

# Tax Agenda Türkiye

December 2022




No.	Fact	Action
1	<p><b>Corporation tax exemption on the foreign currency converted into Turkish Lira (TRY) by the end of 2022</b></p> <p>If foreign currencies that are available in the balance sheet dated 31 March 2022 are converted and utilized in TRY deposit accounts with a maturity of at least three months, interest earned at the end of maturity, including income from period-end revaluation and other income will be exempt from corporation tax.</p> <p>President is authorized to extend this exemption for the balance sheets dated 30 June 2022 and 30 September 2022.</p> <p>With the Presidential Decree No. 6297 published in the Official Gazette on 27 October 2022, the exemption is extended to the balance sheets dated 30 September 2022.</p>	<p>Assess the foreign currency accounts and whether this exemption is applicable.</p>
2	<p><b>Continuous monthly reporting requirement for certain service providers from 1 August 2022</b></p> <p>Intermediary service providers, social network providers, and hosting providers that mediate the publication of movable and immovable properties, goods and services listings for purchase, sale, or rental, are required to report certain information pertaining to the said transaction and the publisher.</p>	<p>Complete the necessary technical infrastructure and provide appropriate conditions to receive such information from the publishers.</p>



Use text boxes above the timeline to plan your actions for coming months

● Compliance    ● Risk management    ● Cash-flow / ETR impact

No.	Fact	Action
3	<p><b>Istanbul Finance Center is introduced</b></p> <p>The Law introducing Istanbul Finance Center (IFC) is enacted. Participants of the IFC who perform exportation of financial services within the designated IFC office area, will have certain incentives, including the ability to keep their legal books in foreign currency and the eligibility to freely choose a law of a different jurisdiction as the governing law for their private law contracts.</p>	<p>Assess whether all incentives are utilized in the IFC.</p> <p></p>
4	<p><b>Banking Regulation and Supervision Agency (BRSA) limits the use of TRY denominated loan for certain companies whose TRY equivalent of foreign currency assets are more than TRY 15 million</b></p> <p>If companies, subject to independent audit, except for banks and financial institutions, have foreign currency cash assets at an amount higher than TRY 15 million (foreign currency deposit in banks and effective foreign currency including gold) as of date on which they would make loan application, such companies will not be extended a new ash commercial TRY denominated loan where foreign currency cash assets of companies in question exceeds 10% of total assets or annual net sales revenue (the one having a higher amount shall be selected) according to their most current financial statements.</p>	<p>Consider this limitation in your operations.</p> <p></p>
5	<p><b>Notional Interest Deduction (NID) limitation on cash capital contributions</b></p> <p>The implementation period, which was previously indefinite, of the NID on cash capital contributions has been limited to five years.</p>	<p>For companies making cash capital contribution in 2022, analyze your corporate income tax (CIT) calculations by taking into account that NID will be applied only for five fiscal periods, including the FY 2022. Also consider that NID rate is increased to 75% for cash capital contributions made abroad.</p> <p></p>
6	<p><b>New Tax Amnesty to repatriate cash, gold and certain securities - deadline by 31 March 2023</b></p> <p>The tax amnesty law which entered into force on 9 June 2021 expired on 30 June 2022. The Turkish Government has enacted a new tax amnesty law for foreign assets. A tax of 3% will be charged on the value of the notified assets.</p>	<p>Taxpayers can choose to notify and repatriate overseas money, gold, foreign currency, certain securities and other capital market instruments by 31 March 2023. Review the procedures set by the Communiqué published on 9 August 2022 to benefit from the amnesty.</p> <p></p>
7	<p><b>Stamp tax exemption on the immovable property sales agreements executed by notary publics</b></p> <p>Under the Law No. 7413, the immovable property sales agreements executed by notary publics are exempt from stamp tax, and papers issued in relation to these transactions will also be exempt from valuable paper fees.</p>	<p>Review your agreements in terms of available stamp tax exemptions.</p> <p></p>

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8	<p><b>Corporation tax rate</b></p> <p>Corporation tax rate is 23% for 2022 fiscal year.</p> <p>The corporation tax rate will be applied with one-point reduction for income exclusively derived from export transactions and on the income exclusively derived from manufacturing activities by corporations that has an industrial registry certificate.</p>	<p>Verify the relevant corporation tax rates on current tax and deferred tax calculations made for quarterly financials. (August 2022 is the advance return filing for the second 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>	●	●
9	<p><b>Corporation tax rate for financial institutions</b></p> <p>Corporate income tax rate is applied at 25%, instead of 23%, effective from FY2022, on corporate earnings of financial institutions (e.g., banks, electronic payment and money institutions, authorized foreign exchange institutions, asset management companies, capital market institutions, insurance and reinsurance companies and pension companies).</p>	<p>Banks and other financial institutions apply 25% CIT rate for FY 2022 and the following fiscal years.</p>	●	●
10	<p><b>Dividend withholding tax rate has been decreased to 10%</b></p> <p>Dividend payments made to non-resident shareholders are subject to withholding tax in Türkiye. Local rate for dividend withholding tax was decreased from 15% to 10% on 22 December 2021. Double Tax Treaties (DTT) should also be taken into consideration.</p>	<p>Check the WHT rates applied on the dividend distributions.</p>		●
11	<p><b>Türkiye increases ratio for time spent outside of Technology Development Zones and R&amp;D Centers</b></p> <p>Companies established in Technology Development Zones (Techno parks) and Research and Development (R&amp;D) Centers in Türkiye benefit from certain incentives. Specifically, the ratio for the time spent outside of techno parks and R&amp;D Centers was increased to 75% from 50%. This ratio is applicable with respect to the total number of personnel or total time spent by personnel, for the purposes of the income withholding tax incentive on wages. This ratio is applicable until 31 December 2023.</p>	<p>Consider certain tax incentives for technology and R&amp;D operations in Türkiye. Make a detailed review on the incentives application of your companies that are located in these zones and assess whether they are fully benefiting from the given tax incentives.</p>	●	●
12	<p><b>Default interest rate has been increased to 2,5% per month</b></p> <p>Default interest rate has been increased to 2.5% per month effective from 21 July 2022.</p>	<p>Consider the new default interest rate to the extent applicable to tax calculations.</p>	●	●
13	<p><b>Circular on the determination of the Ultimate Beneficial Owner (BO)</b></p> <p>Companies in Türkiye are required to report information of BOs who are either individual shareholders holding directly or indirectly more than 25% of the legal entity or have ultimate control of the legal entity.</p>	<p>Ensure that the BO of the company is determined and reported properly.</p>	●	

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14	<p><b>Tax ruling clarifies non-taxable status of liaison offices that are licensed as regional management centers and that do not perform any commercial activities</b></p> <p>If liaison offices perform regional management center activities as listed in their licenses and do not engage in any other commercial or income generating activities, it is clarified that the liaison offices will not constitute a permanent establishment, will not have corporation tax liability in Türkiye and salaries paid to the personnel will be exempt from income tax.</p>	<p>If the activities go beyond the licensed activities, then there would be a corporation tax liability and the salaries paid to the personnel would be taxable in Türkiye. Consider performing an in-depth tax analysis on the activities of liaison offices established in Türkiye to understand the potential tax implications by considering the activities that liaison offices are actually performing.</p>
15	<p><b>Tax treatment of capital reduction</b></p> <p>New law No. 7420 published on 9 November 2022 clarifies the order and tax treatment of reduction on the share capital that includes capital elements other than cash or in-kind capital.</p>	<p>Consider the outcome of the capital reduction if the capital of the Turkish entity consists of capital elements other than cash and capital in-kind contributions.</p>
16	<p><b>Income tax exemption on the salaries of the employees who work abroad</b></p> <p>Wages of the workers employed by employers in construction, repair, installation, and technical services that are carried out abroad, will be exempted from income tax if the respective wages are paid from the employer's earnings derived from outside of Türkiye.</p> <p>This provision will enter into force on 1 December 2022.</p>	<p>Assess whether your company is applying the tax exemption, if your company operates with employees in construction, repair, installation and technical services abroad.</p>
17	<p><b>Income tax exemption for meals paid in cash to employees</b></p> <p>Where an employer does not provide meals to employees, daily meal payments (51 Turkish Lira per day for the year 2022) made in cash directly to employees will be exempted from income tax.</p> <p>This provision will enter into force on 1 December 2022.</p>	<p>Check the income tax treatment of the meal payments made to the employees.</p>

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