were defeated by the desire to collect more income. Abou-El-Haj (2018) takes the view that the series of these mentioned events in the government administration, particularly those related to the public finance system, could be considered within the second period of the Ottoman State periodization.

Alternatively, a periodization is offered by Abou-El-Haj, Pamuk (2011) suggests a four-way classification. He named the period from the foundation of the Ottomans to the last quarter of the 15th-century as the first period. He defined the major characteristic structure of this period as the struggle for sovereignty between two different social structures, the local powers and the devshirme *(devşirme)* civil servants. The period between the last quarter of the 15th-century and the end of the 16th-century was considered as the second period, which is termed as *'classical period'*. In this period, from the land system to the regulation of trade and taxation system, it was accepted that the central government had a profound influence and power on them. As for the third period, it covers the period from the end of the 16th century to the beginning of the 19th century. This period is characterized by economic events, such as changes in inflation, foreign trade, and war technology. All these changes in the economic area resulted in social unrest and the weakening of the central state. The last stage of the periodization, according to the periodization of Pamuk (2011), covers the period spanning from the beginning of the 19th century to the First World War. The main feature of this period was the opening up of the Ottoman economy to the Western world. This opening up in the Ottoman economy also reflected itself in administrative and legal areas.

Unlike the periodizations above, İnalcık (1998) provides a new perspective on the periodization of Ottoman history and establishes a link between human life and the stages of development of societies in his periodization, as presented by leading Islamic philosophers, such as Ghazali, Farabi, Nasır as-din Tusi, Ibn Khaldun. İnalcık (1998) also draws attention to the fact that this periodization, based on the classification by age period (youth, maturity, and old age), was also used by Cevdet Pasha and Mustafa Nuri Pasha in the middle of the 19th century. Meanwhile, it would be worth mentioning here that apart from this periodization, İnalcık (1998) also proposes another periodization based on a triple classification as a period of running the system of land-based on military, fiscal and social institutions; a period of development of local forces within the State; and the balance period between the Ottoman State and foreign states.

Moreover, two new-generation Turkish academics, Özvar (1999) and Genç (2013) bring forward a new dimension to the discussions of periodization. Both academics, first, criticized the old-fashioned periodization conducted for the Ottoman history relied on *'organization, rise, stagnation, decline and disintegration'* and then, they hold a view that the old-fashioned form of the periodization, which considered just the expansion or contraction of military successes and political borders, is insufficient in explaining the reality of the Ottoman State. From these academics, Genç (2013), following the above criticism, suggests a double classification: i) the period from the foundation of the Ottoman State until the end of the 17th century, ii) the period from the second Vienna siege in 1683 until its collapse. However, the other academics, Özvar (1999), differently argues that all the above periodization play an active role in the spread of the argument that the collapse of the Ottoman State has begun since the 16th century. Özvar (1999) goes to argue that this argument comes to the meaning of the dominant paradigm, the evolution of the idea of accepting the superiority of the Western countries over the Ottoman State.

In sum, what we see from these arguments that Özvar (1999) makes an outstanding evaluation of the periodization of Ottoman history and suggests an entirely different classification. In his classification, he emphatically highlights that the Ottoman State should be dealt with and evaluated within the legacy of Islamic history. He goes on his arguments by saying that the Ottoman State-related evaluations should be taken into consideration within Islamic history as well as the idea of being the heir to the Islamic thought, the social-institutional experience, and the agricultural and economic accumulation of Islamic heritage. To support his arguments, he underlines the fact that until the early of the 19th century, the Ottomans were trying to act in line with traditional Islamic civilization. But, starting from this date, they began to deviate from the past. On the ground of this deviation, Özvar (1999) suggests a dual classification, consisting of the '*classical period'* that spans the period until the early of the 19th century and the '*postclassical period'* that encompasses the period onwards.

Considering the evaluations of the academics above, who conducted outstanding studies in the field of Ottoman economics and public finance history, particularly the evaluation by Özvar (1999), he makes a clear difference in terms of taking into account the relationship between religion and government administration. Throughout this thesis, we consider his periodization. Put it differently, this thesis is built on his periodization. So, the thesis aims to examine tax expenditure practices during the 19th century for the Ottoman State.

In light of the above explanations, it can be said that there are four main factors behind the selection of this period suggested by Özvar (1999) in this thesis. So, considering the factors behind choosing the period in question, first, it is observed that there were some changes in economic and fiscal affairs in the sense of westernization. Moreover, new tax practices in public finance systems ranging from types of taxes to tax liability in this period were put into effect. It is also seen that all these developments had a profound impact on tax expenditure practices. On the other hand, the industrialization movement, which launched to spread throughout the world with the Industrial Revolution, became to appear in Ottoman dominions in this period. Considering the importance given to industrialization by Ottoman administrators, the encouragement of industrialization through tax expenditure for both imports of intermediate goods and export manufactured goods, and for the support of new industrial sectors were the second reason for choosing this period.

Thirdly, tax expenditure was also used in this period as it was used previously in the Ottoman State. The implementation of tax expenditure was mainly related to those who had conducted public services such as roads, bridges, or to those who had a triumph in the military. However, as a result of the widespread usage of money in the Ottoman economy - i.e. the monetization of the economy- in the 19th century as well as the increasing idea of the control of the public finance, not only for public revenue but also for government expenditures, the Ottoman administration aimed to abolish tax expenditure, particularly, tax exemptions in return for providing the public service. Although some important decisions in this context were put into effect, the continuation of the mentioned practices within the context of tax expenditure in this period was another factor behind choosing this period that will be focused on in Chapter 4.

Lastly, tax burden, in general terms, had been a significant issue throughout the history of the Ottoman State. However, during the 19th century, the tax burden became further important. Therefore, even today, some scholars, such as Quataert, (2006); and Özbek, (2009; 2012), who studies the Ottoman public finance, criticize the heavy tax burden on the shoulder of the Ottoman society. Moreover, Özbek (2009) takes the issue further and resembles the Ottoman State as a 'cruel' or 'persecutor' state due to imposing a heavy tax burden. Despite this fact that, as will be discussed in Chapter 4, another fact is that the Ottoman administration throughout its history tended to support taxpayers through tax expenditure by which it is aimed to mitigate the tax burden of taxpayers.

Although the focal point of this thesis is on tax expenditure practices during the 19th century, in the sub-sections of the thesis, pre-19th century economic and fiscal situations were also analyzed to ensure a better understanding not only the 19th century but also its tax expenditure practices. Also, in the following sub-sections of the thesis, tax collection methods in the Ottoman State, which have had a number of changes over the centuries, are focused on since analysis of the transformation in the collection methods provided valuable information as regards tax expenditure practices. Moreover, another reason why we concentrate on the pre-19th century in a detailed manner is that this period constitutes the basis for tax expenditure practices and contains valuable information about tax expenditure practices.

3.1. Pre-19th Century Ottoman Public Finance System

Throughout history, it is an observable reality that one of the most critical factors behind the establishment of a close relationship between rulers and ruled in society is taxation. The establishment and execution of this relationship is the central premise of the legitimacy of states. From the perspective of the Ottoman State, in this regard, it is often alleged that this relationship was carried out healthily almost from the beginning of the State to the end of the 16th century. However, during the post-16th century period, the *timar* system—that is a kind of tax collection system in the Ottoman State and at the same time a kind of government expenditure used for military affairs—began to dissolve. So, it is admitted that problems in the taxation system emerged (Darling, 2006). In particular, the control of the *timar*[4] by the administrators, such as the governors and the member of the palace, rather than the ordinary people, was seen as the primary source of these problems. And this change in the control *timar system* adversely affected the Ottoman society, particularly those who live in the Balkans (İnalcık, 2017).

Deterioration of the timar system adversely affected the Ottoman army by failing to fulfill their duties properly by Ottoman soldiers. Consequently, the soldiers became unhappy. They preferred not to go battlefields and not to obey military orders and rules (Barkan, 1979). Over these developments, the Ottoman State decided to employ salaried soldiers in the center of the State. However, both the salaries *(ulufe)* and the *culüs,* a payment when a new reign of Sultan started, used in the training of the army put a significant burden on the Ottoman public finance (Özvar, 2003).

As explained above, since the foundation of the Ottoman State, its public finance system has based on the *timar*. This system enabled military recruitment as well as the regular operation of the land system. In short, the timar was a necessary system in this period not only for raising public revenues but also for government expenditure. For this reason, the conquered lands by the Ottomans were immediately registered, and then the *timar* system

[4] The first archival record about the timar system was extended to the time of Orhan Bey. Also, it is widely accepted that the Timar System produced a significant impact on the military, administrative as well as fiscal and land system of the Ottoman State since its establishment.

was formed in these regions. By doing so, it is aimed to keep control state's expenditure through this system, and the State's budget position generally tended to give

budget surpluses. These surpluses provided adequate funding for other government expenditures. Of course, there were some other factors out of the success in the timar system, like good management in state administration and victories in wars that resulted in overall success in the public financial system. Especially victories in wars ensured both new tax resources through conquered new territories and some extra payments such as either once a year or installments spread to years by foreign states, which sought to establish or maintain a friendly relationship with the Ottoman State (Karamursal, 1989).

However, the Ottoman public finance system started to deteriorate in the late 16th century[5] due to problems such as wasteful use of state expenditure as well as widespread corruption and maladministration. These problems profoundly disrupted the coherence in the Ottoman administration (Karamursal, 1989). Since then essential efforts were put into practice to eliminate these problems. But all these efforts failed. As a result, the Ottoman State continued to move slowly towards the *'inevitable end'* (Karamursal, 1989). Put it differently, all mentioned problems and disorders in the public finance system paved the way for the emergence of social upheavals such as rebellions, uprisings, ending up with the questioning the legitimacy of the State (Darling, 2006).

For example, the debasement (*tağşiş*) of 1585 was a turning point for the Ottoman public finance system. At the same time, in a sense, it was the first sign of the crisis that broke out in the 16th-century Ottoman public finance. It was seen by many that the bright days for the Ottoman State were left behind. Debasement had indeed been applied in the Ottoman public finance system before this period. However, the debasement of 1585 was sharply different from the previous ones in terms of especially its size. This debasement triggered a further deterioration in the Ottoman's public finance. In particular, after the mentioned debasement, debasement became a usual way of financing persistent budget

[5] It is often claimed that the Ottoman State's fiscal structure has started to deteriorate since the end of the 16th century. However, in contrast to this idea, Karamursal (1989) points out that attempting to excavate Volga-Don and Suez channels could still remain the existence of a strong economic and fiscal power in the period of Selim II.

deficits. In other words, financing budget deficits in the Ottoman State through debasement became, in a sense, a general rule (Pamuk, 2011).

Apart from the deterioration in the timar system and chronic debasement practice, increasing monetization of the Ottoman economy also played a negative role over the public finance system. The monetization induced the transition from the in-kind to an incash system in the tax collection. This is because, from the 16th century, the use of money in the Ottoman economy had become widespread and especially the Ottoman peasants could not keep up with this transformation enough. They also experienced serious difficulties in monetizing their products. Moreover, as we reach to the 17th century, the central administration virtually lost its power on the tax collection process. Consequently, the Ottoman administration tried to overcome tax-collection problems. In the end, it found the solution in changing its tax collection system by which a new kind of tax collection system was put into practice, what is so-called iltizam; that is, Ottoman tax farming (AbouEl-Haj, 2018).

So, it should be admitted that the most crucial factor behind applying to the *iltizam* in the tax collection was the failure of the *timar* system. Furthermore, in contrast to the timar system, the iltizam system did not contain any drawbacks. For example, in the deteriorating timar system, a significant amount of the marketable product was consumed by the *sipahi* and its soldiers, and the amount that could be transported to the market was too limited. On the other hand, to carry out their responsibilities, like monetary obligations, to the State and to benefit from the rising agricultural product prices, Ottoman tax collectors *(mültezim)* transported as much as possible of the products to the market by taking the products from the taxpayers (see for further details, Pamuk, 2011).

All the adverse developments that we mention above in the economic and public finance system since the end of the 16th century caused serious social problems and upheavals in the Ottoman State. The Celali Revolts[6] is just one of them. As a consequence

[6] This phrase is used for those who supported Sheikh Celal in Bozok. According to (İlgürel, 1993), Sheikh Celal was not satisfied with the Ottoman administration and the Celali Revolts were become a major problem as of the end of the 16th century. The author continues to say that the Celali Revolts occured in the Ottoman State as a result of external drive in a sectarian struggle, Iran's support for the Shia-oriented Turkmen, and of internal drives in the economic and fiscal problems. During the first half of the 17th century, the Celali Revolts

of this and its similar upheavals, the villagers abandoned their arable lands and they fleed somewhere else from their place. This big event is named as the *'Büyük Kaçgun'* in Ottoman history. Historians accept this big migration as a sign of ending the period of economic expansion in the Ottoman State. At the same time, this event is seen at the

beginning period of economic stagnation and contraction[7], as well as political and social turmoil in the Ottoman State (Pamuk, 2011).

Despite the long-standing deterioration in Ottoman public finance, it should be accepted that the Ottoman State had a dynamic structure that allowed the State to maintain its existence for long centuries. Thanks to this dynamic structure, a solution was found whenever there was a disruption in the State administration. In this context, starting with the foundation of the State, an entire system comprising the land, fiscal structure, and military organization had been designed within a structure so that they supported each other. The basis of the State's continuity, therefore, was seen in wars and the financing of these wars. For this, essential steps were taken in the public finance system not only to follow possible changes in the war organizations that emerged in rival countries but also to finance these changes (Özvar, 2003).

However, when it came to the 17th century, a slowdown and weakness in the functioning of the State's dynamic structure showed itself, putting the Ottoman State in a financially difficult position (Pamuk, 2017). The State could not catch up with the developments in war techniques that occurred in Western countries. This resulted in losing its superiority in wars against its enemies. Negative developments did not limit to this loss. At the same time, the Ottoman State experienced financial difficulties, weakening the Ottoman State's public finance system further (Lewis, 2002).

Within the above the difficulties and troubles by which the Ottoman State face, notably, beginning from the second half of the 17th century, wars were the most important factor that put adverse effects on the Ottoman public finance system. For the Ottoman State, joining

turned to a struggle against the Ottoman administration and opened deep wounds as well as triggered fluctuations in the Ottoman public finance.

[7] As emphasized earlier, this usage is quite common in the literature.

battle with its enemies played a key role in the spread of mentioned problems in the Ottoman State's public finance. These problems triggered the fiscal crisis. Hence, Cezar (1986) draws attention to this fact that and argues that there is a close relationship between financial crises and wars in the history of the Ottoman State. Indeed, wars had an equivalent meaning to taxes during the period in question (Ortaylı, 2009). Losing wars ended up with deterioration in tax revenues.

To overcome these problems, the Ottoman State undertook a number of reforms, especially in military areas. However, it should not be thought that the military reforms were jus made in military service. They covered a broad range of areas, including medical education under the training military surgeons, engineering training for roads, teaching mathematics, and geography in the monetizing economy.

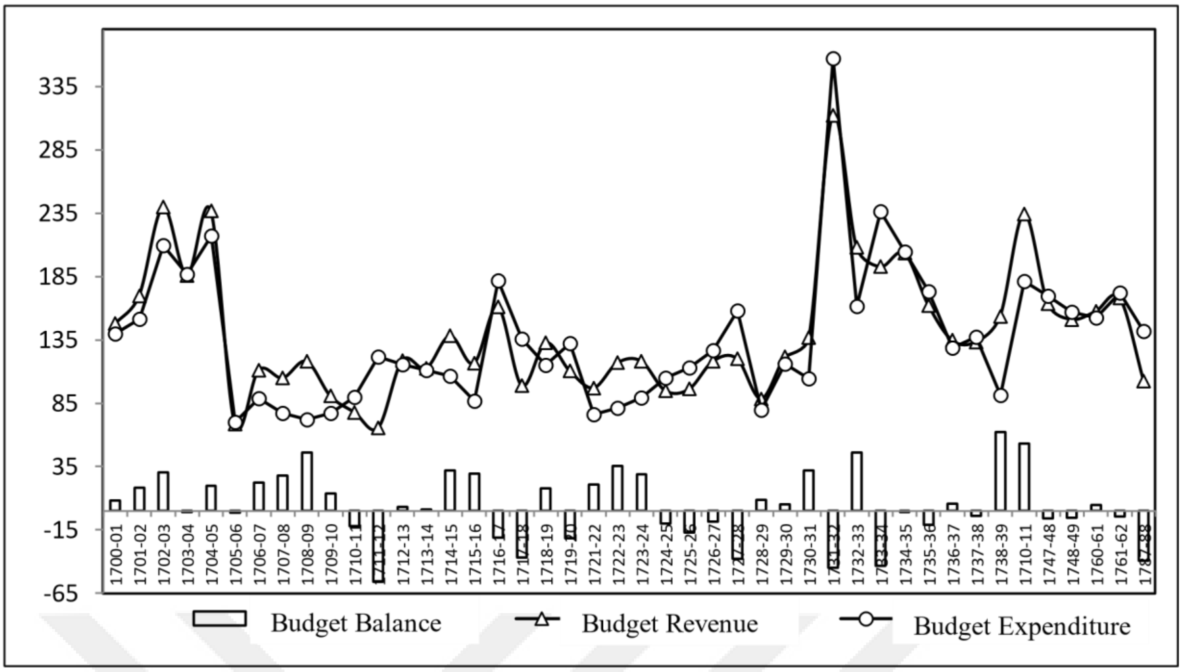
After all these explanations on the Ottoman State, now we can look at the issue of tax collection. After the collapse of the *timar* system and the elimination of the *sıpahi*, the Ottoman State experienced a great depression in the classical land relations and tax collection system. Despite these problems, it should be stated that the Ottoman administration benefited from some rich and influential people in the regions to overcome the crisis and to perform the duty of the *sıpahi*.

However, the disappearance of the ruling class in the countryside represented by the *sipahi* brought into prominence the bureaucracy in the Ottoman State administration and caused the emergence of a new social class composed of people involved in the State administration. Namely, losing the importance of the *sipahi* led to the emerging of a new group in tax collection, which is called *eşraf* and *ayan* in later periods. The collection of taxes by this group now becomes the most attractive job and the member of this group attempted to be in close contact with bureaucratic circles. Consequently, all these developments, as discussed above, paved the way for the rise of a new social group like the nobles or gentry in the society (Karpat, 2017).

As discussed above in detail, the *iltizam* system consisted of the basis of changes in land and tax collection. The radical transformations in the land and tax collection system gave rise to several local uprisings. The prime reason for these local uprisings was the *sıpahi.* To overcome all these difficulties, the government embarked on imposing an extraordinary tax, known as *avarız* (Darling, 2006). Initially, the avarız was a temporary and territorially implemented tax. Later, it became a usual tax. As in the collection of other taxes, when imposing on this tax, the Ottoman State benefited from wealthy people who lived in taxable regions. However, trying to get benefit from these people in taxation resulted in an increase in the influence, power, and wealth of them. So, these 'precious people', starting from the end of the 16th century, gained an effective position and strengthened their power in tax collection throughout the 17th century. They maintained their role in tax collection even throughout the following century. Those people who helped in collecting taxes have started to be named as notables, known as *ayan,* and the gentry, known as *eşraf,* from the 18th century in the Ottoman society (Karpat, 2017).

The rise of *ayan* and *eşraf* in tax collection represented a consequence of a consensual agreement between local groups and the central administration based on mutual interests (Pamuk, 2011). On the other hand, the wars in the 17th and 18th centuries were long-lasting and resulted in frequent defeats and thus they began to create a considerable burden on the Ottoman State public finance. These wars were also effective in the transformation in the rise of the mentioned people. Besides, the Ottoman State lost its influence in almost all provinces, resulting in a considerable decrease in tax revenues. A persistent decrease in tax revenues deepened the fiscal crisis further and further. A deepening fiscal crisis forced the Ottoman authorities to take action to overcome the crisis.

Figure 1: Ottoman State Budget Balance in the 18th Century, as Million Kuruş[8]



Source: Yeşilyurt & Cural (2015). "Osmanlı İmparatorluğu'nda Bütçenin Dengesinin Gelişimi", Afyonkarahisar Üniversitesi İİBF Dergisi, Cilt XVII, Sayı 2.

As a way of solution, the State agreed with notables to overcome the crisis. However, these sorts of measures only provided a temporary solution to the chronic fiscal crisis. As

[8] 100 Ottoman kuruş is equivalent to a 1 gram of gold and 1,10 British Sterling from 1844 to 1914 in the Ottoman State history (Pamuk, 2017). So, tax amounts that are expressed throughout the present thesis can be transformed to gold or British Sterling by using mentioned equivalents.

reported by Pamuk (2011), only during peace in the mid-18th century, a balance could be achieved between the State's income and expenses (see also Figure 1). As shown in Figure 1, in the first half of the 18th century the Ottoman State budget tended to give a budget surplus in general terms. However, onwards the second half of the 18th century the budget balance started to deteriorate, triggering widening deficits.

Overall, the movement from the timar system to the iltizam system in the tax collection is regarded as a turning point in the history of the Ottoman State. At the same time, this structural change in the tax collection system is seen as a strong sign of the decline in the centralized administration. This change also exerted a significant impact on taxpayers in terms of liabilities. However, taxpayers did not remain silent against this change. They choose the way of resisting to the heavy tax burden or asking for help from influential figures in the central administration (Abou-El-Haj, 2018).

As a result of losing the importance of the *timar* system emanated from the mentioned problems, tax collection was carried out firstly through the *mukataa system*[8], which is a type of *iltizam* (Sahillioğlu, 1963). As a word, *mukataa* that was derived from the root of the Arabic phrase قطع (cut) has various meanings.[9] The *mukataa* system is defined as a tax base is calculated based on the legal measures taken by the administrations or some people who were authorized by the State. However, the main point in the *mukataa* system is that it is essential to calculate different amounts for each taxpayer individually rather than by the same rate or amount (Çakır, 2003). The *mukataa* system was not only a system that generates revenue to the treasury but at the same time, it also came into prominence in supporting the development of the public revenue sources and preventing inefficiency in public finance.

On the other hand, the owner of the *mukataa* was called *mültezim, (*Ottoman taxfarmer in English, عامل, or ملتزم in Arabic). *Mültezim* is a tax-collector who collects taxes on the behalf of the state, whereas the *mukataa* refers to a tax collection system through which the affairs of tax collection are usually sold to a person or persons for three years.

But, depending on the requests of the Ottoman tax collectors, alternative collection periods can be arranged such as 6, 9, and 12 months of practice in practice (Genç, 2000).

However, due to some problems arising from tax collection via the *mukataa* system such as the opening of the regions or tax resources for the first time to the *mukataa* system, the lack of willingness for tax-farming, and give up the tax farming by Ottoman tax collectors, as a complementary system, *the emanet system*[10] was introduced for tax collection. However, it should be emphasized here that it was not so common in the practice as much as the *mukataa* system (Genç, 2000). In the *emanet* system, the people who manage the tax collection process were named as '*reliable man',* and they are paid in return for their responsibility or job. They continued to perform their job until a new Ottoman tax collector

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[8] As a kind of tax collecting in tax farming, it is believed that this system was first introduced by Fatih Sultan Mehmed in 1453, following the conquest of Istanbul. However, there is sufficient information on that Osman Gazi was the first who used it in the initial years of the establishment of the Ottoman State. For further discussions on the *mukataa system* see also Çakır (2003).

[9] Çakır (2003) points out that the mentioned word has eight different meanings by showing examples from archival documents. However, in the present thesis, the term *mukata* refers to a type of tax collection system.

[10] The emanet system is a system in which the government officers, named as *'reliable man, emin'*, collect taxes on the behalf of the Ottoman State. They are the experts in collecting taxes. The Ottoman State applied to this system especially in times when the mukata system did not work.

was found, or sometimes, they became a tax collector without the need for finding a new one (Sahillioğlu, 1963).

Over the collapse of the *mukataa* system[11] in 1695, the *malikane system* that is based on the *mukataa* system and known as an improved version of it was put into implementation. Unlike the auction that is included in the mukataa system and that is based on an annual payment to the treasury, the *malikane* system requires payments in advance. This payment was named as *muaccel*, referring to a lump sum payment made by the *malikaneci*, a person who is the owner of a *malikane*. Under this advance payment, securing and increasing public revenues were guaranteed (Genç, 2003). The changes above in tax collection systems were not only intended to increase tax revenues but also it was aimed to carry out a proper relationship between taxpayers, tax collectors, and tax administration (Özvar, 2003). The latter one was also reflected in the proclamation of the *malikane* system.[12] Thus, together with the *malikane* system, it was aimed to give a *mukata* to the Ottoman tax collectors for a maximum period of three years. However, in the meantime, this situation led *mültezim* to exploit tax sources with the idea of the *'maximum profit principle'*. However, this idea caused a deep feeling of the pressure of the *mültezim*

on the producers engaging agricultural sector and thus a decline in agricultural production. To defeat this pressure, the *mukataas* were given a *'self-perpetuating',* or '*kaydıhayat',* authorization for tax collection by which they would responsible for the extension of the period of mukataa so that *mültezim* would be more careful against both the tax resources and taxpayers. With this amendment, as pointed out by Pamuk (2011), short-term leasing contracts were replaced by long-term agreements.

On the other hand, there were also some problems as regards the malikane system that is thought to get benefit in public finance. First, the main expectation behind the transition from the *mukataa* system to the *malikane* system was that because the owners of the *mukataa* *(malikaneci)* had an authority to collect taxes so for a lifetime, so they would kindly interest

[11] The mukataa system continued its existence by the declaration of Tanzimat. However, it is argued that this system was never used to tax collection in the regions within the Tanzimat (Genç, 2003).

[12] Özvar (2003) researched the using areas of the revenues that were obtained through the *malikane system* between 1695 and 1704. The author further argued that these revenues were generally used in war times to finance wars-induced expenditures, such as in food, clothing, logistics, salary of the soldiers and in the repair of fortress.

in tax resources and would not have any negative impact on tax resources. However, during the practice period of the malikane system, it was seen that *malikaneci* did not pay much attention to the efficiency and the potential of the tax resources in the long term. Additionally, many of them did not consider the real separation between the residential areas and *mukataa* places. Furthermore, the collection of taxes based on the *malikane* system was subject to tax farming in the second and third levels. In other words, the people who hired the job of tax collection marketed this job to third group people. All these developments related to the *malikane system* resulted in the rise of a rent-seeking class (Genç, 2000).

Another problem within the implementation of the *malikene* system was miscalculations of the lifespan of the '*malikaneci'.* Subject to the termination of the duties of the deceased *malikaneci* in practice, the Ottoman tax administration aimed to collect tax revenues by turning over regions or products regarding the *malikane* system to another person. However, the expected benefit from the *malikane* system did not realize. This is because the administration not being able to follow the death of the owners of the *malikane* as well as not being able to identify sales to other people before the death of the *malikane's* owners, which were regarded as the fictitious transactions. These deficiencies in the *malikene* system ended up with opening new areas for ruling under the *malikane* system in the later periods (Cezar, 1986).

In 1775, the Ottoman administration introduced the *esham*[13] system, since the State expenditure could not be financed by the current state revenues (Çakır, 2003). As a kind of internal borrowing practice, the esham played an important role in the Ottoman public finance system.[14] As pointed out by Cezar (1986), it was an exciting and original source of revenue in the Ottoman public finance system. The underlying logic of the *esham* system, which was the continuation of the *malikane* system, was to divide the *malikane's* profits into individual shares and sell them to the public from a specific price. Hereby, it was aimed to raise revenue for the Ottoman Treasury.

The people who benefited from this system aimed to have an annual income throughout their life by paying a high price to the *malikane's* profits divided into shares. Initial years,

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[13] A system that is based on *shares,* the plural of the word of *sehm* (share) in Turkish.
[14] Tobacco Customs of Istanbul, called in Turkish *'İstanbul Duhan Gümrüğü',* was the first *mukataa* that was introduced under the *esham* system.

this system went well and provided significant revenue for the treasury. However, in the following years, the system tended to show low performance owing to the free trade of shares between persons. As a consequence, the Ottoman's public finance administration had been deprived of the revenues from the resale of the *esham*, which was constantly changing hands between people and not returning to the tax administration. To compensate for this loss, the Ottoman administration put into effect a new tax on the free trade of these shares between persons named as '*Kasr-ı yed Resmi'* to discourage transactions of the shares between the seller and buyer (Genç, 1995).

Apart from being the subject of the interpersonal transaction, in fact, there were some deficiencies, as will be discussed below, within the esham system. The first and the most objectionable of these deficiencies was that the promised revenues were guaranteed to be paid on an annual basis to the shareholders. For this promise to be realized, the *malikane*, affiliated to the *esham* system, must make a profit and also ensure the continuity of this profit. Otherwise, the *esham* system would create a considerable burden on public finance as well as would negatively affect the public finance of the State (Genç, 1995).

The second deficiency in the *esham* system was the multiplicity of small shares. In this system, it was allowed to divide shares into smaller shares to reach more people. In other words, to increase the public revenues to be obtained from this system and to

encourage the spreading of the *esham* system to the broader taxpayers, it was aimed to cut shares into very small pieces. In particular, the Ottoman women paid considerable attention to these small shares and bought them. However, due to the fact that the shares were divided into such small pieces and the records related shareholders could not be kept in a proper way as well as the similarities with the name of shareholders, the control of these small shares was become more challenging. Moreover, as a result of the lack of structural arrangements needed, especially in the public financial bureaus, the widening of the *esham* system in the public finance system triggered to some drawbacks and problems with regard to these small and numerous shares (Cezar, 1986).

The third deficiency was that the base prices of shares in the *esham* system could not be fully and accurately determined. The absence of a bureau that just focused on the esham system in the central public finance administration can be highlighted as a fourth deficiency, particularly during the early period of the esham system. In essence, the esham system was running by the *Mukataa Department, known as Mukata Halifeliği* but that made the esham system even more complicated. Therefore, it was thought that all these deficiencies could not be overcome with the *Mukataa Department* and its staff, and thus the control and pursuit of *esham* became more difficult. To overcome all these deficiencies, in the end, the *Share Department,* known as *'Sehim Halifeliği',* was established for eradicating all mentioned deficiencies in 1791 (Cezar, 1986).

The last deficiency of the esham system was the duration of the promised profit and/or interest to be paid to buyers of shares (Genç, 1995). Although it was supposed to be paid twice per year or annually, some sorts of payments, such as three or four times per year for some of the shares, made the management of the esham system more difficult, and this adversely affected the Ottoman public finance system.

As highlighted above, the profit and/or interest payments[15], which were not seen as a crucial challenge in the early periods of the implementation of the *esham* system, became a substantial problem for the Ottoman State public finance over time. To overcome these problems that were especially widespread in the years 1790-1791, resulting in a fiscal crisis, an interesting proposal was provided by Serif Bey, who was the head of the

provincial treasury, known as *Ordu Defterdarı,* at that time. Serif Bey suggested that the profits which were previously paid on the basis of the Arab months should now be paid according to the month of Rumi so that the Ottoman State would be able to enjoy a comfortable break by not paying these payments for one year in every thirty-three years (Cezar, 1986).

Overall, Cezar (1986) argues that the major aims behind moving from the *timar* system to the *malikane* system and then to the *esham* system under the *iltizam* and *emanet* method were to close the gap between the de facto tax revenue and potential tax revenues that went up as a result of the increase in current trade volume, rather than focusing on the development

[15] It is important to note here that there is no direct relation between the term of interest used in the archives and the term of interest expressed today (see Genç, 1995).

of production facilities by Ottoman administrations. Unfortunately, as it has been frequently discussed in the available literature, these new tax collections methods introduced transformed the fiscal situation into a crisis rather than being a remedy.

What is more, there are some reasons that played a critical role in the falling in public revenues as increasing in the Ottoman State expenditures. These reasons are the deterioration of the land system, reform and centralization movements in the military field, and the effects of the wars in terms of both lost land as tax source and compensation payments. All these negative developments made it unavoidable for the Ottoman State tax administration to take new steps to overcome current fiscal problems. Tabakoğlu (1985) summarizes these new steps as follows: measures to reduce military expenditures in the absence of wars; deferment of treasury debts; reform in jizya; impose new taxes; confiscations and so on. In addition to these new steps, as argued by Çakır (2012), different policy measures, including increasing taxes, imposing extraordinary taxes, transfer of resources from the inner treasury to the central treasury, the use of debasement like reducing the proportion of precious metals in the coin, borrowing from foreign countries, were also taken to overcome problems about Ottoman public finance onwards the end of the 16th century.

Another policy measure taken was in the area of tax collection methods along with the changing of the treasury system. The sole purpose of this policy measure was to get rid of the crisis experienced by the Ottoman finance system. From the foundation of the State to 1793, both Ottoman public revenues and expenditures were included the treasury that is called *'Hazine-i Amire',* and a single-treasury system was followed in whole types of transactions. When it comes to 1793, the Treasury of *Irad-i Cedid* was established by Selim III and followed by the Treasury of Shipyard *(tersane)* and Grain *(zahire)*. However, with the death of Selim III, the Treasury of *Irad-i Cedid* was abolished, and the other treasuries started to lose their importance. Mahmut II, the successor of Selim III, tried to maintain a multiple treasury system. Under his administration, some other treasuries, like the Treasure of Mukataat, Treasury of Army *(Mansure)*, the Treasury of Rediff *(to keep some soldiers for uncertain conditions)*, the Treasury of Mint *(Darphane)*, and the Treasury of Public Finance, also were carried into effect. Unfortunately, this multiple treasury system could not survive for a longer time and, instead, with the declaration of the Tanzimat in 1839, the Ottoman authorities turned back to the previous system, which is a single treasury system (Cezar, 1986).

To overcome problems in the public finance system, in addition to the changes put into practice in the treasury system, the Ottoman fiscal administration seized the revenues of the waqfs in the 1780s (Cezar, 1986). In 1784, the Ottoman administration, which could not overcome the financial problem despite all measures taken, proposed to get foreign debt, and they prepared reports on this issue. Among them, Hasan Efendi stated that the religion of a country where the Ottoman State borrowed was unimportant since the Ottoman State was in a difficult situation in terms of ensuring the revenue for public finance. Therefore, the most challenging situation was able to provide an income to the State. On the other hand, Süleyman Feyzi Efendi insisted that any country from where the State borrowed must be a Muslim country. Süleyman Feyzi Efendi also argued that it was not convenient to get into debt from a non-Muslim country. [16] Unlike these two statesmen, Hacı Selim Agha put forward the view that he is against all kinds of foreign debt. Hacı Selim Agha also stated that this problem regarding the State's foreign debt could be solved if the statesmen made a sacrifice from their wealth (Cezar, 1986). [17]

While the debates on foreign debt were ongoing, the Ottoman administration tried to benefit from the temporary revenues, which were named *arızi,* to raise public revenues. Moreover, in this period, the Ottoman State administration did not neglect any opportunity to provide additional income to the treasury. Therefore, confiscation was used to ensure revenue to the Ottoman public finance, and there was an extraordinary increase in

[16] For further information regarding arguments about debt and budget in the Ottoman State, see Akdemir & Yeşilyurt (2017; 2018).

[17] There have also been some reports that take place in the British archives on the Ottoman public finance system since the second half of the 19th century (FO 424/585, p.2, 6; FO 198/64, p. 2). The British administration was very interested in the fiscal situation of the Ottoman State to secure the repayment of their loans. For example, in these reports, it is emphasized that policies to increase tax revenues could lead to insurrection (FO 424/585, p. 11). Also, the Imperial Edicts written about the debt agreements made in 1854 and 1871 with the British Government were translated into English (FO, 424/316). See also the National Archives FO, 195/742, pp.1-116) for more detail regarding to the British Ambassadors' views and assessments on the Ottoman State Public Finance. Especially the report written by Lord J. Russell to Sir H. Bulwer, p. 53, October 18, 1860 has been considered be important.

confiscation practices, particularly on the eve of the 1787 war.[18] As a general rule in the Ottoman State, to applying confiscation, the land must belong to a civil servant without an heir. In other words, there must be no person to the inheritance of a civil servant. But this rule was violated during this period (Mardin, 1985). What is more, Cezar (1986) argues that the wealth of well-known civil servants was confiscated before they died, or these people were punished with death to seize their wealth. As a rule, an inheritance with heirs could not seize but this rule was violated, or a portion of the inheritance such as the money and goods was charged with a high tax known as *'muhallefat bedeli'*. Finally, though the confiscation system was applied only to civil servants, Cezar (1986) states that some rich people, such as merchants and *sarrafs*, were also exposed to confiscation. The author also claims that the inherited goods were being seized based on an excuse.

On the other hand, as argued above for public revenues, there were also some significant changes in State expenditures. From the perspective of how tax revenues were spent, it is noteworthy to say that there were substantial differences between the period of the 16th century and the period of the 19th century. For example, in the former period, the revenue was distributed among various provinces within the Ottoman State. However, in the later period, the Ottoman State, which was under a debt-ridden in the 19th century, spend revenues for the necessity of just a few cities, mainly for the capital of the State (Karpat, 2017). Another change in the State expenditure was that there was a significant reduction in civil servant salaries towards the end of the 18th century (Karamursal, 1989).

Interestingly enough, although the Ottoman State was in a difficult financial situation, the State attempted to produce policies with this limited financial force in the international arena. For example, Russia was a significant threat to the Ottoman State and was in wars for many years. So, the Ottoman State gave support to Sweden against Russia.

Even though the Ottoman State's financial situation was in a terrible case, the State pledged financial aid to Sweden. It is noteworthy to argue that this situation could be regarded as financially meaningless but it had an important place in political, military, and security terms

[18] Sayın (2000) reports that the first confiscation took place during the time of Yavuz Sultan Selim and the first confiscated person was *Defterdar* İskender Çelebi. However, the confiscation in Ottoman State was regarded as a disgrace in early periods, then became an ordinary fiscal policy tool in time.

for the history of the Ottoman State. As a condition for financial assistance, Sweden was required to declare war on Russia. However, just before the agreement was signed, Sweden launched a war against Russia and attacked it. At the same time, the Ottoman State failed to pay the promised payment due to the fact that its economic situation was in bad condition as well as in accordance with the second article of the treaty signed between the Ottoman State and Sweden. The second article of the treaty mentioned that '*if the parties end the war and negotiate, the payment will be stopped'* (Cezar, 1986).

On the other hand, it is important to consider the differences in economic development between the Ottoman State and the Western countries to realize the changes throughout the history of the Ottoman State. It is widely accepted in the literature that the Ottomans emerged in a period of strong feudalism in Europe and continued its growth during this period. Throughout the feudalism period, the Ottoman State experienced its most vigorous period. However, the Ottoman state was not able to go on its achievement against capitalist Europe, unlike feudalism. Against the capitalist system, which influenced almost the entire world in this time, the Ottoman State was intensely exposed to the influence of both internal and external dynamics and did not have the opportunity to recover again (Şener, 1990). Despite this view, according to Karpat (2017), at the beginning of the 18th century, the Ottoman State, at the same time with Europe, had the basic social and economic conditions to ensure modernization. However, the author argues that the main drawback of the Ottoman State was the lack of philosophical and political requirements or ideas to support its modernization.

As a result of the mentioned definite differences between the Ottoman and the Western countries, there were lots of reasons played roles to follow and observe the developments in the Western countries through the reforms by the Ottomans. Şener (2007) classifies these reasons as the existence of foreign statesmen in the Ottoman State and Ottoman legations in European countries, and the translation of the popular economics books published in Europe into the Ottoman language and using these books at the
Ottoman's schools. The author also notes that all these reasons were effective in spreading the Western economic thought system in Ottoman dominions. As a consequence, the intellectuals and scholars of the Ottoman State expressed their opinion on the severe

conditions in which the country was. [19] They came up with some new policy recommendations in the field of public finance in particular. It is also known that these policy proposals were addressed instinctively by these thinkers, as well as being written as a result of the demand of the Sultan (Cezar, 1986).

3.2. 19th Century Ottoman Public Finance System

The precautions taken in response to the problems encountered in Ottoman public finance in the pre-19th century were insufficient. So, it was thought that the problems were not merely due to the fiscal system and that a fundamental remedy was needed in all economic, legal, political, and social areas during the 19th century. To realize this remedy, there were some attempts on all the subjects related to these areas; of course, in public finance as well. Mainly, it was emphasized by the Ottoman administration that the State could no longer be indifferent to developments in the Western world, and new steps should be taken under the leadership of the West. Therefore, the 19th century was considered as *'the longest century'* of the Ottoman State due to the fact that the State experienced significant changes and transformations in economic, legal, political, and social areas. Thus, this period is widely accepted as a period of reforms under the heading of '*modernization'* or *'westernization'* (Davison, 1993). However, Abou-El-Haj (2018) and
Özbek (2016) take a critical approach against the view that modernization in the Ottoman State began in this century. Both of them gave examples of modernization practices in the Ottoman State since the end of the 16th century.

On the other hand, considering the 19th century from the point of the political power of the Ottoman State, first, it is extensively accepted that the period of Mahmud II, ranging from 1808 to 1839, was a strong political period. Because the political power was centralized under his control in this period (İnalcık, 1964a). During the Tanzimat Era (1839-1876), the political power shifted from the Palace to the central bureaucracy, and thus the centralization and bureaucratization experienced by the State administration were mostly carried out by the

[19] Among these eminent intellectuals and scholars, we can mention the names of Süleyman Penah Efendi, Tatarcık Abdullah Molla, and Mehmet Şerif Efendi.

Sublime Porte, known as *Bab-ı Âli*. However, in the last quarter of the 19th century, the political power moved back to the Palace with the reign of

Abdulhamid II, and the weight of the Sultan on politics was felt again. It is, of course, possible to see the effects of these shifts in the balance of politics and power, and the consequences of these effects in the arrangements in the field of public finance. For example, from the perspective of public finance, Özbek (2016) argues that there was a rapid development in the Treasury of Public Finance, known as *Hazine-i Hassa Nezareti,* and the Administrations of Sultan Lands, known as *Emlak-ı Seniyye*. The author also claims that the Treasury of Public Finance and the Administrations of Sultan Lands became a significant power in the field of public finance, and this development also explains the direction of these shifts.

It is widely stated in the literature that the idea of centrality was the basis of Ottoman modernization in the 19th century. Also, the primary purpose behind this idea was the aim of control the central administration over the local Ottoman notables *(ayan)* as well as economic resources by creating a new army that is loyal to the Sultan (Karpat, 2017). However, Pamuk (2011) argues that the reform initiated to increase the power of the central government gave rise to a reduction in the control of the central administration over the economy.

Moreover, Özbek (2015) underlined that the 19th century is a period of intense economic competition that existed among the countries. And the Ottoman State was behind Western states in economic competition owing to its economic system based on agriculture. So, especially for the financing of increasing state expenditures due to social changes and transformations, and wars, the author claims that the Ottoman State had no other choice than to increase the burden of the taxpayers. According to Özbek (2015), this tax burden inevitably fell on the peasants in an agricultural economy.[20] Besides, Akarlı (1982) alleges that the tax burden damaged both the taxpayers and the treasury in the Ottoman society. There were also other problems that affected the treasury were wars, corruption, and natural disasters because they caused an increase in state expenditures, expanding the

[20] Similarly, the newspaper The Morning Post alleged that there were differences in the distribution of tax burden among regions (The Morning Post, Wednesday, March 19, 1862).

responsibilities of the State administration in areas such as education, health, transportation, communication, social assistance, and security during this period (Güran, 2006). All these problems have brought more substantial hardships for the Ottoman society.

Özbek (2015) argued that the administration of public finance is the main issue on the agenda of the Ottoman State during the 19th century, and there were essential decisions and regulations put into practice in this regard. In particular, the author draws attention to the collection of taxes, and there were intensive policies introduced in this area from the beginning of the Mahmut II period to the end of the Abdulhamid II period. For example, during this period, the Ministry of Finance made great efforts to ensure that tax resources entered the treasury at the least cost. So, there were important decisions taken to design and organize the fiscal system in the 19th century, particularly during the Tanzimat period. Interestingly, these decisions made to prevent the mentioned problems also played a leading role in the questioning of the regime and the occurrence of regional tax revolts rather than being a solution.

On the other hand, during the Tanzimat Era[21], which was widely regarded as the beginning of modernization in the State administration and the secularization of the State institutions, the Ottoman administration saw the solution of the continuity of the State in the establishment of social unity and administrative integrity. Notably, to provide the establishment of social unity and administrative integrity, the Ottoman administration attached great importance to fiscal matters, in particular. And the administration accepted the establishment of a sound and the regular fiscal system as the basis for the success of all the reforms implemented in other areas (Güran, 2000). Nowadays, therefore, great importance is attached to the Tanzimat period by economic historians because this period corresponds to a turning point in Ottoman history, particularly from the perspective of public finance. There were some arrangements put into practice, especially in economic and fiscal areas, which made that period more critical to examine it for economists and public finance historians (Çakır, 2012).

[21] In a bibliography study on the Tanzimat Era, Çakır (2005) provides detailed information about the studies which are pro and anti Tanzimat.

Another factor that makes this period so important is introducing the policies and institutions of the *'modern government'* or *'western countries'* in the Ottoman State (Öztuna, 2006). In this sense, İnalcık (2017) claims that the main aim behind the proclamation of the Tanzimat was to give an excellent appearance of a uniform government type to the decayed administration of the State. To do so, it was purposed to make the Ottoman State like a European government, based on *'modern principles'*. Thus, the Ottoman administration started to imitate Western states by providing legal equality among the people living in the society, not only to save the future of the State but also to reduce the potential influence of Western states (Davison, 1993).

As argued above, due to the extraordinary efforts of the Ottoman State on modernization or westernization[22], nowadays, great importance is attached to this period. There are outstanding studies about the factors that triggered this transformation in the Ottoman State (see Öztuna, 2006; Karpat, 2017). However, it should be underlined that it is not true to think that there were no steps towards westernization before the Tanzimat Era. However, it is seen that the declaration of the Tanzimat Edict was a turning point in the history of the Ottoman State. Despite this wide acceptance, Şener (1990) claims that, with the proclamation of the Tanzimat, there was no complete tendency to westernization movement within the borders of the Ottomans. Moreover, he underlines that there were some resistance and regulations against the Tanzimat.

In the literature on the Ottoman State, as mentioned above, the Ottoman's modernization is the focal point of the debates which have been continuing today. Karal (1964) says that the main focus of these debates was on whether the driving force of this modernization is the external or internal factors. According to Abou-El-Haj (2018), and Ortaylı (2009), Ottoman modernization started with its internal dynamics rather than external factors. Furthermore, they allege that the modernization process was not limited to the Tanzimat period; on the contrary, this process was based on previous periods. In other words, Ottoman modernization was not a shock effect that emerged as a result of a sudden encounter between the Europeans and the Ottomans. Instead, the Ottoman State had been conducting a

[22] The modernization or westernization was not used in the early years of the Tanzimat period but today it is one of the widely discussed topics in the literature (Ortaylı, 2009).

movement of change and transformation in almost all fields, particularly in public finance, starting from its establishment. It is claimed that the primary reason for this movement was the mutual political and economic interaction between the Ottoman and Europe in the historical process. Moreover, diversity and prosperity due to individuals belonging to the religions of Judaism, Christianity, and Islam, named the Abrahamic faiths, were also other driving reasons behind this movement. Particularly, this diversity and

wealth in the Ottoman society provided the Ottoman people to evaluate space and time differently and enabled them to recognize the world, history, and geography.

However, Ortaylı (2009) explains why the Ottomans followed Europe as a new direction in their modernization during the 19th century as the advanced institutions of the Western states and the high-quality conditions of daily life there, rather than admiring the West. The author also notes that even the most conservative person of this time, Cevdet Pasha, supported the idea of pursuing the Western states in this perspective. Thus, it is widely believed that Ottoman modernization was not a result of force but there was an internal decision. On the other hand, the majority of the modernization movements in other Muslim countries in the 19th century were carried out by some western countries such as Britain, France, and the Netherlands, which occupied or colonized these Muslim countries. Therefore, reforms in these Muslim countries were conducted in a suitable form for these foreign countries' ideas and interests, and also these Muslim countries were subjected to external pressure by them. However, it is highlighted in the literature that the changes in the Ottoman State had a Western effect, albeit in part but these changes took place voluntarily. In other words, it is stated that the changes experienced in the Ottoman State took the place of its own will and interest even if it had some influence from western countries (Karpat, 2017). This claim also put forward by İnalcık (1964a), saying that it was a radical change in the mentality of the State during the 19th century period.

On the other hand, although Abou-El-Haj (2018) presents that the internal factors caused the changes and transformations experienced in the Ottoman State, the author also draws attention to the events that occurred outside of the Ottoman State during the period in question. Moreover, Abou-El-Haj (2018) notes that the evaluations made about the Ottoman without considering events outside of the Ottoman State would be inadequate and incomplete. Therefore, the author suggests that the effects of periodic factors should be dealt with holistically. By supporting this idea, Karal (1964) underlines that these changes and transformations in the Ottoman State were both a result of the demands of the society and the efforts of the Sultan to save the State as well as a consequence of the pressure and direction of foreign states at that time.

From the perspective of the pressure and direction of foreign states on the Ottoman's modernization, it is widely seen that the driving forces in the signing of the Tanzimat Edict are still a controversial topic. The impact of the British Trade Agreement, which was signed in 1838 and known as the *Balta Port Treaty*, on the Tanzimat Edict is the focus of this controversial topic. In literature, it is regarded that the Ottomans did not sign the agreement of 1838, which imposed pressure on the Ottoman State in the economic and political arena, by their own free will. And it is seen as a precursor of the Tanzimat Edict, which would be announced about a year later (Gürsel, 1985). Therefore, it is argued that the proclamation of the Tanzimat was as a result of responding to the demands of states such as England, France, and Austria rather than meeting the needs emerging from the internal factors of the Ottoman State (Özdenören, 1998). Among these countries, especially, England was a country that suggests what reforms should be put into practice, even if it did not directly involve (Dönmez, 2014). Moreover, it is alleged that the general framework of the Tanzimat Edict was drawn up with the advice and suggestions of Palmerston, the British Foreign Minister (Karal, 1964).

Contrary to the above-mentioned views, Ortaylı (2009) takes the view that it is quite difficult to establish a link between the Tanzimat Edict and Balta Port Agreement. Moreover, the author presents that the Treaty was not announced by the Ottoman State as a result of the indoctrination of Western states. Although there was no direct indoctrination or pressure from Western countries, Ortaylı (2009) underlines that the Western states influenced the Tanzimat bureaucracy. It is widely believed that this influence is due to the attractiveness of the developments in the economic, fiscal, social, and legal areas in the European continent, as well as the concerns regarding keeping the Ottoman State in progress against developing Europe (Ortaylı, 2009). Besides, Pamuk (2011) argues that the Ottoman administrators, who signed the Treaty, were not unwary about the long-term consequences of the Treaty.

Therefore, the author highlights that although the Ottoman administrators were utterly aware of the economic and fiscal consequences of the Treaty, they must come to the table under the influence of the extraordinary conditions and the political situations of this period. However, Karpat (2017) interprets this Treaty as a response to British support, which gave great support to remove Mehmet Ali Pasha's troops from Anatolia.

Ortaylı (2009) also points out that the provisions of the Treaty were owing to the Ottoman State's inability regarding bargaining power and its helplessness rather than the ignorance of the Tanzimat bureaucracy. In addition, by the 1838 agreement, the author underlines that England only formalized the situation that the Ottoman State was under England's influence by setting out the situation in writing. On the other hand, Ortaylı (2009) notes that the Balta Harbor Agreement made a positive contribution to the Ottoman State. For example, this Treaty played a vital role in providing public revenue to the State by eliminating smuggling activities, which were among the illegal activities and reduced the State's tax revenues, and in controlling of customs duties.

The main purpose of foreign states to influence the Ottomans with the agreements and reforms was to try to shape the Ottoman's policies. These foreign states penetrated deeply into the daily life of the Ottoman society with some concepts such as equality, justice, and freedom. In other words, the reforms and modernization movements put into effect in the Ottoman State were shaped according to some terms such as equality, justice, and freedom without the religion in this period (Hamlin, 1877).[23] The Ottoman State managed its reforms and modernization movements under the effect of these terms to pursue the Western norms, mostly arose after the French Revolution, by eliminating the legal, political, and economic rules based on Islamic principles applied in the Ottoman State. Considering the content of the changes conducted in this period, İnalcık (1964a) says that all the mentioned goals were achieved. In this context, the Ottoman administration shifted from the divine source to the human resource (Dönmez, 2014).[24]

[23] However, it would be a deficient assessment regarding that these terms did not exist in the Ottoman State throughout its history. It is because equality and justice were among the most important concepts of the State, especially in the context of public finance system.
[24] The author further mention that the mentioned shifting also played a crucial role in interfering with the Ottoman internal affairs by Europe, in particular by Britain.

To put it another way, the reformation movements that were started with Tanzimat in the Ottoman administration gave rise to fundamental changes in the State administration. Therefore, Tanzimat modernization deeply differed from the 17th and 18th-century modernization. In a sense, by doing so, it is widely seen that the Ottomans took a step into the new world order based on the Western norms (Gökbilgin, 1967). Moreover, there is an assessment on the Tanzimat Edict that its effect was not only limited in the past but also its effects continue to be felt even today in Turkey. So, it is believed that Tanzimat was a milestone and a turning point in the history of the Ottoman State (Ortaylı, 2009). However, Cezar (1986) prefers the term *'the beginning of the end'* about Tanzimat. According to Cezar (1986), with the proclamation of Tanzimat, the reformation movements applied during the periods of Abdülhamid I, Selim III, and Mahmut II gained a different dimension. And the reorganization movements in the Ottoman State entered a new phase that relied on the Western norms.

Overall, within all these discussions, the Tanzimat Edict that was declared on 3 November 1839 aimed to introduce a new management approach, especially in public finance. And there were some necessary arrangements put into effect. From the year 1839 until 1876, which was considered as the Tanzimat Era, there were crucial arrangements in public finance administration, such as in budget, fiscal law, debt, and taxation, which constitute the sub-components of the public finance system (Şener, 2007). For example, ensuring justice in taxation, elimination of the iltizam, preparation of the budget, the idea of all government revenues being included in the budget, and expenditures making the budget, became more critical in the Ottoman State public finance system (Sayın, 1999; Çakır, 2012).[25] In this respect, changes in the Ottoman fiscal mind, developments in fiscal administration as well as in taxation and taxpayer's reactions to these developments in this period are discussed in the following part of the thesis. As can be seen from the below discussions, there is a close relationship between all these developments and tax expenditure at this period. Furthermore, these discussions pave the way to argue the mentioned topics in the fourth chapter of this thesis.

[25] In a report written in 1897 by British diplomat Sir Philip Currie, it was argued that the factors behind the budgetary disclosure of the Ottoman fiscal system were to reduce the influence and interference of Europe on reforms. In addition, it was mentioned in the report that the Ottoman State intends to give confidence to foreign countries in order to find suitable financial resources (FO 424/318, p. 3).

3.2.1. Changes in Ottoman Fiscal Thought

Tanzimat, first and foremost, made the changes in the Ottoman fiscal mind structure, influencing adversely the old practice based on the Islamic rules. Çakır (2012) argues that the explicit characteristics of the Tanzimat Edict and its effects during this period were both the establishment of legal order according to a new understanding and the adaptation of the Western thought as a pioneer by abandoning the old thought structure. In this context, the customary and religious jurisdiction, known as *şer'i*, existed in the preTanzimat period was abandoned in the legal sense. And within the context of the laws taken from the West, it was beginning to open the institutions based on the secular legal system in this period. Consequently, the transformation in the field of law also affected the

economic and fiscal spheres in the Ottoman State. Thus, a mentality transformation occurred in these areas (Sayın, 1999). For example, the most crucial change in the Ottoman public finance as a result of the Tanzimat Edict was the introduction of *'ancemaatin' tax,* known as *komşuca alınan vergiler* in the Turkish language. With this change, all the customs duties were abolished, and they were merged under the title of *'ancemaatin' tax* (Güran, 2000). [26]

In fact, it is alleged that there were no radical changes as the basis of the necessary transformations with the declaration of Tanzimat. On the contrary, the Ottoman bureaucracy just aimed to transfer Western laws and institutions to the Ottoman State to follow the economic, fiscal, and technological developments experienced in Europe (Çakır, 2012). It is widely argued in the literature that although some successes were achieved with these changes in this period, there were new problems that emerged in the Ottoman society to led to social troubles in the long run. In other words, İnalcık (1964b) puts forward that the desire to establish a new system in the fiscal administration of the Tanzimat period resulted in frustration. These changes also caused disorder by disrupting the previous order and all these situations led to severe riots in the Ottoman society. Furthermore, Davison (1993) also

[26] Süleyman Sûdî, in his study *Defter-i Muktesid*, presented the similarities and differences between the customary and religious taxation existed in the Ottoman State tax system. This study is widely accepted as one of the most important work on the Ottoman public finance history written in the 19th century.

presents the same claim, adding that these changes facilitated the intervention of European states to the Ottoman State.

From the perspective of the legal basis of the Tanzimat Edict, there were many legal texts put into practice in some forms, such as the regulation *(nizamname)*, the enactment *(kararname)*, the specification *(tarifnameler)*, the charter *(imtiyazname).* So, critical bureaucratic arrangements had been carried out by these legal documents (Çakır, 2012). As can be seen extensively in chapter four, among these legal documents, regulations constituted the basis of tax expenditure in the public finance system. Thus, these regulations play a crucial role in introducing tax expenditure practices. In addition, all these arrangements were continuously amended at later periods, and thus they were either rearranged or repealed. As a result, all these re-arrangements in the legal documents not only show us the rulers of the Ottoman State desired the best and beneficial policies for the

State. But also, these re-arrangements made clear that Ottoman rulers were unsuccessful in achieving the mentioned goals.

On the other hand, considering the changes in the Ottoman public finance system, the Tanzimat era was seen as a pivotal stage in the Ottoman finance history, because it caused a change of mind in the traditional Ottoman tax system (Şener, 1990). This mental transformation displayed its impacts, especially on public revenues. As a result of this mental transformation with the Tanzimat, Quatert (2002) notes that there was a significant increase in the revenue of Ottoman finance. However, he also points out that this increase in revenues was attributed to the decrease in the portion of the income of the intermediary groups.

As opposed to Quatert (2002), Özbek (2015) argues that the reason behind the increase in the revenues was the use of the gendarmerie's, known *asakir-i zaptiye*, in the tax collection. Moreover, the author claims that the Ottoman administration benefited a way containing '*violence'* in the tax collection since the tax collection was taking place among the primary duties of the gendarmerie as in the regulations regarding the responsibilities of the gendarmerie. In this context, Özbek (2015) alleges that the collected tax in the Ottoman State was lower than that of France and England despite the practice of tax collection supported by the gendarmerie. The author explains this difference between the Ottoman State and other countries within the economic development of these countries, trust in the government and its institutions, and social consensus existed in these countries.

Moreover, it is pointed out that there are other reasons, such as the increase of new areas opened to agriculture, and the spread of means of transport through technology and its impacts on the economy, behind the increase in revenue in the Ottoman State (Özbek, 2015). However, Akarlı (1976) notes that those explanations were not enough to explain the increase of the State revenue. The author also argues that international trade developed against those countries whose economies were based on agriculture. So, the source of the increased public revenues in the Ottoman State was the result of the unjust distribution of tax burden in the society in this period.

In short, considering the impact of the Tanzimat on the Ottoman mind structure, although the Tanzimat led to a partial success in economic and fiscal matters, it gave rise to a significant break in the structure of the fiscal mind. Mainly, this period corresponded to a change especially in terms of moving away from the religion-based structure to follow other foreign countries, especially Western countries. As a result of this movement, it is possible to see the effects of the Tanzimat on tax expenditure by abolishing tax expenditure practices in this period. There were many arguments and examples regarding the abolishing tax expenditure in the Ottoman Archives as well in the British Archives. In the fourth part of this thesis, there is a wide range of discussions on this subject.

3.2.2. 19th-Century Reforms in Ottoman Fiscal Management

Changes in perception within the Ottoman Fiscal mind inevitably affected the fiscal administration in this period. So, the second issue that is considered as the change in Ottoman public finance as a result of the Tanzimat Edict is the changes in the Ottoman fiscal administration. As mentioned before, in the late 16th century, the system of *timar*, which had an important position in the collection and consumption of taxes, was disrupted. This disruption also affected the result of wars because it made it challenging to gather soldiers regularly in wars. On the other hand, the gathering of land in specific private hands, particularly in the Anatolian region, caused the emergence of a new group in the

Ottoman society. Ortaylı (2009) argues the impact of this group on the society continued in the following years. This is because this group ensured the security of Anatolian towns and provinces as well as being the place that people sheltered from burdensome taxes and thugs.

A similar transformation occurred in Anatolia also took place in Rumelia after the failure of the siege of Vienna II. The problems regarding the security and public finance issues such as taxation in the cities were overcome by the *ayan* and the *eşraf*, who were local Ottoman notables, in this region. All these situations revealed that there were changes in fiscal administration, particularly in the tax collection. For example, Gökbilgin (1967) argues the way of the relationship between the Sultan and the grand vizier to demonstrate how a radical change was being taken place in the State administration and fiscal management in this period. In the Classical period, for instance, the superiority of the Sultan was dominant like *'it is my order'* and *'it is law'*. However, mainly during the Tanzimat Era, there was a change such that *'everyone can freely say what he knows'*. As a result, the power of the ministry established during this period was extended and disobedience against the Sultan, in some cases, became more frequent.

On the other hand, there are such ideas as the economic and fiscal situation of the Ottoman State could not keep up with the modernizing world, and economic relations with Europe were developing as a disadvantage for the Ottoman State since the 18th century. It is widely believed that the main factor behind these ideas was the presence of localized forces in Rumelia and Anatolia. To overcome this problem and to determine tax resources accurately and collect them regularly, a new form of organization was introduced in this period. Although in almost every period of the Ottomans, local administrators were consulted and ordinary people widely used their help, the relationship network between the Ottoman State and local administrators was institutionalized since the 1840s (Ortaylı, 2009).

In addition to this institutionalized relationship, it was aimed to introduce the changes by the Tanzimat Edict in all parts of the Ottoman State. But the Tanzimat Edict was implemented in some specific regions of Anatolia and Rumelia rather than the general dominions of the State. In other words, the Tanzimat rules just were put into practice in certain areas, which is named as *'pilot-scheme'* today. Thus, the reforms of the Tanzimat Edict were implemented at the micro-level. Then as a result of positive or negative feedbacks by these certain areas, these reforms were amended according to the feedbacks (Şener, 2007). However, the regions where reforms were put into effect did not remain fixed. And these areas where Tanzimat was applied expanded with time. For example, it started to be implemented in 1840 in Cyprus, in 1845 in Malatya and Erzurum, in 1848 in the eastern part of the State, in 1849 in Bosnia (Şener, 2007).

During the 19th century period, various councils and commissions regarding taxation were established in the field of public finance. The determination of new taxes and the regulation of existing taxes were the primary duties of these councils and commissions. It is possible to list these councils and commissions that played a crucial role in designing the Tanzimat reforms as the Assembly of Accounting Finance *(Meclis-i Muhasebe-i Maliye)*, the Assembly of Accounting *(Meclis-i Muhasebe)*, the Finance Commission of Reforms *(Islahat-ı Maliye Komisyonu)*, the Assembly of High Treasury *(Meclis-i Âli-i Hazain)*, and the Court of Accounts *(Divan-ı Muhasebat)*. Additionally, the Assembly High Judgments of the Court (Meclis-i Vala-yı Ahkam-ı Adliye) played an important role in shaping the

Tanzimat reforms (Şener, 2007).

For example, as a result of the decision of these councils and commissions, *muhassıls*, defined as a tax assessor, was tasked to implement the regulations in fiscal administration during this period. However, there are some complaints and disagreements to the administration center of the State concerning *muhassıls* that they gave rise to some problems in the course of conducting their duties (Efe, 2015). Therefore, Anatolian and Rumelia Inspection Committees were established to examine these complaints on-site and to observe the developments of the Tanzimat. So, Çerkeş Mehmet Efendi was appointed as the Head of the Anatolian Inspection Committee, and Arif Hikmet Efendi was assigned as the Head of the Rumelia Inspection Committee (Çakır, 2012). Moreover, both the Muslim and non-Muslim representatives were invited to Istanbul to assess the changes made by the Tanzimat administration. And the opinions and assessments of these people on changes were taken into consideration by the Tanzimat administration (Şener, 2007).

At the same time, a ten-item instruction was prepared regarding the duties of the Anatolian and Rumelia Inspection Committees in this period, including why Tanzimat was proclaimed, what is the aim of Tanzimat, which rules the Tanzimat councils would be

shaped, how to do the inspection. From the point of taxation, article 7 of the instruction noted that it was necessary to pay attention to the taxes to be taken in a region to be determined according to the development of the area as well as the ability to pay of local people. Particularly, importance was given to regulate the taxes that exceed the ability of taxpayers (Çakır, 2012). On the other hand, the inspection committee also organized some activities such as meetings and read the Edict of Tanzimat to answer the questions of both the local authorities and the public. In all regions, these activities were performed in demonstratively, and there are announcements made to ensure people gathered. In case of weather conditions were not suitable for these meetings, these meetings were postponed
(İnalcık, 1964b).

The Inspection Board, which was responsible for investigating the events occurring in the regions where the Tanzimat applied, presented the problems, which they faced in the region, to Istanbul in their reports. These problems are mainly related to local assemblies, tax assessors, taxes regarding the property, real estate, land, and dividend as well as loans and grants (Çakır, 2012).[27] Considering problems in the field of taxes, these problems were generally experienced during the collection of taxes and imposing new taxes. Based on these two fundamental reasons, there are some examples that some taxpayers did not pay their taxes. As a result, some social upheavals were experienced due to the inequalities in taxation. However, these social upheavals were not always caused by injustices in taxation. At the same time, some evil people took part in these social upheavals. These people aimed at disrupting the order in social life, particularly in the Balkans and where the Armenians live. For example, based on the Ottoman archives, Çakır (2012) investigates the reasons behind some social upheavals such as in Burdur, Ayaş, Yalvaç, Towns of Denizli, Niş Region, Edirne, Island of Marmara, and Vidin.

As mentioned above, Tanzimat Edict made a change in the tax collection system, abolishing the *iltizam* system, instead of introducing the muhassıl system, also known as the tax assessor system, the muhassıl system is defined as the collection of taxes by the hands of civil servants and this system lasted between 1840 and 1842. The main aim behind to implement the muhassıl system was to ensure the collecting of taxes based on the ability to

[27] For details of these problems, see also (Çakır, 2012).

pay of taxpayers that brought by Tanzimat (Özkaya ve Akyıldız, 2006). The achievement of this aim was considered to be closely related to the soundness of the processes of the registers *(tahrir)* in the regions where Tanzimat was applied. In this system, tax assessors produce these registers, by recording the name and reputation of everyone and their wealth and possessions like real estate, land, animals or if they were traders or artisans, how much income they earn in a year, and so on (Güran, 2000). Since the success of Tanzimat was seen in the success of these tax assessors, the Tanzimat administration benefited from those who had knowledge and skills in the selection of tax assessors. At the same time, law enforcement officers were utilized to support tax assessors in tax collection. Also, during this period, some owners of the old *timar* were assigned as gendarme to help tax assessors in the tax collection (İnalcık, 2012).

Therefore, it is widely seen in the literature that the tax assessor system had played a leading role in the achievement of the Tanzimat Edict. However, this practice did not last long, and there were dissatisfactions in society as well as in the administration regarding the muhassıl system. As a result of these dissatisfactions, many tax assessors were either replaced or dismissed. Even in some regions, as in the case of Hilmi Efendi, who was the tax assessor of the Tokat, these dissatisfactions became a social problem and caused an uprising (Şener, 2007). Therefore, the tax assessor system could not provide what was aimed, and a return to the *iltizam* system was inevitable. However, Ortaylı (2009) argues that the crucial factors in the return to *iltizam* were both the vast area of the Ottoman State and the incompetence of finance officers during this period. There were also some sincere efforts to remove the *iltizam* system after the Edict of Reform (1856) and the subsequent process but the *iltizam* system that was a deep-rooted practice continued throughout the history of the Ottoman State.

As result, considering the factors that undermined the tax assessor system, the influence of the *mültezims,* who lost their income source, and the impact of those who benefited from tax expenditure practices were the first factor (Engelhardt, 2017). The authority complexity and authority gap between tax assessors and governors in the administration were the second factors behind the failure of tax the assessor system. A significantly high increase in the Ottoman State expenditures due to giving the power of collecting revenue as well as the authority to make expenditures to tax assessors were the third factors behind this failure. Lastly, the Ottoman administration faced the problem of a lack of personnel during the tax collections. For example, the difficulties in collecting the Islamic tithe, known as *aşar,* due to problems as a result of lack of personnel gave rise to unrest in the society as well as in public fiscal management. So, the tax assessor system was abolished in 1842 (Efe, 2015).

With the proclamation of the Tanzimat, the charitable foundation, known as waqf, was another area in which essential changes were made in the fiscal administration. As a result of this change, the collection of revenues of the waqf was registered to the Ministry of Finance, and thus the revenues of the Treasury of Evkaf were included in the revenues of the Ministry of Finance (Cezar, 1985). Undoubtedly, this was an important factor in the increase of both the revenues and expenditures of Ottoman public Finance. At the same time, as it is known that each group in the classical period of the Ottoman State was represented by their leader regardless of being a religious or social group. They were also directly responsible for their organization of the order, the allocation and collection of taxes, and the management of relations with the Ottoman State (Karpat, 2017). However, these responsibilities and other roles were started to carry out by the fiscal administration as a result of the institutionalization of fiscal administration in the Tanzimat period.

On the other hand, during the Tanzimat Era, the Ottoman bureaucrats made some analyses, criticisms, and suggestions about the fiscal arrangements that were put into practice in this period. For example, among these bureaucrats such as Mehmet Sadık Pasha, Abdüllatif Suphi Pasha, Mustafa Fazıl Pasha, Ahmet Cevdet Pasha, Mustafa Reşit Pasha, Keçecizade Fuat Pasha did not only came up with opinions on the Tanzimat Edict. But they also expressed their views on the Reform Edict, which was announced in 1856. So, they made comparisons between these two important edicts (Çakır, 2012). Those bureaucrats stated that the fiscal situation of the Ottoman State worsened as a result of reforms introduced with the Tanzimat Edict. They categorized the reasons for this worsening as the existence of an unsuccessful borrowing policy, implementation of the wrong monetary policy, and the lack of specific tax policy. They also discussed that all these reasons inevitably gave rise to a fiscal crisis that spread over the economy in time. These bureaucrats,

who believed in the necessity of reforms that focused to a large extent on the fiscal field in overcoming all these problems, itemized their solutions as follows
(Çakır, 2012):

i. to embark on new fiscal reforms that are necessary,
ii. to follow-up a new monetary policy,
iii. to make necessary regulations in the public finance administration,
iv. to prepare a comprehensive public budget,
v. to establish fiscal assemblies,
vi. to change the collection method of the Islamic tithe,
vii. to remove the *iltizam* system,
viii. to improve tax and customs policies,
ix. to undertake debt consolidations,
x. to increase public revenues

In short, they emphasized that effective public finance administration should be established. In addition to the mentioned explanations of the bureaucrats of this period, there were also some thinkers who lived and were taught under the influence of the Tanzimat. These thinkers made assessments about the reforms introduced in this period, and thus the new fiscal policies were introduced as a result of these assessments. Some of these thinkers organized under the leadership of Ali Suavi, Namik Kemal, and Ziya Pasha, called the New Ottomans, or the Young Ottoman. And they conveyed their views through the newspapers such as *Muhbir*, *Ulûm*, *İnkılap*, and particularly *Hürriyet*. Especially, the New Ottomans made direct and harsh criticisms of the Ottoman State executives of the period through Hurriyet Newspaper, which was published from abroad (Şener, 2007). For example, in *Hürriyet Newspaper*, this group mainly criticized the following subjects
(Çakır, 2012):

i. effects of Tanzimat and Tanzimat bureaucrats on economic life
ii. the intervention of the foreign countries on Ottoman public finance
iii. the inefficiency of fiscal bureaucracy
iv. injustice in taxation
v. the inaccuracy of applied fiscal policies

vi. thoughtless external borrowings that were not under the control
vii. unhindered increase in budget deficits
viii. fiscal crises
ix. waste in State administration
x. effect of paper money, known as *'kağıt para',* on economic and fiscal life

However, despite the above-mentioned criticisms and intensive regulations in fiscal administration, modernized bureaucratic institutions existed together with the traditional bureaucratic institutions in the Ottoman public finance system. The incompatible relationship between these two institutions could not be fully eliminated until the end of the State (Cezar, 1985). For example, there were some officers who were responsible for tax collection as well as performing the other different tasks like as a law enforcement officer. The Ottoman constabulary-officials for public order, known as *ihtisap nazırı,* were shown as the most basic example of this situation (Ortaylı, 2009).

As a result, there are important regulations within the Ottoman public finance system, especially in fiscal administration. However, despite all these regulations, the Ottoman administration did not find a sustainable solution to fiscal administration. It is alleged that the involvement of landowners in local assemblies established to facilitate close monitoring of financial issues is the fundamental factor behind the failure of the reforms introduced by the Tanzimat in the fiscal administration. This group noted some decisions against the peasants in many affairs, ranging from preventing the removal of the *iltizam* system to compulsory work. Therefore, this group remained a problem in the development of daily peasant life (Ortaylı, 2009). What is more, İnalcık (2017) provided some other reasons, such as public and civil servants' bigotry and insecurities, and intense conflicts of interest, regarding the failure in the fiscal administration. Supporting these reasons, during the Tanzimat period, as a primary indicator of the failure of the Ottoman State in the fiscal administration, the frequent change of finance ministers in this period was noted. It is striking that the average working years of the ministers of finance in this period did not reach one year.[28] So, the average working years of the ministers of finance were shown as an explicit

[28] At that time, the experience and knowledge of the newly appointed finance ministers were used to discuss and used to make comments on whether these appointments were appropriate in the British newspapers (see The Morning Chronicle, Thursday, January 3, 1861).

and main example of the reason behind the idea of failure in fiscal administration (Pakalın, 1978).

3.2.3. 19th-century Reforms in the Ottoman Taxation System

The third of the changes introduced in the Ottoman public finance system during the Tanzimat Era was regarding taxation. These changes in this period can be listed as the elimination of existing taxes or collection them under a single roof by using a new term, the introduction of new taxes or changes in the ratio of existing taxes, the alterations in the tax collection method, and the changes on taxpayers and their responsibilities.

Considering these changes that were introduced within the proclamation of the Tanzimat, the first one of the changes conducted in the taxation was the combining of the customary duties, known as a traditional tax and collected since the foundation of the Ottoman State, into a single tax. In other words, the combination of non-religious taxes under a single term by using a new concept was among the most critical changes in this period. It is because the diversity of taxes with different kinds as well as names was a severe problem in the pre-Tanzimat period. To end the tax diversity in the tax system, all taxes named traditional taxes known as '*örfi vergiler' in the Turkish* were abolished in 1840. And all these taxes were now collected under the name of *'ancemaatin tax'* or as used in the Ottoman archives as *'tax'*. It is also noted that this usage was named with a new form from the period of Abdulhamid II as 'neighborhood taxes', also called *'komşuca*

alınan vergiler' in the regulations (Şener, 2007; Çakır, 2012).[29] Along with this change, it was started to generate the records as the cadastral record books, also known as *tahrir defterleri.* And then a proportional tax was imposed on real estate, land, animals, trade, and dividends. Thus, it was aimed to collect taxes according to the ability to pay of taxpayers (Güran, 2000).

[29] In some archival records, however, it is reported that just before the declaration of Tanzimat, this new definition was used to determine the aggregate amount of traditional taxes from which a region was responsible to be collected within a fiscal year (Shaw, 1985). But, looking at the literature, we see that there are widespread opinions about that neighborhood taxes that were put into effect with the Tanzimat.

It is thought that the main reason behind this change was to generate a simple tax system by eliminating the wide tax diversity in the Ottoman tax system (Sayın, 1999). In this new system, the distribution of the taxes was the same as used in the previous system. It is also claimed that there was no radical change in the amount of tax to be collected. However, from the perspective of the tax burden, it was forbidden in the new system to ask taxpayers for the various costs in addition to their taxes. Thus, it was aimed to alleviate the tax burden of taxpayers (Şener, 1990). By doing so, the Ottoman administration tried to ensure vertical equity in taxation. It is because this change aims that taxpayers with different income levels would pay their taxes according to different rates or amounts based on their ability to pay. However, Şener (2007) had some concerns about success of the change owing to the strong impact and influence of the local groups in the Ottoman society. It is widely believed in the literature that local forces may adversely affect justice in taxation by using their influence.

On the other hand, there was also another problem regarding having different tax burdens by taxpayers, who live in different regions with the same income but with varying burdens of tax. In other words, the differences in tax burden among taxpayers who had the same income level constituted another problem in the Ottoman tax system during the Tanzimat Era. At the same time, the implementation of policies within the boundaries of Tanzimat was also another challenge. For example, Istanbul was exempted from direct taxes because of being the capital of the State until the fiscal year 1875-1876. This exemption was one of the factors that deepened the problems and caused public debate on Tanzimat (Şener, 2007).

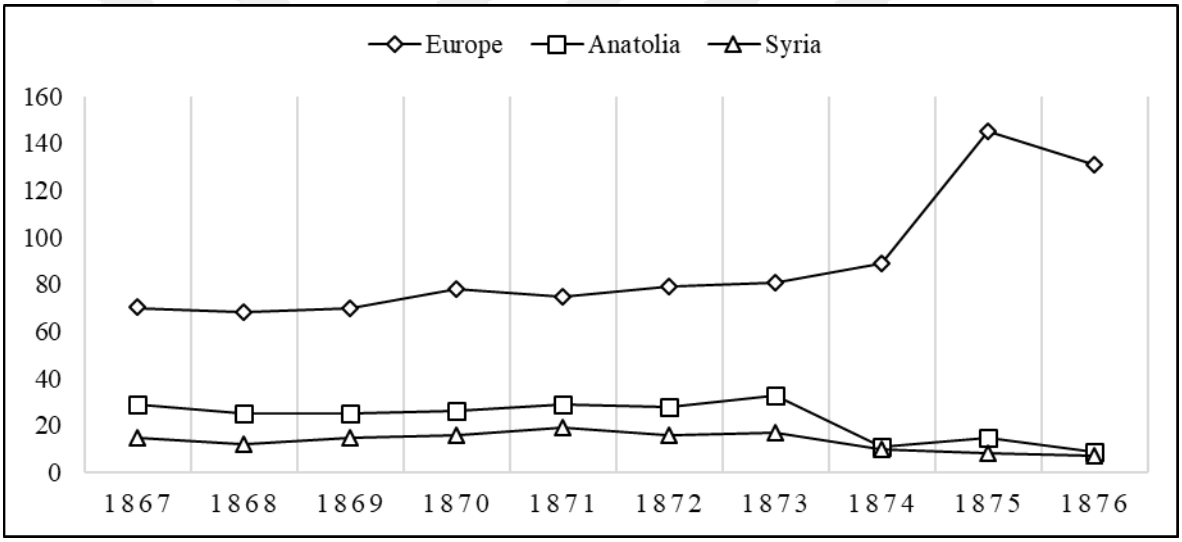
Some foreign statesmen also made assessments on İstanbul's privilege. For instance, this privilege was argued by Foster & Hobart (2000) in their report on the fiscal situation of the Ottoman State in 1861. They claimed that imposing taxation on Istanbul was the most critical requirement of the empowerment of the Ottoman State's public finance. They emphasized that, otherwise, being exempted from taxes gave rise to injustice in society. They also made some recommendations regarding a tax should be imposed on Istanbul, arguing the type of tax and the type of its tariff. Similarly, in some newspapers in Britain, it was argued that *'Istanbul is exempt from all taxes and this should be taxed within the scope of tax reform'* (The Morning Post, Wednesday, March 19, 1862).

During the 1860s, to suppress these debates and ongoing unrest on the privilege of İstanbul, 20.000 *kese* taxes were imposed on Istanbul in the 1862-1863 budget. But this income could not be collected, and it was removed from the budget of the following year (Şener, 1990). At the same time, Namık Kemal continued to question the status of the exemption of Istanbul in his article titled *'Why taxes and soldiers are not taken from Istanbul'* published by *Ibret* on November 25, 1872. The author argued that why a tax had not been imposed on İstanbul since the early days of the State. As a result of all these discussions on İstanbul's privilege, the second article of the Ottoman Basic Law (*Kanun-u Esasi)*, which was declared in 1876, contained the following phrase on this controversial issue: '*Istanbul is the capital of the Ottoman Empire. This city possesses no privilege or immunity peculiar to itself over the other towns of the Empire'*. Thus, Istanbul was excluded from its exemption at the constitutional level, although the implementation of that Constitution was abandoned in the same year.

Apart from these discussions on İstanbul, there were also some changes in taxation during this period regarding the tax assessment and tax collection. For example, from the point of customs duties, there were three types of customs duties in the Ottoman State tax system. These customs duties were as *amediye* that collected when something comes inside the custom, as *reftiye* generated when something goes out from the custom, and as *mürüriye* collected when something is in transit among the Ottoman customs (Kütükoğlu, 1996). However, foreign customs were either removed or minimized, under bilateral agreements, while domestic customs had a wide range of practices in the Ottoman State (Şener, 2007). Therefore, during the Tanzimat period, domestic customs were exposed to severe criticisms as it was no longer exist in European countries as well as the costs in the collection of these taxes could not be met their expenses. As a result, it is suggested that reductions in domestic customs rates in this period were insufficient, and they should be eliminated. So, considering the discussions on internal customs and the adverse effects of them on the Ottoman economy, the internal customs were abolished for all products, except for tobacco, spirits, and salt on March 13, 1874 (Kütükoğlu, 1996).

The creation of new taxes and changes in tax rates or amounts was the second change of the Tanzimat on taxation in the Ottoman State. In this context, estate tax, and dividend tax, known as *temettü,* were put into practice in this period (Güran, 2000). In addition, the stamp tax was also another type of tax accepted in the Tanzimat Era (Maliye Bakanlığı, 2000). For example, there was a decision regarding using the stamped papers printed by the State in all judicial and commercial proceedings in 1845. Moreover, a regulation was also issued in 1861 as well as in 1873 on the implementation of stamp tax (Şener, 2007). Furthermore, as can be seen in Figure 2, the stamp tax was collected all around the Ottoman State. Mainly based on the British Archives, stamp tax was generated from the European[30] region with a higher proportion than the areas of Anatolia[31] and Syria[32].

Figure 2: Stamp Taxes Revenue Obtained from some Regions, 1867-1876, as thousand kuruş



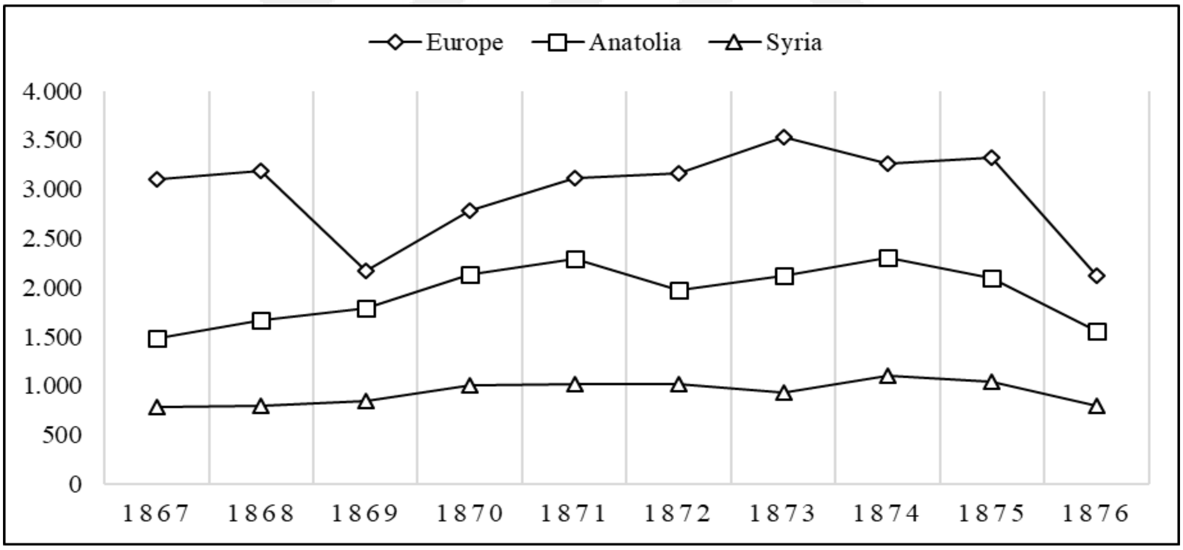
Source: The United Kingdom, The National Archives, Foreign Office, 881/4084, Report by Mr. E. F. Harrison on the Finances of Turkey, 1880. Author's construction.

In addition to introducing new taxes, there are also some examples regarding the changes in the rate of some taxes. For example, Islamic tithe was changed in this period.[33]

[30] Comprising the regions Adrianople, Scutari, Bosnia, Prezrin, Archipelago, Salonica, Zaptieh District, Danube, Cyprus, Crete, Manastir, Herzegovina, Yanina, Constantinople (FO, 881/4084).
[31] The Anatolian region consisted of Aidin, Angora, Erzeroum, Adana, Ismid, Janik, Brusa, Diarbekir, Sivas, Trebizond, Koniah, Kastamuni, Harput (FO, 881/4084).
[32] Syria region covered: Bagdad, Busrah, Lebanon, Hejaz, Aleppo, Zor, Syria, Tripoli (Barbary), Jerusalem, Yemen (FO, 881/4084)
[33] It is noteworthy to express that there are profound differences between the versions of the tithe applied in the Ottoman fiscal system and the Islamic fiscal system (Erkal, 2007; Tabakoğlu, 2007). Although the debates over these differences are common in the literature, these taxes are broadly regarded as the same in the Ottoman archival records.

During the pre-Tanzimat period, Islamic tithe was collected at different rates depending on the yield capacity of the land. However, during the Tanzimat Era, the current ratio of the Islamic tithe was changed. And then it is decided to apply the rate of 1/10, which was in accordance with the word's meaning of the tithe. In other words, regardless of the costs borne by producers for growing crops in this period, it was beginning to collect the Islamic tithe as gross revenue based on the rate of 1/10. This rate was only put into practice in the regions where the Tanzimat regime was implemented. For regions outside of the Tanzimat, the Islamic tithe was collected based on the rates recorded in the *tahrir defterleri* (Şener, 2007). It is possible to follow the collected amounts regarding the Islamic tithe in the Ottoman State. As shown in Figure 3, Islamic tithe was generated in the Ottoman State during the 19th century. However, the difference in the collected amount of this tax between Europe and Anatolia has been decreasing after 1875. There is no doubt that the impact of the lost lands in the Balkans was very much on this decline.

Figure 3: Islamic Tithe Revenue Obtained from some Regions, 1867-1876, as thousand kuruş



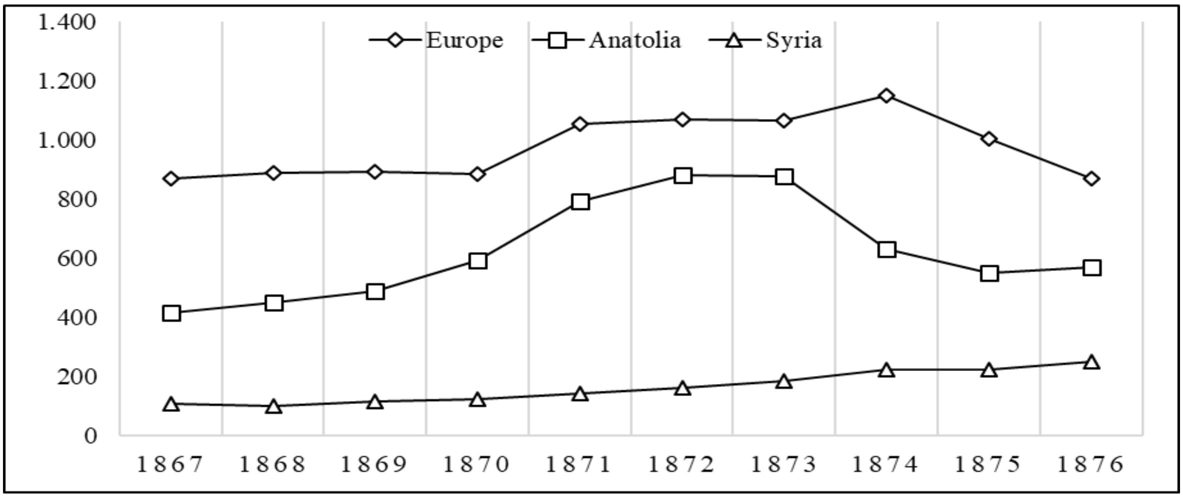
Source: The United Kingdom, The National Archives, Foreign Office, 881/4084, Report by Mr. E. F. Harrison on the Finances of Turkey, 1880. Author's construction.

Another change in taxation with the proclamation of Tanzimat was on the cattle tax, known as *ağnam tax*, which was of great importance for the nomadic *Turkmen* and *Yörüks*, who were mainly engaged in sheep breeding. First of all, according to the third article of the regulation dated 18 April 1840, the procedure of paying the cattle tax in kind was abandoned. Then, some other liabilities that were added to this tax with various names were removed. Also, until the fiscal year 1856-1857, the cattle tax was collected on the number of animals.

But then the cattle tax was calculated on income because the fixed amount of tax on the number of sheep and goats caused injustice among regions (Emecen, 1988). So, taking into consideration the local market conditions from this date, the method of collecting the cattle tax on the values of animals determined by the village council of elders was applied in the Ottoman public finance system (Shaw, 1985).

In this context, the practice related to the cattle tax was first started in Rumelia, then in Anatolia and Arabia in the following years. It is also determined how much revenue would be generated in a fiscal year from sheep and goat production, especially from flocks, milk, and wool of these animals. In addition to the cattle tax, it is decided to collect the summer pasture tax *(yaylak)* and winter quarters tax *(kışlak)*, by abolishing all other taxes (Şener, 1990). Like other taxes argued above, there is a significant amount in the collection of the cattle tax in the European region. Although there was an increase in the difference between other areas in terms of the amount of the cattle tax since 1873, it is observed that this difference decreased after this year. It is thought that this difference was due to famine which damaged the Ottoman society in this period (see Figure 4).

Figure 4: Cattle Tax Revenue Obtained from some Regions, 1867- 1876, as thousand kuruş



Source: The United Kingdom, The National Archives, Foreign Office, 881/4084, Report by Mr. E. F. Harrison on the Finances of Turkey, 1880. Author's construction.

To alter the method of collection of taxes was the third change of the Tanzimat on taxation. Unlike the *iltizam* system, it is aimed to collect all taxes under the name of *ancemaatin* by the Ottoman State. Therefore, the *muhassıllık* system was put into practice. In other words, it is preferred to collect the taxes of *ancemaatin* not by means of *iltizam* system but by the representatives of the people in regions. For example, it is benefited from especially some influential people in society such as the *mukhtars*, *imams*, *priests*, *ecclesiastics*. Also, in this system, as argued above, an attempt was made to collect taxes through the persons who were the State officials and named as *muhassıl* (Özkaya ve Akyıldız, 2006).

For example, from the perspective of changing the method of collection of taxes, the poll tax, known as *cizye* or *jizya*, defined as an Islamic poll-tax imposed upon a nonMuslim male adult, was one of the taxes that subjected to change in the tax collection. Throughout the Ottoman State history, great importance was attached to the collection of *jizya*, which is based on the primary source of the Islamic religion. Especially, the collection of *jizya* had not been applied under the *iltizam system,* except in some rare cases (İnalcık, 1993). In this sense, those who were the leaders of non-Muslims such as the patriarchs, bishops, and *kocabaşı*[34] were benefited in the collection of jizya. The main reason why the Ottoman State applied this method was to prevent the inconvenience during the collection of *jizya.* However, in the next period, the religious leaders who shared the task of the tax-collecting with the Ottoman State reached a more power and dominant position within their communities. So, these leaders undertook some important roles against the Ottoman State during riots that caused social problems in the Ottoman society (Şener, 1990).

It is widely regarded that the first comprehensive arrangement on jizya was made in 1691. With this arrangement, it was aimed to collect jizya with a fixed amount per person rather than as a lump-sum tax as well as to remove the privileges granted to some people in the society. Despite these arrangements, privileges continued during this period. After 1691, the second comprehensive arrangement was put into force with the declaration of the Tanzimat. As a result of the second arrangement, it was aimed to remove all exemptions and privileges regarding jizya to establish tax equality in society (İnalcık, 1993).

In spite of all these arrangements in the collection of jizya, this tax could not provide what was expected, and then a new collection procedure was put into effect. According to

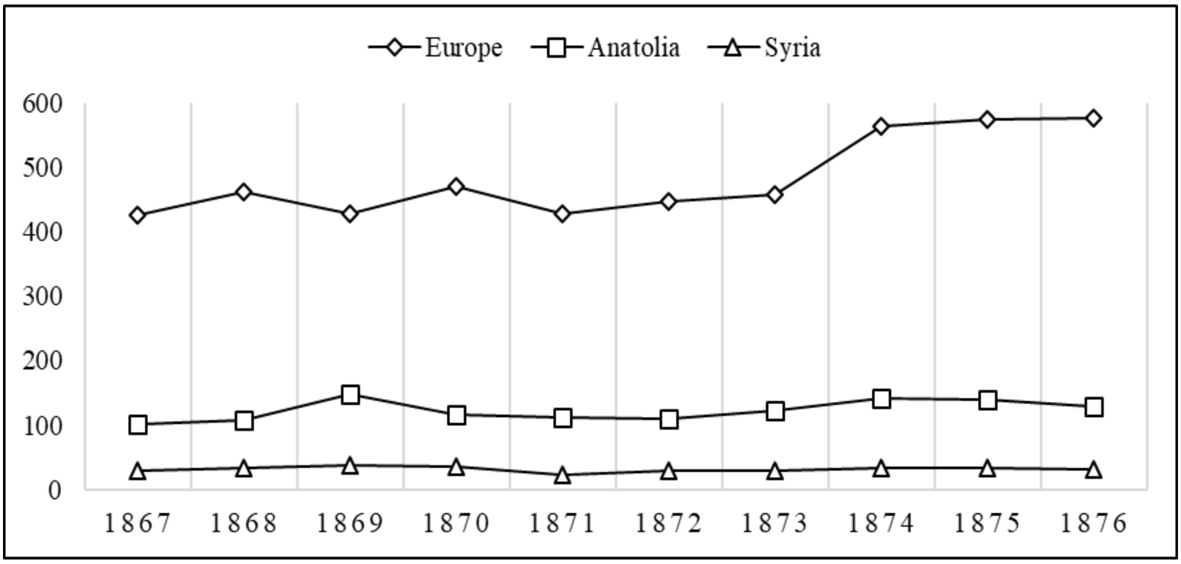
[34] Kocabaşı was a title that is given to the head of the village council like the headman or *mukhtar* in the Christian villages in Rumelia.

this new method, the jizya was applied differently in Istanbul and other provinces. And this system continued its existence by making slight changes in the method of collection until 1856, the Edict of Reform (Şener, 1990). Towards the end of the Tanzimat period, there were also some changes in the tax liability of jizya to extend the scope of liabilities such as the age-limit of the taxable population as well as to restrict the number of people such as priests, clergy, poor, disabled who exempt from jizya.

Eventually, jizya was abolished along with the Edict of Reform, and it was decided to recruit non-Muslims, particularly the Christians, to the army (Lewis, 2002). However, Muslims and non-Muslims, explicitly Bulgarians, expressed their criticisms about this change. As a result of these severe criticisms from all sides of the society, a new tax named as '*military tax'* was imposed. This new tax mainly was collected from the European region of the Ottoman State because many non-Muslims were living there.

We can follow the amounts collected from this tax (see Figure 5). As can be seen from Figure 5, there was an increase in the collection of this tax between the period 18671876. After 1876, the military tax increased to 753,674 *kuruş* in 1888 and 772,727 *kuruş* in 1894 (FO 198/64; FO 424/318). It is clear that this difference between regions of the State regarding the collection of the military exemption payment is derived from population density living in the areas. Interestingly, although the Ottoman State loss some places in the Balkans, there was a growing amount in these areas.

Figure 5: Actual Receipts from Military Exemption, 1867-1876, as thousand kuruş



Source: The United Kingdom, The National Archives, Foreign Office, 881/4084, Report by Mr. E. F. Harrison on the Finances of Turkey, 1880. Author's construction.

The arrangements regarding taxpayers and their responsibilities were the fourth change that put into practice with the Tanzimat in the Ottoman State public finance system. With the proclamation of the Tanzimat Edict, the classification of religious taxes *(şer'i)* and customary duties *(örfi)*, which was the basis of the Ottoman finance system, was abolished. Henceforth it was started to use the classification of *'direct taxes'* and *'indirect taxes'* in accordance with Western norms. This new type of classification was also used in the Ottoman's budget in the following years (Şener, 2007). In other words, a different type of taxes based on religion in the Ottoman State tax system was abolished. And a new classification in the tax system that was based on the Western norms was introduced by removing the religion-based classification (Karal, 1964). The change in the classification of taxes also inevitably affected taxpayers' liabilities.

For example, from the perspective of changing the taxpayers' liabilities, the practices of providing some public services, such as the production of materials like timber, coal or the repair of roads and bridges of some regions, and the construction and maintenance of aqueducts, in return for tax exemption were terminated. Therefore, it was decided to employ civil servants by paying them salaries from the budget of the State (Kaynar, 1985). As a result, by doing so, it was aimed not only to include all kinds of the State revenue into the budget but also to carry out all state expenditures within the budget (İnalcık, 1964b). However, due to the difficulties in the payment of salaries as well as an urgent need for public services, like the construction and maintenance of roads and bridges, it was inevitable to return to the old practice (Şener, 1990).

On the other hand, with the proclamation of the Tanzimat, it is decided to abolish the tax expenditure in the Ottoman public finance system, particularly tax exemption. However, tax expenditure applied to the Islamic monastery or dervish lodge, known as *tekke*, zawiya, and waqf, was continued during this period.[35] Ortaylı (2008) underlines that despite the abolition of the tax expenditure practices assigned these religious institutions, it was continued to benefit from tax expenditure practices in the Ottoman public finance system in favor of these institutions. This is mainly due to the significant and profound effects of these institutions on the Ottoman society.

Apart from the explanations mentioned above, there are also some essential arrangements on fiscal law as well as to overcome problems of taxpayers regarding taxation issues in the Ottoman public finance system. Especially, taxpayers appealed to provincial and fiscal administration as well as some assemblies to solve their problems. Moreover, taxpayers applied directly or through intermediaries to Istanbul, the center of the Ottoman State, to find solutions to their problems (Şener, 2007). It is noteworthy to note that there is quite an ample amount and kind of tax expenditure practices, which was decided to be abolished with the Tanzimat declaration, as detailed in Chapter 4.

Lastly, on all these mentioned changes in the Ottoman public finance system, in particular in the field of taxation in the period Tanzimat Era, Özbek (2015) claims that there were some problems in tax collection in the Ottoman public finance as well as in political and social issues. So, the Ottoman administration planned to overcome these problems by introducing the Tanzimat. Especially, the difficulties experienced in tax collection were solved to some extent during the Tanzimat Era. According to Özbek (2015), the costs resulting from all reform movements during the Tanzimat period were levied on the taxpayers as tax. And he highlights that the Ottoman peasant only shouldered the burden of paying taxes. Because the State faced a problem of survival and there was no other

[35] It is possible to provide more examples regarding tax expenditure practices granted to these Islamic institutions, see Chapter 4.

opportunity to generate revenue at all costs. Therefore, in this case, the author claims that the main source of taxes was the Ottoman peasants and there was a massive tax burden

on the Ottoman peasants. Özbek (2015) also alleges that this massive tax burden was the basis of social conflicts in the subsequent period in the Ottoman society.

Moreover, Özbek (2015) asserts that the interest and pressure groups and local elements had strong power on the shaping of the fiscal system and tax regime during the Tanzimat period. And this new system was far from justice and equality. Furthermore, the author argues that the violence and cruelty in the tax collections methods during this period caused conflicts and even *'massacres'* in some parts of the Ottoman State. So, allegedly, the legitimacy of the political regime was questioned by the public. However, these allegations are quite controversial and frankly have a sense of bias, as will be discussed in the next chapter on tax expenditure practices based on the archives.

3.2.4. Taxpayers' Reactions to the Reforms conducted in 19th-Century in the Ottoman Public Finance System

There is a complete consensus on the Tanzimat period in the literature that this period should be discussed from the perspective of its effect as well as its results, especially causing many changes in Ottoman public finance (Ortaylı, 2009). Meanwhile, with the proclamation of the Edict of Reform in 1856, today's ongoing discussions over ensuring equality between the Muslims and the non-Muslim subjects in the public finance system support this consensus.

On the other hand, Efe (2015) claims that as a result of the proclamation of the Tanzimat, the abolition of the *iltizam* system and then the establishment of the *muhassıl* system gave rise a positive effect on both the fiscal system and the administration of the Ottoman State. At the same time, the author also underlines that the *muhassıl* system established a close relationship between the ruled and the ruler in the Ottoman State for the first time.[36] However, the public perceived the declaration of Tanzimat as not paying taxes and thus there were some problems in society.

So, many groups from all around the Ottoman society reacted against the developments during the Tanzimat Era. For example, there were some opposition ideas formed by the masses of the *sarrafs*, who was known as *mültezim* as well as a person who deals in money or a banker and the *ayan.* These opposition ideas gave rise to riots and upheavals in society. Therefore, these riots and upheavals prevented the relationship established between the ruled and the ruler by the Tanzimat (Özkaya ve Akyıldız, 2006). Even İnalcık (2017) highlights the idea that the Tanzimat Era was opening a new period of revolt and chaos for the Ottoman State owing to the reactions of some groups, like people who wanted to improve their situation rapidly and classes whose interests were damaged. So, these groups did not comply with the new regime. On the other hand, there are some positive reactions to the Tanzimat in this period.

Considering the reactions that are in favor and against arrangements introduced by the Tanzimat, it can be said that these two types of reactions are not just in the Ottoman dominions but also, they are outside of Ottoman's borders (Öztuna, 2006). For example, Muslims living abroad, Armenians and Catholics, Jews, hospodars (vojvoda), tax assessors, and foreign newspapers, as well as some countries like Britain and France reacted in favor of the Tanzimat. However, Muslim people in the Ottoman territory, *ulema*, Greeks, *mültezims*, sarrafs, *ayan,* and countries like the Austrian Government reacted against the Tanzimat: (Çakır, 2004; 2012). Unlike some supports of the foreign newspapers on Tanzimat, there were also some articles in the European press that criticized the Tanzimat.[37] Especially, it is emphasized in these articles that the arrangements carried out in taxation

[36] Darling (2006) states that this relationship was achieved through petitions written to the Ottoman center in the 16th century. However, Özbek (2012) argues that the collection of taxes by civil servants consisted by Ahmet Şakir Pasha in 1896 could be serve as an example regarding the existence of this relationship. But, it is possible to say that the assessment of Darling (2006) is more appropriate. It is because a proper relationship in the Ottoman administration regarding taxation was dated earlier periods of the State.

[37] For example, The Newspaper Sheffield & Rotherham Independent dated 1878 reported that all religious groups living under the rule of the Ottoman State were all being on the same platform of religious equality. For further information see The Sheffield & Rotherham Independent (Sheffield, England), Wednesday, January 16, 1878; Issue 5949. British Library Newspapers, Part II: 1800-1900.

were insufficient because *jizya* was still only collected from non-Muslims, by damaging the principle of equality that was declared in Tanzimat (İnalcık, 1964b).

From the perspective of Non-Muslims, they showed negative reactions against the Tanzimat Edict (1839) and Edict of Reform (1856). It is because they were not satisfied with the rights brought by these Edicts (Davison, 1993). The main reason for these reactions was that the 19th century was called the age of nationalism, and these Edicts could only play a crucial role in the acceleration and spread of national movements in the Ottoman society (Ortaylı, 2009). In this sense, Tanzimat did not have a good effect on the minds of large peasant masses. Furthermore, it caused mobilization in the social structure of peasant revolts in the Balkans and, in particular, turned into nationalist fires in this area (Ortaylı, 2008).

On the other hand, not only non-Muslims but also Muslims reacted immediately against the Tanzimat, mainly due to ensuring that people from all religions are equal. According to this group, the Edict was contrary to the provisions of Islamic rule and religious law (Engelhardt, 2017). Even a *fatwa*, Islamic religious law, was published by the Sharif of Mecca and the ulama surrounding him on the Tanzimat bureaucracy. They underlined that *the Tanzimat bureaucracy committed a sin because of their decision regarding equality.* Therefore, it is stated that the *ulema* played a crucial role in encouraging the people to revolt against the Tanzimat.[38] They also gained success in some regions such as Amasya and Ankara (İnalcık, 1964b).

Interestingly enough, the Greek-Orthodox church also opposed the egalitarian regulation in the Tanzimat as much as the traditionalist Muslims. This is because the changes in the legal and social status of the Protestants, as well as the development and strengthening of their life conditions deeply disturbed this group (Ortaylı, 2009). In particular, since privileged rights of this group were terminated as a result of Tanzimat, the assessment of the Greek Orthodox patriarch, as *'God grant that it not be taken out of this bag again'* after the

[38] Reşit Pasha, in particular, aimed at raising the number of civil servant for eliminating the power and reactions of the ulema, by opening new schools throughout the Ottoman State (İnalcık, 1964a).

declaration of Tanzimat Edict, obviously demonstrated their dissatisfaction against Tanzimat (Darison, 1993).

From the point of sarrafs, Şener (2007) argued the situation of the *sarrafs*, by taking into account the fact that they were among the groups which opposed the Tanzimat owing to a loss in their advantages in tax collection, particularly with the abolition of the *iltizam* system. The author also specified that sarrafs were basically opposed to the Tanzimat and they expressed their opinions against it unambiguously. Even, there were announcements in the official media by the Ottoman State's dignitaries that their rights could be protected by the State. Moreover, it is highlighted that there would be no change in their reputation as well as they would not encounter any problems in their works. As a result, sarrafs

overcompensated for their losses in the tax collection by lending money to the State during this period.

Considering all these explanations on the Tanzimat, it is widely regarded that almost all groups of the society had some concerns about this proclamation. Mainly, there was a deep discontent between the Muslims and non-Muslims about the declaration of Tanzimat. For example, granting new rights and privileges to non-Muslims and having a right to appointment of non-Muslims to newly established assemblies gave rise to discontent for Muslims. On the other hand, the lack of privileges given to non-Muslims, the enrolment of non-Muslims in the armed service, and the abolition of tax exemption for non-Muslims clergy were the primary sources of discontent for the non-Muslims in this period (Lewis, 2002). Therefore, the idea of equality of the people in the legal sense formed the basis of mentioned discontent in the Ottoman society. Also, equality of the people in the legal sense was seen as the steps that were taken towards *'secularization'* (Karal, 1964).

Particularly, with the declaration of the Edict of Reform in 1856, the equality that promised in Tanzimat became more apparent in the Ottoman society. Moreover, it is thought that the success of reform movements was seen in the formation of society without discrimination in religion. Therefore, it is stated that the term equality played a crucial role in achieving this success (Engelhardt, 2017). However, introducing some policies regarding equality in the Ottoman State gave rise to large wounds in society (Gökbilgin, 1967). The effect of equality also paved the way for the idea of *Ottomanism,* and so it is claimed that Ottomanism was a unifying force in ensuring the *'equality'* in the society (İnalcık, 1964a; Karpat, 2017).

On the other hand, as a result of discussions equality, the abolition of the tax expenditure with the Tanzimat was brought to the agenda of the Ottoman State. Although a decision was taken on tax expenditure practices regarding abolishing them, this decision was loosened its importance in the following periods. So, it was continued to benefit from tax expenditure practices as before. However, unlike the old system, there were some changes regarding tax expenditure practices. For example, Cezar (1986) argues that the continuation of tax exemption of the professions such as *imam* and *muezzin*, a person who inform prayer times and call to prayers at the mosques, were subject to the condition that they should not have any *'real estate, land, and dividend'*.

As a result, it is widely admitted in the literature that the efforts to achieve equality in economic, fiscal, social, and legal areas were seen as the main driving factor behind the failure of the Tanzimat and Islahat Edicts. It is because, as argued by Darling (2006), religion was more prominent in the Ottoman dominions rather than nationality. And unlike other countries such as British and French states, religion was the main feature that shaped the Ottoman society. Therefore, based on this sociological structure, which was quite different from European countries, the following economic, fiscal, and legal structures of Europe without harmonization during the Tanzimat period triggered the failure of the Tanzimat. At the same time, another factor behind the failure of reforms, particularly the failure of the Tanzimat Edict, was based on the claim that there was no qualified staff to act in accordance with the spirit of the reforms (İnalcık, 1964b). Therefore, although there were some changes put into effect with the reforms, which were good on paper, it is widely admitted that these changes gave rise to some problems due to the attitude of the officials, who were trained under the old structure, during the implementation of reforms.

What is more, another issue that caused intense criticisms regarding the failure of reforms in this period was the fact that the 19th-century Ottoman modernization was planned and carried out by the central administration. So, it is widely thought that the central

administration did not give enough importance to the education and welfare of society as well as the religious and cultural heritage. Moreover, it is alleged in the literature that the modernization steps in this period were mostly carried out to consolidate and preserve the Ottoman State. To establish new institutions and departments to consolidate and preserve the Ottoman State, the State administration ignored its people in this period.
Thus, ordinary people were isolated from the State administration (Karpat, 2017).

In light of all these explanations, İnalcık (1964b) makes a general assessment of Tanzimat in the context of Rumelia and Anatolia. İnalcık says that Rumelia's approach to the Tanzimat was a means of guaranteeing the national and political upheavals and entering the agenda of international politics. For the Anatolia, Tanzimat was seen as the preservation of the traditional institutions of the Ottoman State by countering the reforms introduced by Tanzimat. With these assessments, İnalcık clarifies why all groups of society in the Ottoman State opposed the reform movements during the 19th century.

4. TAX EXPENDITURE PRACTICES IN THE 19th CENTURY OTTOMAN STATE

The tax expenditure practices implemented in the Ottoman public finance system are examined in the present thesis through official documents in the Ottoman archives, British archives, and various British newspapers[39]. Caution needs to be exercised concerning British newspapers since bias and the lack of objectivity are considerably present in these sources.[40] The news dated 1883 in The Graphic newspaper on the Ottoman State's Chios Island reads *'the place is still subject to earthquakes and Turkish rule, nor is it possible to imagine a more disastrous combination',* which presents a basic example of such bias (The Graphic, Saturday, May 19, 1883). Meanwhile, it should be kept in mind that the primary source of the present thesis was the Ottoman State archives which made a critical contribution. The Ottoman archives primarily include both the legal arrangements introduced

[39] For instance, those who are engaged in agricultural sector should be exempted from taxes imposed on agricultural (Liverpool Mercury etc., Monday, October 4, 1875). According to an intelligence, The Daily Gazette dated 1876 stated that 15 *kuruş* tax would be charged to all men between the ages of 5-60 (The Daily Gazette, Monday, December 11, 1876; The Sheffield & Rotherham Independent, Monday, December 11, 1876). By the way, it is important to note that the mentioned British newspapers sometimes reported the same news either in exactly the same structure or with some small differences.
[40] Halid (1898) made an important criticism on the British press, arguing that political and clerical agitators supported by the news that were against the Ottomans.

by the central administration and the individual official responses to the petitions submitted by the taxpayers.

These legal arrangements in the Ottoman archives mainly cover the regulations, known as *nizamname*, and the Imperial Decrees, known as *irade-i seniyye.* The regulations and the Imperial Decrees were largely used in the 19th-century Ottoman public finances for legislation. It is observed that there was a sharp increase in the number and scope of these sources with the proclamation of Tanzimat, especially 1850 onwards. Other sources used in this thesis are the petitions and official replies to these petitions. The use of petitions in the Ottoman State dates back to earlier periods of the State, even as far back as the foundation of the Ottoman State. The number of petitions submitted by taxpayers increased significantly, especially due to the diversification of taxes in the 17th century as well as centralized policies in later periods. The petitions filed by taxpayers and the response by the centralized administration to these petitions in the Ottoman State are seen as proof of the trust and communication between taxpayers and the State. Moreover, the

increase in the number of these petitions became an important issue in that it indicates signs of disintegration and other problems at the local administration. Therefore, these petitions are considered to be of great importance in terms of tracking the source of the problems experienced in the public finance system (Darling, 2006).

In essence, Ottoman archives are the main source used in the present thesis to examine tax expenditure practices in the Ottoman State. The thesis also benefits from secondary sources that focused on the Ottoman State and its tax expenditure practices since its establishment. One example of such secondary sources is presented by Pamuk (2011) who works on *sipahi* and other members of the military in the Ottoman society who were exempted from some taxes. Moreover, Pamuk (2011) argues that there were certain tax exemptions granted regarding the production of certain goods (e.g. rice). In the early periods of the Ottoman State, such exemptions were common. In addition, Sayın (2000) presents that those who were obliged to perform certain services (e.g., the clergy such as the imam, muezzin, and dervishes), and those who were living in zawiya were also exempted from extraordinary taxes, namely *avarız*, and *resm-i çift*. Similarly, İnalcık (2017) notes that different tax collection rules were possible for the same amounts depending on the geographical conditions of the regions.

There were also some other tax exemption practices. For example, some villages or some of the households in the villages which were appointed as *derbentçi*[41], thus being responsible for the maintenance and safety of trade routes, bridges, and crossings- were exempted from some taxes, such as extraordinary taxes. This system was widely used since the early periods of the State. Also, there were some examples of the punishment of those who failed in their duties. As a general method of punishment, their duties and exemptions were transferred to other people in society (Barkan, 1942).

According to the secondary resources, tax exemption practices were also exercised with a view to promoting trade. The Ottoman State attached paramount importance to the development of domestic trade since its establishment. For example, to encourage the market in cities, and particularly in big cities, *bedesten* (i.e. a covered *Turkish bazaar*) was built in the city centers. Through tax exemptions, traders and artisans were encouraged

(and sometimes even forced or deported if they do not comply) to do business in city centers. For instance, after the conquest of the Town of *Kefe* in the northern Black Sea in 1475, 300 merchants and artisans were exiled to Istanbul in this regard. Also, after the conquest of Cairo and Tabriz in the early 16th century, approximately 1500 merchants and artisans were sent to Istanbul (Pamuk, 2011). The list of examples regarding the variety of tax exemption practices can be extended.

For instance, considering the legal arrangements, the pre-19th century tax expenditure practices in the Ottoman public finance system is discussed in the following sub-section of the thesis. Then, the legal arrangements that constituted the basis of tax expenditure practices in the 19th century are argued. Finally, tax expenditure practices introduced in the 19th-century Ottoman public finance system are examined based on the archives.

[41] *Derbentçi* was a person who was assigned to serve in more than 4,000 villages in the 16th century of the Ottoman State.

4.1. Legislation on Tax Expenditure

The religion-based legal system was effective in the Ottoman administration in the pre-19th century. During this period, in addition to religious law, regulations that rely on religious law were also widely used. The law-making process that was based on religious law and not violating its provisions started with Fatih Sultan Mehmed. Since then, it became an essential source in the latter periods not just for state administration but also for other issues such as taxation. Issues regarding taxation, such as the determination of the responsibilities of taxpayers and the tax collection system, as well as the determination of persons to be exempted from taxes were addressed by means of legal arrangements. For example, in the 1517 Biga Sanjak Law, it was stated that *imams*, unmarried persons, and servants of *Kala-i Sultaniye* were exempted from the *avarız* tax, known as extraordinary tax.

It is widely admitted in the literature that an important factor causing the usage of these legal arrangements was that the Ottoman State spread over a wide area. Thus, the Ottoman State's public finance system needed a dynamic structure, and it was essential to consider the special conditions of the regions rather than a single tax system. For example, as introduced in the provinces of Sayda -nowadays in Beirut and Syria- Aleppo, Baghdad, Basra, Mosul, Tripoli, Benghazi, Hijaz, Yemen, Lebanon, the Ottoman public finance system was shaped by both the economic and fiscal conditions of these areas as well as their strategic and religious positions. These reasons also showed their effects on the tax expenditure practices. Therefore, tax expenditure practices differed in terms of the time and the region's conditions in the Ottoman public finance system. For example, when the provinces of Tripoli and Benghazi entered under the Ottoman rule, *'kuloğulları',* a member of the military without any payment, was exempted from Islamic tithe and some other taxes (Sayın, 1999).

Also, there were other tax exemptions granted on various dates to different occupational groups or communities and their specific positions, not just before the 19th century but also during the 19th century. It is possible to find some examples regarding almost all kinds of tax expenditure practices detailed in Table 1 (Barkan, 2001).

Table 1: Tax Expenditure Practices between 15th - 17th centuries in the Ottoman State

Name of Arrangements	**Date**	**Beneficiary**	**Type of Tax**	**The Purpose**
Kudüs Sanjak	No date	Haremeyn, Kudüs, and Prophet İbrahim (pbuh) Waqf	Avarızı Divaniye (extraordinary tax), Tekalifi Örfiye (customary duty), Öşür (Islamic Tithe)	Applied since the previous periods (due to respect for the region)
Özer Sanjak	III. Murat	Clergy	Avarızı Divaniye, Tekalifi Örfiye	--
Serim Sanjak	III. Murat	Kethüda (Anyone who used to work for the great statesmen and the wealthy) Martoloz[42]	All types of taxes Taxes on land	Assignment in the administration of the region Ensuring public order in society
Sis Sanjak	1519	Non-Muslim	jizya and tobacco tax	Helping to save the region and collect tax
Limnos Island	1519	Limnos Community	Avarızı Divaniye and Tekalifi Örfiye	There was a rule by the Sultan
Semendire Sanjak	1527	Semendire Community	Haraç (tribute), Öşür, İspenç (poll tax), Ağnam, Resmi Aruz (a tax-paying for a wedding).	Applied since the previous periods.
Karaman Province	1528	Ortakçılar or share farmers Sipahi or cavalryman	Avarız Resmi Ağnam Resmi (cattle tax)	Giving half of the revenue Those who have a certain iltizam
Erzurum Province	1540	A worker at the alum mine	Cizye, İspenç, Tekalifi Örfiye	Being a worker at the alum mine
Çemişkezek Sanjak	1541	Nökerler (servants)	Baş Akçesi (poll tax), Avarız-ı Divaniye	Applied since the previous periods
Rumelia province	1543	Messenger, mercenary, sekban (ottoman units or corps), etc.	Avarızı Divaniye and Tekalifi Örfiyye	To serve for the Sultan
Pojaga Sanjak	1545	Kethüda Voynuk (a job at the army)	All types of taxes All types of taxes	Assignment in the administration of the region Superior service in wars
Şam Province	1548	Haremeyn, Kudüs, and Hz. İbrahim (pbuh) Waqf Clergy	Avarızı Divaniye, Tekalifi Örfiye, Öşür Avarızı Divaniye, Tekalifi Örfiye	Applied since the previous periods (due to respect to the region)
Safed Sanjak	1555	Haremeyn, Kudüs and Hz. İbrahim (phub) Waqf Clergy	Avarızı Divaniye, Tekalifi Örfiye, Öşür Avarızı Divaniye, Tekalifi Örfiye	Applied since the previous periods (due to respect to the region)
Silistra Sanjak	1569	Rice grower (Çeltikçi) Derbentçi (responsible for maintenance of road, bridge)	Avarız Avarızı Divaniye	In response to their work Corresponding to the protection of derbents
Çankırı Sanjak	1578	İmam and Hatip	Çapa Resmi (performing public works)	Providing useful services to the public
Yağcılar Law	1581	Retail the oil to Waqfs	Ganem Resmi, Avarız and Tekalifi Örfiye	To serve to retail the oil to Waqfs
İç İl Sanjak	1584	Sipahi (cavalryman), zaviyedar (responsible for maintenance of the zawiya), imam and müezzin	Resmi Ganem (sheep tax) Resmi çift, Çaba Resmi, and Avarız	Those who have a certain iltizam Applied since the previous periods

[42] *Martoloz* was a military organization in the Ottoman State, which was consisted mostly of Christians between the 15th - the 19th centuries and was used to provide security in the garrison services of the army in Rumelia.

Ohri Law	1613	Doğancılar (who was responsible for training personnel of hunting birds)	Avarızı Divaniye and Tekalifi Örfiye	To responsible for training personnel of hunting birds of Sultan

Source: Barkan, Ö. L. (2001). XV ve XVI ıncı Asırlarda Osmanlı İmparatorluğunda Ziraî Ekonominin Hukukî ve Malî Esasları. Birinci Cilt Kanunlar (Tıpkıbasım), (Yayına Hazırlayan: Hüseyin Özdeğer), İstanbul: İstanbul Üniversitesi Rektörlük Yayın No: 4302.

There were also some other kinds of tax exemption practices given by some institutions as well as some administrations in addition to tax exemption practices granted by the laws as shown above in Table 1. For example, it is observed that the tax exemption could be given by the *Hattı Şerif-i Humayun* or *Hattı Humayun*, defined as the command written by the Sultan, and the notables of the regions (Barkan, 2001). *Şeyhulislam*, or *Shaykh al-Islam*, also played an important role in deciding tax expenditure practices in certain cases. Certain tax exemptions were granted based on *fatwas* that were issued by the *Şeyhulislam*. As it was argued in the *fatwas*, in general, the tax exemption practices were decided according to the level of income of taxpayers; the physical conditions of taxpayers such as being disabled or blind; doing public service on account of taxes; and being a priest, preacher, or monk (Düzenli, 2015). Hence, those belonging to the first two groups were directly exempted from taxes, especially from *jizya* and *ispenç* - a poll tax. The continuity of the service performed by the third group was the primary determinant of tax exemptions. Finally, for the last group, personal devotion to religious service was the main requirement for benefiting from tax expenditure practices.

In the 19th century, however, it became necessary to issue new arrangements in order to create the legal basis of the changes promised by the Tanzimat Edict, which guaranteed radical changes in the Ottoman administration structure. In line with these radical changes, some legislative bodies were established during this period. The new arrangements, which were carried out under the leadership of the Council of the Judiciary, known as *Meclis-i Ahkam-ı Adliye*, mainly stemmed from negotiation processes. This institution was later succeeded by the Assembly of Higher Reorganizations, known as *Meclis-i Ali-i Tanzimat*. Finally, the Court of Justice, known as *Divan-ı Ahkam-ı Adliye,* took on this responsibility from its predecessor Meclis-i Ali-i Tanzimat (Gökbilgin, 1967).

The changes experienced in these institutions revealed the transformation in the field of law during the Tanzimat Era. Especially, under the framework of the Europeanisation steps in the Ottoman State, it is widely admitted that the Ottomans were now on the way to be a State that was ruled by law (Akarlı, 2013). Therefore, the rules and other legal arrangements, such as nizamname, became more important in the State administration as well as in the taxation with the proclamation of the Tanzimat Edict. Thus, it is seen as a beginning of constitutional development not just for the Ottoman State but also for the Republic of Turkey, which is the heir to the Ottoman State. And it is regarded in the literature that this period represented a significant step towards becoming a state of the law (Ortaylı, 2009). This change influenced tax expenditure practices, especially from the mid19th century.

On the other hand, the Ottoman State started to take important steps towards centralization at the beginning of the 19th century. This also accelerated the transition of the Ottoman State from traditional state administration to centralized administration. The effect of this transition was first shown in the field of law, and the legislation was revised during the Tanzimat Era. In this context, the centralized state administration system, which was tried to be laid down in the period of Mahmut II, became a legal feature at the Tanzimat period (Ortaylı, 2009). The Tanzimat Edict was followed by the proclamation of the Reform Edict in 1856. From the perspective of centralization, it is underlined with the Reform Edict that the new legal and administrative institutions would be supported with new laws (Gökbilgin, 1967).

These centralization movements carried out following the example of Western countries primarily showed its effect on public finance. For example, some issues such as dividing the State administration into branches, paying the salary to civil servants, and providing fiscal auditing were discussed in a prioritized manner in this period (Ortaylı, 2009). Moreover, since tax expenditure practices were previously given by the Sultan, there was a change in the tax expenditure practices. However, although the Sultan still had authority on tax expenditure practices, the regulations, also known as *nizamname*, now came into prominence. In particular, there was an increase in the number of *nizamname* that covering tax expenditure practices onwards the 1850s.

In this context, in the following sub-sections of the thesis, at first, the regulations regarding tax expenditure practices from the announcement of the Tanzimat Edict to the declaration of the First Constitutional Era will be discussed. Then regulations after the declaration of the First Constitutional Era and Imperial decrees will be analyzed in terms of tax expenditure practices. Eventually, archival documents related to tax expenditure practices from Ottoman Archives, National Archives, and British newspapers will be examined systematically.

4.1.1. Tax Expenditure Practices from the Proclamation of the Tanzimat Edict to the Declaration of the First Constitutional Era

The Tanzimat period ended with the declaration of the Edict of Reform in 1856.[43] As already mentioned, there was no foreign pressure on Tanzimat; rather, it was a success of the Tanzimat Era bureaucracy. Contrary to this controversial argument on the Tanzimat Edict, it is widely acknowledged that the Edict of Reform was issued under the intervention of foreign states. Especially, Britain claimed that the declaration of this decree granted Britain a right to interfere in the internal affairs of the Ottoman State on account of the British support in the Crimean War. As a result of such foreign claims and interventions, the Edict of Reform is considered as a document damaging the dignity and even the independence of the Ottoman State (Ortaylı, 2009). Owing to this intervention, the proclamation of both Edicts, the Tanzimat and the Edict of Reform, gave rise to changes and transformations in many areas, and especially the legal system of the State was affected by these changes and transformations.

In this period, under the influence of the foreign states in the Ottoman State, making arrangements in the legal system became came to the fore in the name of Europeanization. This resulted in a state administration that was shaped under these arrangements. Additionally, some issues related to the Ottoman public finance system that consists of a pillar of government administration were formed in this context. Some of the aforementioned arrangements were specifically related to tax expenditure practices. Certainly, the tax expenditure practices were also the subject of the regulations, namely *nizamname,* which was issued for the whole public finance system. Table 2 contains information regarding the regulations of tax expenditure practices between the Tanzimat Edict and the First Constitutional Era. Besides, not only the regulations that directly addressed tax expenditure

[43] See also Chapter 3 for further discussions.

practices but also other regulations that were not directly related to tax expenditure practices even though they included some articles regarding them in their text are also examined.

Table 2: Regulations for Tax Expenditure Practices in the period Between the Tanzimat Edict and the First Constitutional Era

Acceptance Date	The name of the Regulations
12 September 1850	On the Exemption of Industrialists from Public Regularity Tax *(Sanayicilerin İhtisap Resminden Muafiyetine Dair)*
14 August 1861	On the abolition of the Collective Tax on the Spirit Drinks Paid by Taxman and the Establishment of a new Tax as %10 *(Müskiratın Âmilinden Alınmakta olan Yüzde Yirmi Rüsûm-ı Müçtemia İlga Olunarak Onun Yerine Yüzde On Resm-i Mîrî Alınacağından Suret-i Tahsiline Dair Nizamname)*
27 June 1862	The Exempt Regulation on the Growing Olives in a new way *(Yeniden Yetiştirilen Zeytinlikler Hakkında Muafiyet Nizamnamesi)*
10 July 1862	The Exempt Regulation on the Growing Mulberry Field in a new way *(Yeniden Yetiştirilen Dutluk Hakkında Muafiyet Nizamnamesi)*
3 May 1865	The Customs Duty Exemption Regulation on the All Denominations of the Clergy of the Ottoman State's and Foreign Country's Citizens and about their Monasteries and other Places *(Devlet-i Aliyye ve Düvel-i Ecnebiye Tebasından ve Mezabih-i Muhtelifeden Bi-cümle Ruhban Takımıyla Bunların Manastır ve Emakin-i Sairesi Hakkında Gümrük Muafiyeti Nizamnamesi)*
27 July 1869	The Regulation on the Exemption of Customs of the Foreign Government Consulates *(Ecnebi Devlet Konsolosların Gümrük Muafiyetine Mutazammın Nizamname)*
16 September 1873	The Customs Duty Exemption Regulation on the Factory materials to be imported from Europe for the first time in the next Fifteen Years *(Onbeş Seneye Kadar Avrupa'dan Celb Olunacak Makine ve Fabrika Alatının İlk Defa Rüsumı Gümrükten Muafiyetine Dair İlan)*

Source: Düstür, 1. Tertip, Cilt 1-8 ve ek-1-4; Maliye Bakanlığı (1999), Osmanlı Vergi Mevzuatı, Ankara: T.C. Maliye Bakanlığı, Araştırma Planlama ve Koordinasyon Kurulu Başkanlığı.

It can be seen in Table 2 that the '*Regulation on the Exemption of Industrialists from Public Regularity'* was published in *Takvim-i Vekayi* in 1850 within the knowledge and with the encouragement of the Sultan. According to Islamic law in the Ottoman State, this regulation was significant to ensure public orders and prohibitions. Moreover, this regulation provided control of the bazaar and the market as well as enabling the punishment of that

uncompliant behavior. From the perspective of tax expenditure practices, this regulation encouraged those who try to maintain their business interests and produce tangible output in the industrial sector, and those who create employment by granting them exempt from public regularity tax, known as *resm-i ihtisap*, for a year (Takvim-i Vekayi, 1850). Apart from the first regulation that granted tax exemption to foster industry and support industrialists, another regulation was issued in 1861 by reducing the rate of tax on spirit drinks. Accordingly, a new tax rate was adopted as 10% on all alcoholic beverages instead of the previous rate of 20%. It was also issued that certain amounts of beverages produced by individuals for their consumption were exempt from this tax. However, if the producers attempted to sell this amount instead of consuming it, the exemption would be removed and this amount would also be taxed
(Düstür, 1861).[44]

In 1862, the aforementioned regulations were followed by another regulation. This regulation was introduced in order to encourage the growing of olive trees through tax exemption. According to this regulation, olive trees that started to produce olives would be exempted from *öşür,* also known as Islamic tithe, for three years starting from the time they were planted. The duration of this exemption was determined according to some rules such as whether an olive tree was a wild root or a branch, and whether this tree was grafted (if so, for how many years it was grafted) (article 3-6). In this context, to benefit from this tax exemption, taxpayers would need to apply to the local administration with a request, indicating the types, number of trees as well as the places of their residence. The practices were evaluated within the scope of this regulation (article 7). The outcome of these practices would be recorded in the *'record book of the council of the country',* known as *Memleket Meclis-i Ceridesi.* It was not prohibited to sell the trees with their exemptions remaining valid. However, it was stated in the regulation that the repair of the olive growing areas and the cultivation of new olive trees in these areas could not benefit from this exemption (Düstur, 1862). The driving reason behind putting this regulation into practice seems to be primarily the encouragement of olive production. However, improvements on existing olive trees and planting new oil trees in the areas mentioned earlier were not considered under the tax exemption.

[44] This arrangement was later annulled by another arrangement that was issued on 25 August 1881 (Düstur, 1. Tertip, Zeyl 1-4, Cilt 2).

Just as in the encouragement of olive cultivation, to encourage the planting of mulberry trees in the new areas, it was declared that these new areas would be exempted from *öşür* for the first three years after they were planted. Also, there were some other conditions for being exempted from taxation in the case of cultivating mulberry for the second time. According to these conditions, which were specified in the regulation, the applicants applying for the second time were obliged to provide the documents pertaining to the previous application so as to document the fact that they are using or selling the products from their first attempt (Düstur, 1862). So, this regulation and especially its third

article aimed to support the production of mulberry as well as to audit this production by giving tax exemptions.

Apart from the aim of supporting agricultural products through tax expenditure practices, another factor that played a role in the introduction of tax expenditure practices through regulations was related to other religions. For example, Christians and Jews performing a religious duty, and places of worship for these religions were exempt from some taxes. Also, the regulation issued in 1865 governed the exemption of customs duties, which was in practice for a long time and was in a significant position among the practices of tax expenditure for religious people and places. This regulation also stated that this type of tax expenditure practices would be continued in this period. The primary motive behind this regulation seems to be the Ottoman administration's need to determine the boundaries of and establish a legal basis for this kind of tax expenditure practice. So, this regulation highlighted that the materials needed for the beautification of the churches and the performing of the rituals were exempted from customs duties (Düstur, 1. Tertip, 2. Cilt).

This regulation also introduced tax exemptions for other materials that are necessary for the society and institutions such as schools running by priests and nuns in the monasteries, educational institutions for children, hospitals, pharmacies, orphanages, public soup kitchens. However, tax exemptions were not provided for all goods and materials related to these people and places. The regulation specifically listed what was exempted from taxation. Gifts to churches, leaf, candlesticks, chandeliers, lamps, curtains, plates, paintings, clothing for religious officials, all books, and all goods and materials for the construction and administration of buildings of churches and monasteries were exempted from customs duties. The following articles of the regulation also governed the exceptions regarding tax exemptions. The regulation ruled that to follow-up on the possible increases or decreases in the amount of these materials, counting of these materials should be conducted every year from March onwards. The counting of these materials was governed based on Ottoman State citizenship. For citizens of the Ottoman State that were the members of other religious communities, the counting would be carried out under the supervision of their religious leader. However, for citizens of foreign states, the counting would be conducted under the control of their consulate (Düstur, 1. Tertip, 2. Cild).

Another regulation related to some goods purchased for foreign consuls from abroad was put into practice in 1869. This regulation was related to some goods purchased for foreign consuls from abroad. The regulation was largely based on reciprocity and shaped around political views. This regulation distinguished between consular officers that were engaged in trade and those that were not. There were different processes depending on the consular officers' relations to trade. Furthermore, the regulation stated that just the executive group, such as chief consul and vice-consular, rather than all the consular officials, would benefit from tax exemption and other privileges. For instance, this regulation determined that all of the goods bought from abroad by this group, which was not engaged in trade, were exempt from customs duties. From the perspective of other privileges, the products that were purchased by this group from abroad would not be opened and inspected at the Ottoman customs (Düstur, 1. Tertip, 2. Cild).

As for those who are engaged in trade, the regulation ruled that purchases under certain values, such as 25,000 *kuruş* for the chief consul, 20,000 *kuruş* for consuls, and 15,000 *kuruş* for the vice-consul, were covered by the customs exemption. In cases where these values were to be exceeded, the regulation stated that the excess amount will be taxed. Also, unlike the goods purchased by the first group, those purchased by members of the second group would be inspected in the customs in accordance with the rules of political courtesy. Unless the tax liability of the excess amount fulfills, the goods purchased by these people would not be allowed in the country. What is more, apart from goods for personal consumption purposes, the goods purchased by those people for commercial purposes were deemed liable to tax regulations that were applied to other traders. In spite of these differences, the regulation stated that these two types of exemption (exemption from taxation and exemption from inspection in customs) would apply to materials coming through both land and sea. This regulation also mentioned that the soft furnishing purchased by consular officers for their houses would be out of this regulation for those who started their duty for the first time. Finally, this regulation noted that all envelopes and packages coming or going with the official seal were not governed by this regulation, thus being exempt from taxes in any case (Düstur, 1. Tertip, 2. Cild).

In 1873, there was another regulation that was enacted in the Ottoman public finance system. This regulation ruled that the import of steam machines and their parts and other machinery and their tools and pieces of equipment for the factories that would be opened within 15 years were exempt from customs duties. The implementation of this tax exemption was subject to a specific procedure: Initially, an examination would be granted through the Ministry of Public Works, known as *Nafia Nezareti,* on the materials to be taken; then the approval of the Sublime Porte, known as *Bab-ı Ali,* would be required. This approval would then need to be acknowledged by the Council of State, known as *Şura-yı Devlet,* and the Council Special Advisory, known as *Encümen-i Mahsusa-ı Meşveret.*
Finally, the approval of the Sultan was necessary to finalize this process (Düstur, 1. Tertip, 3. Cilt).

Other than regulations that were entirely focused on tax expenditure practices, there were also some regulations, issued before the First Constitutional Era, which included articles related to tax expenditure. For example, in 1862, a regulation governing the arrangements regarding the taxation of animals such as horse and donkey were issued. This tax was put into practice for those who were inhabitants at *Dersaadet*, also known as *İstanbul*, and the *Bilad-ı Selase*[45], namely the district of *Galata*, *Uskudar*, and *Eyüp*. However, within the scope of this regulation, the land owned by *Istabl-i Amire*, the place for the horses of the Sultan, and animals belonging to the *Umera*[46] were exempt from this tax.

On the other hand, there was a classification about tax amounts to be paid, such as the horse-drawn vehicle, horses, packhorse, and others. The regulation determined amounts such

[45] This covers the provinces Istanbul, Edirne and Bursa.
[46] It is a concept that was used for *emir*, *bey*, *sancak beyi* as well as for those who did not have a title of *pasha*.

as 30, 10, 5, and 3 *kuruş* to be paid per animal. For the collection of the taxes from Muslims, *imams* and *mukhtars* were appointed. For the collection of the taxes from the non-Muslims, the local authority, *kethüda,* and the officers in the region of *Altıncı Daire* were assigned. The regulation also determined that these people would be tried in the context of criminal law if they misused their duties. In case they spend the collected taxes for themselves as a kind of embezzlement, they would be penalized twice. Failure to return the collected amount back would result in a deduction from their payments if they had any payments receivable from the central administration (Düstur, 1. Tertip, Cilt 1).

Another regulation issued in 1862 aimed to eliminate the corruption and confusion in the collection of the tax from the *Kıpti* under the scope of Tanzimat. The eleventh article of this regulation specified that those people who are the headman or *mukhtar* of *Kıpti* communities, as well as those who are engaged in art and trade but could not do business due to health problems were exempted from the taxes (Düstur, 1. Tertip, 2. Cilt).

Also, another regulation dated 1863, regarding the urbanization of the 19th-century Ottoman society was related to taxation. In order to impose taxes on constructions and settlements in cities, some activities such as the construction of any new buildings, new extensions to existing buildings, and the reparation of existing buildings were considered within the scope of taxation, even though the regulation allowed some exemptions for certain special places and activities these activities. These special places were listed in the regulation. For example, charitable organizations such as mosques, schools, quarters, hospitals, and the State's buildings were exempt from this tax. Moreover, it was underlined that this regulation would only cover *Dersaadet*, *Bilad-ı Selase*, big cities, and towns. For rural areas, this tax would be collected in an amount corresponding to one-fifth of the amount determined for the first group (Düstur, 1. Tertip, Cilt 2). In short, tax exemption and rate relief were present in as tax expenditure in this regulation.

The regulation that was introduced in 1869 also contained instances of tax expenditure practices. Despite the prevailing customs duties, this regulation imposed another tax based on the weight of the goods stored at the customs for more than one week, namely *arziye* or *ardiye*. This regulation ruled that several people, such as civil servants and passengers were exempt from this tax. The tax was mainly imposed on traders (Düstur, 1. Tertip, Cilt 2).

Finally, nearly one year before the First Constitutional Era, there was a regulation regarding the stamp tax in 1875. This regulation determined that bill, stock exchange, bond, voucher, quittance, bailment, stock certificate, the wishes written in official offices, report, title-deed prepared at religious court, letter engrossment of verdict, contracts, and other official documents and newspapers were subjected to stamp tax. In addition, the second article of this regulation exempts some documents from this tax. One of the most important among them was the certificate, known as *ilmühaber*[47] (Düstur, 1. Tertip, Cilt 3).

4.1.2. Tax Expenditure Practices during the First Constitutional Era

The First Constitutional Era started with the declaration of *Kanun-u Esasi* -the Ottoman Basic Law- which was legislated as the first constitution of the Ottoman State in 1876. During this period, critical legal arrangements for tax expenditure practices were put into operation. Needless to say, *Kanun-u Esasi* was the first and the most important part of the legal arrangements laid down in this period. *Kanun-u Esasi noted that* no tax could be taken without the legal basis under the articles 25 and 96 of the 1876 Constitution. Moreover, the *Kanun-u Esasi* underlined the exemption of Istanbul from some taxes, which was a matter of considerable debate in this period. However, the second article of the Constitution stated that '*Istanbul is the capital of the Ottoman Empire. This city possesses no privilege or immunity peculiar to itself over the other towns of the Empire'*. So, the tax exemption of *Istanbul* was terminated through the 1876 Constitution. And it is widely seen in the literature that the termination of exemption in terms of the capital of the State represented a critical transformation with respect to tax expenditure.

However, it was continued to adopt regulations in the Ottoman State during the First Constitutional Era. In this period, in addition to the regulations, the Imperial decrees came to the fore from the perspective of tax expenditure practices. It is possible to say that the

[47] *İlmühaber* was a document that covered the aid given to the poor, the schools, the places of worship and the charities, or a letter that included punishment regarding certain crimes, or periodical publishing of journals (Düstur, 1. Tertip, Cilt 3).

information regarding tax expenditure practices was not only written on the headings of the Imperial Decrees but also specified within the text (see Table 3). As can be seen from Table 3, besides the Imperial decrees, regulations played an important role in tax expenditure practices during this period although they were not directly related to tax expenditure practices. These Imperial decrees and these regulations were respectively discussed below.

Table 3: Regulations for Tax Expenditure Practices during the First Constitutional Era

Acceptance Date	**The name of the Imperial Decrees *(İrade-i Seniyye)***
16 September 1877	The Exemption of the Tannery Goods From both Import and Export Taxes *(Ma'mûlat-ı Debbağiyenin Dahilî ve Haricî Resm-i Gümrükten Muafiyetine Dair Fi 4 Eylül Sene 93 Tarihli Tezkere-i Samiye)*
15 September 1884	The Tax Exemption on the Special Head Scarf Manufactured in Dersaadet *(Dersaadette Yapılmakta Olan Kalemkâr Yemeni ve Emsali Eşyadan Resim Alınmaması Hakkında İradei Seniye)*
26 September 1885	The Amnesty of the Arrears of Taxes on the Cattle Tax Which was Increased Earlier *(Ağnam Resmine Zammedilmiş Olan Mebaliğ Bakayasının Affı Hakkında İradei Seniye)*
28 September 1885	The Exemption of the Cocoon from Customs Duty which would be Produced İzmit or its vicinity. *(İzmit ve Civarında Çıkarılacak Kozaların Resmi Gümrükten İstisnası Hakkında İradei Seniyeyi Mübeliğ Tahriratı Rüsumiye)*
11 September 1897	The Exemption of Customs Duty Regulation on the Factory materials to be imported from Europe for the first time in the next ten Years *(Fabrikaların Birinci Defa Tesisine Mahsus Olarak Hariçten Celbolunacak âlât ve Edevatın Gümrük Resminden Muafiyeti İçin Muayyen Müddetin 10 Sene Daha Temdidi Hakkında İradei Seniyye)*
20 August 1899	The Relief and The Exemption with regard to the Cotton Seeds to be imported *(Hariçten Celbolunan Pamuk Tohumlarının Gümrük Resminden Affı Hakkında İradei Seniye)*
23 September 1899	The Exemption of Potato Production from the Islamic Tithe, or *öşür*, for an additional ten years *(Memaliki Şahanede Zer Olunacak Patates Mahsulünün On Sene Daha Öşür ve Resimden Muafiyeti Hakkında İradei Seniye)*

Source: Düstür, 1. Tertip, Cilt 1-8 ve ek-1-4.; Maliye Bakanlığı (1999), Osmanlı Vergi Mevzuatı, Ankara: T.C. Maliye Bakanlığı, Araştırma Planlama ve Koordinasyon Kurulu Başkanlığı.

The Imperial Decree dated 1877, issued rules for those who produced tannery leather. It had been requested that the leather producers' internal and external customs taxes be cut in half in the Imperial Decree. In response to this request, to provide the competitiveness and development of this sector against foreign merchants, it was decided to remove taxes on this sector. In addition to the termination of the customs taxes, leather producers were also exempted from stamp duty. However, it was noted that this was only for tanned and dyed leathers, not for raw leather (Düstur, 1. Tertip, Cilt 4).

Another Imperial Decree was put into practice in 1884. The Imperial Decree made a privilege for headscarves and packages known as *bohça.* Before this Imperial Decree, there was a stamp tax on these materials for preventing the imitation of these goods. But this tax gave rise to difficulties for domestic merchants in their competition with foreign merchants. Therefore, domestic merchants were exempted from this tax. Moreover, these merchants also enjoyed a privilege from the *kazazhane*[48] tax by being exempted from it (Düstur, 1. Tertip, Cilt 2). The reason behind eliminating this tax was also underlined in the Imperial Decree. After all, even though the *kazazhane* tax had a small tax burden on the taxpayers, it created a high pressure on them. It harmed the source of income and induced a decrease in other tax revenues. In summary, by drawing attention to the effectiveness of taxation, it could be argued that taxes were used as a tax policy tool in this period.

On the other hand, there was an Imperial Decrees issued in 1885. Imperial Decree stated that there was a significant amount of a hike in the cattle tax that was imposed in some regions in the previous years to finance the war. This increased amount was collected for just one year, and a small portion of this tax remained as tax arrears[49] (Düstur, 1. Tertip Cilt 5). Taxpayers wrote petitions requesting relief from this tax. As a result, the Imperial Decree gave a positive response to this demand.

In another Imperial Decree which included tax expenditure practices was issued in 1885. This Imperial Decree enclosed information on a disease, which previously spread in Bursa and disrupted the production of the cocoon, negatively affecting the factories operating in this area. So, this Imperial Decree stated that customs taxes would not be taken from the cocoons to be transferred to Bursa owing to the possibility of bankruptcy with respect to

[48] *Kazaz* identifies a person who processes the raw silk and turns it into a yarn and silk spinning.
[49] The topic of the arrears of taxes was an unchanging problem in the Ottoman State public finance throughout the late 19th century (FO 198/64, p. 4).

these factories. In other words, the Imperial Decree determined that the producers of cocoon would be exempt from customs taxes. With this exemption granted until the prevention of disease, it was pointed out that this sector needed to be protected to maintain its survival. This practice was also put into practice in İzmit. The practice for Izmit was mainly based on the idea that the tax revenues would increase, and thus the factories would be supported in this way (Düstur, 1. Tertip, Cilt 5).

Aside from the Imperial Decree mentioned above, there were also some other regulations with regard to extending the duration of tax expenditure practices due to the expiration of the Imperial Decree. For example, since the exemption of imported tools and pieces of equipment for the establishment of the plants was expired in 1873, this duration

was extended for ten years more. To put it in another way, this exemption was prolonged again for ten years. As such, the aims put forward for the first time were repeated here. This way, the Imperial Decree emphasized that the increase in the number of factories would have positive effects on encouraging other industries in this way (Düstur, 1. Tertip, Cilt 7; I. MMS, 104/4408).

Not only economic purposes but also some other aims such as providing incentives through tax expenditure practices are the motives behind the Imperial Decrees. In other words, some tax expenditure practices were mainly handled within the scope of the Imperial Decrees for the benefit of the Ottoman society. For example, an Imperial Decree was issued in 1899 because of the deterioration of cotton seeds imported from Egypt and America. This Imperial Decree stated that the import of cotton seed from America was exempted from customs taxes because it was thought that this would benefit the public. The Imperial Decree underlined that this tax exemption decision was owing to taking the benefits that were offered to the society into consideration, although it was pointed out that this tax exemption practice was contrary to interests of the State (Düstur, 1. Tertip, Cilt 7). Likewise, another product that was mentioned to be beneficial for the society and therefore needed to be encouraged to produce was the potato. So, potato production within its borders of the Ottoman State was exempted from taxes for ten years (Düstur, 1. Tertip, Cilt 7).

On the other hand, in addition to the Imperial Decrees, regulations also covered tax expenditure practices on economic, fiscal, and social issues during the First Constitutional Era. Even though these regulations were not issued specifically on tax expenditure practices, it is possible to say that they had some related articles. Therefore, these regulations were extraordinary in terms of assessing tax expenditure practices that were put into practice in this period in the Ottoman public finance system.

One such regulation was introduced in 1879 and consisted of the legal framework for patent tax. The first article of the regulation noted that those dealing with trade and industry within the boundaries of the Ottoman State, not only citizens of the Ottoman State but also the citizens of foreign states, were liable to pay patent tax. Some taxpayers were exempted from the patent tax. The fifth article of the regulation listed exemptions from patent tax. Specific people, institutions, charitable activities, teachers, doctors, surgeons, dentists, dealers, engineers, architects, authors, newspaper publishers, those who distribute letters, telegraphs to the house, and theatre actors, mine operators, and so on were listed in this regard. Moreover, the regulation also subjected the taxpayers to binary classification. So, this regulation noted that taxpayers with large settlement areas would pay more than taxpayers with smaller ones (Düstur, 1. Tertip, Cilt 2).

It is also known that there were some regulations issued in this period not only for the whole Ottoman State but also only for some specific regions in the State. For example, a land tax that was put into force under the regulation issued in 1881 was just for the province of *Rumeli Şarki*. This regulation determined that the lands not utilized for agriculture would be considered within the scope of this tax. There were also some arrangements for places to be exempted from this tax. The second article of the regulation ruled the places to be exempted from land tax. Accordingly, places such as those where the taxpayers were responsible for paying the Islamic tithe, the granary and their gardens, and the households and outbuildings of the farmers were listed as exempted from the land tax
(Düstur, 1. Tertip, Cilt 1).

Also, some amendments to the regulations were issued earlier regarding the tax expenditure practices during this period. For instance, with the amendment of the dividend tax in 1881, the real estate and lands, which were subject to Islamic tithe for their income, were exempted from this tax. In the same year, a similar practice was conducted for pig tax, also known as swine or pork tax in the literature. Although three *kuruş* per pig[50] were collected annually, pigs below four months were exempted pig tax (Maliye Bakanlığı, 1999).[51]

4.2. Tax Expenditure Practices in the Archives

The tax expenditure practices applied in the Ottoman public finance in the 19th century can be observed not only in the regulations, Imperial Decrees, and the 1876 Constitution but also in the range of archival documents. These archival documents are essential for examining tax expenditure practices, both arguing each type of tax expenditure practice and reviewing their objectives as well as researching the reactions of the taxpayer and the State administration in this process. So, in the present section of the thesis, tax expenditure practices, which consist of tax exemption, tax reduction, tax refund, tax deferral, and rate relief, will be presented respectively by based on archive materials. These materials have been obtained from the Presidency of Turkey Ottoman Archives for the Ottoman State in Turkey as well as from the National Archives in the United Kingdom and the British newspapers. These archives will be analyzed from the perspective of economic, fiscal, religious, social, and political issues. Taxpayers' reactions to the implementation of tax expenditure practices have also been explored. The following sections will present these findings.

4.2.1. Tax Exemption Practices

[50] In the literature, there is a broadly accepted argument that pig tax was specific to non-Muslims and thus was collected from only the Balkans. However, looking at both the Ottoman Archives and the British Archives, it is seen that this tax was applied in some provinces of Anatolia, too. For example, it was collected between 1867 and 1876 in Aydın; between 1872-1876 in Izmit and between 1874-1876 in Bursa. However, there is no information about the collection of the said tax in Baghdad, Basra, Lebanon, Hijaz, Syria and Yemen. So, it can be concluded that there was no implementation of it in these regions (FO, 881/4084, p. 34). For further information, see Yeşilyurt (2017).

[51] However, in the same period, the aim of hiking taxes on pigs was among a policy-priorities to close the budget deficit. See Lloyd's Weekly Newspaper, Sunday, December 25, 1887 for detailed information.

The term tax exemption[52] was used as an essential tax policy tool in the 19th-century Ottoman public finance.[53] Researches carried out in the Ottoman archives suggest that Ottoman public finance executives utilized this tax policy tool in many areas ranging from economic, fiscal, religious, social to political subjects. As demonstrated in the following sub-sections, all these subjects covered almost all segments of society and were able to meet a vast variety of their needs.

4.2.1.1. Tax Exemption Practices in Economic and Fiscal context

Tax exemption practices, which were widely used in the 19th-century Ottoman public finance system, were first handled in the context of economic and public finance.

From the perspective of public finance, the lack of ability to pay the taxes was the main reason behind tax exemptions. On the other hand, contributing to the development of the economy, minimizing the impact of the fluctuations in production due to natural disasters, and ensuring the continuity of agriculture were also among the principal aims for using tax exemption practices from an economic perspective. This can be observed through archival research which suggests that the Ottoman administration utilized tax exemption practices to ensure that its citizens could steadily maintain their livelihood in their daily lives which amounts to the Ottoman economy and its public finances being free from harmful consequences.

4.2.1.1.1. Tax Exemption Practices in case of Taxpayers' Inability to Pay

Tax exemption practices were used as a tool of tax policy to ensure that taxpayers could steadily maintain their social lives in the 19th-century. Taxpayers' inability to pay taxes was one of the most prominent reasons for this practice. Tracing the abundance of these privileges in archival documents is vital in the pursuit of grasping the Ottoman fiscal mentality.

[52] As stated earlier, there is a tiny difference between the tax exemption and tax exception in today's Turkish Tax System. However, both were used at the same meaning in the Ottoman public finance system. Additionally, both types of tax expenditure were used interchangeably in the archives. For this reason, tax exemption is preferred to use in parallel to the literature.

[53] It is called under different names in the Ottoman Turkish, such as *'muaf'*, *'muafiyet'*, *'istisna'*, *'müstesna'*, *'müsade'*.

One example for such privileges based on inability to pay was in 1848, when the inhabitants of Ephesus in the district of Elbistan, Maraş, requested tax exemption because of their poverty, and the lack of their ability to pay (A. MKT, 142/61). Likewise, Durmuş Ali, who was sightless and a resident of the province of Yalvaç named Bahtiyar, penned a petition for not having any real estate to be taxed and not having any means to pay. A letter, also known as *şukka,* was thereupon sent to the Hamid district governor to investigate the conditions of this person and whether this person was in a severe situation. It was stated that this person should be exempted from taxes if that was the case. It was also requested that the person should be assisted by the regional administration (A. MKT. DV, 19/85).

Similarly, two siblings named Hasan and Fatma, who were three and five years old respectively and who lived in the village of İnegazi in Keskin Sanjak, addressed a document to the Governor of Yozgat. They stated that their fathers had recently passed away and that they only had 300 *kuruş* left from their father's estate and no other real estate or income. They also noted that they had paid their arrears of *salyane,* which was a kind of tax concerning the annual salary for civil servants. They reported that a tax of 160 *kuruş* had been imposed on them because of their ruined vineyard. They claimed that they were out of means to pay the taxes and were not at working age. They thereupon demanded to be exempted from taxes for five or ten years, stating their reverence for the compassion of the Sultan (A. DVN, 55/73).

Likewise, İsmail, a resident of Tokat, wrote a petition in 1850 to *Sivas* governor, also known as *mutasarrıf.* He stated that he lived with his mother and his children and he did not have any income, commodity, or estate to maintain their livelihood. He thereupon requested to go to *Dersaadet* to directly inform the Sultan about his predicament due to the lack of livelihood. He claimed that he could not afford to pay his taxes, levied as 21 *kuruş*, and wanted to be exempted from this tax. In the letter sent from the center to the Sivas administration, it was demanded that the taxpayer's status be investigated. As a result of this investigation, it was ruled that this person would be exempted from tax as a sign of the generosity and compassion of the Sultan in times of need and necessary (A. MKT. DV, 23/88).

Tax exemption practices related to taxpayers' inability to pay extends to cases where taxpayers' ability to pay their taxes changed over time. For example, in 1893, Hasan and Hüseyin, two brothers living in the Village of Dirdane in Araç County, known as *kaza*, posted a letter to the Ministry of Finance from Erzurum province. They demanded exemption from the tax levied on their animals due to the fact that their 179 small cattle, which had been subject to the cattle tax and recorded in the last animal census, perished in the fire immediately after the last census (DH. MKT, 50/26). In a similar case, Numan, who was from Gallipoli and had a haberdashery, filed a petition to the Provincial Administration of Edirne in 1894. He stated that although he was exempted from all taxes in the past, a tax was imposed on him and that this tax put him in a difficult situation. He claimed that this was not in compliance with justice and equity. It was thereupon stated by the authorities that his request would be investigated, and the result would be reported (DH. MKT, 292/31).

What is more, there were some cases where a negative impact on the taxpayers' ability to pay occurred such as the infection of the family members by some diseases or drafting the male members of families for military service. Some taxpayers demanded tax exemption on account of such reasons. For example, Hoca Mehmed Said from the village of Hayriye in Karamürsel, wrote a petition in 1894. He stated that a dividend tax had been imposed on him. He claimed that he was not able to pay the tax because he was not able to sustain his livelihood due to his son's illness. He thereupon asked for tax exemption from the İzmir governor. Consequently, it was decided that Hoca Mehmed Said was exempted from the tax so that justice was served by the governor, as highlighted in the petition (DH. MKT, 197/26). Likewise, in a document dated 1895, it was stated that Süleyman, who was one of the migrants settled in Bozuyuk, did not have any income to sustain his life. It was also highlighted that his son was recruited into the army. Moreover, he was in a severe situation to maintain his life because of imposing a tax on his animals. However, he asserted that he did not have the ability to pay his taxes (DH. MKT, 390/7).

On the other hand, tax exemption practices regarding the lack of the ability to pay were applied not only to Muslims but also to non-Muslims, who constituted an essential part of the Ottoman society. In other words, non-Muslims also benefited from tax exemption practices. For instance, *dhimmi*[54] Petro, who lived in Adapazarı, had previously demanded a tax exemption by asserting his poverty and sickness. However, a negative response was given to his application based on the idea that he had the ability to pay 50 *kuruş* tax, which was the amount that levied on him. But Petro sent a letter again to the Sultan declaring that he was not able to pay the tax due to his present poverty and the condition of being patient. In the letter sent to *İzmit* from the State center in 1850, it was underlined that the center could not assess the situation of this person. And it was noted that these questions should be solved by the local administration. Therefore, an investigation was required in the local administration (A. MKT. UM, 19/32).

Similarly, in the document dated 1890, Yorgi Andonyadi, a citizen of the Ottoman State and was appointed as guardian by Yosef Dimitiyadi, who is from Russia, requested to be exempted from taxes and litigation costs and expenses by means of the Russian Consulate. This is because Yorgi Andonyadi did not have the means to pay and faced some financial difficulties. Upon his request, a piece of information was asked about his situation from the Ministry of Justice. It was emphasized that this situation would be solved based on the rule of reciprocity (HR. TH, 98/20).

In the aforementioned cases, tax exemption practices due to the absence of means to pay were directly implemented to taxpayers in person. On the other hand, tax exemption practices covering a whole village, neighborhood, or region were also present. For example, the villagers residing in the village of Toğla in Mecidözü, *Sivas*, could not pay their real estate, dividends, and other taxes due to the lack of ability to pay. Thus, they sent their requests to the Governor of *Sivas* owing to the situation in question in 1853. They requested that they should be exempted from taxes or that their taxes should be postponed for a temporary period. As a result, it was declared that their requests would be forwarded to the *Meclis-i Vala,* and then the claim of the lack of the ability to pay mentioned in their request would be examined (A. MKT. UM, 135/29). Similarly, the document dated 1876 noted that the uprisings in the Balkans induced damage to the people of the region and caused them to

[54] *Zimmî* refers to a non-muslim person in the Ottoman State.

lose their power. Despite this, the document emphasized that imposing taxes on these places would be contrary to law and justice. It was thereupon requested that the population of these places would be exempted from the Islamic tithe and other taxes. However, there were also some other uprisings in other places. These places were all towns of the *Bihke* Sanjak, three towns of the Trovnik Sanjak, and some of the towns in Benaluka, Yenipazar, and Saray. Therefore, they were exempted from all taxes for a year and from Islamic tithe due to the effects of uprisings damaging local taxpayers' ability to pay (A. MKT. MHM, 480/95).

Tax exemption practices were primarily used to overcome problems related to taxation, especially regarding taxpayers' inability to pay. However, there were some obstacles that prevented the implementation of a fair tax burden in the Balkans. Among these obstacles were Ottoman local notables and landowner, named as *ağa*. These people demanded some extra payment from taxpayers under different names, aside from the taxes collected by the Ottoman State. Also, they took advantage of using the drudgery system, known as *'angarya'*.

İnalcık (2017) argues that the number of extra payments collected by notables and landowners from taxpayers was much greater than the State's revenues. Therefore, when the central administration took some decisions to improve the tax system, it faced the strength of notables and landlords as an obstacle. Moreover, notables and landowners did not hesitate to rise up in rebellions against the Ottoman State. Also, the negative attitudes of the notables and landowners in the Balkans against the taxpayers had a crucial impact on the dissatisfaction of taxpayers with the tax burden. In some cases, taxpayers also rebelled against notables and landowners. Even the leaders of taxpayers who attempted rebellion expressed their position as *'we are not in a movement against the Sultan, we are all reins of the Sultan'*. They stated that their main problem was with the notables and landowners in the region. In response to this, notables and landlords engaged in public harassment activities to threaten the taxpayers saying that '*these lands do not belong to the Sultan, they are ours'* (İnalcık, 2017: 129-130). These problems reveal the dilemma that the Ottoman administration faced in the 19th century.

4.2.1.1.2. Purpose of Contributing to the Development of the Ottoman State Economy

There is a common view in the literature on the Ottoman State economics and public finance history that the Ottoman State did not develop its economic power, particularly during the 19th century. This phenomenon is seen as the most prominent factor behind the collapse of the Ottoman economy and this view still maintains its validity. Accordingly, this view holds that the Ottoman State could not improve its economy, and this situation pushed the Ottoman State towards the inevitable end in contrast to the Western countries, which strengthened their economy during this period.

As for the economic effects of Tanzimat on the Ottoman economy, Gökbilgin (1967) emphasizes that Tanzimat gave rise to adverse results on the Ottoman industry. The author also argues that the practices during the Tanzimat period did not so much establish a brand new modern industrial order as it damaged the old industrial order. He argued that statesmen of this period were willing to implement the economic ideals of the West but failed to do so. As a response to the criticism that a modern industrialization step was not put into practice in the Ottoman State; it would be fair to argue that attempts to develop the industry can be observed in the regulations and archival documents. Nevertheless, these endeavors seem to have failed.

It is widely accepted in the literature on the economic and public finance history of the Ottoman State that the effects of import on domestic crafts were light due to the limited volume of finished goods imported from Europe in the pre-19th century. Until the end of the 18th century and even during the early 19th century, manufactured goods were produced within the borders of the Ottoman State. Therefore, it is argued that crafts were not in a destruction or collapse phase, though they were not in a state of great vitality and thriving (Pamuk, 2011). However, this steady structure changed with the agreements introduced in the 19th century. Imports from Europe increased considerably. Tax exemption practices in customs duties were put into operation in order to overcome the problem of competition with foreign manufacturers and encourage handicrafts. For example, the velvet pillow workbenches had the opportunity to recover and increase after the tax expenditure practices (Kütükoğlu, 1996).

Also, especially starting from the end of the 18th century, customs duty exemption was granted to the business units of the shipyards, armory, and gunpowder. Moreover, during the Tanzimat Era, in order to afford public expenditures required in terms of military and fiscal domains, the State administration took steps towards industrialization and supported traders to promote the industry. Importing some pieces of equipment, tools, and pieces of machinery for these factories from Europe was allowed and tax exemptions were granted for such import activities. This exemption was especially for establishing new factories or for encouraging the existing factories to keep up with the developing technological activities and to follow the technology. Besides, engineers, technicians, and even workers were brought from Europe with higher wages to benefit from their knowledge of and experience in the field of technology (Kütükoğlu, 1996). On the other hand, Pamuk (2011) claims that these investments were carried out by the Ottoman State in the 1830s and 1840s and that the private sector did not operate in this area. However, it has been observed in archival documents that there were factories opened thanks to the investments of the entrepreneurs. This goes against the claim that the private sector had already started to develop since the 1880s. There were significant developments that occurred in the Ottoman State in the period between 1856 and 1874 in terms of economic growth. The basis of these developments was based on an idea that was most prominently argued by Mithat Pasha. According to him, the most appropriate way to save the Ottoman State was to financially strengthen the society and the economy (Karpat, 2017).

Therefore, it is possible to follow the traces of the economic revival in the 19th century Ottoman State public finance within the scope of efforts to protect local products and markets from the external competition through the implementation of tax expenditure practices (Abou-El-Haj, 2018). Especially, yarn and match factories, which had an important place in Ottoman production, were exempted from customs duty in this period (Kütükoğlu, 1996). In the following periods, customs duty exemptions were extended to protect and enhance the domestic industry, and thus domestic customs duties were abolished entirely from 1874 onwards (Genç, 1985).

Consequently, condemning the Ottoman State on grounds that it did not support its economic and public finance and that this lack of support gave rise to its collapse does not seem to be fair. In the archival research, it is observed that the Ottoman State carried out some critical efforts, such as supporting craftsmen, farmers, industrialists, and businessmen to improve its economy. In addition, the Ottoman State displayed a strong will to develop its domestic industry and products. Also, there were some policies such as supporting the people to encourage the establishment of privately-owned companies as well as benefiting from taxation to prevent the treasury from damages. Tax exemption practices played a pivotal role in the attainment of all these aims.

Considering tax exemption practices through archival documents from the purpose of developing the economy, it is seen that merchants, industrialists, farmers, and businesses were supported through tax exemption practices (Akarlı, 1982). In this regard, a letter was sent to the Head of the Rectorate of the Industry Commission, known as *Islah-ı Sanayi Komisyonu Riyaseti*, dated 1868. This letter aimed to make development on the blacksmith tradesmen in Dersaadet, by spurring the production of the machinery, armory equipment, telegraph wires, winding lines, cars, large chains and anchors for ships, and so forth due to the needs of the State. Consequently, the production of all these materials was exempted from customs duty and stamp tax for twelve years. At the same time, it was decided that they would be assigned a place for the construction of a large factory to foster blacksmith tradesmen. Moreover, the coal needed in production by the blacksmith tradesmen would be sold at a price as given to the armory, known as *tophane*, and shipyard (A. MKT. MHM, 407/51).

Similarly, a letter was sent to the Ministry of Finance in 1862, aiming to develop the mining sector in the Ottoman State. In this regard, the letter contained a request about the *Akdağ Maden-i Humayun* miners that they should be exempt from all taxes until a certain period. Information was requested from the Ministry of Finance regarding the current treatment on this practice (A. MKT. NZD, 408/45). On the other hand, the tax exemption practices were used to foster industrialization or establish factories as well. For example, a document regarding constructing a pottery factory in Göksu was sent to the Customs Administration and the Ministry of Trade in 1892. It was requested in the document that the materials to be brought from Europe should be exempted from customs duty (BEO, 59/4415). All the above examples regarding the tax exemption practices show us that the tax exemption practices were widely used in the Ottoman State for encouraging the Ottoman economy.

Aside from the tax exemptions on the aforementioned grounds, tax exemption practices were also utilized to enable a healthy, functioning commercial life in the Ottoman State. For example, there was a legal arrangement regarding the exemption of the taxes on flour, which was brought to *Dersaadet* from abroad. However, some merchants claimed that they were subject to taxes for bringing flour to *Dersaadet,* requested to return the collections of taxes. The following documents reveal instances of this. The document dated 1856 argued this situation for the Greek merchant Dimitri Iskanadi as well as the document dated 1857 for Todori and Covani Albini from the subjects of Sardinia; the document dated 1861 for the Polish citizen Condepe Pordo; the document dated 1865 for Austrian Cozepe Bardo (HR. MKT, 170/15; 177/11; 139/18; 380/61). In these documents, tax refunds on grounds of legal arrangements regarding tax exemptions on flour were requested.

Another concern regarding tax exemption practices that positively affected the Ottoman society and economy was to support the health sector. A letter was sent to the Ministry of Internal Affairs and the Ministry of Finance in 1893 provides an example. The letter asked that all doctors would be exempted from dividend tax (BEO, 226/16950). The surgeon Hristaki Dimitri, a resident in the Manastır, requested that the exemption should be applied to him. However, the fiscal administration did not make a clear decision on his request. Later, the fiscal administration made an information request from the Council of State on this situation. It was stated in the reply that this tax exemption would only be applied to individuals with a doctor's degree from the Ottoman Medical School, known as *Mektep-i Tıbbiye*, and those with a doctor's degree from European schools approved by the School of Medicine. It was also stated in the reply that there were different practices regarding those who were expelled from the medical school and those who did not hold a doctor's diploma. So, it was decided that these groups were liable to pay dividend tax (BEO, 647/48508).

Similarly, there was another question asked in the Yanya administration in 1897 on whether dividend tax exemptions for doctors applied to surgeons, vaccinators, and other certified staff as well. As the reply stated that only doctors and pharmacists who have the diploma of the Health Minister could benefit from this exemption. It was made clear that no one could benefit from this exemption without the diploma and/or approval of the Health Minister (BEO, 989/74147). A more particular example has been observed in a document penned in 1840 by Dimitraki. He made a request to be exempted from jizya and other taxes on grounds of his skill and success in the field of medicine, just like his grandfather. Later, a letter was written to the Sultan requesting a certificate, which provides an exemption from the aforementioned taxes (İ. DH, 1285/101131).

The second factor which constitutes the scope of the tax exemption for the development of the economy in the Ottoman State public finance system is the practices for supporting domestic products. In this context, Fernandes, who was the representative of the factory producing the bricks and tiles by using local products in the factory in Thessaloniki (refers to Selanik in Turkish), sent a letter to the tax administration. He contacted the local tax administration making demands related to customs duty. He alleged that the factories, which carried out production activities using domestic raw materials, were exempt from customs duty and requested to be exempted from this tax. The Tanzimat administration reviewed this person's request and pointed out that the use of the products making the bricks and tiles should be exempted from the internal customs duty. The Tanzimat administration also stated that the State should make sacrifices to develop the industry in the Ottoman lands. Accordingly, it was decided that the production of all products manufactured from domestic soil and pharmaceuticals without the use of foreign materials be exempt from internal customs duty (A. MKT. MHM, 501/20).

Similarly, the document dated 1861 determined that the goods produced in domestic machines would be exempt from tax for ten years not only to ensure the development of the weaving industry but also to increase the number of weaving looms. The document also ruled that those productions carried out on European workbenches would be exempt from customs duties and stamp taxes for five years. The document also granted an incentive credit without interest to Emin and Ahmed Efendi, who had been running a business in the weaving industry (A. MKT. MVL, 133/61).

Likewise, the Assembly of Accounts, known as *Meclis-i Muhasebe*, penned a document, and this document was sent to *Meclis-i Vala* from the Ministry of Finance. In this document, it was requested to relief from all taxes for 8-10 years on trees with a view to improving domestic production by the inhabitants of Ahyolu. In response, it was decided that Islamic tithe and other taxes would not be collected for 4 years, as granted to Karahisar

Şark-i. It was also stated in the response that the Sultan kindly encouraged them because the Sultan aimed to promote the society and contribute to the treasury (A. MKT. MVL, 144/10).

Another example of supporting the competition of domestic products against foreign products was issued in the document dated 1895. Ahıskalızade Hakkı and his friends sent this document to the Ministry of Finance for preventing unfair competition regarding tobacco. Due to losing the importance of Samsun tobacco, Ahıskalızade Hakkı and his friends requested that Samsun tobacco be exempted from customs duty, known as *mürur.* on the grounds that Samsun tobacco could not maintain its importance. This possibility had emerged because the Greek government decided not to impose a tax on the transfer of tobacco to Egypt, which negatively affected the business of Samsun tobacco (DH. MKT, 414/16). Similarly, in a document that was submitted to the Sultan in 1897, it was argued that domestic bran should be exempted from internal customs duty to be able to compete with those coming from foreign states (Y. A. RES, 85/19).

The third factor that constitutes the scope of tax exemption applied for the development of the Ottoman economy in this period is the acknowledgment of establishing companies and the tendency to encourage entrepreneurs. For example, according to the document dated 1874, Ibrahim Nas and his sons were licensed to establish a joint-stock company for a cloth and silk factory in Antakya. Besides, they were allowed to import the machinery and tools required for the factory without paying customs duty (I. MMS, 134/5707). Tax expenditure practices, especially tax exemption, were utilized in support of industrialization. These benefits not only offered employment opportunities in society but also led to increasing public revenues.

There are also some documents where granting of tax exemptions to companies can be observed. For example, a document dated 1893 suggests that the coal consumed by the ferries of *Hamidiye* Company operating in İzmir was granted tax exemption as per Imperial Decree (BEO, 190/14245). Similarly, the document dated 1886 demanded information from the Tax Administration upon the request of Terkos Waterway Company's regarding the tax exemption for its water tank, which was built in the vicinity of *Beyoğlu,* and for its machines and some other tools (MV, 10/56). There is also another example of a tax exemption practice for Terkos Waterway Company in 1888. The director of Terkos Waterway Company requested the return of the dividend taxes that were collected from the water company's civil servants, who lived in the villages of Terkos and Daye Hatun, asking for tax exemption (DH. MKT, 1562/100). It was also noted in a document dated 1891 that the Ottoman State gave the land required for the construction of a building for the operation of the *Bank's Osmani* free of charge. It was also stated that the materials needed for the construction of the building were exempt from customs duty (MV, 65/71).

Another example that was thought to contribute to the development of the Ottoman economy was the removal of the stamp tax applied for negotiable instruments. Stamp duty was abolished in 1839 in the hope that abolishing the stamp duty would be fostered the trade by removing the burden on the economy and providing a proper setting for trade. On the other hand, due to the need for the income of the Ottoman State treasury, the stamp duty was reimposed in 1845 in order to provide revenues to the treasury of the Ottoman State. From then on, the stamp duty remained one of the most important taxes in the Ottoman public finance system (Shaw, 1985).

Aside from the tax exemptions granted for companies and corporations on grounds of developing the Ottoman economy, there were also some remarkable practices that aimed at encouraging individual entrepreneurs. For example, a document issued in 1855 noted that Hana, a Mosul merchant who worked diligently and wisely, was exempted from customs duty for five years in view of his efforts. This exemption was granted as per the decision of the *Meclis-i Vala* and the approval of the Sultan via Imperial Decree (HR. MKT, 124/62). In a similar situation, workers from Hereke factory drafted a request to the Ministry of Finance in 1899. They asked to be exempted from dividend tax on grounds that this tax harmed their work eagerness to work. Furthermore, they claimed that this tax would make them quit their jobs. Thus, this tax ultimately hampered the factory's operation (BEO, 1402/105085).

In a similar case, according to the document dated 1892, the artisans, who traded in the Ottoman borders had to pay their dividend tax and the business license payment according to the tariff in the *Dersaadet.* However, no tax had been imposed on photographers so far with a view to encourage them. But, since photographers could work with a small capital and earn a significant amount of income from their job, it was intended that a tax be imposed on those

who live in the provinces and Dersaadet. As a result, it was determined that a tax amounting to 40 *para*[56] per photographer would be imposed on these photographers, approximately corresponding to 10.000 *lira* per year. It was thought that this income could be allocated to either *darü'l nafaka* or *darü'l-acize*, both of which were related to helping the poor people in the society such as poorhouses or alms-houses (Y.
PRK. ML, 14/26).

On the other hand, it is noteworthy to mention that tax exemption practices were used not just for Muslim merchants but also for non-Muslims merchants. In fact, in the Ottoman economy, non-Muslim merchants were much more advantageous than Muslim merchants. Such advantages were intended to be provided for the Muslim merchants as well in order to spur the Ottoman economy. These Muslim merchants were named as
Hayriye Merchant or *'Hayriye Tüccarı'.* They were a group of well-known and reputable Muslim traders who acquired some privileges at the beginning of the 19th century. For example, the activities of these merchants would be supported through credit supply and tax exemption. However, such practices regarding these merchants were terminated in the following period (Kütükoğlu, 1998).

Finally, tax exemption practices were used for the development of the Ottoman economy by providing efficiency in preventing the revenue loss of the treasury and in facilitating tax collection. A letter sent from Thessaloniki to the Ministry of Finance in 1886 provides an example. The letter noted that there was an Imperial Decree granting tax

[56] 1 Ottoman kuruş is equal to 40 *'para'* and 120 *'akçe'* (Pamuk, 2017).

exemption to the goods owned by the Sultan and revenues derived from lands belonging to the Sultan. This exemption covered customs duty and other taxes. In this context, Gümülcine Governor reported that there were some merchants in the piers and that they were demanding tax exemption by claiming that their goods need to be exempt from these taxes due to the same reasons argued above. This gave rise to the concern that the State Treasury would suffer losses. On account of this concern, Gümülcine Governor reported this issue to the Ministry of Finance and requested the termination of this exemption (DH.
MKT, 1384/124).

4.2.1.1.3. Aim of Ensuring Continuity in Agricultural Sector

Ensuring the continuity of agriculture was another factor causing the introduction of tax exemption practices in the economic and public finance context. From the perspective of supporting agriculture by using tax exemption practices, this was not just to ensure the continuity of the Ottoman economic system based mainly on agriculture. As far as we could follow from the archival documents, there were also some other reasons behind using tax exemption practices for the continuity of agriculture in the Ottoman economy. These reasons are to improve the development of the regions, to increase the revenue of the State, and to provide the prevention of smuggling. The Assembly High Judgments of the Court, also known as *Meclis-i Vala-yı Ahkam-ı Adliye*, penned a document in 1863 which illustrates such goals. The document noted that there was a regulation about importing tools and equipment from Europe that were exempted from customs duty for ten years. However, there was a certain level of vagueness with respect to cotton seeds to be imported as per this regulation. It was thought that by encouraging people who were in the business of cotton seeds there would be some benefits to the Ottoman economy. Increasing the number of people engaged in this business and developing the regions in the Ottoman State was among these benefits. Finally, all these and other benefits could positively affect the dividend tax revenue of the Ottoman State. Eventually, an Imperial Decree was issued on the issue of exempting cotton seeds from customs duty for ten years (İ. MVL, 485/21969).

A document sent to Syria and the Ministry of Trade and Public Works in 1888 reveals a similar case. The document stated that potato producers were exempted from Islamic tithe for five years to promote the production of domestic potato in Kosovo as per Imperial Decree. Also, it was suggested in the document that this tax exemption would be applied to the whole society in the Ottoman State. Moreover, it was requested that a number of potato seeds would be sent to the Ministry of Trade and Public Works (DH. MKT, 1509/23). Similarly, there was another document in 1899 which suggests the replacement of diseased vine stems in some parts of Aydın with grape stems brought from the US. Thus, this document determined that the vine stems brought from abroad would be exempt from customs duty if they were to be changed with diseased vine stems. The document also stated that the supervision procedures regarding this tax exemption shall be carried out under the control of agricultural inspectors and officers. If the agricultural inspectors and officers reported the disease, the vine stems would be exempt from tax. Otherwise, the vine stems would be subject to tax. It was also noted that the sown bars would be removed in any case of improper operation (DH. MKT, 2211/7).

Lastly, Avram Yako Mezrahi, from *Manastir* who lived in *Beyoğlu,* sent a document to the Ministry of Interior Affairs in 1899. He wrote that the total annual production of tobacco would be nearly 25 million *kıyye*[55] if the State gave an allowance to the producers for tobacco products. He thought that, even if five million of these amounts would be exempted from tax, the rest of this amount would be essential revenue for the Ottoman State when taxed. He also pointed out that by giving this allowance, tobacco smuggling would be impeded, and that the revenue of the treasure would be affected in a positive way (BEO, 1251/93786).

4.2.1.2. Tax Exemption Practices in Religious, Social and Cultural Contexts

19th century corresponded to a period that religious, social, and culturally fundamental transformations were widely desired from the perspective of tax expenditure practices in the Ottoman public finance system. In this period, the efforts of Western states to influence the Ottoman State in these areas and the attempts of the Ottoman administrators in domestic politics to follow Europe were so crucial in this sense. On this account, one of the important aims pursued by the Tanzimat Edict was the complete elimination of tax exemption practices. However, it was not possible to implement this aim in all areas of the Ottoman public finance system. So, some tax exemption practices such

as those granted to Islamic mysticism, Islamic monastery, zawiyas, sheiks, and dervishes continued under the influence of religious and spiritual factors[56]. Gökbilgin (1967) states that this definitive and crucial rule of the Tanzimat Edict regarding abolishing the tax exemption practices was not applied against these religious groups and institutions. This was mainly

[55] It is equivalent to 1283 grams.

[56] Barkan (1942), in his seminal study entitled '*Osmanlı İmparatorluğunda Bir İskân ve Kolonizasyon Metodu Olarak Vakıflar ve Temlikler I: İstilâ Devirlerinin Kolonizatör Türk Dervişleri ve Zâviyeler'* (Vakıflar Dergisi, 2, pp. 279-386), argued the different qualities of dervishes in society, ranging from having an entrepreneurial spirit in agriculture, engineering, education to orientation of society. He also claimed that the dervishes, who dealt with agricultural and commercial affairs and who developed both the moral and the architectural aspects of the society, played an important role in the spread of the Ottomans to the West.

because of the fear of falling from the favor of these groups who had a tremendous impact on the Ottoman society through their power and spiritual influence.

Another area that tax exemption practices continued to have an impact was social policy practices. Notably, there were essential services during the Abdülhamid II period (1876-1909) in the field of social policy practices. And, it was also claimed that the aim of creating the perception of Sultan Abdulhamid II as a sole guardian of the society was a prominent reason behind these social policy practices in this period. This claim supports the view that the waqfs lost their importance by creating the welfare system by the Sultan. In this context, Özbek (2016) claims that it was obviously political bias rather than the aim to establish a positive relationship between poverty, social assistance, and charity activities that were behind these social practices. He also puts forward that these activities were the result of the preservation and maintenance of the monarchical structure of the Ottoman State. Under this monarchical structure, Sultan Abdulhamid II tended to influence the public opinion and to personalize his power based on the palace, as well as aimed to provide a steady force on a legitimate basis to his authority. In order to achieve this aim, the Sultan attempted to serve via charities to the most remote corners of the State and announced these activities to the society through the press. In this context, Özbek (2016) notes that while these social policy practices can be seen in the scope of social expenditures, the primary purpose behind them was to control, improve, and educate the Ottoman society.

Public expenditures that aimed to increase social welfare by Sultan Abdülhamid II were generally divided into four headings: i) expenditure for religious institutions such as mosques, Islamic lodges, shrine, and Islamic mysticism; ii) expenses for educational activities such as madrasah, schools, graduations; iii) direct social expenditures for the

poor; iv) expenses in public works such as building roads and bridges, and telegraph line laying (Özbek, 2016). For example, it is possible to categorize social expenditures allocated for the benefit of the poor. These expenditures were as follows: *muhtâcîn* (continuous poverty situation), *musâbîn* (disaster victim), *aceze* (old age and disability), *aceze-i hüccâc* (poor pilgrimage traveler), *mutâcîn-î zürrâ* (agricultural producer deprived of seed and crops as a result of natural disasters such as famine, drought, hail, and flood), *eytam and eramil* (orphan and widow), tekaüd sandıkları (pension fund) and *mazûl'in maaşı* (money paid to persons who had been dismissed for any reason) (Özbek, 2016). All these expenditures were not only in cash or in-kind but they were also supported through tax expenditure practices.

In the light of all these, it seems obvious that tax expenditure practices were widely implemented for the religious, social, cultural, and educational context in the 19th-century Ottoman public finance system. In order to elaborate on this, how the Ottoman administration used tax expenditure practices under religious, social, cultural, and educational contexts will be discussed on the basis of archival documents in the following sub-sections.

4.2.1.2.1. Tax Exemptions in the Religious Context

There is a widespread view on the Ottoman public finance system in the literature that tax exemption practices were extensively applied to almost all groups of the society according to their religious beliefs.[57] It is also argued that these practices were not just in the practice during the 19th century, but the Ottoman State benefited from them throughout its history. In this context, Barkan (1942) maintains that tax expenditure practices, especially tax exemption practices granted in religious nature had an essential role in the expansion of the Ottomans to the West. The tax exemption practices that were widely used in this regard were the following: exemptions for mosques, imams, and speechmakers, also known as *hatip*, as well as other people who serve in these holy places for cleaning and watchman services; for the leaders of the religious order, the sheiks, the dervishes, the

worshipers, and the Islamic monasteries, which are the centers of Islamic mysticism; and for descendants of the Prophet Muhammad (peace be upon him, in short PBUH), who are named as *Seyyid* and *Şerif,* as a sign of respect for the honorable lineage. Tax exemption practices were also applied to the descendants of the Khalifa Rashidun, the first four caliphates of the Islamic religion (Şener, 1990).

[57] On the other hand, charitable places such as schools and places of worship that were not under the auspices of any person were also exempted from taxes. On the other hand, the tax exemption for places that were held by individuals and promises to perform public service activities was subject to two conditions: first, these places would not generate any income, and secondly, they had to provide the civil service.

Tax exemption practices were also used for the members of Judaism and Christianity, the sacred places of these religions, and the employees who served in these places. In other words, tax exemption practices regarding the religious context were used for the members of Islam as well as for the member of other religions. In fact, these practices were diversified to include the religious, educational, and charitable activities of the members of these religions. For example, the materials taken within the scope of these activities were exempt from customs duty.

Considering the tax exemption practices from the perspective of the Islamic religion, the intention was to benefit from tax expenditure practices in the construction of mosques and markets. As it is known, the Ottoman State gave particular importance to build mosques and the markets, which were the heart of the economy, in the big squares of the Ottoman cities. Thus, the mosques and the markets were built in harmony in these cities (see Picture 1). The document dated 1895 noted that the stones which were brought from *Bakırköy* for the *minaret* of the mosque building in *Büyükada* should be taxed. This taxation was mainly based on the Stone Quarry Regulation, also known as *Taş Ocakları Nizamnamesi*. However, a letter received from the Ministry of Waqfs, also known as *Evkaf Nezareti,* underlining that the materials required for the charities and religious places were under the auspices of the Imperial decrees, were not liable to pay taxes. This was an example of supporting the construction of mosques by tax expenditure practices (ŞD, 520/36).

On the other hand, the letter pointed out the problem that the tax exemptions granted for cutting the timber from the State's forests to build churches, schools, and mosques gave rise to abuses in practice. Hence, the letter informed that the timbers needed for construction of buildings except bridges and schools should be taxed by the decision of the Council of Ministers, also known as *Meclisi-i Vükela*, and the approval of the Sultan. However, due to the fact that there was no explicit ruling for the mosque in *Büyükada*, and since the people of the region were Muslim, Advisory Council expressed that tax exemption could be used for the importation of these stones and some other materials for this mosque. Finally, this view was presented to the Sultan to make a decisive decision (ŞD, 520/36).

Picture 1: A Market near the Valide Mosque, İstanbul


Source: Lucy M. Granett, (1911), Turkeys of the Ottoman. London: Sir Isaac Pitman & Sons.

As mentioned above, tax exemption practices were used not only for religious buildings such as mosques but also for people who serve in these buildings. For example, a tax was imposed on *Hüseyin Efendi*, the Imam of Musbak Village Mosque in Muş, although he was both the *imam* of the mosque and had no property of his own. So, he sent a letter to the Ministry of Finance in 1849. He requested an exemption from tax owing to his duty as the imam of the mosque. He also noted that the tax administration should not demand tax from him on the grounds that he had a *berat,* a license given by the Sultan, certifying his exemption (A. MKT. MHM, 16/51).

Similarly, Mehmed Efendi, the *imam* of the Hacı Ibrahim Mosque Sheriff, in the village of Bereketli, Tekdede Çamordu Town, submitted a letter to the Ministry of Finance. Mehmed Efendi alleged that he should be exempt from the *avarız tax* just like his peers. The Ministry of Finance forwarded this letter to *Meclis-i Vala* for a decision concerning this claim. *Meclis-i Vala* decided that Imam Mehmed Efendi should be exempted from this tax. This was because he was the imam of the mosque and did not possess any real estate. Still, *Meclis-i Vala* conceded that an Imperial Decree was required for the final and absolute decision regarding this allegation (İ. MVL, 335/14461). Also, Sheikh Mehmed Efendi, the *imam* of the mosque built by Musa Efendi in the Town of Erkovan in Malatya, wrote a petition to be exempted from the *avarız tax* just like his peers in 1858. As a response, the

Ministry of Finance sent a document to the Governor of Harput by stating that Sheikh Mehmed Efendi could be exempted from the *avarız tax*. Also, the Ministry of Finance stated that this exemption was the result of his duty as much as a lack of real estate or land (A. MKT. MHM, 140/69).

Aside from the tax exemption practices for mosques and people who work there, Islamic mysticism groups, also known as tariqats, were also supported with tax exemption practices in the Ottoman public finance system. It is widely regarded in the literature that the Islamic mysticism groups had a significant influence on the foundation and expansion of the Ottoman State. Therefore, tax exemption practices were applied not only to the sheiks, who are the leader of the Islamic mysticism groups but also to the dervish lodge, also known as the *tekke*, and Islamic monastery, known as *dergah*. These places were the center of Islamic mysticism groups. In addition to sheiks, tekkes, and dargahs, tax exemptions were also granted to the students in these places, and to the people who serve them. Therefore, Pamuk (2011) states that the Ottoman State largely utilized tax exemption practices for the development of these groups. As a result, tax exemption practices had a great impact on the dissemination of these groups in the Ottoman society. In fact, Karpat (2017) notes that some nomadic tribes sometimes built their villages around a *zawiya* to benefit from its tax exemption.

Picture 2: Mevlevi Dervishes

Source: Lucy M. Granett, (1911), Turkeys of the Ottoman. London: Sir Isaac Pitman & Sons.

One example of tax exemption practices for *tariqats* observed archival documents (see Picture 2), is related to road tax in the Province of Thessaloniki. Due to the vagueness in the provisions concerning this tax, an opinion from the Ministry of Commerce and Public Works on this matter was requested. It was pointed out that students were among those who are exempt from road tax as listed in Article 10 of the *Road and Bridge Regulations*. Based on this exemption, it was thought that sheiks also should be exempted from road tax as an indicator of the justice and compassion of the Sultan. And then this view regarding the exemption of sheiks was presented to the Sultan to make a final decision on this matter (ŞD, 1200/23).

Likewise, Abdulaziz Efendi, who was the caliph of the *Rufai Denomination,* sent a document to the Finance Ministry in 1852. He requested a tax exemption due to the fact that imposing a tax on him will put him in a challenging position. He noted that he is really poor and does not have any estate and land (A. MKT. NZD, 66/68). In a similar way, Sheikh Abdulaziz Efendi, who resided in the Mendeli district of Baghdad, wrote a petition in 1853 to the Minister of Finance and then to the *Meclis-i Vala,* asking to be exempted from tax. Consequently, it was decided to grant a tax exemption to this person in a way that is appropriate to the precedent (I. MVL, 275/10673).

Similarly, in the document dated 1861, Hacı Tahir Efendi, one of the caliphs of the Naqshbandi Tariqat who migrated from Rumelia to Damascus, stated that a further tax was levied on him. He requested to be exempted from this new tax because he could not afford to pay it. In this manner, a letter was sent to the Governor of Damascus, Emin Pasha, demanding that he examine the situation in question and proceed in accordance with the procedure (A. MKT. UM, 484/4).

Likewise, Haci Ibrahim Efendi, who was among the *Kadiri sheik's* in Bitlis, wrote a petition in 1887. He claimed that although he had been exempted from all taxes, tax officials now levied a tax on him and his family. He requested to be exempted from tax as before. As a result of the research conducted on his claim, it was ruled that there was no tax exemption for this person and his family. However, tax officials could not find any documentation regarding the imposition of a tax on them in past periods. In other words, they realized that there was no tax liability for them in the past. Thus, it was decided that this person and his family should be exempted from tax as before (A. MKT. MHM, 495/41).

Interestingly enough, some denominations in tariqats requested tax exemption practices for themselves by showing the tax exemption examples regarding other denominations. For instance, in the document dated 1899, some branches of the *Rufai Tariqat*, such as *Sayyadi*, *Keyyal*, *Hariri*, *Cendeli,* and *Sebsebi,* alleged that there were some aids given to the *Kadiriye Tariqat's* members and exemption from military service[58]. They claimed that they also descended from a special and important family like the *Kadiri Tariqat.* And they requested to benefit from these privileges granted to the members of the *Kadiriye Tariqat* for the importance of their lineage. Although they did not have a warrant, known as *emr-i ali*, to prove their claims, they constantly made requests and filed complaints. They stated in the document that either the privileges of the *Kadiri tariqat* should be removed or the same rights should be given to the *Rufai tariqat.* The grand vizier thereupon presented the situation to the Sultan, saying that he would act according to the result of the decision to be made (Y. A. RES, 86/82).

[58] This was a type of corporal tax rather than a payment in cash or in-kind.

There were also some tax exemption practices for the *tekke* and *zawiya*, which are the centers of the tariqats. Properties owned by tariqats were also considered within the tax exemption. For example, the document dated 1855 noted that there was an order stating that the land and properties belonging to the Islamic monastery of Sheikh Mücahid in the village of Tellü in Şirvan Town, Saru Sanjak, were exempted from taxes. The administration of this Islamic monastery requested that this order be renewed. In response, it was reported that the order would be renewed and that this renewal would not affect the tax exemption of this Islamic monastery. The tax exemption thus granted to this Islamic monastery would continue (A. MKT. NZD, 153/83).

Similarly, the grandson of Kak Ahmed Efendi from Süleymaniye sent a document in 1894 by claiming that there was a controversial situation regarding imposing a tax on the real estate, land, and cattle of his Islamic monastery. He stated that his grandfather was one of the most respected people in society. He also declared that his Islamic monastery had an important position in conducting scientific studies and providing essential services to the Ottoman State such as preventing the dissemination of Shia views. Considering the privileges of other Islamic monasteries, it was stated that his monastery's properties should also be granted tax exemption. Consequently, *Meclis-i Mahsus-ı Vükela* negotiated to exempt this Islamic monastery from the taxes, and it was presented to the Sultan for the finalization of the decision (İ. HUS, 24/98).

Another example of tax exemption practice for Islamic monasteries' properties was related to the determination of the properties that were donated to the Islamic monasteries. In this context, in the document dated 1895, the wife of the deceased Halil Efendi, who lives in the district of Kadıköy known as *Kuşdili,* requested to convert her house into an Islamic monastery. Therefore, the Ministry of Internal Affairs issued a document granting tax exemption for this house as for other religious places such as masjids and Islamic monasteries, and non-Muslim prayer areas. Then this document was sent to the Ministry of Finance to present to the Sultan so that the exemption could be granted within the scope of the Imperial Decree (BEO, 690/51747).

Just like Islamic monasteries, the livestock in the Islamic monastery was exempted from cattle tax, also known as *ağnam vergisi*. The Court of Accounts, *Divan-ı Muhasebat*, prepared a letter and sent it to the Ministry of Finance. Afterward, the Ministry of Finance forwarded this letter to *Meclis-i Vala.* The letter indicated the collection of taxes on 200 small animals raised for the consumption of dervishes who were members of the Ümmühıram bint-i Mülhan Monastery in 1866. However, the letter stated that these animals had been exempted from cattle tax since earlier periods. To put it in a different way, although the animals of the Ümmühıram bint-i Mülhan monastery had been exempted from cattle tax for quite some time, the tax administration at some point levied a tax on them. When this became clear, it was decided that this Islamic monastery shall be exempted from cattle tax. It was also stated that this decision is important for equality among peers and respect (İ. MVL, 553/24804).

Also, tomb keepers, known as *türbedar,* were entitled to tax exemption. The document dated 1847 is a record of one such case. It turns out that some families, who serve in the cleaning of the places attributed to the Prophet İbrahim (PBUH) and Prophet Yakup (PBUH) at Halilürrahman village, had been exempted from taxes for a long period. Despite this exemption practice, they claimed that taxes were imposed on them as of 1847. They requested an exemption from these taxes just like the one they were previously entitled to, on grounds of their peers in Jerusalem and the lack of their ability to pay. A letter was sent to the governor of Sayda to investigate the mentioned claim and then to provide the continuity of their exemption (A. MKT, 93/24). Similarly, a document dated 1852 reveals that Sheikh Hasan Efendi, who resided in Mardin and was in the service of the shrine as *türbedar,* was exempted from tax on grounds of his service (A. MKT. MHM, 47/25).[59]

As mentioned above, another issue regarding tax exemption practices from the perspective of religious context was the policy regarding the descendent of Prophet Muhammad (PBUH). These people are called as *Seyyid* and *Şerif.* As a sign of respect to the honorable lineage of these people, the Ottoman administration did not levy a tax on these people (Kılıç, 2016). Another reason behind not imposing a tax on these people was due to the highly respected position of these people in the Ottoman society. These people undertook

[59] Barkan (1942) argued that some tomb keepers, also known as türbedar, had not always a dignified aim. They also had bad intentions to generate income through the gifts and offerings to be brought by the visitors of the shrine. They even had built a shrine and undertook care for these bad intentions.

a reassuring task to ensure peace in the community thanks to their positive influence on society. In a letter dated 1853 and sent to the Ministry of Finance, it was

decided that four *Seyyid* and *Şerif* residing in Trablusgarp should be exempted from tax as a form of respect for their honorable lineage (A. MKT. NZD, 87/94). Similarly, the Ministry of Finance penned a letter in 1859 declaring that Seyyid Hafiz Mehmed and Hafız Abdülkadir are from Mardin and descended from the Imam Zeynelabidin's family, hence from the Prophet Muhammad (PBUH). The letter thereupon stated the order that they shall be exempted from taxes. They had no taxable real estate or land, neither did they have an income-generating business via their dividends and trade (A. MKT. UM, 380/11).

There were also cases in which some people requested to be exempted from taxes by alleging that they were Seyyids.[60] For example, Sheikh Seyyid Ibrahim and his sons Seyyid Haydar, Seyyid Ahmed, and Seyyid Osman, who live in the Suruç Town of Bilecik district, drafted a letter to the governor of Urfa, Rakip Pasha, in 1862. They claimed that they descended from Zeynelabidin, the grandson of the Prophet Muhammed (PBUH). They also claimed that the tax administration had imposed a tax on them although they did not have any real estate or land. They requested the tax exemptions granted to those in a similar status. This request was sent to the *Nakibüleşraf*[61] to be investigated (A. MKT. DV, 216/36).

Likewise, Seyyid Mehmet Vekil, a descendant of Imam Hüseyin (peace be upon him), the grandson of the Prophet Muhammad (PBUH), and resident in Veran in Trablusgarp, sent a document to the governor in 1865. In this document, he declared that although he had no real estate to be subject to *avarız tax*, and although he was a leader of the community, he was asked to pay 600 *kuruş* per year. On grounds of his poor economic situation as well as in honor of his honorable lineage, he desired to be evaluated within the scope of tax exemption

[60] To get benefit from the tax exemption on the grounds of being a *seyyid* in the Ottoman society, some people declared themselves as *seyyid* with factitious documents whom are described as *müteseyyid*. To prevent these sorts of events and to protect and pursiut the descendants of seyyids, an organization called *'Nakibül Eşraf'* was established under the Ottoman rule. For more detailed information on this issue, see also; Rüya Kılıç, 2016, *Osmanlıda Seyyidler ve Şerifler*. İstanbul: Kitap Yayınevi.

[61] *Nakibüleşraf* was a person who was the responsible one to look at the works of those who were descended from the Prophet Muhammed (PBUH), to keep all kinds of records about them, to ensure that they work in appropriate jobs, to protect their rights, and to pursue their share of revenues.

(MVL, 445/109). In the same case, a letter was sent to the Ministry of Finance in 1893. In the letter, it was noted that there was no record about the tax exemption for Seyyid Said Efendi, the grandson of the late Sheikh Ahmed Efendi. However, the letter reveals that even though there was no record regarding tax exemption for him, a request for his exemption was made in accordance with customary practices.

The letter also reveals that Seyyid Said Efendi was exempted from cattle tax on the grounds that he lived close to the Iranian border and had significant effects on his society, providing many services to the State (BEO, 135/10112).

As highlighted earlier, the Tanzimat had a crucial impact on *Seyyid* and *Şerif* from the perspective of tax exemption practices. In particular, as a result of eliminating the tax exemption for these people, several petitions by *seyyids* and *şerifs* were filed for the continuation of their tax exemption. For example, the Minister of Finance sent a letter to the governor of Baghdad in 1852. In this letter, it was noted that Seyyid Mehmed and some other people had proof of their claim that they were Seyyids and in poor economic situations. Moreover, it was stated that taxes were imposed on them at the beginning of the Tanzimat. However, Seyyid Mehmed and others claimed that they had been exempted from taxes for a long time. The letter thereupon demanded the examination of the said documents in terms of the request for the continuation of the exemption. It was declared that a final decision would be given on the basis of the examination of these documents (A.
MKT. MHM, 48/1).

Tax exemption practices as a result of religious context were not only granted to Muslims and their holy places[62] and the leaders of the society in the Ottoman public finance system. These practices were also introduced for non-Muslims[63] and their prayer places. In fact, there were plenty of tax exemptions granted to non-Muslims as they are a member of the Ottoman State. Accordingly, non-Muslims benefited from tax exemptions in many

[62] For example, non-Muslims' churches and schools were registered as holy places by the Ottoman State. Moreover, the taxation of charities of non-Muslims was kept equal to that of Muslims, and they faced with the same process as Muslims (ŞD, 350/26).
[63] A document dated 1851 reported that the ancestors of the sons of Suzen, who were non-Muslim and immigrated to Russian dominions and belonged to the Armenian nation, descended from the person named Tarhonlu. The document also reported that their grandfather was the surgeon of Caliph Ali, the cousin, and son-in-law of Prophet Muhammad (PBUH) (A. MKT. MVL, 39/64).

respects. For example, since the earliest periods of the Ottoman State, priests and monks were exempted from the jizyah, a tax based on *şer'i law*. There were also some others that were exempted from jizya such as those who served in the military, the relatives of the children that had been raised as janissaries, those who had been displaced due to enemy invasion, and foreign ambassadors as per the granted capitulations.

With an arrangement put into practice in 1691, it was determined that the jizya exemption was abolished for all groups of society. Later, it was declared that everyone in the Ottoman society shall be a taxpayer of jizya. However, after this arrangement, while non-Muslim men would be charged jizya in the society; women, children, the blind, the disabled, the unemployed, and the poor would be permanently exempt from jizya (İnalcık, 1993). Churches, monasteries, and the clergy who serve in these places were also among those who were granted the exemption.

In this context, a command, also known as *ferman*, was sent to the governor of Bosnia and other administrators in 1847. This command determined that the lands possessed by monasteries would be exempt from taxes (A. DVN, 30/71). Likewise, the Minister of Courthouse and Denominations, known as *Adliye ve Mezahip Nazırı*, dispatched a document to the Grand Vizier in 1889. The Greek Patriarchate of Şam and Antakya requested to exempt the newly purchased household from tax as a result of the sale of the old house that was utilized as a patriarchate in Beirut. This request was admitted, and the tax exemption was granted to this house. Also, as a result of the movement of the patriarch to Damascus, the new household was sold as well. Later, two new more houses were bought on behalf of the patriarchate, and a tax exemption was also requested for these households (ŞD, 2549/12).

Similarly, the French Embassy drafted a letter to the Supreme Court of the Ottoman State, also known as *Divan-i Hümayun*, regarding the places of worship of non-Muslims in 1890. In this letter, Kapuçin Latin priests in the *Mamuretülaziz* noted that they could not launch the construction of the church despite their permit. This was because they could not cover the costs of its construction. At the same time, they resided in a house next to the construction site and used that house as a place of worship. On such grounds, they requested that a tax exemption should be granted to this house. In response, the Ministry of Finance expressed that this house would be granted an exemption in accordance with the regulations. At the same time, it was also stated that the Sultan would be the one making the final decision (HR. TH, 102/25).

Similar examples can be found. In the document dated 1892, the Latin bishop in Üsküp requested tax exemption for the house utilized as a temple and school (BEO, 19/1411). The Chamber of Consultation, or known as *İstişare Odası*, noted that only the church and the garden of the French Domingen priests in Kudüs would be exempted from tax in the document dated 1894. However, the Chamber of Consultation also decided that the places outside the church land would be subject to tax (BEO, 399/29863). Lastly, the document in 1896 noted that the materials brought from Bulgaria for the church built by the Conventual priests in Dedeağaç were exempted from tax (HR. TH, 184/48).

Similarly, the Latin Bishop of Skopje applied to tax exemption for a household, which was converted into a church, in 1898 (HR. HMŞ. İŞO, 185/75). In response to the application, it was noted that the buildings and land that are under the administration of waqfs were subject to real estate tax. However, since the Latin Bishops of Skopje were both under the auspices of France and supported by the Austrian government, these states would be informed about whether their house would be taxed (HR. HMŞ. İŞO, 185/69).

In addition to the exemption granted to the sacred places of non-Muslims, it is also observed that some tax exemptions were granted to the clergy who live in these places. For instance, the Assembly of Accounts, known as *Meclis-i Muhasebe,* and *Meclis-i Vala* dispatched a letter to the Greek Patriarch and Patro Efendi, the District Governor of Siros, in 1862. According to the letter, the Margarite Monastery in Siros Town was exempt from tax for a long time. However, the tax administration imposed a tax on the wine produced by the monastery monks for their consumption. The monks requested exemption from this tax. In response, the monastery monks were informed that according to the tax regulation, tax exemptions would be continued as long as they did not sell the wine that they produce. If they attempted to sell this wine, then the amount they sold would be subject to tax (A. MKT. MVL, 145/52). Likewise, in 1895, a document highlighted that the wine production by priests and civil servants in churches for themselves was exempt from taxation. Also, the document noted that the Catholic priest in Preveza had to be subjected to tax for the amount of wine that was over the amount of self-consumption (DH. MKT, 2253/28; BEO, 567/42470).

Lastly, an Imperial Decree was issued in 1851. The Imperial Decree determined that apart from the wine, some belongings of the Latin priests living in Jerusalem were exempted from customs duty. These were books and worship materials, food and beverage, and pharmaceuticals. The fact that tax exemption for Latin priests living in Jerusalem dated back to early periods of the Ottoman State was considered (HR. SYS, 405/61). Lastly, the Greek Patriarch Sefer Vityos, who lived in İstanbul, penned a petition about the priests of the Monastery of Margirid Monastery in Siros Sanjak in 1864. This petition was documented for the renewal of the command, which was about the tax exemption of priests of the Monastery of Margirid Monastery (C. ADL, 48/2900).

4.2.1.2.2. Tax Exemptions in the Educational Context

Educational activities were offered through waqfs since the foundation of the Ottoman State. It is a widely held opinion in the literature that waqfs successfully carried out these educational activities. Waqfs also served in some other areas such as health and welfare from the foundation of the State to the modernization period. The waqf system in Ottoman State was based on the principle that the ownership of waqfs belongs to Allah. Therefore, waqfs had a significant impact on society. Considering the importance of waqfs in social life from the perspective of justice and social welfare, *masjids*, *madrasas,* and Islamic monasteries were supported financially and through social spending on waqfs.

In general, waqfs had a broad administrative autonomy in the Ottoman administration system and were exempted from taxes. However, during the reign of Mahmud II, waqfs were attached to the Ministry of Waqfs and their autonomy was damaged. Despite this radical change, waqfs continued to provide educational services in the 19th century. However, during this period, the Ottoman administration began to establish its schools, and some of these schools mainly aimed to provide general education to the State officials. These schools also became an important place not just for gaining a position in the society but also for the recruitment of new officials to the State administration (Karpat, 2017). In other words, the Ottoman education system was generally built on the centralist activity of training civil servant cadres and other statesmen. On the other hand, the Ottoman education system did not present a regular and hierarchical order. For example, some groups of students with different educational levels and ages were educated together in the same classrooms. This irregular structure continued to exist in the education system until the end of the 19th century. It is also noteworthy that the schools providing education at the primary level became widespread only in the Second Constitutional Era (Ortaylı, 2009).

Non-muslim communities also opened some schools in the Ottoman society. There was a significant increase in the number of non-Muslim churches and educational institutions in many parts of the State especially after the declaration of the Edict of Reform. These churches were also important to serve as an educational institution (Ortaylı, 2009). Also, all these institutions requested tax exemption on the grounds that they were engaged in both educational activities and serving mainly for the poor. An example of such schools being exempt from tax can be seen in 1899, which noted that the Armenian Girls' School in İzmir was not taxed since earlier periods (A.MKT. MHM, 544/5).

Not only non-Muslims living in Ottoman dominions, but also foreign countries engaged in endeavors to carry out educational activities. These foreign countries also requested a tax exemption for these activities. For example, the document dated 1891 noted that a company called the St. Paul Society, founded by Americans in Tarsus, purchased a building to help 100 children in need. This company also desired to use this building as a school for these children's education. So, a tax exemption was requested for this building. In response to this request, it was stated that the institutions wishing to serve the society would be exempted from taxes. However, it was noted that the application of the St. Paul Society for tax exemption was rejected as the institution did not meet requirements such as having permission from the local administration as mentioned in article 129 of the Regulation on Education. Also, the curriculum and books of the St. Paul Society were not reviewed and certified by the local administration (HR. TH, 108/68).

There were also some different examples of education-related tax exemption in the Ottoman education system. Firstly, students educated in schools were exempted from the works of road and passage tax. This was not an in-kind or in cash tax, but a kind of serving corporal. Secondly, non-commercial books mainly featuring religious content, and some materials that are necessary for schools were also exempted from taxes. For example, a document sent to the Ministry of Trade and Public Works in 1894 indicates that just as the students in schools and madrasahs, the sheiks of the dervish lodges were also exempted from road and passage obligations. This exemption was based on the decision of the Council of State and the Council of Ministers. It was also declared that an Imperial Decree would be enacted in this direction (BEO, 393/29468; İ. TNF, 3/14). This decision was reported to other provinces, including Konya (DH. HMŞ, 22/86). Similarly, Yafe Administrative Council dispatched a letter to the Ministry of Internal Affairs in 1895. The document noted that those religious books such as Tafseer, fiqh, which are beneficial to the students and thus to the society, shall be exempted from customs duty. However, the document also highlighted that books sold with commercial intentions were not covered by this exemption (DH. MKT, 392/33).

As mentioned above, some materials that were purchased for the needs of schools were exempt from customs duty. For example, it was noted in a document dated 1894 that the materials imported from Europe for the bacteriology laboratory were exempted from customs duty. On the grounds of the exemption granted to the bacteriology laboratory, the Ottoman Medical School's [*Mektep-i Tıbbiye-i Şahane*] bacteriology laboratory requested an exemption for the materials that brought from Europe. However, due to the vagueness on the issue of practice, the Deputy Finance Minister inquired information on how to put this in practice (A. MKT. MHM, 563/9). The document dated 1899 noted that exemption from customs duty was requested for the sofas brought from *Dersaadet* on grounds of the example of the materials bought for the Filipe library. A refund for the taxes that had already been paid was also requested (HR. SFR. 4, 300/29).

4.2.1.2.3. Tax Exemptions in the Cultural Context

One of the most critical issues in the state administration is the establishment of an accurate communication network between the ruler and the ruled. The way of communication also stands out in the successful establishment of this communication network. And, there are various ways of communication depending on technological developments. For example, the communication between the ruled and the ruler in the Ottoman society was ensured through 'announcers' until the beginning of the 19th century. These announcers used classical methods such as reading commands and prohibitions out loud in the squares of cities and mosques. Well-wishers[64], also known as *duagu*, sheiks, and Seyyids were also utilized as a means to influence the public in favor of the Ottoman State (Kılıç, 2016). However, classical methods were gradually abandoned since the first quarter of the 19th century. Since then, the Ottoman State utilized the European method, that is, used newspapers to contact the society, instead of classical methods. In this context, a publication called *Takvim-i Vekayi* was published for the first time in 1831. Also, from time to time, this newspaper was published in some other languages such as French, Armenian, Greek, and Arabic in order to reach all sections of society (Ortaylı, 2009).

In a sense, Ortaylı (2009) maintains that the aim behind the encouragement of the press was not only to support the ideology-producing centers that are in favor of the State but also to increase the influence of the State on the community. The underpinning of the press in society also affected cultural developments in the Ottoman State. In fact, some cultural activities were introduced such as the establishment of museums and the organization of exhibitions. Tax exemption practices were used in both types of activities, especially for exhibitions. In this respect sending materials abroad and bringing materials from foreign countries were supported through tax exemption practices. In other words, exemptions from customs duties played a crucial role in supporting cultural developments. In addition to these critical developments in the Ottoman society in the cultural sense in the 19th century, there were also some other activities such as the opening of the theatres and excavations for the antiquities. Ortaylı (2008) argues that the Ottoman administrators introduced these developments not only to follow the Western countries but also to protect Ottoman cultural heritage. He also states that such steps towards cultural development allowed the Ottoman State to reach a cultural revival and mobility.

[64] Barkan (1942) stated that the Sultans welcomed the prayers showing a close relevance to them both through tax expenditure and in the provision of property.

As discussed above, all these cultural activities were supported through tax exemption practices in the Ottoman State. One example can be seen from a petition drafted by the owners of *Tercüman-ı Hakikat*, *Sabah*, *İkdam,* and other newspapers in 1897. They noted that they had been facing some problems in the implementation of stamp tax. These problems arose because there were no specific measurements of stamp tax. Thus, they requested an exemption from stamp tax (BEO, 981/73519).

The decisions to encourage the press by tax exemption practices were not always supported in the Ottoman public finance system. There were some cases where economic and fiscal concerns overrode cultural issues. Tanzimat Office, a part of the Council of State, known as *Şurayı Devlet*, penned a document to the Ministry of Trade and Public Works and the Tax Administration, also known as *Rüsumat Emaneti*, in 1893. The document indicated that the owner of *Sabah Newspaper* requested an exemption from the customs duty for pieces of machinery to be imported from Europe. This request was discussed in the Tanzimat Office by stating that there was an Imperial decree on the exemption from customs duty of the machinery to be imported from Europe during the establishment of the factories. The Tanzimat Office also came up with the idea that an exemption to be given to the *Sabah Newspaper* would cause an advance in education and thus create positive effects. On the other hand, the Tanzimat Office stated that this exemption would adversely affect other sectors. As a result of this concern, the Tanzimat Office determined that it would not be appropriate to grant exemptions to *Sabah Newspaper* (BEO, 238/17848).

The promotion of the establishment and enrichment of the museums also benefited from tax exemptions granted in view of cultural developments. A document sent to *Rüsumat* Administration in 1874 presents an example. This letter noted that ten pieces of antique stones and a chest of antiques were sent from Salonika to Dersaadet to be placed in the Museum of Osmani, also known as *Müze-i Osmani.* They were asked to be handed over to Kadri Bey, who was an officer at the Ministry of Education. All these antiques were exempted from customs duties (MF. MKT, 17/157; MF. MKT, 20/141). On the same date, another document concerning the same situation noted that thanks to the initiatives of the Director of the Museum of Osmani, Monsieur Dani, the antique stones brought from Cyprus would be placed into the museum and be exempted from customs duty (MF. MKT, 30/84; MF. MKT, 20/174).

In addition to promoting museums through tax exemption practices, exhibitions were spurred by tax exemption practices in the Ottoman State. The objects to be sent to domestic or foreign exhibitions were considered within the scope of tax exemption. For example, the document dated 1862 noted that the goods to be brought from the provinces for the exhibition would be exempted from customs duty. However, this tax exemption was bound to some requirements. They could not be sold, and their records and inventories were to be taken (A. MKT. MHM, 248/76). These exhibitions were also discussed in British newspapers [65], with comments on the participation of France and Germany. The exhibition commissions announced that precious jewels could be included, and it was highlighted that these precious jewels were guaranteed by the Ottoman State (Daily News, Monday, January 12, 1863). Another document on sending objects to exhibitions without being subjected to taxation indicates that the objects to be displayed in the exhibition in Filibe and Madrid would be exempt from export and import tax as per the Imperial Decree (BEO, 66/4939). Similarly, the document dated 1888 determined that agricultural goods sent from Italy to be exhibited in Filibe would be exempted from customs duty (DH. MKT, 1489/12).

Also, it was emphasized that participating in these exhibitions was necessary for the reputation of the Ottoman State. In this context, a letter was sent to Edirne, Girit, İşkodra, Bağdat, Halep, Trablusgarp, Aydın, Diyarbakır and Kosova province, and Sisam Public Works Administration, also known as *Sisam İmaret Celilesi*, and the Ministry of Trade and Public Works in 1892. The letter noted that the participants of the Chicago exhibition were just exempted from customs duty and that the transportation costs belonged to the participants. The letter also stated that the Ottoman State would officially participate in this exhibition. It was because the Chicago exhibition was considered essential for the reputation of the Ottoman State. The letter explicitly stated that the Ottoman State was going to participate even if industrialists did not do so (DH. MKT, 2017/27).

4.2.1.2.4. Ensuring Public Safety

[65] For this news, see: The Morning Post, Monday, December 29, 1862; pg. 7; Liverpool Mercury, Tuesday, December 30, 1862; The Sheffield & Rotherham Independent, Monday, January 05, 1863; The Morning Post, Tuesday, January 27, 1863; pg. 5; The Caledonian Mercury, Monday, February 2, 1863; The Morning Post, Monday, March 02, 1863; pg. 3.

There were some factors that affected public safety in the Ottoman State. And it is widely regarded in the literature that these factors gave rise to the disintegration of the Ottoman State. The most important one of these factors was nationalism. The nationalist movements enabled the unification and strengthening of nations in Europe. In contrast, it put the Ottoman State in a difficult position such as depression and disintegration, by causing the social unrest (Ortaylı, 2009). Internal disturbances and social upheavals negatively affected Ottomans' public safety. Another factor that adversely impacted the Ottomans' public safety was the natural disasters preventing the continuity of agriculture. The Ottoman administration utilized extensive tax exemption practices to alleviate the impact of these issues that threatened public safety. In short, the Ottoman administration benefited from tax exemption practices both in the suppression of internal disturbances and social upheavals and eliminating the adverse effects of natural disasters.

As for tax exemption practices from the perspective of internal conflicts; a document dated 1857 noted that the local people struggling in the war in Kars were devastated due to the war. The document stated that an imperial decree was issued. The Imperial decree determined that this region would be exempted from tax and military recruitment for three years as a sign of the compassion and the justice of the State. It was requested that this document would be forwarded to the Ministry of Finance (A. MKT. MHM, 110/39). Initially, this exemption was granted only to the residents in the center of Kars. Later, this exemption was extended to some other places of Kars in 1859. This was done to mitigate the adverse effects of war on the surrounding villages as well as on grounds of the sacrifice and heroism of the people living there. A letter was sent to the governor of Kars and the Ministry of Finance informing that tax exemption would be applied to the people living in the surrounding villages to overcome their difficulties and to reward them for the defense of their region (A. MKT. MHM, 162/88; İ. MMS, 16/645). The local governor of the region also requested to apply this exemption to *Tahsin*, *Şüregel,* and *Zaruşad* towns in 1859. A positive response was given to this request. So, tax exemption was granted to these towns on grounds of the damages that were caused by the mentioned reasons (A.
MKT. UM, 373/97).

In a similar case, the *Meclis-i Vala* sent a letter to the governor of Trabzon and the sub-governor of Lazistan in 1858. The letter contained an exemption request concerning a house under the banner of Lazistan, which was devastated due to the social upheaval in Acara-i Ulya Town. It was requested that this house be exempt from taxation for 4 years. In response to this request, the *Meclis-i Vala* demanded the investigation of the situation in the Town as to whether the household was damaged, and if so, whether such damage was inflicted on other taxpayers, whether it had any potential impact on tax revenues and how much aid would need to be provided in addition to tax exemption (A. MKT. UM, 319/6).

A document issued in 1855 about the defense of Silistra features a similar situation. The document noted that the people of the Silistra faithfully made great efforts to defend and protect their homeland during enemy attacks. They also faced a severe disaster during this period. On such grounds, the document underlined that they would be exempted from tax and military service, which was a kind of tax, for three years after the end of the war (İ. DH, 332/21729; İ. DH, 334/21836). The exemption was deemed appropriate by the Sultan as per *Hatt-ı Humayun* (İ. DH, 334/021914). The Armenian upheavals that became a looming problem, especially towards the end of the 19th century, came to the agenda as well in this context. For example, a letter was sent to the Ministry of Internal Affairs in 1897, granting tax exemption as per Imperial Decree. The letter deemed tax exemption from military tax, also known as *bedelat-ı askeriye*, for three years for the *Armenian* population. This exemption was mainly introduced for places where Armenian upheavals occurred (A. MKT. MHM, 539/30).

The thuggery activities were another factor that threatened the Ottoman's public safety and peace, giving rise to tax exemption practices to overcome them. These thuggery activities not only harmed the people in the region but also encouraged some of the people to oppose taxation. Those who did not join these activities were threatened by those who did. For example, a document issued in 1808 featured the situation of Seydişehir Town in *Beyşehir* Sanjak. It was granted some tax privileges on grounds of being administratively transferred to another district. However, Çopur Seyyid Ali objected to this decision and provoked the people who live there to protest against this change. As a response, the letter declared that Çopur Seyyid Ali should be caught and put in Konya castle as a penalty (HAT, 1503/54).

In some cases, thuggery activities directly harmed the Ottoman society and left the society in a difficult situation. These thuggery activities caused taxpayers to request tax exemption. For example, the people of Foça wrote a petition to the district governorship of Hercegovina in 1866. They requested a tax exemption on the grounds that their possessions had been confiscated and they suffered destruction as a result of thuggery activities. Cevdet Pasha, the provincial governor, carried out an inspection in the region. After his inspection, he noted that the residents of Foça were in a miserable situation, stating that it would take a long time for them to get prosperity again. Hence, it was determined that granting tax exemption to them would be a proper decision in this regard (MVL, 1065/93).

Thuggery activities also encouraged some taxpayers to rebel against taxes in some regions. It was argued that the major goal behind these thuggery activities was to get tax exemption. This is commonly believed to be the reason why these thuggery activities became so common. In response, the Ottoman administration utilized the support of enforcement officers to suppress these rebellions. For example, a document dated 1890 noted that local administration requested the dispatching of sufficient military forces to prevent the uprising in Debrenica demanding exemption from some taxes (DH.MKT, 1729/24).

Interestingly, there were also different reasons behind the granting tax exemption in the presence of social upheavals. For example, a document was dispatched for the governor of Baghdad in 1860. The document stated that some tribes in the region had damaged society. These tribes were exempted from some taxes, such as for five years from Islamic tithe and seven years from other taxes, as an attempt to control them through tax exemptions. However, these tribes continued their disturbances over society. So, moving them to a new village was thought to be a better solution after a conference in the Baghdad Assembly (A. MKT. UM, 413/90).

As mentioned above, the second factor affecting the Ottoman's public safety was natural disasters. The major negative impact of the natural disasters on Ottoman public safety and public finance was poor harvest. Draught and epidemic diseases were also significant consequences of natural disasters. These problems were prevalent especially after the mid-19th century (Karpat, 2017). A striking example of the adverse effects of the natural disaster was when the Ottoman Bank estimated a loss of cotton crop from the late rains at a rate of 60% in 1864 (The Dundee Courier & Argus, Monday, 07, 1864).

Because of the negative effects of the natural disasters on the Ottoman's public safety and thus the public finance system, the Ottoman administration extensively utilized tax exemption practices. Kütükoğlu (1996) argued that the Ottoman administration introduced tax exemption practices for grain import since the crop could not reach the desired level due to natural disasters in the 19th century.

The present research on archival documents suggests that overcoming the negative effects of natural disasters was a prominent goal sought in the introduction of tax exemption practices. Especially, those who suffer from many problems regarding natural disasters such as fires, severe winters or droughts, earthquakes, and locust infestations during this period were exempted from some taxes for a certain period.[66] One document examined in the archival research features tax exemption granted due to the severe winter

season in 1852. The document noted that the olive trees of some villages that of Elyuvacık Town in Biga Sanjak were damaged. The document stated that the local people of these villages lacked any other sources for their livelihood except for olive trade. For that reason, tax payments of these villages were postponed to the following year (A. MKT. MVL, 55/32).

A document dated 1860 reveals that the taxes of the Village of Fındıkcık in Gemlik Town were deferred for one year on grounds of the destruction of the crops in this village due to rain and hail. The document also pointed out that local administration had certain rights to introduce some other tax exemptions if need be (A. MKT. MVL, 121/2). Another document dated 1895 reveals that the people of Gökçe Village of *Çemişgezek* had left their village and migrated to Tarnin Village due to floods. Another reason behind their leave was the hostility and hatred of the surrounding villages in Dersim. Later, the people of Gökçe Village returned and resettled to their villages. However, they were in a difficult situation for the mentioned reasons. The document determined that the people of Gökçe Village would thus be exempted from Islamic tithe and cattle tax for three years until they reached

[66] Those who suffered from natural disasters were not only benefited from tax exemption practices, the Ottoman Administration also helped them by means of in-kind and cash subsidies.

prosperity and solvency (ŞD, 1469/19). Another example of tax exemption granted due to natural disasters can be observed in a letter sent by the Ministry of Finance to the Council of State in 1897. The letter noted that the crops of Taban, Aziri, and Şedadi villages in the Kevkeb sub-district in Zor Sanjak were damaged by rain and locust infestation. The letter ruled that a tax exemption was needed to be granted to those who live with a view to making up for their losses, just as other settlements in a similar situation. This policy was also for fear that the local people abandon agriculture, which they were already inclined to do (BEO, 1030/77186).

Another type of disaster that damaged the Ottoman society and thus gave rise to tax exemption demands in this period was fire incidents. The residents of Sinop, who suffered from fire, were exempted from tax for one year just as those in similar situations in 1863 (A. MKT. MHM, 272/17). In a letter sent by the Erdek Town Administrator to the Ministry of Finance in 1847, the administrator stated that residents of the Island of *Paşalimanı* who suffered from the fire could not afford to pay their taxes, which amounted to 1,700 *kuruş* per year. Accordingly, he decided to exempt these people from taxes (A. MKT. MVL, 4/79).

As it is known, the most common result of natural disasters is famine. So, the Ottoman administration utilized tax exemption practices to prevent famines after these natural disasters. Exemptions from customs duties were also used as a vital instrument to overcome such famines. A letter sent to the Ministry of Finance and the Istanbul Municipality, known as *Şehremaneti,* in 1866 features such a case. The letter states that there was a shortage of grains in winter that year and that the bakers in İstanbul requested an increase in bread prices. The *Meclis-i Vala* exempted the grain brought to Istanbul from tax for two months. The Ottoman administration aimed to prevent the increase in bread prices for that year by subsidizing the cost of bread during the holy months, known as *Ramadan* (A. MKT. MHM, 369/62).

A similar example can be seen in the letter that was sent to the Izmit Governor in 1888. Taking grain out of İzmit to meet the need for grains in Ankara had been banned, while the import of grain was exempt from customs duty. However, the letter declared the abolition of this rule for that year due to the abundance of local crops in İzmit. The letter also stated that both farmers and merchants would be saved from significant harm and distress. It was proposed that the treasury would generate revenue (DH. MKT, 1485/45). In contrast, the Adana region confronted a scarcity problem owing to the drought, as observed a document in 1887. The document stated that the merchants bringing grain to Adana were exempted from taxes with a view to encourage them to serve there (DH. MKT, 1430/106).

Earthquakes also affected the Ottoman society in a negative way just like the other natural disasters. Therefore, the Ottoman administration utilized tax exemption practices to overcome the adverse effects of this disaster as well. For example, when the villagers of Ovacık in Elmalı Konya, were damaged by an earthquake in 1887, they requested to be exempt from some taxes, such as property and dividend taxes. However, it was noted that this request was only proper for property taxes. There were no regulations and precedent practices regarding relief from dividend tax. Consequently, it was stated that relief from dividend tax was not appropriate (DH. MKT, 1444/34).

Another document related to the efforts of overcoming the negative impacts of the earthquakes was dated 1895. The document noted that those who were affected by the earthquake would be exempted from the real estate tax and other taxes, such as taxes on roads, for a period of six months. It was claimed that there was only a two-month period for the construction of houses before the winter season. And then the construction of houses would begin in the coming spring. As a result, most of the local people would spend the winter by renting a house and then would start to repair or construct their houses in spring. Thus, they made a request from the Municipality of the Third Office, known as *Üçüncü Daireyi Belediye Müdüriyeti*, to extend the period of tax exemptions to an eightmonth or one-year period (BEO, 626/46907).

4.2.1.2.5. Contributing to the Construction of Settlements

It is known that the construction and the reconstruction of the regions through tax expenditure date back to the early periods of Ottoman history. Tax exemption practices were significantly beneficial for the construction of several buildings such as mosques, madrasas, and mills in many regions; a movement mainly led by dervishes and tariqats moving to new places. Moreover, Barkan (1942) adds that many agricultural products were grown in these new places as a result of these construction and reconstruction activities.

Tax exemption practices were also important for infrastructure development due to the fact that the centralization movements that took place in the 19th-century Ottoman public finance affected infrastructure development to a large extent. For example, there were so many efforts to support communication, transportation, and construction in settlements through tax exemption practices. In other words, tax exemption practices had a crucial role in contributing to the development of the infrastructure of the Ottoman State this period (Abou-El-Haj, 2018). In this sense, as in other areas, the Ottoman State administrators aimed to closely follow the developments in, among other areas, technology and infrastructure in the Western countries. In this context, Ortaylı (2009) claims that some infrastructure projects like the establishment of the railway network, telegraph, and mail systems were mainly conducted under the leadership of some Western countries such as France, England, and Germany. Commenting on these centralization movements, Karpat (2017) alleges that the developments in urbanization in the Ottoman dominions stemmed from two main reasons: economic relations established with Europe and the religious and ethnic differences shaping the economic and social order of the Ottoman society.

Also, developments in foreign trade resulted in the prioritization of port cities for the development of the infrastructure. After all, these cities carried out a pivotal role as a gateway to Europe in the export of agricultural products. So, significant infrastructural developments occurred in cities, such as in Thessaloniki, Trabzon, Samsun, Izmir, Beirut, Haifa, Alexandria, Trablusşam, and Tripoli. Some of these cities also became important administrative centers (Karpat, 2017). Another reason that contributed to the development of infrastructure and settlements was the construction of masonry buildings instead of wooden ones.

Especially during the reign of Abdulhamid II, it was a strongly held view that the power of the State is relying on the view of that: the power of the State depended on the wealth of the treasure; the wealth of the treasure relied on the prosperity and wealth of the society; and lastly, the wealth of the society depended on the vitality of trade and agriculture. As a result of this view, the Ottoman administration focused on the construction of infrastructures, such as roads, bridges, and ports (Akarlı, 1982). Thus, the Ottoman administration extensively utilized tax exemption practices with a view to supporting all these developments. For example, some materials such as stone, brick, and tile to be used in the construction of buildings, were supported by tax exemption practices, as indicated by Kütükoğlu (1996).

There are also many examples of tax exemption practices in the interest of encouraging infrastructure developments in archival documents. Firstly, there was a great effort to construct railways for the improvement of the transportation network. By doing so, the Ottoman administration also aimed to increase public revenues. A document sent by the Ministry of Public Works to the Administration of *Rüsumat* in 1868 noted that both domestic and imported materials to be used for the construction of Rumelia Railways were exempt from tax (A. MKT. MHM, 412/76). A document dated 1889 stated that the Porte, known as *Babıali*, should make a decision on the exemption of the iron bars that were brought to *Dedeağaç* for the construction of Çarpar and Dovakoril Railway lines (DH. MKT, 1653/71). Another document dated the same year demanded that the deposit that was taken from Monsieur Pope Mihal, deputy of the Gruzof Company in *Dedeağaç,* be returned to him. The reason for the decision was that the iron bars that were brought from Europe for railway construction were exempted from customs duty (DH. MKT, 1641/53).

Not only railway transportation but also maritime transportation was supported through tax exemption practices granted to the construction of ports and quays in this period. In this context, the document in 1890 pointed out that the materials coming from outside would be used in the construction of the quay to prevent the Benghazi port from being filled with sand. Also, the document declared that the materials needed for the construction activities that were supported by local people were exempt from customs duty. In fact, the cost of the construction of the quay in Benghazi would be covered by the central administration. So, this construction was a kind of direct public work and had a different situation when compared to other projects that were supported directly by local people. The document also informed that in order to get a clear explanation regarding exemption from customs duty, the tax administration needed to be consulted (DH. MKT, 1708/52).

In a similar case, the governor of Aleppo province sent a document to the Ministry of Internal Affairs in 1893. The document stated that 2,500 meters of the railway line and 24 wagons, which would be used for transportation of the workers, were imported from

Europe on behalf of the State for use in the cleaning of *İskenderun* Marsh (ŞD, 1199/15). The document also indicates that the coal to be consumed by the ferries of the Hamidiye Company, known as *Şirket-i Hamidiye* and operating in İzmir was exempt from taxation in 1893. However, the Administration of Rüsumat requested information from the center of the State, because the exemption period regarding these ferries was not clear. After all, coal consumption outside the exemption periods would be taxed (ŞD, 583/10).

Road construction and street cleaning were other operations that were taken into consideration within the scope of tax exemption practices with a view to contributing to the development of settlements and infrastructures. In this context, the document dated 1889 noted that there was an equal distribution of tax revenues, such as *zebhiye*[67], *kantar resmi*[68], and other taxes between the treasury and municipalities. This put municipalities in a difficult situation in providing cleaning and public health services due to the decrease in their revenues. Municipalities thereupon requested that this distribution be eliminated. From the judgment of *Sadaret* on the issue was consulted (DH. MKT, 1620/107). In a

similar situation, Ali, on behalf of the inhabitants of his neighborhood, wrote a petition to the Hüdavendigar Province in 1892. He expressed that some of the streets were not cleaned on the grounds that they were too narrow. For that reason, he requested that the inhabitants living on these streets be exempted from the sanitation tax, known as *tanzifat*[69] (DH. MKT, 1983/53). [70]

Tax exemption practices were utilized not only for street cleaning but also for the materials needed for the arrangement of the roads. In such a case, the Administrator of the Aydın Province sent a letter to the Ministry of Internal Affairs and *Rüsumat* Administration in 1892. The letter noted that the exemption of 3,000 meters volcanic rock to be brought from Naples and laid in some streets of Izmir from customs duty would benefit the whole

[67] It was a tax that was imposed on animals for their slaughter in the Ottoman State.
[68] It was an official fee charged from the goods weighed with weighbridge. By the way, this fee was named as *kantariye* in the Ottoman Turkish.
[69] It was a tax imposed on works carried out by the municipalities in the Ottoman's cities, such as cleaning the streets, cleaning up the garbage, cleaning works.
[70] According to a report dated 1882 written by Streatfeild, there were debates on the issue *tanzifat* tax, arising especially with the establishment of municipalities. For example, the Municipality of the 6th Circle, known as Pera and Galata, is one of them (FO, 881/5909).

city. The letter also included an example of a previous tax exemption practice on the 10,000 meters of imported granite stone. The letter received a positive response (BEO, 5/362).

The construction of buildings, which were considered to be beneficial to the society, and the materials needed for the maintenance of these buildings were also supported by tax exemption practices. All these buildings also played a significant role in the development of settlements. In such a case, the administration of the Yedikule gas station sent a document to the *Şehremanet* in 1891. The document noted that the boiler and machinery of the Yedikule gas station were destroyed by the storm, and this company suffered a loss of 25,000 *lira*. On that ground, this company requested an exemption from customs duty for the materials it ordered from Europe (ŞD, 1192/31). In response to this request, it was stated that the Yedikule gas station benefited from customs duty exemption for the tools and pieces of equipment that had been brought from Europe when it was first founded. Hence, the administration of the Yedikule gas station could not be exempted from customs duty for the second time. The Şehremanet was informed of this decision taken by the Tanzimat Office of the Council of State (DH. MKT, 1862/37).

In a similar case, the Benghazi Municipality dispatched a document to the Benghazi Sanjak administration in 1892, requesting exemption of the flour mill strongly needed by the society from customs duty. This document was forwarded to the Tripoli Rüsumat Administration, and later to the Ministry of Public Works. Finally, it was decided that this request would need to be presented to the Sultan for a final and clear decision (BEO, 89/6647). Likewise, the *Söke* Town Municipality sent a document to the *Rüsumat* in 1893. The Municipality alleged that the fire pump to be imported from London for the *Söke* Town Municipality is exempted from the customs duty within the scope of the Imperial Decree. So, the Municipality requested to import this fire pump from London (BEO, 157/11763).

Also, the Midilli Sanjak dispatched a document to the Ministry of Trade and Public Works in 1896. The document noted that the Town of Potmoz needed fountains, and these fountains were built with the help of the local people. The document stated that the water pipelines to be imported from Europe for waterways were crucial for the building of these fountains. The document stated that these water pipelines should be exempted from customs duty just like the ones imported for different places. The Ministry of Trade and Public Works was informed about this situation (BEO, 821/61501). Another document features the exemption from the customs duty of the bricks for the Russian Cemetery that was built in Florya in 1898. However, this exemption was just for a certain amount of bricks. So, the tax administration imposed 1,080 *kuruş* customs duty on the rest of the bricks (İ. RSM, 8/7).

As mentioned earlier, public buildings and other structures that provide benefits to the Ottoman society were also supported through tax exemption practices. A document dated 1893 noted that the Ministry of Internal was informed about the customs duty exemption of the zincs that were brought from Europe for the government mansion of Islahiye Town. The document also stated that this tax exemption was derived from Imperial degree (BEO, 272/20378). In a similar case, the Provincial Assembly in İzmir wrote a letter to the Ministry of Internal Affairs in 1895, and this letter was forwarded to the Council of State. The letter stated that some charitable people in the region of Bahçelerarası purchased some areas from *Şabanzade* Ali Bey. They built certain public buildings such as mosques, schools, and police stations in these areas. These people requested tax exemption for these buildings on the grounds that these buildings provided benefits to society. As there was also an Imperial Decree on the matter, the Council of State determined that these buildings would be exempted from taxation (İ. MVL, 15/79).

It is widely held in the literature that most of Ottomans supported tax exemption practices that were granted for the development of the settlements. However, there were also some people who opposed these tax exemption practices. In other words, while general support was displayed by the Ottoman society to these practices supporting the development of the community, some people whose interests were damaged as a result of these practices criticized them. Some even took action to prevent these practices. For example, the local Ottoman notables did not welcome these practices, and they demonstrated negative reactions to them. For example, in 1867, the Ottoman local notable of Amasya dismantled the telegraph poles and attempted to prevent road construction in order to show their dissatisfaction with the developments in the region (Sakaoğlu, 1966).

The support or prevention of migration activities through tax exemption practices in the Ottoman dominions was another issue about the development of settlements. As it is known, migration has particular importance in terms of the State administration in the history of the Ottoman State. It is because the Ottoman State aimed to reach some purposes through migration. These purposes are to ensure social peace, social order, and safety such as preventing or punishing tribal rebellion, establishing strategic regions, supporting the development of the regions, generating an increase in tax revenues, and so on. Tax expenditure practices played an active and substantial role in attaining these goals (Karpat, 2017). These practices of regulating migration activities were not only introduced in the 19th century. They were also an important tool in the early periods of the Ottoman State.[71]

There were dramatic changes in the Ottoman population due to the effects of wars that negatively affected the Ottoman State, such as the loss of lands, especially in the 19th century.[74] Karpat (2017) clearly states that war, social unrest, political, and cultural events were the basis of these dramatic changes. And these changes in the Ottoman population also affected the religious and ethnic structure of the Ottoman society. The Muslims and

non-Muslims such as Jews, Rasolniki (Russian Orthodox Church Denomination) living in the territories lost by the Ottoman State in wars moved to Ottoman dominions. The nonMuslim societies preferred to migrate to the Ottoman territories especially in view of the positive attitude of the Ottoman administration. For example, the Ottoman administration gave them some rights such as religious freedom.

In 1865, the Ottoman administration established the Immigration Commission, known as Muhacirin Komisyonu to overcome some potential problems of looming migration to the Ottoman dominions with minimal harm for both immigrants and settlers and to ensure social cohesion. This commission performed a vital role in making decisions not only on a legal basis but also on economic and fiscal matters related to immigrants. For example, this commission suggested some decisions such as directing the immigrants to uncultivated lands

[71] Especially during the times of the *Celali Revolts*, Ottoman administrators utilized tax exemptions to reconstruct the regions as well as encourage people who left their homes due to upheavals (İlgürel, 2003). [74] For examples, there was an intense migration from the Crimea, the Balkans and the Caucasus to the Ottoman dominions. A total of 7,425,000 people migrated to the Ottoman lands for various reasons between 1783 and 1914 (Pamuk, 2011; Karpat, 2017).

and giving them seeds and draft animals as well as providing aids in cash or in-kind to support their livelihood. The Ottoman administration regarded all these decisions and thus expenditures as a form of charity and benevolent activity. However, these activities also gave rise to a considerable increase in agricultural production. This in turn led to a rise in tax revenues as well as some other advantages such as the maintenance of social order (Karpat, 2017).

These immigration movements were yet another domain of life with respect to which the Ottoman administration widely utilized tax exemption practices. These tax exemption practices were introduced for the solvency of immigrants. Immigrants were also supported economically and financially. For example, in a document dated 1858, the Crimean administration requested information from the Ministry of Finance on whether the products that were brought by the Crimean immigrants for the trade would be exempted from customs duty. In the answer given by the Ministry of Finance, it was noted that the Crimean immigrants were exempted from Islamic tithe and other taxes for ten years. It was also stated that the exemption was a sign of the mercy of the Sultan, providing both public order and comfort for the migrants. However, it was pointed out that the products brought by these migrants for commercial purposes were excluded from this exemption. The Ministry of Finance demanded that the Crimean administration impose taxes on such commercial products (A. MKT. MHM, 143/90).

Another document about Crimean immigrants in 1860 reveals that the immigrants that came to *Dersaadet* requested settlement in Dobruca, and their request was approved by the Ottoman administration. The Ottoman administration also determined that these immigrants would be exempted from Islamic tithe and all other taxes for ten years and from military service for twenty years (A. MKT. MHM, 185/45). Also, a letter written to the Ministry of Internal Affairs in 1895 noted that Mehmed Bey, one of the prominent figures of the *Gülhur* tribe that migrated from Iran to Ottoman dominions with 50 households, was settled in the Town of Bazbun. The local administration requested information about the taxation of these immigrants from the Mosul Province. Accordingly, the Mosul Province decided that these immigrants would be charged with cattle tax and customs duties but remain exempt from other taxes, just like Tatar and Circassian immigrants who had previously migrated from Russia (BEO, 579/43369).

There are also documents discussing immigrants' ability to pay taxes. For example, the document dated 1871 mentions the ability to pay off nearly 240 households of Belgrade immigrants who lived in Niş. According to the document, unlike those who moved to trade centers such as Bosnia and Vidin, Belgrade immigrants in Nis were poor and had a lower ability to pay. The document, thus, determined that those who had the ability to pay would be exempted from taxation for 3 to 5-year periods, whereas those who did not have the ability to pay were exempted from taxation until they gain sufficient economic power to afford their taxes. The document also underlined the importance of approaching these immigrants in a polite manner. Such practices were considered as an indication of mercy and compassion towards those who had already suffered a major disaster by migrating (İ. ŞD, 21/917). Another document related to the relations between tax practices and migration is a letter featuring the immigrants who had lived in Russia and then moved to the Ottoman State's dominions in 1887. Having been dispatched to some institutions of the Ottoman State, this letter stated that these immigrants would be exempted from all taxes for a specified period (DH. MKT, 1427/97).

A more specific issue concerning the interaction between tax practices and migration is the expiration of tax exemptions and questions regarding how the expiration of tax exemptions should be handled for migrant communities. For example, the local administration of the Village of Kutu in Amasya Sanjak drafted a letter to the Amasya governor in 1852 noting that Bekir, Mehmed, and Kidave, who were among the Circassian immigrants and had been settled in that village for many years, did not pay the remaining amount of their taxes which was 16,000 *kuruş*. Moreover, they sent a petition by requesting that the tax debt should be forgiven. However, the response stated that these people gained resident status because they had moved there for a long time ago, and therefore expiration principles applied for them. So, their exemption period had expired. Accordingly, they were asked to pay their taxes (A. MKT. MVL, 50/99). Likewise, the document determined that the immigrants, who live in Tolçi, were supposed to pay their taxes in 1866 due to the expiration of their tax exemption period. However, the document also featured some situations regarding the imposition of taxes. These situations were based on the consideration of immigrants' economic status, ranging from their ability to pay, their real estate to their estimated income (İ. MVL, 564/25360). Similarly, the document dated 1895 noted that the immigrants settled in the Town of Biga in *Kale-i Sultaniye* Sanjak were required to pay their real estate tax and dividend tax on the grounds that their tax exemption period had expired (İ. ML, 15/62).

Despite the fact that immigrants were exempted from taxes, they had some problems related to taxation. Some immigrants complained that other immigrants demanded payments from them under the name of taxation. For example, the document dated 1860 noted that some people known as *Bey* among the immigrants of Nogay who were settled in Adana attempted to obtain money from other immigrants under the guise of taxation. These people did not do any work as they were living in their hometowns. The documents explained that the imposition of taxes by these people on other immigrants was contrary to justice and that these immigrants could not be left under such a group's fairness and influence. It was also noted that the collection of money under the name of taxes was prohibited and that those who tried to collect money from other immigrants shall be punished. An example of these punishments was the removal of some privileges. The document also stated that these people had to work and maintain their lives like others, preferably through agriculture (A. MKT. UM, 414/24).

Another document concerning the Nogay Emigrants was sent to the Emigration Commission, the Adana Governor Ahmed Pasha, and the Ministry of Finance in 1862. It was noted that a boat shall be constructed for the transportation of the Nogay Emigrants to be settled on both sides of the Ceyhan River in Adana. Moreover, it was ruled that the transportation of these migrants by this boat would be free until the end of their tax exemption period (A. MKT. MVL, 146/76).

However, tax exemption practices were not introduced only for migrants. The Ottoman administration also widely utilized tax exemption practices for the development of some regions by encouraging immigrants to live there. In other words, the development of some regions was spurred through tax exemption practices that aim to direct immigrants to these regions. For example, the document dated 1824 noted that the residents of Samos Island were in a miserable situation as a result of the upheavals and that only ninety households remained there. These people were exempted from all taxes, including jizya, for three years to ensure the reconstruction of the Island and help them recover from their miserable situation. The document also determined that those who wanted to move to the Island would be exempted from all taxes for five years period (HAT, 282/16790). Similarly, a letter was addressed to the Provincial Governor of Trablusgarp, District Governor, and Fiscal Director of the District in 1847, stating that there was a newly established Town called *Mecidiye*, near the Town of *Binvelid* in *Tripoli*. This document states that those who were settled in this Town would be exempted from Islamic tithe and other taxes for three years with a view to foster the development of this Town (A. DVN, 23/77).

Similarly, the Armenians, who abandoned the city of *Ani* located in Kars province, wrote a petition in 1848. They stated that they desired to move back to the city, offering to repair the churches and the temples that were damaged. They requested permission for this resettlement and requested tax exemption for ten years (A. DVN, 43/52). Upon this request, a letter was sent to the local administration. The letter declared that all Muslims and non-Muslims in the region would be exempted from taxes for ten years. The letter also underlined that there would be some other incentives to ensure the resettlement of the city of *Ani* such as subsidies for the reparation of mosques and churches and the construction of military barracks (A. DVN. MHM, 7/27).

A similar situation is revealed by a document was dispatched to the Governor of Silistra, District Governor of *Tolcı,* and Administrator of *Maçin Babadağı* in 1851. The Kazakhs who settled to *Isakçı*, *Tolcı*, *Maçin Babadağı,* and *Beştepe* Island were allowed to build their regions up with the help of three years of tax exemption (A. MKT. MVL, 39/81). Another document was addressed to the Ministry of Finance in 1857, noting noted that the Tuna coasts were fertile lands and suitable for growing crops. Therefore, it was decided that around 500-600 families from some parts of Anatolia (especially from Lazistan) would be resettled there. It is because the Ottoman administration aimed to provide the development of the region as well as to increase the number of crops. The Imperial Decree determined that these families would be exempted from Islamic tithe and other taxes for ten years as a form of encouragement. In addition, they would be exempted from military service for ten years (A. MKT. NZD, 237/53).

4.2.1.2.6. Recognition of Public Service in Various Segments of Society

Throughout the Ottoman history, those who engaged in public services were exempted from some taxes on grounds of their work, especially in the early period of the State where an in-kind economy was prevalent. For example, *qadi*, *sipahi*, *mudarris*, and *emin* were exempted from cattle tax as long as they did not possess more than 150 cattle. In addition, people working in the construction of roads and bridges, and those working in the maintenance of some public buildings were exempted from taxation (Emecen, 1988). However, after the declaration of the Tanzimat, there were fundamental changes in such tax exemption practices. The Tanzimat administration aimed to eliminate the tax exemptions that were granted on account of public service. In addition, the Tanzimat administration desired to finance such public services from the State's budget, thus; controlling the overall revenue and expenditure of the State. This radical change of eliminating tax exemption on account of public service was essential for the establishment of an advanced and centralized fiscal system in the modern sense. However, this change gave rise to the discontent of many groups in society. Eventually, the Tanzimat administration had to give up such a radical decision due to these intense reactions
(Ortaylı, 2009).

Hence, it is possible to consider the effects of tax exemption practices that were granted in return for public services based on the archives. There were many kinds of public services that were regarded by the Ottoman State within the scope of tax exemption during the 19th century. These can be listed as below: i) those who serve in the military; ii) those who retired from the military or supply materials to the military; iii) those who serve as castle guard or *derbent* guards, known as *derbentçi*; iv) those who supply certain goods, such as wood, to the alms-house, known as *imarethane*; v) those who clean and repair water channels, vi) those who serve in jobs that benefit to the society.

A document dated 1888 concerning tax exemptions on account of military service noted that those who were recruited into the army were exempted from the dividend tax. However, there was hesitation regarding those who were declared to be recruited into the military service but waiting for precautionary purposes. Thus, the document questioned whether they would be exempted from dividend tax. In response to this question, it was stated that although they had been obliged to do military service, they continued their business. Therefore, their income from art and trade would be subjected to dividend tax during the period in which they stayed in their hometown (DH. MKT, 1489/55).[72] By contrast, there is another document about the above question in 1898. Accordingly, the Administrator of Konya province asked the information on the same question. Another document in this context was a letter sent to the Ministry of Finance and Head of the Military Service. The letter determined that the granting of tax exemption from the dividend tax for both who are recruiting into the army and who are waiting for precautionary purposes was essential. It is because being exempted from the mentioned tax for both types of military service was important for justice. As a result, the Council of State declared that those who serve in any form of military service are free from the liability of dividend tax (BEO, 1110/83178; BEO, 1152/86395).

A document dated 1898 clarified the recruitment of officers who were in charge of collecting taxes on behalf of the Ottoman Treasury. This document noted that the salaries of these tax collectors were calculated according to the amount of tax they collected. On the other hand, since they were recruited to the army, the Ottoman State would pay half of their wages to their families. But it was difficult to find new tax collectors with halfsalaries. And even if they were found, it would be damaging to the Treasure due to the long training periods for these new collectors. As a result, the document determined that tax collectors should be exempted from the military, which was a kind of corporal tax, just like for infantry and cavalry guards, forestry officers, and clerks. That was also reported to the Ministry of Finance and the Head of the Military Service (DH. TMİK. S, 18/91).

Similar to the above example that was in favor of tax collectors, a letter was sent from the province of Bitlis. The province of Erzurum sent a telegraph in 1896, requesting information about the taxation of the soldiers serving in the *Hamidiye Regiments*, known as *Hamidiye Alayları*, which was formed from the tribes residing in these provinces. These taxes, known as a type of corporal tax, were fortification, roads, and passagework. In response, it was pointed out that while the fortification service was for the preservation of the State, the road and passage construction services were beneficial for every individual living in the society. There was an Imperial Decree on the former and no decision on the

[72] For more information on this army, see WO 106/1.

latter. As a result, the administrators of the province of Bitlis and Erzurum were informed that the soldiers of the *Hamidiye Regiments* were exempted from the fortification service (a kind of physical tax). But they would not be exempted from road and passage services (BEO, 811/60791).

The Ottoman administration benefited from the tax exemption practices from the point of the military service not just for those who were serving in the army. The administration utilized these practices also for those who retired from the army. For example, the document dated 1844 stated that *Karacaşehirli Mustafa* was one of the soldiers in *Asakir-i Nizamiye-i Şahane* but retired owing to his injuries in the battle, by paying 15 kuruş monthly salary. Yet, *Karacaşehirli Mustafa* was asked to pay taxes by the local tax administration. But he alleged that he was exempt from taxes like his peers, and then requested to renew the Sultan's Order given to him about his privilege (A. DVN, 3/98). Similarly, a document was dispatched to the governor of Amasya and *Çorum* as well as the administration of *Merzifon* in 1848. The document noted that Hüseyin from
Merzifon, the son of Hacı Ali and a *sıpahi* soldier, was exempted from all taxes on the grounds that he was injured and thus retired during the military expedition to Baghdad (A. DVN, 36/86).

A similar document was addressed to the governor of *Nevşehir* in 1849. Just like the above examples, this document determined that *Nevşehirli Hacı İbrahim*, who retired from military captaincy in *Asakir-i Nizamiye-i Şahane,* was exempt from taxes. However, the local tax administration imposed a tax on him. The governor of *Nevşehir* demanded that an investigation on this issue be conducted in this regard (A. MKT, 217/96). Similarly, Süleyman documented a petition in 1862. He alleged that he retired from military service and had the Sultan's order regarding tax exemption. But he was imposed taxes by the local tax administration. He stated that he would like to be exempted from taxation, asking for a refund of these taxes that had already been collected. In response, a document was sent to *Mehmet Reşit* Pasha, the governor of *İzmir,* stating that the request of Süleyman was appropriate and he was to be treated accordingly (A. MKT. UM, 571/6). Lastly, a document dated 1849 notified that Hasan from *Unye* and Hasan from *Şumnu* retired from the army and were paid 15 *kuruş* monthly. Also, they were exempted from taxes due to their poverty (A. MKT, 236/9).

As mentioned above, as a general rule those who retired from the army were exempted from taxation. But, if they had some properties or income during their retirement period, it was decided that some taxes would be imposed on them. For example, Mehmed Aga, who retired from military service, wrote a petition by complaining about the imposing taxes on him in 1852. His complaint was due to the fact that he retired from the army, and he had a Sultan's Order regarding his exemption from taxes. After an investigation on the issue, it was determined that the complaint was not befitting. It was true that there was a regulation on the tax exemption of a person who retired from the army. However, this regulation pointed out that only the properties acquired by a retired person before his retirement were exempted from taxes. In case the retired person acquired new properties during the retirement period, these properties would be subjected to taxes. Thus, Mehmed Aga acquired the properties in question during his retirement period. As a result, it was demanded from the governor of Kastamonu that taxes shall be collected from Mehmed Aga on account of those properties within the scope of the Regulation (A. MKT.
UM, 117/90).

There were also some other archival documents on the issue of the taxation of people who retired from military service. Some of these people lost their ability to pay their taxes after some time, which led them to request an exemption on account of a lack of ability to pay. For example, according to a document dated 1853, Mehmed, son of Hasan, who lived in the Ahlat district of *Viransehir*, retired from troops known as *Süvari-i Asakir-i Nizamiye.* He had been paying his 300 *kuruş* tax every year. However, he lost his ability to pay recently and became impoverished. Moreover, he stated that he lived with his family and his elderly mother. He claimed that the Town director and the headman confiscated his animals, such as oxen and cows, as well as his pots and dishes on account of his unpaid taxes in spite of his severe situation. Therefore, he wrote a petition to request an investigation of this situation. As a result of the examination, it was decided that the amount of his tax would be reduced to 70 *kuruş*, and that it would be unjust to confiscate animals or other materials he possessed. Still, it was pointed out that this person had embarked on a new job, and that the decisive decision would be finalized by the Sultan (MVL, 143/110).

The Ottoman administration granted tax exemptions also for those who demonstrated high achievements in the military and for their descendants. A document dated 1830 presents an example. This document noted that *Ismail Ağa* and *Ibrahim Ağa* were injured during the battles of Kule and Varna in *Nigbolu.* They became disabled and unable to work. Therefore, the Governor of Silistra and the Guard of *Rusçuk* Seyyid Mehmed Pasha sent a letter to Sadaret by noting that these people should be exempted from all kinds of taxes (HAT, 510/25051). Similarly, according to another document dated 1848, Ibrahim from Kastamonu was injured in the Battle of İşkodra and retired as a result of this injury. Thus, he was exempted from tax and was paid a monthly salary of 10 *kuruş*. However, he penned a petition by alleging that the local tax administration levied a tax on him, although he was disabled and had no income. Also, his brother was in the military. On such grounds, he requested a tax exemption. In response, a letter was drafted to the Head of the Military Service demanding an investigation of this situation (A. MKT, 135/23).

A similar document dated 1855 featured the tax and military service exemption of the people of Kars. These exemptions were mainly on account of the fact that they had shown their bravery in defending their cities during the Crimean War. The document also noted that those who performed a special achievement would be rewarded as well (HAT, 1648/1). Also, an Imperial Decree was sent to the Governor of Silistra, Ministry of Finance, and the Head of the Military in 1856. The Imperial Decree ruled that the people of Silistra would be rewarded on account of their efforts to defend their homeland during the attack on the castle of Silistra by the enemy. Accordingly, the local people were exempted from all taxes and military service for three years. Moreover, they were awarded the certificate of achievement based on their achievements (A. MKT. MHM, 81/93; A. MKT. UM, 235/30). A similar document was a petition written by Haci Mehmed in 1861. He requested tax exemption due to his disability as a result of his foot being broken and losing his eye in the war. As a response to his petition, a letter was sent to Ahmet Pasha, the Governor of Edirne, by stating that Dervish Haci Mehmed's request should be investigated and the necessary action needed to be taken as per the regulations and other similar cases (A. MKT. DV, 195/67; A. MKT. DV, 195/93). Lastly, according to a document dated 1861, the people of *Bülbülce* Island in the Golos Gulf were exempted from taxation on account of their loyalty and success in the Mora uprising. They had been exempting from taxes since the 1820s (A. MKT. MVL, 137/31).

Tax exemption practices were not just granted to those who achieved success, or to those who were wounded in action. Their descendants also benefited from these tax exemption practices. In other words, these tax exemption practices were passed on to their family and descendants. For example, Yako, Yasef, and Barsaf, who lived in Edirne, penned a petition to the Governor of Edirne in 1846. They reported that they had been exempted from taxation and jizya due to the service of their grandfathers in the conquest of Budin Castle. They requested the renewal of the document certifying this exemption. This petition was forwarded to the Ministry of Finance, and later to the *Meclis-i Vala* (A. DVN, 15/65).

Similarly, a document dated 1871 reveals that the Jews who served in the conquest of Budin Castle during the reign of Sultan Selim Han were exempted from taxation. This exemption was also extended to their descendants. However, some claimed that they were asked to pay spirits tax, known as *müskirat tax*, despite their exemption. Therefore, they requested that this tax exemption be implemented and enforced. However, as a result of the investigation on the issue, it was stated that the exemption covers only certain services and temporary taxes. The imposition of the spirits tax was not covered by this exemption. On such grounds, it was reported that this spirit tax would be collected (ŞD, 237/27). In a similar, five people from the Jewish community of German descent claimed in a document dated 1895 that the keys of the Vidin castle were given to their grandfather during the reign of Yavuz Sultan Selim. Also, exemption from all taxes was granted to their grandfather on account of his service. This exemption had also been transferred to his descendants. However, the local tax administration levied taxes on them because their tax exemption certificates had not been renewed. So, they requested the renewal of their tax exemption certificates. However, in response to their request, it was noted that the service that was performed by those people was no longer in effect. Therefore, there was no need to renew their certificates. The Council of Ministers, known as *Meclis-i Mahsusu Vükela* made the decision. So, they had to pay their taxes (BEO, 689/51639).

Another instance of tax exemption practice related to military service was the case of the tax exemption granted to those who were assigned logistic support duties in the military. For example, the document dated 1836 noted that three villages in Thessaloniki were exempted from tax in return for producing bedding fabric for the military. However, since they quit the job, 50,000 *kuruş* tax was levied on them on an annual basis. The people of these villages claimed that they could not afford to pay that amount, so it was reduced to 35,000 *kuruş* (HAT, 1321/51593). Similarly, *Kazakbaşı*, the head of the Kazaks, wrote a petition to the Ministry of Navy in 1856. He stated that a tax exemption was granted to the Kazaks who served on navy ships. He claimed that the documents certifying their exemption were destroyed and requested a renewal of their certificates. He did not receive any response to the petition from the Ministry of Navy. So, he wrote another petition to the Ministry of Finance to get renewed tax exemption certificates (A. MKT. NZD, 180/63).

Not only those who served in the military but also those who provided other services beneficial to the society were also rewarded with tax exemptions.[73] For instance, the Copts, also known as Kıpti, were exempted from lump-sum tax in 1817 provided that they would repair the iron ropes of the bridge over the Meriç river in Plovdiv. After some time, upon the death of some of them, other Copts were appointed to work in this reparation. This appointment was carried out with the certificate known as Berat-ı Şerif, which was given by the Sultan (C. NF, 7/338). A similar case is revealed by a document dated 1847 which featured Mehmed, one of the inhabitants of Çakerya Village in Sinop working in carpentry service in the Shipyard, known as *Tersane-i Amire*. He wrote a petition to ask for his family living in the village to come to İstanbul. He also requested tax exemption for his family on the grounds that they were having difficulty maintaining their livelihood (A. DVN, 32/30).

Also, the inhabitants of the *Hacıhamzalı* Town of the *Çorum* Sanjak wrote a letter in 1848. They claimed that they were deprived of trade and agriculture due to their location. They reported that they could not afford to pay taxes, and thereupon requested tax exemption in return for working in the preservation of castles and *derbents* as they did before. In response, it was demanded from the Ministry of Finance to investigate the amount of tax paid by these people as well as the records regarding their tax exemption (A. MKT, 113/43). A document on a similar case was dispatched to the Ministry of Evkaf in 1855. The document noted that the people of *Alemdağı* suppled the wood of *Atik Valide Sultan Imaret.* They were

[73] For example, Acıyordan, who was a resident in Tırnova, reported a potential upheaval that would be taken place in Tarnovo in 1835. Therefore, *Hüseyin* Pasha, the Administrator of Vidin, requested that Acıyordan would be rewarded with tax exemption on the grounds of reporting this potential upheaval (HAT, 1165/46115).

exempted from taxation on account of that service. They were now requesting the renewal of their tax exemption certificates (A. MKT. NZD, 134/36). Also, a document dated 1897 stated that local workers of the Thessaloniki-*Manastır* Ottoman and Oriental Railways wrote a petition to the Ministry of Finance, alleging that their salaries and other benefits were lower than foreign workers. They requested an exemption from dividend tax in return for their beneficial services to the society (BEO, 1006/75402).

It is also possible to find the effects of the Tanzimat on tax exemption practices that were granted on account of serving the society. For example, the people of *Kündük* Town in the Malatya district of the Harput Sanjak penned a petition in 1850 claiming that they had been exempt from taxation in return for repairing and cleaning of the canals of the Derme River until their exemption was revoked after the declaration of Tanzimat, after which a tax amounting to 6,000 kuruş was imposed on them. They claimed that they became more miserable and faced more difficulties after their villages suffered from floods. They thereupon requested tax exemption similar to the one they were entitled to before in response to the cleaning and reparation work around the river. Upon receiving this request, the Meclis-i Vala dispatched a document to the governor of Harput, requesting the investigation of this situation (A. MKT. UM, 19/38). In a similar situation, two households in the Town of *Çemişgezek* were exempted from taxation in return for the maintenance of the waterways of the fountains. Later, the local tax administration imposed a tax on them as stated in a document dated 1886. The local administration was allowed to hire workers for the maintenance work in question on a monthly salary of 40 *kuruş,* which would be paid from municipal revenues (DH. MKT, 1362/42).

4.2.1.2.7. Demands for the Continuation of Previous Tax Exemptions

It is widely attested in the literature that the tax exemption practices in the Ottoman public finance system date back to the earlier periods of the State. This long history of the presence of tax exemption practices in the Ottoman public finance system led some people to request the continuation of such practices in the 19th century by propounding the previous practices. Their petitions were mostly based on the request '*to be re-exempted from taxation owing to the fact that they were previously exempted from taxes'*. One example of this can be found in a document that was sent to the Syrian provincial administration and the Ministry of Finance in 1868. According to this document, the people of Jerusalem had been exempted from the taxes since the earlier periods. But as a result of new arrangements, the local people were subjected to taxes. Therefore, they requested the continuation of their exemption. In response, it was noted that more than half of the real estate and income in the region was in the hands of non-Muslims. So, an exemption to be granted solely to Muslims might give rise to objection by non-Muslims. The Imperial Decree thereupon determined that the Muslims and non-Muslims who lived inside the Sur would be exempt from taxes, while those who lived outside of Sur would be subject to taxes (A. MKT. MHM, 417/9).

In a similar case, Sharif Ali bin Mehmed Hemlase, who lived in the Village of *Ümmülhaşeb* in Asir Sanjak, Yemen Province, wrote a petition in 1892. He alleged in his petition that he had been exempted from taxation so far. But the local tax administration imposed a tax. So, he requested the continuation of his tax exemption as before (BEO, 6/431). Similarly, the document dated 1893 stated that the gardens in the Nablus region in Syria had been exempted from Islamic tithe. However, a new regulation was enforced. This new regulation ruled that the garden tax was reduced, and Islamic tithe was levied on these gardens in Nablus as a new tax. The document underlined that this new rule in the taxation undermined popularity amongst people in gardening work. In fact, ten people from the population of Nablus penned a petition requesting the return of the previous practice. They alleged that the new practice in taxation damaged both the local people and the treasury of the State (BEO, 188/14081). Similarly, Tufanzade and his two friends sent a telegram reporting problems regarding the new practice in taxation (BEO, 209/15646).

In a similar document dated 1894, it is stated that the descendants of Karaca Ahmed and the people of the Karacaahmed village had been exempted from all kinds of taxes on the grounds that Karaca Ahmed was an outstanding subject of the Ottoman State on account of his contributions to the society. He was also buried in Karahisar-ı Sahib Sanjak. However, the local tax administration imposed cattle and Islamic tithe on his descendants from that year on. So, Hasan Efendi, who was responsible for the maintenance of the tekke, requested that their tax exemptions be resumed (BEO, 407/30524).

4.2.1.3. Tax Exemptions in Political Contexts

The Ottoman State utilized tax exemption practices not only in economic, fiscal, social, and cultural context but also in political matters. In other words, tax exemption practices that were granted for political matters had an important role in the Ottoman State public finance. It has been observed that the tax exemption practices applied in the political context were as follows: i) the tax exemptions for Istanbul on the account of being the capital of the State, ii) the tax exemptions for some places due to their religious or geostrategic importance, iii) the tax exemptions granted to those who lived and served at the Palace, iv) the tax exemptions for those who served in consulates of foreign states in the Ottoman State.

It is widely acknowledged in the literature that the Ottoman State gave particular importance to some regions in the territory of the State for religious and political reasons. So, some or all the people living in such regions were exempt from taxation. For example, Mecca and Medina, located in the Hejaz region and both essential and respected in the Islamic religion, were exempted from taxation on account of their religious importance. These places also received a wide range of economic and financial aids from the treasury. As for Istanbul, it was freed from *ancemaatin* taxes, real estate tax, dividend tax, Islamic tithe, cattle tax, and pig tax on account of being the capital of the State (Şener, 1990). On the other hand, this privileged situation regarding Istanbul was extensively discussed during the Tanzimat period. A radical solution could only be produced during the First Constitutional Era. The second article of the Ottoman Basic Law[74] noted that *'Istanbul does not have any privileges over other cities.'*. It was thereupon decided that the privileges of İstanbul were to be terminated.

Throughout the history of the Ottoman, İstanbul had a unique position in almost all respects on account of being the capital of the State and its overpopulation. Due to its population, İstanbul was a considerable consumer city. And, it consumed more than it produced. The surrounding cities supplied İstanbul in terms of food and raw materials. In fact, the demand for İstanbul was supported by tax exemption practices. Pamuk (2011) makes an explanation regarding this privilege of Istanbul. He points out that the privilege of Istanbul

[74] However, it should be kept in mind that this constitution was suspended after a short while.

was not only due to being the capital city. The other reason was that a shortage, famine, or economic collapse in this city could give rise to uprisings by triggering the people to act directly against the State.[75] On such grounds, particular importance was given to this city, especially through tax expenditure practices. For example, nomads who lived in the Balkans and who were responsible for meeting the meat demand of Istanbul had been exempted from taxation (Emecen, 1988). Besides, Şeyhülislams attached great importance to İstanbul in their fatwas. For example, those who worked in the vineyards and gardens of Istanbul and *Saray-ı Amire* were exempted from jizya, *avarız*, and some other taxes (Düzenli, 2015).

There were also some other tax exemption practices for Istanbul, also defined as *Dersaadet,* in the archives. For instance, the document dated 1898 noted that some people who resided in *Kal'a-i Sultaniye* requested an exemption from some taxes, such as *bedelatı askeriye*[76], dividend tax, and road payment, known as *yol bedeli.* It is because these people alleged that they are among the population of the *Dersaadet*. As a response, it was declared that those who had moved their households before the publication of the law on recruitment would be regarded as residents. This meant that would be subjected to these taxes. On the other hand, those who went to *Kal'a-i Sultaniye* temporarily as guests would not be liable to pay these taxes. However, if they had children during this period in the *Kal'a-i Sultaniye*, their children would be regarded as local people. So, they would have to pay these taxes (DH. MKT, 2147/72). Likewise, Kiro, a worker of the Dersaadet tramway

company, wrote a petition in 1899. He noted that the local tax administration imposed the *bedelat-ı askeriye* and other taxes on his sons. He alleged that he had been living in Dersaadet for 25 years with his family. He requested that his sons be exempted from the *bedelat-ı askeri* on account of being born here (DH. MKT, 2265/109).

Meanwhile, some people requested tax exemption based on the claim that the places where they live are connected to Istanbul. In other words, some people, who lived in the vicinity of İstanbul alleged that their regions had been a part of İstanbul. So, they requested a tax exemption on account of being a part of the capital. For example, the headmen of the

[75] For example, there was a famine in Baghdad in 1871, causing a pressure and pushing the local people into insurrection (The Morning Post, Friday, October 20, 1871).
[76] It was a type of payment in response for exemption from military service, known as *military tax.*

Adalar and the Community Council, known as *İhtiyar Heyeti*, drafted a petition in 1898. They requested an exemption from the dividend tax and bedelat-ı askeriye on the grounds that they lived in Dersaadet. But their request was not deemed appropriate. They were informed that their request could not be admitted. They had to pay their taxes like other villages (DH. MKT, 2106/109). Similarly, the employees of the Municipality of Pirlepe requested some rights, such as retirement rights and exemption from dividend tax just like *Dersaadet* municipal officials in a document dated 1899. This document was forwarded to the Council of State for a final decision (DH. MKT, 2275/126).

Aside from the tax exemption granted to Istanbul, some places belonging to the residents of the Palace were also covered by tax exemptions. For example, the document dated 1815 noted that the inhabitants of the Village of Zire, the *Akdağ* sub-district of Amasya Sanjak, were exempted from taxation, except during the war period. It is because they would serve in repairing the places belonging to the Sultan, such as *Bahçe-i hassa*, *kasr-ı Humayun,* and the *Alçak Bridge* by using their materials (HAT, 1534/10). A letter on a similar situation was sent to the administration of *Rüsumat* in 1868. It was noted that the merchant Mosad brought some goods from France, and these goods were exempted from customs duty on grounds that these goods were imported for the Serhel Palace that belonged to Fatma Sultan in Balta Port (A. MKT. MHM, 406/21). Similarly, the document dated 1899 stated that a tax exemption was requested for the trees in the vineyards belonging to the Sultan waqfs in Baghdad Province (DH. MKT, 2217/17). An important document dated 1883 featured the tax exemption of a Palace resident. It was pointed out that state-owned farms, land, and properties were exempt from tax as per the Imperial Decree. But the document underlined that those who carried out production and animal husbandry activities by using places belonging to the State could be subjected to tax. This was because these people were benefiting from these places and getting an income in this way. Also, the document emphasized that exercising caution was required lest any abuse occurred in these places (İ. DH, 893/71095).

Tax exemption practices regarding the people in relation to the Palace was not restricted to the residents of the palace but also extended to people who performed certain duties in certain parts of it. For example, a document dated 1893 informed that people working in the Palace kitchen were exempted from some taxes, such as dividend tax and road payment. However, they wrote a petition to the province of Konya by alleging that the tax administration imposed taxes on them. They requested that this problem be solved in accordance with previous precedents (DH. MKT, 164/7). Similarly, Mehmed and his friends were in charge of carrying food to the *harem* at Saray-ı Hümayun. They penned a petition in 1899, complaining about the imposition of taxes on them. In their petition, they claimed that they had been exempt from taxes, mentioning examples regarding their friends, Ahmet, and others who had worked in the same job. They alleged that there were tax exemption certificates with regard to their exemption in the Ministry of Trade and Public Works. Information was requested from the ministry to investigate these allegations (DH. MKT, 2212/136).

Bilateral relations with foreign states were another reason that paved the way for tax exemption practices in the political sense during the 19th period. In this sense, foreign countries forced the Ottoman State to act in their favor. Hence, they imposed decisions that would bring long-term economic benefits to their traders and industrialists on the State (Karpat, 2017). It is alleged in the literature that these economic benefits as a result of privileges that were granted to European merchants went far beyond the commercial rights that were granted to the citizens of the Ottoman State. Therefore, both the Muslim and the non-Muslim Ottoman merchants became incapable of competing with foreign merchants due to these privileges. So, some merchants of Greek, Armenian, and Jewish origin in the Ottoman State began to enter the auspices of European states to obtain these privileges benefiting by the foreign country merchants. In fact, some of them pretended to be dragomans working in foreign consulates to benefit from these privileges. As a result of such efforts, they got tax exemption certificates, also known as *berat*. Through these certificates, non-Muslim merchants began to carry out their business activities independently of Ottoman law and courts on grounds of the privilege provided by these certificates. More importantly, they did their business without paying most of the taxes that domestic merchants had to pay (Pamuk, 2011).

In this respect, there was an increase in the tax exemption practices that were requested by the foreign consulates from the second half of the 19th century onwards. Moreover, these consulates appealed to the tax exemption practices for their ordinary citizens, who were not merchants, to benefit from these practices. For instance, the document dated 1851 noted that nearly 100 people escaped to Greece due to riots in Thessaloniki and Tırhala Sanjak. They notified their wishes to return to the Ottoman territories through the Athens consulate, by providing that they would be exempted from taxation for 8 or 10 years. In response, it was stated that there was a rule of giving a 2-year tax exemption in this situation. As per the decision of the Vizier, they were informed by noting that they could be granted for three years as a reward. Still, it was also stated that the final decision would be shaped within the framework of the Imperial Decree (A. AMD, 28/78).

Another example to be considered in the political context of bilateral relations with the foreign countries was the tax exemption practices regarding the *Reji Administration.* This administration was established in the Ottoman States with the foreign capital under the agreement dated on 27 May 1883, and it had the monopoly privileges of the tobacco trade. In addition, the *Reji Administration* had privileges of tax exemptions. For instance, article 5 of the regulation on the establishment of the Reji Administration noted that the precious documents arising from the transactions of the company with both the Ottoman State and the merchants are exempted from the stamp tax (BEO, 408/30564).

There were also some other tax exemption practices in the political sense. One example of such practices is the non-taxation of the consular properties and some staff working in foreign consulates such as dragomans, secretaries, clerks. For example, the document dated 1861 stated that the buildings of consulates were exempted from taxes, provided that these buildings do not belong to the consuls. This exemption relies on the sentiment that these buildings belong to the country of the consulates. It was for this reason that the Governor of Thessaloniki was notified that the 4,217 *kuruş* of tax that was requested from the French consul in Thessaloniki for a period of five years would not be collected (HR. MKT, 374/99).

Ample archival evidence can be provided for the presence of tax exemption practices for the employees of consulates. For example, the document dated 1888 requested information as to whether the goods that belonged to Monsieur Romania, the Greek ambassador clerk, would be taxed. In response, it was stated that civil servants working in the position of Monsieur Romania could not be exempted from high-level purchases as a result of the current agreement (Article 24 of the 8 June 1855 Agreement). Moreover, it was noted that only low-value goods for civil servants working in the position of Monsieur Romania would be exempt from taxation. However, he requested an exemption from taxation because he had recently got married, receiving the goods in question for private use rather than for commercial purposes (HR. HMŞ. İŞO, 60/10). However, the document dated 1889 reveals a differing approach, stating that two translators who engaged in trade at the British Consulate in Edirne were obliged to pay their taxes. They objected to this obligation by claiming that they were exempt from taxation on account of working in the British Consulate. However, the Legal Counsel explained that they could not be exempted from taxes due to their engagement in trade (HR. HMŞ. İŞO, 172/49).

Likewise, the Kastamonu province administrator requested information from the Ottoman central administration by dispatching a document in 1893. Information was requested in the document as to whether *Yasakçi*, the Deputy Consul of the Russian in Sinop, and other personnel such as dragomans and tipstaff to were to be exempted from road tax. In the response, it was underlined that the consular personnel of foreign states in the Ottoman territory could not be exempted from some taxes, such as real estate and military tax, as per Article 11 of the Regulation. They could merely be exempted from road tax (BEO, 174/12982; ŞD, 1198/5).

Meanwhile, there was a major controversy over the tax exemption of the consuls in this period. In 1873, for example, letters were exchanged with regard to the Ottoman Consul-General at Bombay on the issue of paying municipal tax and other taxes. It was argued that the Ottoman Consul at Bombay should be exempted from these taxes. It was because the British Consuls in the Ottoman territory were exempt from municipal taxes with the permission of the Sultan. There is also a report containing considerable information on the tax exemption of the British Consuls residing in the Ottoman State (see Table 4) (FO, 881/3836).

Table 4: 19th-Century Tax Exemptions given to the British Consulates

Places	**Reasons for tax exemption**
The Consul of Jerusalem	The right to receive clothing, furniture, and provisions, for his personal use or consumption.

The Consul of Janina	He is exempt from all local taxation on the condition that he is not engaged in trade. This condition also exists for other exemptions, Goods which are imported for him are exempt from customs duty, Producing wine for his own consumption is not subject to excise tax, Buying or importing duty-free 190 lbs. (70 okes) of tobacco a-year, of which 38 lbs. (14 okes) maybe in cigars.
The Consul of Scutari	Exempt from taxes and customs duties
The Consul of Bosnia	All goods such as clothing, food, and furniture imported for personal use are exempt from taxes.
The Consul of Adrianople	The Consul is exempt from taxes which were specified in the Capitulations on the condition that he is not engaged in trade.
The Consul of Crete	Importing all goods for his personal use, except for the restriction being placed on tobacco, of which 190 lbs. per anum are allowed to him free of taxes.
The Consul of Monastir	Duty-free importation of goods not exceeding 400 *lira* in value and of approximately 200 lbs. of tobacco annually for personal use.
The Consul of Salonica	Exempt from all taxation
The Consul of Cyprus	Duty-free importation of goods up to the value of 20,000 kuruş per annum, and of 140 lbs. of tobacco for personal use
The Consul of Erzurum	Duty-free importation of foreign goods or goods produced for him up to the value of 140 lira for his or his family's personal use.
The Consul of Smyrna	Importation of goods up to a certain value for personal use. The limit is 250 liras per annum for Consuls General, 200 liras for Consuls and 150 liras for Vice Consuls., A certain quantity of tobacco and producing wine for home consumption are also free of taxes.
The Consul of Aleppo	The duty-free importation of goods up to the value of 200 liras per annum and of a limited quantity of tobacco for personal use.
The Consul-General of Beyrout	Their dragomans, cavasses, office-keepers, and servants are exempt from taxes.
The Consul-General of İstanbul	The Consul-General of İstanbul said that '*All consults in Turkey enjoy the same privileges.'*

Source: The National Archives (FO, 881/3836). Author's construction.

The report presented above suggests that the privileges are granted mainly on the condition that the consul does not engage in trade. The report also reveals that this rule was often abused by the consuls and other employees. In fact, the Consul-General of Istanbul drew attention to this issue. This concern was also confirmed by other consulates (FO, 881/3836).

The capitulations signed in the early periods of the Ottoman State were another reason behind politically motivated exemptions. The capitulations, which were present in almost every period of the Ottoman State, played a crucial role in the Ottoman State during the periods when the State was powerful. However, these capitulations adversely affected the State when the Ottoman State started to lose its influence and thus power over other countries. The citizens of countries that were granted capitulations requested tax exemption based on these capitulations. They aimed to abuse the capitulations which were given for different purposes. Important insight into the issue is provided by Foster & Hobart (2000), who shed light on Ottoman public finance especially regarding the post-1860s through their reports. They reported that tax exemption practices based on capitulations were an embarrassment for the Ottoman State. These capitulations affected the Ottoman State by both reducing the Ottoman public finance revenue and creating adverse effects on the whole society. So, they pointed out that these practices should be terminated as soon as possible.

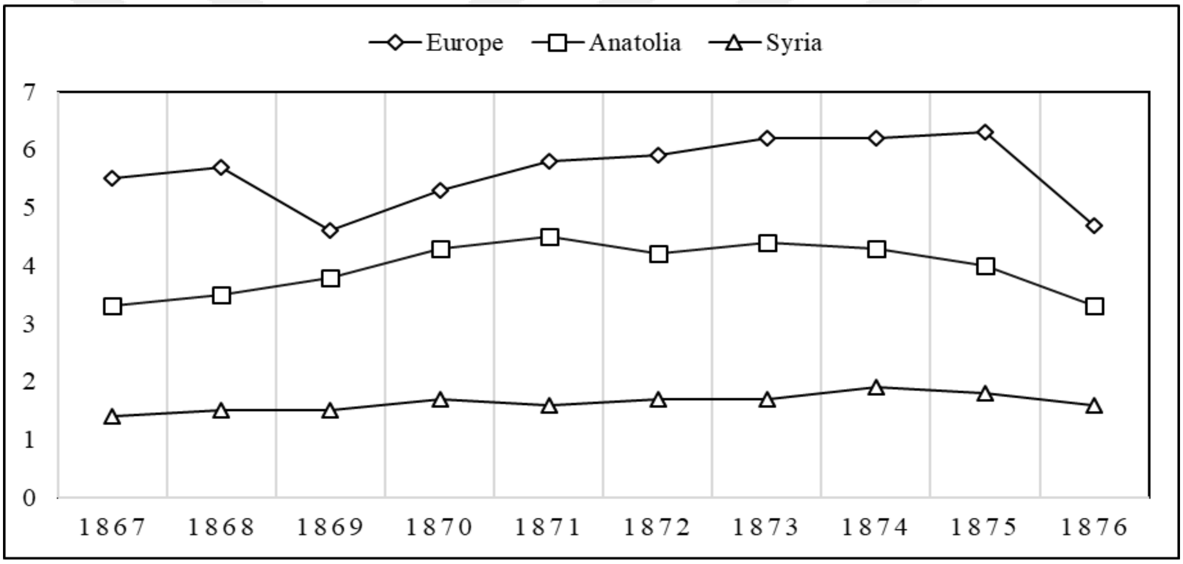
E. Hertslet also penned a report in 1878 on the Ottoman public finance system. He wrote on the issue of tax exemption practices granted based on the capitulations. *'British subjects in Turkey are not exempt from taxation by the Capitulations. The Capitulations only say that all Englishmen and subjects of England who shall dwell or reside in our dominions, whether they be married or single, artisans or merchants, shall be exempt from all tribute…'* he reported. In fact, the Capitulations of 1675 determined that all British merchants and vessels carrying the British flag were protected in terms of the safety of life and the property. The Capitulations also listed some other privileges. As for taxation, all British merchants and vessels carrying the British flag would be charged the external customs duty. But they were exempted from internal customs. The materials that were brought for British merchants' animals were exempted from the excise tax. The transit materials of the British merchants were exempt from customs duty. There were some changes in articles of the Capitulations of 1675 in the following periods, but the regulations regarding tax exemption had been approved by the agreements that were signed in the next years, such as in 1809, 1839, and 1861 (FO, 881/3836).

E. Hertslet also presented some information on tax exemption practices based on the capitulations in his reports for other countries. According to his reports, ambassadors and dragomans working in Consuls were exempt from all taxes as per Article 35 of the Netherlands Capitulations agreement dated July 6, 1612. Similarly, Article 19 of the treaty between the Ottoman State and Russia dated June 21st, 1783 noted that the people of Russia were exempted from tribute tax, known as *haraç.* Finally, Article 25 of the capitulation treaty signed with France on May 28th, 1740, stated that the people of France were exempted from arbitrary taxes, the so-called *tekalif-i örfiye* (FO, 881/3836).

4.2.1.4. Reforms on Tax Exemption during the Tanzimat Era

As it was widely discussed above, the Tanzimat Edict had a profound impact on the Ottoman public finance system by introducing dramatic changes.[77] A council called the Assembly Accounting Finance, known as Meclis-i Muhasebe-i Maliye, was founded to implement the changes introduced by the Tanzimat administration to the public finance system. Devising a fair distribution of the tax burden among the regions was one of the most important tasks of this council. (Cezar, 1986). As seen from Figure 6, there were huge differences in the amount of the tax revenues collected from the regions of the Ottoman State in Europe, Anatolia, and Syria.[78] So, the Assembly Accounting Finance aimed to adjust the distribution of taxes according to the taxpayers' ability to pay.

Figure 6: Some Tax Revenues Collected by Regions, as Million kuruş



Source: The United Kingdom, The National Archives, Foreign Office, 881/4084, Report by Mr. E. F. Harrison on the Finances of Turkey, 1880. Taxes are military exemption payment, Islamic tithe, cattle, and stamp tax Author's construction.

Some representatives from each province of the mentioned regions were invited to determine the path to be followed in the solution of local problems in the said period. So, they were asked to provide information about problems regarding their region. These representatives especially expressed a common sentiment on the weight of the tax burden, by highlighting the unequal distribution of the taxes among the regions. The Assembly

[77] For example, Abdullatif, who was the tax Administrator of Cyprus, stated in 1850 that the taxes were duly and timely collected in accordance with the *Tanzimat-ı Hayriye* (A. MKT. UM, 11/90).

[78] Based on the Figure 6, it is highly difficult to claim that there was an injustice in the tax burden among regions focusing on the tax revenues. It should be kept in mind that there were also other factors affecting tax revenues such as the income level of taxpayers and the level of development of the regions.

Accounting Finance thereupon decided to overcome this problem by conducting the register, known as *tahrir*. It was acknowledged that the registers were crucial in determining taxpayers' ability to pay (Güran, 2000).

Some changes were introduced on the distribution of the tax burden among regions with a view to achieving a fair distribution system. Also, similar arrangements were made within regions to achieve a fair distribution system among different parts of a region. For example, a document dated 1848 noted that the taxes of the *Musacalı* tribe, residing in the *Sanjak of Karahisar-ı Sahib,* was temporarily transferred to other districts in the same region for a particular period due to the disaster they had experienced (İ. MVL, 115/2764). After all, the primary goal of the Tanzimat regarding the Ottoman public finance system was to ensure justice in the distribution of the tax burden among regions. For this purpose, the Tanzimat administration transferred taxes from Anatolia to Rumelia, since it had been observed the tax burden of Anatolia was heavier than that of Rumelia. However, Güran (2006) points out that this transfer between the regions could not be enforced due to certain problems such as uprisings in Rumelia. He claims that the earlier practices regarding the tax burden in Rumelia continued. Still, there is an abundance of archival documents on the leveling of the tax burden in this period. And it would be more appropriate to discuss these documents with regard to tax distribution between regions in the scope of tax reduction, in this part of the thesis.

As for other changes that were introduced by the Tanzimat on tax exemption practices, there is a striking example of the impact of the Tanzimat on these practices. For example, the document dated 1848 stated that a group of 30-40 people from some villages within the Sanjak of Ilbasan had changed their names to Muslim names, and tax administrations thereupon granted tax exemptions to them. They would be charged by way of sending soldiers to the army. However, after the declaration of the Tanzimat, these people were informed that their tax exemption was abolished. So, they were obliged to pay taxes as per the arrangements of the Tanzimat period. In response, these people requested not to provide soldiers since their tax exemption was abolished. They continued their lives and worshipped according to Christian beliefs, as they did before (A. MKT. MVL, 8/49).

Another impact of the Tanzimat on religious and political tax policies was that the exemptions granted based on the importance of regions were eliminated. A document dispatched to the Governor of *Şam* in 1859 presents an example. The document noted that the region of Şam had been exempted from taxes before the proclamation of the Tanzimat. However, the Tanzimat administration was determined to impose taxes on everyone who had the ability to pay, without any exceptions. After the declaration of Tanzimat, everyone in the Ottoman society was obliged to pay taxes. Accordingly, the document stated that the remaining tax debts of the Şam Region between 1841 and 1857 had to be paid. However, it was claimed that the farm belonging to Mullah Halid, who was influential in the region, and Kenakir Village, which was under the responsibility of Mehmed Taceddin, was entitled to tax exemption. They pointed out that they had the certificates regarding their exemption that were renewed after the declaration of the Tanzimat. In response, they were informed that the tax exemption of all persons and institutions including the waqfs had been terminated with Tanzimat. It was stated that even if their certificates had been renewed, they were still obliged to pay their taxes (A. MKT. MHM, 169/94).

It should also be kept in mind that there were different practices among the regions with respect to the elimination of tax exemption practices. As mentioned earlier, archival research yields many examples of tax exemption practices during the Tanzimat period. One of the documents revealing such practices was dated 1890. It was also pointed out in the document that all tax exemption practices were removed after the declaration of the Tanzimat, but this document also acknowledged that there were still significant tax privileges granted to tariqats which had an essential position in the Ottoman society. According to the document, eight waqfs continued to be exempt from Islamic tithe and other taxes. This caused some other waqfs and dervishes (such as the Kadiri tariqats, as stated in this document) to request similar privileges. In response to their request, they were informed that the waqfs to be granted tax exemptions were limited and their names specified, thus making the exemptions inapplicable to others (DH. MKT, 1763/20).

4.2.1.5. Taxpayers' Reactions to Tax Exemption Practices

It is important to investigate the reactions of taxpayers regarding the tax exemption practices which were widely used in the history of Ottoman public finance. It is because these reactions might display to us the effect of these practices on the society and the society's attitude towards them. While there are documents revealing some approval from taxpayers on the tax exemption practices in the archives, most documents primarily demonstrate the complaints of taxpayers. It is observed that these complaints were generally related to the problems experienced in the implementation of tax exemptions.
Most of these complaints focused on exemptions based on false statements or corruption.

4.2.1.5.1. Taxpayers' Positive Reactions to Tax Exemption Practices

The approval of taxpayers on the tax exemption practices can be observed through the appreciation of some taxpayers in the documents they sent to the tax administration. One such example was the document dated 1852. According to the document a census was carried out in *Bülbülce* Island, *Tırhala.* The registers of the island were generated, and the tax exemption of the local people living there was determined based on this census. The local people were pleased with all the decisions regarding tax exemption (A. MKT. MHM, 755/87). Similarly, according to a document dated 1859, the inhabitants of *Şüregel* and *Zaruşad Towns* and some villages around Kars were temporarily exempted from tax and military service, and they extended their sincere thanks to the tax administration for this exemption (A. MKT. UM, 373/97).

Taxpayers expressed their approval not only for tax exemption practices but also for the real estate and lands that were given to them free of charge, despite the fact that revenues and products obtained from these real estates and lands would be taxed. For example, the document dated 1885 reveals a case of granting free lands and buildings to the society. Society declared their contentment of this practice although the tax administration levied taxes on these places. In another document, Monsieur *Şeneller*, Director of the Syrian Orphanage in Jerusalem, wrote a letter of gratitude for the allocation of the land to be used as an orphanage for forty years. He also requested tax exemption for this land for ten years. In response, it was underlined that the land was rented free of charge, and thus the exemption request was deemed inappropriate (HR. TH, 59/39).

4.2.1.5.2. Taxpayers' Negative reactions to Tax Exemption Practices

Taxpayers had some problems with tax exemption practices due to some challenges in practice. Thus, they made several complaints regarding these practices. Considering the tax exemption practices that caused problems and were subjected to severe criticisms by taxpayers, these problems and complaints, in general, were as follows: i) the attempt of the tax administration to collect taxes despite tax exemption provisions; ii) tax exemptions granted based on false statements; iii) the widespread presence of corruption among tax collectors as well as by taxpayers; iv) miscellaneous problems arising from practice.

The first of the problems regarding tax exemption practices was that exemptions already granted did not stop the tax administration from attempting to collect taxes. For example, the representatives of some villages of Kavala wrote a petition to the Ministry of Internal Affairs in 1880. In their petition, they stated that although they were registered as farmers in the last census and the farmers were exempted from dividend tax under the Imperial Decree, the local tax administration levied dividend tax on them. They requested that the Ministry of Internal Affairs prevent these negative practices. They argued that these practices were unjust and uncompassionate, adding that all these practices caused deep pain in society (DH. MKT, 1329/72). The descendants of Sheikh Bedreddin, who was an eminent figure in the Ottoman society, complained from a similar problem. They declared that although they were exempted from taxes and they were granted a certificate regarding this exemption in 1885, the local tax administration imposed a tax on them. So, they complained about this practice and requested tax exemption (MV, 2/58).

Mustafa from the Village of Kızılca in *Şile* Town wrote a similar petition to the *Şehremanet* in 1890. He stated in his petition that he was exempt from the dividend tax on account of his old age. However, the tax administration levied a tax on him. So, he protested this and claimed that this practice should be terminated since he had been exempted from the tax (DH. MKT, 1763/10). Also, Hayrullah, who was in the coffee business in Mirahor, penned a similar petition to the *Şehremanet* in 1892. He claimed that he was forced to pay the taxes demanded by the municipality despite the fact that he had been exempted from municipal taxes (DH. MKT, 2008/120).

Some examples show that some of the complaints filed by taxpayers on tax imposition were unjustified. One example was the case of Musa, who was the spokesman of the Village of Korusaray. He sent a telegram to *Mabeyni Humayun*[79] in 1893. He

pointed out in his telegram that although they had been exempt from taxation under the Sultan's order, the district governor insisted on the continuation of tax collection taxes from them. He also stated that the district governor arrested those who did not pay their taxes. Musa complained about all these practices. In response, the Ministry of Internal Affairs sent a letter to the district governor. The letter noted that the village consisted of 102 homes according to the research carried out and that the people of the village were granted tax exemption on the condition that they did not possess any real estate or land. The letter contained the information that these people were in possession of such assets. Therefore, the effort to collect these taxes from these people was justified. The letter also stated that there were no problems in the trial of 25 persons who were involved in the prevention of tax collection in the Bidayet courts[80] (BEO, 333/24939; BEO, 351/26316).

Some residents of Midilli who originally came from Sisam drafted a similar petition in 1895. In their petition, they alleged that they were exempted from military tax but the Governor of Midilli levied this tax on them. They requested that the collection of this tax be stopped. However, the Governor of Midilli wrote a document to the center of the Ottoman State, noting that these people were liable to pay this tax. It was because they were not among the families that had moved their households to the region. Besides, according to Articles 30 and 31 of the Recruitment Regulation, also known as *Asker Alma Nizamnamesi,* they were among the taxpayers of the military tax (DH. MKT, 395/18).

Similarly, Hacı Cemaleddin Efendi, a descendant of Hacı Bektaş Veli, penned a petition in 1896. He claimed that he and his family had been exempted from taxation as per the *Ferman*. Still, the Treasury imposed taxes on them even though they were exempted from these taxes. He also alleged that the Treasury demanded the total tax amount to be accrued for 30 years. Since this demand for taxes would put them in a difficult situation and it was under the scrutiny of the Council of the State, Hacı Cemaleddin Efendi the suspension of the collection of this tax until the investigation of the Council of the State was concluded.

[79] It was an institution that functioned as the private secretariat of the Sultan in the Ottoman palace.
[80] It was a court established in the post-Tanzimat, which focused on the less important cases.

He also added that the collection of this tax would give rise to injustice (DH. TMİK. M, 5/8).

The second reason behind the complaints of the taxpayers regarding the tax exemption practices was the challenges confronted during the implementation of tax

exemption. One example is featured in a document sent by the Ministry of Finance to the Governor of Tırhala in 1852. The document noted that a census was conducted in *Bülbülce* Island of *Tırhala* and that there was an investigation on the tax exemptions of the local people. The entire island lacked any tax exemption records, there were only two edicts written by the Divan-i Hümayun, known as the Supreme Court, and the Finance Administration. These edicts were related to the exemption of a few people of the island from jizyah. Therefore, it was stated that a comprehensive investigation was needed to overcome the problems faced in practice. The investigation would need to reveal whether any tax collection had been conducted on the island. If not, the reasons behind this, as well as the basis for the people's exemption claims, needed to be revealed and reported in detail (A. MKT. MHM, 48/5).

The Muslim and non-Muslim merchants who lived in Maden and Gülek wrote a similar petition in 1856. They complained about the Ottoman tax collector's mistreatment by collecting the transaction tax, also known as *baç*. These merchants requested an exemption from this tax. They stated that the tax could not be imposed on foreign traders within the scope of bilateral agreements. They also claimed that the application of the tax to the State's merchants would be contrary to religious jurisdiction, also known as Şer'i law. They argued that the implementation of this tax exemption only for foreign merchants was unfair, and the State's merchants requested to quit this tax exemption practice (HR. MKT, 168/1).[81]

A document dated 1894 displayed another problem causing the complaints of the taxpayers in the practice of tax exemption practice. Hasan, from *Arapkir,* drafted this document as a petition to the province of *Mamuretülaziz.* He complained about the

[81] Akarlı (1982) argued that the tax burden of the Ottoman merchants was tried to be kept as light as possible to continue their rivalry against foreign merchants. However, the presence of certain bilateral treaties that granted tax exemptions for foreign merchants left the Ottoman administrators in a difficult situation. Also, despite the tendency to impose a tax on foreign traders, especially during the reign of Abdulhamid II, the Ottoman administrators failed in the face of the pressure exerted by foreign states.

imposition of tax on the grass by stating that the provisions of this tax were not clear. He also stated that the collection of this tax gave rise to grievances and complaints in society (DH. MKT, 234/45). Also, a taxpayer, who is known as Vasil, wrote a similar petition on behalf of the quarry workers to the Governor of Adana in 1899. He claimed that although they paid their taxes by buying an annual crew allowance, the local administration imposed

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dividend tax on them. He noted that this situation put them in a difficult position, and requested an exemption from dividend tax (DH. MKT, 2187/86).

Taxpayers' efforts to obtain an exemption from taxation through false statements were the third reason behind the complaints. According to a document dated 1831, the sons of Presban, the Russian consul in Tuzla, made attempts to spread false news that some people in the society had tax exemption. The aim behind this spreading of false news was to prevent taxpayers from paying their taxes and thus put the society in a confusing situation (HAT, 1163/46030). A document dispatched by Yusuf Pasha, the governor of *Maraş*, in 1848 reveals a similar situation. He noted that some of the inhabitants of the district of Efsus, in *Maraş*, did not pay their taxes by alleging that they were exempted from taxation. They also incited some villages to avoid paying their taxes and engaged in mischief. In response, it was stated that no one could claim tax exemption after the declaration of the Tanzimat, and the collection of taxes of the inhabitants of Efsus needed to be continued (MVL, 19/16; A. M, 5/98).

The Ministry of Foreign Affairs sent a similar document to all foreign embassies in 1874. The document indicated that there was a sharp increase in the number of those who identified themselves as foreigners without any legal document. They applied for tax exemption on account of these false identities. There were also a number of complaints regarding the deterioration of the affairs of the provinces and administrations due to these practices. The document also emphasized that the tax exemption practices of those who introduced them as foreigners without a formal certificate shall not be accepted. They would be regarded as the citizens of the Ottoman State, and thus they were obliged to pay their taxes (A. DVN. MKL, 12/9). Also, the inhabitants of *Polonezköy,* Beykoz, alleged that they had been exempted from taxation. However, another document sent to the

Şehremanet in 1899 stated that there was no record, such as Sultan's order, to indicate their exemption. In the absence of proof regarding the alleged exemptions, their allegations were deemed to be unjustified (DH. MKT, 2181/109). A similar situation was the following: There was a rule in the Ottoman State with regard to benefiting from the tax exemption for areas where internal disturbance, social problems, or riots were present. The document dated 1897 noted that the Armenians of Haçin Town and Kozan Sanjak made false statements to benefit from tax privileges on account of this rule. However, there were no such problems in their region. The main aim behind these false statements was to benefit from tax exemption (DH. TMİK, M, 35/19; DH. TMİK. M, 35/24).

The last reason behind the complaints of taxpayers about tax exemption practices was the allegations regarding corruption in tax exemption practices. These allegations were mainly based on two different sentiments: i) tax officers and regional authorities granting tax exemptions to their own families ii) the unethical attitudes of taxpayers.

As already stated before, the Tanzimat administration decided to make the tax burden of regions more equal by basing tax rates on the ability to pay. Thus, the relatively heavy tax burden of some regions would be transferred to regions with a lighter tax burden. In this context, the document dated 1848 noted that the tax liabilities of the *Tavas* and *Vakıflar Towns* would be transferred to other regions which had slightly lighter tax burdens. Mehmed Niyazi Efendi, the Administrator of the Vakıflar Town, did not seal the documents that were prepared by *Tavaslızade Osman Aga* with a view to exempt his relatives and close friends from taxes. So, *Osman Aga* imprisoned Mehmed Niyazi Efendi. Upon this unfair practice against Mehmed Niyazi Efendi, security forces were sent to the region. However, they could not exercise authority because of the resistance of the local people (MVL, 27/26; MVL, 27/57). Eventually, Mehmed Niyazi Efendi was released from prison and some people in the Town put on trial. Also, investigation of the role of the Head of District, Abdullah Aga, on this issue was deemed necessary, because the Head of District was the brother of the *Tavaslızade Osman Aga* (A. MKT, 143/74).

Similarly, Abdi, who was an assembly member of *Göynük* Town, and an Officer named Ali granted tax exemption to their relatives in Bolu Sanjak according to the document dated 1862. Furthermore, they imposed their taxes on other taxpayers. So, an Imperial Decree was

dispatched to the governor of Izmit on this corruption. And the Imperial Decree determined to refund the amount that was collected from these people (A. MKT. UM, 572/57). In a similar case, Bekir, who lives in a village of the Town of *Diyanli,* sent a petition to Ankara province in 1887. He complained about the mismanagement of village headmen. Bekir alleged that the headmen of the village registered 250 houses in the last census even though there were 400 households. He also claimed that, by doing so, the headman also granted some tax exemptions to those who were not included in the census.
In response, the governor of Ankara demanded the investigation of all these allegations (DH. MKT, 1452/91).

In addition to the corruption that stemmed from local authorities, archival documents reveal corruption stemming from the society as well. As a rule, there was no tax on the animals that were not used for business purposes. So, some taxpayers intended to obtain an exemption from cattle tax by claiming that they used their animals just for transportation, not for business. There is also a document dated 1891 which noted that *Karakaçak* Tribe crossed their animals to *Rumeli-i Şarki* before the census. By doing so, they aimed to avoid paying taxes. In response to such an attempt, the local tax administration demanded from the Customs administration to check the animal numbers on return. In case *Karakaçak* Tribe could not submit any official document regarding these animals, customs duty would be imposed on them (DH. MKT, 1803/100). According to another document dated 1898, Karansova Lopra filed a petition requesting tax exemption for the Latin school of Saint Poleseri Monastery on the *Çukurçeşme* Street of *Mustafa Çelebi* Neighbourhood in *Beyoğlu*. However, in response, the local administration demanded an investigation of this school since this school had been operating without any license (MF. MKT, 391/46).

Lastly, there were also some doubts concerning tax exemption practices. Accordingly, some requests were made from *Sadaret* to confirm taxpayers' liability. For instance, information was requested on the tax exemption of *Cezayir-i Sagire* in 1898. In the reply, it was noted that whereas the Islands of Karyot, Batnos, Liryoz, and Kalınmayos were exempted from taxes, there was no such record for the *Cezayir-i Sagire* (BEO, 1138/85308).

4.2.2. Tax Reduction Practices

Tax reduction[82] is the second type of tax expenditure that is examined through archival documents. It is known in the literature that the requests and practices related to tax reduction practices go back to the 17th century in the Ottoman public finance system. Taxpayers requested tax reduction for various reasons as observed in the petitions they sent to the center of the Ottoman State (Darling, 2006).[83] Just like tax exemption practices, tax reduction practices will be discussed in economic, fiscal, religious, and social contexts. In addition, the effects and changes of Tanzimat on tax reduction practices, and the positive and negative reactions of taxpayers on these practices will be discussed.

4.2.2.1. Tax Reduction Practices in Economic and Fiscal Contexts

The first of the issues that constitute the basis for the tax reduction practices are the economic and fiscal reasons. It is possible to categorize these reasons as follows: i) ensuring economic and fiscal efficiency, ii) meeting the losses of the Ottoman tax collectors. Both reasons were shaped within the scope of economic and fiscal purposes, as will be seen detailed below.

4.2.2.1.1. Ensuring of Economic and Fiscal Efficiency

It is observed through the archival documents that there were several factors leading to tax reduction practices within the context of economic and fiscal efficiency. These factors vary in the Ottoman public finance system. We can list these factors as follows i) the compensation for losses that caused by tax reduction, ii) the prevention of smuggling activities through tax reduction, iii) the determination the negative impacts of tax reduction practice on other sectors, iv) the encouragement of domestic producers and products, v) the correction of accounting errors that were carried out by the finance officers.

[82] This term refers to *'tenzil'*, *'tenzilat'*, *'tenakus'* in the Ottoman Turkish.

[83] It was argued that tax reduction practices were introduced in the 17th century of the Ottoman State tax system. However, as a result of the studies carried out in the Ottoman archives, it has been realized that tax reduction practices were utilized in the earlier periods.

First, considering the compensation for losses caused by tax reduction practices, the document dated 1862 provided crucial information in this regard. The document underlined the importance of taking some measures to compensate for the adverse effects of the tax reduction practices. It was noted that the tax reduction practices amplified the need for public revenues of the Ottoman State. For this reason, a general increase in taxes was noted (A. MKT. UM, 579/48). Another problem is revealed by the document sent by the governor of the Rumelia province to the Ministry of Finance in 1896. The document indicated that those who resided near the border of Bulgaria took their animals to the other

side of the border in order to be levied a lower cattle tax. This gave rise to a loss of the Ottoman State tax revenues. Also, this border had a crucial position from the perspective of the security of the State. So, it was decided to implement a tax reduction based on the tax rate of the other side of the border. The document noted that this reduction was thought to reduce tax revenues at first, but an increase in the number of animals would compensate for this loss excessively. The document also highlighted that this issue was necessary for the security of the State (A. MKT. MHM, 690/7).

The second factor leading to tax reduction practices within the context of economic and fiscal efficiency was to reduce the effects of smuggling activities on public finance. For example, the document dated 1893 stated that there had been a tax reduction in customs duty to prevent or minimize smuggling in the trade of gold, silver, and jewelry. In spite of this reduction, the smuggling of these products could not be prevented. The document also underlined that the tax rate on these products was not high. Conducting thorough research on the trade of these products within the scope of the Imperial Decree was deemed necessary. The aim of such research was to regulate their tax rates accordingly (BEO, 276/20666).

Thirdly, from the point of considering the negative impacts of tax reduction practice on other sectors, the Assembly of Accounts dispatched a letter to the Ministry of Finance in 1867 and then forwarded it to the *Meclis-i Vala.* The letter stated that coachmen, also known as *arabacı* or *faytoncu*, paid a monthly tax of 30 *kuruş* for one horse. They pointed out that it was a heavy tax burden and that they could not afford to pay it. So, they requested a tax reduction in this regard. The treasury acknowledged that their tax burden was heavy but stated that any tax reduction in favor of coachmen might cause harm to other sectors. It was because other sectors could also ask for a tax reduction. The document demanded a reduction in coachmen's taxes by half. The main logic behind this demand was that coachmen could not work in winter and that their work in summer was not as good as the past. The document explicitly stressed that coachmen could not even cover their basic expenses, and the profession was in danger due to the mentioned reasons (MVL, 1036/5).

To encourage domestic producers and products was the fourth factor leading to tax reduction practices within the context of economic and fiscal efficiency. In other words, the domestic producers and products were supported by tax reduction practices. A document dated 1861 informed that 12% customs duty had been charged on domestic products, whereas 5% customs duty had been imposed on foreign products since 1839. The difference in the rate of customs duty between domestic and foreign products gave rise to a heavy burden on the local population and the merchants. The difference led to a decline in domestic production. So, a tax reduction in favor of domestic products to be delivered both within the State and abroad was put into practice. The customs duty was first reduced to 8%. 8 years later, customs duty on domestic products to be delivered abroad was reduced to 1% (A. MKT. UM, 510/2).

The document dated 1873 noted that 4% of customs duty was levied on imported tobacco as per the agreement with Iran. However, the agreement put domestic tobacco producers in a difficult position. They complained about this agreement by stating that it hampered the production of local tobacco in Baghdad. They claimed that a heavy burden of the taxes was imposed on the domestic producer at different rates, such as 6% and 12% respectively. They stated that they could not compete with Iranian tobacco because the tax burden necessitated higher prices. So, they requested the reduction of the customs duty that was imposed on them to three kuruş (ŞD, 560/22).

A document dated 1886 informed that *Gürcü Efendi*, a coal trader in Kozlu subject to *Ereğli*, claimed that domestic coal was not in demand owing to both the high cost of coal mining and the low price of British coal. So, he requested a number of privileges, including tax reduction, to be able to compete with the British coal (MV, 8/91). In the response dated 1887, it was underlined that it was not possible to accept the requests of Gürcü Efendi regarding the tax reduction. Still, other kinds of privileges would be provided (MV, 19/65).

Similarly, the poultry farmers wrote a petition to the *Şehremanet* in 1898. They alleged that 100 *para* per cage was collected by tax officers, although they had already paid tax on every chicken they bought and sold. They emphasized that this extra tax gave rise to grievances as well as negative effects on their business. On such grounds, they requested the removal or reduction of their taxes (DH. MKT, 2113/28).

Aside from the above-mentioned tax reduction practices for production, tax reduction practices were also utilized for the service sector within the context of economic and fiscal efficiency. For example, Matyos Efendi, the head of the Hamidiye Company, known as *Şirket-i Hamidiye*, penned a petition in 1892. The petition stated that the Izmir Port Authority imposed a higher amount of tax on the ferries of the Hamidiye Company when compared to foreign ferries. Matyos Efendi requested a tax reduction on the grounds that they had a heavy tax burden. In response, İzmir Harbor Master was informed that two and a half *lira* of tax shall be collected from the ferries of the Hamidiye Company (DH. MKT, 2032/82).

In a similar case, the Tripoli Tramway and Roadway Companies suspended their transportation service to the directions of Hama and Humus, where cholera was common, for taking some necessary precautions against this disease. The Tripoli Tramway and Roadway Companies also requested tax reduction in 1893 on the grounds of the spreading of cholera in 1888 and 1889. At the same time, since the Tripoli Tramway and Roadway Companies were on holiday, the company made a request for the reduction of the dividend tax of its officers. Upon this demand, a letter was issued by the Finance Council and signed by the Minister of Finance. This letter specified that the dividend tax these officers were obliged to pay would be reduced only for ten months. The letter also reported that the final decision would be given by the Sultan (ŞD, 349/8).

The final factor leading to tax reduction practices within the context of economic and fiscal efficiency was the accounting errors made by the fiscal officers. Osman, who was an officer at the *Municipality of İkinci Daire*, wrote a petition to the Ministry of Finance in 1889. He claimed tax officers recorded his house in the *Mahmudpaşa* Quarter of *Şeref Efendi* Street at a high price during the tax register, which made it very difficult to pay this tax. On account of this claim, he requested a tax reduction (DH. MKT, 1682/36). *Canbaz Ali Ağa*, who is an officer at the *Istabl-ı Amire*[84], made a similar demand in his petition dated 1884. He alleged that tax officers overestimated the value of his house in Tophane Hacı Mehmed neighborhood. So, he requested that both the tax on the house and the accumulated tax liabilities be reduced by half (İ. DH, 917/72788).

4.2.2.1.2. Compensation for the Ottoman Tax Collectors' Losses

Another issue concerning the tax reduction practices in economic and fiscal contexts was the compensation of the Ottoman tax collectors. The Ottoman tax collectors had had an essential position in tax collection in the history of Ottoman public finance, especially since the end of the 16th century. They made some claims of suffering unexpected losses while carrying out their duties, requesting tax reductions for these losses in the 19th century. For instance, the Ottoman tax collector *Yusuf Ağa* wrote a petition in 1867 by stating that he was in a difficult situation as he could not collect cattle tax from the population of Mat. He requested the deduction of this loss from the current debt. Upon this request, a document that was prepared by the Assembly of Accounts was first dispatched to the Ministry of Finance and then to the *Meclis-i Vala*. The document determined that the tax debt of *Yusuf Ağa* was reduced with the remaining accrual to be covered by the treasury on the grounds that he had made his earlier payments on time (İ. MVL, 573/25726).

A similar demand was issued by Nikoli Melitadi, who engaged in the tax farming of fish tax in Chios Island. He penned a petition in 1882 stating that he endured a substantial loss due to the earthquake. He requested a tax reduction or the termination of his tax liability on that ground. However, in response, it was noted that these requests would cause a negative impact on society in terms of tax collection.[85] Eventually, no final decision was made on the

[84] It was a place allocated for the Sultan's horses in palace.
[85] An article in The Graphic newspaper dated 1883 stated that Chios is among the most unfortunate settlements as it was subject to the earthquakes as well as being a part of the Ottoman administration. The article claimed that although the Ottoman administration utilized tax expenditure practices for eliminating the negative effects of earthquakes, these taxes were continued to be collected in the region. However, the following sentiment in the same article clearly shows the biased attitude and lack of objectivity of the newspaper in presenting the

issue, and it was stated that Nikoli Melitadi could apply to the court (ŞD, 292/29). In a similar document dated 1893, *Mustafa Ağa*, who was charged with collecting the *kantar duty* of Yenipazar Sanjak in 1875, appealed to court with the request of tax reduction on the grounds that he endured an unexpected loss during tax collection. The court decided that *Mustafa Ağa* was justified in his tax reduction request (DH. MKT, 2056/62).

In the meantime, the Ottoman tax collectors requested tax reduction due to several problems and complexities in their contracts. Mainly, these problems and complexities

gave rise to losses for Ottoman tax collectors. For example, the document dated 1875 noted that Nedim Bey, the Ottoman tax collector of the Karakarye Town in the province of Thessaloniki, alleged the loss of revenue due to problems in his contract. He requested tax reduction to compensate for his loss. Upon his demand, it was determined to deduct some amount of taxes from his debt regarding the collection of the Islamic tithe of 1872 on account of the confusion arising from his contract (ŞD, 260/45).

The assessments regarding the Ottoman tax collectors' losses were generally carried out by the Ottoman central administration. However, in some cases, the central administration stated that the assessment should be performed by the relevant local administration. It is because, in some cases, the Ottoman tax collectors' losses are among the local administration's revenues. For instance, Kasım, Ottoman tax collector in *Kırkağaç*, sent a telegram to the Ministry of Finance in 1890. He noted that he could not collect the tax due to the prohibition of animal entry to the district due to animal disease. Therefore, he asked for a tax reduction as well as the postponement of his debt related to tax collection. The Ministry of Finance responded that since that income belonged to the provincial municipality, no evaluation could be made by the Ministry of Finance. So, it was decided that a final decision should be made by Aydın Province (DH. MKT, 1694/11).

In some cases, the assessments of local authorities regarding tax reduction practices were questioned by the central administration, and local authorities were found guilty on account of their decisions. So, local authorities were to be punished on the grounds of causing

news : *'the place is still subject to earthquakes and Turkish rule, nor is it possible to imagine a more disastrous combination.'* (The Graphic, Saturday, May 19, 1883).

public harm through their decisions. One such case is featured by a document dated 1894. *Ahmed Şurai Pasha*, the Ottoman tax collector of Hudeyde Sanjak, requested a reduction on his tax liability arising from his tax collection duty in 1890 on account of the uprising in Yemen. The local administration responded positively to his request for tax reduction. Later, the central administration punished the local administration on the grounds that the local administration damaged the Treasury by granting tax reduction to *Ahmed Şurai Pasha* (ŞD, 2967/9).

4.2.2.2. Tax Reduction Practices in Religious and Social Contexts

The second of the issues that constituted the basis for tax reduction practices are religious and social factors, as mentioned above. In other words, religious and social factors are among the reasons that caused tax reduction practices in 19th-century Ottoman public finance. The reasons for this are i) tax reduction practices for non-Muslims, ii) tax reduction practices for ensuring social order in the society, iii) tax reduction practices for eliminating the negative impact of natural disasters, and providing the development of the regions.

4.2.2.2.1. Tax Reduction Practices in the Religious Context

When the tax reduction practices that were introduced within the scope of religious approach are considered, the abundance of tax reduction practices in favor of non-Muslims proves remarkable. To take a close look at the factors behind the implementation of these practices, these factors are classified as heavy tax burden as well as the low ability to pay of non-Muslims. Non-Muslims taxpayers requested tax reduction practices by presenting these reasons. It is possible to consider all these requests under the heading of economic and fiscal practices. However, it would be correct to assess these requests under the religious context in that all these people are among the followers of other religions, like Christians and Jews.

For example, according to the document dated 1847, the Jews living in Adana requested to pay half of their taxes. It is because they alleged that they were damaged in the fire, and thus, they could not afford to pay their taxes. Put it differently, they claimed that they lost their ability to pay due to the damage that occurred in the fire. Their requests regarding tax reduction were deemed to be justified, and it was decided that only half of the amount of their taxes would be collected. However, they alleged that the tax officers did not take into consideration this tax reduction during the collection of their taxes. They stated that the lack of information on tax collectors put them in a difficult situation (MVL, 12/82).

Likewise, the Protestant Denomination, which was under Armenian administration in Diyarbakır, complained about the excessive amount of taxes imposing on them in 1854. They also alleged that the local administration unjustly imprisoned Şemnas Salbiye, who was responsible for collecting their taxes, known as *kocabaşı*[86]. So, as a result of the examination of the complaint, the *Meclis-i Vala* determined that the complaint in question was correct. Therefore, the *Meclis-i Vala* instructed the local administration to levy taxes on the Protestant Denomination in proportion to their ability to pay. On the other hand, the *Meclis-i Vala* instructed the implementation of tax reduction for the Protestant Denomination. It was also decided that the *kocabaşı* shall be released (A. MKT. UM, 151/8). In a similar situation, the Christians who lived in Erdekli Town in Karesi Sanjak drafted a petition in 1864 through Yatuku demanding tax reduction. The response ruled that an investigation shall be conducted regarding the situation in question (MVL, 447/33).

Meanwhile, Armenian carpenter tradesmen requested a tax reduction by dispatching a petition in 1868. They claimed that their taxes were calculated according to the number of carpenter shops as existing 56 shops. However, they were facing a problem regarding the payment of their taxes. It was because there was a decline in the number of these shops, from 56 to 32. As a response, a letter was sent to the *Şehremanet* stating that this problem would be investigated and necessary action would be taken considering the situation of their peers (MVL, 561/61). Similarly, the Armenians, who live in the Village of Molla Subhan subject to Erzurum, requested a tax reduction on the *bedelat-ı askeriye* and the other taxes in 1889. It is because they alleged that they are in a difficult situation and could not afford to pay their current taxes. In response to this request, the governor of Erzurum province was asked to investigate allegations regarding the request for tax reduction and provide detailed information on this request (DH. MKT, 1624/89).

[86] *Kocabaşı* provided a good relationship between the State and non-Muslim people in the Ottoman society and was responsible for the collection and delivery of taxes in a proper manner. However, *Kocabaşı* was replaced by the mukhtar or headman system in the following periods (Sayın, 1999).

At the same time, some non-Muslims taxpayers also complained about their taxes by claiming that their taxes were heavy. For instance, the document dated 1861 noted that those non-Muslims taxpayers were paying 10 *kuruş* for each pig fed by them. They alleged that their tax burden regarding this tax is heavy.[87] There were also some problems with the collection of this tax. Due to these problems, the number of pigs decreased by half within the last two years. And if this decrease continued, the public revenue of the Ottoman State would be harmed. Therefore, the Council of Ministers, also known as *Meclisi-i Vükela*, decided to reduce this tax in half, by collecting five *kuruş* per pig, because of complaints and the danger of diminishing the source of revenue of the State. This decision was also approved by the Imperial Decree. As a result, this decision regarding tax reduction was sent to the Ministry of Finance, instructing that the Ministry inform those who are liable to pay pig tax (A. MKT. MHM, 235/15).

On the other hand, there are some documents featuring rejections of requests made by non-Muslim taxpayers on tax reduction. For example, the Armenians who live in Merzifon, Amasya, demanded tax reduction via their Patriarchate in 1862. However, their request was deemed to be unjustified. In response to the request, it was stated that the taxes collected from them were moderate if not low when compared to other taxpayers' liabilities. It was also highlighted that these Armenians' primary intention was to avoid paying any amount of tax (A. MKT. MVL, 146/67). Likewise, the non-Muslims residing in the Köprülü Town penned a petition to the governorship of Rumelia in 1867. The petition noted that the prices of the grapes decreased noticeably due to the abundance and fertility of grape crops. Despite this decrease, there was no change in the amount of their taxes. The non-Muslims residing in the Köprülü Town requested tax reduction by calculating their taxes with current values rather than previous prices. But this request was deemed to be unjustified. Their application for tax reduction was thus rejected (A. MKT. MHM, 375/55; A. MKT. MHM, 375/68).

Similarly, some Christians in Yenipazar requested a tax reduction in *bedelat-ı askeriye* in 1894. They pointed out in their petition that they would not return to their villages unless their requests were fulfilled. In response, it was stated that it was impossible to meet the

[87] For example, The Morning Post alleged that imposing a tax on pigs over 3 months had negative effects on pig production. For more information see The Morning Post, Wednesday, March 19, 1862.

request of the tax reduction. Also, the local administration was instructed to advise them about the current economic situation of the State (Y. A. HUS, 301/103). Interestingly enough, the Ottoman State administration considerably benefited from such a practice of advising taxpayers in the Ottoman public finance system. İnalcık (2017) maintains that the Ottoman administration sought ways to calm the people in rebellion, especially in the Balkans. To this end, the Ottoman administration utilized influential people, such as religious leaders, in the region.

4.2.2.2.2. Tax Reduction Practices on the basis of Social Order

It is commonly acknowledged that tax expenditure practices for the maintenance of social order had an important role in the protection and reinforcement of society throughout Ottoman history. Considering the tax reduction practices from the point of ensuring social order, the allegations regarding the heavy tax burden and practices putting taxpayers in a difficult situation were the main factors behind the benefits from tax reduction practices. Most importantly, attention was drawn to the existence of a heavy tax burden after the proclamation of the Tanzimat. And there were several decisions that were taken for the distribution of this burden in a balanced and fair manner. In other words, the Tanzimat Edict ruled that there would be an even distribution of tax burden between those regions which had a heavy tax burden and those that had a light tax burden. It was generally admitted that the tax burden was higher in Anatolia than Rumelia. Therefore, it was decided to shift the tax burden from Anatolia to Rumelia through tax reduction practices. For example, the document dated 1847 confirmed that the tax burden of Rumelia, in general, was slight, whereas the tax burden of Anatolia was heavy, except in some places. So, the document noted to distribute the tax burden equitably according to the ability to pay of taxpayers in these regions (A. MKT, 91/57).

There are some archival documents against the project of evenly distributing the tax burden between Anatolia and Rumelia. For example, the document dated 1848 noted that imposing a tax on Rumelia by transferring the burden from Anatolia would lead to injustice. On that ground, it was decided that the Treasury should forgive this tax. Upon this decision, Mehmed Asaf Pasha, the Niş Administrator, wrote a letter extending thanks for the decision (A. MKT, 116/5). Similarly, according to the document dated 1852, the people of the Yanbolu Town had arrears of tax debt, which amounted to 593,000 *kuruş,* over a period of seven years. It was argued that the distribution of these tax arrears to Anatolia or Rumelia should be carried out fairly. However, although it was stated that the people of Rumelia had the power to pay these tax arrears, the treasury decided to delete this amount (A. AMD, 38/76).

In a similar case, the Minister of Finance dispatched a document to the Amasya Governor in 1858. The document noted that the residents of the Saz Town were liable to pay 40,000 kuruş tax. However, tax officers inadvertently registered 41,000 kuruş more, making the recorded amount 81,000 on the register. Another similar case was as follows: There were 250 houses in Saz Town during the registration period. However, 150 families were living there. This put the local people in a challenging position with regard to taxation. Their tax debts increased significantly. The local people thereupon requested tax reduction. The Finance Council deliberated about this request and determined that a decision in favor of tax reduction for this region would spread to other regions. On the other hand, based on the principle of fair distribution of tax burden introduced by the Tanzimat Edict, The Finance Council concluded that imposing the taxes of Saz Town on other surrounding villages with low tax burden would be fair (A. MKT. MHM, 148/102).

There are also some documents regarding the distribution of taxes within the same region. For example, in 1849, the residents of the Kayı Village, in *Mihalıççık* Town, requested a tax reduction due to the heavy tax burden. In response to this request, it was planned to reduce the tax burden of this village from 45,000 *kuruş* to 22,500 *kuruş* per year. Also, this tax would be imposed on other villages in the same Town. The tax registry records of the villages were demanded to make a distribution of this tax (A. MKT. MHM, 14/38). In another document from the same year, it was decided to make a tax reduction from the five towns of Konya in accordance with the arrangements that were put into practice for the reduction of the heavy tax burden of the regions. Accordingly, around 59,800 *kuruş* of tax debt owed by these five towns were transferred to three other towns in Konya, which had a relatively light tax burden (A. AMD, 6/94).

Aside from the shifting of the tax burden among the regions or within the same region, there were also some other requests regarding tax reduction practices. Especially due to allegedly heavy tax burdens, taxpayers applied to tax administrations to benefit from tax reduction practices. For instance, the Patriarchs of the Greeks and Armenians in the Tozkili Town of Tokat wrote a petition to the Minister of Finance in 1843. He requested to reduce their taxes owing to being heavy (A. MKT, 8/18). Similarly, people who lived in Bor Town, subject to the *Niğde* Sanjak, asked for a tax amnesty or reduction of their taxes in 1848. The lack of trade in the region, the death of childless families, or immigration to other towns were the main reasons for this request. After all, these reasons gave rise to an increase in the total tax burden per capita (A. MKT, 114/87).

Likewise, the Ministry of Finance dispatched a letter to the Governor of Ankara in 1851. The letter contained that the Armenian Patriarch asked for a tax reduction for the Armenians living in Efkere, Kayseri, by alleging that they were indebted and impoverished. The Ministry of Finance demanded from the Governor of Ankara to investigate the situation. And then, the Ministry of Finance noted that the tax burden would be distributed fairly in accordance with the decision that was proclaimed by Tanzimat Edict (A. MKT. MHM, 32/53). Alike, in another document with the same date, it was considered to reduce the taxes of the Muslims on the Island of Rodos on account of being poor (A. MKT. UM, 59/73). Also, Hafiz Abdulhalim wrote a petition about the reduction of fish tax in Vidin in 1857. The *Meclis-i Vala* made a discussion on this petition and then decided to take an opinion from the treasury (A. MKT. NZD, 236/71). In a similar situation, the people of the Duma Town, subject to *Şam* Sanjak, requested a tax reduction by complaining about their heavy tax burden in 1895. They also alleged that they were facing crop failure (ŞD, 2284/16).

On the other hand, Ottoman tax collectors, in some cases, were punished because of causing some problems, such as injustice, while performing their jobs. As a kind of punishment, their tax collection duty was terminated and assigned to others. Also, tax reduction practices were put into practice for eliminating these injustices in taxation. For example, the Chief Rabbi of Edirne wrote a petition in 1858, noting that the Jewish shoemakers in Sofya were paying some taxes such as *ihtisap* tax, stamp tax, and shop tax. The Chief Rabbi alleged that the Ottoman tax collector also demanded another tax known as *çark-i miri*. He requested the cancellation of this additional tax. The local council examined the request and determined that the tax collectors would not charge more than the tax amount specified in the record. Also, the local council decided tax reduction for these shoemakers owing to their miserable situations (HR. MKT, 254/18). Similarly, the former mukhtars of

Kurtbaş Village penned a petition in 1893. The petition noted that although the resident of the *Kurtbaş* Village had paid their taxes, the tax collectors were forcing poor people to pay their remaining taxes. So, the former mukhtars asked for a tax reduction on account of the attitude of tax collectors. In response, it was decided that the case shall be investigated (DH. MKT, 11/29).

However, there was not always a positive response to the requests regarding tax reduction practices. In other words, sometimes the requests of tax reduction practices were rejected. In some cases, there were increases in taxation to achieve a balance in the tax burden, instead of tax reduction. For example, the barley tradesmen in *Üsküdar* drafted a petition in 1885, requesting a tax reduction, from 7.5 *kuruş* to 3.3 *kuruş,* by citing the example of tradesmen in Istanbul and Galata. In response, it was stated that the request could not be accepted since there was a Council of State decision on the matter. But it was stated that other regions' taxes might be increased to ensure justice rather than lowering the tax amount of the barley tradesmen (ŞD, 710/3). In a similar situation, a publisher of newspapers in Crete wrote a petition to the Administrator of Cretan 1896. They requested to be exempt from the tax hike on stamps on account of their losses and the inability to pay. However, this request was not deemed appropriate since there were deficits in the Cretan budget (ŞD, 2378/14).

Meanwhile, tax reduction practices were also utilized with a view to foster the development of regions through the maintenance of social order. For example, the document dated 1869 noted that nearly 100,000 kuruş tax liability of the Sisam Island, where Jewish people live, was reduced on account of some public services that help ensure the development of the region. Also, it was decided that the customs duty on imported goods was allocated to the regional administration. Gavidil, the metropolis of Sisam, and the chief of the assembly wrote a letter of gratitude for showing the satisfaction and the loyalty of the people of the region as well as expressing their pleasure with this decision (İ. DH, 586/40781). In a similar case, residents the village of Dirbeğle, Humus Town, penned a petition to the Ministry of Finance in 1893, alleging that their tax burden was heavy. They also claimed that they did not have the ability to pay their taxes due to the decline of agriculture loss of produce. They also stated that they could not afford the expenses of the mosque and the Islamic monastery. On such grounds, they requested a tax reduction. The

Ministry of Finance forwarded their petition to the Council of State. Eventually, it was acknowledged that the tax of that village was higher than that of other villages, and authorities were instructed to take into consideration the circumstances of these villagers (BEO, 191/14298).

In a similar case, the Governor of Beirut dispatched a document to the Grand Vizier in 1894, noting that the municipality and administration of Beirut decided to impose a tax of 60 *para* on people who cut and sold meat to meet the cost of two streets to be open for the reconstruction of the city of Beirut. However, this tax allegedly caused an informal economy. Taxpayers secretly produced meat in other towns to avoid paying their taxes. As a result, only one road could be partially constructed. Upon being informed of the situation, the municipality and administration of Beirut decided to reduce the tax by half considering both the failure to collect the required amount of taxes for the maintenance of these roads and the increase in the complaints of taxpayers regarding their ability to pay. These taxpayers alleged that the tax put them in a difficult situation by imposing a heavy tax burden (ŞD, 2283/4).

From the point of providing social order, the tax reduction practices was put into practice for spurring the competition in regions. For example, Süleyman Pasha, the Minister of Forestry, Mining, and Agriculture, documented a letter to the Council State in 1895. The letter pointed out that the people of *Çatalzeytun* Village stated that they had been paying the forest tax and 12% customs tax for the timber brought to the pier. They claimed that their taxes were excessive in comparison to foreign timber, and this difference negatively affected competition with foreign merchants. Therefore, local people and merchants asked for a reduction in their taxes. However, an investigation was carried out and it was decided that the tax on forestry was not high. Still, it was noted that it would be appropriate to reduce customs duty from 12% to 8% (ŞD, 584/20).

4.2.2.2.3. Tax Reduction Practices for Migration and Natural Disasters

Reducing the negative effects of migration and natural disasters is another objective planning to be realized through tax reduction practices within the scope of religious and social purposes. Encouraging and prohibiting migration was especially effective to reach that objective. For example, the deterioration in the *timar* system during the 16th century adversely affected the collection of taxes, especially the collection of jizya. This negative effect naturally gave rise to a sharp decrease in public revenue and caused an increase in tax burden. As a result, lots of people left their villages and migrated to other places and this situation deepened the problems regarding the heavy tax burden on the remaining taxpayers. The Ottoman administration demanded that these taxpayers return to their old settlements again to prevent this increase in the remaining taxpayers' tax burden. For instance, the Ottoman administration promised in 1705 that their tax burden would be reduced in case they returned to the Manastır Sanjak as demanded. On the other hand, some taxpayers in the Balkans left the Ottoman territory due to the policies carried out by Russia. However, some of them requested permission from the Ottoman Sultan to return to their regions. In response to these requests, they were allowed to return and benefit from tax expenditure practices, especially tax reduction (İnalcık, 1993; İnalcık, 2017).

It is also possible to find some tax reduction examples in this regard during the 19th century of the Ottoman State. The Ottoman administrators tried to prevent a decrease in the population of the regions through tax reduction practices. Preventing this decrease could help control the possible decline in tax revenues and injustice in the distribution of the tax burden. Tanzimat administration's principle of shifting the tax burden from the regions with a heavier tax burden to those with a relatively light tax burden was supposed to serve this purpose as well.[88] For example, it was planned to impose a tax of 14,000 kuruş on the Rişvan Tribe in Konya because their tax burden was regarded to be less than other tribes. However, the Minister of Finance sent a document to the *Meclis-i Vala* by underlining that this extra tax would cause some problems in the region. After all, these tribes had been encouraged to move into this region, and imposing a tax on them would undermine trust towards the state and adversely affect the positive relationships among the tribes (A. AMD, 6/94).

Natural disasters were another factor that negatively affected taxpayers and thus gave rise to tax reduction demands. These natural disasters occurred mainly in the form of damages (e.g., loss of animals) by hail, famine, severe winter, heavy rain and floods, locust infestation, and fire. So, the Ottoman administration widely utilized tax reduction practices

[88] The impact of the Tanzimat on the tax reduction practices is discussed in detailed in the following subsections.

to mitigate the challenges the public had to face. For example, a document dated 1800 noted that even though *Tanaş*, *Dimo*, *Marko,* and some other people had regularly been paying their customs duties, they requested a reduction in customs duties after they suffered significant losses as a result of the severe hail that year (TS. MA. E, 478/34). Similarly, the people of Uluborlu Town in Hamid Sanjak wrote a petition in 1849, claiming that they endured heavy rain and thus famine in the last few years. It was stated in the petition that some residents left the Town, and the rest of the Town had difficulty paying the 300,000 *kuruş* tax. These people demanded a reduction in their taxes on account of these adverse situations (A. MKT, 212/93).

However, as documented in some archival records, some requests regarding the tax reduction owing to hail were rejected in some cases. In one such case, the people of the villages of *Estoyenika*, *Beragoş,* and *Gardaşınca* of the Monastery penned a petition to the Governor of Rumelia in 1846. They requested a tax reduction in their taxes of 1845 on account of the damage caused by hail. However, the Governor of Rumelia determined that their request could not be fulfilled. It was because their tax was already low, and they had other sources of income including trade. Despite this evaluation, it was reported that a specific period of time would be allowed for the gradual collection of their taxes (A. MKT, 59/4).

Famine and the loss of animals were other kinds of natural disasters giving rise to tax reduction demands. For instance, the inhabitants of *Çankırı* wrote a petition in 1847, noting that they were exposed to famine and loss of animals for several consecutive years. They alleged that their tax burden was getting heavier and that they could not afford to pay their taxes. Also, some local people had migrated or escaped to other places due to these severe situations. Therefore, these people demanded requested either a reduction on their current tax debts or a re-evaluation of their income and a proportionate reduction on next year's potential taxes (A. MKT, 101/90). Similarly, a document dated 1874 determined a 25% reduction in tax collection due to the scarcity of crops in Ankara (ŞD, 258/12).

There were also other natural disasters giving rise to tax reduction practices. In one such case, the residents of *Sığacık Kalesi* and *Seferihisar-ı Çeşme* towns drafted a petition in

1850. They claimed that they were facing a decline in olive production due to severe winter conditions. On that ground, they requested a reduction in their taxes. In response to this petition, it was noted that the products of these regions were damaged due to natural disasters and that the disasters had a negative impact on their ability to pay taxes. As a result of this evaluation, it was deemed appropriate to create a certain level of convenience regarding the tax payments. The prevalence of natural disasters negatively affected the treasury as well. So, it was determined that a taxation policy, such as considering the losses of taxpayers rather than collecting the previous amount of taxes, would be put into practice (A. MKT. NZD, 20/68). Similarly, the document dated 1863 revealed that a tax reduction practice was conducted for the people of *İstanköy.* It was because lemon and oranges produced by them were infected, causing them to become poorer and destitute (A. MKT.

MHM, 253/55).

In another important case of heavy rain and flood seriously impacting tax practices, the people of Bosnia dispatched a petition in 1865, stating that nearly every region of Bosnia was submerged due to heavy rain. They alleged that they could not pay their Islamic tithe due to the severity of their situation. They reported that they were unable to plant seeds owing to heavy rain. On account of this difficult situation, they demanded that a tax reduction be implemented as a sign of justice and compassion (MVL, 1015/3). Also, a document dated 1892 determined a tax reduction for the villages of *Zabiyye* and *Beni Ismail* and *Tiraz* Town due to flood. However, there were different amounts of tax reduction for each village without any explanation as to why this was the case (DH. MKT, 1935/82).

Apart from the natural disasters mentioned above, locust infestation also gave rise to tax reduction practices in the Ottoman State. For instance, the document dated 1866 noted that the reduction of the taxes of the *Suruç* Town in Urfa on grounds that the people of the *Suruç* Town severely suffered from locust infestation. Moreover, their remaining taxes was determined to be collected in two installments (MVL, 778/77). Lastly, there were also fire incidents in this period which led to tax reduction practices. In this context, the Court of Accounts, known as D*ivan-ı Muhasebat,* dispatched a document to the *Meclis-i Vala* in 1867. It was stated that the property and dividend tax of the region shall be reduced on account of the damages caused by the fire (İ. MVL, 573/25748).

4.2.2.3. Tax Reduction Practices in the Political Context

The third issue that constituted the basis for the tax reduction practices in the Ottoman State public finance system is a political one. In other words, the Ottoman State utilized tax reduction practices for political reasons. There were some tax reduction practices to preclude unrest among those who lived in the regions that were close to the border of regions with low-level taxation. Preventing migration to those regions was a primary concern. Such regions included Bosna, Montenegro, and Serbia. These regions were granted reduced tax rates especially during the times of war (İnalcık, 1993).

A document dated 1853 noted that the traders of the Ottoman State were suffering from customs duties. The problem was the differences between the tax rates imposed on the Ottoman traders and foreign traders. In other words, foreign traders were paying lower taxes than Ottoman traders. For this reason, some of the Ottoman traders resorted to becoming Iranian citizens in order to obtain lower tax rates. To solve this problem, it was decided to make an agreement with Iran, reducing customs tax rates (A. MKT. UM, 120/1). In a similar case, a letter was sent to the Ministry of Commerce in 1858. This letter noted that the Spanish State had a privilege by paying reduced taxes on coffee and sugar. The document informed the Ambassador of Naples that this privilege shall be applied to all allied countries (HR. MKT, 247/49).

Just like the tax exemption practices, there were requests through foreign country consulates that came to the forefront in the tax reduction practices in this period of the Ottoman State. For example, in 1888, the Greek Embassy requested tax reduction for the lighthouse tax regarding the Pan Helenegue Company ferries that sailed from Samsun to Trabzon and Batum. Upon this request, the Council of Navy, known as *Şura-yı Bahriye,* decided to reduce this tax by informing the Council of Lighthouses (HR. TH, 83/71). In a similar case, the French Embassy dispatched a document to the Ministry of Foreign Affairs in 1889. The document noted that the French Embassy requested a reduction of the lighthouse tax for the ferryboats of Bake Company, the French Company sailed from Marseille to Batumi via Kale-i Sultaniye, Dersaadet, Samsun, and Trabzon (HR. TH, 88/92). Upon this correspondence, a letter was sent to the Ministry of Foreign Affairs in 1894. The letter instructed a reduction of the lighthouse tax for the ferries of the Italian

Company, called Pulya, delivering regular posts to the ports of Draç, Şengin, and Avlonya. The Council of Navy decided that this company could benefit from the tax reduction in the same way as others (HR. TH, 141/71).

In a similar situation, the Minister of Internal Affairs dispatched a letter to the Ministry of Foreign Affairs in 1898. The letter noted that the Monastery Province wrote petitions to the Russian and British Embassies by complaining about taxes imposed on transit pass, known as *mürur.* The Monastery Provincial Administration alleged that this tax had been applied as five *kuruş* but was later increased to 10 *kuruş* and 15 *kuruş* respectively. However, it was later collected as five *kuruş*. Given that this amount was too low and could not meet the costs, the Imperial Decree instructed that the amount shall be ten *kuruş*. Therefore, it was explicitly underlined that the tax, which was already 15 *kuruş*, was collected as ten *kuruş* with a discount of five *kuruş.* On that ground, the reduction demand was deemed unjustified (HR. TH, 211/119).

4.2.2.4. The Effects of the Tanzimat on Tax Reduction Practices

It is widely acknowledged in the literature that the Tanzimat Edict exerted a major impact on the principle of the ability to pay in the 19th-century Ottoman public finance system. Tax reduction practices were the main tool to reach this principle in this period. There is a vast number of archival documents containing necessary information on these practices. It has been observed through these documents that tax reduction practices were used to shift the tax burden both within the same region and from one region to the other. Most of the attempts were made to shift the tax burden from Anatolia to Rumelia because it was thought that the tax burden of the Balkans was lighter than that of Anatolia.

In one such case, the *Meclis-i Vala* dispatched a document to the Governors of Silistra and Varna in 1848. The document featured the redistribution of the tax burden from the areas with a heavy tax burden, especially Anatolia, to those with a relatively lighter tax burden. The document determined the imposition of the taxes on the residents of Silistra and Varna in proportion to their real estate and dividends. It was also indicated in the document that the residents of Silistra could pay more taxes (İ. MSM, 8/162). In another document drafted in the same year, it was stated that a tax reduction practice was introduced between Amasya and Çorum Sanjak with a view to maintaining a fair and equitable distribution of the tax burden (MVL, 25/26). In a similar situation, the people of the Gerede Town, in Bolu Sanjak penned a petition in 1854. They demanded a tax reduction claiming that their tax burden was high. Upon this request, it was determined to transfer a specific amount of the tax liabilities of the people of Gerede Town to other towns in a way that it would not cause a heavy burden on those towns (MVL, 340/77).

Also, a document dated 1846 noted that it was determined to introduce a fair and equitable distribution of the tax burden in *Gelibolu* Sanjak and *Kocaeli* Sanjak. Therefore, the Ministry of Regulations, known as *Tensikat Nezareti*, was assigned for the enforcement of distribution (İ. MSM, 83/2383). According to another document dated 1847, records related to arrangements regarding the tax burden of certain parts of Edirne were dispatched to the Treasury. The document also reported that the heavy tax burden of some of those places was reduced (A. MKT, 77/64).

There are also cases in which the administration considered or was asked to consider revising the measures taken for the sake of equal distribution of tax burden. According to a document dated 1841, the towns of *Cirrhosis, Tutbalı, Karaabad, Siranus, Baliye, Eviniye* requested a reassessment of their taxes on the grounds that their new tax burden which increased due to transfers from other regions was exorbitant. They stated that they could not afford to pay those new amounts (İ. MVL, 25/391). In a similar situation, 4,000 kese tax was imposed on the Manastır Sanjak and Kesriye Sanjak with transfer from some other regions for the sake of a fairer tax system. Later, the Governor of Rumelia and the head of the provincial treasury received a letter in 1848. The letter featured the information that this amount of tax was to be shared between these Sanjaks as 2,800 kese for Manastır and 1,200 kese for Kesriye. After all, the document underlined that 4,000 kese tax was reduced to 2,500 kese (A. MKT, 111/23; A. MKT, 116/75).

Also, some taxpayers adopted negative attitudes to the shifting of the tax burden among the regions and wrote petitions to the tax administration. One such group as the residents of Şehirköy Town, in Niş, and Leskofça who penned their petitions in 1847. They requested that the reductions in the taxes of the provinces and sanjaks in Anatolia should not be imposed on the provinces of Rumelia (A. DVN, 31/77; A. DVN, 31/79). In another document dated 1856, it was reported that the taxes of the Catholics in the *Gürün* Town in *Sivas* Province were reduced from 11,500 *kuruş* to 3,500 *kuruş*. The difference of 8,000 *kuruş* was imposed on the Muslims and Armenians who lived in the same region. However, the Catholics' tax was later increased to 8,000 *kuruş* again in order to eliminate claims of injustice and to quell the unrest in the region which stemmed from the reactions of the Muslims and Armenians to this policy (A. MKT. UM, 264/27).

According to another document dated 1859, the tax of the *Sekr maa Döşenbe* Town in *Alaiye* Sanjak was transferred to the Town of *Nevahir-i Alaiye*. This decision was not welcomed by the residents of Alaiye. They claimed that the residents of *Sekr maa Döşenbe* Town had the power of the ability to pay this tax (A. MKT. UM, 364/28). Upon this objection, Hamdi Efendi, who was the head clerk of the fiscal director of Konya, was appointed to investigate the allegations in the region. After his investigation, he noted that the distribution of the tax had not been carried out fairly and equitably. He suggested reducing the tax burden of Alaiye Town to encourage the voluntary participation of taxpayers in paying their taxes (A. MKT. UM, 372/67).

There were also examples of authorities' declining requests from taxpayers. One such case is featured by the document dated 1849. It was that nearly 33,000 *kuruş* taxes of some towns of Niğde Sanjak were reduced and then imposed on *Ürgüp* Town. Upon this transfer, the local people of *Ürgüp* Town wrote a petition requesting a reduction from this amount on the grounds that they were having difficulty paying even their taxes. However, the Minister of Finance dispatched a letter to the Governor of Konya by stating that this amount of tax was not heavy and that they had the power to pay this tax. The Minister of Finance also instructed that this amount shall be collected alongside other taxes (A. MKT. MVL, 21/85). In a similar case features by a document dated 1852, the governor of Silistra decided to levy the tax of the Yanbolu Town on Silistra province. In response, the people of Silistra alleged that they could not afford to pay this amount of tax covering the years between 1843 and 1849. In the end, in response, it was determined that this amount of tax could not be redistributed to Anatolia due to this region's high tax burden and shall be collected from Silistra Town as initially decided (İ. DH, 255/15708).

In some cases, tax reduction practices were postponed due to some problems affecting the society negatively. In one such case, the Governor of Amasya received a letter in 1850. The letter stated that a certain amount of tax was reduced from the taxes of five towns and that reduced amount was imposed on Amasya. However, the document also noted that the tax shift would be implemented the following year on the grounds that the people of Amasya had been suffering from some unfortunate events (A. MKT. UM, 25/24).

There were also tax reduction practices of redistribution of the tax burden due to concerns about security problems in some regions, particularly the Balkans. One such case is featured in a document dated 1847. The document noted that a tax was imposed on Thessaloniki, Drama, and Cirrhosis, whose tax burdens were light. The intention behind this was to cover the income gap resulting from tax reduction practices in the framework of the decision of the Tanzimat concerning the establishment of a fair distribution of tax burden among regions. However, the Governor of Thessaloniki reported that these regions were among the vulnerable areas. He underlined that this amount of tax should be shared among these regions based on their population, and Islamic tithe records (MVL, 55/17).

Another reason behind tax reduction practices for security concerns was banditry incidents, commonly occurring in the Balkans. It is known that these banditry incidents took place as a persecution against the public, especially against the Muslim population. İnalcık (2017) claims that the faulty behaviors of some people such as Ottoman gentlemen, *subaşı*, tax collectors, and sub-district officers in the Balkans played an active role in the emergence and spreading of these banditry incidents (see Picture 3). Though, these banditry incidents did not only occur against these officers. These incidents adversely affected Muslim society; they were robbed or slaughtered regardless of age or gender.

Picture 3: Militiamen of Forovishta, Pirin, Bulgarian

Source: Arthur D. Howden Smith (1908), Fighting the Turks in the Balkans: An American's Adventures with the Macedonian Revolutionists, London: G. P. Putnam's.

In this context, considering the movement of the Ottoman State to the Balkans, İnalcık (2017) points out that the Ottoman State fought against the 'feudal anarchy' that ruled in this region and eliminated it. This sentiment is also supported by some scholars in the Balkans, such as the Bulgarian historian Nikola Staneff (1862-1949). Later, the Ottoman State brought a uniform management system by eliminating the old system oppressing the villagers in the Balkans. The State ended arbitrary practices such as drudgery on peasants. All these radical changes reinforced the confidence of the people of the region in the Ottoman State. As a result, the State survived for five centuries in the Balkans. However, this unique administrative structure began to deteriorate starting from the 18th century and this deterioration was amplified throughout the 19th century. As a result of this deterioration, separatist ideas gained a foothold in the Balkans. İnalcık (2017) discusses the sentiment of the Bulgarian historian N. Staneff that the bases of the rise and spread of these ideas were the heavy tax burden and the collection. However, he underlines that these allegations do not sufficiently explain the foundation behind these ideas.

Another scholar who discussed this issue is Davison (1993). He mentions some crucial developments as factors behind the spreading of separatist views in the Ottoman State. These developments were the flourishing of the industry in Europe, the changes in the government administration system, the nationalist movements disseminating rapidly after the 1848 revolution, and the activities carried out by foreign states like France, England, and Russia in the region. These developments had a major impact on the fall of the Ottoman State. The British Ambassador H. Bulwer also argued these claims in his secret report that was dispatched to J. Russell in 1860. Bulwer (1860) pointed out that the biggest problem the Ottoman State faced was enmity and hatred among different groups and races in the Ottoman society, especially in the Balkans. As mentioned by Davison, Bulwer (1860) also argued that foreign states had a crucial role in the rise of these problems (FO 424/585).

4.2.2.5. Taxpayers' Reactions to Tax Reduction Practices

Taxpayers reacted to tax reduction practices in different ways. Some of the reactions were positive in some regions where practices were welcomed by the taxpayers. These people expressed their satisfaction with these practices. However, some taxpayers complained about the situation regarding the tax reduction practices, expressing their dissatisfaction in a variety of ways. These reactions will be discussed below. In general, it is observed that complaints of taxpayers regarding tax reduction practices were quite common.

Taxpayers in the Ottoman State expressed their satisfaction with tax reduction practices by sending letters of appreciation to local or central administrations. These people had a sense of approval with respect to these practices. For example, a document dated 1841 noted that the residents of some towns in the Balkans wrote a letter expressing their approval of a tax reduction (A. MKT, 1/73).

It was already mentioned earlier that it was decided to shift the tax burden from Anatolia to Rumelia to secure justice in taxation and overcome the heavy tax burden problem of Anatolia. However, according to the document dated 1848, Berkofça was excluded from this decision. It was stated in the document that the taxes of Berkofça would be collected in the usual amount. In other words, this document underlined that no extra tax burden would be imposed on Berkofça and that the Treasury would cover the gap. The

Berkofça Assembly penned a letter of gratitude to express their approval for this decision. They also wished prayer and goodwill to the Sultan, referring to the mercy and compassion that had always been displayed by the Sultan to them (A. MKT, 116/58). It was decided to not impose any taxes on Niş Sanjak as well. Thus, Mehmed Asaf Pasha, the governor of the province of Niş, wrote a similar letter to the treasury expressing gratitude on this decision which he referred to as the prevention of injustice in the Balkans. Similarly, the residents of Şehirköy and Leskofça in Niş Sanjak sent a letter to Mehmed Asaf Pasha, Governor of Niş, expressing their appreciation in this regard (A. MKT, 119/84).

İstanköy Island was another region where a similar letter of appreciation was drafted. A document dated 1867 noted that *İstanköy* Island dispatched a letter of gratitude for the reduction of the cattle tax imposed on the island (A. MKT. MHM, 386/90). Similarly, the Chief of the Assembly of Samos Island and Gavidil, the metropolis of Samos Island, wrote a letter of gratitude in 1869 to express the satisfaction and loyalty of the people of the region. It was the tax of Samos Island that was reduced by 100,000 kuruş that was to be spent on public works for the development of the region. In addition, it was determined that the customs duty on imported goods was allocated to the local administration (İ. DH, 586/40781). An interesting issue in this context was revealed by the document dated 1861, which noted that the residents of the Village of Vikova were requested to provide information as to how much discount should be put into practice on fishing tax. The Governor of Tolci responded to this demand, expressing the gratitude of the taxpayers of the Village of Vikova regarding this tax reduction practice (HR. MKT, 364/24; HR. MKT, 365/67).

Aside from the aforementioned examples where tax reduction was granted to whole regions, there are also some examples of granting tax reduction to individuals. A document dated 1847 mentions a letter of gratitude drafted in such a situation. This document noted that the merchant who brought goods to Iran dispatched a letter of gratitude for the reduction in his liability of customs duty (HR. MKT, 18/36).

While there are examples as of those mentioned above, taxpayers did not only express approval for tax reduction practices. It is observed through the archival documents that some taxpayers complained about tax reduction practices as well. These complaints can be classified as follows: i) allegations of deterioration of the tax burden distribution among the regions due to these practices, ii) taxpayers' double request on tax reduction practices due to dissatisfaction with the first practice, iii) the dissemination of false news about tax reduction practice, iv) claims of corruption concerning tax reduction practices.

Considering the archival documents regarding the allegations on the tax reduction practices inducing problems on tax burden among regions, the document dated 1841 provides a notable example. This document noted that there were disputes among the towns in the Balkans, such as in Samakov, on tax reduction practices. These disputes were mainly based on the idea that the new tax burden created by tax reduction in other regions was not distributed fairly among the towns (A. MKT, 1/73). In this context, a letter was dispatched to the Governor of Adana in 1855. The letter was concerned with the tax reduction practice for Beylan and Tarsus Sanjaks. According to the letter, the Sanjak of Tarsus did not cause any problems related to this practice. They exhibited a positive attitude and behavior, paying their taxes voluntarily, whereas the Beylan Sanjak felt reluctant to pay their reduced taxes and refused to pay it. The Ministry of Finance wrote a document to the Assembly Accounting and forwarded it to the *Meclis-i Vala*, highlighting that this tax shall be collected from the Beylan Sanjak (A. MKT. MVL, 70/71).

Taxpayers' double requests regarding tax reduction practices on account of finding the first practice insufficient were the second factor causing the complaints of taxpayers. For example, the people of *Akköprü Koruyu Hümayun,* in *Mihalıççık* Town, Ankara, complained about their heavy tax burden in a document dated 1848. Accordingly, they requested a tax reduction. Their request was deemed appropriate. They sent another petition and requested a tax reduction for the second time (A. MKT, 129/88). Similarly, the Armenians who lived in Nallıhan Town of Ankara Sanjak requested a reduction of their taxes in 1860. The response stated that they had already been granted a tax reduction on account of a previous request. It was underlined that they had sufficient dividends and trade to pay their current taxes. Upon such an event, it was instructed that these Armenians be cordially informed about the inappropriateness of a second tax reduction application (A. MKT. MVL, 116/72).

The dissemination of false news by tax officers about the tax reduction practice was another reason for the complaints of taxpayers. By doing so, the tax officers aimed to influence taxpayers with the promise of tax reduction for gaining some benefits from them. In one such case, *Süleyman* Bey, Governor of *Hüdavendigar* Province wrote a document in 1857. The document noted that *Tahsin Efendi*, the governor of the Town of *Çal,* in the Sanjak of *Karahisar*, collected vast amounts of money from taxpayers assuring them that the Town would be transferred to Denizli. And that this would lead to a 100,000 kuruş reduction in taxes. Due to the spreading of such news, disturbances and uprisings occurred in some other towns. Hidayet Bey was appointed as Çal Town Directorate to investigate the event and bring it under control. Hidayet Bey tried to explain that Tahsin Efendi's promises did not reflect the truth. Still, Mustafa Dede, who lived in the region, and his friends continued to support Tahsin Efendi's promises and to influence the public by provoking them. Upon this continuation of the problems, a member of the Sanjak Assembly and the head of the police department were sent to the region, but they also failed to control the situation. In the end, two troops from the cavalry regiment of the
Hassa Army Humayün in Kütahya were dispatched to the region to suppress these mischiefs under the supervision of the cavalry governor Hasan Bey (MVL, 318/6).

Claims regarding the corruption of tax officers and local administrators in their treatment of tax reduction practices were the last factor giving rise to the complaints of taxpayers. Emin, who was the tax collector of Köysancak, reported an example of corruption related to tax reduction practices in 1899. He claimed that the *Köysancak* district governor acted against the Imperial Decree on the reduction of dividend tax, and the governor assigned his relatives to tax collection. Emin was thereupon instructed to investigate the issue (DH. MKT, 2274/77). Similarly, a document dated 1848 featured the claim that Ahmed Aga registered the taxes of the Town of *Çırpan* in Edirne either less or more than real amounts by taking the village informants under his influence. He allegedly had fraudulent transactions on 176 records of the Town of *Çırpan*. After the issue was investigated, Ahmed Aga and some of his friends stated that these transactions did not cause any damage to the State treasury, alleging that they collected all taxes as recorded in the registers. They asked for forgiveness for their misdemeanors, stating that they did not earn any income as a result of this misconduct (MVL, 57/15).

Mustafa Aga filed a similar complaint on behalf of the local people of Boğazlıyan Town in 1857. He noted that Said Bey, the son of the deceased Town manager Ahmet Bey and a member of the local assembly, abused his power by carrying out transactions for his interests. Allegedly, his tax debt in 1841 was about 1,145 kuruş, but he only paid 400 kuruş even though his possession of real estate increased over time. Based on these claims, Mustafa Aga requested the investigation of why his tax was reduced (A. MKT. NZD, 226/53).

In fact, there were some administrators who attempted to gain benefits by directly violating the law. Some of them were put on trial and even sentenced to imprisonment. For example, according to a document dated 1893 noted that Ataullah Efendi, the district governor of the Town of Avniye, the fiscal director of the district, and the Town committee stood trial for fraud in the way of illegal reduction on dividend taxes and property taxes (DH. MKT, 2048/120). Similarly, according to a document dated 1894, the former Register and Tax Clerk of the Yenipazar Town, Ali Galip Efendi, deviously determined a reduction on the military tax, known as *bedelat-ı askeriye*, and dividend tax, keeping illegitimate tax records. The document states that Ali Galip Efendi was put on trial for abusing his power and sentenced to three months (ŞD, 1974/11).

4.2.3. Tax Refund Practices

The third kind of tax expenditure practice that was used in the 19th-century Ottoman public finance is the tax refund. As stated in Chapter 2 of the thesis, tax refund practices are not widely discussed in the current literature. This is also the case for the Ottoman State public finance system. Thus, there are not so many archival documents on tax refund practices. The examples of tax refund practices observed through archival research can be categorized under economic and fiscal, religious and social, political, and other reasons. In the following sections, all these reasons will be discussed respectively.

4.2.3.1. Tax Refund Practices in the Economic and Fiscal Contexts

Considering the examples of tax refund practices within the economic and fiscal context, there are two main reasons behind them. These examples are in the form of reimbursement of previous payments due to allegations of taxpayers regarding the lack of the ability to pay and the offset of tax debt to salary and repayment of the rest if there is an excessive payment.

4.2.3.1.1. The Ability to Pay Deficiency

Reimbursement of previous payments due to claims of taxpayers with regard to the lack of the ability to pay was the first issue from the point of the economic and fiscal context. Both taxpayers and tax collectors requested tax refund practices. In one such case, Hacı Agob, who was responsible for collecting silk taxes and customs duties between 1843 and 1847, wrote a petition to the Ministry of Finance in 1847. He reported that he is enduring some losses during the tax collection. He asked for offsetting this amount of the losses by the Ministry of Finance. He aimed to benefit from a tax refund practice in this regard (A. MKT, 79/46).

A similar case was featured by a document dated 1853. The document stated that Mehmed, a resident of Sarusaf in Sinop, suffered from epilepsy for 2.5 years. His disease was also confirmed by examinations carrying out by the Ottoman Medical School, known as *Mektep-i Tıbbiye-i Şahane*. The document also noted that Mehmed had no ability to pay for covering his taxes. Therefore, he was placed in *Miskinler Tekke* in *Üsküdar.* On account of his situation, Mehmed requested a refund of his previous tax payments (A. MKT. DV, 73/44). Similarly, according to the document dated 1898, the brothers Nayrenovic and Petro Hristof claimed that they were from Edirne, but they had been living in Bulgaria for a long time. On account of their situation, they requested not to be forced to pay their taxes. In addition, they demanded that the tax amount they paid earlier be refunded to them, and their names be removed from the register (DH. MKT, 2144/60).

4.2.3.1.2. Relationship between Tax Debt and Salary

The offset of tax debt to salary and repayment of the rest was another reason which gave rise to the tax refund practices from the point of economic and fiscal context. A document dated 1897 noted that the accumulated salaries of Doctor Zambako Pasha, who works at the Sanitary Commission, known as *Hıfzıssıhha,* was offset against his tax of 3,600 *kuruş* of his house for the year 1895. The Ministry of Internal Affairs wrote a letter to the

Grand Vizier about this transaction (BEO, 1058/79318). There is also another document dated 1899 noted that it was determined to offset the 2,400 *kuruş* tax of the same person due to his household to his accumulated salary (DH. MKT, 2280/8).

4.2.3.2. Tax Refund Practices in Religious and Social Contexts

The Ottoman administration utilized tax refund practices within the context of religious and social issues. However, these practices are not as prevalent as tax exemption and tax reduction practices. In the context of religion, tax refund practices for religious officials and charitable foundations are prominent. As for the social context, the prominent aspect is the establishment of social order, as observed in a document dated 1899 (DH. MKT, 2233/104).

A document dated 1895 noted that the tax administration of Merzifon imposed taxes on grape squeezing machines that were transported from Europe for the priests of the French Monastery in Merzifon. The French Embassy wrote a letter to the Trabzon Tax Administration, stating that these machines were personal belongings of the priests. On that ground, the French Embassy demanded that the collected amount be refunded. In response, the Trabzon Tax Administration determined to refund the collected taxes (HR. TH, 151/59).

Some of the tax refund practices in the Ottoman State were for charitable foundations, which were expected to contribute to society. Administrators of these foundations requested refunds for previously paid taxes. For example, two French merchants residing in Beirut made a refund request for taxes they paid to the *Rüsumat* Administration in 1895. They reported that they brought silk fabric from Marseille and Cyprus to *Darülhayr*, a charity house in Lebanon (HR. TH, 162/88). The Minister of Trade and Public Works also dispatched a letter in 1896 concerning refunds. In the letter addressed to the Ministry of Foreign Affairs. It was pointed out that the oil paintings coming from Europe for the orphanage named St Georges in Galata, which was under the auspices of the Austrian Government, had been exempted from customs duties and demanded a refund for the previously collected taxes (HR. TH, 176/29).

Maintaining social order was another reason for the utilization of tax refund practices. In one such case, a document dated 1888 reported that two stores located in the Havran cottage of Edremit and owned by Bahaeddin Bey, a civil servant at the Ministry of Trade and Public Works, were burned down. It was claimed that the local tax administration imposed a tax at a value that was only valid before the fire. It was requested that the value and taxes of these places be reassessed within the scope of the regulation on such damaging incidents for places. After all, taxpayers could become aggrieved. In short, Bahaeddin Bey requested a tax refund by alleging that the collection of the tax was unjust.
In response, a letter was sent to the province of Hüdavendigar demanding an investigation of this allegation (DH. MKT, 1554/85).

A similar request was submitted by *Mehmed Aziz Abdülbaki,* a civil servant at the Interior Ministry in *Mektubi-i Dahiliye Hesabat-ı Umumiye,* in 1899. According to his account, four certificates related to the payment of sanitation tax, known as *tanzifat*, were destroyed in the fire in Cibali. So, he had to pay this tax for the second time, besides the payment for the reconstruction of his shop. On this ground, he requested a refund for the sanitation tax payment. However, he sent another petition since there was no response to his request (DH. MKT, 2233/104). A similar document was dated 1893. It was reported in the document that the materials for public constructions were exempted from the customs duty only once, as per the regulations. However, 22,674.5 *kuruş* tax was imposed on the imported materials for the cannonball, steel, and pipe factories that were rebuilt by the *Tersane-i Amire.* On account of the regulations in question, it was requested that this collected amount be refunded and taxes on other importing materials be removed (ŞD, 8/7).

4.2.3.3. Tax Refund Practices in the Political Context

In addition to economic, fiscal, social, and religious contexts, the Ottoman administration utilized tax refund practices in the 19th-century Ottoman public finance system also for political reasons. Many archival documents feature petitions that were written by the consulates and embassies of foreign countries in this regard. Just as the examples regarding other types of tax expenditure practices, these consulates and embassies requested tax refund practices for a variety of reasons. These petitions were mostly based on the allegations regarding the contradictions between the existing agreements and the current tax practices in the Ottoman public finance system.

One such case was related to Austrian merchant ships. The Austrian Embassy claimed in the document dated 1846 that the tax administration levied an extra tax amounting to 40 *para* per kilo on Austrian merchant ships at Drach Pier, despite the fact that the valid agreement between the Ottoman State and Austria determined the imposition of 12% as customs duty.[89] The document pointed out that the extra tax was not in compliance with the agreement. The Grand Vizier Rauf dispatched a letter to the tax administration by noting that the tax administration should comply with the agreement and refund the overcharged amount (A. MKT, 50/40).

The Austrian Embassy drafted another letter to the Customs Administration in 1855. The Embassy requested to refund the payment of the customs duty as a result of copper transfer from the Farika ferry of the Lopid Company of the Austrian Government to the French ferry company (HR. MKT, 101/25; HR. MKT, 105/48). A document dated 1861 revealed that the Russian Embassy also requested a refund of the taxes paid by the Russian merchant in Izmir (HR. MKT, 376/99).

Another case of tax refund is featured in a letter penned by the British Embassy in 1894. The letter noted that there was a dispute on the rate of tax that was levied on the coals bringing to Basra for ferries of the Lynch British Campaign (BEO, 432/32370). It was later determined in a document dated 1895 that the Lynch British Campaign would

pay a tax for coals on the rate of 1%, instead of 8%. The document also stated that this rate was in accordance with the agreement between Ottoman State and the British government. However, the British Embassy replied by requesting that this rate should be applied to previous coal deliveries before the agreement. In response, the Ottoman administration accepted the request by refunding 15,268 *kuruş* tax (HR. TH, 151/38).

A similar document dispatched by the Austrian and Dutch Embassies stated that despite the decision of tax refund on exported goods that were transported to Samos in transit,

[89] There were three different types of customs duties in the Ottoman State tax system. These were as follows i) *amediye* was collected when a domestic product was distributed within the Empire ii) *reftiye* was collected when a domestic product was shipped to other countries, and iii) *müruriye* was collected when a product transited through the Empire.

they were informed that this amount was not refunded. In response, the ambassadors were informed that the collected taxes would be fully refunded as soon as possible (HR. TH, 205/74). Similarly, the German Embassy sent a document to the Beirut province in 1899, requesting a tax refund in favor of the German citizen, Malhbor Vagter. The embassy demanded that the taxes collected from Malhbor Vagter for the tools and materials be refunded (HR. TH, 222/85).

However, not all responses to such demands by foreign embassies were positive. In other words, there were cases in which a tax refund was not issued on the grounds that no problem was detected in the current tax practices. In one such case, the French Consulate sent a document in 1890, stating that a total of 2,500 *kuruş* of cattle tax was collected from the French citizen Henry Batos for transferring 500 animals from Plovdiv to *Bakırköy.* The French Consulate asked for the refund of this tax. However, the request was rejected on the grounds of an investigation which revealed that the tax was in compliance with the law (HR. TH, 103/82).

Some archival documents reveal that there were also cases in which demands for tax refunds were rejected with a view to stand up to foreign pressure. For example, the British Embassy requested a tax refund in 1892 for the taxes levied on the seafarers residing on the Island of Bahrain for arriving at the port of Basra. The British Embassy claimed that the Bahrain region was under the protection of the British Government. In response, it was highlighted that the area was not under the auspices of the British Government and that the British Government had no sovereign right pertaining to the region. It was also underlined that the people in Bahrain were still citizens of the Ottoman State. On such grounds, it was declared that there was no need to refund these taxes (MV, 71/30; MV, 74/33).

In a similar situation, the Greek Embassy requested a refund of the dividend tax imposed on Greek doctors and lawyers residing in Beirut in 1894. The Greek Embassy alleged that the tax administration collected dividend tax by violating the law from Greek doctors and lawyers residing in Beirut. However, many people introduced themselves as foreign nationals and applied for tax concessions in this period. The tax administration demanded the nationality book from foreign consulates. It was stated that the nationality books were crucial for tax refund requests (HR. TH, 139/45). However, the document dated

1894 noted that these nationality books were demanded not only from the Greek Embassy but also from some other embassies, such as Germany, America, England, Spain, Portugal, Austria Hungary, Denmark, Iran, France, Italy on the grounds that they were needed for investigations. According to the document, all the countries except France, Italy, and Greece dispatched these books (BEO, 373/27886).

It is also observed that tax refund practices were not only used in the Ottoman public finance system. But Ottoman citizens also applied to the Ministry of Foreign Affairs to benefit from this type of tax expenditure in foreign states. In one such case, Mehmed Şevki and his friend Mehmed Nuri from Darende, Sivas, wrote a petition to the Ministry of Foreign Affairs in 1895. They noted in their petition that the Greek Government imposed 10.5 *kuruş* on their beast animals during their visit to Yanya. They claimed that the tax collection was unlawful, and then they requested a refund of the tax that was collected by the Greek Government (HR. TH, 157/71).

4.2.3.4. Tax Refund Practices for Miscellaneous Reasons

There are also some other reasons why tax refund practices were utilized in the Ottoman public finance. These are: i) complaints of double taxation, ii) some attempts to collect taxes despite tax exemptions, iii) some practices that go against the regulations, iv) failure in keeping up with the changes in the regulations.

To begin with, considering the tax refund practices from the complaints about the double taxation, the document dated 1847 represents an example. The document noted that Hacı Ahmet, who was among the Hayriye merchants, paid the tax for the uniforms of *Asakir-i Nizamiye* in Baghdad. However, he lost the payment certificate that was given to him in Dersaadet. For this reason, Yüzbaşı İbrahim Ağa forced Hacı Ahmet to pay the tax of these uniforms in Mosul Customs, and Hacı Ahmet paid it. However, the tax administration in Dersaadet determined to refund the payment in Mosul Customs on account of double taxation (HR. MKT, 17/53). A similar situation was featured in the document dated 1848. The Austrian merchant Civani, son of Magarit, alleged that he had paid customs duty for the iron he had bought in Samakov. However, he was urged to pay customs duty at the Varna pier. Civani requested a refund of the double tax payment by noting that this practice might negatively affect the relationship between Ottoman State and Austria. Upon Civani's request, a letter was dispatched to the Varna Administrator to investigate the situation (A. MKT, 165/80). In a similar case documented in 1854, according to the document in 1854, Reşid, the son of Hacı Ahmed, Hasan, the son of Hacı, and Ömer, son of Bıyıklı, paid their customs duties in Trabzon. However, they claimed that they had already paid their customs duties in Sohum, requesting the refund of their payment on the grounds that they were subjected to double taxation (A. MKT. NZD, 118/34).

In another case of double taxation, Ömer from the Cihanbaki tribe penned a petition to the Ministry of Finance in 1860. He stated that he had paid the tax on the animals that were dispatched from Ankara for Eid al-Adha. However, he alleged that Geyve's director charged a second tax on these animals. On the grounds that he was subjected to double taxation, he requested to refund this tax due to double taxation. This petition was forwarded to the *Meclis-i Vala*. *Meclis-i Vala* determined to refund the collected tax (A. MKT. UM, 441/29). In a similar situation, the London Embassy drafted a document in 1888, requesting a tax refund. The document remarked that Monsieur Tomas and his son are engaged in the business of meeting the needs of those traveling to Syria and other places. And they are regularly paying the taxes of their tents. However, they were demanded to pay a second-time customs duty during transportation from Beirut to Jaffa. Upon an investigation regarding the request, it was decided that the collected taxes would be returned, if Monsieur Tomas and his son prove their allegation on paying their tax. Similarly, İbrahim wrote a petition in 1893 by claiming that he had paid his tax on animals that were brought from Bulgaria. However, the District Governor demanded from him to pay the tax on sales in the Karaferye market. İbrahim requested a refund of this tax payment. In response to İbrahim's petition, it was noted that if he could prove his previous payment, he would benefit from tax refund practices (DH. MKT, 141/22).

The second factor causing the tax refund practices was some attempts to collect taxes despite tax exemptions. So, some taxpayers requested tax refunds on the grounds that they had been exempted from taxation. A document dispatched to the Governor of Thessaloniki in 1855 features such a case. It was noted in this document that 12% of customs duty was imposed on Esterati and Marali Badkan for transporting grain from Thessaloniki Pier to Dersaadet. However, the transportation of goods, grains, materials, etc. were exempt from customs duty. For this reason, the Governor of Thessaloniki was instructed to refund the collected taxes. Moreover, it was underlined that these products should not be taxed (HR. MKT, 101/57). Likewise, the Ministry of Finance addressed a document to the *Meclis-i Vala* in 1856. The document stated that headscarves produced in Dersaadet were exempted from stamp tax if they were sent outside Dersaadet. Therefore, the stamp tax collector was to refund taxes that he had collected from these headscarf trades (A. MKT. MVL, 78/94).

In another case of a tax refund request, the Circassian immigrants who moved from Russia to Sivas requested a refund of customs duty they paid. They claimed that the local tax administration collected customs duty from them by regarding the animals that they brought as merchant goods (DH. MKT, 1340/96). In a similar case, the Danube provincial administration sent a letter to the Ministry of Finance in 1868. This letter was in turn forwarded to the Meclis-i Vala. The letter remarked that the producers of tobacco and tavern, known as *meygede,* were exempted from the new taxes. However, they were urged to pay these taxes. So, a tax refund was requested for this payment. In the end, it was decided that this payment made by these tobacco and tavern producers was to be refunded (ŞD, 2077/55). Another case was, in 1887, when the Council of State granted a tax exemption to the son of Sucu Sava, one of the inhabitants of the Town of *İncesu* in Kayseri province. Despite the exemption, the local tax administration imposed military tax and other taxes on him. So, he wrote a petition by requesting a refund of his payment of these taxes. In response, it was determined to refund these payments on account of his exemption (DH. MKT, 1402/84).

Some practices that go against regulations were the third-factor giving rise to tax refund practices. In one such case, a letter was sent to the district governor of Sinop in 1844. The letter demanded a refund of the taxes imposed on the goods of *Keşişoğlu* Anestas, one of the European merchants. It was noted that this collection was against the regulation. Still, it was underlined that it was appropriate to impose a tax on the goods remaining in customs for more than two days. It was also determined that goods entering the customs for just a few hours would not be taxed (HR. MKT, 2/82). Another example of tax collection that goes against regulations was observed in the document dated 1890. In this document, the Iranian consulate in Basra claimed that the collection of port tax, known as *liman resmi,* from Iranian merchant ships was against the current regulation. The consulate thus requested a refund of all collected taxes. Due to the lack of certainty on this allegation, the local administration requested information from the central administration as to what kind of treatment shall be implemented on the claim (DH. MKT, 1714/36).

Failing to keep up with the amendments in the regulations was another reason inducing tax refund practices. In other words, even though there were some changes in the regulations regarding taxation, tax officers acted on previous arrangements. So, as observed in the document dated 1860, some taxpayers demanded tax refunds on account of these changes. They claimed that tax officers levied taxes according to previous regulation and asked for a refund of their payments (A. MKT. MHM, 188/73).

4.2.4. Tax Deferral Practices

The fourth kind of the tax expenditure practices that were used in the 19th-century Ottoman public finance was a tax deferral[90], i.e., the postponement of some tax payments for a certain period of time. This tax expenditure practice was utilized within the context of economic, fiscal, and social issues. However, as far as we know, there were no tax deferral practices utilized for political issues in the Ottoman State public finance. Tax deferral practices came into prominence in the context of social issues, such as ensuring safety, overcoming the negative effects of natural disasters, and providing the sustainable development of social welfare. This special role makes tax deferral practices more important compared to other kinds of tax expenditure practices in the 19th-century Ottoman public finance.

4.2.4.1. Tax Deferral Practices in the Economic and Fiscal Contexts

Considering the tax deferral practices in the economic and fiscal context, it would be fair to argue that maintaining public revenues and protecting taxpayers were the main reasons behind these practices. For example, according to the document dated 1895, it was realized that some amounts of military tax of the non-Muslims who lived in Diyarbakır, were not recorded, and thus the local tax administration could not impose the tax on them. After that, the local tax administration determined to impose the tax on them, notifying that a

[90] Tax deferral corresponds to *'tehir'*, *'imhal'* in the Ottoman Turkish.

detectable amount of tax would be imposed on their other taxes. However, the Syriac Patriarch requested half of all these amounts of tax to be postponed to the following year. This request for deferring the half of taxes was taken into consideration and deemed appropriate because it was noted that this request was important for securing the collection of tax revenues (DH. MKT, 427/42).

Tax deferral practices were introduced to overcome the difficulties faced by taxpayers and problems experienced by tax collectors during tax collection. One such case was observed in a petition written by Kasım, the Ottoman tax collector in *Kirkağaç,* in 1890. He claimed that there was a prohibition in *Kirkağaç* against bringing animals to *Kirkağaç* due to the problem of animal diseases. So, he could not collect the taxes and thus requested to postpone his debt installments to alleviate his burden regarding the tax collection. The Ministry of Finance responded to his petition by noting that this revenue belonged to the Aydın Province and, the Ministry of Finance could not decide on it, underlining that a final decision was to be made by the Aydın Provincial administration (DH. MKT, 1694/11).

As for the concern of overcoming difficulties faced by taxpayers due to changes in their ability to pay, the document dated 1852 provides an important example. The document stated that traders of printed fabric [basmacılar] in *Üsküdar* Ahmediye Square and Yenikapı pointed out that they had regularly been paying their taxes, allocating to the *Tersane-i Amire* Treasure, known as *Tersane-i Amire Hazinesi*. However, they claimed that they lost their ability to pay, so they requested the deferral of their taxes for a temporary period. This request was deemed appropriate (İ. MVL, 237/8392; A. MKT.
NZD, 55/84).

4.2.4.2. Tax Deferral Practices in the Social Context

The Ottoman State extensively used tax deferral practices within the scope of social context. As mentioned above, these practices were widely used for the elimination of some problems and the improvement of welfare in the Ottoman society. In other words, ensuring safety in the event of social unrest or turmoil, the reconstruction of settlements negatively affected by natural disasters, and providing the sustainable development of social welfare were the main factors behind the introduction of tax deferral practices in the Ottoman public finance.

4.2.4.2.1. Providing Public Order and Security

It is known that the 19th century was to a period of intense internal confusion mainly due to the increasing nationalism movement in Western countries. This inevitably exerted negative impacts on the Ottoman State. In fact, the reasons of this nationalist movement and its effects on the Ottoman State have been amply discussed. It is widely acknowledged in the literature that this movement gave rise to critical internal turmoils in the State. Considering the economic and fiscal reasons behind these turmoils, it is alleged that heavy tax burden in the Ottoman State triggered this movement, and these turmoils, especially in the Balkans[91] and the regions inhabited by Armenians.[92]

Today, the debates on the cause of turmoils in 19th-century Ottoman society are still prevalent. It is claimed that these debates broadly constitute the source of the problems with the Armenians and the separation of the Balkans from the Ottoman State. In particular, Armenian incidents are one of the most controversial issues in history. For instance, Lewis (2002) points out that Armenians had a crucial position in Ottoman society and were assigned to extremely important jobs on account of the trust placed in them. However, he states that the reasons for the internal turmoil in the regions inhabited by Armenians are still essential issues to be explained. Quataert (2006) makes a similar line of assessment on the issue.[93]

Considering the aforementioned debates from the point of Ottoman public finance, especially within the context of the tax burden as a potential cause of the turmoil, it would

[91] İnalcık (2017) provides crucial information on the turmoils in the Balkans from the point of the tax policy of Ottoman State.
[92] A document dated 1860 in the British archives noted that the Armenian incidents started first in the second half of the 19th century, claiming that the Russian state had a profound influence on the uprising of Armenians and other nations. However, as it can be seen the following parts, these events were closely monitored by the British state (FO 424/585).
[93] Quataert (2006) prefers to use the term of *'genocide'.* Although he states that the use of '*genocide'* adversely affects the discussion by preventing the arguing of the main subject. He regards that he is using '*genocide'* diligently in his work. He claims that otherwise the incidents in that period could not be clarified.

be fair to argue that the Ottoman State is accused harshly. Taking into consideration the tax expenditure practices, in particular, the assessments on the heavy tax burden as the main basis of the turmoil in the Ottoman State is not correct and reasonable. So, the wide usage of the tax expenditure practices in the archives makes this assessment valuable. However, there are also some concerns that these archives should be investigated carefully in terms of their validity and accuracy. For example, Özbek[94] (2009) argues that these archives did not reflect the truth owing to the tone differences in the documents. However, it is noteworthy that Özbek (2009) accepted the allegations regarding the perpetration of the Armenians in these documents as a reference, and he attached an importance to these archival records. However, the question regarding why he did not admit the same documents about giving answers to these allegations by the Ottoman State is still waiting to answer.

In this context, these documents provide significant information about the benefits of tax expenditure practices on preventing some social problems where Armenian people live. Tax deferral practices in particular had an essential place among other types of tax expenditure practices. These documents show us that the Ottoman administrations generally responded positively to the requests of the Armenians with regard to taxation. And it was pointed out in these documents that all people were under the protection and compassion of the Sultan and that there would be no concession from justice. So, their taxes were postponed for a period. However, as can be seen in some documents below, there were also some exploitations by taxpayers in some regions. Some of them requested tax deferral practices based on false reports. In some cases, even tax records were destroyed, and local officers were beaten or killed.

It is also claimed that foreign states supported uprisings in the Armenian regions and there is a close relationship between these countries and some Armenians in this period. For example, a document dated 1896 features an instruction concerning an investigation of

[94] Meanwhile, Özbek (2009) firstly used the term of the *'the Armenian Question'* regarding the incidents that occurred in the Ottoman society. Particularly, he points out that the pressures and oppressions on Armenians owing to taxation played a crucial role in that these incidents to become an international problem. Then, Özbek (2012) used the term of '*massacre'* in another study, even though he previously mentioned that problem as '*the Armenian Question'*. On the other hand, he states that these incidents did not depend on ethnic or religious identity by underlining that this was also a problem for Muslims in the region.

whether the denunciations of the Consul of England in Van provoked Armenians (A. MKT. MHM, 752/14). In some cases, some Armenians also directly applied other consuls or embassies as well. In one such case, The Central Armenian Committee, known as Dashnaksutyun, at İstanbul dispatched a letter to the Embassies of the Great Powers begging from them to help them because of allegations regarding lousy management by the Ottoman State as well as to be released from under the sovereignty of the State (Daily News, August 24, 1897).

Picture 4: Great Britain and the 'Armenian Question'

Source: Frederick Davis Greene, (1895). The Armenian Crisis in Turkey, The Massacre of 1894, Its Antecedents and Significance: with a Consideration into the Solution of this Phase of the Eastern Question, London: G. P. Putnam's Sons.

The British Government in particular attached great importance to some Armenians who lived in Ottoman State (see Picture 4). The abundance of in-depth studies and publications by British scholars on this subject is an indication of the importance placed by the British Government on this issue.[95] These studies widely used photographs or caricatures of the region, referring to the relationship between tax burden and riots (See Picture 5 and 6).

[95] A newspaper reported in 1893 that there were some disagreements between Armenians and local people in Sivas province of Yozgat, causing that a number of people on both sides being wounded and a special commission was entrusted to investigate the affair (Birmingham Daily Post, Thursday, December 21, 1893).

Some Armenians made their applications to Ottoman State through the British Consulate. Özbek (2012) points out that this practice involving the British consulate is quite ironic. The Ottoman administration was informed about the problems of the Armenians in this way. Such a practice has raised the question of why some Armenians, who were Ottoman citizens, submitted their applications to the Ottoman State through a foreign state. Regarding this question, Özbek (2009: 77) gave the opinion of Edhem Pasha: *'... these people, who tend to make mischief, are in an effort to prepare the ground for the intervention of foreign states as a result of the instructions they receive'*. The sentiment of Edhem Pasha also allows a chance for comprehensively thinking on this issue.

Picture 5: Claim on the Armenian Rebels who would not Pay Taxes

Source: Frederick Davis Greene, (1895). The Armenian Crisis in Turkey, The Massacre of 1894, Its Antecedents and Significance: with a Consideration into the Solution of this Phase of the Eastern Question, London: G. P. Putnam's Sons. It was alleged that these people are Armenian rebels who would not pay their taxes.

Considering all these issues on the 'Armenian Question' from the point of tax deferral practices, it is observed that the Ottoman State determined to postpone the taxes of the Armenians living in the Talori and Sason regions due to the turmoil in these places in 1896 (A. MKT. MHM, 752/14). Similarly, according to the document dated 1897, those Armenians who live in the *Genç* Sanjak of Bitlis province and some villages alleged that there were internal disturbances in their regions. They claimed that many people lost their lives, and their animals and materials were damaged during these disturbances. They also reported that the collection of *bedelat-ı askeriye* and other taxes put them in a challenging position. On account of such difficulties, they requested a tax deferral (DH. MHİK. M, 36/34). Similarly, in the document dated 1897, Priest Artin, the Armenian Deputy Bishop of Van, claimed that he was incapable of paying his taxes due to the disturbance. He thereupon asked for a tax amnesty or postponement of his tax liabilities based on an investigation that might be carried out on his situation (DH. TMİK. M, 36/74). In a similar situation, Kirkor, the Armenian Managing Director of Malatya, sent a letter to the Mamuretülaziz province in 1897. He requested an investigation on the tax hike created by the tax officer in Çermik and Çüngüş Christians' time of need (DH. TMİK. M, 42/23).

Another document dated 1897 noted that an Imperial Decree determined that the taxes of those Armenians who were adversely affected by turmoil would be deferred for two years. However, some taxpayers alleged that this deferral was granted only to those whose houses were burned or destroyed and to orphans, while tax officers collected taxes from those who suffered from other problems, and many poor people were being arrested and forced into local prisons. They also claimed that their crops, which were too little and barely enough for the villagers, were taxed. These taxpayers pointed out the importance of a thorough investigation to be conducted on these allegations, suggesting that those who were negatively affected by such events were under the protection of the Sultan and that these people could not be deprived of this protection (DH. TMİK. M, 43/44).

Some Armenians requested tax postponement by citing examples from the practices in some other regions, alleging that they were facing cruel tax practices. However, considering the investigation findings, their allegations did not reflect the situation in the regions accurately. Some Armenians put forward delusive allegations on taxation practices in the hope of obtaining tax deferral. One such case is featured by a letter dispatched to the Ministry of Foreign Affairs in 1896 by the Grand Vizier. The document determined that the Armenians in Harput claimed that they had difficulty in the collection of taxes. However, the investigation conducted in the region suggested that the main aim behind their allegations was to avoid paying their taxes. Still, it was instructed that tax officers shall avoid any illegal practice in collecting taxes and that those who could not afford to pay their taxes and those in need shall be treated appropriately (HR. TH, 182/36). In a similar case, the Governor of

Adana dispatched a letter to the Internal Affairs Ministry in 1897, stating that the Armenians in the Town of Sis, alleged that there were riots and disturbances in their region and that they were suffering from the looting of their animals and some other unpleasant incidents. On account of these problems, they requested some tax privileges, such as tax deferral. However, based on the investigation conducted by the Governor of Adana, it was stated in the letter that there were not any cruel treatments against them and that their allegations were incorrect. Referring to the investigation, the letter also underlined that their main aim was to avoid paying military tax and other taxes
(DH. TMİK. M, 39/79).

In a similar case, Priest Agop from Haçin sent a petition to the Armenian Patriarchate by citing examples of tax deferral practices in the regions where Armenians had internal disturbances. He noted that in spite of the postponement of the taxes for two years, tax officers collected their taxes. He requested that tax collection be stopped during this period. His petition was forwarded to the Court of Justice and Denominations in 1897. In response, it was underlined that tax deferral practices were for regions with internal turmoil and that there was no need for these practices in regions without such problems. In other words, it was deemed that there was no disturbance or turmoil in Haçin and that the Armenians there had to pay their taxes on time (DH. TMİK. M, 35/24; DH. TMİK, M, 35/19).

A similar case was featured in a letter dispatched by the Tax Administration of Van to the Ministry of Internal Affairs in 1898. The letter noted that the Armenians in the Village of Kesri in the Town of Divrigi penned a petition to the Armenian Patriarchate. They alleged that they had been persecuted during tax collection, complaining that their belongings, such as beds and quilts, were confiscated and sold on account of their tax debts. After an investigation on the issue was conducted, it was determined that there was turmoil in the region, the tax records of the area were utterly lost or damaged, and the headmen of the Kesri Village were killed. In fact, the tax collector, Agop Efendi collected only 4,800 *kuruş* of the 32,000 *kuruş* tax debt in the time of turmoil and the allegation regarding the selling of personal belongings did not reflect the truth (DH. TMİK. M, 53/7).[96]

[96] Özbek (2012) puts forward similar allegations based on archival documents, stating that the goods of the local people were confiscated and sold cheaply in the market. However, as can be seen from this example, although there were some improper activities by tax collectors in the region, it is observed that the taxpayers in the area did not provide accurate information and tended to deceive the central administration.

However, as argued above, Özbek (2009) has some concerns about the validity of the above documents. It is because he notes that the central administration assigned local civil servants to investigate the allegations of the Armenians. He argues that the main aim behind the designation of local civil servants was to conceal the real situations in the regions. In fact, in the document dated 1898, Doctor Parih Efendi, a respected person in the region among the Armenian population, stated that no offensive behavior had been displayed against them. He also reported that the complaints against the Ottoman State were inaccurate and biased (DH. TMİK. M, 53/7).[97]

Picture 6: Claim of Heavy Tax Burden on Armenian

Source: Frederick Davis Greene (1895). The Armenian Crisis in Turkey, The Massacre of 1894, Its Antecedents and Significance: with a Consideration into the Solution of this Phase of the Eastern Question, London: G. P. Putnam's Sons. It was claimed that these people are the victims of Ottoman taxation abandoning their village homes.

Özbek (2012) points out that the Armenians reacted both passively and actively to the heavy tax burden. According to him, they engaged in some reactions as a response to the heavy tax burden. However, taking into consideration the above archival documents, it is

[97] For example, as a result of investigation on the claim of the Armenians in Kesme Village, it was realized that their main aim was not to pay their taxes. So, their complaints as being persecuted were incorrect (DH. TMİK. M, 53/7).

clear that the Ottoman State paid great attention to prevent misleading behaviors of the tax collectors against the Armenians, just like for all other parts of the State. For example, the Ottoman administration always warned the tax collectors and clearly emphasized that a fair administration was a fundamental right of all parts of the State. The tax deferral

practices in practice support these points. In fact, it should be underlined that there were attempts by Armenians to obtain tax deferral with false declarations. Some Armenians reported fictitious incidents and misconducts especially in regions without problems of internal turmoil. Still, these allegations made in the hope of deceiving the administration were rejected by other Armenians.

As for the Balkans, there were also tax deferral demands.[98] For example, according to a document dated 1854, the Christian inhabitants of Narda Town requested tax deferral on account of the encroachments by Greek thugs, until they regained their former economic power. Greek thugs also adversely affected the people of Loannina and Trikala. So, a one-year deferral was granted to these places, but tax amnesty or exemption was not deemed necessary (İ. MTZ. (1), 12/298).[99]

It was commonly claimed that the heavy tax burden in the Balkans and on the Armenian nation carried the people to the point of rebellion. It was also alleged that a cruel treatment was applied to these groups who were not satisfied with the Ottoman State administration, especially about the heavy tax burden. Upon such allegations, the Ottoman State aimed at increasing the loyalty of these people to the State and expended considerable effort to establish a fair administration by utilizing tax expenditure practices and other reforms. However, Davison (1993) points out that all these efforts by the Ottomans became insignificant. It is because the nationalist movement had a profound impact on the Ottoman society, and this movement made these policies ineffective. Thus, not only non-Muslims but also Muslims, such as the Arabs, were significantly influenced by this nationalism

[98] There were some allegations regarding heavy tax burden on Christians. However, Halid (1898) argued that the burden on the Muslims was far heavier then non-Muslims. Moreover, he alleged that the Christian natives of the State were much more lightly taxed than any citizen in any part of Christendom.
[99] At the same time, it is possible to expand the examples in the Balkans on the issue of taxation, as discussed by İnalcık (2017). But it is observed that these examples taking place here are parallel to the Armenian events.

movement. So, he puts forward that patriotism was the basis of all these disputes rather than issues related to the tax burden.

4.2.4.2.2. Tax Deferral Practices for the Reconstruction of Settlements and Natural Disaster Zones

The aim of improving the development of settlements and preventing the negative effects of natural disasters were other factors behind the utilization of tax deferral practices in the social context. Above all, taxpayers' liabilities were deferred for a period on the grounds that their ability to pay was lost or decreased due to natural disasters. These disasters were severe winter conditions, hail, drought, flood, earthquake, fire, and locust infestation.

For example, in a document dated 1848, it was determined to support the people of the *Musacalı* tribe, residing in the Sanjak of *Karahisar-ı Sahib,* by giving them an amount of 50,000 *kuruş*. It is because their crops and animals were damaged. They were also allowed to postpone their taxes for a specified period (İ. MVL, 115/2764). Similarly, in a document dated 1850, Muslims in Chios Island and Lesbos claimed that they were in a difficult situation and needed help. It was because their trees were damaged in the natural disaster. So They requested financial assistance from the central administration by noting that the tax reduction granted to them was insufficient. The non-Muslim community also requested a relief concerning their tax debts by citing as an example the practices in favor of Muslim taxpayers (A. AMD, 20/64; A. AMD, 25/47; A. AMD, 25/70).[100] Another document dated 1851 features that the people of Ayvalık requested the deferral of 258,267 *kuruş* of their 306,267 *kuruş* tax on account of the natural disaster. The *Meclis-i Vala* decided to postpone 150,000 *kuruş* for one year on the grounds that it was not possible to delay more than 5/6 of the tax liability (A. MKT. MVL, 39/74).

[100] The local governor himself conducted an investigation, noting that the taxes of the local people were light, and their livelihood was not solely dependent on these trees. The investigation concluded that the main reasons behind their complaints was due to the extra demands of tax collectors (A. AMD, 20/64; A. AMD, 25/47; A. AMD, 25/70).

As for the specific type of natural disasters, the severe winter season was a reason for the utilization of tax deferral practices. One such case is featured by the document dated 1850, which noted that the residents of Karaburun alleged that most of their vineyards were damaged, and they could not receive crops due to the severe winter which affected their agricultural production negatively. They also claimed that they had a large amount of interest-bearing debts which worsened their difficult situation. They filed a petition requesting either tax reduction or financial support. The *Meclis-i Vala* dispatched a letter to the Ministry of Finance by noting that these people were in a challenging situation and needed help. However, the letter also underlined that their requests would have a negative impact on the State's public finance. Consequently, the *Meclis-i Vala* determined to postpone their taxes for one year (A. AMD, 25/73; A. MKT, NZD, 20/57). In a similar case, according to the document dated 1851, the people of *Sığacık* and *Seferihisar-ı Çeşme* towns claimed that their olive trees were damaged because of the severe cold. On that ground, they submitted their requests regarding tax reduction. The tax administration stated that the tax reduction in favor of these regions would affect the treasury negatively. Still, the tax administration underlined that these people could not be forced to pay their taxes because they earned their living on subsistence farming and did not have any other source of income. So, the tax administration determined that their taxes would be postponed for one year depending on the extent of their losses. However, those with the ability to pay would pay their taxes (A. AMD, 32/84; İ.MVL, 191/5804).

Hail was another type of natural disaster causing the utilization of tax deferral practices. For example, in a petition they drafted in 1851, the inhabitants of the village of Yakacık, Kartal, stated that they suffered from hail. So, they requested a tax deferral of 7,800 *kuruş* tax for a few years. This request could not be accepted for a long time. It is because granting a long period of tax deferral would be contrary to the precedent practices. Nevertheless, it was determined that their taxes could be postponed for a year on account of their difficult situation (A. AMD, 29/50). The flood was also among the types of the natural disaster which adversely affected the Ottoman society. For example, 25 village headmen in Ankara claimed in telegraphy they sent to the provincial administration of Ankara in 1892 that the residents of 25 villages suffered from floods and they needed a tax referral (DH. MKT, 1991/94).

Aside from hail and flood, the Ottoman administration used tax deferral practices for eliminating the negative effects of drought as well. A document dated 1846 noted that it was decided to postpone the taxes of those who lived in Ankara due to the drought. It was also noted that those who were in a challenging situation owing to this disaster would be supported through livestock aids, interest-free lending, and permission to pay their debt in three installments (A. MKT, 60/19). In a similar case, a petition was dispatched to the Governor of Bosnia in 1859. The petition asked for deferring the tax of the Bosnian population until the next harvest by alleging that they are facing a drought problem in the region. So, they deeply suffered from scarcity (A. MKT. MHM, 172/72).

There are also examples of the utilization of tax deferral practices for the mitigation of the adverse effects of earthquakes. According to a document dated 1847, five households living in the Pasha Port Island of the Town of Erdek requested a deferral of a 1,700 *kuruş* amount of tax in total on account of having difficulty paying it. They claimed that this difficulty was due to the fact that they suffered an earthquake. The *Meclis-i Vala* deemed their request of tax deferral appropriate (A. MKT, 75/92). In a similar situation, the residents of *Suruç* in Urfa penned a petition and this petition was presented to the Sadaret in 1887. They asked for the postponement of their taxes on account of the damages caused by the earthquake (DH. MKT, 1468/9). The inhabitants of Sinop claimed in 1896 that they were in a difficult situation due to a recent earthquake. On that ground, they requested to postpone their taxes. They also requested to be allowed to construct new buildings (MV, 89/11).

Fires were another factor that affected the Ottoman society negatively and gave rise to the utilization of tax deferral practices. A document dated 1856 features that there was a fire that impacted the lives of nearly 3,000 Jews in Thessaloniki. These people became homeless and endured difficulties and destitution due to this fire. So, the Ottoman administration decided to help them by providing financial supports as well as repairing and reconstructing their houses and shops, with the assistance of engineers living there. In addition, the Ottoman administration decided to collect taxes from those who had the ability to pay their taxes.

However, the taxes of those who did not have the ability to pay were postponed until they reached their previous welfare levels (A. MKT. MVL, 90/27).

Locust infestations were also another natural disaster negatively affecting the Ottoman society. For example, the document dated 1850 noted that nearly the entire Biga Sanjak was ravaged by locust infestation. In addition, their olive trees and other trees were damaged due to severe cold. As a result of these problems related to the difficulties in farming, each of the towns in Biga Sanjak sent a petition to the Biga council, requesting tax amnesty. The Biga council in turn dispatched these requests to the central administration. The central administration did not issue a tax amnesty despite their difficult situation mostly due to the fact that their livelihoods were not entirely dependent on agriculture. Trade and craft were also widespread in the Biga Sanjak. Still, it was decided that their taxes could be postponed for a specific period, and they would be provided with seeds for agriculture (A. MKT. UM, 38/58).[101]

4.2.4.2.3. Tax Deferral Practices for improving Social Welfare

The Ottoman administration utilized tax deferral practices to improve the welfare of society. Similar to the above examples related to natural disasters, these tax deferral practices were aimed to support the taxpayers whose livelihoods were damaged and thus lost their ability to pay. To support those people also provided an important contribution to the whole society's welfare.

For example, according to the document dated 1847, the inhabitants of the village of Hamid in *Taşköprü* Town of Kastamonu requested to postpone their taxes due to the burning of their house in a devastating fire until they regained their ability to pay (MVL, 49/16). The inhabitants of Sinop made a similar request by drafting a petition in 1857. They claimed that their homes were damaged due to fire, and their property was seized or looted during this fire. On the grounds of their lack of ability to pay their tax due to this fire, they asked for tax

[101] It is observed that the tax deferral practices on the grounds that disasters were prevalent in the Ottoman public finance system. However, there were some problems due to the lack of correspondence, as discussed in the document dated 1888. In this document, the people of *Izziye* Village of Kilis Town requested to defer their tax payment until the harvest time owing to damaging their crops in a disaster. However, due to problems in correspondence, they were informed by stating that there was no need to apply a tax deferral because of the beginning of the harvest time (DH. MKT, 1549/114).

reduction for their taxes of 119,000 *kuruş* over three years in total. They were informed that a tax reduction practice would adversely affect the treasury. Still, their taxes were to be deferred for six years with the addition of a tax of 25,000 *kuruş* per year (İ. MVL, 368/16142).

Similarly, the villagers of Bosnia wrote a petition to the Governor of Bosnia and the Minister of Finance in 1851. They alleged that they were in a miserable situation. In response, the Minister of Finance determined to delay their taxes and provide financial and in-kind support to them (A. MKT. MVL, 43/1). Also, according to the document dated 1888, the people of the Town of Garbe in Kilis claimed that they were in a challenging situation due to the fact that their crops were damaged. They requested a deferral of their

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taxes until the harvest time due to their economic difficulties. The governor of Aleppo replied to their requests by stating that the decision of the Ministry of Finance would be waiting for a final decision (DH. MKT, 1539/80). In a similar case, Akif, a tax collector, sent a telegraph in 1894. He stated that he suffered from losses due to the spread of cholera in Bursa and Yenişehir. It was because cholera negatively affected the transportation and sales of agricultural products in the regions. So, he requested a deferral of his taxes for three months. In the end, *Hüdavendigar* Province was notified that his request was accepted (DH. MKT, 287/75).

Similarly, when approximately 60 villages with Muslim populations were destroyed by Greek thugs in 1855, the villagers sent a petition concerning the destruction caused by these thugs in the region. It was determined that the population of Muslim villages would be financially supported and that their taxes would be postponed as much as possible (HR. SYS, 1709/50). Similarly, according to a document dated 1899, the inhabitants of the Village of *Beş Kuyu* in Loannina asked for the postponement of their taxes for one or two years through the Greek Patriarch. They claimed that their village was damaged in the Greek battle. The Province of Loannina was informed that a final decision on this tax deferral would be made by the Ministry of Finance (DH. MKT, 2218/85). However, the inhabitants of the village sent another petition on the same issue. In response, they were notified that they did not have liabilities for real estate and dividend taxes since most of them did not have their property. It was also underlined that since the military tax was not imposed on them for a long time, other taxes were already very low, and, two years had passed since the battle. It was determined that there was no need to defer their taxes. Still, in spite of all these assessments, the Ministry of Finance declared that some help would still be available for them (DH. MKT, 2235/70).

4.2.5. Rate Relief Practices

The last kind of tax expenditure practice that was used in the 19th-century Ottoman public finance was the rate relief. Unlike a standard tax rate for the whole tax system, it was a tax expenditure practice of implementing a lower tax rate for certain taxpayer groups or transactions. It is observed that rate relief practices were introduced within the context of economic and fiscal as well as social issues just like other tax expenditure practices.
Also, some archival records featured taxpayers' expression of gratitude or dissatisfaction with these practices.

4.2.5.1. Rate Relief Practices in the Economic and Fiscal Context

Considering the rate relief practices within the economic and fiscal context, two main factors are causing to benefit from these practices. The first one was to provide a fair tax burden distribution due to the lack of ability to pay. The second one was to adopt certain rules for maintaining efficiency in the collection of public revenues.

On the issue of providing a fair tax burden due to the lack of the ability to pay, a document dated 1829 noted that the carpenter shopkeepers who were employed in the *Tersane-i Amire* claimed that their taxes exceeded their ability to pay and that these taxes put them in a difficult position. So, they requested that some other occupational groups, such as plasterers, bricklayers, and owners of Turkish baths, should help them in paying these taxes. Upon this request, it was determined to utilized rate relief practice in favor of these shopkeepers. Three in five *kuruş* would be paid by the carpenter shopkeepers while the remaining two would be compensated by the others (HAT, 573/28082).

As a result of the previously mentioned principle of providing a fair tax burden distribution by shifting some tax burden from Anatolia to the Balkans, a tax hike occurred in some parts of the Balkans. Still, it was underlined that the ability to pay and the specific conditions of the regions should be taken into consideration. In this respect, a document dated 1847 noted that it was decided to exempt the people in the towns of Sahara and Bulgarcık in Vidin on the grounds that these towns were close to the border (A. MKT, 96/42). Another document dated 1862 emphasized that these vulnerable regions[102], such as Bosnia and Shkodra Sanjak as well as areas supplying timber to the shipyard and the army would be exempted from the tax hike in the Balkans. This document also stated that the tax hike shall be distributed according to certain criteria. These criteria were related to how far a region was from a port or a trade center, and the income and wealth of the taxpayers there (A. MKT. NZD, 423/43).[103]

Regarding tax hikes, there were also requests of tax deferral. The people of Gemlik, for example, noted in a document dated 1866 that their dividend tax increased nearly 11,153 *kuruş* after the last register. They claimed that they did not have the ability to pay counterbalance this tax hike. Accordingly, they made a request of either tax amnesty or deferral (MVL, 727/37). A similar document dated 1880 noted that there was a tax hike of 20 *kuruş* tax per animal in the province of Van. The administration of Van dispatched a letter to the Ministry of Finance, requesting a deferral (DH. MKT, 1334/86). According to another document dated 1888, there was a tax hike in the province of Tripoli. However, it was decided that the increase in tax would be postponed for one year because of the severe economic conditions of the local population (MV, 34/9). Also, the inhabitants of the Syrian province of Havran were reluctant to pay their taxes as a result of the last tax hike. The document dated 1889 also noted that they were complaining about this tax hike. In the end, the hike was postponed (MV, 40/62; DH. MKT, 1599/48).

[102] İnalcık (2017) discussed that the rebellions in these regions were supported especially by the foreign states, mainly by Russia in pursuit of a Slavic policy. Then the Slavic policy spread to the Balkans and caused the survival problems of the Ottomans by making these regions vulnerable.

[103] There were some other rate relief practices on the grounds of being close to the borders. These practices were as follows: the practice regarding the Village of Berane, a Village of Christian and close to the Montenegrin border (see A. MKT. MHM, 497/1; DH. MKT, 1499/72); the importance of the location of the Sporat Islands, subject to Chios Island, and Meis Island and Yemen province (see MV, 34/38); the Cezayir-i Bahr-i Sefid province due to its strategic position (see ŞD, 322/6).

Similarly, some Jews in Aydın wrote a petition to the district governor of Aydın in 1855. They had been paying 16,000 *kuruş* tax per year and this amount was appropriate for their ability to pay. However, their tax was increased from 16,000 *kuruş* to 20,000 *kuruş*. They claimed that such a hike exceeded their ability to pay. They requested a tax reduction. Their petition was in turn forwarded to the İzmir provincial administration. In response, the district governor was notified that this tax hike was put into practice by the local council. The Treasury did not have any information about this hike. In the end, the district governor demanded an investigation of this tax hike (A. MKT. UM, 190/99). Similarly, the Baghdad administration dispatched a telegram in 1887 to clarify whether the tax hike in property and dividend tax since 1887 would be applied to the taxpayers who pay tent tax.[104] In response to this telegram, it was noted that these taxpayers already had a low ability to pay. It was underlined that imposing a tax hike on them could give rise to

some problems, such as the abandonment of agricultural lands and migration to other places. So, this movement would negatively affect local agriculture. Due to such, the hike on the tent tax was not levied on these taxpayers and they were granted rate relief (MV, 39/11; DH. MKT, 1554/1). In a similar document dated 1889, it was noted that there was no need for any increase in the taxes of the Sporat Islands. It was because the population of the Sporat Islands was poor. The document also underlined that they were exempted from real estate tax and military tax as well as Maarif and Public Works payments (MV, 43/62).

As mentioned above, rate relief practices were also put into practice to protect the Ottoman State's public revenues for providing efficiency in the collection of public revenues. For example, the document dated 1861 noted that there had been a 14 *kuruş* tax on the goods being transported to Iran. Then, a ten *kuruş* hike was introduced on this tax. However, it was alleged that this tax hike would lead merchants to take their products directly to the Russian port, instead of using the Erzurum route thus resulting in a decline in customs revenues and the activity on the Erzurum route, which would damage negatively the Treasury. Therefore, it was decided to call off this tax hike (A. MKT. NZD, 363/61). Another rate relief practice that considered the effectiveness of public revenues was discussed in the document dated 1881. The Kastamonu Provincial Administration addressed a telegraph to the Ministry of

[104] It was a tax collected from tribes in some regions such as Baghdad, Basra, Mosul depending on their ability to pay or customs. So, it was calculated according to the number of camels, cattle, sheep, goat, etc. which were used for their meat, milk or used for beasts of burden as well as per tent (Sayın, 1999).

Finance. This telegraph stated that it was requested to postpone the tax hike on the rifle tax until the current low prices of rifles went up (DH.
MKT, 1335/9).

4.2.5.2. Rate Relief Practices in Social Context

The Ottoman administration utilized rate relief practices as a way to handle social issues. Preventing tax hikes without any legal arrangements and improving the social welfare of the society were two prominent reasons for using these practices in the Ottoman public finance.

4.2.5.2.1. Lack of Legal Arrangements regarding Tax Hikes

The lack of legal arrangements regarding tax hikes gave rise to some social problems in Ottoman society. So, some taxpayers wrote petitions by criticizing these unlawful practices. In one such case, the residents of Tosya penned a petition to the Ministry of Finance in 1857. They claimed that tax collector, *Çankırılı Hacı Said Efendi,* increased the tax of Tosya without the permission of the Imperial Decree. In response, the Ministry of Finance determined that this tax hike would be eliminated by refunding the amount of collected tax. The Ministry of Finance highlighted that all these decisions would be carried out under the supervision of the governor of Ankara and the registry office, known as *defterdar* (A. MKT. NZD, 230/32). Another document dated 1859 pointed out that the tax of the Town of Saz in the Amasya Sanjak was accidentally raised and that it was determined to call off this tax hike (A. MKT. UM, 349/94).[105]

A document dated 1888 featured a more complicated course of events. The tax records of the Town of Debre-i Bala were not kept, and the local tax administration enforced a tax hike of nearly 25% as per the decision of the Grand Vizier. Upon this hike, 10 villages in the Town of *Debre-i Bala* refused to pay their taxes. It was because the new rate was over their ability to pay and there were no new tax records (MV, 37/6). On the grounds of this reaction

[105] There was also a tax hike on Edirne. Bekir Rüstem, the Administrator of Edirne, sent a letter in 1848 to the Ministry of Finance noting that there was no clarity of this hike, requesting the more information on it (A. MKT, 110/29).

and the lack of legal documents regarding taxes, the tax hike of the Town of *Debre-i Bala* on the *bedelat-ı askeriye* and other taxes were abolished in 1889. It was underlined that the tax records of the Town of *Debre-i Bala* were initiated. Therefore, the local people of the *Debre-i Bala* were to be exempted from the tax hike (MV, 39/67). The *Meclis-i Vala* sent a letter regarding this decision to both the Ministry of Finance and the province of Kosovo in 1891 (Y. A.HUS, 252/40).[106]

4.2.5.2.2. Improving Social Welfare

Improving the social welfare of the Ottoman society is another reason behind the utilization of rate relief practices within the context of social issues. Allegations regarding difficulties in the ability to pay by taxpayers come into prominence in this regard.

One such case was featured in a document dated 1842. The inhabitants of the Town of Kalecik in the *Çankırı* district wrote a petition. They noted that they had been paying

regularly their 160,000 *kuruş* tax. They alleged that the local tax administration increased their tax by adding 124,000 *kuruş* on this amount of tax. They complained as this tax hike exceeded their ability to pay and caused poverty (A. MKT, 4/44). According to a similar document dated 1851, the residents of Zeytun Town stated that they had difficulty in paying their taxes. However, their taxes were increased by adding 45,000 *kuruş*. So, they asked for the abolition of this tax hike. They argued that the tax hike would put them into extreme poverty and even cause them to emigrate. In this context, *Meclis-i Vala* demanded information from the Ministry of Finance by carrying out an investigation on the issue (A. MKT. NZD, 45/89). Similarly, the document dated 1852 noted that the Armenians in the Tavra Village of Sivas had been paying a tax of 2,306 *kuruş* regularly, though they had some difficulties regarding this payment. However, their taxes were increased to 4,306 *kuruş*. Therefore, they wrote a petition via the Armenian Patriarchate for the cancellation of this tax hike by alleging that it would put them in a devastating situation (HR. MKT, 45/6).[107]

[106] There were also some examples with regard to the violation of the law. For instance, a document dated 1846 stated that Mustafa, the head of the Şeyhlü Town, was accused of excessive hikes on Islamic tithe and persecuting the public. It was also alleged that he tried to replace the mufti and council members to cover these allegations. Consequently, the document determined to bring him to court (A. MKT, 35/70).

[107] There were also some documents regarding rejecting or not responding to the request of taxpayers on tax hike. So, these taxpayers send their request in more than once. For example, the document dated 1852 stated

Another rate relief practice was featured in a document dated 1850. The Tanzimat administration decided to collect a fixed amount of tax from the Village of Kamerkab in *Eğin* Town. The 24 households in the village were exempted from taxes owing to their low ability to pay. The people of the Kamerkab Village complained that the local administration increased their taxes and this tax hike exceeded the amount they were able to pay. On that ground, they requested the cancellation of the increase (A. MKT. UM, 5/59). According to another document dated 1851, Christians in the towns and villages of *Rusçuk* and Hezargrad stated that they regularly paid 50,000 *kuruş* as spirits tax. They requested the removal of the 20,000 *kuruş* hike on their taxes (A. MKT. NZD, 24/89).

Another document dated 1855 noted that the people of the Town of Sard, in the Tripoli province, had been paying their tax of pay 280,230 *kuruş* regularly since the earlier periods. However, they alleged that their taxes were raised to 471,230 *kuruş* from 1877 onwards. They stated that they did not have the ability to pay such an amount. They argued that the local tax administration did not take into consideration their ability to pay. They also claimed that they already had a tax debt of 676,200 *kuruş*. On these grounds, they

requested a reduction or elimination of this tax hike. The *Meclis-i Vala* discussed these allegations and then dispatched a letter to the governor of Tripoli. The letter underlined that the economic power of the region would be considered, and then a tax reduction should be put into practice (A. MKT. MVL, 74/67).

In a similar document dated 1856, the inhabitants of the *Sugla* Town, in Saruhan Sanjak stated that they used to pay 10,000 *kuruş* taxes, and their taxes were raised to 22,000 *kuruş* three years before. They argued that this tax hike put them in a difficult situation and worsened their misery. They asked for the cancellation of this tax hike. In response, a letter was sent to the governor of Izmir demanding an investigation of their allegations (A. MKT. UM, 246/55).[108] In another document dated 1858, inhabitants of six villages in the Town of

that the inhabitants of the Town of Gümüş of Amasya made numerous requests for amnesty and reduction of the 42,000 kuruş tax hike as a result of the regulation of the fiscal administration (MVL, 113/37).

[108] For more information about the rate relief practices regarding improving the social welfare of the Ottoman society, see the following documents: for the property of the Virgin Mary monastery in the Village of Armeşa of İzmid (MVL, 719/3); for the the people of Kayseri, who engaged in trade in Bayındır (MVL, 719/3); for the Hüseyin Ağa from the Town of Daday in Kastamonu (MVL, 552/63); for the residents of the Sanjak of

Pazarköy stated that they used to pay 20,000 *kuruş* spirits tax per year. They claimed that this amount was later increased to 33,000 *kuruş.* They requested via the Armenian Patriarch that this increase would be canceled. They argued that they made such a request as the hike caused a heavy tax burden on them (HR. MHK, 245/27).

4.2.5.3. Taxpayers' Reactions to Rate Relief Practices

As discussed above for other kinds of tax expenditure practices, taxpayers exhibited their reactions to the rate relief practices with approval or complaints in the Ottoman public finance. Taxpayers' approval reactions were generally caused by the elimination of tax hikes. On the other hand, their complaints were usually due to the unrest in regions caused by the heavy burden of tax hikes.

4.2.5.3.1. Taxpayers' Positive Reactions to Rate Relief Practices

Considering the documents expressing gratitude for the abolishment of tax hikes, these documents were generally an outcome of the idea of the fair distribution of the tax

burden that was initiated with the proclamation of Tanzimat. As discussed earlier, this fair distribution of the tax burden mainly took place between the Balkans and some parts of Anatolia. Some of the tax burdens of Anatolia was shifted to the Balkans.

In a document dated 1848, the people of Plovdiv, Vize, and İslimye in Edirne expressed their thanks and satisfaction due to canceling the tax hike for these regions. The document noted that these letters of thanks would be presented to the Sultan (A. MKT. MHM, 4/4; MVL, 57/68). Also, the Governor of Silistra sent a letter of gratitude for the amnesty of the tax hikes on the Sanjaks of Silistra and Varna (MVL, 58/44). In addition to the rate relief practices on the Balkans, there are also some documents regarding these practices for Anatolia. For example, the document dated 1848 revealed that the Konya Governor sent a

Havran (DH. MKT, 1643/66; DH. MKT, 1599/48); for the Town of Yakova, in the İpek Sanjak (MV, 38/70; DH. MKT, 1573/55); for the Town of Imadiye, belong to Van (DH. MKT, 1602/46); for the Town of Kasbat (DH. TMİK. M, 68/9); Finally, for the zebhiye tax in Kastamonu (ŞD, 1661/10).

letter expressing gratitude for the cancellation of the tax hike that had been planned for Konya Sanjak (İ. DH, 168/8874).

In fact, some taxpayers displayed a positive reaction to the tax hike. According to the document dated 1862, the residents of Karahisar welcomed the tax hike. In other words, instead of objecting to this tax hike, the people of Karahisar accepted the tax hike instead of objecting to it. So, the district governor of Karahisar sent a letter to the Ministry of Finance (A. MKT. NZD, 427/81).

4.2.5.3.2. Taxpayers' Complaints on the Lack of Rate Relief Practices

In the Ottoman public finance, taxpayers reacted adversely to the tax hikes. And, they complained that they were in a difficult situation owing to exorbitantly increasing their taxes. They exhibited negative reactions to these hikes by criticizing their conditions and requesting the reassessment of their taxes. In fact, some of them were involved in rebellion activities, or the central administration already took some precautions to prevent possible rebellion. In general, taxpayers made some complaints about the lack of rate relief practices in the Ottoman public finance. These complaints stemmed from the following reasons: i) tax hikes over their ability to pay, ii) tax hikes despite natural disasters, iii) overestimation on tax records, iv) not considering the specific conditions of regions.

As for the complaints of tax hikes exceeding the ability to pay, a document dated 1846 noted that the people of *Maraş* sent their petitions regarding the tax hike by alleging that this tax hike worsened their tax burden (A. MKT, 52/73). Similarly, the people of the towns of Kırşehir and Aksaray dispatched petitions in 1864, claiming that the current tax hike exceeded their ability to pay. And they requested the elimination of this tax hike (MVL, 443/100). In another case, Rüstem Efendi stated in the document dated 1856 that he could not afford to pay his taxes after the last tax hike on his farm in Florina, thus he requested the cancellation of this tax hike (A. MKT. UM, 224/77). Lastly, according to a document dated 1866, Hacı İsmail, from the Town of Amid alleged that did not have the ability to pay the increased taxes on his property, especially due to the last tax hike (MVL, 504/117).

Tax hikes in the event of natural disasters are the second reason for complaints of the taxpayers. In other words, natural disasters put taxpayers in difficult situations and they in turn claimed that they could not afford to pay their increased taxes. One such example was featured in a document dated 1899. The Greeks in the Sanjak of Kütahya dispatched a petition via their mukhtar to Kütahya Sanjak. The petition noted that they were in a difficult situation due to famine and fire. However, they were demanded to pay their military tax as well as other taxes. In addition, there was a hike on these taxes. They also stated that they were asked to work in the building of roads (DH. MKT, 1631/113).

The third reason why taxpayers filed some complaints in the Ottoman public finance system was the overestimation in tax records by tax officers and tax collectors. For example, according to a document dated 1853, the residents of the Kökçe Sükutu Town, in the Bolu Sanjak, pointed out that they had been paying their taxes regularly. However, they complained about their tax collectors, Hatip Hüseyin, his son Halil, and Hüseyin, the son of mukhtar Hasan. It is because they alleged that these people recently increased their taxes considerably, raising the taxes by four *kuruş* and the Islamic tithe by 670 *kuruş*. They requested to eliminate these tax hikes on the grounds that these hikes left them in poverty (A.MKT.UM, 140/31). In a similar case featured by the document dated 1867 that tax officers recorded an excessive tax amount of dividend taxes on foreign tradesmen living in Erzurum. After the investigation of the issue, it was determined that tax officers increased their taxes approximately between 2 and 6 times more than actually necessary. So, it was reported that this hike gave rise to adversities for these tradesmen. In fact, some of them closed their shops, and others applied to consulates to migrate to Iran. Upon such developments, it was determined that these hikes would be eliminated, and the amounts collected would be refunded to these tradesmen. They would also be able to continue their work by re-opening their shops (MVL, 1052/97).

In a similar case, the inhabitants of the Town of Kumanovo wrote a petition to the province of Kosovo in 1891. They alleged that there was an exorbitant tax hike on their tax debts regarding the *kantar tax* and animal tax. They complained about this harsh tax hike in their petition (DH. MKT, 1822/10). Also, Osman, from the Town of Aziziye, sent a telegraph to Sivas province on behalf of the residents of Aziziye. He claimed that their real estate and land were overestimated by tax officers. So, he claimed that this overestimation gave rise to deep grievances in society (DH. MKT, 1926/89).[109]

The last reason causing the complaints of taxpayers due to tax hikes was the failure to consider the specific conditions of regions. So, some taxpayers requested to be exempt from tax hikes by claiming that they had to bear extra costs on account of the importance as well as the vulnerability of their locations. In one such case, a telegraph was sent to the governor of Niş in 1861. This telegraph remarked that the governor of Niş had a right to shift tax hikes among the towns (A. MKT.UM, 501/43). There were discussions among the towns of İvranya, Leskofça, Şehirköy, and İznepol on the distribution of the tax hike enforced in 1862. Upon these discussions, it was determined that 12,000 *kuruş* of tax were to be reduced for *İznepol* Town, and no tax was to be imposed on *Şehirköy* Town. By contrast, a 20% tax hike was put into practice in the Town of *İvranya*. However, the people of the Town of *İvranya* complained about this hike by saying that they could not afford it.
They claimed that the Towns of Şehirköy and İznepol were in fact centers of trade and the most developed towns, which made these towns more suitable for this tax hike (A. MKT. UM, 572/50).

In a similar case featured by the document dated 1882, the inhabitants of the *Zuvare* in Tripoli complained about the last tax hike bringing forward some problems that they had

been enduring due to their locations. These reasons are ranging from having constant struggles with the Dragma Tribe in the region to protecting the border on account of being close to it. They also claimed that they were negatively affected by the French attacks on Tunisia and becoming poorer. On such grounds, they asked for the forgiveness of the 44,000 kuruş tax hike on their taxes in 1867. In 1879, it was determined to terminate this tax hike, underlining that the hike might induce rebellion (ŞD, 286/24).

[109] In some regions, these tax hikes caused residents of the region to migrate to other places. For example, according to the document dated 1888, a total of 12 people from two separate households of *Kolaşin* Christians moved to Montenegro with the encouragement of Lazar, the Commander of Montenegro. They claimed that there was a tax hike on the cattle tax in the previous year and a general tax hike on other taxes as well as on military taxes at this year (DH. MKT, 1503/26).

While the inhabitants of the Zuvare did not attempt a rebellion, the Zaviye Tribal Sedidi Denomination in Tripoli rose up against the tax hike. According to a document dated 1890, this tribe refused to pay their taxes due to a 25% tax hike and they murdered the tax officer. Some soldiers were thereupon sent to the region to punish these people and arrest the murderers. It was deemed essential to ensure public safety by preventing possible incidents and repressing those who were disturbing the social order (DH. MKT, 1731/108).[110]

5. TAX EXPENDITURE PRACTICES IN THE OTHER 19TH CENTURY NATION-STATES

As in the Ottoman State public finance system, many countries, such as Britain, Germany, Russia, France, included tax expenditure practices in their public finance systems. So, these countries benefited from tax expenditure practices in the context of economic, fiscal, social, religious, and cultural issues.

[110] There are also some documents discussing that some of the taxpayers' complaints did not reflect the real situation regarding tax hike practices. For instance, the document dated 1846 noted that it was asked for an investigation on the allegations of whether Hamdi Pasha, the Governor of Konya, introduced a tax hike on tribal tax against the tribe of Sarıkeçili (A. MKT. MVL, 2/12). For more examples, see the following documents (A. MKT. UM, 286/5; A. MKT. MHM, 494/51).

While Surrey (1967) put forward the concept of tax expenditure in the second half of the 20th century, there is a unanimous consensus on the use of tax expenditure in earlier periods, without using the term of *'tax expenditure'*. In fact, Seligman (1911) and Daunton (2001) point out that tax exemption practice, the most common type of tax expenditure, is not just a problem or issue of the modern era.[111] They also argue that this practice had been an ongoing practice since the Romans, with a few small changes until the Middle Ages with a view to be utilized for a section of the society such as nobles, clergy, and lawyers. According to them, the clergy faced the risk of losing their tax concessions with the reform movements in Europe, in particular. They maintain that with these reforms, tax exemption turned into a new form, a tool of economics and tax policy in today's modern states, allegedly by losing its drawbacks such as granting privileges to certain groups of society. Tax exemption is also discussed as a way of providing positive contributions to the national economies within the context of economic, fiscal, social, political purposes. It is impossible, however, to say that the debates on the adverse effects of tax exemption, and thus tax expenditure, in the literature have ended.

Considering the past periods, it is clear that almost every society benefited from tax expenditure practices, and the empires or countries used these practices for their specific purposes. In fact, Ende, Haberham, and Boogert (2004) state that tax expenditure practices in the Dutch tax system go back to early periods by giving examples about the exemption of seafarers from the patent tax between 1805 and 1895.[112] They also suggested that it was aimed to promote economic activity through tax expenditure. Besides, they noted that the

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tax expenditure practices on income tax in the Dutch tax system were also used in this period.

There was also a tax expenditure practice in Sweden on the land tax. So, the land tax was fixed in 1789, and the payment of this tax was determined to be paid both in kind and in cash. However, the land reclamation was designed as a type of property that would be

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[111] They only considered tax exemption in their studies rather than other types of tax expenditure, such as tax reduction. However, it is possible to generalize their sentiments on all tax expenditure practices.
[112] Their claims are based on the study conducted by the Dutch professor Ferdinand Grapperhaus in 1997, *'Tax Policy in the Netherlands from 1800 till after 2000'*.

exempted from this tax. In the Swedish fiscal system, some exemptions from the income tax [*mantalspenning*] which had a regressive structure were listed. The poor, the soldiers, and the indigenous people of Lapland were among the persons or groups who were exempt from income tax in this period (Schön, 2010).

Spain is also another country that utilized tax expenditure practices in these periods. In the 19th century, Alejandro Mon, the Spanish politician who was the architect of the tax reform in 1845, stated that the tax burden should be shifted on landowners and the tax burden of farmers should be reduced. In fact, he submitted a motion to the parliament in that direction. While this reform was intended to be implemented throughout the country, some regions were excluded from the reform for fear of a new *'Carlist War'*. Also, the Spanish parliament was subjected to external political pressures on customs duties in this period, and the Parliament had to grant tax exemptions to the importation of railway materials for foreign companies in 1855 (Comín, 2010). In spite of all these developments, the tax reform in 1845 was considered a very successful move in Spanish fiscal history. It was because this reform provided some crucial benefits to the Spanish government, such as annual approval of the budget by the parliament, centralization of fiscal structure, and the abolition of the privileges of the nobility by the introduction of new taxes (Cardoso, & Lains, 2010).

Austria-Hungary, a prominent power in this period with its large territory, also introduced reforms in its tax system in the 19th century. Austria-Hungary focused on tax expenditure practices in particular. In the middle of the century, the empire was determined to put an end to tax expenditure practices in its public finance system in order to create a decisive tax system to be supported by taxpayers (Pammer, 2010).

All these above practices were designed for internal practices in countries' public finance systems. However, tax expenditure practices were not only introduced within the scope of domestic regulations as in many examples mentioned above but also, there were some other regulations within the scope of multilateral treaties under international law. For example, it was decided in the Netherlands in 1819 that in addition to Dutch ships, the ships that carried the Dutch flag would also be exempt from 'license tax', also known as *droit de patente*. In other words, the license tax would not be imposed on ships that have the Netherlands' flag. Britain arranged a similar practice in 1823. Exports to the British colonies were privileged through tax expenditure regardless of whether the ships were British or not (Jogarajan, 2011).

Considering the above tax expenditure practices, it is clear that the tax expenditure practices are not only a tool utilized by contemporary states. Many countries utilized tax expenditures in the past. As Seligman pointed out, tax expenditure has a long history. In the following sub-sections, the practices of tax expenditure that were used in British, French, German, and Russian tax systems, which had vital importance in world economic and fiscal history in the 19th century, will be presented. And notable examples of tax expenditure practices in these countries will be provided.

In addition to the importance of these countries in the world economic history, the close relationship of the Ottoman State with these countries is also a factor behind taking into consideration of these countries. This close relationship affected the economic and fiscal life of Ottomans, particularly in the 19th century. So, the following sub-sections provide examples to compare the similarities and differences in the practices of tax expenditure in the Ottoman State with examples of these countries.

5.1. Tax Expenditure Practices in Britain

Britain has a prominent position among the countries that have improved their public administration, especially in taxation. Considering the history of England after the Norman Conquest of 1086, an inventory of all taxable resources owned by the citizens throughout the country was conducted in 1086. These resources were ranging from the number of animals to the size of lands. This inventory is regarded as the most significant and oldest statistical information source in European history. It played an imperative role in the determination and collection of taxes. Even today, in some cases, it is acknowledged as a primary source for taxation in Britain. [113]

[113] McDonald & Snooks (2003) stated that The Domesday Book has been neglected by economic historians.They also argued that *'The Domesday Book'* is an important source of economic history containing tax expenditure such as tax reduction in the period in which it is used and that it is valid today in Britain.

This inventory is named *'The Domesday Book'.* Taxpayers could not object to these records since they were extremely decisive. McDonald & Snooks (2003) point out that *The Domesday Book* became more significant in the utilization of taxes and tax exemption practices as a fiscal policy tool. In fact, Harvey (2014) claims that *The Domesday Book* provided huge privileges to the supporters of rulers via tax exemptions. Besides t*he Domesday Book,* another significant development in the field of public administration and public finance in the history of Britain was undoubtedly the Magna Carta (1215) and the Bill of Rights (1689). Schremmer (1989) argues that both sources induced critical developments in public finances, such as public law, tax law, and the government budget.

Some scholars working on the public finance history of Britain provide critical insight into taxation in 19th century Britain. For example, Heathfield, (1849) provides information about the public revenues in the 19th-century British tax system. Babbage (1851), Buxton & Barnes (1890), Dowell (1888d), Daunton (2001) also give information about the taxes in the 19th century British public fiscal system and exemptions from these taxes. These studies are among the crucial sources for examining how tax expenditure practices were used in Britain during this period, in particular.

Among these studies, Daunton (2001) uses the term *'long nineteenth century'* for 19th century Britain. The author also states that the income tax-to-national income ratio in this century tended to decrease, from 20% in 1799 to 10% right before the First World War. The author argues that this decline may be seen as an example of success in terms of public fiscal management, particularly in national debt reduction. So, Daunton (2001) explains this success with certain factors, such as easy and inexpensive government management as well as cheap and on-site delivery of public services as a result of investments of local powers rather than state, fair and equal tax administration, powerful control of public expenditures through legal arrangements. However, this ratio rose from 10% to 25% during the First World War and then to 40% during the Second World War.

Daunton (2018) puts forward that there was an excellent relationship between taxpayers and tax collectors in Britain when compared to other European countries. He also highlights that there were no *'legal'* tax exemptions to the nobles and clergy. In other words, there were no widespread tax privileges in Britain when compared to other countries such as France, Russia, or Austria (Dickson, & Sperling, 1970).

This successful management system was called *'fiscal uniformity'* in British history as taxes were imposed not only on each region but also on all classes in the society, regardless of their rank. In fact, it is argued that contrary to in other European countries, there was no legal regulation regarding tax exemption practices in the tax system of Britain in favor of nobles or leaders, such as Duke, Marquess, Earl, Viscount, Baron, Baronet, Knight. However, in many cases, large landowners had less tax burden than other segments of society because of economic and fiscal reasons. But, this distinction in the social and economic system was explained in the light of economic and fiscal objectives rather than a class difference. So, Brewer (1989) states that the British tax system seems to have been fairer than many other tax systems in Europe. However, it is also noted that there were still inequalities in British society.

In the 18th century, for instance, Britain had a higher proportion of tax revenues in the national income when compared to France. However, in spite of the rate difference between these two countries in terms of taxation, Daunton (2001) points out that while tax exemption practices were less frequent in Britain, the negative attitudes against taxation, such as not paying taxes or rebelling against taxes, were higher in France. Britain confronted fewer economic and political crises than other European countries thanks to the successful management of the tax system. This positive outlook in the British tax system continued until the beginning of the First World War despite the interruption of the Napoleonic Wars in the first quarter of the 19th century (Mathias & O'Brien, 1976).

Daunton (2001) argues that Britain's economic and imperial power was unrivaled during the 17th and 18th centuries with the support of this successful public finance system. In other words, the author points out that a strong military government administration was combined with a sound fiscal structure. Similarly, Mathias & O'Brien (1976) states that the main reasons behind this success were a '*minimum understanding of the state'* based on the laissez-faire and a balanced tax burden.

The idea that the parliament had a high impact on taxes as a consequence of the '*English Bill of Rights'* in 1689 is also important for drawing attention to the reasons behind this success in the British public fiscal system. The British parliament closely followed the practices regarding taxation, controlling the public revenues and expenditures in terms of both quantity and amount. This was provided crucial contributions to the British public fiscal system (Munck, 2000).

In fact, it is regarded that preventing discretionary practices in the economy and the certainty of the types and amounts of taxes under the protection of the law gave rise to positive impacts on the British public fiscal system. It is possible to consider this sentiment in Table 5. As can be seen from Table 5, there was an increase in the proportion of arrangements that were ruled in the British parliament on economic issues, especially during the Industrial Revolution Era. This increase was also followed by the arrangements in the field of communication. These arrangements allow us to make inferences about the structure of the British economy (Hoppit, 1996).[114]

Table 5: The Distribution of Acts by Subject (1660-1800) as a percentage of all Acts

	1660-88	1688-1714	1714-60	1760-1800	1660-1800
Personnel	42,9	48	34,8	18,3	27,1
Government	3,4	6,2	3,6	2,7	3,4
Finance	12,4	13,9	11,1	11,1	11,5
Law and order	9	6,1	5,4	2,7	4
Religion	7,6	4,7	3,7	2,7	3,4
Armed services	3,4	4,6	3,3	3,8	3,8
Social issues	3,9	3,3	3,9	6,1	5,1
Economy	11,9	7,7	13,6	30,9	23
Communications	4,1	5,1	19,6	21,6	18,3
Miscellaneous	1,4	0,4	1,1	0,2	0,5
	100	100	100	100	100

Source: Hoppit (1996). "Patterns of parliamentary legislation, 1660–1800", The Historical Journal, Volume 39, Issue 01, p. 109-131.

[114] However, despite this positive atmosphere, Mathias & O'Brien (1976) point out that the costs incurred by the local powers or churches should also be calculated to make more accurate evaluations on British tax history and its economy.

Considering the tax expenditure practices that were introduced in the British public finance system, in fact, the questions on what factors caused the tax expenditure practices would help us to assess these practices.[115] In this respect, these factors can be listed as follows: i) political factors, ii) moral factors, iii) cultural values, iv) economic rules, and v) the importance of influential people in the society.

To begin with, the tax expenditure practices regarding customs duties on imports and exports come into prominence within the context of the political factors in British public finance (Heathfield, 1849). Daunton (2001) points out that imposing taxes on imports and exports was not considered as the only sources of income in the British public finance. But he also claims these taxes played an important role in a number of imperial purposes such as ensuring national security, protecting strategic goods, supporting colony trade, and protecting the labor force in the domestic market providing a competitive advantage. The determination and change of the tax rates on imports and exports were based on fiscal and economic purposes, as well as political aims. Heathfield (1849) notes that the import tax on grain and wine were an example of political aims, underlining the idea of preserving these products in terms of both competition and quality. Also, the tax exemptions granted to consulates were another issue that could be considered within the political context. One such example was the imposition of a municipal tax on the Persian Consul-General at Bombay for his carriages and horses as per the reciprocity principle (FO, 83, 1666).

The second factor inducing the tax expenditure practices in the British public finance system is moral values. In this context, Daunton (2001) points out that the classification of goods, such as necessities or luxuries, useful or harmful, based the elasticity of demand helped determine types of taxes as well as tax rates. Also, Dowell (1888b) states that those who are not able to pay their taxes or had low-income levels were protected not only in the scope of economic and fiscal motives but also owing to moral values. He presents examples of tax reduction and tax exemption practices with regard to house duty, the window duty (for those with had windows of less than seven), and taxes on waiters working seasonally as a

[115] There were some examples regarding the abolishing of tax expenditure practices in some periods in the British tax system. For instance, a new law was enacted in 1823 to reform the tax system. So, the tax expenditure practices in favor of grazers and breeders were terminated on this date to share the tax burden (Shaw, 2015).

result of moral values. In fact, the *chimney tax* or *hearth tax* was more common in the British tax system. Taking into account the moral values, being poor

was the prominent condition among the criteria of being exempt from this tax (Hoskins, 1963).[116]

However, there are also some examples of tax expenditure practices against moral values. So, some tax expenditure practices were put into practice to please some people in the community. In fact, Babbage (1851) claimed that the electors intended to benefit from some concessions through tax expenditure. He also pointed out that this intention posed a moral problem. However, the political parties had to revise their policies in accordance with the demands of these groups as a consequence of the increase in their population between 1850 and 1870 (Checkland, 1989). This increase in the elector population undoubtedly brought about an increase in tax expenditure practices in favor of them. It is because there was a close relationship between the electors and the political parties during this period.

Taxpayers also appealed to the Royalty for exemption from taxes on account of certain problems. These problems were mainly based on two major reasons. The first was the rapid decline in population in the English society towards the end of the 15th century. The second was the impoverishment resulting from the decrease in the level of agricultural production which was induced by this decline (Hatcher & Bailey, 2001). Tax expenditure practices were also utilized in consideration of taxpayers' ability to pay and the maintenance of social order in the 17th and 18th centuries. To this end, taxpayers were divided into five groups based on their income and professions. Those who would be exempted from '*head tax'* or '*poll tax'* were determined (Muldrew, 2011). It is also possible to see the effect of moral values on the British tax system through tax expenditure on inheritance tax[117]. For example, widows were exempted from inheritance tax (Buxton & Barnes, 1890).

[116] Hoskins (1963) provides further valuable information on tax exemption granted for poor families in the 17th century records.
[117] This tax, called as *'death tax'*, which contained five different types as probate, account, legacy, succession and estate duties in the 19th century British public finance (Buxton & Barnes, 1890).

Moral values also played a significant role in the development of publishing in British society and tax expenditure had a critical role in this development. The taxation of stamps, which had to be affixed to all official documents (a regulation in 1694 which was inspired by the Dutch tax system) was changed in the early 19th century (Dowell, 1888b).

The stamp duty on newspapers and other taxes on paper were reduced in the first half of the 19th century. Eventually, these taxes were completely abolished in 1855 and 1861 respectively. Consequently, newspaper and book prices declined, facilitating access to these publications (Sanderson, 1991).[118]

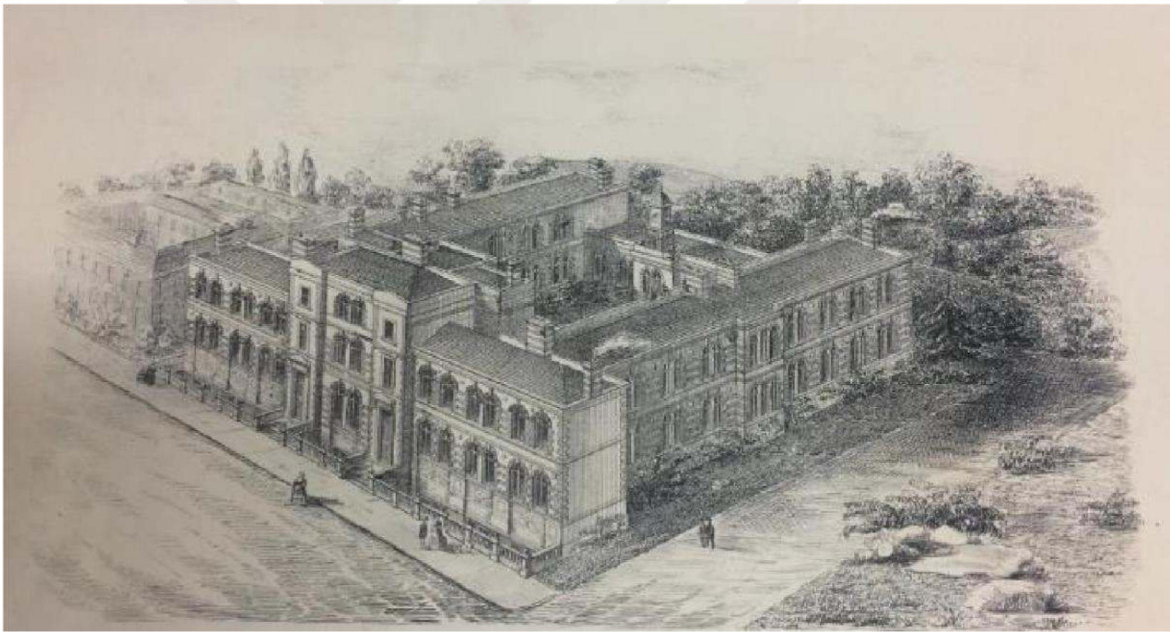
Cultural values were the third-factor giving rise to tax expenditure practices in the British public finance system. For example, according to a document dated 1860, a tax exemption was requested for a stamp duty that a museum was liable to pay (IR, 40/692). Also, some artworks and valuable items such as carvings, mantelpieces, sculpture, frescoes were exempt from inheritance tax. Mandler (2001) points out that the purpose of this tax exemption was to carry out a transfer of cultural properties initially to the eldest child of the family and later to subsequent generations by specifying the inheritance. However, avoiding the sale of inherited artistic works and the acquisition of any income from them was the primary condition of this exemption (Mandler, 2001). Through this regulation, it was aimed to protect these artistic works which had an important role in British society with regard to cultural values.

The fourth factor causing the tax expenditure practices was economic and fiscal issues. For example, Schremmer (1989) notes that the *'excise tax'* imposed on consumption was introduced in 1643 into the British tax system. However, Mathias & O'Brien (1976) point out that there were many examples of exemption from this tax, especially regarding private consumption. However, levying this tax on *'distilled liquor'* was a sensitive issue. *'Distilled liquor'* was subject to tax even if it was produced for personal consumption.

[118] For other reasons leading the exemption practices from stamp tax see also following documents: IR 40/632, Leasing and Improving Lands (Ireland) Bill: certain exemptions from stamp duty, 1860; IR 40/622, Cheques exempt from stamp duty, 1860; R 40/4598, Stamp duty exemption: apprenticeship indentures, 18981935; IR 40/601, Registration of births: exemptions from stamp duty, 1860; IR 40/595, For information on exemptions from stamp duty, 1860; IR 40/60, Trustees of Schoolmasters' Widows' Fund: praying exemption from stamp duty, 1843.

The income tax was another type of tax within the scope of utilizing tax expenditure practices in British public finance. The income tax was emerged due to the financing of the Napoleonic wars in 1799, and still in practice today (Checkland, 1989). This tax initially had a triple tariff structure, and those who earned less than 60 pounds a year were exempt from this tax. Later, when Robert Peel and Gladstone came to power, some changes were made in the tax exemption limits and the criteria to be exempted from this tax (Blunden, 1901). Charities, hospitals, schools, alms-houses, public buildings, universities[119] were exempted from income tax (see Picture 7).[120] Still, it was allowed to reduce life insurance premiums from the income tax (Dowell, 1888c). Gladstone introduced a tax break on life insurance for all income taxpayers. It was widely acknowledged that this became the major tax break in British History.[121]

Picture 7: A Cancer Hospital Exempted from Fire Insurance Duty, 1851, London



[119] There was an argument about whether the Observatory of Cambridge University is exempt from tax (IR 40/409).

[120] For more information regarding income tax exemption practices, see also following documents: IR 74/69, Income tax: exemption in favor of Co-operative Societies, 1879-1883; IR 40/402, Whether exemption can be allowed where two minors are in receipt of income under a will, amounting to less than £150 for each minor, 1843; IR 40/1152, Alford Mechanics Institute: exempt from tax as income to below £150 per annum, 1880; 74/38, Income tax: Trade Unions, suggested exemption on interest and dividends, 1893.

[121] For the British archives regarding the afore-mentioned issue see; correspondence with the Yorkshire Fire and Life Insurance Office about the income tax deducted from the interest payable by Local Boards on mortgage loans (MH 13/135/177); income tax repayment forms for signature in connection with life insurance premiums (Mi, E 34/9); registers of refunds and credits of income tax in respect of life insurance premia or subscription to Indian Family Pension Funds (IOR, L, AG, 25/9; IOR/L/AG/25/10; IOR/L/AG/25/11; IOR/L/AG/25/12).

Source: The National Archives, IR, 40/1987

In the early 19th century, the British government put some reforms regarding income tax into practice. The most striking one of these reforms was to make a distinction between labor and capital. So, there was an effort to reduce taxes on labor, in particular (Daunton, 2001). For example, Babbage (1851) suggested that revenues just enough to sustain a person's or family's livelihood be exempt from income tax. He also stated that the amount

of minimum income should be increased, arguing that the economic structure should be built not only on economic concerns but also on moral values.[122]

However, although the British government intended to utilize tax expenditure practices to support labor workers who sustained their livelihood relying on their physical strength, this intent could not be realized. On the other hand, tax exemption on capital was successfully implemented. Capital revenues were exempt from income tax for 43 years, from 1799 to 1842. There were some privileges to the capital revenues in particular until 1842 as per the idea of transferring wealth from the poor or the middle class to the wealthy to foster the accumulation of capital (Schremmer, 1989).[126]

Charitable organizations were also exempted from income tax between 1799 and 1842. This tax exemption was introduced to provide benefits to society in the early periods. However, this privilege was terminated in the latter periods in order to prevent these organizations from gaining power and keep them in small size This concern was a result of allegations regarding corruption, inefficiency, and injustice in society. However, particularly during the period of Gladstone, there were discussions on granting exemptions from income tax and other taxes to the charitable organizations once again. Still, it was underlined that there was no need for tax exemption for these organizations. The rationale behind this argument was that while these institutions had made important contributions to the education and religious life of the poor in early periods, these services were presently being provided by the government directly. Another reason for the abolition of the exemption of the charities from income tax was that the concept of charity was not clear. The concept had a

[122] As highlighted by Babbage (1851), this kind of exemption could also be considered as a charity activity.
[126]While Babbage (1851) and Schremmer (1989) argued the differences between the taxation policy regarding labor and capital, neither of them give detailed information on what types of taxation were used.

considerably wide content in this period. This induced a decrease in public revenues because some institutions, such as private education institutions, hid their personal agendas behind these charity activities (Daunton, 2001). For example, according to the archival documents, some taxpayers sought fraudulent ways to pay less income tax (IR, 40/1123; IR, 40/926).

Tax expenditure practices regarding customs duties are also important in British public finance in the context of economy and finance. Today, customs duties are used only

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in the form of foreign customs. By contrast, there were two types of customs duties, as domestic customs and foreign customs, in the past. Charter (1977) points out that local customs were abolished between the years 1500-1700 in the British public finance system. Also, some products which were mainly essential for the society, such as clothes made from old and new fabrics, corn, cereals, biscuits, bread, and meat, were exempted from foreign customs during the 1700s (Dowell, 1888b).

In fact, William Huskisson (British statesman) argued that tax exemption practices had essential effects on the economy. In 1822, he suggested that the customs duties on raw materials and industrial goods be reduced. He was a proponent of liberal ideas instead of mercantilist policies. With a parallel line of thinking, Prime Minister Robert Peel reformed import duties in 1842 by reducing them. Customs duties on some products, such as tropical fruits, meat, and dairy declined (Bairoch, 1989). Also, some animals, such as cattle, sheep, pigs, and their meat, as well as some other goods were exempted from import tax in 1846 (Dowell, 1888b).

Changes in customs duties continued in the following periods. During the 19th century, there were reform movements in customs duties as a result of the revival in economic life. Accordingly, Horstman (2003) points out that there were some changes in the British tax history in the first half of the 19th century thanks to the tremendous developments in free trade. He alleges that the import duties on nearly 750 kinds of products were eliminated and that there were tax reduction practices on the import duties. This policy in customs duties was defined as *'increase by means of reduction'.* This means that although tax rates were lowered, there would be no decrease in customs revenues. It is because more goods entering the country owing to the industrialization would give rise to an increase in the welfare of the people (Schremmer, 1989).

The fifth factor inducing the tax expenditure practices in the British public finance system was the importance of influential people who had a prominent position in British society.[123] Unlike France and Russia, which will be presented in the following sections, the British government utilized tax expenditure practices for those who perform an essential job in society rather than a social categorization. For example, on account of the Crusades in the early 13th century, King Henry determined some conditions regarding the collection of *tithes*. He also set rules as to who would be exempt from taxes. Exemptions were granted for weapons, horses, armors, of warriors; books, daily clothing and ceremonial clothes of religious people, church furniture, and to people who work at or are involved with churches and laity (Dowell, 1888a). Also, there were some tax exemption practices for churches in the 19th century in the British tax system. For instance, a tax exemption was requested for repair and other expenses of churches in this period (IR, 40/397; IR, 40/299b).

5.2. Tax Expenditure Practices in Russia

Russia[124] is an important country due to its intense relationship with the Ottoman State during the 19th century, especially due to wars between them. Also, there were many examples of tax expenditure practices in the Russian public finance system. It is widely acknowledged in the literature that these tax expenditure practices stemmed primarily from the existence of class differences. It is claimed that the structure of the traditional Russian society was based on four pillars: nobility, clergy, townspeople, and peasantry. So, it was widely regarded that the power of the State administration was based on the division of labor among these groups. The clergy had to worship and pray; the nobles had to serve in the conditions of war and peace; the peasants had to feed people through farming; and the last group had to provide other services in the society (Freeze, 1986).

[123] Tax expenditure practices also applied to some cities or regions in the British fiscal system. Accordingly, the city of Lincoln and the Town of Andover were exempted from the fifteenth and the tenth taxes, which were imposed on the movable items in the first half of the 15th century (Dowell, 1888a).
[124] The Russian Empire existed in different lands mentioning with various names in the past (Perrie, 2006; Kort, 2008).

As for these segments of the Russian society, peasants were kept poor through burdensome taxes in cash, labor, or in-kind as well as restrictions on mobility, and various forms of coercion by serfdom (Dennison, 2011). Whereas some influential people, such as clergy[125], and churches enjoyed some tax privileges granted by Princes in the form of an *'immunity charter'* due to religious concerns.[126] Besides, they were exempt from the obligation to operate in areas such as agriculture, fisheries, and salt. In fact, princes granted these tax privileges to the monasteries and the clergy for economic and political reasons (Miller, 2006).

Another group that had a privileged position in terms of taxation in Russian society was the Polish Jews. This group had privileges not only in the field of taxation but also in many other issues in society. These privileges also showed the existence of a social differentiation based on following a particular religion (Nathans, 2006). Considering these privileges from the point of Islam, Muslim clerics living in Russia were exempted from military service and torture. However, there was a considerable difference in tax obligations between Muslim clerics and the Jewish clergy. There were different practices within the dominions of Russia, but it is widely known that Muslim clerics were separated into classes and tax exemption practices were implemented only for the higher groups. Mufti and khadi, which were among the upper class, were exempted from taxation, whereas *imam,* identified as lower class, was not exempt from taxation. Islamic waqfs were also considered as taxpayers (Bobrovnikov, 2006).

Just like the clergy, nobility was another group of people benefiting from tax expenditure in Russian society. Particularly the lands owned by this group were exempt from taxation. This group continued to benefit from tax exemption even during economic and social crises. For example, the Russian economy faced a profound crisis at the beginning of the 17th century. However, the nobility achieved to maintain exemption despite this deep

[125] It is known that the tax exemption granted to the clergy is dating back earlier periods of the Russian State, and this group benefited from tax exemption since the mid-13th century for praying to the rulers and informed the people in return for this privilege (Martin, 2006).
[126] It is a controversial issue that whether these concessions were granted as a sign of weakness of the public administration or its strength. However, it is regarded that tax expenditure was intensively used in Russian fiscal history (Hellie, 2006).

crisis in the Russian economy (Pavlov, 2006). The privileges of the nobles had a profound effect on the economy in the Russian society. It was considerably difficult to impose a tax on this group despite the fact that a tax on them would meet the state's income need, particularly to cover the increasing income needs at extraordinary times, such as war (Polunov, 2005).

There were a number of important regulations in favor of the nobles in the society. For example, the '*Charter of the Nobility'* published in 1785, consolidated the privileges of nobles. This regulation also strengthened their influence on the State administration, by relieving them of all obligations regarding government services (Kort, 2008). Also, being a member of the nobility was accepted as a precondition for having some other privileges in social life. However, this group started to lose their power in society from the mid-19th century onwards (Waldron, 1997). Notably, it is claimed that the privileged class structure in Russian society was gradually abolished and the principle of equality before the law was put into practice starting from 1861 (Becker, 1985).

Towards the end of the 19th century, there were efforts to implement important reform decisions in the Russian tax system. In fact, it was decided that all groups in the society would pay taxes. The tax exemption for the properties belonging to nobles, which was highly criticized by industrialists, was abolished, and nobles also became taxpayers (Kotsonis, 2004a). However, the nobles widely objected to the policy with regard to imposing general taxation.[127]

Traders also benefited from tax expenditure practices in the Russian public finance system. International trade was carried out mostly by foreign traders in Russia from the mid16th century to the 1917 Revolution. British traders stood out among others, and they played a crucial role during this period (Fedorowicz, 1980; Raskov, 2008). They had an influential impact on Russian foreign trade in the late 18th century. Subsequently, German traders began to dominate Russian foreign trade. Merchants from these countries,

[127] Kotsonis (2004a) claims that there were some other groups, such as peasants, workers, priests and Cossacks, against to the said taxation. They requested to curb the implementation of general taxation by stating their poverty or their traditional privileges. In this sense, there was a profound difference between the aims of the objection of this group and the nobility.

particularly the British merchants, enjoyed many tax privileges in their trades to Russia (Thompstone, 1992).

The Russian executives acted on the idea that the commercial activities carried out by foreign merchants could lead to progress in industrialization.[128] So, the state-owned factories were either leased or sold to the private sector, providing cheap labor inputs to them (Anderson, 1970). They introduced arrangements regarding tax expenditure practices with a view to improving the economy through industrial development. Notably, there was an increase in tax expenditure practices starting from the first quarter of the 18th century in favor of foreign merchants (Falkus, 1972).[129] Freeze (1986) points out that the Russian administration granted an exemption from *'poll tax'* to merchants in 1830 on the condition that they registered their capital in the guilds. Considering the privileges and the conveniences provided by this regulation in social life rather than advantages in the tax burden, it is widely regarded that traders displayed a significant desire to register their capital to the guilds.

On the other hand, there were some reforms to eliminate the class differences in Russian society during the 19th century. So, these reforms were mainly introduced in economic, political, and social life. It is widely admitted that the changes in the western countries had influences on these reforms, which gave rise to the transformation of Russia. From this point of view, the 1789 French Revolution and the Industrial Revolution profoundly affected Russia during the 19th century (Waldron, 1997). Russia put many changes in all areas into practice to keep up with the transformations that were experienced in this period throughout the world. And the elimination of the distinction between nobles and others in the society constituted the center of this transformation (Polunov, 2005).

An important example of these reforms was the abolition of the poll tax to establish a modern and fairer tax system. This abolition was also regarded as a sign of an essential

[128] The Russian executives granted significant incentives such as tax exemptions to these merchants for the development of the Russian industry (Polunov, 2005). So, it was widely regarded that the tax burden was mainly on the peasant rather than on merchants during this period (Kononenko, 1958).
[129] Thus, the Russian administration was deeply influenced by mercantilist policies, playing an active role in the industrialization of Russian society (Falkus, 1972).

transformation in the tax mentality of Russia (Ananich, 2006). It was because the poll tax was built on the sense of class differences in Russian society (Becker, 1985). For this reason, many people in society welcomed the removal of the poll tax in the tax system (Freeze, 1986). Later, it was aimed to introduce a tax system according to the ability to pay of taxpayers. Some of the taxes were as follows in 1885: '*business tax'*[130] depending on the annual balance sheet of companies; *'apartment tax'* depending on the number of people living in a building or monthly rental value; and *'urban and rural property tax'* depending on taxpayers' ability to pay (Kotsonis, 2004b).

5.3. Tax Expenditure Practices in Germany

Germany, known as the Kingdom of Prussia between 1713 and 1867 and then named as Germany, developed significantly in certain aspects such as government administration and military, especially in the post-1806 period (Wagner, 1902a; Wagner, 1902b; Schremmer, 1989).[131] Tax expenditure practices were also among these significant developments during this period. Some groups in German society benefited from these practices.

Clergymen in particular stood out among those who benefited from the tax expenditure practices from the beginning of the 13th century onwards, and they aimed to maintain these tax privileges in the following periods (Dill, 1961). The nobility was also exempted from taxation in these periods on account of loyalty to the empire (Zmora, 1997). These two groups, clergymen and nobles, managed to maintain their economic, fiscal, and social privileges, particularly from the feudal period until the 19th century, and they tried to do so in the 19th century as well (Blackbourn, 1998).[132]

[130] In addition to the afore-mentioned reason, 'business tax' was put into practice to collect much more public revenue that severely needed by Russia due to the wars with the Ottoman State in the late 19th century. To do so, it was also aimed to increase public revenues by imposing a tax on income as a result of the developments in industry and commerce (Bowman, 1993).
[131] This country was given different names from various nation-states to the empire in the historical process (Spoerer, 2010; Buse, 2005). Since there were such different expressions in the literature, different nomenclatures were not used in the present thesis, and only the usage of Germany was preferred.
[132] These groups also had significant effects on social life. Especially, Catholic churches became more critical with their impact as a result of having huge privileges (Blackbourn, 1998)

Considering the privileges of clergymen and nobles from the point of the land tax[133] in the German public finance system, there was some controversy over land tax in this regard. It is because it was widely regarded that the aristocrats served with their blood and priests with their worship. Both groups were exempted from '*land tax'* for that reason (Schremmer, 1989). The properties owned by these groups were exempted from the tax until 1861. However, there were some attempts to reform this tax policy. Frederick William I (1713-1740) and Frederick II (1740-1786) particularly attempted to establish a balanced system in public fiscal management during their reign. However, neither of them was able to achieve success in this regard (Lee, 1975; Hentschel, 1989).

Like Frederic I, the primary purpose of the policies that were implemented by Frederick II was to raise the German State to the most influential position among European states. They thought that the most important indicator of this was militarily being strong. Frederick II knew that the most critical condition of being strong in the military was a robust fiscal system. To this end, he ventured into reducing the privileges by imposing taxes on taxpayers with a view to expanding the tax base. He also made many reforms in the field of public finance administration and endeavored to reduce corruption and establish an effective fiscal administration (Schui, 2011).

The reform movements in the 18th century continued in the early 19th century, as there were necessary steps to be put into practice in the public finance system. Especially, with the reforms in 1806, the issue of taxation became more important, and it was alleged that tax exemptions were terminated in 1811 (Schremmer, 1989). However, it was reported that the privileges of aristocracy on their lands, and the provision of cheap loans to them during the crisis and exemption from corporal punishment as well as other tax exemptions in favor of them continued during this period. In fact, these privileges continued to remain as a part of the economy until 1861 (Kitchen, 2012).

[133] Until the 19th century, land tax was the most important and widely applied one in the German tax system. This importance and prevalence of land tax in the public finance system continued until 1881 (Hentschel, 1989).

The reform movement of 1806 gave rise to the consideration of new decisions in the economic and fiscal arena in pursuance of achieving a fairer structure in the social life by eradicating social differentiation. Curbing the power of the guilds, granting freedom in the field of trade, reducing the tax burden, and removing privileges that were based on discrimination were among some of these decisions (Blackbourn, 1998). In line with all these decisions, a general income tax was introduced in 1808. The aim was to collect this tax from property, capital, and labor. Different rates were set for these tax sources. Interestingly, many tax exemptions were also put into practice, especially in East Germany (Schremmer, 1989).

However, the income tax did not provide success in the German public finance system between 1809 and 1812. After this failure of the income tax, a gradual taxation system named *'graduated tax'* was introduced in the countryside in 1820. Jogarajan (2011) argues that this new tax system was implemented under the influence and pressure of the French Revolution. It was intended to determine the taxes according to the taxpayers' occupation and income and their positions in society. To do this, taxpayers were divided into 12 classes in the tax system. However, this new system was criticized for being in favor of wealth groups. In spite of these criticisms, all groups in the German society apart from aristocrats, namely the members of the military and religious groups, teachers, midwives, and those who had been previously exempted from taxes were liable to pay this tax (Schremmer, 1989).

As for exemptions from the *graduated tax*, it was highlighted that even low wage earners would be taxed. So, there were allegations that the tax burden was placed particularly on the labor sector. In fact, this group's exemption from this tax was put into practice in 1875. There were various reforms on both tax base and tax bracket depending on the social situation and income level of taxpayers during this period (Spoerer, 2010). Kitchen (2012) points out that the major aims of all these reform movements were the liberation of the economy and the individual, and the introduction of a fairer tax system through the removal of the difference in tax liability between the big cities and the towns.[134]

[134] A new tax reform was introduced in 1873, noting that those who had a salary under a certain amount of income, like 429 marks, were exempt from 'graduated tax' (Schremmer, 1989). Shortly after this date, the limit of exemption was increased to 900 marks, and the rates applied to higher-income groups were increased gradually (Hewitson, 2008).

The reform movements in the German public finance system continued in 1822. The decisions in this period were predominantly related to liberal economic policies. At that time, customs duties were also amended within the framework of liberal policies, and it was aimed to open the way for free trade. Some products were exempted from customs duty on grounds of meeting the raw material needs of the industry (Hentschel, 1989). This amendment regarding customs duties gave rise to an increase in consumption, thus inducing an inevitable raise in public revenues raised from consumption taxes (Lee, 1975).

There were also some legal arrangements in the constitutional context in the German public finance system in the 19th century. These legal arrangements made contributions to the construction of a fairer society in particular, through the granting of certain liberties. For example, a citizenship law was introduced in 1870, introducing free speech, religious equality, and the elimination of privileged classes in society (Blackbourn, 1998). This law inevitably demonstrated its impact on the tax system, and significant tax reform was introduced in 1891.[135] This reform included crucial changes including the elimination of class taxes, the revising of the business tax, certain additional arrangements on property tax, the rearrangement of local tax, and the introduction of a general income tax. The major purpose of these tax reforms during this period was not only to ensure justice in income by imposing taxes upon the wealthy groups but also to avoid double taxation which stemmed

from the collection of taxes under the different names on the same tax sources (Seligman, 1911; Jogarajan, 2011).

5.4. Tax Expenditure Practices in France

It is widely acknowledged in the literature that, the segregation between social groups and society in French history was more visible and sharper than in any other European country. This segregation gave rise to the spread of inequalities in French society, and hence it paved the way for the emergence of two groups, as clergy and nobles and others, in the society (Kwass, 1998). So, there was a profound distinction between clergy and nobles and others in French society. This distinction was common in all areas, especially in the public

[135] Johann von Miquel, who was appointed as the Finance Minister of Germany, also put in place some reforms regarding the local taxes in the tax system. Particularly, he determined that the hospitals and other charities would be exempt from local taxes (Row-Fogo, 1901).

finance system. Seligman (1911) described the effect of the stratification in French society on the public finance system as '*the power group could easily access the exemptions'*. Indeed, the powerful groups had many privileges in the tax system (Bonney, 1980). For example, the clergy[136] enjoyed a number of tax exemption practices on account of their religious duties. It was believed that those privileges were in fact God-given (Bossenga, 2001).[137] In addition to the clergy, the nobles were exempted from taxes in return for their participation in the wars. Their participation was named as *'blood tax',* and it was assumed that they paid their taxes this way. For that reason, the nobles did not need to support the French administration financially (Doyle, 2009). In general, it is claimed that taxes on certain products in the French tax system were not uniform. They were determined on the basis of social groups, towns, or regions (Mathias &
O'Brien, 1976).[138]

However, Burke (1790) criticized the idea that nobles and clergy were not among the taxpayers in that they enjoyed tax privileges in French society especially in the preRevolution period. He argued that these groups were paying their taxes just like other taxpayers even though these payments were not at the same level or amount. He stated

those groups paid certain taxes such as excise duties, customs duties, capitation, twentieth, which was a kind of land tax, and other taxes.

Notwithstanding Burke's objection, it is perfectly clear that the privileges granted to the nobles and the clergy were the most common in France when compared to other European countries, and tens of thousands benefited from these privileges in France (Kwass, 1998). Regarding these vast privileges in the French public finance, Bonney (1998) argued that these privileges for the groups in question caused a huge adverse impact on the rest of the population who did not benefit from such privileges. He also claimed that these privileges

[136] It is a fact that the tax exemptions granted the nobles in France were quite common when compared with other European countries. This issues is also among the undisputed issues in the history of finance (Dickson & Sperling, 1970).
[137] Bossenga (2001) alleged that the clergy paid only 3-5% of their income as a tax the pre-French Revolution.
[138] For example, the region of Wallon Flanders was exempted from the salt tax, known as *gabelle*, in the middle of the 18th century (Bossenga, 1991).

gave rise to the inefficient use of investment channels and the accumulation of capital in the hands of certain groups in society. Considering the wealth of these groups from the point of their privileges, especially the French nobles, Horn (2015: 15) points out that there was a striking relationship between the wealth of the French nobles and their privileges. He also remarks that '*it is not possible to read French government documents without being confused by the demands of entrepreneurs for exemption from the rules, regulations, taxes'*.

Another reason behind tax expenditure practices in the French public finance history was wars. For example, towards the end of the 17th century, the French administration benefited from the private sector through tax collection in order to meet the increasing need for public revenue in times of war. In the face of the growing public financing requirement, the tax expenditure practices were granted to the private sector to encourage this sector to join in the tax collection process, known as '*the sale of offices'*. In a way, the French fiscal administration aimed to overcome the problem of lack of public revenue, by granting tax exemption (Dickson & Sperling, 1970).

In addition to making use of the private sector in tax collection during extraordinary situations, another solution was to impose new taxes. For instance, *'taille',* which was a direct tax dating back to 1445 and levied on property, was introduced on account of the war. However, it became an ordinary kind of tax over time. There were many privileges in the arrangement of this tax (Schremmer, 1989; Doyle, 2009). In addition to the nobility and the clergy, judges, civil servants, residents who live in privileged areas were also exempted from this tax (Brewer, 1989; Kwass, 1998). The taille was collected by agents subject to the French administration. [139] Similar to Taille, another tax utilized to finance the war was '*the twentieth'*[140], which was applied in the war with Spain in 1710. In the beginning, this tax was imposed on every salary and wage at different rates, but later during the post-1749 period, a single rate was put into practice. Still, as was the case in many other taxes, the clergy was exempted from this tax (Schremmer, 1989).

[139] Balla & Johnson (2009) state that this tax also contained problems such as harming the society owing to bribery and providing benefits to certain groups in the French society.
[140] Swann (2001) claims that this tax was first applied as 'tenth' between 1710 and 1748 and then as 'twentieth' between 1749 and 1789.

Another type of extraordinary tax which became an ordinary tax in time was *'capitation'* in the 18th century. This tax, which was a type of direct tax, was introduced to widen the tax base in French society (Bonney, 1992). In fact, it featured twenty-two different groups of taxpayers. Still, the clergy was exempted from *'capitation'*. In addition, the nobility, civil servants, and some groups had privileges depending on their position in society, occupation, or property (Schremmer, 1989).[141] General farm workers and widows were also exempt from this tax.

The French administration tried to reform its public finance system during economically challenging periods in the same way as other countries, such as a cluster of essential steps taken by Colbert (1619-1683) to improve the economy of the country, particularly with respect to public finance (White, 2004). In this period, '*The Company of General Farms'* was established to reduce the cost of collecting taxes and ensuring efficiency in the tax collection (Balla & Johnson, 2009).[142] Colbert utilized tax expenditure practices also for the development of industry and the encouragement of investments. He also utilized tax expenditures for the private sector, spurring entrepreneurs (Kemp, 1989). In this context, Schremmer (1989) alleges that the developments in the economy under the leadership of Colbert in the 17th century influenced the later periods, and thus France had a fruitful fiscal system in the following centuries. It is admitted that Turgot (1727-1781) and Necker (1733-1804) made outstanding contributions to this success. In addition to these names, Terray (1715-1778) was also one of the leading reformers in the field of public

finance. He implemented many measures to increase public revenues and decrease public expenditures, especially by removing some tax exemptions (White, 1989). [143]

[141] Kwass (1998) remarks that on the grounds of their social status, nearly two-hundred groups such as retired soldiers, judges, royal palaces, doctors, lawyers, and drug professors were exempt from this tax.
[142] General Tax Farms played an important role in tax collection by causing a massive tax burden with corruption. White (2004) alleges that General Tax Farms was among the factors causing the French Revolution.
[143] For example, based on the above reforms, France became the first country to levy a tax on income, among the other European countries. This tax was firstly called '*dixieme'*, then named '*vingtieme'* (Willis, 1895). Meanwhile, Seligman (1911) stated that France was the only country that included income tax in its fiscal system until a certain period of the 18th century and that it was also followed by England with the economic revival in England. On the other hand, there were profound changes in tax system with the French Revolution that emerged in the late 18th century, affecting income tax. The French government set out a tax calculation based on external signs such as carriage, male servant or house windows. It is because it was difficult to determine taxes on income and wealth in this period.

The 18th century is generally regarded as a vital turning point in the history of France, irrespective of the reform movements in the French public finance system. It is because the French Revolution, giving rise to dramatic changes not only in France but in the whole world, took place at the end of this century. Thus, the history of France is divided into a binary classification in the literature, as 'ancien régime' and *'modern regime'*, based on the French Revolution (Doyle, 1986). The 'ancien régime' refers to the pre-French Revolution period, whereas the *'modern regime'* corresponds to the postFrench Revolution era. In other words, the French Revolution is regarded as a milestone in all accounts of French history (Kemp, 1989).

It widely acknowledged that tax exemption and some other tax privileges for certain groups in the society were common during the ancien régime period. In this context, it is a common sentiment that social justice was damaged through these privileges in society (Bossenga, 2001). Taxes constituted a heavy burden for taxpayers in the French public finance system due to the unfair distribution before the revolution. However, according to Schremmer (1989), this unfair traditional tax system was abolished with the Revolution. The privileges of some high-status groups which largely emerged between 1695 and 1789, were eliminated. As a result, these groups were integrated into the taxation system during the post-Revolution period (Kwass, 1998).[144] In this context, there were some meetings during the pre- Revolution, such as the *'Assembly of Notables'* in 1787, and the EstatesGeneral in 1789. Both meetings consisted of privileged groups and others. So, the basis of these meetings was to discuss the unfairly heavy tax burden (Gruder, 1982, Behrens, 1963). In the end, with the Revolution, a consensus was achieved over the idea that the tax

burden should be distributed more fairly, thus eliminating the social, institutional, and regional discrimination.

Consequently, the system that relied on class discrimination was abandoned, and the new system which was based on 'common sense' was adopted (Bossenga, 1991). The privileges of the church and the landowners and the restrictions imposed by Colbert on trade

[144] For example, it is stated that the revenue raised from land tax did not cover the public expenditures due to the fact that almost half of the French population was exempt from the property tax during aforementioned period. These points to radical changes in the tax privileges in land tax during the post-Revolution period (Dickson & Sperling, 1970).

and industry were abolished thanks to the Revolution (Kemp, 1989). However, Doyle (2009) claims that the privileged classes and privileges during this new period just changed their form and that Napoleon created a new hierarchical order under his influence during the post-Revolution period.

There is no doubt that the Revolution had a high impact on the history of public finance of France. Needless to say, there were many factors behind the Revolution; but one of the most important factors was injustices over taxation, particularly tax expenditure (White, 2004). It is because tax expenditure, particularly the practices of tax exemption, was regarded as another expression of corruption during the pre-Revolution period (Willis, 1895). With the outbreak of the Revolution, the French administration utilized certain concepts such as the ability to pay and progressive tax rate with a view to distributing the tax burden equitably (Schremmer, 1989).

Aside from the fundamental transformations in the French public finance system resulting from the Revolution, there was a rapid growth in the population towards the end of the 19th century in the French cities. This adversely affected the housing sector and low wage income, in particular. The French State found a solution to support the housing sector through tax expenditure. The intention was to eliminate the gap between supply and demand in the housing sector through tax exemptions (Kemp, 1989). The changes in economic thought also had effects on tax expenditure; tax expenditure was shaped according to the prevailing economic view. In particular, the liberalization steps in France since the mid-19th century displayed their impact on tax exemptions. Almost all agricultural products and raw materials were exempted from customs duties in 1869 (Bairoch, 1989).

6. SUMMARY AND CONCLUDING REMARKS

Tax expenditure practices go back to earlier periods under different names. In the past, many countries utilized tax expenditure practices in their public finance systems for economic, fiscal, social, religious, political, and cultural purposes. This thesis examines the history of countries to discover how tax expenditure practices were applied within the scope of specific objectives in the historical process. It has been observed that the tax expenditure practices were utilized in almost every society, including but not limited to The Netherlands, Sweden, Spain, Austria-Hungary, Britain, France, Germany, and Russia.

These countries widely integrated these practices into their public finance system. Britain, France, Germany, and Russia are presented under separate headings in this thesis because these countries played a prominent role in the history of world economics and maintained intense relationships with the Ottoman State in the 19th century.

As for Britain, it is emphasized in the literature that there was no legal tax expenditure for the nobility and clergy in the public finance system. It is argued that especially when compared to France, Russia, and Germany, tax privileges for these groups were much less common in Britain. There were many cases in which large aristocratic landowners were subject to fewer taxes than other parts of society. However, this distinction can be explained in terms of economic and fiscal purposes rather than class differences as in France and Russia. The British tax system is claimed to have no entrenched inequality in its structure, by being fairer than many other countries' tax systems. The factors leading to tax expenditure practices in the British tax system emerged within the framework of politics, social order, morality and ethics, cultural conventions, and economic rules.

In contrast, tax expenditure practices in the Russian public finance system were regarded as the basis of the class differentiation present in Russian society. Tax expenditure practices played a crucial role in shaping Russian society, leading to the emergence of class distinctions among the nobility, clergy, townspeople, and peasants. The structure of the Russian public finance system, just like those of many other countries, was profoundly influenced by the French Revolution. From the second half of the 19th century onwards, the Russian administration endeavored to eradicate the discriminatory tax expenditure practices in Russian society.

As for the German public finance system, the clergy and nobility particularly benefited from tax expenditure practices. These two groups succeeded in maintaining their economic, fiscal, and social privileges from the feudal period until the 19th century. Just like in Russia, the public finance system in German was deeply influenced by the egalitarian concept of the French Revolution. As a result of this influence, the German administration put into practice some reforms concerning tax expenditure. These reforms were designed not only to eliminate class distinction but also as a way of fostering economic development.

As was the case with Russia, the discrimination in social groups in French society throughout its history displayed a sharper and more manifest structure than that of Britain. This discrimination gave rise to the escalation of the inequalities in French society, paving the way for the emergence of two groups: the nobility and the peasantry. And it was claimed that tax expenditure practices were the main signs of this discrimination. It was widely acknowledged that the class difference in French society ended with the French Revolution in 1789. In other words, there is a common consensus that social, institutional, or regional discrimination was abolished with the French Revolution. On the other hand, there is also a notable claim that the privileged class and their privileges merely changed form after the Revolution, and that Napoleon created a new hierarchical order. Seligman's (1911) assessment of French society illustrates this situation by noting that *the power group could easily access the exemptions.*

From the point of the Ottoman public finance system, tax expenditure practices were utilized very profoundly and widely for different purposes since the establishment of the State. In the 19th century, there were essential discussions on the purpose and amount of tax expenditure practices. These debates were at the center of the reform movements that were introduced in this period.

There is still controversy over the effects of these reform movements which occurred in the 19th century. It is argued that thanks to these reform movements, the decayed structure of the Ottoman State took on the appearance of a stable administration. These reforms made it clear that the Ottoman administration aimed to transform the State into a European country based on 'modern principles'. Accordingly, these reforms were undertaken under 'new concepts' such as equality, justice, and freedom without any religious distinction between individuals. The legal, political, economic, and fiscal rules of the Ottoman State which were based on Islamic principles were abolished. Instead, principles in line with Western norms were implemented in the Ottoman State. These norms spread throughout the Ottoman State after the French Revolution.

All these reforms gave rise to the development of an essential way of thinking in the economic, political, fiscal, and legal sphere of the Ottoman State. Particularly, between 1839 and 1876, important arrangements were made in public finance administration, public budget, fiscal law, public debt, and taxation (i.e., the sub-components of the public finance system). Within the scope of these developments during and after the Tanzimat period, significant changes were made especially in the structure of the Ottoman fiscal mindset and the fiscal administration. Undoubtedly, these changes included types and rates of taxes and tax collection methods. These arrangements also led to drastic transformations in tax expenditure practices, which has been the focus of the thesis. It is argued that the Tanzimat administration aimed to establish a sound system in the public finance system. However, it caused turmoil by disrupting the existing system, leading to disorder rather than accomplishment. Also, it is claimed that the arrangements mentioned above facilitated the intervention of European states.

As for tax expenditure practices in the Ottoman public finance system, they have three sources: Imperial Decrees, laws, and fatwas. However, the pursuit of Western countries in the mid-19th century, especially in terms of the legal system, also influenced the way tax expenditure practices were issued. So, the regulations became important for issuing tax expenditure practices in this period. These regulations mostly addressed the tax exemption, which is one of the tax expenditure practices. However, other tax expenditure practices were also issued by these regulations.

Tax expenditure practices are discussed in chronological order in the present thesis based on archival documents featuring these regulations in the Ottoman archives. In addition to the Ottoman archives, the British archives and British newspapers of the 19th century, as well as secondary sources, are other important sources of the thesis for the investigation of tax expenditure practices. Barkan (1942), Barkan (2001), İnalcık (2017),

Özvar (2006), Pamuk (2011), Güran (2006), and Çakır (2012) are the prominent secondary sources which made valuable contributions to the present study. All of these studies provide crucial information regarding the tax expenditure practices in the Ottoman public finance within economic, fiscal, political, social, and religious contexts.

Considering the tax expenditure practices from the perspective of economics in the Ottoman public finance system, these practices were utilized to contribute to the development of the economy in general. For example, tax expenditure practices were utilized for the development of the industry which would in turn lead to the development of the economy. Another illustrative example is the customs duty exemption granted to the importation of machinery and equipment in pursuance of establishing a new factory. This exemption was initially granted for 15 years, then it was extended for another ten years. Still, in many archival documents, it was emphasized that domestic production could not compete with foreign production. This led to tax expenditure practices conducive to protecting and encouraging the local industry in pursuance of eliminating the lack of competition. The production of goods and equipment needed by the State such as machinery, weapons, telegraph wires, winding lines, large chains and anchors for ships, etc., was exempted from customs duty and stamp tax for twelve years. In line with these goals, tax expenditure practices were also utilized to protect the mining sector and some other small-scale trades.

Another issue from the perspective of economics is that tax expenditure practices were introduced to minimize the effects of the fluctuations in production and to ensure the continuity of agriculture as a result of natural disasters. The archival documents indicate that tax expenditure practices were broadly used to maintain a healthy life for Ottoman citizens by eliminating the harmful effects of natural disasters on the Ottoman economy and public finance. Supporting agriculture through tax expenditure practices was not the only measure to ensure the continuity of the Ottoman economic system. Other steps taken by the Ottoman state to achieve this goal were to ensure the reconstruction of regions, increase the income of the treasury and prevent smuggling activities, which had caused a considerable reduction in public revenues.

Considering the tax expenditure practices from the perspective of public finance, the lack of ability to pay, and the loss of ability to pay are the main reasons behind the tax expenditure practices in the Ottoman public finance. Those who were unable to pay their taxes particularly benefited from tax exemption practices. In other words, the collection of taxes from these taxpayers was terminated, and they were supported through both in-kind and in-cash assistance. So, it would be fair to argue that the tax expenditure practices, especially tax exemption practices, were widely utilized in the Ottoman public finance system in pursuance of maintaining a more equitable distribution of tax burden in the society.

Within the fiscal context, tax expenditure practices were also used to support the collection of public revenues and to protect both the taxpayer and the taxpayer's property.

Enormous importance was given to preventing Treasury's losses and to ensuring efficiency in tax collection. For that reason, many tax expenditure practices were implemented in order to encourage the voluntary participation of taxpayers in the tax collection system and to increase tax revenues.

The above practices were generally applied in the form of tax exemption practices. But tax reduction practices were also employed for several fiscal purposes. These practices were introduced in the name of preventing smuggling, maintaining a healthy trade flow, and supporting domestic manufacturers and products. However, in certain cases, tax collectors claimed that they occasionally encountered unexpected situations during their missions, most prominently causing discount requests on account of their losses.

The Ottoman State utilized tax expenditure practices also for political matters, in addition to economic and fiscal ones. The reasons behind these practices were as follows: the privileges given to Istanbul as the State's capital, to the people who live within the Sultan's palace, to the chief consul, to other consuls, to vice-consular officials, and dragomans working in the consulates of foreign states.

The privilege of Istanbul was not explained solely by the fact that it was the capital of the State. It is also argued in the literature that the privilege could be linked with a concern that a shortage, famine, or economic collapse in Istanbul could cause grave problems by prompting people to act directly against the State. Still, there was controversy over the privilege of Istanbul, especially in the second half of the 19th century. Finally, this privilege was ended with the Ottoman Basic Law, known as *Kanun-u Esasi,* declared in 1876. As for privileges, the second article of the Ottoman Basic Law contained the following phrase on this controversial issue: '*Istanbul is the capital of the Ottoman Empire. This city possesses no privilege or immunity peculiar to itself over the other towns of the empire.'* Thus, it was decided at the constitutional level that Istanbul was excluded from privileges. Still, some regions of the State (e.g., Hejaz) were given particular importance because of religious and political reasons, and special tax expenditure practices were introduced for these regions.

Also, another reason that prepared the basis for political tax expenditure practices in this period was the treaties resulting from bilateral relationships with foreign countries. As a consequence of these treaties, foreign countries forced the Ottoman administration to work in their favor, and they imposed decisions that would provide long-term economic benefits to their traders and industrialists. Some Greek, Armenian, and Jewish merchants desired to operate under the auspices of European states, such as pretending to work as dragomans working at consulates, to obtain the economic benefits which accrued as per these treaties. In short, it has been observed that tax expenditure practices granted via foreign embassies considerably increased, particularly from the second half of the 19th century onwards.

The proximity of regions to national borders was another factor behind tax expenditure practices within the scope of political purposes was. Taxes in such regions were reduced to ensure that the low rate taxes on the other side of the border did not attract the Ottoman population, tempting them to migrate. In addition to these regions, which were referred to as *'vulnerable regions'*, tax expenditure practices were also used for areas where social unrest was likely to occur. In short, tax expenditure practices were widely utilized in the Ottoman public finance system to suppress or prevent potential social unrest that might be experienced in sensitive regions.

Another kind of tax expenditure practice was those implemented within the scope of social, cultural, and educational issues. The first factor that gave rise to such tax expenditure practices especially in the 19th century was war. Wars created difficult economic and fiscal situations for the Ottoman society. So, it was decided that the people living in war zones should be supported through tax expenditure practices in recognition of their sacrifice and heroism in protecting their territory. Such practices were commonly used during the war with Russia in the Kars region. Similarly, thuggery was another factor that threatened social order and peace. Therefore, certain areas where thuggery was prevalent were granted tax expenditure practices. After all, the public was being harmed by these thuggery incidents.

Meanwhile, European nations were being unified and strengthened by nationalist movements. However, these movements negatively affected the Ottoman State and caused social unrest, which usually manifested itself as regional uprisings. It is argued that the oppressive and excessive tax burdens were the main reason behind such movements in the Ottoman State. However, the Ottoman administrations utilized tax expenditure practices to suppress these uprisings and to ensure public order. So, claims of heavy tax burden may not always reflect the truth. it is observed that in some cases the assessment of these practices was biased.

The controversy on the tax burden in the Ottoman State is mainly over the Balkans and the regions where Armenians lived. Notably, the local *'Ottoman gentlemen'* showed negative attitudes towards the Balkan people, by causing intense discontent with the Balkan tax burden. Even the rebellious leaders of these people in the Balkans expressed sentiments such as: *'we are not in a movement against the Sultan, we are all subjects of the Sultan'*. The activities were undertaken by Russia and the Western states also triggered tensions in the Balkans. The Armenian region was another area where social upheavals occurred due to the allegations regarding the heavy tax burden. The Armenian nation occupied a critical position in Ottoman society; they were assigned critical duties on account of the trust placed in them. The reasons for giving rise to the Armenian turmoil are among the issues yet to be answered (Lewis, 2002). This turmoil is attributed mainly to the heavy tax burden, but this hypothesis has not been corroborated by the archival evidence reviewed in the present study.

Considering the Ottoman archive records on tax expenditure practices, it seems clear that the allegations regarding the heavy tax burden are neither valid nor reasonable. It is because tax expenditure practices, especially tax deferral practices, were utilized intensively to quell the turmoil in the Armenian regions. Also, responses of the Ottoman administration to petitions drafted by Armenians concerning tax expenditure practices were mostly positive. It was underlined in these responses that all the people were under the protection and care of the Sultan, and there would be no concessions from justice. On the other hand, there were many false declarations of Armenians in the archives to benefit from tax expenditure practices. The archival research has revealed that Armenians claimed that they had many social problems besides being harmed and persecuted. However, it was realized through archival research on these claims that there were no internal confusions, and their allegations, -if not accusations- of personal harm and great persecution were incorrect. There were even documents featuring Armenians acknowledging this. In addition to these explanations, it is noteworthy that the British government attached particular importance to 'the Armenian Question' as documented not only by Ottoman archives but also by the British Archives and the British newspapers.

Natural disasters, such as hail, heavy rain, floods, earthquakes, drought, famine, severe winter, locust infestation, and fire, experienced by the State were among other factors that adversely affected social order, Natural disasters gave rise to extremely lowyield harvests, shortages, and epidemics from the mid-19th century onwards. And all these disasters were among the crucial factors negatively affecting Ottoman public finance. Tax expenditure practices were applied on account of the damages inflicted by these natural disasters. After all, there were taxpayers whose ability to pay decreased or even completely vanished as a result of these disasters. In response to these problems, these taxpayers' liabilities were postponed for a specified period. Besides, tax expenditure practices were used extensively to prevent the migration of people leaving their agricultural lands due to increased tax liabilities and to ensure the sustainability of agriculture. Accordingly, certain tax increases were canceled on account of the adverse effects on local agriculture.

Tax expenditure practices were also utilized to contribute to the development of settlements. These practices constitute another kind of tax expenditure utilization within the scope of social context. It is regarded that the reconstruction of the regions through tax expenditure dates back to the early periods of Ottoman history. Tax expenditure practices, especially those regarding tax exemption, were carried out in many regions through the dervishes and tariqats. Also, by the 19th century, the Ottoman State aspired to emulate the technological developments and infrastructures in Western countries. To this end, there were efforts to establish the railway network, the telegraph, and mail systems. Tax expenditure practices were utilized intensively to support all these developments.

Particularly during the reign of Abdulhamid II (from 1876 to 1908), the power of the State was considered to be dependent on the wealth of the treasury, which in turn depends on the prosperity and wealth of the citizens, which in turn depend on the vitality of trade and agriculture. Accordingly, to gain wealth, there was a focus on the construction of infrastructure such as roads, bridges, and ports, all of which were supported through tax expenditure practices. There were also some people, namely the ayan and the eşraf, who objected to these developments. It was because they thought these developments would harm their interests. Accordingly, they were displeased by these developments and reacted negatively against them.

Aside from the issues that were discussed just above regarding the development of settlements, supporting or restricting migration through tax expenditure practices was also an important aspect of tax practices in the social context. The Ottoman State paid attention to migration for certain purposes. Among these purposes were benefiting from the migration to ensure social peace, order, and security by preventing or punishing tribal rebellion, creating strategically important regions, supporting the development of areas, increasing tax revenues, and so on. Tax expenditure practices were utilized significantly to attain all these objectives. Accordingly, in 1865, the Ottoman administration established the Immigration Commission, known as *Muhacirin Komisyonu*. This commission played a crucial role in making decisions on legal, economic, and fiscal issues regarding immigrants and in introducing tax expenditure practices. All these practices gave rise to an increase in productivity, along with an increase in tax revenues.

Social policy practices were also another factor in the utilization of tax expenditure practices. There were essential services taking place in the field of social policy particularly during the reign of Abdulhamid II. It is claimed that the power of Sultan Abdulhamid II became prominent in this period. It is because the Sultan supported those who were among the disadvantaged groups in the society, a negative outcome of the lack of *waqfs*. However, it is also alleged that the aim of the Sultan in helping these groups was to create the perception of being the sole protector of the poor in society.

The Ottoman State also supported education and cultural activities through tax expenditure, especially for the educational system. School construction and purchase of educational resources were encouraged via tax expenditure practices, particularly exempting such activities from customs duties. A typical example of this is that school materials that were brought from Europe for *the Mektep-i Tıbbiye-i Şahane* bacteriology laboratory were exempted from import taxes. Besides, students and teachers were exempt from road tax, which was a type of corporal tax. Moreover, religious books, which were considered as being beneficial to society, were exempted from customs duties.

As for culture, the establishment and enrichment of museums gained an important place in the 19th century. So, it was aimed to establish and multiply museums for the protection of cultural heritage. Accordingly, museum exhibits were exempted from tax, particularly from customs duties. Furthermore, some artifacts were to be sent to exhibitions opening within the Ottoman domain and abroad. The transportation costs of these artifacts were also subsidized through tax expenditure practices. There are cases in which it was emphasized that participating in these exhibitions was necessary for the reputation of the Ottoman State.

Finally, considering the use of tax expenditure practices within the scope of religious context, it is observed that these practices had an important place in Ottoman history. In other words, tax expenditure practices were utilized in a wide-ranging manner across the religious frameworks since the early periods of the State. For example, tax exemption practices were widely used for the mosques, the imams, and preachers, known as *hatips*, as well as for cleaners and guards in these holy places. Also, there were some tax exemptions for the leaders of the religious denominations, the sheiks, the dervishes, the worshippers, centers of the Islamic mysticism, descendants of the Prophet Muhammad (peace be upon him), known as *Seyyid* and *Şerif,* as a sign of respect for the honorable lineage, and the students of madrasahs. It is argued that the tax expenditure practices in the religious context, i.e., utilizing tax expenditure practices in favor of religious groups, played a prominent role in the expansion of Ottomans to the West.

Tax expenditure practices for religious groups were not only based on their religious status but also on duties that they performed in society. For example, tax expenditure practices were introduced to help to spread the Islamic religion and to prevent the dissemination of ideas that are harmful to society. In this context, the Ottoman State earned the trust of these groups with these services that were provided in their hometowns. Not only Muslims but also Jews and Christians who were citizens of the Ottoman State, and to their holy buildings together with employees of these places widely, benefited from tax expenditure practices. However, by the 19th century, there was an aim to make all public expenditures from the public budget and thus to remove the privileges that were granted for religious purposes. In other words, one of the most significant changes introduced by the Tanzimat Edict was the effort to abolish tax exemptions granting for religious purposes. But this aim was not carried out in all areas for fear of being deprived of the spiritual support of these groups. Accordingly, tax exemption practices were continued to exist for tariqats, Islamic monasteries, known as *tekke*, zawiya, and waqfs, as well as for sheiks and dervishes.

Still, the Tanzimat Edict left a profound impact on the Ottoman public finance system, especially on the tax expenditure practices. With the declaration of the Tanzimat, there were fundamental changes in the traditional tax collection system of the Ottoman State. Tanzimat was also determined to remove the tax exemptions that were granted in return for the provision of public service. However, tax exemptions in return for public services continued to exist as people in many regions had started to complain about these services because they were not carried out properly. The Tanzimat Edict also aimed to distribute the tax burden fairly among the regions. To this end, some of the tax burdens of Anatolia, where the tax burden had been heavy, were transferred to Rumelia, where the tax burden had been relatively light. However, in some cases, imposing a tax burden on Rumelia seemed to have cause injustice. So, it was accepted to make tax reductions in these areas where taxes were heavy, and the Treasury would forgive these taxes. There were also cases where the tax burden shifted entirely within a region.

During the Tanzimat Era, some archival documents revealed that the tax administration rejected certain tax expenditure requests to mark the transition from the *'old mindset'* into the new one in the public finance system. Creating a modern, centralized public finance system was a radical change that aimed at emulating the Western states, particularly in the budget system. This drastic change gave rise to dissatisfaction for many segments of society. In the face of these intense reactions, the Tanzimat bureaucrats had to make concessions on such a radical decision.

As for the reactions of taxpayers to tax expenditure practices, both positive and negative reactions have been observed. On the one hand, taxpayers expressed their positive sentiments about the tax expenditure practices by sending letters of approval to both the local and central administrations. On the other hand, there were many complaints of taxpayers regarding tax expenditure practices. In the documents containing these complaints, it is observed that these complaints were generally related to the problems experienced in practice. These problems and complaints in the archives were generally shaped around the following issues: the imposition of taxes on taxpayers even though they had been exempted from taxes; the deterioration of the distribution of tax burden between regions through tax expenditure practices; the dissemination of false news about the tax expenditure practices;

claims of taxpayers regarding exemption from taxes based on false statements; allegations with regards to corruption and mismanagement. In the context of corruption cases, it was claimed that tax officials and regional administrators granted tax exemptions to their relatives and friends. Also, some administrators attempted to gain benefits by violating the law. These law-violators were prosecuted in court, and some were sentenced to imprisonment and obligated to compensate for their damages to the treasury.

All in all, there are many criticisms on tax expenditures on account of their drawbacks in today's fiscal system. In general, a tax expenditure is considered as a fundamental factor of injustice in the distribution of the tax burden in society. However, from the point of the Ottoman public finance system, considering the tax expenditure practices within the scope of the above assessments, the Ottoman State widely utilized tax expenditure practices for economic, fiscal, political, social, and religious purposes. Tax expenditure practices were prominent in providing an equitable distribution of the tax burden, in the establishment of social justice, and in suppressing adverse social incidents, such as uprisings, in the Ottoman society.

In conclusion, as observed in archival documents, tax expenditure practices in the 19th-century Ottoman public finance reveals that it would be unfair and biased to relate the widespread uprisings in the Ottoman State with the supposedly heavy tax burden which was allegedly used as a means of persecution. The archival research suggests that the fair distribution of the tax burden through tax expenditure practices was the major aim of the State. However, local administrators and Ottoman tax collectors made costly mistakes when carrying out this aim. Still, the Ottoman administration endeavored to eliminate these harmful effects by intervening, either by removing administrators and collectors from their duties or by compensating for the damage that they caused. In any case, tax expenditure practices played an important role in Ottoman society.

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14/26

Yıldız Sadaret Hususi Maruzat Evrakı (Y. A. HUS.)

301/103; 252/40

Yıldız Sadaret Resmi Maruzat Evrakı (Y. A. RES.)

85/19; 86/82

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424/316, Turkey: correspondence; Ottoman loans, 1854-1880.

424/585, Turkey: finances; various papers, 1860, 1860-1915.

198/64, Turkey (Finances), 1894-1895.

424/318, Turkey: correspondence; finances of Turkey; parts 7-18, 1862.

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195/742, Foreign Office: Embassy and Consulates, Turkey (formerly Ottoman Empire): General Correspondence. Turkish Finances. 1858-1861.

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40/1123, J. Edsell: Fraudulent claim for exemption, 1880.

40/1152, Alford Mechanics Institute: exempt from tax as income to below £150 per annum, 1880.

40/1987, Cancer Hospital, London: exemption from fire insurance duty, 1858.

40/299b, Parish of Ocle Pritchard: plea for exemption, 1843.

40/397, Appeal for exemption: repairs to chancel of Rodborough church, 1843.

40/402, Whether exemption can be allowed where two minors are in receipt of income under a will, amounting to less than £150 for each minor, 1843.

40/409, Whether the Observatory of Cambridge University is exempt from tax, 1843.

40/4598, Stamp duty exemption: apprenticeship indentures, 1898-1935.
40/595, For information on exemptions from stamp duty, 1860.

40/60, Trustees of Schoolmasters' Widows' Fund: praying exemption from stamp duty, 1843.

40/601, Registration of births: exemptions from stamp duty, 1860.

40/622, Cheques exempt from stamp duty, 1860.

40/632, Leasing and Improving Lands (Ireland) Bill: certain exemptions from stamp duty, 1860.

40/692, Industrial Museum (Scotland) Bill: a general exemption from stamp duty, 1860.

40/926, False claim to exemption, 1860.

74/38, Income tax: Trade Unions; suggested exemption on interest and dividends, 1893.

74/69, Income tax: exemption in favour of Co-operative Societies, 1879-1883.

The Ministry of Health (MH)

MH 13/135/177, Correspondence with the Yorkshire Fire and Life Insurance Office about the income tax deducted from the interest payable by Local Boards on mortgage loans (Folios 280-281. To: The Local Government Act Office. From: Thomas Fowle, Clerk to the...), 1860.

War Office (WO)

106/1, Russo-Turkish war and the Ottoman Empire, 1868.

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IOR/L/AG/25/10, Registers of refunds and credits of income tax in respect of life insurance premia or subscription to Indian Family Pension Funds, Apr 1892-Apr 1902.

IOR/L/AG/25/11, Registers of refunds and credits of income tax in respect of life insurance premia or subscription to Indian Family Pension Funds, Apr 1892-Dec 1903.

IOR/L/AG/25/12, Registers of refunds and credits of income tax in respect of life insurance premia or subscription to Indian Family Pension Funds, Apr 1895-Mar 1900.

Mi, E 34/9, Sends income tax repayment forms for signature in connection with life insurance premiums; asks how to invoice charges for legal work in future (Letter from Arthur Pollock to Lord Middleton), 1874.

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