

Tax Agenda Turkey

May 2022



No.	Fact	Action
1	<p>Corporation tax exemption on the foreign currency converted into Turkish Lira (TRY) after February 17, 2022.</p> <p>If foreign currencies are converted and utilized in TRY deposit accounts with a maturity of at least three months, the portion of the foreign exchange gains that falls between the end of valuation and the date it is converted into TRY will be considered as exempt from corporate tax. On the other hand, interest earned at the end of maturity, including income from period-end valuation and other incomes may also benefit from such exemption.</p>	<p>Consider converting the foreign currency accounts into TRY with a maturity of at least three months.</p>
2	<p>Corporation tax exemption on the gold accounts converted into TRY by the end of 2022.</p> <p>If gold accounts in the balance sheets dated 31 December 2021 are converted into TRY by the end of 2022 and then used in TRY deposit and participation accounts with a maturity of at least three months, the income obtained will be considered to be exempt from corporation tax.</p>	<p>Consider converting the gold accounts into TRY with a maturity of at least three months.</p>



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3	<p>Corporation tax rate</p> <p>Corporation tax rate is 25% for 2021 fiscal period.</p> <p>Corporation tax rate is 23% for 2022 fiscal year. See more</p> <p>Corporation tax rate will be applied with 1 point reduction for income exclusively derived from export transactions and on the corporation income exclusively derived from manufacturing activities by corporations that have an industrial registry certificate.</p>	<p>Verify the relevant corporation tax rates and check your deferred tax calculations made for year end and quarterly financials. (April 2022 is the return filing deadline for 2021 fiscal year and May 2022 is the deadline for filing the advance return for the first quarter of 2022).</p> <p>Verify the corporation tax rates on your tax calculations if the Turkish entity is performing export or manufacturing activities.</p>	
4	<p>Transfer pricing obligations</p> <p>Taxpayers undertaking related party transactions are obliged to comply with relevant transfer pricing requirements. All corporate taxpayers that have cross-border related party transactions are also obliged to prepare their local annual TP report (Local File) by the due date of corporation tax return.</p>	<p>Check transfer pricing obligations concerning related party transactions and that the local file is prepared in Turkish language.</p>	
5	<p>UBO Declaration</p> <p>Corporation taxpayers are obliged to declare their UBOs in their annual and quarterly corporation tax return. Others must declare their UBOs by filling the UBO declaration form.</p>	<p>Ensure that Turkish entity's UBO declaration is included in the 1st quarterly advance corporation tax return to be filed in May 2022.</p>	
6	<p>Tax Amnesty to repatriate cash, gold and securities by June 2022</p> <p>Period, expiring on 31 December 2021, for cash repatriation has been extended for 6 months.</p>	<p>Taxpayers can choose to notify and repatriate overseas money, gold, foreign currency, securities and other capital market instruments without any taxation until 30 June 2022.</p>	
7	<p>Notional interest deduction (NID) on cash capital increase</p> <p>NID rate is increased to 75% for cash capital contributions made from abroad.</p>	<p>Analyze eligibility of such deduction if there is a plan to contribute cash capital into the Turkish subsidiary.</p>	
8	<p>Customs practices</p> <p>The Turkish General Directorate of Customs issued a letter on 4 March 2022 to clarify the treatment of warehousing service fees, including the Value Added Tax (VAT) and the calculation of the Special Consumption Tax (SCT) base.</p>	<p>Analyze any expenditures and payments related to following expenses:</p> <ul style="list-style-type: none"> ▶ Products included in the list No. IV and A schedule of (II) and (III) whose SCT base is calculated based on VAT base excluding SCT ▶ All products subject to TRT Banderol fee <p>As a result of the analysis, it may be necessary to take an action with respect to the company's current customs practices.</p>	

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9	<p>Some other changes in Turkish tax laws</p> <ul style="list-style-type: none"> Corporation tax rate applies at 25% on the income of corporations in the financial sector such as banks, companies established under the Law No 6361, electronic payment institutions, asset management companies, and insurance companies. Funds transferred to Turkish companies by shareholders to replenish the diminished capital, are excluded in the determination of corporate income. Advertising expenses of taxpayers who acquire advertising services from those who have been banned from providing advertising services under the so-called Social Media Law No. 5156, are non-tax deductible in the determination of the income tax base. <p>These changes entered into force on 15 April 2022.</p>	Evaluate impact under the new regulations.



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EYG no. 003578-22Gbl

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